



**Proposal for
Investment Advisory Services
to the**



August 17, 2007

PFM Asset Management LLC

77 West Port Plaza, Suite 220

St. Louis, MO 63146

314-878-5000

314-878-5333 fax



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

77 West Port Plaza
Suite 220
Maryland Heights, MO 63146

314 878-5000
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www.pfm.com

August 17, 2007

Mr. Ed Mullins
Finance Director
City of Lawrence, Kansas
6th East 6th Street
P.O. Box 708
Lawrence, KS 66044

Dear Mr. Mullins:

Thank you for the opportunity for PFM Asset Management LLC to submit a proposal to provide investment advisory services to the City of Lawrence, Kansas (the "City"). PFM Asset Management LLC and Public Financial Management Inc. are part of the PFM Group ("PFM") which makes us unique among public sector advisory firms in both our size and our dedication to investment advisory services. PFM is the leading independent municipal financial and investment advisory entity in the United States. We are confident that we can assist you in implementing an effective investment strategy for your operating funds and the proceeds of your recent and future bond issues.

PFM Asset Management LLC ("PFMAM") currently manages over \$27 billion in short and intermediate-term assets (bond proceeds, operating funds, reserves, and other non-pension type funds). Unlike banks and securities firms, investment advisors such as PFMAM are registered and examined by the SEC. PFM's partnership with the City will be characterized by the unique fiduciary role we assume in management of the City's funds.

Why Choose PFM? - We want your business

Public Sector Focus & Experience – PFM has been managing funds for public and non-profit agencies since 1980 and we currently manage over \$27 billion of public sector assets. We have built a strong reputation in this specialized field as we always strive to meet the special needs of our public sector clients. Additionally, we know the markets, understand the special needs of public sector investors, and have the technical resources needed to develop effective investment strategies. We have extensive experience managing bond proceeds and would implement a strategy that seeks to maximize returns while providing necessary liquidity and safety of principal. PFM's team is committed to providing the highest level of service to the City of Lawrence, Kansas. No other firm brings this level of experience of working with public sector clients like the City of Lawrence, as we will provide investment advice, portfolio management, and arbitrage rebate services for the City's assets.

Performance – We have a performance record - built on twenty-seven years of work - of superior results, both in terms of the high credit quality and excellent investment returns of our clients' portfolios. PFM has helped our clients enhance the performance of their portfolios while, at the same time, carefully controlling and limiting market risk. How do we improve returns? We actively seek out opportunities to restructure the portfolio and increase projected earnings. *For over twenty seven years we have made **safety** the number one priority.*



The PFM Group

Our Track Record and People – PFM is currently ranked as one of the top independent advisors in the nation for the public sector. A firm does not achieve this status unless it has both technical competence and a thorough understanding of its clients. PFM has attracted many long-time professionals with a solid background in both finance and government service.

PFM also has extensive investment policy and procedure review and development experience. We have helped hundreds of governmental entities around the country develop, update, and improve their written investment policies, prepare cash flow analyses, perform portfolio risk evaluations, and develop asset and liability management programs.

We appreciate your consideration of this proposal and look forward to discussing it with you in greater detail. Should you have any questions please feel free to contact William Sullivan at (314) 878-5000 Ext. 225 or via e-mail at sullivanw@pfm.com or contact Maria Altomare at (314) 878-5000 Ext.222 or via e-mail at altomarem@pfm.com.

Sincerely,

PFM Asset Management LLC



William T. Sullivan, Jr.
Managing Director



Maria Altomare
Senior Managing Consultant



The PFM Group

PFM's Executive Summary for the City of Lawrence, Kansas

PFM Asset Management LLC ("PFM") offers premier investment advisory services primarily for public sector clients. These public fund clients currently entrust PFM with over \$27 billion. Our clients are public fund investors just like the City of Lawrence, Kansas. Typical PFM investment advisory clients include entities such as cities, school districts, counties, colleges and universities, and other "public" tax-collecting entities. Public fund management is PFM's primary focus.

Our St. Louis, Missouri and Harrisburg, Pennsylvania offices will service the City and will be available for consultation on a continuous basis. Maria Altomare, a Senior Managing Consultant, will serve as the lead manager and Bill Sullivan, Managing Director who is responsible for part of PFM's Midwest asset management business, will serve as the co-lead manager for this engagement. Both Maria and Bill are located in St. Louis and both have over twenty years of experience in the public sector. As you can see, while there are other investment providers to choose from, PFM is the only firm that combines the experience, size, and expertise to best serve the City of Lawrence, Kansas.

PFM's philosophy is to emphasize safety and liquidity in each client portfolio while always looking to optimize yields or interest income. PFM optimizes portfolio yields by executing value added techniques via PFM's active management process.

All investment advisory services will be provided by a highly trained and experienced staff. The key staff members experience and expertise is described with this proposal. As needed, PFM will be able to tap the considerable skill and experience of its 370 employees.

In conclusion, PFM has always placed client partnerships and customized financial solutions as its number one priority, and to show our commitment to the City of Lawrence, we are willing to provide the City with the following investment advisory services:

<i>Fixed-Income Portfolio Management</i>	<i>Cash Management</i>
<i>Bond Proceeds Investment Management</i>	<i>Arbitrage Rebate Compliance</i>
<i>Cash Flow Forecasting</i>	<i>Investment Policy Development</i>
<i>Structured Investment Products</i>	<i>Escrow Structuring / Restructuring</i>

PFM is committed to the public funds market and is committed to serving governmental entities throughout the entire nation. PFM wants to partner with the City of Lawrence to form a dynamic financial team to meet the challenges unique to the City.



The PFM Group

Investment Proposal

to the

**CITY OF LAWRENCE, KANSAS
Investment Advisory Services**

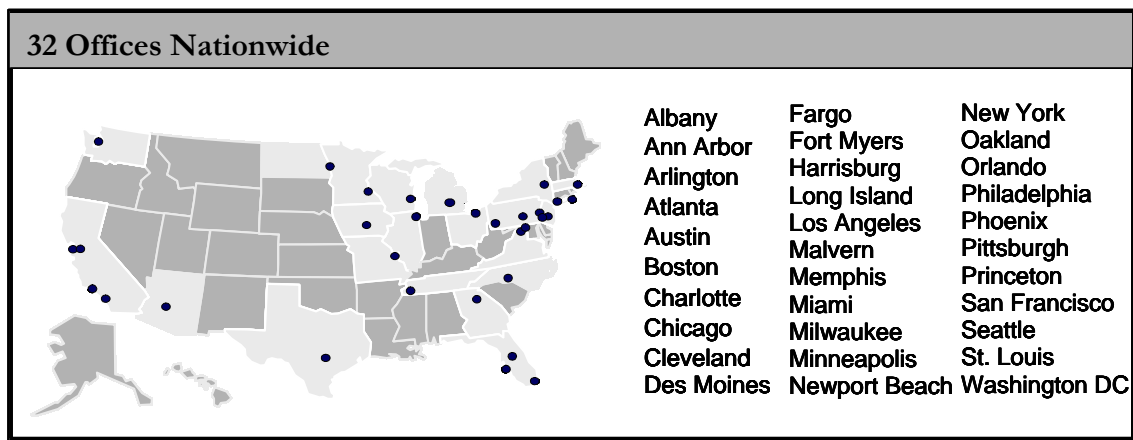
Dated: August 17, 2007



The PFM Group

Background

PFM Asset Management LLC ("PFM") is an affiliate of the PFM Group. The PFM Group, which includes Public Financial Management, Inc. (referred to collectively as "PFM"), is devoted to providing investment advisory and financial advisory services to the public sector. Public Financial Management, Inc. was founded in 1975 and began providing sound, independent investment management services in 1980. PFM is owned and managed by the firm's managing directors who, as a group, set the overall strategic direction for the firm. Individual managing directors are responsible for specific practice areas, such as investment management, or regional practices, and also manage specific engagements. Today, PFM is the leading independent municipal financial and investment advisory entity in the United States. The following is a map that shows the location of the PFM Group's thirty-two offices:



We serve only **one** interest: that of our clients and no one else. This fact, coupled with our proven track record and comprehensive approach to finance makes PFM a leader in providing investment advisory services to local and state governments as well as institutional borrowers and investors.

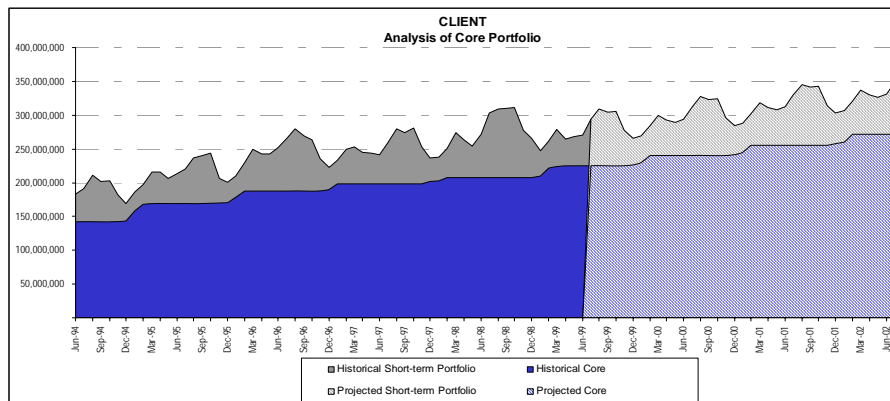
PFM has been directing the management of public sector and institutional funds for over twenty-five years. In this time PFM has had extensive experience in managing both statewide investment pools and individual client portfolios designed to earn highly competitive yields while maximizing safety and liquidity. The fact that PFM brings value to its clients is evident in the growth of assets under management from \$1 billion in 1986 to over \$27 billion today. We have extensive experience in providing investment services for cities such as the City of Lawrence, Kansas.

I. Scope of Work

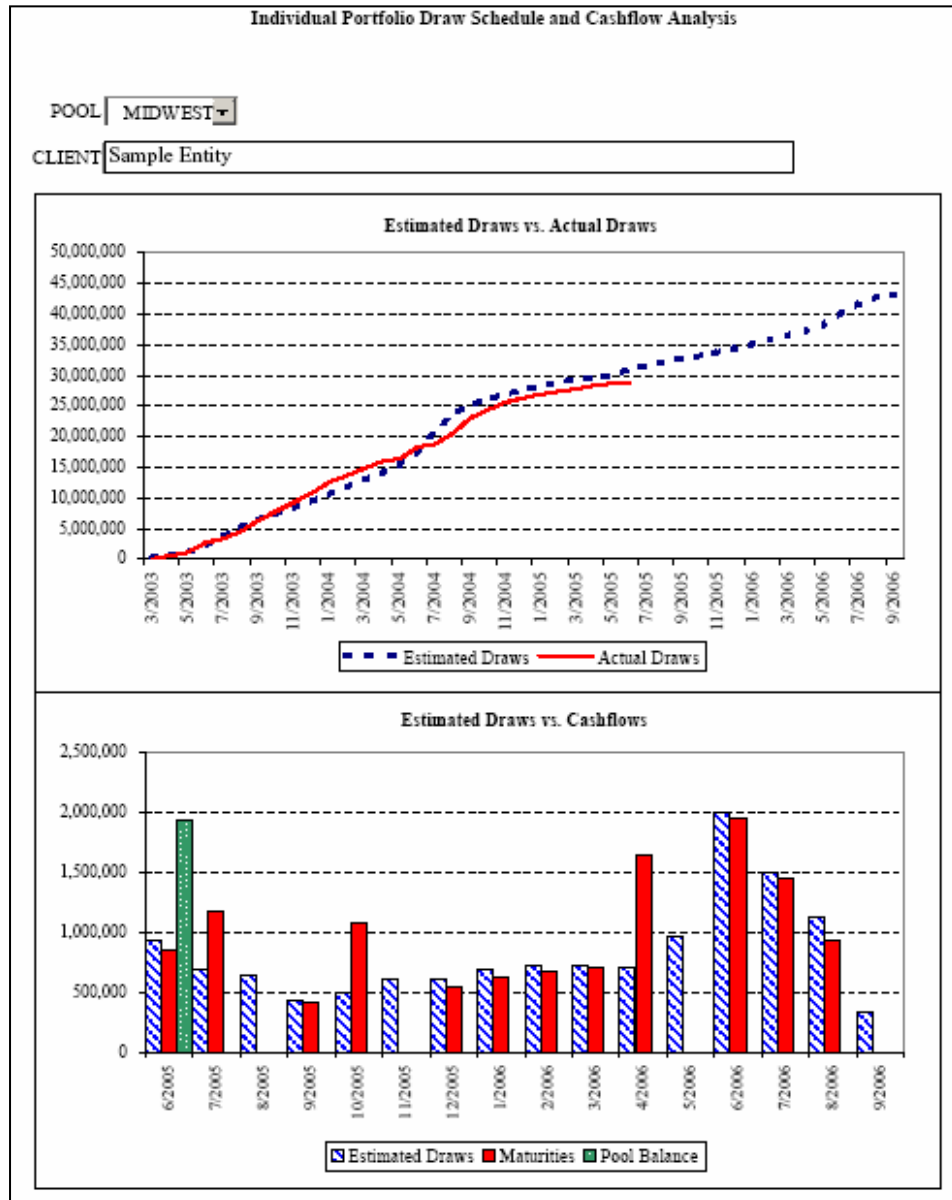
A. Assist the City of Lawrence with cash flow / maturity analysis.

Accurate cash flow projections are a critical component to developing an effective investment strategy. This is why PFM has dedicated significant resources to modeling our clients' cash flows. We have worked with many public agencies to track and forecast cash flows. One of the first steps in developing an investment strategy for the City will be to analyze the City's cash flow requirements, which would include an analysis of historical cash flow patterns, any predictable seasonality, and any known or anticipated unusual funding needs. To conduct this analysis, PFM has developed a sophisticated proprietary cash flow model that evaluates historical cash flow patterns. Using this analysis, we could allocate funds between a liquid portion that would accommodate fluctuating cash flows and a core portion that could be invested out longer without adversely affecting the liquidity of the portfolio.

In addition to preparing this analysis as part of the initial strategy formation, we would also update and re-run the model on an on-going basis to identify changes in the City's cash flows and ensure the optimal allocation between the liquid and core portions of the portfolio. The following chart represents a typical chart in an operating funds cash flow analysis/forecast:



Additionally, with regards to bond proceeds, the following chart shows how PFM uses an individual portfolio monitor program to compare the estimated draw schedule to actual cash draws on a monthly basis as a performance and investment tool. Through this monitoring program, PFM will assist the City in making future investment decisions that may improve overall earnings.



B. Provide credit analysis of investment instruments in portfolio.

As investment manager, we will perform all the detailed credit analysis of both the securities we would purchase for the City as well as the broker/dealers from which they would be purchased. Our analysis on each issuer includes a thorough analysis of the financial position, summary of the corporate culture and management philosophy, and also a comprehensive review of the issuer's competitive environment.

PFM has a formal credit approval process that requires an analysis, write-up, and approval by the Chief Investment Officer of all new credits. Research is overseen by a Senior Portfolio Manager who is a CFA Charterholder. This process also includes repurchase agreement counterparties. PFM relies on credit rating agencies, on-line information sources, company-provided financial information, and market insights in reviewing and monitoring credit. Once approved, a company is subject to regular review and updates, although market developments could trigger an immediate review.

C. Give timely responses to inquiries and offer the ability to discuss concerns by telephone during normal business hours.

The City's primary contact will be with Ms. Maria Altomare. Ms. Altomare, a Senior Managing Consultant with over 21 years of experience in finance, will be the project engagement manager. Ms. Altomare is located in our St. Louis, Missouri office and will be the primary contact for the City. The following contact information below is for Ms. Altomare and also for her co-manager (backup), Mr. William Sullivan:

Ms. Maria Altomare
Senior Managing Consultant
77 West Port Plaza, Suite 220
St. Louis, MO 63146
(314) 878-5000 x222
(314) 878-5333 fax
altomarem@pfm.com

Mr. William Sullivan
Managing Director
77 West Port Plaza, Suite 220
St. Louis, MO 63146
(314) 878-5000 x225
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sullivanw@pfm.com

We will meet with the City as often as necessary to ensure that its investment objectives are met. Ongoing communication is an important part of our client relationships. We believe that there is more to managing a portfolio than buying and selling securities. An important element of our relationship with the City will be frequent contact with the designated staff to communicate the status of the investment program and coordinate investment activity and to make any adjustments, as necessary.

To encourage a close dialogue between the City and the PFM engagement team, we will attend meetings as requested. The City will also have daily access to our portfolio managers by telephone, and of course, client service, analytical, and accounting staff would also be available by telephone to answer any questions. In addition, the City will have on-line access to month-to-date transactions report and a listing of daily portfolio holdings to stay informed about current investment activities. Maria Altomare will attend any briefings requested by the City.

PFM is committed to assigning a team of top investment professionals to work on this engagement with the City. Ms. Altomare, as the primary contact with the City's account, will be supported by an entire team of PFM professionals, including Managing Director William Sullivan, Consultant Sarah Dille, and Managing Director Timothy Sullivan. In the following table, we outline the PFM personnel who will work on this engagement with the City. The engagement team leaders will be supported by a team of professionals consisting of portfolio managers, trading assistants, analysts, and client support staff who will be fully familiar with the City's account. This team approach will provide the City with the personal attention it deserves while utilizing PFM's extensive resources and experience. The following chart identifies and describes the engagement team and the individual professionals in our organization who will be involved directly with the City's account. We have also attached brief resumes for the PFM team in the Appendix.



Team Member/ Title	Role with the County
ENGAGEMENT TEAM LEADS	
Maria Altomare , <i>Senior Managing Consultant</i>	Primary Account Representative
William Sullivan , <i>Managing Director</i>	Account Coordinator
Sarah Dille , <i>Consultant</i>	Client service management
ENGAGEMENT TEAM MEMBERS	
Timothy Sullivan , <i>Managing Director</i>	Supervisor
Robert Cheddar , <i>Senior Portfolio Manager</i>	Portfolio management, investment review, and portfolio monitoring
Danny Nelson , <i>Consultant</i>	Technical, analytical, and client portfolio support

D. Evaluate market risk and develop strategies that minimize the impact on the portfolio.

Market volatility, or the volatility of interest rates, could work either to the advantage or disadvantage of the City depending on how rates change. For example, if rates are volatile but generally increasing, a portfolio of securities would provide the City with the opportunity to take advantage of higher yields since a portion of the funds would be invested in a money market fund. Conversely, if rates are volatile and generally decreasing, a portfolio of securities could potentially generate lower interest earnings because the rate of the money market fund would also decline.

Any investment strategy would expose the City to some form of risk. Investing 100% of the City's funds in a money market fund would expose the City to the risk of generating lower interest earnings as a result of a possible decline in the yield of the fund. Conversely, investing the funds in a portfolio of securities would expose the City to market or interest rate risk. Market risk is the risk that rates will increase, causing the value of the security the City holds to fall. Thus, the City could incur a loss on its investment if rates rise and the City needs to liquidate its investments prior to maturity.

The City's portfolio would be structured to mitigate the impact of market volatility. The average duration of the proposed portfolio would be structured to provide liquidity for projected expenditures. In addition, PFM's active management approach would enable the City to take advantage of opportunities created as a result of market volatility. For example, if longer-term rates rise and the expected expenditures are delayed, short-term securities with lower yields may be swapped for higher yielding investments. However, if the City's cash flow schedule accelerates and interest rates have risen, the City could potentially incur a loss on securities sold prior to maturity. Under this scenario, given the appropriate lead time, our traders can be selective in selling securities to attempt to minimize any potential losses. PFM would assist the City with restructuring the portfolio if the cash flow schedule changes to minimize the City's exposure to market risk.

PFM takes an **active management** approach to investing bond proceeds, considering several important aspects of each issue – including the draw schedule, arbitrage status, and current market rates – as mentioned above. Once the portfolio is structured, PFM monitors closely how the actual draw schedule compares to the anticipated draw schedule, and will notify the City in advance if

additional funds need to be spent in order to comply with the spending exception requirement. In addition, PFM responds to changes in market conditions, swapping in and out of securities and maturities and shopping among our numerous broker/dealer contacts for the cheapest prices, in order to maximize the City's retainable earnings. As a result, the recommended investment strategy is customized to meet the unique investment objectives and drawdown schedule of the City. PFM also considers the probable arbitrage rebate status of bonds prior to developing and recommending a specific investment strategy.

E. Provide assurance of portfolio compliance with applicable policies and laws.

PFM specializes in assisting state and local governments and municipalities in complying with the complexities of local statutes and arbitrage rebate regulations. We document that, where applicable, all investments that are purchased will be in compliance with Kansas state statutes and the Tax Code's "fair market value" or "safe harbor" rules and report information on all purchases in compliance with GASB. Additionally, PFM will only purchase investments that are permissible under the City's investment policy and section K.S.A. 12-1675 of the Kansas Legislature.

F. Impose possible yield restrictions resulting from IRS arbitrage regulations.

PFM has the ability to provide its clients with arbitrage rebate services at no additional cost. These services include arbitrage rebate calculations, yield restriction compliance calculations, and spending exception analysis. Arbitrage rebate calculations and yield reduction payment calculations are prepared as of each five-year anniversary date and at the final maturity of the bonds, as well as upon request. Arbitrage reports also can be provided annually at the City's request. Spending exception compliance tests are provided in two forms, an estimate one-month prior to the actual benchmark date (e.g., a calculation five months after issuance to determine compliance with the six-month benchmark test) and a computation as of the applicable benchmark date. By providing estimates in advance of the actual test date, we are able to notify our participants if additional funds need to be spent in order to comply with the expenditure requirement. Spending exception compliance reports would be provided semi-annually unless the exception no longer applies. In addition, throughout the construction period, the City would be able to access its funds through our wire transfer services at no additional charge.

In addition to portfolio management services, the City would receive comprehensive arbitrage rebate tracking and reporting services at no additional cost. This would include exception compliance reports, arbitrage rebate reports, penalty-in-lieu-of-rebate calculations (if applicable), yield reduction payment computations, and compliance with any yield restriction requirements. This can be a very valuable service to the City.

Moreover, we will monitor and assist the City in complying with the arbitrage rebate regulations and yield restriction requirements. Upon request, we will calculate the City's accrued arbitrage rebate liability and yield restriction liability. If a positive liability exists, we can set up an account in preparation of a future payment. We can also implement strategies to blend down any excess earnings. As of each installment computation date (typically every 5 bond years), we will prepare arbitrage rebate and yield reduction payment computations to determine if a payment is necessary. If a payment is required, we will prepare the IRS Form 8038-T, which is used to make payments to the Federal Government. If the City of Lawrence wishes to have a legal opinion associated with each installment computation, however, there would be a \$1,000 fee charged for that legal opinion.

We utilize a proactive approach to monitor proceeds attempting to meet a spending exception. One month prior to each 6-month benchmark test date, we provide an estimate computation to inform the participant if additional funds need to be spent to meet the test. If the benchmark is not met as of the estimate date, we follow-up with a final calculation as of the actual benchmark date to inform the issuer if the minimum-spending requirement has been achieved. If a participant has elected to pay the penalty-in-lieu of rebate, we would assist the participant in making such payment by computing the payment and preparing the IRS Form 8038-T. To recap, as of the 5th bond-year, we will send the City a computation of arbitrage rebate and/or yield reduction payment computation. For spending exceptions we send an estimate one month in advance of the compliance test date in order to notify the City of Lawrence if additional funds need to be spent.

G. Establish and appropriate performance benchmark.

Benchmarks are used to measure and evaluate investment performance, and are used to make comparisons of risk and return. Benchmarks can also be used to evaluate the relative merits of a particular investment strategy. A portfolio's absolute level of return offers little useful information for performance evaluation unless considered in relation to a benchmark. It is difficult to evaluate performance if the only available information is that a portfolio has earned a total return of 6%. However, knowing that a particular portfolio has earned 6% while portfolios with similar characteristics earned 8% over the same holding period provides a much clearer picture of a portfolio's performance.

PFM will assist the City with the development of ongoing investment guidelines and standard performance measurement standards based on the City's future cash flow requirements and identified risk tolerances. PFM has assisted clients in evaluating the investment performance for both funds managed internally and for accounts managed by an outside investment advisor. In many instances, we have relied on standard market indices and in some cases we have constructed customized indices. However, measuring market performance is not an exact science. Because each investment portfolio has a unique set of investment constraints, cash flow patterns, and liquidity requirements, it is difficult to develop and apply a "standard" index.

There are a number of readily available indices of bond market performance. Some track a single security and others track a basket of securities. For instance, the Merrill Lynch Treasury Bill and Note indices reflect the total return for the current "on-the-run" Treasury issues (i.e., 90-Day Treasury Bills, 1-Year Treasury Bills, and 2-Year Treasury Notes, etc.). Merrill Lynch also maintains indices of various baskets of securities (i.e., U.S. Treasury Bills maturing in 0 – 12 months, U.S. Treasury securities maturing in 1 – 3 years, etc.). Most indices are updated daily and are readily available through on-line information services such as Bloomberg, and major indices are published in the *Wall Street Journal*.

It is our philosophy that a performance benchmark should reflect the level of risk and cash flow requirements in a managed portfolio. For this reason, we most often choose performance benchmarks for clients based on the targeted maturity range of the portfolio and the types of securities permitted by the client's policy. Selecting a benchmark is part of the overall process of developing and implementing an investment plan that addresses the City's specific investment objectives and needs. As part of this process, it is our goal to evaluate alternatives and look for opportunities to build upon and improve on the City's current investment program. Generally PFM clients are restricted to high-quality fixed income securities with portfolios that have target durations close to two years. Because of its similar duration and portfolio characteristics, we typically utilize the

Merrill Lynch 1-3 Year U. S. Treasury Index to compare performance on a market value basis. In addition to the Merrill Lynch Indices, we have relied on, and maintained data bases of generally accepted market indices such as the Donoghue Index, Payden & Rygel Total Return Indices, and the return (both book and market) on U.S. Treasuries. Selecting a benchmark that matches the target duration of a fund is typically an appropriate approach.

Once established, PFM carefully monitors portfolio performance versus the clients' benchmarks and manage the portfolios accordingly. The quarterly performance report will compare the performance of the City's portfolio against the benchmark(s) selected by the City. Performance will be compared on a current quarter basis and also over much longer time periods, as available.

H. Ensure portfolio structure matches the City's objectives.

PFM's philosophy is distinctive because, unlike other investment advisors, every security we buy must be suitable for a public entity. The strategy designed with its primary objective to avoid credit risk and minimize market risk since these are the objectives that are generally emphasized by our public sector clients; hence, our strategy makes no use of complex derivatives.

In order of priority, our investment objectives are to:

- (i) preserve capital
- (ii) provide needed liquidity
- (iii) optimize earnings, within the parameters set forth in (i) and (ii)

There are a number of checks and balances in our structure and operation that would ensure the regular review of the City's portfolio for compliance with all investment guidelines. Due to PFM's exclusive focus on government entities, PFM has implemented a number of operations that have been individually tailored to meet our client's needs and ensure compliance with all investment guidelines, including:

Safety. Only an investment strategy that is prudent for a government entity would be proposed. The strategy entails the use of high-quality instruments, such as Federal Agencies and U.S. Treasuries. Investments would be limited to those that are the highest quality. All purchases would be made only after specific approval by an authorized City representative. Investments would be matched in maturity to projected cash flows. The securities purchased for the individual portfolio would be held in a custodial account in the name of the City. Accounting personnel would regularly review the City's account to ensure that funds are deposited and transferred in accordance with the City's policies, and every month they would reconcile the City's account with bank statements from the custodian. Additionally, portfolio managers and trading assistants monitor the credit quality of the holdings in each of our portfolios so that appropriate action can be taken if an issuer risks being downgraded, although the potential for default is extremely minute given that we would purchase primarily U.S. Treasury and Federal Agency securities for the City.

Liquidity. We would maintain frequent contact with the City to ensure that we have the most current cash flow projections. When significant changes occur, we would restructure the portfolio, either to shorten maturities and improve liquidity or lengthen maturities and capture higher yields.

Legality. Portfolio managers, trading assistants, and the analytical team who are familiar with the details of relevant Kansas investment regulations would develop an investment strategy that is

consistent with the City's requirements. They would also review the City's portfolio for compliance with permitted investments and policy guidelines on an ongoing basis.

Yield. Before purchasing or selling a security for the City, our portfolio managers would evaluate, among other factors, the City's overall investment objectives and the effect it would have on the portfolio's overall yield and then discuss the opportunity with the City of Lawrence, Kansas.

Value can be added to an account by carefully evaluating the client's actual cash flow needs versus projected cash flow requirements as part of the ongoing investment strategy. After purchasing the initial portfolio, **we monitor the cash flow schedule** through direct contact with client project managers or engineers and **continually update cash flow projections**. This active approach allows us to make appropriate adjustments to the portfolio so that assets and liabilities are properly matched and **earnings are constantly maximized** to the extent permitted by state statutes. PFM also seeks out opportunities to recommend and execute **yield enhancing trades** upon the City's approval.

I. Recommend an investment strategy for idle and core City funds that may include different approaches depending upon the interest climate.

PFM will develop a comprehensive investment strategy for idle and core City funds after careful evaluation of the City's expected cash flow requirements, investment policy, risk tolerance, applicable statutes, and dictates of prudent investing. This investment strategy would be designed to provide adequate safeguards to ensure the safety and liquidity of funds while at the same time providing enough flexibility to allow the City to meet realistic performance objectives such as outperforming the Merrill Lynch 1 – 3 U.S. Treasury Index without unnecessary exposure to credit and market risk. The investments utilized for this investment program would be of high credit quality.

J. Investment practices and procedures must comply with Kansas state law and the City of Lawrence's written investment policy.

PFM will only utilize investments that are permitted under applicable state statutes and the City's investment policy for all of the City's funds. For the City, we plan on using only high-quality instruments, such as Federal Agencies and U.S. Treasuries. We have reviewed the City's investment policy and we feel that we are fully familiar with all of the legally allowable investments that the City is permitted to invest in.

K. Under this contract, the City of Lawrence's objectives are:

- i. Maximize incremental income from the City's portfolio while avoiding arbitrage penalties.**
- ii. Provide for operational efficiency and information flow on the portfolio.**
- iii. Improve the City's investment capabilities**
- iv. Match maturities with cash flow requirements.**

Noted and agreed to. The primary focus of the strategy designed for the City will be the objectives that are listed above.



II. Fees: The proposal shall include a complete fee schedule and an estimate of costs required to complete the required tasks.

PFM's fees are based on assets under management. Importantly, there is no per trade fee or commission that could lead to account churning or a biased recommendation.

Operating Funds

For the management of the City's operating cash flows, PFM proposes to charge the City an annual fee, in monthly installments based on assets under management, pursuant to the following fee schedule.

Average Assets Under Management

First \$25 million
Over \$25 million

Fees (in Basis Points)

0.120% (12.0 basis points)
0.080% (8.0 basis points)

The first \$25 million in assets under management will be assessed a fee of twelve (12) basis points. Assets beyond \$25 million will be assessed a fee of eight (8) basis points.

The annual rate would be applied to the average daily balance of assets under management and billed monthly.

The asset-based fee quoted above is all-inclusive and would cover all investment management services and reporting described in this proposal. As part of PFM's standard investment advisory services, we would provide the City with a review of the investment policy. Other services include monthly and quarterly reports, cash flow analyses, and portfolio investment sensitivity analyses. There would be no extra travel or expense charges.

PFM has no soft dollar arrangements with broker/dealers and we do not accept finder's fees nor earn commissions nor have any fee arrangements with mutual funds. PFM does not receive any brokerage fees, referral fees, origination fees, inventory mark-up, trading spreads, commissions, or any other source of income. Furthermore, PFM does not participate in any "soft-dollar" arrangements with any brokers nor do we have any business relationships that could be perceived as affecting the objectivity of our advice. In addition, all transactions are executed through a competitive bidding process to ensure the best price for our clients. We have no business affiliations which would affect the investment performance of the City's account.

Bond Proceeds:

For the management of the City's bond proceeds, fees for investment advisory and custodial services as described in this proposal would be 8 basis points (0.08%). The annual rate for these types of securities would be applied to the average daily balance of assets under management and would be invoiced on a monthly basis.

We will offer investment advice on a non-discretionary basis and assist the City in the purchase of investments for the above-mentioned advisory fee. The asset-based fee includes all of the services related to the investment of the City of Lawrence's bond proceeds including:

- the competitive procurement of the initial portfolio
- on going active management of portfolio securities
- execution of yield enhancing trades

- on-line reporting, monthly statements, etc
- arbitrage rebate advice and compliance reporting
- development of innovative financing techniques and investment products

Additional Services

Structured Products (Flexible Repurchase Agreement or Guaranteed Investment Certificates (GIC)) – If the City wishes to enter into a flexible repurchase agreement for the purpose of investing its bond proceeds, we will propose a separate flat fee for the structuring and the competitive bidding of the proposed investment agreement.

Custodial Services – The City has the option to use U.S. Bank N.A. as its custodian bank or can use an existing custodial arrangement that it already maintains with a qualified bank. However, it should be noted that we are not responsible for any security custody, safekeeping services, or custodial fees that may be incurred by the City if it chooses to use its own custodian bank instead of U.S. Bank N.A.

III. Reporting: Describe the investment accounting and reporting system used by your firm and provide an example. Provide recommendations that you've made to other government entities regarding investment of capital project funds.

PFM will provide the City with monthly and quarterly reports which will provide the City with compliance and performance of the City's investment portfolio. All PFM reports are compliant with GASB, GIPS, and TPFIA standards. As part of our accounting functions, PFM provides all clients with a monthly investment summary which details holdings, realized and unrealized earnings for the month, and reports of all purchases, sales, maturities, interest deposits, and withdrawals for the month. Monthly reports provide the necessary accounting information required for entry into the City's general ledger. Additionally, PFM can assist the City with the journal entries associated with investment transactions. PFM's monthly statements provide mark-to-market valuation to fully comply with the reporting requirements under GASB 34. Our Accounting Director, Debbie Goodnight, CPA, has assisted the GASB Board in the development of GASB 31 and GASB 40. She is available to the City for any accounting issues.

PFM will provide the City with comprehensive quarterly investment reports which will provide all of the detail required by state statutes as well as a summary of the current investment strategy, an Economic Summary to review the market environment that existed during the quarter, and a report showing compliance with applicable investment policies of the City and Kansas state statutes. These reports will also compare the benchmark with the performance of the City's portfolio. The reports provide detailed information on the performance of the portfolio versus the benchmark for the quarter, last 12 months, and since inception. Also included in the quarterly reports is security detail regarding the asset and maturity distribution of the portfolio for the current quarter versus the prior quarter. The quarterly reports also contain market update information which discusses the current events and expectations within the market place, as well as the month-end statements for each portfolio. Summary portfolio information is prepared both in text form and graphically to enhance the readability of the product.

In addition to the quarterly and annual reports, PFM provides a monthly market update and outlook report which recaps the prior month's economic and market activity and provides insight into what is expected in the market place. Since significant economic events occur many times during the quarter and are often time sensitive, PFM also provides interim market update reports which discuss various economic indicators and how these have and are expected to impact the economy and how these changes affect PFM's investment strategies.

The following standard reports are provided to PFM clients, and include:

Report	Frequency	Content
Daily Holdings	Daily	Holdings report showing the current days opening positions; Security details, par, cost, duration, purchase yields and discounts. Available online
Activity and Portfolio Holdings	Monthly	Description of all securities held in the portfolio as of the end of the month. Includes fair market values and analytics, security transactions and current month gains and losses.
Transactions for Month	Daily	Description of all transactions executed during the current month. Available online.
Performance Reports	Quarterly	Provides economic summary of previous quarter and includes a performance summary of accounts including strategy employed and the anticipated portfolio strategy for the upcoming quarter. Total return performance is compared to an established benchmark.

Internet Access to Portfolio – PFM clients can access their account and portfolio information through our online reporting system at www.pfm.com. Clients can review current portfolio holdings/listings and recent transaction information on PFM's secure web site which is available through the end of the previous business day. This information is updated daily. In addition to trade activity, the month-end accounting statements will also be available on-line within a few days after the end of each month (usually the 3rd or 4th business day). These monthly reports provide the necessary accounting information required for entry into a client's general ledger. A confidential password for each client ensures the confidentiality of the data. Clients save time and system costs by utilizing PFM's sophisticated and proprietary links.

PFM Asset Management LLC utilizes a sophisticated portfolio accounting system, CAMRA 2000 version 3.5, to provide on-line analytic and reporting capabilities. The system also allows PFM to perform both security-specific analyses and analyses of a group of securities or an entire portfolio. The highly flexible accounting system also allows PFM to customize reports according to the specifications of our clients. PFM's sophisticated investment and reporting system allows us to provide performance reporting which fully complies with the investment standards of the CFA Institute's Global Investment Performance Standards (GIPS).

Finally, through PFM's client reporting web-site, the City will have "real time" secure access to its accounts, twenty-four hours a day, seven days a week. A sample report that would be available to the City on a daily basis is illustrated below:

PFM Asset Management LLC

Detail of Securities Held:

57805080

SAMPLE CLIENT

As Of:

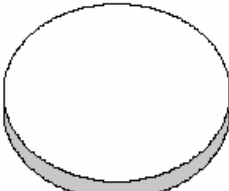
Wednesday, June 13, 2007

5:28 pm

(Excluding Cash)

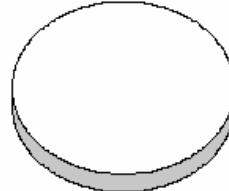
SECURITY TYPE	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	S&P RATING	TRADE DATE	SETTLE DATE	ORIGINAL COST	YTM AT COST	ISSUER	MARKET VALUE
US TSY BILL												
	912795ZM6	US TREASURY BILL	2,715,000	0.00	06/21/07	TSY	04/30/07	04/30/07	2,696,411.30	4.773	UNITED STATES TREASURY	2,707,756.38
	912795A27	US TREASURY BILL	2,500,000	0.00	09/20/07	TSY	04/30/07	04/30/07	2,452,119.83	4.916	UNITED STATES TREASURY	2,464,065.00
	912795A50	US TREASURY BILL	2,535,000	0.00	10/11/07	TSY	04/16/07	04/16/07	2,473,877.14	4.997	UNITED STATES TREASURY	2,491,935.42
			7,750,000						7,622,408.27	4.892		7,663,756.80
US TSY BOND/NOTE												
	912828EU0	US TREASURY NOTES	2,500,000	4.38	01/31/08	TSY	07/31/06	07/31/06	2,475,781.25	5.054	UNITED STATES TREASURY	2,491,015.00
	912828AT7	US TREASURY NOTES	2,500,000	3.00	02/15/08	TSY	04/16/07	04/16/07	2,458,496.09	5.052	UNITED STATES TREASURY	2,465,430.00
	912828DK3	US TREASURY NOTES	2,500,000	3.38	02/15/08	TSY	04/30/07	04/30/07	2,468,457.03	5.006	UNITED STATES TREASURY	2,471,290.00
	912828FC9	US TREASURY NOTES	2,500,000	4.88	04/30/08	TSY	04/16/07	04/16/07	2,496,191.41	5.023	UNITED STATES TREASURY	2,495,702.50
	912828DT4	US TREASURY NOTES	2,565,000	3.75	05/15/08	TSY	05/31/07	05/31/07	2,534,640.82	5.031	UNITED STATES TREASURY	2,534,140.49
	912828FG0	US TREASURY NOTES	2,500,000	4.88	05/31/08	TSY	07/31/06	07/31/06	2,493,554.69	5.020	UNITED STATES TREASURY	2,495,507.50
	912828FM7	US TREASURY NOTES	2,500,000	5.00	07/31/08	TSY	08/15/06	08/15/06	2,502,148.44	4.952	UNITED STATES TREASURY	2,499,220.00
	912828FR6	US TREASURY NOTES	2,500,000	4.88	08/31/08	TSY	10/02/06	10/02/06	2,506,542.97	4.728	UNITED STATES TREASURY	2,495,312.50
	912828BK5	US TREASURY NOTES	2,500,000	3.13	09/15/08	TSY	05/31/07	05/31/07	2,441,406.25	5.019	UNITED STATES TREASURY	2,441,210.00
	912828BM1	US TREASURY NOTES	2,500,000	3.13	10/15/08	TSY	08/15/06	08/15/06	2,407,910.16	4.936	UNITED STATES TREASURY	2,437,695.00
	9128274V1	US TREASURY NOTES	2,500,000	4.75	11/15/08	TSY	10/02/06	10/02/06	2,503,125.00	4.683	UNITED STATES TREASURY	2,491,210.00
	912828GB0	US TREASURY NOTES	2,500,000	4.75	12/31/08	TSY	01/02/07	01/02/07	2,498,339.84	4.783	UNITED STATES TREASURY	2,490,820.00
	912828BZ2	US TREASURY NOTES	2,500,000	3.00	02/15/09	TSY	01/02/07	01/02/07	2,411,621.09	4.772	UNITED STATES TREASURY	2,420,507.50
			32,565,000						32,198,215.04	4.928		32,229,060.49
TOTAL SECURITIES			\$40,315,000						\$39,820,623.31	4.921 %		\$39,892,817.29

Issuers by Market Value



☐ UNITED STATES TREASURY 100.0%
☐ 0.0%

Ratings by Market Value



☐ TSY \$39,892,817 100.0%
☐ Total: \$39,892,817 100.0%

B-1

As mentioned above, all of the performance and yield calculations used by PFM Asset Management LLC are within the national standards of the CFA Institute (formerly the Association for Investment Management and Research – “AIMR”).

A sample PFM monthly report that we will provide to the City is included in the Appendix of this proposal.

PFM adheres to a privacy code and maintains the confidentiality of all of our clients and client portfolio information; therefore we cannot provide further information on these existing clients such as actual recommendations that we have made to other government entities regarding the investment of their capital projects funds. However, below we describe our quality service levels and our investment experience in managing capital project funds for governmental entities.

IV. Experience: Describe your firm's experience in managing capital project funds for governmental entities. List any experience with local governments in the area.

PFM was founded in 1975 and began providing sound, independent investment management services in 1980. PFM is owned and managed by the firm's managing directors who, as a group, set the overall strategic direction for the firm. Individual managing directors are responsible for specific practice areas, such as investment management, or regional practices, and also manage specific engagements. Today, PFM is the leading independent municipal financial and investment advisory entity in the United States.

PFM Asset Management LLC is a registered investment advisor under the Investment Advisors Act of 1940; therefore our firm is examined by and is subject to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). We are an independent advisor, not a broker or dealer, and we do not maintain an inventory from which we buy or sell securities for our clients. PFM's only business is, and will remain, that of independent financial and investment advisors. PFM maintains a broker-dealer subsidiary, PFM Fund Distributors, Inc., whose sole business is to facilitate in the marketing and administration of local government pool investment programs. With regards to this particular engagement, PFM will always act in a fiduciary capacity on behalf of the City.

PFM has extensive experience in providing investment services for **thousands** of governmental entities across the nation. We have extensive experience with public entities located in the Midwest. PFM assists several cities nationwide with investment and other financial needs, including: cash flow analyses, discretionary investment management, non-discretionary investment advice, structured investment advisory/bidding, administration of local government investment pools (LGIP's), arbitrage rebate services, and procurement of banking and custodial services. We are the nation's leading provider of government investment pool programs with over \$9 billion in assets in over a dozen different pooled programs with over 5,000 participants.

PFM is recognized nationally for its expertise in the management of proceeds from tax-exempt bond issues. Our approach fully integrates the requirements and restrictions imposed by the Federal Arbitrage Regulations into the investment strategy and we provide ongoing monitoring to insure continued compliance for our clients.

Once an investment decision has been made, PFM pursues an aggressive and intensive effort to obtain the **best** possible bid/offer price available for the particular security by soliciting bids/offers from at least three qualified financial institutions. We regularly deal with over 20 national broker/dealers. On each trade we solicit bids/offers from those firms that have previously demonstrated the best performance in that market segment.

While managing a bond proceeds construction account we will carefully evaluate the client's projected cash flow needs as a basis for the development of a target duration and overall investment strategy. After purchasing the initial portfolio, **we monitor the drawdown schedule** through direct contact with client project managers or engineers and **continually update cash flow projections** and the accrued rebate liability of the issue. This active approach allows us to make appropriate adjustments to the portfolio so that assets and liabilities are properly matched and **earnings are constantly maximized** to the extent permitted by the arbitrage regulations.

With the direct involvement and approval of appropriate the City of Lawrence staff, we will execute all trades for the account. On a continuous basis, we will evaluate all market movements in addition to the City's cash flow needs, to manage and direct the investment of all of the assets under management.

We would maintain frequent contact with the City to ensure that we have the most current cash flow projections. When significant alterations occur, we would restructure the portfolio upon the City's approval, either to shorten maturities and improve liquidity or lengthen maturities to extend duration and possibly capture higher yields.

When managing bond proceeds, our overall objective is to maximize the earnings that the issuer may retain while complying with all aspects of the Tax Code and rebate regulations, thereby increasing the funds available to finance issuers' capital projects. As an example, for a bond proceeds construction account we will carefully evaluate the client's projected cash flow needs as a basis for the development of a target duration and overall investment strategy. After purchasing the initial portfolio, we monitor the drawdown schedule through direct contact with client project managers or engineers and continually update cash flow projections and the accrued rebate liability of the issue. This active approach allows us to make appropriate adjustments to the portfolio so that assets and liabilities are properly matched and earnings are maximized to the extent permitted by the arbitrage regulations.

Attention to arbitrage and rebate compliance is an integral part of our management of bond proceeds. The integration of the investment function and arbitrage and rebate compliance ensures that attention is given to the requirements of federal law throughout the investment period and not "after the fact." Before we begin investing a client's bond proceeds (and before the new bond issue has settled if an existing client), we consider all relevant arbitrage considerations, including:

- Does the issuer qualify for the small-issuer exception?
- Is the issuer likely to meet, based on the estimated draw schedule, any of the expenditure exceptions?
- Would there be a significant expected benefit from electing penalty in lieu of arbitrage rebate, or, if the issuer has already elected penalty, how can PFM assist the issuer in minimizing the penalty and maximizing retainable earnings?
- Has the issue been refunded? Is the 3-year temporary period still in effect? Have any funds become yield restricted?
- Must the bond yield be recalculated by virtue of a refunding?
- Does the bond yield reflect payments made for a "qualified hedge"?
- Are there any opportunities to blend yields, e.g. between a construction fund with positive arbitrage and an escrow with negative arbitrage?
- In a refunding, is there an escrow that should be restructured in order to reduce negative arbitrage?
- Would an investment in tax-exempt securities allow the issuer to increase retainable earnings?

Our services and experience encompasses a broad range of investment strategies. We have assisted clients in developing and implementing investment approaches ranging from the structuring of a ladder portfolio for a construction fund to bidding a put option on a debt service reserve fund. Initially, we help to evaluate the advantages and disadvantages of available alternatives and can then make recommendations regarding the optimum strategy. Once an approach is selected, we are available to assist in the implementation of the strategy. Investment strategies and options that we provide to our clients include structured portfolios, guaranteed investment contracts (GICs), flexible repurchase agreements, refunding escrows, forward rate agreements, put agreements, and interest rate swaps.

Outlined below is a review of what we have already done for a local government in the area that we deem relevant to the proposed scope of services outlined in this RFP:

Kansas Department of Transportation

PFM was retained by the Kansas Department of Transportation (KDOT) in 1992 to evaluate existing investment policies and portfolio management strategies for a \$250 million Highway Trust Fund and to assist in designing a policy and strategies to manage these funds as well as \$800 million of bond proceeds that would finance a state wide transportation program.

To begin, PFM participated in drafting the Department's written investment policy which was comprehensive in terms of permitted investments, asset allocations, and reporting. Next, we prepared a detailed analysis of the existing portfolio that was invested heavily in asset-backed securities, and following this analysis recommended specific strategies to diversify the portfolio to reduce interest rate risk should rates decline significantly. These strategies reduced overall portfolio volatility. Furthermore, in an effort to better-immunize the portfolio against interest rate risk, PFM developed models to prepare detailed monthly cash flow projections and relate them to changes in both the market and payment schedules. Currently, we provide ongoing investment advice, participating in regular meetings of the Department's investment committee, which prepares recommendations on portfolio structure and investment management that are then forwarded to the state treasurer for implementation.

V. Schedule: The City wishes to maximize its return on investment. As a result, it is desired that the consultant begin work within two weeks of the approval of the proposal.

PFM is dedicated to integrating our investment management services for the City in an efficient and seamless manner. We will work with the City staff to ensure that there is no disruption of the City's investment operation in any way. PFM could be ready to manage the City's funds very quickly and, if necessary, could be ready to begin executing trades within two weeks of finalizing contract terms assuming full cooperation from the City, the custodian bank (if not U.S. Bank, N.A.), and the current investment manager. We are fully staffed and able to begin providing the services described in this proposal without the addition of staff. The transition would be handled in a way that would be transparent to the City. PFM has experience managing other, comparable similar-sized cities to ensure a smooth integration. We believe that the effort required by the City to add PFM as investment manager would be minimal. Involvement of the City would be limited to contract negotiation, custodial bank authorization, and several initial meetings to discuss other matters, reporting requirements, and cash flow analysis. We would make every effort to minimize the manpower required to effect a speedy and efficient integration.

VI. Client References: At least three (3) and not more than five (5) previous client references shall be provided in the proposal. The firm shall provide the name, address, telephone number, and title of a contact person familiar with the firm's competencies and who can be contacted by the City of Lawrence.

The following is a list of five (5) references in that we recently managed and we encourage you to contact them to learn more about our quality service levels and investment results. We have provided investment advisory services to and have established strong relationships with the following governmental entities over the last several years:



The PFM Group

References

Kansas Department of Transportation Eisenhower State Office Building 700 S.W. Harrison Street Topeka, KS 66603 Contact: Bruce Burditt, Chief of Bureau of Fiscal Services (785) 296-7216	City of Colorado Springs 30 S. Nevada Avenue, Suite 202 Colorado Springs, CO 80903 Contact: Ms. Terri Velasquez, City Finance Director (719) 385-5203	Lindbergh R-VIII School District 4900 South Lindbergh Boulevard St. Louis, MO 63126-3299 Contact: Mr. Patrick Lanane, Assistant Superintendent & Chief Financial Officer (314) 729-2480
Capital Metropolitan Transportation Authority 2910 East Fifth Street Austin, TX 78702 Contact: Ms. Cynthia Hernandez, Chief Financial Officer (512) 389-7524	City of Roseville 311 Vernon Street Roseville, CA 95678 Contact: Mr. Russ Branson, Finance Director (916) 774-5320	

VII. Equal Employment Opportunity Agreement

PFM recognizes the value of a diverse workforce and welcomes each employee with his/her special skills and contributions. In addition to PFM's recognition of and commitment to diversity in its workforce, Equal Employment Opportunity (EEO) is the law.

The law, as well as PFM's own policy, prohibits any type of discrimination against applicants and employees on the basis of age, color, creed, disability, marital status, national origin, race, religion, sex, or veteran status.

The Chief Executive Officer of PFM and its Senior Management are committed to the policy and practice of EEO and Workforce Diversity. Each manager, at every level, is charged with the responsibility of carrying out this policy and fostering this practice.

PFM has developed an Affirmative Action Program and takes specific action to ensure that its own EEO policy is practiced in all personnel transactions, including recruitment, hiring, training, promotion, demotion, compensation, benefits, transfers, termination, tuition assistance, as well as social and recreational programs.

Management and supervisory personnel are responsible for the implementation and effectiveness of EEO and Affirmative Action within the areas of their responsibilities. All employees of PFM are required to adhere to this policy and to cooperate in its implementation.

PFM has appointed Steve Boyle, Managing Director, to manage the EEO and Affirmative Action Policies. His responsibilities will include monitoring all Equal Employment Opportunity activities and reporting the effectiveness of this Affirmative Action Program, as required by Federal, State and Local agencies. The Chief Executive Officer of PFM will receive and review all reports on the progress of the program.



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Disclaimer

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or recommendation. The information contained in this report is not an offer to purchase or sell any securities.



The PFM Group

Appendix I
Sample Monthly Report

Investment Portfolio Information For
MODEL PORTFOLIO 1

Portfolio #
TEST2

Section / Report Title

- A. Account Summary
- B. Detail of Securities Held
- C. Fair Market Values & Analytics
- D. Security Transactions & Interest
- E. Cash Transactions Report
- F. Realized Gains & Losses
- G. Cash Balance Report

For The Month Ending
June 30, 2007

TEST ACCOUNT
INVESTMENT ACCOUNTING
ONE KEYSTONE PLAZA, SUITE 300
NORTH FRONT & MARKET STREETS
HARRISBURG PA 17101-2044

PFM Asset Management LLC

Account Summary:

TEST2

MODEL PORTFOLIO 1

(Excluding Cash)

MONTH ENDED:

June 30, 2007

SECURITY TYPE	PAR VALUE	AMORTIZED COST	MARKET VALUE	MARKET % OF PORTFOLIO	YTM AT COST	YTM AT MARKET	DURATION TO WORST
CORPORATE NOTE	22,600,000.00	22,516,806.07	22,407,442.45	19.987	5.074	5.349	1.766
FED AGY BOND/NOTE	60,050,000.00	60,375,499.80	60,242,865.76	53.734	5.188	5.326	1.829
US TSY BOND/NOTE	30,070,000.00	29,564,957.85	29,462,392.10	26.279	4.735	4.943	1.754
TOTAL SECURITIES	112,720,000.00	112,457,263.72	112,112,700.31	100.000	5.047 %	5.230 %	1.797
TOTAL INVESTMENTS	112,720,000.00	112,457,263.72	112,112,700.31	100.000 %			
ACCRUED INTEREST		1,368,689.37	1,368,689.37				
TOTAL PORTFOLIO	\$112,720,000.00	\$113,825,953.09	\$113,481,389.68				

Disclosure Statement: PFM's monthly statement is intended to detail our investment advisory activity. The custodian bank maintains the control of assets and executes (i.e. settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. Only the client has the authority to withdraw funds from or deposit funds to the custodian and to direct the movement of securities. Clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions. PFM recognizes that our clients may use these reports to facilitate record keeping, therefore the custodian bank statement and the PFM statement should be reconciled and differences resolved. PFM's market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg or Telerate. Prices that fall between data points are interpolated. Non-negotiable FDIC insured bank certificates of deposit are priced at par. Please promptly report any inaccuracies or discrepancies on your account statement in writing to your client manager or to customer service. To protect your rights, if you report orally you should confirm in writing.

PFM Asset Management LLC

Detail of Securities Held: TEST2 MODEL PORTFOLIO 1

(Excluding Cash)

MONTH ENDED: June 30, 2007

SECURITY TYPE				MATURITY	S&P	TRADE	SETTLE	ORIGINAL	YTM	ACCRUED	AMORTIZED	MARKET
CUSIP	DESCRIPTION	PAR	COUPON	DATE	RATING	DATE	DATE	COST	AT COST	INTEREST	COST	VALUE
CORPORATE NOTE												
59018YWG2	MERRILL LYNCH & CO MTN	2,000,000	4.831	10/27/08	AA-	10/31/05	11/03/05	1,991,860.00	4.979	17,176.89	1,996,257.28	1,981,830.00
22541LAL7	CREDIT SUISSE FB USA INC GLOBAL I	2,500,000	3.875	01/15/09	AA-	04/06/07	04/11/07	2,447,200.00	5.141	44,670.14	2,453,723.38	2,447,522.50
61746BAL0	MORGAN STANLEY NOTE (MAKE W	3,000,000	3.875	01/15/09	A+	03/28/07	03/30/07	2,943,470.01	4.984	53,604.17	2,951,280.99	2,935,905.00
929903AD4	WACHOVIA BANK CORPORATE NO	2,750,000	3.625	02/17/09	AA-	04/13/07	04/17/07	2,678,313.11	5.130	37,105.90	2,686,119.67	2,677,752.00
949746FQ9	WELLS FARGO & CO GLOBAL NOTES	3,000,000	3.125	04/01/09	AA+	02/07/06	02/08/06	2,836,181.58	5.021	23,437.50	2,905,913.85	2,891,391.00
931142BE2	WAL-MART STORES GLOBAL NOTES	3,000,000	6.875	08/10/09	AA	09/06/06	09/11/06	3,133,650.00	5.205	80,781.25	3,098,771.22	3,093,801.00
423328BM4	HELLER FINANCIAL INC (GE) CORP N	3,000,000	7.375	11/01/09	AAA	11/01/06	11/01/06	3,190,906.44	5.062	36,875.00	3,150,836.94	3,129,483.00
172967CU3	CITIGROUP INC GLOBAL NOTES	3,350,000	4.125	02/22/10	AA	05/03/07	05/04/07	3,269,533.00	5.053	49,517.19	3,273,902.74	3,249,757.95
		22,600,000						22,491,114.14	5.074	343,168.04	22,516,806.07	22,407,442.45
FED AGY BOND/NOTE												
31359MK85	FNMA GLOBAL NOTES (CALLABLE)	3,000,000	5.375	04/03/08	AAA	03/31/06	04/03/06	2,997,000.00	5.428	39,416.67	2,998,831.29	2,998,125.00
31359MSQ7	FNMA GLOBAL BENCHMARK NOTES	4,500,000	3.250	08/15/08	AAA	05/31/06	06/01/06	4,309,926.03	5.302	55,250.00	4,400,772.30	4,401,562.50
31359MTF0	FNMA NOTES (CALLABLE)	3,500,000	3.750	09/15/08	AAA	11/30/05	12/05/05	3,409,273.10	4.755	38,645.83	3,459,298.50	3,438,750.00
3134A4VH4	FHLMC GLOBAL REFERENCE NOTES	5,100,000	4.625	12/19/08	AAA	01/03/06	01/03/06	5,089,442.75	4.700	7,862.50	5,094,640.87	5,055,375.00
3137EAAQ2	FHLMC NOTES	3,000,000	4.750	03/05/09	AAA	03/28/07	03/30/07	2,996,867.31	4.805	47,104.17	2,997,320.55	2,977,500.00
31359MVE0	FNMA GLOBAL BENCHMARK NOTES	2,075,000	4.250	05/15/09	AAA	05/17/06	05/17/06	2,017,522.50	5.262	11,268.40	2,038,050.58	2,041,281.25
31359MEV1	FNMA GLOBAL BENCHMARK NOTES	3,225,000	6.375	06/15/09	AAA	08/31/06	08/31/06	3,340,244.02	4.978	9,137.50	3,307,650.40	3,295,546.88
3133XGFL3	FHLB GLOBAL NOTES (CALLABLE)	2,800,000	5.750	08/07/09	AAA	09/06/06	09/07/06	2,808,260.00	5.637	64,400.00	2,800,927.50	2,801,750.00
3134A3M78	FHLMC GLOBAL REFERENCE NOTES	5,000,000	6.625	09/15/09	AAA	08/31/06	08/31/06	5,226,595.40	4.993	97,534.72	5,167,802.50	5,146,875.00
31359MEY5	FNMA GLOBAL BENCHMARK NOTES	5,500,000	6.625	09/15/09	AAA	06/28/07	06/29/07	5,653,758.94	5.264	107,288.19	5,653,406.17	5,661,562.50
3128X5J33	FHLMC NOTES (CALLABLE)	3,250,000	5.600	03/05/10	AAA	06/08/07	06/11/07	3,246,100.00	5.644	58,644.44	3,246,242.97	3,247,647.00
3133XJUS5	FHLB TAP NOTES	6,750,000	5.000	03/12/10	AAA	05/31/07	05/31/07	6,718,746.35	5.175	136,875.00	6,719,926.52	6,716,250.00
3134A33L8	FHLMC GLOBAL REFERENCE NOTES	2,850,000	7.000	03/15/10	AAA	04/06/07	04/11/07	3,010,622.04	4.908	58,741.67	2,999,223.78	2,977,359.38
3136F8JS5	FNMA NOTES (CALLABLE)	3,500,000	5.350	04/12/10	AAA	05/20/07	05/22/07	3,495,100.00	5.401	41,090.97	3,495,324.11	3,487,968.75
3133XKNW1	FHLB NOTES (CALLABLE)	3,000,000	5.550	05/10/10	AAA	05/23/07	05/23/07	2,999,400.00	5.556	23,587.50	2,999,434.74	2,997,187.50
3133XL5W9	FHLB NOTES (CALLABLE)	3,000,000	5.600	06/11/10	AAA	06/26/07	06/29/07	2,996,640.00	5.640	9,333.33	2,996,647.02	2,998,125.00
		60,050,000						60,315,498.44	5.188	806,180.89	60,375,499.80	60,242,865.76
US TSY BOND/NOTE												
912828BG4	US TREASURY NOTES	5,320,000	3.250	08/15/08	TSY	02/01/06	02/03/06	5,155,830.65	4.553	64,956.91	5,244,900.43	5,220,250.00
912828BQ2	US TREASURY NOTES	5,100,000	3.375	11/15/08	TSY	08/03/06	08/03/06	4,926,447.31	4.968	21,983.36	4,993,587.89	4,991,625.00
912828BQ2	US TREASURY NOTES	3,250,000	3.375	11/15/08	TSY	10/18/06	10/19/06	3,157,677.54	4.830	14,009.00	3,187,983.86	3,180,937.50
912828EV8	US TREASURY NOTES	1,500,000	4.500	02/15/09	TSY	02/14/06	02/15/06	1,492,734.38	4.675	25,359.12	1,495,943.96	1,489,570.50
912828EV8	US TREASURY NOTES	2,200,000	4.500	02/15/09	TSY	02/27/06	02/28/06	2,188,318.00	4.693	37,193.37	2,193,425.63	2,184,703.40
912828DB3	US TREASURY NOTES	2,500,000	3.500	11/15/09	TSY	11/01/06	11/01/06	2,423,436.93	4.591	11,175.27	2,439,377.60	2,422,265.00
912828DB3	US TREASURY NOTES	3,500,000	3.500	11/15/09	TSY	11/28/06	11/28/06	3,396,287.86	4.580	15,645.38	3,415,971.51	3,391,171.00
912828DE7	US TREASURY NOTES	2,250,000	3.500	12/15/09	TSY	12/28/06	12/28/06	2,176,065.43	4.700	3,442.62	2,188,060.49	2,178,456.75

PFM Asset Management LLC

Detail of Securities Held: TEST2 MODEL PORTFOLIO 1

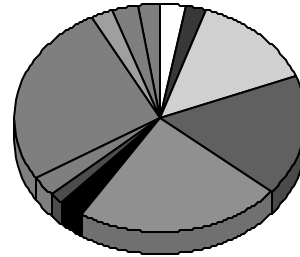
(Excluding Cash)

MONTH ENDED: June 30, 2007

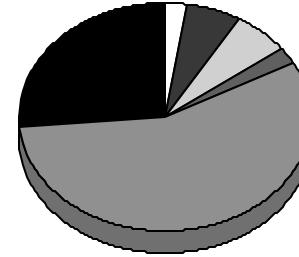
SECURITY TYPE		MATURITY		S&P	TRADE	SETTLE	ORIGINAL	YTM	ACCRUED	AMORTIZED	MARKET
CUSIP	DESCRIPTION	PAR	COUPON	DATE	RATING	DATE	COST	AT COST	INTEREST	COST	VALUE
912828GR5	US TREASURY NOTES	4,450,000	4.500	05/15/10	TSY	05/31/07	4,404,470.98	4.875	25,575.41	4,405,706.48	4,403,412.95
		30,070,000					29,321,269.08	4.735	219,340.44	29,564,957.85	29,462,392.10
TOTAL SECURITIES		\$112,720,000					\$112,127,881.66	5.047 %	1,368,689.37	\$112,457,263.72	\$112,112,700.31

Issuers by Market Value

■ CITIGROUP INC	\$3,249,758	2.9%
■ CREDIT SUISSE FIRST BOSTON	\$2,447,523	2.2%
■ FHILB	\$15,513,313	13.8%
■ FHLMC	\$19,404,756	17.3%
■ FNMA	\$25,324,797	22.6%
■ GENERAL ELECTRIC CO.	\$3,129,483	2.8%
■ MERRILL LYNCH & CO	\$1,981,830	1.8%
■ MORGAN STANLEY	\$2,935,905	2.6%
■ UNITED STATES TREASURY	\$29,462,392	26.3%
■ WACHOVIA CORP	\$2,677,752	2.4%
■ WAL-MART STORES INC	\$3,093,801	2.8%
■ WELLS FARGO & COMPANY	\$2,891,391	2.6%
Total:	\$112,112,700	100.0%



Ratings by Market Value



□ A+	\$2,935,905	2.6%
■ AA	\$6,343,559	5.7%
■ AA-	\$7,107,105	6.3%
■ AA+	\$2,891,391	2.6%
■ AAA	\$63,372,349	56.5%
■ TSY	\$29,462,392	26.3%
Total:	\$112,112,700	100.0%

PFM Asset Management LLC

Fair Market Values & Analytics:

(Excluding Cash)

TEST2

MODEL PORTFOLIO 1

MONTH ENDED:

June 30, 2007

SECURITY TYPE				MATURITY	FIRST CALL	MARKET	MARKET	UNREAL G/(L)	UNREAL G/(L)	DURATION	YTM
CUSIP	DESCRIPTION	PAR	COUPON	DATE	DATE	PRICE	VALUE	ON AMORT COST	ON COST	TO WORST	AT MKT
CORPORATE NOTE											
59018YWG2	MERRILL LYNCH & CO MTN	2,000,000	4.831	10/27/08		99.092	1,981,830.00	(14,427.28)	(10,030.00)	1.255	5.546
22541LAL7	CREDIT SUISSE FB USA INC GLOBAL I	2,500,000	3.875	01/15/09		97.901	2,447,522.50	(6,200.88)	322.50	1.446	5.310
61746BAL0	MORGAN STANLEY NOTE (MAKE W	3,000,000	3.875	01/15/09		97.864	2,935,905.00	(15,375.99)	(7,565.01)	1.446	5.336
929903AD4	WACHOVIA BANK CORPORATE NO	2,750,000	3.625	02/17/09		97.373	2,677,752.00	(8,367.67)	(561.11)	1.536	5.326
949746FQ9	WELLS FARGO & CO GLOBAL NOTES	3,000,000	3.125	04/01/09		96.380	2,891,391.00	(14,522.85)	55,209.42	1.662	5.312
931142BE2	WAL-MART STORES GLOBAL NOTES	3,000,000	6.875	08/10/09		103.127	3,093,801.00	(4,970.22)	(39,849.00)	1.903	5.286
423328BM4	HELLER FINANCIAL INC (GE) CORP N	3,000,000	7.375	11/01/09		104.316	3,129,483.00	(21,353.94)	(61,423.44)	2.112	5.379
172967CU3	CITIGROUP INC GLOBAL NOTES	3,350,000	4.125	02/22/10		97.008	3,249,757.95	(24,144.79)	(19,775.05)	2.429	5.351
FED AGY BOND/NOTE											
31359MK85	FNMA GLOBAL NOTES (CALLABLE)	3,000,000	5.375	04/03/08	07/03/06	99.938	2,998,125.00	(706.29)	1,125.00	0.726	5.448
31359MSQ7	FNMA GLOBAL BENCHMARK NOTES	4,500,000	3.250	08/15/08		97.813	4,401,562.50	790.20	91,636.47	1.073	5.275
31359MTF0	FNMA NOTES (CALLABLE)	3,500,000	3.750	09/15/08		98.250	3,438,750.00	(20,548.50)	29,476.90	1.150	5.259
3134A4VH4	FHLMC GLOBAL REFERENCE NOTES	5,100,000	4.625	12/19/08		99.125	5,055,375.00	(39,265.87)	(34,067.75)	1.399	5.250
3137EAAQ2	FHLMC NOTES	3,000,000	4.750	03/05/09		99.250	2,977,500.00	(19,820.55)	(19,367.31)	1.570	5.217
31359MVE0	FNMA GLOBAL BENCHMARK NOTES	2,075,000	4.250	05/15/09		98.375	2,041,281.25	3,230.67	23,758.75	1.767	5.168
31359MEV1	FNMA GLOBAL BENCHMARK NOTES	3,225,000	6.375	06/15/09		102.188	3,295,546.88	(12,103.52)	(44,697.14)	1.822	5.184
3133XGFL3	FHLB GLOBAL NOTES (CALLABLE)	2,800,000	5.750	08/07/09	08/07/07	100.063	2,801,750.00	822.50	(6,510.00)	0.102	5.715
3134A3M78	FHLMC GLOBAL REFERENCE NOTES	5,000,000	6.625	09/15/09		102.938	5,146,875.00	(20,927.50)	(79,720.40)	2.004	5.195
31359MEY5	FNMA GLOBAL BENCHMARK NOTES	5,500,000	6.625	09/15/09		102.938	5,661,562.50	8,156.33	7,803.56	2.004	5.195
3128X5J33	FHLMC NOTES (CALLABLE)	3,250,000	5.600	03/05/10	06/05/07	99.928	3,247,647.00	1,404.03	1,547.00	2.416	5.626
3133XJUS5	FHLB TAP NOTES	6,750,000	5.000	03/12/10		99.500	6,716,250.00	(3,676.52)	(2,496.35)	2.447	5.196
3134A33L8	FHLMC GLOBAL REFERENCE NOTES	2,850,000	7.000	03/15/10		104.469	2,977,359.38	(21,864.40)	(33,262.66)	2.410	5.205
3136F8JS5	FNMA NOTES (CALLABLE)	3,500,000	5.350	04/12/10	10/12/07	99.656	3,487,968.75	(7,355.36)	(7,131.25)	2.525	5.481
3133XKNW1	FHLB NOTES (CALLABLE)	3,000,000	5.550	05/10/10	08/10/07	99.906	2,997,187.50	(2,247.24)	(2,212.50)	2.593	5.583
3133XL5W9	FHLB NOTES (CALLABLE)	3,000,000	5.600	06/11/10	09/11/07	99.938	2,998,125.00	1,477.98	1,485.00	2.675	5.622
US TSY BOND/NOTE											
912828BG4	US TREASURY NOTES	5,320,000	3.250	08/15/08		98.125	5,220,250.00	(24,650.43)	64,419.35	1.076	4.978
912828BQ2	US TREASURY NOTES	5,100,000	3.375	11/15/08		97.875	4,991,625.00	(1,962.89)	65,177.69	1.317	4.990
912828BQ2	US TREASURY NOTES	3,250,000	3.375	11/15/08		97.875	3,180,937.50	(7,046.36)	23,259.96	1.317	4.990
912828EV8	US TREASURY NOTES	1,500,000	4.500	02/15/09		99.305	1,489,570.50	(6,373.46)	(3,163.88)	1.524	4.947
912828EV8	US TREASURY NOTES	2,200,000	4.500	02/15/09		99.305	2,184,703.40	(8,722.23)	(3,614.60)	1.524	4.947

PFM Asset Management LLC

Fair Market Values & Analytics:

(Excluding Cash)

TEST2

MODEL PORTFOLIO 1

MONTH ENDED:

June 30, 2007

SECURITY TYPE				MATURITY	FIRST CALL	MARKET	MARKET	UNREAL G/(L)	UNREAL G/(L)	DURATION	YTM
CUSIP	DESCRIPTION	PAR	COUPON	DATE	DATE	PRICE	VALUE	ON AMORT COST	ON COST	TO WORST AT MKT	
912828DB3	US TREASURY NOTES	2,500,000	3.500	11/15/09		96.891	2,422,265.00	(17,112.60)	(1,171.93)	2.234	4.901
912828DB3	US TREASURY NOTES	3,500,000	3.500	11/15/09		96.891	3,391,171.00	(24,800.51)	(5,116.86)	2.234	4.901
912828DE7	US TREASURY NOTES	2,250,000	3.500	12/15/09		96.820	2,178,456.75	(9,603.74)	2,391.32	2.316	4.887
912828GR5	US TREASURY NOTES	4,450,000	4.500	05/15/10		98.953	4,403,412.95	(2,293.53)	(1,058.03)	2.649	4.893
SUBTOTALS							\$112,112,700.31	(\$344,563.41)	(\$15,181.35)	1.797	5.230 %
ACCRUED INTEREST ON INVESTMENT							1,368,689.37				
TOTAL MARKET VALUE OF INVESTMENTS							\$113,481,389.68				

PFM Asset Management LLC

Security Transactions & Interest:

TEST2

MODEL PORTFOLIO 1

(Excluding Cash)

MONTH ENDED:

June 30, 2007

TRADE	SETTLE	TRAN TYPE	SECURITY DESCRIPTION	CUSIP	S&P RATING	PAR	COUPON	MATURITY DATE	PRINCIPAL AMOUNT	ACCRUED INTEREST	TOTAL
06/11/07	06/11/07	INTEREST	FHLMC NOTES (CALLABLE)(OMD 12/	3128X5RE0	AAA	3,250,000	5.250	06/11/07	0.00	85,312.50	85,312.50
06/15/07	06/15/07	INTEREST	FNMA GLOBAL BENCHMARK NOTES	31359MEV1	AAA	3,225,000	6.375	06/15/09	0.00	102,796.88	102,796.88
06/15/07	06/15/07	INTEREST	US TREASURY NOTES	912828DE7	TSY	2,250,000	3.500	12/15/09	0.00	39,375.00	39,375.00
06/19/07	06/19/07	INTEREST	FHLMC GLOBAL REFERENCE NOTES	3134A4VH4	AAA	5,100,000	4.625	12/19/08	0.00	117,937.50	117,937.50
06/29/07	06/29/07	INTEREST	FHLB GLOBAL NOTES (ORIG MAT 06/2	3133XG4M3	AAA	2,600,000	5.875	06/29/07	0.00	76,375.00	76,375.00
						16,425,000			0.00	421,796.88	421,796.88
06/08/07	06/11/07	BUY	FHLMC NOTES (CALLABLE)	3128X5J33	AAA	3,250,000	5.600	03/05/10	(3,246,100.00)	(48,533.33)	(3,294,633.33)
06/26/07	06/29/07	BUY	FHLB NOTES (CALLABLE)	3133XL5W9	AAA	3,000,000	5.600	06/11/10	(2,996,640.00)	(8,400.00)	(3,005,040.00)
06/28/07	06/29/07	BUY	FNMA GLOBAL BENCHMARK NOTES	31359MEY5	AAA	5,500,000	6.625	09/15/09	(5,653,758.94)	(105,263.89)	(5,759,022.83)
						11,750,000			(11,896,498.94)	(162,197.22)	(12,058,696.16)
06/11/07	06/11/07	MATURITY	FHLMC NOTES (CALLABLE)(OMD 12/	3128X5RE0	AAA	3,250,000	5.250	06/11/07	3,250,000.00	0.00	3,250,000.00
06/29/07	06/29/07	MATURITY	FHLB GLOBAL NOTES (ORIG MAT 06/2	3133XG4M3	AAA	2,600,000	5.875	06/29/07	2,600,000.00	0.00	2,600,000.00
						5,850,000			5,850,000.00	0.00	5,850,000.00
06/28/07	06/29/07	SELL	US TREASURY NOTES	912828FP0	TSY	5,700,000	4.875	08/15/09	5,689,757.10	102,859.81	5,792,616.91
						5,700,000			5,689,757.10	102,859.81	5,792,616.91
TOTAL SECURITY TRANSACTIONS											5,717.63

PFM Asset Management LLC

Cash Transactions Report:

TEST2

MODEL PORTFOLIO 1

MONTH ENDED:

June 30, 2007

CASH DATE

TRANSACTION CODE

TRANSACTION DESCRIPTION

TOTAL AMOUNT

No transactions during the month.

NET CASH CONTRIBUTIONS/(WITHDRAWS)

PFM Asset Management LLC

Realized Gains and Losses: *TEST2* *MODEL PORTFOLIO 1*

(Excluding Cash)

MONTH ENDED: June 30, 2007

TRADE DATE	SETTLE DATE	TRAN TYPE	SALE METHOD	SECURITY DESCRIPTION	CUSIP	PAR VALUE	COUPON	PRINCIPAL PROCEEDS	REALIZED G/(L) COST	REALIZED G/(L) AMORT CST
06/11/07	06/11/07	MATURITY		FHLMC NOTES (CALLABLE)(OMD 12/11/08)	3128X5RE0	3,250,000	5.250	3,250,000.00	2,600.00	0.00
06/29/07	06/29/07	MATURITY		FHLB GLOBAL NOTES (ORIG MAT 06/29/09)	3133XG4M3	2,600,000	5.875	2,600,000.00	1,040.00	0.00
06/28/07	06/29/07	SELL	SPEC LOT	US TREASURY NOTES	912828FP0	2,750,000	4.875	2,745,058.25	2,559.45	493.46
06/28/07	06/29/07	SELL	SPEC LOT	US TREASURY NOTES	912828FP0	2,950,000	4.875	2,944,698.85	(24,414.41)	(19,793.70)
TOTAL GAINS AND LOSSES									(\$18,214.96)	(\$19,300.24)

PFM Asset Management LLC

Cash Balance Report:

TEST2

MODEL PORTFOLIO 1

MONTH ENDED:

June 30, 2007

CASH BALANCE: \$168,294.33

Earnings Calculation Templates

Current Month-End Book Value	+		Add Coupon Interest Received	+	
Current Month-End Accrued Interest	+		Less Purchased Interest Related to Coupons	-	
Less Purchases	-		Add/Subtract Gains or Losses on Cost For The Mth	+/-	
Less Purchased Interest	-		Total Cost Basis Earnings For The Month		
Add Disposals (Sales, Maturities, Paydowns, Sinks, etc.)	+				
Add Coupon Interest Received	+				
Less Previous Month-End Book Value	-				
Less Previous Month-End Accrued Interest	-				
Total Accrual Basis Earnings For The Month					

Economic Calendar

07/06/07	Change in Nonfarm Payrolls	07/19/07	FOMC Minutes
07/06/07	Unemployment Rate	07/25/07	Existing Home Sales
07/13/07	Advanced Retail Sales	07/26/07	Durable Goods Orders
07/17/07	Producer Price Index	07/27/07	2nd Quarter GDP
07/18/07	Consumer Price Index	07/31/07	Personal Spending
07/18/07	Housing Starts	07/31/07	Chicago Purchasing Manager

Market Commentary

The FOMC kept rates steady at their June 28th meeting. The Fed Funds rate has now been at 5.25% for a full year. Even though some measures indicate that inflation may be moderating, the Fed's primary concern is still controlling inflation. The Fed is worried that elevated food and energy prices, along with a tight job market, could exert inflationary pressures in the future. On balance, economic releases in June were better than expected. Renewed activity in the manufacturing and service sectors forced economists to increase their GDP estimates for the 2nd quarter of 2007. Market analysts also revised their view of future Fed activity. Most now think the Fed will leave rates unchanged for the balance of the year. The housing market is the economy's weak link with both new and existing home sales near their lows. Increasing mortgage rates, continued sub-prime concerns and tighter lending standards have kept housing activity under wraps. A dramatic increase in longer-term yields changed the shape of the yield curve during June. The yield curve is now positive--longer yields are higher than shorter yields--for the first time in several months. Positive economic news and changing Fed expectations helped push yields higher.



The PFM Group

Appendix II Resumes



William T. Sullivan
Managing Director

In February of 2004, William T. Sullivan, Jr. joined PFM Asset Management LLC as a Managing Director and is currently located in PFM's St. Louis, Missouri office.

Prior to this time, Mr. Sullivan was Chairman and CEO of Cadre Financial Services, Inc., and its registered brokerage affiliate, Cadre Securities, Inc. His primary responsibility was the development, marketing, and overall administration of liquid asset programs for school districts, municipalities, hospitals, health care providers, and Taft Hartley Health & Welfare Benefit Trusts throughout the United States.

These programs represented 3,000 public and private entities in 20 states with assets of over \$7 billion under management or administration. For more than 30 years, Mr. Sullivan has been involved in the area of cash flow management and the investment of both operating and surplus funds.

Mr. Sullivan is a nationwide speaker on the U.S. Banking system and cash management technologies. Prior to establishing Cadre in 1982, Bill was responsible for E.F.Hutton's banking relations and cash flow management in excess of \$2 billion per day. He has served as consultant to the investment committee of the State of West Virginia, the Arizona State Retirement System, the Arkansas Legislative Auditors, Alitalia Airlines – North America, and the National Securities Clearing Corporation.

Mr. Sullivan attended Queens College in New York and holds NASD Series 6, 26, 63, and 65 licenses.



Timothy P. Sullivan

Managing Director

Timothy P. Sullivan is a Managing Director in PFM's money management group. He joined PFM in 2004 following PFM's acquisition of the cash management business of Cadre Financial Services, Inc. Mr. Sullivan is responsible for the overall management of the firm's Mid-West local government investment pool programs. In this capacity, he is directly responsible for the various Board of Trustees relationships and for overall client activities.

Prior to joining PFM, Mr. Sullivan was a First Vice President at Cadre where his responsibilities included the management of nine local government investment pool programs with over \$6 Billion in assets. He headed up the firm's fixed income sales operations and has managed over \$4 billion in bond proceeds. In addition, he created the Illinois Institutional Investors Trust money market fund.

Mr. Sullivan was the National Sales Manager responsible for all revenue from Cadre's various product lines. This was accomplished through the management of both internal and external sales teams.

Mr. Sullivan attended Villanova University where he received his B.A. and Masters degrees. Mr. Sullivan holds NASD Series 6, 7, 26, and 63 licenses.



Maria Altomare

Senior Managing Consultant

Maria Altomare joined PFM in January 2006 and is located in Missouri. In her capacity as Senior Managing Consultant, she assists public entities in Missouri, Nebraska, and Wyoming with cash management services, including the sale of investment pools, fixed income products, and bond proceeds investment. In addition, Ms. Altomare serves as a national sales representative for purchasing card products and services.

Prior to joining PFM, Ms Altomare was Vice President of the Government Banking Division at U.S. Bank, N.A.

In addition to her experience at U.S. Bank, N.A. Ms. Altomare served as the Manager of Corporate Cash Management for Allied Irish Bank in Dublin, Ireland. Ms. Altomare's team of relationship managers had responsibility for international and domestic corporate global payment sales, which developed a strategy to improve customer satisfaction for corporate clients. While at Allied Irish Bank, Ms. Altomare was responsible for managing the currency transition to the Euro for over 350 customer sites of Allied Irish Bank.

A native to Ireland, Ms. Altomare immigrated to Canada, where she began her cash management work at Canadian Imperial Bank of Commerce "CIBC," gaining over 15 years of experience in both customer service and business development roles.

For over 20 years Ms. Altomare has provided her clients with excellent customer service, including cash management, investment services, and other banking products to meet their individual strategic objectives.

In 1991 Ms. Altomare completed a two year Certificate in Banking at York University in Toronto, Canada and received her Letter of Accomplishment from the Institute of Canadian Bankers Association. In addition to her work experience, Ms. Altomare holds her Series 6 and 63 licenses.



The PFM Group

Appendix III
PFM's Equal Employment Opportunity Plan



2

Equal Opportunity And Freedom From Harassment Policy

Respect for the dignity and worth of every individual is a basic tenet of Public Financial Management, Inc. & PFM Asset Management LLC (PFM). Each individual has the right to work in an environment conducive to equal opportunity and free from discriminatory practices.

1. Equal Employment Opportunity

It is the policy of PFM to ensure equal employment opportunity without discrimination or harassment on the basis of race, color, national origin, sex, sexual orientation, religion, veteran's status, age, disability, or any other characteristic protected by law. PFM prohibits and will not tolerate any such discrimination or harassment. The organization has adopted this equal employment opportunity policy and will ensure that all staff members abide by the requirements of this policy and no one associated with the organization will be discriminated against or subjected to harassment prohibited by this policy

2. Harassment Prohibited

PFM does not tolerate harassment on the basis of race, color, national origin, sex, sexual orientation, religion, veteran's status, age, disability, or any other characteristic protected by law. Such harassment in the workplace is also a form of employment discrimination and is prohibited by law. All employees are responsible for keeping PFM free from all forms of harassment.

Harassment Defined

A. Hostile Environment. Harassment prohibited under this policy includes verbal, visual or physical conduct relating to matters of race, color, national origin, sex, sexual orientation, religion, veteran's status, age or disability which is unwelcome to the reasonable person, and

1. has the purpose or effect of unreasonably interfering with an individual's work performance, or
2. has the purpose or effect of creating an intimidating, hostile or offensive working environment.



B. Quid Pro Quo. Harassment on the basis of sex or sexual orientation also includes unwelcome sexual attention, sexual advances, requests for sexual favors and other verbal, visual or physical conduct of a sexual nature when

1. submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, or
2. submission to or rejection of such conduct by an individual is used as a basis for employment decisions.

Examples of Sexual Harassment

Some examples of what may constitute sexual harassment are: threatening or taking adverse employment actions, such as discharge or demotion, if sexual favors are not granted; demands for sexual favors in exchange for favorable or preferential treatment; unwelcome and repeated flirtations, propositions or advances; unwelcome physical contact; whistling; leering; improper gestures; offensive, derogatory or degrading remarks; unwelcome comments about appearance; assault or battery with sexual overtones; sexual jokes or use of sexually explicit or offensive language; gender or sex-based pranks; and the display of sexually suggestive objects or pictures in work areas. The above list of examples is not intended to be all inclusive.

Examples of Other Harassment

For purposes of this policy, other discriminatory harassment is defined as verbal or physical conduct that denigrates or shows hostility or aversion toward an individual because of his or her race, color, gender, age, religion, national origin, sexual orientation, disability, veteran status or any other characteristic protected by law, and that:

- creates an intimidating, hostile, or offensive work environment; or
- unreasonably interferes with an individual's work performance.

Some examples of such harassment are: using epithets or slurs; mocking, ridiculing or mimicking another's culture, accent, appearance or customs; threatening, intimidating or engaging in hostile or offensive acts based on an individual's race, color, gender, religion, national origin, sexual orientation, disability, veteran status or any other characteristic protected by law; displaying on walls, bulletin boards, or elsewhere in the company, or circulating in the workplace, written or graphic material that denigrates or shows hostility toward a person or group because of an individual's race, color, gender, age, religion, national origin, disability, veteran status or any other characteristic protected by law. The above list of examples is not intended to be all inclusive.



Persons Covered

This Policy applies to all applicants and employees, and prohibits harassment, discrimination and retaliation whether engaged in by fellow employees or someone not directly connected to PFM (e.g. an outside vendor, consultant or customer).

Conduct prohibited by this Policy is unacceptable in the workplace and in any work-related setting outside the workplace, such as during business trips, business meetings and business-related social events.

Enforcement of the Policy

PFM strongly urges the reporting of all incidents of discrimination, harassment or retaliation, regardless of the offender's identity or position. Individuals who believe they have experienced conduct that they believe is contrary to this Policy or who have concerns about such matters should file their complaints with Steve Boyle or representatives from the Committee on Harassment - Barbara C. Bisgaier and Marty Margolis.

PFM will investigate all allegations of violations of this Policy in as prompt and confidential a manner as possible and will take such corrective action as warranted. In determining whether alleged conduct constitutes harassment, PFM will look at the record as a whole and at the totality of the circumstances. Any employee found to have violated this Policy will be subject to appropriate disciplinary action, up to and including termination of employment.

Retaliation in any form against anyone who exercises his or her right to make a complaint under this policy is strictly prohibited, and will itself be cause for disciplinary action.

Information on Policy

A copy of this Policy is given to each of PFM's existing employees. A copy is also given to each new employee at the time of hire. At least once annually, PFM will cause a reminder of this Policy to be published to all employees.

3. Medical Examinations

PFM believes that it's employees' health and well being contribute to their success on the job. Those employees seemingly unfit for work cannot perform the essential functions of their job with reasonable accommodations and may create a hazard to themselves and other employees. Accordingly, in an unusual situation where the performance of an employee appears hindered, PFM may, at its option, request the employee to seek an examination by a designated physician with the results available to PFM. All company-required medical examinations are paid in full by PFM.



4. Employment of Relatives

PFM permits the employment of qualified relatives of employees as long as such employment does not, in the opinion of PFM, create actual or perceived conflicts of interest. For purposes of this policy, a "relative" is a spouse, child, parent, sibling, grandparent, grandchild, aunt, uncle, first cousin, or corresponding in-law or "step" relation. PFM will exercise sound business judgment in the placement of related employees in accordance with the following guidelines:

- Individuals who are related by blood or marriage are permitted to work in the same PFM facility, provided no direct reporting or supervisory/management relationship exists. That is, no employee is permitted to work within the "chain of command" of a relative such that one relative's work responsibilities, salary, or career progress could be influenced by the other relative.
- No relatives are permitted to work in the same department or in any other positions in which PFM believes an inherent conflict of interest may exist.

This policy applies to all categories of employment at PFM, including regular, temporary, and part-time classifications. Exceptions to this policy must be approved in advance by the CEO.

5. Employee Referrals / Recruiting Bonus

PFM encourages all employees to participate in the recruitment of high caliber applicants by recommending potential candidates for employment. If a person recommended by a PFM employee is hired, the employee who made the recommendation is eligible to receive a bonus if PFM would normally incur a placement fee. The referral fee is \$1,000, \$500 of which will be payable when the new employee satisfactorily completes three months service and the balance when the new employee satisfactorily completes six months service. The employee making the recommendation must be employed with PFM at the time of bonus distribution to receive the recruiting bonus. Managers should notify Employee Services when a candidate is hired.

Managing Directors, Sr. Managing Consultants and those employees given assigned recruiting responsibilities are not eligible for recruiting bonuses.



6. Substance Abuse and Testing

It is the intent of PFM to provide a safe, productive environment free of alcohol and substance abuse for employees and clients. Employees are expected to report to work in a fit condition and conform to the provisions of this policy. Any drug or alcohol use that affects job performance or efficiency, threatens safety, results in misconduct or reflects adversely on PFM's reputation is grounds for disciplinary action. Management is responsible for continuously monitoring the job performance of their staff and noting any changed behavior or performance patterns. Substance abuse may, under certain circumstances, be recognized as an illness or disorder.

PFM provides an Employee Assistance Service and Education Program (EASE) to aid employees in dealing with substance abuse. Employees who are abusers are encouraged to take advantage of the program, before a disciplinary issue arises, with participation being highly confidential between employees and the EASE counselors.

PFM will cooperate with employees who seek appropriate treatment for substance abuse problems and bring their work performance to acceptable levels. However, if an employee possesses, sells, distributes or purchases illegal drugs at work, while on PFM business or at a PFM-sponsored function, he is subject to immediate dismissal. As required by federal law, if an employee is convicted of a drug offense occurring in the workplace, while on PFM business or at a PFM-sponsored function, he must notify the Employee Services Department within five days.

PFM may require employees to undergo appropriate tests designed to detect the presence of alcohol or drugs (e.g., blood test or urinalysis) where it has reason to believe that an employee may be under the influence of or impaired by alcohol or drugs. PFM also may require such tests whenever necessary to protect the safety and health of its employees -- for example, when an employee is involved in an accident during the performance of PFM business or on PFM property that result in injuries to the employee or others or damage to property.

Consent to submit to such tests as PFM may require constitutes a condition of employment. Refusal to consent to a test when such test is required will result in disciplinary action, which may include termination. All alcohol and drug testings will be performed by a designated physician at the Firm's expense with the results available to PFM.

All drug and alcohol testing will be conducted in accordance with applicable federal, state and local laws.



7. Orientation Program

During employees' first few days of employment, they will participate in an orientation program conducted by Employee Services and various members of management. During this program, they will receive important information regarding the performance requirements of the position, basic PFM policies, affirmative action plans, compensation, and benefit programs, plus other information necessary to acquaint employees with their job at PFM. Employees will also be asked to complete all necessary paperwork at this time, such as medical benefit enrollment forms, beneficiary designation forms, and appropriate federal, state, and local tax forms. At this time, employees will be required to present Employee Services with information establishing their identity and their eligibility to work in the United States in accordance with applicable federal law.

This orientation program should be used by employees to familiarize themselves with policies and benefits. Employees are encouraged to ask any questions they may have during this program so that they will understand all the guidelines that affect and govern their employment relationship with PFM.

8. Personnel Files

PFM maintains personnel files on each employee. These files contain documentation regarding all aspects of the employee's tenure with PFM, such as performance reviews, employee self-evaluations, beneficiary designation forms, disciplinary warning notices and letters of commendation. Employees have the right to review the information in their own personnel file. Employee Services can provide employees with details on how to go about this.

To ensure that personnel files are up-to-date at all times, employees should notify Employee Services of any changes in their name, telephone number, home address, marital status, number of dependents, beneficiary designations, scholastic achievements, emergency contacts, and so forth.

9. AIDS in the Workplace

PFM does not discriminate against an employee diagnosed with AIDS or testing positive to the HIV virus. To protect the privacy and dignity of affected individuals, PFM neither confirms nor denies diagnosis, and medical records are kept separately and confidentially.

PFM also recognizes that it must satisfy its legal obligation to provide a safe work environment for all employees, customers and other visitors to the premises. As long as employees who have AIDS or who test positive to the HIV virus are able to maintain acceptable performance standards in accordance with established PFM policies and procedures, and the weight of medical evidence continues to indicate that AIDS cannot be transmitted by casual workplace contact, employees with AIDS will be permitted to continue to work in accordance with applicable federal and state laws.



10. Accommodations of Individuals with Disabilities

PFM complies with the Americans With Disabilities Act and applicable state and local laws providing for nondiscrimination in employment against qualified individuals with disabilities. PFM also provides reasonable accommodations for such individuals in accordance with these laws. In this connection, PFM has established an Accommodation Assessment Committee ("AAC") that evaluates the feasibility of requested accommodations in light of the ADA's guidelines, determines whether such accommodations will create an undue hardship on PFM, and establishes a corporate budget for accommodations. It is PFM's policy to, without limitation:

- Ensure that qualified individuals with disabilities are treated in a nondiscriminatory manner in the pre-employment process and that employees with disabilities are treated in a nondiscriminatory manner in all terms, conditions, and privileges of employment.
- PFM may require medical examinations (a) to applicants only after conditional offers of employment have been extended; and (b) to current employees only if job related and justified by business necessity.
- Keep all medical-related information confidential in accordance with the requirements of the ADA and retain such information in separate confidential files.
- Provide applicants and employees with disabilities with reasonable accommodation, except where such an accommodation would create an undue hardship on PFM.
- Notify individuals with disabilities that PFM provides reasonable accommodation to qualified individuals with disabilities, by including this policy in PFM's employee handbook and in its corporate policies and procedures manual and by posting the Equal Employment Opportunity Commission's poster on not discriminating against individuals with disabilities and other protected groups conspicuously throughout PFM's facilities.

Procedure for Requesting an Accommodation

Qualified individuals with disabilities may make requests for reasonable accommodation to PFM's Equal Opportunity/Affirmative Action Officer (EEO Officer). Upon receipt of an accommodation request, the EEO Officer will meet with the requesting individual to discuss and identify the precise limitations resulting from the disability and the potential accommodations that PFM might make to help overcome those limitations.

The EEO Officer, in conjunction with the medical advice of a doctor, if necessary, and appropriate management representatives identified as having a need to know (e.g., the individual's supervisor), will determine the feasibility of the requested accommodation. The factors to be considered include (but not limited to): the nature and cost of the accommodation, the availability of tax credits and deductions, outside funding, PFM's overall financial resources and organization, and the accommodation's impact on the operation of the facility, including its impact on the ability of other employees to perform their duties and on the facility's ability to conduct business.



The EEO Officer will inform the employee of PFM's decision on the accommodation request or on how to make the accommodation. If the accommodation request is denied, employees will be advised of their right to appeal PFM's decision to the AAC by submitting a written statement to the EEO Officer along with the reasons for the request.

The AAC will review all employee appeals. After reviewing an employee's appeal, the AAC will notify the individual making the appeal of the AAC's decision, which will be final.

11. MSRB Compliance

The regulations of the Municipal Securities Rulemaking Board ("MSRB") require that all employees who have a broker/dealer with whom they maintain an account, notify their individual broker/dealer that they are employed by PFM. The MSRB regulations also impose a requirement on broker/dealers that they keep the employing broker/dealers of their clients informed of any transactions such clients may engage in involving municipal securities. Since PFM maintains a subsidiary broker/dealer for purposes of its money management activities, PFM must adhere to the procedures outlined for complying with this regulation by taking the following actions:

- a. Informing the broker/dealer used by employees that PFM is in effect a broker/dealer;
- b. Requesting each individual's broker/dealer to supply PFM with the following information:
 - Copies of monthly statements;
 - Copies of confirms for any municipal securities transactions.

This information is reviewed for possible conflicts and kept in an absolutely confidential file by the CEO who shall serve as PFM's Compliance Officer. All officers, directors and employees of PFM shall submit to the Compliance Officer a report of every securities transaction in which they, their families (including the spouse, minor children and adults living in the same household as the officer, director or employee), and trusts of which they are trustees or in which they have a beneficial interest have participated within ten days after such transaction. The report shall include the name of the security, date of the transaction, quantity, price, and broker/dealer through which the transaction was effected. The Securities and Exchange Commission may audit PFM at any time on a day's notice to check the files for accuracy and completeness.

The responsibility for complying with this regulation rests equally with PFM and the broker/dealer handling the account. It is each employees' responsibility to inform their broker/dealer of where they work. In turn, it is the broker/dealer's responsibility to supply PFM with the requested information. A draft letter, which will comply with the first of these requirements, is available from Employee Services and is provided to each PFM employee at time of hire. It is the responsibility of each employee maintaining an account with a broker/dealer to provide Employee Services with the name of their broker/dealers. Once the broker/dealer receives notice, it will be up to each respective broker/dealer to comply. This regulation also applies to spouses of employees of broker/dealers. If the broker/dealer handling the spouse's account is



aware of their employment, it is the responsibility of that broker/dealer to comply. If that broker/dealer is aware of their employer and does not comply, they could be found to be in violation.

Employees who do not maintain accounts with broker/dealers will be required to sign a Certification to that effect. These certifications must be updated quarterly.

All employees must sign an acknowledgment form indicating that they have read and understand these procedures and intend to comply. The acknowledgment form is contained in the Appendix.

Questions regarding this policy should be referred to the CEO, who will serve as PFM's Compliance Officer.

12. ITSFEA Compliance

In addition to the MSRB procedures, The Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA) requires all investment advisers to establish, maintain and enforce written policies and procedures designed to detect and prevent insider trading. The policy established by PFM for this purpose follows.

Policy Statement on Insider Trading

PFM forbids any officer, director or employee from trading, either personally or on behalf of others, including mutual funds and private accounts managed by PFM, on material nonpublic information or communicating material nonpublic information to others in violation of the law. This conduct is frequently referred to as "insider trading." PFM's policy applies to every officer, director and employee and extends to activities within and outside their duties at PFM.

The term "insider trading" is not defined in the federal securities laws, but generally is used to refer to the use of material nonpublic information to trade in securities (whether or not one is an "insider") or the communications of material nonpublic information to others.

While the law concerning insider trading is not static, it is generally understood that the law prohibits:

- trading by an insider, while in possession of material nonpublic information, or
- trading by a non-insider, while in possession of material nonpublic information, where the information either was disclosed to the non-insider in violation of an insider's duty to keep it confidential or was misappropriated, or
- communicating material nonpublic information to others.



The elements of insider trading and the penalties for such unlawful conduct are outlined as follows.

Who is an Insider?

The concept of "insider" is broad. It includes officers, directors and employees of a company. In addition, a person can be a "temporary insider" if he or she enters into a special confidential relationship in the conduct of a company's affairs and as a result is given access to information solely for the company's purposes. A temporary insider can include, among others, a company's attorneys, accountants, consultants, financial advisors, bank lending officers, and the employees of such organizations. In addition, PFM may become a temporary insider of a company it advises or for which it performs other services. According to the Supreme Court, the company must expect the outsider to keep the disclosed nonpublic information confidential and the relationship must at least imply such a duty before the outsider will be considered an insider. Finally, PFM because of its unique, government-oriented practice may be in possession of material nonpublic information with respect to pending governmental approvals, which is confidential.

What is Material Information?

Trading on inside information is not a basis for liability unless the information is material. "Material information" generally is defined as information for which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information that is reasonably certain to have a substantial effect on the price of a company's securities. Information that officers, directors and employees should consider material includes, but is not limited to: dividend changes, earnings estimates, changes in previously released earnings estimates on fund balances, significant merger or acquisition proposals or agreements, major litigation, liquidation problems, pending governmental approvals and extraordinary management developments.

Material information does not have to relate to a company's business. For example, in Carpenter v. U.S., 108 U.S. 316 (1987), the Supreme Court considered as material, certain information about the contents of a forthcoming newspaper column that was expected to affect the market price of a security. In that case, a Wall Street Journal reporter was found criminally liable for disclosing to others the dates that reports on various companies would appear in the Journal and whether those reports would be favorable or not.

What is Nonpublic Information?

Information is nonpublic until it has been effectively communicated to the market place. One must be able to point to some fact to show that the information is generally public. For example, information found in a report filed with the SEC, or appearing in Dow Jones, Reuters Economic Services, The Wall Street Journal or other publications of general circulation would be considered public. Information appearing in either a Preliminary or Final Official Statement would be considered public as would information disclosed at public proceedings such as hearings or authority meetings.



Procedure to Implement PFM Investment Advisor's Policy Against Insider Trading

The following procedures have been established to aid the officers, directors and employees of PFM in avoiding insider trading, and to aid PFM in preventing, detecting and imposing sanctions against insider trading. Every officer, director and employee of PFM must follow these procedures or risk serious sanctions, including dismissal, substantial personal liability and criminal penalties.

1. Identifying Inside Information

Before an employee trades for themselves or others, including investment companies or private accounts managed by PFM, in the securities of a company or governmental entity about which they may have potential inside information, they should ask the following questions:

- Is the information material? Is this information that an investor would consider important in making his or her investment decisions? Is this information that would substantially affect the market price of the securities if generally disclosed?
- Is the information nonpublic? To whom has this information been provided? Has the information been effectively communicated to the marketplace by being published in Reuters, The Wall Street Journal, other publications of general circulation, a disclosure statement or a public proceeding?

If, after considerations of the above, employees believe that the information is material and nonpublic, or if they have questions as to whether the information is material and nonpublic, they should take the following steps.

- Report the matter immediately to the Compliance Officer.
- Employees must not purchase or sell the securities on behalf of themselves or others, including investment companies or private accounts managed by PFM.
- Employees must not communicate the information inside or outside PFM, other than to the Compliance Officer.
- After the Compliance Officer has reviewed the issue, employees will be instructed to continue the prohibitions against trading and communication, or they will be allowed to trade and communicate the information.

2. Restricting Access to Material Nonpublic Information

Information in employee's possession that they identify as material and nonpublic may not be communicated to anyone, including persons within PFM, except as provided in Section 1. In addition, care should be taken so that such information is secure. For example, files containing material nonpublic information should be sealed; access to computer files containing material nonpublic information should be restricted.



3. Resolving Issues Concerning Insider Trading

If, after consideration of the items set forth in Section 1, doubt remains as to whether information is material or nonpublic, or if there is any unresolved question as to the applicability or interpretation of the foregoing procedures, or as to the propriety of any action, it must be discussed with the Compliance Officer before trading or communicating the information to anyone.

All employees must sign an acknowledgment form indicating that they have read and understand these procedures and intend to comply. The acknowledgment form is contained in the Appendix.

Questions regarding this policy should be referred to the CEO, who will serve as PFM's Compliance Officer.

13. Political Finance Activities and the PFM Group

STATEMENT OF POLICY

The PFM Group is proud of its reputation for integrity and the quality of the services which it renders to the state and local governments and authorities across the United States. The reputation and success of the PFM Group is based exclusively upon the excellence of its professional services. In order to eliminate any doubt that the selection of the PFM Group to provide services to state and local governments and authorities is based upon the quality of the services which it renders, the directors of each of Public Financial Management, Inc. and PFM Fund Distributors, Inc. and the Managers of each of PFM Asset Management LLC, and PFM Financial Services LLC have adopted this Statement of Policy.

This Statement of Policy extends to all business entities and Professional Employees of the PFM Group (i.e., all Managing Directors, Senior Managing Consultants, Consultants and other employees who are notified of their coverage under this Policy) the principles and procedures which are and remain in place with respect to those employees who may be deemed “municipal finance professionals” of PFM Fund Distributors required to observe Rule G-37 of the Rules of the Municipal Securities Rulemaking Board (“Rule G-37”) in connection with the business of that company. The application of the policies and procedures recited in this Statement of Policy to all Professional Employees of the PFM Group in addition to such municipal finance professionals is a voluntary undertaking of the PFM Group intended to give further effect to Rule G-37.

On behalf of the PFM Group, Public Financial Management (“Public Financial”) has established a committee (the “Political Contributions Oversight Committee” or the “Committee”) of two Senior Professional Employees which will enforce the policies and procedures described in this Statement and be available to give guidance to Professional Employees. The initial members of the Committee are Joseph McCormick and Robert Rich; Dean Kaplan will serve as an alternate if one of the foregoing is not available. The Board of Directors of Public Financial may, from time to time, appoint other persons to serve on the Committee.



The policies and procedures described in this Statement relate to two types of activities. One is described as “Payments” (as defined below) by or at the direction of the Professional Employee. As to Payments, the Policy permits Professional Employees to give things of value to office holders and candidates for election to office only upon compliance with the procedures described below and with the concurrence of both members of the Committee. The other activity covered by this Policy is the solicitation of or making arrangements for others to make Payments to “Officials” or “Parties” (both defined below). Such solicitation activities also are forbidden without the prior approval of the Committee.

Professional Employees of the PFM Group are advised that the failure to comply with the rules stated in this Statement of Policy would be cause for imposition of financial sanctions or termination of employment in the discretion of the relevant governing board.

PAYMENTS

No Professional Employee of the PFM Group shall make (or shall cause or permit any other individual or entity under his or her control (solely or jointly with others)) to make a Payment without complying with the provisions of this section of the Policy. A “Payment” means the giving or lending of money, property or anything of value (even if the payor receives something of value in exchange) to an Official. “Official” means the incumbent of, or a candidate or successful candidate for (or any committee or other entity that makes expenditures on behalf of such person including, without limitation, expenditures for transition or inauguration expenses) a Restricted Office. “Restricted Office” means any elective office of any government (other than the United States) of which the holder, by reason of the authority of such office, can influence the selection of (or appoint to an office a person who, by reason of the authority of such office, can influence the selection of) Public Financial to be financial advisor in connection with an issue of securities of that government.

Any Professional Employee of the PFM Group wishing to make a Payment may do so only by submitting to the Committee the completed Application in the form attached to this Statement of Policy (including the signed Certification), accompanied by the Employee’s personal check signed by the Employee made payable to the entity named in the Application. In the event that the Committee approves the payment, it will forward the Employee’s check to the payee by mail. In the event that the Committee declines to approve the payment, it will return the employee’s check and arrange to discuss the proposed Payment with the Employee. No Professional Employee may make or request a Payment of PFM Group funds without the prior written approval of the Political Contributions Oversight Committee.

The Committee will make its determinations with respect to requested Payments generally to give effect to the proscriptions cited in Rule G-37 as applied to all municipal securities activities (as defined in Rule G-37) of the PFM Group. Payments which in the express terms of Rule G-37 are not taken into account under that Rule, and Payments to or for candidates seeking federal elective office, except if such candidate shall be an Official, will be approved. Payments to members of the Professional Employee’s immediate family, direct or by marriage, generally will be approved.



Payments to organizations which seek to influence governmental action on a matter of public interest and which are forbidden by their charters from providing financial support to any Official will be approved. No application is required with respect to the furnishing of the personal services of a Professional Employee; every Professional Employee is required to certify, however, that he or she has not solicited Payments.

SOLICITATION

“Solicitation” means requesting or taking action to arrange for a Payment by another -- including, without limitation, a member of the Professional Employee’s family, or another employee of PFM Group, or any entity which is controlled by any of the foregoing (solely or jointly with others) -- to an Official or a Party. A “Party” means any organization of any kind which expends funds to promote the election or retention of any Official in a place where Public Financial performs or seeks to perform municipal securities business.

All professional employees are prohibited from requesting that any company in the PFM Group or any other person or entity make any payment to a state or local political party. In view of the fact that a business opportunity may arise at any time in any state, this prohibition should be deemed to apply on a national basis. Because of the immediate and severe possible effects of a prohibited solicitation in a hostile regulatory environment governed by ambiguous regulations, a violation of this rule will be deemed to have most serious consequences to the individual.

REPORTS

Municipal finance professionals will be required to certify on a quarterly basis that they have made no Payments and undertaken no Solicitation without the prior approval of the Committee in accordance with this Statement of Policy. Reports of municipal finance professionals will be due within 30 days of the end of the calendar quarter. All other Professional Employees will be required to make such a certification within 30 days after the end of each year. Compensation will be withheld from any such employee who fails to make a timely filing until the failure is cured.

(SEE FORMS UNDER “EXHIBT 1”)