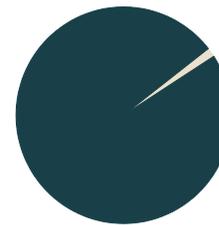


Account Statement - at 9/30/2014

Portfolio Summary

	<i>QTD</i> 6/30/14 - 9/30/14	<i>YTD</i> 12/31/13 - 9/30/14
Beginning market value	\$14,383,683	\$13,853,735
Net additions and disbursements	624,994	624,994
Investment income	102,364	266,376
Portfolio appreciation / depreciation	-59,893	306,043
Ending market value	\$15,051,148	\$15,051,148

Allocation



- Fixed Income
- Cash

	<i>Actual</i>	<i>Target</i>	<i>Diff</i>
Fixed Income	98.7%	100.0%	(-1.3%)
Cash	1.3%	0.0%	+1.3%

Performance

(2/7/2012)*

	<i>QTD</i>	<i>YTD</i>	<i>1 yr</i>	<i>ITD</i>
Fixed Income	0.29%	4.15%	4.19%	2.41%
BC Aggregate	0.17%	4.10%	3.96%	2.06%

Periods greater than 1 year are annualized

* Performance Start Date

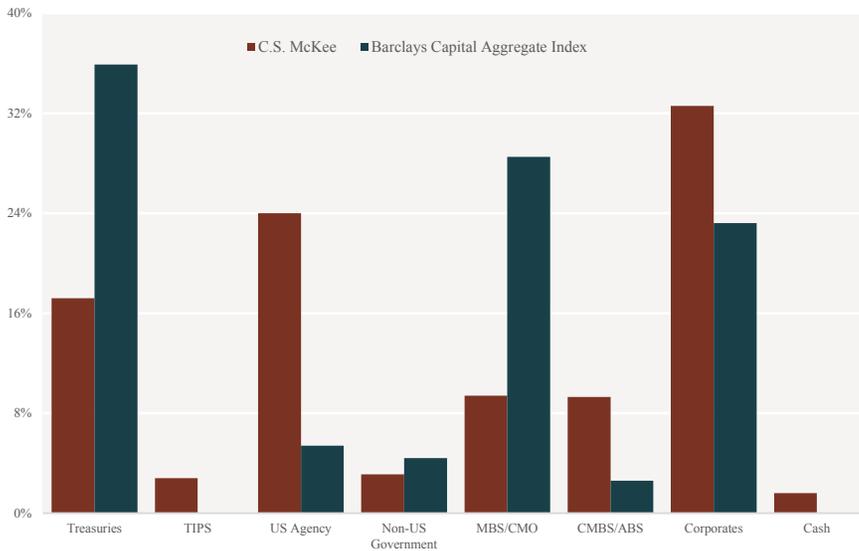
Aggregate Fixed Income

Portfolio Characteristics – at September 30, 2014

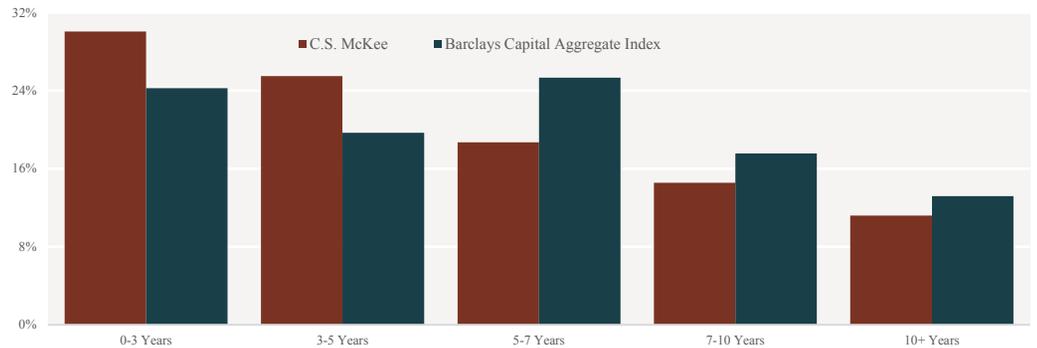
Benchmark Comparisons	C.S. McKee	Barclays Capital Aggregate Index	Variance
Effective Duration	5.12 yrs	5.62 yrs	-0.50 yrs
Average Convexity	-0.04	0.04	-0.08
Average Maturity	6.56 yrs	7.39 yrs	-0.83 yrs
Yield to Maturity	2.39 %	2.32 %	0.07 %
Average Coupon	2.75 %	3.28 %	-0.53 %
Average Quality	Aa2	Aa2	N/A

Top 10 Largest Holdings (Active Exposures)	Coupon	Maturity	Sector	% of Portfolio
UNITED STATES TREAS NTS	2.125	01/31/2021	Treasury	4.23
UNITED STATES TREAS BDS	2.875	05/15/2043	Treasury	4.00
FEDERAL NATL MTG ASSN(U)	2.360	12/14/2022	Agency	2.55
UNITED STATES TREAS NTS	1.625	08/31/2019	Treasury	1.99
FEDERAL HOME LOAN BANKS(U)	1.000	10/09/2024	Agency	1.88
UNITED STATES TREAS NTS	1.250	10/31/2018	Treasury	1.84
UNITED STATES TREAS NTS	0.875	05/15/2017	Treasury	1.66
FEDERAL HOME LOAN BANKS	0.500	10/15/2019	Agency	1.57
FEDERAL FARM CR BKS	0.164	11/14/2016	Agency	1.56
FEDERAL HOME LN MTG CORP(U)	1.000	09/24/2019	Agency	1.53

Sector Allocation



Term Structure



The above information is shown as supplemental information and complements the composite disclosure presentation. Please see full disclosure information at the end of this presentation.

For additional information, please contact C. S. McKee at 412-566-1234.

Aggregate Fixed Income

Performance Attribution – at September 30, 2014

	<i>Third Quarter</i>	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
CS McKee Aggregate	0.25	4.05	-1.73	5.09	8.62	7.05	8.73	7.17	7.61	5.07	3.56	4.74	4.42	10.32	8.92	11.58	-0.53
<i>Barclays Aggregate Index</i>	<i>0.17</i>	<i>4.10</i>	<i>-2.02</i>	<i>4.22</i>	<i>7.84</i>	<i>6.54</i>	<i>5.93</i>	<i>5.24</i>	<i>6.97</i>	<i>4.33</i>	<i>2.43</i>	<i>4.34</i>	<i>4.10</i>	<i>10.25</i>	<i>8.44</i>	<i>11.63</i>	<i>-0.82</i>
Value-Added Return	0.08	-0.05	0.29	0.87	0.78	0.51	2.80	1.93	0.64	0.74	1.13	0.40	0.32	0.07	0.48	-0.05	0.29
<i>Relative Performance Breakdown</i>																	
Duration Decision	-0.010	-0.445	0.310	-0.355	-1.065	-0.080	-0.340	0.060	-0.240	0.160	0.015	-0.120	0.020	-0.440	0.030	-0.06	-0.07
Yield Curve Decision	0.015	0.030	-0.070	-0.020	0.155	0.090	0.090	-0.260	-0.110	0.010	0.165	0.080	0.130	-0.280	-0.060	0.03	-0.01
Sector Allocation Decision	-0.015	0.060	0.050	0.840	0.110	-0.170	1.220	1.800	0.520	-0.040	0.250	-0.350	-0.280	0.290	0.450	-0.340	0.330
<i>US Agency Debt</i>	<i>0.000</i>	<i>0.110</i>	<i>-0.040</i>	<i>0.230</i>	<i>0.060</i>	<i>0.240</i>	<i>0.390</i>	<i>-0.220</i>	<i>-0.280</i>	<i>0.405</i>	<i>0.100</i>	<i>0.270</i>	<i>0.050</i>	<i>0.020</i>	<i>-0.060</i>	<i>-0.04</i>	<i>0.03</i>
<i>US Agency MBS/CMO</i>	<i>0.050</i>	<i>-0.100</i>	<i>-0.225</i>	<i>-0.155</i>	<i>0.170</i>	<i>-0.650</i>	<i>-1.660</i>	<i>1.015</i>	<i>0.530</i>	<i>-0.350</i>	<i>0.095</i>	<i>-0.475</i>	<i>-0.040</i>	<i>0.200</i>	<i>0.370</i>	<i>-0.05</i>	<i>0.10</i>
<i>Corporate Bonds</i>	<i>-0.070</i>	<i>0.065</i>	<i>0.330</i>	<i>0.645</i>	<i>-0.190</i>	<i>0.100</i>	<i>1.930</i>	<i>0.370</i>	<i>0.000</i>	<i>-0.050</i>	<i>0.065</i>	<i>-0.070</i>	<i>-0.180</i>	<i>0.090</i>	<i>0.150</i>	<i>-0.25</i>	<i>0.20</i>
<i>Other Government Bonds</i>	<i>0.015</i>	<i>-0.050</i>	<i>-0.030</i>	<i>-0.230</i>	<i>0.085</i>												
<i>ABS</i>	<i>0.000</i>	<i>0.000</i>	<i>-0.005</i>	<i>0.015</i>	<i>0.000</i>	<i>0.000</i>	<i>-0.080</i>	<i>0.135</i>	<i>0.060</i>	<i>-0.010</i>	<i>0.000</i>	<i>-0.015</i>	<i>-0.020</i>	<i>0.000</i>	<i>0.000</i>	<i>0.00</i>	<i>0.00</i>
<i>CMBS</i>	<i>-0.010</i>	<i>0.035</i>	<i>0.020</i>	<i>0.335</i>	<i>-0.015</i>	<i>0.140</i>	<i>0.640</i>	<i>0.500</i>	<i>0.210</i>	<i>-0.035</i>	<i>-0.010</i>	<i>-0.060</i>	<i>-0.090</i>	<i>-0.020</i>	<i>-0.010</i>	<i>0.00</i>	<i>0.00</i>
Security Selection Decision	0.090	0.305	0.000	0.405	1.580	0.670	1.830	0.330	0.470	0.610	0.700	0.790	0.450	0.500	0.060	0.320	0.040
<i>US Treasury (US TIPS)</i>	<i>-0.005</i>	<i>0.055</i>	<i>-0.115</i>	<i>0.290</i>	<i>0.355</i>	<i>-0.490</i>	<i>3.150</i>	<i>-1.490</i>	<i>0.070</i>	<i>0.020</i>	<i>0.100</i>	<i>0.000</i>	<i>0.130</i>	<i>0.230</i>	<i>0.090</i>	<i>-0.080</i>	<i>0.000</i>
<i>US Agency Debt</i>	<i>0.050</i>	<i>0.290</i>	<i>0.285</i>	<i>0.805</i>	<i>0.335</i>	<i>0.740</i>	<i>-0.420</i>	<i>0.170</i>	<i>-0.070</i>	<i>0.590</i>	<i>0.510</i>	<i>0.730</i>	<i>0.270</i>	<i>0.270</i>	<i>-0.070</i>	<i>0.060</i>	<i>0.020</i>
<i>US Agency MBS/CMO</i>	<i>-0.005</i>	<i>0.000</i>	<i>-0.030</i>	<i>0.045</i>	<i>0.095</i>	<i>0.090</i>	<i>0.030</i>	<i>-0.290</i>	<i>-0.010</i>	<i>-0.005</i>	<i>0.000</i>	<i>-0.060</i>	<i>-0.080</i>	<i>-0.060</i>	<i>0.010</i>	<i>-0.020</i>	<i>0.030</i>
<i>Corporate Bonds</i>	<i>0.025</i>	<i>-0.005</i>	<i>-0.035</i>	<i>-0.445</i>	<i>0.840</i>	<i>0.570</i>	<i>-0.460</i>	<i>1.250</i>	<i>0.480</i>	<i>0.005</i>	<i>0.090</i>	<i>0.120</i>	<i>0.230</i>	<i>0.360</i>	<i>0.030</i>	<i>0.360</i>	<i>-0.010</i>
<i>Other Government Bonds</i>	<i>0.010</i>	<i>-0.015</i>	<i>-0.075</i>	<i>0.005</i>	<i>0.000</i>												
<i>ABS</i>	<i>0.000</i>	<i>-0.010</i>	<i>0.010</i>	<i>-0.005</i>	<i>-0.015</i>	<i>0.000</i>	<i>-0.100</i>	<i>-0.300</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>						
<i>CMBS</i>	<i>0.015</i>	<i>-0.010</i>	<i>-0.040</i>	<i>-0.290</i>	<i>-0.030</i>	<i>-0.240</i>	<i>-0.470</i>	<i>0.690</i>	<i>0.000</i>								

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Past security contributions to performance are not indicative of future results and client results may vary significantly.

For additional information, please contact C. S. McKee at 412-566-1234.

Economic Perspective – Third Quarter, 2014

Second-quarter GDP rebounded to 4.6% after contracting in the first three months. The expansion was led by stronger business and residential investment. Growing inventories and improved exports also contributed.

Consumer prices fell in the U.S. by 0.2% in August, led by declines in airline ticket prices. Inflation expectations (break-even spreads on 10-year TIPS) fell below 2% after the report – the lowest since June 2013. The BLS adjustments to the process of calculating airline fares has led to increased volatility in the CPI report recently, leading us to believe that the figure for August will be revised upward.

The ECB announced plans to further stimulate the European economy and increase inflation expectations by purchasing ABS and covered bond securities. Expectations of QE by the ECB drove German 10-year yields to 0.86% - the lowest on record.

Foreign investor demand for U.S. Treasuries continued through the second quarter of 2014. Mutual funds, however, reversed course and became net-sellers of Treasuries.

August non-farm payrolls disappointed, as only 142K jobs were created. Over the past 18 years, August payrolls have been reported lower than expectations 14 times and have subsequently been revised higher 50% of the time.

The San Francisco Fed published a research paper about the divergence between market expectations and the Fed's forecast of interest rate hikes, warning of complacency among investors over the timing of policy tightening.

Diverging central-bank policies between the U.S. and the EU have led to a stronger U.S. dollar. On a trade-weighted basis, the dollar is at its highest level since 2010 against a basket of other developed-market currencies.

Economic Surprise

2014 was forecast to be the year that the economy shifted into higher gear and Treasury yields rose, led by the Fed's exit from quantitative easing. Harsh winter weather in the first quarter derailed the majority of economists' forecasts as U.S. GDP contracted by 2.1% and ten-year Treasury yields dropped nearly 70 basis points. The rebound in second quarter growth (4.6%) and the expected 3% growth in the third and fourth quarters appear to confirm the temporary nature of the slowdown.

One of several economic indicators of the rebound in activity was Citi's Economic Surprise Index. This indicator measures the degree to which economic data exceed or fall short of market expectations. It has some value when compared to the level of Treasury yields, often foreshadowing or confirming a change in the direction of bond market prices. Since bottoming in April of this year, the Economic Surprise Index has risen, shaking off the first quarter's weather-induced weakness. The graph below, however, shows that 10-year Treasury yields continued declining before bottoming in mid-August, despite the upward move in the Economic Surprise Index. International market influences, including slow European market growth and low yields, contributed to the continued demand for Treasuries, though domestic growth pointed to higher yields.

Economic Surprise vs. 10-year Treasury Yield



With the recent cease-fire in the Russia/Ukraine conflict and the Israel/Palestine war, investors' focus has shifted back to domestic events. Improvement in the jobs market, strong growth in the second quarter, and a subtle hawkish shift in Fed rhetoric has led markets to believe that the weakness during the first half of 2014 was a temporary setback due to abnormal weather. The bounce-back witnessed in the Economic Surprise Index and the relative calm in Eastern Europe should lead to higher Treasury yields as the economy continues to expand and expectations of a Fed rate hike grow.

Economic Perspective – Third Quarter, 2014

The average corporate bond spread widened 15 basis points to 112 bps above Treasuries. Increased issuance in September and expectations of future rate hikes by the Fed has raised concern among investors regarding market liquidity.

30-year U.S. Treasuries continued their strong year-to-date performance. Decreasing inflation expectations and demand from foreign investors pushed yields 16 bps lower for the quarter to finish at 3.19%. The 5-year-30-year yield curve flattened by 29 bps.

The Fed continued tapering asset purchases and is expected to conclude QE3 at October’s FOMC meeting. With the exit of the Fed from the long Treasury market, we expect increased net supply to weigh on bond performance in the near future.

TIPS break-evens narrowed to the lowest point since June 2013 on a weak August CPI report, strengthening the dollar, as well as belief that Bill Gross’s departure from PIMCO will lead to selling pressure on the asset class.

Sovereign yield differentials widened further with the divergence of policy between the ECB and Federal Reserve. The difference between the 10-year German bund and 10-year Treasury difference continued to expand, finishing the quarter at 154 bps. We expect a test of the record spread of 169 bps as the Fed considers policy normalization and the ECB moves towards full-blown QE.

Market-based measures estimating the first Fed rate hike now predict that the first move will occur in September 2015. Expectations advanced after the Fed indicated that slack in the labor market may be primarily due to structural weakness – not cyclical as previously believed – suggesting that the natural rate of unemployment may be higher than assumed.

Bond Market Liquidity

Last October, in “The Continuing Role of Core Fixed Income” in *Five Minutes with C. S. McKee*, we focused on the lasting—and important—role of high-quality core fixed income in a balanced portfolio. The diversification benefits of this asset class are, in our opinion, unrivaled. Now, one year later, market liquidity is a timely topic.

One effect of the many Fed stimulus measures has been to produce a favorable environment for bond investors across the credit spectrum. Risk has been rewarded at nearly every level. Carried by what is currently more than \$4 trillion in Fed reserves, both the bond market and the number of investment vehicles (ETFs in particular) available to institutional and retail investors have grown substantially since 2008.

What has gone largely unnoticed until recently: the reduced liquidity accompanying this growth.

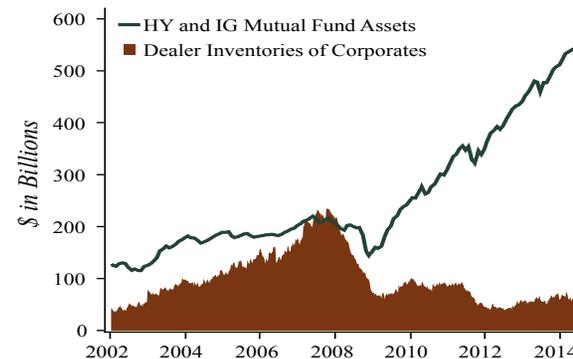
Consider the details. The average daily trading volume of dollar-denominated bonds has fallen 20% since 2008, and dealer inventories are 75% below their 2007 levels.^{1,2} Keep in mind, the market grew some 15%, to more than \$38 trillion, during the same period. The graph to the right shows an example of this growing imbalance—especially pronounced in the credit sectors. Dealer inventory (a proxy for much-needed liquidity to the market) is near 2002 levels, while flows into investment-grade and high-yield funds have skyrocketed.

As the Fed closes the spigot of central bank liquidity, we find lower trade volume, lower bond inventory levels, and artificially suppressed interest rates, sector spreads and market volatility – a challenging environment for risk-taking in bonds in our opinion. So how does an investor effectively hedge exposure to equity and equity-like risk assets while providing portfolio liquidity? Higher risk asset classes such as high yield (+0.64 to +0.68 correlated to equity returns over the past twenty years) and bank loans (+0.64 to +0.69) are unlikely to be the most prudent choice.

Strict adherence to a quality and liquidity discipline results in greater portfolio flexibility. Portfolio flexibility, in turn, helps us to accomplish two important objectives—reallocating efficiently among portfolio holdings, and fulfilling the role of “liquidity provider” within our client’s total portfolio. Increasing risk in pursuit of higher returns comes at the expense of portfolio diversification and liquidity. There is no free lunch.

Footnotes:
^{1,2}TD Securities

Dealer Inventories Falling as Mutual Fund Assets Rise



Fixed Income – Third Quarter, 2014

The Fed continued tapering asset purchases and is expected to conclude QE3 at October's FOMC meeting. With the exit of the Fed from the long Treasury market, we expect increased net supply to weigh on bond performance in the near future.

30-yr. US Treasuries continued their strong year-to-date performance. Decreasing inflation expectations and demand from foreign investors pushed yields 16 bps lower for the quarter to finish at 3.19%. The 5-year-30-year yield curve flattened by 29 bps.

The average corporate bond spread widened 15 basis points to 112 bps above Treasuries. Increased issuance in September and expectations of future rate hikes by the Fed has raised concern among investors regarding market liquidity.

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Market-based measures estimating the first Fed rate hike now indicate that the first move will occur in September 2015. Expectations advanced after the Fed indicated that slack in the labor market may be primarily due to structural weakness – not cyclical, as previously believed – suggesting that the natural rate of unemployment may be higher than assumed.

Portfolio Highlights

Conflicting global economic data and unsettling geopolitical events over the past three months kept investors second guessing the future path of interest rates and risk assets. Uncertainty regarding US growth was alleviated after a report of second-quarter GDP exceeded expectations and labor markets regained their robust trend. Tenuous ceasefires in Ukraine and Palestine dampened global risk concerns and reduced safe haven demand for treasuries. Conversely, weak data from the Eurozone and Japan spilled over into US Treasury yields sending ten-year notes to their lows of the year at 2.30%. Diverging central bank policies tugged at interest rates with opposite effects; the ECB's announcement of asset purchases in September to fight slow growth and disinflation in the EU was offset by discussions in the U.S. over the timing of the first rate hike; perhaps sooner than expected.

The 5-year / 30-year Treasury curve twisted flatter in the third quarter as a hawkish shift in the Fed's projections sent intermediate maturities higher in yield. This, while strong foreign purchases of longer bonds pushed 30yr yields 16 basis points lower for the quarter. Several tactical duration and yield curve trades added to performance. The allocation to TIPS was reduced early in the quarter, due to negative seasonal biases and a surprisingly weak August CPI report. With inflation expectations at the lowest in over a year, the TIPS market again warrants closer attention, as break-evens appear to offer value. Exposure to agency debt increased modestly throughout the quarter, adding to our substantial overweight in the sector. Agency step-up notes were added to the portfolio using the proceeds from our sale of nominal treasuries. These securities have final maturities in the five to seven year range and the potential for coupon increases, providing additional yield and a defensive risk profile in anticipation of rising interest rates.

We remained slightly overweight credit and significantly underweight MBS during the quarter, with performance from each position canceling the effects of the other. Increased corporate supply in September and future liquidity fears weighed on corporate spreads, leading to negative excess returns for the quarter. Our high-quality bias and underweight to long-maturity corporate debt partially offset the negative contribution from our sector overweight. MBS spreads came under pressure as the Fed continued to reduce monthly asset purchases, thus removing a major buyer from the sector.

We continue our defensive duration positioning as 10-year Treasury yields retest their late August lows. Higher interest rates are expected by year-end as the Fed moves closer to policy normalization. The cessation of QE in late October will also lead to a net increase in MBS supply, which should weigh on the sector's performance. We believe the recent underperformance in credit may allow for an opportunity to increase our exposure. As always, we will remain opportunistic in the event of market dislocations, preferring to be a provider of liquidity, instead of seeking liquidity when it is most needed.

Bay County VEBA

Investment Summary - at 9/30/2014

90477

<i>Asset Class</i>	<i>Total Cost</i>	<i>Weight at Cost</i>	<i>Market Value</i>	<i>Accrued Income</i>	<i>Total Value</i>	<i>Weight at Market</i>
<i>Fixed Income</i>	\$14,859,622.71	98.68%	\$14,770,989.95	\$81,714.53	\$14,852,704.48	98.68%
<i>Cash</i>	\$198,443.89	1.32%	\$198,443.89	\$0.00	\$198,443.89	1.32%
<i>Total Portfolio</i>	\$15,058,066.60	100.00%	\$14,969,433.84	\$81,714.53	\$15,051,148.37	100.00%

Bay County VEBA

Position Detail - at 9/30/2014

90477

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
Fixed Income											
Asset Backed Securities											
ALLY AUTO REC TR	0.570 AUG 20 15	AAA	25,206.64	1.00	25,224.36	0.17%	100.01	25,208.91	4.39	25,213.30	0.17%
ALLY AUTO RECV TR	0.540 JUL 15 16	Aaa	62,942.63	1.00	62,996.76	0.42%	100.06	62,977.88	15.11	62,992.98	0.42%
CAPITAL AUTO RECV AB	0.454 JUN 20 16	AAA	55,000.00	1.00	55,000.00	0.37%	100.03	55,017.05	7.63	55,024.68	0.37%
FORD CREDIT AUTO OWN	0.820 DEC 15 17	AAA	123,000.00	1.00	123,291.56	0.82%	100.26	123,323.49	44.83	123,368.32	0.82%
HYUNDAI AUTO RECV TR	0.440 FEB 15 17	AAA	33,000.00	1.00	32,997.72	0.22%	100.01	33,001.98	6.45	33,008.43	0.22%
SLM PRIVATE ST LN TR	0.434 JUN 15 21	AA-	40,145.33	0.96	38,426.61	0.26%	99.45	39,925.74	7.75	39,933.48	0.27%
SANTANDER DRIVE AUTO	0.474 JUL 17 17	Aaa	93,000.00	1.00	93,000.00	0.62%	100.01	93,011.16	19.58	93,030.74	0.62%
CMO											
FANNIE MAE	4.500 NOV 25 39	AA+	84,018.69	1.06	89,164.83	0.59%	106.21	89,237.93	63.01	89,300.95	0.59%
FHLMC REMIC SERIES	4.500 AUG 15 27	AA+	4,065.65	1.04	4,213.03	0.03%	101.94	4,144.44	15.25	4,159.69	0.03%
GNMA REMIC TRUST	4.500 OCT 20 37	AA+	82,053.91	1.04	85,592.48	0.57%	105.22	86,340.41	307.70	86,648.11	0.58%
GNMA REMIC TRUST	2.000 MAY 20 39	AA+	47,201.50	1.02	48,116.03	0.32%	98.87	46,670.01	78.67	46,748.68	0.31%
Commercial MBS											
BANC AMER CMBS 2005-	5.115 OCT 10 45	AAA	124,169.04	1.09	135,449.10	0.90%	102.42	127,170.21	529.27	127,699.48	0.85%
BANC AMER CMBS 2007-	5.622 APR 10 49	AAA	11,219.40	1.03	11,570.01	0.08%	99.95	11,213.57	52.56	11,266.13	0.07%
BEAR STEARNS CMBS	5.116 FEB 11 41	Aaa	90,559.00	1.10	99,247.00	0.66%	100.68	91,172.08	386.08	91,558.17	0.61%
BEAR STEARNS CMBS 20	5.136 OCT 12 42	Aaa	63,000.00	1.10	69,560.86	0.46%	103.11	64,956.78	277.64	65,234.42	0.43%
CFCRE COML MTG TR	1.558 DEC 17 47	Aaa	37,921.77	1.01	38,117.30	0.25%	100.74	38,200.87	49.23	38,250.10	0.25%
COMM MTG TR	2.928 FEB 12 47	Aaa	82,000.00	1.03	84,459.08	0.56%	102.39	83,963.08	200.08	84,163.16	0.56%
COMM MTG TR	1.298 MAR 12 47	Aaa	37,486.38	1.00	37,486.22	0.25%	99.19	37,181.24	40.55	37,221.79	0.25%
COMM MTG TR	1.402 JUN 12 47	Aaa	23,281.46	1.00	23,281.44	0.15%	99.02	23,052.84	27.20	23,080.04	0.15%
COMM MTG TR	3.838 SEP 12 47	Aaa	65,000.00	1.03	66,947.59	0.44%	103.13	67,031.25	207.89	67,239.14	0.45%

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Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
Commercial MBS											
COMM MTG TR	3.147 AUG 17 45	Aaa	33,000.00	1.02	33,822.87	0.22%	100.19	33,062.37	86.54	33,148.91	0.22%
COMM MTG TR	4.236 JUL 12 45	AAA	69,000.00	1.03	71,067.65	0.47%	107.53	74,197.08	251.73	74,448.81	0.49%
LB-UBS CMBS 2006-C1	5.156 FEB 15 31	AAA	16,000.00	1.12	17,872.50	0.12%	103.62	16,579.68	45.83	16,625.51	0.11%
UBS-BARCLY COML MTG	3.525 MAY 11 63	Aaa	20,000.00	1.02	20,398.70	0.14%	102.15	20,430.60	58.75	20,489.35	0.14%
UBS COML MTG TR	2.180 MAY 12 45	Aaa	15,000.00	1.01	15,224.99	0.10%	101.61	15,240.90	27.25	15,268.15	0.10%
UBS-BARCLY COML MTG	2.533 DEC 12 45	AAA	27,000.00	1.02	27,674.94	0.18%	98.20	26,513.73	56.99	26,570.72	0.18%
WFRBS COML MTG TR	3.198 MAR 17 48	AAA	40,000.00	1.03	41,199.20	0.27%	99.77	39,908.00	106.60	40,014.60	0.27%
Corporates											
AMERICAN EXPRESS CR	2.800 SEP 19 16	A-	98,000.00	1.04	101,959.49	0.68%	103.30	101,236.94	91.47	101,328.41	0.67%
ANHEUSER BUSCH INBEV	7.750 JAN 15 19	A	25,000.00	1.27	31,658.75	0.21%	120.73	30,182.25	409.03	30,591.28	0.20%
BB&T CORPORATION	2.150 MAR 22 17	A-	59,000.00	1.03	60,716.31	0.40%	101.63	59,959.93	31.71	59,991.64	0.40%
BHP BILLITON FIN USA	1.875 NOV 21 16	A+	40,000.00	1.03	41,125.20	0.27%	102.04	40,814.40	270.83	41,085.23	0.27%
BP CAP MKTS P L C	3.200 MAR 11 16	A	139,000.00	1.06	147,880.21	0.98%	103.57	143,960.91	247.11	144,208.02	0.96%
BANK AMER CORP	2.600 JAN 15 19	A-	131,000.00	1.01	131,737.53	0.87%	99.81	130,744.55	719.04	131,463.59	0.87%
BANK NEW YORK MTN BK	2.100 JAN 15 19	A+	129,000.00	1.00	128,838.75	0.86%	99.48	128,327.91	571.90	128,899.81	0.86%
CSX TRANS INC 2007-1	6.251 JAN 15 23	A+	91,635.73	1.21	110,466.87	0.73%	117.75	107,901.07	1,209.28	109,110.35	0.72%
CATERPILLAR INC DEL	7.900 DEC 15 18	A	114,000.00	1.34	153,023.40	1.02%	122.79	139,985.16	2,651.77	142,636.93	0.95%
CHEVRON CORP NEW	2.355 DEC 05 22	AA	113,000.00	0.98	111,031.70	0.74%	95.23	107,609.90	857.48	108,467.38	0.72%
CISCO SYS INC	5.900 FEB 15 39	AA-	122,000.00	1.22	149,177.63	0.99%	120.52	147,029.52	919.74	147,949.26	0.98%
CITIGROUP INC	4.450 JAN 10 17	A-	138,000.00	1.10	152,261.31	1.01%	106.55	147,034.86	1,381.73	148,416.59	0.99%
COCA COLA CO	3.200 NOV 01 23	AA	71,000.00	0.98	69,598.46	0.46%	100.21	71,150.52	946.67	72,097.19	0.48%
COMCAST CORP NEW	6.300 NOV 15 17	A-	57,000.00	1.21	68,948.34	0.46%	114.20	65,095.14	1,356.60	66,451.74	0.44%
CONOCOPHILLIPS	5.750 FEB 01 19	A	75,000.00	1.21	90,816.70	0.60%	114.10	85,572.00	718.75	86,290.75	0.57%
CONSOLIDATED EDISON	4.450 MAR 15 44	A-	44,000.00	0.97	42,874.92	0.28%	101.66	44,731.72	87.02	44,818.74	0.30%
DISNEY WALT CO MTNS	3.750 JUN 01 21	A	52,000.00	1.11	57,738.20	0.38%	106.75	55,510.52	650.00	56,160.52	0.37%

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<i>Corporates</i>											
DISNEY WALT CO MTNS	2.350 DEC 01 22	A	67,000.00	0.95	63,746.01	0.42%	95.97	64,301.24	524.83	64,826.07	0.43%
DUKE ENERGY CAROLINA	5.300 FEB 15 40	A	63,000.00	1.15	72,140.61	0.48%	117.68	74,140.29	426.65	74,566.94	0.50%
FEDERAL EXPRESS PASS	6.720 JUL 15 23	BBB+	103,926.07	1.22	126,919.71	0.84%	116.00	120,554.24	1,474.36	122,028.61	0.81%
GENERAL ELECTRIC CO	2.700 OCT 09 22	AA+	37,000.00	1.00	36,909.99	0.25%	97.33	36,013.58	477.30	36,490.88	0.24%
GENERAL ELEC CAP COR	4.625 JAN 07 21	AA+	148,000.00	1.10	163,292.91	1.08%	110.21	163,113.76	1,597.17	164,710.93	1.09%
GEORGE WASHINGTON UN	3.485 SEP 15 22	A+	105,000.00	1.01	105,883.08	0.70%	99.84	104,834.10	162.63	104,996.73	0.70%
GEORGE WASHINGTON UN	1.827 SEP 15 17	A+	18,000.00	1.00	18,000.00	0.12%	101.02	18,183.06	14.62	18,197.68	0.12%
GLAXOSMITHKLINE CAP	5.650 MAY 15 18	A+	54,000.00	1.20	64,896.12	0.43%	113.20	61,129.62	1,152.60	62,282.22	0.41%
GOLDMAN SACHS GROUP	4.000 MAR 03 24	A-	153,000.00	1.01	154,823.25	1.03%	100.72	154,098.54	476.00	154,574.54	1.03%
INTL BUSINESS MCHN	5.700 SEP 14 17	AA-	125,000.00	1.22	152,513.50	1.01%	112.05	140,065.00	336.46	140,401.46	0.93%
INTERNATIONAL BUSINE	3.625 FEB 12 24	AA-	100,000.00	1.02	101,742.00	0.68%	102.05	102,047.00	493.40	102,540.40	0.68%
JPMORGAN CHASE & CO	4.400 JUL 22 20	A	152,000.00	1.09	166,171.88	1.10%	107.75	163,772.40	1,281.87	165,054.27	1.10%
JPMORGAN CHASE & CO	3.150 JUL 05 16	A	84,000.00	1.02	86,031.96	0.57%	103.50	86,935.80	632.10	87,567.90	0.58%
LOYOLA UNIVERSITY CH	3.199 JUL 01 22	A	31,000.00	1.02	31,666.19	0.21%	99.13	30,729.99	247.92	30,977.91	0.21%
MICROSOFT CORP	4.200 JUN 01 19	AAA	65,000.00	1.17	76,023.35	0.50%	109.76	71,345.95	910.00	72,255.95	0.48%
MORGAN STANLEY	4.750 MAR 22 17	A-	44,000.00	1.10	48,615.49	0.32%	107.46	47,282.84	52.25	47,335.09	0.31%
NATIONAL RURAL UTILS	10.375 NOV 01 18	A+	46,000.00	1.46	66,938.20	0.44%	131.68	60,572.80	1,988.54	62,561.34	0.42%
ORACLE CORP	2.800 JUL 08 21	A+	38,000.00	1.00	37,944.90	0.25%	99.25	37,716.52	245.31	37,961.83	0.25%
PNC FUNDING CORP	3.300 MAR 08 22	A-	210,000.00	1.01	212,049.60	1.41%	100.53	211,121.40	442.75	211,564.15	1.41%
PACIFICORP	3.850 JUN 15 21	A	101,000.00	1.10	111,318.16	0.74%	107.21	108,280.08	1,144.95	109,425.03	0.73%
PEPSICO INC	7.900 NOV 01 18	A-	70,000.00	1.37	95,727.40	0.64%	122.82	85,975.40	2,304.17	88,279.57	0.59%
PEPSICO INC	2.750 MAR 05 22	A-	89,000.00	0.97	86,195.61	0.57%	98.23	87,424.70	176.76	87,601.46	0.58%
PFIZER INC	7.200 MAR 15 39	AA	39,000.00	1.41	54,885.48	0.36%	141.22	55,074.24	124.80	55,199.04	0.37%
PHILIP MORRIS INTL I	5.650 MAY 16 18	A	45,000.00	1.22	54,688.05	0.36%	113.10	50,892.75	953.44	51,846.19	0.34%
PRESIDENT&FELLOW HAR	6.300 OCT 01 37	AAA	58,000.00	1.11	64,414.80	0.43%	107.42	62,303.02	1,827.00	64,130.02	0.43%

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Corporates											
PROCTER & GAMBLE CO	1.450 AUG 15 16	AA-	40,000.00	1.02	40,835.20	0.27%	101.25	40,501.20	74.11	40,575.31	0.27%
ROYAL BANK OF CANADA	2.150 MAR 15 19	AA-	78,000.00	1.00	77,970.36	0.52%	100.24	78,190.32	74.53	78,264.85	0.52%
SHELL INTERNATIONAL	2.250 JAN 06 23	AA	122,000.00	0.96	117,635.48	0.78%	94.35	115,109.44	648.13	115,757.57	0.77%
TOTAL CAPITAL	2.750 JUN 19 21	AA-	72,000.00	1.00	71,986.47	0.48%	99.50	71,640.00	539.00	72,179.00	0.48%
TOYOTA MOTOR CRED	FLTG MAY 16 17	AA-	75,000.00	1.00	75,000.00	0.50%	100.18	75,135.75	41.29	75,177.04	0.50%
U S BANCORP MTNS BK	3.600 SEP 11 24	A	108,000.00	1.00	107,775.36	0.72%	98.82	106,727.76	216.00	106,943.76	0.71%
VERIZON COMMUNICATIO	5.150 SEP 15 23	BBB+	96,000.00	1.10	105,923.04	0.70%	110.74	106,307.52	219.73	106,527.25	0.71%
VERIZON COMMUNICATIO	6.400 SEP 15 33	BBB+	75,000.00	1.23	92,370.75	0.61%	121.82	91,366.50	213.33	91,579.83	0.61%
WAL-MART STORES INC	6.500 AUG 15 37	AA	131,000.00	1.37	179,572.18	1.19%	132.62	173,737.44	1,088.03	174,825.47	1.16%
WELLS FARGO & CO NEW	5.625 DEC 11 17	A+	133,000.00	1.15	153,219.92	1.02%	111.95	148,896.16	2,285.94	151,182.10	1.00%
Mortgage Backed Securities											
FHLMC PC GOL G30688	3.500 APR 01 34	AA+	46,977.68	1.04	48,621.90	0.32%	103.84	48,781.62	73.08	48,854.70	0.32%
FHLMC PC GOL Q13086	3.000 NOV 01 42	AA+	22,424.23	1.05	23,506.90	0.16%	98.87	22,170.84	56.06	22,226.90	0.15%
FNMA PASSTHRU AH9719	4.500 APR 01 41	AA+	23,436.05	1.06	24,944.75	0.17%	108.17	25,349.84	87.89	25,437.72	0.17%
FNMA PASSTHRU AK4940	3.500 MAR 01 42	AA+	29,783.35	1.03	30,778.07	0.20%	102.40	30,498.75	86.87	30,585.61	0.20%
FNMA PASSTHRU AL5521	4.500 JAN 01 40	AA+	87,706.41	1.09	95,216.27	0.63%	108.11	94,822.91	328.90	95,151.81	0.63%
FNMA PASSTHRU AO8044	3.500 JUL 01 42	AA+	21,027.25	1.07	22,551.73	0.15%	102.56	21,565.97	61.33	21,627.30	0.14%
FNMA PASSTHRU AP3108	3.500 OCT 01 42	AA+	37,874.09	1.07	40,448.34	0.27%	102.39	38,780.80	110.47	38,891.26	0.26%
FNMA PASSTHRU AP7553	3.000 SEP 01 42	AA+	31,840.86	1.05	33,288.62	0.22%	98.83	31,468.64	79.60	31,548.24	0.21%
FNMA PASSTHRU AR7391	3.000 JUN 01 43	AA+	28,776.53	1.03	29,608.35	0.20%	98.73	28,411.64	71.94	28,483.58	0.19%
FNMA PASSTHRU 877118	3.500 JAN 01 41	AA+	179,979.88	1.04	187,038.47	1.24%	102.36	184,225.61	524.94	184,750.55	1.23%
FNMA PASSTHRU MA0514	4.000 SEP 01 40	AA+	63,921.73	1.05	67,317.57	0.45%	105.53	67,455.32	213.07	67,668.40	0.45%
FNMA PASSTHRU MA1018	3.000 MAR 01 27	AA+	190,069.87	1.04	198,147.84	1.32%	103.35	196,439.11	475.17	196,914.29	1.31%
FNMA PASSTHRU MA1029	3.500 APR 01 32	AA+	26,188.25	1.06	27,882.30	0.19%	104.35	27,326.39	76.38	27,402.77	0.18%
FNMA PASSTHRU MA1063	3.000 MAY 01 22	AA+	16,291.92	1.05	17,175.25	0.11%	104.13	16,965.27	40.73	17,005.99	0.11%

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Mortgage Backed Securities											
FNMA PASSTHRU AE6057	4.000 OCT 01 40	AA+	166,534.95	1.06	176,045.66	1.17%	105.53	175,741.00	555.12	176,296.12	1.17%
Other Government											
FLORIDA HURRICANE CA	1.298 JUL 01 16	AA-	65,000.00	1.00	65,157.50	0.43%	100.35	65,226.85	210.93	65,437.78	0.43%
MANITOBA	9.500 SEP 15 18	AA	22,000.00	1.44	31,664.82	0.21%	126.10	27,740.90	93.99	27,834.89	0.18%
MANITOBA PROV	3.050 MAY 14 24	AA	71,000.00	1.00	71,274.58	0.47%	100.91	71,644.68	830.60	72,475.28	0.48%
OHIO ST UNIV GEN RCP	4.910 JUN 01 40	AA	205,000.00	1.11	227,499.45	1.51%	112.68	230,989.90	3,355.17	234,345.07	1.56%
QUEBEC PROV	2.625 FEB 13 23	A+	147,000.00	0.95	138,953.50	0.92%	97.81	143,774.82	514.50	144,289.32	0.96%
US Agencies											
ALLY BANK FDIC CD	1.150 AUG 03 15	AA+	35,000.00	1.00	34,986.00	0.23%	100.52	35,182.70	67.27	35,249.97	0.23%
ALLY BANK FDIC CD	1.100 AUG 10 15	AA+	141,000.00	0.99	140,259.75	0.93%	100.53	141,743.07	229.46	141,972.53	0.94%
ALLY BANK FDIC CD	0.900 DEC 21 15	AA+	69,000.00	1.00	68,668.80	0.46%	100.45	69,309.81	176.94	69,486.75	0.46%
AMEX CENT BK FDIC CD	1.700 JUL 26 17	AA+	245,000.00	0.99	242,856.25	1.61%	101.02	247,508.80	764.53	248,273.33	1.65%
BMW BK NORTH AMER UT	2.000 NOV 29 18	AA+	245,000.00	0.99	243,468.75	1.62%	100.50	246,227.45	1,678.08	247,905.53	1.65%
BARCLAYS BK USA FDIC	0.000 MAR 26 18	AA+	175,000.00	1.00	175,000.00	1.16%	98.15	171,762.50	29.97	171,792.47	1.14%
CIT BANK FDIC CD	2.100 JUL 25 19	AA+	245,000.00	0.99	242,182.50	1.61%	99.15	242,917.50	958.52	243,876.02	1.62%
COMPASS BK BIRMINGHA	1.900 NOV 06 18	AA+	245,000.00	0.99	242,856.25	1.61%	100.53	246,293.60	1,887.51	248,181.11	1.65%
DISCOVER BK FDIC CD	1.750 MAY 02 17	AA+	137,000.00	0.99	135,801.25	0.90%	101.05	138,438.50	998.41	139,436.91	0.93%
DISCOVER BK FDIC CD	1.750 MAY 09 17	AA+	108,000.00	0.99	107,055.00	0.71%	101.55	109,676.16	750.82	110,426.98	0.73%
FEDERAL HOME LOAN BA	1.000 SEP 30 19 SU	AA+	225,000.00	1.00	224,887.50	1.49%	100.01	225,031.50	6.25	225,037.75	1.50%
FEDERAL HOME LOAN BA	1.000 OCT 09 24 SU	AA+	320,000.00	1.00	319,936.00	2.12%	99.98	319,939.20	0.00	319,939.20	2.13%
FEDERAL HOME LOAN BA	2.900 SEP 05 25	AA+	71,428.57	0.92	65,460.71	0.43%	95.87	68,478.57	149.60	68,628.17	0.46%
FEDERAL HOME LOAN BA	3.170 OCT 04 27	AA+	130,000.00	0.93	120,588.00	0.80%	95.38	123,991.40	2,026.16	126,017.56	0.84%
FEDERAL HOME LN MTG	3.100 APR 25 28	AA+	74,000.00	0.91	67,551.64	0.45%	94.08	69,619.94	994.07	70,614.01	0.47%
FEDERAL HOME LN MTG	1.500 SEP 30 24 SU	AA+	134,000.00	1.00	133,966.50	0.89%	100.21	134,281.40	5.58	134,286.98	0.89%

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<i>US Agencies</i>											
FEDERAL NTL MTG ASSN	2.360 DEC 14 22	AA+	134,000.00	0.96	128,225.94	0.85%	95.77	128,333.14	939.94	129,273.08	0.86%
FEDERAL NTL MTG ASSN	3.000 MAR 01 28	AA+	70,000.00	0.91	63,700.00	0.42%	93.86	65,699.90	175.00	65,874.90	0.44%
GE RETAIL BK FDIC CD	1.850 APR 27 17	AA+	240,000.00	0.99	238,410.00	1.58%	100.87	242,080.80	1,909.81	243,990.61	1.62%
GE CAPITL BK FDIC CD	1.750 MAY 04 17	AA+	245,000.00	0.99	242,856.25	1.61%	101.38	248,385.90	1,761.99	250,147.89	1.66%
GOLD SACHS FDIC CD	1.850 MAY 02 17	AA+	245,000.00	0.99	242,856.25	1.61%	100.85	247,084.95	1,887.51	248,972.46	1.65%
SALLIEMAE BK FDIC CD	1.750 AUG 15 17	AA+	217,000.00	0.99	215,101.25	1.43%	101.21	219,619.19	488.99	220,108.18	1.46%
SALLIEMAE BK FDIC CD	1.700 AUG 22 17	AA+	30,000.00	0.99	29,737.50	0.20%	101.28	30,383.70	55.89	30,439.59	0.20%
BK INDIA NY FDIC CD	0.900 JAN 25 16	AA+	245,000.00	1.00	243,824.00	1.62%	100.37	245,901.60	410.79	246,312.39	1.64%
<i>US Treasuries</i>											
UNITED STATES TREAS	2.875 MAY 15 43	AA+	630,000.00	0.91	573,387.79	3.81%	93.67	590,133.60	6,841.41	596,975.01	3.97%
UNITED STATES TREAS	2.125 JAN 31 21	AA+	637,000.00	1.00	637,849.45	4.24%	99.99	636,949.04	2,280.56	639,229.60	4.25%
UNITED STATES TREAS	0.125 APR 15 19	AA+	68,124.93	1.01	68,603.93	0.46%	100.24	68,289.79	39.32	68,329.11	0.45%
UNITED STATES TREAS	1.625 APR 30 19	AA+	135,000.00	1.00	134,832.87	0.90%	99.63	134,493.75	918.04	135,411.79	0.90%
UNITED STATES TREAS	2.375 AUG 15 24	AA+	63,000.00	0.99	62,219.88	0.41%	98.84	62,271.72	191.10	62,462.82	0.42%
UNITED STATES TREAS	1.625 AUG 31 19	AA+	302,000.00	1.00	301,899.97	2.00%	99.31	299,925.26	420.26	300,345.52	2.00%
UNITED STATES TREAS	0.125 APR 15 16	AA+	199,687.15	1.03	205,041.79	1.36%	101.16	201,995.53	115.26	202,110.79	1.34%
UNITED STATES TREAS	0.125 APR 15 18	AA+	37,104.48	1.01	37,538.41	0.25%	100.80	37,400.20	21.42	37,421.62	0.25%
UNITED STATES TREAS	1.250 OCT 31 18	AA+	279,000.00	0.99	275,795.81	1.83%	98.75	275,512.50	1,459.44	276,971.94	1.84%
UNITED STATES TREAS	0.875 MAY 15 17	AA+	249,000.00	1.00	249,351.62	1.66%	99.88	248,688.75	822.95	249,511.70	1.66%
UNITED STATES TREAS	2.000 MAY 31 21	AA+	152,000.00	0.99	151,189.94	1.00%	98.84	150,242.88	1,021.64	151,264.52	1.01%
UNITED STATES TREAS	0.125 JUL 15 24	AA+	120,408.00	0.95	114,865.83	0.76%	96.01	115,601.31	31.90	115,633.21	0.77%
UNITED STATES TREAS	1.625 JUL 31 19	AA+	142,000.00	1.00	142,603.85	0.95%	99.38	141,112.50	388.76	141,501.26	0.94%
Total Fixed Income					\$14,859,622.71	98.68%		\$14,770,989.95	\$81,714.53	\$14,852,704.48	98.68%
CASH	CASH		198,443.89	1.00	198,443.89	1.32%	1.00	\$198,443.89	\$0.00	\$198,443.89	1.32%

Bay County VEBA

<i>Total Portfolio</i>	\$15,058,066.60	100.00%	\$14,969,433.84	\$81,714.53	\$15,051,148.37	100.00%
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Transaction Detail - 7/1/2014 through 9/30/2014

Sales

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Proceeds</i>	<i>Gain/Loss</i>
<i>Sales</i>							
GOLDMAN SACHS GRP IN	3.850 JUL 08 24	38141EC23	07/07/2014	23,000	99.52	22,890.52	-79.12
GENERAL ELEC CAP COR	3.450 MAY 15 24	36962G7K4	07/08/2014	23,000	100.00	22,999.08	95.45
UNITED STATES TREAS	1.375 FEB 15 44	912810RF7	07/09/2014	44,803	109.93	49,251.80	1,083.32
PFIZER INC	4.300 JUN 15 43	717081DE0	07/09/2014	46,000	99.83	45,922.72	-54.28
UNITED STATES TREAS	3.375 MAY 15 44	912810RG5	07/10/2014	49,000	100.65	49,319.65	279.45
JPMORGAN CHASE & CO	2.350 JAN 28 19	46625HJR2	07/14/2014	86,000	100.99	86,853.12	862.74
GENERAL ELEC CAP COR	3.450 MAY 15 24	36962G7K4	07/16/2014	17,000	100.28	17,048.11	119.34
FEDERAL HOME LN MTG	2.375 JAN 13 22	3137EADB2	07/17/2014	173,000	100.06	173,098.61	2,982.42
UNITED STATES TREAS	1.625 AUG 15 22	912828TJ9	07/18/2014	52,000	95.09	49,446.72	975.00
UNITED STATES TREAS	2.500 MAY 15 24	912828WJ5	07/18/2014	36,000	100.19	36,068.91	-42.19
UNITED STATES TREAS	2.500 MAY 15 24	912828WJ5	07/23/2014	90,000	100.39	90,355.08	77.34
VERIZON COMMUNICATIO	6.400 SEP 15 33	92343VBS2	07/28/2014	75,000	124.47	93,350.25	7,224.97
UNITED STATES TREAS	3.375 MAY 15 44	912810RG5	07/30/2014	133,000	102.15	135,857.42	2,628.54
UNITED STATES TREAS	0.500 APR 15 15	912828MY3	07/30/2014	135,011	100.95	136,297.36	-2,002.92
UNITED STATES TREAS	1.375 FEB 15 44	912810RF7	07/31/2014	45,943	110.63	50,828.25	1,789.09
UNITED STATES TREAS	1.625 APR 30 19	912828D23	08/01/2014	292,000	100.00	292,011.41	1,222.42
UNITED STATES TREAS	0.625 JAN 15 24	912828B25	08/01/2014	88,720	103.53	91,852.91	-298.04
GOLDMAN SACHS GROUP	2.375 JAN 22 18	38141GRC0	08/01/2014	90,000	101.31	91,177.20	1,155.20
UNITED STATES TREAS	1.625 AUG 15 22	912828TJ9	08/11/2014	86,000	95.47	82,106.48	1,864.22
QUEBEC PROV	2.625 FEB 13 23	748149AG6	08/11/2014	41,000	98.13	40,232.07	1,577.27
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	08/15/2014	68,000	95.14	64,695.63	3,538.13
UNITED STATES TREAS	0.125 APR 15 16	912828QD5	08/15/2014	64,733	102.00	66,028.07	-457.89

Bay County VEBA

Transaction Detail - 7/1/2014 through 9/30/2014

Sales

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Proceeds</i>	<i>Gain/Loss</i>
<i>Sales</i>							
GOLDMAN SACHS GROUP	2.375 JAN 22 18	38141GRC0	08/15/2014	33,000	101.75	33,577.17	501.36
BURLINGTON NORTHN SA	3.400 SEP 01 24	12189LAT8	08/26/2014	30,000	100.72	30,216.30	285.00
ANHEUSER-BUSCH INBEV	3.700 FEB 01 24	03524BAE6	08/26/2014	67,000	104.53	70,033.09	3,049.84
UNITED STATES TREAS	3.375 MAY 15 44	912810RG5	08/28/2014	70,000	106.16	74,309.38	2,958.59
UNITED STATES TREAS	0.125 APR 15 16	912828QD5	08/28/2014	198,646	101.77	202,161.51	-1,839.40
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	09/03/2014	49,000	99.79	48,896.64	164.74
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	09/04/2014	68,000	93.58	63,633.13	2,475.63
UNITED STATES TREAS	1.625 APR 30 19	912828D23	09/05/2014	289,000	100.07	289,203.20	1,456.29
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	09/08/2014	35,000	99.11	34,688.28	-120.22
UNITED STATES TREAS	2.000 MAY 31 21	912828WN6	09/16/2014	127,000	98.69	125,338.09	-960.87
UNITED STATES TREAS	0.875 MAY 15 17	912828WH9	09/17/2014	67,000	99.90	66,934.57	-175.35
UNITED STATES TREAS	0.875 MAY 15 17	912828WH9	09/17/2014	60,000	99.90	59,939.06	-159.38
UNITED STATES TREAS	2.500 MAY 15 24	912828WJ5	09/18/2014	61,000	99.02	60,401.91	-650.51
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	09/23/2014	121,000	98.61	119,317.34	-1,140.26
UNITED STATES TREAS	2.500 MAY 15 24	912828WJ5	09/23/2014	39,000	99.86	38,945.16	-80.52
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	09/23/2014	77,000	92.97	71,585.94	2,334.06
UNITED STATES TREAS	0.875 MAY 15 17	912828WH9	09/29/2014	97,000	99.90	96,901.48	-257.66
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	09/30/2014	51,000	98.87	50,424.26	55.78
Total Sales						3,324,197.89	32,437.58

Principal Payments

Bay County VEBA

Transaction Detail - 7/1/2014 through 9/30/2014

Sales

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Proceeds</i>	<i>Gain/Loss</i>
Principal Payments							
FHLMC PC GOL Q13086	3.000 NOV 01 42	3132HPNB6	07/01/2014	295	100.00	294.71	-14.23
FNMA PASSTHRU AH9719	4.500 APR 01 41	3138ABYR4	07/01/2014	288	100.00	288.05	-18.54
FNMA PASSTHRU AK4940	3.500 MAR 01 42	3138E9P20	07/01/2014	57	100.00	56.88	-1.90
FNMA PASSTHRU AE6057	4.000 OCT 01 40	31419GWT7	07/01/2014	2,078	100.00	2,078.14	-118.68
FNMA PASSTHRU MA1018	3.000 MAR 01 27	31418ADY1	07/01/2014	2,014	100.00	2,013.97	-85.59
FNMA PASSTHRU MA1029	3.500 APR 01 32	31418AEB0	07/01/2014	324	100.00	323.99	-20.96
FNMA PASSTHRU MA1063	3.000 MAY 01 22	31418AFD5	07/01/2014	363	100.00	363.20	-19.69
FNMA PASSTHRU AR7391	3.000 JUN 01 43	3138W5F94	07/01/2014	195	100.00	195.07	-5.64
FNMA PASSTHRU 877118	3.500 JAN 01 41	31409SPB0	07/01/2014	4,579	100.00	4,578.88	-179.58
FNMA PASSTHRU MA0514	4.000 SEP 01 40	31417YSC2	07/01/2014	1,550	100.00	1,549.90	-82.34
FNMA PASSTHRU AO8044	3.500 JUL 01 42	3138LY5E3	07/01/2014	279	100.00	279.39	-20.26
FNMA PASSTHRU AP3108	3.500 OCT 01 42	3138M6N29	07/01/2014	368	100.00	367.64	-24.99
FNMA PASSTHRU AP7553	3.000 SEP 01 42	3138MBMB9	07/01/2014	225	100.00	224.98	-10.23
BANC AMER CMBS 2005-	5.115 OCT 10 45	05947U2R8	07/01/2014	305	100.00	304.61	-27.67
GMAC COML MTG SECS	4.547 DEC 10 41	361849J78	07/01/2014	13,338	100.00	13,337.70	-433.48
CFCRE COML MTG TR	1.558 DEC 17 47	12527DAN0	07/01/2014	1,443	100.00	1,442.97	-7.44
COMM MTG TR	1.298 MAR 12 47	12591UAA1	07/01/2014	454	100.00	453.93	0.00
COMM MTG TR	1.402 JUN 12 47	12591YAY1	07/01/2014	257	100.00	257.31	0.00
FHLMC REMIC SERIES	4.500 AUG 15 27	31398WE34	07/01/2014	339	100.00	338.81	-12.28
GNMA REMIC TRUST	4.500 OCT 20 37	38377FRP8	07/01/2014	3,310	100.00	3,310.02	-142.74
GNMA REMIC TRUST	2.000 MAY 20 39	38377YFU9	07/01/2014	1,178	100.00	1,178.24	-22.83
CSX TRANS INC 2007-1	6.251 JAN 15 23	126410LM9	07/15/2014	6,100	100.00	6,099.56	-1,253.46

Transaction Detail - 7/1/2014 through 9/30/2014

Sales

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Proceeds</i>	<i>Gain/Loss</i>
Principal Payments							
ALLY AUTO REC V TR	0.540 JUL 15 16	02006MAB7	07/15/2014	9,310	100.00	9,309.50	-8.01
ALLY AUTO REC TR	0.570 AUG 20 15	02006GAC8	07/20/2014	20,300	100.00	20,299.81	-14.27
FNMA PASSTHRU MA1029	3.500 APR 01 32	31418AEB0	08/01/2014	333	100.00	332.82	-21.53
FNMA PASSTHRU MA1063	3.000 MAY 01 22	31418AFD5	08/01/2014	371	100.00	371.19	-20.13
FNMA PASSTHRU AE6057	4.000 OCT 01 40	31419GWT7	08/01/2014	3,014	100.00	3,014.36	-172.15
FNMA PASSTHRU 877118	3.500 JAN 01 41	31409SPB0	08/01/2014	2,261	100.00	2,260.66	-88.66
FNMA PASSTHRU MA0514	4.000 SEP 01 40	31417YSC2	08/01/2014	988	100.00	987.95	-52.48
FNMA PASSTHRU MA1018	3.000 MAR 01 27	31418ADY1	08/01/2014	2,874	100.00	2,874.48	-122.17
FNMA PASSTHRU AP3108	3.500 OCT 01 42	3138M6N29	08/01/2014	291	100.00	290.93	-19.77
FNMA PASSTHRU AP7553	3.000 SEP 01 42	3138MBMB9	08/01/2014	221	100.00	221.14	-10.05
FNMA PASSTHRU AR7391	3.000 JUN 01 43	3138W5F94	08/01/2014	107	100.00	107.09	-3.10
FNMA PASSTHRU AH9719	4.500 APR 01 41	3138ABYR4	08/01/2014	478	100.00	477.60	-30.75
FNMA PASSTHRU AK4940	3.500 MAR 01 42	3138E9P20	08/01/2014	282	100.00	282.17	-9.42
FNMA PASSTHRU AO8044	3.500 JUL 01 42	3138LY5E3	08/01/2014	217	100.00	216.81	-15.72
FHLMC PC GOL Q13086	3.000 NOV 01 42	3132HPNB6	08/01/2014	45	100.00	44.57	-2.15
COMM MTG TR	1.298 MAR 12 47	12591UAA1	08/01/2014	405	100.00	404.73	0.00
COMM MTG TR	1.402 JUN 12 47	12591YAY1	08/01/2014	230	100.00	230.11	0.00
BEAR STEARNS CMBS	5.116 FEB 11 41	07383F3Z9	08/01/2014	3,075	100.00	3,074.74	0.00
CFCRE COML MTG TR	1.558 DEC 17 47	12527DAN0	08/01/2014	1,279	100.00	1,278.72	-6.59
BANC AMER CMBS 2005-	5.115 OCT 10 45	05947U2R8	08/01/2014	294	100.00	293.72	-26.68
FHLMC REMIC SERIES	4.500 AUG 15 27	31398WE34	08/01/2014	352	100.00	351.71	-12.75
GNMA REMIC TRUST	4.500 OCT 20 37	38377FRP8	08/01/2014	3,120	100.00	3,119.81	-134.54

Transaction Detail - 7/1/2014 through 9/30/2014

Sales

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Proceeds</i>	<i>Gain/Loss</i>
Principal Payments							
GNMA REMIC TRUST	2.000 MAY 20 39	38377YFU9	08/01/2014	1,123	100.00	1,123.05	-21.76
GMAC COML MTG SECS	4.547 DEC 10 41	361849J78	08/11/2014	4,884	100.00	4,883.65	-158.72
ALLY AUTO REC V TR	0.540 JUL 15 16	02006MAB7	08/15/2014	9,603	100.00	9,603.10	-8.26
ALLY AUTO REC TR	0.570 AUG 20 15	02006GAC8	08/20/2014	17,992	100.00	17,991.55	-12.65
FNMA PASSTHRU MA1063	3.000 MAY 01 22	31418AFD5	09/01/2014	322	100.00	321.54	-17.43
FNMA PASSTHRU AE6057	4.000 OCT 01 40	31419GWT7	09/01/2014	3,829	100.00	3,829.17	-218.68
FNMA PASSTHRU MA0514	4.000 SEP 01 40	31417YSC2	09/01/2014	721	100.00	720.73	-38.29
FNMA PASSTHRU MA1018	3.000 MAR 01 27	31418ADY1	09/01/2014	2,808	100.00	2,807.95	-119.34
FNMA PASSTHRU MA1029	3.500 APR 01 32	31418AEB0	09/01/2014	338	100.00	337.90	-21.86
FNMA PASSTHRU AP7553	3.000 SEP 01 42	3138MBMB9	09/01/2014	226	100.00	225.57	-10.26
FNMA PASSTHRU AR7391	3.000 JUN 01 43	3138W5F94	09/01/2014	206	100.00	205.53	-5.94
FNMA PASSTHRU 877118	3.500 JAN 01 41	31409SPB0	09/01/2014	1,785	100.00	1,785.23	-70.01
FNMA PASSTHRU AL5521	4.500 JAN 01 40	3138END30	09/01/2014	1,781	100.00	1,780.99	-152.50
FNMA PASSTHRU AO8044	3.500 JUL 01 42	3138LY5E3	09/01/2014	151	100.00	150.62	-10.92
FNMA PASSTHRU AP3108	3.500 OCT 01 42	3138M6N29	09/01/2014	682	100.00	682.37	-46.38
FHLMC PC GOL Q13086	3.000 NOV 01 42	3132HPNB6	09/01/2014	116	100.00	115.75	-5.59
FNMA PASSTHRU AH9719	4.500 APR 01 41	3138ABYR4	09/01/2014	270	100.00	270.35	-17.40
FNMA PASSTHRU AK4940	3.500 MAR 01 42	3138E9P20	09/01/2014	55	100.00	54.93	-1.83
COMM MTG TR	1.402 JUN 12 47	12591YAY1	09/01/2014	231	100.00	231.12	0.00
CFCRE COML MTG TR	1.558 DEC 17 47	12527DAN0	09/01/2014	1,285	100.00	1,285.13	-6.63
COMM MTG TR	1.298 MAR 12 47	12591UAA1	09/01/2014	407	100.00	406.51	0.00
BANC AMER CMBS 2005-	5.115 OCT 10 45	05947U2R8	09/01/2014	279	100.00	278.90	-25.34

Transaction Detail - 7/1/2014 through 9/30/2014

Sales

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Proceeds</i>	<i>Gain/Loss</i>
<i>Principal Payments</i>							
BEAR STEARNS CMBS	5.116 FEB 11 41	07383F3Z9	09/01/2014	6,366	100.00	6,366.26	0.00
FHLMC REMIC SERIES	4.500 AUG 15 27	31398WE34	09/01/2014	230	100.00	229.90	-8.33
GNMA REMIC TRUST	4.500 OCT 20 37	38377FRP8	09/01/2014	3,111	100.00	3,110.88	-134.16
GNMA REMIC TRUST	2.000 MAY 20 39	38377YFU9	09/01/2014	1,147	100.00	1,147.41	-22.23
ALLY AUTO REC V TR	0.540 JUL 15 16	02006MAB7	09/15/2014	8,644	100.00	8,644.05	-7.43
SLM PRIVATE ST LN TR	0.434 JUN 15 21	78443CBM5	09/15/2014	3,771	100.00	3,771.13	161.45
ALLY AUTO REC TR	0.570 AUG 20 15	02006GAC8	09/20/2014	15,222	100.00	15,222.44	-10.70
<i>Total Principal Payments</i>						176,766.28	-4,264.64
<i>Total Sales and Principal Payments</i>						3,500,964.17	28,172.94

Transaction Detail - 7/1/2014 through 9/30/2014

Purchases

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Cost</i>
<i>Purchases</i>						
GOLDMAN SACHS GROUP	4.000 MAR 03 24	38141GVM3	07/07/2014	23,000	101.16	-23,265.65
GOLDMAN SACHS GROUP	4.000 MAR 03 24	38141GVM3	07/08/2014	23,000	101.28	-23,293.25
UNITED STATES TREAS	3.375 MAY 15 44	912810RG5	07/09/2014	49,000	100.08	-49,040.20
PFIZER INC	7.200 MAR 15 39	717081CY7	07/09/2014	39,000	140.73	-54,885.48
UNITED STATES TREAS	3.375 MAY 15 44	912810RG5	07/10/2014	49,000	100.29	-49,139.73
UNITED STATES TREAS	3.375 MAY 15 44	912810RG5	07/10/2014	84,000	100.11	-84,089.15
UNITED STATES TREAS	0.500 APR 15 15	912828MY3	07/10/2014	8,761	101.33	-8,878.17
JPMORGAN CHASE & CO	4.400 JUL 22 20	46625HHS2	07/14/2014	86,000	109.15	-93,869.86
GOLDMAN SACHS GROUP	4.000 MAR 03 24	38141GVM3	07/16/2014	17,000	101.27	-17,215.05
UNITED STATES TREAS	2.500 MAY 15 24	912828WJ5	07/17/2014	126,000	100.31	-126,388.83
FNMA PASSTHRU AL5521	4.500 JAN 01 40	3138END30	07/18/2014	89,487	108.56	-97,149.76
FEDL HOME LOAN BK CO	0.000 AUG 15 14	313385B96	07/21/2014	133,000	100.00	-132,994.24
FEDL HOME LOAN BK CO	0.000 AUG 15 14	313385B96	07/21/2014	102,000	100.00	-101,995.58
UNITED STATES TREAS	0.625 JAN 15 24	912828B25	07/23/2014	88,624	103.87	-92,051.56
FEDL HOME LOAN BK CO	0.000 AUG 20 14	313385C61	07/23/2014	100,000	100.00	-99,995.13
UNITED STATES TREAS	1.625 APR 30 19	912828D23	07/30/2014	576,000	99.57	-573,502.50
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	07/31/2014	43,000	91.65	-39,408.83
UNITED STATES TREAS	3.375 MAY 15 44	912810RG5	08/01/2014	70,000	101.93	-71,350.78
UNITED STATES TREAS	2.500 MAY 15 24	912828WJ5	08/01/2014	97,000	100.09	-97,083.36
GOLDMAN SACHS GROUP	4.000 MAR 03 24	38141GVM3	08/01/2014	45,000	101.01	-45,456.30
UNITED STATES TREAS	1.625 APR 30 19	912828D23	08/11/2014	74,000	100.13	-74,098.28

Bay County VEBA

Transaction Detail - 7/1/2014 through 9/30/2014

Purchases

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Cost</i>
Purchases						
BURLINGTON NORTHN SA	3.400 SEP 01 24	12189LAT8	08/11/2014	30,000	99.77	-29,931.30
UNITED STATES TREAS	0.875 MAY 15 17	912828WH9	08/13/2014	455,000	100.16	-455,746.48
UNITED STATES TREAS	2.000 MAY 31 21	912828WN6	08/13/2014	49,000	99.65	-48,829.65
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	08/13/2014	149,000	99.45	-148,184.77
UNITED STATES TREAS	1.625 JUL 31 19	912828WW6	08/15/2014	136,000	100.48	-136,648.13
FORD CREDIT AUTO OWN	0.820 DEC 15 17	34530DAC3	08/19/2014	71,000	100.19	-71,133.13
FEDERAL FARM CR BKS	3.120 MAR 03 21	3133ECYM0	08/25/2014	42,000	100.06	-42,024.36
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	08/26/2014	31,000	99.88	-30,961.25
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	08/26/2014	15,000	99.88	-14,981.25
UNITED STATES TREAS	1.625 AUG 31 19	912828D80	08/28/2014	288,000	100.00	-288,000.00
FEDL HOME LOAN BK CO	0.000 SEP 12 14	313385F50	08/29/2014	248,000	100.00	-247,997.27
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	09/05/2014	44,000	93.11	-40,969.84
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	09/05/2014	81,000	94.06	-76,190.63
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	09/05/2014	23,000	93.38	-21,477.15
FEDERAL HOME LN MTG	1.500 SEP 30 24 SU	3134G5JR7	09/08/2014	134,000	99.98	-133,966.50
U S BANCORP MTNS BK	3.600 SEP 11 24	91159HHK9	09/08/2014	108,000	99.79	-107,775.36
MANITOBA PROV	3.050 MAY 14 24	563469UD5	09/09/2014	36,000	101.10	-36,397.08
QUEBEC PROV	2.625 FEB 13 23	748149AG6	09/09/2014	10,000	97.90	-9,789.90
BP CAP MKTS P L C	3.200 MAR 11 16	05565QBQ0	09/09/2014	11,000	103.74	-11,411.73
CONOCOPHILLIPS	5.750 FEB 01 19	20825CAR5	09/09/2014	20,000	115.33	-23,066.60
DISNEY WALT CO MTNS	2.350 DEC 01 22	25468PCW4	09/09/2014	22,000	96.54	-21,239.46

Bay County VEBA

Transaction Detail - 7/1/2014 through 9/30/2014

90477

Purchases

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Cost</i>
Purchases						
TOTAL CAPITAL	2.750 JUN 19 21	89153VAP4	09/09/2014	43,000	100.10	-43,041.28
GOLDMAN SACHS GROUP	4.000 MAR 03 24	38141GVM3	09/09/2014	34,000	101.51	-34,512.04
COMM MTG TR	3.838 SEP 12 47	12592KBC7	09/09/2014	65,000	103.00	-66,947.59
VERIZON COMMUNICATIO	6.400 SEP 15 33	92343VBS2	09/10/2014	75,000	123.16	-92,370.75
UNITED STATES TREAS	1.625 JUL 31 19	912828WW6	09/11/2014	6,000	99.26	-5,955.72
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	09/11/2014	10,000	98.71	-9,870.74
UNITED STATES TREAS	1.625 AUG 31 19	912828D80	09/11/2014	14,000	99.29	-13,899.97
UNITED STATES TREAS	1.250 OCT 31 18	912828WD8	09/11/2014	12,000	98.67	-11,840.20
UNITED STATES TREAS	0.875 MAY 15 17	912828WH9	09/11/2014	18,000	99.85	-17,972.64
UNITED STATES TREAS	2.500 MAY 15 24	912828WJ5	09/11/2014	3,000	99.82	-2,994.74
UNITED STATES TREAS	2.000 MAY 31 21	912828WN6	09/11/2014	11,000	98.80	-10,868.13
UNITED STATES TREAS	2.875 MAY 15 43	912810RB6	09/11/2014	23,000	92.96	-21,381.11
UNITED STATES TREAS	2.125 JAN 31 21	912828B58	09/11/2014	29,000	99.98	-28,994.45
UNITED STATES TREAS	1.625 APR 30 19	912828D23	09/11/2014	6,000	99.55	-5,973.07
UNITED STATES TREAS	0.125 APR 15 16	912828QD5	09/11/2014	7,557	101.52	-7,672.05
FEDERAL HOME LOAN BA	1.000 OCT 09 24 SU	3130A35C4	09/12/2014	320,000	99.98	-319,936.00
FHLMC PC GOL G30688	3.500 APR 01 34	3128CUXR2	09/12/2014	46,978	103.50	-48,621.90
GOLDMAN SACHS GROUP	4.000 MAR 03 24	38141GVM3	09/15/2014	11,000	100.74	-11,080.96
FEDERAL NTL MTG ASSN	2.360 DEC 14 22	3135G0SG9	09/16/2014	134,000	95.69	-128,225.94
UNITED STATES TREAS	0.125 APR 15 19	912828C99	09/17/2014	68,134	100.70	-68,613.38
FEDERAL HOME LOAN BA	1.000 SEP 30 19 SU	3130A32S2	09/17/2014	225,000	99.95	-224,887.50

Transaction Detail - 7/1/2014 through 9/30/2014

Purchases

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Total Cost</i>
<i>Purchases</i>						
UNITED STATES TREAS	0.125 JUL 15 24	912828WU0	09/18/2014	120,408	95.40	-114,865.83
UNITED STATES TREAS	2.375 AUG 15 24	912828D56	09/26/2014	114,000	98.76	-112,588.36
PNC FUNDING CORP	3.300 MAR 08 22	693476BN2	09/30/2014	210,000	100.98	-212,049.60
FANNIE MAE	4.500 NOV 25 39	31398R6U4	09/30/2014	84,019	106.13	-89,164.83
<i>Total Purchases</i>						<i>-\$5,656,202.31</i>
<i>Total Purchases and Principal Payups</i>						<i>-\$5,656,202.31</i>

Bay County VEBA

Transaction Detail - 7/1/2014 through 9/30/2014

Income

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Pay Date</i>	<i>Proceeds</i>
FLORIDA HURRICANE CA	1.298 JUL 01 16	34074GDF8	07/01/2014	421.85
FHLMC PC GOL Q13086	3.000 NOV 01 42	3132HPNB6	07/01/2014	57.20
FNMA PASSTHRU AH9719	4.500 APR 01 41	3138ABYR4	07/01/2014	91.77
FNMA PASSTHRU AK4940	3.500 MAR 01 42	3138E9P20	07/01/2014	88.02
FNMA PASSTHRU AE6057	4.000 OCT 01 40	31419GWT7	07/01/2014	584.86
FNMA PASSTHRU MA1018	3.000 MAR 01 27	31418ADY1	07/01/2014	494.42
FNMA PASSTHRU MA1029	3.500 APR 01 32	31418AEB0	07/01/2014	79.28
FNMA PASSTHRU MA1063	3.000 MAY 01 22	31418AFD5	07/01/2014	43.37
FNMA PASSTHRU AR7391	3.000 JUN 01 43	3138W5F94	07/01/2014	73.21
FNMA PASSTHRU 877118	3.500 JAN 01 41	31409SPB0	07/01/2014	550.10
FNMA PASSTHRU MA0514	4.000 SEP 01 40	31417YSC2	07/01/2014	223.93
FNMA PASSTHRU AO8044	3.500 JUL 01 42	3138LY5E3	07/01/2014	63.22
FNMA PASSTHRU AP3108	3.500 OCT 01 42	3138M6N29	07/01/2014	114.38
FNMA PASSTHRU AP7553	3.000 SEP 01 42	3138MBMB9	07/01/2014	81.28
LOYOLA UNIVERSITY CH	3.199 JUL 01 22	54909WAA6	07/01/2014	495.84
BANC AMER CMBS 2005-	5.115 OCT 10 45	05947U2R8	07/01/2014	533.01
BANC AMER CMBS 2007-	5.622 APR 10 49	059511AB1	07/01/2014	52.56
BEAR STEARNS CMBS	5.116 FEB 11 41	07383F3Z9	07/01/2014	426.33
BEAR STEARNS CMBS 20	5.136 OCT 12 42	07387BCL5	07/01/2014	269.68
CFCRE COML MTG TR	1.558 DEC 17 47	12527DAN0	07/01/2014	54.43
UBS-BARCLY COML MTG	2.533 DEC 12 45	90270RBC7	07/01/2014	56.99
WFRBS COML MTG TR	3.198 MAR 17 48	92937FAD3	07/01/2014	106.60
COMM MTG TR	3.147 AUG 17 45	12624KAD8	07/01/2014	86.54
COMM MTG TR	4.236 JUL 12 45	12625UBF9	07/01/2014	248.77
GMAC COML MTG SECS	4.547 DEC 10 41	361849J78	07/01/2014	69.04
UBS-BARCLY COML MTG	3.525 MAY 11 63	90269CAD2	07/01/2014	58.75

Transaction Detail - 7/1/2014 through 9/30/2014

Income

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Pay Date</i>	<i>Proceeds</i>
UBS COML MTG TR	2.180 MAY 12 45	90269GAB7	07/01/2014	27.25
COMM MTG TR	2.928 FEB 12 47	12591RAX8	07/01/2014	200.08
COMM MTG TR	1.298 MAR 12 47	12591UAA1	07/01/2014	41.92
COMM MTG TR	1.402 JUN 12 47	12591YAY1	07/01/2014	28.04
FHLMC REMIC SERIES	4.500 AUG 15 27	31398WE34	07/01/2014	18.70
GNMA REMIC TRUST	4.500 OCT 20 37	38377FRP8	07/01/2014	343.48
GNMA REMIC TRUST	2.000 MAY 20 39	38377YFU9	07/01/2014	84.42
JPMORGAN CHASE & CO	3.150 JUL 05 16	46625HJA9	07/05/2014	1,323.00
SHELL INTERNATIONAL	2.250 JAN 06 23	822582AV4	07/06/2014	1,372.50
GENERAL ELEC CAP COR	4.625 JAN 07 21	36962G4Y7	07/07/2014	3,422.50
FEDERAL HOME LOAN BA	0.550 JAN 10 17	3130A0KU3	07/10/2014	825.00
CITIGROUP INC	4.450 JAN 10 17	172967FW6	07/10/2014	3,070.50
LB-UBS CMBS 2006-C1	5.156 FEB 15 31	52108MDH3	07/11/2014	68.75
FEDERAL HOME LN MTG	2.375 JAN 13 22	3137EADB2	07/13/2014	2,054.38
ANHEUSER BUSCH INBEV	7.750 JAN 15 19	03523TBE7	07/15/2014	968.75
CSX TRANS INC 2007-1	6.251 JAN 15 23	126410LM9	07/15/2014	3,054.72
FEDERAL EXPRESS PASS	6.720 JUL 15 23	31331FAX9	07/15/2014	3,491.92
BANK AMER CORP	2.600 JAN 15 19	06051GEX3	07/15/2014	1,703.00
BANK NEW YORK MTN BK	2.100 JAN 15 19	06406HCP2	07/15/2014	1,354.50
ALLY AUTO RECV TR	0.540 JUL 15 16	02006MAB7	07/15/2014	40.72
FORD CREDIT AUTO OWN	0.820 DEC 15 17	34530DAC3	07/15/2014	35.53
HYUNDAI AUTO RECV TR	0.440 FEB 15 17	44890UAB0	07/15/2014	12.10
SANTANDER DRIVE AUTO	0.474 JUL 17 17	80283WAC3	07/15/2014	36.56
ALLY AUTO REC TR	0.570 AUG 20 15	02006GAC8	07/20/2014	37.39
CAPITAL AUTO RECV AB	0.454 JUN 20 16	13975HAA4	07/20/2014	20.76
GOLDMAN SACHS GROUP	2.375 JAN 22 18	38141GRC0	07/22/2014	1,460.63

Transaction Detail - 7/1/2014 through 9/30/2014

Income

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Pay Date</i>	<i>Proceeds</i>
JPMORGAN CHASE & CO	4.400 JUL 22 20	46625HHS2	07/22/2014	3,344.00
CASH	CASH	CASH	07/25/2014	9.48
CIT BANK FDIC CD	2.100 JUL 25 19	17284A2Y3	07/25/2014	2,551.36
BK INDIA NY FDIC CD	0.900 JAN 25 16	856284J70	07/25/2014	1,093.44
AMEX CENT BK FDIC CD	1.700 JUL 26 17	02587DKP2	07/26/2014	2,065.38
UNITED STATES TREAS	2.125 JAN 31 21	912828B58	07/31/2014	6,460.00
ALLY BANK FDIC CD	1.150 AUG 03 15	02005QN90	08/01/2014	199.60
FNMA PASSTHRU MA1063	3.000 MAY 01 22	31418AFD5	08/01/2014	42.46
FNMA PASSTHRU AE6057	4.000 OCT 01 40	31419GWT7	08/01/2014	577.93
FNMA PASSTHRU MA0514	4.000 SEP 01 40	31417YSC2	08/01/2014	218.77
FNMA PASSTHRU MA1018	3.000 MAR 01 27	31418ADY1	08/01/2014	489.38
FNMA PASSTHRU MA1029	3.500 APR 01 32	31418AEB0	08/01/2014	78.34
FNMA PASSTHRU AP7553	3.000 SEP 01 42	3138MBMB9	08/01/2014	80.72
FNMA PASSTHRU AR7391	3.000 JUN 01 43	3138W5F94	08/01/2014	72.72
FNMA PASSTHRU 877118	3.500 JAN 01 41	31409SPB0	08/01/2014	536.74
FNMA PASSTHRU AK4940	3.500 MAR 01 42	3138E9P20	08/01/2014	87.85
FNMA PASSTHRU AO8044	3.500 JUL 01 42	3138LY5E3	08/01/2014	62.40
FNMA PASSTHRU AP3108	3.500 OCT 01 42	3138M6N29	08/01/2014	113.30
FHLMC PC GOL Q13086	3.000 NOV 01 42	3132HPNB6	08/01/2014	56.46
FNMA PASSTHRU AH9719	4.500 APR 01 41	3138ABYR4	08/01/2014	90.69
ANHEUSER-BUSCH INBEV	3.700 FEB 01 24	03524BAE6	08/01/2014	1,267.04
CONOCOPHILLIPS	5.750 FEB 01 19	20825CAR5	08/01/2014	1,581.25
GMAC COML MTG SECS	4.547 DEC 10 41	361849J78	08/01/2014	18.50
UBS-BARCLY COML MTG	3.525 MAY 11 63	90269CAD2	08/01/2014	58.75
UBS COML MTG TR	2.180 MAY 12 45	90269GAB7	08/01/2014	27.25
UBS-BARCLY COML MTG	2.533 DEC 12 45	90270RBC7	08/01/2014	56.99

Transaction Detail - 7/1/2014 through 9/30/2014

Income

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Pay Date</i>	<i>Proceeds</i>
WFRBS COML MTG TR	3.198 MAR 17 48	92937FAD3	08/01/2014	106.60
COMM MTG TR	1.298 MAR 12 47	12591UAA1	08/01/2014	41.43
COMM MTG TR	1.402 JUN 12 47	12591YAY1	08/01/2014	27.74
COMM MTG TR	3.147 AUG 17 45	12624KAD8	08/01/2014	86.54
COMM MTG TR	4.236 JUL 12 45	12625UBF9	08/01/2014	246.31
BEAR STEARNS CMBS	5.116 FEB 11 41	07383F3Z9	08/01/2014	426.33
BEAR STEARNS CMBS 20	5.136 OCT 12 42	07387BCL5	08/01/2014	277.65
CFCRE COML MTG TR	1.558 DEC 17 47	12527DAN0	08/01/2014	52.55
COMM MTG TR	2.928 FEB 12 47	12591RAX8	08/01/2014	200.08
BANC AMER CMBS 2005-	5.115 OCT 10 45	05947U2R8	08/01/2014	531.71
BANC AMER CMBS 2007-	5.622 APR 10 49	059511AB1	08/01/2014	52.68
FHLMC REMIC SERIES	4.500 AUG 15 27	31398WE34	08/01/2014	17.43
GNMA REMIC TRUST	4.500 OCT 20 37	38377FRP8	08/01/2014	331.07
GNMA REMIC TRUST	2.000 MAY 20 39	38377YFU9	08/01/2014	82.45
ALLY BANK FDIC CD	1.100 AUG 10 15	02005QP64	08/08/2014	769.13
LB-UBS CMBS 2006-C1	5.156 FEB 15 31	52108MDH3	08/11/2014	68.75
INTERNATIONAL BUSINE	3.625 FEB 12 24	459200HU8	08/12/2014	1,812.50
QUEBEC PROV	2.625 FEB 13 23	748149AG6	08/13/2014	2,336.25
FEDERAL NTL MTG ASSN	1.500 AUG 14 23	3136G1S34	08/14/2014	1,042.50
SALLIEMAE BK FDIC CD	1.750 AUG 15 17	795450NV3	08/15/2014	1,883.14
CISCO SYS INC	5.900 FEB 15 39	17275RAD4	08/15/2014	3,599.00
PROCTER & GAMBLE CO	1.450 AUG 15 16	742718DV8	08/15/2014	290.00
WAL-MART STORES INC	6.500 AUG 15 37	931142CK7	08/15/2014	4,257.50
DUKE ENERGY CAROLINA	5.300 FEB 15 40	26442CAH7	08/15/2014	1,669.50
SANTANDER DRIVE AUTO	0.474 JUL 17 17	80283WAC3	08/15/2014	37.80
ALLY AUTO REC V TR	0.540 JUL 15 16	02006MAB7	08/15/2014	36.54

Transaction Detail - 7/1/2014 through 9/30/2014

Income

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Pay Date</i>	<i>Proceeds</i>
FORD CREDIT AUTO OWN	0.820 DEC 15 17	34530DAC3	08/15/2014	35.53
HYUNDAI AUTO REC V TR	0.440 FEB 15 17	44890UAB0	08/15/2014	12.10
TOYOTA MOTOR CRED	FLTG MAY 16 17	89236TBG9	08/16/2014	81.53
ALLY AUTO REC TR	0.570 AUG 20 15	02006GAC8	08/20/2014	27.75
CAPITAL AUTO REC V AB	0.454 JUN 20 16	13975HAA4	08/20/2014	21.60
CASH	CASH	CASH	08/22/2014	5.68
SALLIEMAE BK FDIC CD	1.700 AUG 22 17	795450PA7	08/22/2014	252.90
FEDERAL NTL MTG ASSN	3.000 MAR 01 28	3135G0UP6	09/01/2014	1,050.00
FNMA PASSTHRU AE6057	4.000 OCT 01 40	31419GWT7	09/01/2014	567.88
FNMA PASSTHRU MA1018	3.000 MAR 01 27	31418ADY1	09/01/2014	482.19
FNMA PASSTHRU MA1029	3.500 APR 01 32	31418AEB0	09/01/2014	77.37
FNMA PASSTHRU MA1063	3.000 MAY 01 22	31418AFD5	09/01/2014	41.53
FNMA PASSTHRU AR7391	3.000 JUN 01 43	3138W5F94	09/01/2014	72.46
FNMA PASSTHRU 877118	3.500 JAN 01 41	31409SPB0	09/01/2014	530.15
FNMA PASSTHRU MA0514	4.000 SEP 01 40	31417YSC2	09/01/2014	215.47
FNMA PASSTHRU AO8044	3.500 JUL 01 42	3138LY5E3	09/01/2014	61.77
FNMA PASSTHRU AP3108	3.500 OCT 01 42	3138M6N29	09/01/2014	112.46
FNMA PASSTHRU AP7553	3.000 SEP 01 42	3138MBMB9	09/01/2014	80.17
FNMA PASSTHRU AH9719	4.500 APR 01 41	3138ABYR4	09/01/2014	88.90
FNMA PASSTHRU AK4940	3.500 MAR 01 42	3138E9P20	09/01/2014	87.03
FNMA PASSTHRU AL5521	4.500 JAN 01 40	3138END30	09/01/2014	335.58
FHLMC PC GOL Q13086	3.000 NOV 01 42	3132HPNB6	09/01/2014	56.35
UBS-BARCLY COML MTG	2.533 DEC 12 45	90270RBC7	09/01/2014	56.99
WFRBS COML MTG TR	3.198 MAR 17 48	92937FAD3	09/01/2014	106.60
COMM MTG TR	1.402 JUN 12 47	12591YAY1	09/01/2014	27.47
COMM MTG TR	3.147 AUG 17 45	12624KAD8	09/01/2014	86.54

Transaction Detail - 7/1/2014 through 9/30/2014

Income

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Pay Date</i>	<i>Proceeds</i>
COMM MTG TR	4.236 JUL 12 45	12625UBF9	09/01/2014	248.75
UBS-BARCLY COML MTG	3.525 MAY 11 63	90269CAD2	09/01/2014	58.75
UBS COML MTG TR	2.180 MAY 12 45	90269GAB7	09/01/2014	27.25
BEAR STEARNS CMBS 20	5.136 OCT 12 42	07387BCL5	09/01/2014	277.64
CFCRE COML MTG TR	1.558 DEC 17 47	12527DAN0	09/01/2014	50.89
COMM MTG TR	2.928 FEB 12 47	12591RAX8	09/01/2014	200.08
COMM MTG TR	1.298 MAR 12 47	12591UAA1	09/01/2014	40.99
BANC AMER CMBS 2005-	5.115 OCT 10 45	05947U2R8	09/01/2014	530.46
BANC AMER CMBS 2007-	5.622 APR 10 49	059511AB1	09/01/2014	52.68
BEAR STEARNS CMBS	5.116 FEB 11 41	07383F3Z9	09/01/2014	413.22
FHLMC REMIC SERIES	4.500 AUG 15 27	31398WE34	09/01/2014	16.11
GNMA REMIC TRUST	4.500 OCT 20 37	38377FRP8	09/01/2014	319.37
GNMA REMIC TRUST	2.000 MAY 20 39	38377YFU9	09/01/2014	80.58
FEDERAL FARM CR BKS	3.120 MAR 03 21	3133ECYM0	09/03/2014	655.20
GOLDMAN SACHS GROUP	4.000 MAR 03 24	38141GVM3	09/03/2014	2,160.00
FEDERAL HOME LOAN BA	2.900 SEP 05 25	313380LM7	09/05/2014	1,035.71
PEPSICO INC	2.750 MAR 05 22	713448BY3	09/05/2014	1,223.75
BP CAP MKTS P L C	3.200 MAR 11 16	05565QBQ0	09/11/2014	2,048.00
LB-UBS CMBS 2006-C1	5.156 FEB 15 31	52108MDH3	09/11/2014	68.75
INTL BUSINESS MCHN	5.700 SEP 14 17	459200GJ4	09/14/2014	3,562.50
MANITOBA	9.500 SEP 15 18	563469EC5	09/15/2014	1,053.59
PFIZER INC	7.200 MAR 15 39	717081CY7	09/15/2014	1,404.00
VERIZON COMMUNICATIO	5.150 SEP 15 23	92343VBR4	09/15/2014	2,472.00
CONSOLIDATED EDISON	4.450 MAR 15 44	209111FD0	09/15/2014	1,027.95
GEORGE WASHINGTON UN	3.485 SEP 15 22	372546AQ4	09/15/2014	1,829.63
GEORGE WASHINGTON UN	1.827 SEP 15 17	372546AR2	09/15/2014	164.43

Transaction Detail - 7/1/2014 through 9/30/2014

Income

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Pay Date</i>	<i>Proceeds</i>
ROYAL BANK OF CANADA	2.150 MAR 15 19	78010USN8	09/15/2014	857.13
FORD CREDIT AUTO OWN	0.820 DEC 15 17	34530DAC3	09/15/2014	84.05
HYUNDAI AUTO RECV TR	0.440 FEB 15 17	44890UAB0	09/15/2014	12.10
SLM PRIVATE ST LN TR	0.434 JUN 15 21	78443CBM5	09/15/2014	48.33
SANTANDER DRIVE AUTO	0.474 JUL 17 17	80283WAC3	09/15/2014	38.04
ALLY AUTO RECV TR	0.540 JUL 15 16	02006MAB7	09/15/2014	32.21
AMERICAN EXPRESS CR	2.800 SEP 19 16	0258M0DC0	09/19/2014	1,372.00
ALLY AUTO REC TR	0.570 AUG 20 15	02006GAC8	09/20/2014	19.20
CAPITAL AUTO RECV AB	0.454 JUN 20 16	13975HAA4	09/20/2014	21.57
BB&T CORPORATION	2.150 MAR 22 17	05531FAK9	09/22/2014	634.25
MORGAN STANLEY	4.750 MAR 22 17	61747YDT9	09/22/2014	1,045.00
CASH	CASH	CASH	09/24/2014	5.68
BARCLAYS BK USA FDIC	0.000 MAR 26 18	06740AYQ6	09/26/2014	551.37
<i>Total Income</i>				\$102,363.72

Transaction Detail - 7/1/2014 through 9/30/2014

Other

<i>Description</i>	<i>Issue</i>	<i>CUSIP</i>	<i>Transaction Type</i>	<i>Trade Date</i>	<i>Shares</i>	<i>Average Price</i>	<i>Proceeds/ Distributions</i>	<i>Gain/Loss</i>
FEDERAL HOME LOAN BA	0.550 JAN 10 17	3130A0KU3	Maturity	07/10/2014	300,000	100.00	300,000.00	-40.02
FEDERAL NTL MTG ASSN	1.500 AUG 14 23	3136G1S34	Maturity	08/14/2014	139,000	100.00	139,000.00	0.00
FEDL HOME LOAN BK CO	0.000 AUG 15 14	313385B96	Maturity	08/15/2014	235,000	100.00	234,989.82	0.00
FEDL HOME LOAN BK CO	0.000 AUG 20 14	313385C61	Maturity	08/20/2014	100,000	100.00	99,995.13	0.00
CASH	CASH	CASH	Cash Withdrawal	08/22/2014	6	1.00	-5.71	0.00
FEDERAL FARM CR BKS	3.120 MAR 03 21	3133ECYM0	Maturity	09/03/2014	42,000	100.00	42,000.00	-24.36
CASH	CASH	CASH	Cash Deposit	09/11/2014	625,000	1.00	625,000.00	0.00
FEDL HOME LOAN BK CO	0.000 SEP 12 14	313385F50	Maturity	09/12/2014	248,000	100.00	247,997.27	0.00
<i>Total Other</i>							1,688,976.51	-64.37

A Global View – Third Quarter, 2014

Oil prices have fallen rapidly, most likely because of a combination of factors.

The market is more or less balanced, from a fundamental perspective. Global demand growth of 1-2% is being met with similar supply growth.

Traders have reduced long positions demonstrably in the last 3 months, just as they did in late 2008, when crude prices halved from a July peak of \$147/bbl.

What is going on in the oil markets? By Michael J. Donnelly, VP & Portfolio Manager

The crude oil markets have been volatile lately, and one may wonder what is causing the unexpected price turns.

West Texas Intermediate (WTI) peaked at around \$107/barrel (bbl) in late June, then retreated to \$91 at the end of the third quarter. Why? Most likely, it is a combination of fundamental, technical and political factors. Let’s examine each.

Fundamentals Factors

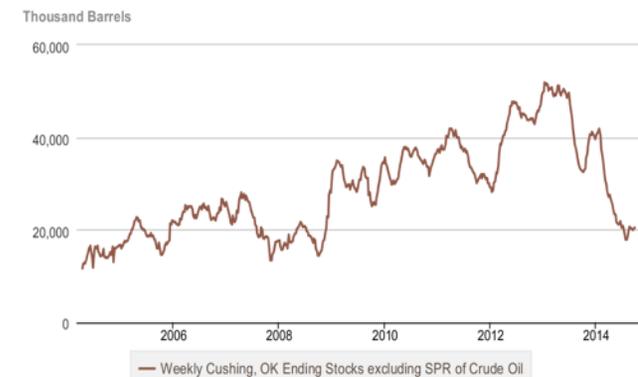
Like any market, oil is priced depending on supply and demand. Total global demand was approximately 90 mbpd in 2013¹. If we assume a relatively low 1-3%, global GDP growth for this year, it is reasonable to think that current demand is about 91-92 mbpd. In fact, demand has grown fairly steadily by slightly more than 1 mbpd each year for the last 4 years, during weak, but steady global GDP growth. Thus, from a demand perspective, there is nothing upsetting the apple cart – a lack of demand is not suddenly depressing prices.

This leaves supply as a possible cause for weaker prices. Globally, the largest crude suppliers are Russia, Saudi Arabia and the United States. These countries supplied 10.1, 9.6 and 7.4 mbpd, respectively, during 2013. The OPEC cartel, which supplies around 33% of global demand and of which Saudi Arabia is a member, is estimated to have produced between 30.1 and 30.6 mbpd for August². That is down by 4% relative to the official OPEC output level of 31.6 mbpd during 2013. Supply from the United States has certainly grown in 2014, with current production at 8.8 mbpd, up 9% since the end of last year (700k bpd)³. Through September the Russians have produced about 10.5 mbpd this year, only 63k bpd more than last year’s first 9 months. Considering the three largest global producers - OPEC, Russia and the U.S.—the picture is hardly destabilizing.

As of September 2014 crude output from these three suppliers is approximately 49.6 mbpd, up 1.4 mbpd relative to September 2013. While there is no doubt that rapidly growing production in the U.S. remains a depressing factor for U.S. crude oil pricing, given that these producers are 55% of supply and Saudi Arabia, within OPEC, is usually a swing supplier, it is clear that an over-abundance of crude globally is not the factor causing the rapid decline in world-wide prices.

One other factor to consider is crude inventory. An elevated level of inventory, *ceteris paribus*, should imply that prices would fall. As the graph shows, inventories in the U.S. are relatively low by recent historical standards, and are a little more than one day of U.S. crude consumption, currently around 19 mbpd.

Weekly Cushing, OK Ending Stocks excluding SPR of Crude Oil



Source: U.S. Energy Information Administration

¹ OPEC Annual Statistical Bulletin 2014 mbpd = million barrels per day

² OPEC and CS McKee research.

³ Energy Information Administration

A Global View – Third Quarter, 2014

The Middle East remains highly volatile.

That said, there may be actions and developments there unknown to the average investor.

A complex picture. One fact to remember – Middle Eastern monarchies need \$100 oil or they face economic turmoil. Any Islamic fundamentalist will want to see such a turmoil in the region, as a precursor to an “Arab Summer” that will make the last oil price spike pale in comparison.

Technical Factors

The technical side of the equation – in this case, speculative activity in derivative markets – offers a different picture. And history helps us frame this view. In the spring of 2008, in the run-up to an all-time high in crude prices reached that July, net long positions of non-commercial crude traders (speculators) reached a record of 115k contracts. At the same time, March 2008, oil was selling for \$110/bbl., up 100% in a year and on its way to a peak of \$147. Similarly, in June 2014, contracts for speculators peaked at 459k net long, and crude was up to \$107. As in 2008, when by November open interest from traders fell to -53k contracts, implying they were short oil, trader’s contracts have fallen demonstrably in the last three months to a net position of 296k, implying traders have become much more bearish and helping to drive the price downwards.

Naturally, one must ask why, if the fundamentals are relatively stable, traders would suddenly become more bearish. The stronger U.S. dollar is playing a part. While by no means a perfect correlation, short bouts of dollar strength have in the past corresponded with a swift reduction in oil prices. As C.S. McKee’s bond team notes, expectations are rising for the first U.S. rate hike. Combined with further easing in Europe, these expectations imply that interest rate differentials will continue to boost the greenback’s prospects.

What About the Middle East?

Any discussion of crude markets must address this volatile region. Perversely, the fear that the Islamic State (IS) would somehow capture Baghdad in rapid fashion was one reason oil prices spiked in June. Markets feared the uncertainty of a terrorist state controlling 3% of total world supply. Now that the U.S. and others are bringing more force to bear in Iraq and Syria, IS may be retreating, but the intervention itself threatens to turn the heat up on a region in flames. Considering Iran, the *quid pro quo* for its passive (or active) support against IS may be U.S. acquiescence to a more favorable deal involving Iran’s nuclear program. That deal could contain terms allowing Iran to export more oil sooner than expected. While not openly discussed, one must also consider that the U.S. may have cut a deal with Saudi Arabia that trades U.S. airpower attacking IS in return for Saudi Arabia pumping more crude into the markets in order to drop the oil price to punish the Russians for their invasion of Ukraine. President Reagan is known to have pursued the same strategy to hasten the economic decline of the Soviet Union in the 1980’s. This would inflict short-term pain on the Saudi economy, but a fundamentalist Caliphate regime based in Iraq would be a longer-term challenge to the House of Saud.

Conclusion

The picture is complex. Supply and demand, based on published figures, do not argue for a continued rapid decline in the oil price. Moreover, there is much talk that OPEC will cut output at its November meeting. It is true, however, that speculators are becoming more bearish. And while the situation in the Middle East paints for no observer a picture of stability, perhaps short term geo-political concerns are conspiring to force prices down. While it is trendy to be bearish now, and this trend may persist for the short-term, it is difficult to see a longer term slide in oil prices. For many Middle Eastern monarchies that count on \$100/bbl crude, a prolonged crash would prompt economic chaos, and the call to reform would prompt an “Arab Summer” that no short speculator could handle.