

**ALABAMA PACT**

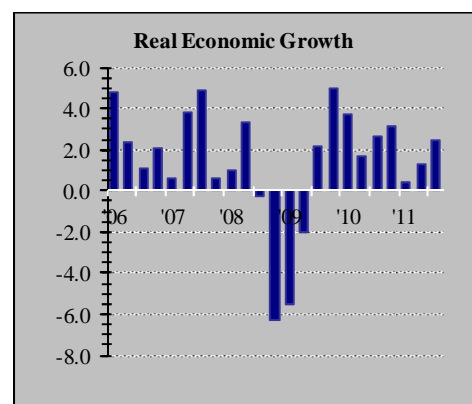
**PERFORMANCE REVIEW  
SEPTEMBER 2011**



## ECONOMIC ENVIRONMENT

### *A Bit Better, But Still Tough Times*

After a rough first half of 2011, domestic economic progress improved a bit in the third quarter. Manufacturing output increased, employment remained fairly steady, housing bottomed out, and consumers finally got a break at the gas pump. Inflation as measured by the CPI (up 1.2% for the quarter) was up significantly, but did not pose an immediate threat to the Fed's plans to keep interest rates low.



The advance estimate for third quarter GDP growth was 2.5%, up from the second quarter's GDP 1.3% annual rate. While not spectacular, a gain is still a gain. Corporate, federal government and personal spending were all up. Offsetting these positives were higher imports and lower government spending at the

state and local levels. There were more positives to report.

For September, the manufacturing sector had expanded 0.4%, bringing output to a level that was 3.9% over last September. Retail sales rebounded 1.1% in September, approximately 8.0% above last year.

The jury is still out on any real employment turnaround. Importantly, the overall employment picture didn't deteriorate. There were some private sector employment gains, but layoffs in the public sector offset most of those gains. The unemployment rate has held at 9.1% since July. The latest payroll data is mildly encouraging as non-farm employment edged up by 103,000 in September, which included the return to work of 45,000 striking Verizon workers.

Housing remained in the doldrums as prices fell slightly and foreclosures increased. Despite record low mortgage rates new mortgages go begging: lenders largely demand excellent credit ratings, and many potential home seekers who do qualify are having difficulties in getting high enough appraisals for the homes they wish to purchase. Yet others are waiting for still better deals.

The Goldman Sachs Commodity Index (GSCI) fell an extraordinary 11.7% during the quarter. The macro explanation was slowing global growth, with the most striking example related to copper prices. Chinese demand represents 40% of total demand for the metal, thus a big drop off in Chinese demand was the key factor contributing to its 25.8% price decline. Wholesale food prices generally declined as much as 10%, more a reflection of weather than falling demand. Livestock prices climbed as they are less prone to weather and changing consumer demand.

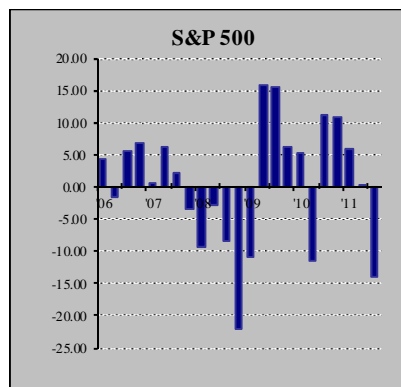
The Federal Reserve was highly active during the quarter. First, Chairman Bernanke announced that the Fed would hold lending rates to an absolutely low level, at least through mid-2013. This was an effort to induce bank lending, to spur home sales and to encourage corporate borrowers to seek new project financing. While this was certainly innovative, it simply extended an effort that was already in place.

The Fed also introduced Operation Twist, a federal purchasing program intended to bring down long term interest rates. (The last time a Twist program was used by the Fed was in the 1960's when the dance of the same name was in vogue, hence the name.) Under this program, the Fed would take the proceeds from its maturing short-term Treasuries and reinvest them in long-maturity Treasuries (6-year and longer). Results occurred quickly as the Treasury yield curve sharply contracted on the long end. Bernanke and the Treasury Secretary also encouraged their Eurozone counterparts to create more permanent umbrella financing in an effort to forestall any Euro country and commercial bank defaults. Led by Germany and France, progress was made on a Euro 440 Billion European Financial Stability Fund (EFSF).

## EQUITY MARKET

### *Nowhere to run, nowhere to hide*

Returns last quarter were simply awful. In general, every major index fell more than 10% and most indices fell far more. The bellwether S&P 500 index fell 13.9%. Growth stocks bested value stocks and large-cap names performed better than small-caps, but only on a relative basis. The Russell 3000 (total market) Growth Index fell 13.9% and the Russell 3000 Value Index slumped 16.6%. The large-cap Russell 1000 Index fell 14.7%, while the small-cap Russell 2000 plummeted 21.9%.



Sector-wise, there was almost nowhere to hide. Traditional utility stocks resisted the rout by losing only 1.2%. Utilities fared better due because of their high, reinvested cash dividends. The consumer durable sector saw the greatest decline (26.5%) as employed and unemployed Americans pulled back on discretionary spending. Not too far behind were the basic industries,

financials and energy sectors, which fell 22.5%, 20.0% and 18.1%, respectively. Lower demand accounted for most of the basic industry and energy declines. Banking problems in the mortgage and underwriting areas accounted for the flight from that sector. Consumer non-durable spending was up and helped mitigate the decline (4.9%) in that sector and in the computer technology sector, which was down 4.2%.

The S&P dividend rate rose 0.4% to 2.2%, due mainly to the collapse in the prices of underlying stocks. For the same reason, its P/E ratio also fell significantly from 18.6 times to 16.6. Of the 500 names, 61.6% had moderate P/E ratios between 10 and 20 and close to 20% were trading at

10 times or less, suggesting that the market is reasonably priced, if not cheap.

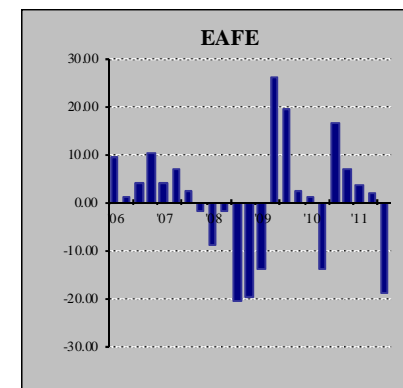
## INTERNATIONAL EQUITIES

### *Overseas Diversification Didn't Help*

Offshore markets fared just as poorly as they did at home. The MSCI EAFE Index, representing developed markets, dropped 19%. Not unexpectedly, the Eurozone countries as a group dropped 28%. Germany's 31% plunge looked good compared to Greece's 46.6% falloff. Greece, with its small-sized 11 million population, produced only 2% of Eurozone GDP, and was the tipping point for the debt crisis

Australia, part of the EAFE equation, declined 20.1%. However, the Far East portion of the Index lost far less (8.7%). The key to the better performance was Japan's rebound after its tragic March hurricane and tsunami. Since Japan's stock market is a major component of the Index, its 6.4% loss cushioned overall Far East results. By comparison, Hong Kong lost 19.9% and Singapore dropped 18.2%. EAFE sectors again mirrored the performance of their domestic equivalents.

The MSCI Emerging Market Index (EM) dropped more than EAFE. EM lost 22.5% vs. EAFE's 19.0% loss. The severe drop-off among the BRIC countries best exemplifies the lack of investor confidence. Brazil lost 26.9%; Russia fell a full 31%; India sank 19.9%; China gave back 25.2%. The only relative safe havens in EM space were three micro-sized markets in the Far East, Middle East and South America, specifically, the Philippines (-6.9%); Peru (-4.7%); and Morocco (-9.2%).

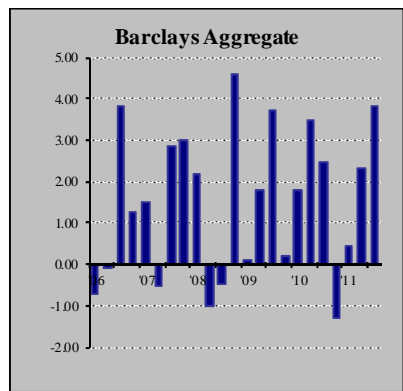


Whether an investor's portfolio included the US, EAFE, EM or any combination of the three major global market segments, there was one commonality: red ink.

## BOND MARKET

### *Long Treasuries, by a Landslide*

The Barclays Aggregate Index advanced a healthy 3.8% last quarter. Partially hidden within the combined index return was the long Treasury bond's phenomenal return, up 29.2%, for those with 20-year-or-longer maturities. Five-year-or-longer Treasuries earned at least 6%. Given that Treasuries of all maturities constitute 34% of the Index, Treasuries were THE performance driver. There were two components of this spectacular rise. First, equity investors fled the market and moved assets to their traditional stalwart, old-fashioned US Government instruments. The downgrading of the U.S. Treasuries by S&P had no effect on the overall perception of safety in the Treasury's ability to pay its bills. Second, Operation Twist indeed twisted the yield curve downward and long duration investors benefited directly.



The Barclays (corporate) Credit Index also gained ground, advancing 3.0%. Long maturity credits soared 9.1%, in sync with Operation Twist. Within the credit component, utilities led the pack (+7.1%). Industrial names were a distant second (+4.9%). But financial debt was in the negative camp, losing 1.4%. Money Center

banks suffered from higher capital requirements, mortgage foreclosures that just wouldn't go away and from lower profits in the investment banking sector.

Residential mortgage bonds gained 2.4%. By comparison, commercial mortgage debt (CMBS) lost 0.9%. Investors were more sensitive to the persistently high unemployment rate, which would impact commercial property, especially office occupancy.

Corporate high yield bonds with credit ratings of BA or lower fared poorly, reflecting the struggle by highly leveraged companies to survive current, near recession conditions. The Barclays High Yield Index dropped 6.1%. Returns were progressively more negative for bonds with lower credit ratings. Single B bonds averaged a negative 5.2% return, but CA-D credits collapsed 25%!

As of September 30<sup>th</sup>, the Aggregate Index yielded 2.35% (yield-to-worst), had an average maturity of 7.2-years, and a modified adjusted duration of 5.0-years. Total assets comprising the Index are currently valued at \$15.8 Trillion. For reference, the yield, maturity and duration declined and the Index value grew from the prior quarter due to the very favorable return of long maturity (investment grade) bonds.

## CASH EQUIVALENTS

### *Zero was Good*

Last quarter, one-to-three-month Treasury Bills earned 0.01%, or essentially zero. The 3-month Treasury Bill is earning "double" that or two basis points. The six-month Treasury Bill is only earning eight basis points.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	<b>CURRENT QTR</b>	<b>LAST QTR</b>
GDP	2.5	1.3
Unemployment	9.1	9.2
CPI All Items Year/Year	3.87	3.56
Fed Funds Rate	0.25	0.25
Industrial Capacity	77.4	76.6
US Dollars per Euro	1.36	1.45

**MAJOR INDEX QUARTER RETURNS**

<b>INDEX</b>		<b>PERFORMANCE</b>
<b>Russell 3000</b>	<b>-15.3</b>	
<b>S&amp;P 500</b>	<b>-13.9</b>	
<b>Russell Mid</b>	<b>-18.9</b>	
<b>Russell 2000</b>	<b>-21.9</b>	
<b>MSCI EAFE</b>	<b>-19.0</b>	
<b>MSCI Emg Mkts</b>	<b>-22.5</b>	
<b>NCREIF ODCE</b>	<b>3.6</b>	
<b>Barclays Agg</b>	<b>3.8</b>	
<b>90 Day Tbills</b>	<b>0.0</b>	

**EQUITY RETURN DISTRIBUTIONS**

	<b>QUARTER</b>			<b>TRAILING YEAR</b>			
	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	
<b>LC</b>	<b>-16.2</b>	<b>-14.7</b>	<b>-13.1</b>	<b>LC</b>	<b>-1.9</b>	<b>0.9</b>	<b>3.8</b>
<b>MC</b>	<b>-18.5</b>	<b>-18.9</b>	<b>-19.3</b>	<b>MC</b>	<b>-2.4</b>	<b>-0.9</b>	<b>0.8</b>
<b>SC</b>	<b>-21.5</b>	<b>-21.9</b>	<b>-22.3</b>	<b>SC</b>	<b>-6.0</b>	<b>-3.5</b>	<b>-1.1</b>

**MARKET SUMMARY**

- \* GDP growth was 2.5%, reflecting increases in corporate, federal, and personal spending.
- \* Modest private sector job gains were offset by public sector layoffs, leaving the unemployment rate unchanged.
- \* Most equity markets declined sharply on fears of European debt default contagion.
- \* Year-over-year CPI increased by 3.87%.
- \* The US dollar strengthened relative to the euro.

## **INVESTMENT RETURN**

On September 30th, 2011, the Alabama PACT portfolio was valued at \$416,417,080, a decrease of \$18,234,344 from the June ending value of \$434,651,424. Last quarter, the account recorded a net withdrawal of \$20,827,548, which overshadowed the fund's net investment return of \$2,593,204. Income receipts totaling \$1,404,314 and realized and unrealized capital gains of \$1,188,890 combined to produce the portfolio's net investment return.

Since September 2006, the account has recorded net withdrawals totaling \$304.2 million while posting net investment gains totaling \$1.7 million. Since September 2006, if the account had earned a compounded nominal rate of 2.0% it would have been valued at \$477.7 million or \$61.2 million more than the actual value as of September 30th, 2011.

*As the portfolio wound down its transition process, residual cash and security balances from many of its former managers remained. These balances will dissipate over time as they are liquidated. Because these residual balances were no longer managed actively, and because a meaningful comparative was not possible, performance for these small pieces was not presented in this report.*

## **RELATIVE PERFORMANCE**

### **Total Fund**

During the third quarter, the Composite portfolio returned 0.6%, which ranked in the 10th percentile of the High Bond Allocation universe. Over the trailing twelve-month period, the portfolio's return was 5.6%, which ranked in the 15th percentile. Since September 2006, the portfolio returned 1.8% per annum and ranked in the 82nd percentile.

If the Alabama PACT portfolio were to use the Public Fund universe the rankings would be as follows: during the third quarter the Composite portfolio ranked in the 1st percentile of the Public Fund universe. Over the trailing twelve-month period, the portfolio ranked in the 7th percentile. Since September 2006, the portfolio ranked in the 64th percentile.

### **Fixed Income**

*The holdings analysis on page 17 reflects all bond holdings except for the holdings in the Longfellow CDO portfolio.*

*The Intermediate Duration Hybrid Index was constructed by blending 85% of the Barclays Capital Intermediate Government/Credit Index with 15% of the Barclays US MBS Index.*

The fixed income component returned 0.7% during the third quarter, equal to the Intermediate Duration Hybrid Index's return of 0.7% and ranked in the 54th percentile of the Intermediate Fixed Income universe. Over the trailing twelve-month period, the fixed income portfolio returned 3.3%, 2.0% greater than the benchmark's 1.3% return, and ranked in the 37th percentile. Since September 2006, this component returned 5.8% on an annualized basis and ranked in the 43rd percentile. The Intermediate Duration Hybrid Index returned an annualized 1.9% over the same time frame.

## **ASSET ALLOCATION**

On September 30th, 2011, domestic equities comprised 0.0% of the total portfolio (\$62,575), while international equities totaled 0.2% (\$646,052). The account's fixed income component comprised 96.2% (\$400.6 million) of total value, while the remaining 3.6% was comprised of cash & equivalents (\$15.1 million).

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	5 Years
<b>Total Portfolio</b>	0.6	4.1	5.6	5.6	1.8
<i>HIGH BOND ALLOCATION RANK</i>	(10)	(12)	(15)	(35)	(82)
SHADOW INDEX	0.5	2.3	4.6	3.4	1.1
<b>Fixed Income</b>	0.7	4.3	3.3	9.1	5.8
<i>INTERMEDIATE FIXED RANK</i>	(54)	(34)	(37)	(15)	(43)
INT HYBRID	0.7	1.5	1.3	2.1	1.9

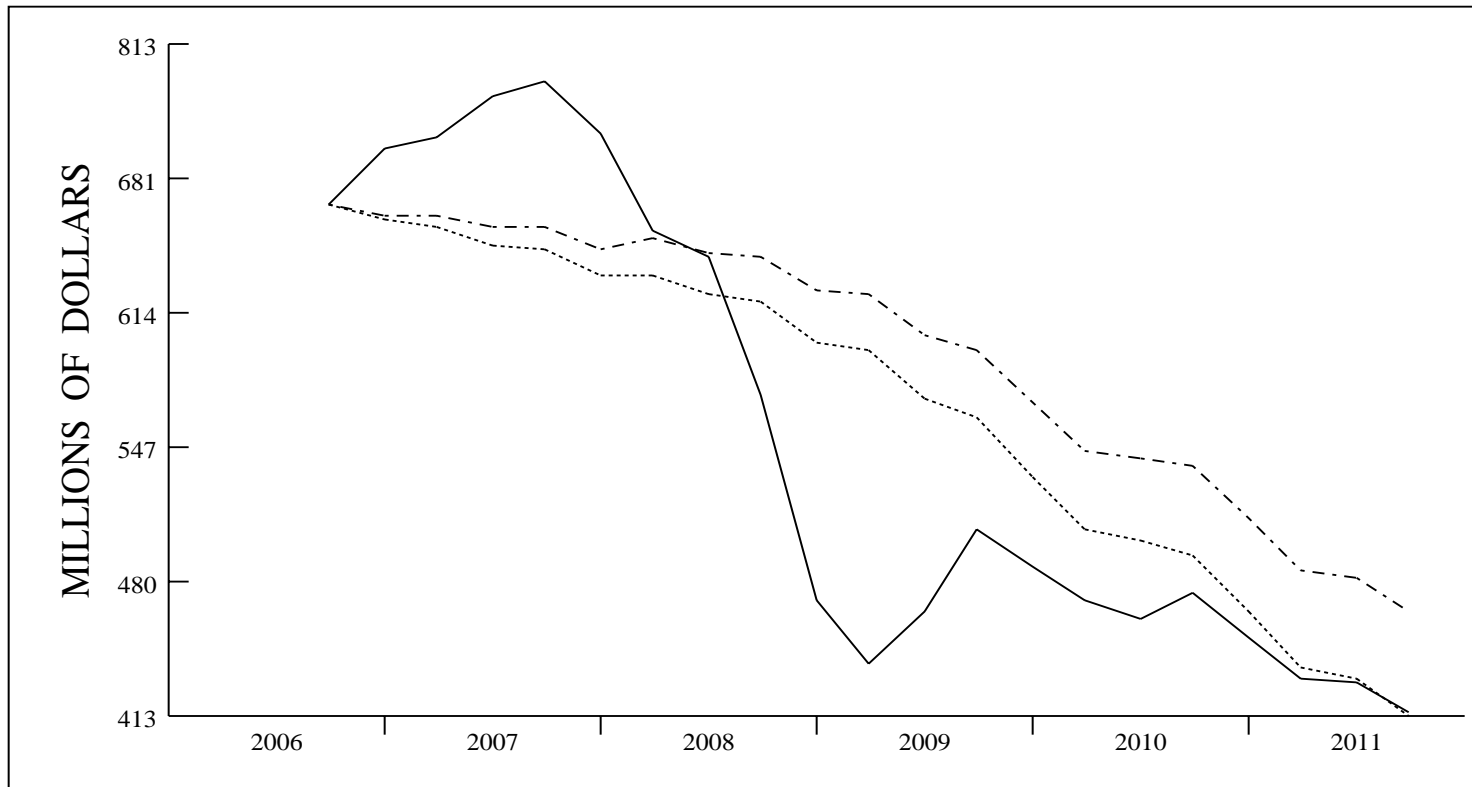
**ASSET ALLOCATION**

Domestic Equity	0.0%	\$ 62,575
Int'l Equity	0.2%	646,052
Fixed Income	96.2%	400,585,930
Cash	3.6%	15,122,524
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 416,417,080</b>

**INVESTMENT RETURN**

Market Value 6/2011	\$ 434,651,424
Contribs / Withdrawals	- 20,827,548
Income	1,404,314
Capital Gains / Losses	1,188,890
Market Value 9/2011	\$ 416,417,080

**INVESTMENT GROWTH**

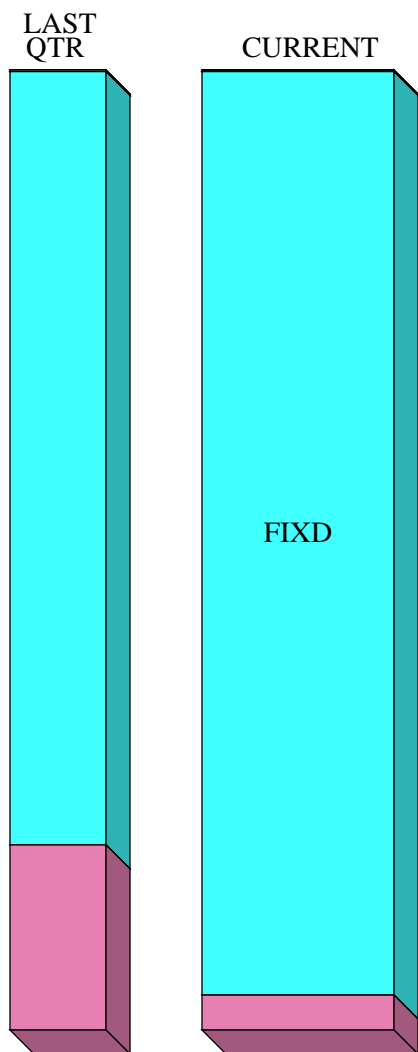


— ACTUAL RETURN  
 - - - 2.0%  
 . . . 0.0%

VALUE ASSUMING  
 2.0% RETURN  
 \$ 477,652,466

	LAST QUARTER	PERIOD 9/06 - 9/11
BEGINNING VALUE	\$ 434,651,424	\$ 718,927,618
NET CONTRIBUTIONS	- 20,827,548	-304,193,743
<u>INVESTMENT RETURN</u>	<u>2,593,204</u>	<u>1,683,190</u>
ENDING VALUE	\$ 416,417,080	\$ 416,417,080
INCOME	1,404,314	26,721,392
CAPITAL GAINS (LOSSES)	<u>1,188,890</u>	<u>- 25,038,204</u>
INVESTMENT RETURN	2,593,204	1,683,190

**ASSET ALLOCATION**

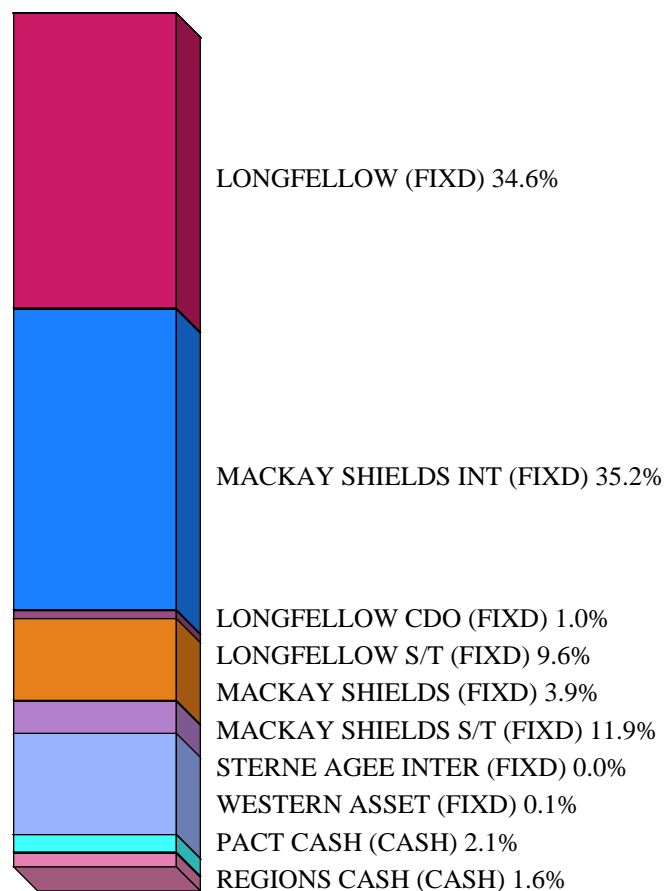


	<u>VALUE</u>	<u>PERCENT</u>
DOMESTIC EQUITY	\$ 62, 575	0.0%
INTERNATIONAL EQUITY	646, 052	0.2%
FIXED INCOME	400, 585, 930	96.2%
CASH & EQUIVALENT	15, 122, 524	3.6%
<u>TOTAL FUND</u>	<u>\$ 416, 417, 080</u>	<u>100.0%</u>

## MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(High Bond)	0.6 (10)	4.1 (12)	5.6 (15)	5.6 (35)	1.8 (82)
<i>Shadow Index</i>		<i>0.5 ----</i>	<i>2.3 ----</i>	<i>4.6 ----</i>	<i>3.4 ----</i>	<i>1.1 ----</i>
Longfellow	(Int Fixed)	1.5 (40)	3.8 (41)	---- ----	---- ----	---- ----
Mackay Shields Intermediate	(Int Fixed)	1.3 (43)	4.2 (36)	---- ----	---- ----	---- ----
<i>Intermediate Duration Hybrid Index</i>		<i>0.7 ----</i>	<i>1.5 ----</i>	<i>1.3 ----</i>	<i>2.1 ----</i>	<i>1.9 ----</i>
Longfellow CDO	(Broad Fixed)	-23.3 (99)	-4.4 (98)	---- ----	---- ----	---- ----
Mackay Shields Core Plus Liquid	(Broad Fixed)	-3.4 (84)	0.8 (77)	---- ----	---- ----	---- ----
<i>Barclays Aggregate Index</i>		<i>3.8 ----</i>	<i>6.7 ----</i>	<i>5.3 ----</i>	<i>8.0 ----</i>	<i>6.5 ----</i>



**MANAGER ALLOCATION SUMMARY**




Name	Market Value	Percent
DOME Trans. Account (DOME)	\$3	0.0
Rhumblin Advisers (DOME)	\$62,572	0.0
Acadian (INEQ)	\$153,775	0.0
IE Trans Account (INEQ)	\$6,632	0.0
New Star (INEQ)	\$292,388	0.1
Principal (INEQ)	\$193,257	0.0
Longfellow (FIXD)	\$143,973,725	34.6
Mackay Shields Int (FIXD)	\$146,667,398	35.2
Longfellow CDO (FIXD)	\$4,071,639	1.0
Longfellow S/T (FIXD)	\$39,896,277	9.6
Mackay Shields (FIXD)	\$16,096,982	3.9
Mackay Shields S/T (FIXD)	\$49,587,366	11.9
Sterne Agee Inter (FIXD)	\$4	0.0
Western Asset (FIXD)	\$292,539	0.1
PACT Cash (CASH)	\$8,542,524	2.1
Regions Cash (CASH)	\$6,580,000	1.6
<b>Total</b>	<b>\$416,417,080</b>	<b>100.0</b>

## MANAGER VALUE ADDED

## Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
Longfellow	INT Hybrid	0.8
Mackay Shields Int	INT Hybrid	0.5
Longfellow CDO	Barclays Agg	 -27.1
Mackay Shields	Barclays Agg	 -7.2
<b>Total Portfolio</b>	<b>Shadow Index</b>	0.1

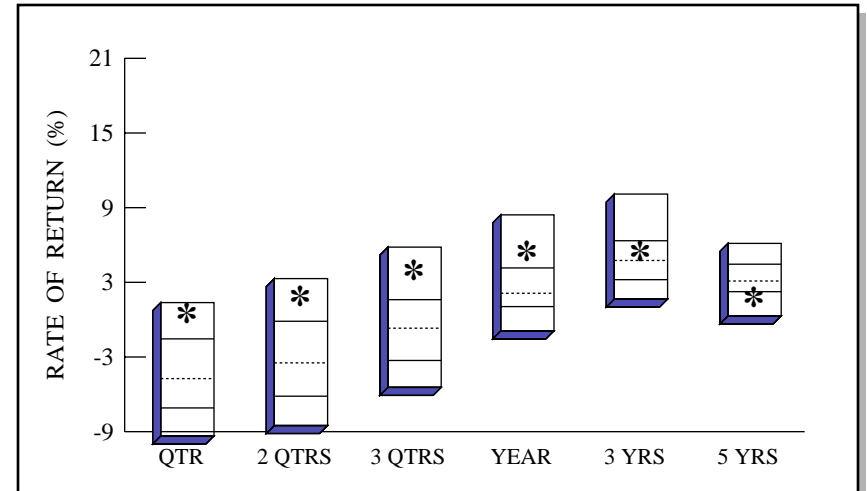
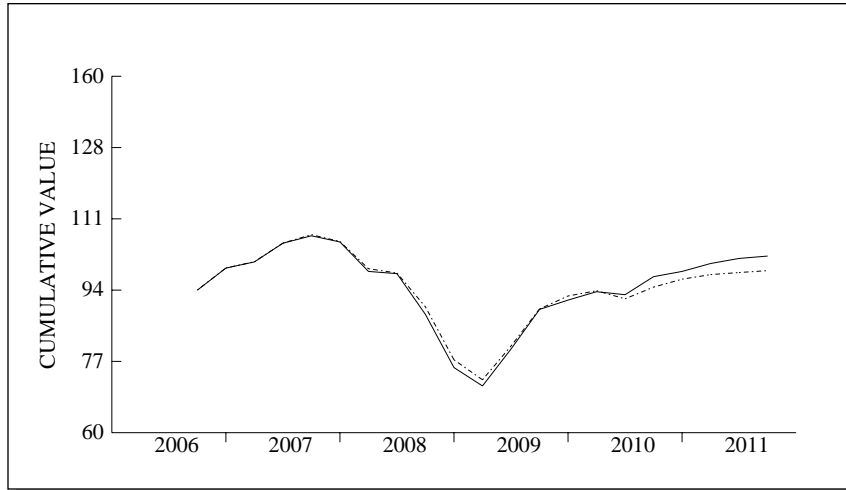
## Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
Longfellow	INT Hybrid	N/A
Mackay Shields Int	INT Hybrid	N/A
Longfellow CDO	Barclays Agg	N/A
Mackay Shields	Barclays Agg	N/A
<b>Total Portfolio</b>	<b>Shadow Index</b>	1.0 

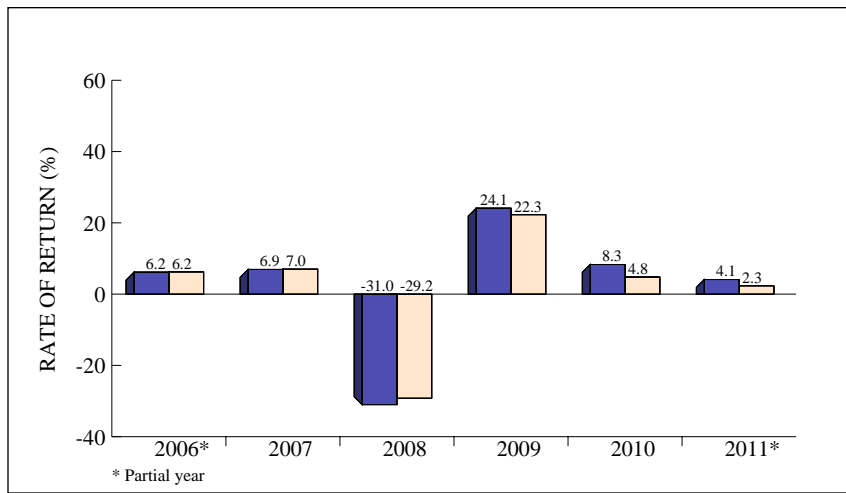
## INVESTMENT RETURN SUMMARY

Name	Quarter Total Return	Market Value June 30th, 2011	Net Cashflow	Net Investment Return	Market Value September 30th, 2011
DOME Transition Account (DOME)	---	3	0	0	3
Rhumblin Advisers (DOME)	---	57,115	6,337	-880	62,572
Acadian (INEQ)	---	166,263	-8,574	-3,914	153,775
IE Transition Account (INEQ)	---	6,632	0	0	6,632
New Star (INEQ)	---	317,726	-20,278	-5,061	292,388
Principal (INEQ)	---	195,048	-6,160	4,369	193,257
Longfellow (FIXD)	1.5	111,935,551	30,043,140	1,995,034	143,973,725
Mackay Shields Intermediate (FIXD)	1.3	115,788,909	29,362,564	1,515,925	146,667,398
Longfellow CDO (FIXD)	-23.3	5,309,286	0	-1,237,647	4,071,639
Longfellow Short Term (FIXD)	---	0	40,000,000	-103,723	39,896,277
Mackay Shields Core Plus Liquid (FIXD)	-3.4	116,807,684	-101,605,968	895,266	16,096,982
Mackay Shields Short Term (FIXD)	---	0	50,043,403	-456,038	49,587,366
Sterne Agee Intermediate (FIXD)	---	4	0	0	4
Western Asset Management (FIXD)	---	301,189	0	-8,650	292,539
PACT Cash (CASH)	---	83,356,015	-74,812,014	-1,478	8,542,524
Regions Cash (CASH)	---	410,000	6,170,000	0	6,580,000
<b>Total Fund</b>	<b>0.6</b>	<b>434,651,424</b>	<b>-20,827,548</b>	<b>2,593,204</b>	<b>416,417,080</b>

TOTAL RETURN COMPARISONS

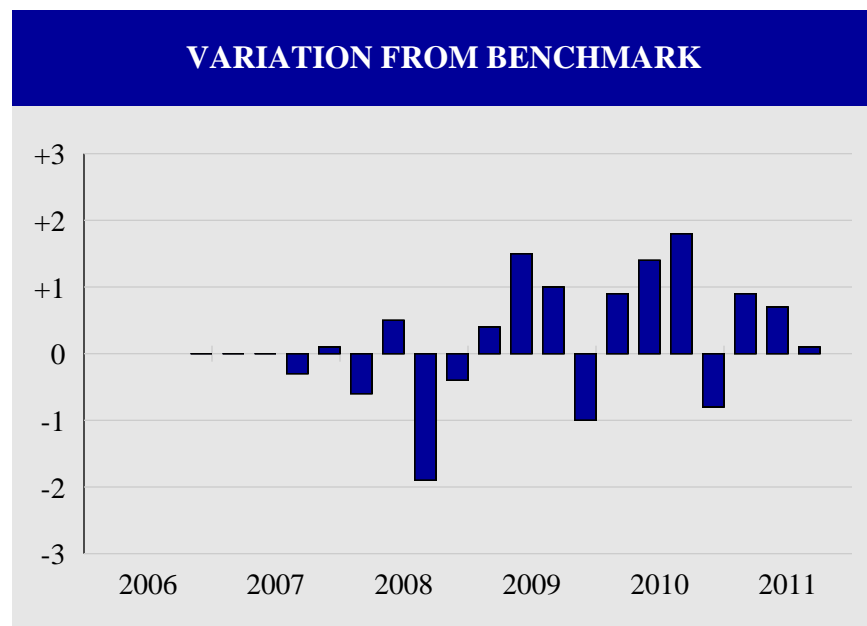


High Bond Allocation Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	0.6	1.9	4.1	5.6	5.6	1.8
(RANK)	(10)	(13)	(12)	(15)	(35)	(82)
5TH %ILE	1.4	3.3	5.8	8.4	10.1	6.1
25TH %ILE	-1.5	-0.1	1.6	4.2	6.3	4.5
MEDIAN	-4.7	-3.5	-0.7	2.1	4.8	3.1
75TH %ILE	-7.1	-6.2	-3.3	1.0	3.2	2.2
95TH %ILE	-9.4	-8.5	-5.4	-0.9	1.7	0.3
<i>Sh Idx</i>	<i>0.5</i>	<i>1.1</i>	<i>2.3</i>	<i>4.6</i>	<i>3.4</i>	<i>1.1</i>

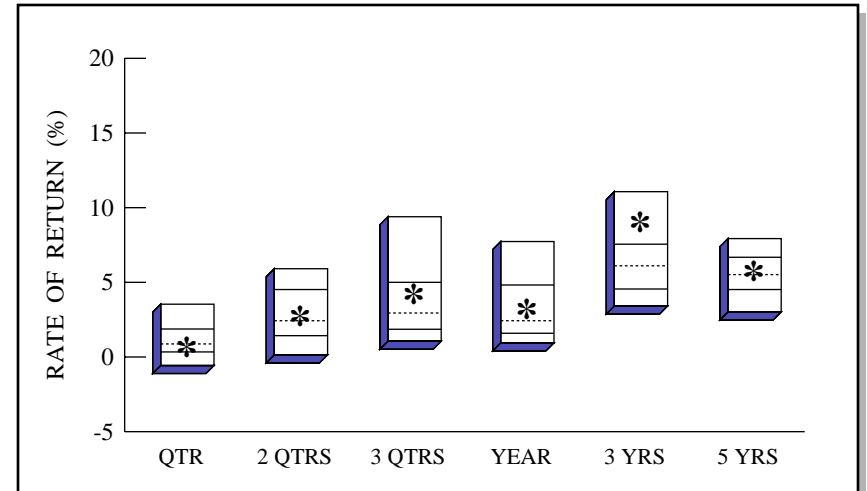
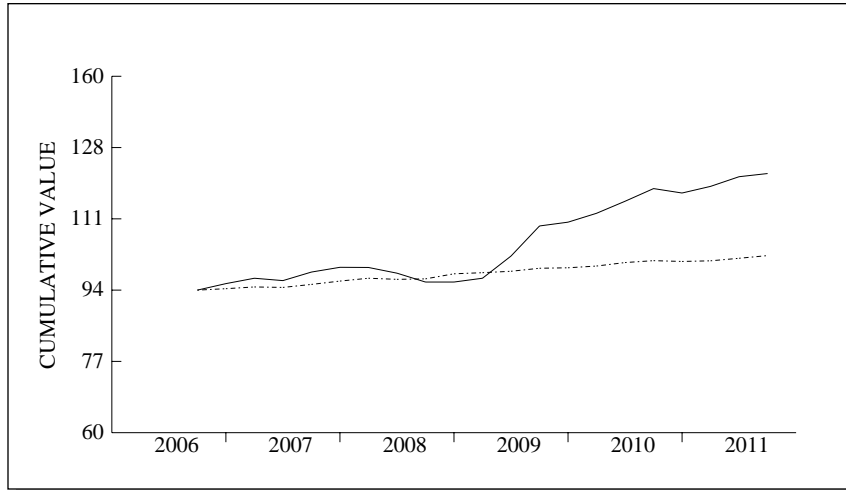
High Bond Allocation Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY****COMPARATIVE BENCHMARK: SHADOW INDEX**

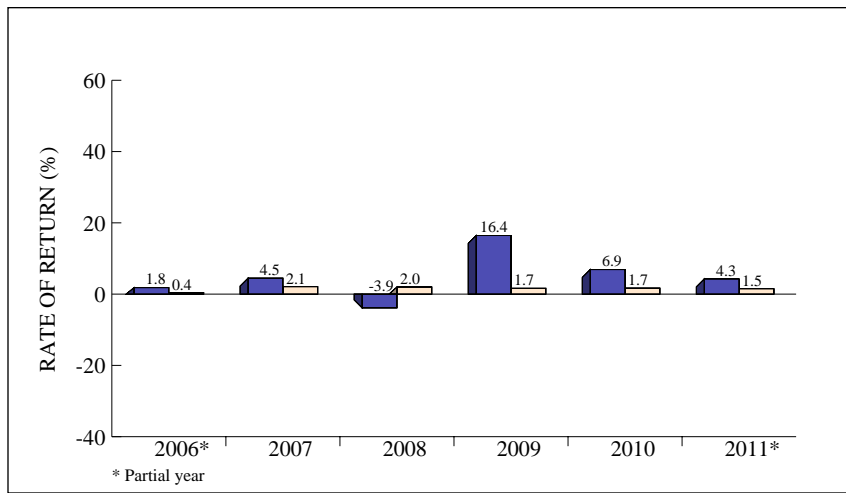
<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.700</b>

<b>RATES OF RETURN</b>						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
12/06	6.2	6.2	0.0	6.2	6.2	0.0
3/07	1.6	1.6	0.0	7.9	8.0	-0.1
6/07	4.8	4.8	0.0	13.2	13.2	0.0
9/07	1.8	2.1	-0.3	15.2	15.6	-0.4
12/07	-1.5	-1.6	0.1	13.5	13.6	-0.1
3/08	-7.3	-6.7	-0.6	5.2	6.0	-0.8
6/08	-0.6	-1.1	0.5	4.6	4.8	-0.2
9/08	-11.0	-9.1	-1.9	-6.8	-4.7	-2.1
12/08	-16.0	-15.6	-0.4	-21.7	-19.5	-2.2
3/09	-6.6	-7.0	0.4	-26.9	-25.2	-1.7
6/09	14.2	12.7	1.5	-16.5	-15.7	-0.8
9/09	13.3	12.3	1.0	-5.4	-5.3	-0.1
12/09	2.8	3.8	-1.0	-2.8	-1.6	-1.2
3/10	2.4	1.5	0.9	-0.5	-0.2	-0.3
6/10	-0.8	-2.2	1.4	-1.3	-2.4	1.1
9/10	5.1	3.3	1.8	3.8	0.8	3.0
12/10	1.4	2.2	-0.8	5.3	3.1	2.2
3/11	2.1	1.2	0.9	7.5	4.3	3.2
6/11	1.3	0.6	0.7	8.9	4.9	4.0
9/11	0.6	0.5	0.1	9.5	5.5	4.0

**FIXED INCOME RETURN COMPARISONS**



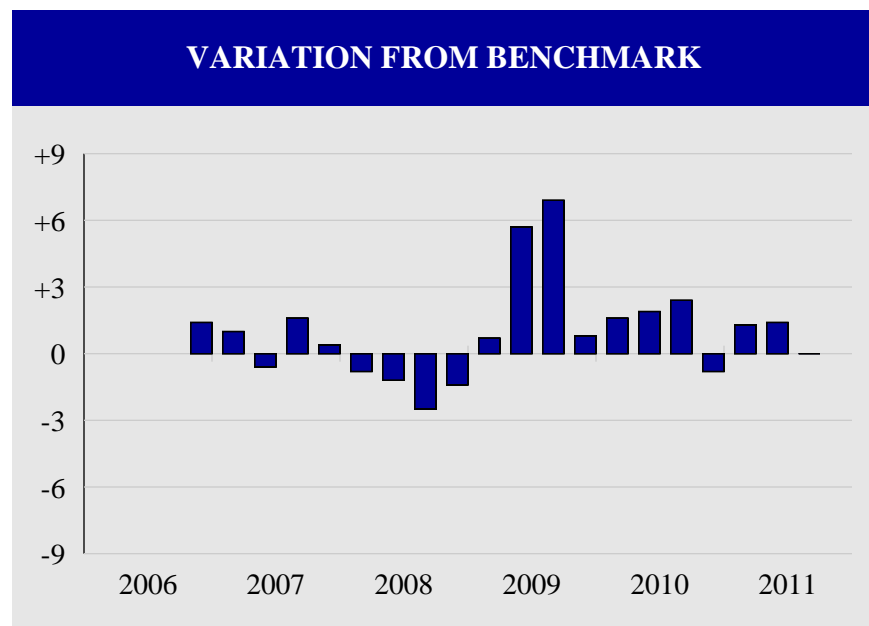
Intermediate Fixed Universe



	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED----- 3 YRS	5 YRS
RETURN	0.7	2.8	4.3	3.3	9.1	5.8
(RANK)	(54)	(42)	(34)	(37)	(15)	(43)
5TH %ILE	3.5	5.9	9.4	7.7	11.1	7.9
25TH %ILE	1.9	4.5	5.0	4.8	7.6	6.7
MEDIAN	0.9	2.4	3.0	2.4	6.1	5.5
75TH %ILE	0.3	1.4	1.9	1.6	4.6	4.5
95TH %ILE	-0.6	0.2	1.1	0.9	3.4	3.0
<b>Hybrid Ix</b>	<b>0.7</b>	<b>1.4</b>	<b>1.5</b>	<b>1.3</b>	<b>2.1</b>	<b>1.9</b>

Intermediate Fixed Universe

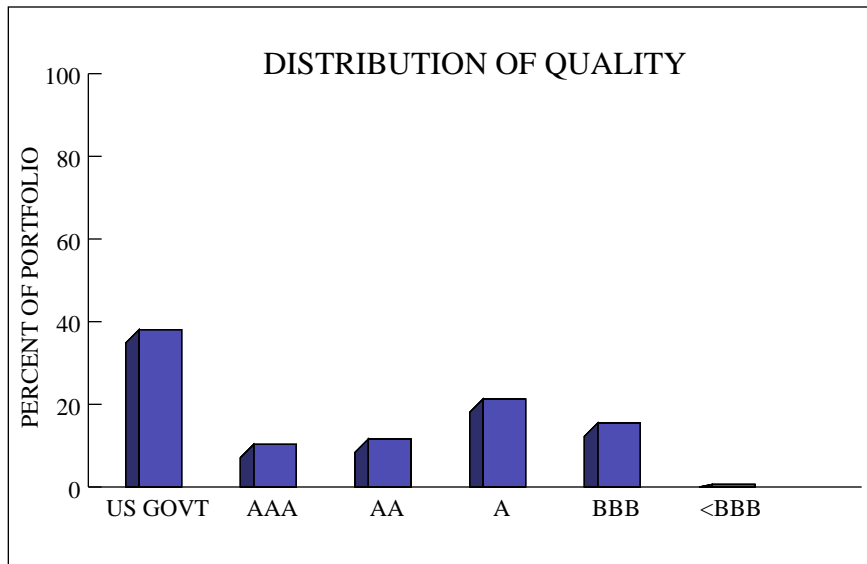
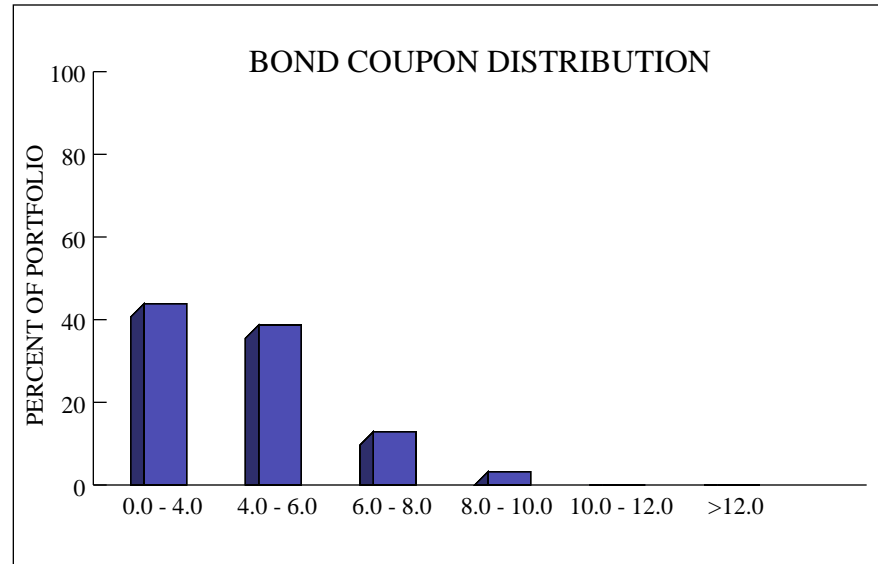
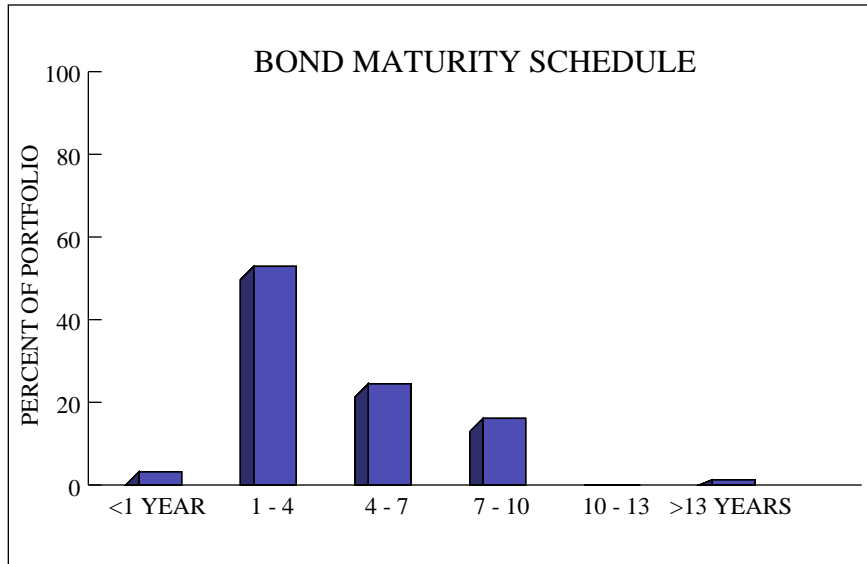
**FIXED INCOME QUARTERLY PERFORMANCE SUMMARY**  
**COMPARATIVE BENCHMARK: INTERMEDIATE DURATION HYBRID INDEX**



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>6</b>
<b>Batting Average</b>	<b>.700</b>

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
12/06	1.8	0.4	1.4	1.8	0.4	1.4
3/07	1.5	0.5	1.0	3.3	0.9	2.4
6/07	-0.7	-0.1	-0.6	2.6	0.8	1.8
9/07	2.4	0.8	1.6	5.1	1.6	3.5
12/07	1.3	0.9	0.4	6.4	2.5	3.9
3/08	0.0	0.8	-0.8	6.3	3.3	3.0
6/08	-1.5	-0.3	-1.2	4.7	3.0	1.7
9/08	-2.4	0.1	-2.5	2.3	3.1	-0.8
12/08	0.0	1.4	-1.4	2.3	4.6	-2.3
3/09	1.0	0.3	0.7	3.3	4.9	-1.6
6/09	6.1	0.4	5.7	9.6	5.3	4.3
9/09	7.7	0.8	6.9	18.0	6.1	11.9
12/09	0.9	0.1	0.8	19.1	6.3	12.8
3/10	2.1	0.5	1.6	21.6	6.8	14.8
6/10	2.8	0.9	1.9	24.9	7.7	17.2
9/10	2.9	0.5	2.4	28.5	8.3	20.2
12/10	-1.0	-0.2	-0.8	27.3	8.1	19.2
3/11	1.4	0.1	1.3	29.1	8.2	20.9
6/11	2.1	0.7	1.4	31.8	8.9	22.9
9/11	0.7	0.7	0.0	32.7	9.7	23.0

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>INT GOV/CREDIT</b>
No. of Securities	447	4,024
Duration	3.31	3.96
YTM	2.59	1.58
Average Coupon	4.05	3.28
Avg Maturity / WAL	4.57	4.41
Average Quality	AAA-AA	USG-AAA

## APPENDIX - MAJOR MARKET INDEX RETURNS

<b>Domestic Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Russell 3000	Broad Equity	-15.3	-9.9	0.5	1.4	-0.9
S&P 500	Large Cap Core	-13.9	-8.7	1.2	1.2	-1.2
Russell 1000	Large Cap Core	-14.7	-9.2	0.9	1.6	-0.9
Russell 1000 Growth	Large Cap Growth	-13.1	-7.2	3.8	4.7	1.6
Russell 1000 Value	Large Cap Value	-16.2	-11.3	-1.9	-1.5	-3.5
Russell Mid Cap	Midcap	-18.9	-12.4	-0.9	4.0	0.6
Russell Mid Cap Growth	Midcap Growth	-19.3	-11.6	0.8	5.9	1.6
Russell Mid Cap Value	Midcap Value	-18.5	-13.0	-2.4	2.0	-0.8
Russell 2000	Small Cap	-21.9	-17.0	-3.5	-0.4	-1.0
Russell 2000 Growth	Small Cap Growth	-22.3	-15.6	-1.1	2.1	1.0
Russell 2000 Value	Small Cap Value	-21.5	-18.5	-6.0	-2.8	-3.1
<b>International Equity</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
MSCI EAFE	Developed Markets Equity	-19.0	-14.7	-9.0	-0.7	-3.0
MSCI EAFE Growth	Developed Markets Growth	-18.9	-15.2	-8.5	-0.3	-1.8
MSCI EAFE Value	Developed Markets Value	-19.0	-14.1	-9.5	-1.1	-4.3
MSCI All Country World Ex US	Foreign Equity	-19.8	-16.5	-10.4	1.0	-1.1
MSCI Emerging Markets	Emerging Markets Equity	-22.5	-21.7	-15.9	6.6	5.2
<b>Domestic Fixed Income</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Aggregate Index	Core Fixed Income	3.8	6.7	5.3	8.0	6.5
Barclays Gov/Credit	Gov/Credit	4.7	7.5	5.1	8.4	6.5
Barclays Capital Gov't Bond	Treasuries	5.8	8.1	5.6	6.4	6.6
Barclays Capital Credit Bond	Corporate Bonds	2.9	6.1	4.2	12.4	7.1
Intermediate Aggregate	Core Intermediate	2.3	5.0	4.2	7.1	6.2
Intermediate Gov/Credit	Gov / Credit Intermediate	2.4	4.9	3.4	7.0	5.9
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.5	1.4	1.2	2.4	3.8
CSFB High Yield	High Yield Bonds	-5.1	-0.5	2.6	12.5	6.8
<b>Alternative Assets</b>	<b>Style</b>	<b>QTR</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 years</b>	<b>5 Years</b>
Barclays Global Ex-US	International Treasuries	-0.7	3.9	-0.4	5.0	6.0
NCREIF NFI-ODCE Index	Real Estate	3.5	12.6	18.3	-6.4	0.0
HFRI FOF Composite	Hedge Funds	-4.7	-5.0	-1.6	0.2	0.6
HFRI FOF Conservative Index	Hedge Funds - Conservative	-3.7	-3.4	-0.9	0.7	0.9

**APPENDIX - DISCLOSURES**

- \* The shadow index is a customized index that matches your portfolio's asset allocation on a quarterly basis. This index was calculated using the following asset classes and corresponding benchmarks:

Domestic Equity	Russell 3000
International Equity	MSCI All Country World Ex US
Fixed Income	Intermediate Duration Hybrid Index
Cash & Equivalent	90 Day T Bill
- \* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- \* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- \* All returns for periods greater than one year are annualized.
- \* All values are in US dollars.
- \* The Intermediate Duration Hybrid Index is a passive index and is constructed as follows:  
85% Intermediate Gov/Credit 15% Barclays US MBS
- \* All returns, valuations, and cash flows prior to October 2011 were taken from files provided by the Fund's prior consultant and have not been verified by Dahab Associates.

ALABAMA PACT  
LONGFELLOW  
PERFORMANCE REVIEW  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Alabama PACT's Longfellow portfolio was valued at \$143,973,725, representing an increase of \$32,038,174 from the June quarter's ending value of \$111,935,551. Last quarter, the Fund posted net contributions equaling \$30,043,140 plus a net investment gain equaling \$1,995,034. Total net investment return was the result of income receipts, which totaled \$896,504 and net realized and unrealized capital gains of \$1,098,530.

For the cumulative period since December 2010, the fund has recorded net contributions totaling \$26.0 million, and recorded net investment gains of \$5.1 million. For the period since December 2010, if the total fund had returned a compounded nominal rate of 2.0% it would have been valued at \$140.7 million or \$3.3 million less than the actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

*The Intermediate Duration Hybrid Index was constructed by blending 85% of the Barclays Capital Intermediate Government/Credit Index with 15% of the Barclays US MBS Index.*

In the third quarter, the Longfellow portfolio gained 1.5%, which was 0.8% above the Intermediate Duration Hybrid Index's return of 0.7% and ranked in the 40th percentile of the Intermediate Fixed Income universe.

## **BOND ANALYSIS**

At the end of the quarter, approximately 35% of the total bond portfolio was comprised of USG quality securities. The remainder of the portfolio consisted of corporate securities, rated AAA through BBB, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 5.6 years, longer than the Barclays Intermediate Gov/Credit Index's 4.4-year maturity. The average coupon was 4.3%.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 12/2010
<b>Total Portfolio</b>	1.5	3.8	----	----	3.8
<i>INTERMEDIATE FIXED RANK</i>	(40)	(41)	----	----	(41)
INT HYBRID	0.7	1.5	1.3	2.1	1.5
<b>Fixed Income</b>	1.5	3.8	----	----	3.8
<i>INTERMEDIATE FIXED RANK</i>	(40)	(41)	----	----	(41)
INT HYBRID	0.7	1.5	1.3	2.1	1.5

\* Annualized Return

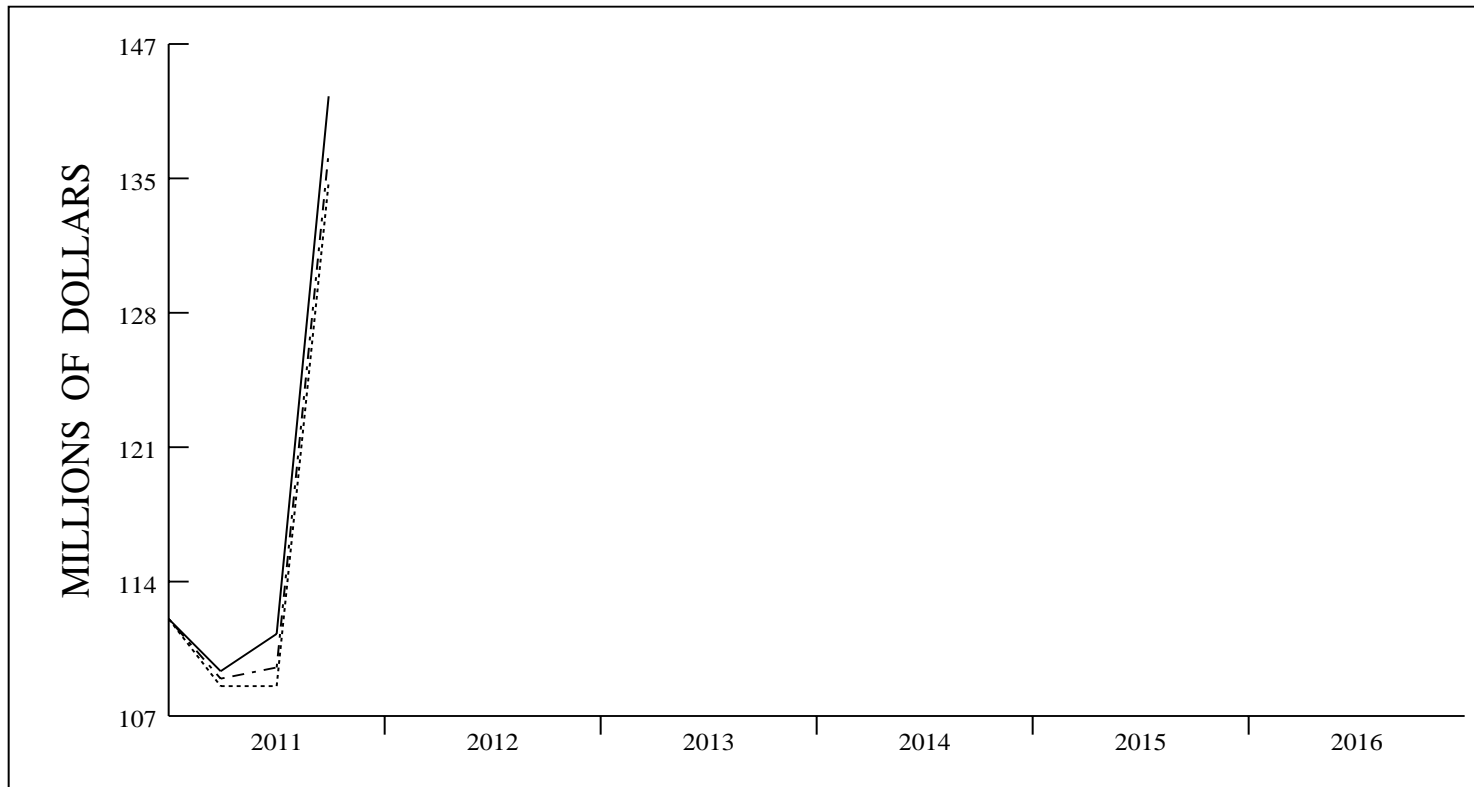
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 143,973,725
Total Portfolio	100.0%	\$ 143,973,725

**INVESTMENT RETURN**

Market Value 6/2011	\$ 111,935,551
Contribs / Withdrawals	30,043,140
Income	896,504
Capital Gains / Losses	1,098,530
Market Value 9/2011	\$ 143,973,725

**INVESTMENT GROWTH**

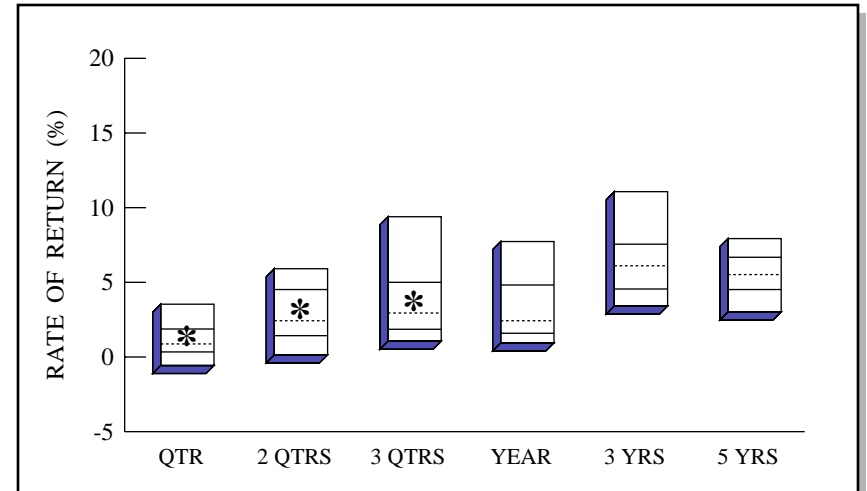
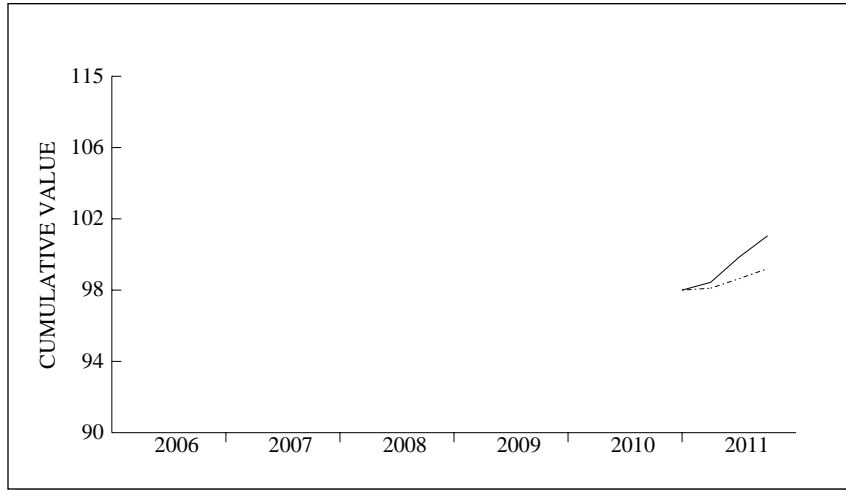


— ACTUAL RETURN  
 - - - 2.0%  
 . . . 0.0%

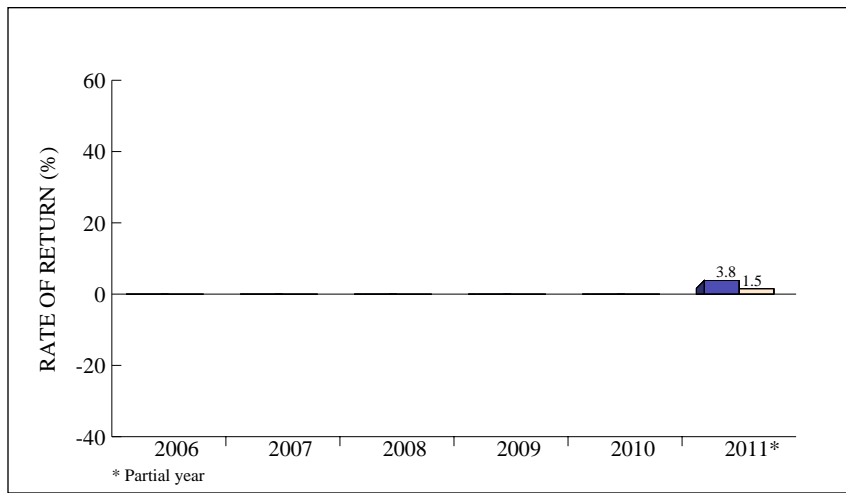
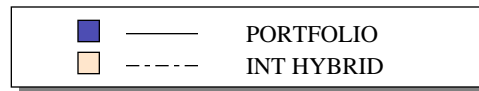
VALUE ASSUMING  
 2.0% RETURN  
 \$ 140,652,473

	LAST QUARTER	PERIOD 12/10 - 9/11
BEGINNING VALUE	\$ 111,935,551	\$ 112,861,155
NET CONTRIBUTIONS	30,043,140	26,043,140
INVESTMENT RETURN	1,995,034	5,069,430
ENDING VALUE	\$ 143,973,725	\$ 143,973,725
INCOME	896,504	2,328,950
CAPITAL GAINS (LOSSES)	1,098,530	2,740,480
INVESTMENT RETURN	1,995,034	5,069,430

**TOTAL RETURN COMPARISONS**



Intermediate Fixed Universe

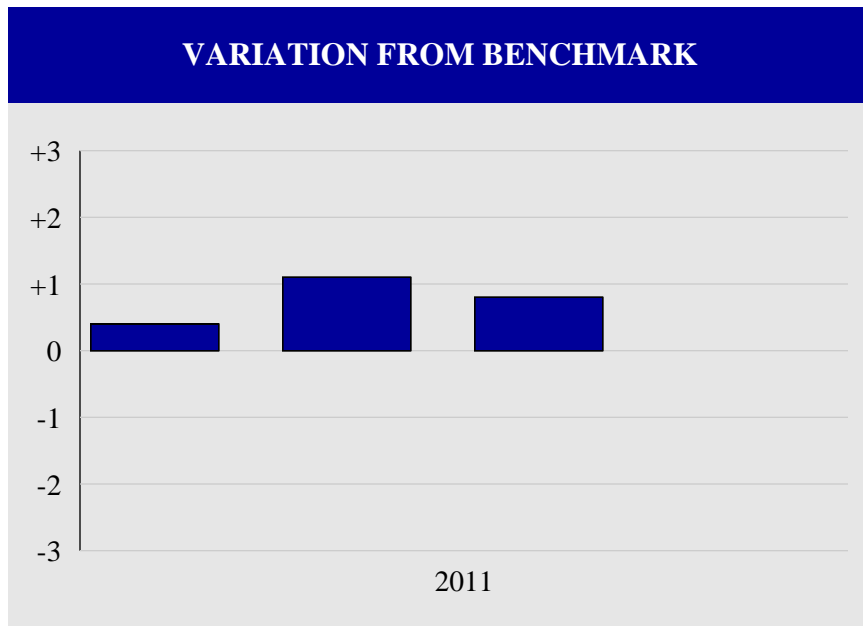


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	1.5	3.2	3.8	----	----	----
(RANK)	(40)	(40)	(41)	----	----	----
5TH %ILE	3.5	5.9	9.4	7.7	11.1	7.9
25TH %ILE	1.9	4.5	5.0	4.8	7.6	6.7
MEDIAN	0.9	2.4	3.0	2.4	6.1	5.5
75TH %ILE	0.3	1.4	1.9	1.6	4.6	4.5
95TH %ILE	-0.6	0.2	1.1	0.9	3.4	3.0
<b>Hybrid Ix</b>	<b>0.7</b>	<b>1.4</b>	<b>1.5</b>	<b>1.3</b>	<b>2.1</b>	<b>1.9</b>

Intermediate Fixed Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

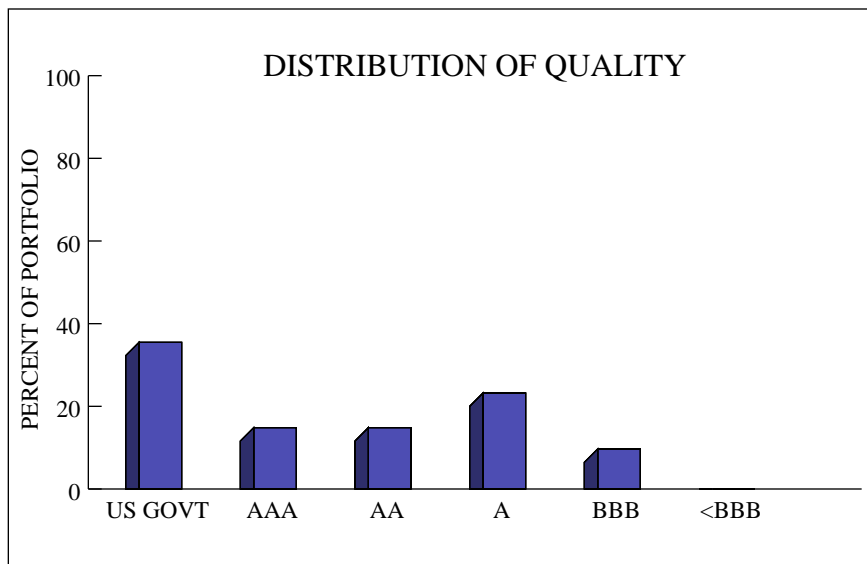
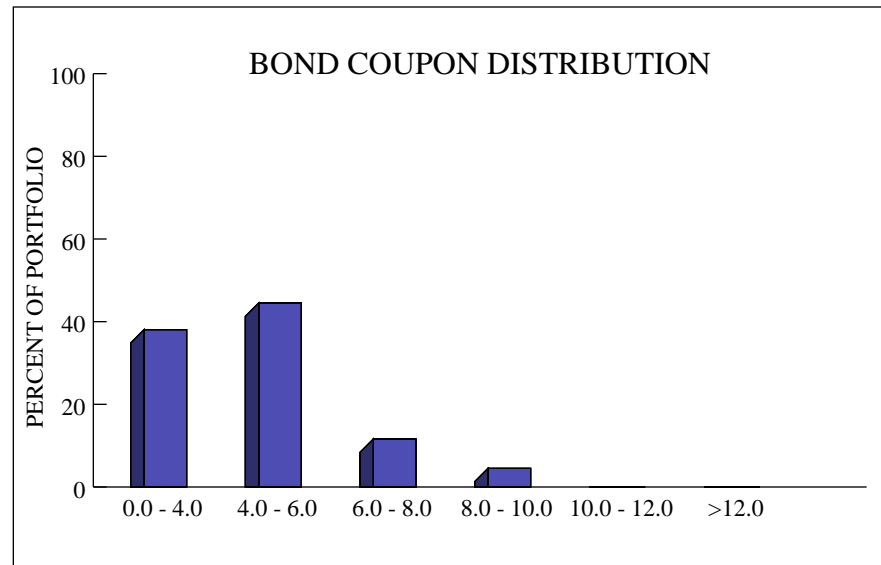
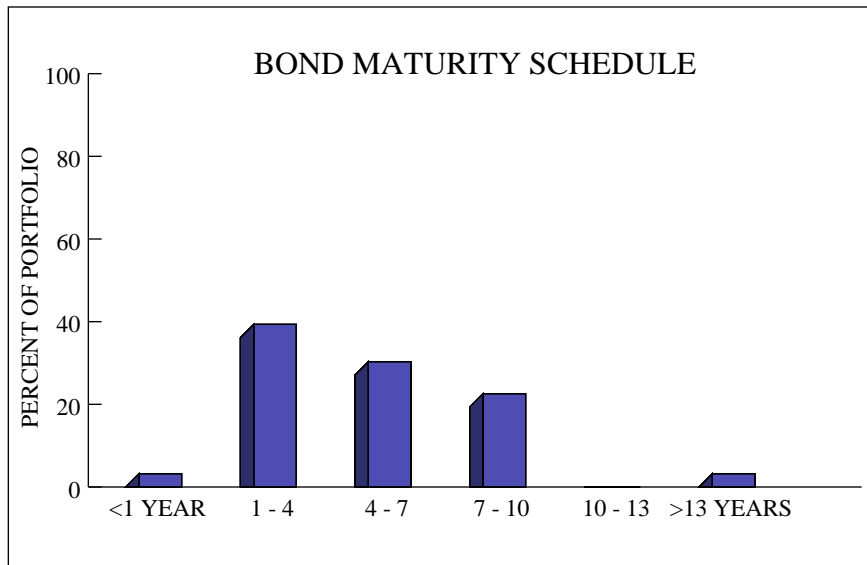
**COMPARATIVE BENCHMARK: INTERMEDIATE DURATION HYBRID INDEX**



RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	0.5	0.1	0.4	0.5	0.1	0.4
6/11	1.8	0.7	1.1	2.3	0.8	1.5
9/11	1.5	0.7	0.8	3.8	1.5	2.3

<b>Total Quarters Observed</b>	<b>3</b>
<b>Quarters At or Above the Benchmark</b>	<b>3</b>
<b>Quarters Below the Benchmark</b>	<b>0</b>
<b>Batting Average</b>	<b>1.000</b>

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>INT GOV/CREDIT</b>
No. of Securities	121	4,024
Duration	3.75	3.96
YTM	2.72	1.58
Average Coupon	4.33	3.28
Avg Maturity / WAL	5.64	4.41
Average Quality	AAA-AA	USG-AAA

ALABAMA PACT  
MACKAY SHIELDS INTERMEDIATE  
PERFORMANCE REVIEW  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Alabama PACT Mackay Shields Intermediate portfolio was valued at \$146,667,398, representing a \$30,878,489 increase over the June ending value of \$115,788,909. During the last three months, the Fund posted total net contributions of \$29,362,564 plus net investment returns totaling \$1,515,925. In the absence of income receipts for the quarter, the portfolio's net investment return was the product of \$1,515,925 in realized and unrealized capital gains.

Since December 2010, the fund has recorded net contributions totaling \$28.4 million, and recorded net investment gains totaling \$4.8 million. Since December 2010, if the fund returned a compounded nominal rate of 2.0% it would have been worth \$143.6 million or \$3.0 million less than its actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

*The Intermediate Duration Hybrid Index was constructed by blending 85% of the Barclays Capital Intermediate Government/Credit Index with 15% of the Barclays US MBS Index.*

In the third quarter, the Mackay Shields Intermediate portfolio gained 1.3%, which was 0.6% above the Intermediate Duration Hybrid Index's return of 0.7% and ranked in the 43rd percentile of the Intermediate Fixed Income universe.

## **BOND ANALYSIS**

At the end of the quarter, approximately 40% of the total bond portfolio was comprised of USG quality securities. The remainder of the portfolio consisted of corporate securities, rated AAA through BBB, giving the portfolio an overall average quality rating of AA. The average maturity of the portfolio was 4.6 years, longer than the Barclays Intermediate Gov/Credit Index's 4.4-year maturity. The average coupon was 4.1%.

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 12/2010
<b>Total Portfolio</b>	1.3	4.2	----	----	4.2
<i>INTERMEDIATE FIXED RANK</i>	(43)	(36)	----	----	(36)
INT HYBRID	0.7	1.5	1.3	2.1	1.5
<b>Fixed Income</b>	1.3	4.2	----	----	4.2
<i>INTERMEDIATE FIXED RANK</i>	(43)	(36)	----	----	(36)
INT HYBRID	0.7	1.5	1.3	2.1	1.5

\* Annualized Return

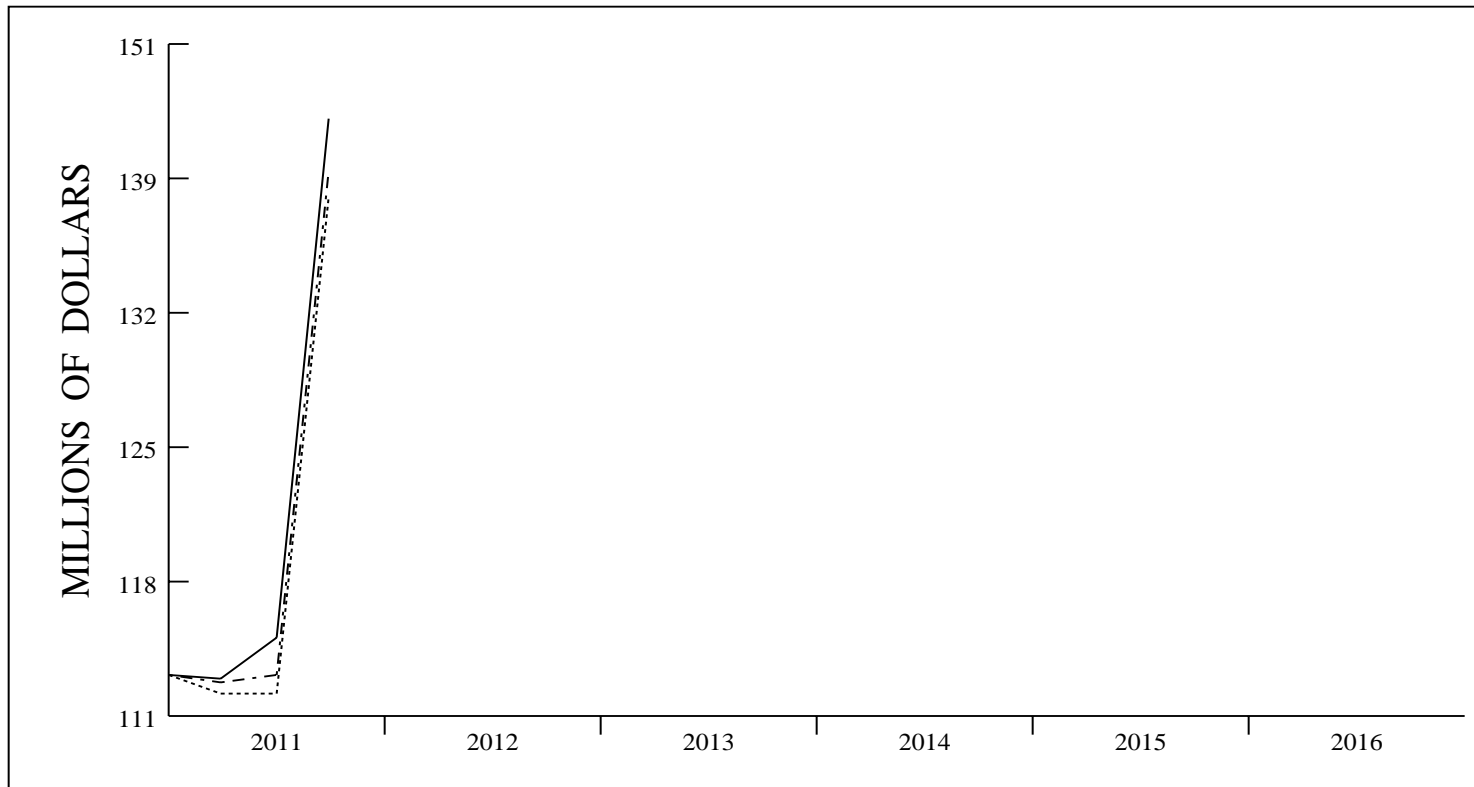
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 146,667,398
Total Portfolio	100.0%	\$ 146,667,398

**INVESTMENT RETURN**

Market Value 6/2011	\$ 115,788,909
Contribs / Withdrawals	29,362,564
Income	0
Capital Gains / Losses	1,515,925
Market Value 9/2011	\$ 146,667,398

**INVESTMENT GROWTH**

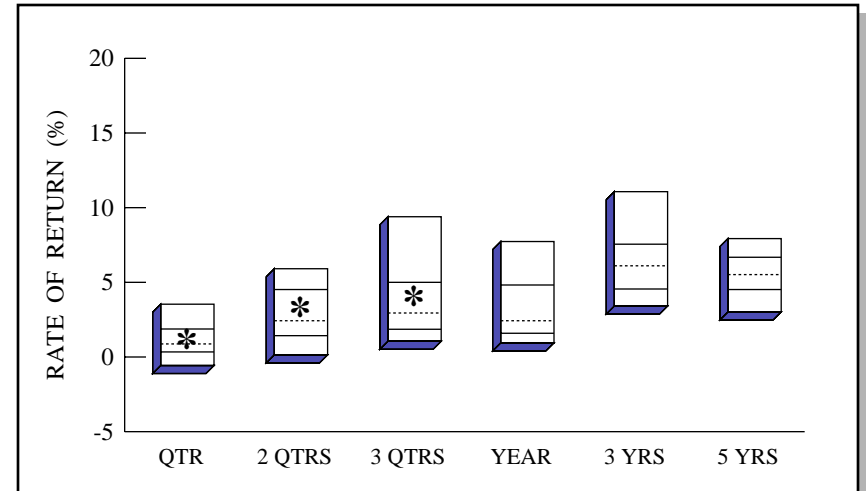
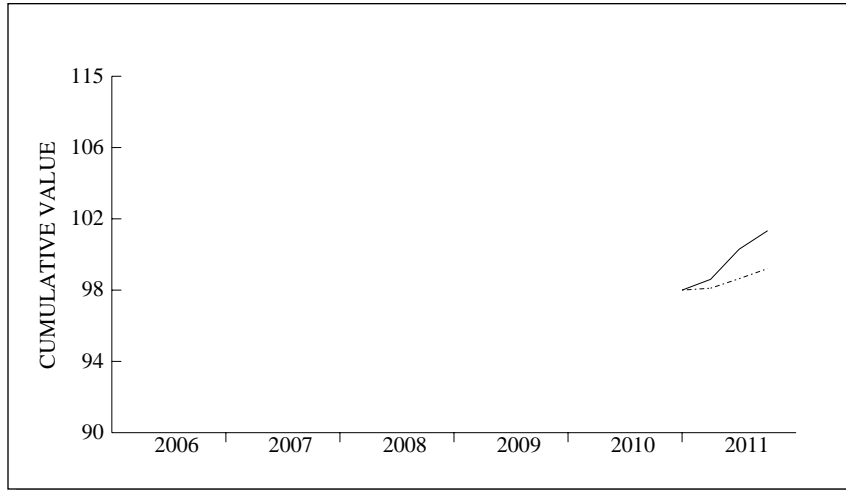


— ACTUAL RETURN  
 - - - 2.0%  
 . . . 0.0%

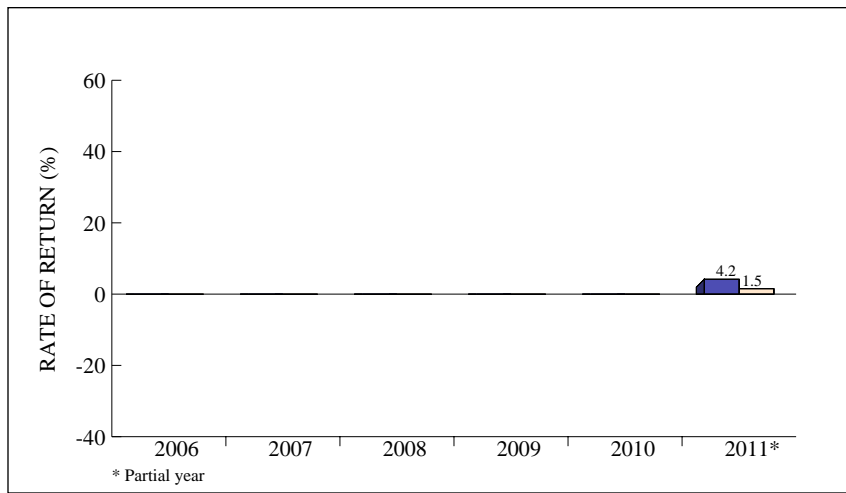
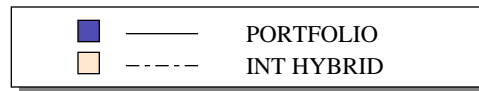
VALUE ASSUMING  
 2.0% RETURN  
 \$ 143,639,321

	LAST QUARTER	PERIOD 12/10 - 9/11
BEGINNING VALUE	\$ 115,788,909	\$ 113,487,326
NET CONTRIBUTIONS	29,362,564	28,414,789
<u>INVESTMENT RETURN</u>	<u>1,515,923</u>	<u>4,765,283</u>
ENDING VALUE	\$ 146,667,398	\$ 146,667,398
INCOME	0	0
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,515,923</u>	<u>4,765,283</u>
INVESTMENT RETURN	1,515,923	4,765,283

**TOTAL RETURN COMPARISONS**



Intermediate Fixed Universe

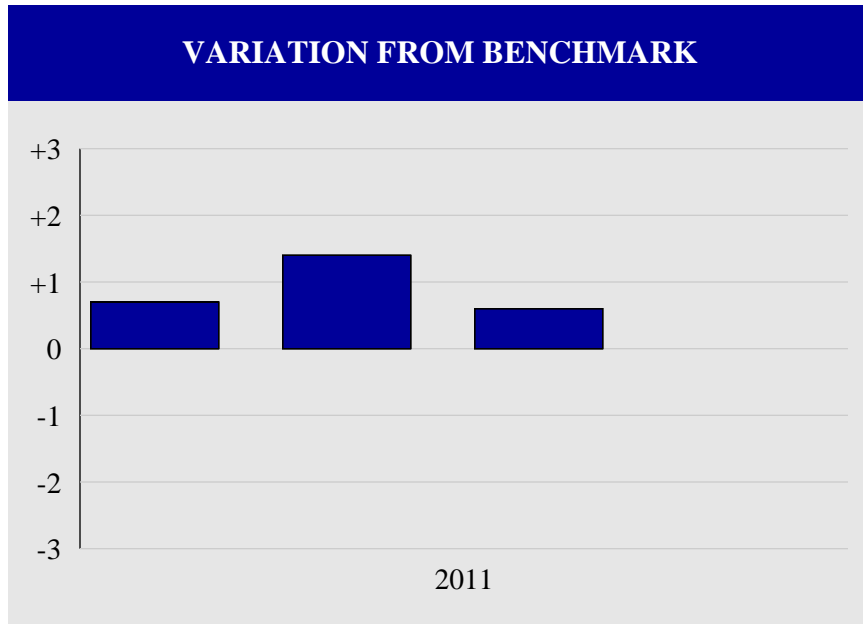


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	1.3	3.4	4.2	----	----	----
(RANK)	(43)	(36)	(36)	----	----	----
5TH %ILE	3.5	5.9	9.4	7.7	11.1	7.9
25TH %ILE	1.9	4.5	5.0	4.8	7.6	6.7
MEDIAN	0.9	2.4	3.0	2.4	6.1	5.5
75TH %ILE	0.3	1.4	1.9	1.6	4.6	4.5
95TH %ILE	-0.6	0.2	1.1	0.9	3.4	3.0
<b>Hybrid Ix</b>	<b>0.7</b>	<b>1.4</b>	<b>1.5</b>	<b>1.3</b>	<b>2.1</b>	<b>1.9</b>

Intermediate Fixed Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

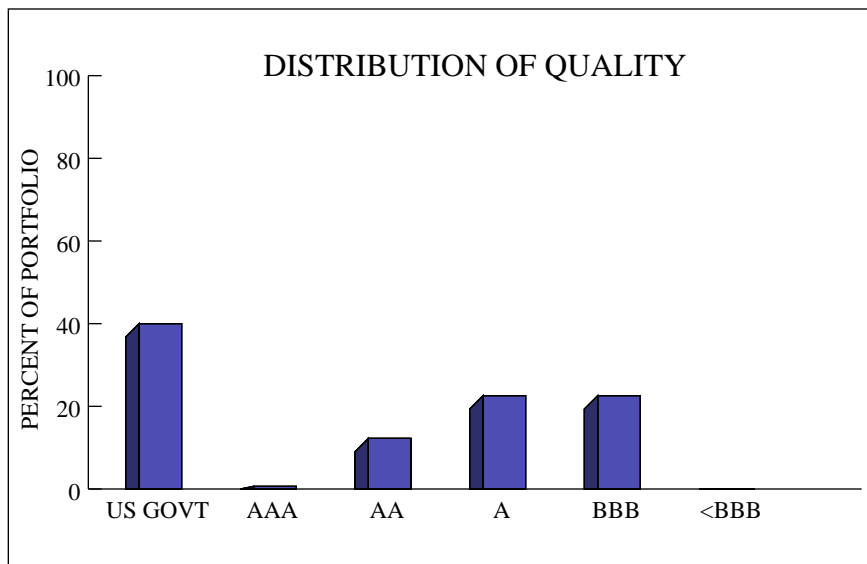
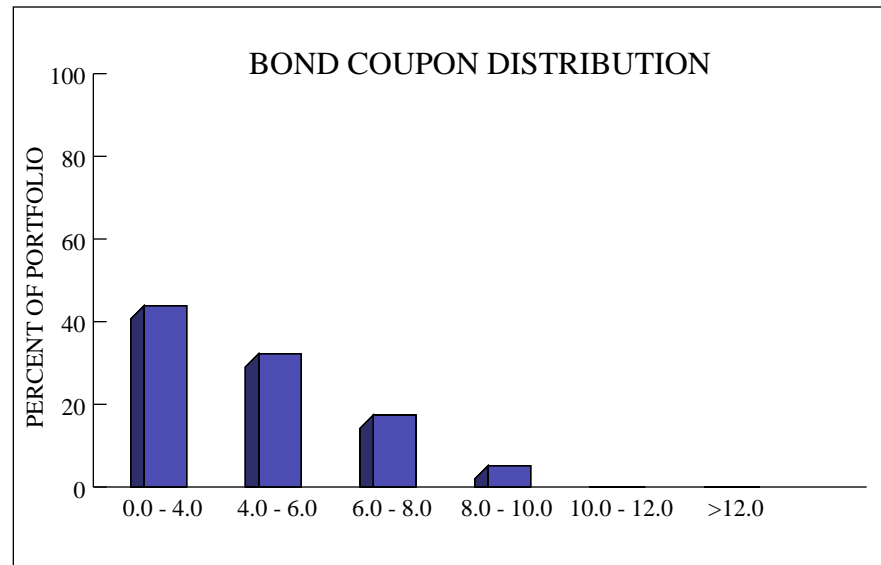
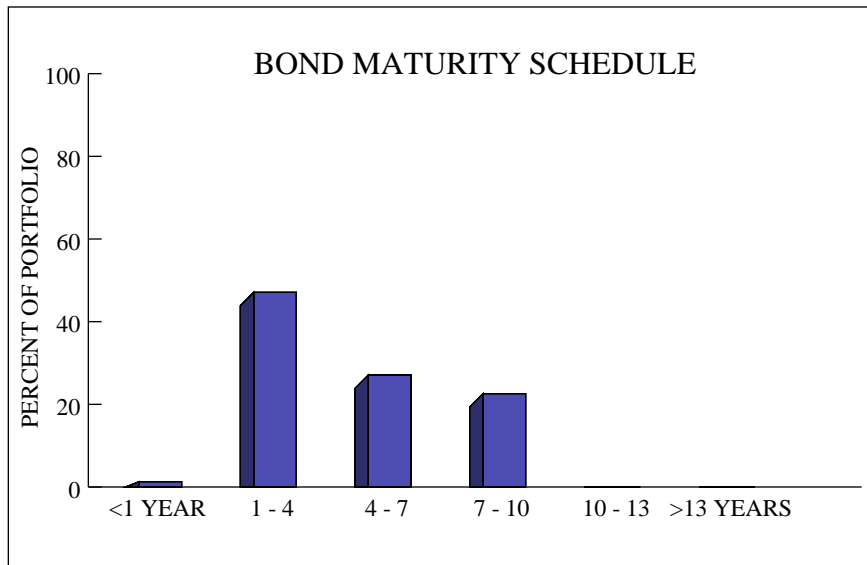
**COMPARATIVE BENCHMARK: INTERMEDIATE DURATION HYBRID INDEX**



RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	0.8	0.1	0.7	0.8	0.1	0.7
6/11	2.1	0.7	1.4	2.9	0.8	2.1
9/11	1.3	0.7	0.6	4.2	1.5	2.7

<b>Total Quarters Observed</b>	<b>3</b>
<b>Quarters At or Above the Benchmark</b>	<b>3</b>
<b>Quarters Below the Benchmark</b>	<b>0</b>
<b>Batting Average</b>	<b>1.000</b>

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>INT GOV/CREDIT</b>
No. of Securities	132	4,024
Duration	3.90	3.96
YTM	2.54	1.58
Average Coupon	4.06	3.28
Avg Maturity / WAL	4.63	4.41
Average Quality	AA	USG-AAA

ALABAMA PACT  
LONGFELLOW CDO  
PERFORMANCE REVIEW  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Alabama PACT Longfellow CDO portfolio was valued at \$4,071,639, a decrease of \$1,237,647 from the June ending value of \$5,309,286. Last quarter, the account recorded no net contributions or withdrawals, while recording a net investment loss for the quarter of \$1,237,647. Since there were no income receipts for the third quarter, net investment losses were the result of capital losses (realized and unrealized).

Since December 2010, the account has had no contributions or withdrawals, while sustaining a net investment loss totaling \$186,985. For the period since December 2010, if the total fund returned a compounded nominal rate of 2.0% it would have been worth \$4.3 million or \$250,704 more than its actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

For the third quarter, the Longfellow CDO portfolio lost 23.3%. Since December 2010, the portfolio returned -4.4%.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 12/2010
<b>Total Portfolio</b>	-23.3	-4.4	----	----	-4.4
<i>BROAD MARKET FIXED RANK</i>	(99)	(98)	----	----	(98)
BARCLAYS AGG	3.8	6.7	5.3	8.0	6.7
<b>Fixed Income</b>	-23.3	-4.4	----	----	-4.4
<i>BROAD MARKET FIXED RANK</i>	(99)	(98)	----	----	(98)
BARCLAYS AGG	3.8	6.7	5.3	8.0	6.7

\* Annualized Return

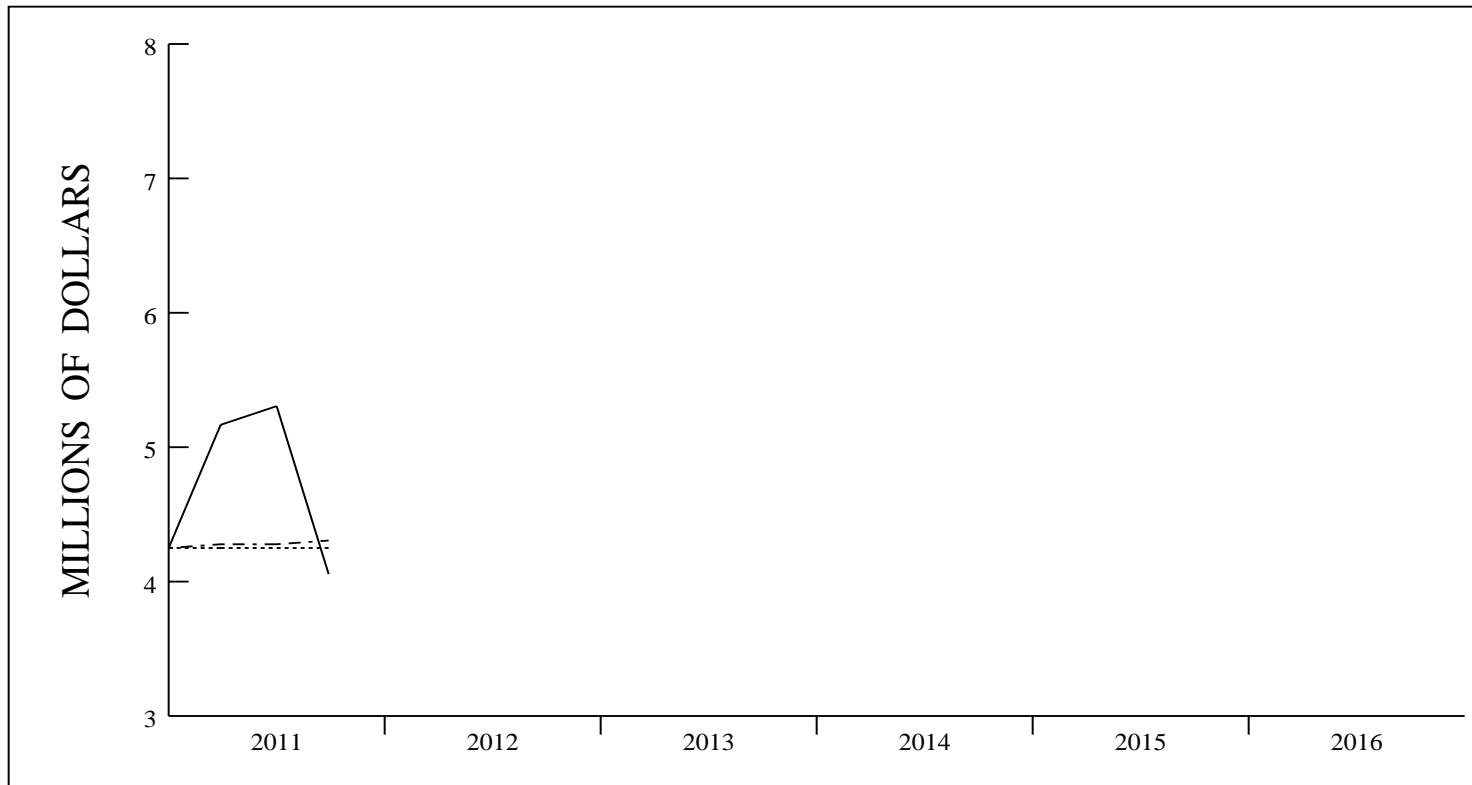
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 4,071,639
Total Portfolio	100.0%	\$ 4,071,639

**INVESTMENT RETURN**

Market Value 6/2011	\$ 5,309,286
Contribs / Withdrawals	0
Income	0
Capital Gains / Losses	- 1,237,647
Market Value 9/2011	\$ 4,071,639

**INVESTMENT GROWTH**

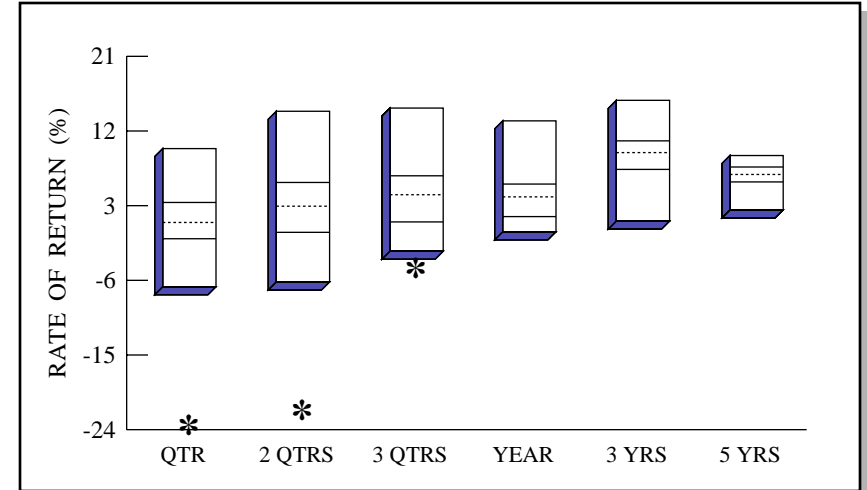
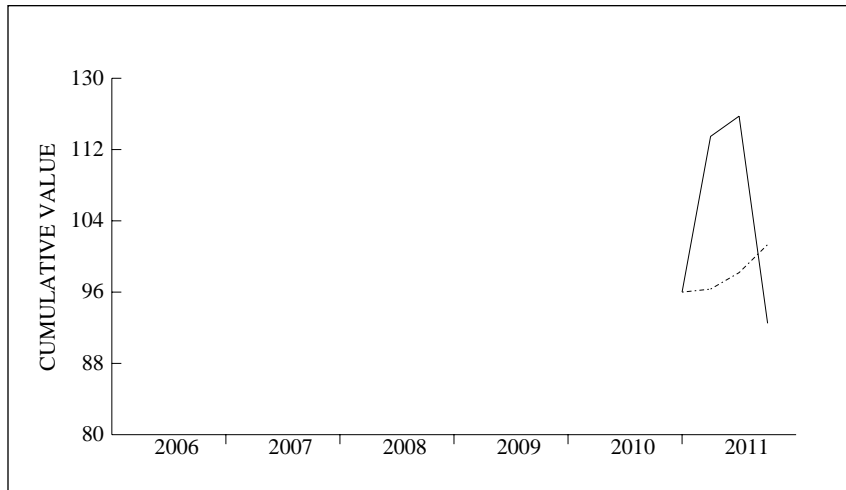


— ACTUAL RETURN  
 - - - 2.0%  
 ..... 0.0%

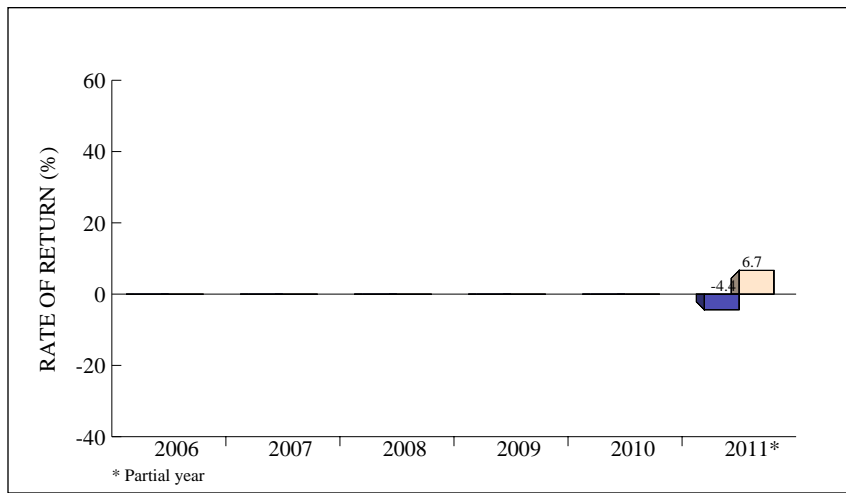
VALUE ASSUMING  
 2.0% RETURN  
 \$ 4,322,343

	LAST QUARTER	PERIOD 12/10 - 9/11
BEGINNING VALUE	\$ 5,309,286	\$ 4,258,624
NET CONTRIBUTIONS	0	0
<u>INVESTMENT RETURN</u>	<u>- 1,237,647</u>	<u>-186,985</u>
ENDING VALUE	\$ 4,071,639	\$ 4,071,639
INCOME	0	79,129
<u>CAPITAL GAINS (LOSSES)</u>	<u>- 1,237,647</u>	<u>-266,114</u>
INVESTMENT RETURN	- 1,237,647	-186,985

**TOTAL RETURN COMPARISONS**



Broad Market Fixed Universe



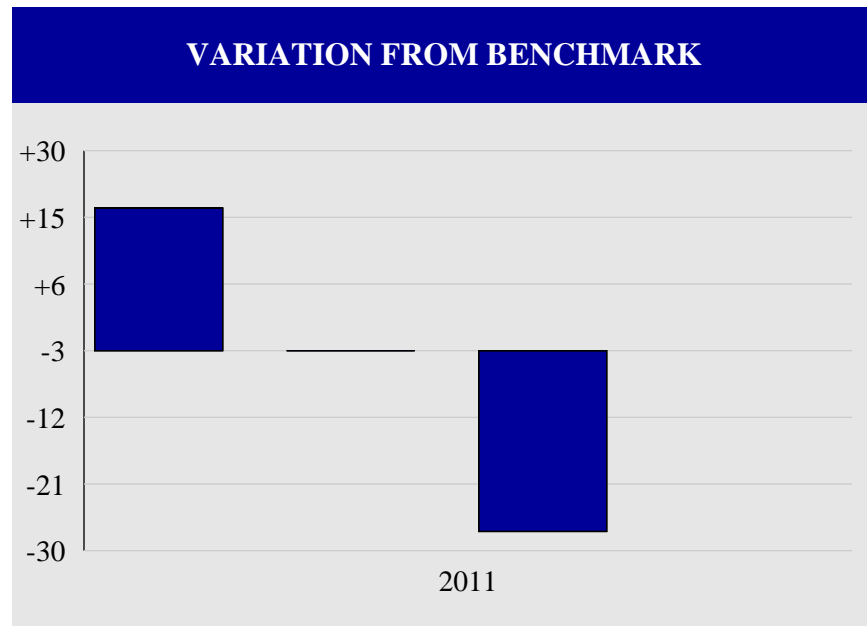
\* Partial year

	QTR	2QTRS	3QTRS	-----ANNUALIZED-----		
	YEAR	3 YRS	5 YRS			
RETURN	-23.3	-21.5	-4.4	----	----	----
(RANK)	(99)	(99)	(98)	----	----	----
5TH %ILE	9.9	14.4	14.8	13.2	15.7	9.0
25TH %ILE	3.4	5.8	6.6	5.6	10.8	7.7
MEDIAN	1.0	3.0	4.3	4.1	9.4	6.8
75TH %ILE	-1.0	-0.2	1.0	1.7	7.4	5.9
95TH %ILE	-6.8	-6.2	-2.5	-0.2	1.1	2.5
<b>Agg Index</b>	<b>3.8</b>	<b>6.2</b>	<b>6.7</b>	<b>5.3</b>	<b>8.0</b>	<b>6.5</b>

Broad Market Fixed Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**



RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	21.8	0.4	21.4	21.8	0.4	21.4
6/11	2.3	2.3	0.0	24.7	2.7	22.0
9/11	-23.3	3.8	-27.1	-4.4	6.7	-11.1

<b>Total Quarters Observed</b>	<b>3</b>
<b>Quarters At or Above the Benchmark</b>	<b>2</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.667</b>

ALABAMA PACT  
MACKAY SHIELDS CORE PLUS LIQUIDATION  
PERFORMANCE REVIEW  
SEPTEMBER 2011

## **INVESTMENT RETURN**

On September 30th, 2011, the Alabama PACT Mackay Shields Core Plus Liquidation portfolio was valued at \$16,096,982, a decrease of \$100,710,701 from the June ending value of \$116,807,684. Last quarter, the account recorded a net withdrawal of \$101,605,968, which overshadowed the fund's net investment return of \$895,267. Income receipts totaling \$503,771 and realized and unrealized capital gains of \$391,496 combined to produce the portfolio's net investment return.

Since December 2010, the account has recorded net withdrawals totaling \$103.4 million while posting net investment gains totaling \$5.8 million. Since December 2010, if the account earned a compounded nominal rate of 2.0% it would have been valued at \$11.8 million or \$4.3 million less than the actual value as of September 30th, 2011.

## **RELATIVE PERFORMANCE**

During the third quarter, the Mackay Shields Core Plus Liquidation portfolio lost 3.4%, which was 7.2% less than the Barclays Aggregate Index's return of 3.8% and ranked in the 84th percentile of the Broad Market Fixed Income universe.

## **BOND ANALYSIS**

At the end of the quarter, approximately 45% of the total bond portfolio was comprised of USG quality securities. The remainder of the portfolio consisted of corporate securities, rated AAA through less than BBB, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 5.2 years, less than the Barclays Aggregate Index's 7.2-year maturity. The average coupon was 3.7%.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 12/2010
<b>Total Portfolio</b>	-3.4	0.8	----	----	0.8
<i>BROAD MARKET FIXED RANK</i>	(84)	(77)	----	----	(77)
BARCLAYS AGG	3.8	6.7	5.3	8.0	6.7
<b>Fixed Income</b>	-3.4	0.8	----	----	0.8
<i>BROAD MARKET FIXED RANK</i>	(84)	(77)	----	----	(77)
BARCLAYS AGG	3.8	6.7	5.3	8.0	6.7

\* Annualized Return

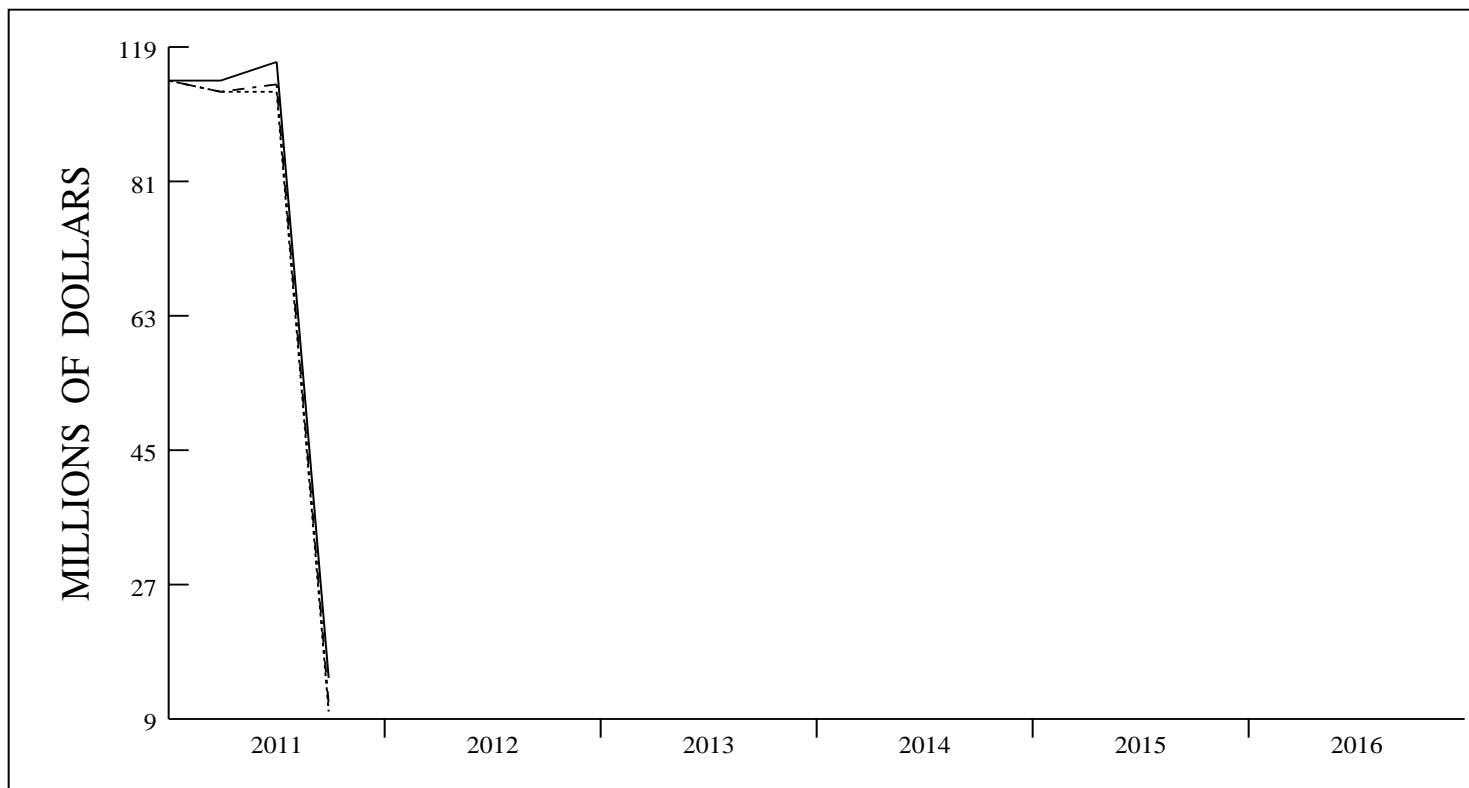
**ASSET ALLOCATION**

Fixed Income	100.0%	\$ 16,096,982
Total Portfolio	100.0%	\$ 16,096,982

**INVESTMENT RETURN**

Market Value 6/2011	\$ 116,807,684
Contribs / Withdrawals	-101,605,968
Income	503,771
Capital Gains / Losses	391,496
Market Value 9/2011	\$ 16,096,982

**INVESTMENT GROWTH**

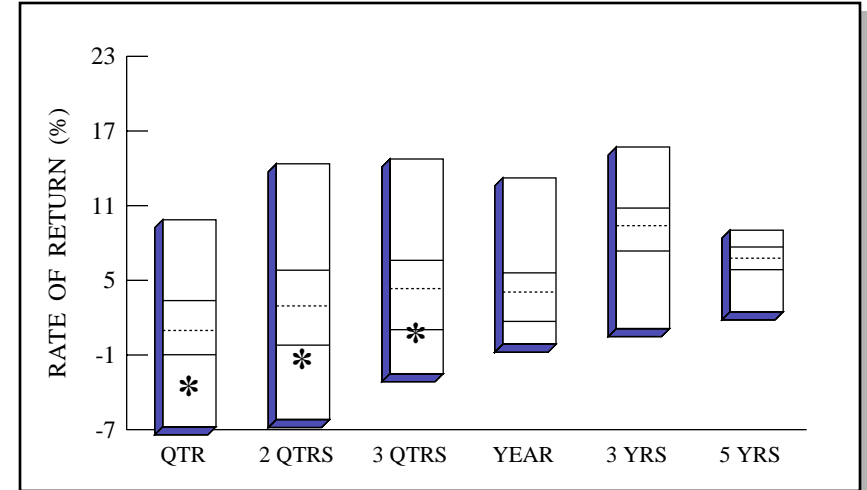
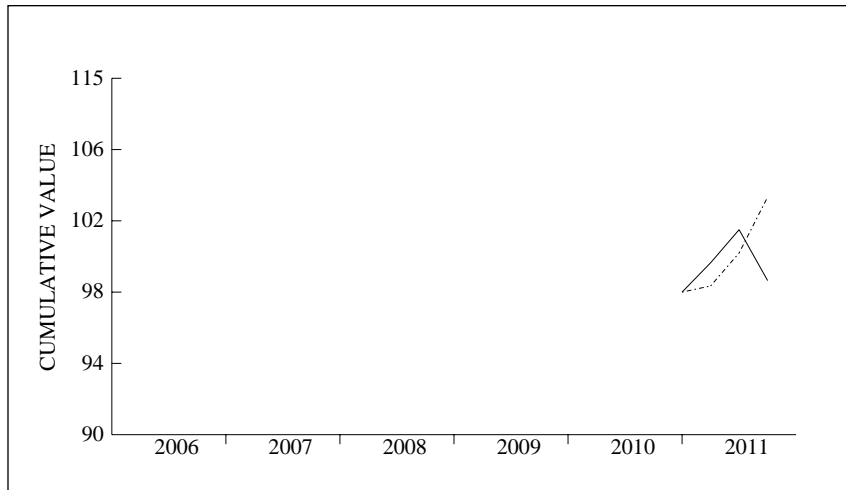


— ACTUAL RETURN  
 - - - 2.0%  
 . . . 0.0%

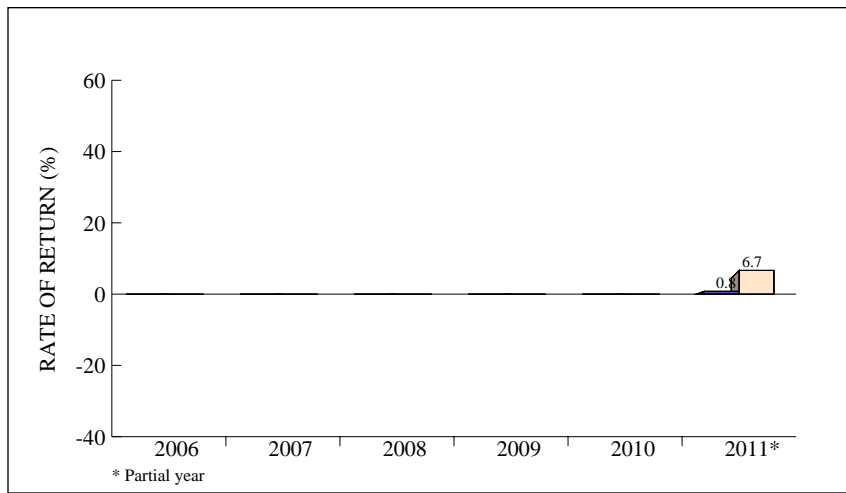
VALUE ASSUMING  
 2.0% RETURN  
 \$ 11,795,129

	LAST QUARTER	PERIOD 12/10 - 9/11
BEGINNING VALUE	\$ 116,807,684	\$ 113,708,562
NET CONTRIBUTIONS	-101,605,968	-103,431,559
<u>INVESTMENT RETURN</u>	<u>895,259</u>	<u>5,819,973</u>
ENDING VALUE	\$ 16,096,982	\$ 16,096,982
INCOME	503,771	2,225,519
<u>CAPITAL GAINS (LOSSES)</u>	<u>391,488</u>	<u>3,594,454</u>
INVESTMENT RETURN	895,259	5,819,973

**TOTAL RETURN COMPARISONS**



Broad Market Fixed Universe

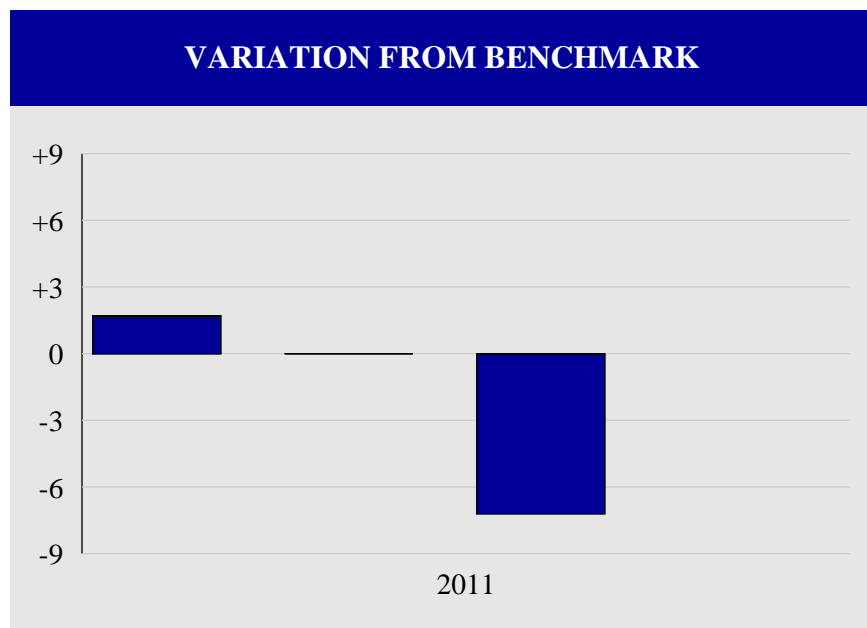


	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	-3.4	-1.2	0.8	---	---	---
(RANK)	(84)	(81)	(77)	---	---	---
5TH %ILE	9.9	14.4	14.8	13.2	15.7	9.0
25TH %ILE	3.4	5.8	6.6	5.6	10.8	7.7
MEDIAN	1.0	3.0	4.3	4.1	9.4	6.8
75TH %ILE	-1.0	-0.2	1.0	1.7	7.4	5.9
95TH %ILE	-6.8	-6.2	-2.5	-0.2	1.1	2.5
<b>Agg Index</b>	<b>3.8</b>	<b>6.2</b>	<b>6.7</b>	<b>5.3</b>	<b>8.0</b>	<b>6.5</b>

Broad Market Fixed Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

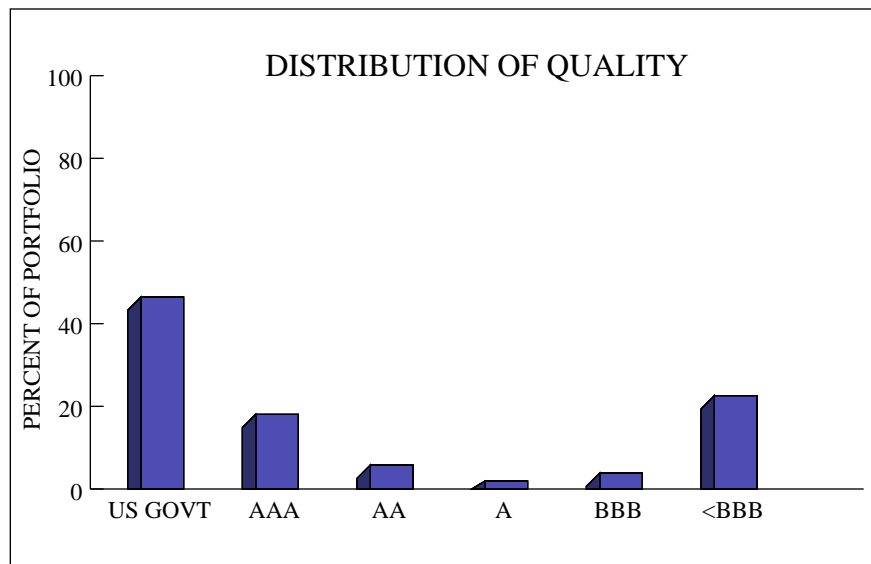
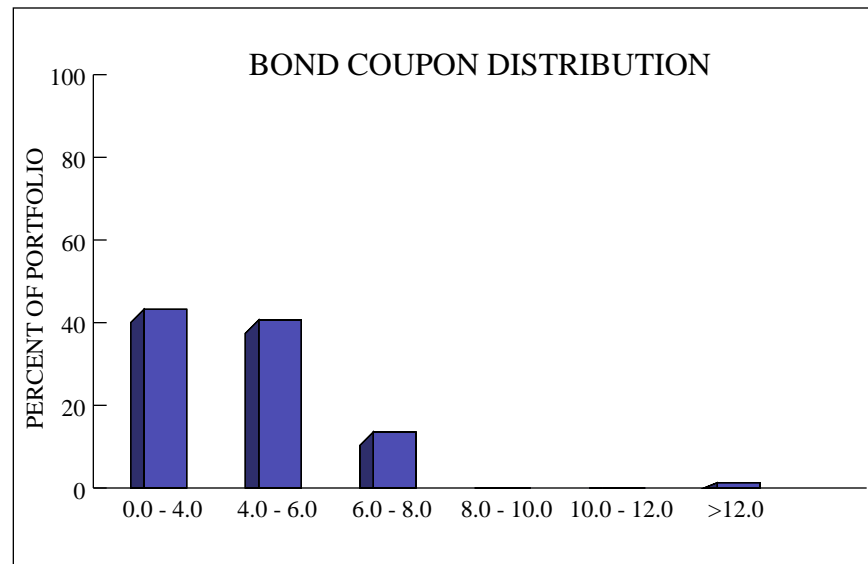
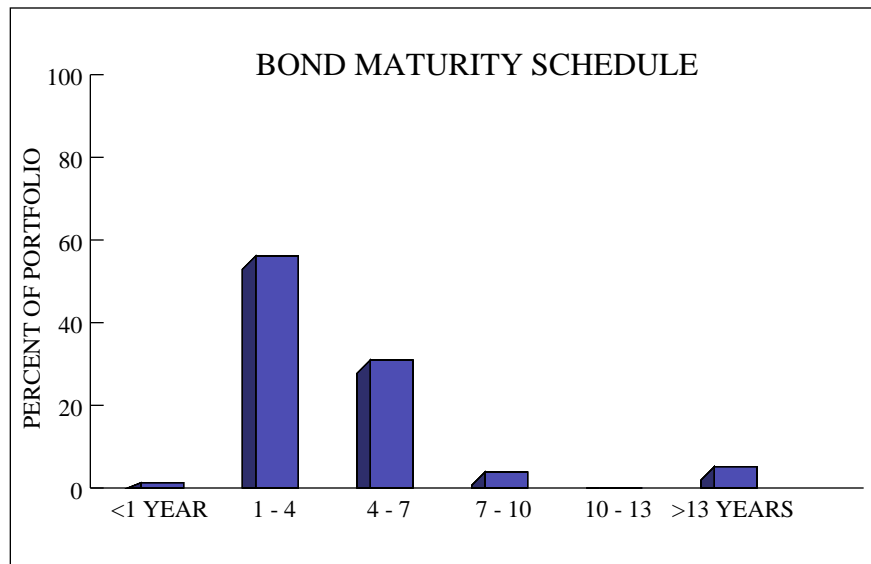
**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**



RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	2.1	0.4	1.7	2.1	0.4	1.7
6/11	2.3	2.3	0.0	4.4	2.7	1.7
9/11	-3.4	3.8	-7.2	0.8	6.7	-5.9

<b>Total Quarters Observed</b>	<b>3</b>
<b>Quarters At or Above the Benchmark</b>	<b>2</b>
<b>Quarters Below the Benchmark</b>	<b>1</b>
<b>Batting Average</b>	<b>.667</b>

**BOND CHARACTERISTICS**



	<b>PORTFOLIO</b>	<b>BARCLAYS AGG</b>
No. of Securities	77	7,833
Duration	1.17	4.96
YTM	4.54	2.35
Average Coupon	3.68	4.11
Avg Maturity / WAL	5.21	7.16
Average Quality	AAA-AA	USG-AAA