

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
COMPLIANCE EVALUATION REPORT
3rd QUARTER 2008**

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999 Third Avenue, Suite 4200
Seattle, Washington 98104
206.622.3700

2321 Rosecrans Avenue, Suite 2250
El Segundo, California 90245
310.297.1777

Executive Summary

3rd 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 | ✓ | |

During the third quarter, Franklin Templeton violated their investment guidelines by holding a security (Ace Ltd.), which is not an allowable security. Franklin Templeton may only invest in markets within the MSCI EAFE Index as well as the Bermuda, Canada, and the Cayman Islands. On July 18th, Ace Ltd.'s country assignment was changed from Bermuda to the United States. Although at time of purchase, Ace Ltd.'s country assignment was Bermuda, the investment guidelines do not specify to allow for a country assignment change after time of purchase.



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: **September 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 | | 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 | | 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 |



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

October 20, 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 7/1/2008 and ending 9/30/2008.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Fella", is written over a light blue horizontal line.

Jonathan Fella
Manager
Portfolio Compliance

Enclosure

cc: Roberto Pena, FCERA

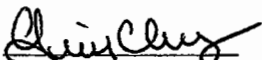
Mondrian Emerging Markets Equity Fund, L.P. (the "Fund")

Certification of Compliance with Investment Strategy

for the period from July 1, 2008 to September 30, 2008

The Fund has been in compliance with its Investment Strategy, as fully set forth in the Confidential Information Memorandum of the Fund, during the period described above. Each item of the Investment Strategy is described in the Appendix and initialed as being in compliance.

Mondrian Investment Partners Limited
(as Investment Manager to the Fund)

By: 
Name: GINNY CHONG
Title: SENIOR PORTFOLIO MANAGER
Date: OCT. 3, 2008

Mondrian Emerging Markets Equity Fund, L.P.

| Investment Strategy Detail | Initial |
|--|---------|
| <p><u>Securities, Approach and Markets</u></p> <p>The Fund pursues its investment objective primarily by investing in equity securities of emerging market companies, as described below, that, in the Investment Manager's opinion, are undervalued at the time of purchase based on fundamental value analysis employed by the Investment Manager. Equity securities in which the Fund may invest include, but are not limited to, common stocks, preferred stocks, convertible securities, index related securities, certain non-traditional equity securities and warrants. The Fund may purchase securities of non-U.S. issuers directly or indirectly in the form of American, European or Global depository receipts or other securities representing underlying shares of non-U.S. issuers. The Fund may also purchase other investment funds, including, but not limited to registered funds, unregistered funds and REIT's. Under normal circumstances, the Fund invests at least 80% of its assets in investments of emerging market issuers.</p> <p>The Investment Manager's approach in selecting investments for the Fund is primarily oriented to individual stock selection and is value driven. In selecting stocks for the Fund, the Investment Manager identifies those stocks that it believes will provide high total return over a market cycle, taking into consideration movements in the price of the individual security and the impact of currency fluctuation on a United States domiciled, dollar-based investor. The Investment Manager conducts fundamental research on a global basis in order to identify securities that, in the Investment Manager's opinion, have the potential for long-term total return. This research effort generally centers on a value-oriented dividend discount methodology with respect to individual securities and market analysis that isolates value across country boundaries. The approach focuses on future anticipated dividends and discounts the value of those dividends back to what they would be worth if they were being received today. In addition, the analysis typically includes a comparison of the values and current market prices of different possible investments. The Investment Manager's general management strategy emphasizes long-term holding of securities, although securities may be sold in the Investment Manager's discretion without regard to the length of time they have been held.</p> | GYC |
| <p><u>Emerging Markets Company</u></p> <p>The Fund considers an emerging country to be any country that is included in the International Finance Corporation Free Index or the Morgan Stanley Capital International Emerging Markets Index. In addition, any country which is generally recognized to be an emerging or developing country by the international financial community, including the World Bank and the International Finance Corporation, as well as any country that is classified by the United Nations or otherwise regarded by its authorities as developing will be considered an emerging country.</p> <p>There are more than 130 countries that are generally considered to be emerging or developing countries by the international financial community, approximately 40 of which currently have stock markets. Almost every nation in the world is included within this group of developing or emerging countries except the United States, Canada, and those in the Morgan Stanley Capital International EAFE Index.</p> | GYC |

| | |
|---|------------|
| <p>In considering possible emerging countries in which the Fund may invest, the Investment Manager places particular emphasis on certain factors, such as economic conditions (including growth trends, inflation rates and trade balances), regulatory and currency controls, accounting standards and political and social conditions. Although this is not an exclusive list, the Investment Manager considers an emerging country equity security to be one that is issued by a company that exhibits one or more of the following characteristics: (1) its principal securities trading market is in an emerging country, as defined above; (2) while traded in any market, alone or on a consolidated basis, the company derives 50% or more of its annual revenues or annual profits from either goods produced, sales made or services performed in emerging countries; (3) the company has 50% or more of its assets located in an emerging country; or (4) it is organized under the laws of, and has a principal office in, an emerging country. The Investment Manager determines eligibility based on publicly available information and inquiries made of the companies.</p> <p>Currently, investing in many emerging countries is not feasible, or may, in the Investment Manager's opinion, involve unacceptable political or governance risks. The Fund focuses its investments in those emerging countries where the Investment Manager considers the economies to be developing and where the markets are becoming more sophisticated.</p> | |
| <p><u>Currency, Debt Securities and Cash</u></p> <p>Currency considerations carry a special risk for a portfolio of international securities. The Fund may invest in securities issued in any currency and may hold foreign currency. Securities of issuers within a given country may be denominated in the currency of another country or in multinational currency units, including the Euro. The Investment Manager primarily uses a purchasing power parity approach to evaluate currency risk. In this regard, the Fund may carry out hedging activities, and may invest in forward foreign currency contracts to hedge currency risks associated with the purchase of individual securities denominated in a particular currency. Under normal circumstances, hedging is undertaken defensively back into the base currency of the Fund.</p> <p>Under normal circumstances, no more than 10% of the Fund's assets will be invested in debt securities issued by governments or by their agencies, instrumentalities or political subdivisions, or by corporate entities, all of which may be high-yield, high-risk fixed income securities rated lower than BBB by S&P and Baa by Moody's or, if unrated, considered to be of equivalent quality. In addition, for temporary defensive purposes, the Fund may invest in high-quality debt instruments.</p> <p>To facilitate investment activities, the Fund will generally hold a small portion of its assets in cash or cash equivalent instruments.</p> | <p>GYC</p> |

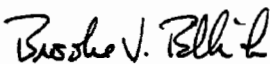
The Investment Manager manages the Fund's assets in accordance with the investment objective and guidelines described in the Confidential Information Memorandum and not in accordance with the individual guidelines of any one investor.

COMPLIANCE WITH INVESTMENT GUIDELINES

Investment Manager Name: Artisan Partners Limited Partnership
Account Name: Fresno County Employees Retirement Association
Quarter Ending: September 30, 2008

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

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: October 13, 2008

October 29, 2008

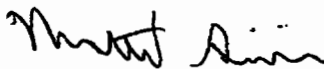
Mr. Anthony Ferrara
Wurts & Associates
2321 Rosecrans, Suite 2250
El Segundo, CA 90245

Dear Mr. Ferrara:

The S&P 500 Flagship Fund and the Russell 1000 Growth Securities Lending Fund, in which the Fresno County Employees' Retirement Association is invested, are in compliance with the fund guidelines and restrictions outlined in their Fund Declarations as of September 30, 2008.

Should you have any questions or require additional information, please feel free to contact Matthew Simoni directly at (617) 664-2415, or Neil Tremblay of Relationship Management at (415) 836-9854.

Sincerely,



Matthew Simoni
Compliance Associate
SSgA Compliance



Tan Eng
Assistant Vice President and Compliance Officer
SSgA Compliance

cc: Neil Tremblay, SSgA
Roberto Pena, FCERA

October 13, 2008

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

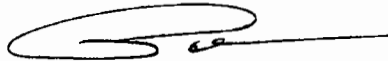
Via e-mail: aferrara@wurts.com

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

Dear Mr. Ferrara:

The purpose of this correspondence is to certify that for the period July 1, 2008 through September 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: Roberto Pena, Retirement Administrator (*via e-mail: rpena@co.fresno.ca.us*)

Fresno County Employees' Retirement Association
Certification of Compliance Statement
Third 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 July 1, 2008 – September 30, 2008, have been reviewed and are in compliance with the investment management agreement and Wellington Management's internal policies.



Sue Bonfeld
Vice President
Wellington Management

09/30/2008

Date

ARONSON + JOHNSON + ORTIZ

230 SOUTH BROAD STREET
TWENTIETH FLOOR
PHILADELPHIA, PA 19102

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

October 15, 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 July 1, 2008, to September 30, 2008.

We welcome your questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Dietrick', with a long horizontal flourish extending to the right.

Joseph F. Dietrick
dietrick@ajopartners.com

srr (FX)

cc: Roberto L. Peña



**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: _____

A handwritten signature in black ink, appearing to read "Nancy Romito", written over a horizontal line.

By: Nancy Romito

Title: Client Services Director

Firm: Kalmar Investments Inc.

Date: October 21, 2008

Reporting Period: Third Quarter 2008



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

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

NONE

Mary Ellen Logee 10/9/08
Loomis, Sayles & Company, L.P. Date

Mary Ellen Logee
Vice President, Portfolio Compliance Manager

Peter W. Palfrey 10/10/08
Loomis, Sayles & Company, L.P. Date

Peter W. Palfrey
Vice President, Portfolio Manager



October 8, 2008

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

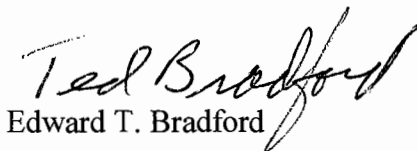
Re: Fresno County Employees' Retirement Association

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 3rd 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



Oechsle International Advisors, LLC

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

October 3, 2008

Re: Compliance with Investment Guidelines for Fresno County

This statement is to confirm that the assets invested by Oechsle International Advisors, LLC ("Oechsle") were managed in accordance with the Account's Investment Guidelines for the Third quarter July 1, 2008 through September 30, 2008.

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.

Regards,

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

Paul Kelly
Compliance Officer



October 15, 2008

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 third quarter of 2008.

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

Sincerely,

Kristen Ollar
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

October 17, 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 July 1, 2008 through September 30, 2008 the GMO Global Bond Fund was in compliance with the investment restrictions set forth in the GMO Trust Prospectus dated June 30, 2008 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




Franklin Templeton®

TEMPLETON INVESTMENT COUNSEL, LLC

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

DATE: October 22, 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

We have reviewed the investment guidelines and restrictions for Fresno County Employees' Retirement Association. In our opinion, for the quarter-ended September 30, 2008, 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 Investment Policy Statement dated June 10, 2003.

Please note that as of September 30, 2008, the account retained a position in Ace Ltd. constituting 1.118% of the value of the account. At the time this position was initiated, the 'country' assignment, based on independent vendors Bloomberg and MSCI Barra, was Bermuda. Following a change of incorporation from Cayman Islands to Switzerland, our vendors reviewed the 'country' assignment and have determined that Ace Ltd. should be classified as a 'US' company. This classification is based on a number of factors, including (1) location of management; (2) primary listing; (3) source of revenue; and (4) reporting currency.

BLACKROCK

October 14, 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 July 1, 2008 to September 30, 2008, the Client's account has been in compliance, in all material respects, with its Guidelines, with the following exceptions:

On July 11, 2008, a position held within the portfolio was downgraded below the minimum allowable ratings constraint:

| CUSIP | Security Description | Ratings |
|-----------|----------------------|----------|
| 22942MAC0 | CSMC_06-8 3A1 | NR/BB/BB |

On September 15, 2008, positions held within the portfolio were downgraded below the minimum allowable ratings constraint:

| CUSIP | Security Description | Ratings |
|-----------|------------------------------|-----------|
| 524908XA3 | LEHMAN BROTHERS HO MTN | Ca/NR/C |
| 5249087M6 | LEHMAN BROTHERS HO MTN | Caa2/NR/C |
| 524908R36 | LEHMAN BROTHERS HOLDINGS INC | Caa2/NR/C |

BlackRock will provide periodic updates on their rating status. These securities were within the ratings constraint at time of purchase.

BLACKROCK

By: 

Andrew Novak
Managing Director

★

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

October 2, 2008

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

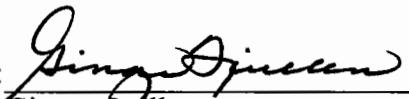
Re: *Statement of Compliance for the quarter ended September 30, 2008 – Lone Star Fund IV (U.S.), L.P.*

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 September 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 9/30/2008

| 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 six securities (out of seventy holdings), which at the time of initial purchase had a market capitalization of \$2.73 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 one security (out of eighty-four holdings), which at the time of initial purchase had a market capitalization of \$2.28 billion

Domestic Equity 2

Domestic Equity Accounts 9/30/2008

| 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

9/30/2008

| 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 securities outside of the MSCI EAFE Index as well as Bermuda, Canada, and Cayman Islands | 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 securities outside of the MSCI EAFE Index as well as Bermuda, Canada, and Cayman Islands | No ¹ |
| 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 ² |

¹Franklin Templeton held one security (Ace Ltd.), which at time of purchase was incorporated in Bermuda but had its country assignment changed to the United States on July 18, 2008. Wurts & Associates has directed Franklin Templeton the portfolio may continue to maintain this position, but may not add to it.

²The 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

9/30/2008

| 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
9/30/2008

| 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 |