

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
COMPLIANCE EVALUATION REPORT
2nd QUARTER 2008**

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206.622.3700

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310.297.1777

Executive Summary

2nd Quarter 2008

This report covers Wurts & Associates' evaluation of the investments within the portfolios relative to the Fresno County Employees' Retirement Association's (Association) Investment Policy and Guidelines (Guidelines). It contains a compliance worksheet summary of the investments evaluated, the private and public managers' representations regarding compliance, and a detailed compliance worksheet specifying the scope of each evaluation.

The Association's portfolio is comprised of both commingled vehicles and separate accounts. All of the separate account managers employed by the Association have specific language within the Guidelines for Wurts & Associates to evaluate. Please refer to Exhibit A which is a table summarizing the managers employed by the Association, the type of investment vehicle used by each, the general asset class of the investment, and whether or not the Guidelines contain specific language.

Investments made by managers using a commingled vehicle are typically governed by a partnership agreement or prospectus. The reason for this is that since commingled investment vehicles are designed to accommodate many different investors, only one common document may govern the investment strategy.

Public Market Managers

All managers employed by the Association that manage publicly traded securities have specific language in the Guidelines. Wurts & Associates has evaluated each manager's compliance relative to these guidelines and they are contained in this report. Grantham, Mayo, Van Otterloo & Company (GMO), Mondrian Investment Partners Limited, and State Street Global Advisors are employed through the usage of a commingled fund. The investment policies of these managers shall be governed by their prospectuses.

Private Market Managers

Private Market Investment Managers are given full discretion within the scope of their assigned segment, governed by their Limited Partnership Agreements. All private equity managers employed by the Association are made through commingled vehicles and none of them has specific language in the Guidelines to evaluate. All have warranted that they have complied with the appropriate governing authority over their investment strategy. Wurts & Associates is unable to verify this compliance.

Real Estate Managers

The Real Estate Investment Managers employed are given full discretion within the scope of the relevant language that governs the investment strategy. None of them has specific language in the Guidelines to evaluate. All have warranted that they have complied with the appropriate governing authority over their investment strategy. Wurts & Associates is unable to verify this compliance.

Summary of Findings

Of the managers employed by the Association that have specific guidelines, Wurts & Associates has determined the following:

Manager	In Compliance	Out of Compliance
Aronson + Johnson + Ortiz	✓	
Artisan Partners Limited Partnership	✓	
Brandywine Asset Management	✓	
Kalmar Investments Inc.	✓	
Wellington Capital Management	✓	
Enhanced Investment Technologies (INTECH)	✓	
State Street Global Advisors	✓	
Mondrian Investment Partners Limited	✓	
Oechsle International	✓	
Franklin Templeton (International)	✓	
BlackRock, Inc.	✓	
Western Asset Management Company	✓	
Bradford & Marzec	✓	
Loomis Sayles	✓	
Grantham, Mayo & van Otterloo	✓	

We are pleased to report this quarter that there were no material breaches of any consequence by any of the managers we audit.



Jeffrey MacLean
President & Chief Operating Officer

Disclaimer

Wurts & Associates, Inc. has exercised all reasonable professional care in the evaluation of the each investment manager's compliance to the Investment Policy and Guidelines of the Fresno County Employees' Retirement Association as of December 31, 2003. This report is provided to the Board of Trustees in conjunction with our responsibilities under the investment consulting agreement. Our professionals necessarily relied on data provided by third parties (e.g., Bloomberg, Advent, custodian banks) to perform our evaluation. Wurts & Associates makes no claims as to the accuracy of the data used in this evaluation and shall not be held liable for damages caused by errors or omissions in content, except to the extent arising from our sole gross negligence.

Exhibit A

Investment Manager	Investment Vehicle	General Asset Class	Enforcable Guidelines
Aronson + Johnston + Ortiz	Separate Account	Public Market (Equity)	Yes
Artisan Partners Limited Partnership	Separate Account	Public Market (Equity)	Yes
Brandywine Asset Management	Separate Account	Public Market (Equity)	Yes
Kalmar Investments Inc.	Separate Account	Public Market (Equity)	Yes
Wellington Capital Management	Separate Account	Public Market (Equity)	Yes
Enhanced Investment Technologies (INTECH)	Separate Account	Public Market (Equity)	Yes
State Street Global Advisors	Commingled Fund	Public Market (Equity)	No
Mondrian Investment Partners Limited	Commingled Fund	Public Market (Equity)	No
Oechsle International	Separate Account	Public Market (Equity)	Yes
Franklin Templeton (International)	Separate Account	Public Market (Equity)	Yes
BlackRock, Inc.	Separate Account	Public Market (Fixed Income)	Yes
Bradford & Marzec	Separate Account	Public Market (Fixed Income)	Yes
Loomis Sayles	Separate Account	Public Market (Fixed Income)	Yes
Western Asset Management Company	Separate Account	Public Market (Fixed Income)	Yes
Grantham, Mayo, Van Otterloo & Co	Commingled Fund	Public Market (Fixed Income)	No
Heitman / JMB Real Estate III, IV & V	Commingled Fund	Real Estate	No
Heitman / JMB Group Trust V	Commingled Fund	Real Estate	No
Sentinel Real Estate Corp.	Commingled Fund	Real Estate	No
TA Associates II, IV, & V	Commingled Fund	Real Estate	No
BCI Fund V	Commingled Fund	Private Market	No
The Blackstone Group (Private Equity)	Commingled Fund	Private Market	No
Blackstone Alternative Asset Management (Hedge Fund of Funds)	Commingled Fund	Private Market	No
DT Capital Partners	Commingled Fund	Private Market	No
Landmark	Commingled Fund	Private Market	No
Lonestar	Commingled Fund	Private Market	No
New Mountain	Commingled Fund	Private Market	No
TCW Fund III & IV	Commingled Fund	Private Market	No
Warburg Fund & Warburg Fund VIII	Commingled Fund	Private Market	No
JER Fund I & II	Commingled Fund	Real Estate	No

Client: **Fresno County Employees Retirement Association**

Analysis Date: **June 30, 2008**

Asset Class: Domestic Equity

Manager	Style	Market Cap Weighting	Diversification: at Market	Commercial Paper Rating	Weighted Avg Market Cap	Allowable Securities
Aronson + Johnson + Ortiz	M/LV					
Artisan Partners Ltd.	SG					
Brandywine Asset Mgmt.	SV					
Kalmar Investments Inc.	SG					
Wellington Management Co.	LV					
Enhanced Investment Technologies (INTECH)	LG					
State Street Global Advisors	LG(p)					

Asset Class: International Equity

Manager	Style	Market Cap Weighting	Diversification: at Market	Commercial Paper Rating	Weighted Avg Market Cap	Allowable Securities
Oechsle International	INT					
Franklin Templeton Cos.	INT					
Mondrian Investment Partners Limited	INT					

Asset Class: Domestic Fixed Income

Manager	Style	Bond Quality	Diversification: at Market	Duration	Commercial Paper Rating	Derivatives Restricted	Prohibited Securities
BlackRock, Inc.	CP						
Bradford & Marzec, Inc.	CP						
Loomis, Sayles & Co.	CP						
Western Asset Management Company	CP						
Grantham, Mayo, Van Otterloo & Co.	GB						

Legend

	No Violation - In Compliance with Policy Guidelines
	Potential Violation - Currently Being Researched
	Confirmed Violation - Out of Compliance with Policy Guidelines
	Not Applicable

BLACKROCK

July 22, 2008

COMPLIANCE CERTIFICATION

BlackRock performs compliance checks daily on the Fresno County Employees' Retirement Association, FCERA ("Client") account and, if necessary, BlackRock rebalances or otherwise takes such action for the account to ensure compliance with the relevant investment policies and guidelines applicable to the account that have been previously communicated to us and are currently in effect for the account ("Guidelines"). Therefore, and on that basis, for the period from April 1, 2008 to June 30, 2008, the Client's account has been in compliance, in all material respects, with its Guidelines, with the following exception:

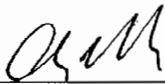
The portfolio holds a downgraded security that is rated below the minimum rating constraint. This security was within the rating constraint at the time of purchase. BlackRock has been granted a waiver by the Client to continue to hold this security. BlackRock will provide periodic updates on its rating status.

Investment Guideline: Securities must be rated B- or better by Moody's or S&P viewing the higher of splits.

As of June 30, 2008, the portfolios hold the following downgraded security:

<u>DESCRIPTION</u>	<u>CUSIP</u>	<u>S&P/MDY/FITCH</u>
BOWATER CANADA FINANCE CORP	102175AB2	CCC+/Caa2/CCC

BLACKROCK

By: 
Andrew Novak
Managing Director

July 17, 2008

Mr. Anthony Ferrara
Wurts & Associates
2321 Rosecrans
Suite 2250
El Segundo, CA 90245
Via e-mail: aferrara@wurts.com

Re: Fresno County Employees' Retirement Association (I0240LG.240) ("Portfolio")

Dear Mr. Ferrara:

The purpose of this correspondence is to certify that for the period April 1, 2008 through June 30, 2008, INTECH has complied with the Portfolio's Separate Account Large Capitalization Growth Equity Assignment for Enhanced Investment Technologies, LLC as amended.

Sincerely,



Patricia Flynn
Chief Compliance Officer

cc: Robert Pena, Retirement Administrator (*via e-mail: rpena@co.fresno.ca.us*)

ARONSON + JOHNSON + ORTIZ

230 SOUTH BROAD STREET
TWENTIETH FLOOR
PHILADELPHIA, PA 19102

215/546-7500
215/546-7506 FAX
ajopartners.com

July 8, 2008



Mr. Tony Ferrara
Wurts & Associates Inc.
2321 Rosecrans Avenue
Suite 2250
El Segundo, California 90245

Re: FRESNO COMPLIANCE

Dear Tony:

We're pleased to certify:

The portfolio managed for the Fresno County Employees' Retirement Association remained in compliance with all investment guidelines from April 1, 2008, to June 30, 2008.

We welcome your questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Dietrick', written over a horizontal line.

Joseph F. Dietrick
dietrick@ajopartners.com

srr (FX)

cc: Roberto L. Peña

Fresno County Employees' Retirement Association
Certification of Compliance Statement
Second Quarter, 2008

This statement is to verify that to the best of our knowledge and based upon Wellington Management's systems, all transactions and positions in Fresno County Employees' Retirement Association's Research Value portfolio for the period April 1, 2008 – June 30, 2008, have been reviewed and are in compliance with the investment management agreement and Wellington Management's internal policies.

SR Bonfeld

Sue Bonfeld
Vice President
Wellington Management

06/30/2008

Date



**Fresno County Employees Retirement Association
Investment Guidelines Certification Statement**

Certification of Investment Manager

To the best of our knowledge, the undersigned investment manager certifies that its investment decisions have stayed within the restrictions outlined in accordance with the provisions of the Board's Investments Policy Statement and Investment Guidelines agreed upon on May 27, 2004.

Signature: *Nancy Romito*

By: Nancy Romito

Title: Client Services Director

Firm: Kalmar Investments Inc.

Date: July 28, 2008

Reporting Period: Second Quarter 2008



Brandywine Global Investment Management, LLC
2929 Arch Street, 8th Floor / Philadelphia, PA 19104
800 348 2499 / 215 609 3500 / brandywineglobal.com

July 31, 2008

Mr. Tony Ferrara
Wurts & Associates
2321 Rosecrans, Suite 2250
El Segundo, CA 90245

Dear Mr. Ferrara:

Please accept this letter as a confirmation that Brandywine Global Investment Management LLC is in compliance with the attached guidelines and mandates for Fresno County Employees' Retirement Association with an effective date as of August 2003 from the period beginning 4/1/2008 and ending 6/30/2008.

Sincerely,

A handwritten signature in black ink, appearing to read "JFella".

Jonathan Fella
Manager
Portfolio Compliance

Enclosure

cc: Roberto Pena, FCERA



TEMPLETON INVESTMENT COUNSEL, LLC

500 East Broward Boulevard/Suite 2100
Fort Lauderdale, Florida 33394-3091
Telephone 954-527-7500

DATE: July 10, 2008

TO: The Board of Trustees of the Fresno County Employees Retirement Association

FROM: Kevin Wuerfel
Supervisor, Global Investment Adviser Compliance

RE: Account #325 – Fresno County Employees' Retirement Association
Compliance Certification

CC: Robert Rosselot

We have reviewed the investment guidelines and restrictions for Fresno County Employees' Retirement Association. In our opinion, for the quarter-ended June 30, 2007 the account is in compliance in all material respects with the investment restrictions set forth in the Investment Management Agreement dated August 1, 1994 and the Policy Investment Guidelines date July 30, 2004.

On May 2, 2008 shares of a US security, Dr. Pepper Snapple, were received into the account via a corporate action (spin-off) from Cadbury. We have an open order currently in place to sell the shares.


Kevin Wuerfel
Supervisor – Global Investment Adviser Compliance



Oechsle International Advisors, LLC

Tony Ferrara
Wurts & Associates
999 Third Avenue
Seattle WA, 98104

July 10, 2008

Re: Compliance with Investment Guidelines for Fresno County

For the quarter ending June 30, 2008, there was one exception to the Investment Guidelines:

- On 4/28/08, the account received shares of Dr. Pepper Snapple "DPS", a US company, as a result of a corporate spin-off from Cadbury Schweppes PLC. The position was sold prior to quarter end.

At this time Oechsle does not have any comments, concerns, or suggestions regarding policy constraints and guidelines.

Oechsle agrees and acknowledges that the Account will continue to be managed according to the Investment Guidelines. If you have any questions, please do not hesitate to contact me at (617) 330-8825 or by email at paul.kelly@Oechsle.com.

Regards,

A handwritten signature in cursive script that reads "Paul Kelly".

Paul Kelly
Compliance Officer



July 24, 2008

Tony Ferrara
Consulting Associate
Wurts & Associates
2321 Rosecrans, Suite 2250
El Segundo, CA 90245

Re: Fresno County Employees' Retirement Association

Dear Mr. Ferrara:

In reply to your request for a written certification, please be advised that the investment portfolio managed for the above account was in compliance with all investment guidelines during the 2nd quarter 2008.

If you have any questions or require additional information, please contact me at your convenience.

Sincerely,

Edward T. Bradford

cc: Roberto Pena, FCERA



**Fresno County Employees Retirement Association
Investment Holdings and Transaction Certification
June 30, 2008**

This is to certify that the investment portfolio managed on behalf of the Fresno County Employees Retirement Association June 30, 2008, was in compliance with the *Fresno County Employees Retirement Association Investment Policy* with the following exceptions:

NONE



Loomis, Sayles & Company, L.P.

7/16/08

Date

Mari Shimokawa
Vice President, Legal & Compliance



Loomis, Sayles & Company, L.P.

7/16/08

Date

Peter W. Palfrey
Vice President, Portfolio Manager



July 14, 2007

Mr. Tony Ferrara
Consulting Associate
Wurts & Associates, Inc.
2321 Rosecrans Avenue, Suite 2250
El Segundo, California 90245

Re: Fresno CERA

Dear Mr. Ferrara:

This letter is to certify that to the best of our knowledge, the investment portfolio managed on behalf of the Fresno County Employees' Retirement Association was in compliance with stated investment objectives, policies and guidelines during the second quarter of 2008.

Please contact me at (626) 844-4046 should you have any questions.

Sincerely,

Kalisa Falzone
Compliance Officer



Grantham, Mayo, Van Otterloo & Co. LLC
40 Rowes Wharf | Boston, MA 02110
T: (617) 330-7500 | F: (617) 261-0134 | www.gmo.com

July 16, 2008

Mr. Scott Garrett
Wurts & Associates
2321 Rosecrans, Suite 2250
El Segundo, California 90245

Re: **Compliance Certification for the Fresno County Employees Retirement Association's (the "Fund's") Investment in GMO Global Bond Fund, a Series of GMO Trust**

Dear Mr. Garrett:

On behalf of Grantham, Mayo, Van Otterloo & Co. LLC ("GMO"), I hereby certify that during the review period of April 1, 2008 through June 30, 2008 the GMO Global Bond Fund was in compliance with the investment restrictions set forth in the GMO Trust Prospectus dated June 30, 2007 and the Statement of Additional Information.

Please do not hesitate to contact me at 617-790-5049 if you have any questions.

Sincerely,

Mark A. Mitchelson
Compliance Specialist

cc: Roberto Pena, FCERA



BCI Partners, Inc.
411 Hackensack Avenue
Hackensack, NJ 07601

Telephone ~~201.342.5001~~
Facsimile 201.342.5002

August 26, 2008

Mr. Anthony Ferrara
Wurts & Associates
2321 Rosecrans, Suite 2250
El Segundo, CA 90245

Dear Tony:

We certify that we are in compliance with the investment guidelines as stated in the BCI Growth V, L.P. Limited Partnership Agreement dated December 18, 1998, for the period April 1, 2008 and ending June 30, 2008.

Sincerely,



J. Barton Goodwin
General Partner

cc: Roberto Pena

COMPLIANCE WITH INVESTMENT GUIDELINES

Investment Manager Name: Artisan Partners Limited Partnership

Account Name: Fresno County Employees Retirement Association

Quarter Ending: June 30, 2008

We were in compliance with the Investment Guidelines for the Fresno County Employees Retirement Association portfolio during the quarter specified above.

Although we do not believe there have been violations of the investment policies and restrictions, in order to keep you informed, the following item is noted:

The investment guidelines state: "Investment in derivative securities is prohibited."

On March 25, 2008 there was a corporate action involving a rights distribution to shareholders of Ares Capital Corporation (a security held in your account). Shareholders as of March 24, 2008 received 1 right for every 3 shares held. Your account received 20,741 shares of Ares Capital Corporation rights on March 25, 2008. All shares were liquidated from the portfolio by April 2, 2008.

We were not in compliance with all the Investment Guidelines during the quarter specified above. Attached are a summary of any guideline deviations and a brief explanation of the deviation.



By: _____

Name: Brooke J. Billick

Title: Chief Compliance Officer and Associate Counsel

Date: July 30, 2008

★

LONE STAR FUND IV (U.S.), L.P.

August 26, 2008

Mr. Tony Ferrara
Wurts & Associates
2321 Rosecrans Ave., Suite 2250
El Segundo, CA 90245

Re: *Statement of Compliance for the quarter ended June 30, 2008 – Lone Star Fund IV (U.S.), L.P.*

Dear Mr. Ferrara:

Please note that Lone Star Partners IV, L.P., the general partner of Lone Star Fund IV (U.S.), L.P. was in compliance with the provisions of the Amended and Restated Limited Partnership Agreement of Lone Star Fund IV (U.S.), L.P. (the "Partnership Agreement") for the quarter ended June 30, 2008.

If you have any questions regarding the above, please contact Lou Paletta at 214-754-8336 (email: lpaletta@lonestarfunds.com) or me at 214-754-8312 (e-mail: gquillen@lonestarfunds.com).

LONE STAR FUND IV (U.S.), L.P.,

By: 
Ginger Quillen

Vice President of
Lone Star Management Co. IV, Ltd.,
general partner of Lone Star Partners IV, L.P.,
general partner of Lone Star Fund IV (U.S.), L.P.

cc: Roberto Peña

Compliance Worksheet 3-31-2008

Domestic Equity Accounts 6/30/2008

Aronson + Johnson + Ortiz	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 7% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$5B	Yes
No derivatives, non-AD foreign stocks without consent of Association	Yes

Artisan Partners Limited Partnership	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
≤ 7% per issue at market	Yes
Initial position mkt caps shall be between \$100M and \$2.5B	Yes ¹
No derivatives, non-ADR foreign stocks, non-U.S. jurisdictional	Yes

Brandywine Asset Management	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 5% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should be +/-30% of Russell 2000 Value Index w/o notification	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes

Kalmar Investments Inc.	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
≤ 8% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Initial position caps shall be between \$100M and \$2B	Yes ²
No derivatives, non-ADR foreign stocks, non-U.S. jurisdictional	Yes

¹Artisan Partners deviated from its market capitalization range stated in the guidelines. The guidelines state that: "The Manager uses a blend of smaller companies ranging in market capitalization for the portfolio from **approximately** \$100 million to \$2.5 billion at the initiation of the position." Artisan purchased three securities (out of sixty-seven holdings), which at the time of initial purchase had a market capitalization of \$2.72 billion.

²Kalmar Investments deviated from its market capitalization range stated in the guidelines. The guidelines state that: "The Manager uses a blend of smaller companies ranging in market capitalization for the portfolio from **approximately** \$100 million to \$2 billion at the initiation of the position." Kalmar purchased two securities (out of eighty-five holdings), which at the time of initial purchase had market capitalizations of up to \$2.03 billion

Domestic Equity 2

Domestic Equity Accounts 6/30/2008

Enhanced Investment Technologies (INTECH)	
Guideline	In Compliance
No single equity position > 5% of that company's total market cap	Yes
Weight of any holding shall not exceed benchmark holding by more than 2.5% at time of purchase	Yes ¹
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$10B	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes

Wellington Capital Management	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 7% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$5B	Yes
No derivatives, non-ADR foreign stocks without consent of Association	Yes ²

State Street Global Advisors	
Guideline	In Compliance
The investment policies of State Street shall be governed by the State Street's Fund Declaration.	Yes ³

¹INTECH's guidelines were revised during 3Q07 to allow for holdings to be more than 2.5% after initial purchase as long as the position is trimmed within 30 calendar days.

²Wellington's guidelines were revised during 3Q07 to allow for ADR's to be purchased in the over-the-counter markets as well.

³The Association's investment in State Street is made through a commingled vehicle. Therefore, the Association's investment guidelines do not govern the investment processes of the fund.

International Equity

International Equity Accounts
6/30/2008

Oechsle International	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 5% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$1B	Yes
No derivatives without consent of Association	Yes

Franklin Templeton	
Guideline	In Compliance
No single equity position > 5% of company's total market cap	Yes
≤ 5% per issue at market	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Weighted average market cap should not fall below \$1B	Yes
No derivatives without consent of Association	Yes

Mondrian Investment Partners Limited	
Guideline	In Compliance
The investment policies of Mondrian shall be governed by the Mondrian Emerging Markets Equity Fund, L.P.'s Offering Memorandum.	Yes ¹

¹The Association's investment in Mondrian is made through a commingled vehicle. Therefore, the Association's investment guidelines do not govern the investment processes of the fund.

Domestic Fixed Income

Domestic Fixed Income Accounts

6/30/2008

BlackRock, Inc.	
Guideline	In Compliance
80% of portfolio to be comprised of investment grade (BBB or higher)	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by +/- 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Loomis Sayles	
Guideline	In Compliance
80% of portfolio to be comprised of investment grade (BBB or higher) (inform Board)	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Bradford Marzec	
Guideline	In Compliance
80% of portfolio to be comprised of investment grade (BBB or higher)	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
Use of derivatives to be disclosed quarterly to Association. No derivatives outside of benchmark duration	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes

Domestic Fixed Income 2

Domestic Fixed Income Accounts

6/30/2008

Western Asset Management Company	
Guideline	In Compliance
80% of portfolio to be comprised of securities rated BBB- or higher	Yes
≤ 5% per issue at market except U.S. Govt. Bonds	Yes
Duration shall not exceed Lehman aggregate Bond Index by more than 30%	Yes
All commercial paper obligations to have min. rtgs. of P-2 (Moody's) or A-2 (S&P's)	Yes
No use of stock options, margins, letter stocks, emer. mkt. securities, Z-Bonds, etc.	Yes