ATTACHMENT A

INVESTMENT MANAGEMENT SERVICES

A Confidential presentation for:

Town of Moraga
Bob Kennedy, Town Treasurer
&
Emily Boyd, Finance Director

November 20, 2007

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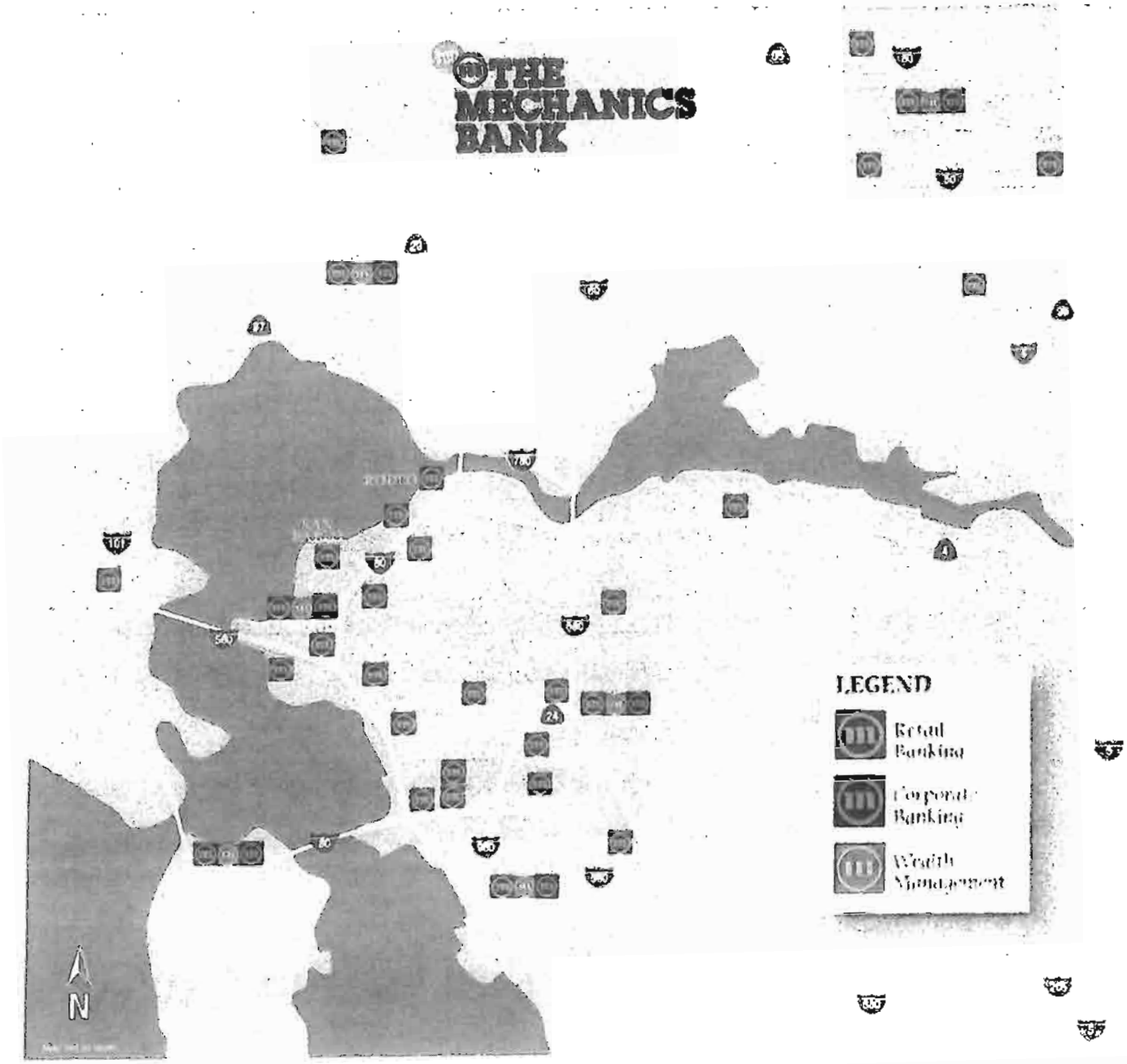
Welcome to The Mechanics Bank

- Founded in 1905
- 32 banking and financial locations in Northern California
- Over $2.8 billion in assets
- Core business lines:
  - Retail Banking
  - Corporate Banking to middle market, private companies
  - Wealth Management
- Bank is controlled by 3rd and 4th generations of founding family
- Committed to the communities we serve -- local management, engaged in local civic and non-profit activities


THE MECHANICS BANK
LEGEND
Retail Banking
Corporate Banking
Wealth Management
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Wealth Management at The Mechanics Bank

- $1.8 billion in assets under management for individual clients, their companies, and non-profit organizations

- Includes individual investment accounts, trusts, qualified employer plans, non-profit organizations, cash management for corporations

- Core services include:
  - Investment Management
  - Trust and Estate Administration
  - Private Banking
  - Financial Planning

- Wealth Management services have been provided to individuals and families for more than 40 years

Wealth Management at The Mechanics Bank

TRUST AND ESTATE SERVICES

Inter Vivos Trusts

Administrative Trusts and Estate Settlement

Testamentary Trusts

Qualified Domestic Trusts

Grantor Retained Annuity Trusts

Charitable Trusts

FINANCIAL PLANNING

Financial and Estate Planning

Business Succession Planning

Retirement Planning

Investment Planning

INVESTMENT MANAGEMENT

Customized Portfolio Management for:

Individuals and Families

Trusts and Estates

Corporations

IRAs and Tax Qualified Accounts

Not-For-Profits

Private Foundations

Client

BROKERAGE SERVICES*

529 Plans/Annuities/Mutual Funds

** Securities and insurance products through PrimeVest® Financial Services, Inc., an independent, registered broker/dealer, member SIPC and NASD. Investments are not insured by the FDIC or any federal government agency, are not bank guaranteed, and may lose value.*

PRIVATE BANKING

Lines of Credit

Home Equity Loans

Platinum Deposits and CDs

Construction-to-perm loans

Home Mortgage Services

Wealth Management at The Mechanics Bank

- We begin by identifying investment objectives with a review of personal client financial circumstances including such items as liquidity needs, tax issues, and estate planning circumstances influencing investment activities.

- We design an investment management strategy, incorporating unique time horizon and acceptable risk parameter guidelines. We detail the specific strategy in an Investment Policy Statement

- We then construct an appropriate portfolio asset allocation, continually monitor the investment performance and analyze the components of investment return.

- We will periodically meet to review your investment portfolio, as well as revisit your investment objectives, to ensure our performance meets your objectives as well as your service expectations.

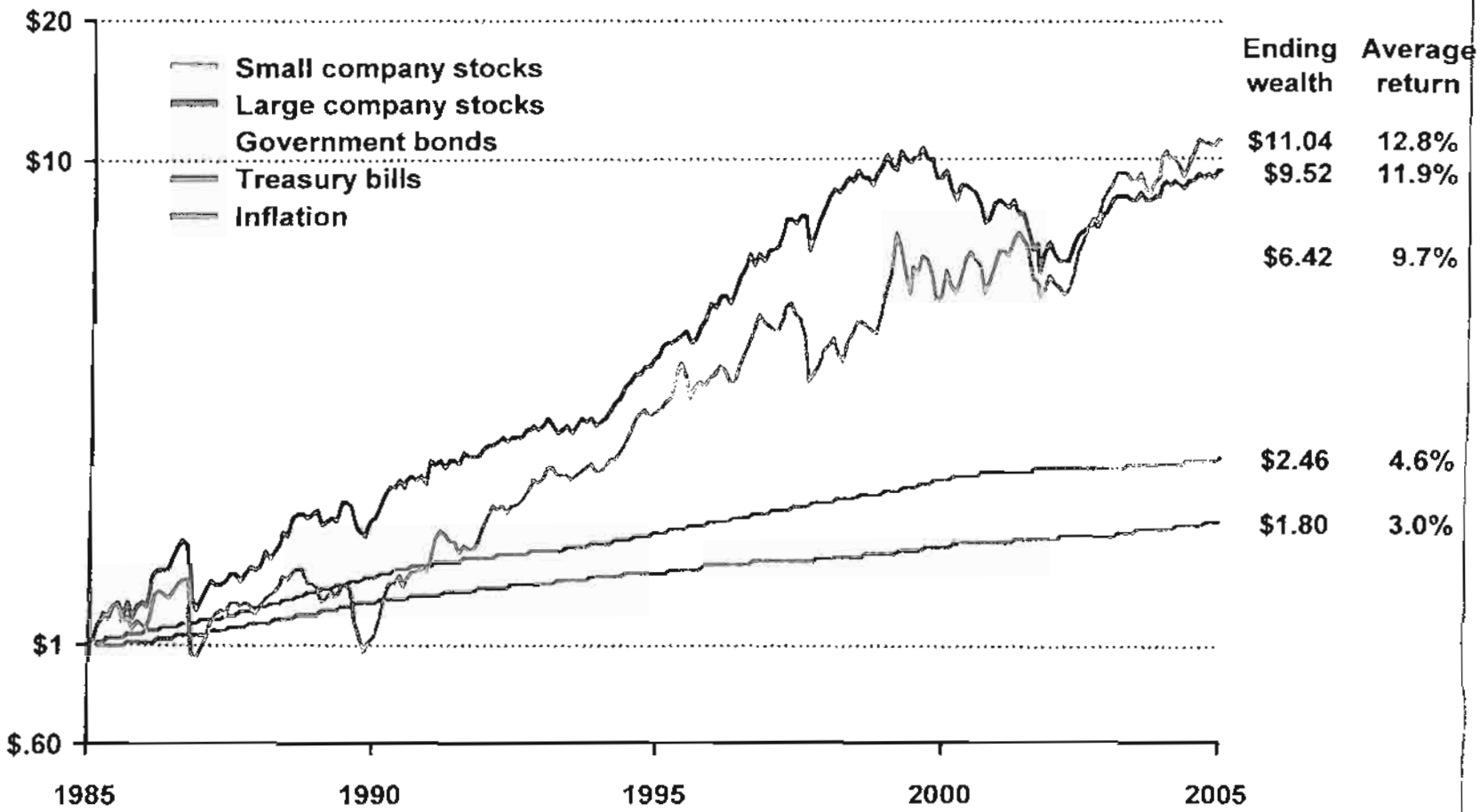
Our Investment Management Philosophy

We believe that superior long term investment performance is achieved by adhering to a disciplined method of:

- Dynamic global asset allocation
- Strategically emphasizing individual market sectors
- Diversification
- Understanding and managing risk

Stocks, Bonds, Bills, and Inflation

Year-end 1985–2005



Hypothetical value of $1 invested at year-end 1985. Assumes reinvestment of income and no transaction costs or taxes.

Our Investment Management Philosophy

Avoiding Conflicts of Interest

- We are a fiduciary, which means we are required to place your interest before that of our own.
- We are conflict free and are compensated only by asset management fees.
- We do not accept financial incentives or any special arrangements from any other money managers, mutual funds or advisors.
- We have no proprietary funds and no inventory of securities.

Our Investment Management Philosophy

Dynamic Global Asset Allocation

- "Think Globally" quite simply defines our approach to investment management. The changing evolutionary nature of both the global economy and financial markets demands a broad view of the entire investment landscape. A global focus allows us to achieve broad portfolio diversification and maintain a constant focus on attractive investment opportunities.

- Asset allocation is the cornerstone of successful investment results. Through a process of top down macro economic analysis and bottom up individual investment selection, we maintain flexibility and responsiveness to changing global financial market conditions.

- Identifying attractive long-term sector investment themes, structuring portfolios to take advantage of those themes, and being willing to invest for long-term results is a core driver of our investment philosophy.

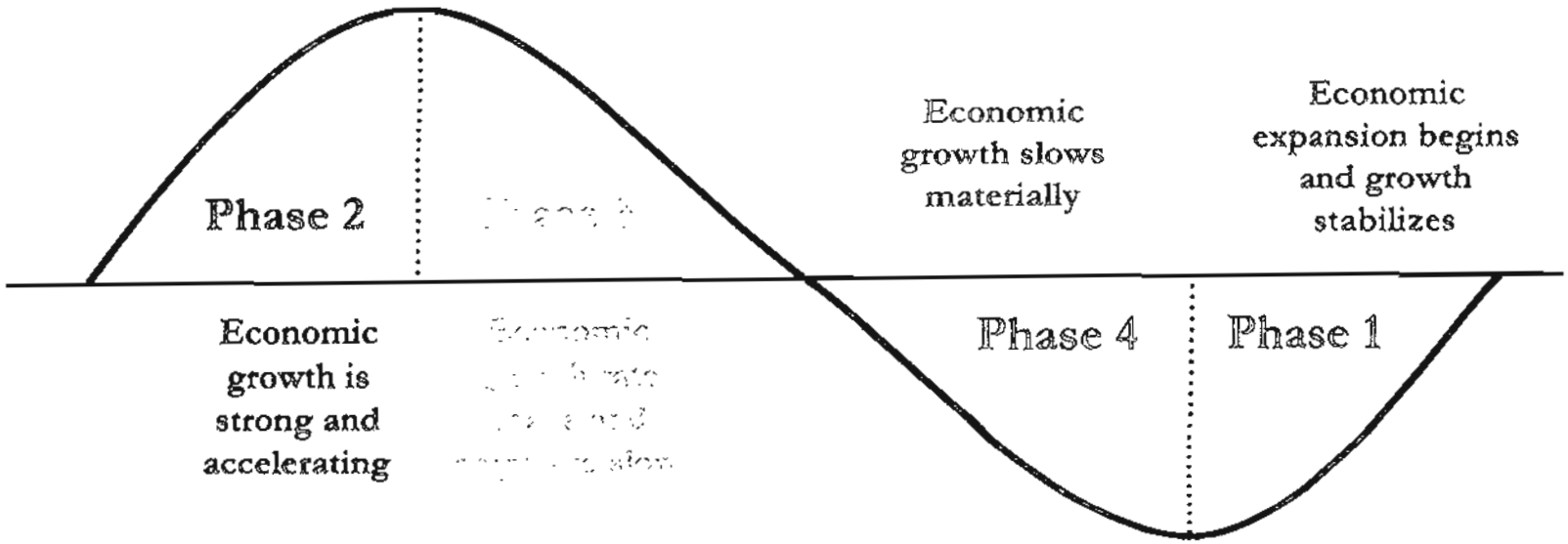
Our Investment Management Philosophy

Strategic Decisions on Individual Market Sectors

- A key to understanding the changing nature of the financial markets over time is found in properly assessing the dynamics of the business cycle. As the global business cycle moves slowly through phases of expansion and contraction, investors need to reallocate portfolios to take advantage of attractive sector opportunities offered by each succeeding phase of the cycle.

- As opposed to being "market timers", we will carefully evaluate current economic and financial market circumstances as an integral part of the process of ongoing dynamic global asset allocation.

Business Cycle



Our Investment Management Philosophy

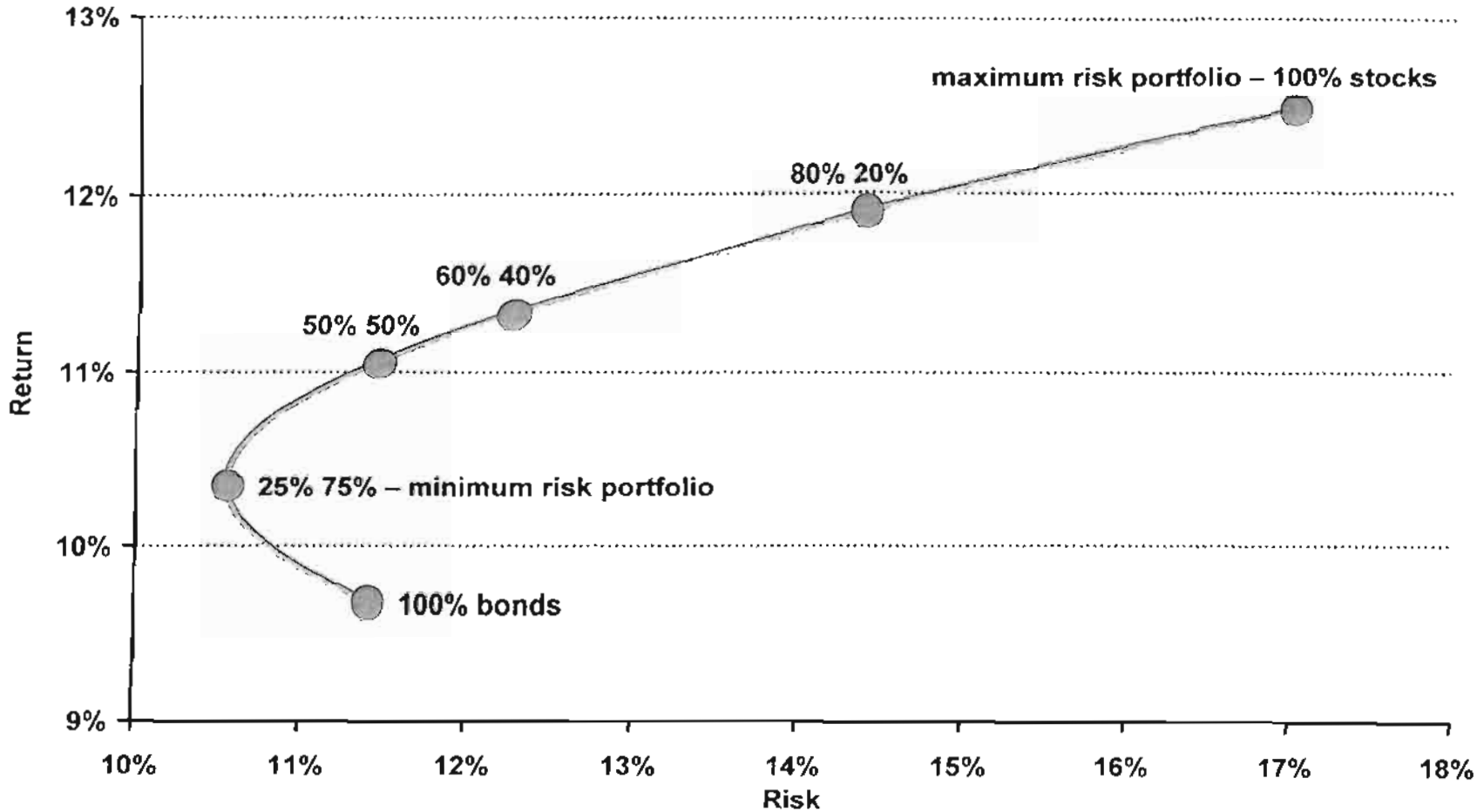
Understanding and Managing Investment Risk:

- A priority in managing investment accounts is first understanding unique client needs, circumstances and expectations, necessarily including tolerance for experiencing both normal and extraordinary market volatility.

- Within the construct of overall risk management, we focus not only on achieving acceptable benchmark relative returns, but more importantly generating absolute returns in all accounts under management. The process of defining and managing acceptable risk parameters is uniquely driven by individual account circumstances.

Stocks and bonds: risk versus return

1970–2005



Risk is measured by standard deviation. Return is measured by arithmetic mean. Risk and return are based on annual data over the period 1970–2005. Portfolios presented are based on modern portfolio theory.

Our Investment Management Process

Investment Research and Evaluation

- Our research process is characterized by independence of thought and decision making. Our goal is to identify attractive long term investment themes, carefully select individual investment opportunities to capitalize on these themes, and implement appropriate action in client accounts.

- We have access to most all major Wall Street research sources. More importantly, we also rely meaningfully on conflict-free, non-Wall Street independent domestic and global investment research.

- We construct unique client portfolios using a combination of core domestic equities, individual fixed income instruments, as well as globally oriented and sector specific exchange-traded funds and no-load mutual funds.

Our Investment Management Process

Active vs. Passive Investments

- Our globally oriented investment approach recognizes that both passive and active investment strategies can indeed complement each other in building broadly diversified portfolios.

- Passive strategies allow us to achieve both carefully chosen geographic specificity at any point in time as well as concurrent broad asset class diversification.

- Rather than active or passive investment vehicles being a separate philosophical investment orientation, we believe they can be highly complementary when implemented appropriately.

Your Relationship Team

- Your Private Wealth Manager, Brooks Haden, is always available to coordinate the relationship team, schedule periodic reviews, communicate investment performance and answer any questions about additional services that are available to you as a client.

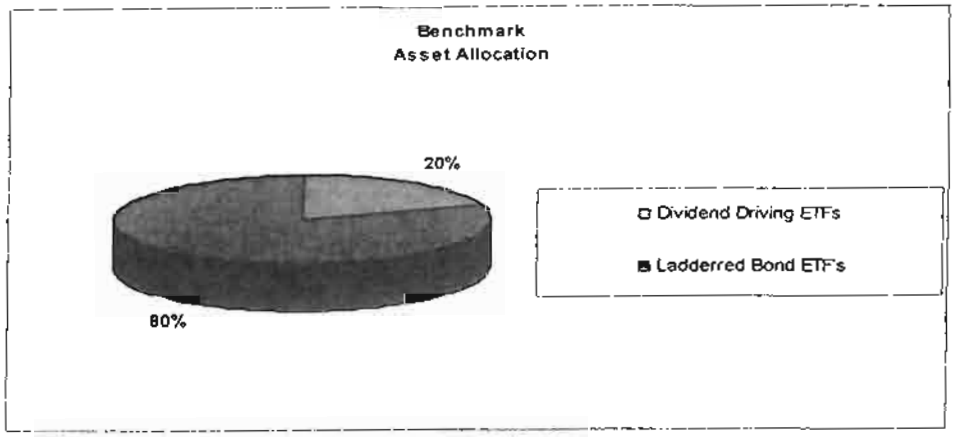
- Your Portfolio Manager, Brian Pretti CFA, MBA, CFP is responsible for implementing your investment strategy and for answering any questions you have regarding your portfolio. In addition, your Portfolio Manager will coordinate any financial planning projects you require, as part of helping you define your investment strategy.

- Our Estate Planning and Business Succession Planning Specialist, Carol O'Neill, is available to discuss your estate planning objectives and the various ways of achieving those goals (trusts, gifting, business succession planning). As an attorney, she can answer your questions about estate and gift taxes and also serve as a "second pair of eyes" to review your documents, with any changes to be implemented by your own attorney.

- Should you require a Trust and Estate Officer, a specialist will be assigned to your team to help execute any specific fiduciary, accounting or gifting responsibilities which you have entrusted to us.

Recommended Portfolio in lieu of Certificates of Deposit

TMB Income ETF Portfolio Benchmark Allocations	
Dividend Driving ETFs	20.0%
Ladderred Bond ETF's	80.0%

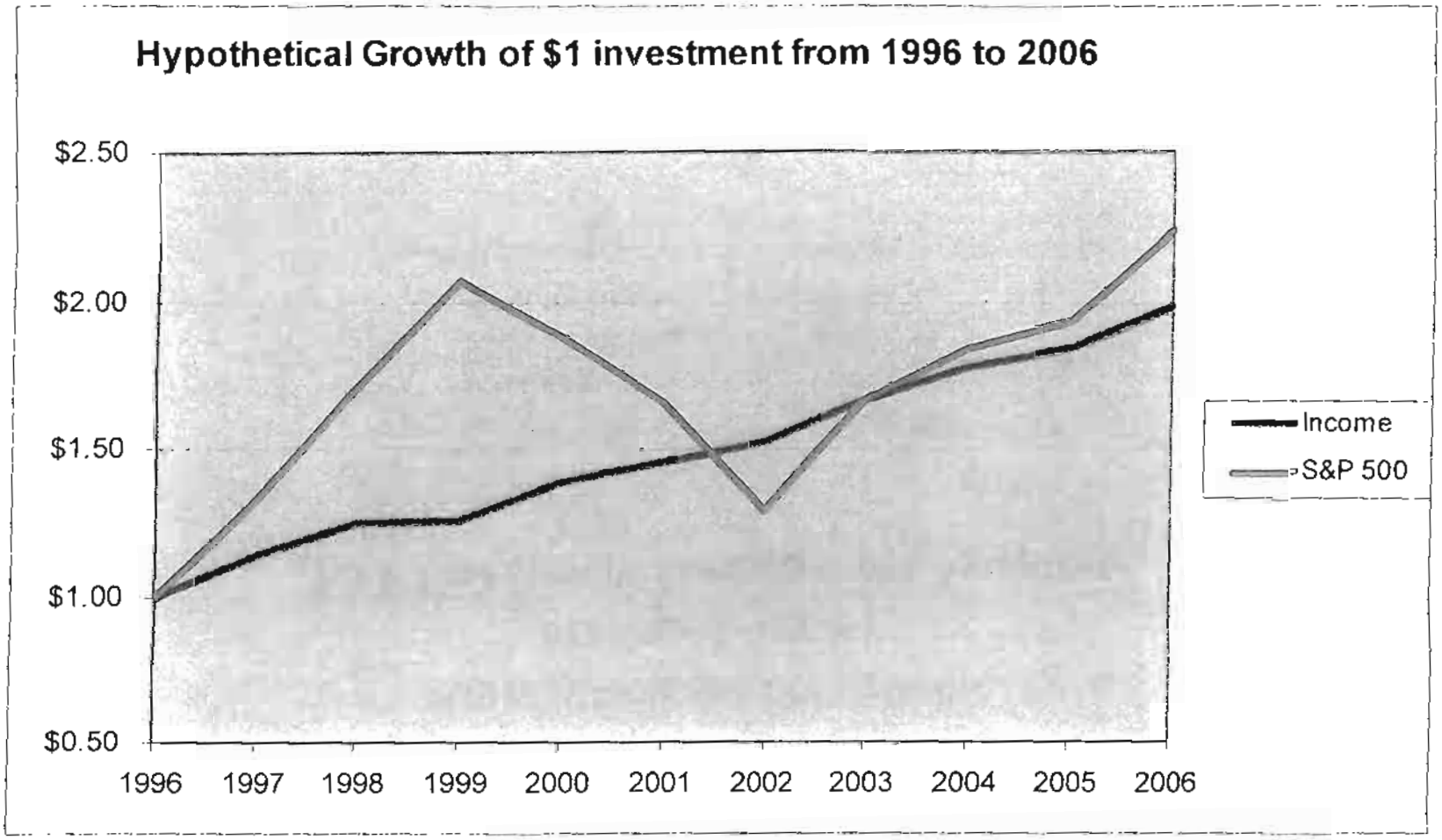


Back-tested Returns Modeled through June 2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Cum.
TMB Income ETF Portfolio	14.11%	9.59%	0.42%	10.27%	5.27%	4.71%	9.25%	6.78%	3.37%	7.94%	102.72%
3 Month Tbills	5.20%	5.00%	4.90%	6.10%	3.40%	1.60%	1.00%	1.40%	3.30%	4.90%	46.77%

TMB Income ETF Portfolio	10 yr	5 yr	3 yr
Annualized Return	7.11%	6.39%	6.01%
Standard Deviation	3.92%	2.38%	2.38%
Sharpe Ratio	0.90	1.30	1.06
3 Month Tbills			
Annualized Return	3.67%	2.43%	3.19%
Standard Deviation	1.82%	1.63%	1.75%

Income ETF Portfolio



Fee Schedule

Annual Fees for Full Service
Managed Agency
ETF Investment Management Accounts

Market Value	Annual Fee
First $1 Million	0.95%
Next $1 Million	0.80%
Next $1 Million	0.65%
On Balance	0.50%

Minimum Annual Fee: $2,000