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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.

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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:

<u>Assets Under Management</u>	<u>Annual Rate</u>
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:

<u>Assets Under Management</u>	<u>Annual Rate</u>
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:

<u>Assets Under Management</u>	<u>Annual Rate</u>
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 to 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.



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9/2/16

FORM ADV PART 2 APPENDIX 1 WRAP FEE PROGRAM BROCHURE

This wrap fee program 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.

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Services, Fees and Compensation

Form ADV Part 2A, Appendix 1, Item 4

INTRODUCTION

PFM Asset Management LLC (PFMAM), a Delaware limited liability company, sponsors a wrap fee program called the Managed Accounts Program (the Program) under which investment advice, custody services, and other administrative services are provided to you for an all-inclusive wrap fee (Wrap Fee). The Program will offer you access to a variety of investment managers through mutual funds or other investment vehicles (Portfolio Managers) suitable for implementing an investment strategy. We will assist you in developing or updating an investment policy, developing an asset allocation, and implementing the investment strategy. We will manage your account (Account) on a discretionary basis and select the Portfolio Managers with which your account will be invested and in what amounts. We will use a questionnaire to be completed by you (the Portfolio Planning Survey) to determine your eligibility for the Program and to determine the investment strategy in which your Account should be invested. If your Account relates to other post-employment benefits (OPEB) plan or trust, we will also assist you with pre-funding structuring advice for a consulting fee as described below.

U.S. Bank National Association (the Custodian) will provide custody of securities and cash balances, and certain record keeping, reporting and administrative services to and/or on behalf of you, which may include execution, clearance and settlement of securities transactions, and benefit payment services for retirement plans.

PROGRAM SERVICES

The following describes the Program and the services offered to you if you participate in the Program. Each participant in the Program is responsible only for the performance of its Program-related duties and not for those of any other participant.

1. For OPEB: Pre-Funding Consulting

If you plan to use the Program for OPEB assets, we will work with you to develop a comprehensive report detailing a variety of funding scenarios (Scenarios) that include potential budget and cash flow implications of the Scenarios and compares them to one another. The Scenarios may include sample debt funding, cash flow funding and lump sum funding alternatives and Scenarios that include combinations of these funding alternatives.

We will also help you identify the appropriate means to hold and invest your OPEB assets. These alternatives may include pay as you go funding, dedicated fund balances, and a variety of trust alternatives. Finally, the report will provide examples of asset allocations for the account. The investment alternatives will include probabilities for meeting different investment rates of return based on historical performance. In addition to the comprehensive report, we may upon request provide you with introductions to other professional service providers (e.g., actuaries, attorneys). We will not be compensated for these introductions, nor will you be required to utilize services of these providers.

2. Selecting a Portfolio Manager

We have selected certain Portfolio Managers for inclusion in the Program. Before including them in the Program, we screen the Portfolio Managers based on a variety of criteria, utilizing third-party resources, information provided by the Portfolio Managers and our own information and analysis. Once we select Portfolio Managers for the Program, we monitor them using the same criteria. We may terminate

a Portfolio Manager from the Program in our discretion if the Portfolio Manager's investment performance fails to meet our expectations or if we identify a material change in the Portfolio Manager's investment style or capabilities.

We may add additional Portfolio Managers, which may include Portfolio Managers with different fees and/or different strategies (including multi-discipline strategies), to the Program at any time.

We will work with you to prepare an investment policy statement (the Investment Policy Statement) and an asset allocation study which we will use in managing your Account. Your completed Portfolio Planning Survey gives us important information about your Account's circumstances, investment objectives and risk/return characteristics (collectively, Fund Information). We will evaluate your Portfolio Planning Survey, Investment Policy Statement and asset allocation study results for suitability with the Program. We then will determine whether to accept your Account based on your Fund Information and any other factors we deem appropriate. Once we have approved your Portfolio Planning Survey, we will manage the assets in your Account on a discretionary basis.

You will have a separate Account and Account number for each plan or fund.

We will assist you in completing the Portfolio Planning Survey. We also will furnish you with the other materials relating to the Program, including Part 2 of our Form ADV. The Form ADV describes the investment advisory services we offer and other related information.

You will be notified if it is determined that you are not eligible to participate in the Program or that your Fund Information is inconsistent with the Program and its corresponding investment strategies.

3. Your Portfolio Manager and the Management of Your Account

We will assist you in opening your Account; will review your Investment Policy Statement and the results of your Portfolio Planning Survey; and will buy and sell and trade for your risk the assets in your Account in accordance with the terms stated in your Investment Advisory Agreement with us. We will have the discretion to manage your Account (*i.e.*, to act on your behalf without prior consultation with you). You may, however, impose reasonable restrictions on our management of your Account. For example, you may specify certain asset classes or sub-asset classes that you do not want us to acquire for your Account. We will determine whether any restriction you request is reasonable. You will not be permitted to engage directly in transactions for your Account under the Program.

The Custodian will execute and clear trades and act as the custodian for your Account. You will have access to your Account and receive information about your Account as set forth below.

If you wish to transfer any of your assets out of the Program, you should contact us or the Custodian and we or the Custodian will advise you about how to transfer assets.

Under the Program, except as otherwise specifically waived or agreed to by you, you retain the following rights to the same extent as if you held the assets in an account outside of the Program: (a) the right to withdraw securities or cash from your Account; (b) the right to vote, or delegate the authority to vote, the securities in your Account; (c) the right to be provided in a timely manner with written trade confirmations for all securities transactions in your Account, and all other documents required by law to be given to security holders; and (d) the right to proceed directly against an issuer of any security in your Account and not be obligated to join any other person or client of the Program as a condition of bringing a proceeding.

You should promptly notify us in writing if you want to revise your answers in the Portfolio Planning Survey, if you want to impose any reasonable restrictions, or modify any existing restrictions, on the management

of your Account, or if there have otherwise been any material changes in your Fund Information. At least annually, we will contact you to change or confirm existing investment objectives. We will have personnel who are knowledgeable about your Account reasonably available to you on an ongoing basis for consultation.

4. Account Information and Reporting

The Custodian will furnish you (or someone you designate) with a monthly Account statement showing holdings and all securities transactions in your Account and a quarterly Account review. In the Custody Agreement, you will authorize the Custodian to send us duplicate copies of trade confirmations, Account statements and reviews and any other applicable Account information. At a web site operated by the Custodian, you will be able to see trading history, positions and executions of trades online as of the prior business day.

We calculate the rate of return performance for your Account using data provided by the Custodian, and we report such performance to you quarterly. We calculate your Account's rate of return performance in a manner consistent with the Global Investment Performance Standards (GIPS) of the CFA Institute, unless otherwise indicated. In reviewing, compiling and analyzing Portfolio Manager performance as it relates to the Program, we, among other things, compare the data collected on the Portfolio Manager to indices and benchmarks. We will periodically review the performance of the mutual funds or other investment vehicles in which your assets are invested. We will prepare and distribute Program level performance reports which address the performance of these funds.

PROGRAM FEE

For the services provided by the Portfolio Managers, the Custodian and us, you will be charged a Wrap Fee in accordance with the schedule below. The fee is negotiable.

	<u>Annual Rate</u>
First \$5,000,000 of assets	1.00%
Next \$5,000,000	0.85%
Next \$10,000,000	0.75%
Assets in excess of \$20,000,000	0.60%

This schedule applies only to Accounts having assets of \$1,000,000 or more; if and for so long as such assets are less than \$1,000,000, the Wrap Fees will be at an annual rate of 1.25%, unless a minimum flat advisory fee is negotiated, instead of a wrap fee at this increased annual rate.

The Wrap Fee will be charged on the net market value of assets in your Account as determined by the Custodian on the last day of the month. The Wrap Fee will compensate us and cover the costs of Portfolio Managers, custody and certain other Program costs.

The underlying investment options of the Program will generally be mutual funds. The mutual fund Portfolio Managers will be compensated by the respective mutual funds at fees that are included in the mutual funds' expense ratio. Where offered and available to the Program, we will select institutionally priced share classes of funds. Clients will not be separately billed for these services. It is anticipated that the weighted average expense ratio for all mutual funds in the Program will be in the range of 0.25% to 0.50%.

Dependent on the aggregate client asset level, the portion of the total fees retained by us will generally range from 0.65% to 0.15%. We are compensated for investment consulting, selection and monitoring of investment options, Program administration and marketing, client services, and other related duties.

From our portion of the Wrap Fee we will pay the fee of the Custodian for custody and benefit payment services. These services are provided by U.S. Bank National Association. Fees for these services will range between 0.05% and 0.25%.

Typically we charge the Wrap Fee on a calendar month basis, in arrears. The portion of the Wrap Fee paid to Portfolio Managers of mutual funds will be in the form of the expense ratios and is deducted automatically from the assets invested in the funds. We receive the remainder of the Wrap Fee from which we pay the Custodian pursuant to our agreements with the Custodian.

The Investment Advisory Agreement between you and us will authorize us to deduct, unless otherwise instructed by you, the monthly Wrap Fee (and all other charges payable under the Program) from the assets in your Account, retain a portion as our fee and distribute the fees that are due to the Portfolio Managers (for vehicles other than mutual funds) and the Custodian. You authorize us, if necessary, to liquidate assets in your Account in order to make cash available for such payments. We will select the assets to be liquidated.

The monthly Wrap Fee payments will be charged on the Account's net market value as determined by the Custodian on the last business day of the month. For each addition to, or withdrawal from, your Account, the Wrap Fee payment will be adjusted in the next month. We may modify the Wrap Fee Schedule upon 30 days' prior written notice to you.

Fee Adjustments for OPEB Accounts

With respect to OPEB funds, we may provide Pre-Funding Consulting for a flat fee ranging from \$10,000 to \$20,000. If you engage us to provide the ongoing Account management services and you fund the Account with at least \$5,000,000 in initial funding, we may reimburse the Account for the initial flat fee in equal installments over the first year of the Account's existence. However, if the Account falls below \$5,000,000 in funding during the first year, the reimbursement will be discontinued.

A. Your Portfolio Managers will receive compensation as a result of your participation in the Program. This compensation comes in the form of the mutual fund's expense ratio and is not billed separately by the Program. The amount of your Portfolio Managers' compensation may be more or less than the amount your Portfolio Managers would receive if you paid separately for investment advice, brokerage and other services similar to the services provided to you under the Program.

B. The Wrap Fee charged to you in the Program may be more or less than the cost of separately purchasing services similar to the Program's services, as in an arrangement involving a separate fee for investment advice and a separate fee for custody services. Generally, the factors that bear upon the relative costs of an investment program include the assets managed, the costs of the specific services provided and the amount of trading activity in an account.

C. The Wrap Fee includes all fees and charges by the Portfolio Managers, the Custodian and us for services in connection with the Program (including investment management fees payable to Portfolio Managers, brokerage commissions, quarterly and annual report charges, and custodial charges, if applicable) except for charges, if any, related to redemption of mutual fund shares that are paid to the fund and not incorporated into its expense ratio,

certain fees, such as front-end or back-end sales charges, or certain charges associated with securities transactions imposed by regulatory authorities. The Wrap Fee does not include fees related to actuarial, accounting, trustee, auditing or legal services required by your Account or any other charges imposed by law.

Account Requirements and Types of Clients

Form ADV Part 2A, Appendix 1, Item 5

We will use your Portfolio Planning Survey to determine whether you are eligible for the Program and which Program asset allocation would be suitable for your Account. The Program is open to all of our clients (assuming they satisfy the minimum account size eligibility criteria described below) and is intended for pension, endowment, foundation, trust, OPEB and other long-term accounts. To participate in the Program, you must complete a Portfolio Planning Survey and sign an Investment Advisory Agreement and a Custody Agreement. The terms of your Investment Advisory Agreement and Custody Agreement will govern your participation in the Program. You should read carefully all of the Program materials and information before deciding to join the Program. You must fund your Program Account with at least \$100,000. You may add assets to or withdraw assets from your Account. However, if a withdrawal at any time causes your Account to have a value of less than \$100,000, we may close your Account at our discretion.

Portfolio Manager Selection and Evaluation

Form ADV Part 2A, Appendix 1, Item 6

A. We have selected certain Portfolio Managers for inclusion in the Program. Before including them in the Program, we screen the Portfolio Managers based on a variety of criteria, utilizing third-party resources, information provided by the Portfolio Managers and our own information and analysis. Once we have selected Portfolio Managers for the Program, we monitor them using the same criteria. We may terminate a Portfolio Manager from the Program in our discretion if the Portfolio Manager's investment performance fails to meet our expectations or if we identify a material change in the Portfolio Manager's investment style or capabilities.

We may add additional Portfolio Managers, which may include Portfolio Managers with different fees and/or different strategies (including multi-discipline strategies), to the Program at any time.

1. We calculate the rate of return performance for your Account using data provided by the Custodian, and we report the performance to you quarterly. We will periodically review the performance of the mutual funds or other investment vehicles in which your assets are invested. We will prepare and distribute Program level performance reports which address the performance of these funds. We calculate your Account's rate of return performance in a manner consistent with the Global Investment Performance Standards (GIPS) of the CFA Institute, unless otherwise indicated.

2. In reviewing, compiling and analyzing Portfolio Manager performance as it relates to the Program, we, among other things, compare the data collected on the Portfolio Manager to indices and benchmarks.

B. We do not act as a Portfolio Manager for the Program.

C. Advisory Business

Part2A Items 4.B.: Not applicable.

Part2A Items 4.C.: Not applicable.

Part2A Items 4.D.: Not applicable.

Performance-Based Fees and Side-By-Side Management

Part2A Item 6: Not applicable.

Methods of Analysis, Investment Strategies and Risk of Loss

Part2A Item 8.A.: Not applicable.

Voting Client Securities

Part 2A Item17: Not applicable.

Client Information Provided to Portfolio Managers

Form ADV Part 2A, Appendix 1, Item 7

We do not communicate information about you to the managers of the mutual funds utilized by the Program. Unless you request otherwise, the Custodian will provide the mutual fund managers with your name and address.

Client Contact with Portfolio Managers

Form ADV Part 2A, Appendix 1, Item 8

For investments in the Program made in mutual funds, the investment policies of the respective fund are as described in its prospectus and other documents that govern the fund's activities. There is no restriction on your ability to contact Portfolio Managers; however, the Portfolio Managers of mutual funds are not able to change their fundamental investment strategies and must manage the mutual fund portfolio according to its own policies.

Additional Information

Form ADV Part 2A, Appendix 1, Item 9

A. Disciplinary Information

1. Not applicable.
2. Not applicable.
3. Not applicable.
4. Not applicable.

B. 1. Not applicable.

2.(a) Not applicable.

(c) Not applicable.

(d) Not applicable.

C. 1. Not applicable.

2. Not applicable.

Other Financial Industry Activities and Affiliations

Part 2A Item 10:

A. Our wholly-owned subsidiary, PFM Fund Distributors, Inc., is registered as a broker-dealer under the Securities Exchange Act of 1934. Its sole activities are to serve as distributor to the registered investment company and certain local government investment pools for which we serve as investment adviser and/or administrator.

B. Not applicable.

C. 1. Our wholly-owned subsidiary, PFM Fund Distributors, Inc. (PFMFD), serves as exclusive distributor to a registered investment company and certain local government investment pools (Pooled Funds) for which we serve as investment adviser and/or administrator. 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. Therefore, we do not receive any additional compensation if we invest client assets in a Pooled Fund.

2. 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. Our wholly-owned subsidiary, PFM Fund Distributors, Inc., serves as distributor for PFM Funds. 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 (MassSTAR);
- 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.

Items 3 through 11 are not applicable.

D. We have no arrangements with other investment advisers who compensate us directly or indirectly. 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.

E. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Form ADV Part 1, Item 11:

A. 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 consistently 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.

Advisory personnel 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 are "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, PFM, served as financial 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.

B. Our wholly-owned subsidiary, PFM Fund Distributors, Inc., serves as distributor to a registered investment company and certain local government investment pools (Pooled Funds) for which we serve as investment adviser and/or administrator. If our client invests in a Pooled Fund, we disclose this relationship to the client, through the Form ADV Part 2A and the Pooled Fund's offering document. In addition, our investment advisory agreement with the client provides that if we invest the client's assets in a Pooled Fund, we will not take these assets into account for purposes of calculating our fees under the agreement.

C. On infrequent occasions, our employees may invest in securities that coincidentally we also recommend for purchase or sale in our client accounts. The fixed-income and multi-asset class management securities we recommend for purchase and sale 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 in Item 11.A. above, and because our personnel are acting in a fiduciary capacity, we endeavor to put the client's interests ahead of the firm's with respect to the purchase and sale of securities.

D. On infrequent occasions, our personnel may buy or sell a security for their own accounts, which coincidentally is being purchased or sold by other of our personnel for client accounts. The fixed-income and multi-asset class management securities we recommend for purchase and sale 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. As noted above, whenever our personnel act in a fiduciary capacity, we will endeavor to consistently put the client's interest ahead of the firm's.

Advisory personnel are required to know when we are acting as a fiduciary with respect to the work they are doing. If they are acting as a fiduciary, they are expected to comply with all fiduciary standards applicable to the firm in performing their duties.

Review of Accounts

Form ADV Part 1, Item 13:

A. Investment committees consisting of senior portfolio managers, senior research staff and our chief investment officer meet approximately monthly to assess economic and market conditions and set overall direction for portfolio managers.

We monitor the performance of multi-asset class accounts, including our Program Accounts, 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. The custodian of our multi-asset class portfolio clients, including our Program 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.

B. Sudden changes in financial market conditions, general economic conditions, and/or the movement of a particular portfolio security through a price support or resistance level may trigger a review. 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.

C. For Program clients, the Custodian provides monthly written statements of accounts and we provide quarterly written performance reports.

Client Referrals and Other Compensation

Form ADV Part 1, Item 14:

- A.** Not applicable.
- B.** Not applicable.

Financial Information

Form ADV Part 1, Item 18:

- A.**
 - 1.** Not applicable.
 - 2.** Not applicable.
 - 3.** Not applicable.
- B.** Not applicable.
- C.** Not applicable.