

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**TABLE OF CONTENTS**

1. Amendments (Signed) .....	1
2. Cover Letter and Vendor Application Form .....	6
3. Background and Project Summary Section .....	10
4. Methodology Section .....	10
5. Staffing .....	17
6. Qualifications .....	19
7. Financial Capacity .....	21
8. Fee Proposal .....	21
9. Disclosure .....	21
10. Sample Agreement .....	21
11. Appendices .....	24



**REQUEST FOR PROPOSAL  
FOR  
Investment Management Services**



**CITY PROJECT NO. 1149  
Finance and Information Technology Department  
CITY OF COSTA MESA**

**RELEASE DATE: January 23, 2013**

**The referenced document has been modified as per the attached Amendment No. 1**

**Please sign this Amendment where designated and return the executed copy with submission of your proposal. This amendment is hereby made part of the referenced proposal as through fully set forth therein. Any questions regarding this amendment should be addressed to Kimberly Wilson, email [Kimberly.Wilson@Costamesaca.gov](mailto:Kimberly.Wilson@Costamesaca.gov)**

5. **PROCESS FOR SUBMITTING PROPOSALS**

- **Content of Proposal**

The proposal must be submitted using the format as indicated in the proposal format guidelines.

- **Preparation of Proposal**

Each proposal shall be prepared simply and economically, avoiding the use of elaborate promotional material beyond those sufficient to provide a complete, accurate and reliable presentation.

- **Number of Proposals**

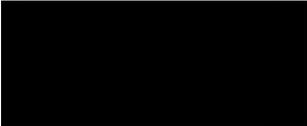
Submit one original, Five (5) hard copies plus one disk copy of your proposal in sufficient detail to allow for thorough evaluation and comparative analysis. In the event of a conflict between the original and any hard copy or disk copy, the original shall control.

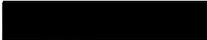
- **Submission of Proposals**

*Complete written proposals must be submitted in sealed envelopes marked and received no later than noon (P.S.T) on **February 15, 2013** to the address below. Proposals will not be accepted after this deadline. Faxed or e-mailed proposals will not be accepted.*

**Amendment to change the Submission of Proposals date referenced on page 8 of the RFP and highlighted above, from February 1, 2013 to February 15, 2013, which correlates to the Item 2 SCHEDULE OF EVENTS on page 2 of the RFP.**

*All other provisions of the invitation of this proposal shall remain in their entirety. Vendors hereby acknowledge receipt and understanding of the above Amendment.*

 2/4/13  
Signature Date

 President  
Typed Name and Title

Chandler Asset Management  
Company Name

6225 Lusk Boulevard

San Diego, CA 92121  
Address



**REQUEST FOR PROPOSAL  
FOR  
Investment Management Services**



**CITY PROJECT NO. 1149  
Finance and Information Technology Department  
CITY OF COSTA MESA**

**RELEASE DATE: February 8, 2013**

**The referenced document has been modified as per the attached Amendment No. 2**

**Please sign this Amendment where designated and return the executed copy with submission of your proposal. This amendment is hereby made part of the referenced proposal as through fully set forth therein. Any questions regarding this amendment should be addressed to Kimberly Wilson, email [Kimberly.Wilson@Costamesaca.gov](mailto:Kimberly.Wilson@Costamesaca.gov)**

4. PROPOSAL FORMAT GUIDELINES (*cont'd on page 6*)

- **Staffing**

Provide a list of individual(s) who will be working on this project and indicate the functions that each will perform and **individual qualifications. ~~anticipated hours of service of each individual.~~<sup>+</sup>** Include a resume for each designated individual.

Upon award and during the contract period, if the contractor chooses to assign different personnel to the project, the Contractor must submit their names and qualifications including information listed above to the City for approval before they begin work.

---

## APPENDIX D

---

### PRICING PROPOSAL FORM INVESTMENT MANAGEMENT SERVICES

Provide **~~hourly rates, along with estimated~~** annual pricing in accordance with the City's current requirements, as set forth in section 3 Scope of Work. **~~Also provide your firm's proposed Staffing Plan on a separate sheet of paper.~~** Proposer should use a separate form to state pricing for any added value.

Pricing shall remain firm for a minimum of two (2) years. Any and all requests for pricing adjustments for follow-on contract renewal periods shall be provided no later than sixty (60) days prior to the end of the contract period. Any such proposed price adjustments shall not exceed The Bureau of Labor Statistics Consumer Price Index (CPI) data for Los Angeles-Riverside-Orange County, CA, All Items, Not Seasonally Adjusted, "annualized change comparing the original proposal month and the same month in the subsequent year. (This information may be found on the U.S. Department of Labor's website at [www.bls.gov](http://www.bls.gov).)

This **Fee Proposal** form has been amended to reflect the industry standard for Investment Management Services Fees. As such, each proposer is instructed to provide the following items and disregard the original pricing proposal chart which has been hereby stricken from Appendix D.

**Fees Charged**

- a.) Please include a copy of your firm's annual fee schedule including any breakpoints in your fees and at what asset level(s).
- b.) Identify any expenses that would not be covered through this fee structure and would be required in order to implement the firm's program.
- c.) Is there a minimum annual fee?

---

<sup>+</sup> ~~Hourly rates for the proposed personnel shall be set forth on Appendix D.~~

Employee	Hourly Rate	Hours worked	Total Cost	Overtime rate
	\$			\$
	\$			\$
	\$			\$

Total Estimated Annual Price \$

ADD ANY ADDITIONAL COST PROPOSAL SHEETS HERE

*All other provisions of the invitation of this proposal shall remain in their entirety.  
Vendors hereby acknowledge receipt and understanding of the above Amendment.*



2/11/13

Chandler Asset Management  
Company Name

Redacted Name  
President  
Typed Name and Title

6225 Lusk Boulevard

San Diego, CA 92121  
Address

February 14, 2013

Ms. Kimberly Wilson  
RFP Facilitator  
City of Costa Mesa  
Office of the City Clerk  
77 Fair Drive  
Costa Mesa, CA 92628-1200

**RE: City of Costa Mesa RFP No. 1149 – Investment Management Services**

Dear Ms. Wilson:

Chandler Asset Management is a highly qualified and experienced investment management firm, and we welcome the opportunity to present our qualifications to serve as investment adviser for the City of Costa Mesa.

As you read our proposal and become acquainted with our firm, you will understand our dedication to providing a comprehensive suite of investment management services to our clients. With over 24 years of experience as investment advisers to public agencies, as well as the depth and breadth of experience and quality of our professional team, we meet or exceed all of your requirements.

The range of services that we provide our clients is both comprehensive and flexible, customized to specific client requirements:

- Beginning with understanding your cash flow requirements in order to provide safety and liquidity first and returns thereafter.
- Establishing performance benchmarks that relate specifically to your objectives.
- Portfolio management that provides investment results targeted to your specific objectives and Policy constraints, with compliance thoroughly documented in our timely and comprehensive reports.
- Initial and annual Investment Policy review to clearly document your objectives and constraints and to remain up to date with changes to California State Code and the City's evolving requirements.
- A genuine willingness to provide educational opportunities to staff, management and elected officials of the City.
- Senior professionals who will manage your portfolio and meet with the City's staff.
- A partnership where we serve as a general resource to the City in all matters in which we have expertise.
- A commitment to the highest standards of fiduciary care and our own Code of Ethics.

The experience and training of Chandler team members provide a depth of knowledge and resources available to our client-partners. Applying the tools available through current technology to our disciplined, repeatable investment process, our team members develop and execute custom-tailored investment solutions. The team environment in which we manage our clients' investment programs provides efficient, effective integration of all aspects of the investment program –

portfolio management, policy review, compliance, operations, accounting and reporting, and timely service. Each member of our team will know you and your portfolio as we are committed to partnership with each client.

The following information is included as requested in section 4 of the RFP document:

- Chandler stipulates that the proposal price will be valid for a period of at least 180 days from the date of submittal.
- The project will be managed from our San Diego, CA, headquarters, the firm's nearest office location to Costa Mesa, CA. Our contact information is as follows:

6225 Lusk Blvd.

San Diego, CA 92121

Email:



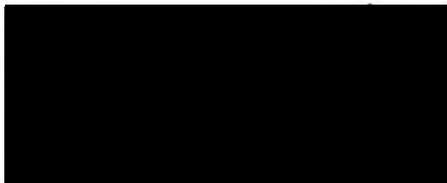
Fax: 858-546-3741

In addition, Chandler attests to meeting the following minimum qualifications:

- Our firm is an SEC-registered investment adviser, and is registered in the State of California.
- Chandler is completely independent and has no affiliations with broker/dealers, banks, or other financial institutions.
- The firm has more than ten years of experience in managing State/local operating funds.
- As of December 31, 2012, of the more than \$6.4 billion we have in assets under management, over \$4.8 billion consists of public sector assets, far in excess of the City's \$2 billion minimum.

Please take the time to speak with some of the client references we have provided. We look forward to the opportunity to meet with you to discuss our proposal and our qualifications further.

Sincerely,



President



**Names & Titles of Corporate Board Members**

(Also list Names & Titles of persons with written authorization/resolution to sign contracts)

Names	Title	Phone
[REDACTED]		
[REDACTED]		
[REDACTED]		

Federal Tax Identification Number: 33-0570869

City of Costa Mesa Business License Number: N/A

(If none, you must obtain a Costa Mesa Business License upon award of contract.)

Chandler will obtain a Costa Mesa Business License upon award of the contract.

City of Costa Mesa Business License Expiration Date: N/A

## **Vendor Application Form and Cover Letter**

Please refer to our **Cover Letter** and the attached Vendor Application Form (also included as **Appendix A**).

## **Background and Project Summary Section**

Chandler Asset Management (“Chandler”) is a SEC-registered investment adviser with its principal place of business in San Diego, CA. The firm’s founder, Kay Chandler, began her investment career as the Investment Officer for the County of San Diego, where she worked for eight years, before joining the City of San Diego as its Investment Officer. In 1988, she founded the firm in response to the pressing need she observed within the public sector for professional expertise and technological resources that could optimize public sector investment programs. Martin Cassell, Kay’s successor on the investment staff of the City of San Diego, joined the firm in 1991, and now serves as our CEO and Chief Investment Officer (CIO).

We understand the City must adhere to and must structure its Investment Policy around California Government Code Section 53600 *et seq.* Our founder, Kay Chandler, and our CIO, Martin Cassell, both served as internal investment officers for California public agencies, providing them with true hands on experience in the public environment. In addition, our professional investment team has 24 years of ongoing experience as external investment advisers to numerous California local agencies. You will find that Chandler Asset Management has a full understanding of the history and evolution of governing law. We work with clients on every aspect of their investment programs, including cash flow analysis and forecasting, Investment Policy development and review, risk/return analysis, recommending market benchmarks for performance analysis that mirror each client’s risk/return profile, performance reporting, consulting on the investment program, and accounting and reporting for both management and accounting staff.

## **Methodology Section**

### **Implementation Plan**

Chandler offers a unique approach to designing and implementing solutions that achieve the stated investment objectives of our clients. We believe that through effective risk management, we can enhance the potential for higher returns while maintaining the primary objectives of safety and liquidity.

From the initial kickoff meeting and throughout the relationship, our priority is to understand the complex and varying needs of our clients by asking insightful questions and carefully listening to and learning from what our clients tell us. Only then do we propose solutions we expect to be optimal for the client. We act as a true partner with our clients in providing solutions for their needs, and the range of services that we provide our clients is both comprehensive and flexible, customized to specific client requirements. The experience and training of Chandler team members provide a depth of knowledge and resources available to our client-partners.

Applying the tools available through current technology to our disciplined, repeatable investment process, our team members develop and execute custom-tailored investment solutions. The team environment in which we manage our clients’ investment programs provides efficient, effective

integration of all aspects of the investment program – portfolio management, Policy review, compliance, operations, accounting and reporting, and timely service. Each member of our team will know you and your portfolio as we are committed to partnership with each client.

Chandler’s investment advisory services do not require the placement of any equipment within the City of Costa Mesa, and you will not be required to install special equipment to receive the full benefit of our services. Your existing computer systems will be adequate to download information from our website.

We have grouped the 22 elements of the Scope of Work into three subsets – Preliminary Services, Ongoing Management, and Frequent Review and Communication. Our approach to completing the tasks specified in the Scope of Work is as follows (references to specific items are underlined):

## 1. Preliminary Services

- a. Initially, we will execute the Investment Management Agreement with the City, complete our new account paperwork, and then work with your custodian bank to confirm the new account relationship has been established. Chandler has developed strong relationships with many different custodians that our clients have chosen, including BNY Mellon Corporation. The firm works with BNY Mellon Corporation extensively, and we are very familiar with their reporting structure and systems. We can work with the City’s current custodian or help you select a new one if you choose to do so.
  - i. *Timeframe/Frequency*: First two-three weeks of the engagement.
  - ii. *Chandler Personnel*: President; CEO/CIO; COO/CCO; Investment Operations Manager.
  - iii. *Costa Mesa Personnel*: City Attorney (to review the contract); Director of Finance and IT/City Manager (to set up the custodial relationship).
- b. Following the completion of the account transition paperwork and the transfer of assets to the custodian bank, we will hold our kickoff meeting with you to understand and quantify your investment objectives, risk profile, and expected outcomes. We will then document what we have learned in your Policy. In that way, our strategy and your Policy complement each other. Once the Investment Policy is approved, it becomes the operating guidelines for the portfolio. On an annual basis, we will review your Investment Policy so you can be certain that your Policy remains in compliance with California State Code and properly articulates your investment objectives and constraints.
  - i. *Timeframe/Frequency*: First two-three weeks of the engagement; annually near the anniversary of the relationship.
  - ii. *Chandler Personnel*: COO/CCO; Lead and backup Portfolio Managers; Relationship Manager.
  - iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to confirm the investment strategy).
- c. Chandler will recommend performance benchmarks for your portfolio that reflect your risk profile and investment objectives, while considering whether the City is taking on undesired risk to achieve results. Generally, we propose total return indices

to our clients that reflect their objectives, risk tolerance and constraints. For example, benchmarks some of our other public agency clients have selected, which may also be appropriate for the City of Costa Mesa, include the Bank of America/Merrill Lynch (BofA/ML) Blended 0-3 Year Treasury Index, the BofA/ML 1-3 Year Treasury Index, and the BofA/ML 1-5 Year Government Index. We can also discuss other possible benchmarks or even customize a benchmark for the City. Details regarding these benchmarks can be found in the attached GIPS-compliant presentations in **Appendix G**. We expect the City will designate Finance Department staff members to manage the Chandler relationship at this stage in the on boarding process.

- i. *Timeframe/Frequency*: First two-three weeks of the engagement; annually near the anniversary of the relationship.
- ii. *Chandler Personnel*: COO/CCO; Lead and backup Portfolio Managers; Relationship Manager.
- iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to confirm the benchmark selections).

## 2. Ongoing Management

- a. The firm employs a rigorous, quantitatively based investment discipline, comprised of three stages – portfolio structure, security selection and periodic rebalancing. Our proprietary *Horizon Analysis Model* (“*Model*”) is the quantitative foundation for Chandler’s portfolio construction process. The *Model* enables the portfolio management team to integrate its research into the portfolio management process in a quantitative, disciplined, and repeatable way. Inputs to the *Model* include: (1) current yields on Treasury, agency and corporate securities; (2) specific client constraints, such as maturity restrictions and maximum sector exposure; and (3) nine different forecasted interest rate scenarios that are at a six-month horizon date. The firm does not engage directly in macroeconomic forecasting. However, our analysis of current macroeconomic conditions is one of the factors we consider as we develop the nine different interest rate scenarios that comprise the third input to the *Model*.

Through an iterative process, the *Model* generates the “optimal portfolio structure” (duration, maturity distribution, yield curve positioning and sector allocation), which is the portfolio that achieves a return greater than the benchmark in each of the nine scenarios. That is, the *Model* generates a portfolio structure that we expect will outperform the portfolio’s benchmark over a wide range of possible future interest rate movements. The portfolio management team then evaluates the optimal portfolio structure, and may make adjustments as they begin the construction of the optimal portfolio. This combination of a rigorous quantitative structure and experienced qualitative oversight is a hallmark of all Chandler’s portfolio management activities.

- i. *Timeframe/Frequency*: Weekly, following the first two-three weeks of the engagement.
- ii. *Chandler Personnel*: Lead and backup Portfolio Managers; Assistant Portfolio Manager; Analyst.

- iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to review the optimal portfolio structure for compliance with Investment Policy constraints).
- b. While the overall portfolio structure is established by the portfolio management team using the firm's *Horizon Analysis Model* and other tools, the security selection decision is a separate step in the process. Chandler's investment team employs a proprietary credit analysis process designed for identification of stable and improving credits, as well as early detection of weak and deteriorating credits. The process includes both qualitative and quantitative aspects. The firm's Credit Committee is responsible for fundamental macroeconomic, industry-wide, and issuer-specific analysis. Committee members, including the firm's Credit Analyst, meet weekly to develop a disciplined and actionable credit strategy. Individual members of the Committee prepare research reports and recommendations on individual issuers based on a mosaic of qualitative and quantitative data. These reports and recommendations are thoroughly vetted by the full Committee.

The Committee's recommendations, including additions to and deletions from the Approved List, are subsequently reviewed by the entire Portfolio Management team and Chief Investment Officer Martin Cassell. Ultimate approval of credits is the responsibility of Mr. Cassell. The decision to purchase a specific security on the Approved List is based on Chandler's evaluation of its relative value and your Investment Policy. Valuation techniques include historical trend and range analysis, relative value among different sectors, likely upcoming supply and demand, and qualitative overview based upon team members' experience.

- i. *Timeframe/Frequency*: Weekly, following the first two-three weeks of the engagement.
  - ii. *Chandler Personnel*: CEO/CIO; Lead and backup Portfolio Managers; Assistant Portfolio Manager; Analyst; Credit Analyst.
  - iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to verify our selected securities).
- c. The Portfolio Management team maintains an active, productive relationship with the broker/dealer community, which provides an ongoing flow of market information and the ability to execute trades for our clients at competitive prices. There are a number of factors that may produce the best price for a given transaction, including dealers' current inventory levels, individual firms' current profit/loss position from trading, and sentiments about the market on the part of individual traders. Since we are well aware of the differences that occur among dealers on a daily basis, we consistently place several dealers in competition and continuously monitor and compare inventories and prices. We seek a minimum of three quotations on trades to ensure competitive transaction costs. Recorded bid or offering prices will be documented and maintained for a minimum of five years. The firm has a network of 35 broker/dealers with whom we execute transactions on a regular basis.

Given that all of our transactions are executed on a delivery-versus-payment (DVP) basis, the firm's broker/dealer selection and retention process centers primarily on

competitive pricing and transactional risk. Thus, our internal criteria for reviewing and monitoring broker/dealers for approval and retention are: competitive pricing; trade execution efficiency; consistency of coverage; quality and breadth of product inventory, and; willingness to make a two-way market. We monitor financial news for any indication of financial weakness or diminishing participation in our markets. In addition, we are concerned with broker/dealer integrity and capitalization. The Financial Industry Regulatory Authority (FINRA) provides an on-line Broker Check® System which we use to review the credentials and regulatory background of each broker/dealer that we work with, as well as each broker/dealer employee that is in contact with us.

- i. *Timeframe/Frequency*: Weekly, following the first two-three weeks of the engagement.
  - ii. *Chandler Personnel*: CEO/CIO; Lead and backup Portfolio Managers; Assistant Portfolio Manager; Analyst.
  - iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to oversee broker selection and trading activities).
- d. The firm conducts extensive credit research on large, major banks whose bonds, CDs and commercial paper we purchase, and we will make that information available to the City. Monitoring smaller local banks and financial institutions that are not widely held is much more challenging, because of lack of timely information. For those banks that are not followed by major credit resources, we recommend maintaining only collateralized or insured deposits. As your investment adviser, we will share information that we have about any financial institution the City conducts business with.
- i. *Timeframe/Frequency*: Weekly, following the first two-three weeks of the engagement.
  - ii. *Chandler Personnel*: COO/CCO; Lead and backup Portfolio Managers; Credit Analyst.
  - iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to provide information regarding the financial institutions the City conducts business with).
- e. In order to facilitate investment management and promote consistency among portfolios with similar objectives and benchmarks, the firm has developed a Strategy Review process. On a daily basis, investment team members compare the characteristics of each portfolio to the “Target Structure” defined for each. A proprietary system that compiles account data and highlights differences in duration, term structure, sector allocation, and security selection facilitates the portfolio managers’ review and analysis. If the team decides to make changes to the City’s portfolio, the team members work together to execute the necessary transactions once the City has been notified. In addition, the team reruns the *Horizon Analysis Model* monthly as market conditions and portfolio characteristics change.
- i. *Timeframe/Frequency*: Daily, following the first two-three weeks of the engagement.
  - ii. *Chandler Personnel*: Lead and backup Portfolio Managers; Assistant Portfolio Manager; Analyst; Credit Analyst.

- iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to evaluate the City’s evolving investment objectives and constraints).

### 3. Frequent Review and Communication

- a. Contact with our clients is on a regular basis and is as extensive as requested by our clients. Portfolio managers make frequent calls to update clients on market conditions and portfolio adjustments. They also inquire about any changes in cash flows that might affect the portfolio structure. Our client services staff works closely with our clients – reviewing investment policies, assisting with custodial relationships, and providing investment training among many other things. We can have as much pre- and post-trade contact with your staff as you would like. We would provide you with the rationale for the trade, all of the supporting documentation for each trade, a monthly accounting of all the securities in your portfolio and performance reports versus your benchmark. At all times you are in control of your investment program.
  - i. *Timeframe/Frequency*: As regularly as the City prefers, from the start of the engagement.
  - ii. *Chandler Personnel*: All Chandler staff.
  - iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to communicate with our professionals regarding your portfolio).
- b. Maintaining compliance with client specific guidelines, including your Investment Policy, investment objectives and constraints and applicable code, is a high priority at Chandler. We employ a multi-level compliance review process to ensure portfolios conform to client guidelines. The firm utilizes the Charles River Development Investment Management System (“CRD”) for automated pre- and post-trade compliance testing. When we begin our relationship with you, a firm compliance officer will code each element of your Investment Policy and guidelines into the system. Automated pre-trade compliance testing is activated each time a portfolio manager prepares to execute a transaction, and CRD prohibits execution of the trade if it does not comply with your Policy. This prohibition can only be lifted by the firm’s Compliance department.

Other procedures used to ensure compliance with the City’s Investment Policy, objectives, State code, market conditions, as well as Chandler-imposed constraints include: A daily post-trade reconciliation of transactions and cash balances with custodian information; A month-end review of each portfolio to confirm compliance with Policy and applicable codes; A detailed written compliance report at month-end; A comprehensive weekly process to ensure credit quality meets your Policy standards and our own strict quality requirements; A portfolio structure that satisfies liquidity objectives with short maturity securities and return objectives with higher duration investments, and; Immediate communication between our team and yours to help you stay informed of any non-compliance, and to help us stay informed of any new developments that may modify your objectives.

- i. *Timeframe/Frequency*: Daily, following the first two-three weeks of the engagement.

- ii. *Chandler Personnel:* COO/CCO; Lead and backup Portfolio Managers; Investment Operations Manager.
  - iii. *Costa Mesa Personnel:* Designated Finance Department staff members (to address pre- and post-trade compliance and any out-of-compliance situations with our investment team).
- c. Chandler is very active in assisting clients to develop cash flow forecasts and to manage liquidity, as the firm recognizes that liquidity is second only to safety on clients' list of objectives. Public agencies have fluctuating cash flows and need to rely on their portfolios to fund liquidity needs. Our approach to managing cash involves four distinct stages. One of the primary tasks at the beginning of the engagement will be to understand the pattern of your cash flows. The firm has developed two methods for developing cash flow projections. First, a straightforward historical analysis of cash balances is a simple, but effective, method for determining liquidity needs. Second, for a more detailed cash flow analysis, we provide a template that uses historical revenue/expenditure data by category to project future monthly changes to cash balances. Our clients have successfully implemented both methodologies with our assistance. With an understanding of your cash flow requirements, we will invest to known cash flow dates.

For many clients, we implement an approach that segments the portfolio into Liquidity and Core components. The Liquidity portfolio is structured to include securities that mature on known cash flow dates, providing sufficient funds for net disbursements over the ensuing six months, and the Core portfolio is designed to enhance earnings and long-term growth. Because cash flow projections can only be estimates, we recommend a portfolio structure that includes an additional layer of short-term investments designed to be available for unpredicted cash expenditures. Once liquidity needs are met in the portfolio with short-term investments, we turn to investing the remainder of the portfolio in higher returning, longer-term investments that meet your goals for portfolio growth over time. Securities in the Core component will have active markets and excellent liquidity should an unexpected event require liquidation of some of the securities.

- i. *Timeframe/Frequency:* Weekly, from the start of the engagement.
  - ii. *Chandler Personnel:* Lead and backup Portfolio Managers.
  - iii. *Costa Mesa Personnel:* Designated Finance Department staff members (to keep us apprised of any changes to the City's cash flow requirements).
- d. Chandler is committed to the highest level of disclosure, transparency and dialogue about your investment program. To fulfill that commitment, we will provide you with Monthly Reports, Quarterly Reports, GASB 40 Reports, and Online Access. Our Monthly Reports (to also be prepared as a Treasurer's Report) are provided to clients by secure email no later than the third business day following month-end and include: a management summary of portfolio characteristics; details of securities held; portfolio composition and sector allocation; total return compared to the selected market benchmark; duration; weighted average maturity; yield; market value; and book value. We provide Quarterly Reports to clients in a format designed to facilitate discussion between the portfolio manager and the client. The reports present portfolio characteristics, returns, and compliance using graphs, charts, and

illustrations in a format that is useful for management, elected officials, and interested members of the public.

Like all of our reports, the periodic performance report can be customized to meet specific client needs. We propose to provide this report for our quarterly meetings with you. We will provide a fiscal year-end report that provides all the information you will need to prepare the portfolio risk assessment required by GASB 40. Monthly and Quarterly Reports, holdings and transaction reports are all conveniently available online through a secure web portal. Details of securities held can be downloaded directly into internal City reports through the portal. Samples of our Monthly, Quarterly, and GASB 40 Reports can be found in **Appendix H**.

- i. *Timeframe/Frequency*: Daily, following the first month of the engagement.
  - ii. *Chandler Personnel*: COO/CCO; Lead and backup Portfolio Managers; Investment Operations Manager.
  - iii. *Costa Mesa Personnel*: Designated Finance Department staff members (to review Chandler's reports, and to access account information through our secure web portal).
- e. We will develop a regular schedule of quarterly, in-person client meetings with your Finance Department staff that meets your preferences. We will prepare a special presentation for these meetings, which presents market information, current and proposed investment strategies, portfolio characteristics, cash flow analysis, and performance. This format is designed to promote discussion between our team and the City's staff. In addition, Chandler staff will be pleased to meet with government officials as needed.
- i. *Timeframe/Frequency*: As regularly as the City and the government officials prefer, from the start of the engagement.
  - ii. *Chandler Personnel*: Lead and backup Portfolio Managers; Relationship Manager.
  - iii. *Costa Mesa Personnel*: Designated Finance Department staff members/City Council members/other government officials (to meet with our professionals regarding the City's account).

## Staffing

The following table shows the Chandler team of professionals we will assign to the Costa Mesa relationship, including their responsibilities and tasks. The firm assigns portfolio managers to client accounts based on the investment goals and cash flow requirements of each client. Once we have learned more specific information about your Investment Policy and objectives, we will assign a lead portfolio manager and a backup portfolio manager who will be your primary points of contact at Chandler. Mia Corral, VP, Client Service, will be the overall relationship manager for the account:

**Chandler Asset Management  
 Professional Team Assigned to Costa Mesa**

Professional	Responsibility to Costa Mesa	Industry Experience	Firm Tenure
<b>Relationship Management</b>			
██████████, CFA President	Director of Client Relations	1973	1988
██████████ VP, Client Service	Relationship Manager	1997	2004
<b>Portfolio Management and Research</b>			
██████████, CFA CEO, Chief Investment Officer	Chief Investment Officer	1987	1991
██████████, CFA SVP, Portfolio Manager	Portfolio Management and Trading	1994	1995
██████████ SVP, Portfolio Manager	Portfolio Management and Trading	1987	1999
██████████ II, CFA SVP, Portfolio Manager	Portfolio Management and Trading	1992	2011
██████████ Assistant Portfolio Manager	Assistant Portfolio Manager	2010	2012
██████████ Portfolio Management Assoc.	Analyst	2008	2012
██████████ VP, Credit Analyst	Credit Analyst	2000	2009
<b>Compliance &amp; Operations</b>			
██████████, JD COO, Chief Compliance Officer	Regulatory Compliance and Firm Operations	2000	2001
██████████ Operations/IT Manager	Investment Operations Manager	2003	2004

The firm uses a team approach to managing assets for every one of our clients, and all members of the team will have duties associated with your account. As such, it is not feasible for us to anticipate the hours of service for each Chandler professional. During business hours, there will always be a professional available for the City. For detailed resumes of all team members, please see the team biographies in **Appendix I**.

## Qualifications

For over 24 years, the primary focus for Chandler has been developing customized solutions for the investment programs of public agencies like the City of Costa Mesa, based on their specific requirements and risk profiles. Over 70% of our assets under management, totaling more than \$6.4 billion as of December 31, 2012, are the assets of California public agencies with investment policies and objectives similar to yours. Maintaining an authoritative presence in the specialized area of providing investment advice to public entities is crucial to the firm and to our clients. Firm leadership recognizes the importance of ensuring staff stays current on developments that may affect local governments as well as knowledgeable in technical investment areas.

In order to provide effective portfolio management, our investment team must have current, in-depth knowledge of the field. All Portfolio Managers at Chandler have demonstrated their understanding of, and commitment to, portfolio management by earning the designation of Chartered Financial Analyst (CFA). Other team members are working to achieve this designation. We encourage and support staff members to stay abreast of developments in the investment field through participation in programs and seminars provided by the CFA Institute, Bloomberg, and others.

Our firm regularly provides training on SEC regulatory requirements, fiduciary responsibilities, and ethics in order to ensure that all employees understand the regulatory framework that governs our industry. We have been providing our services to public agencies since 1988, and throughout that time, we have followed and have often been involved in drafting investment legislation and recommended practices on a state and national level, providing guidance on safe and effective practices for the management of public funds.

Additionally, preparation for our many speaking engagements keeps us current on important government investment developments. Team members are frequent contributors to technical publications. Kay Chandler is one of four co-authors of *The California Investment Primer*, a reference book commissioned by the California State Treasurer for California public fund managers.

Chandler develops and implements portfolio strategies that are tailored to meet the exact needs of each client. Portfolios with similar characteristics are grouped into composites for the purpose of computing and reporting GIPS-compliant performance results. The following table presents returns on three Chandler composites that may be appropriate for the City for the one-, three-, five-, and ten-year periods ending December 31, 2012. Chandler returns are compiled and reported in accordance with GIPS standards, and are verified by an independent third party firm, Beacon Verification Services (a subsidiary of ACA):

**Annualized Portfolio Performance<sup>1</sup>**  
**10 Years Ending December 31, 2012**

	One Year	Three Years	Five Years	Ten Years
<b>Ultra Short Bond</b>	0.74%	1.02%	1.79%	2.55%
<i>B of A/ML Blended 0-3 Year Treasury</i>	0.26%	0.69%	1.38%	2.25%
<b>Limited Maturity</b>	1.16%	2.00%	2.96%	3.20%
<i>B of A/ML 1-3 Year Treasury</i>	0.43%	1.44%	2.32%	2.72%
<b>Short Term Bond</b>	1.80%	2.88%	3.80%	3.70%
<i>B of A/ML 1-5 Year Gov't</i>	0.98%	2.54%	3.35%	3.36%

<sup>1</sup> Please see accompanying full GIPS-compliant presentations in **Appendix G**. Past performance is not indicative of future results. Performance greater than one year is annualized and presented gross of investment management fees.

The following are five Chandler clients that receive similar services from our firm:

**Chandler Asset Management**  
**Client References**  
**As of December 31, 2012**

Client Name	AUM (\$MM)	Project Description	Managed Since	Client Contact Information
City of Corona, CA	\$201.9	Discretionary investment management	2006	[Redacted] <i>Finance Director</i> [Redacted]
City of Buena Park, CA	\$93.1	Discretionary investment management	2006	[Redacted] <i>Finance Director</i> [Redacted]
City of Westminster, CA	\$82.6	Discretionary investment management	2003	[Redacted] <i>Investment Officer</i> [Redacted]
City of Brea, CA	\$75.4	Discretionary investment management	1996	[Redacted] <i>Financial Services Director</i> [Redacted]
City of Newport Beach, CA	\$51.5	Discretionary investment management	1991	[Redacted] <i>Deputy Administrative Services Director</i> [Redacted]

### **Financial Capacity**

Please refer to **Appendix J** for a copy of our firm's latest reviewed financial statements. We request that you maintain the confidentiality of this information as Chandler is not a publicly held company. Chandler does not have any administrative proceedings, claims, lawsuits, or other pending exposures.

### **Fee Proposal**

Please refer to **Appendix D** and our attached Fee Schedule.

### **Disclosure**

Chandler staff has not, and does not currently have, any business or personal relationships with any current Costa Mesa elected official, appointed official, City employee, or family member of any current Costa Mesa elected official, appointed official, or City employee.

### **Sample Agreement**

Chandler would be pleased to use the City's standard Agreement as stated in Section 13 of the RFP. However, there are certain provisions in Chandler's standard Agreement that define our special responsibilities as a SEC-registered investment adviser. We would appreciate your consideration of the below provisions.

#### PROPOSED ADDITIONAL TERMS SPECIFIC TO INVESTMENT MANAGEMENT RELATIONSHIP

1. **Client Representative.** In its capacity as investment manager, Chandler shall receive all instructions, directions and other communications on Client's behalf respecting Client's account from \_\_\_\_\_ (Representative). Chandler is hereby authorized to rely and act upon all such instructions, directions and communications from such Representative or any agent of such Representative.
2. **Investment Policy.** In investing and reinvesting Client's assets, Chandler shall comply with Client's Investment Policy, which is attached hereto as Exhibit A.
3. **Authority of Chandler.** Chandler is hereby granted full discretion to invest and reinvest all assets under its management in any type of security it deems appropriate, subject to the instructions given or guidelines set by Representative.
4. **Notices.** All reports and other communications required hereunder to be in writing shall be delivered in person, or sent by first-class mail postage prepaid, by overnight courier, by confirmed facsimile with original to follow or by confirmed electronic mail with proof of receipt to the addresses set forth below. Either party to this Agreement may, by written notice given at any time, designate a different address for the receipt of reports and other communications due hereunder.

Chandler Asset Management  
 Attn: Operations Dept.  
 6225 Lusk Boulevard  
 San Diego, CA 92121

Client Representative  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

5. Electronic Delivery. From time to time, Chandler may be required to deliver certain documents to Client such as account information, notices and required disclosures. Client hereby consents to Chandler’s use of electronic means, such as email, to make such delivery. This delivery may include notification of the availability of such document(s) on a website, and Client agrees that such notification will constitute “delivery”. Client further agrees to provide Chandler with Client’s email address(s) and to keep this information current at all times by promptly notifying Chandler of any change in email address(s).

Client email address(s): \_\_\_\_\_

6. Proxy Voting. Chandler will vote proxies on behalf of Client unless otherwise instructed. Chandler has adopted and implemented written policies and procedures and will provide Client with a description of the proxy voting procedures upon request. Chandler will provide information regarding how Clients’ proxies were voted upon request. To request proxy policies or other information, please contact us by mail at the address provided, by calling 800-317-4747 or by emailing your request to info@chandlerasset.com.
7. Custody of Securities and Funds. Chandler shall not have custody or possession of the funds or securities that Client has placed under its management. Client shall appoint a custodian to take and have possession of its assets. Client recognizes the importance of comparing statements received from the appointed custodian to statements received from Chandler. Client recognizes that the fees expressed above do not include fees Client will incur for custodial services.
8. Valuation. Chandler will value securities held in portfolios managed by Chandler no less than monthly. Securities or investments in the portfolio will be valued in a manner determined in good faith by Chandler to reflect fair market value.
9. Investment Advice. Client recognizes that the opinions, recommendations and actions of Chandler will be based on information deemed by it to be reliable, but not guaranteed to or by it. Provided that Chandler acts in good faith, Client agrees that Chandler will not in any way be liable for any error in judgment or for any act or omission, except as may otherwise be provided for under the Federal Securities laws or other applicable laws.
10. Payment of Commissions. Chandler may place buy and sell orders with or through such brokers or dealers as it may select. It is the policy and practice of Chandler to strive for the best price and execution and for commission and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities and Exchange Act. Nevertheless, it is understood that Chandler may pay a commission on transactions in excess of the amount another broker or dealer may charge, and that Chandler makes no warranty or representation regarding commissions paid on transactions hereunder.
11. Other Clients. It is further understood that Chandler may be acting in a similar capacity for other institutional and individual clients, and that investments and reinvestments for Client's

portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar. Accordingly, it is agreed that Chandler will have no obligation to purchase or sell for Client's account any securities which it may purchase or sell for other clients.

12. Confidential Relationship. The terms and conditions of this Agreement, and all information and advice furnished by either party to the other shall be treated as confidential and shall not be disclosed to third parties except (i) as required by law, rule, or regulation, (ii) as requested by a regulatory authority, (iii) for disclosures by either party of information that has become public by means other than wrongful conduct by such party or its officers, employees, or other personnel, (iv) for disclosures by either party to its legal counsel, accountants, or other professional advisers, (v) as necessary for Chandler to carry out its responsibilities hereunder, or (vi) as otherwise expressly agreed by the parties.
13. Receipt of Brochure and Privacy Policy. Client has received the disclosure statement or "brochure" and "brochure supplement" also known as Part 2A and Part 2B of Form ADV, required to be delivered pursuant to Rule 204 3 of the Investment Advisers Act of 1940 (Brochure). Client has received a copy of Chandler's Privacy Policy.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDICES**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX A**  
**Vendor Application Form**



**Names & Titles of Corporate Board Members**

(Also list Names & Titles of persons with written authorization/resolution to sign contracts)

Names	Title	Phone
[REDACTED]		
[REDACTED]		
[REDACTED]		

Federal Tax Identification Number: 33-0570869

City of Costa Mesa Business License Number: N/A

(If none, you must obtain a Costa Mesa Business License upon award of contract.)

Chandler will obtain a Costa Mesa Business License upon award of the contract.

City of Costa Mesa Business License Expiration Date: N/A

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX B**

**City's Sample Professional Services Agreement**

## PROFESSIONAL SERVICES AGREEMENT

### CITY OF COSTA MESA

THIS AGREEMENT is made and entered into this \_\_ day of \_\_\_\_, 2013 (“Effective Date”), by and between the CITY OF COSTA MESA, a municipal corporation (“City”), and consultant, a California corporation (“Consultant”).

#### **WITNESSETH:**

- A. WHEREAS, City proposes to have Consultant \_\_\_\_\_ as described herein below; and
- B. WHEREAS, Consultant represents that it has that degree of specialized expertise necessary to practice and perform the services herein contemplated; and
- C. WHEREAS, City and Consultant desire to contract for specific services in connection with the project described below (the “Project”) and desire to set forth their rights, duties and liabilities in connection with the services to be performed; and
- D. WHEREAS, no official or employee of City has a financial interest, within the provisions of California Government Code, Sections 1090-1092, in the subject matter of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

#### **1.0. SERVICES PROVIDED BY CONSULTANT**

1.1. Scope of Services. Consultant shall provide the professional services described in Consultant’s Proposal (the “Proposal”). A copy of said Proposal is attached hereto as Exhibit “A” and incorporated herein by this reference.

1.2. Professional Practices. All professional services to be provided by Consultant pursuant to this Agreement shall be provided by personnel experienced in their respective fields and in a manner consistent with the standards of care, diligence and skill ordinarily exercised by professional consultants in similar fields and circumstances in accordance with sound professional practices. It is understood that in the exercise of every aspect of its role, within the scope of work, consultant will be representing the City, and all of its actions, communications, or other work, during its employment, under this contract is under the direction of the City. Consultant also warrants that it is familiar with all laws that may affect its performance of this Agreement and shall advise City of any changes in any laws that may affect Consultant’s performance of this Agreement.

1.3. Warranty. Consultant warrants that it shall perform the services required by this Agreement in compliance with all applicable Federal and California employment laws including, but not limited to, those laws related to minimum hours and wages; occupational health and

safety; fair employment and employment practices; workers' compensation insurance and safety in employment; and all other Federal, State and local laws and ordinances applicable to the services required under this Agreement. Consultant shall indemnify and hold harmless City from and against all claims, demands, payments, suits, actions, proceedings, and judgments of every nature and description including attorneys' fees and costs, presented, brought, or recovered against City for, or on account of any liability under any of the above-mentioned laws, which may be incurred by reason of Consultant's performance under this Agreement.

1.4. Non-discrimination. In performing this Agreement, Consultant shall not engage in, nor permit its agents to engage in, discrimination in employment of persons because of their race, religion, color, national origin, ancestry, age, physical handicap, medical condition, marital status, sexual gender or sexual orientation, except as permitted pursuant to Section 12940 of the Government Code. Violation of this provision may result in the imposition of penalties referred to in Labor Code, Section 1735.

1.5. Non-Exclusive Agreement. Consultant acknowledges that City may enter into agreements with other consultants for services similar to the services that are subject to this Agreement or may have its own employees perform services similar to those services contemplated by this Agreement.

1.6. Delegation and Assignment. This is a personal service contract, and the duties set forth herein shall not be delegated or assigned to any person or entity without the prior written consent of City. Consultant may engage a subcontractor(s) as permitted by law and may employ other personnel to perform services contemplated by this Agreement at Consultant's sole cost and expense.

## **2.0. COMPENSATION AND BILLING**

2.1. Compensation. [TBD]

2.2. Additional Services. Consultant shall not receive compensation for any services provided outside the scope of services specified in the Proposal unless the City or the Project Manager for this Project, prior to Consultant performing the additional services, approves such additional services in writing. It is specifically understood that oral requests and/or approvals of such additional services or additional compensation shall be barred and are unenforceable.

2.3. Method of Billing. Consultant may submit invoices to City's affected supervisor for approval on a progress basis, but no more often than two times a month. Said invoice shall be based on the total of all Consultants' services which have been completed to City's sole satisfaction. City shall pay Consultant's invoice within forty-five (45) days from the date City receives said invoice. Each invoice shall describe in detail, the services performed and the associated time for completion. Any additional services approved and performed pursuant to this Agreement shall be designated as "Additional Services" and shall identify the number of the authorized change order, where applicable, on all invoices.

2.4. Records and Audits. Records of Consultant's services relating to this Agreement shall be maintained in accordance with generally recognized accounting principles and shall be

made available to City or its Project Manager for inspection and/or audit at mutually convenient times for a period of three (3) years from the Effective Date.

### **3.0. TIME OF PERFORMANCE**

3.1. Commencement and Completion of Work. The professional services to be performed pursuant to this Agreement shall commence within five (5) days from the Effective Date of this Agreement. Said services shall be performed in strict compliance with the Project Schedule approved by City as set forth in Exhibit “D,” attached hereto and incorporated herein by this reference. The Project Schedule may be amended by mutual agreement of the parties. Failure to commence work in a timely manner and/or diligently pursue work to completion may be grounds for termination of this Agreement.

3.2. Excusable Delays. Neither party shall be responsible for delays or lack of performance resulting from acts beyond the reasonable control of the party or parties. Such acts shall include, but not be limited to, acts of God, fire, strikes, material shortages, compliance with laws or regulations, riots, acts of war, or any other conditions beyond the reasonable control of a party.

### **4.0. TERM AND TERMINATION**

4.1. Term. This Agreement shall commence on the Effective Date and continue for a period of three year, unless previously terminated as provided herein or as otherwise agreed to in writing by the parties. At the end of the term period, the City may determine, in its sole discretion, to exercise an option to renew the contract for up to two periods of one (1) year each. The City shall give notice to Consultant of its intention to exercise such option at least 30 days prior to expiration of the base, or option, term.

4.2. Notice of Termination. The City reserves and has the right and privilege of canceling, suspending or abandoning the execution of all or any part of the work contemplated by this Agreement, with or without cause, at any time, by providing written notice to Consultant. The termination of this Agreement shall be deemed effective upon receipt of the notice of termination. In the event of such termination, Consultant shall immediately stop rendering services under this Agreement unless directed otherwise by the City.

4.3. Compensation. In the event of termination, City shall pay Consultant for reasonable costs incurred and professional services satisfactorily performed up to and including the date of City’s written notice of termination.

4.4. Documents. In the event of termination of this Agreement, all documents prepared by Consultant in its performance of this Agreement including, but not limited to, inmate intake reports and logs shall be delivered to the City within ten (10) days of delivery of termination notice to Consultant, at no cost to City. Any use of uncompleted documents without specific written authorization from Consultant shall be at City's sole risk and without liability or legal expense to Consultant.

## 5.0. INSURANCE

5.1. Minimum Scope and Limits of Insurance. Consultant shall obtain and maintain during the life of this Agreement all of the following insurance coverages:

- (a) Comprehensive general liability, including premises-operations, products/completed operations, broad form property damage, blanket contractual liability, independent contractors, personal injury with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence and aggregate.
- (b) Automobile liability for owned vehicles, hired, and non-owned vehicles, with a policy limit of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence and aggregate.
- (c) Workers' compensation insurance as required by the State of California. Consultant agrees to waive, and to obtain endorsements from its workers' compensation insurer waiving, subrogation rights under its workers' compensation insurance policy against the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies.
- (d) Professional errors and omissions ("E&O") liability insurance with policy limits of not less than One Million Dollars (\$1,000,000.00), combined single limits, per occurrence and aggregate. Consultant shall obtain and maintain, said E&O liability insurance during the life of this Agreement and for three years after completion of the work hereunder.

5.2. Endorsements. The comprehensive general liability insurance policy shall contain or be endorsed to contain the following provisions:

- (a) Additional insureds: "The City of Costa Mesa and its elected and appointed boards, officers, agents, and employees are additional insureds with respect to this subject project and contract with City."
- (b) Notice: "Said policy shall not terminate, nor shall it be cancelled, nor the coverage reduced, until thirty (30) days after written notice is given to City."
- (c) Other insurance: "Any other insurance maintained by the City of Costa Mesa shall be excess and not contributing with the insurance provided by this policy."

5.3 If any of such policies provide for a deductible or self-insured retention to provide such coverage, the amount of such deductible or self-insured retention shall be approved in advance by City. No policy of insurance issued as to which the City is an additional insured shall contain a provision which requires that no insured except the named insured can satisfy any such deductible or self-insured retention.

5.4. Certificates of Insurance: Consultant shall provide to City certificates of insurance showing the insurance coverages and required endorsements described above, in a form and content approved by City, prior to performing any services under this Agreement.

5.5. Non-limiting: Nothing in this Section shall be construed as limiting in any way, the indemnification provision contained in this Agreement, or the extent to which Consultant may be held responsible for payments of damages to persons or property.

## 6.0. GENERAL PROVISIONS

6.1. Entire Agreement: This Agreement constitutes the entire Agreement between the parties with respect to any matter referenced herein and supersedes any and all other prior writings and oral negotiations. This Agreement may be modified only in writing, and signed by the parties in interest at the time of such modification. The terms of this Agreement shall prevail over any inconsistent provision in any other contract document appurtenant hereto, including exhibits to this Agreement.

6.2. Representatives. The City Manager or his designee shall be the representative of City for purposes of this Agreement and may issue all consents, approvals, directives and agreements on behalf of the City, called for by this Agreement, except as otherwise expressly provided in this Agreement.

Consultant shall designate a representative for purposes of this Agreement who shall be authorized to issue all consents, approvals, directives and agreements on behalf of Consultant called for by this Agreement, except as otherwise expressly provided in this Agreement.

6.3. Project Managers. City shall designate a Project Manager to work directly with Consultant in the performance of this Agreement.

Consultant shall designate a Project Manager who shall represent it and be its agent in all consultations with City during the term of this Agreement. Consultant or its Project Manager shall attend and assist in all coordination meetings called by City.

6.4. Notices: Any notices, documents, correspondence or other communications concerning this Agreement or the work hereunder may be provided by personal delivery, facsimile or mail and shall be addressed as set forth below. Such communication shall be deemed served or delivered: a) at the time of delivery if such communication is sent by personal delivery; b) at the time of transmission if such communication is sent by facsimile; and c) 48

hours after deposit in the U.S. Mail as reflected by the official U.S. postmark if such communication is sent through regular United States mail.

IF TO CONSULTANT:

Consultant  
 12345 Jefferson Rd.  
 Costa Mesa, CA 92626  
 Tel: 555-555-5555  
 Fax: 555-555-5555  
 Attn:

IF TO CITY:

City of Costa Mesa  
 77 Fair Drive  
 Costa Mesa, CA 92626  
 Tel: 714-754-5156  
 Fax: 714-754-5330  
 Attn: Purchasing

6.5. Drug-free Workplace Policy. Consultant shall provide a drug-free workplace by complying with all provisions set forth in City's Council Policy 100-5, attached hereto as Exhibit "B" and incorporated herein by reference. Consultant's failure to conform to the requirements set forth in Council Policy 100-5 shall constitute a material breach of this Agreement and shall be cause for immediate termination of this Agreement by City.

6.6. Attorneys' Fees: In the event that litigation is brought by any party in connection with this Agreement, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in the exercise of any of its rights or remedies hereunder or the enforcement of any of the terms, conditions, or provisions hereof.

6.7. Governing Law: This Agreement shall be governed by and construed under the laws of the State of California without giving effect to that body of laws pertaining to conflict of laws. In the event of any legal action to enforce or interpret this Agreement, the parties hereto agree that the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California.

6.8. Assignment: Consultant shall not voluntarily or by operation of law assign, transfer, sublet or encumber all or any part of Consultant's interest in this Agreement without City's prior written consent. Any attempted assignment, transfer, subletting or encumbrance shall be void and shall constitute a breach of this Agreement and cause for termination of this Agreement. Regardless of City's consent, no subletting or assignment shall release Consultant of Consultant's obligation to perform all other obligations to be performed by Consultant hereunder for the term of this Agreement.

#### 6.9. Indemnification and Hold Harmless:

To the fullest extent permitted by law, the Consultant assumes liability for and shall save and protect, hold harmless, indemnify, and defend the City and its elected and appointed officials, officers, and employees (all the foregoing, hereinafter collectively, "Indemnitees") from and against all claims, suits, demands, damages, losses, expenses, and liabilities of any kind whatsoever (all the foregoing, hereinafter collectively "Claims") including, without limitation, attorneys' fees, arising out of, resulting from, relating to, or claimed to have arisen out of, resulted from or related to the engagement of Consultant or the performance of this Agreement by the Consultant (including its subcontractors and suppliers)

It is expressly intended by the parties that Consultant's indemnity and defense obligations shall apply, and Indemnitees shall be fully indemnified without offset, deduction or contribution, regardless of any negligence or other fault of Indemnitees, or any of them, and whether or not such Indemnitee negligence or other fault caused or contributed to the arising of the Claims.

"Claims" as used in this section shall include, without limitation, those for personal injuries, wrongful death, mental or emotional distress, loss of consortium, damage to or loss of use of real, personal or intangible property of any kind, loss of income, loss of earning capacity, and business, financial, commercial or pecuniary losses of any kind whatsoever, and attorneys fees, and costs and expenses of any kind whatsoever.

Consultant's indemnity and defense obligations shall cover the acts or omissions of any of Consultant's subcontractors, and suppliers, and the employees of any of the foregoing.

The Consultant's indemnity and defense obligation under this Section includes, without limitation, any claims, suits, demands, damages, losses, expenses, and liabilities arising from allegations of violations of any federal, State, or local law or regulation, and from allegations of violations of Consultant's or its subcontractor's personnel practices or from any allegation of an injury to an employee of the Consultant or subcontractor performing work or labor necessary to carry out the provisions of this Contract.

The indemnification obligations in this Section shall not be construed to negate, abridge or otherwise reduce any other obligation of indemnity the Consultant may have with respect to the City which may otherwise exist. If any judgment is rendered against the City or any of the other individuals enumerated above in any such action, the Consultant shall, at its expense, satisfy and discharge the same. This indemnification shall survive termination or expiration of this Agreement.

6.10. Independent Contractor: Consultant is and shall be acting at all times as an independent contractor and not as an employee of City. Consultant shall secure, at his expense, and be responsible for any and all payment of Income Tax, Social Security, State Disability Insurance Compensation, Unemployment Compensation, and other payroll deductions for Consultant and its officers, agents, and employees, and all business licenses, if any are required, in connection with the services to be performed hereunder.

**6.11 PERS Eligibility Indemnification.** In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System (PERS) to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

Notwithstanding any other agency, state or federal policy, rule, regulation, law or ordinance to the contrary, Consultant and any of its employees, agents, and subcontractors providing service under this Agreement shall not qualify for or become entitled to, and hereby agree to waive any claims to, any compensation, benefit, or any incident of employment by City, including but not limited to eligibility to enroll in PERS as an employee of City and entitlement to any contribution to be paid by City for employer contribution and/or employee contributions for PERS benefits.

**6.12. Ownership of Documents:** All findings, reports, documents, information and data including, but not limited to, computer tapes or discs, files and tapes furnished or prepared by Consultant or any of its subcontractors in the course of performance of this Agreement, shall be and remain the sole property of City. Consultant agrees that any such documents or information shall not be made available to any individual or organization without the prior consent of City. Any use of such documents for other projects not contemplated by this Agreement, and any use of incomplete documents, shall be at the sole risk of City and without liability or legal exposure to Consultant. City shall indemnify and hold harmless Consultant from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from City's use of such documents for other projects not contemplated by this Agreement or use of incomplete documents furnished by Consultant. Consultant shall deliver to City any findings, reports, documents, information, data, in any form, including but not limited to, computer tapes, discs, files audio tapes or any other Project related items as requested by City or its authorized representative, at no additional cost to the City.

**6.13. Confidentiality:** Any City materials to which the Consultant has access, information that reasonably might be construed as private or containing personal identifiable information, or materials prepared by the Consultant during the course of this Agreement (collectively referred to as "confidential information") shall be held in confidence by the Consultant, who shall exercise all reasonable precautions to prevent the disclosure of confidential information to anyone except the officers, employees and agents of the Consultant as necessary to accomplish the rendition of services set forth in this Agreement. Consultant shall not release any reports, information, private or promotional information or materials, whether deemed confidential or not, to any third party without the approval of the City.

**6.14. Responsibility for Errors.** Consultant shall be responsible for its work and results under this Agreement. Consultant, when requested, shall furnish clarification and/or explanation as may be required by the City's representative, regarding any services rendered under this Agreement at no additional cost to City. In the event that an error or omission attributable to Consultant occurs, then Consultant shall, at no cost to City, provide all necessary design

drawings, estimates and other Consultant professional services necessary to rectify and correct the matter to the sole satisfaction of City and to participate in any meeting required with regard to the correction.

6.15. Prohibited Employment: Consultant will not employ any regular employee of City while this Agreement is in effect.

6.16. Order of Precedence: In the event of an inconsistency in this Agreement and any of the attached Exhibits, the terms set forth in this Agreement shall prevail. If, and to the extent this Agreement incorporates by reference any provision of the Proposal, such provision shall be deemed a part of this Agreement. Nevertheless, if there is any conflict among the terms and conditions of this Agreement and those of any such provision or provisions so incorporated by reference, this Agreement shall govern over the Proposal.

6.17. Costs: Each party shall bear its own costs and fees incurred in the preparation and negotiation of this Agreement and in the performance of its obligations hereunder except as expressly provided herein.

6.18. No Third Party Beneficiary Rights: This Agreement is entered into for the sole benefit of City and Consultant and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

6.19. Headings: Paragraphs and subparagraph headings contained in this Agreement are included solely for convenience and are not intended to modify, explain or to be a full or accurate description of the content thereof and shall not in any way affect the meaning or interpretation of this Agreement.

6.20. Construction: The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises with respect to this Agreement, this Agreement shall be construed as if drafted jointly by the parties and in accordance with its fair meaning. There shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

6.21. Amendments: Only a writing executed by the parties hereto or their respective successors and assigns may amend this Agreement.

6.22. Waiver: The delay or failure of either party at any time to require performance or compliance by the other of any of its obligations or agreements shall in no way be deemed a waiver of those rights to require such performance or compliance. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought. The waiver of any right or remedy in respect to any occurrence or event shall not be deemed a waiver of any right or remedy in respect to any other occurrence or event, nor shall any waiver constitute a continuing waiver.

6.23. Severability: If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable in any circumstance, such determination shall not affect the validity or enforceability of the remaining terms and provisions hereof or of the offending provision in any other circumstance. Notwithstanding the foregoing, if the value of this Agreement, based upon the substantial benefit of the bargain for any party is materially impaired, which determination as made by the presiding court or arbitrator of competent jurisdiction shall be binding, then both parties agree to substitute such provision(s) through good faith negotiations.

6.24. Counterparts: This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. All counterparts shall be construed together and shall constitute one agreement.

6.25. Corporate Authority: The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by doing so, the parties hereto are formally bound to the provisions of this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by and through their respective authorized officers, as of the date first above written.

CITY OF COSTA MESA,

A municipal corporation

\_\_\_\_\_

Date: \_\_\_\_\_

City Manager of Costa Mesa

CONSULTANT

\_\_\_\_\_

Date: \_\_\_\_\_

Signature

---

Name and Title

---

Social Security or Taxpayer ID Number

APPROVED AS TO FORM:

---

Date: \_\_\_\_\_

City Attorney

APPROVED AS TO INSURANCE:

---

Date: \_\_\_\_\_

Risk Management

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Project Manager

Date: \_\_\_\_\_

**EXHIBIT A**

**CONSULTANT'S PROPOSAL**

**EXHIBIT B**

**CITY COUNCIL POLICY 100-5**

SUBJECT	POLICY	EFFECTIVE	PAGE
	NUMBER	DATE	
DRUG-FREE WORKPLACE	100-5	8-8-89	1 of 3

### BACKGROUND

Under the Federal Drug-Free Workplace Act of 1988, passed as part of omnibus drug legislation enacted November 18, 1988, contractors and grantees of Federal funds must certify that they will provide drug-free workplaces. At the present time, the City of Costa Mesa, as a sub-grantee of Federal funds under a variety of programs, is required to abide by this Act. The City Council has expressed its support of the national effort to eradicate drug abuse through the creation of a Substance Abuse Committee, institution of a City-wide D.A.R.E. program in all local schools and other activities in support of a drug-free community. This policy is intended to extend that effort to contractors and grantees of the City of Costa Mesa in the elimination of dangerous drugs in the workplace.

### PURPOSE

It is the purpose of this Policy to:

1. Clearly state the City of Costa Mesa's commitment to a drug-free society.
2. Set forth guidelines to ensure that public, private, and nonprofit organizations receiving funds from the City of Costa Mesa share the commitment to a drug-free workplace.

### POLICY

The City Manager, under direction by the City Council, shall take the necessary steps to see that the following provisions are included in all contracts and agreements entered into by the City of Costa Mesa involving the disbursement of funds.

1. Contractor or Sub-grantee hereby certifies that it will provide a drug-free workplace by:
  - a. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in Contractor's and/or sub-grantee's workplace, specifically the job site or location included in this contract, and specifying the actions that will be taken against the employees for violation of such prohibition;
  - b. Establishing a Drug-Free Awareness Program to inform employees about:
    1. The dangers of drug abuse in the workplace;

SUBJECT	POLICY	EFFECTIVE	PAGE
	NUMBER	DATE	
DRUG-FREE WORKPLACE	100-5	8-8-89	2 of 3

2. Contractor's and/or sub-grantee's policy of maintaining a drug-free workplace;
  3. Any available drug counseling, rehabilitation and employee assistance programs; and
  4. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
- c. Making it a requirement that each employee to be engaged in the performance of the contract be given a copy of the statement required by subparagraph A;
- d. Notifying the employee in the statement required by subparagraph 1 A that, as a condition of employment under the contract, the employee will:
1. Abide by the terms of the statement; and
  2. Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction;
- e. Notifying the City of Costa Mesa within ten (10) days after receiving notice under subparagraph 1 D 2 from an employee or otherwise receiving the actual notice of such conviction;
- f. Taking one of the following actions within thirty (30) days of receiving notice under subparagraph 1 D 2 with respect to an employee who is so convicted:
1. Taking appropriate personnel action against such an employee, up to and including termination; or
  2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health agency, law enforcement, or other appropriate agency;
  3. Making a good faith effort to maintain a drug-free workplace through implementation of subparagraphs 1 A through 1 F, inclusive.

<b>SUBJECT</b>	<b>POLICY</b>	<b>EFFECTIVE</b>	<b>PAGE</b>
	<b>NUMBER</b>	<b>DATE</b>	
DRUG-FREE WORKPLACE	100-5	8-8-89	3 of 3

- g. Making a good faith effort to maintain a drug-free workplace through implementation of subparagraphs 1 A through 1 F, inclusive
2. Contractor and/or sub-grantee shall be deemed to be in violation of this Policy if the City of Costa Mesa determines that:
    - a. Contractor and/or sub-grantee has made a false certification under paragraph 1 above;
    - b. Contractor and/or sub-grantee has violated the certification by failing to carry out the requirements of subparagraphs 1 A through 1 G above;
    - c. Such number of employees of Contractor and/or sub-grantee have been convicted of violations of criminal drug statutes for violations occurring in the workplace as to indicate that the contractor and/or sub-grantee has failed to make a good faith effort to provide a drug-free workplace.
  3. Should any contractor and/or sub-grantee be deemed to be in violation of this Policy pursuant to the provisions of 2 A, B, and C, a suspension, termination or debarment proceeding subject to applicable Federal, State, and local laws shall be conducted. Upon issuance of any final decision under this section requiring debarment of a contractor and/or sub-grantee, the contractor and/or sub-grantee shall be ineligible for award of any contract, agreement or grant from the City of Costa Mesa for a period specified in the decision, not to exceed five (5) years. Upon issuance of any final decision recommending against debarment of the contractor and/or sub-grantee, the contractor and/or sub-grantee shall be eligible for compensation as provided by law.

**EXHIBIT C**

**CERTIFICATES OF INSURANCE**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX C**

**Ex Parte Communications Certificate**

**EX PARTE COMMUNICATIONS CERTIFICATION**

Please indicate by signing below one of the following two statements. **Only sign one statement.**

I certify that Proposer and Proposer's representatives have not had any communication with a City Councilmember concerning the CONTRACTOR Services RFP at any time after January 18, 2013.

A large black rectangular redaction box covering the signature area.

*0*

**OR**

I certify that Proposer or Proposer's representatives have communicated after January 18, 2013 with a City Councilmember concerning the Investment Management Services RFP. A copy of all such communications is attached to this form for public distribution.

---

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX D**  
**Pricing Proposal Form**

# PRICING PROPOSAL FORM

## INVESTMENT MANAGEMENT SERVICES

Provide hourly rates, along with estimated annual pricing in accordance with the City’s current requirements, as set forth in section 3 Scope of Work. Also provide your firm’s proposed Staffing Plan on a separate sheet of paper. Proposer should use a separate form to state pricing for any added value.

Pricing shall remain firm for a minimum of two (2) years. Any and all requests for pricing adjustments for follow-on contract renewal periods shall be provided no later than sixty (60) days prior to the end of the contract period. Any such proposed price adjustments shall not exceed The Bureau of Labor Statistics Consumer Price Index (CPI) data for Los Angeles-Riverside-Orange County, CA, All Items, Not Seasonally Adjusted, “annualized change comparing the original proposal month and the same month in the subsequent year. (This information may be found on the U.S. Department of Labor’s website at [www.bls.gov](http://www.bls.gov).)

Employee	Hourly Rate	Hours worked	Total Cost	Overtime rate
	\$			\$
	\$			\$
	\$			\$

Total Estimated Annual Price	\$
------------------------------	----

ADD ANY ADDITIONAL COST PROPOSAL SHEETS HERE

For Chandler's full fee schedule, which addresses the updates from Amendment 2, please see the attached page.

## Fee Schedule

Pursuant to the industry standard of fees being assessed based on assets under management, Chandler would be pleased to provide comprehensive investment management services to the City in accordance with the following fee schedule:

### **Proposed Fee Schedule for the City**

<b>Assets under Management</b>	<b>Annual Asset Management Fee</b>
First \$40 million	0.10 of 1% (10 basis points)
Next \$20 million	0.08 of 1% (8 basis points)
Assets in excess of \$60 million	0.06 of 1% (6 basis points)

As an example, the annual fee for a portfolio of \$75 million would be \$65,000, an average of 8.7 basis points (0.087 of 1%). Since fees are calculated based on the average balance of assets under Chandler's direct management (market value including accrued interest), fees will fluctuate based on portfolio value. Fees are billed monthly in arrears. Funds held in Local Agency Investment Funds (LAIF) are excluded from fee calculations.

Our proposed fee schedule is all-inclusive for the services that Chandler will provide to the City, including meetings, personal visits, and educational offerings for your staff. Our fee schedule does not include charges that the City will incur for third party custodial services at a bank trust department; these charges are minimal.

There is no minimum fee, but a fee will be assessed in accordance with the fee schedule and the assets under our management. Chandler attests that this proposal shall be valid for a minimum of 180 days following submission.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX E**  
**Disqualification Questionnaire**

## DISQUALIFICATION QUESTIONNAIRE

The Contractor shall complete the following questionnaire:

Has the Contractor, any officer of the Contractor, or any employee of the Contractor who has proprietary interest in the Contractor, ever been disqualified, removed, or otherwise prevented from bidding on, or completing a federal, state, or local government project because of a violation of law or safety regulation?

Yes \_\_\_\_\_ No X

If the answer is yes, explain the circumstances in the following space.

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX F**

**Disclosure of Government Positions**

## DISCLOSURE OF GOVERNMENT POSITIONS

Each Proposer shall disclose below whether any owner or employee of the firm currently hold positions as elected or appointed officials, directors, officers, or employees of a governmental entity or held such positions in the past twelve months. List below or state "None."

None.

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX G**

**Global Investment Performance Standards (GIPS)**

**Verification Letter, Ultra Short Bond, Limited Maturity, Short Term Bond**



# **GIPS® Compliance Verification Statement**

---

## **Chandler Asset Management, Inc**

06/30/97 through 09/30/12



8403 Colesville Road, Suite 870  
Silver Spring, MD 20910  
301.495.7850 **PHONE**  
301.495.7857 **FAX**  
[www.acacompliancegroup.com](http://www.acacompliancegroup.com)

## **GIPS® Compliance Verification Statement**

**Chandler Asset Management, Inc**  
**Issued October 25, 2012**

The following report issued by ACA Beacon Verification Services (“ACA Beacon”) is for a firm-wide GIPS Verification of Chandler Asset Management, Inc’s (“Chandler”) claim of compliance with the Global Investment Performance Standards (“GIPS standards”) for the period June 30, 1997 through September 30, 2012.

We have examined whether Chandler (1) complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) designed its policies and procedures to calculate and present performance results in compliance with the GIPS standards for the period June 30, 1997 through September 30, 2012. Chandler’s management is responsible for compliance with the GIPS standards and the design of the policies and procedures that present the firm’s performance results in accordance with the GIPS standards. ACA Beacon’s responsibility is to express an opinion on Chandler’s compliance based on its verification procedures.

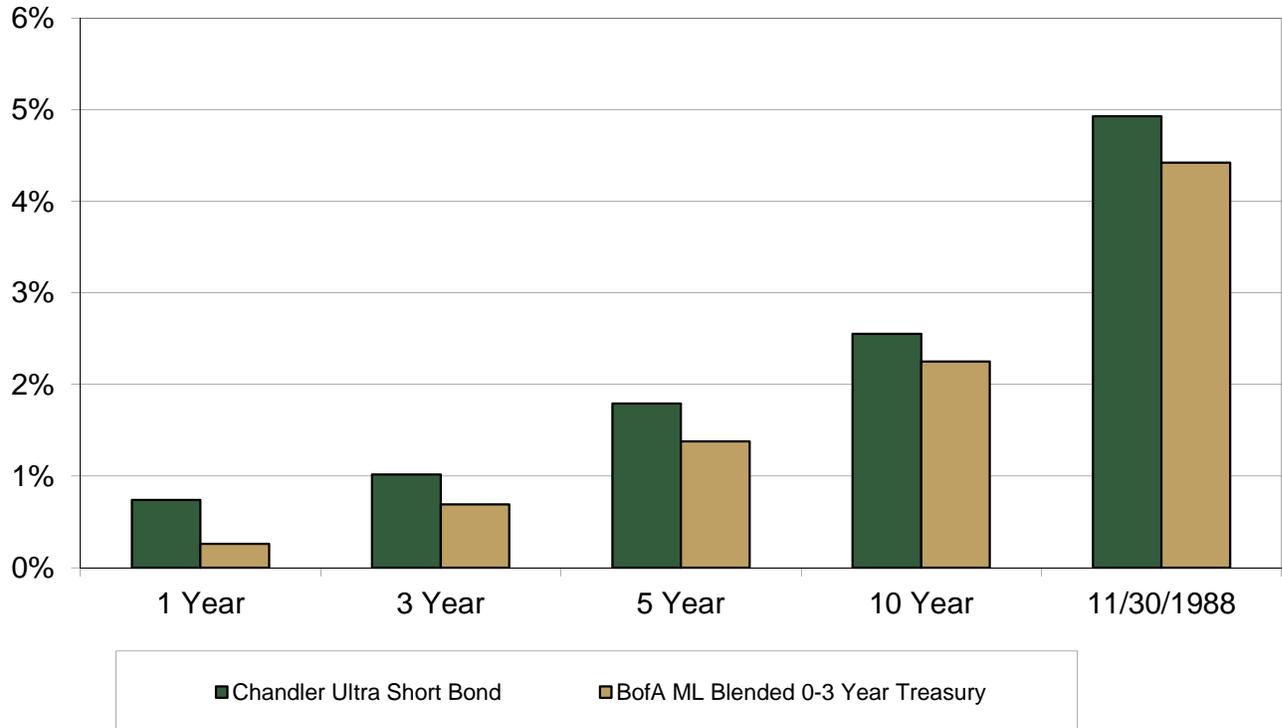
ACA Beacon has completed this firm-wide GIPS Verification in accordance with the required verification procedures set forth in the GIPS standards. It is ACA Beacon’s opinion that Chandler has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis. Furthermore, it is ACA Beacon’s opinion that Chandler’s policies and procedures were designed to calculate and present performance results in compliance with the GIPS standards for the period June 30, 1997 through September 30, 2012.

In performing the firm-wide verification addressed above, it is not ACA Beacon’s responsibility to express an opinion on any particular composite presentation nor does verification ensure the accuracy of any specific composite presentation. Chandler is responsible for the production and distribution of materials presented in conformity with the GIPS standards.

*ACA Beacon Verification Services*  
ACA Beacon Verification Services

## INVESTMENT PERFORMANCE<sup>1</sup>

Ultra Short Bond  
December 31, 2012



Period	Chandler Ultra Short Bond	BofA ML Blended 0-3 Year Treasury
1 Year	0.74%	0.26%
3 Year	1.02%	0.69%
5 Year	1.79%	1.38%
10 Year	2.55%	2.25%
<b>Since Inception 11/30/1988</b>	<b>4.93%</b>	<b>4.42%</b>

<sup>1</sup>All performance figures greater than 1 year are annualized.

<sup>2</sup>Returns are presented gross of fees. Please see next page for additional information about the composite.

## Ultra Short Bond Annual Rates of Return 2003 through 2012

Year End	Returns			3 Yr Annualized Standard Deviation		Dispersion	Assets			
	Total Gross	Total Net	Index	Composite	Index	Asset Wtd Std. Dev.	Number of Portfolios	Composite (MM)	Pct of Firm Assets	Firm (MM)
2003	2.15%	1.89%	1.49%	n/a	n/a	0.53%	6	53	3.1%	1,735.41
2004	1.34%	1.08%	1.13%	n/a	n/a	≤5	4	33	1.7%	1,960.83
2005	2.57%	2.31%	2.52%	n/a	n/a	0.07%	6	111	4.4%	2,540.33
2006	4.77%	4.51%	4.48%	n/a	n/a	0.08%	7	252	8.7%	2,884.73
2007	5.82%	5.56%	6.11%	n/a	n/a	0.26%	6	222	6.8%	3,285.55
2008	4.61%	4.35%	4.32%	n/a	n/a	0.55%	7	267	7.5%	3,542.87
2009	1.35%	1.10%	0.55%	n/a	n/a	0.20%	6	158	3.6%	4,394.10
2010	1.51%	1.25%	1.08%	n/a	n/a	0.12%	6	114	2.2%	5,080.90
2011	0.81%	0.56%	0.73%	0.45%	0.42%	≤5	5	119	2.3%	5,220.82
2012	0.74%	0.49%	0.26%	0.37%	0.31%	≤5	4	77	1.3%	5,824.76

Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Chandler Asset Management has been independently verified by Beacon Verification Services for the period of June 30, 1997 through September 30, 2012. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

1. Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request.

2. The Ultra Short Bond Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the Bank of America Merrill Lynch Blended 0-3 year Treasury index and a maximum final stated maturity of individual securities of three years. The minimum account size required to be included in this composite is \$2 million. This composite was created in November 1988. The name of this composite was changed from Principal Preservation effective June 30, 2009.

3. The B of A Merrill Lynch Blended Treasury 0-3 Year Index is a static, internally-maintained blended benchmark comprised of US Treasury securities issued by the US Government. Prior to 1/1/2001, it consisted of 1 Year T-Bills. Effective 1/1/2001, it consists of the following indices: 30% BoA/ML 3-Month U.S. T-Bill, 30% BoA/ML 6-Month U.S. T-Bill and 40% BoA/ML 1-3 Year U.S. Treasuries. Securities in this benchmark include current 3- and 6-month T-Bills and 1-3 year treasuries that have fixed coupon rates and a maturity not greater than three years regardless of any call features. Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider.

4. Valuations are computed and performance reported in U.S. Dollars. Firm assets shown are those managed on a discretionary basis only and therefore may differ from the Regulatory Assets Under Management reflected on our Form ADV.

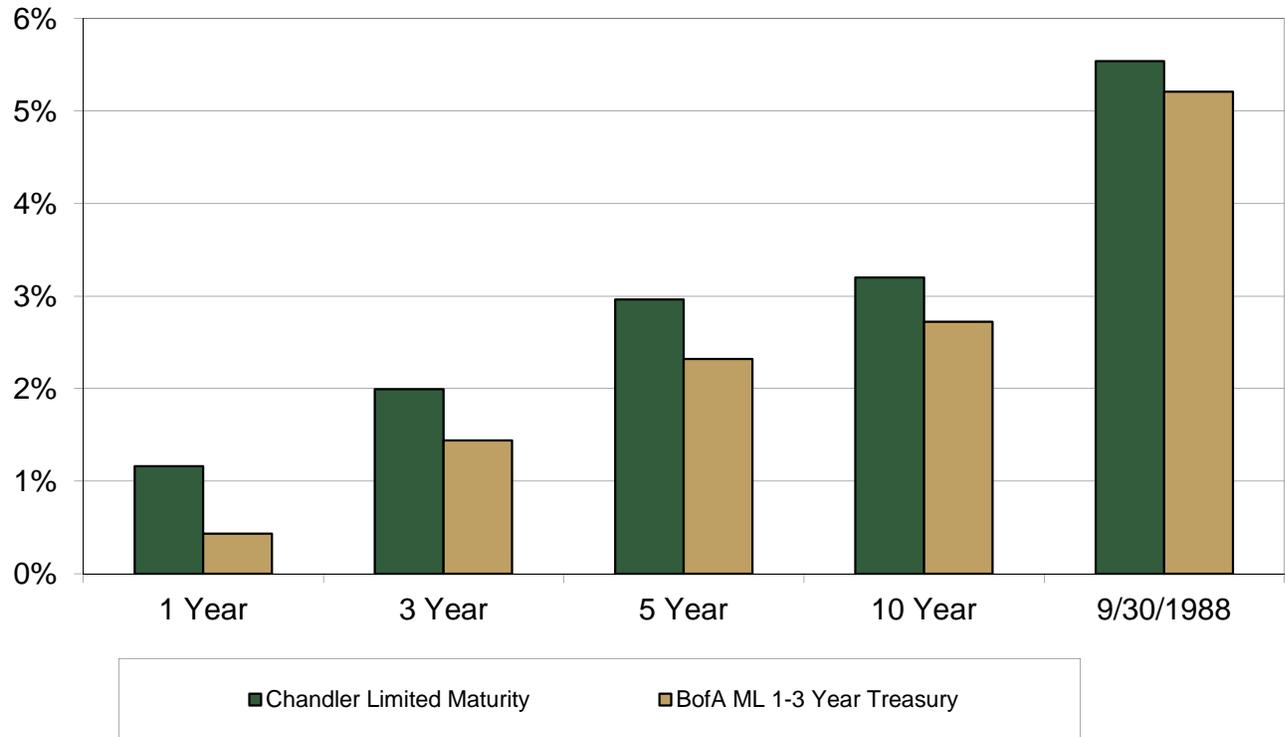
5. Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance.

6. Net-of-fees performance returns are calculated by reducing the monthly gross performance by one-twelfth (1/12) of the actual maximum applicable fee of 0.25%, which is representative of our current fee schedule for this composite. These monthly returns are then geometrically linked to produce annual returns which are presented before custodial fees but after management fees, all trading expenses and withholding taxes. An account of \$10 million charged a management fee of 0.40 of 1% and with an annualized total return of 6% would have a value of \$13,488,502 and would have paid fees of \$266,218 after five years. Fees are negotiable and additional information regarding Chandler's fees is included in our Part 2A of Form ADV.

7. Asset weighted standard deviation of annual returns relative to the composite return is presented as a measure of composite dispersion. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period and is required by GIPS for periods beginning after January 1, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

## INVESTMENT PERFORMANCE<sup>1</sup>

Limited Maturity  
December 31, 2012



Period	Chandler Limited Maturity	BofA ML 1-3 Year Treasury
1 Year	1.16%	0.43%
3 Year	2.00%	1.44%
5 Year	2.96%	2.32%
10 Year	3.20%	2.72%
Since Inception 9/30/1988	5.54%	5.21%

<sup>1</sup>All performance figures greater than 1 year are annualized.

<sup>2</sup>Returns are presented gross of fees. Please see next page for additional information about the composite

**Limited Maturity  
Annual Rates of Return  
2003 through 2012**

Year End	Returns			3 Yr Annualized Standard Deviation		Dispersion	Assets			
	Total Gross	Total Net	Index	Composite	Index	Asset Wtd Std. Dev.	Number of Portfolios	Composite (MM)	Pct of Firm Assets	Firm (MM)
2003	2.30%	2.04%	1.90%	n/a	n/a	≤5	3	131	7.5%	1,735.41
2004	1.49%	1.23%	0.91%	n/a	n/a	≤5	3	126	6.4%	1,960.83
2005	2.03%	1.78%	1.67%	n/a	n/a	≤5	4	129	5.1%	2,540.33
2006	4.60%	4.34%	3.96%	n/a	n/a	≤5	4	44	1.5%	2,884.73
2007	6.88%	6.62%	7.32%	n/a	n/a	0.13%	6	90	2.7%	3,285.55
2008	6.82%	6.56%	6.61%	n/a	n/a	0.20%	8	202	5.7%	3,542.87
2009	2.10%	1.85%	0.78%	n/a	n/a	0.34%	9	224	5.1%	4,394.10
2010	2.96%	2.70%	2.35%	n/a	n/a	0.38%	8	201	4.0%	5,080.90
2011	1.88%	1.62%	1.55%	1.02%	1.02%	0.31%	9	222	4.3%	5,220.82
2012	1.16%	0.91%	0.43%	0.78%	0.73%	0.06%	15	474	8.1%	5,824.76

Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Chandler Asset Management has been independently verified by Beacon Verification Services for the period of June 30, 1997 through September 30, 2012. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

1. Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request.

2. The Limited Maturity Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the Bank of America Merrill Lynch Index of 1-3 year Treasuries and a final stated maturity of individual securities of five years. The minimum account size required to be included in this composite is \$2 million. This composite was created September 1988. The name of this composite was changed from Short-Term Fixed Income effective June 30, 2009.

3. The B of A Merrill Lynch Treasury 1-3 Year Index is comprised of US Treasury securities issued by the US Government. All securities in the index must have fixed coupon rates and have at least one year but not greater than three years to maturity regardless of any call features. Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider.

4. Valuations are computed and performance reported in U.S. Dollars. Firm assets shown are those managed on a discretionary basis only and therefore may differ from the Regulatory Assets Under Management reflected on our Form ADV.

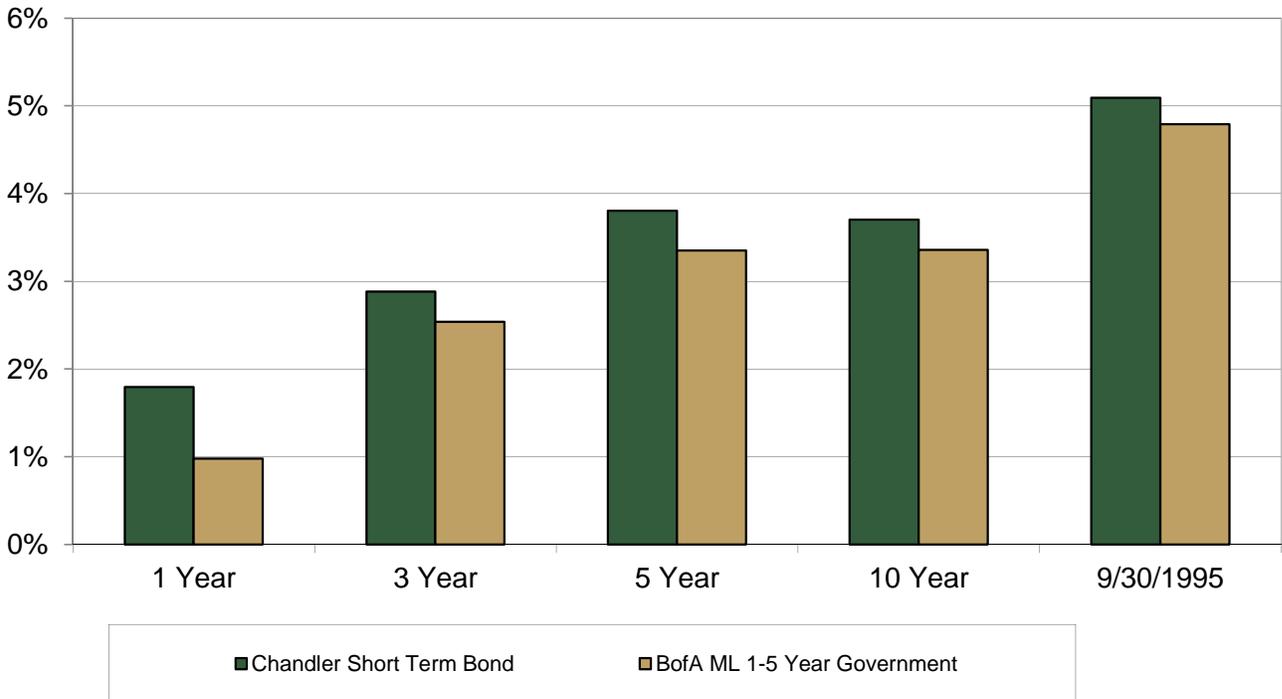
5. Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance.

6. Net-of-fees performance returns are calculated by reducing the monthly gross performance by one-twelfth (1/12) of the actual maximum applicable fee of 0.25%, which is representative of our current fee schedule for this composite. These monthly returns are then geometrically linked to produce annual returns which are presented before custodial fees but after management fees, all trading expenses and withholding taxes. An account of \$10 million charged a management fee of 0.40 of 1% and with an annualized total return of 6% would have a value of \$13,488,502 and would have paid fees of \$266,218 after five years. Fees are negotiable and additional information regarding Chandler's fees is included in our Part 2A of Form ADV.

7. Asset weighted standard deviation of annual returns relative to the composite return is presented as a measure of composite dispersion. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period and is required by GIPS for periods beginning after January 1, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

## INVESTMENT PERFORMANCE<sup>1</sup>

Short Term Bond  
December 31, 2012



Period	Chandler Short Term Bond	BofA ML 1-5 Year Government
1 Year	1.80%	0.98%
3 Year	2.88%	2.54%
5 Year	3.80%	3.35%
10 Year	3.70%	3.36%
<b>Since Inception 9/30/1995</b>	<b>5.09%</b>	<b>4.79%</b>

<sup>1</sup>All performance figures greater than 1 year are annualized.

<sup>2</sup>Returns are presented gross of fees. Please see next page for additional information about the composite

**Short Term Bond  
 Annual Rates of Return  
 2003 through 2012**

Year End	Returns			3 Yr Annualized Standard Deviation		Dispersion	Assets			
	Total Gross	Total Net	Index	Composite	Index	Asset Wtd Std. Dev.	Number of Portfolios	Composite (MM)	Pct of Firm Assets	Firm (MM)
2003	2.75%	2.50%	2.15%	n/a	n/a	0.11%	14	459	26.4%	1,735.41
2004	1.89%	1.64%	1.45%	n/a	n/a	0.08%	17	464	23.7%	1,960.83
2005	1.58%	1.31%	1.45%	n/a	n/a	0.06%	17	508	20.0%	2,540.33
2006	4.44%	4.18%	4.04%	n/a	n/a	0.06%	21	898	31.1%	2,884.73
2007	7.45%	7.18%	7.88%	n/a	n/a	0.17%	24	1,074	32.7%	3,285.55
2008	7.65%	7.40%	8.37%	n/a	n/a	0.53%	22	1,202	33.9%	3,542.87
2009	2.80%	2.50%	0.91%	n/a	n/a	0.35%	29	1,554	35.4%	4,394.10
2010	3.97%	3.70%	3.46%	n/a	n/a	0.11%	33	1,906	37.5%	5,080.90
2011	2.90%	2.64%	3.19%	1.47%	1.65%	0.07%	32	1,866	35.7%	5,220.82
2012	1.80%	1.54%	0.98%	1.18%	1.27%	0.26%	38	2133	36.6%	5,824.76

Chandler Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Chandler Asset Management has been independently verified by Beacon Verification Services for the period of June 30, 1997 through September 30, 2012. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

1. Chandler Asset Management is an independent investment adviser registered as such with the Securities and Exchange Commission under the Investment Adviser's Act of 1940. Since 1988, Chandler Asset Management has provided fixed income investment management services to the public sector, as well as to foundations, endowments, individuals and corporations. A complete list and description of all of the firm's composites is available upon request.

2. The Short Term Bond Composite is a composite of individually managed accounts with an average modified duration approximately equal to the modified duration of the Bank of America Merrill Lynch government 1-5 year index and a maximum final stated maturity of individual securities of five years. The minimum account size required to be included in this composite is \$2 million. This composite was created in September 1995. The name of this composite was changed from 1-5 Year Government Fixed Income effective June 30, 2009.

3. The B of A Merrill Lynch Government 1-5 Year Index is comprised of securities issued by entities of the US Government, including the US Treasury and Agencies such as Fannie Mae, Resolution Trust Funding and the Federal Home Loan Bank. Corporate or foreign debt guaranteed by the US Government, such as USAID securities, may also be included in the index. All securities in the index must be investment grade, have fixed coupon rates or rates that change according to a predetermined schedule, and have at least one year but not greater than five years to maturity regardless of any call features. Indexes are referred to for comparative purposes only and are not intended to parallel the risk or investment style of the portfolios in the Composite. Indexes do not utilize leverage. Index calculations do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index. Index data contained herein (and all trademarks related thereto) are owned by the indicated index provider, and may not be redistributed. The information herein has not been approved by the index provider.

4. Valuations are computed and performance reported in U.S. Dollars. Firm assets shown are those managed on a discretionary basis only and therefore may differ from the Regulatory Assets Under Management reflected on our Form ADV.

5. Performance is calculated using a time-weighted total rate of return, which links performance monthly, and is reported gross of investment management fees and custodial fees, but after all trading expenses. Results reflect the reinvestment of income, dividends and other earnings, and include realized and unrealized gains and losses and interest accrued through the last day of each month. Results do not reflect the potential impact of taxes. Past performance is not indicative of future results. Fees charged by Chandler Asset Management will reduce performance.

6. Net-of-fees performance returns are calculated by reducing the monthly gross performance by one-twelfth (1/12) of the actual maximum applicable fee of 0.25%, which is reflective of our current fee schedule for this composite. These monthly returns are then geometrically linked to produce annual returns which are presented before custodial fees but after management fees, all trading expenses and withholding taxes. An account of \$10 million charged a management fee of 0.40 of 1% and with an annualized total return of 6% would have a value of \$13,488,502 and would have paid fees of \$266,218 after five years. Fees are negotiable and additional information regarding Chandler's fees is included in our Part 2A of Form ADV.

7. Asset weighted standard deviation of annual returns relative to the composite return is presented as a measure of composite dispersion. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period and is required by GIPS for periods beginning after January 1, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX H**

**Chandler's Sample Monthly, Quarterly, and GASB 40 Reports**

# Monthly Account Statement

## Sample Client

December 1, 2012 through December 31, 2012

### Chandler Team

For questions about your account,  
please call (800) 317-4747 or  
Email [operations@chandlerasset.com](mailto:operations@chandlerasset.com)

### Custodian

Bank of New York Mellon Trust  
Company



*Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Prices are provided by IDC, an independent pricing source.*



December 31, 2012

## COMPLIANCE WITH INVESTMENT POLICY

*Assets managed by Chandler Asset Management are in full compliance with State law and with the City's investment policy.*

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	A1/P1; AA L/T 40%;180 days	Complies
Commercial Paper	A1/P1, A L/T	Complies
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤90 days	Complies
Mortgage Pass Throughs & Asset-Backed Securities	10% ABS; 20% combined	Complies
Negotiable CDs	30%; A1/P1	Complies
Medium Term Notes	15% A-rated; 25% maximum	Complies - 17.1% total; 3.8% A-rated
LAIF	Prohibited for outside manager	Complies
Rev. Repo Agreements	Prohibited	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Maximum maturity	5 years	Complies



## DISCLOSURES

---

Please note: This sample client service report is being provided for illustrative purposes to demonstrate Chandler Asset Management's reporting capabilities. References to specific securities and their characteristics are examples of securities held in the portfolio and are not intended to be, and should not be interpreted as an offer, solicitation or recommendation to purchase or sell any financial instrument, an indication that the purchase of such securities was or will be profitable, or representative of the of the composition or performance of the portfolio. The information contained in this sample presentation was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. This presentation contains the current opinions of the author, which are subject to change without notice. Any statements concerning financial market trends or future forecasts are based on current market conditions, which will fluctuate. Past performance is not indicative of future success.

# Sample Client

Period Ending  
December 31, 2012



# TABLE OF CONTENTS

---

<b>SECTION 1</b>	<b>Economic Update</b>
<b>SECTION 2</b>	<b>Account Profile</b>
<b>SECTION 3</b>	<b>Portfolio Holdings</b>



---

## SECTION 1

---

# ECONOMIC UPDATE

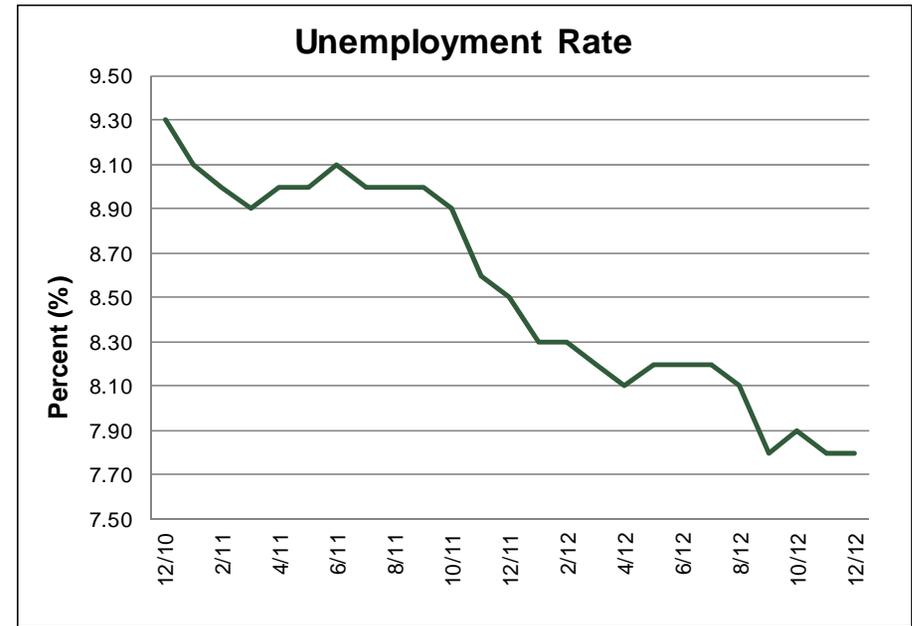
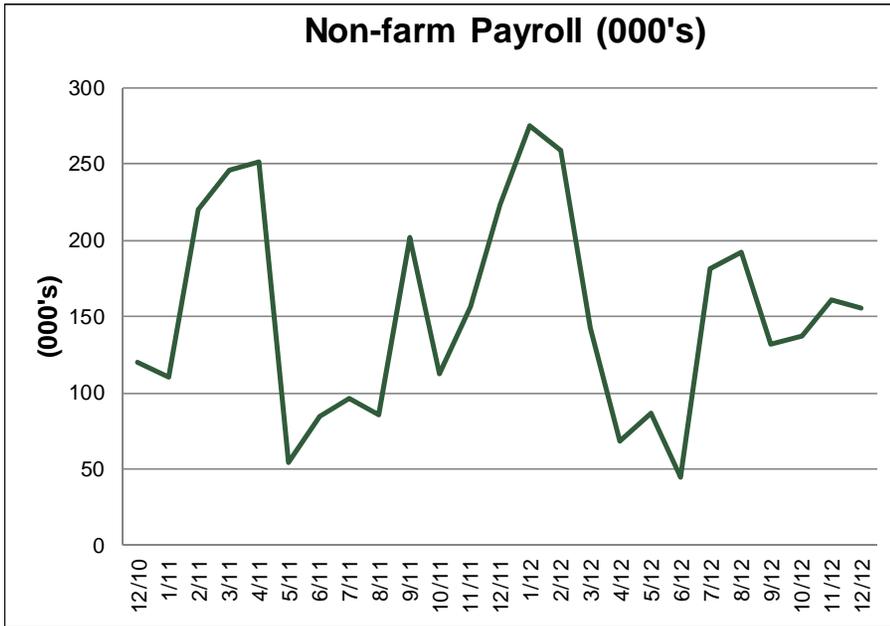


## ECONOMIC UPDATE

- The economy continues to grow at a slower than desired pace. Improvement in the labor market has been modest, while trends in the manufacturing sector have been sluggish and reports on the consumer have been mixed. Payroll growth was in line with expectations in December, up 155,000, and the unemployment rate remains elevated at 7.8%. Housing data, on the other hand, has been favorable and recent reports suggest that the housing market continues to firm. Congress finally passed legislation to avert the fiscal cliff on January 1st, however, they failed to address the debt ceiling and government budget and spending issues remain unresolved.
- The Federal Open Market Committee left policy rates unchanged at its December meeting and announced a plan to purchase longer-term Treasuries at a pace of \$45 billion per month, after “Operation Twist” expires at the end of December. The Fed will continue to purchase additional agency mortgage-backed securities at a pace of \$40 billion per month, for an open-ended period of time. The Fed’s guidance for policy rates is now linked to economic markers rather than a timing target. Specifically, the Fed said that an exceptionally low fed funds rate will be appropriate as long as unemployment remains above 6.5% or until inflation looks set to exceed 2.5%. Overall, the Federal Reserve continues to pursue aggressive stimulus programs, and is forecasting slightly faster economic growth next year and a gradual decline in unemployment.
- During the 4th quarter, yields remained within a relatively tight range at low levels, as domestic economic growth remained sub-par and the outlook for the global economy remained tenuous. Rates continued to be influenced by the Federal Reserve’s accommodative monetary policy, continued purchase of securities onto their balance sheet, and their desire to keep interest rates contained.

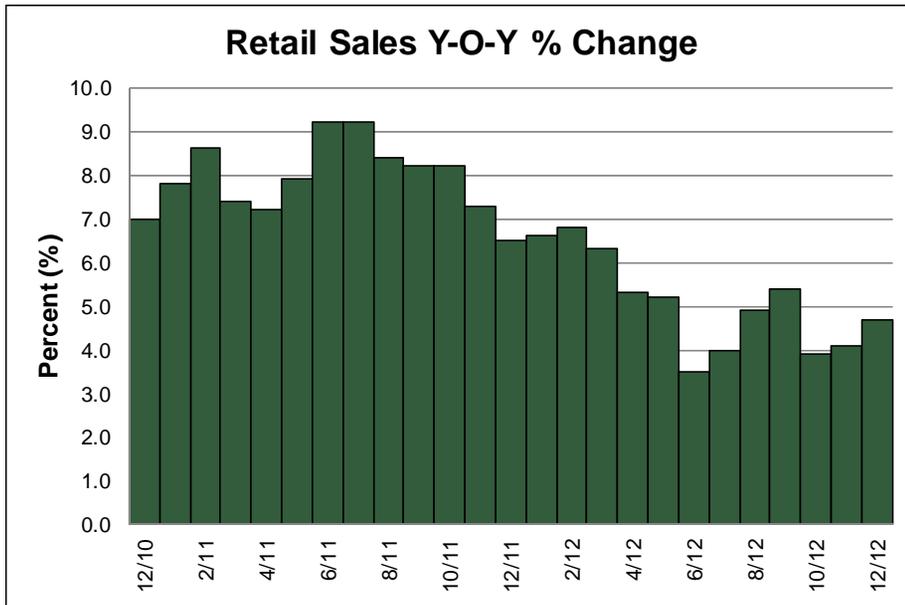


# EMPLOYMENT

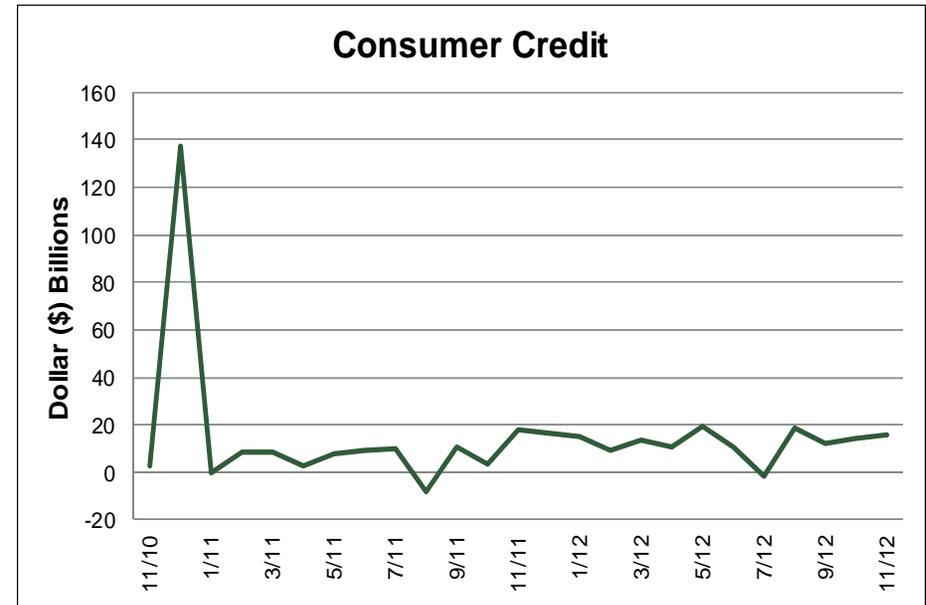


Source: U.S. Department of Labor

The December employment report showed that payrolls increased by 155,000 (in line with the consensus estimate), following a gain of 161,000 in November. Private payrolls advanced 168,000 while government jobs declined by 13,000. The unemployment rate held steady at 7.8% in December. Overall, improvement in the labor market continues to be modest and reflects an overall slow pace of growth in the domestic economy.



Source: U.S. Department of Commerce



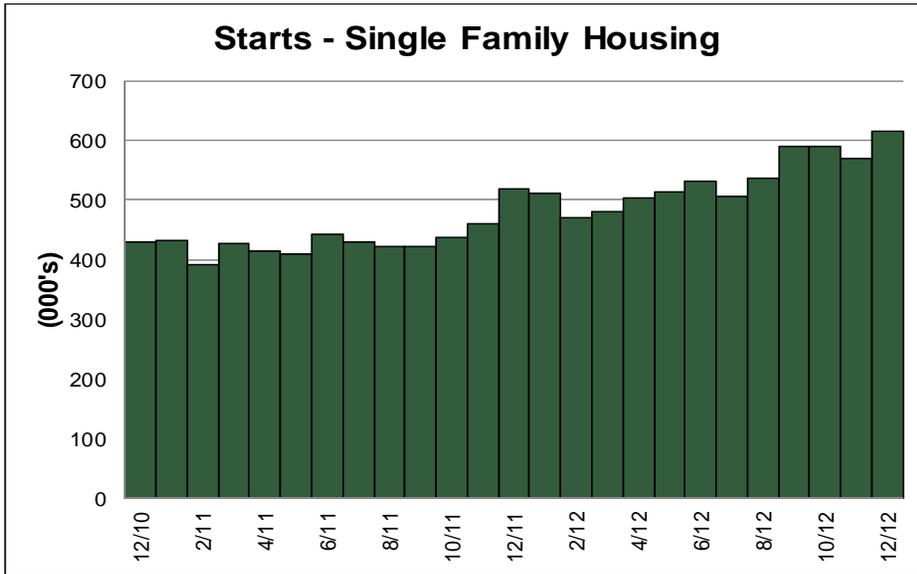
Source: Federal Reserve

Note: December 2010 Baseline Revision

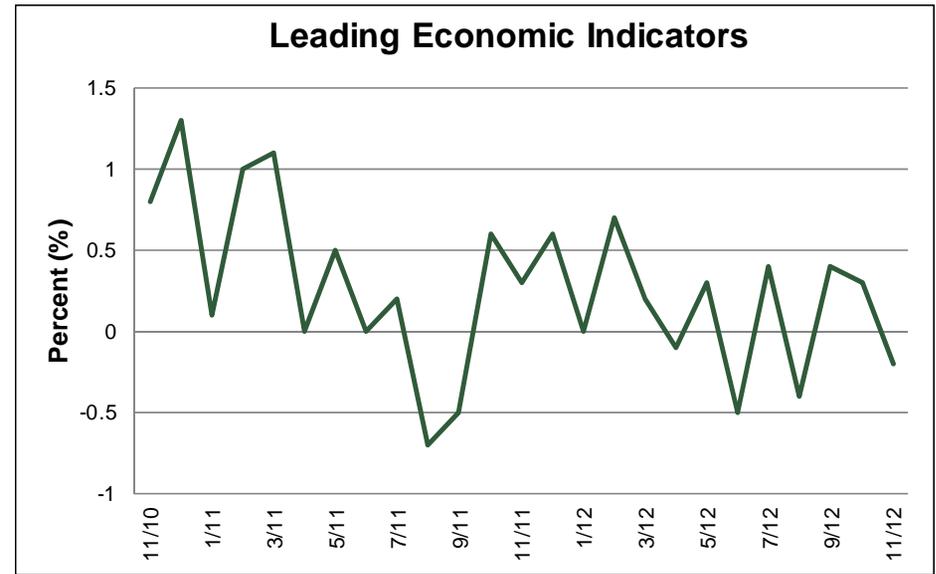
In December, Retail Sales rose 4.7% on a year-over-year basis. On a month-over-month basis, Retail Sales rose 0.5% in December, better than the consensus forecast of 0.2%. Overall, recent consumer spending trends have been modest. Consumer credit rose by \$16.0 billion in November, indicating consumers' willingness to take on additional debt. (The Consumer Credit data and survey process were revised as of December 2010, hence the one-time spike on the graph.)



# BROAD MEASURES



Source: US Department of Commerce

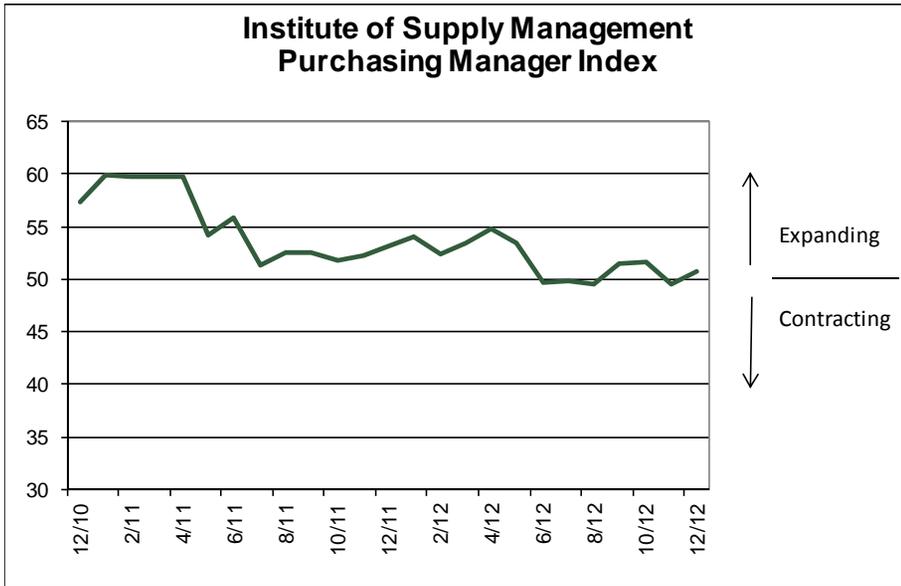


Source: The Conference Board

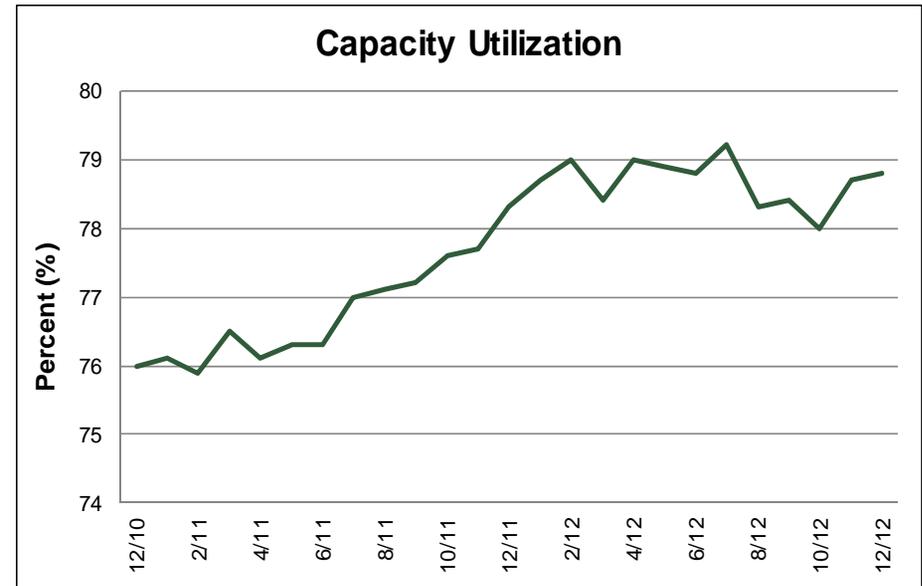
Single-family housing starts rose 8.1% in December to 616,000 from 570,000 in November. Multifamily starts rose 20.3% in December, and housing permits rose 0.3%. In our view, recent data suggests that the housing market continues to firm. Leading Economic Indicators (LEI) fell to -0.2% in November on a month-over-month basis, after rising 0.3% in October. Overall, we believe recent LEI readings suggest sluggish economic expansion.



# MANUFACTURING



Source: Institute for Supply Management

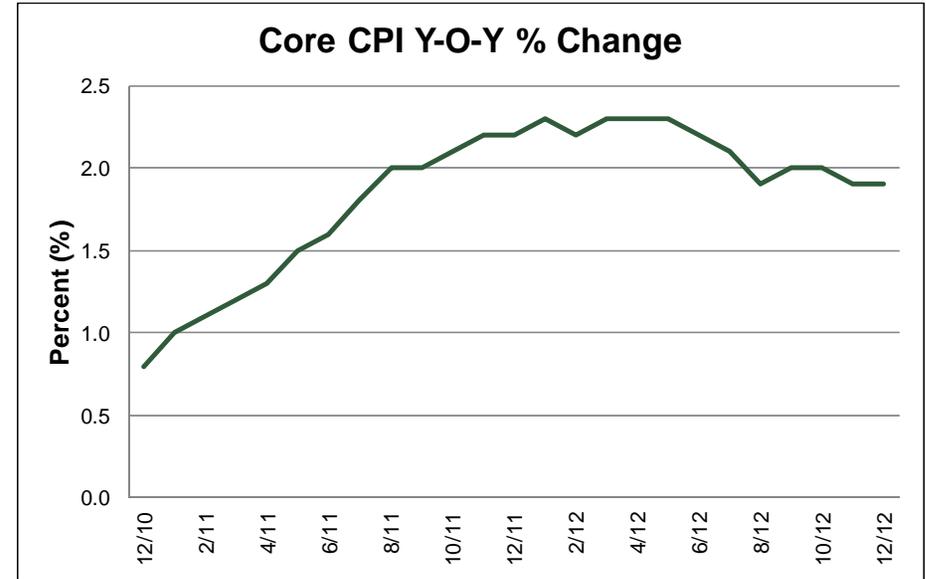
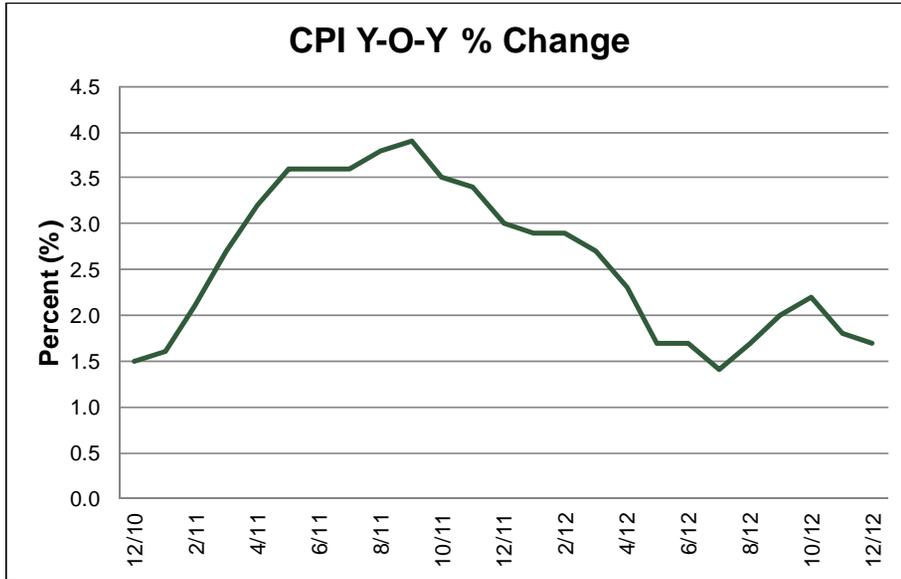


Source: Federal Reserve

During December, the ISM Manufacturing Index rose to 50.7, from 49.5 in November. A reading above 50.0 is viewed as expansionary in the manufacturing sector, while a reading below 50.0 suggests contraction in the manufacturing sector. Capacity Utilization, which is production divided by capacity, was little changed in December at 78.8% vs. 78.7% in November. The Capacity Utilization reading remains below the long-run average of 80.3% (1972-2011) and is one factor cited by economists who believe inflation will not significantly increase in the near future.

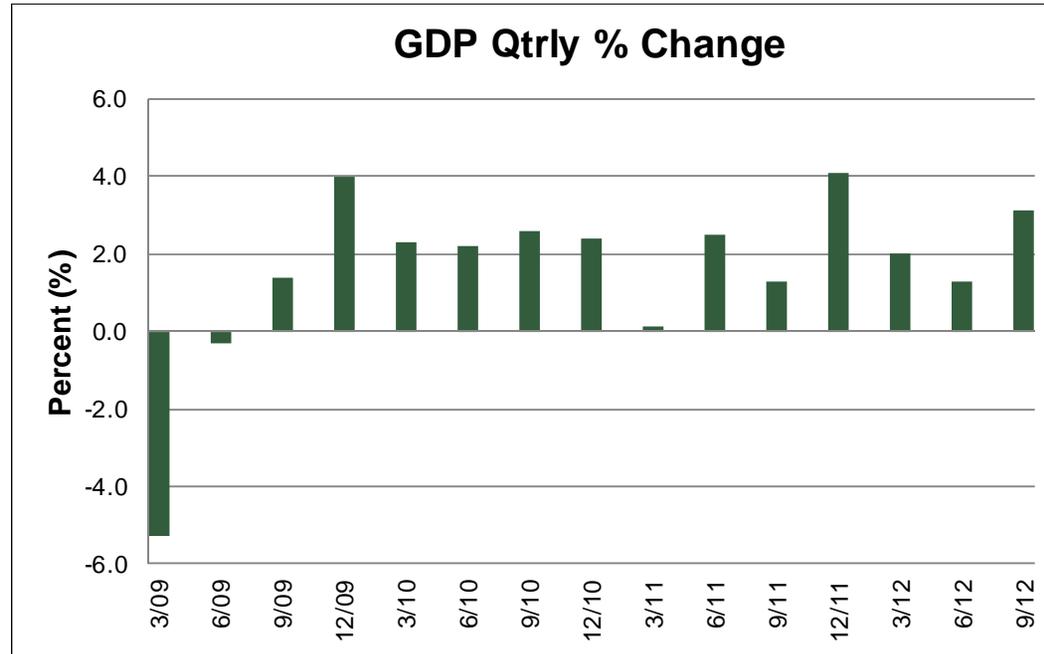


# INFLATION



Source: US Department of Labor

In December, overall CPI inflation fell to 1.7% on a year-over-year basis from 1.8% in November. The year-over-year Core CPI (CPI less food and energy) was unchanged at 1.9%. The core inflation rate remains below the Fed's long-term goal of 2.0% and well below the trigger rate for policy action of 2.5%.



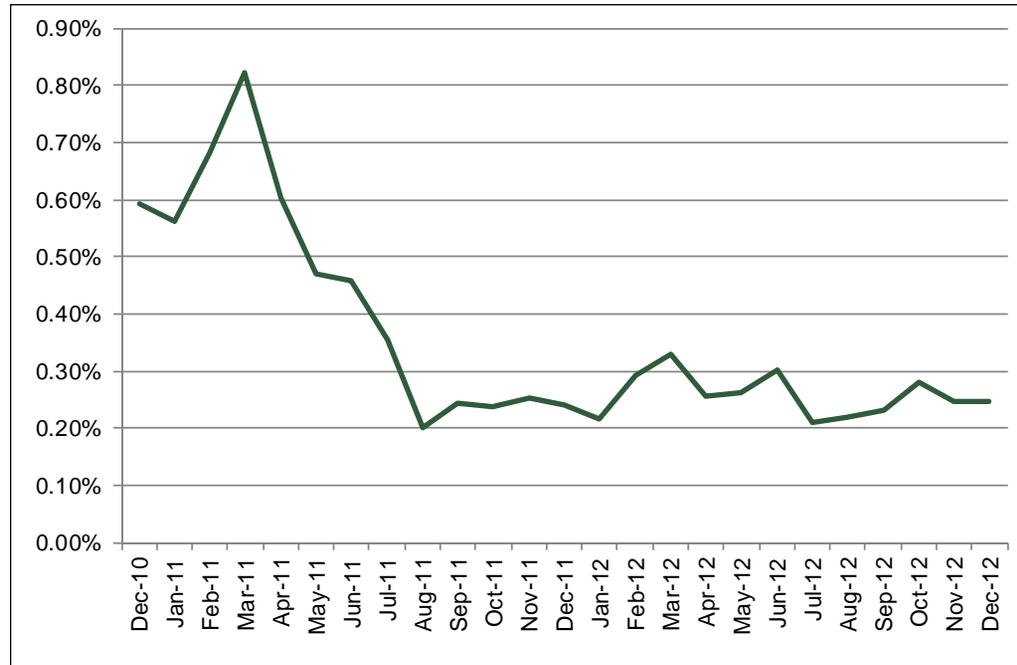
Source: U.S. Department of Commerce

Real annualized GDP growth for the third quarter was revised up to 3.1% in the third quarter of 2012, following 1.3% growth in the second quarter of 2012. The final estimate of third quarter GDP was better than expected but many analysts believe inventory rebuilding, which helped to fuel third quarter GDP growth, will reverse in the fourth quarter. Overall, economic growth remains sub-par.



# INTEREST RATES

**Yield on the Two-Year Note**  
December 2010 through December 2012



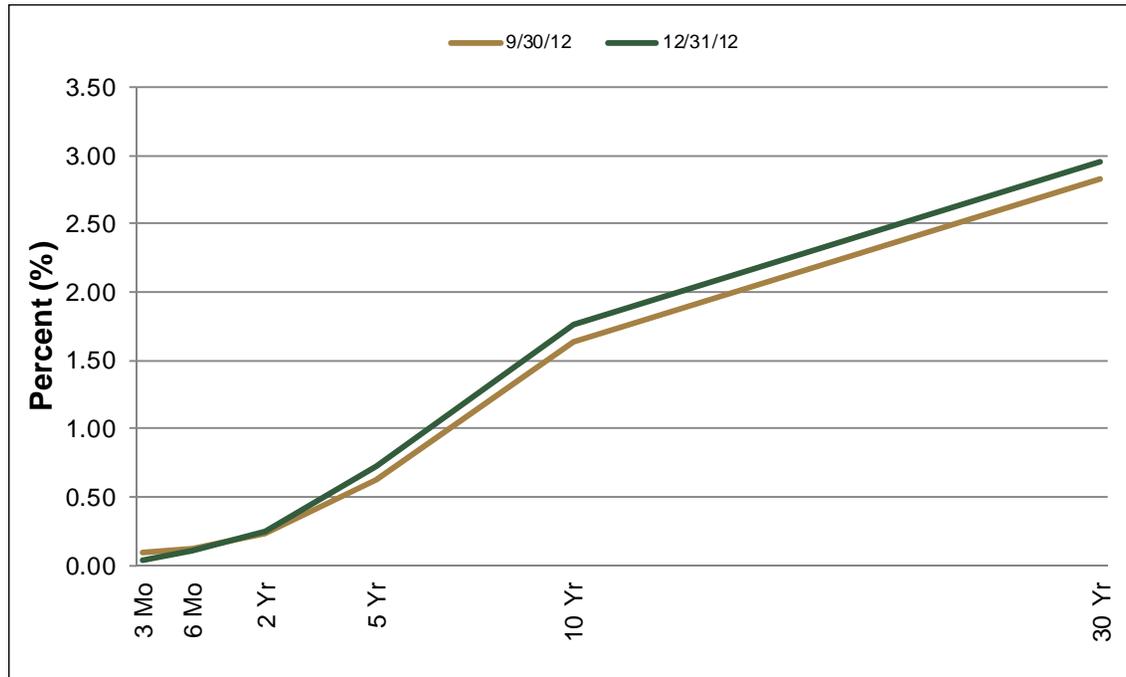
Source: Bloomberg

The yield on the two-year Treasury note was essentially unchanged in December.



# YIELD CURVES

## September 30, 2012 and December 31, 2012



Source: Bloomberg

During the 4th quarter, yields remained within a relatively tight range at low levels, as domestic economic growth remained sub-par and the outlook for the global economy remained tenuous. Rates continued to be influenced by the Federal Reserve's accommodative monetary policy, continued purchase of securities onto their balance sheet, and their desire to keep interest rates contained.



## SECTION 2

# ACCOUNT PROFILE



## Investment Objectives

The investment objectives of the Client are first, to preserve principal in the overall portfolio; second, to provide liquidity; and third, to earn a market rate of return.

## Chandler Asset Management Performance Objectives

The performance objective for the Client is to achieve an annual total return on its portfolio that exceeds the return on a market index of one-to-five year government securities.

## Strategy

In order to achieve its objective, we invest the Client's funds in high-quality money market instruments, short term government securities, and AA or higher rated corporate medium term notes with a maximum maturity of five years.



**Sample Client**  
December 31, 2012

## COMPLIANCE WITH INVESTMENT POLICY

*Assets managed by Chandler Asset Management are in full compliance with State law and with the Client's investment policy.*

Category	Standard	Comment
Treasury/Agency issues	No Limit	Complies
Banker's Acceptances	A1/P1; AA L/T 40%;180 days	Complies
Commercial Paper	A1/P1, A L/T	Complies
Max. maturity < 270 days	25% maximum	Complies
Repurchase Agreements	≤90 days	Complies
Mortgage Pass Throughs & Asset-Backed Securities	10% ABS; 20% combined	Complies
Negotiable CDs	30%; A1/P1	Complies
Medium Term Notes	15% A-rated; 25% maximum	Complies - 17.1% total; 3.8% A-rated
LAIF	Prohibited for outside manager	Complies
Rev. Repo Agreements	Prohibited	Complies
Inverse floaters, range notes	Prohibited	Complies
Interest only strips	Prohibited	Complies
Zero interest accruals	Prohibited	Complies
Maximum maturity	5 years	Complies



# ACCOUNT PROFILE

## PORTFOLIO CHARACTERISTICS

### Sample Client

	12/31/2012		09/30/2012
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	2.67	2.52	2.54
Modified Duration	2.57	2.43	2.41
Average Purchase Yield	n/a	1.51 %	1.64 %
Average Market Yield	0.37 %	0.46 %	0.42 %
Average Quality**	AAA	AA+/Aaa	AA+/Aaa
Total Market Value		87,994,008	87,898,585

\* 1-5 yr Government

\*\* Benchmark is a blended rating of S&P, Moody, and Fitch. Portfolio is S&P and Moody's respectively.

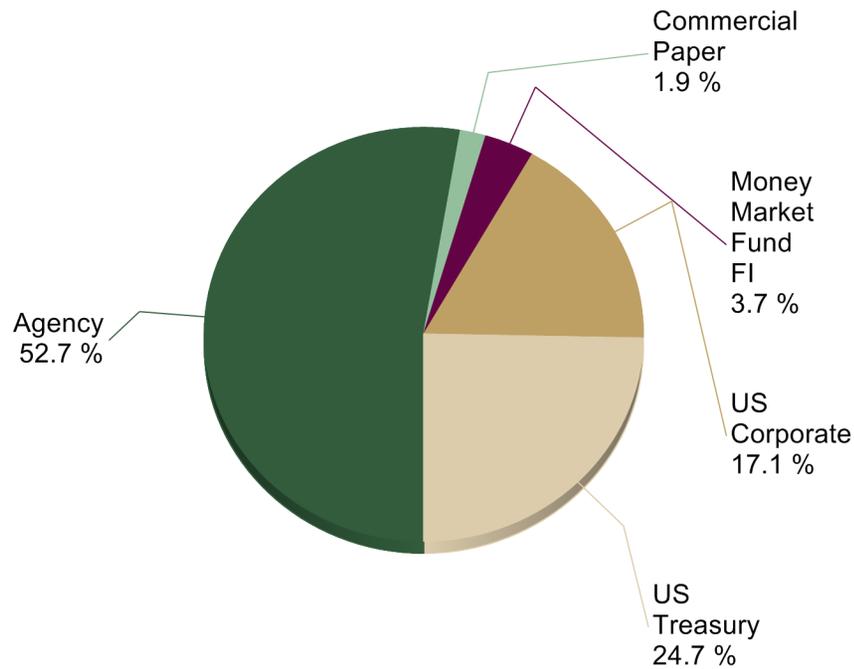
Three Corporate notes with a single A credit rating were purchased to begin to implement the adjustments to the city's investment policy. Additionally one piece of Commercial Paper and two Treasury notes were also purchased to keep the portfolio structure and duration in line with the strategy. In aggregate the securities purchased ranged in maturity from April 2013 to December 2017. One security was sold, three were called, and three matured to help facilitate the additions to the portfolio.



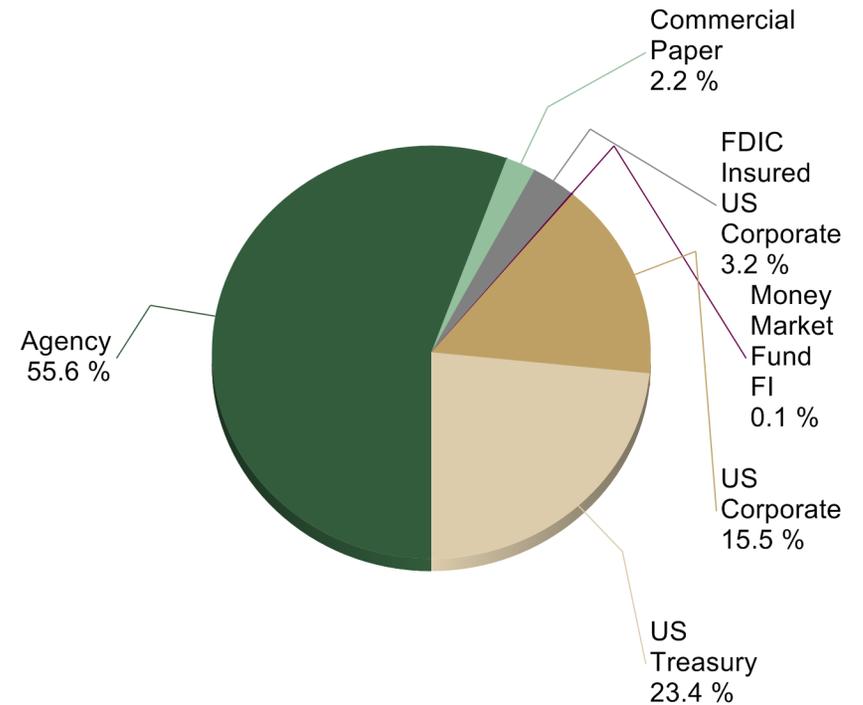
# SECTOR DISTRIBUTION

## Sample Client

December 31, 2012



September 30, 2012



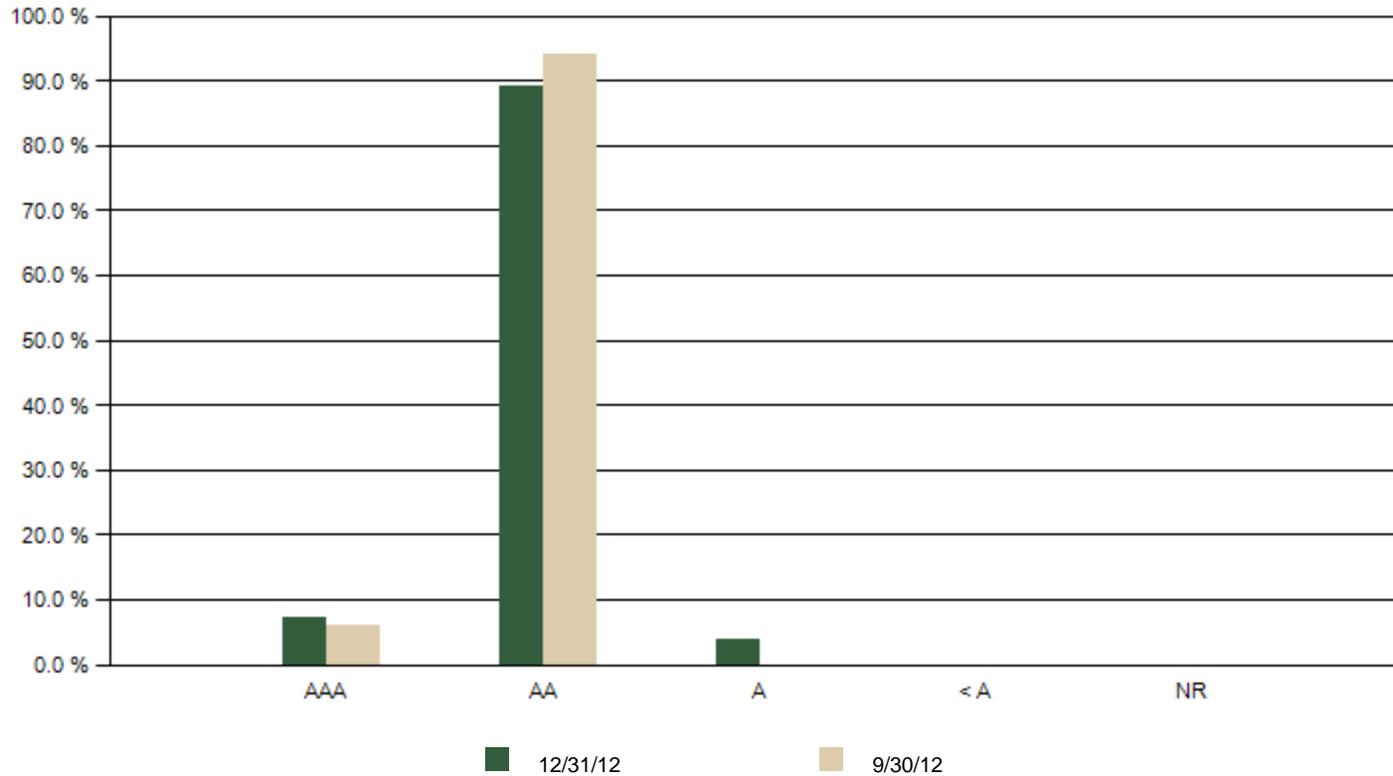
The sector allocation changed marginally with the Corporate and Treasury sectors increasing by 1.6% and 1.3% respectively offset by the decrease in the Agency and Commercial Paper sectors of 2.9% and 0.3%. The Money Market exposure increased due to a Corporate note call at the end of December.



# QUALITY DISTRIBUTION

## Sample Client

December 31, 2012 vs. September 30, 2012



	AAA	AA	A	<A	NR
12/31/12	7.2 %	89.0 %	3.8 %	0.0 %	0.0 %
9/30/12	5.9 %	94.1 %	0.0 %	0.0 %	0.0 %

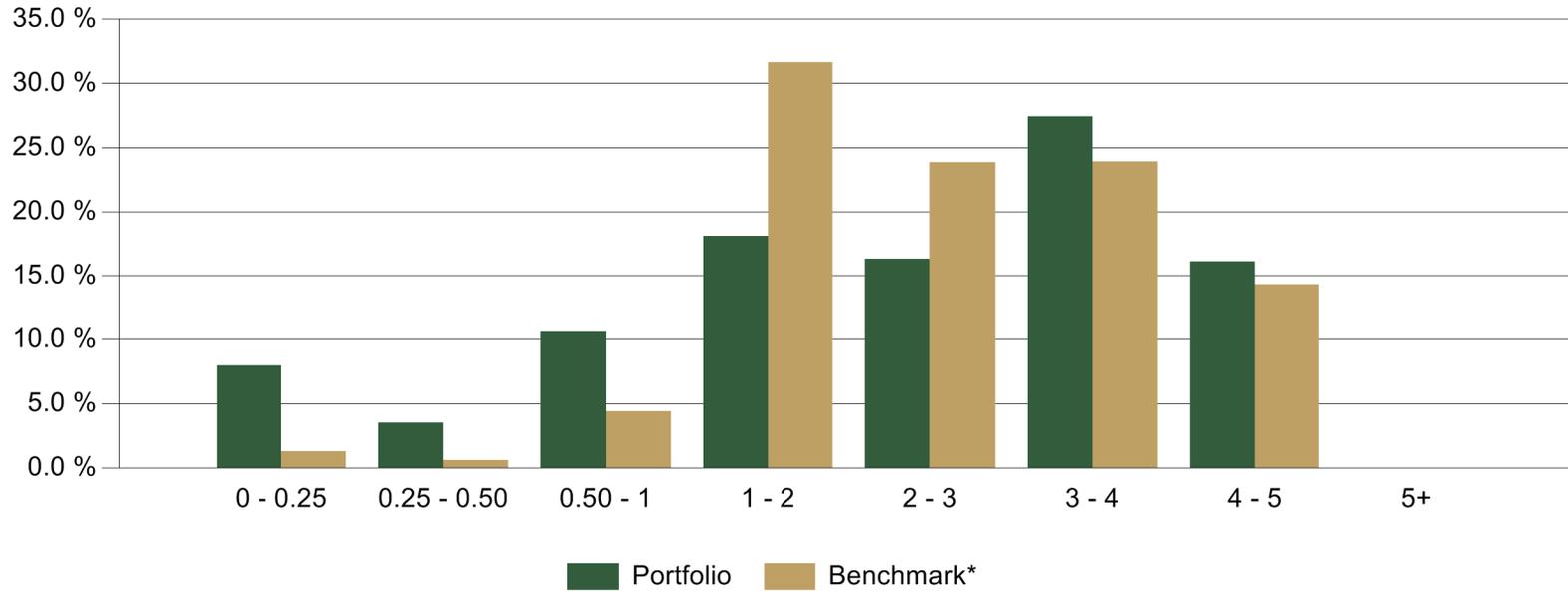
Source: S&P Ratings



# DURATION DISTRIBUTION

## Sample Client

### Portfolio Compared to the Benchmark as of December 31, 2012



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
<b>Portfolio</b>	8.0 %	3.5 %	10.6 %	18.1 %	16.3 %	27.4 %	16.1 %	0.0 %
<b>Benchmark*</b>	1.3 %	0.6 %	4.4 %	31.6 %	23.8 %	23.9 %	14.3 %	0.0 %

\* 1-5 yr Government

The duration of the portfolio was stable, increasing to 2.43 versus 2.41 at the end of the prior quarter.



# INVESTMENT PERFORMANCE

## Sample Client

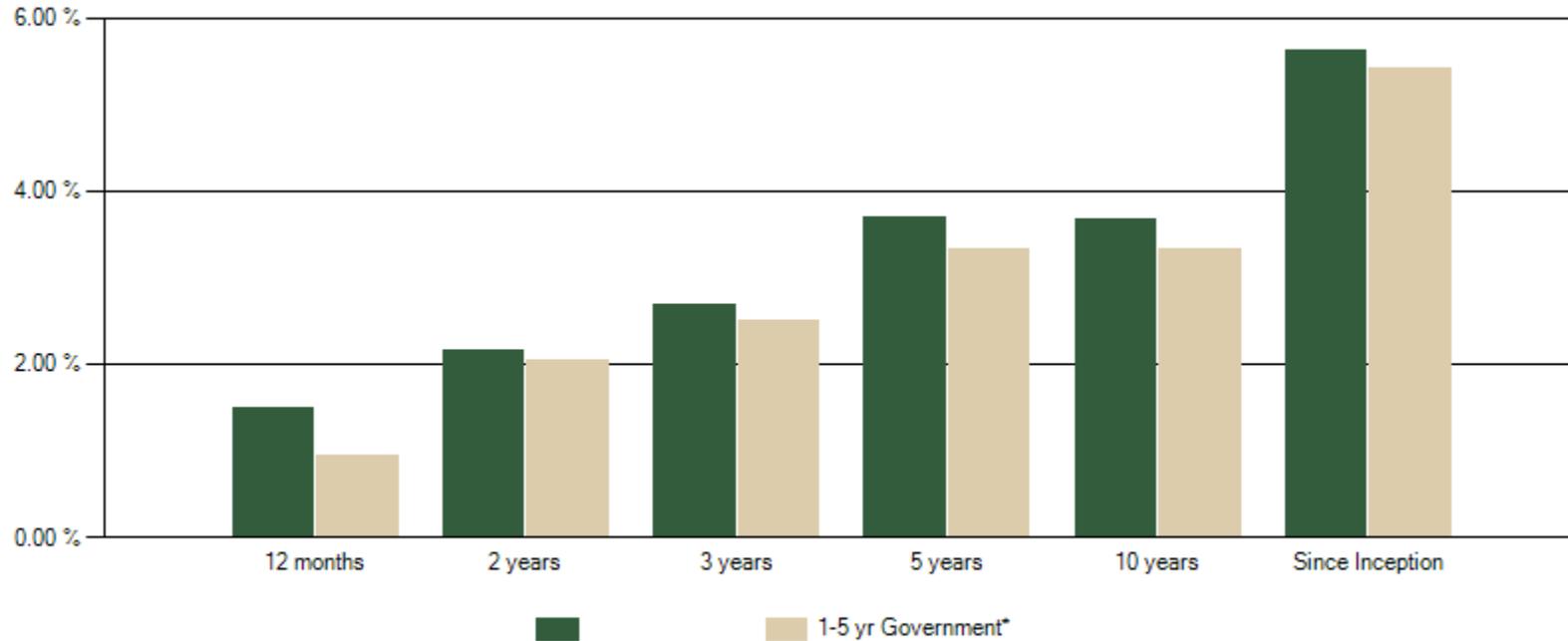
Period Ending

December 31, 2012

Total Rate of Return

Annualized Since Inception

August 31, 1989



	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
Client	0.11 %	1.53 %	2.19 %	2.72 %	3.73 %	3.69 %	5.64 %
1-5 yr Government*	0.06 %	0.98 %	2.08 %	2.54 %	3.35 %	3.36 %	5.45 %

\*1-3 Year Treasuries to 3/31/98; Then 1-5 Year Govt

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



## SECTION 3

# PORTFOLIO HOLDINGS



## Issuer Report

As of 12/31/2012

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	24.70 %
Federal National Mortgage Association	Agency	13.86 %
Federal Home Loan Bank	Agency	12.47 %
Federal Farm Credit Bank	Agency	11.54 %
Federal Home Loan Mortgage Corp	Agency	10.96 %
Tennessee Valley Authority	Agency	3.86 %
Fidelity Institutional Govt Money Market Fund	Money Market Fund FI	3.65 %
Microsoft	US Corporate	2.46 %
Procter & Gamble Company	US Corporate	2.30 %
Berkshire Hathaway	US Corporate	2.29 %
General Electric Co	US Corporate	2.02 %
Wal-Mart Stores	US Corporate	1.97 %
HSBC USA Corp	Commercial Paper	1.90 %
JP Morgan Chase & Co	US Corporate	1.28 %
Oracle Corp	US Corporate	1.26 %
Intel Corp	US Corporate	1.25 %
Google Inc	US Corporate	1.13 %
Exxon Mobil Corp	US Corporate	1.11 %
<b>Total</b>		<b>100.00 %</b>



## DISCLOSURES

---

Please note: This sample client service report is being provided for illustrative purposes to demonstrate Chandler Asset Management's reporting capabilities. References to specific securities and their characteristics are examples of securities held in the portfolio and are not intended to be, and should not be interpreted as an offer, solicitation or recommendation to purchase or sell any financial instrument, an indication that the purchase of such securities was or will be profitable, or representative of the of the composition or performance of the portfolio. The information contained in this sample presentation was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. This presentation contains the current opinions of the author, which are subject to change without notice. Any statements concerning financial market trends or future forecasts are based on current market conditions, which will fluctuate. Past performance is not indicative of future success.



# GASB 40 Report

Tuesday, June 30, 2009  
Sample Portfolio

## Portfolio Characteristics

Market Value	192,354,356
Ave Portfolio Duration	2.51
Ave Portfolio Maturity	2.72

## Interest Rate Shock Analysis

Fair value of portfolio after increase of:	
100 bps	-4,825,986
200 bps	-9,651,972
300 bps	-14,477,958

## Sector Characteristics

Sector	Market Value	Ave Duration	Ave Maturity	% of Port
Agency	100,571,860	2.49	2.75	52.28%
US Treasury	35,638,016	2.53	2.70	18.53%
FDIC Insured US Corporate	34,775,805	2.96	3.10	18.08%
US Corporate	21,368,676	1.84	2.00	11.11%
	<b>192,354,356</b>	<b>2.51</b>	<b>2.72</b>	<b>100.00%</b>

## Segmented Time Distribution

	<1 yr	1-3 yrs	3-5 yrs	>5yrs
Agency	9,458,270	47,550,776	43,562,815	0
US Treasury	0	22,742,859	12,895,158	0
FDIC Insured US Corporate	0	23,046,153	11,729,651	0
US Corporate	4,526,179	11,068,461	5,774,035	0
	<b>13,984,449</b>	<b>104,408,249</b>	<b>73,961,659</b>	<b>0</b>

## Concentration of Credit

Issuer Name	Cost	Market Value	Ave. Duration	Ave. Maturity	Ratings Moody/SP	% of Port
Government of United States	33,293,305	35,638,016	2.53	2.70	TSY TSY	18.53%
Federal Home Loan Mortgage Corp	24,282,674	25,274,233	2.91	3.16	Aaa AAA	13.14%
Federal National Mortgage Association	21,637,779	22,232,575	2.58	2.77	Aaa AAA	11.56%
Federal Farm Credit Bank	21,285,546	22,005,316	1.79	1.90	Aaa AAA	11.44%
Federal Home Loan Bank	17,621,546	18,256,959	2.23	2.73	Aaa AAA	9.49%
Tennessee Valley Authority	12,466,372	12,802,777	3.04	3.37	Aaa AAA	6.66%
JP Morgan FDIC Insured	5,968,445	5,919,905	3.34	3.49	Aaa AAA	3.08%
Goldman Sachs FDIC Insured	5,723,310	5,821,307	2.81	2.96	Aaa AAA	3.03%
General Electric Co FDIC Insured	5,855,558	5,809,746	3.33	3.48	Aaa AAA	3.02%
US Bank Corp FDIC Insured	5,749,310	5,800,640	2.60	2.70	Aaa AAA	3.02%
Wells Fargo Corp FDIC Insured	5,750,946	5,751,798	2.85	2.96	Aaa AAA	2.99%
Bank of America Corp FDIC Insured	5,703,628	5,672,409	2.82	2.96	Aaa AAA	2.95%
General Electric Co	3,716,820	3,726,594	1.72	1.83	Aa2 AA+	1.94%



## GASB 40 Report

### Concentration of Credit

Issuer Name	Cost	Market Value	Ave. Duration	Ave. Maturity	Ratings Moody/SP		% of Port
Wal-Mart Stores	3,533,775	3,585,890	0.97	1.00	Aa2	AA	1.86%
Goldman Sachs Inc.	2,899,435	2,845,032	0.55	0.58	A1	A	1.48%
Wells Fargo Corp	2,072,723	2,040,183	3.41	3.84	A1	AA-	1.06%
JP Morgan Chase & Co	2,019,900	2,025,376	3.45	3.84	Aa3	A+	1.05%
Toyota Motor Corp	1,945,560	1,947,076	1.78	1.88	Aa1	AA	1.01%
General Dynamics Corp	1,788,955	1,808,902	1.09	1.13	A2	A	0.94%
Pfizer Inc.	1,721,324	1,708,477	4.10	4.63	Aa2	AAA	0.89%
ConocoPhillips	1,737,824	1,681,147	0.88	0.90	A1	A	0.87%

**June 30 2009**

CUSIP	IssueName	Issue	Cpn	Maturity Date	Is Callable	Next Call Date	Market Value	Duration	MktTerm	Ratings	
38141GAL8	Goldman Sachs Group Inc	Note	7.80	1/28/10	N		2,845,032	0.55	0.58	A1	A
31359MXH1	FNMA	Note	3.88	2/15/10	N		664,016	0.61	0.63	Aaa	AAA
3134A33L8	FHLMC	Note	7.00	3/15/10	N		1,098,563	0.69	0.71	Aaa	AAA
31331XWL2	FFCB	Note	4.75	5/7/10	N		4,143,752	0.84	0.85	Aaa	AAA
31359MC92	FNMA	Note	4.13	5/15/10	N		2,063,126	0.86	0.87	Aaa	AAA
718507BQ8	ConocoPhillips	Note	8.75	5/25/10	N		1,681,147	0.88	0.90	A1	A
31359MFS7	FNMA	Note	7.13	6/15/10	N		1,488,813	0.94	0.96	Aaa	AAA
931142BZ5	Wal-Mart Stores	Note	4.13	7/1/10	N		3,585,890	0.97	1.00	Aa2	AA
3134A4VB7	FHLMC	Note	4.13	7/12/10	N		1,558,595	1.00	1.03	Aaa	AAA
369550AL2	General Dynamics Corp	Note	4.50	8/15/10	N		1,808,902	1.09	1.13	A2	A
3133XCQZ9	FHLB	Note	4.38	9/17/10	N		2,872,031	1.18	1.22	Aaa	AAA
3134A4VE1	FHLMC	Note	4.13	10/18/10	N		1,620,719	1.27	1.30	Aaa	AAA
31331YGP9	FFCB	Note	3.75	12/6/10	N		3,120,939	1.40	1.44	Aaa	AAA
3133XECU1	FHLB	Note	4.63	2/18/11	N		3,343,675	1.56	1.64	Aaa	AAA
31331VSK3	FFCB	Note	4.88	2/18/11	N		5,309,375	1.56	1.64	Aaa	AAA
912828EX4	US Treasury	Note	4.50	2/28/11	N		530,000	1.60	1.67	TSY	TSY
31359MHK2	FNMA	Note	5.50	3/15/11	N		2,687,500	1.62	1.71	Aaa	AAA
912828FA3	US Treasury	Note	4.75	3/31/11	N		2,131,876	1.68	1.75	TSY	TSY
36962GW59	General Electric Capital Cor	Note	5.50	4/28/11	N		3,726,594	1.72	1.83	Aa2	AA+
892332AQ0	Toyota Motor Credit Corp	Note	5.45	5/18/11	N		1,947,076	1.78	1.88	Aa1	AA
31331VJ80	FFCB	Note	5.38	7/18/11	N		4,857,188	1.92	2.05	Aaa	AAA
912828FN5	US Treasury	Note	4.88	7/31/11	N		7,115,259	1.96	2.08	TSY	TSY
31359MZ30	FNMA	Note	5.00	10/15/11	N		2,269,970	2.16	2.29	Aaa	AAA
31359MLS0	FNMA	Note	5.38	11/15/11	N		2,644,009	2.24	2.38	Aaa	AAA
912828GA2	US Treasury	Note	4.50	11/30/11	N		4,306,252	2.30	2.42	TSY	TSY

**June 30 2009**

CUSIP	IssueName	Issue	Cpn	Maturity Date	Is Callable	Next Call Date	Market Value	Duration	MktTerm	Ratings
3133XJEE4	FHLB	Callable Note 1X 12/22/2009	5.00	12/22/11	Y	12/22/09	3,060,939	0.48	2.48	Aaa AAA
3134A4JT2	FHLMC	Note	5.75	1/15/12	N		2,537,188	2.33	2.55	Aaa AAA
912828GK0	US Treasury	Note	4.63	2/29/12	N		3,224,156	2.49	2.67	TSY TSY
3137EAAR0	FHLMC	Note	4.75	3/5/12	N		3,238,125	2.50	2.68	Aaa AAA
91160HAA5	US Bancorp	FDIC Guaranteed Note	2.25	3/13/12	N		5,800,640	2.60	2.70	Aaa AAA
912828GQ7	US Treasury	Note	4.50	4/30/12	N		2,164,376	2.66	2.84	TSY TSY
31398ABX9	FNMA	Note	4.88	5/18/12	N		1,657,484	2.70	2.88	Aaa AAA
880591DT6	Tennessee Valley Authority	Note	6.79	5/23/12	N		6,773,040	2.65	2.90	Aaa AAA
912828GU8	US Treasury	Note	4.75	5/31/12	N		3,270,939	2.74	2.92	TSY TSY
06050BAA9	Bank of America Corp	FDIC Guaranteed Note	3.13	6/15/12	N		5,672,409	2.82	2.96	Aaa AAA
949744AC0	Wells Fargo & Company	FDIC Guaranteed Note	2.13	6/15/12	N		5,751,798	2.85	2.96	Aaa AAA
38146FAA9	Goldman Sachs	FDIC Guaranteed Note	3.25	6/15/12	N		5,821,307	2.81	2.96	Aaa AAA
912828GW4	US Treasury	Note	4.88	6/30/12	N		3,286,875	2.81	3.00	TSY TSY
3134A4QD9	FHLMC	Note	5.13	7/15/12	N		3,286,875	2.78	3.04	Aaa AAA
912828GZ7	US Treasury	Note	4.63	7/31/12	N		3,266,250	2.85	3.09	TSY TSY
3133XML66	FHLB	Note	4.63	10/10/12	N		3,242,814	3.03	3.28	Aaa AAA
31331X3S9	FFCB	Note	4.50	10/17/12	N		4,574,063	3.05	3.30	Aaa AAA
912828HK9	US Treasury	Note	3.38	11/30/12	N		2,632,033	3.23	3.42	TSY TSY
36967HAV9	GE Capital Corp	FDIC Guaranteed Note	2.13	12/21/12	N		5,809,746	3.33	3.48	Aaa AAA
481247AM6	JP Morgan Chase	FDIC Guaranteed Note	2.13	12/26/12	N		5,919,905	3.34	3.49	Aaa AAA
912828HM5	US Treasury	Note	3.63	12/31/12	N		3,710,000	3.29	3.51	TSY TSY

June 30 2009

CUSIP	IssueName	Issue	Cpn	Maturity Date	Is Callable	Next Call Date	Market Value	Duration	MktTerm	Ratings	
880591CW0	Tennessee Valley Authority	Note	6.00	3/15/13	N		2,904,086	3.31	3.71	Aaa AAA	
92976WBJ4	Wachovia Bank	Note	5.50	5/1/13	N		2,040,183	3.41	3.84	A1 AA-	
46625HHB9	JP Morgan Chase	Note	4.75	5/1/13	N		2,025,376	3.45	3.84	Aa3 A+	
3133XQU34	FHLB	Note	3.63	5/29/13	N		3,640,000	3.63	3.92	Aaa AAA	
31339X2M5	FHLB	Note	3.88	6/14/13	N		2,097,500	3.66	3.96	Aaa AAA	
3137EABM0	FHLMC	Note	3.75	6/28/13	N		3,150,159	3.71	4.00	Aaa AAA	
31398ASD5	FNMA	Note	3.88	7/12/13	N		4,473,125	3.67	4.04	Aaa AAA	
3134A4TZ7	FHLMC	Note	4.50	7/15/13	N		4,575,393	3.64	4.04	Aaa AAA	
880591DW9	Tennessee Valley Authority	Note	4.75	8/1/13	N		3,125,652	3.65	4.09	Aaa AAA	
31398AUJ9	FNMA	Note	2.88	12/11/13	N		4,284,531	4.15	4.45	Aaa AAA	
3137EABX6	FHLMC	Note	2.50	1/7/14	N		4,208,618	4.19	4.53	Aaa AAA	
717081AR4	Pfizer Inc.	Note	4.50	2/15/14	N		1,708,477	4.10	4.63	Aa2 AAA	
							<b>192,354,356</b>				

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX I**

**Chandler Team Biographies**

██████████, CFA  
*President*

██████████ is the president of Chandler Asset Management and founded the firm in 1988. Ms. ██████████ is responsible for overseeing all aspects of the firm's investment process. She leads client service and communication and is focused on the strategic direction of the firm. Recognized for her expertise, she is frequently asked to speak on topics such as investment policy, portfolio management, and the risk characteristics of fixed income securities.

Ms. ██████████ served as the investment officer for the County of San Diego from 1975 until 1983 and then in the same position for the City of San Diego from 1983 until 1985. As a Managing Director at Pacific Century Advisers from 1985 until 1988, she managed over \$1 billion in fixed-income assets for institutional investors. She is a co-author of *The California Public Fund Investment Primer*, commissioned by the California State Treasurer and published in 2005.

Ms. ██████████ received her B.A. from Oberlin College in 1970, and attended graduate school at San Diego State University. She is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst. She is a member of the Board of Governors of the San Diego Foundation and serves as a member of the Foundation's Investment Committee.

---

██████████, CFA  
*CEO, Chief Investment Officer*

██████████ is the chief executive and investment officer at Chandler Asset Management and is a principal of the firm. Mr. ██████████ is responsible for defining, planning, and directing company programs. He heads implementation of the firm's investment strategies and portfolio risk management. He designed the proprietary quantitative models that drive our investment process, establishing duration, structure, and asset allocation throughout client portfolios.

Mr. ██████████ joined Chandler Asset Management in 1991 from the City of San Diego where he managed a \$1 billion fixed income portfolio. He began his investment career in 1987 managing portfolios at World Savings and Loan. Mr. Cassell received his B.S. in finance from California State University, Hayward. He is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst. He is also a member of the California Association of Joint Power Authorities (CAJPA) finance committee.

---

██████████, CFA  
*Senior Vice President, Portfolio Manager*

██████████ is a senior vice president and portfolio manager at Chandler Asset Management. He has been instrumental in the development and integration of quantitative analytic tools for the portfolio management process.

Prior to joining Chandler Asset Management in 1995, Mr. ██████████ was employed as a financial analyst with USA Federal Credit Union in San Diego, managing a \$100 million liquidity book. His responsibilities there also included asset/liability management. Mr. ██████████ earned his B.A. in economics from San Diego State University. He is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst.

██████████, CFA  
*Senior Vice President, Portfolio Manager*

██████████ is a senior vice president and senior portfolio manager at Chandler Asset Management. In addition to his duties as a portfolio manager, he oversees daily trading and is responsible for implementing portfolio strategy. Mr. ██████████ leads the Portfolio Management and Sector Committees.

Prior to joining Chandler Asset Management in 1999, Mr. ██████████ served as a vice president and fund manager for Sefton Capital Management. He was responsible for the management of over \$300 million in both mutual fund vehicles and individually managed institutional portfolios. From 1988 through 1994, Mr. Piorowski managed money market and enhanced money market funds for San Diego Trust and Savings Bank and its successor, San Diego Financial Capital Management. Mr. ██████████ earned both his B.A. and M.B.A. in finance from San Diego State University. He is a member of the CFA Society of San Diego and holds the designation of Chartered Financial Analyst.

---

██████████ II, CFA  
*Senior Vice President, Portfolio Manager*

██████████ joined Chandler Asset Management in 2011 as a portfolio manager, responsible for implementing portfolio strategy and securities trading in client accounts.

Prior to joining Chandler, Mr. ██████████ worked at Northern Trust Global Investments in Chicago, most recently as senior portfolio manager and vice president, with a wide range of responsibilities in asset allocation, quantitative and qualitative analysis. Mr. ██████████ earned his B.S. in business administration, option in finance, at California State University, Chico. He holds the designation of Chartered Financial Analyst.

---

██████████  
*Vice President, Credit Analyst*

██████████ joined Chandler Asset Management as a credit analyst in 2009. She is actively involved in analyzing and assessing the credit suitability of debt issuers and assisting portfolio managers in the portfolio management process. Ms. ██████████ is a member of the firm's Credit Committee and is responsible for monitoring developments in the financial markets and providing fundamental economic and investment research.

Ms. ██████████ brings more than eight years of experience in equity research and financial analysis. Most recently, she was an associate analyst at Bear, Stearns & Co. Inc., focusing on the consumer/retail sector. Prior to joining Bear Stearns, Ms. ██████████ was an equity research associate at C.L. King & Associates. She began her career at Ford Equity Research in San Diego as a quantitative equity analyst. Ms. ██████████ was a three-year member of Institutional Investor magazine's "All-America Research Team," and is a Level III Candidate in the CFA program. Ms. ██████████ earned her B.A. in business economics from the University of California, Santa Barbara.

██████████  
*Assistant Portfolio Manager*

██████████ joined Chandler Asset Management as an assistant portfolio manager in 2012. Mr. ██████████ assists the portfolio managers performing portfolio and fixed income research, and transacting securities.

Prior to joining Chandler, Mr. ██████████ worked at Bank of Internet in San Diego as an investment analyst where he analyzed MBS and structure debt. Mr. ██████████ started his career at Western Asset Management as a mutual fund treasury administrator in their proprietary funds division. Mr. ██████████ earned his B.S. in managerial economics, as well as his M.S. in agricultural and resource economics from the University of California, Davis. Mr. ██████████ has passed all three levels of the CFA program and will be eligible for award of the CFA charter upon completion of the required work experience.

---

██████████  
*Portfolio Management Associate*

██████████ joined the Chandler Asset Management as a portfolio management associate in 2012. His responsibilities include assisting the portfolio management team with analysis of individual securities, researching portfolios and transacting securities on behalf of the portfolio managers.

Prior to joining Chandler, Mr. ██████████ worked in the investment division of the County of Orange. At the County he shared responsibility of managing a \$50 million money market fund and assisted the team in overseeing \$6.5 billion in fixed income investments. Mr. ██████████ holds B.A. and M.A. degrees in economics from the California State University of Fullerton. He is a 2012 Level I Candidate in the CFA program.

---

██████████  
*Operations/IT Manager*

██████████ is the operations/IT manager at Chandler Asset Management. He is responsible for leading the investment operations team and managing the firm's IT resources. Mr. ██████████ oversees trade processing, trade settlements, portfolio accounting, statement reconciliation, and client reporting.

Mr. ██████████ joined Chandler Asset Management in 2004 as an operation associate. His previous experience includes financial accounting and reporting.

Mr. ██████████ earned his B.S. in business administration with a specialization in finance from California State University San Marcos in 2003. In 2009, Mr. ██████████ received his M.B.A. in finance from National University.

██████████, JD  
*COO, Chief Compliance Officer*

██████████ is the chief operating and compliance officer at Chandler Asset Management. Ms. ██████████ is responsible for regulatory compliance and legal matters, and implements and oversees the firm's operational and administrative functions. She also directly oversees the investment operations department, which is responsible for maintaining data integrity, trade settlement, performance calculation, client reporting and portfolio accounting.

Prior to joining Chandler in 2001, she served as a trading associate on the institutional fixed income sales desk at Merrill Lynch.

Ms. ██████████ earned her B.A. from the University of San Diego in business economics and her J.D. from the University of San Diego, School of Law. She is a member of the State Bar of California, the American Bar Association, the San Diego County Bar Association, and the Southern California Compliance Group. Additionally, Ms. Dragoo holds the designation of Investment Adviser Certified Compliance Professional (IACCP).

---

██████████  
*Vice President, Client Service*

██████████ joined Chandler Asset Management in 2004 and is a vice president of client service. Ms. ██████████ is an active member of CSMFO, CMTA and GFOA. Her focus is on the development of client relationships and client service. Ms. Corral has more than ten years of financial industry experience.

Prior to joining Chandler, Ms. ██████████ was employed at Nicholas Applegate Capital Management for five years, as an institutional client service assistant, then as an assistant marketing manager for the managed accounts division of the firm where she worked on marketing initiatives, developing collateral material and product communication pieces. Ms. ██████████ earned her B.A. in speech communication with an emphasis in business communications from San Diego State University.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**Chandler Asset Management**  
**IN RESPONSE TO**  
**REQUEST FOR PROPOSAL No. 1149**  
**Investment Management Services**



**APPENDIX J**

**Latest Reviewed Financial Statements**

**CONFIDENTIAL**

# Chandler Asset Management, Inc.

---

Financial Statements

Years ended December 31, 2011 and 2010