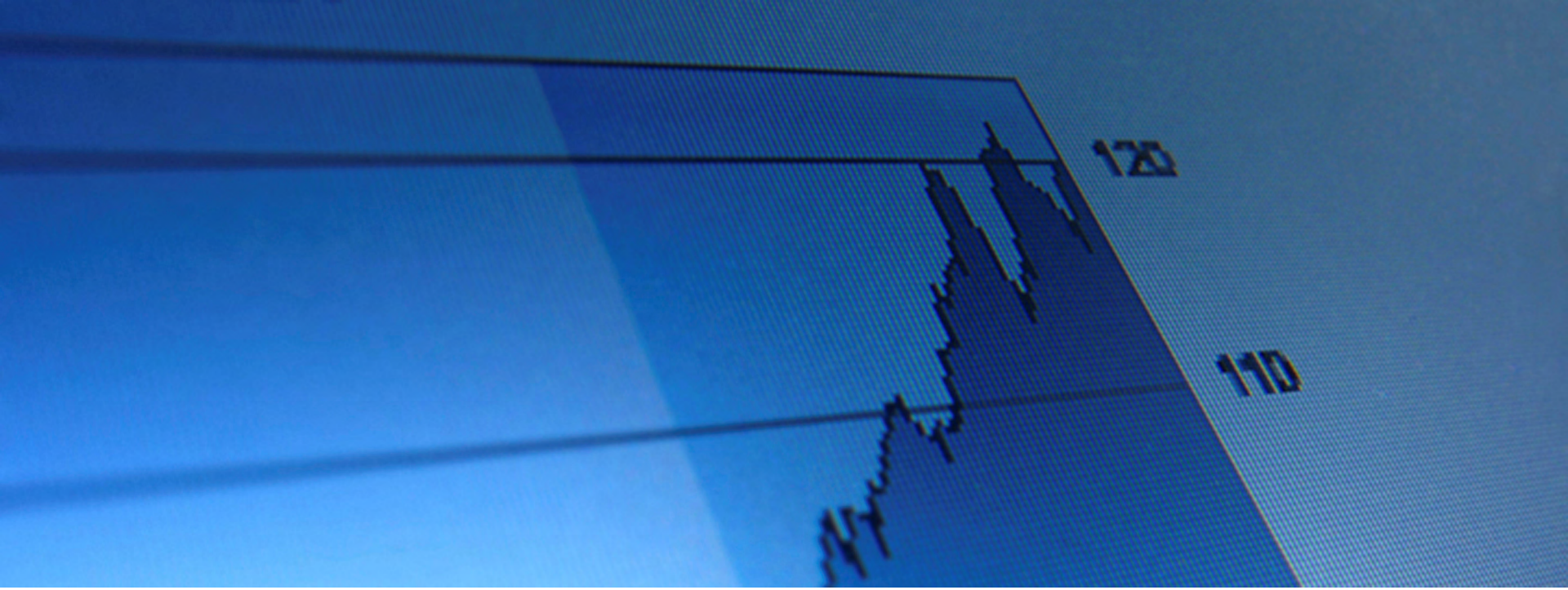

Hewitt Investment Group LLC | Third Quarter 2009

Summary Performance Review and
Investment Manager Evaluation

Texas Hospital Association Retirement Plan

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Summary Performance Review and
Investment Manager Evaluation

Texas Hospital Association Retirement Plan

Third Quarter 2009

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THA Master Trust
Investment Objectives

The Trustees will evaluate the performance of the pension investment program and its investment managers with respect to the stated objectives and in the context of a five-year time horizon.

Total Fund
The total fund's annualized total return should:

- Exceed the annualized total return of the following customized index:
  - Standard and Poor's 500 Stock Index (50% weight)
  - Russell 2000 Stock Index (15% weight)
  - MSCI Europe, Australia, Far East (EAFE) Index (10% weight)
  - Barclays Capital Aggregate Bond Index (25% weight)

Active Large Cap U.S. Equity Portfolio (Growth)
- Exceed the annualized total return of the Russell 1000 Growth Index.

Active Large Cap U.S. Equity Portfolio (Value)
- Exceed the annualized total return of the Russell 1000 Value Index.

Passive Large Cap U.S. Equity Portfolio
- Match the return of the Standard & Poor's 500 within 0.10 percent on an annual basis.

Active Small Cap U.S. Equity Portfolio
- Exceed the annualized total return of the Russell 2000 Stock Index.

Passive Small Cap U.S. Equity Portfolio
- Match the return of the MSCI U.S. Small Cap 1750 Index within 0.30 percent on an annual basis.

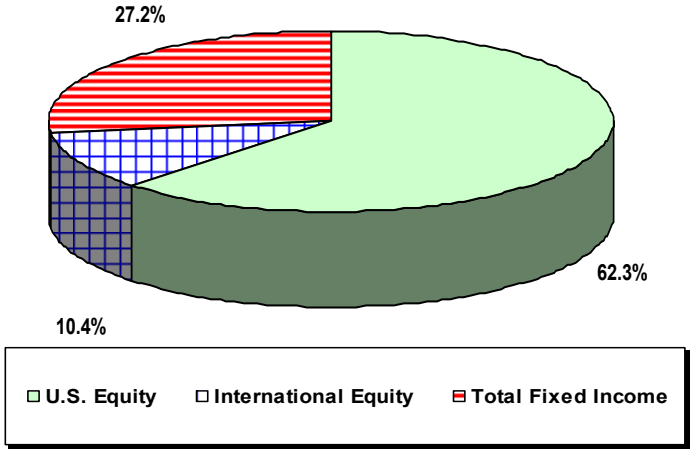
Active Small Cap Growth U.S. Equity Portfolio
- Exceed the annualized total return of the Russell 2000 Growth Stock Index.

Active International Equity Portfolio
- Exceed the annualized total return of the EAFE Index.

Passive Fixed Income Portfolio
- Match the return of the Barclays Capital Aggregate Bond Index within 0.20 percent on an annual basis.

THA Master Trust Investment Structure
September 30, 2009

Investment Manager	Target	September 30, 2009 Assets ($ MM)	Percent of Portfolio
U.S. Equity			
State Street S&P 500 Index Fund	25.0%	$88.3	23.2%
BHM&S	12.5%	46.0	12.1%
Gardner Lewis	12.5%	45.5	12.0%
Vanguard Small Cap Index	5.0%	20.3	5.3%
Thomson Horstmann & Bryant	5.0%	19.1	5.0%
Cadence	5.0%	17.7	4.7%
Total U.S. Equity	**65.0%**	**$236.8**	**62.3%**
International Equity			
Dodge & Cox International Stock	5.0%	$20.3	5.3%
Morgan Stanley Int'l Equity Trust	5.0%	19.4	5.1%
Total International Equity	**10.0%**	**$39.7**	**10.4%**
U.S. Fixed Income			
State Street BC Aggregate Index Fund	}	$98.4	25.9%
Cash Account	} 25.0%	5.0	1.3%
Total U.S. Fixed Income		**$103.4**	**27.2%**
Total Plan	**100.0%**	**$379.9**	**100.0%**



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THA Master Trust Performance Summary
September 30, 2009

Investment Portfolio	3rd Quarter	YTD	1-Year	3-Years	5-Years	10-Years
THA Composite Fund	12.57%	17.47%	-0.49%	-1.36%	3.26%	2.92%
Custom Benchmark	*13.49%*	*17.63%*	*-1.31%*	*-1.82%*	*3.10%*	*2.87%*
U.S. Equity						
State Street S&P 500 Index Fund	15.61%	19.33%	-6.79%	-5.36%	1.11%	-0.09%
S&P 500 Index	*15.61%*	*19.26%*	*-6.91%*	*-5.43%*	*1.02%*	*-0.15%*
BHM&S[1]	15.59%	13.84%	-6.99%	-5.72%	-	-
Russell 1000 Value Index	*18.24%*	*14.85%*	*-10.62%*	*-7.87%*	*0.90%*	*2.59%*
Gardner Lewis	14.09%	33.87%	-9.49%	-5.87%	0.09%	-
Russell 1000 Growth Index	*13.97%*	*27.11%*	*-1.85%*	*-2.50%*	*1.87%*	*-2.55%*
Vanguard Small Cap Index[2]	21.93%	31.08%	-3.82%	-2.59%	-	-
MSCI U.S. Small Cap 1750 Index	*21.86%*	*30.78%*	*-4.20%*	*-2.86%*	*3.67%*	*7.10%*
Thomson Horstmann & Bryant	23.86%	37.94%	-4.12%	-4.21%	3.64%	7.36%
Russell 2000 Index	*19.28%*	*22.43%*	*-9.55%*	*-4.57%*	*2.41%*	*4.88%*
Cadence[3]	10.78%	6.56%	-18.94%	-	-	-
Russell 2000 Growth Index	*15.95%*	*29.12%*	*-6.32%*	*-2.60%*	*2.91%*	*1.09%*
International Equity						
Dodge & Cox Int'l Stock[4]	24.57%	45.05%	7.45%	-0.77%	-	-
Morgan Stanley Int'l Equity Trust	15.78%	19.57%	3.06%	-1.05%	6.54%	-
MSCI EAFE Index	*19.47%*	*28.97%*	*3.23%*	*-3.60%*	*6.08%*	*2.56%*
U.S. Fixed Income						
State Street BC Aggregate Index Fund	3.72%	5.71%	10.49%	6.42%	5.12%	6.27%
BC Aggregate Bond Index	*3.74%*	*5.72%*	*10.56%*	*6.41%*	*5.12%*	*6.30%*

[1] ICAP was terminated on 12/17/2004. State Street managed the account transition over to Barrow, Hanley, Mewhinney & Strauss effective 01/01/2005.
[2] THARP's inception in the Vanguard Small Cap Index was 12/02/2005.
[3] THARP's inception in the Cadence small cap growth portfolio was 12/03/2007.
[4] THARP's inception in the Dodge & Cox Int'l Stock fund was 06/06/2006.

THA Master Trust Performance Summary
September 30, 2009

- **State Street S&P 500 Index Fund** – seeks to track the performance of the S&P 500 Index. Invests in the same large cap stocks that comprise the index. The fund's performance matched the benchmark over the third quarter and leads slightly year-to-date.

- **BHM&S** – invests in stocks of medium-to-large sized companies whose valuation level is considered attractive by the firm's investment staff. Investment objective is to outperform the Russell 1000 Value Index. Barrow Hanley lagged the index by 2.65% over the third quarter. Year to date, the fund trails by approximately 1.0%. A meaningful underweight to strongly performing financials and an overweight in health care contributed to relative underperformance.

- **Gardner Lewis** – invests in stocks of medium-to-large sized companies considered by the firm's investment staff to have favorable prospects for revenue and earnings growth. Seeks to outperform Russell 1000 Growth Index. Gardner Lewis beat the index by 12 basis points in the third quarter and built upon a solid year-to-date lead. An overweight to financials and strong stock selection in that sector were the greatest contributors to relative performance.

- **Vanguard Small Cap Index** – A small cap fund designed to track the MSCI Small Cap 1750 Index – a slightly broader index in terms of capitalization than the Russell 2000 Index. The fund outperformed its benchmark over the quarter and year-to-date.

- **Thomson Horstmann & Bryant** – invests in stocks of small-to-medium sized companies whose valuation level is considered attractive by the firm's investment staff. Seeks to exceed the return of the Russell 2000 Index. TH&B exceeded the index by 4.58% in the third quarter and maintains a 15.51% lead year-to-date. Strong stock selection in consumer discretionary sector and in health care, specifically companies addressing cost inflation issues, boosted relative performance. TH&B also has been expanding its allocation to tech stocks.

- **Cadence –** invests in stocks of small sized companies whose valuation and earnings growth prospects are considered favorable by the firm's investment staff. Seeks to exceed the return of the Russell 2000 Growth Index. Cadence lagged its benchmark by 5.17% over the third quarter significantly and trails by 22.56% year-to-date. The firm's focus on higher quality companies that have demonstrated good trailing earnings growth has resulted in poor stock selection year-to-date.

- **Dodge and Cox –** invests in non-U.S. equities, primarily in companies that appear to be temporarily undervalued, but have a favorable outlook for long-term growth. Dodge and Cox outperformed the MSCI EAFE Index by 5.10% in the third quarter and leads year-to-date by 16.08%. The fund's performance was helped by stock selection across all sectors. The management team's persistence in holding securities that were especially weak in the market downturn, and have since dramatically rebounded, also contributed to performance.

- **Morgan Stanley** – invests in non-U.S. equities with desirable value characteristics and diversified across many different countries. Morgan Stanley lagged the MSCI EAFE Index by 3.69% in the third quarter and trails by 9.40% year-to-date. The portfolio's underweight to financials, the strongest performing sector during the quarter, detracted from returns, as did poor stock selection in Japanese financials specifically.

- **State Street BC Aggregate Index Fund** – fixed income index fund seeks to track the performance of the Barclays Capital Aggregate Bond Index. This strategy involves an efficient sampling of the over 9,000 securities in the index. The fund essentially matched the index over the third quarter and year-to-date.

THA Master Trust Top Ten Holdings
September 30, 2009

State Street S&P 500 Index Fund[1]

Top Ten Equity Holdings	% of Equity
Exxon Mobil Corp	3.53%
Microsoft Corp	2.15%
General Electric Co	1.87%
JPMorgan Chase & Co	1.85%
Procter & Gamble Co	1.81%
Johnson & Johnson	1.80%
Apple Inc	1.78%
AT&T Inc	1.71%
IBM	1.68%
Bank of America Corp	1.57%
Total	**19.74%**

Gardner Lewis Asset Management

Top Ten Equity Holdings	% of Equity
Bank of America Corp	4.72%
Humana Inc	3.71%
Apple Inc	3.49%
Goldman Sachs Group Inc	3.18%
Mastercard Inc	2.88%
Liberty Media Corp	2.74%
CVS Caremark Corp	2.62%
McKesson Corp	2.45%
Teva Pharmaceutical Inc	2.44%
Fedex Corp	2.38%
Total	**30.61%**

BHM&S

Top Ten Equity Holdings	% of Equity
Occidental Pete Corp	4.28%
Bristol Myers Squibb	3.82%
Pfizer Inc	3.15%
AT&T Inc	3.13%
IBM	3.07%
Honeywell Intl Inc	3.00%
JPMorgan Chase & Co	2.89%
Wellpoint Inc.	2.83%
Illinois Tool Wks Inc	2.81%
Capital One Finl Corp	2.79%
Total	**31.78%**

Thomson Horstmann & Bryant

Top Ten Equity Holdings	% of Equity
Eagle Materials Inc	2.22%
Rovi Corp	1.85%
Sirona Dental Systems	1.83%
Chicago Bridge & Iron	1.61%
Superior Energy	1.55%
Darling Intl Inc	1.55%
Bare Escentuals Inc	1.54%
Inverness Med Innovations	1.52%
Valueclick Inc	1.50%
Cadence Design System	1.49%
Total	**16.66%**

[1] The S&P 500 Stock Index is used as a proxy for State Street S&P 500 Index Fund.

THA Master Trust Top Ten Holdings (continued)
September 30, 2009

MSCI Small Cap 1750 Index[1]

Top Ten Equity Holdings	% of Equity
Genworth Finl Inc	0.47%
American Intl Group Inc	0.43%
Rovi Corp	0.28%
Sl Green Rlty Corp	0.27%
Dendreon Corp	0.25%
F5 Networks Inc	0.25%
Ashland Inc	0.25%
Human Genome Sciences	0.24%
MSCI Inc	0.24%
Aeropostale	0.24%
Total	**2.93%**

Morgan Stanley Int'l Equity Trust

Top Ten Equity Holdings	% of Equity
Unilever NV	4.10%
Brit Amer Tobacco	4.02%
Nestle SA	3.91%
Imperial Tobacco	3.70%
Reckitt Benck Grp	3.35%
Bayer AG	2.75%
Novartis AG	2.71%
Vodafone Group	2.64%
Edf	2.44%
Roche Hldgs AG	2.35%
Total	**31.97%**

Cadence

Top Ten Equity Holdings	% of Portfolio
Tempur Pedic Intl Inc	1.71%
Knight Capital Group	1.53%
Cooper Tire & Rubber Co	1.50%
Warnaco Group Inc	1.47%
Medicis Pharmaceutical	1.39%
Wright Express Corp	1.35%
Middleby Corp	1.34%
Netlogic Microsystems	1.32%
Wabtec Corp	1.28%
Thoratec Corp	1.28%
Total	**14.18%**

Dodge & Cox

Top Ten Equity Holdings	% of Equity
Lafarge	3.55%
Naspers	3.31%
Novartis A G	3.01%
Nokia Oyj	2.73%
Standard Chartered	2.69%
HSBC Hldgs	2.69%
Unicredit Spa	2.68%
Schneider Electric	2.67%
Schlumberger Ltd	2.18%
Glaxosmithkline Plc	2.17%
Total	**27.68%**

[1] The MSCI Small Cap 1750 Index is being used as a proxy for the Vanguard Small Cap Index Fund.

THA Participant-Directed Investment Objectives

The Investment Committee will review performance of the participant-directed plan investment managers with respect to the stated objectives and in the context of a three- to five-year time horizon.

Core Investment Options

Money Market Fund

- Exceed the annualized total return of the 90-Day Treasury Bill Index

Stable Value Fund/Fixed Interest Account

- Exceed the annualized total return of the Five-Year Constant Maturity Treasury Index

Intermediate Core Bond Fund

- Exceed the annualized total return of the Barclays Capital Aggregate Bond Index

Inflation-Protected Bond Fund

- Exceed the annualized total return of the Barclays Capital U.S. Treasury Inflation Notice Index

Balanced Fund

- Exceed the annualized total return of 60% S&P 500 Index/40% Barclays Capital Aggregate Bond Index

Large Cap Index Equity Fund

- Exceed the annualized total return of the S&P 500 Index.

Large Cap Value Equity Fund

- Exceed the annualized total return of the Russell 1000 Value Index

Large Cap Blend Equity Fund

- Exceed the annualized total return of the S&P 500 Index.

Large Cap Growth Equity Fund

- Exceed the annualized total return of the Russell 1000 Growth Index

THA Participant-Directed (continued)
Investment Objectives

Mid Cap Value Equity Fund
- Exceed the annualized total return of the Russell Mid Cap Value Index

Mid Cap Growth Equity Fund
- Exceed the annualized total return of the Russell 2500 Growth Index

Small Cap Growth Equity Fund
- Exceed the annualized total return of the Russell 2000 Growth Index

International Equity Fund
- Exceed the annualized total return of the MSCI EAFE Index

Emerging Markets Equity Index
- Exceed the annualized total return of the MSCI Emerging Markets Index

Target Date Funds
Lifestyle Funds
- Exceed the annualized total return of each fund's custom index

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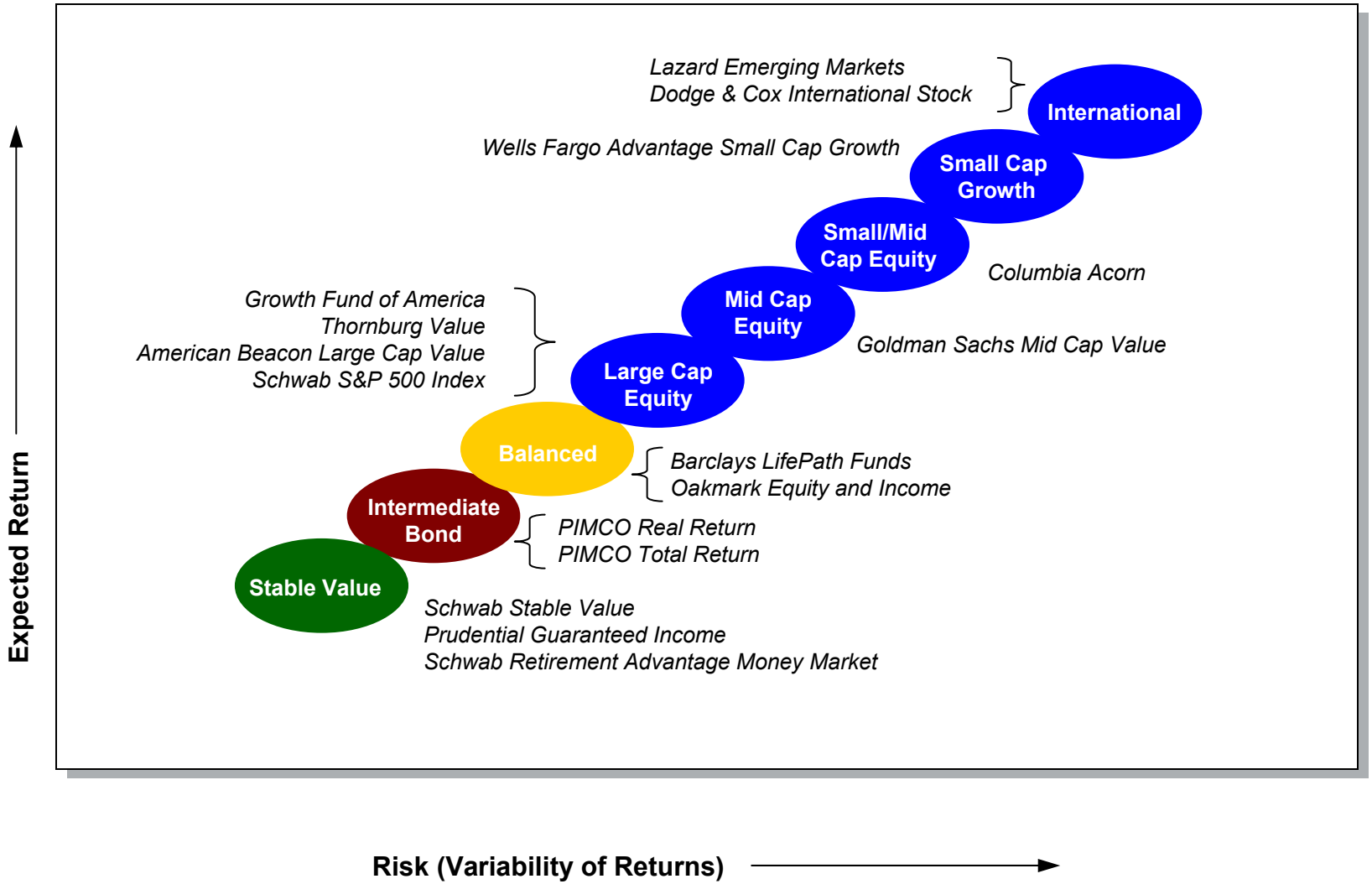
THA Participant-Directed Plan Options
Risk/Return Spectrum



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Investment Manager Structure
THA Participant-Directed Plan

Investment Manager	September 30, 2009 Assets ($ MM)	Percent of Portfolio
Core Investments		
U.S. Fixed Income		
Schwab Retirement Advantage Money Market	$0.0	0.0%
Prudential Guaranteed Income	4.1	9.9%
Schwab Stable Value	0.0	0.0%
PIMCO Total Return	2.6	6.4%
PIMCO Real Return	0.7	1.7%
Loan Fund	0.5	1.2%
Cash	0.9	2.1%
Total U.S. Fixed Income	**$8.8**	**21.3%**
Balanced		
Oakmark Equity & Income	$10.5	25.4%
U.S. Equity		
Schwab S&P 500 Index	$1.0	2.5%
American Beacon Large Cap Value	1.1	2.6%
Thornburg Value	1.2	2.8%
Growth Fund of America	1.8	4.4%
Goldman Sachs Mid Cap Value	0.9	2.1%
Columbia Acorn	1.2	2.8%
Wells Fargo Advantage Small Cap Growth	0.1	0.1%
Total U.S. Equity	**$7.2**	**17.4%**
International Equity		
Dodge & Cox International Stock	$1.5	3.7%
Lazard Emerging Markets	0.9	2.2%
Total International Equity	**$2.4**	**5.9%**
Target Date Funds		
BGI LifePath Retirement	$0.3	0.8%
BGI LifePath 2010	1.9	4.7%
BGI LifePath 2020	5.4	13.0%
BGI LifePath 2030	3.1	7.5%
BGI LifePath 2040	1.6	4.0%
Total Target Date Funds	**$12.3**	**30.0%**
Total Plan	**$41.1**	**100.0%**

THA Participant-Directed Funds Performance
September 30, 2009

Investment Portfolio	3rd Quarter	YTD	1-Year	3-Years	5-Years	10-Years
Fixed Income						
Schwab Retirement Advantage Money Market	0.00%	0.20%	0.64%	2.98%	3.10%	2.97%
90-Day Treasury Bill	*0.04%*	*0.14%*	*0.21%*	*2.34%*	*2.83%*	*2.80%*
Prudential Guaranteed Income[1]	0.95%	3.24%	4.47%	-	-	-
Schwab Stable Value	0.70%	2.09%	2.98%	3.99%	4.01%	4.44%
5-Year Constant Maturity Treasury	*0.91%*	*2.80%*	*3.79%*	*3.82%*	*3.83%*	*4.53%*
PIMCO Total Return	5.96%	12.47%	17.98%	8.82%	6.59%	7.21%
BC Aggregate Bond Index	*3.74%*	*5.72%*	*10.56%*	*6.41%*	*5.12%*	*6.30%*
PIMCO Real Return	5.35%	16.05%	9.99%	5.72%	4.73%	7.48%
BC Treasury Inflation-Protected Index	*3.08%*	*9.47%*	*5.65%*	*5.61%*	*4.80%*	*7.51%*
Balanced						
Oakmark Equity & Income	10.55%	14.66%	1.02%	3.99%	6.36%	9.69%
60% S&P 500/40% BC Aggregate	*10.77%*	*14.16%*	*0.62%*	*-0.42%*	*2.95%*	*2.74%*
U.S. Equity						
Schwab S&P 500 Index	15.53%	19.10%	-6.87%	-5.37%	1.02%	-0.21%
S&P 500 Index	*15.61%*	*19.26%*	*-6.91%*	*-5.43%*	*1.02%*	*-0.15%*
American Beacon Large Cap Value	17.26%	20.21%	-5.79%	-7.16%	1.72%	3.97%
Russell 1000 Value Index	*18.24%*	*14.85%*	*-10.62%*	*-7.87%*	*0.90%*	*2.59%*
Thornburg Value	15.88%	38.45%	8.04%	-2.13%	5.16%	4.17%
S&P 500 Index	*15.61%*	*19.26%*	*-6.91%*	*-5.43%*	*1.02%*	*-0.15%*
Growth Fund of America	13.34%	27.12%	-2.25%	-2.94%	3.58%	-
Russell 1000 Growth Index	*13.97%*	*27.11%*	*-1.85%*	*-2.50%*	*1.87%*	*-2.55%*
Goldman Sachs Mid Cap Value	19.51%	25.52%	-4.34%	-3.95%	3.65%	9.18%
Russell Mid Cap Value Index	*23.62%*	*27.57%*	*-7.12%*	*-5.65%*	*3.53%*	*7.43%*
Columbia Acorn Fund	20.32%	32.07%	-1.09%	-2.01%	4.93%	9.48%
Russell 2500 Growth Index	*17.17%*	*34.18%*	*-3.08%*	*-2.32%*	*3.74%*	*2.63%*
Wells Fargo Advantage Small Cap Growth	18.80%	44.42%	5.20%	3.45%	-	-
Russell 2000 Growth Index	*15.95%*	*29.12%*	*-6.32%*	*-2.60%*	*2.91%*	*1.09%*
International Equity						
Dodge & Cox International Stock	24.39%	44.38%	6.77%	-1.42%	8.34%	-
MSCI EAFE Index	*19.47%*	*28.97%*	*3.23%*	*-3.60%*	*6.08%*	*2.56%*
Lazard Funds Emerging Markets	22.27%	60.00%	10.98%	8.42%	19.18%	13.79%
MSCI Emerging Markets Index	*20.91%*	*64.45%*	*19.06%*	*7.95%*	*17.30%*	*11.42%*

[1] Investment contract return specific to the THA account established in 4th quarter 2007. The annualized interest rate for this fund through 12/31/2009 is 3.85%.

THA Participant-Directed Funds Performance (continued)
September 30, 2009

Investment Portfolio	3rd Quarter	YTD	1-Year	3-Years	5-Years	10-Years
Target Date Funds						
BGI LifePath Retirement	9.85%	15.39%	6.38%	1.89%	3.98%	4.25%
LifePath Retirement Custom Benchmark	*8.96%*	*14.15%*	*5.96%*	*2.62%*	*4.51%*	*5.17%*
BGI LifePath 2010	10.01%	15.58%	5.33%	1.23%	4.18%	3.52%
LifePath 2010 Custom Benchmark	*9.19%*	*14.42%*	*5.04%*	*2.07%*	*4.68%*	*4.55%*
BGI LifePath 2020	12.70%	18.90%	2.01%	-1.25%	3.52%	2.40%
LifePath 2020 Custom Benchmark	*12.27%*	*18.91%*	*2.62%*	*-0.14%*	*4.10%*	*3.42%*
BGI LifePath 2030	14.68%	21.12%	-0.55%	-3.11%	3.01%	1.69%
LifePath 2030 Custom Benchmark	*14.56%*	*22.15%*	*0.70%*	*-1.80%*	*3.65%*	*2.61%*
BGI LifePath 2040	16.29%	22.77%	-2.76%	-4.71%	2.48%	0.75%
LifePath 2040 Custom Benchmark	*16.47%*	*24.78%*	*-1.03%*	*-3.24%*	*3.16%*	*1.82%*

THA Participant-Directed Funds/Managers

- **Schwab Retirement Advantage Money Market Fund** – This fund invests in high quality short-term investments issued by U.S. and foreign issuers; however, all investments are denominated in U.S. dollars. The fund's goal is to seek current income consistent with capital stability and liquidity.

- **Prudential Guaranteed Income Fund** – This fund is a group annuity contract issued by the Prudential Retirement and Annuity Company and is backed by the creditworthiness of the issuer's general account. Prudential declares an annual interest rate which is subject to change on July 1 and December 31 of each year.

- **Schwab Stable Value Fund** – This is a capital preservation fund managed by Dwight Asset Management. This fund invests primarily in high credit quality fixed income securities that are supported by financial contracts designed to protect the investor from the price fluctuation of the underlying securities. The fund's goal is to provide safety of principal and a stable credited rate of interest with minimal volatility.

- **PIMCO Total Return Fund** – This fund invest in a broad range of bonds including government bonds, corporate bonds, mortgaged-backed bonds, foreign bonds, and short-term instruments. It invests primarily in investment grade debt securities but may invest up to 10% in high yield securities. The goal of this fund is to seek a total return that exceeds short-term rates but it will experience greater price variability in the underlying portfolio holdings.

- **PIMCO Real Return Fund** – This fund invests primarily in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies, and corporations. The goal of this fund is to provide a long-term total return that will exceed inflation. The return may reflect more variability- especially over shorter measurement periods – than money market or stable value funds**.**

- **Oakmark Equity & Income Fund** – This balanced fund is managed by Harris Associates and invests in stocks, bonds, and short term instruments. The equity portion may range between 50% and 70% in predominantly U.S. stocks and the fixed income allocation tends to favor short to intermediate high credit quality bonds.

- **Schwab S&P 500 Fund** – This fund invests in the stocks included in the S&P 500 Index and seeks to closely track the investment return of this index.

- **American Beacon Large Cap Value Fund** – This fund utilizes four independent sub-advisors to manage a portfolio of stocks that exhibit "value" characteristics such as below market price-to-earnings ratios, low market price to book ratios and above average dividend yields. The companies in the fund generally have market capitalizations similar to the Russell 1000 Large Cap Value Index.

THA Participant-Directed Funds/Managers

- **Thornburg Value Fund** – This is a core equity fund that invests primarily in domestic, larger cap stocks. However, the fund tends to be more concentrated in fewer stock holdings (i.e. around 50 stocks) than the other equity fund plan options, and yet still may hold a modest allocation in small cap and international equities.

- **Growth Fund of America** – This fund is managed by Capital Management & Research and invests primarily in stocks that exhibit "growth" characteristics such as above average earnings, growth in sales, and above average price multiples. It primarily invests in large cap domestic stocks but may hold 20% in non-US stocks.

- **Goldman Sachs Mid Cap Value Fund** – This fund is managed by a team of sector specialists that focuses on U.S. value stock opportunities across companies generally ranging in size between $2 billion and $12 billion in capitalization. The management team seeks to find stocks that are trading cheaply relative to peers yet represent companies with longer term competitive advantages.

- **Columbia Acorn Fund** – This fund is managed by the subsidiary firm Columbia – Wanger Asset Management and invests primarily in small and mid cap growth stocks (i.e., small cap stocks represent about 40% of the portfolio). The fund seeks to find companies that will benefit from economic, social, or technological trends that create superior earnings growth potential. This may include a material investment in non-US stocks**.**

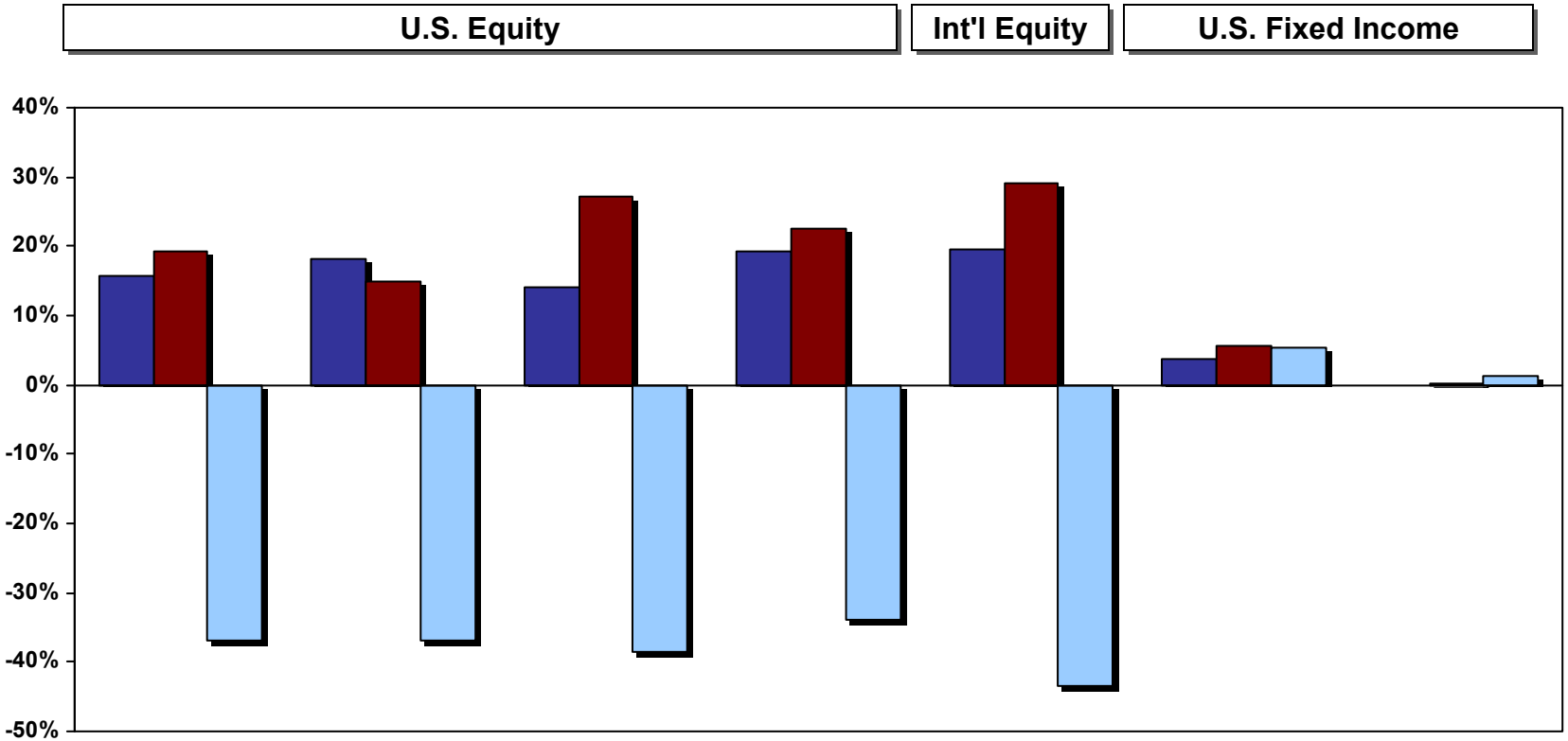
- **Wells Fargo Advantage Small Cap Growth –** This fund invests principally in equity securities of small cap companies believed to have above-average growth potential. The manager focuses on identifying rapidly growing companies that are in an early or transitional stage of their development. The strategy may employ futures, options, or swap agreements, as well as other derivatives, to manage risk or enhance return.

- **Dodge & Cox International Stock Fund** – This fund applies a value oriented philosophy to invest in a well diversified portfolio of international stocks primarily listed across developed country markets. The primary focus is on mid and large cap stocks, and the portfolio will include allocations to emerging market stocks.

- **Lazard Emerging Markets Fund** – This fund invests 80% of the assets in emerging market equity securities – with a focus on companies in Latin America, the Pacific Basin, and Eastern Europe. The investment process has a value bias with a preference for buying companies with lower price to earnings ratios.

- **BGI LifePath Funds** – Each of these funds represents an asset allocation portfolio (i.e., diversified among broad asset classes) that is targeted to a specific retirement date. As the retirement date approaches, the allocation across the asset classes becomes more conservative. The underlying asset class funds include an actively managed domestic equity segment, five other equity index segments, a REIT index, two bond market segments, and a money market segment.

Capital Market Overview
September 30, 2009



	S&P 500	Russell 1000 Value	Russell 1000 Growth	Russell 2000	MSCI EAFE	BC Aggregate Bond	90-Day U.S. T-Bills
3rd Quarter	15.61%	18.24%	13.97%	19.28%	19.47%	3.74%	0.04%
YTD	19.26%	14.85%	27.11%	22.43%	28.97%	5.72%	0.14%
Year 2008	-37.00%	-36.85%	-38.44%	-33.79%	-43.38%	5.24%	1.36%

Hewitt

Capital Market Commentary

U.S. Equity Market

- Capital markets rallied in the third quarter of 2009. A year after the collapse of Lehman Brothers, the capital markets have regained some stability and are showing signs of growth. Government stimulus programs such as “cash for clunkers” and a first time homebuyer tax credit have helped revitalize consumer spending.

- Small cap stocks performed well in the third quarter, trailing mid cap stocks by 130 basis points, and outperforming large cap stocks by 490 basis points. Notably, lower quality and micro-cap companies have tended to outperform. During the third quarter, value stocks outperformed growth stocks across all capitalizations. Large cap value outperformed large cap growth by 420 basis points, while small cap value outpaced small cap growth by 670 basis points.

- All economic sectors posted positive returns in the third quarter, led by financials (+25.5%) for the second consecutive quarter. Confidence in the industry improved following the bank stress tests and capital raising efforts during the second quarter. On a year-to-date basis, Goldman Sachs, JPMorgan, and Bank of America were among the top ten contributors to performance for the S&P 500 Index.

Non-U.S. Equity Market

- Non-U.S. equity markets outpaced U.S. equities in the third quarter, up 19.5% in U.S. dollar terms and 14.8% in local market terms. Developed non-U.S. stocks outperformed U.S. large cap stocks by 390 basis points in the third quarter, and 970 basis points for the year-to-date period.

- The U.S. dollar retreated against both developed and emerging market currencies during the third quarter. Dollar depreciation added 470 basis points to U.S.-based investors’ returns in developed markets, and 410 basis points in emerging markets during the quarter.

- Emerging market equities returned 20.9% in the third quarter, and represent the strongest broad equity markets for the year-to-date period ended September 30 (+64.5%).

Fixed Income Market

- The U.S. Federal Reserve (“Fed”) met twice during the third quarter. The Fed Funds rate was left unchanged, targeting 0%-0.25%. The Fed justified its decision to hold the rate steady by citing continued concerns of risk to growth.

- The yield curve flattened during the third quarter, with Treasury yields decreasing across the curve during the third quarter. Long duration maturities experienced the greatest decrease in yields. The yield on the 30-year note decreased by 28 basis points, while the yield on the three-month note decreased by 8 basis points. The spread between three-month and 30-year maturities narrowed from 4.1% to 3.9%.

- Bond markets experienced modest growth in the third quarter, led by credit securities as banks regained stability. Investors continued to shift away from the safety of government bonds toward higher yielding alternatives. Government bonds lagged other fixed income sectors in the third quarter, returning 2.0%. Government bonds remained in negative territory on a year-to-date basis (-1.2%).