Lexington-Fayette Urban County Government

Consulting Services for Requirements Gathering and Banking Needs Assessment

RFP #4-2017

PFM Asset Management LLC
1 Keystone Plaza
Suite 300
Harrisburg, PA 17101
717-232-2723
pfm.com

pfm

Advice for people transforming their world

Expertise + Insight = Ingenuity

We are avid problem-solvers, using our collective expertise to deliver the best solutions. We mine the experience of our colleagues, combining wisdom and agile thinking to develop answers and execute strategies for our clients.

pfm.com

February 15, 2017

Lexington-Fayette Urban County Government

Consulting Services for Requirements Gathering and Banking Needs Assessment

RFP #4-2017

Table of Contents

PFM Asset Management LLC

1 Keystone Plaza
Suite 300
Harrisburg, Pa 17101

717.232.2723
www.pfm.com

Todd Slatin, Purchasing Director

Lexington-Fayette Urban County Government

Room 338, Government Center

200 East Main Street

Lexington, KY 40507

pfm

One Keystone Plaza
Suite 300
Harrisburg, PA 17101
717.232.2723

pfm.com

Dear Todd,

PFM Asset Management LLC ("PFM") is pleased to submit this proposal to provide bank consulting services to the Lexington-Fayette Urban County Government ("LFUCG"). PFM has broad experience working with municipalities and local governments throughout the country. As displayed in our successful engagement with LFUCG in 2012, which saved LFUCG approximately 50% on their general banking fees, we have the technical resources and experience to help LFUCG evaluate its treasury operations and to competitively procure those services at the most advantageous price.

PFM's treasury consulting team has worked on many engagements of similar size and complexity. A few of our most recent municipal engagements include City of Tucson, City of Glendale, City of Napa and the State of Oregon. We have included a full list of government and non-government clients we've worked with over the last five years, as well as several case studies, in our proposal response.

PFM can provide a unique local, as well as national, perspective of trends in the banking industry that will greatly assist LFUCG through this engagement.

We are enthusiastic about the opportunity to provide Consulting Services again for the Lexington-Fayette Urban County Government, and look forward to discussing this proposal with you in greater detail.

If you have any questions, please feel free to call me at (717) 232-2723 or e-mail me at calvertd@pfm.com.

Sincerely,

PFM Asset Management LLC

David J Calvert

David Calvert, CFA
Director

I. Proposal Specifications

1. Formal Proposal

a. Please clearly define the approach and process your company employs to facilitate the selection of banking and financial services.

PFM has helped numerous clients design banking services to meet their needs, evaluate the services offered by competing banks, and re-bid banking services. For each client, we undergo a comprehensive and detailed assessment of current banking arrangements; we evaluate the organization's needs, analyze existing banking relationships, review how bank services fit into the cash management and investment systems, and make specific recommendations to improve the entire system. This thorough analysis has consistently allowed us to help our clients improve efficiency, take advantage of new technology, strengthen controls and reduce banking costs.

The analysis process varies for each client based on the scope of the banking relationship, number of stakeholders involved, problems identified, and the client's timeframe. The general steps involved are described below.

TASK 1: PRELIMINARY REVIEW OF BANKING RELATIONSHIPS

At the onset of the engagement, PFM will request written policies, procedures, incumbent bank contracts, and agreements from LFUCG, including:

- An organization chart of the treasury department
- Schematics defining treasury flows, if available
- Copies of current bank agreements and contracts
- Bank analysis statements for all accounts to be covered by the project (prior 12 months)

PFM will review these documents to gain an understanding of LFUCG's operations. We will perform this background review prior to our initial in-person meetings so we are well prepared for the meetings and can make the best use of your time.

TASK 2: DISCOVERY MEETING WITH OFFICIALS AND KEY STAFF

At the Discovery Meeting, we will review LFUCG's banking arrangements with key staff members, including management, personnel handling the day-to-day banking responsibilities, information technology services and the procurement department. Interviews will focus on the following key areas:

- Account structure
- Disbursement methods

- Collection procedures
- Accounts payable process
- Cash concentration
- Records retention requirements
- Cash flow and liquidity requirements
- Reporting requirements
- Credit facilities
- Service levels
- Collateralization of deposits
- Bank fees

As part of the Discovery Meeting, we will actively discuss alternative approaches or new services that can enhance productivity. This discussion will be interactive, so we can address any concerns or questions with staff and/or management. We view our role as finding viable, workable solutions for LFUCG and not simply providing a laundry-list of services that may or may not work.

TASK 3: EVALUATE AND PROVIDE RECOMMENDATIONS REGARDING LFUCG'S CURRENT USE OF BANKING SERVICES

PFM will make recommendations for any changes to the existing use of banking services. This analysis will identify areas in which additional services could be beneficial, unnecessary services can be eliminated, physical processing of checks can be minimized, earnings on cash or sweep balances can be improved, the overall cost of banking services can be reduced, and/or operations can be streamlined. This review will also focus on areas in which new technology and state-of-the-art banking services may be of value.

For some recommendations, LFUCG may be able to take immediate action with the incumbent bank to increase earnings or decrease costs. For other recommendations (such as new services), it may be better to postpone changes until after proposal responses are received and evaluated during the RFP process.

TASK 4: DEVELOP RFP FOR BANKING SERVICES

After working with LFUCG to define the level of required banking services, we will assist in preparing a Request for Proposal that incorporates the needed services. The RFP will be designed to obtain sufficient information while still providing bidders the flexibility to suggest new ideas and creative solutions.

We will include questions in the RFP to address key issues raised by LFUCG decision makers, individual departments, IT, and/or accounting. The RFP will address these requirements and confirm that the bank will not only be able to comply, but have relevant experience complying with these requirements for other clients.

Before proposals are received, we generally recommend a question-and-answer period. PFM will incorporate specific information into the initial RFP document to address the most frequently asked questions from the vendors. However, there are always a fairly large number of questions submitted.

We will consolidate all of the questions received and will prepare an initial draft of the responses. We will then forward the document to LFUCG for review and assistance with questions we weren't able to answer.

TASK 5: EVALUATION OF PROPOSALS/SELECT QUALIFIED FIRMS

PFM will read and thoroughly evaluate the proposals received so we have a complete understanding of the proposing firms' capabilities and cost structure.

Our assessment criteria include the proposer's financial condition, technical capabilities, staff experience, internal controls, reporting capabilities, level of automation, accounting system capabilities, disaster recovery plans and proposed fees.

As part of our proposal review, we will compile detailed evaluation materials for LFUCG. These materials will include:

1) **Service Levels Matrix:** The Service Levels Matrix extracts responses from key questions from the RFP and lists the banks' answers side by side. The Matrix is an important resource that will allow LFUCG to easily compare answers provided by the banks. We highlight answers that stand out as positive or negative and identify gaps in the banks' proposals. In the past, our clients have used the Matrix as an aid while they read the proposals on their own. A portion of a sample Service Levels Matrix is shown below:

Question		Bank 1	Bank 2	Bank 3	Bank 4	Bank 5
Deposit Processing						
1.a	Number of bank branches within 10 miles	3	15	4	2	5
1.b	Yes/No: Direct or indirect discounted armored car services	Unresponsive	No	Yes	Yes	Yes
1.d	Ledger cutoff time for deposits	6 pm PST	5pm PST	Imaged - 8pm Check-Only - 6:30pm	Unresponsive	Cash Only - 7:30pm Check Only - 7:30pm Mixed - 6pm
1.e	Yes/No: Deposit bags provided by bank; Fee for deposit bags?	No; Yes	No; Yes	Yes; Yes	Yes; Yes	Yes; Yes
1.f	Yes/No: Accept loose or rolled coin	Yes	Yes	Yes	Yes	Yes
1.g	Willingness to cash any check from another bank	Unresponsive	Yes	Yes, up to $100	No	Yes, if payee is a Bank customer
Remote Deposit Capture						
3.c	Yes/No: Use Intelligent Character Recognition	Yes	Yes	Yes	Yes	Yes
3.d	Limit on number of checks contained in a single deposit	up to 500 items at one time	up to 999 items; recommends 30-50 checks	up to 200 checks	Yes; up to 300 checks	no more than 1,000 items

3.e	Yes/No: Provide RDC machines to the City at no cost?	Yes; limit 2	Yes; limit 1	Yes; limit 2	Yes; limit 4	No, but will cover 50% of cost of one scanner

2) **Quantitative Analysis:** One of the most challenging parts of reviewing banks' proposals is to put the fees on an "apples-to-apples" basis. PFM will also prepare a detailed quantitative analysis of each firm's cost proposal. The analysis will include both direct and indirect costs.

Pricing schedules from different banks can look quite different because banks take very different approaches to pricing. For instance, some banks bundle services together while others have a long list of charges. PFM's process compiles line item pricing in a pricing matrix. A portion of a sample pricing matrix is shown below:

	Current Costs			Bank 1		Bank 2	
	Unit Cost	Volume Levels	Monthly Price	Unit Cost	Monthly Price	Unit Cost	Monthly Price
GENERAL ACCOUNT SERVICES							
ACCOUNT MAINTENANCE	$ 35.00	6	210.00	$ 20.00	$ 120.00	$ 10.000	$ 60.00
ZBA-DEPOSITORY+ MASTER MAINT	$ 50.00	1	50.00	$ 30.00	$ 30.00	$ 35.000	$ 35.00
ZBA SUBSIDIARY ACCOUNT MAINT	$ 25.00	1	25.00	$ 20.00	$ 20.00	$ 25.000	$ 25.00
DEBITS POSTED-OTHER	$ 0.40	32	12.80	$ 0.40	$ 12.80	$ 0.150	$ 4.80
CREDITS POSTED-OTHER	$ 0.40	128	51.20	$ 0.40	$ 51.20	$ 0.150	$ 19.20
DIRECT DDA STMT PER ACCT	$ 20.00	6	120.00	$ -	$ -	$ -	$ -
CHECKS PAID- REPORT	$ 10.00	3	30.00	$ 10.00	$ 30.00	$ -	$ -
FACSIMILE TRANSMISSION	$ 20.00	1	20.00	$ 20.00	$ 20.00	$ -	$ -
GCS TRANSACTION HISTORY	$ 5.00	1	5.00	$ 5.00	$ 5.00	$ -	$ -
PHOTOCOPIES	$ 10.00	2	20.00	$ 10.00	$ 20.00	$ 20.000	$ 40.00

PFM's quantitative analysis will compare the direct fees on specific services as well as indirect costs such as the impact of below market earnings credit rates or investment rates and availability schedules.

The diagram below demonstrates the "indirect" cost associated with maintaining balances in bank deposit accounts. For this client, the earnings credit rate was 0.250%, but after FDIC fees are assessed, the net rate on ledger balances is only 0.069%.

“Net” Earnings Credit on Compensating Balance		
Ledger Balance		$12,094,159
Less Float		$1,302,189
Less Reserve Requirement	10%	$1,079,197
Total Collected Balance		$9,712,773
Earnings Credit	0.25% $9,712,773 * 0.25% * 30/365	$1,996
Less FDIC Assessment	0.13% $12,094,159 * 0.132% * 30/365	$1,313
Net Earnings Credit	0.069% on Ledger Balance 0.086% on Collected Balance	$683

3) **Score Sheets:** After reading and analyzing each proposal, PFM will score the banks on qualitative and quantitative criteria, assessing which institution will best meet LFUCG’s operational, service, and technology needs.

We will present our evaluation to LFUCG and will help identify those firms that best meet the selection criteria and represent the best candidates to be invited in for the next phase of the RFP process – the finalist interviews.

TASK 6: INTERVIEW SELECTED PROPOSING INSTITUTIONS

The finalist presentation is one of the most important parts of the selection process. Although the proposing firm may have a lot to offer, much of the success or failure of a banking relationship is the result of the experience and commitment of the selected firm(s)’ assigned account officer(s).

The objective of the interview will be to evaluate the technical competence of bank personnel and obtain answers or clarification on questions from the RFP. The interview also provides an opportunity to discuss and/or negotiate fees, if permitted by local procurement rules. Vendor visits and product demonstrations may also be included in this phase of the selection process.

During the interview phase, as an independent consultant, PFM can provide LFUCG with information on the advantages and disadvantages of various services and the feedback of similar clients. Since we are actively reviewing and interviewing banks and bank representatives from across the country, we are knowledgeable about changes in the industry and product offerings.

TASK 7: RECOMMENDATIONS

After the interviews, PFM will provide a written analysis of the finalist firms that discusses the strengths and weaknesses of each, including how each bank's proposal would meet LFUCG's needs. We will also update our quantitative analysis to reflect changes or clarifications made as part of the finalist interviews.

TASK 8: CONTRACT/AGREEMENT NEGOTIATIONS

Once LFUCG has selected the bank with which it would like to work, we will assist in negotiating any revisions to the proposed fee schedule or other aspects of the bank's proposal. Our experience has shown that it is often possible to obtain fee concessions from the banks on certain aspects of the work. The quantitative analysis performed in Task 5 and PFM's database of bank pricing are valuable tools in this process.

TASK 9: CONTRACT REVIEW

Although many banks would like their customers to think that the contract for banking services is "standard", this is rarely the case. Bank contracts are often written by bank attorneys for the benefit of the bank. PFM will serve as a technical resource to LFUCG's lawyers in making those changes to the "standard" contract needed to assure that the terms and pricing are fully documented.

2. Company Information: Please provide the following information:

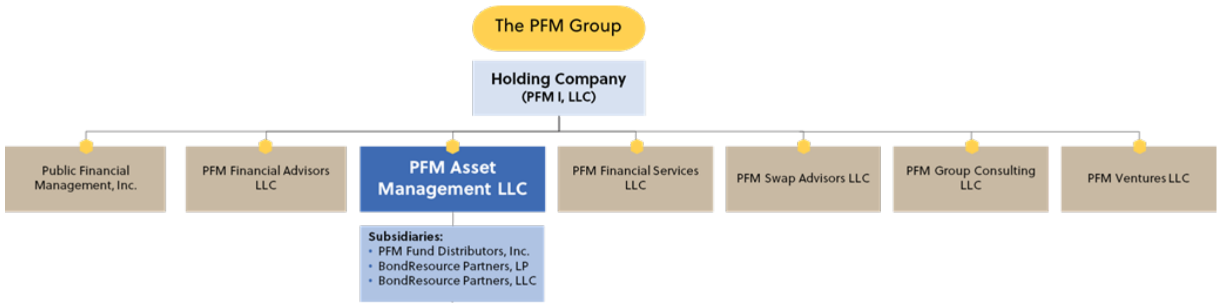
a. Company name and address.

PFM Asset Management LLC
One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101
www.pfm.com

b. Please describe the ownership model of your company.

PFMAM is part of the PFM Group, which includes Public Financial Management, Inc. and PFM Financial Advisors LLC (collectively referred to as "PFM") — the nation's leading independent financial advisor in public finance, according to Thomson Reuters, and PFM Swap Advisors LLC ("PFMSA"). The PFM Group was founded in 1975 to provide independent financial advisory services to the public sector and began providing investment advisory services to public entities in 1980. PFMAM was created in 2001 as the entity through which investment advisory services are provided. In total, the PFM Group has been providing investment advice for more than 35 years.

PFMAM and our affiliates, illustrated below, are indirect wholly-owned subsidiaries of a holding company known as PFM I, LLC. This holding company is 100% owned by the firm's Managing Directors, who set the firm's strategic direction.



Treasury Management Consulting

Treasury management consulting services are provided as part of PFM's comprehensive investment services. We have provided these consulting services to public and not-for-profit organizations since 1989. PFM is not affiliated with any bank or trust company; we are independent and give independent advice.

PFM's treasury consulting team is led by Barbara Fava, Managing Director, and David Calvert, Director, with 35 and 16 years of experience, respectively. Analysts, Danton Ponzol, Heather Seitz and Ambria Smith provide support for the team.

c. Please identify the major shareholders in your company.

PFM Asset Management LLC is a wholly owned subsidiary of PFM I, LLC. Ownership of PFM I, LLC is described above in the answer to question 2.b.

d. If publicly traded, please supply the symbols and exchange under which shares are traded.

PFM and its related companies are not publicly traded.

3. Please identify all business partnerships and alliances you have with banking, financial, and consulting firms.

Other than the affiliated companies listed in our response to question 2 above, PFM is not affiliated with any banking, financial or consulting firms.

4. Include the number of years your company has been providing banking and financial solution consulting services.

PFM has an active and well-established treasury management consulting practice. We have provided these services continually since 1989.

5. Please provide two references for banking and financial solution selection work you have performed.

Please see references for two recent engagements in the table below. For a full list of clients PFM has worked with over the past five years, please see Section II: Success Stories.

REFERENCES	
City of Tucson, Arizona	**Art Cuaron** Phone: 520-837-4379 Email Address: art.cuaron@tucsonaz.gov
City of Surprise, Arizona	**Andrea Davis** Phone: 623-222-1800 Email Address: andrea.davis@surpriseaz.gov

6. Please provide resumes for all individuals being submitted for work under this RFP, along with the following information;

a. Location of staff.

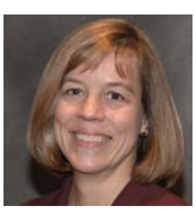
The team is based out of PFM's Harrisburg, Pennsylvania office located at the following address:

One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101

b. Indicate if the staff is sub-contracted or an employee.

PFM is committed to assigning a team of top professionals to work on this engagement with LFUCG. All staff working on LFUCG's engagement are direct employees of PFM Asset Management LLC.

The relationship will be managed by David Calvert, CFA, a Director with over 16 years of cash management and investment experience. Barbara Fava, Managing Director, will provide oversight for the engagement. Our analysts, Danton Ponzol, CTP, Heather Seitz, CTP, and Ambria Smith will provide analytical and technical support for this engagement including summarizing information from account analysis statements and preparing pro-forma costs of proposal responses.



Barbara Fava, Managing Director

Barbara Fava is a Managing Director at PFM Asset Management LLC. She is responsible for developing and managing investment programs for fixed-income portfolios for public sector and not-for-profit clients across the country. She heads PFM's Treasury Consulting practice and has worked with clients in thirty-three states to improve the function and efficiency of treasury operations and to improve investment performance. Prior to joining PFM, Ms. Fava served as Deputy State Treasurer for the Commonwealth of Pennsylvania and Director of the Bureau of Cash Management and Investments. In these positions, she was directly responsible for managing the Commonwealth's $5 billion short-term investment portfolio, coordinating cash flows for over 100 operating and bond funds and managing the State's banking relationships.

Ms. Fava received an undergraduate degree in Business Administration with a dual concentration in Economics and Finance from Clarion University and a Master of Business Administration from the Pennsylvania State University. She is a frequent lecturer on investment, banking and cash management topics.

Ms. Fava holds Financial Industry Regulatory Authority (FINRA) Series 6 and 63 licenses.

David Calvert, CFA; Director

David Calvert is a Director at PFM Asset Management LLC specializing in the delivery of treasury consulting services. He helps clients identify their banking needs and assists in the time consuming process of competitively procuring banking services. These engagements typically result in our clients receiving significant cost savings, new and improved services, and greater customer service from their banking partner.

He also provides a broad range of investment advisory and consulting services for clients located from Maine to South Carolina. These services include developing portfolio strategies, modeling cash flows, developing initial portfolio strategies, reviewing portfolio performance, and updating investment policies.

After graduating from Boston College with a Master of Science degree in Finance, he joined PFM in 2000. He completed his Bachelor of Science degree in Business Administration with a dual concentration in Finance and Accounting from Bloomsburg University graduating Magna Cum Laude.

Mr. Calvert holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute. Additionally, Mr. Calvert holds Financial Industry Regulatory Authority (FINRA) Series 6 and 63 licenses.

Danton Ponzol, CTP; Senior Analyst

Danton Ponzol is a Senior Analyst in PFM Asset Management LLC's Harrisburg office. Mr. Ponzol started at PFM in July 2014. His responsibilities include helping clients manage all aspects of their investment programs, including policy development, portfolio structuring and analysis, investment performance analysis, cash flow modeling, and economic research and reporting. Mr. Ponzol is also very active in our treasury consulting practice, serving as an analyst for multiple engagements.

Mr. Ponzol graduated from Lafayette College with a Bachelor of Arts degree in Economics and Policy Studies. He holds the Certified Treasury Professional (CTP) designation, as well as Financial Industry Regulatory Authority (FINRA) Series 6 and 63 licenses.

Heather Seitz, CTP; Senior Analyst

Heather Seitz is a Senior Analyst in PFM Asset Management LLC's Harrisburg office. Ms. Seitz has 4 years of experience providing investment advisory services. Her responsibilities include investment performance analysis and reporting, cash flow modeling, treasury consulting, economic research, and investment policy evaluation. Prior to working with PFM, Ms. Seitz was a Financial Services Representative for MetLife where she helped her clients create financial strategies to meet their goals.

Ms. Seitz graduated from York College with a Bachelor of Science degree in Business Administration, with a concentration in Finance. She holds the Certified Treasury Professional (CTP) designation, as well as Financial Industry Regulatory Authority (FINRA) Series 6 and 63 licenses.

Ambria Smith, Analyst

Ambria Smith is an Analyst in PFM Asset Management LLC's Harrisburg office. Ms. Smith has been an intern with PFM for the last three years and started with the firm full-time in 2016.

Ms. Smith graduated Magna Cum Laude from the University of Pittsburgh. She holds a Bachelor of Science degree in Finance and Information Systems and a minor in Economics, as well as Financial Industry Regulatory Authority (FINRA) Series 6 and 63 licenses.

7. Consultant shall be reimbursed for professional services rendered according to the terms of the agreement. Reasonable travel expenses shall be agreed upon in the contract agreement.

Please see Section IV for PFM's fee proposal.

II. Success Stories

In addition to improving internal operations, PFM's bank RFP process has consistently allowed our clients to achieve fee savings. The organizations listed below represent clients PFM has worked with during the past 5 years to re-bid banking services through a competitive RFP process.[1] These clients have achieved direct fee savings on general banking of 17% to 93% with average savings of 48%. Half have maintained banking relationships with their incumbent bank and half selected a different banking services provider.

Client	State
Municipalities / Utilities	
Alameda County Water District	California
California Asset Management Program	California
Chicago Public Schools	Illinois
City of Glendale	Arizona
City of Kingsport	Tennessee
City of Mesa	Arizona
City of Napa	California
City of Philadelphia	Pennsylvania
City of St. Louis	Missouri
City of Surprise	Arizona
City of Tucson	Arizona
City of Winter Springs	Florida
CPS Energy	Texas
DC Water	District of Columbia
Hampton Roads Sanitation District	Virginia
Huntsville Utilities	Alabama
Lexington-Fayette Urban County Government	Kentucky
Lincoln Electric System	Nebraska
Maine State Treasurer	Maine
Metropolitan Nashville Airport Authority	Tennessee
Minneapolis Public Schools	Minnesota
San Bernardino County	California
Santee Cooper	South Carolina
School Board of Broward County	Florida

[1] This list was compiled as of December 31, 2016 and includes all complete treasury consulting engagements led by Barbara Fava, Steve Alexander or David Calvert over the last five years. Savings are based on general banking and cash management services and do not include other services such as merchant card processing or enhanced rebated schedules for purchasing cards. Savings represent past experiences and competitive conditions at the time of the engagements. Similar results may not be duplicated for all clients. Inclusion on this list does not necessarily represent endorsement of PFM services.

State of Hawaii	Hawaii
State of Oregon	Oregon
Virginia State Non-Arbitrage Program	Virginia
Healthcare and Higher Education	
Berklee College of Music	Massachusetts
Brandman University	California
College of William & Mary	Virginia
Eastern Maine Healthcare Systems	Maine
Grand Valley State University	Michigan
Independence Blue Cross	Pennsylvania
Michigan State University	Michigan
New Jersey Institute of Technology	New Jersey
Orlando Health	Florida
Redlands Community Hospital	California
Rhode Island School of Design	Rhode Island
Roger Williams University	Rhode Island
Rutgers University (Including the New Jersey Medical School)	New Jersey
Trinity University	Texas
University of Arkansas	Arkansas
University of Maine System	Maine
University of Redlands	California
University System of New Hampshire	New Hampshire
Virginia Commonwealth University	Virginia
Virginia Polytechnic Institute & State University	Virginia
Wellesley College	Massachusetts

These results are achieved by:

1) Structuring the RFP in a way to retain flexibility to pick and choose the most competitive proposal for each service.
2) Recognition by the banks that an independent third-party consultant is involved in the process.
3) Our ability to negotiate on the client's behalf to improve the pricing.

The following case studies demonstrate how PFM's process can add real value:

SAN BERNARDINO COUNTY, CALIFORNIA

The increased capital requirements imposed by Basel III caused San Bernardino County's (California) banking partner to fundamentally change the nature of their banking relationship with the County. The bank imposed severe limitations on the amount of money they were willing to allow the County to hold on deposit. After multiple attempts to negotiate with the bank, the

County hired PFM to review its current banking relationship and assist in the solicitation of a Request for Proposal.

We customized the RFP to address the specific needs of the County's operations and processes. As the largest county in the United States by area, there were some unique challenges related to meeting the deposit needs of remote County offices.

Through the competitive solicitation process, the County received proposals from five different vendors. The County selected a new banking provider that did not impose a limitation on the amount of collateralized bank deposits, and reduced its banking fees by 64% compared to the incumbent bank's pricing.

CITY OF SURPRISE, ARIZONA

The City of Surprise, Arizona hired PFM in 2015 to evaluate its current service providers, identify "best practices", and explore new bank services. During the discovery phase of the engagement, PFM determined that the City's fees were high relative to other municipal entities we've worked with. PFM also identified several bank services that could improve efficiency and reduce the potential for fraud.

The RFP was structured to seek vendors for General Banking, Institutional Custody, Purchasing Card, Retail Lockbox, Bill Printing / Mailing and Online Collection, Merchant Card Processing, Payroll Card, Onsite ATMs, Armored Car, and Wholesale Lockbox.

In total, the City received proposals from nine vendors. PFM prepared a detailed quantitative and qualitative evaluation of each proposal. The City selected four firms to provide the comprehensive suite of services included in the RFP. The City received aggressive pricing and a generous transition bonus, which resulted in savings of 52.7% for general banking services. The City also determined outsourcing the printing and collection of its utility bills was a more efficient and cost effective alternative, and it improved the customer experience.

CITY OF PHILADELPHIA, PENNSYLVANIA

PFM worked with the City of Philadelphia in 2012 and 2013 to rebid the City's banking services. At the onset of the engagement with PFM, the City maintained relationships with six separate banks, many of which did not have formal contracts and were not overseen by the City Treasurer's Office. A major goal of the procurement process was to improve efficiency and controls by organizing all of the City's banking relationships under the City Treasurer's oversight.

During preliminary meetings between the City and PFM, the decision was made to issue two separate RFPs. The first RFP was issued in 2012 and included only the City's payroll services for the City's 28,000 employees. The City received four proposals from this solicitation. After a thorough review of the proposals, the City selected the incumbent provider, and through the procurement process, the incumbent bank agreed to reduce fees by 23%.

The City of Philadelphia issued a second RFP for banking services in 2013, which included General Banking, Lockbox, Integrated Payables, Investment Custody Services and Payment Card, and received proposals from eight banks. PFM performed a thorough quantitative and qualitative analysis of the proposals and assisted the City with interviews of the selected finalists. Multiple City departments were involved in the interview and evaluation process. Fee savings of 60% were realized on general banking services.

III. Role of Consultant / Required Tasks

The consultant will serve as a Treasury consultant to the LFUCG regarding its banking services. Tasks include:

1. **Preliminary Review**
   a. Review of current banking contracts/agreements
   b. Review of current banking services, fees, and earnings
      i. Disbursement Services and Reconciliation
      ii. Payables Processing
      iii. Payroll Cards
      iv. Employee Banking
      v. Overnight Investment Vehicles
      vi. Collateralization of Deposits
      vii. Cash Concentration
   c. Examine LFUCG's line item services, volumes, and pricing and perform a comparison to actual prices paid within the treasury management industry
   d. Consider the benefits of new banking technology services
   e. Assess Controls
   f. Provide an opinion on the sufficiency of pledged collateral
   g. Identify fee reduction options
   h. Review online banking services and fees

During **Task 1: Preliminary Review of Banking Relationships**, PFM will request LFUCG's banking contracts/agreements as well as any statements related to services to be reviewed and potentially rebid during this engagement. We will examine each line item and compare LFUCG's pricing to our Bank Pricing Database (more information below) in order to evaluate the pricing LFUCG is receiving compared to other municipal entities.

We will also review and analyze LFUCG's written policies and procedures in order to gain a full understanding of LFUCG's current business practices and requirements. This will give the PFM team a comprehensive view of daily and monthly work flows, allowing us to be prepared for our on-site Discovery Meetings and give immediate feedback from our review at that time. This feedback can include potential benefits of banking technology services, sufficiency of pledged collateral, and fee reduction options. The ability to assess controls would likely come after Task 2.

As part of **Task 2: Discovery Meeting with Officials and Key Staff**, we will review LFUCG's banking arrangements and services with key staff members, including management, personnel handling the day-to-day banking responsibilities, information technology services and the procurement department. We try to foster open communication during these meetings to help us understand what is going well within the organization and to appreciate the pain points. There is sometimes a simple solution that can be inexpensively implemented resulting in greater staff efficiency. There are other instances where management and staff have different perspectives of their existing financial partner. We attempt to reconcile these differences of opinions so subsequent parts of the evaluation and implementation process run more smoothly.

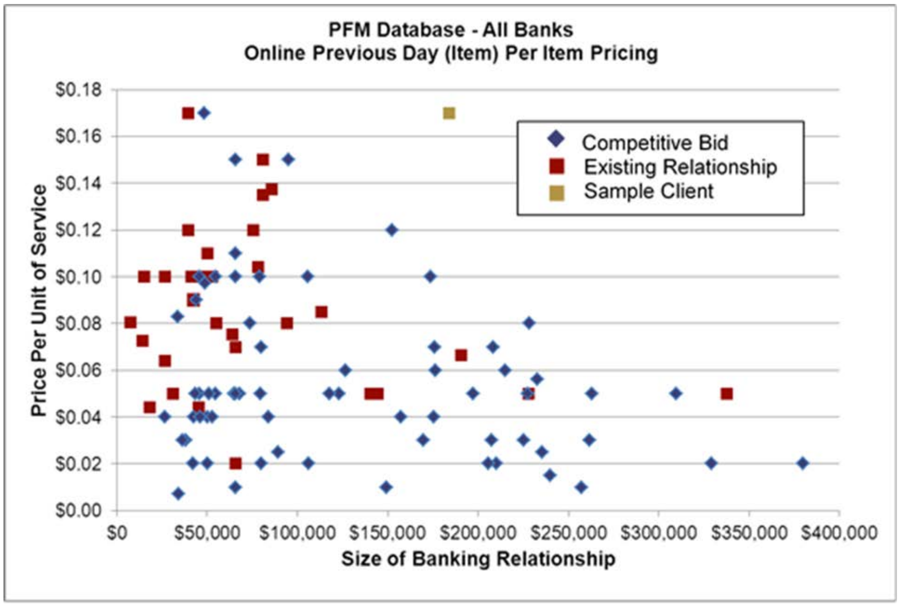
Bank Pricing Database

One of the tools we will use to ensure that LFUCG receives the most competitive pricing available is PFM's database of bank pricing. This database contains a wealth of information about bank pricing, including both actual and proposed fees, from public and not-for-profit organizations across the country. The database is invaluable in assessing potential fee savings and in negotiating pricing. Over the last decade, we have seen technology drive the costs for "commodity" banking services lower.

To demonstrate the value of the database, we are able to compare individual line item pricing to the pricing paid by other similarly sized entities for banking services. As an example, here is the analysis for Online Previous Day Items for one of our clients before the issuance of an RFP. The organization was paying $0.17 per item for each Online Previous Day Item. In the current highly competitive banking environment, we are seeing proposed pricing for this service at significantly lower levels.

The chart shows per unit pricing for Online Previous Day Items based on the overall size of the general banking relationship (annual fees). The symbols are color coded to show the source of the pricing as follows:

- Pricing before competitive procurements are designated by **red** squares
- The entity's current pricing is shown with a **gold** square
- Pricing proposed by banks during competitive procurements are designated by **blue** diamonds



2. Recommendations for Services to be included in the RFP

a. Elimination of unnecessary services

b. Use of new services

c. Recommendations for earnings improvement on sweep balances

d. Determine the best service compensation option for LFUCG (ECR, interest, etc.)

e. Recommendations for controls efficiency

f. Define cost reduction options

g. Propose a methodology for LFUCG to monitor account analysis cost of services via the use of bank relationship management software

As described in **Task 3: Evaluate and provide recommendations regarding LFUCG's use of banking services**, PFM will make recommendations for any changes to the existing use of banking services. This analysis will identify areas in which additional services could be beneficial, unnecessary services can be eliminated, physical processing of checks can be minimized, earnings on cash or sweep balances can be improved, the overall cost of banking services can be reduced, and/or operations can be streamlined. This review will also focus on areas in which new technology and state-of-the-art banking services may be of value.

After the implementation of the new banking contract, PFM can review the account analysis statement to ensure the negotiated pricing is accurately reflected in the account analysis statement. We will also outline ways for LFUCG to review and monitor service fees to ensure pricing remains at agreed upon terms.

3. Develop RFP for Banking Services

a. Create a work plan and develop a timeline for the RFP process

As part of **Task 4: Develop RFP for Banking Services**, we will include LFUCG's requirements into a thorough and detailed RFP. The document will describe current operations and explain LFUCG's goals for the RFP process. The RFP will be detailed enough to obtain critical information from the banks and flexible enough to ensure proposers can offer creative solutions to LGUCG's challenges. We will also develop a timeline for the process which will be distributed to all participants to ensure milestones are met.

4. Evaluation of Proposals

a. Develop evaluation criteria

b. Provide standardized evaluation forms for reviewers

c. Compute proposed fees based on actual usage for proposals to include consideration of indirect costs

    i. Earnings credit rate

    ii. Sweep investment rate

    iii. Different fees for hard or soft dollar payment

d. The Finance Commissioners office will evaluate the proposals and rank them. The consultant will then perform a comprehensive review of the top (up to four) proposals

This is where PFM's involvement in **Task 5: Evaluation of Proposals/Select Qualified Firms** is valuable. PFM will assist LFUCG in developing the evaluation criteria and the standard evaluation forms reviewers will use to score each proposal. PFM will then review all written proposal responses, highlighting and identifying areas to which LFUCG should pay special attention. This is done using a variety of customized tools including Service Level Matrices, a comprehensive quantitative analysis, and score sheets to assess which institution best meets LFUCG's operational, service, and technological needs. The quantitative analysis will compute proposed fees based on actual LFUCG volume levels, including the indirect costs such as Earnings credit rate, Sweep investment rate, and a comparison in fees for soft dollar or hard dollar payment options.

5. Participate in (up to four) Bank Interviews

a. Clarify proposal discrepancies

b. Pose technical questions

c. Assess bank staff capabilities

During **Task 6: Interview Selected Proposing Institutions**, PFM will participate in the Finalist Interviews and help the Evaluation Committee to make distinctions between the proposers. The objective of the interview is to evaluate the technical competence of bank personnel, as well as to obtain clarification on questions from the proposals resulting in choosing the most appropriate provider.

6. Make Recommendations

a. Finalize quantitative analysis

b. Provide assessment of strengths and weaknesses of finalists

c. Provide a ranking of the finalists

d. Assist with fees negotiation with selected bank(s)

Task 7: Recommendations: After the interview process, PFM will provide a comprehensive written analysis of the finalists, which highlights strengths and weaknesses of each institution. This analysis will include a final quantitative analysis, assessment of strengths and weaknesses of each finalist, and PFM's final scoring.

Once LFUCG has finalized its ranking of proposals, PFM will assist with the fee negotiations. Our Bank Pricing Database as well as our experience negotiating with banks throughout the country puts PFM at an advantage when it comes to these negotiations.

7. Contract Review

a. Serve as a technical resource (subject matter expert) to the LFUCG legal team regarding bank contracts

Task 8: Contract/Agreement Negotiations and **Task 9: Contract Review**: After LFUCG announces its intent to award a contract, PFM will assist with contract negotiations. We will serve as a resource to LFUCG to ensure that the contract fully incorporates the final negotiated terms and conditions.

IV. Fee Proposal

PFM is available to assist the Lexington-Fayette Urban County Government with all of the Required Tasks outlined in Section III of this proposal. It is our understanding that the scope of this engagement is limited to the rebidding of General Banking Services and Purchasing Cards. The table below outlines the engagement fee as well as additional services that may be needed.

Treasury Management Consulting Services	Engagement Fee
Task 1: Preliminary Review of Banking Relationships Task 2: Discovery Meeting with Officials and Key Staff Task 3: Evaluate and Provide Recommendations Regarding LFUCG's Current Use of Banking Services Task 4: Develop RFP for Banking Services Task 5: Evaluation of Proposals/Select Qualified Firms Task 6: Interview Selected Proposing Institutions Task 7: Make Final Recommendations Task 8: Contract/Agreement Negotiations Task 9: Contract Review	$35,000
Additional Services (i.e. Lockbox Services, Merchant Card Processing)	$10,000 per additional Service[2]
Additional On-Site Meetings (two on-site meetings are included in the base engagement fee)	$2,500 per additional meeting
Review of Additional Proposals (If LFUCG receives more than 6 proposals, an additional fee per proposal reviewed would apply)	$2,000 per additional proposal

We would also ask to be reimbursed for expenses related to travel, meals and lodging. Appropriate documentation and third party receipts will be provided with each invoice.

[2] During our Discovery Meeting, LFUCG may determine it to be advantageous to procure additional financial services as part of the RFP for Banking Services. This fee would only apply if LFUCG seeks to add one or more of these services as part of the Scope of Work.

V. Appendix

A. Required Forms
B. Exceptions to General Provisions & Insurance Requirements
C. PFM Form ADV Part 2A & 2B

A. Required Forms

i. Affirmative Action Plan
ii. Current Work Force Analysis Form
iii. Affidavit
iv. Equal Opportunity Agreement
v. Quote Summary Form
vi. MWDBE Participation Form
vii. Statement of Good Faith Efforts
viii. General Provisions *(subject to exceptions listed in Appendix B)*

Affirmative Action Plan

The PFM Group
1735 Market St
Philadelphia, PA
19103-2770

215 567-6100
215 557-1397 fax

Table of Contents

The PFM Group Affirmative Action Plan

I.
Equal Employment Opportunity Policy Statement

PFM will not discriminate against or harass any employee or applicant for employment because of race, color, creed, religion, citizenship status, national origin, sex, sexual orientation, disability, age, marital or civil union status, or status with regard to public assistance.

PFM will take Affirmative Action to ensure that all employment practices are free of such discrimination. Such employment practices include, but are not limited to, the following: hiring, upgrading, demotion, transfer, recruitment or recruitment advertising, selection, layoff, disciplinary action, termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

PFM will use its best efforts to afford minority and female business enterprises with the maximum practicable opportunity to participate in the performance of subcontracts for construction projects that this employer engages in.

PFM will commit the necessary time and resources, both financial and human, to achieve the goals of Equal Employment Opportunity and Affirmative Action.

PFM fully supports incorporation of non-discrimination and Affirmative Action rules and regulations into contracts.

PFM will evaluate the performance of its management and supervisory personnel on the basis of their involvement in achieving these Affirmative Action objectives as well as other established criteria. Any employee with this organization, or subcontractor to this employer, who does not comply with the Equal Employment Opportunity Policies and Procedures as set forth in this Statement and Plan will be subject to disciplinary action. Any subcontractor not complying with all applicable Equal Employment Opportunity/Affirmative Action laws, directives and regulation of the Federal, State and Local governing bodies or agencies thereof, will be subject to appropriate legal sanctions.

PFM has appointed Mike Aileo to manage the Equal Employment Opportunity Program. His responsibilities will include monitoring all Equal Employment Opportunity activities and reporting the effectiveness of this Affirmative Action Program, as required by Federal, State and Local agencies. The Chief Executive Officer of PFM will receive and review reports on the progress of the program. If any employee or applicant for employment believes he/she has been discriminated against, please contact John Bonow, 1725 Market St, 43rd Floor Philadelphia, PA 19103.

II. Assignment of Responsibility for Affirmative Action Program

Mike Aileo, Managing Director of Human Resources, will be the EEO/AA Coordinator and will monitor all employment related activity to ensure that PFM's EEO/AA policies are being carried out. Mr. Aileo's duties include, but are not limited to the following:

1. Develop the EEO/AA policy statement and Affirmative Action Plan/Program, consistent with PFM's policies, and establish affirmative action goals and objectives.

2. Implement the Affirmative Action Plan/Program including internal and external dissemination of PFM's EEO/AA policies and plan.

3. Conduct and/or coordinate EEO/AA training and orientation of PFM's supervisors, managers, and subcontractors to inform them of their responsibilities pursuant to the Affirmative Action Plan/Program.

4. Ensure that managers and supervisors understand it is their responsibility to take action to prevent harassment of protected class employees and applicants for employment.

5. Hold regular discussions with project managers, supervisors and employees to ensure employer's equal opportunity policies are being followed.

6. Ensure that all minority, women and handicapped employees are provided equal opportunity as it relates to organization-sponsored training programs, recreational/social activities, benefit plans, pay and other working conditions without regard to race, color, creed, religion, national origin, sex, disability, handicap, age, marital or civil union status, or status with regard to public assistance.

7. Review the qualifications of all employees to ensure that all minorities and women are given full opportunities for transfers and promotions.

8. Periodically audit training programs, hiring and promotion patterns to remove impediments to the attainment of goals and objectives.

9. Design, implement and maintain EEO audit, recording and record systems which will measure the effectiveness of the employer's Affirmative Action Plan/Program; determine whether or not PFM's goals and objectives have been attained and make data available to appropriate enforcement agencies.

10. Maintain, monitor and measure PFM's progress toward meeting its affirmative action goals.

11. Identify problem areas and recommend solution to the problems.

12. Coordinate the implementation of necessary remedial actions to meet compliance requirements and goals.

13. Serve as liaison between PFM and relevant or applicable governmental enforcement agencies.

14. Serve as liaison between protected class groups and PFM.

15. Coordinate recruitment and employment of women, minority and handicapped persons.

16. Coordinate recruitment and utilization of women, minority and handicapped owned businesses.

17. Receive, investigate and attempt to resolve all EEO complaints.

18. Keep management informed of latest developments in area of EEO.

19. Monitor subcontractors and work sites to ensure compliance in such areas as:

    (a) Proper employment of women and minority employees.
    (b) Proper posting of EEO posters.
    (c) Female and minority employees' working conditions are free of harassment and intimidation.

III. Dissemination of Affirmative Action Policy and Plan

PFM'S Equal Employment Opportunity/Affirmative Action (EEO/AA) policy is adequately disseminated both internally and externally as outlined below:

A. Internal Dissemination

1. The policy statement and non-discrimination posters are permanently posted and conspicuously displayed in areas available to employees and applicants for employment such as employee bulletin boards and lunchrooms throughout the place of employment, and at each of the employer's locations.

2. The EEO/AA policy statement is published in PFM's newsletters, magazines, annual reports and communicated to employees in the same way that other major personnel policies or decisions are communicated to employees.

3. The EEO/AA policies are included in the employee handbook.

4. All executive, management and supervisory personnel are furnished a full copy of the Affirmative Action Program/Plan and amendments.

5. Each employee is furnished a copy of the policy statement and has access to the Affirmative Action Plan/Program. This policy is made available to all employees including part-time, temporary or seasonal employees.

6. Orientation and training sessions are conducted to thoroughly inform all employees and management of the PFM's EEO/AA commitment and AAP and of individual responsibility for effective implementation.

7. Specifically review the EEO/AA policies with minority, female and disabled employees.

8. Disseminate EEO/AA policy by including it in any advertising in the news media, specifically including minority, female, and disabled news media.

9. Review organization's EEO/AA policies with all employees and management at least once a year.

10. Picture both men and women, minority and non-minority, and disabled when employees are featured in product or consumer advertising, employee handbook or similar publications.

B. External Dissemination

1. Communicate at pre-bid, pre-award and pre-construction conferences the PFM's EEO/AA commitment and the subcontractor's responsibilities regarding EEO/AA.

2. Will notify all subcontractors, vendors and suppliers verbally and in writing of PFM's EEO/AA policy and project goals, requiring supportive action on their part. Sanctions will be imposed if they fail or refuse to comply with PFM's policies and goals. Such sanctions might include withholding all or part of the regular payments until the subcontractor comes into compliance, suspending or terminating the contract and provision of a monetary penalty until compliance is achieved.

3. Will notify all recruitment sources, labor unions or representatives with which PFM has a collective bargaining agreement or other contract or understanding and minority, female and disabled news media, verbally and in writing, of PFM's EEO/AA policies and encourage them to actively recruit and refer women, minorities and the disabled to assist PFM in achieving our affirmative action objectives.

4. Will notify current and potential sources of workforce supply, including but not limited to, subcontractors, employment agencies, community action agencies, community leaders, schools, colleges, churches or missions frequented by protected class persons, organizations of protected class persons, and the news media of PFM's EEO/AA policies.

5. "Equal Opportunity Employer/Contractor" or "Affirmative Action Employer/Contractor" are included in all organization stationery letterhead, purchase orders, leases, contracts and in advertisements recruiting employees and subcontractors, and on employment applications.

6. Picture both men and women, minority and non-minority, and disabled persons in consumer or help wanted advertising.

7. Communicate to prospective employees the existence and contents of PFM's Affirmative Action Plan/Program and policies.

IV. Goals, Timetables and Specific Programs to Achieve Goals

PFM's utilization of minorities and women does not indicate an underrepresentation in its workforce, but as PFM continues to grow in the coming years it is the goal of the firm to also continue to expand this utilization. This expansion will be accomplished by promoting minorities and women to increasingly more responsible positions within the firm and by recruiting qualified minorities and women from outside the firm when openings occur.

While it remains PFM's goal to maintain the equal employment opportunity hiring practices which have led to the current representation of minorities and women in the workforce, PFM is also making special efforts in its hiring practices to expand this representation. These efforts include such things as interviewing candidates at minority universities, taking steps to assure that significant numbers of women and minorities are interviewed at other universities, networking with existing minority and female employees to receive recommendations for future hires, involving existing minority and female employees heavily in all recruiting efforts and regularly providing current employees the opportunity to make suggestions for improving the outreach of PFM's hiring practices to determine if changes are needed.

PFM's internal operations are carefully monitored by senior management to assure that women and minorities receive equal opportunity for promotion. This includes reviewing assignments and responsibilities to be sure that women and minorities are given the types of duties that will lead to promotional opportunities, involving women and minorities in management and administrative functions whenever possible, aggressively including women and minorities in all marketing efforts to enhance their opportunities for business development and being certain that client management opportunities are open.

Specific goals to be achieved over the next two years include assuring that all classes of new hires of entry level professionals are at a minimum 35% women and 20% minority, promoting at least one additional woman and one minority to the Managing Director level of the firm, and increasing the overall minority component of PFM's workforce to 20%. As part of achieving this latter goal PFM will increase its minority representation at the office/clerical level by a minimum of two as positions become open through aggressive recruiting. As PFM grows this number will increase proportionately to maintain the representation achieved over the next two years.

V.
Measures to Facilitate Implementation of EEO/AA Plans

Recruitment of Employees

PFM's intends to facilitate implementation of its EEO/AA by taking positive steps to recruit minority, female and disabled employees in order to achieve affirmative action goals. These steps include but are not limited to the following:

A. All solicitations or advertisements for employees placed by or in behalf of PFM will state that all qualified applicants will receive consideration for employment regardless of their race, color, creed, religion, national origin, sex, disability, age, marital or civil union status, or status with regard to public assistance. Help wanted advertising will also be placed in "protected class" oriented news media. Copies of advertisement for employees will be kept on file for review by enforcement agencies.

B. PFM would not indicate, in help-wanted advertisements, a preference, limitation, specification, or discrimination based on sex unless sex would a bona fide occupational qualification for a particular job involved. No such positions currently exist at PFM. The placement of an advertisement in columns classified by publishers on the basis of sex, such as columns headed "Male" or "Female" will be considered as an expression of a preference, limitation, specification or discrimination based on sex.

C. Active recruiting programs, where applicable, are carried out at secondary schools, community colleges, and colleges with predominantly minority and female enrollments. Recruiting efforts at all schools will incorporate efforts to reach minorities, females and disabled persons.

D. PFM and its subcontractors will make job opportunity information equally available to potential applicants from both protected and non-protected class groups, unless there is a bona fide occupational requirement for a particular job.

E. Actively encourage present minority, female and disabled employees to recruit other minorities and females and disabled persons, and where reasonable, provide after school, summer and vacation employment to minority, female and disabled youth, both on site and it other areas of your workforce. Employee can earn incentive payments for recommending job applicants who are subsequently hired.

F. Recruitment brochures pictorially presenting work situations will include minority, female and disabled members of our workforce.

G. Special efforts are made to include minority, female and disabled persons on personnel relations staff.

Training Programs

PFM makes opportunities available for training to ensure minorities, females and disabled persons are utilized throughout a project.

A. PFM will provide training leading to promotions for protected class employees.

B. Minority, female and disabled employees will be afforded a full opportunity and will be encouraged to participate in all organization sponsored educational and training programs.

C. On-the-job training programs as well as other training and educational programs to which PFM gives support or sponsorship, will be regularly reviewed to insure that minority, female, and disabled employees are given equal opportunity to participate.

D. Appropriate steps will be taken to give active encouragement to minority, female and disabled employees to increase their skills and job potential through participation in available training and educational programs.

PFM has a goal to increase the number of minorities in its Secretarial position. To this end, PFM encourage minorities to apply for this position. PFM expects to achieve the desired increase within the next year.

VI.
Internal Audit and Reporting Systems

Public Financial Management, Inc. although it is a relatively small company in size, maintains a monthly auditing system of its affirmative action. Each month PFM's Managing Director of Human Resources conducts a census of the ethnic composition of PFM's total work force using Pennsylvania Department of Labor and Industry standard job classifications broken down by sex and minority classification. Such census is reviewed by PFM's senior management for utilization of available work force in turn reports its overall statistics to a variety of federal and state agencies, as required. In cases where underutilization is found, recruiting practices are reviewed to determine if they need to be modified.

The internal audit report will be prepared in the table format, in Appendix A. The categories shown in this report will include a breakdown by sex and minority classification for each level of employee.

VII. Affirmative Action Plan for Disabled Individuals

An Affirmative Action Plan has been developed and implemented for the employment and advancement in employment of qualified disabled individuals.

A. Disabled Individuals Affirmative Action Clause

PFM shall not discriminate against any employee or applicant for employment because of physical or mental disability in regard to any position for which the employee or applicant for employment is qualified. PFM agrees to take affirmative action to employ, advance in employment, and otherwise treat qualified disabled individuals without discrimination based upon their physical or mental disability in all employment practices such as the following: employment, upgrading, demotion or transfer, recruiting, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

PFM agrees to post in conspicuous places, available to employees and applicants for employment, notices stating PFM's obligation under the law to take affirmative action to employ and advance in employment qualified disabled employees and applicants for employment, and the rights of applicants and employees.

B. Schedule for Review

PFM will review all physical and mental job requirements to determine the extent that these requirements tend to screen out qualified disabled individuals. It will be determined whether these requirements are job related and are consistent with business necessity and the safe performance of the job. The Chief Executive Officer of PFM conducts an annual review of the firm's Affirmative Action Program and takes personal responsibility for assuring that disabled individuals are not excluded from hiring and/or promotion.

C. Pre-Employment Medical Exam

PFM does not require a comprehensive medical exam prior to employment. If it did, the results of such an examination will not be used to screen out qualified disabled individuals. Information obtained in response to such inquiries or examination shall be kept confidential except that (a) supervisors and managers may be informed regarding restrictions on the work or duties of disabled individuals and regarding accommodations, (b) first aid and safety personnel may be informed, where and to the extent appropriate, if the condition might require emergency treatment, and (c) officials, employees, representatives, or agents of local human rights agencies investigating compliance with the act or local human rights ordinances shall be informed if they request such information.

D. Accommodations to Physical and Mental Limitations of Employees

PFM shall make a reasonable accommodation to the physical and mental limitations of an employee or applicant unless such an accommodation would impose an undue hardship on the conduct of the business.

E. Compensation

In offering employment or promotions to disabled individuals, PFM shall not reduce the amount of compensation offered because of any disability income, pension, or other benefit the applicant or employee receives from another source.

F. Outreach, Positive Recruitment and External Dissemination of Policy

PFM shall review employment practices to determine whether the personnel programs provide the required affirmative action for employment and advancement of qualified disabled individuals. Based upon the findings of such review, PFM shall undertake appropriate outreach and positive recruitment activities, such as those listed below.

1. Develop internal communication of obligation to engage in affirmative action efforts to employ qualified disabled individuals in such a manner as to foster understanding, acceptance, and support among executive, management, supervisory, and all other employees and to encourage such persons to take the necessary action to aid PFM in meeting this obligation.

2. Develop reasonable internal procedures to ensure that the obligation to engage in affirmative action to employ and promote qualified disabled individuals is being fully implemented.

3. Periodically inform all employees and prospective employees of the commitment to engage in affirmative action to increase employment opportunities for qualified disabled individuals.

4. Enlist the assistance and support of recruiting sources (including state employment security agencies, state vocational rehabilitation agencies or facilities, sheltered workshops, college placement officers, state education agencies, labor organizations and organizations of or for disabled individuals) of PFM's commitment to provide meaningful employment opportunities to qualified disabled individuals.

5. Review employment records to determine the availability of promotable and transferable qualified known disabled individuals presently employed, and to determine whether their present and potential skills are being fully utilized or developed.

6. Include disabled workers when employees are pictured in consumer, promotional, or help wanted advertising.

7. Take positive steps to attract qualified disabled persons not currently in the workforce who have requisite skills and can be recruited through affirmative action measures.

G. Internal Dissemination of Policy

Realizing that an outreach program is ineffective without adequate internal support from supervisory and management personnel and other employees, who may have had limited contact with disabled persons in the past, and in order to assure greater employee cooperation and participation PFM shall disseminate this policy internally as follows:

1. Include it in the policy manual.

2. Publicize it in the organization's newspaper, magazine, annual report, and other media.

3. Conduct special meetings with executive, management, and supervisory personnel to explain the intent of the policy and individual responsibility for effective implementation, making clear PFM's attitude.

4. Schedule meetings with all employees to discuss policy and explain individual employee responsibilities.

5. Discuss the policy thoroughly in both employee orientation and management training programs.

6. Post the policy on organization bulletin boards, including a statement that employees and applicants are protected from coercion, intimidation, interference, or discrimination for filing a complaint or assisting in an investigation of a complaint.

7. When employees are featured in employee handbooks or similar publications for employees, include disabled employees.

H. Responsibility for Implementation

Mike Aileo, Managing Director of Human Resources, has been designated director of PFM's affirmative action activities.

His identity shall appear on all internal and external communications regarding PFM's affirmative action programs. Mike Aileo has been given necessary top management support and staff to manage the implementation of this program, including the following activities:

1. Develop policy statements, affirmative action programs, and internal and external communication techniques, including regular discussions with local managers, supervisors, and employees to be certain PFM's policies are being followed. In addition, supervisors shall be advised that:

    (a) their work performance is being evaluated on the basis of their affirmative action efforts and results, as well as other criteria; and
    (b) PFM is obligated to prevent harassment of employees placed through affirmative action efforts.

2. Identify problem areas in conjunction with line management and known disabled employees, in the implementation of the affirmative action plan, and develop solutions.

3. Design and implement audit and reporting systems that will:

    (a) measure effectiveness of PFM's plan;
    (b) indicate need for remedial actions;
    (c) determine the degree to which objectives have been attained;
    (d) determine whether known disabled employees have had the opportunity to participate in all employer sponsored educational, training, recreational, and social activities; and
    (e) ensure that each location is in compliance with applicable Human Rights Acts.

4. Serve as liaison between PFM and the appropriate federal, state and local agencies monitoring human rights compliance.

5. Serve as liaison between PFM and the organizations of and for disabled persons, and arrange for the active involvement by employer representatives in the community service program of local organizations of and for the disabled.

6. Keep management informed of the latest developments in the entire affirmative action area.

I. Development and Execution of Affirmative Action Programs

The affirmative Action Plan for the PFM organization shall be developed and executed as follows:

1. Job qualification requirements reviewed shall be made available to all members of the management involved in the recruitment, screening, selection, and promotion process.

2. PFM shall evaluate the total selection process including training and promotion to ensure freedom from stereotyping disabled persons in a manner which limits their access to all jobs for which they are qualified.

3. All personnel involved in the recruitment, screening, selection, promotion, disciplinary, and related processes shall be carefully selected and trained to ensure that the commitments in its affirmative action program are implemented.

4. Formal briefing sessions shall be held, with representatives from recruiting sources. Plant tours, clear and concise explanations of current and future job openings, position descriptions, worker specifications, explanations of PFM's selection process, and recruiting literature shall be an integral part of the briefings. Formal arrangements shall be made for referral of applicants, follow up with sources, and feedback on disposition of applicants.

5. A special effort shall be made to include qualified disabled persons on the personnel relations staff.

6. Disabled employees shall be made available for participation in career days, youth motivation programs, and related activities in their communities.

7. Recruiting efforts at all schools shall include special efforts to reach disabled students.

8. An effort is made to participate in work study programs with rehabilitation facilities and schools which specialize in training or educating disabled individuals.

9. PFM shall use all available resources to continue or establish on-the-job training programs.

VIII.
Policy Prohibiting Sexual Harassment

Respect for the dignity and worth of each individual is a basic tenet of Public Financial Management, Inc. Each individual has the right to work in an environment conducive to equal opportunity and free from discriminatory practices. For this reason sexual harassment is not tolerated by this firm. As an employer, Public Financial Management, Inc. is committed to eradicating sexual harassment.

A. Sexual Harassment Prohibited
Sexual harassment is unacceptable conduct and will not be tolerated. All professionals and other employees are responsible for ensuring that the workplace is free from all forms of sexual harassment. Sexual harassment in the workplace is also a form of employment discrimination and is prohibited by law.

B. Sexual Harassment Defined

1. **Basic Definition:** For purposes of this policy, the term "sexual harassment" refers to any unwelcome sexual attention, sexual advances, requests for sexual favors and other verbal, visual or physical conduct of sexual nature when:

   (a) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; or
   (b) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or
   (c) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance; or
   (d) such conduct has the purpose or effect of creating an intimidating, hostile or offensive working environment.

2. **Examples:** Examples of sexual harassment include, but are not limited to, threatening adverse employment actions if sexual favors are not granted; promising preferential treatment in return for sexual favors; unwanted and unnecessary physical contact; excessively offensive remarks; including unwelcome comments about appearance, obscene jokes or other inappropriate use of sexually explicit or offensive language; the display in the workplace of sexually suggestive objects or pictures; and unwelcome sexual advances by clients or other visitors to the firm when such advances are condoned, either explicitly or implicitly, by the firm.

   An intimidating, hostile or offensive working environment may be created by the existence of such circumstances as those described in the preceding paragraph or other circumstances creating a sexually discriminatory working environment.

C. Persons Covered
This policy prohibits sexual harassment of all professionals and other employees and all applicants for employment. Of course, clients and all persons having business dealings with the firm are to be accorded the same respect and consideration.

D. Enforcement of the Policy
PFM strongly urges the reporting of all incidents of discrimination, harassment or retaliation, regardless of the offender's identity or position. Individuals who believe they have experienced conduct that they believe is contrary to this Policy or who have concerns about such matters should file their complaints with a representative of the Human Resources Department.

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

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

E. Information on Policy
The Committee will periodically disseminate information about sexual harassment and this policy with such frequency and in such form as to ensure that all professionals and other employees are aware of the various forms that sexual harassment can take, the firm's strong disapproval of sexual harassment in any form and the procedures that are available to enforce the policy.

WORKFORCE ANALYSIS FORM

Lexington Fayette Urban County Government: IA Services RFP #4-2017

Name of Organization: PFM Asset Management LLC

Categories	**Total**	White (Not Hispanic or Latino)		Hispanic or Latino		Black or African-American (Not Hispanic or Latino		Native Hawaiian and Other Pacific Islander (Not Hispanic or Latino		Asian (Not Hispanic or Latino		American Indian or Alaskan Native (not Hispanic or Latino		Two or more races (Not Hispanic or Latino		**Total**	
		M	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
Administrators	108	60	27	1		10	5				1			3	1	74	34
Professionals	113	40	46	1		4	1			9	6			2	4	56	57
Superintendents																	
Supervisors																	
Foremen																	
Technicians																	
Protective Service																	
Para-Professionals																	
Office/Clerical	24		22				2										24
Skilled Craft																	
Service/Maintenance																	
Total:	245	100	73	2		14	6			9	7			5	5	130	91

Prepared by: Jennifer L Howell, Sr. Associate **Date:** 02 / 08 / 2017

(Name and Title) ***Revised 2015-Dec-15***

AFFIDAVIT

Comes the Affiant, Barbara Fava, and after being first duly sworn, states under penalty of perjury as follows:

1. His/her name is Barbara Fava and he/she is the individual submitting the proposal or is the authorized representative of PFM Asset Management LLC, the entity submitting the proposal (hereinafter referred to as "Proposer").

2. Proposer will pay all taxes and fees, which are owed to the Lexington-Fayette Urban County Government at the time the proposal is submitted, prior to award of the contract and will maintain a "current" status in regard to those taxes and fees during the life of the contract.

3. Proposer will obtain a Lexington-Fayette Urban County Government business license, if applicable, prior to award of the contract.

4. Proposer has authorized the Division of Central Purchasing to verify the above-mentioned information with the Division of Revenue and to disclose to the Urban County Council that taxes and/or fees are delinquent or that a business license has not been obtained.

5. Proposer has not knowingly violated any provision of the campaign finance laws of the Commonwealth of Kentucky within the past five (5) years and the award of a contract to the Proposer will not violate any provision of the campaign finance laws of the Commonwealth.

6. Proposer has not knowingly violated any provision of Chapter 25 of the Lexington-Fayette Urban County Government Code of Ordinances, known as "Ethics Act."

Continued on next page

7. Proposer acknowledges that "knowingly" for purposes of this Affidavit means, with respect to conduct or to circumstances described by a statute or ordinance defining an offense, that a person is aware or should have been aware that his conduct is of that nature or that the circumstance exists.

Further, Affiant sayeth naught.

Barbara L. Fava
____

STATE OF Pennsylvania ______________________________

COUNTY OF Dauphin ______________________________

The foregoing instrument was subscribed, sworn to and acknowledged before me by Barbara L. Fava on this the 8th day of February, 2017.

My Commission expires: 1/15/2019

Kathy L. Whitman
____
NOTARY PUBLIC, STATE AT LARGE

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Kathy L. Whitman, Notary Public
City of Harrisburg, Dauphin County
My Commission Expires Jan. 15, 2019
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

EQUAL OPPORTUNITY AGREEMENT

The Law

- Title VII of the Civil Rights Act of 1964 (amended 1972) states that it is unlawful for an employer to discriminate in employment because of race, color, religion, sex, age (40-70 years) or national origin.

- Executive Order No. 11246 on Nondiscrimination under Federal contract prohibits employment discrimination by contractor and sub-contractor doing business with the Federal Government or recipients of Federal funds. This order was later amended by Executive Order No. 11375 to prohibit discrimination on the basis of sex.

- Section 503 of the Rehabilitation Act of 1973 states:

  The Contractor will not discriminate against any employee or applicant for employment
  because of physical or mental disability.

- Section 2012 of the Vietnam Era Veterans Readjustment Act of 1973 requires Affirmative Action on behalf of disabled veterans and veterans of the Vietnam Era by contractors having Federal contracts.

- Section 206(A) of Executive Order 12086, Consolidation of Contract Compliance Functions for Equal Employment Opportunity, states:

  The Secretary of Labor may investigate the employment practices of any Government
  contractor or sub-contractor to determine whether or not the contractual provisions specified in Section 202 of this order have been violated.

****

The Lexington-Fayette Urban County Government practices Equal Opportunity in recruiting, hiring and promoting. It is the Government's intent to affirmatively provide employment opportunities for those individuals who have previously not been allowed to enter into the mainstream of society. Because of its importance to the local Government, this policy carries the full endorsement of the Mayor, Commissioners, Directors and all supervisory personnel. In following this commitment to Equal Employment Opportunity and because the Government is the benefactor of the Federal funds, it is both against the Urban County Government policy and illegal for the Government to let contracts to companies which knowingly or unknowingly practice discrimination in their employment practices. Violation of the above mentioned ordinances may cause a contract to be canceled and the contractors may be declared ineligible for future consideration.

Please sign this statement in the appropriate space acknowledging that you have read and understand the provisions contained herein. Return this document as part of your application packet.

Bidders

I/We agree to comply with the Civil Rights Laws listed above that govern employment rights of minorities, women, Vietnam veterans, handicapped and aged persons.

Barbara Fava	PFM Asset Management LLC
Signature	*Name of Business*

MWDBE QUOTE SUMMARY FORM

Bid/RFP/Quote Reference # 4-2017

The undersigned acknowledges that the minority subcontractors listed on this form did submit a quote to participate on this project.

Company Name	Contact Person
Address/Phone/Email	**Bid Package / Bid Date**

MWDBE Company Address	Contact Person	Contact Information (work phone, Email, cell)	Date Contacted	Services to be performed	Method of Communication (email, phone meeting, ad, event etc)	Total dollars $$ Do Not Leave Blank (Attach Documentation)	MBE * AA HA AS NA Female	Veteran
none								

(MBE designation / AA=African American / HA= Hispanic American/AS = Asian American/Pacific Islander/ NA= Native American)

The undersigned acknowledges that all information is accurate. Any misrepresentation may result in termination of the contract and/or be subject to applicable Federal and State laws concerning false statements and claims.

PFM Asset Management LLC

Company

[signature]

Company Representative

2-7-17

Date

Managing Director

Title

LFUCG MWDBE PARTICIPATION FORM
Bid/RFP/Quote Reference # 4-2017

The MWDBE subcontractors listed have agreed to participate on this Bid/RFP/Quote. If any substitution is made or the total value of the work is changed prior to or after the job is in progress, it is understood that those substitutions must be submitted to Central Purchasing for approval immediately.

MWDBE Company, Name, Address, Phone, Email	Work to be Performed	Total Dollar Value of the Work	% Value of Total Contract
1. none			
2.			
3.			
4.			

The undersigned company representative submits the above list of MWDBE firms to be used in accomplishing the work contained in this Bid/RFP/Quote. Any misrepresentation may result in the termination of the contract and/or be subject to applicable Federal and State laws concerning false statements and false claims.

PFM Asset Management LLC
Company

[signature]
Company Representative

2-7-17
Date

Managing Director
Title

LFUCG STATEMENT OF GOOD FAITH EFFORTS
Bid/RFP/Quote # 4-2017

By the signature below of an authorized company representative, we certify that we have utilized the following Good Faith Efforts to obtain the maximum participation by MWDBE business enterprises on the project and can supply the appropriate documentation.

_____ Advertised opportunities to participate in the contract in at least two (2) publications of general circulation media; trade and professional association publications; small and minority business or trade publications; and publications or trades targeting minority, women and disadvantaged businesses not less than fifteen (15) days prior to the deadline for submission of bids to allow MWDBE firms to participate.

_____ Included documentation of advertising in the above publications with the bidders good faith efforts package

_____ Attended LFUCG Central Purchasing Economic Inclusion Outreach event

_____ Attended pre-bid meetings that were scheduled by LFUCG to inform MWDBEs of subcontracting opportunities

_____ Sponsored Economic Inclusion event to provide networking opportunities for prime contractors and MWDBE firms

_____ Requested a list of MWDBE subcontractors or suppliers from LFUCG Economic Engine and showed evidence of contacting the companies on the list(s).

_____ Contacted organizations that work with MWDBE companies for assistance in finding certified MWBDE firms to work on this project. Those contacted and their responses should be a part of the bidder's good faith efforts documentation.

_____ Sent written notices, by certified mail, email or facsimile, to qualified, certified MWDBEs soliciting their participation in the contract not less that seven (7) days prior to the deadline for submission of bids to allow them to participate effectively.

_____ Followed up initial solicitations by contacting MWDBEs to determine their level of interest.

_____ Provided the interested MWBDE firm with adequate and timely information about the plans, specifications, and requirements of the contract.

_____ Selected portions of the work to be performed by MWDBE firms in order to increase the likelihood of meeting the contract goals. This includes, where appropriate, breaking out contract work items into economically feasible units to facilitate MWDBE participation, even when the prime contractor may otherwise perform these work items with its own workforce

_____ Negotiated in good faith with interested MWDBE firms not rejecting them as unqualified without sound reasons based on a thorough investigation of their capabilities. Any rejection should be so noted in writing with a description as to why an agreement could not be reached.

_____ Included documentation of quotations received from interested MWDBE firms which were not used due to uncompetitive pricing or were rejected as unacceptable and/or copies of responses from firms indicating that they would not be submitting a bid.

_____ Bidder has to submit sound reasons why the quotations were considered unacceptable. The fact that the bidder has the ability and/or desire to perform the contract work with its own forces will not be considered a sound reason for rejecting a MWDBE quote. Nothing in this provision shall be construed to require the bidder to accept unreasonable quotes in order to satisfy MWDBE goals.

_____ Made an effort to offer assistance to or refer interested MWDBE firms to obtain the necessary equipment, supplies, materials, insurance and/or bonding to satisfy the work requirements of the bid proposal

______ Made efforts to expand the search for MWDBE firms beyond the usual geographic boundaries.

______ Other - any other evidence that the bidder submits which may show that the bidder has made reasonable good faith efforts to include MWDBE participation.

Failure to submit any of the documentation requested in this section may be cause for rejection of bid. Bidders may include any other documentation deemed relevant to this requirement. Documentation of Good Faith Efforts are to be submitted with the Bid, if the participation Goal is not met.

The undersigned acknowledges that all information is accurate. Any misrepresentations may result in termination of the contract and/or be subject to applicable Federal and State laws concerning false statements and claims.

PFM Asset Management LLC
Company

Company Representative

2-7-17
Date

Managing Director
Title

GENERAL PROVISIONS

1. Each Respondent shall comply with all Federal, State & Local regulations concerning this type of service or good.

   The Respondent agrees to comply with all statutes, rules, and regulations governing safe and healthful working conditions, including the Occupational Health and Safety Act of 1970, *29 U.S.C. 650 et. seq.*, as amended, and KRS Chapter 338. The Respondent also agrees to notify the LFUCG in writing immediately upon detection of any unsafe and/or unhealthful working conditions at the job site. The Respondent agrees to indemnify, defend and hold the LFUCG harmless from all penalties, fines or other expenses arising out of the alleged violation of said laws.

2. Failure to submit ALL forms and information required in this RFP may be grounds for disqualification.

3. Addenda: All addenda, if any, shall be considered in making the proposal, and such addenda shall be made a part of this RFP. Before submitting a proposal, it is incumbent upon each proposer to be informed as to whether any addenda have been issued, and the failure to cover in the bid any such addenda may result in disqualification of that proposal.

4. Proposal Reservations: LFUCG reserves the right to reject any or all proposals, to award in whole or part, and to waive minor immaterial defects in proposals. LFUCG may consider any alternative proposal that meets its basic needs.

5. Liability: LFUCG is not responsible for any cost incurred by a Respondent in the preparation of proposals.

6. Changes/Alterations: Respondent may change or withdraw a proposal at any time prior to the opening; however, no oral modifications will be allowed. Only letters, or other formal written requests for modifications or corrections of a previously submitted proposal which is addressed in the same manner as the proposal, and received by LFUCG prior to the scheduled closing time for receipt of proposals, will be accepted. The proposal, when opened, will then be corrected in accordance with such written request(s), provided that the written request is contained in a sealed envelope which is plainly marked "modifications of proposal".

7. Clarification of Submittal: LFUCG reserves the right to obtain clarification of any point in a bid or to obtain additional information from a Respondent.

8. Bribery Clause: By his/her signature on the bid, Respondent certifies that no employee of his/hers, any affiliate or Subcontractor, has bribed or attempted to bribe an officer or employee of the LFUCG.

9. Additional Information: While not necessary, the Respondent may include any product brochures, software documentation, sample reports, or other documentation that may assist LFUCG in better understanding and evaluating the Respondent's response. Additional documentation shall not serve as a substitute for other documentation which is required by this RFP to be submitted with the proposal,

10. Ambiguity, Conflict or other Errors in RFP: If a Respondent discovers any ambiguity, conflict, discrepancy, omission or other error in the RFP, it shall immediately notify LFUCG of such error in writing and request modification or clarification of the document if allowable by the LFUCG.

11. Agreement to Bid Terms: In submitting this proposal, the Respondent agrees that it has carefully examined the specifications and all provisions relating to the work to be done attached hereto and made part of this proposal. By acceptance of a Contract under this RFP, proposer states that it understands the meaning, intent and requirements of the RFP and agrees to the same. The successful Respondent shall warrant that it is familiar with and understands all provisions herein and shall warrant that it can comply with them. No additional compensation to Respondent shall be authorized for services or expenses reasonably covered under these provisions that the proposer omits from its Proposal.

12. Cancellation: If the services to be performed hereunder by the Respondent are not performed in an acceptable manner to the LFUCG, the LFUCG may cancel this contract for cause by providing written notice to the proposer, giving at least thirty (30) days notice of the proposed cancellation and the reasons for same. During that time period, the proposer may seek to bring the performance of services hereunder to a level that is acceptable to the LFUCG, and the LFUCG may rescind the cancellation if such action is in its best interest.

    A. Termination for Cause

    (1) LFUCG may terminate a contract because of the contractor's failure to perform its contractual duties

    (2) If a contractor is determined to be in default, LFUCG shall notify the contractor of the determination in writing, and may include a specified date by which the contractor shall cure the identified deficiencies. LFUCG may proceed with termination

if the contractor fails to cure the deficiencies within the specified time.

(3) A default in performance by a contractor for which a contract may be terminated shall include, but shall not necessarily be limited to:

(a) Failure to perform the contract according to its terms, conditions and specifications;

(b) Failure to make delivery within the time specified or according to a delivery schedule fixed by the contract;

(c) Late payment or nonpayment of bills for labor, materials, supplies, or equipment furnished in connection with a contract for construction services as evidenced by mechanics' liens filed pursuant to the provisions of KRS Chapter 376, or letters of indebtedness received from creditors by the purchasing agency;

(d) Failure to diligently advance the work under a contract for construction services;

(e) The filing of a bankruptcy petition by or against the contractor; or

(f) Actions that endanger the health, safely or welfare of the LFUCG or its citizens.

B. At Will Termination

Notwithstanding the above provisions, the LFUCG may terminate this contract at will in accordance with the law upon providing thirty (30) days written notice of that intent, Payment for services or goods received prior to termination shall be made by the LFUCG provided these goods or services were provided in a manner acceptable to the LFUCG. Payment for those goods and services shall not be unreasonably withheld.

13. Assignment of Contract: The contractor shall not assign or subcontract any portion of the Contract without the express written consent of LFUCG. Any purported assignment or subcontract in violation hereof shall be void. It is expressly acknowledged that LFUCG shall never be required or obligated to consent to any request for assignment or subcontract; and further that such refusal to consent can be for any or no reason, fully within the sole discretion of LFUCG.

14. No Waiver: No failure or delay by LFUCG in exercising any right, remedy, power or privilege hereunder, nor any single or partial exercise thereof, nor the exercise of any other right, remedy, power or privilege shall operate as a waiver hereof or thereof. No failure or delay by LFUCG in exercising any right, remedy, power or privilege under or in respect of this Contract shall

affect the rights, remedies, powers or privileges of LFUCG hereunder or shall operate as a waiver thereof.

15. Authority to do Business: The Respondent must be a duly organized and authorized to do business under the laws of Kentucky. Respondent must be in good standing and have full legal capacity to provide the services specified under this Contract. The Respondent must have all necessary right and lawful authority to enter into this Contract for the full term hereof and that proper corporate or other action has been duly taken authorizing the Respondent to enter into this Contract. The Respondent will provide LFUCG with a copy of a corporate resolution authorizing this action and a letter from an attorney confirming that the proposer is authorized to do business in the State of Kentucky if requested. All proposals must be signed by a duly authorized officer, agent or employee of the Respondent.

16. Governing Law: This Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. In the event of any proceedings regarding this Contract, the Parties agree that the venue shall be the Fayette County Circuit Court or the U.S. District Court for the Eastern District of Kentucky, Lexington Division. All parties expressly consent to personal jurisdiction and venue in such Court for the limited and sole purpose of proceedings relating to this Contract or any rights or obligations arising thereunder. Service of process may be accomplished by following the procedures prescribed by law.

17. Ability to Meet Obligations: Respondent affirmatively states that there are no actions, suits or proceedings of any kind pending against Respondent or, to the knowledge of the Respondent, threatened against the Respondent before or by any court, governmental body or agency or other tribunal or authority which would, if adversely determined, have a materially adverse effect on the authority or ability of Respondent to perform its obligations under this Contract, or which question the legality, validity or enforceability hereof or thereof.

18. Contractor understands and agrees that its employees, agents, or subcontractors are not employees of LFUCG for any purpose whatsoever. Contractor is an independent contractor at all times during the performance of the services specified.

19. If any term or provision of this Contract shall be found to be illegal or unenforceable, the remainder of the contract shall remain in full force and such term or provision shall be deemed stricken.

Signature　　　　　　　　　　　　　　　　2-7-17
　　　　　　　　　　　　　　　　　　　　Date

Firm Submitting Proposal: PFM Asset Management LLC

Complete Address: 1 Keystone Plaza, Ste 300, Harrisburg PA 17101
Street City Zip

Contact Name: Barbara Fava Title: Managing Director

Telephone Number: 717-232-2723 Fax Number: 717-233-6073

Email address: favab@pfm.com

B. Exceptions to General Provisions & Insurance Requirements

Exceptions to General Provisions & Insurance Requirements

RFP pg. 29 – GENERAL PROVISIONS

17. Ability to Meet Obligations: Respondent affirmatively states that there are no actions, suits or proceedings of any kind pending against Respondent or, to the knowledge of the Respondent, threatened against the Respondent before or by any court, governmental body or agency or other tribunal or authority which would, if adversely determined, have a materially adverse effect on the authority or ability of Respondent to perform its obligations under this Contract, or which question the legality, validity or enforceability hereof or thereof.

A municipal depositor in a local government investment pool for which PFM Asset Management ("PFMAM") is the investment advisor/administrator was defrauded by an employee of the local government, who misappropriated funds to her own benefit through the use of drafts payable through funds on deposit in the local government investment pool. That individual was arrested in early 2010 and thereafter was convicted and incarcerated. In October 2012 the affected municipal government sued PFMAM and the local government investment pool to recover the previously discovered losses, claimed to be about $550,000 incurred over nearly 10 years. Discovery only has recently commenced in that litigation and, consequently, there is no clarity as to how the fraud was carried out, the amount of the loss, or whether the procedures of the local depositor facilitated the loss.

RFP pg. 31 – INDEMNIFICATION AND HOLD HARMLESS PROVISION

CONSULTANT agrees to defend, indemnify and hold harmless the Lexington-Fayette Urban County Government, its elected and appointed officials, employees, agents, boards, assigns, volunteers, and successors in interest from any and all losses resulting from negligent or ~~willful~~ intentionally wrongful acts of CONSULTANT or its employees, agents, owners, principals, licensees, assigns, and subcontractors or consultants of any tier, or arising from any negligent or intentionally wrongful errors or omissions of CONSULTANT. Such losses include, but are not limited to, claims, liens, demands, causes of action, judgments, penalties, interest, court costs, legal fees, and litigation expenses that arise or are incurred as a result of personal injury or death (including employees of LFUCG) or property damage including property of LFUCG).

Explanation: PFMAM respectfully requests the opportunity to negotiate the indemnification language in any resulting agreement so that PFMAM's obligation to indemnify is limited to circumstances in which its performance has been wrongful, which would include negligent or intentionally wrongful acts.

RFP pg. 32 – REQUIRED INSURANCE COVERAGE

Professional Liability $1 million per ~~occurrence~~, $2 million aggregate

Explanation: PMFAM's professional liability is written on a claims-made basis.

This area intentionally left blank. Continued on the following page.

RFP pg. 33 – DEDUCTIBLES AND SELF-INSURED PROGRAMS

Self-insurance programs, deductibles, and self-insured retentions in insurance policies are subject to separate approval by Lexington-Fayette Urban County Government's Division of Risk Management, upon review of evidence of CONSULTANT's financial capacity to respond to claims. Any such programs or retentions must provide LFUCG with at least the same protection from liability and defense of suits as would be afforded by first-dollar insurance coverage.

Explanation: PFMAM's professional liability policy carries a $1M self-insured retention (a direct result of our having an available $30M limit of liability).

PFM Requirement: "If PFMAM is awarded the engagement, we respectfully request the inclusion of certain provisions in the resulting contract that are driven by our status as an investment advisor registered under the Investment Advisers Act of 1940 (e.g., registered advisor description; conflict of interest provision; our maintenance of books and records; and our disclosure statement [Form ADV, Parts 2A and 2B])."

C. PFM Form ADV Part 2A and 2B

PFM Asset Management LLC

One Keystone Plaza, Suite 300
N. Front & Market Streets
Harrisburg, PA 17101-2044

717-231-6200 phone
717-233-6073 fax

www.pfm.com

9/2/2016

FORM ADV PART 2
BROCHURE

This brochure provides information about the qualifications and business practices of PFM Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at pfmamrequest@pfm.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PFM Asset Management LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for PFM Asset Management LLC is 122141.

PFM Asset Management LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Notice of Material Changes

PFM Asset Management LLC ("PFMAM") has a new municipal advisory affiliate, PFM Financial Advisors LLC ("PFMFA"). PFMFA is a registered municipal advisor with the SEC and the Municipal Securities Rulemaking Board. Effective June 1, 2016, financial advisory services historically offered through Public Financial Management, Inc. will be offered by PFMFA.

We may, at any time, update this Brochure and if we do, we will either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form). If you would like another copy of this Brochure, please download it from the SEC website as indicated on the cover page or you may contact our Chief Compliance Officer, Leo Karwejna, at 717-231-6200 or at pfmamrequest@pfm.com.

Table of Contents

Item 4 -Advisory Business

Public Financial Management, Inc. ("PFM, Inc.") was founded in 1975 to provide independent financial advisory services to the public sector. PFM, Inc. began providing investment advisory services to public entities in 1980. In 2001, PFM Asset Management LLC ("PFMAM") was created as the entity through which investment advisory services are provided. Effective June 1, 2016, financial advisory services historically offered through PFM, Inc. will be offered through a new operating company, PFM Financial Advisors LLC ("PFMFA"). PFM, Inc. and PFMFA are collectively referred to as "PFM" and with PFMAM are referred to as the PFM Group of Companies ("the PFM Group").

PFM, PFMAM and other related businesses within the PFM Group are organized in a holding company structure, and are indirect, wholly owned subsidiaries of the holding company, named PFM I, LLC. On June 30, 2014, PFM Inc., PFMAM and the other operating companies within the PFM Group closed on a transaction which resulted in the PFM Group's senior employees ("Managing Directors") acquiring the equity interests of outside investors in PFM I, LLC, so that all equity interests in PFM I, LLC are now owned by the Managing Directors.

PFMAM is a Delaware limited liability company.

As of December 31, 2015, the amount of client assets we managed on a discretionary basis was $61,965,645,839 and the amount we managed on a nondiscretionary basis was $1,659,473,425. In addition, as of December 31, 2015, we provided investment consulting services with respect to assets in the amount of $38,005,710,756.

We offer the following types of investment advice:

1. Discretionary Advice.

We offer discretionary advisory services for government, nonprofit and other institutional investors who invest in fixed income and multi-asset class strategies. When a client gives us investment discretion, we have the authority to determine, without obtaining specific approval, (1) overall asset allocation, (2) the manager or sub-adviser to be utilized for the portfolio, (3) the specific securities to be bought and sold, (4) the amount of securities to be bought and sold and (5) the broker or dealer through which the securities are bought or sold, These decisions are subject to limitations of law and any other restrictions in the contract with our client and limitations in our client's written investment policies. Under these types of engagements, we assume day-to-day management responsibility for the assets covered by the investment advisory agreement. Examples of the securities we may recommend include U.S. Treasury securities, Federal Agency securities, high-grade corporate obligations, mortgage and asset backed securities, municipal securities, institutional mutual funds, and money market instruments. We arrange for the purchase and sale of these securities to meet the investment objectives and cash flow requirements of each client.

We manage fixed-income portfolios, often on a total return basis. We also implement liability-driven strategies that seek to generate cash flows from a portfolio of fixed-income securities to match specific liabilities such as bond-funded defeasance accounts, construction accounts or insurance liabilities.

For some of our clients, including trusts, pension plans, endowments, foundations, other post-employment benefits (OPEB) plans or other similar asset pools, we serve as a discretionary manager to invest a client's assets in multiple types of investments. Generally these accounts include a variety of asset classes, which may include domestic equity, international equity, fixed-income, and other alternative asset classes.

We provide multi-asset class investment services in two forms. One form is a wrap fee program known as the Managed Accounts Program (MAP), where we charge a single fee to include investment advisory, third-party custody and administrative services. We are no longer marketing MAP to new clients. The other is a general discretionary form where we unbundle some of the service fees, which allows the client to separately negotiate these fees (for example, custody fees). This form of multi-asset class management is referred to as a fund of funds approach. It may also be described as outsourced CIO, implemented consulting and a variety of other generic terms. In each of these two general forms of management, we work with the client to determine a target asset allocation based on a variety of risk and return characteristics. We then implement the asset allocation, either by buying shares of mutual funds (including ETF's) and/or pooled funds or other investment vehicles (collectively, "Funds"), or by selecting separate account managers who will manage separate accounts of specific asset classes and/or strategies ("Investment Sub-Advisers").

Under this approach, we have discretion to make the initial selection of the Funds or Investment Sub-Advisers. We also provide ongoing periodic monitoring services by evaluating the Fund's or the Investment Sub-Adviser's portfolio management philosophy, policies, processes, controls, personnel and investment performance. Clients who hire us give us authority to change, drop or add Funds or Investment Sub-Advisers. The client generally gives the Investment Sub-Advisers both investment and brokerage discretion in managing its portion of the portfolio. We give these clients periodic reports on the investment performance of the various Funds, Investment Sub-Advisers and the portfolio as a whole.

We assist clients in establishing the basis for asset allocation by preparing a written investment strategy. These clients give us authority to re-allocate assets and to change, eliminate or add managers or investments within the scope of the investment strategy.

2. Services to Registered Investment Companies and Local Government Investment Pools

PFMAM currently provides investment advisory and/or administrative services to 15 pooled investment programs across 13 states, as well as to one registered investment company whose series or classes are registered in multiple states. We generally provide administration and transfer agency services and an affiliate generally provides distribution services as described in this document. Where PFMAM is the investment adviser to a pooled investment vehicle, investment objectives, guidelines and any investment restrictions are not tailored to the needs of individual investors in those vehicles, but rather are described in the relevant offering documents for the vehicle.

3. Nondiscretionary Advice

We also may provide advice on a nondiscretionary basis where we offer clients investment recommendations, subject to their specific approval and further execution instructions. In this case our client makes trades directly or specifically approves our purchase or sale of specific securities, including certificates of deposit.

4. Consulting Services

We also provide nondiscretionary investment consulting services to:

- public, Taft-Hartley and corporate pension funds;
- hospital endowments and foundations;
- trusts;
- OPEB plans; and
- other similar institutional investors.

These consulting services consist of overseeing a client's portfolio where we have not been given authority to buy or sell securities in the portfolio. We typically begin these services by assessing the client's investment objectives, time horizon and risk tolerance. Using this information, we then propose asset allocation models within the investment guidelines which the client gives us. We may also assist in writing an investment policy which provides details about the objectives, diversification, quality and performance measurement of the portfolio. We also make recommendations on the selection of money managers, pooled trusts or mutual funds to carry out the client's investment strategy. Once our client puts the investment policy into place, we report quarterly to the client on the investment performance. We also report on whether an investment manager chosen follows its particular style, and whether our client's portfolio complies with its investment policy.

We also provide consulting services to OPEB plans and pension plans. These services involve financial reporting, analyzing cash flow implications of different funding strategies, and other matters relating to the OPEB benefits or pension benefits and funding arrangements. Often we perform these services by cooperating with our client's other professional advisors, such as the client's accountant or actuary.

5. Structured Products

We also provide analytical services for designing and procuring portfolios in connection with the current or advance refunding of municipal bonds and the investment of bond proceeds. For these engagements we arrange for purchases of specific securities that are generally government obligations or structured investments such as forward delivery agreements. On our client's behalf we arrange these purchases by obtaining bids on a competitive basis or in rare instances by negotiating on behalf of our client.

6. Treasury Consulting Services

We also provide clients with services to assist with the design and procurement of third-party banking and custody services. For each client, we conduct a detailed assessment of current banking arrangements. We evaluate the client's needs, analyze existing banking relationships, review how bank services fit into cash management and investment systems, and make specific recommendations to improve certain systems.

7. Banking and Other Similarly Chartered Financial Institutional Services

We also offer discretionary and nondiscretionary advice services tailored for banks and other similarly chartered financial institutions which invest in a fixed-income strategy. These services are tailored to the particular investment needs, restrictions and requirements which apply to these types of clients. These decisions are subject to limitations of banking regulatory requirements, and any other restrictions in the contract with our client and limitations in our client's written investment policies. Examples of the securities we may recommend include U.S. Treasury securities, Federal Agency securities, high-grade corporate obligations, mortgage and asset backed securities, institutional mutual funds, and money market instruments. We arrange for or recommend the purchase and sale of these securities to meet the investment objective, strategies, and risk position of each of these types of client.

8. Stable Value Management

Stable value strategies typically include fixed-income investments and benefit-responsive wrap contracts or "wrappers" offered by banks and insurance companies with an overall objective of seeking capital preservation and current income. Stable value funds are generally offered to defined contribution retirement plans either as a separately managed account or as a commingled fund.

These structures may utilize any of the following types of investments, which we refer to as "Stable Value Contracts":

- **Guaranteed Investment Contracts (GIC):** This is a stable value investment contract issued by an insurance company that pays a specified rate of return for a specified period of time, offers book value accounting and is backed by the financial strength of the issuing entity. The underlying securities are typically held on the issuing insurer's balance sheet in either a general or separate account.
- **Synthetic GIC:** A synthetic GIC is a contract that simulates the performance of a traditional GIC through the use of financial instruments, and offers book value accounting; the underlying assets associated with a Synthetic GIC are held in trust for the benefit of the investing plan's participants. Those assets typically include high-quality fixed-income securities. To enable the policyholder to realize a specific known value for the assets if it needs to liquidate them, synthetic GICs utilize a benefit-responsive "wrapper" contract that is designed to provide market and cash flow risk protection to the policyholder.
- **Separate Account GIC:** A stable value investment contract issued by an insurance company that offers book value accounting; the underlying assets are owned by the issuing insurance company but held in a separate account for the benefit of participating plan or plans.

For client stable value accounts, Synthetic and Separate Account GICs typically require that the account(s) be managed within specified investment guidelines as a part of their underwriting and contract process. These additional guidelines may serve to limit the scope or types of investments otherwise included within a client portfolio, which could result in a lower return to investors.

As part of a stable value strategy, we will make allocations to various underlying strategies, monitor and maintain portfolio duration, and coordinate the resources of various investment, legal and compliance professionals as well as potentially third-party managers. An ongoing review of portfolio structure, cash flow history, guidelines and objectives for each client will occur. We may provide a full range of services for particular stable value clients, or services may be focused on a subset of stable value management such as advising on overall structure or third-party manager asset allocation.

Entering into Stable Value Contracts is an important aspect of stable value management. We will identify and select, or assist in the selection of, the financial organizations issuing Stable Value Contracts and negotiate contracts on behalf of clients.

9. General Approach to Advisory Services

We tailor our advisory services taking into account following factors:

- the services that the client has requested;
- the client's investment objective;
- the client's investment policy;
- the client's time horizon; and
- risk tolerance.

A client may impose additional restrictions on the types of securities in which we can invest, or on the maturity of securities. We adhere to any investment restrictions provided by the client.

Item 5 - Fees and Compensation

The fees we charge to our advisory clients vary depending upon a number of factors including the types of investments permitted, the personnel providing the advisory services, the particular strategy, the size of portfolio being managed, the relationship with the client, and service requirements associated with the account.

Fees may also differ based on account type (e.g., a commingled, pooled account or a separate individual portfolio account).

Fees are negotiable so one client may pay a higher fee than another client with similar investment objectives or goals.

1. Discretionary Advice

We generally receive compensation for fixed income separate account management and stable value strategy management based on a percentage of assets we manage. We receive this compensation after a service is provided, and we bill in arrears on a monthly basis. As a general guideline, we charge the following fees for investment advisory services for fixed income accounts:

Assets Under Management	Annual Rate
First $25,000,000	0.25%
Assets in Excess of $25,000,000	0.15%

For certain accounts, we may charge a minimum fee. However, when a fee for an account, as calculated above, exceeds the minimum fee, the calculated fee applies, rather than the minimum fee.

Some clients may receive lower fees than this, based on the nature of the mandate or the size of the accounts.

For accounts that utilize a stable value strategy, the above fees are exclusive of book value wrap, third-party manager, and other fees and expenses that may be incurred for clients (directly or indirectly), including those of the trustee and custodian or other agents of the plan sponsor.

As a general guideline for the multi-asset class management discretionary form, we charge the following fees for investment advisory services:

Assets Under Management	Annual Rate
First $10,000,000	0.45%
Next $10,000,000	0.35%
Next $30,000,000	0.25%
Next $50,000,000	0.20%
Assets in Excess of $100,000,000	0.15%

For certain accounts, we may charge a minimum fee. However, when a fee for an account, as calculated above, exceeds the minimum fee, the calculated fee applies, rather than the minimum fee.

We use the following fee structure as a general guideline for MAP, which is no longer open to new clients:

Assets Under Management	Annual Rate
First $5,000,000	1.00%
Next $5,000,000	0.85%
Next $10,000,000	0.75%
Assets in Excess of $20,000,000	0.60%

These MAP fees include the following services: asset management, investment advisory and custody. However, the MAP fee does not include front or back-end fees for the mutual or pooled funds we select, any taxes or fees of attorneys, accountants, auditors or other professionals advising the client. A portion of the fee for MAP is used to compensate the Investment Sub-Advisers.

2. Registered Investment Company and Pools

The fees we charge for the investment services we provide to the registered investment company and local government investment pools vary by program. Typically the fee schedule includes various breakpoints depending on asset levels, and may include fee caps or waivers which can be triggered by the overall expense ratio of the pool. We may also receive compensation for providing marketing, administrative and transfer agent services to the registered investment company shareholders and to investors in the local government investment pools.

We generally provide these administrative, transfer agent and marketing services as an integral part of our investment advisory services, and the fees we receive for these services may be included as a component of the investment advisory fees we charge.

3. Nondiscretionary Advice

We generally charge fixed fees for these services, depending upon the services that the client requests, and the complexity of the services. We also offer nondiscretionary advice on certificate of deposit investment programs, which are designed to provide clients with a fixed rate to a targeted maturity. Fees typically range up to 0.25% per annum of the cost of the investment purchased by our clients. Under the certificate of deposit programs, we provide clients with the option to set aside moneys in client accounts to be paid to us after we have performed the service.

4. Consulting Services

For full-service investment consulting services where we have not been given authority to buy or sell securities in the portfolio, we generally charge clients either a fixed fee or a fee that is based on a percentage of assets. The fixed fee is based on the size of the portfolio, complexity, and scope of services which our client wants us to perform. As a general guideline, we charge asset-based fees in a range from 0.05% to 0.30% annually, based on the characteristics listed above. From time to time, we charge hourly fees for these types of services.

For consulting services and reports we provide to OPEB plans, we charge a fixed fee generally in the range of $10,000 to $150,000, depending on the specifics of the services we agree to provide.

5. Structured Products

In these types of engagements, we usually charge a fixed fee. The client may pay the fee, or it may instruct the investment contract counterparty or underwriter in writing to pay our fee on the client's behalf. We and our clients agree upon a fee for each one of these engagements and the fee is a function of the size and complexity of the engagement. As a general guideline, the typical fee for investment of municipal bond proceeds in a structured investment, or in a refunding bond escrow structuring and procurement engagement, is less than or equal to 0.2% of the cost of the portfolio or the sum of the total deposits under the agreement. In limited circumstances, the fee will be higher, often because the portfolio is very small in size.

6. Other Important Information about Our Compensation

Because we tailor our services to the individual needs of a client, we may offer clients more than one of the services mentioned above. In addition, we may also provide services not mentioned above, such as assisting our clients with a one-time purchase or sale of securities. The fees we charge are negotiable and vary depending upon the particular services we perform and the complexity and extent of the work we provide.

We may charge a minimum fee for small accounts, as explained in Item 5 above. Certain of the portfolios of the local government investment pools and short term certificate of deposit purchase programs for which we serve as administrator and/or investment advisor have minimum investment requirements of between approximately $50,000 and $1,000,000. Other than these minimum fee requirements, there are no other requirements for opening or maintaining the account.

All fees are payable to us only after we perform the services; we do not require our clients to pay our fees in advance. Under the majority of our investment advisory engagements, clients authorize us to deduct fees from their investment accounts after they are notified. Under some engagements, we bill the client for our fees. The method of payment of our fees is subject to negotiation, and clients have the ability to choose the method of payment, depending on the type of service. For most of our accounts, we bill monthly in arrears. Under some client contracts, we bill the client quarterly. For some services, we bill the client on a one-time basis only when we complete the service.

For services we provide, other than those under our Managed Accounts Program (MAP), clients are responsible for their own custody and legal fees and taxes, if any. For the services we provide under our MAP, we charge clients a wrap fee. The wrap fee covers fees payable to the portfolio managers of the funds we choose for our MAP and the fee we pay to the custodian for MAP for custodial and administrative services. The portion of the wrap fee paid to portfolio managers of mutual funds generally is in the form of the expense ratios and is deducted automatically by the mutual fund company from the assets invested in the funds. We receive the remainder of the wrap fee, and apply a portion of the fee to pay the custodian pursuant to agreements between the custodian and us. We no longer offer MAP to new clients; a copy of the MAP wrap fee program brochure is available upon request.

We have a wholly-owned subsidiary, PFM Fund Distributors, Inc., which is a broker-dealer under the Securities Exchange Act of 1934. PFM Fund Distributors, Inc. typically serves as exclusive distributor of shares of a registered investment company and local government investment pools (Pooled Funds) for which we serve as investment adviser and/or administrator and we receive fees from this arrangement, as more fully described in Item 10, below.

No supervised person of our affiliated broker-dealer is compensated for the sale of securities.

PFMAM employees are paid a base salary plus a year-end bonus. The annual bonus is dependent upon the profitability of the firm, each group's contribution to the overall profitability of the firm, and each individual's contribution to the group's success. PFMAM personnel may also receive a portion of their bonus based on marketing success. The firm's compensation plan is intended to recognize and reward excellent performance on the part of individuals; however, no PFMAM employee is compensated on a commission or investment transaction-related basis. Managing Directors also may have the obligation to buy stock in the PFM Group as part of the bonus process.

Item 6 - Performance-Based Fees and Side-By-Side Management

In rare instances, we enter into advisory agreements under which the client pays us a fee, part of which is performance based. For example, we have entered into agreements where the client pays us all or part of our fee to the extent that the performance of the portfolio we manage exceeds a predetermined benchmark, measured over a designated period of time. We manage both accounts that are charged a performance-based fee and accounts which are charged other fees, typically a percentage of the value of assets managed. To address any concern that we may have an incentive to favor certain investment opportunities for a performance-based account, we follow written procedures designed to allocate trades on an equitable basis considering the investment objectives of the account and without regard to whether an account has a performance-based fee. Accounts with the same objectives and permitted investments should receive a fair allocation of trades over time.

Item 7 - Types of Clients

PFMAM provides investment advisory services to state and local governments and their agencies, local government investment pools, non-profit organizations, pension and OPEB funds, corporations and other institutional clients. For information concerning minimum fee requirements, please see Item 5 above.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Fixed-Income Portfolios – Analysis and Strategy

Overall strategies are developed by the Fixed-Income Investment Committee which considers the macroeconomic and interest rate conditions described below. The strategies provide guidance for portfolio managers with regard to appropriate duration and sector allocation targets for individual portfolios. We use a variety of analyses as well as internal and external data sources and market research. External sources include various news and information sources, books, governmental bulletins, data bases, research prepared by others and publications from rating agencies, unaffiliated broker-dealers and third-party information providers. We also collect information from clients to determine their liquidity requirements, risk tolerances and any other policies or procedures that guide the investment of the client's assets.

Within the investment objectives and other requirements of the particular client, for clients whose objectives are measured by total return or income our investment approach emphasizes the use of active management strategies that seek to add value while limiting market and credit risk. For liability-driven investment portfolios, such as those funded with bond proceeds and used to pay project costs, we identify securities whose cash flows are expected to meet a draw schedule and we modify the portfolio as the draw schedule changes or as investment opportunities present themselves, although in the latter case the draw schedule is considered when making modifications.

Our Fixed-Income Active Management Process

The following describes our fixed-income investment strategy:

- Disciplined decision making process;
- Duration positioning to manage risk: generally slightly short of relevant benchmarks, policy of no more than +/- 25%, which protects the market value of the portfolio;
- Seeks out relative value through spread analysis, yield curve positioning, sector weightings and duration management; and
- Does not employ market timing or make significant duration bets.

We use top-down analysis to assess macroeconomic conditions including interest rates, the shape of the yield curve, Federal Reserve monetary policy, and current and historical yield spreads between sectors. Top-down analysis is a key element of our duration and sector allocation decision-making process. We believe identifying macro-level trends in these areas is important for adding value, controlling risk, and lowering volatility.

We use a careful bottom-up approach to security selection that seeks to identify those industries and issuers with fundamental characteristics and financial strength that enhances their potential to perform well. We seek to combine fundamentally sound investments into a portfolio that optimizes return potential in consideration of investment guidelines or restrictions.

Lastly, we incorporate low-risk active management techniques designed to enhance our relative value approach. We believe active management can capture market inefficiencies that create opportunities for return enhancement. While we expect that every security we buy will be suitable to hold to maturity, we frequently identify opportunities to swap one investment for another to increase earnings, adjust portfolio duration, improve liquidity, or restructure the portfolio to better meet future needs.

We specialize in managing short and intermediate-term fixed-income assets of governmental entities, so we have tailored our research capabilities and resources to this area of the market. Our portfolio managers and analytical team have access to three major on-line market trading systems: Bloomberg, MarketAxess, and TradeWeb. These systems provide active market quotes, including real-time securities pricing services. We also have access to news from Dow Jones, the Associated Press, Bloomberg News, and several specialized news services. In addition, we communicate daily with approximately 30 major government securities dealers and receive market information from them that assists us in identifying specific market opportunities. We supplement these external systems and data sources with proprietary trading tools, which we have developed.

After factoring in a conservative posture which ensures that cash flow requirements are met, we will position a portfolio's duration to take advantage of expected interest rate movements: positioning with a shorter bias when we expect rates to rise and longer when we expect rates to fall. We establish a duration (or average maturity) target for the portfolio based on our macro view of the economy and the financial markets, the type of funds, cash-flow analysis and benchmark chosen by our clients. We add value by re-balancing the portfolio to take advantage of market opportunities and in anticipation of interest rate movements. Duration limits are established by our Fixed-Income Investment Committee and may be provided to and evaluated with our clients' staff on a regular basis as a management and oversight tool.

While maintaining the target duration range for a portfolio, we add value through asset allocation strategies which involve sector selection (security type), curve placement (maturity), spread analysis and issue selection (individual issuer). Our overall view of the financial markets provides the context for selecting maturities which represent the best relative value along the yield curve and the highest potential for enhanced return by "rolling down the curve" and for selecting specific securities within a sector. We perform extensive proprietary analysis on the yield curve to identify "cheap" areas of the curve, and to evaluate a variety of portfolio structures. Using the results of this analysis, our portfolios are frequently over-weighted in certain maturities, and are structured in either a "bullet", "barbell" or "laddered" construct to provide optimal performance.

We think there is a significant opportunity to enhance earnings with a strategy that focuses on the selection of securities based on relative value. Sectors are selected which represent the best relative value based on our sector outlook and historical sector spreads. Investments other than Treasuries are purchased when spreads are wide and avoided or swapped out when spreads are narrow. Our portfolio managers and traders are assigned to specific market sectors in order to monitor products and opportunities and these responsibilities run across all portfolios. Individual issues are selected based on our assessment of issuer financial quality and rating trends, interest rate spread, credit trends, issue structure and liquidity. Portfolios are generally diversified by security type and maturity to avoid a significant investment in a single issuer and to accommodate varying cash flow needs to provide periodic liquidity.

Fixed-Income Portfolios – Risk

Our fixed-income strategies, like all investment strategies, involve certain risks. For portfolios whose investments are limited to obligations of the U.S government we believe the risk of default is minimal; for those invested in obligations of Federal agencies, we believe the risk is nearly as low as it is for direct obligations of the U.S. government. Portfolios whose investments include corporate and municipal obligations are subject to the risk that an issuer will fail to pay principal or interest on a timely basis, while those containing mortgage-backed securities are subject to the risk of uncertain timing of principal payments. In order to manage risks we seek to diversify portfolio holdings and we limit our investments in corporate and municipal obligations and in mortgage-backed securities to those that are high grade.

Portfolios are also subject to interest rate risk. This is because the market value of securities changes as interest rates change, with a rise in rates reducing market values and a decline in rates increasing market values. Changes in interest rates affect longer maturity securities more than they affect shorter maturity securities. We manage this risk by varying the duration of portfolios other than those that are liability-driven in accordance with our outlook for interest rates and by managing these portfolios within duration ranges. Nonetheless, investors should expect to experience interest rate volatility in short-term fixed income portfolios and total return volatility which can include unrealized losses in excess of periodic income in intermediate and longer-term portfolios. Although the investment strategies we employ do not involve significant or unusual risk beyond that of the general domestic fixed-income markets, investors need to recognize that investing in securities involves a risk of loss that the investor should be prepared to bear. Past performance is not a guarantee of future returns.

The risk of our top-down strategy is that our macro view of the economy and financial markets is wrong and we position a portfolio’s duration or sector allocation in a manner that is not optimal. We seek to manage this risk by limiting variations from duration or maturity targets other than those that are liability-driven and by diversifying holdings among security types. For liability-driven investment portfolios, we seek to minimize market risk by approximately matching portfolio cash flows with expected liabilities.

The risk of our bottom-up strategy is that securities that we include in a portfolio because they are perceived to have relative value may later lose value when compared with other securities. We seek to manage this risk by careful and systematic analysis of relative values by performing credit analysis on issuers of securities we recommend and by diversifying holdings.

Frequent trading of securities can create higher overall transaction costs and these will reduce portfolio income. We do manage portfolios actively and we seek to minimize trading costs by recommending liquid issues that are actively traded in the markets and by utilizing competitive bidding wherever feasible.

Stable value strategies are subject to many of the risks described above as well as those risks related to Stable Value Contracts, which are designed to permit plan participant withdrawals relating to activities such as investment option transfers, withdrawals on account of a participant’s death, disability, retirement or other termination of employment, and in-service withdrawals in accordance with the plan, to occur at book value on the terms set forth in each contract. Stable Value Contracts typically include provisions that could serve to limit plan sponsor flexibility to implement desired plan changes. In addition, plan sponsors are obligated to notify the stable value manager of plan changes, in certain cases before changes are implemented.

A GIC is an obligation of the insurance company that has issued the contract, and as a result is subject to the issuer's credit risk. A wrap contract is an investment contract issued by an insurance company, bank or other financial institution, backed by an underlying portfolio of bonds or other fixed income assets or instruments that are owned by the client. Assets underlying wrap contracts may also include units or other interests in collective investment funds or other commingled funds. These covered assets underlying the wrap contract are maintained separate from the contract provider's general assets, usually by a trustee or a third-party custodian. As a general matter, credit risk exposure to a wrap contract provider is limited to any excess of the contract value of the contract over the market value of the assets underlying the contract. Separate account contracts are similar in structure to GICs, except that the underlying assets are accounted for in a separate account for the benefit of the separate account investors.

The obligations of providers of Stable Value Contracts are those of the providers, not us. There is no guarantee that Stable Value Contracts will continue to be valued at their contract value rather than market or fair value or that providers under Stable Value Contracts will fulfill their obligations. If the assets under a Stable Value Contract were revalued at their market values, for purposes of redeeming investments by participants in a retirement plan, this could cause a significant loss in value to the investor.

Wrap and separate account contracts typically contain a formula for periodic reset of the contract crediting rate, so as to amortize (or "smooth") the gain or loss experience of the underlying portfolio over the underlying portfolio's duration. A contract's crediting rate provides a fixed return for a period of time until the next rate reset. Crediting rates for wrap contracts and separate account contracts are influenced by a number of factors related to the contract's underlying assets, including the current yield, duration, expected increases or decreases in market value through investment performance, market conditions or otherwise, and the existing difference between the market value of the underlying assets and contract value, as well as the contract fees and expenses incurred. The management of these factors can affect the volatility of the portfolio's crediting rate. The use of the crediting rate formula and periodic reset schedule allow the portfolio's return to track interest rates over time on a lagged basis. A fund's crediting rate may not track prevailing interest rates for different reasons, including adverse investment performance, which may produce a longer than normal lag in tracking interest rates and potentially reduce the fund's competitive profile versus other alternatives available to participants. A fund's cash flow, i.e., the net effect of contributions and withdrawals by participants, may also adversely affect the crediting rate through the need to accumulate a larger than typical amount of cash. Wrap and separate account contracts may provide for the adjustment of a contract's crediting rate mechanism in certain circumstances, e.g., where the difference between the market and book values of the contract exceeds certain pre-determined levels. The impact of such adjustments may be to accelerate the amortization of any losses or gains within the contract in order reduce the variance between market value and book value. A stable value account's yield is the aggregate of the yield of all investments held by the account net of any portfolio expenses.

Stable Value Contracts generally have terms that provide that certain contract withdrawals will not be paid by the provider at contract value, but would be subject to a market value adjustment to the contract value for withdrawals associated with specified events or circumstances, or when the provider determines that it could create a material adverse effect on its financial interests. While each contract's terms may differ, events or circumstances which may trigger a market value adjustment can typically include all or some of the following: (1) amendments to the plan documents or plan's administration; (2) additions of or changes to a plan's competing investment options; (3) manager change; (4) complete or partial termination of the plan or merger of the plan with another plan; (5) a withdrawal resulting from an event initiated or directed by the plan sponsor ("employer initiated event"), e.g., withdrawals due to the removal of a group of employees from the plan's coverage (such as a group layoff or early retirement incentive program), or the closing or sale of a subsidiary, employing unit or affiliate; (6) changes in law or regulation applicable to the plan; (7) the delivery of any communication to plan participants designed to influence a participant not to invest in the stable value account.

In addition, certain Stable Value Contracts typically provide for an adjustment to contract value if a security that is part of the covered assets defaults or otherwise has its credit risk deteriorate or becomes "impaired" as defined in the contract. Stable Value Contracts also define certain termination events, such as plan merger, bankruptcy of the plan or its sponsor, excessive impaired securities, changes in law or default by the plan under the contract, that permit the provider to terminate the contract at market value and the account will receive the market value of the covered assets as of the date of termination. Thus, if the market value of the covered assets is less than the contract value on the termination date, the contract does not require the issuer to pay any excess of contract value over market value. As a result, this type of termination will result in a market value adjustment. Issuer termination events vary by contract.

The market for Stable Value Contracts is not unlimited. There can be no assurance that sufficient Stable Value Contracts will be available in the future to replace or supplement existing contracts or, even if available, will be available on favorable financial terms. Stable Value Contract providers have increased fees and decreased the flexibility of terms they offer under contracts in certain environments, and may do so in the future. Stable Value Contract providers have required that accounts be managed under more conservative or restrictive investment guidelines than in the past in order to manage their contract risk, which may result in lower returns. Certain Stable Value providers offer bundled arrangements, under which the provider has both the contract value obligation and the provider (or an affiliate) manages the underlying portfolio. A bundled arrangement may involve certain conflicts, including that the provider's contract value obligation will in part be driven by the investment and risk strategies undertaken by it (or an affiliate) in managing the underlying portfolio. PFMAM does not offer such bundled arrangements where we would manage the underlying investments and provide the wrap contract, but we may participate as an advisor in a fund where an affiliate of another advisor provides the wrap contract for the fund. Future regulatory action could also impact the availability or terms of Stable Value Contracts.

Multi-Asset Class Asset Management – Analysis and Strategy

The Multi-Asset Class Investment Committee plays a key role in the investment services delivered to clients by establishing asset allocation targets and approving managers/funds for all discretionary multi-asset class accounts. The Multi-Asset Class Investment Committee provides investment and portfolio risk oversight for investment decisions, and convenes regularly to discuss any changes necessary.

We use a consistent approach to multi-asset class accounts that involves portfolio planning, risk assessment, asset allocation determination, manager selection, and performance reporting. The primary difference between discretionary and nondiscretionary types of accounts relates to who provides direction relating to the allocation of assets to separate account managers and the execution of mutual fund buy and sell transactions. For discretionary accounts, we are authorized to instruct the custodian to rebalance the portfolio, move assets among separate account managers and/or to arrange for the purchase or sale of mutual fund holdings.

We believe that the asset allocation decision is the most important factor in determining the expected investment return between two different portfolios. Therefore, rigorous adherence to a disciplined process is critical in determining the amounts that will ultimately be allocated to equities, fixed income and other investments.

Compiling Capital Market Assumptions

Our Capital Market Assumptions are determined by the Multi-Asset Class Investment Committee through a comprehensive and ongoing process developed by our investment professionals. Our assumptions are for intermediate- and long-term returns in a wide range of asset classes.

- For the intermediate term (five years), our Capital Market Assumptions are derived from our assessment of current economic conditions, including corporate profits, balance sheets, and current valuations for various asset classes.
- Our long-term assumptions (thirty years) are derived using an economic building block approach that projects economic and corporate profit growth, and that takes into consideration the fundamental factors driving long-term real economic growth, and our expectation for inflation, productivity and labor force growth.

The next steps would be completed in collaboration with prospective clients:

Engaging in a Portfolio Planning Survey

We would begin the asset allocation process by reviewing a detailed portfolio planning survey with the prospective client. The survey is designed to facilitate a discussion of all of the asset classes to determine which should be permitted in the final overall allocation.

In addition, through a series of questions, the survey would bring to light information about goals, objectives, cash flow projections, risk tolerance, ability to withstand losses, as well as the view of the economy and the markets. In summary, the portfolio planning survey documents the level of expectations so that everyone understands the goals that have been set for the investment of the assets.

The survey results are updated periodically during an ongoing engagement as client circumstances change.

Determining Asset Allocation Structure

The information from the portfolio planning survey and the Capital Market Assumptions is used to design and keep current an asset allocation plan for the client. We use a modeling program from Ibbotson Associates, along with an internally-built modeling program, which allows us to conduct a more detailed asset/liability modeling study. Each model uses the latest historical data on asset class investment returns, volatility, and correlation with other asset classes along with our Capital Market Assumptions to determine an "optimal" portfolio.

Selecting an Appropriate Asset Mix

A series of tests is run on each model to determine the probability of achieving the desired investment objective under different market scenarios. Existing funding requirements may override the more subjective “tolerance for loss.” We use this process, to help inform our clients of the range of possibilities associated with each asset allocation plan, and to identify a plan that best meets the expectations set forth in the portfolio planning survey.

Investment Manager Selection

Our research team is focused on monitoring the investment products included in our client portfolios. The research analysts are assigned to a specific asset class for which they are responsible. Both the research analysts and our Director of Research correspond with investment managers on a regular basis and meet with investment managers routinely to maintain an understanding of each manager’s investment process and strategy. As part of the ongoing manager due diligence, the research analysts run a series of risk/return statistics, peer universe analysis, portfolio attribution and style analysis on all of the investment products in our clients’ portfolios to ensure they continue to be an appropriate component of the overall portfolio. As a result, our research team is able to provide the clients with valuable information about potential investment managers.

Rebalancing

We evaluate a client's portfolio regularly to determine the need for rebalancing the portfolio based on factors including current allocation targets, perceived assessment of relative value, and changes in Capital Market Assumptions. For multi-asset class portfolios where we have discretion we establish target levels for each asset class in the planning stages along with a minimum /maximum range and may update these as our Capital Markets Assumptions and market conditions change. These parameters are input into the client's investment policy statement and are illustrated in the quarterly reports. We have invested in software that allows our staff to monitor compliance of a client's portfolios.

Ongoing Monitoring

We will monitor a client's asset allocation, as well as the portfolio's money managers/mutual funds on an ongoing basis through detailed analysis and our proprietary manager ranking system. For our discretionary accounts, we place a manager or fund on the watch list as a result of lagging performance, poor risk metrics and/or qualitative issues, among other things. Removal from the watch list is typically based on several quarters of improved performance against peers and an appropriate benchmark or remediation of other issues. If problems endure, probation is a subsequent step in the process of reviewing managers. Ultimately, if the problem persists, our Multi-Asset Class Investment Committee approves a termination recommendation.

We continually evaluate the economy, financial markets, and correlation of asset classes to assess whether a client's asset allocations are appropriate, as well as rebalance the portfolio if necessary. We regularly interview managers and visit their operations to ensure that they remain the most appropriate vehicle for our client's investments. Strategic allocation decisions, rebalancing, and re-evaluating managers are all part of the ongoing monitoring process.

Performance Reporting

We provide performance reporting on a quarterly basis. Each client will receive a report containing its own performance measures allowing the client to review its plan and its investment managers' performance versus the established benchmark, while monitoring cash flows and other financial indicators. The report includes a review of the economy, financial markets, and our investment strategy. We also organize quarterly conference calls/meetings to give a client a better understanding by hearing from the people who are making the asset allocation and investment manager decisions.

Multi-Asset Class Asset Management – Risk

Although the investment strategies we employ do not involve significant or unusual risk beyond that of the general markets for international and domestic equities, fixed income, publicly traded real estate, and other investments we recommend, investors need to recognize that investing in securities involves a risk of loss that an investor should be prepared to bear. In order to manage the risks inherent in these markets, we seek to diversify portfolios by blending equity, fixed income, and cash based securities, in a manner that is designed to meet the client's risk tolerance, with the objective of reducing the risk of long term losses. Past performance is not a guarantee of future returns.

Investing in cash, fixed income, and equity funds through separate account managers, mutual funds or ETFs involves risk. Each asset class has its own idiosyncratic risk and return characteristics. In modeling portfolios for our clients, we assess the individual characteristics of asset classes, from a historic and forward looking point of view, to optimize the best blend given the client's investment objectives and tolerance for risk. The range of probabilities examines extreme conditions (worst loss, maximum drawdown) over rolling one, five and ten year periods from a historic standpoint (losses for portfolios with heavy allocations of equities can be large in extreme market conditions as evidenced by the global financial crisis of 2008. Portfolios with heavy concentration of equities experienced losses of up to 30% or more during the worst period of peak to trough returns). The analysis also provides a 90% probability analysis of future cumulative returns and minimum and maximum investment returns for one, five and ten year periods. Because our clients' investment time horizons typically exceed five years, this form of analysis gives them a context for the range of possibilities of investment returns at the total fund level and the individual asset class level.

A higher overall equity allocation will result in the assumption of a greater degree of risk. The annual standard deviation of returns for equities falls in the 17 – 22% range, and for fixed income in the 5 - 10% range, so clients should expect wide potential volatility of returns from each individual asset class in any one given year.

Consulting Engagements – Analysis Strategy and Risk

For multi-asset class consulting engagements where we do not have discretion, the methods and analysis generally are similar to those for discretionary accounts as described above. However, determining asset allocation, setting an appropriate asset mix and manager selection are the responsibilities of the client, and not us. We generally make recommendations and report the results of reviews at quarterly client meetings and follow client direction with regard to the selection of managers and re-balancing accounts. As directed by the client, managers may include those that are not approved for our discretionary accounts. In cases where a client directs assets to a manager that is not approved, the level of ongoing diligence we perform may be limited and clients acknowledge this in writing. Risk for these accounts is similar to risk for discretionary multi-asset class accounts.

Item 9 - Disciplinary Information

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of our advisory business or the integrity of our management. We do not have any disclosure items of this nature.

Item 10 - Other Financial Industry Activities and Affiliations

Our wholly-owned subsidiary, PFM Fund Distributors, Inc. (PFMFD), is registered as a broker-dealer under the Securities Exchange Act of 1934. Its sole activities are to serve as exclusive distributor to the registered investment company and local government investment pools (Pooled Funds) for which we serve as investment adviser and/or administrator. One of the managers of our company, Martin Margolis, is a registered principal of PFMFD.

If our client invests in a Pooled Fund, we disclose this relationship to the client, through the Form ADV Part 2A and the offering statement for the Pooled Fund. In addition, our investment advisory agreement with the client provides that if we invest client assets in a Pooled Fund, we will not take these assets into account for purposes of calculating our fees under the client's investment advisory agreement.

We serve as administrator and investment adviser to PFM Funds, a diversified, open-end management registered investment company offering money market funds to governmental entities and other institutional investors. We may enter into arrangements with a third party to compensate it for service it provides to us in our role as administrator to PFM Funds, or in PFMFD's role as distributor to PFM Funds. Such compensation payable to the third party is paid out of the fee we receive from the client. We also serve as administrator and/or investment adviser to the following local government investment pools:

- California Asset Management Trust (CAMP);
- Florida Education Investment Trust Fund (FEITF);

- Illinois Trust;
- Massachusetts Finance Development Agency Short-Term Asset Reserve Fund (Mass STAR);
- Michigan Liquid Asset Fund Plus (MILAF+);
- Minnesota Association of Governments Investing for Counties (MAGIC);
- Minnesota School District Liquid Asset Fund Plus (MSDLAF+);
- Missouri Securities Investment Program (MOSIP);
- Nebraska Liquid Asset Fund (NLAF);
- New Hampshire Public Deposit Investment Pool (NH PDIP)
- New Jersey Asset & Rebate Management Program (NJ/ARM);
- Pennsylvania Local Government Investment Trust (PLGIT);
- Pennsylvania OPEB Trust (adviser and distributor only);
- TexasTERM Local Government Investment Pool (TexasTERM); and
- Wyoming Government Investment Fund (WGIF).

PFMFD serves as distributor to all of these pools except for WGIF.

We have no arrangements for direct or indirect compensation with other investment advisers. As a matter of policy and practice, we do not accept any fees, commissions or other forms of compensation from any underlying money managers or other professionals affiliated with our client's account.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Under Rule 204A-1 of the Investment Advisers Act of 1940, our employees are subject to our Code of Ethics (Code). Compliance with the Code is a condition of employment for all of our employees.

This Code sets out general ethical standards applicable to our employees. Employees are expected to maintain the highest ethical standards, embody a business culture that supports actions based on what is right rather than expediency, deal fairly with clients and one another, protect confidential information and seek guidance about ethical questions. More specifically with respect to advisory activities, the Code requires that whenever our personnel act in a fiduciary capacity, we will endeavor to put the client's interest ahead of the firm's. We will disclose actual and potential meaningful conflicts of interest. We will manage actual conflicts in accordance with applicable regulatory and legal standards. If applicable regulatory and legal standards do not permit management of a conflict, we will seek to avoid the conflict. We will not engage in fraudulent, deceptive or manipulative conduct with respect to clients. We will act with appropriate care, skill and diligence.

Our employees are required to know when we are acting as a fiduciary with respect to the work they are doing. If we are acting as a fiduciary, they are expected to comply with all fiduciary standards which apply to us in performing their duties. In addition, they must also put the client's interest ahead of their own personal interest. An employee's fiduciary duty is a personal obligation. While advisory personnel may rely upon subordinates to perform many tasks that are part of their responsibilities, they are personally responsible for fiduciary obligations even if carried out through subordinates.

In general, the Code expresses our recognition of our responsibilities to the public, clients and professional associates. Our Code also contains various reporting, disclosure and approval requirements regarding employees' personal securities transactions. The Code requires that our employees whom we deem to be "Access Persons" must report all personal securities transactions, including transactions in mutual funds advised by us, to our Chief Compliance Officer, or to the person he designates. We prohibit our Access Persons from participating in initial public offerings unless our Chief Compliance Officer gives his approval. We also prohibit our employees from purchasing any municipal securities within 60 days of their issue date, if our affiliate, Public Financial Management, Inc., served as municipal advisor for the bond issue.

You can receive a copy of our Code by contacting us at One Keystone Plaza, Suite 300, North Front & Market Streets, Harrisburg, PA 17101, by calling 717-231-6200 or by emailing pfmamrequest@pfm.com.

On infrequent occasions, our employees may invest in securities that coincidentally we also recommend for purchase or sale in our client accounts. The securities we recommend for purchase and sale within our fixed-income and multi-asset class portfolios are of the type which the Securities and Exchange Commission has expressly recognized as presenting little opportunity for the type of improper trading which compliance with the Code of Ethics reporting requirements is designed to uncover. Further, our employees are subject to our Code of Ethics described above, and because our personnel are acting in a fiduciary capacity, we require our employees to put the client's interests ahead of their individual interests or that of the firm with respect to the purchase and sale of securities.

Item 12 - Brokerage Practices

We generally exercise brokerage discretion as follows: typically, our clients allow us to choose the broker or dealer to execute the trades. In these situations, we deal with brokers and dealers whom we determine to be major market makers for the types of securities purchased or sold. As a matter of policy, we do not recommend, request or require a client to direct us to execute transactions through a specified broker-dealer. If a client provides us with an approved list of brokers and dealers, we place all orders for the purchase or sale of securities for the client's account with those brokers or dealers and this may limit our ability to achieve the most favorable price or execution. Under these circumstances, the client and the broker or dealer determine the commission rates.

The factors that we may consider in selecting or recommending a particular broker or dealer include: the execution, clearance and settlement capabilities of the firm; our knowledge of negotiated commission rates currently available and other current transaction costs; the nature of the portfolio transaction; the size of the transaction; the desired timing of the trade; the activity existing and expected in the market for the particular transaction; confidentiality; the availability of research and research related services provided through such firms (as discussed below); our knowledge of the financial stability of the firm; and our knowledge of actual or apparent operational problems of the firm. Given these factors, our clients may pay transaction costs in excess of that which another firm might have charged for effecting the same transaction.

When we select or recommend a firm that executes orders or is a party to portfolio transactions, relevant factors taken into consideration may also include whether that firm has furnished research and research related products and/or services. We receive a broad range of research services, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information which may affect the economy and/or security prices. Research services may be received in the form of written reports, periodicals, investment seminars, software, and electronic access to, and telephone contacts and personal meeting with, security analysts, economists, government representatives, and corporate and industry spokespersons. They also may consist of computer databases. Currently, as a matter of policy, we do not enter into any third party or proprietary soft dollar arrangements where a broker-dealer provides research services in exchange for an expectation of receiving a certain dollar amount of commissions.

From time to time some of these brokers offer us market commentary and data and statistical research reports as to factors which may influence market price movements. We believe that this information improves the quality of our investment and trading decisions for the benefit of all of our clients. We obtain express authorization from our clients to consider direct brokerage factors (efficiency of execution and commission) in selecting a broker or dealer, and to consider the furnishing of statistical research and other information services by the broker or dealer. It is possible that the use of any these particular brokerage firms may result from time to time in a less favorable price for a particular transaction than if we canvassed a broader range of brokers. However, we believe that the practice of taking into account the furnishing of market information is reasonable. For fixed-income securities, we seek to minimize the effect, if any, of research on the transaction costs by seeking multiple competitive bids and offers and involving major market makers wherever feasible, and use electronic trading platforms for a majority of trades to facilitate market access and in an effort to minimize transaction costs.

We have no agreement, understanding or other arrangement, either internal or with brokers and/or dealers, which would influence the allocation of securities transactions among brokers and/or dealers, and we do not utilize soft dollar arrangements other than those activities explicitly authorized under Section 28(e) of the Securities Exchange Act of 1934.

In the fixed-income and ETF markets, we may cause securities transactions to be executed for a client's account concurrently with authorizations to purchase or sell the same securities or shares for other accounts we manage. It is our policy to aggregate the purchase or sale of securities or shares for various client accounts in order to achieve efficiency of execution and better pricing. Each client participating in an aggregate transaction will participate at the same price. Where we receive an allocation that is less than our order we normally allocate the securities or shares to the participating client accounts on a pro rata basis in proportion to the size of the orders placed for each account, to the extent that we can. We may increase or decrease the amount of securities or shares allocated to a client if necessary due to factors including avoiding odd lots in a particular security.

With respect to ETFs, due to low trading volume or the established limit price for the trade order being reached, there may be times when a trade order goes unfilled or only partially filled. At the close of business on the trade date, any remaining trades that have not been filled by the broker will be terminated.

Item 13 - Review of Accounts

For our fixed-income accounts, our Fixed-Income Investment Committee meets generally on a monthly basis, or more frequently as necessary to review the overall strategic direction. This investment committee consists of portfolio managers, senior research staff and our chief investment officer.

Shorter-term tactical approaches are presented routinely through a report and analysis prepared and distributed by a sector specialist and may be discussed at a meeting. These reports, normally provided on a weekly basis, highlight interest rate trends and the relative value of different sectors and maturity structures in the market. Ad-hoc strategy discussions take place regularly, or after any significant market moving event, such as sudden changes in financial market conditions, general economic conditions, credit ratings downgrades, and/or the movement of a particular portfolio security through a price support or resistance level.

Our fixed-income portfolio managers and traders also review client portfolios on a daily basis. As part of daily practices, portfolio managers and traders discuss market developments, overall strategies, and the potential impact of pending economic announcements. During these sessions, portfolio managers review portfolios, upcoming maturities, and any expected large transactions.

For our multi-asset class accounts, our Multi-Asset Class Investment Committee meets generally on a monthly basis, or more frequently as necessary to review the overall strategic direction. This investment committee consists of portfolio managers, senior research staff and our chief investment officer.

We monitor the performance of multi-asset class accounts, including our Managed Accounts Program (MAP), on at least a quarterly basis to determine whether the underlying investments selected are performing in line with expectations and are meeting the needs of the individual client. We provide our multi-asset class clients a quarterly analysis of the performance of the underlying funds in which the client's assets are invested and of any reallocation of assets among these underlying funds. At least annually, we will consult with the client to determine whether there are reasons to revise the client's target investment strategy.

Changes in our Capital Market Assumptions, our outlook for asset class valuation, sudden changes in financial market conditions, and general economic conditions may trigger a review of our multi-asset class accounts. Accounts are reviewed by a principal or a portfolio manager in consultation with one of our principals. Normally, we sequence account reviews in a manner that provides for first review of the accounts that have the greatest potential exposure to the effects of the event which triggers the review.

We furnish monthly account summaries to each fixed-income portfolio client with assets under continuous management. The summaries include details of all transactions and holdings at the end of the period. We also provide account summaries on a daily basis on the Internet. We may also provide an investment advice memorandum upon advising and/or completing an order for a buy or sell of securities. Pursuant to our investment advisory agreements, we may also provide quarterly performance and economic reviews for some clients.

The custodian of our multi-asset class portfolio clients, including our MAP clients, provides each client with a monthly statement of account detailing the client's month-end balances and any transactions which occurred during the month. We review such statements monthly to determine whether transactions executed by the custodian are in agreement with any instructions which we or the client provided. In addition, we provide monthly written statements and quarterly performance reports.

Item 14 - Client Referrals and Other Compensation

From time to time, we may enter into arrangements under which we agree to engage a third party to solicit or refer to us potential new investment advisory clients. Under these arrangements, we enter into a written agreement with the third party, describing the third party’s activities on our behalf and the amount we agree to pay the third party. The agreement also contains the third party’s undertaking to act in manner consistent with our instructions and with the provisions of the Investment Advisers Act of 1940, and to provide the referral with a copy of our Form ADV, Part 2A and Part 2B. If the referral subsequently enters into an investment advisory agreement with us, we pay the solicitor a percentage of our investment advisory fee, which fee arrangement is disclosed to the prospect by the solicitor prior to any contact or meeting with the prospect.

Item 15 - Custody

We do not have custody of client funds or securities.

Item 16 - Investment Discretion

We offer discretionary advisory services with respect to a client’s investable assets. When a client gives us investment discretion, we then have the authority to determine, without obtaining their specific approval, (1) overall asset allocation, (2) the manager or sub-adviser to be utilized for the portfolio, (3) the specific securities to be bought and sold, (4) the amount of securities to be bought and sold including overall asset allocation and (5) the broker or dealer through which the securities are bought or sold. These decisions are subject to limitations of law and any other restrictions in the contract with our client, or in our client’s investment policies. Many of our clients have their own investment policies, which usually contain restrictions on the types and credit quality of investments. We agree contractually to follow those guidelines. In addition, many of our clients are subject to state investment statutes, which we comply with as well. Our clients typically grant us discretionary authority in the investment advisory agreement which we enter into with them.

Item 17 - Voting Client Securities

We provide to certain of our clients discretionary investment advice on securities which are mutual funds. These mutual funds send us proxies, which we vote on behalf of these discretionary clients if they have given us the authorization to vote them. We also occasionally receive consent requests. Generally, we arrange for the portfolio manager overseeing the client's investments to be responsible for making all proxy-voting decisions. We seek to vote proxy proposals, consents or resolutions in a manner that serves the best interests of our clients. When reviewing whether a proposed action would be in our client's best interests, we take into account the following factors:

- The impact on the valuation of securities;
- The anticipated costs and benefits associated with the proposal;
- An increase or decrease in costs, particularly management fees, of investment in the securities;
- The effect on liquidity; and
- Customary industry and business practices.

In reviewing proxy issues of the type described below, we will apply the following general principles:

- With respect to an election of directors, we will typically vote in favor of the management-proposed slate of directors, unless there is a proxy contest for seats on the board of a portfolio fund or other important reasons for withholding votes for directors. We may abstain if there is insufficient information about the nominees disclosed in the proxy statement.

- Similarly, we will also generally support management's recommendation for the appointment of auditors, unless there are reasons for us to question the independence or performance of the nominees.

- We will vote in accordance with management's recommendations on issues that are technical and administrative in nature, such as changes to increase the number of directors or to adopt term limits. However, we review and vote on a case-by-case basis any non-routine proposals which are likely to affect the structure and operation of the portfolio company. Examples of these types of proposals include any limitations on shareholder rights, or those which have a material economic effect on the company.

- We will generally vote in favor of proposals that give shareholders a greater vote in the affairs of the company and oppose any measure that seeks to limit those rights.

- We also support proposals promoting transparency and accountability within a company to ensure that the directors fulfill their obligations to shareholders.

- We review proposals that result in an increase of compensation to investment advisors and other service providers of portfolio mutual funds on a case-by-case basis, with particular emphasis on the relative performance of the fund.

- We also review proposals relating to executive compensation plans to ensure that the long-term interests of management and shareholders are properly aligned.

- We generally oppose proposals to give shareholders the right to vote on executive compensation.

These policies are not exhaustive due to the variety of proxy voting issues that we may be required to consider.

With the exception of a client's shareholdings in a registered investment company and certain local government investment pools for which we provide services, a conflict of interest between us, and a client whose investments are managed by us, is unlikely. We are the investment advisor to a registered money market investment company (RIC) and to several local government investment pools (LGIPs). We receive no investment advisory fee from a client for managing client assets which we invest in the RIC or LGIPs. In regard to the voting of securities in the RIC or LGIPs for which we are the investment advisor (or where it would appear that we have an interest), we apply the following principles:

- If the proposal relates to the matters in which the outcome does not directly affect us, we will follow our general voting policies.

- If the proxy proposal relates to a transaction which directly affects us, or otherwise requires a case-by-case determination by us under our voting policies, we will seek the advice either of the managers of the client or of a qualified, independent third party, and we will submit the proxy statement to them. We will then follow the decision of our client's management or the recommendation of the third party in voting the proxy.

We maintain records relating to all proxy voting for five years. We will provide information to any client about how we voted proxies for securities in the client's account. Our Proxy Voting Policy is available upon request by contacting us at One Keystone Plaza, Suite 300, North Front & Market Streets, Harrisburg, PA 17101, by calling 717-231-6200 or by emailing pfmamrequest@pfm.com.

Under certain of our engagements, we do not assume the responsibility for voting proxies on client securities. The clients make arrangements to receive proxies from their custodian. In the event that we receive a proxy and we do not have authority to vote on it, we forward it to our client. Clients may contact the portfolio manager for their account if they have questions about a particular solicitation.

Item 18 - Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to carry out our commitments and responsibilities under our client contracts.

FORM ADV PART 2B
BROCHURE SUPPLEMENT

PFM ASSET MANAGEMENT LLC

One Keystone Plaza, Suite 300
N. Front & Market Streets
Harrisburg, PA 17101-2044
717-231-6200 (phone)
www.pfm.com

SEC File No. 801-60449

March 30, 2016

Marc D. Ammaturo*
Robert H. Cheddar, CFA
Joseph W. Creason
Michael P. Downs, CFA
Matthew R. Eisel, CFA
Christopher Harris, CFA
Biagio Manieri, CFA*
Martin P. Margolis
Anthony Pappion
Jeffrey H. Rowe, CFA
Kenneth R. Schiebel, CFA
James P. Sims, CFA
John S. Spagnola*
David W. Starr*
Kerri L. Staub Muskin
Michael R. Varano

This Brochure Supplement provides information about our personnel listed above and supplements the PFM Asset Management LLC brochure. You should have received a copy of that brochure. Please contact our Compliance Department at 717.231.6200, or contact us by emailing pfmamrequest@pfm.com if you did not receive our Firm's brochure or if you have any questions about the contents of this supplement.

** Messrs. Ammaturo, Manieri, Pappion, Spagnola and Starr are based in the Firm's Philadelphia, Pennsylvania Office, which is located at: Two Logan Square, 18th & Arch Streets, Suite 1600, Philadelphia, PA 19103; 215.567.6100 (telephone).*

Table of Contents

Educational Background and Business Experience

Item 2

Item 2 of Form ADV, Part 2B asks us to disclose background in education and business for our supervised persons who formulate the various types of investment advice we offer. Most types of our investment advice are provided to you by a team of more than five individuals. We have prepared background information for the team members who have the most responsibility for the advice the team prepares. We have provided the person's name, year of birth, formal education after high school, and business background (including an identification of the specific positions held) for the preceding five years of our supervised persons. Also listed are certain professional designations held by the supervised person. An explanation of the minimum qualifications required for each designation is included so you may better understand the value of the designation.

FIXED INCOME PORTFOLIOS

Robert H. Cheddar, CFA

Year of Birth: 1966

- Formal Education after High School
  - Susquehanna University, Selinsgrove, PA, Bachelor of Science, Business, Graduated 1988
  - Pennsylvania State University, Malvern, PA, MBA, Graduated 2003
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Harrisburg, PA, Senior Portfolio Manager, 01/2004 – 01/2011; Managing Director, 01/2011 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Joseph W. Creason

Year of Birth: 1976

- Formal Education after High School
  - Shippensburg University, Shippensburg, PA, Bachelor of Science, Finance, and Bachelor of Science, Economics, Graduated 2000
- Business Background for the Previous Five Years
  - PFM Asset Management LLC / Public Financial Management Inc., Harrisburg, PA, Portfolio Trader, 07/2000 –07/2009; Portfolio Manager, 07/2009 – Present

Michael P. Downs, CFA

Year of Birth: 1964

- Formal Education after High School
  - The Ohio State University, Columbus, OH, Bachelor of Science, Finance and Accounting, Graduated 1987
  - The Ohio State University, Columbus, OH, Master of Business Administration, Finance, Graduated 1991
- Business Background for the Previous Five Years
  - Hughes Capital Management, Inc., Alexandria, VA, Portfolio Manager, 06/2005 – 02/2014, PFM Asset Management LLC, Harrisburg, PA, Portfolio Manager, 04/2014 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Martin P. Margolis

Year of Birth: 1944

- Formal Education after High School
  - University of Pennsylvania, Philadelphia, PA, Bachelor of Arts, History, Graduated 1966
  - University of Pennsylvania, Philadelphia, PA, Graduate School, History 1967-1972
- Business Background for the Previous Five Years
  - Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1987 – 01/2003; PFM Asset Management LLC, Harrisburg, PA, Managing Director, President, 01/2003 – Present

Jeffrey H. Rowe, CFA
Year of Birth: 1982

- Formal Education after High School
  - Pennsylvania State University, University Park, PA, Bachelor of Science, Finance, and a Minor in Supply Chain and Information Systems Technology, Graduated 2005
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Harrisburg, PA, Portfolio Trader, 05/2005 – 05/2010; Portfolio Manager, 05/2010 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Kenneth R. Schiebel, CFA
Year of Birth: 1959

- Formal Education after High School
  - University of Michigan, Ann Arbor, MI, Bachelor of Arts, Mathematics & Computer Science, Graduated 1981
- Business Background for the Previous Five Years
  - PFM Asset Management LLC / Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1994 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

James P. Sims, CFA
Year of Birth: 1970

- Formal Education after High School
  - Georgia State University, Atlanta, GA, Bachelor of Business Administration, Finance, Graduated 1993
  - Georgia State University, Atlanta, GA, Masters of Science, Finance, Graduated 1997
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Harrisburg, PA, Senior Portfolio Manager, 02/2016 – Present; Columbia Management Investment Advisers, LLC, Portland, OR, Portfolio Manager, 09/2010 – 02/2016
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Kerri L. Staub Muskin
Year of Birth: 1983

- Formal Education after High School
  - Pennsylvania State University, Harrisburg, PA, Bachelor of Science, Business Management, Graduated 2006
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Harrisburg, PA, Portfolio Trader, 06/2007 – 07/2012; Portfolio Manager, 07/2012 – Present

Michael R. Varano
Year of Birth: 1952

- Formal Education after High School
  - Bloomsburg University, Bloomsburg, PA, Bachelor of Science, Business Management & Accounting, Graduated 1974
- Business Background for the Previous Five Years
  - PFM Asset Management LLC / Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1987– Present

MULTI-ASSET CLASS MANAGEMENT

Marc D. Ammaturo
Year of Birth: 1974

- Formal Education after High School
  - The Pennsylvania State University, State College, PA, Bachelor of Science, Accounting, Graduated 1996
  - Maryland University, College Park, MD, Masters of Business Administration, Finance, Graduated 2004
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Harrisburg, PA, Research Analyst, 01/2005 - 01/2007; Senior Managing Consultant, 01/2007 - 01/2012; Managing Director, 01/2012 – Present

Biagio Manieri, Ph.D., CFA
Year of Birth: 1960

- Formal Education after High School
  - City College of the City University of New York, New York, NY, Bachelor of Science, Electrical Engineering, Graduated 1983
  - Columbia University, New York, NY, Doctor of Philosophy, International Relations, Graduated 1995
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Philadelphia, PA, Director of Research, 01/2012 – Present; Federal Reserve System, Investment Officer, 03/2005-01/2012
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Martin P. Margolis
Year of Birth: 1944

- Formal Education after High School
  - University of Pennsylvania, Philadelphia, PA, Bachelor of Arts, History, Graduated 1966
  - University of Pennsylvania, Philadelphia, PA, Graduate School, History 1967-1972
- Business Background for the Previous Five Years
  - Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1987 – 01/2003; PFM Asset Management LLC, Harrisburg, PA, Managing Director, President, 01/2003 – Present

Kenneth R. Schiebel, CFA
Year of Birth: 1959

- Formal Education after High School
  - University of Michigan, Ann Arbor, MI, Bachelor of Arts, Mathematics & Computer Science, Graduated 1981
- Business Background for the Previous Five Years
  - PFM Asset Management LLC / Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1994– Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

John S. Spagnola
Year of Birth: 1957

- Formal Education after High School
  - Yale University, New Haven, CT, Bachelor of Arts, Political Science, Graduated 1980
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Philadelphia, PA, Managing Director, 01/2003 – Present

Mark Yasenchak, CFA
Year of Birth: 1978

- Formal Education after High School
  - West Chester University, West Chester, PA, Bachelor of Science, Finance and Economics, Graduated 2001
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Philadelphia, PA, Senior Managing Consultant, 10/2003 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

STRUCTURED PRODUCTS

Matthew R. Eisel, CFA
Year of Birth: 1983

- Formal Education after High School
  - University of South Carolina, Bachelor of Science, Entrepreneurial Management, Finance, and Risk Management & Insurance, Graduated 2005
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Harrisburg, PA, Consultant, 07/2005-07/2009; Senior Managing Consultant, 07/2009-10/2012; Director, 10/2012-01/2015; Managing Director, 02/2015 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Christopher M. Harris, CFA
Year of Birth: 1986

- Formal Education after High School
  - Dickinson College, Carlisle, PA, Bachelor of Arts, Economics, Graduated 2008
- Business Background for the Previous Five Years
- PFM Asset Management LLC, Harrisburg, PA, Senior Managing Consultant, 06/2008 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Martin P. Margolis
Year of Birth: 1944

- Formal Education after High School
  - University of Pennsylvania, Philadelphia, PA, Bachelor of Arts, History, Graduated 1966
  - University of Pennsylvania, Philadelphia, PA, Graduate School, History 1967-1972
- Business Background for the Previous Five Years
  - Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1987 – 01/2003; PFM Asset Management LLC, Harrisburg, PA, Managing Director, President, 01/2003 – Present

Kenneth R. Schiebel, CFA
Year of Birth: 1959

- Formal Education after High School
  - University of Michigan, Ann Arbor, MI, Bachelor of Arts, Mathematics & Computer Science, Graduated 1981
- Business Background for the Previous Five Years
  - PFM Asset Management LLC / Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1994 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Certificates of Deposit/Fixed Term Investments

Robert H. Cheddar, CFA
Year of Birth: 1966

- Formal Education after High School
  - Susquehanna University, Selinsgrove, PA, Bachelor of Science, Business, Graduated 1988
  - Pennsylvania State University, Malvern, PA, MBA, Graduated 2003
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Harrisburg, PA, Senior Portfolio Manager, 01/2004 – 01/2011; Managing Director, 01/2011 – Present
- Certifications
  - Chartered Financial Analyst. An explanation of the minimum qualifications required for this designation is provided at the conclusion of this Item.

Michael R. Varano
Year of Birth: 1952

- Formal Education after High School
  - Bloomsburg University, Bloomsburg, PA, Bachelor of Science, Business Management & Accounting, Graduated 1974
- Business Background for the Previous Five Years
  - PFM Asset Management LLC / Public Financial Management, Inc., Harrisburg, PA, Managing Director, 01/1987– Present

Stable Value Products

David W. Starr
Year of Birth: 1957

- Formal Education after High School
  - Duke University, Durham, NC, Bachelor of Arts, Economics, Graduated 1979
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Philadelphia, PA, Managing Director, 08/2015 – Present; Goldman Sachs, Inc., Managing Director, 05/2012—10/2013; Dwight Asset Management, 12/1989—05/2012

Banking and Similarly Chartered Financial Institution Services

Anthony Pappion
Year of Birth: 1981

- Formal Education after High School
  - University of Pittsburgh, Bachelor of Arts, Economics, Graduated 2004
- Business Background for the Previous Five Years
  - PFM Asset Management LLC, Philadelphia, PA, Senior Managing Consultant, 04/2015 – Present; Susquehanna Bancshares, Lititz, PA, Associate Director Treasury Strategies, ALCO, and Quantitative Risk, 09/2014-04/2015; Fulton Financial Corporation, Lancaster, PA, Fund Management Associate Portfolio Manager, 10/2011-09/2014; Graystone Tower Bank, Harrisburg, PA, Treasury Manager, 02/2009-10/2011

SUMMARY OF PROFESSIONAL DESIGNATIONS

This Summary should assist you with evaluating the professional designations and the minimum requirements that an individual must meet in order to hold this designation.

CFA – Chartered Financial Analyst

This designation is issued by the CFA Institute (www.cfainstitute.org). A candidate must meet one of the following prerequisites in order to participate in the CFA program: 1) Have obtained an undergraduate degree and have 4 years of professional experience involving investment decision-making; or 2) Have 4 years of full-time qualified work experience. The educational requirements that must be completed involve 250 hours of study for each of the 3 levels, and there are 3 course exams. There are no continuing education requirements.

Disciplinary Information

Item 3
If there are legal or disciplinary events material to your evaluation of the supervised person, Item 3 requires us to disclose all material facts regarding those events.

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. was found to have been involved in a violation of an investment-related statute or regulation; or
4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the supervised person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

Not applicable. None of the personnel listed in Item 2 above has ever been subject to any such criminal or civil action.

B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the supervised person

1. was found to have caused an investment-related business to lose its authorization to do business; or
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
   (a) denying, suspending, or revoking the authorization of the supervised person to act in an investment-related business;
   (b) barring or suspending the supervised person's association with an investment-related business;
   (c) otherwise significantly limiting the supervised person's investment-related activities; or
   (d) imposing a civil money penalty of more than $2,500 on the supervised person.

Not applicable. None of the personnel listed in Item 2 above has ever been subject to any such administrative proceeding.

C. A self-regulatory organization (SRO) proceeding in which the supervised person

1. was found to have caused an investment-related business to lose its authorization to do business; or
2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than $2,500.

Not applicable. None of the personnel listed in Item 2 above has ever been subject to any such proceeding by an SRO.

D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

Not applicable. None of the personnel listed in Item 2 above has ever been subject to any such suspension or revocation.

Other Business Activities

Item 4

A. If the supervised person is actively engaged in any investment-related business or occupation, including if the supervised person is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated person of an FCM, CPO, or CTA, we are required to disclose this fact and describe the business relationship, if any, between the advisory business and the other business.

We have a wholly owned subsidiary, PFM Fund Distributors, Inc. ("PFMFD"), which is a broker-dealer under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority ("FINRA"). PFMFD serves as exclusive distributor of shares of a registered investment company and local government investment pools (Pooled Funds) for which we serve as investment adviser and/or administrator and we receive fees from this arrangement. Messrs. Eisel, Harris, Margolis, Schiebel, Starr and Varano are registered representatives of PFMFD.

- *If a relationship between the advisory business and the supervised person's other financial industry activities creates a material conflict of interest with clients, describe the nature of the conflict and generally how you address it.*

If our client invests in a Pooled Fund, we disclose this relationship to the client, through our firm brochure (the Form ADV, Part 2A) and the offering statement for the Pooled Fund. In addition, if we have an investment advisory arrangement with a client to manage a separate account, our investment advisory agreement with the client provides that if we invest client assets in a Pooled Fund, we will not take these assets into account for purposes of calculating our fees for managing the separate account.

- *If the supervised person receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service ("trail") fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the supervised person receives. Explain that this practice gives the supervised person an incentive to recommend investment products based on the compensation received, rather than on the client's needs.*

Our PFMFD registered representatives listed in this Brochure Supplement do not receive commissions, bonuses or other compensation directly based on the sale of shares in the Pooled Funds.

B. If the supervised person is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the supervised person's income or involve a substantial amount of the supervised person's time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the supervised person's time and income, you may presume that they are not substantial.

None of our supervised persons described in this Brochure Supplement engages in any other business or occupation which provides a substantial source of income or involves a substantial amount of time.

Additional Compensation

Item 5

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person's regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

We do not have any arrangements in which someone other than a client provides any economic benefit to our supervised persons for providing advisory services.

Supervision

Item 6

Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.

Marty Margolis as Chief Investment Officer and President of PFM Asset Management LLC oversees or participates in meetings of the committees which develop investment strategies for the various types of investment advice we offer to our clients. The strategies and advice developed by these committees are then marketed to our clients and prospects by the managing directors of our firm and our additional personnel. As the Chief Investment Officer of the firm, Mr. Margolis does not fall under the supervision of any individual, although he meets regularly with the other managing directors, the Firm's Chief Compliance Officer, and the Board of Directors and officers of the Firm's parent holding company. Mr. Margolis may be reached at 717.231.6200.