



	Approved	Denied
Action taken	1/28/02	
Other:		
Date of Council Action: 1/28/02		
Verified by: TY.		

**WASILLA CITY COUNCIL MEMORANDUM**

**CM No. 02-07**

**TITLE: Award Of Contract For Investment Management Services for February 01, 2002 through February 28, 2005.**

**COUNCIL MEETING DATE: January 28, 2002**

ADMINISTRATION INITIAL: *SJP*

REQUESTED BY: Finance Department

PREPARED BY: Finance Department

Date Prepared: January 21, 2002

**SUMMARY:**

The City of Wasilla has just completed amending the City's investment policy. The amendment to the policy will allow the investment of City funds at higher rates of return while providing the maximum assurance of the preservation of principal. Also, based on the stabilization policy the City of Wasilla has instituted, the City of Wasilla is in position to invest in investment vehicles that have a longer maturity than one year.

Based on these requirements in the City of Wasilla's investment policy, Administration and the Finance Department believes that it would be more efficient to have an outside company manage our longer term investments. Based on the type of investments that the City of Wasilla is looking at, the Finance Department recommends that Alaska Permanent Capital Management Company has the expertise to provide the investment management services that City of Wasilla requires.

At the present time, Alaska Permanent Capital Management Company is acting as the investment advisor for the Alaska Municipal League Investment Pool and Client relations contract for all members to that pool. The City of Wasilla currently has approximately \$4,000,000 in the investment pool. The Finance Department is recommending that the City will invest approximately four to five million dollars with Alaska Permanent Capital Management Company providing the investment management services. These investments will be in the City of Wasilla's name and will be held in the City of Wasilla's Trust Account at Wells Fargo.

Per the attached contract, compensation will be .25 of 1% annually on the first 10 million under investment and .15 of 1% annually on the next \$90 million under investment for the services provided by Alaska Permanent Capital Company. Based on the planned amount to be invested, the annual compensation to Alaska Permanent Capital Company will be approximately \$12,500 per year plus reimbursables. It is

projected that the City of Wasilla will be able to increase its rate of return on these investments by approximately ½ to 1 percent (approximately \$30,000 to \$50,000) per year.

**FISCAL IMPACT:**

If yes, amount requested: \$12,500      Account No.: 01-51-414-334.00

**SUMMARY STATEMENT:**

**STAFF RECOMMENDED ACTION:** Council award contract to Alaska Permanent Capital Management Company for Investment Management Services.

Attachments: Professional Service Agreement For Investment Management Services and Investment Management Services Information Binder.

## PROFESSIONAL SERVICES AGREEMENT

Dated: \_\_\_\_\_

THIS AGREEMENT made effective on the above-written date between the City of Wasilla, hereinafter "the City" and ALASKA PERMANENT CAPITAL MANAGEMENT COMPANY, hereinafter "Investment Manager."

### 1. Service of Investment Manager

(a) This agreement is for professional services to the City. The Investment Manager shall perform the professional services described in Exhibit A, which is attached hereto and by reference made a part hereof. Such services shall be performed within the time frames specified in Exhibit A.

(b) The Investment Manager shall at the Investment Manager's own expense furnish to the the City a copy of all information requested by the City for review of the Investment Manager's services while in progress.

(c) The City shall provide the Investment Manager access in a timely manner, to those records, personnel and other items necessary for the Investment Manager to perform the services described in Exhibit A.

### 2. Compensation

The City shall compensate the Investment Manager for the services described in Exhibit A in the amounts and in the manner set forth in Exhibit B, which is attached to this agreement and by reference made a part hereof.

### 3. General Provisions

(a) Independent Contractor. The Investment Manager is an independent contractor. It is neither an employee, partner nor joint venture with the City.

(b) No Assignment. The Investment Manager may neither assign this agreement or any rights thereunder nor delegate any of its duties without first obtaining the written consent of the City.

(c) Insurance. The Investment Manager shall procure and maintain insurance coverage in such amounts, with such deductible and for such period of time as set forth in Exhibit B. The Investment Manager shall provide to the City, upon request, certificates indicating such insurance is in effect. The insurance shall be in effect upon the date of execution of this agreement and shall be effective through the term of this agreement.

(d) Indemnity. To the fullest extent permitted by law, the Investment Manager shall indemnify, defend and hold harmless the City and its employees from and against all claims, damages, losses and expenses, including but not limited to attorneys' fees, caused in whole or in part by any grossly negligent act or omission of the Investment Manager, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts they may be liable, regardless of whether or not it is caused in part by a party indemnified hereunder. The obligations of the Investment Manager described in this paragraph shall not extend to the liability of the City, its agents or employees, arising out of the giving of or the failure to give directions or instructions by the bank, its agents or employees provided such giving or failure to give is the primary cause of the injury or damage. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith and therefore nothing herein shall in any way constitute a waiver or limitation of any rights which the undersigned may have under federal securities laws.

(e) Ownership of Documents. All work products prepared by the Investment Manager in fulfilling its duties under this agreement shall be and remain the property of the City and the City shall have the right to use such products for any purpose without any further claim on the part of the Investment Manager for additional compensation. In the event that the City uses the Investment Manager's work products for other than this project, the City hereby agrees to hold the Investment Manager harmless from any claims arising therefrom. The Investment Manager may retain a copy of any work product prepared by the Investment Manager in fulfilling its duties under this agreement for the Investment Manager's records.

(f) Termination. The City may terminate this agreement in whole or in part whenever for any reason the City determines that such termination is in its best interest. Such termination shall be effected by personal delivery or by sending to the Investment Manager by certified mail notice of termination specifying the extent to which performance of work under this agreement is terminated. In the event of any termination, the Investment Manager shall be paid for services rendered to the date of termination.

(g) Law and Venue. This agreement shall be governed by the laws of the State of Alaska. Venue for any legal proceeding relating to this contract shall be Anchorage, Alaska.

(h) Term. This agreement shall commence on \_\_\_\_\_, 2002 and shall end on \_\_\_\_\_, 200\_. This term may be extended by mutual agreement of the parties.

(i) Notice. Unless otherwise provided herein, any notices or other communications required or permitted by this agreement to be delivered to the City or the Investment Manager shall be in writing and shall be considered delivered when personally delivered to the party to whom it is addressed, or in lieu of such personal delivery, when deposited in the United States mail, first-class, postage prepaid, addressed to the City or the Investment Manager at the address set forth below:

**City of Wasilla  
290 E. Herning Ave.  
Wasilla, AK 99654-7091**

**Alaska Permanent Capital Management Company  
900 West 5th Avenue, Suite 601  
Anchorage, Alaska 99501-2029**

(j) Entire Agreement. This agreement constitutes the entire agreement between the City and the Investment Manager. It supersedes all prior oral and written understandings and agreements. It may be amended, supplemented, modified or canceled only by a duly executed written instrument. It shall bind the City and the Investment Manager, its successors, executors, administrators, assigns and legal representatives.

(k) Benefits. Nothing contained in this agreement shall be construed to give any rights or benefits hereunder to anyone other than to the City and to the Investment Manager.

(l) Consultants. The City reserves the right to enter into separate agreements directly with any Investment Manager for any services.

4. Special Provisions. Any special provisions applicable to this agreement are set forth in Exhibit C.

5. Cost. As computed based upon amount of assets under management. See Exhibit B.

DATED the day and year first written above.

**CITY OF WASILLA**

By: \_\_\_\_\_

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

**ALASKA PERMANENT CAPITAL MANAGEMENT CO.**

By: \_\_\_\_\_  
**David A. Rose**  
Chairman

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

## EXHIBIT A

The work which the Investment Manager is required to perform for this project consists of the following:

1. **Appointment** The City hereby appoints the Investment Manager as Investment Manager of all securities and cash received by it from or for the account of the City. The Investment Manager agrees to act in that capacity with regard to such securities and cash in a prudent and responsible manner, and upon the terms and conditions set forth. The Investment Manager shall advise the City in the investment and reinvestment of assets of the City and with specific transaction approval by the City, shall have full authority to make purchases and sales of securities for the account of the City, subject to the provisions of Section 3 below.

### 2. **Investment Account**

2.1. **Custody.** Exclusive responsibility for the custody and safekeeping of the cash and securities under this agreement shall remain with the custodian and safekeeping agent (the "Custodian") to be designated in writing by the City. All transactions, cash and securities, unless otherwise specifically agreed in writing by the City, will be held in and transacted through a sub-account held with the Custodian.

The Investment Manager agrees to cooperate with the City and the Custodian, including but not limited to:

- (a) timely reporting of all transactional information to the Custodian;
- (b) reconciling reports to the City with similar reports by the Custodian;
- (c) cooperating in the identification and remedy of failed transactions; and
- (d) responding in a timely manner to all reasonable requests for information by the Custodian.

### 3. **Services to be Performed**

3.1. The Investment Manager shall act as the City's fiduciary responsible for providing investment services to the Investment Account and other funds as may be designated by the City. In this capacity, the Investment Manager shall invest and reinvest the cash and securities from time to time allocated to it hereunder and deposited in the Account, without distinction between principal and interest.

4. **The Investment Manager** will manage and invest the assets in a conservative and prudent manner in compliance with the City's investment policy. It will invest in a portfolio designed to fall within a range (0 to 5 years in maturity) of investments which

will predominately be US Government, Agency securities and other securities as allowed by City Investment Policy. The Investment Manager may invest in such a manner that the effective duration of the portfolio may extend up to 3 years. The performance of the Investment Manager will be measured against the Lehman 3-3 year Government Index which is designated as the performance benchmark.

5. **Authorization** The Investment Manager is hereby authorized to invest or reinvest or dispose of any cash, either U. S. or non-U. S., or securities held in the Account and invest the proceeds of any disposition in accordance with section 3 above.

6. **Brokerage and Commissions** In carrying out its functions hereunder, the Investment Manager will use its best efforts to obtain prompt execution of orders at the most favorable prices reasonably obtainable and in doing so will consider a number of factors, including, without limitation, the overall direct net economic result to the City (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range), the financial strength and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, the availability of the broker to stand ready to execute possible difficult transactions in the future and other matters involved in the receipt of "brokerage and research services" as defined in and in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended, and regulations thereunder.

7. **Rule of Prudence.** In making the investments outlined in section 3 and authorized in section 4 above, the Investment Manager shall exercise the judgment and care under the circumstances than prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the long term investment of funds considering the probable safety of capital as well as probable income.

8. **Instructions** All instructions given by the Investment Manager to the Custodian shall be in writing, signed by an authorized representative of the Investment Manager; provided, however, that the Custodian may accept oral instructions from the Investment Manager, subject to confirmation in writing within ten (10) business days. Fax transmissions may be used when acceptable to both parties.

9. **Reports by the Investment Manager** The Investment Manager shall deliver to the City, or any person or persons designated by the City:

(a) monthly statements in such form as may be reasonably directed by the City or its designated agent. Such statements are to be delivered to the City within 15 calendar days following receipt and reconciliation of custodial reports for the month on which they report, and shall include:

(1) a listing of all cash and securities in the Account and their



respective cost and market values in U. S. dollars as of the close of business on the last business day of each month;

- (2) a listing in chronological order of each purchase and sale transaction for the Account during the month;
- (3) a listing of transactions resulting in realized capital gains or losses in U. S. dollars during the month;
- (4) provide a narrative of economic analysis to include the Investment Manager's approach to the bond markets for the next quarterly period.

10. **Appearances** The Investment Manager will make a presentation to the City in Wasilla, Alaska at least once every year and will be available to make quarterly presentations as the City may desire. Presentations and/or periodic reports of investment performance versus the benchmark will be provided.

11. **Representation of the Investment Manager** The Investment Manager represents and warrants:

(a) that it is an "investment advisor" as defined in the Investment Advisors Act of 1940, as amended;

(b) that it has completed, obtained and performed all registrations, filings, approvals, authorizations, consents or examinations required by any government or governmental authority for acts contemplated by this Contract; and

(c) that it is a "Fiduciary", as that term is defined in Section 3(21)(a)(ii) of ERISA, with respect to the securities, and that it will discharge its duties with respect to the securities solely in the interest of the City.

12. **Inspection** The City may, at reasonable times, inspect the Investment Manager's facilities and activities that are related to the performance of this contract, and audit the Investment Manager's services to determine whether they conform to this Investment Manager's requirements.

13. **Miscellaneous** This Contract may not be amended or modified except by an instrument in writing signed by each of the parties hereto. The headings in this Contract are for convenience only and shall not expand, limit or otherwise affect the meaning hereof. The Contract may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

EXHIBIT B

(1) Compensation. The City shall pay to the Investment Manager as compensation for services the Investment Manager rendered in accordance with the terms of this agreement as follows:

- .25 of 1% annually on the first \$10 million under investment
- .15 of 1% annually on the next \$90 million under investment

Payable monthly, in arrears, valued at market as of the last working day of each month.

(2) Reimbursables. Reimbursables shall include hotel and travel expenses outside of Anchorage, Alaska should such travel be requested and authorized by the City. The Investment Manager shall submit actual invoices for all reimbursable expenses for which the Investment Manager seeks reimbursement hereunder.

(3) Unless expressly agreed to in writing by the City and the Investment Manager, the maximum payment by the City to the Investment Manager for services rendered, and reimbursable expenses, in accordance with the terms of this Agreement shall be as computed in (1) and (2), above.

(4) Manner of Payment. The City shall make payments to the Investment Manager as follows: The Investment Manager shall submit monthly invoices for services rendered. The invoice shall itemize the manner in which the billing is calculated. Payment will be made by the City by check or by wire transfer. The Investment Manager does not have the authority to direct payment to itself from the investment account.

(5) Insurance. The Investment Manager shall procure and maintain the following insurance in accordance with Paragraph 3(c) of this agreement:

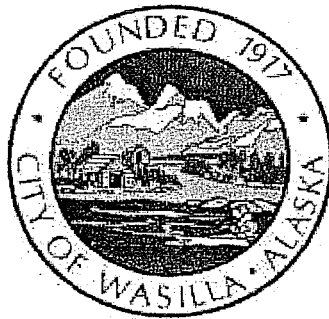
	<u>Limit</u>	<u>Deductible</u>
(a) Professional Liability	<u>\$5,000,000.00</u>	<u>\$50,000.00</u>
(b) Statutory Workers' Compensation Protection	<u>Legal Minimum Required</u>	<u>N/A</u>

EXHIBIT C  
(SPECIAL CONDITIONS)

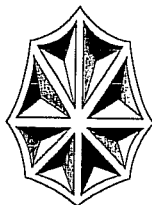
None

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**Investment Management  
Services  
for the  
City of Wasilla**



*July 25, 2001*



ALASKA PERMANENT  
CAPITAL MANAGEMENT COMPANY

July 25, 2001

Mr. John Cramer, Deputy Administrator  
Mr. Ted Leonard, Finance Director  
City of Wasilla  
290 E. Herning Avenue  
Wasilla, Alaska 99654-7091

Dear John and Ted,

Alaska Permanent Capital Management Company is pleased to present the following professional services proposal for investment management to the City of Wasilla. In our letter we highlight the rationale and key benefits to be considered in using our firm for professional investment management services. The enclosed booklet, sample reports and contracts provide additional documentation for the proposed program. This should provide a good knowledge base for making an informed decision. Should the City require further information we will be happy to provide it in writing, or in person.

**Rationale for investment management services:**

As the City of Wasilla has experienced rapid growth in recent years, a natural outcome has been an increase in revenues, expenses, and growth in funds at the City. After the difficult experiences of the late 1980's the City has wisely chosen to build and maintain financial reserves to provide for stability and a financial cushion in the event of adverse economic conditions. These financial reserves are now quite substantial. It is appropriate to pursue higher returns on funds that will not be needed in the immediate operating cycle. It is important that the funds be invested in assets with good marketability and very limited risk so that it is extremely unlikely that a negative return would be realized in any given fiscal year.

**What services will be provided?**

Reporting will be provided monthly unless the City specifies a longer period. This will include at a minimum, a listing of each asset held at the end of the period valued at cost and at market, a register of all transactions during the month: cash reconciliation, a report

of the realized gains and losses, and other management data agreed upon by the City and the company. Additionally, commentaries on market conditions and other narrative, and statistical information will be provided with periodic reports. Should the need arise for other interim reports they can be easily arranged on short notice due to the real time systems utilized by the firm. Clients are visited at a site designated by the client for purposes of portfolio review and performance reporting-at least once annually and more frequently if the client desires. A sample monthly report, as well as an annual performance report is included in this package.

A careful investment process is followed with the objective of producing solid results over time consistent with client goals, objectives and risk tolerance.

### **What are the Professional qualifications of the provider?**

As of April 30, 2001 Alaska Permanent Capital Management had \$1.754 billion under management. Over ninety percent of this figure is invested in high quality fixed income investments.

Our primary focus is providing active fixed income management services at a very competitive fee level. Since inception of the firm in 1992, we have retained all of our clients, and have had no loss of investment professionals. We are a quality-oriented firm; safety of principal is the paramount goal of our investment management process. The firm's business and clients are all in Alaska. These clients include several Native corporations, a financial institution, health organizations, and various state and local government accounts, including the Alaska Permanent Fund.

To our knowledge the firm is the largest experienced fixed income management company in the State of Alaska. The business focus is purely on institutional accounts in Alaska. Institutional accounts are characterized by separation of investment management from custody of securities, dual reporting by the investment manager and the custodian bank, monthly reconciliation of reports, maintenance of checks and balances, and clear audit trails.

We are not a high risk, high return oriented firm. We are interested in forming client relationships that will last for many years. As part of our standard practice we endeavor to meet with clients in person minimally at least once a year and ideally several times throughout the year. Investment policy and performance are reviewed formally at these meetings. Throughout the year we are in contact with clients via detailed monthly reports and commentaries. Phone conferences regarding the account are also welcome to discuss items such as changes in cash flow needs, the market outlook, etc.

### **How will performance be measured?**

The investment manager will be measured against the Lehman 1-3 year Government Index.

**What is the track record in managing funds against the benchmark?**

Our fully audited, AIMR compliant, performance composite is included in the supplemental information portion of this proposal. Since inception of the firm we have retained relationships with all of our clients, which we believe is also an important indication of client satisfaction with our performance.

**What are the costs?**

Fixed income management is provided at a cost of 25 basis points (one quarter of one percent) per annum for the first ten million dollars in assets. There is a \$12,500.00 minimum annual fee. For assets over ten million up to one hundred million dollars, the fee is 15 basis points (fifteen hundredths of one percent) per annum.

We are able to keep our management fees very low given the institutional nature of our business and our relatively large minimum account size of five million dollars (or the five million annual fee).

**What are the benefits of this program?**

Added return over time with very low risk. The City will directly own a portfolio of securities similar to how a bank might invest its public funds deposits in. Over time, a portfolio of such securities should have a higher return than what is paid to the City on its bank deposits. To give a rough idea of the return advantage, since January 1992 the three-month Treasury bill yield (a reasonable proxy for bank deposit rates) has averaged 4.71%. The Lehman 1-3 year index has had a total return of 6.38% annualized over the last ten years. The difference is about 1.67% per annum. This is a serious amount of potential incremental return that can help provide additional revenue to the City.

To get this type of added return the City is taking on a portfolio whose market value will shift about 1.7% for each 1% change in interest rates. There is also a very minimal amount of credit risk in the case of Agency securities. In the case of adverse markets, if bonds are held to maturity they pay off at their face value. The City receives regular interest payments along the way as well. Other portfolio structures can have a higher potential return, but more risks and price fluctuation can also be the result of such structures. The enclosed booklet has a section showing the return of various Lehman indices over the last ten years.

As our performance composite indicates, we have achieved returns commensurate with the Lehman 1-3 years index for a number of years. We hope to provide such returns in the future, but of course, cannot guarantee that this will be the case. Please be aware that interest rates today are fairly low given the many rate cuts by the Federal Reserve this year.

We provide full-time, professional, institutional investment management that will be delivered from a stable and seasoned Alaska company. This will allow expanded time for City professional staff to work on other City priorities.

Other investment strategies are available to meet changing City needs. For example, for funds with a long time horizon and higher risk tolerance, "Permanent Fund" type portfolios are available. We strongly suggest that the City of Wasilla take a "one step at a time" approach and go up the risk and return ladder in a controlled fashion. Hence, our initial proposal is conservative and understandable in its approach.

We require that clients have a separate custodian for safekeeping and pricing of portfolio assets. This is standard practice in the institutional investment management business and provides for safety, a clean audit trail, and independent pricing of portfolio assets. Independent pricing eliminates the ability to "fudge" performance numbers to a manager's benefit.

We also require a copy of the City Investment Policy before undertaking any work. We are happy to provide comments on Policy and consider it a good idea to make at least an annual review of policy to make sure it is meeting current and projected needs.

The enclosed booklet provides detailed information about Alaska Permanent Capital Management and our investment process. In addition, we have included in this packet a sample monthly report and a quarterly performance recap, our Form ADV, which is our annual filing with the SEC, and a copy of the AIMR Level II audit performed by KPMG as of 12-31-2000. A condensed client reference listing is also included as well as a detailed discussion of "How Alaska Permanent Capital Adds Value".

We have included two copies of our standard Professional Services Agreement for execution. After review, the appropriate City official should sign both copies and return one original to us. We propose to provide services under a standard contractual agreement for a term of three years, with two one-year extensions available by mutual consent. As Chief Investment Officer and Vice President, respectively, of the Alaska Permanent Capital Management Company, the undersigned are authorized to bind the firm contractually.

We look forward to working with the City of Wasilla for many years.

Sincerely,

Petter Jahnsen, CFA  
CIO

Mary Lou Pratt  
Vice President



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**Introduction of**  
**ALASKA PERMANENT**  
**CAPITAL MANAGEMENT COMPANY**

**to**

**City of Wasilla**



# Organization

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- ◆ **Organization**
  - ◆ Founded July 7, 1992
  - ◆ An Alaska Corporation
  - ◆ Located in Anchorage, Alaska
  - ◆ Dedicated solely to investment management
  - ◆ Serving Alaska institutions exclusively
  - ◆ No management turnover -- Stability
  
- ◆ **Independent**
  - ◆ Employee owned and operated
  - ◆ No “soft money” arrangements
  - ◆ Use multiple broker/dealers for trades
  - ◆ No referral, ownership, or debt affiliations with banks or brokerages

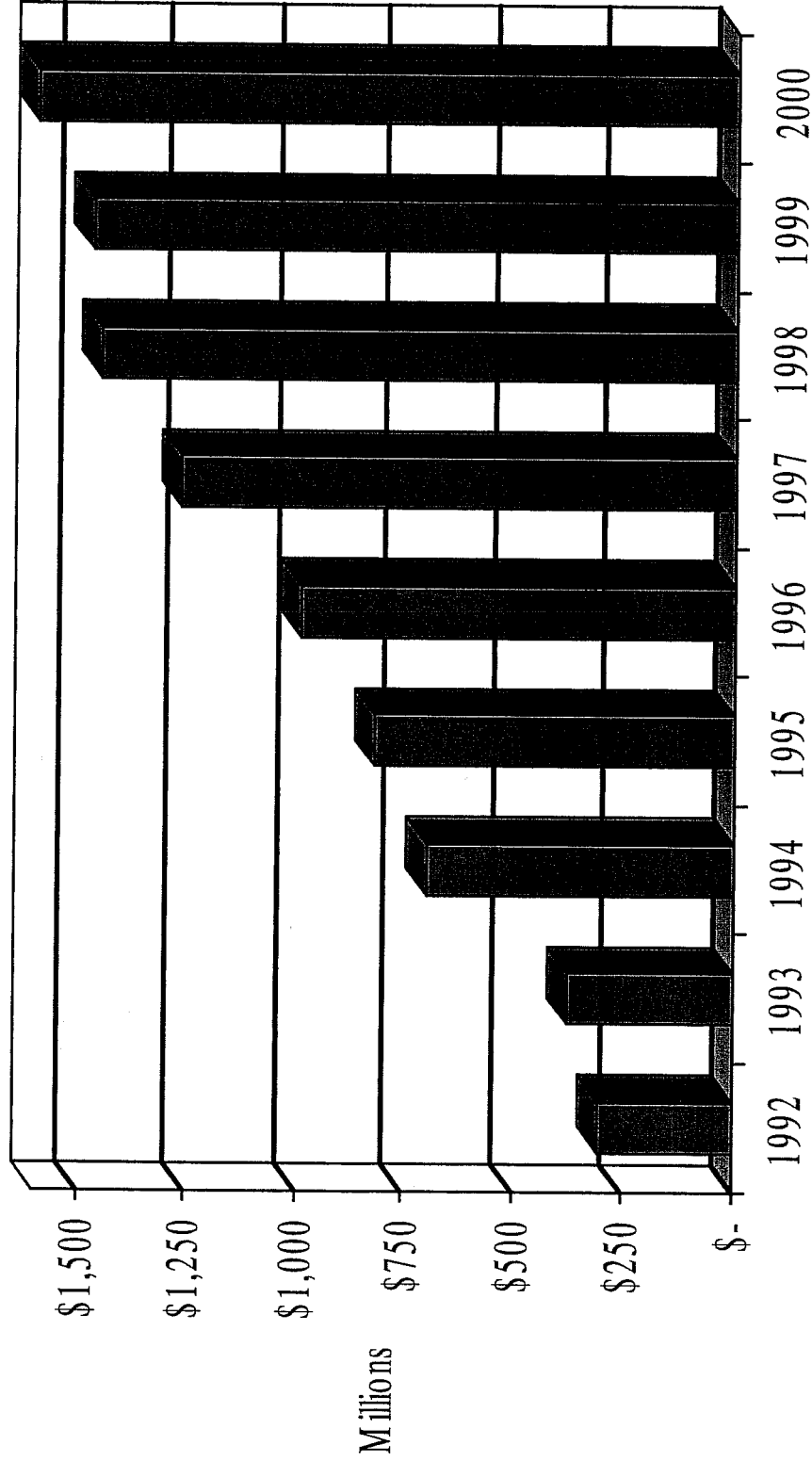
# Organization

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- ◆ **Client Satisfaction**
  - ◆ 100% client retention
  - ◆ Recipient of additional funds from existing clients
  
- ◆ **Registrations**
  - ◆ United States Securities and Exchange Commission: Investment Adviser
  - ◆ State of Alaska: Financial Adviser

# Consistent, Stable Growth

Over \$1.6 billion in assets under management



As of December 31, 2000. Includes supervisory management of the Alaska Municipal League Investment Pool.

# Internal Controls

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- ◆ For good internal controls and sound management, the Firm has three organizational elements

Research  
Portfolio Management  
Securities Trading

Clearing and Settlement  
Client Accounting

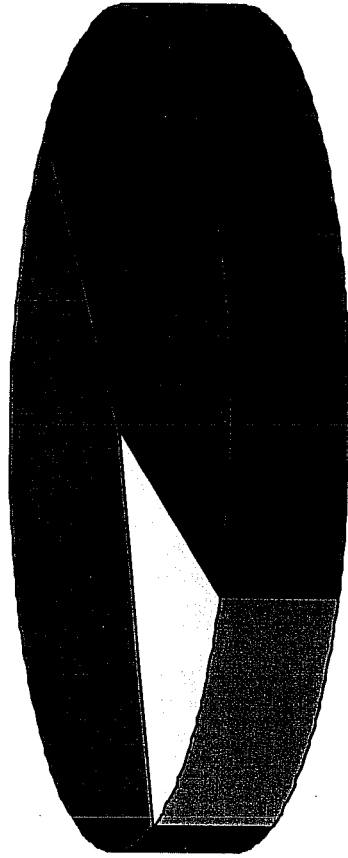
Compliance  
Confirmations  
Administration  
Trade Reconciliation

# Clients

# Clients

- ◆ Alaska Permanent Fund
- ◆ Alaska Industrial Development & Export Authority
- ◆ Alaska Housing Finance Corporation
- ◆ Alaska Municipal Bond Bank
- ◆ Municipal investment pool
- ◆ Alaska municipal accounts
- ◆ Alaska village corporations
- ◆ Alaska regional corporations
- ◆ General obligation bond funds
- ◆ Municipal government permanent funds
- ◆ Tax exempt trusts and foundations
- ◆ Hospital operating and foundation funds
- ◆ Alaska bank
- ◆ Alaska utility company

*State  
Government  
Institutions*



*Corporate*

*Local  
Government*

*Partial list of clients. Only state agencies are named. Performance based criteria was not used in determining which clients to include in this list. It is not known whether the listed clients approve or disprove of the investment adviser or the advisory services provided.*



# Investment Philosophy

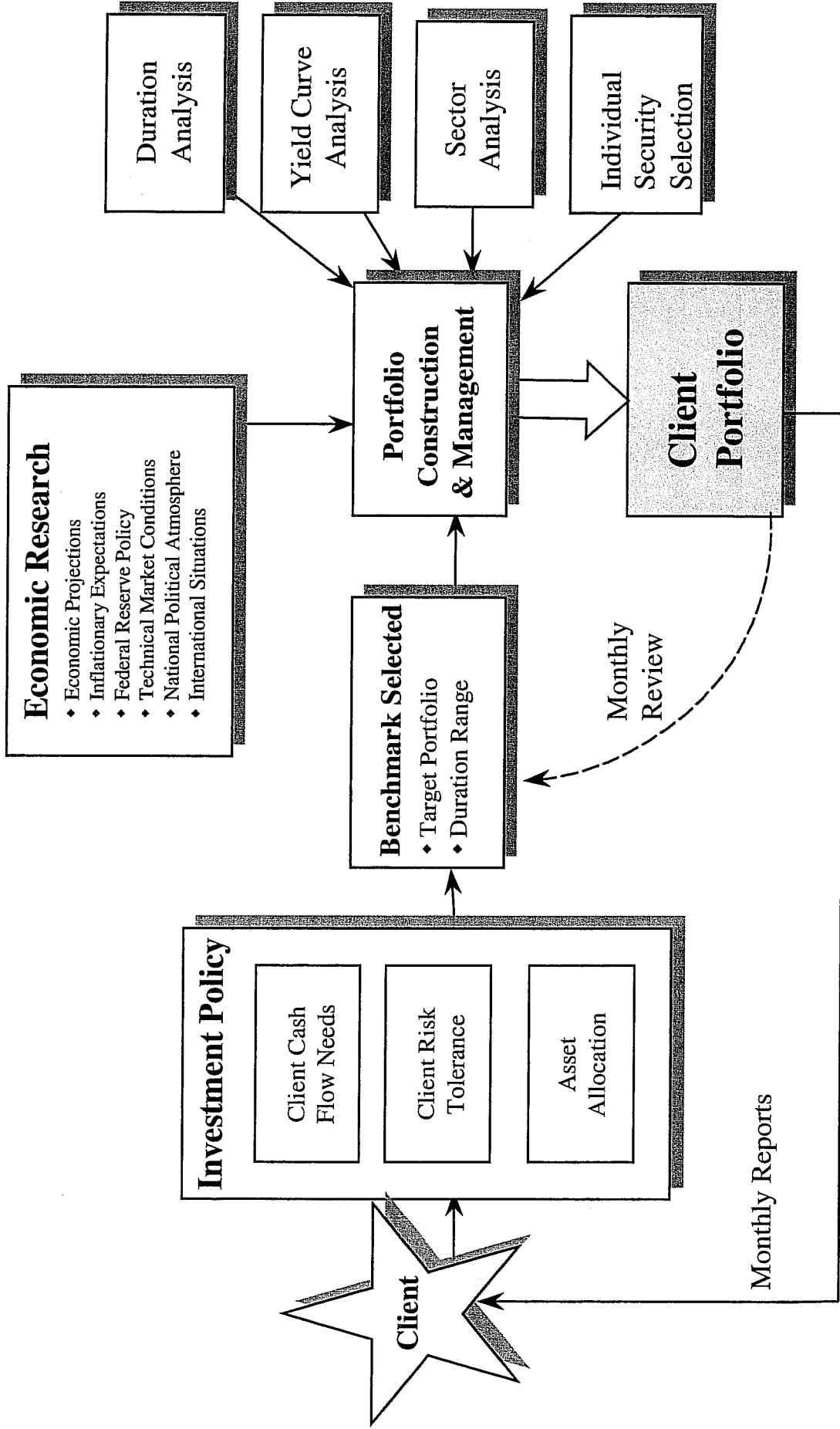
# Investment Philosophy

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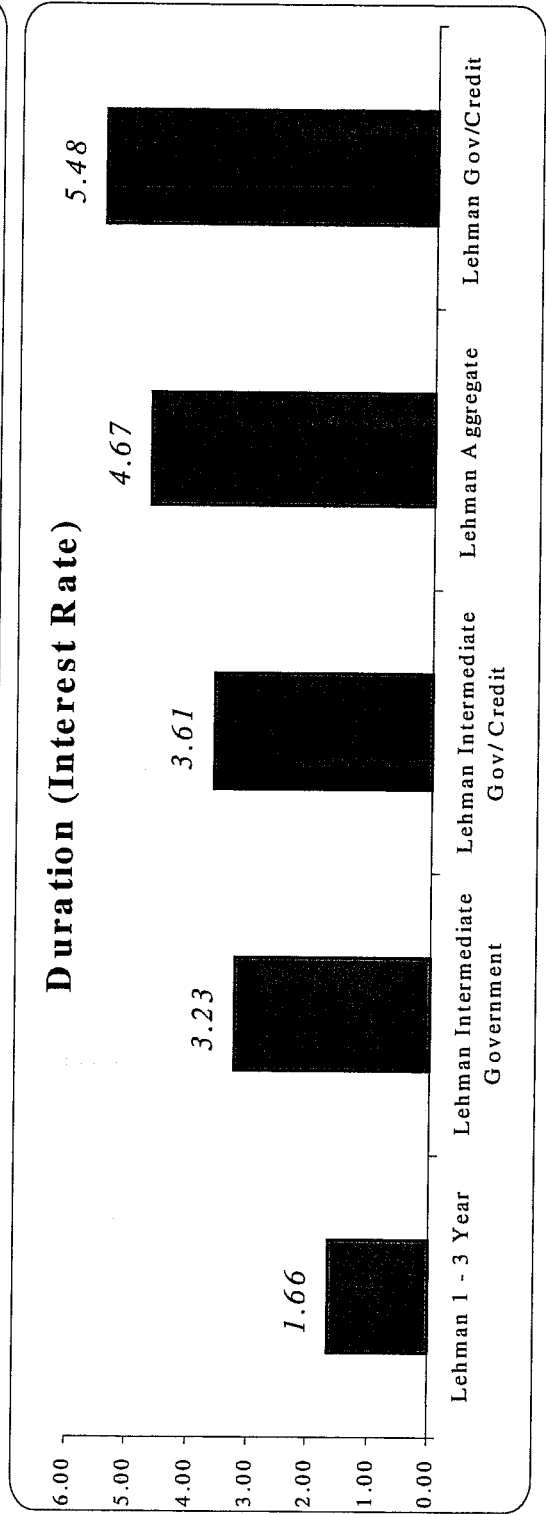
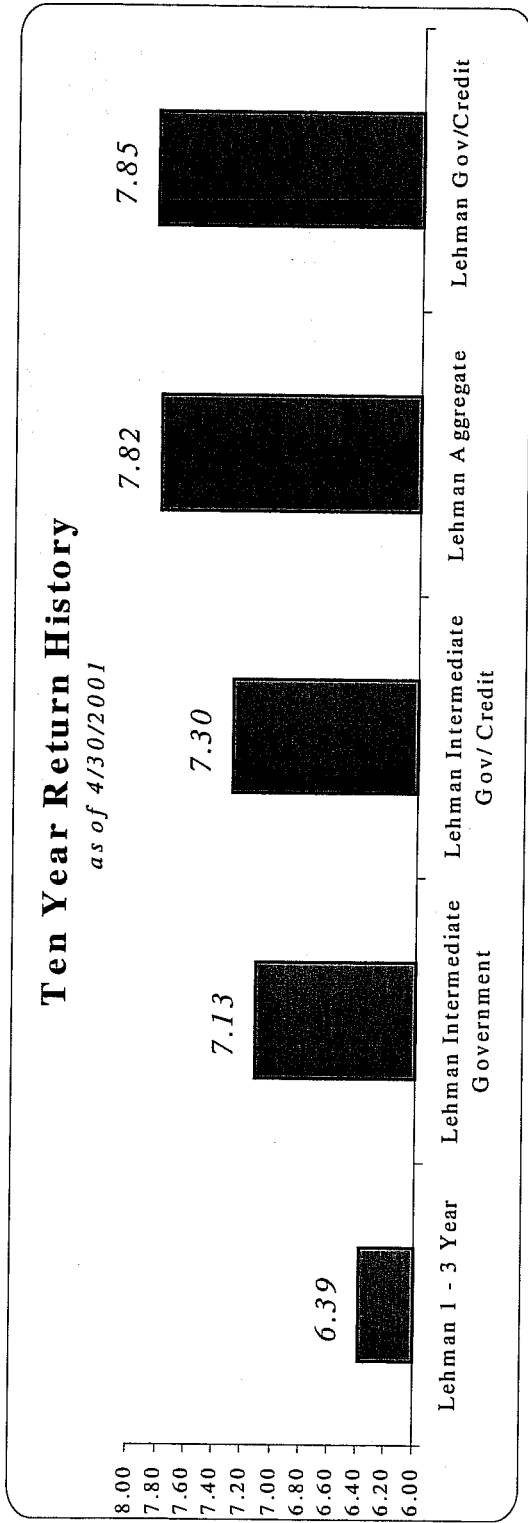
- ◆ Emphasis
  - ◆ Preservation of principal is paramount
  - ◆ Liquidity to meet client cash flows
  - ◆ Diversification for safety
  - ◆ Yield is subordinated to safety
- ◆ Design portfolios to meet specific client needs
- ◆ Adhere to client investment and asset allocation policy
- ◆ Performance continuously measured against client selected benchmarks
- ◆ Professional, full-time portfolio management

# Investment Process

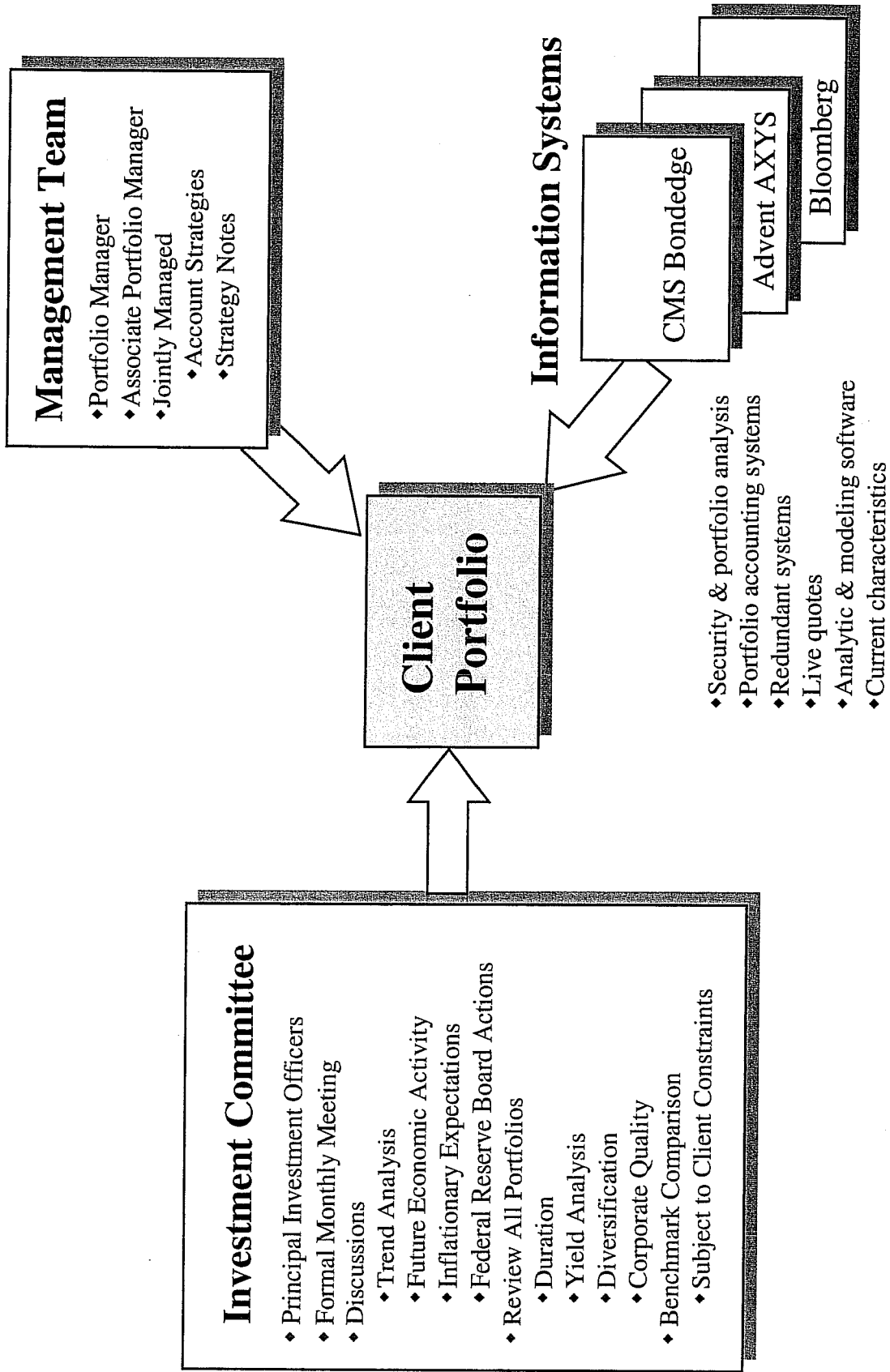
# Investment Process



# VALUE ADDED - DURATION ANALYSIS



# Portfolio Management



# Client Service

## **Excellent Client Communications**

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- ◆ Formal meetings
  - ◆ Quarterly meetings, if requested
  - ◆ Multiple meetings the first year
  - ◆ Annual meetings thereafter
- ◆ Discussion points
  - ◆ Goals and objectives
  - ◆ Investment policy
  - ◆ Asset allocation
  - ◆ Cash flow
  - ◆ Portfolio performance
- ◆ Customized presentations developed
- ◆ Anchorage and phone consultation available anytime
- ◆ Monthly Written Reports
  - ◆ Economic and market commentary
  - ◆ Portfolio discussion
  - ◆ Portfolio holdings and valuation reconciled with custody reports
  - ◆ Transactions and cash reconciliation
  - ◆ Realized gains and loss report



# APCM Client/Manager Process

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Alaska Permanent Capital has developed a process of informational exchange with our clients that provides the background to allow a level of unparalleled service. This process involves seven distinct steps:

- Review of all applicable statutes, regulations, policies, and guidelines pertaining to the client's investment program.
- Hypothetical portfolios are constructed based upon information gathered in number one above. The "sample" portfolios are tested against appropriate benchmark indexes to evaluate projected performance based upon various interest rate assumptions.
- After completion of tasks one and two, a meeting is held with the client during which we present our findings and solicit input from the client. Discussion with the client includes appropriate benchmarks and alternatives for the client to consider. The client is provided with historical returns of various indexes and the characteristics and composition of the indexes. Investment policy, strategy, client expectations, as well as other considerations are explored. Specific discussion is held regarding cash flow requirements of the client and reporting format to meet client expectations.
- Based upon the exchange of information from the client meeting, Alaska Permanent Capital prepares sample portfolio reports, return measurement templates, and control documentation to ensure all investments are in accordance with Company policy and expectations.
- Once the client has approved the format and material in step four, the portfolio investment program begins. Alaska Permanent Capital coordinates all security transactions with the client's custodian on a payment versus delivery basis.
- At the end of the first complete month of service, a meeting is held with the client to deliver the first monthly reports and review them personally with the client. Any required changes are incorporated into subsequent reports.
- Each calendar quarter performance reports, both graphic and numerical, are furnished to the client in addition to the standard reports. We meet with the client on a regular basis to review the results and explain how the results were achieved.

This process is used with all of the firm's clients. Experience has shown that close coordination at the outset of an engagement provides a smooth transition and encourages open communications as the relationship progresses.

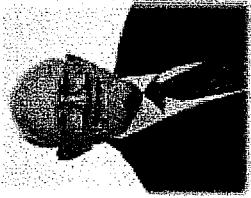
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# Team Biographies Experience and Qualifications

# Experience and Qualifications

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**David Rose**



**Chairman**

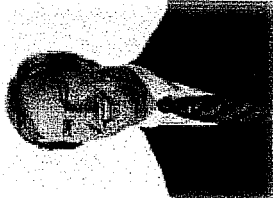
**Firmwide Coordination, Business Strategy**

- Alaska Permanent Capital Management - 1992 -
- Alaska Permanent Fund Corporation - Executive Director, 1982 - 1992
- Alaska Industrial Development Authority - Executive Director, 1979 - 1980
- Alaska Municipal Bond Bank - Executive Director, 1975 - 1982

*Syracuse University, MBA*

*Queens College, B.S. Accounting*

**Petter Jahnsen**



**Chief Investment Officer**

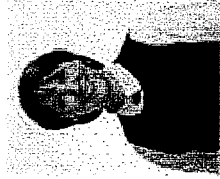
**Portfolio Manager, Trader, Treasury, Agency, Corporates, Asset Backed & Mortgage Backed**

- Alaska Permanent Capital Management - 1994 -
- National Bank of Alaska - VP & Manager Investment Services, 1985 - 1994
- Merrill Lynch - Broker, 1983 - 1985

*University of Puget Sound, BA, Economics (with Honors)*

*Chartered Financial Analyst (CFA)*

**Jane Cuddy**



**Senior Vice President, Economic Research**

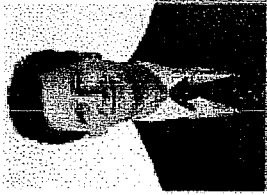
- Alaska Permanent Capital Management - 1992 -
- Paine Webber - Securities Broker, 1989 - 1992
- Wedbush Morgan Securities - Securities Broker, 1984 - 1989
- McMorgan and Company - Portfolio Manager, 1979 - 1984

*Golden Gate University, MBA*

*University of Colorado, BA Economics*

# Experience and Qualifications

**Bertram Wagnon**



**Senior Vice President**

**Portfolio Manager, Economic Research,  
Trader: Municipal & Government Securities**

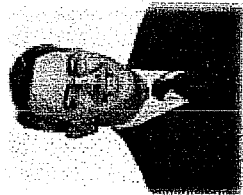
Alaska Permanent Capital Management - 1995 -

Kemper Securities - Vice President of Public Finance, 1994 - 1995

Alaska Industrial Development Authority - Executive Director, 1982 - 1991

*University of Alaska, BA Business Administration*

**Evan Rose**



**Vice President**

**Portfolio Manager, Trader, Administration**

Alaska Permanent Capital Management - 1998 -

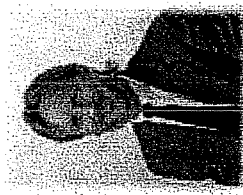
Dain Rauchscer, Inc. - Vice President Corporate Finance, 1991 - 1998

Pacific Securities - Vice President Corporate Finance, 1987 - 1990

*University of Washington, Executive MBA*

*University of Oregon, BA Business Administration*

**Randy Sears**



**Vice President**

**Senior Markets Strategist Portfolio Manager,  
Trader: Corporates, Mortgage Backed, Asset Backed**

Alaska Permanent Capital Management - 2000 -

Alaska Permanent Fund - Fixed Income Manager, 1996 - 2000

Morgan Stanley - Vice President, Institutional, 1985 - 1992

Citicorp/Citibank - Multinational credits/Institutional sales, 1979 - 1985

*University of California, Berkeley, MBA-Finance*

*Colorado College. BA-Biology*

# Experience and Qualifications

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## Mary Lou Pratt Vice President

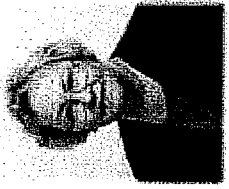
**Client Services, Account Relations Resource, Marketing**

Alaska Permanent Capital Management - 1999 -

Alaska USA Trust Co. - Sr. VP & Chief Operating Officer, 1997 - 1999

Bank of America / Seattle First National Bank - VP Northwest Sales, 1990 - 1996

Security Pacific / Rainier National Bank Corp. Trust Dept. Manager, 1981 - 1990



*Valley City State University*

*American Institute of Banking*

## Diane Moxness

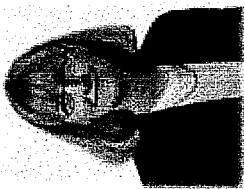
### **Analytical Data Officer**

**Systems Coordination, Accounting, Quantitative Analysis,  
Performance Reporting**

Alaska Permanent Capital Management - 1996 -

MCM Consultants - Financial/Systems Analyst, 1984 - 1996

ARCO Alaska, Inc. - Systems Analyst, 1979 - 1984



*University of Washington, MBA Finance, BA Business Economics*

## Lisa Sealy

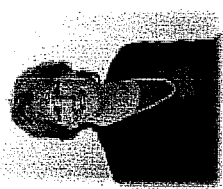
### **Securities Operations Officer**

**Security Clearing and Settlement, Account Reconciliation**

Alaska Permanent Capital Management - 2000 -

Alaska USA Trust Company - Operations Manager-1998 - 2000

Key Bank Alaska - AVP-Investments, 1982 - 1997



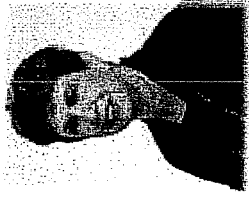
*Green River Community College*

*American Institute of Banking*

# Experience and Qualifications

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**Frances Rose**



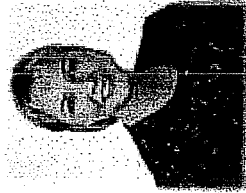
**Chief Financial Officer**

**Finance Administration, Compliance, Client Relations, Regulatory**

Alaska Permanent Capital Management - 1992 -  
Small Business Entrepreneur - 1976 -  
State of Alaska - Special Assistant, Acting Deputy Commissioner of  
Administration  
City of Akutan - City Manager

*University of Alaska, M.Ed.  
Queens College, BA*

**Laurie Ford**



**Administrative Office Manager**

**Office Administration, Accounts Payable/Receivable, Reporting, Compliance**

Alaska Permanent Capital Management - 1998 -  
Carr-Gottstein Foods, Inc. - Payroll Accountant, 1994 - 1998  
Owens & Turner - PC, 1988 - 1993

*St. Cloud State University*

# Fee Structure

## **Low Fee Structure**

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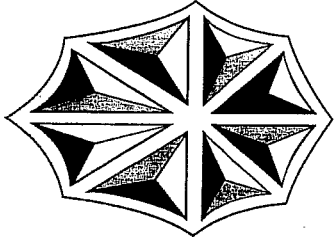
### **Fixed Income Accounts**

- ◆ .25 of 1% on market value up to \$10,000,000
- ◆ .15 of 1% on market value on the next \$90,000,000
- ◆ .10 of 1% on market value over \$100,000,000

### **No Additional Charges**

- ◆ No additional fees or charges
- ◆ No set-up fees
- ◆ Fees are billed monthly in arrears
- ◆ Fees include visitations
- ◆ Advisory fees are negotiable





ALASKA PERMANENT  
CAPITAL MANAGEMENT COMPANY

is relationship driven and views itself as a  
long-term partner with its clients.

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