

FRANKLIN REGIONAL RETIREMENT SYSTEM

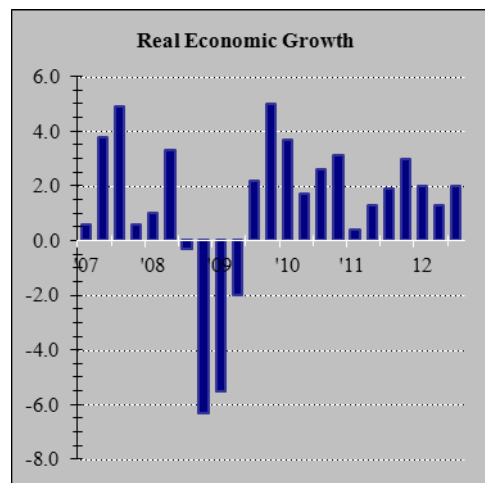
**PERFORMANCE REVIEW
SEPTEMBER 2012**



ECONOMIC ENVIRONMENT

Good News at Quarter-End Overshadows Weak Economic Gains

Good news on many fronts sent investors scurrying into global stock markets: 1) the September US jobs report detailed an unexpected reduction in unemployment; 2) statistics on new housing starts, existing



home sales and home prices were all meaningfully up; 3) the Fed initiated QE3, further lowering mortgage rates, leading to lower borrowing rates for small businesses; 4) manufacturing and new order levels increased; 5) consumer confidence jumped to a near-term high; 6) many foreign governments and especially the European Central Bank (ECB) instituted programs to ramp up regional economies, which will help the US economy through increased trade; and 7) core inflation remained tame, providing a temporary underpinning to QE3.

Probably the most important events of the quarter were actions taken by the ECB. On July 26th, President Draghi announced that the ECB would do “whatever it takes” to save the euro. In early September, Draghi introduced an open-ended but conditional bond buying program to help reduce the borrowing costs of financially strapped member countries. Key is that each debtor country becomes obligated to enact specific austerity measures. These announcements went a long way toward reducing uncertainty. Investors cheered and parked their legitimate concerns about the impending US fiscal cliff, the ongoing Eurozone recession and China’s economic slowdown.

The consensus estimates for US domestic GDP growth during the third quarter were a bit better than the first half figures, with most economists looking for figures at or a bit above 2%. Toward the end of September, the Bureau of Economic Analysis’ latest estimate of 2nd quarter real

GDP growth was revised downward from 1.7% to 1.3%. The final 1st quarter number was 2.0%.

The job rolls swelled by 114,000 in September and the Bureau of Labor Statistics also revised the July and August employment numbers upward. The gains led to a drop in the national unemployment rate from the steady 8+% rate through August to 7.8% in September.

Housing was another hopeful sector as of July, the latest available reporting month. S&P/Case-Shiller reported a 1.6% price increase in its 20-City Composite where fifteen of the surveyed cities saw price increases. July represented the third straight month of price gains and provided homeowners with average prices equal to their values in 2003. The rate of foreclosures was also slowing, indicating a possible clearing of the worst of the housing problems.

Manufacturing also boosted the economy in September. The Manufacturing Index expanded to 51.5 from 49.6 in the prior month and represented the 40th consecutive month of growth. The New Orders Index surged to 52.3 from August’s 47.1 level. Net-net, the manufacturing part of the economy was faring better than many had thought.

The Conference Board’s Consumer Confidence Index grew from 61.3 in August to 70.3 in September – a level not seen since last February. Just as relevant, the Consumer Expectation Index rose dramatically from 71.1 to 83.7. For the moment, at least, the average American expects a brighter economic future.

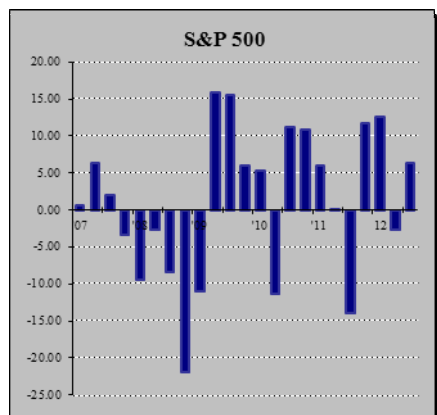
Near the end of the quarter, the Fed announced a third round of quantitative easing (QE3). Under this stimulus program, it will begin to purchase \$40 billion of US Agency mortgage obligations each month. The program will continue until the labor market substantially improves. Operation Twist also remains in force; this program features a maturity extension (via the selling of shorter maturities and the buying of longer maturities) from within the Fed’s security portfolio. The central bank will also keep interbank lending rates near zero until 2015.

EQUITY MARKET

Good Gains

The US market pushed aside an anemic domestic economy and a global slowdown. Instead, investors took heart from positive steps by the European Central Bank (ECB) and the Federal Reserve Bank.

Accordingly, stocks advanced approximately 5% or more across the board. There was only a modest difference between the performances of



large-cap vs. small-cap stocks and between value vs. growth. The broadest index, the Russell 3000, rose 6.2%. The bellwether S&P 500 gained a comparable 6.3%. The Russell 1000, representing large-cap companies, also climbed 6.3%. The Russell 2000 Small Cap Index grew 5.2%. Russell 1000 Value was up 6.5%, while its growth counterpart added 6.1%. However, REITs paused after a

long string of outperforming quarters; the S&P US REIT Index gained just 0.1%.

Sector results were almost uniformly positive. Energy was the top performer, up 10.2%, directly related to rising oil prices. Computer Technology gained 8.3%, propelled by Apple and Google. Services rose a solid 8.1%. Financials weren't far behind, posting a 7.2% advance; news of the Fed's QE3 program helped to buoy the results. Utilities, long a winning sector, added only 3.9%, as investors turned away from their defensive, high dividend posture. Finally, the small-sized Transportation sector was in the loss column suffering from higher oil prices.

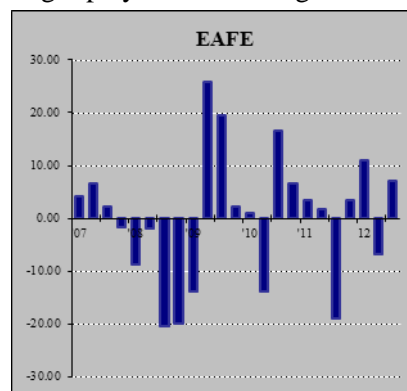
The S&P dividend rate dropped slightly to 2.0% due to price gains. The S&P P/E ratio increased from 18.0x to 19.1x, also reflecting higher prices. As of quarter-end, 34% of stock holdings had P/E ratios above 20x, well short of a market bubble.

INTERNATIONAL EQUITIES

Healthy Turnaround With ECB Help

Performance by the MSCI EAFE Index of developed countries benefited immeasurably from the ECB President's announcement "to do what it takes" to keep the Euro afloat and help stabilize the interest rate debt of faltering Eurozone countries. The EAFE Index returned 7.0%. Excluding the troubled Japanese market, the return would have been 9.1%.

Within Europe, financially robust Germany led the pack among the larger players. Its index gained 13.9%. France and the UK, the other two



European majors, each gained over 7%. Returns among the PIIGS components varied widely. Portugal was the best performer, gaining 13.1%. Spain followed, rising 11.5%; the Spanish government aided its market by temporarily easing concerns about bankruptcy. Italy provided a 7.6% result. Not surprisingly, Greece was flat (+0.3%). Ireland, with the largest overhang of home mortgage

delinquencies, lost 1.5%. Overall, EAFE Europe returned a very respectable 8.7%.

The EAFE Far East return was a meager 1.5%. This was mostly attributable to Japan, where the market was down 0.8%. There were several reasons for that country's poor showing, including a rapidly rising yen that held down exports, and the effects of restrictive Japanese bank lending. It is noteworthy that Japan's central bank took action to cut lending rates further.

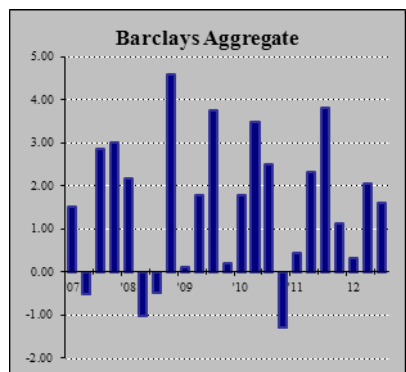
Other countries in the region did much better. Hong Kong climbed 12.5% and Singapore gained 10.6%. Australia, a separate EAFE segment, advanced 10.5%. Israel, a relatively new country in the index, added 6.4%. This gain took place in spite of growing tensions between Israel and Iran regarding the latter's atomic bomb development.

Regaining its role as market leader, the MSCI Emerging Market Index (EM) returned 7.9%. That result was higher than either the US or developed markets. The BRIC countries experienced wide-ranging results. Brazil only advanced 4.8%. Russia was up almost twice as much or 9.4% as rising auto sales and increased bank lending helped to lift its market. India was THE big winner, rocketing up 15.4%. Key to this market gain was government reform, allowing foreign retailers and airlines to obtain a foothold in that. Bringing up the rear was China, with a 4.7% return. Although China's booming economy is slowing, Chinese GDP probably remains in an enviable range above 6%.

BOND MARKET

U.S. Corporates and European Treasuries Advanced

The Barclays Aggregate Index chugged along, gaining 1.6%. The small gain included much higher performance in the credit sectors. However, since US Government debt represents over 41% of the index and



Government-backed mortgage instruments (MBS) comprise an additional 30% of the index, the strong credit returns were muted. Treasuries returned only 0.6% and MBS gained a low 1.1%, thus a low Aggregate return was the outcome.

Performance was negligible all along the Treasury yield curve. 1-3 Year Treasuries earned 0.3%. Seven-to-ten year paper performed

slightly better, 1.0%. Twenty+ year maturities were essentially flat for the quarter (+0.1%). The Government-backed mortgage component (GNMAs) earned 1.1%. The yield curve slope remained virtually unchanged because the only form of available return was from very low income yield. Just as relevant was the investor's search for higher yield, which was found mostly in corporate credits.

The U.S. Credit sector generated a 3.5% gain, much higher than that of Treasuries. Financial institutions, in particular, provided a healthy 5.1% return. From a credit quality perspective, single A bonds (the lowest

investment grade) averaged a 3.7% return. Commercial Mortgage-Backed Securities (CMBS), a small component of the index that has had significant volatility since 2008, has roared back from its 2009 lows as commercial real estate has come alive. The CMBS Index saw a 3.8% return, essentially matching the high of investment grade corporates.

Lower credit quality bonds bested investment grades, as they have for several quarters. This time, however, returns from BA credit down to single B credit quality were the same, or 4.4%. CAA credits earned a slightly higher 4.8%. Investing in the lowest-rated or CA-D bond segment would have brought a handsome 9.3% return.

At quarter-end, the Aggregate Index yielded an unprecedented low of 1.61% (yield-to-worst), with an average maturity of 6.7-years, and a modified adjusted duration of 4.85-years. Total assets of the combined index are currently valued close to \$17 trillion.

Sovereign risk returns among the G-6 countries (excluding US Treasuries) averaged 3.8% in US dollar terms. Italian and French sovereigns outperformed, returning 7.2% and 5.0%, respectively; those outsized results were again attributable to the announced ECB buying program.

Emerging market debt had a respectable 6.8% return. The majority of countries listed in the EM Index returned more than that. The five top performers were a mixed group. Argentina (+20.0%) bounced back from the Repsol nationalization during the prior quarter. Ivory Coast again surprised on the upside: +15.3%. Croatia, another ECB beneficiary, surged 14.2%. Venezuela, aided by higher oil prices, added 13.1%.

CASH EQUIVALENTS

Nothing New In This Space

The Federal Reserve has actually made matters worse for money market investors. Chairman Bernanke's latest (QE3) program of mortgage buybacks with no definite termination date has forced short-term interest rates to historic lows. The return on 1-3 month Treasuries was a paltry 0.02%, well below inflation. Under such circumstances, the only reason to hold money market instruments is for presumed safety.

MARKET SUMMARY

ECONOMIC STATISTICS

	CURRENT QTR	LAST QTR
GDP	2.0	1.3
Unemployment	7.8	8.2
CPI All Items Year/Year	1.99	1.66
Fed Funds Rate	0.25	0.25
Industrial Capacity	78.3	78.8
US Dollars per Euro	1.29	1.27

MAJOR INDEX QUARTER RETURNS

INDEX	PERFORMANCE
Russell 3000	6.2
S&P 500	6.3
Russell Mid	5.6
Russell 2000	5.2
MSCI EAFE	7.0
MSCI Emg Mkts	7.9
NCREIF ODCE	2.8
Barclays Agg	1.6
90 Day Tbills	0.0

EQUITY RETURN DISTRIBUTIONS

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	6.5	6.3	6.1	30.9	30.1	29.2
MC	5.8	5.6	5.3	29.2	28.0	26.7
SC	5.7	5.2	4.8	32.6	31.9	31.2

MARKET SUMMARY

- * GDP for the third quarter was 2.0%.
- * The US unemployment rate decreased to 7.8% over the third quarter.
- * Global equity markets rallied, led by the emerging int'l markets, followed by developed int'l then US markets.
- * CPI increased 1.99% year over year.
- * The US dollar weakened relative to the Euro.

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's portfolio was valued at \$94,546,353, representing an increase of \$7,523,520 from the June quarter's ending value of \$87,022,833. Last quarter, the Fund posted net contributions equaling \$3,198,150 plus a net investment gain equaling \$4,325,370. Total net investment return was the result of income receipts, which totaled \$485,226 and net realized and unrealized capital gains of \$3,840,144.

For the cumulative period since December 2006, the fund has recorded net contributions totaling \$5.7 million, and recorded net investment gains of \$17.6 million. For the period since December 2006, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$117.8 million or \$23.2 million more than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

Total Fund

The Franklin Regional Policy Index is the weighted return of each asset classes' benchmark in proportion to its target allocation.

In the third quarter, the Composite portfolio gained 4.8%, which was 0.1% above the Franklin Regional Policy Index's return of 4.7% and ranked in the 51st percentile of the Public Fund universe. Over the trailing year, the portfolio returned 15.9%, which was 3.0% less than the benchmark's 18.9% performance, and ranked in the 79th percentile. Since December 2006, the portfolio returned 3.7% on an annualized basis and ranked in the 57th percentile. For comparison, the Franklin Regional Policy Index returned an annualized 3.3% over the same period.

PRIT Core

The Custom Core Index is a target-weighted passive index of the asset classes used in the PRIT Core Fund. Among the indices used is the Cambridge Private Equity Index. A flat return for the quarter was assumed, due to the unavailability of performance.

In the third quarter, the PRIT core segment returned 4.4%, which was 0.2% greater than the Custom Core Index's return of 4.2%. Over the trailing twelve-month period, this segment returned 14.6%, which was 1.1% less than the benchmark's 15.7% performance. Since December 2006, this component returned 2.8% on an annualized basis, while the Custom Core Index returned an annualized 3.4% over the same time frame.

Domestic Equity

The Custom Equity Index is the weighted return of the S&P 500, S&P 400, and Russell 2000 indices based on the System's equity manager target allocations.

For the third quarter, the domestic equity component returned 7.1%, which was 1.4% greater than the Franklin County Equity Index's return of 5.7% and ranked in the 21st percentile of the All Cap universe. Over the trailing year, this segment returned 27.8%, which was 2.8% below the benchmark's 30.6% performance, and ranked in the 61st percentile. Since December 2006, this component returned 3.9% on an annualized basis and ranked in the 47th percentile. The Franklin County Equity Index returned an annualized 3.2% during the same period.

Real Estate

During the third quarter, the real estate segment gained 3.0%, which was 0.2% above the NCREIF NFI-ODCE Index's return of 2.8%. Over the trailing year, this component returned 15.0%, which was 3.4% above the benchmark's 11.6% return. Since December 2006, this component returned 0.2% per annum, while the NCREIF NFI-ODCE Index returned an annualized 1.2% over the same period.

Fixed Income

The fixed income assets gained 2.6% last quarter, 1.0% greater than the Barclays Aggregate Index's return of 1.6% and ranked in the 20th percentile of the Core Fixed Income universe. Over the trailing twelve months, this component returned 7.6%; that return was 2.4% above the benchmark's 5.2% return, and ranked in the 27th percentile. Since December 2006, this component returned 7.0% on an annualized basis and ranked in the 45th percentile. The Barclays Aggregate Index returned an annualized 6.4% over the same period.

Franklin Regional Retirement System
Total Fund Asset Allocation Analysis
As of September 30, 2012

Total Fund Assets \$ 94,546,353

Allocation by Manager						
	PRIT Fund Actual Allocation	FRRS Allocation	Target Allocation	Target Dollars	Actual Dollars	
PRIT Core Fund	100.0%	54.3%	55.0%	\$ 52,000,494	\$ 51,303,665	\$ (696,829)
Domestic Equity	19.9%	10.8%			\$ 10,204,299	
Int'l Equity	17.5%	9.5%			\$ 8,957,620	
E.M. Int'l Equity	7.0%	3.8%			\$ 3,591,257	
Core Fixed Income	12.5%	6.8%			\$ 6,418,088	
Value Added Fixed Income	8.7%	4.7%			\$ 4,458,288	
Real Estate	9.3%	5.1%			\$ 4,791,762	
Timber/Natural Resources	3.9%	2.1%			\$ 2,005,973	
Alternatives-Private Equity	11.7%	6.3%			\$ 5,997,398	
Hedge Funds	9.5%	5.2%			\$ 4,878,979	
<u>Separate Managers</u>		<u>45.7%</u>	<u>45.0%</u>			
Polen Capital		6.0%	6.0%	\$ 5,672,781	\$ 5,638,744	\$ (34,037)
O'Shaughnessy		6.0%	6.0%	\$ 5,672,781	\$ 5,628,226	\$ (44,555)
Seizert		5.2%	5.0%	\$ 4,727,318	\$ 4,941,551	\$ 214,233
Daruma		10.0%	10.0%	\$ 9,454,635	\$ 9,487,072	\$ 32,437
PRIT RE		5.1%	5.0%	\$ 4,727,318	\$ 4,788,940	\$ 61,622
Prudential		0.0%	0.0%	\$ -	\$ 2,502	\$ 2,502
IR&M		12.7%	13.0%	\$ 12,291,026	\$ 11,994,413	\$ (296,613)
Cash		0.8%	0.0%	\$ -	\$ 761,240	\$ 761,240

Allocation by Asset Class						
	Actual Allocation (%)	Target Allocation (%)	+/- Percent	Actual Allocation (\$)	Target Allocation (\$)	+/- Dollars
Franklin County Total Fund						
Domestic Equity	38.0%	40.0%	-2.0%	\$ 35,899,892	\$ 37,818,541	\$ (1,918,649)
Int'l Equity	13.3%	15.0%	-1.7%	\$ 12,548,876	\$ 14,181,953	\$ (1,633,076)
Fixed Income	24.2%	25.0%	-0.8%	\$ 22,870,790	\$ 23,636,588	\$ (765,798)
Real Estate	10.1%	10.0%	0.1%	\$ 9,583,204	\$ 9,454,635	\$ 128,569
Timber	2.1%	2.5%	-0.4%	\$ 2,005,973	\$ 2,363,659	\$ (357,686)
Alternatives-Private Equity	6.3%	5.0%	1.3%	\$ 5,997,398	\$ 4,727,318	\$ 1,270,081
Hedge Funds	5.2%	2.5%	2.7%	\$ 4,878,979	\$ 2,363,659	\$ 2,515,320
Cash	<u>0.8%</u>	<u>0.0%</u>	0.8%	\$ 761,240	\$ -	\$ 761,240
	100.0%	100.0%		\$ 94,546,353	\$ 94,546,353	

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	4.8	10.3	15.9	9.7	3.7
<i>PUBLIC FUND RANK</i>	(51)	(74)	(79)	(33)	(57)
Total Net/Fees	4.7	9.9	15.3	9.2	3.1
POLICY INDEX	4.7	11.3	18.9	9.8	3.3
PRIT Core	4.4	10.5	14.6	9.0	2.8
CUSTOM CORE IDX	4.2	9.8	15.7	8.7	3.4
Domestic Equity	7.1	14.3	27.8	12.7	3.9
<i>ALL CAP RANK</i>	(21)	(54)	(61)	(60)	(47)
CUSTOM EQ INDEX	5.7	14.9	30.6	13.5	3.2
PRIT EQUITY	6.4	16.3	30.0	13.1	0.1
S&P 500	6.3	16.4	30.2	13.2	2.4
S&P 400	5.4	13.8	28.5	14.3	5.2
RUSSELL 3000	6.2	16.1	30.2	13.3	2.6
RUSSELL 1000	6.3	16.3	30.1	13.3	2.6
RUSSELL 1000G	6.1	16.8	29.2	14.7	5.0
RUSSELL 1000V	6.5	15.7	30.9	11.8	0.2
RUSSELL MID	5.6	14.0	28.0	14.3	3.6
RUSSELL 2000	5.2	14.2	31.9	13.0	2.5
Real Estate	3.0	9.6	15.0	13.6	0.2
NCREIF ODCE	2.8	8.4	11.6	12.2	1.2
Fixed Income	2.6	6.1	7.6	6.9	7.0
<i>CORE FIXED INCOME RANK</i>	(20)	(29)	(27)	(59)	(45)
BARCLAYS AGG	1.6	4.0	5.2	6.2	6.4
PRIT FIXED	2.1	5.4	7.3	7.3	6.3
GOV/CREDIT	1.7	4.4	5.7	6.5	6.5
INT AGGREGATE	1.4	3.4	4.3	5.3	5.9
INT GOV/CREDIT	1.4	3.5	4.4	5.2	5.7

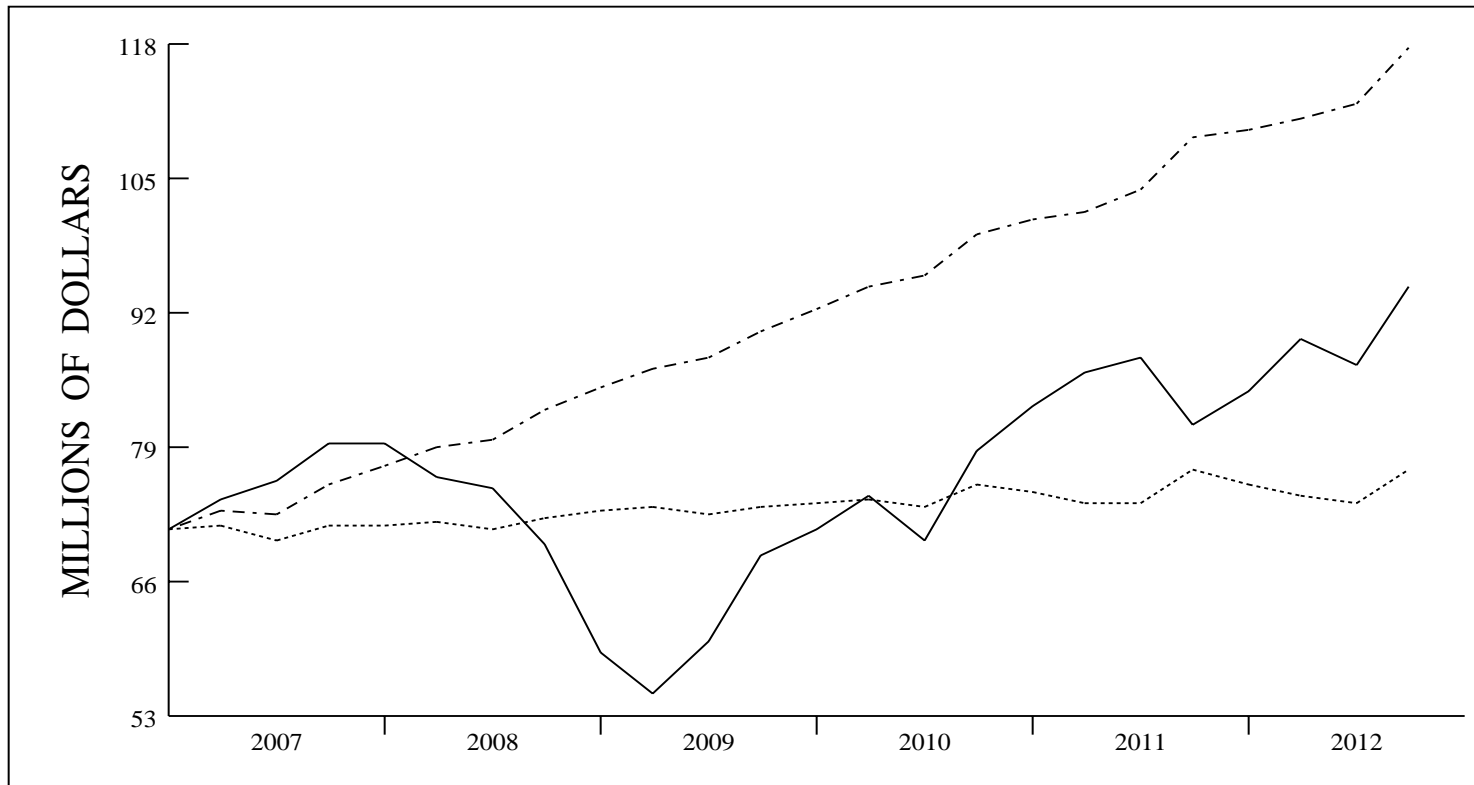
ASSET ALLOCATION

PRIT Core	54.3%	\$ 51,303,665
Domestic Equity	25.7%	24,281,346
Real Estate	5.1%	4,791,442
Fixed Income	12.7%	11,994,413
Cash	2.3%	2,175,486
Total Portfolio	100.0%	\$ 94,546,353

INVESTMENT RETURN

Market Value 6/2012	\$ 87,022,833
Contribs / Withdrawals	3,198,150
Income	485,226
Capital Gains / Losses	3,840,144
Market Value 9/2012	\$ 94,546,353

INVESTMENT GROWTH

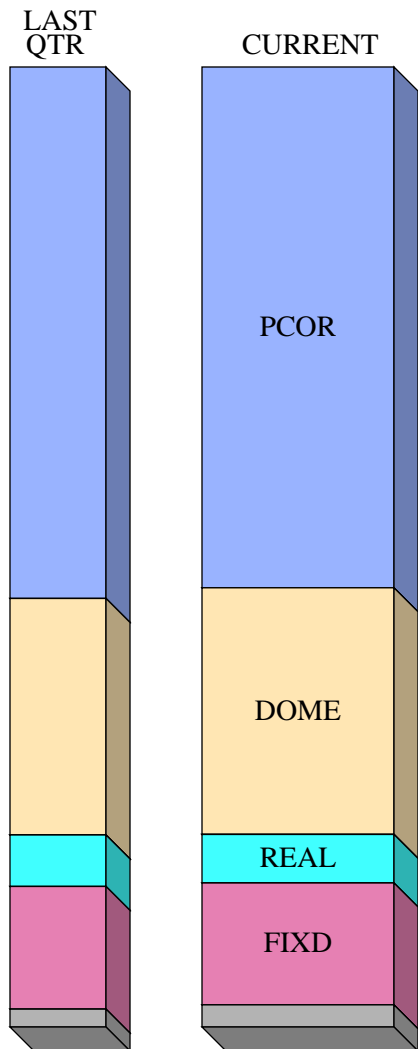


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 117,792,332

	LAST QUARTER	PERIOD 12/06 - 9/12
BEGINNING VALUE	\$ 87,022,833	\$ 71,238,860
NET CONTRIBUTIONS	3,198,150	5,681,513
INVESTMENT RETURN	4,325,370	17,625,980
ENDING VALUE	\$ 94,546,353	\$ 94,546,353
INCOME	485,226	10,036,546
CAPITAL GAINS (LOSSES)	3,840,144	7,589,434
INVESTMENT RETURN	4,325,370	17,625,980

ASSET ALLOCATION



	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
PRIT CORE	\$ 51,303,665	54.3%	55.0%	-0.7%
DOMESTIC EQUITY	24,281,346	25.7%	27.0%	-1.3%
REAL ESTATE	4,791,442	5.1%	5.0%	0.1%
FIXED INCOME	11,994,413	12.7%	13.0%	-0.3%
CASH & EQUIVALENT	2,175,486	2.3%	0.0%	2.3%
<u>TOTAL FUND</u>	<u>\$ 94,546,353</u>	<u>100.0%</u>		

MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years
Total Portfolio	(Public Fund)	4.8 (51)	10.3 (74)	15.9 (79)	9.7 (33)	2.0 (74)
<i>Franklin Regional Policy Index</i>		<i>4.7 ----</i>	<i>11.3 ----</i>	<i>18.9 ----</i>	<i>9.8 ----</i>	<i>2.1 ----</i>
PRIT Core Fund		4.4 ----	10.5 ----	14.6 ----	9.0 ----	0.9 ----
<i>Custom Core Index</i>		<i>4.2 ----</i>	<i>9.8 ----</i>	<i>15.7 ----</i>	<i>8.7 ----</i>	<i>1.8 ----</i>
Polen Capital Management	(LC Growth)	5.2 (77)	---- ----	---- ----	---- ----	---- ----
<i>Russell 1000 Growth</i>		<i>6.1 ----</i>	<i>16.8 ----</i>	<i>29.2 ----</i>	<i>14.7 ----</i>	<i>3.2 ----</i>
O'Shaughnessy Asset Management	(LC Value)	4.9 (84)	---- ----	---- ----	---- ----	---- ----
<i>Russell 1000 Value</i>		<i>6.5 ----</i>	<i>15.7 ----</i>	<i>30.9 ----</i>	<i>11.8 ----</i>	<i>-0.9 ----</i>
Seizert Capital Partners	(Mid Cap)	11.7 (1)	15.1 (30)	29.0 (30)	---- ----	---- ----
<i>Russell Mid Cap</i>		<i>5.6 ----</i>	<i>14.0 ----</i>	<i>28.0 ----</i>	<i>14.3 ----</i>	<i>2.2 ----</i>
Daruma	(Small Cap)	6.1 (40)	13.6 (56)	26.0 (83)	13.3 (67)	3.4 (47)
<i>Russell 2000</i>		<i>5.2 ----</i>	<i>14.2 ----</i>	<i>31.9 ----</i>	<i>13.0 ----</i>	<i>2.2 ----</i>
PRIT Core Real Estate		3.0 ----	9.6 ----	15.5 ----	---- ----	---- ----
<i>NCREIF NFI-ODCE Index</i>		<i>2.8 ----</i>	<i>8.4 ----</i>	<i>11.6 ----</i>	<i>12.2 ----</i>	<i>-1.1 ----</i>
Income Research & Management	(Core Fixed)	2.6 (20)	6.1 (29)	7.6 (27)	6.9 (59)	7.2 (50)
<i>Barclays Aggregate Index</i>		<i>1.6 ----</i>	<i>4.0 ----</i>	<i>5.2 ----</i>	<i>6.2 ----</i>	<i>6.5 ----</i>

MANAGER VALUE ADDED

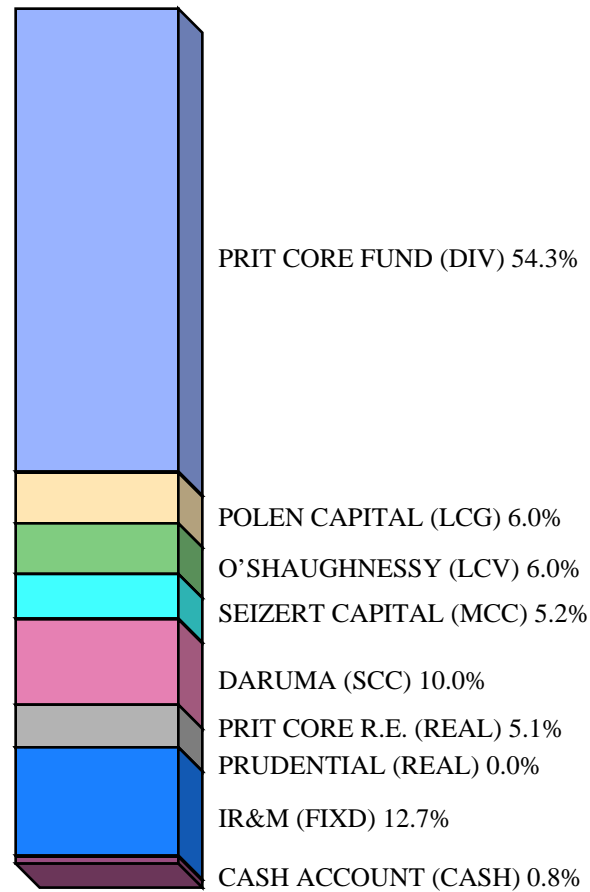
Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	0.2
Polen Capital	Russell 1000G	-0.9
O'Shaughnessy	Russell 1000V	-1.6
Seizert Capital	Russell Mid	6.1
Daruma	Russell 2000	0.9
PRIT Core R.E.	NCREIF ODCE	0.3
IR&M	Barclays Agg	1.0
Total Portfolio	Policy Index	0.1

Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
PRIT Core Fund	Custom Core Idx	-1.1
Polen Capital	Russell 1000G	N/A
O'Shaughnessy	Russell 1000V	N/A
Seizert Capital	Russell Mid	1.0
Daruma	Russell 2000	-5.9
PRIT Core R.E.	NCREIF ODCE	3.9
IR&M	Barclays Agg	2.5
Total Portfolio	Policy Index	-3.0

MANAGER ALLOCATION SUMMARY

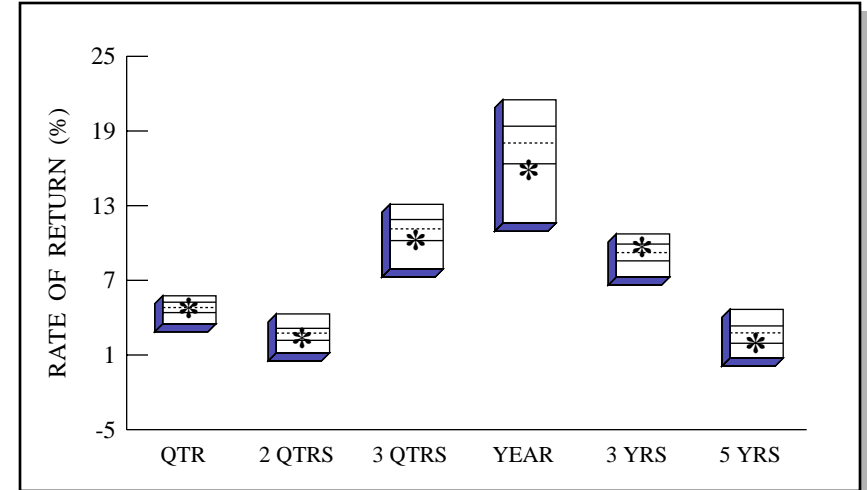
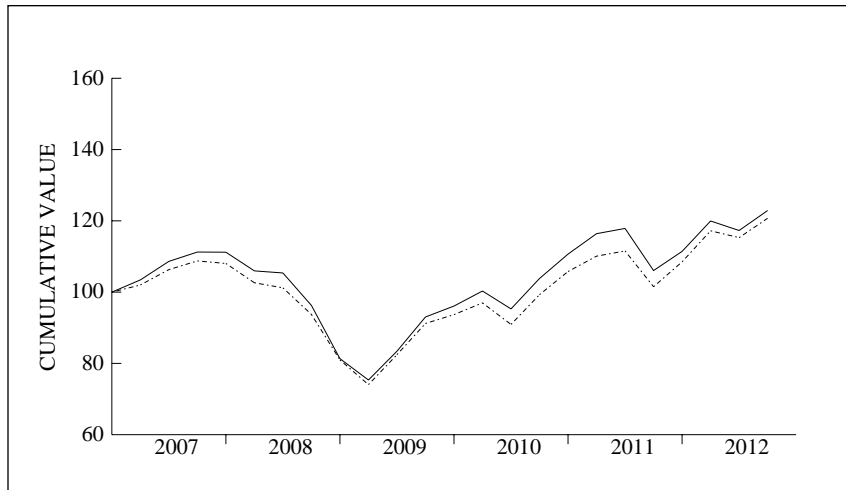


Name	Market Value	Percent	Target
PRIT Core Fund (DIV)	\$51,303,665	54.3	55.0
Polen Capital (LCG)	\$5,638,744	6.0	6.0
O'Shaughnessy (LCV)	\$5,628,226	6.0	6.0
Seizert Capital (MCC)	\$4,941,551	5.2	5.0
Daruma (SCC)	\$9,487,072	10.0	10.0
PRIT Core R.E. (REAL)	\$4,788,940	5.1	5.0
Prudential (REAL)	\$2,502	0.0	0.0
IR&M (FIXD)	\$11,994,413	12.7	13.0
Cash Account (CASH)	\$761,240	0.8	0.0
Total Fund	\$94,546,353	100.0	100.0

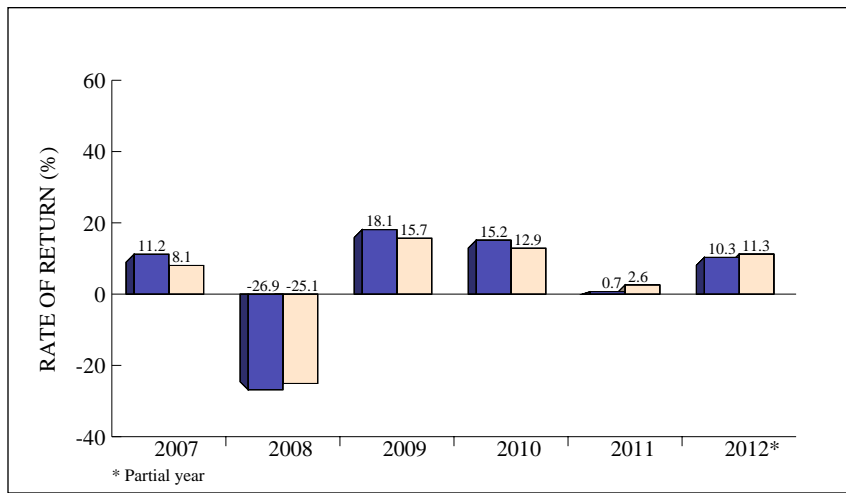
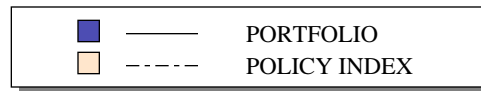
INVESTMENT RETURN SUMMARY - ONE QUARTER

Name	Quarter Total Return	Market Value June 30th, 2012	Net Cashflow	Net Investment Return	Market Value September 30th, 2012
PRIT Core Fund (DIV)	4.4	48,173,258	934,596	2,195,811	51,303,665
Polen Capital (LCG)	5.2	4,898,237	450,000	290,507	5,638,744
O'Shaughnessy (LCV)	4.9	4,954,662	399,703	273,861	5,628,226
Seizert Capital (MCC)	11.7	3,932,980	500,000	508,571	4,941,551
Daruma (SCC)	6.1	8,498,783	450,000	538,289	9,487,072
PRIT Core R.E. (REAL)	3.0	4,653,499	-5,374	140,815	4,788,940
Prudential (REAL)	1.5	2,464	0	38	2,502
IR&M (FIXD)	2.6	11,117,913	500,000	376,500	11,994,413
Cash Account (CASH)	---	791,037	-30,775	978	761,240
Total Fund	4.8	87,022,833	3,198,150	4,325,370	94,546,353

TOTAL RETURN COMPARISONS



Public Fund Universe



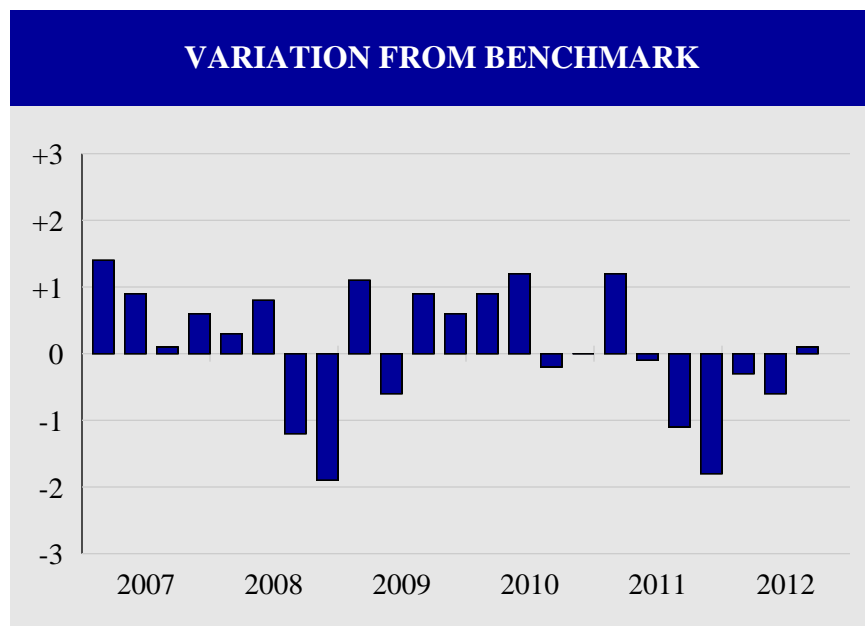
* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	4.8	2.5	10.3	15.9	9.7	2.0
(RANK)	(51)	(68)	(74)	(79)	(33)	(74)
5TH %ILE	5.8	4.3	13.1	21.5	10.7	4.7
25TH %ILE	5.2	3.1	11.9	19.4	9.9	3.3
MEDIAN	4.8	2.8	11.1	18.0	9.2	2.8
75TH %ILE	4.4	2.2	10.2	16.4	8.6	1.9
95TH %ILE	3.5	1.2	7.9	11.6	7.3	0.8
Policy Idx	4.7	3.0	11.3	18.9	9.8	2.1

Public Fund Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

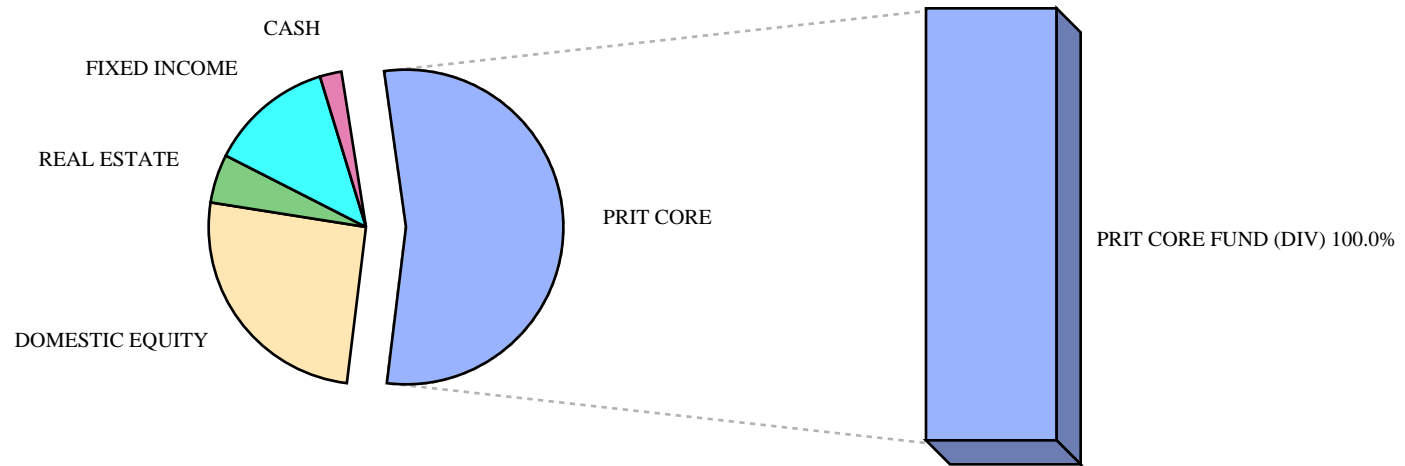
COMPARATIVE BENCHMARK: FRANKLIN REGIONAL POLICY INDEX



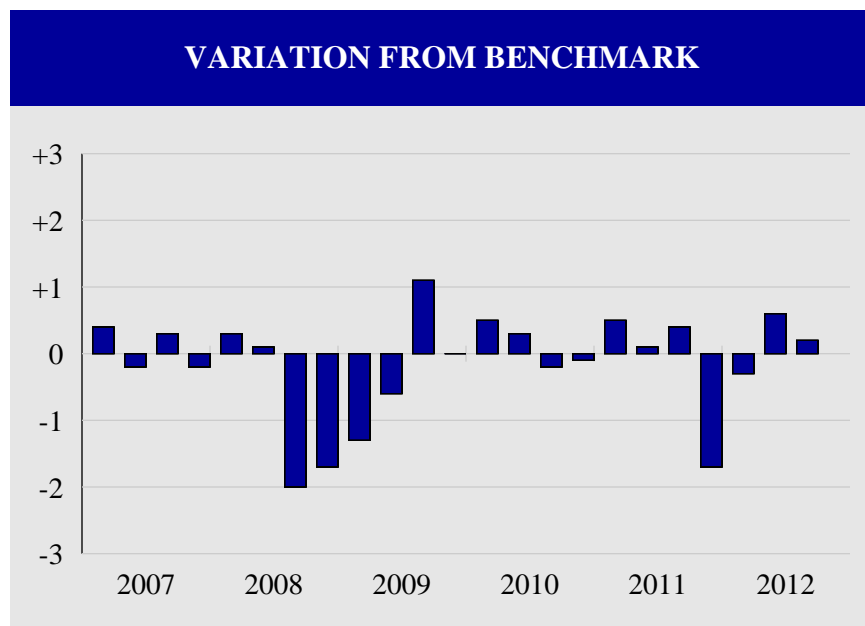
Total Quarters Observed	23
Quarters At or Above the Benchmark	14
Quarters Below the Benchmark	9
Batting Average	.609

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	3.4	2.0	1.4
6/07	5.1	4.2	0.9
9/07	2.4	2.3	0.1
12/07	0.0	-0.6	0.6
3/08	-4.7	-5.0	0.3
6/08	-0.6	-1.4	0.8
9/08	-8.6	-7.4	-1.2
12/08	-15.5	-13.6	-1.9
3/09	-7.4	-8.5	1.1
6/09	10.7	11.3	-0.6
9/09	11.5	10.6	0.9
12/09	3.3	2.7	0.6
3/10	4.4	3.5	0.9
6/10	-5.0	-6.2	1.2
9/10	9.0	9.2	-0.2
12/10	6.6	6.6	0.0
3/11	5.2	4.0	1.2
6/11	1.3	1.4	-0.1
9/11	-10.1	-9.0	-1.1
12/11	5.1	6.9	-1.8
3/12	7.7	8.0	-0.3
6/12	-2.2	-1.6	-0.6
9/12	4.8	4.7	0.1

PRIT CORE MANAGER SUMMARY



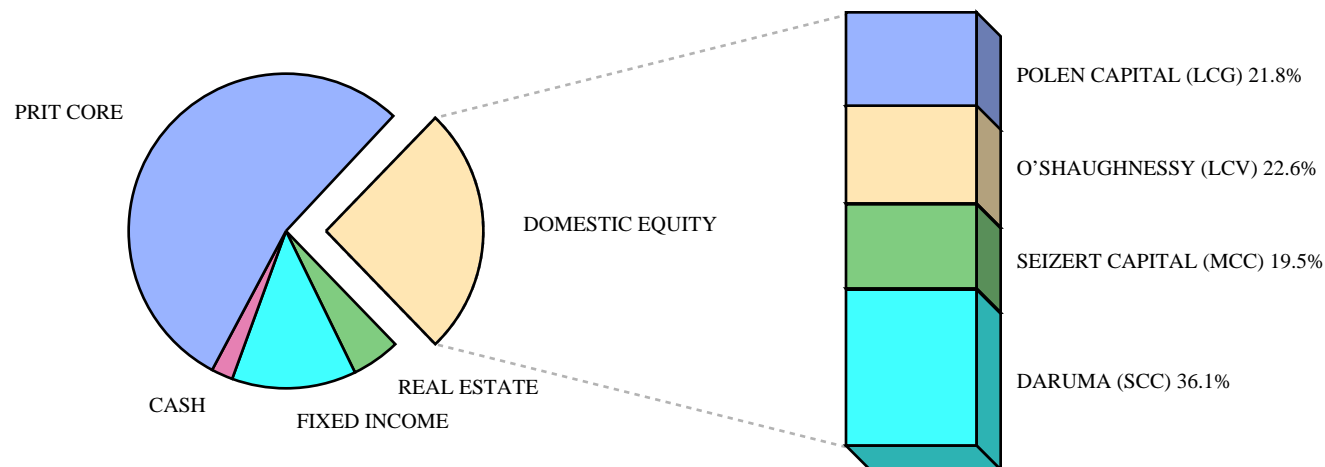
MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE FUND		4.4 ---	10.5 ---	14.6 ---	9.0 ---	0.9 ---	\$51,303,665
<i>Custom Core Index</i>		<i>4.2 ---</i>	<i>9.8 ---</i>	<i>15.7 ---</i>	<i>8.7 ---</i>	<i>1.8 ---</i>	---

PRIT CORE QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**

Total Quarters Observed	23
Quarters At or Above the Benchmark	13
Quarters Below the Benchmark	10
Batting Average	.565

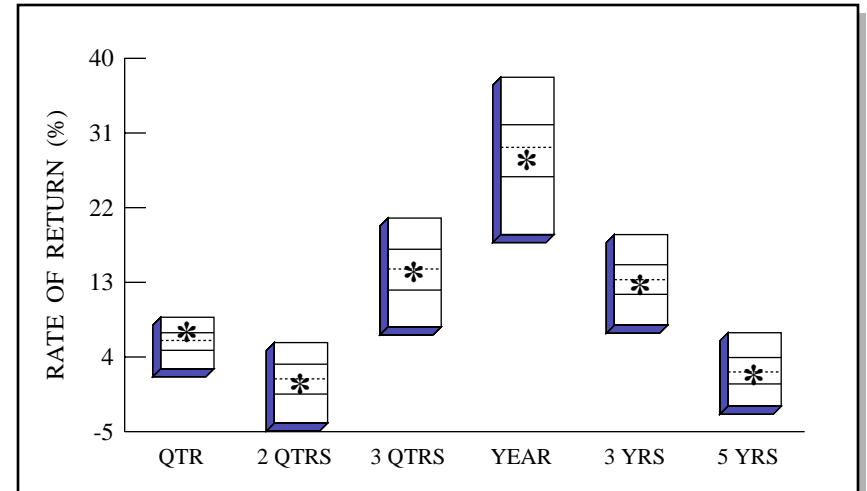
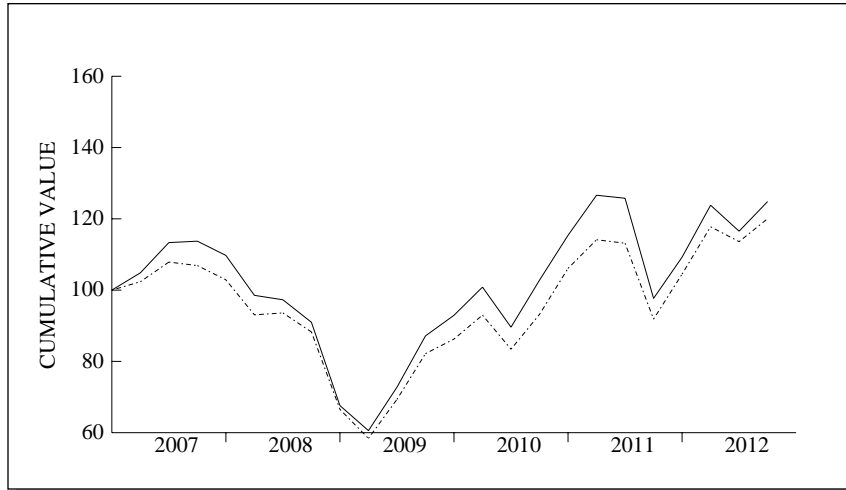
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	3.3	2.9	0.4
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.4	-0.2
3/08	-4.4	-4.7	0.3
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.6	-1.7
3/09	-8.1	-6.8	-1.3
6/09	11.7	12.3	-0.6
9/09	11.5	10.4	1.1
12/09	2.9	2.9	0.0
3/10	3.5	3.0	0.5
6/10	-5.0	-5.3	0.3
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.8	0.5
6/11	1.7	1.6	0.1
9/11	-9.0	-9.4	0.4
12/11	3.7	5.4	-1.7
3/12	7.3	7.6	-0.3
6/12	-1.5	-2.1	0.6
9/12	4.4	4.2	0.2

DOMESTIC EQUITY MANAGER SUMMARY

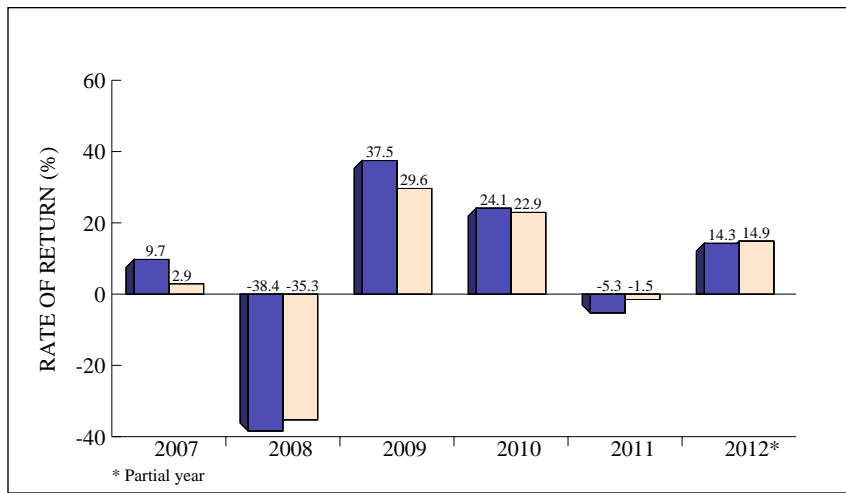


TOTAL RETURNS AND RANKINGS								
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE	
POLEN CAPITAL	(Large Cap Growth)	5.2 (77)	---- ----	---- ----	---- ----	---- ----	\$5,638,744	
<i>Russell 1000 Growth</i>		<i>6.1 ----</i>	<i>16.8 ----</i>	<i>29.2 ----</i>	<i>14.7 ----</i>	<i>3.2 ----</i>	----	
O'SHAUGHNESSY	(Large Cap Value)	4.9 (84)	---- ----	---- ----	---- ----	---- ----	\$5,628,226	
<i>Russell 1000 Value</i>		<i>6.5 ----</i>	<i>15.7 ----</i>	<i>30.9 ----</i>	<i>11.8 ----</i>	<i>-0.9 ----</i>	----	
SEIZERT CAPITAL	(Mid Cap)	11.7 (1)	15.1 (30)	29.0 (30)	---- ----	---- ----	\$4,941,551	
<i>Russell Mid Cap</i>		<i>5.6 ----</i>	<i>14.0 ----</i>	<i>28.0 ----</i>	<i>14.3 ----</i>	<i>2.2 ----</i>	----	
DARUMA	(Small Cap)	6.1 (40)	13.6 (56)	26.0 (83)	13.3 (67)	3.4 (47)	\$9,487,072	
<i>Russell 2000</i>		<i>5.2 ----</i>	<i>14.2 ----</i>	<i>31.9 ----</i>	<i>13.0 ----</i>	<i>2.2 ----</i>	----	

DOMESTIC EQUITY RETURN COMPARISONS



All Cap Universe

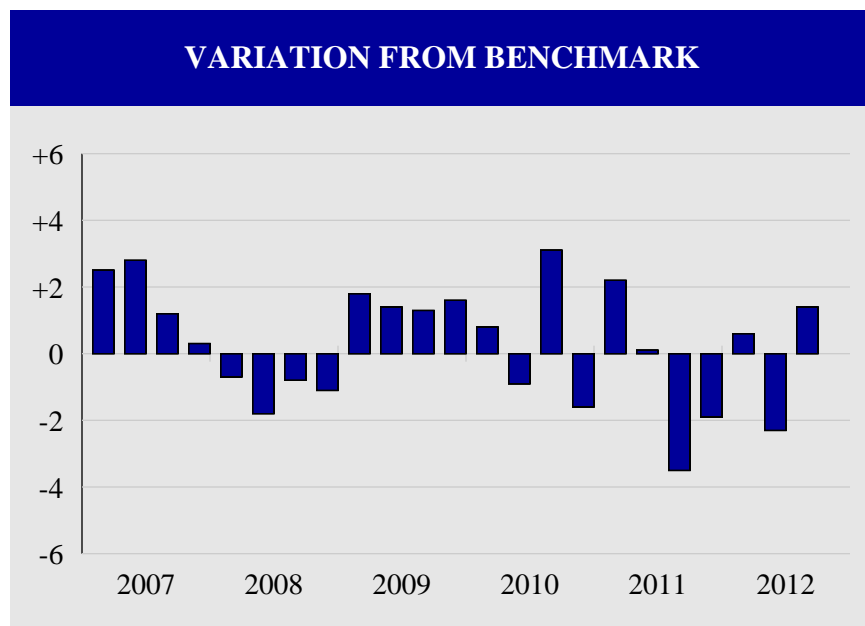


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	7.1	0.8	14.3	27.8	12.7	1.9
(RANK)	(21)	(58)	(54)	(61)	(60)	(55)
5TH %ILE	8.8	5.7	20.8	37.7	18.7	6.9
25TH %ILE	6.9	3.1	17.0	32.0	15.1	3.9
MEDIAN	6.0	1.4	14.6	29.3	13.3	2.2
75TH %ILE	4.8	-0.5	12.1	25.7	11.6	0.7
95TH %ILE	2.6	-4.0	7.6	18.7	7.8	-1.9
Equity Index	5.7	1.9	14.9	30.6	13.5	2.3

All Cap Universe

DOMESTIC EQUITY QUARTERLY PERFORMANCE SUMMARY

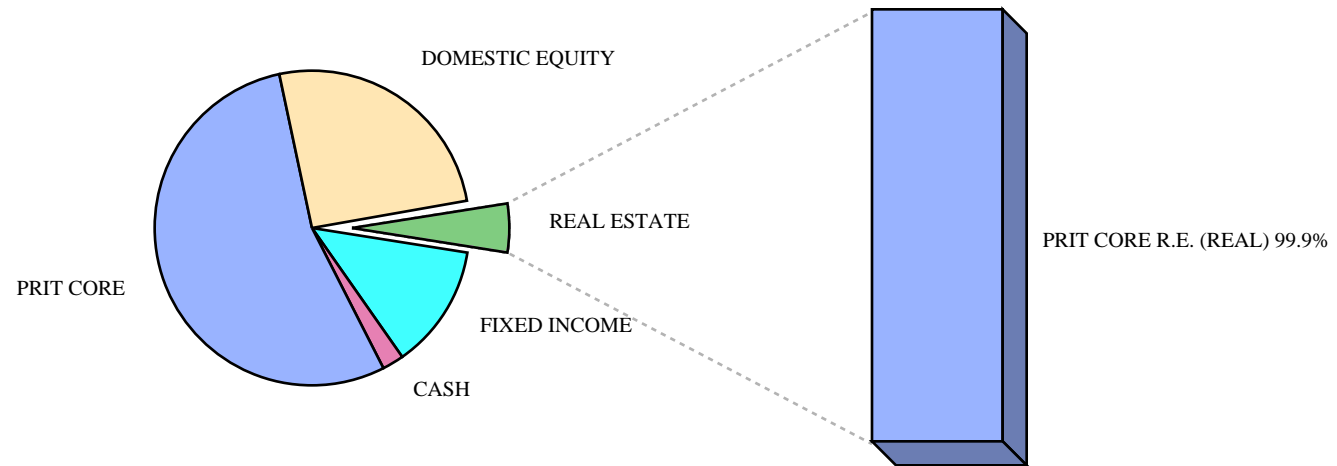
COMPARATIVE BENCHMARK: FRANKLIN COUNTY EQUITY INDEX



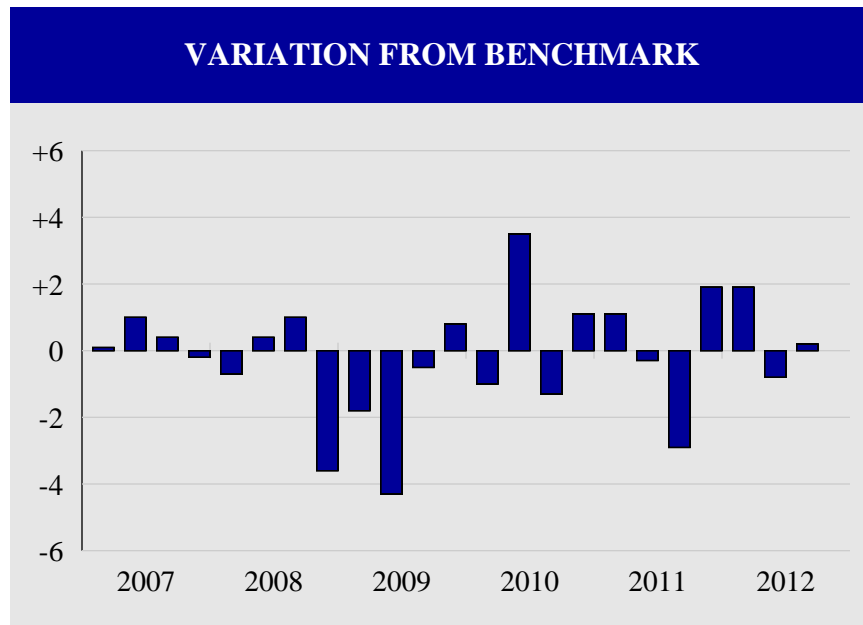
Total Quarters Observed	23
Quarters At or Above the Benchmark	14
Quarters Below the Benchmark	9
Batting Average	.609

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	4.9	2.4	2.5
6/07	8.1	5.3	2.8
9/07	0.3	-0.9	1.2
12/07	-3.5	-3.8	0.3
3/08	-10.2	-9.5	-0.7
6/08	-1.2	0.6	-1.8
9/08	-6.5	-5.7	-0.8
12/08	-25.7	-24.6	-1.1
3/09	-10.4	-12.2	1.8
6/09	20.1	18.7	1.4
9/09	19.8	18.5	1.3
12/09	6.6	5.0	1.6
3/10	8.5	7.7	0.8
6/10	-11.2	-10.3	-0.9
9/10	14.8	11.7	3.1
12/10	12.2	13.8	-1.6
3/11	9.8	7.6	2.2
6/11	-0.7	-0.8	0.1
9/11	-22.3	-18.8	-3.5
12/11	11.8	13.7	-1.9
3/12	13.3	12.7	0.6
6/12	-5.9	-3.6	-2.3
9/12	7.1	5.7	1.4

REAL ESTATE MANAGER SUMMARY



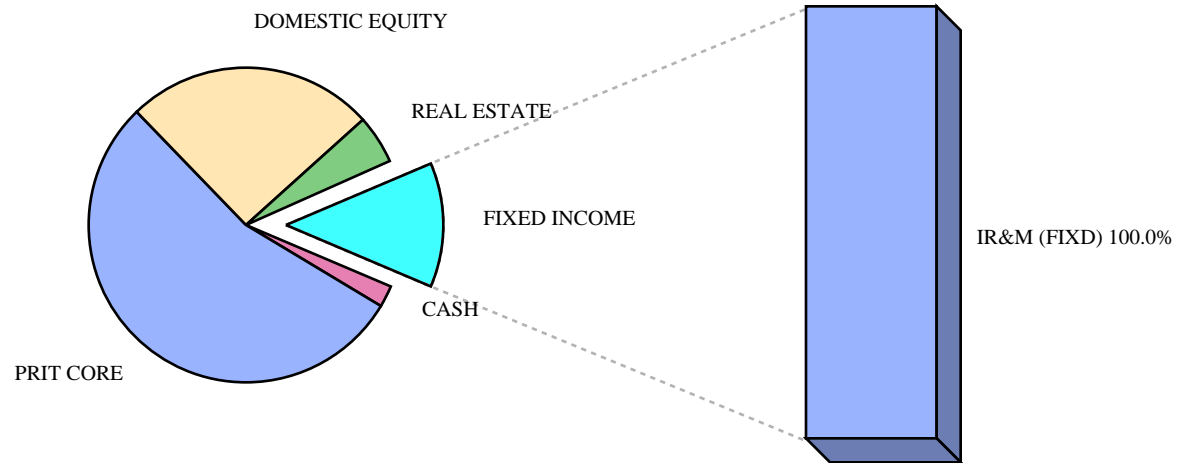
MANAGER	(UNIVERSE)	TOTAL RETURNS AND RANKINGS					MARKET VALUE
		QTR	YTD	1 YEAR	3 YEARS	5 YEARS	
PRIT CORE R.E.		3.0 ---	9.6 ---	15.5 ---	---- ---	---- ---	\$4,788,940
<i>NCREIF NFI-ODCE Index</i>		<i>2.8 ---</i>	<i>8.4 ---</i>	<i>11.6 ---</i>	<i>12.2 ---</i>	<i>-1.1 ---</i>	---

REAL ESTATE QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX**

Total Quarters Observed	23
Quarters At or Above the Benchmark	12
Quarters Below the Benchmark	11
Batting Average	.522

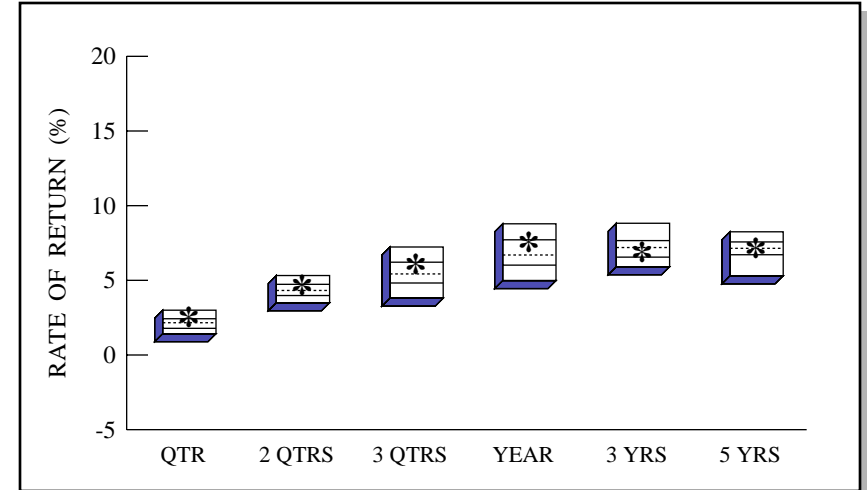
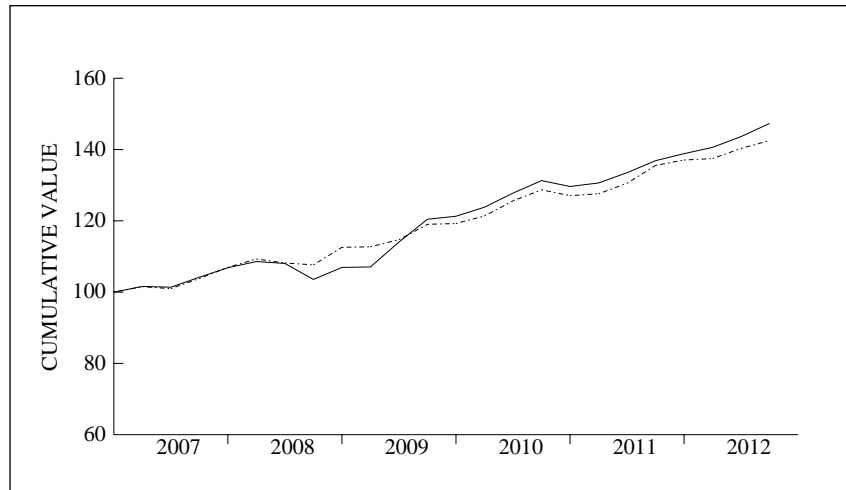
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	4.0	3.9	0.1
6/07	6.1	5.1	1.0
9/07	4.4	4.0	0.4
12/07	1.9	2.1	-0.2
3/08	0.7	1.4	-0.7
6/08	0.7	0.3	0.4
9/08	0.4	-0.6	1.0
12/08	-14.5	-10.9	-3.6
3/09	-15.5	-13.7	-1.8
6/09	-13.3	-9.0	-4.3
9/09	-7.8	-7.3	-0.5
12/09	-2.7	-3.5	0.8
3/10	-0.2	0.8	-1.0
6/10	7.9	4.4	3.5
9/10	4.1	5.4	-1.3
12/10	6.1	5.0	1.1
3/11	5.1	4.0	1.1
6/11	4.3	4.6	-0.3
9/11	0.6	3.5	-2.9
12/11	4.9	3.0	1.9
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2

FIXED INCOME MANAGER SUMMARY

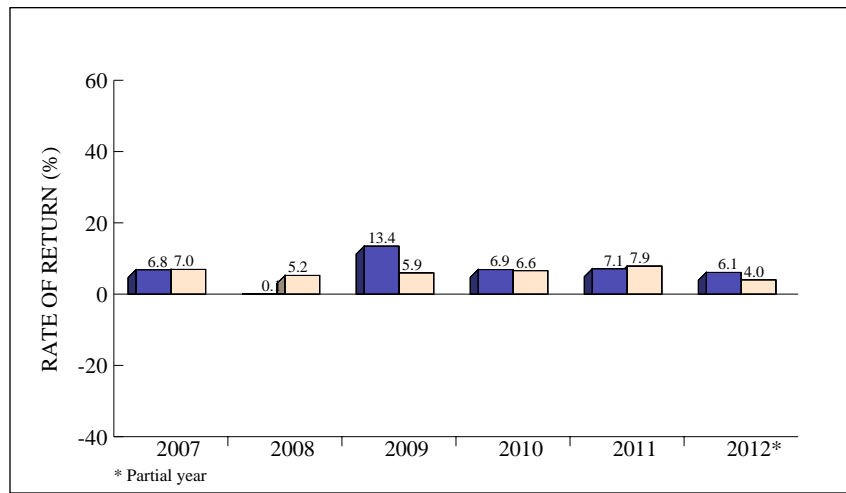


TOTAL RETURNS AND RANKINGS							
MANAGER	(UNIVERSE)	QTR	YTD	1 YEAR	3 YEARS	5 YEARS	MARKET VALUE
IR&M	(Core Fixed Income)	2.6 (20)	6.1 (29)	7.6 (27)	6.9 (59)	7.2 (50)	\$11,994,413
<i>Barclays Aggregate Index</i>		1.6 ----	4.0 ----	5.2 ----	6.2 ----	6.5 ----	----

FIXED INCOME RETURN COMPARISONS

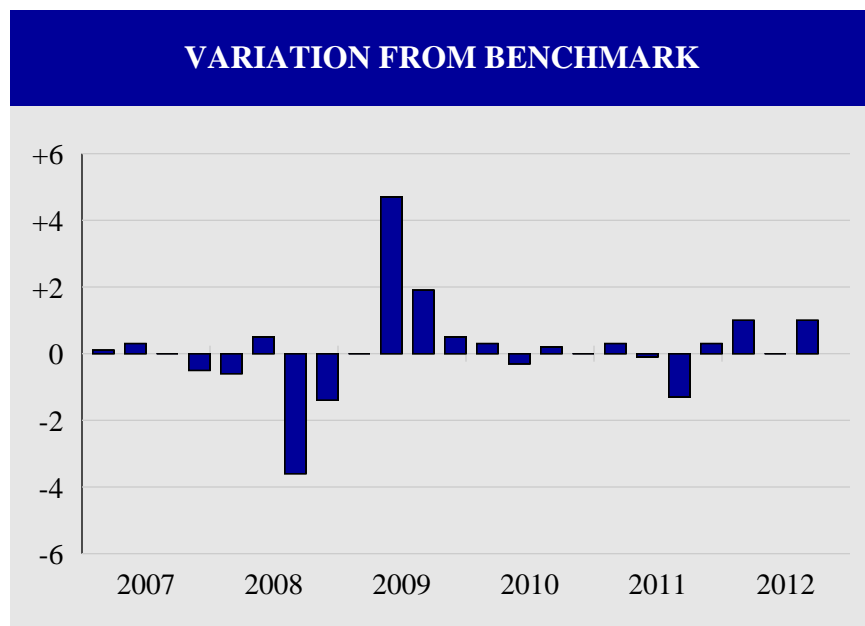


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.6	4.8	6.1	7.6	6.9	7.2
(RANK)	(20)	(23)	(29)	(27)	(59)	(50)
5TH %ILE	3.0	5.3	7.2	8.8	8.8	8.3
25TH %ILE	2.4	4.7	6.2	7.7	7.7	7.6
MEDIAN	2.2	4.3	5.4	6.7	7.2	7.2
75TH %ILE	1.8	4.0	4.8	6.0	6.6	6.7
95TH %ILE	1.4	3.5	3.8	5.0	5.9	5.3
Agg Index	1.6	3.7	4.0	5.2	6.2	6.5

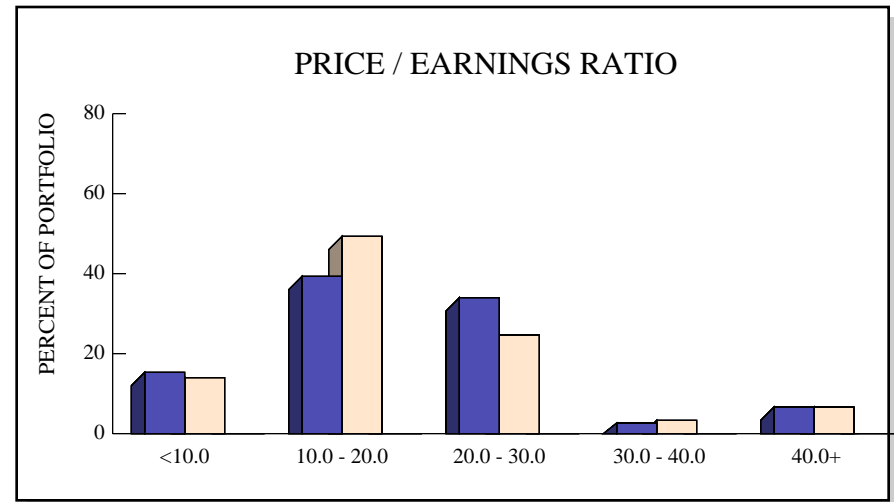
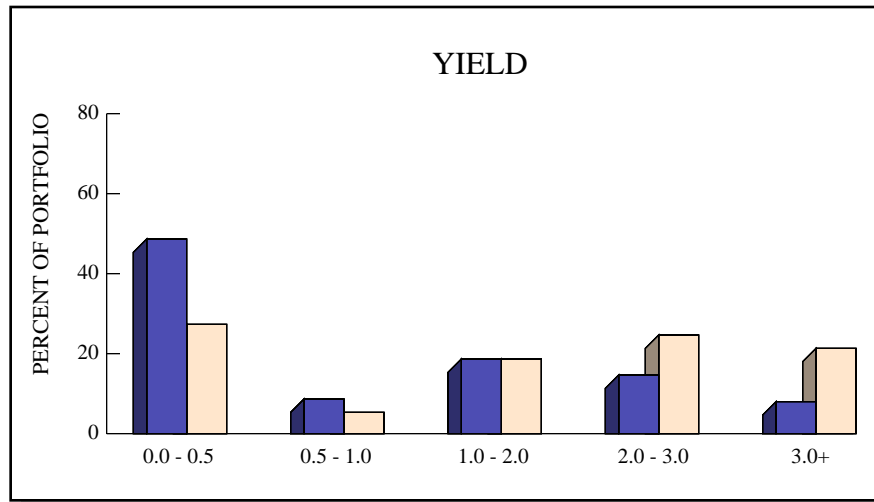
Core Fixed Income Universe

FIXED INCOME QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

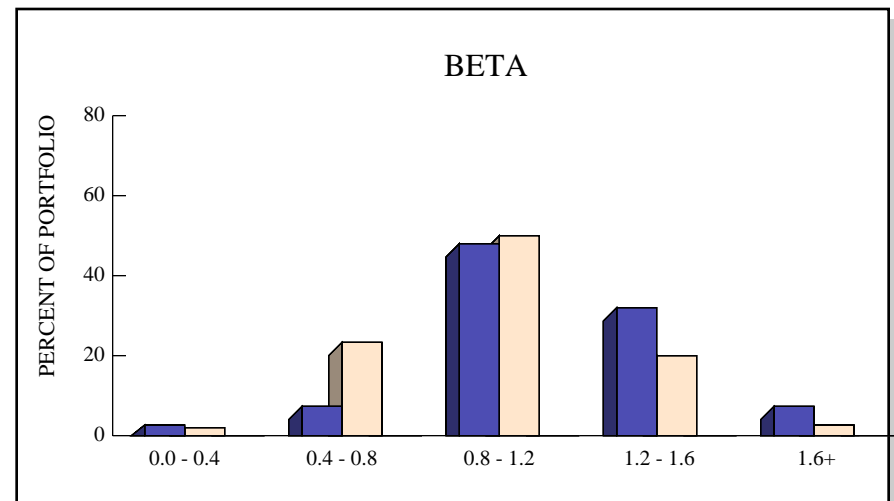
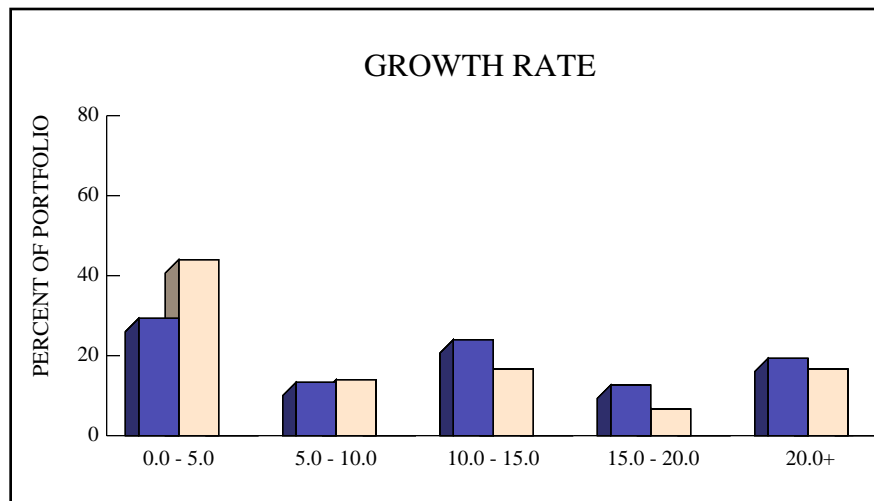
Total Quarters Observed	23
Quarters At or Above the Benchmark	16
Quarters Below the Benchmark	7
Batting Average	.696

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	1.6	1.5	0.1
6/07	-0.2	-0.5	0.3
9/07	2.8	2.8	0.0
12/07	2.5	3.0	-0.5
3/08	1.6	2.2	-0.6
6/08	-0.5	-1.0	0.5
9/08	-4.1	-0.5	-3.6
12/08	3.2	4.6	-1.4
3/09	0.1	0.1	0.0
6/09	6.5	1.8	4.7
9/09	5.6	3.7	1.9
12/09	0.7	0.2	0.5
3/10	2.1	1.8	0.3
6/10	3.2	3.5	-0.3
9/10	2.7	2.5	0.2
12/10	-1.3	-1.3	0.0
3/11	0.7	0.4	0.3
6/11	2.2	2.3	-0.1
9/11	2.5	3.8	-1.3
12/11	1.4	1.1	0.3
3/12	1.3	0.3	1.0
6/12	2.1	2.1	0.0
9/12	2.6	1.6	1.0

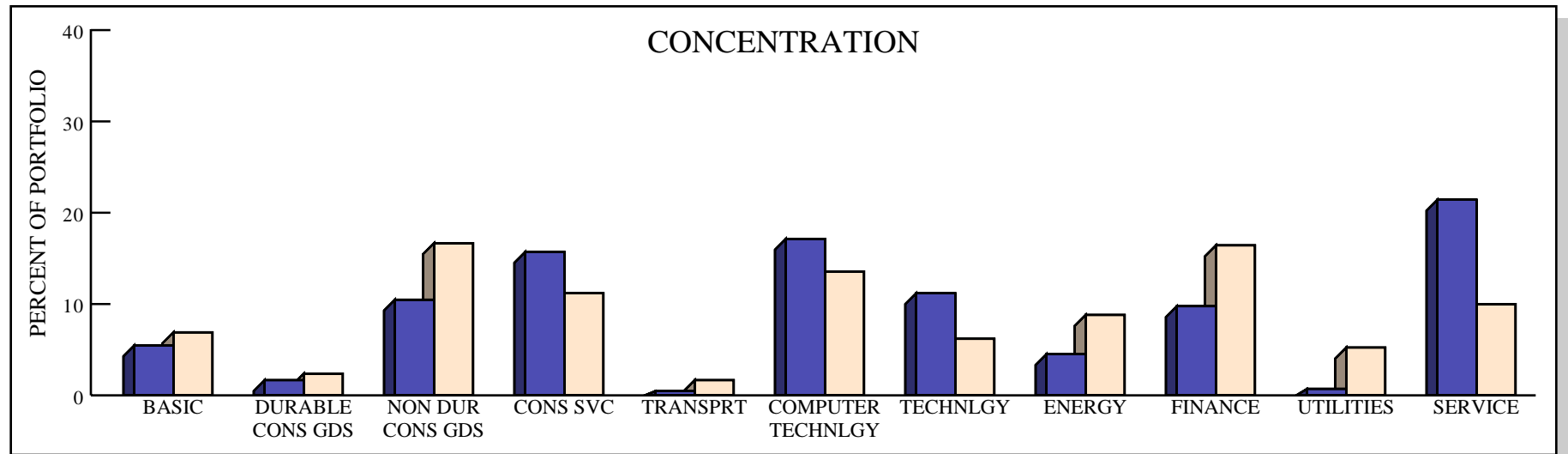
STOCK CHARACTERISTICS



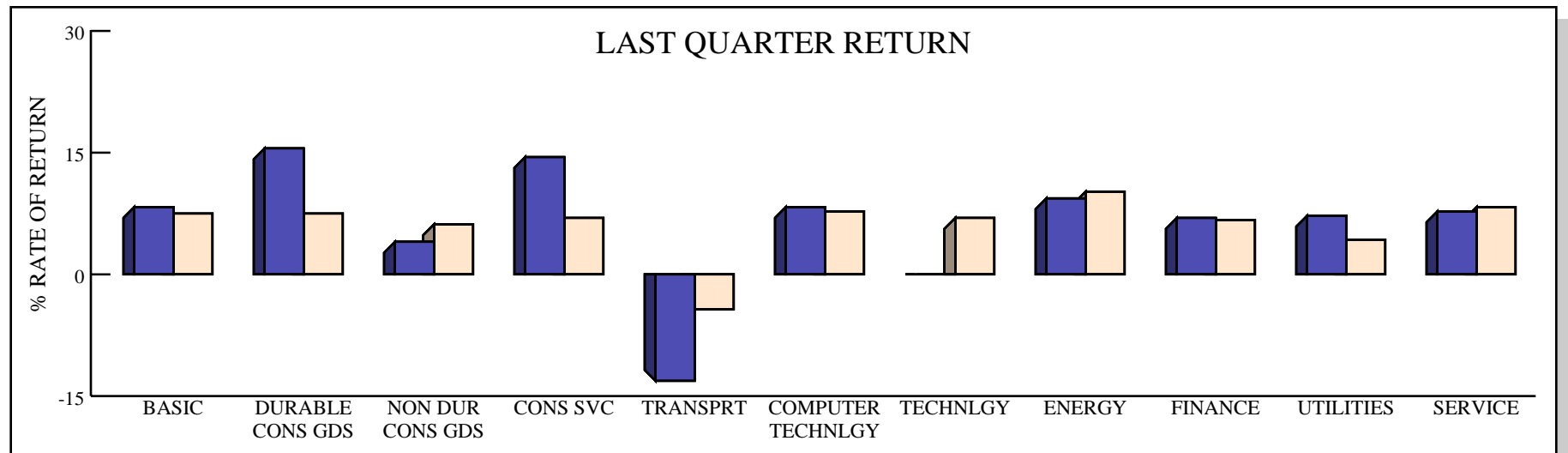
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.3%	11.5%	18.5	1.12
RUSSELL 3000	1.9%	9.0%	19.2	0.99



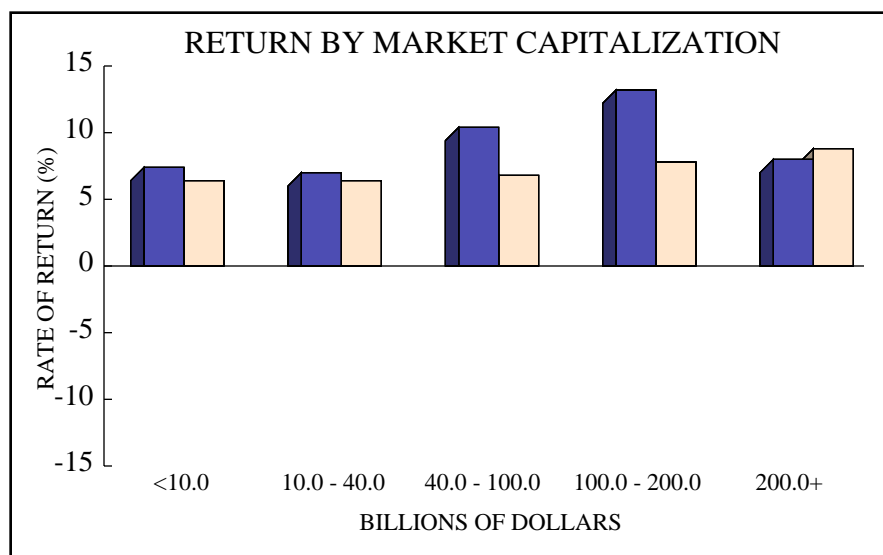
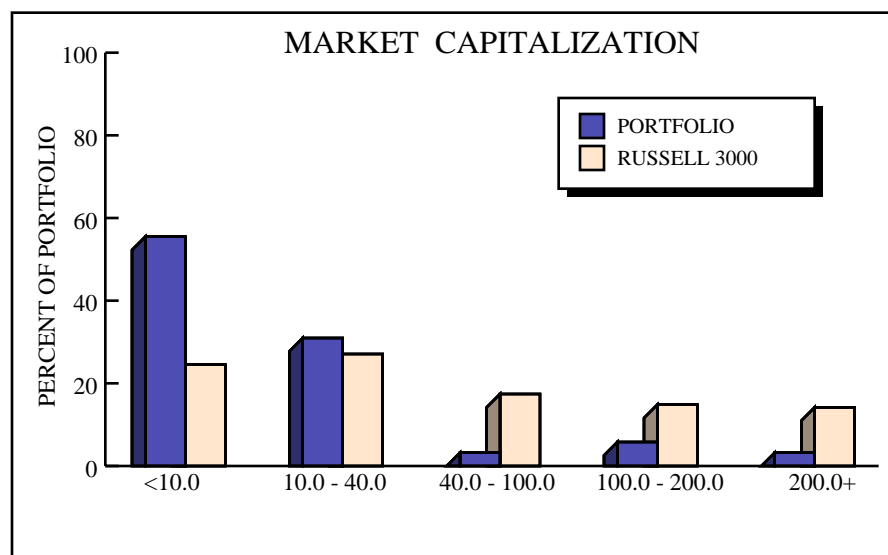
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 3000



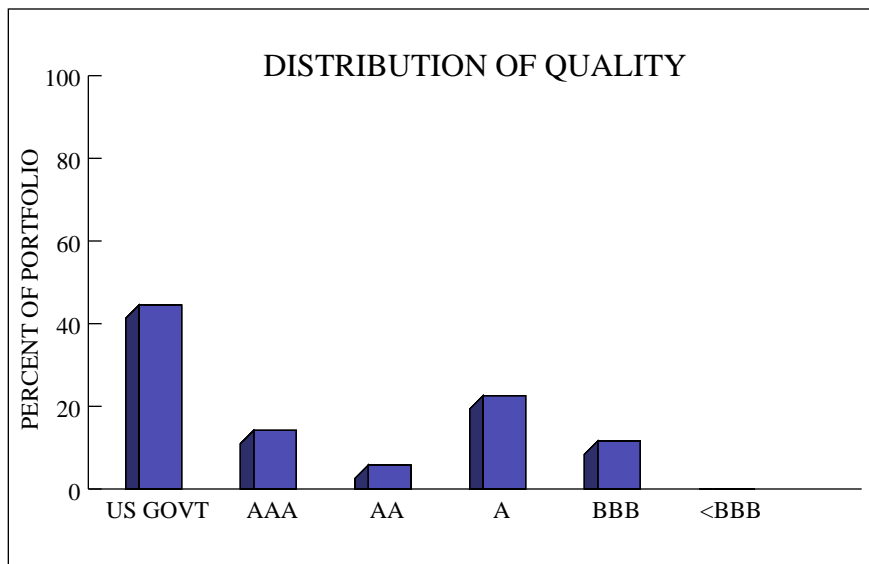
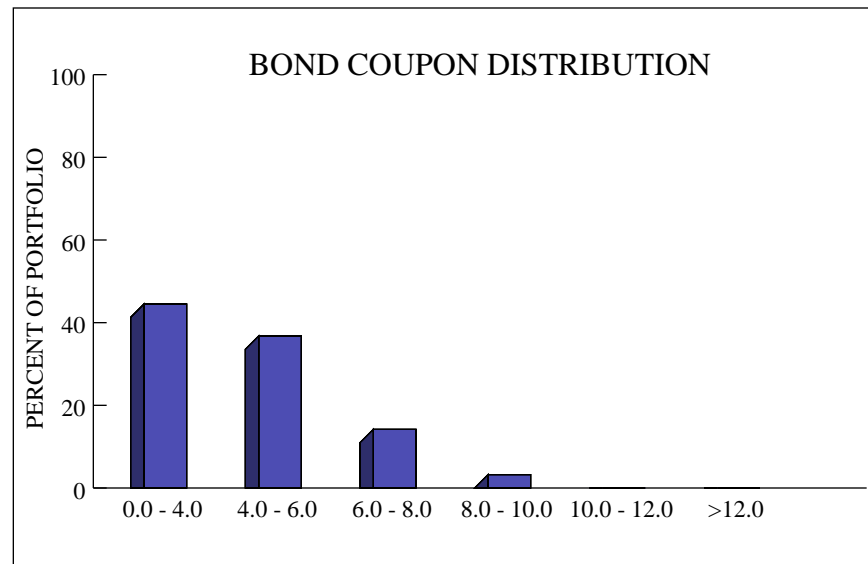
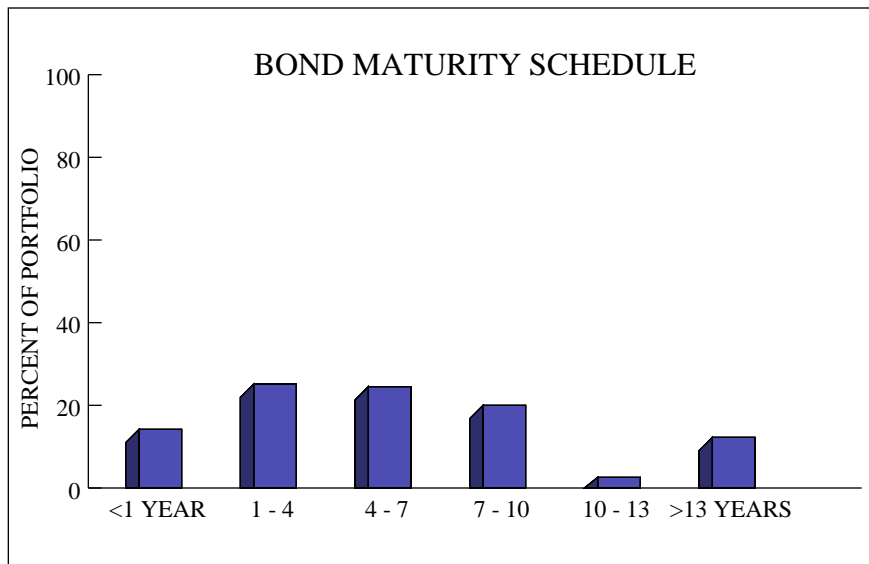
TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	APPLE INC	\$ 526,468	2.17%	14.3%	Computer Tech	\$ 625.5 B
2	L-3 COMMUNICATIONS HOLDINGS	415,057	1.71%	1.7%	Technology	6.9 B
3	GOOGLE INC-CL A	407,430	1.68%	30.1%	Computer Tech	197.7 B
4	LUMBER LIQUIDATORS HOLDINGS	383,901	1.58%	50.0%	Consumer Service	1.4 B
5	COGNIZANT TECH SOLUTIONS-A	376,309	1.55%	16.5%	Computer Tech	20.9 B
6	QUALCOMM INC	372,440	1.53%	12.6%	Technology	106.4 B
7	WRIGHT EXPRESS CORP	372,026	1.53%	13.0%	Service	2.7 B
8	ACXIOM CORP	371,064	1.53%	20.9%	Service	1.4 B
9	MAXIMUS INC	363,098	1.50%	15.6%	Service	2.0 B
10	COSTAR GROUP INC	348,176	1.43%	0.4%	Service	2.3 B

BOND CHARACTERISTICS



	PORTFOLIO	BARCLAYS AGG
No. of Securities	158	7,999
Duration	6.04	4.85
YTM	4.16	1.61
Average Coupon	4.11	3.67
Avg Maturity / WAL	10.37	6.73
Average Quality	AAA-AA	USG-AAA

APPENDIX - MAJOR MARKET INDEX RETURNS

Domestic Equity	Style	QTR	YTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	6.2	16.1	30.2	13.3	1.3
S&P 500	Large Cap Core	6.3	16.4	30.2	13.2	1.0
Russell 1000	Large Cap Core	6.3	16.3	30.1	13.3	1.2
Russell 1000 Growth	Large Cap Growth	6.1	16.8	29.2	14.7	3.2
Russell 1000 Value	Large Cap Value	6.5	15.7	30.9	11.8	-0.9
Russell Mid Cap	Midcap	5.6	14.0	28.0	14.3	2.2
Russell Mid Cap Growth	Midcap Growth	5.3	13.9	26.7	14.7	2.5
Russell Mid Cap Value	Midcap Value	5.8	14.0	29.2	13.9	1.7
Russell 2000	Small Cap	5.2	14.2	31.9	13.0	2.2
Russell 2000 Growth	Small Cap Growth	4.8	14.1	31.2	14.2	2.9
Russell 2000 Value	Small Cap Value	5.7	14.4	32.6	11.7	1.3
International Equity	Style	QTR	YTD	1 Year	3 years	5 Years
MSCI EAFE	Developed Markets Equity	7.0	10.6	14.3	2.6	-4.8
MSCI EAFE Growth	Developed Markets Growth	6.4	10.9	15.2	4.7	-3.9
MSCI EAFE Value	Developed Markets Value	7.6	10.2	13.3	0.5	-5.7
MSCI All Country World Ex US	Foreign Equity	7.5	10.9	15.0	3.6	-3.7
MSCI Emerging Markets	Emerging Markets Equity	7.9	12.3	17.3	5.9	-1.0
Domestic Fixed Income	Style	QTR	YTD	1 Year	3 years	5 Years
Barclays Aggregate Index	Core Fixed Income	1.6	4.0	5.2	6.2	6.5
Barclays Gov/Credit	Gov/Credit	1.7	4.4	5.7	6.5	6.6
Barclays Capital Gov't Bond	Treasuries	0.6	2.1	2.9	5.1	6.0
Barclays Capital Credit Bond	Corporate Bonds	3.7	8.5	10.6	8.8	8.4
Intermediate Aggregate	Core Intermediate	1.4	3.4	4.3	5.3	6.0
Intermediate Gov/Credit	Gov / Credit Intermediate	1.4	3.5	4.4	5.2	5.7
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.3	0.4	0.6	1.4	2.8
CSFB High Yield	High Yield Bonds	4.3	11.2	17.9	12.5	8.6
Alternative Assets	Style	QTR	YTD	1 Year	3 years	5 Years
Barclays Global Ex-US	International Treasuries	4.0	4.8	4.4	1.5	4.8
NCREIF NFI-ODCE Index	Real Estate	2.8	8.4	11.6	12.2	-1.1
HFRI FOF Composite	Hedge Funds	2.4	3.4	2.9	0.9	-1.5
DJCS Tremont Hedge Fund Index	Hedge Funds	2.1	2.5	3.0	2.8	0.7

APPENDIX - DISCLOSURES

- * The Policy index is a policy-weighted passive index and was constructed as follows:
40% Russell 3000 Index / 25% Barclays Aggregate Index / 15% EAFE Index / 10% NCREIF NFI-ODCE/ 2.5% NCREIF Timber / 7.5% S&P 500
- * The Custom Equity index was constructed as follows:
44.5% Russell 2000 index / 33.3% S&P 500 index / 22.2% S&P 400 index
- * The Custom PRIT Core Policy Index is a policy-weighted passive index and was constructed as follows:
26.0% Russell 3000 20.0% MSCI EAFE 5.0% MSCI Emerging Markets
15.0% Barclays Aggregate 5.0% CSFB Hi Yield 10.0% Cambridge Private Equity
10.0% NCREIF NFI-ODCE 4.0% NCREIF Timber 5.0% HFRI Fund of Funds Composite
- * Performance for the Cambridge Private Equity Index is unavailable for the current quarter, a flat return of 0% is assumed.
- * Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- * All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- * All returns for periods greater than one year are annualized.
- * All values are in US dollars.

FRANKLIN REGIONAL RETIREMENT SYSTEM
PRIT CORE FUND
PERFORMANCE REVIEW
SEPTEMBER 2012

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's PRIT Core Fund was valued at \$51,303,665, representing an increase of \$3,130,407 from the June quarter's ending value of \$48,173,258. Last quarter, the Fund posted net contributions equaling \$934,596 plus a net investment gain equaling \$2,195,811. Total net investment return was the result of income receipts, which totaled \$347,420 and net realized and unrealized capital gains of \$1,848,391.

For the cumulative period since December 2006, the fund has recorded net contributions totaling \$522,811, and recorded net investment gains of \$8.2 million. For the period since December 2006, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$67.5 million or \$16.2 million more than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

The Custom Core Index is a target-weighted passive index of the asset classes used in the PRIT Core Fund. Among the indices used was the Cambridge Private Equity Index, which had to assume a flat return for the quarter due to the unavailability of its data.

In the third quarter, the PRIT Core Fund gained 4.4%, which was 0.2% greater than the Custom Core Index's return of 4.2%. Over the trailing twelve-month period, the portfolio returned 14.6%, which was 1.1% below the benchmark's 15.7% return. Since December 2006, the account returned 2.8% on an annualized basis, while the Custom Core Index returned an annualized 3.4% over the same time frame.

ASSET ALLOCATION

This portfolio was fully invested in the PRIT Core Fund at the end of the quarter.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	4.4	10.5	14.6	9.0	2.8
Total Net/Fees	4.3	10.0	14.0	8.4	2.2
CUSTOM CORE IDX	4.2	9.8	15.7	8.7	3.4
PRIT Core	4.4	10.5	14.6	9.0	2.8
CUSTOM CORE IDX	4.2	9.8	15.7	8.7	3.4

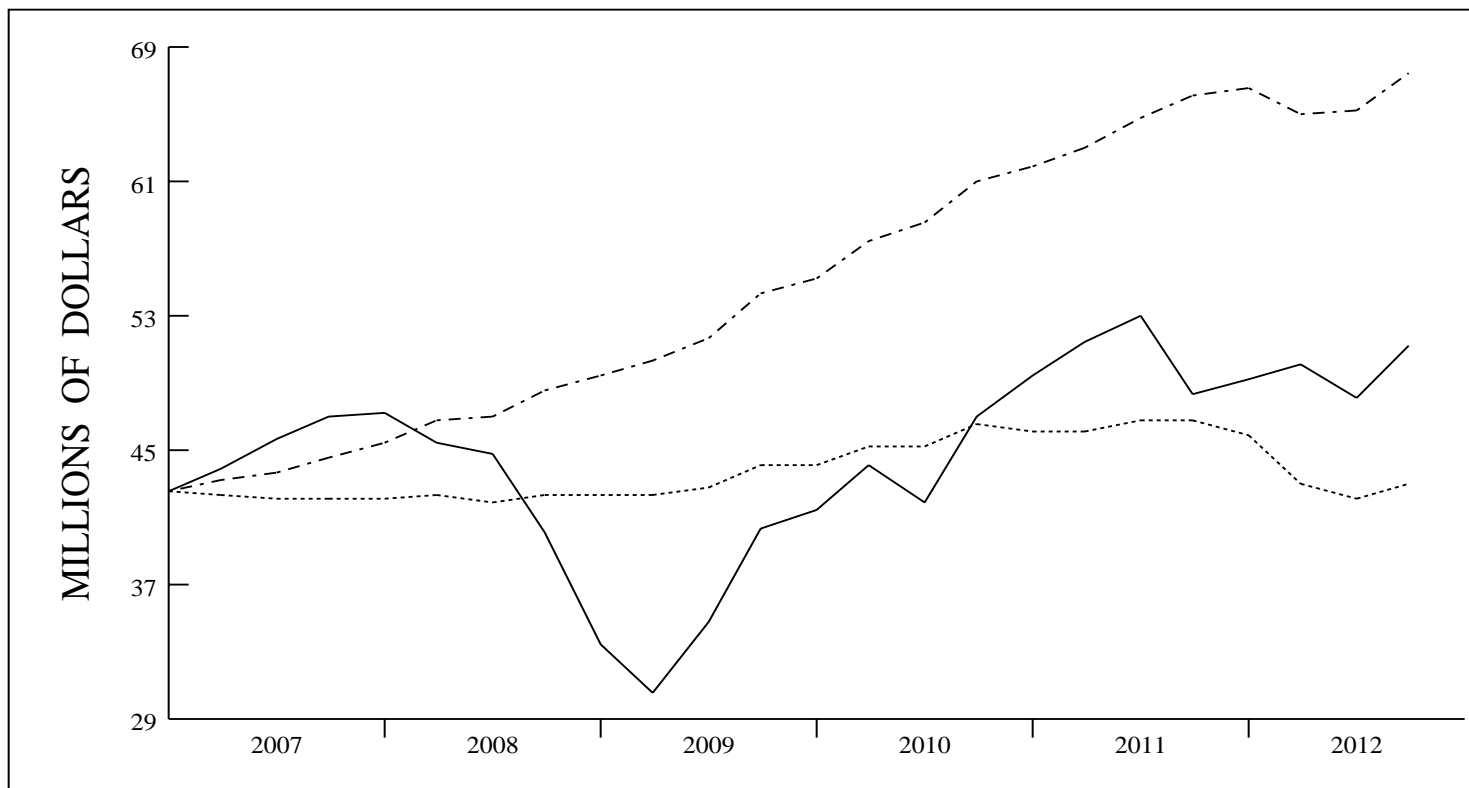
ASSET ALLOCATION

PRIT Core	100.0%	\$ 51,303,665
Total Portfolio	100.0%	\$ 51,303,665

INVESTMENT RETURN

Market Value 6/2012	\$ 48,173,258
Contribs / Withdrawals	934,596
Income	347,420
Capital Gains / Losses	1,848,391
Market Value 9/2012	\$ 51,303,665

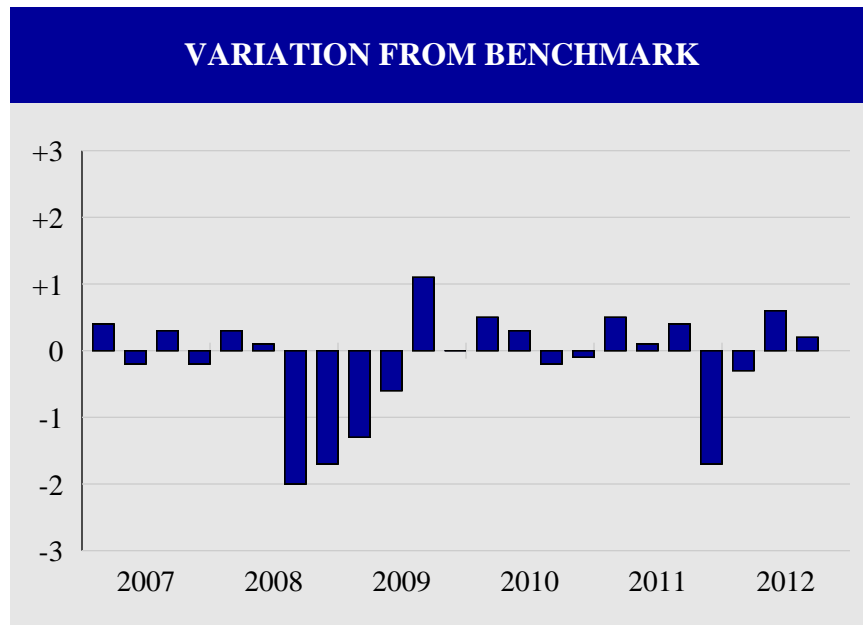
INVESTMENT GROWTH



— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 67,480,220

	LAST QUARTER	PERIOD 12/06 - 9/12
BEGINNING VALUE	\$ 48,173,258	\$ 42,558,456
NET CONTRIBUTIONS	934,596	522,811
<u>INVESTMENT RETURN</u>	<u>2,195,811</u>	<u>8,222,398</u>
ENDING VALUE	\$ 51,303,665	\$ 51,303,665
INCOME	347,420	8,034,985
<u>CAPITAL GAINS (LOSSES)</u>	<u>1,848,391</u>	<u>187,413</u>
INVESTMENT RETURN	2,195,811	8,222,398

PRIT CORE QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: CUSTOM CORE INDEX**

Total Quarters Observed	23
Quarters At or Above the Benchmark	13
Quarters Below the Benchmark	10
Batting Average	.565

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	3.3	2.9	0.4
6/07	5.0	5.2	-0.2
9/07	3.0	2.7	0.3
12/07	0.2	0.4	-0.2
3/08	-4.4	-4.7	0.3
6/08	-0.5	-0.6	0.1
9/08	-11.4	-9.4	-2.0
12/08	-16.3	-14.6	-1.7
3/09	-8.1	-6.8	-1.3
6/09	11.7	12.3	-0.6
9/09	11.5	10.4	1.1
12/09	2.9	2.9	0.0
3/10	3.5	3.0	0.5
6/10	-5.0	-5.3	0.3
9/10	8.9	9.1	-0.2
12/10	6.1	6.2	-0.1
3/11	4.3	3.8	0.5
6/11	1.7	1.6	0.1
9/11	-9.0	-9.4	0.4
12/11	3.7	5.4	-1.7
3/12	7.3	7.6	-0.3
6/12	-1.5	-2.1	0.6
9/12	4.4	4.2	0.2

FRANKLIN REGIONAL RETIREMENT SYSTEM
POLEN CAPITAL MANAGEMENT
PERFORMANCE REVIEW
SEPTEMBER 2012

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's Polen Capital Management portfolio was valued at \$5,638,744, representing an increase of \$740,507 from the June quarter's ending value of \$4,898,237. Last quarter, the Fund posted net contributions equaling \$450,000 plus a net investment gain equaling \$290,507. Total net investment return was the result of income receipts, which totaled \$14,501 and net realized and unrealized capital gains of \$276,006.

For the cumulative period since March 2012, the fund has recorded net contributions totaling \$450,000 and recorded net investment losses of \$84,410. For the period since March 2012, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$5.9 million or \$295,632 more than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

In the third quarter, the Polen Capital Management portfolio gained 5.2%, which was 0.9% below the Russell 1000 Growth Index's return of 6.1% and ranked in the 77th percentile of the Large Cap Growth universe.

ASSET ALLOCATION

At the end of the third quarter, domestic equities comprised 93.8% of the total portfolio (\$5.3 million), while cash & equivalents comprised the remaining 6.2% (\$350,231).

ANALYSIS

The Polen portfolio was highly concentrated in the Computer Technology sector last quarter. The Technology sector was also overweight, to a lesser extent. The allocation to the Finance sector was in line with the benchmark. The Non-Durable Goods, Consumer Service, and Service sectors were underweight, while the remaining five sectors were vacant.

The portfolio's concentration in the Computer Technology sector was effective, as this sector was a strong performer in the Large Cap Growth market, and even better for the portfolio. The overweight position in the Technology sector, however, did not work out as well, as the portfolio posted relatively low returns there. The portfolio also underperformed in the Consumer Service and Finance sectors, while the Service sector showed strong selection. Overall, the portfolio trailed the index by 90 basis points.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 3/2012
Total Gross/Fees	5.2	----	----	----	-2.3
<i>LARGE CAP GROWTH RANK</i>	(77)	----	----	----	(89)
Total Net/Fees	5.1	----	----	----	-2.5
RUSSELL 1000G	6.1	16.8	29.2	14.7	1.9
Domestic Equity	5.6	----	----	----	-2.4
<i>LARGE CAP GROWTH RANK</i>	(68)	----	----	----	(90)
RUSSELL 1000G	6.1	16.8	29.2	14.7	1.9

* Annualized Return

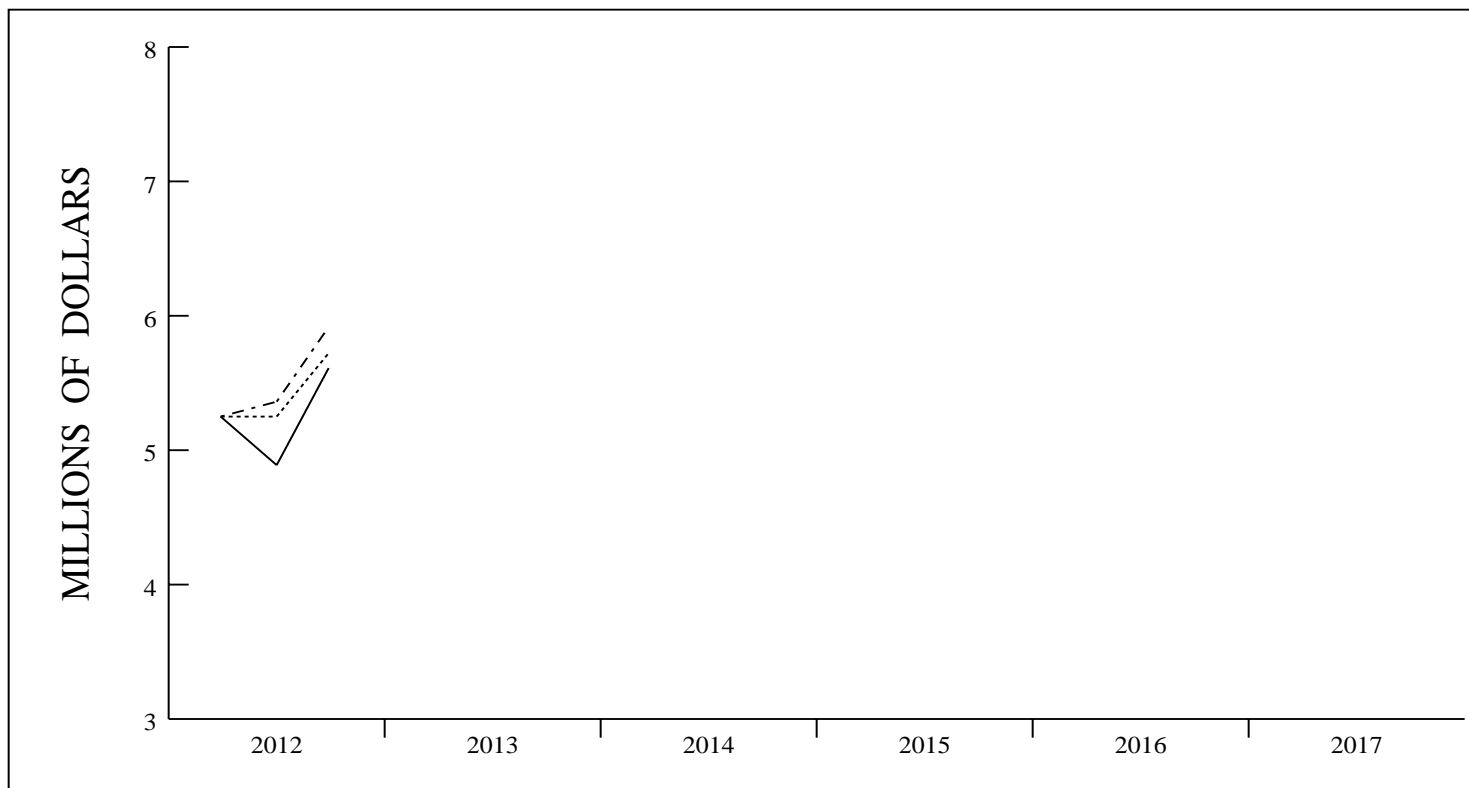
ASSET ALLOCATION

Domestic Equity	93.8%	\$ 5,288,513
Cash	6.2%	350,231
Total Portfolio	100.0%	\$ 5,638,744

INVESTMENT RETURN

Market Value 6/2012	\$ 4,898,237
Contribs / Withdrawals	450,000
Income	14,501
Capital Gains / Losses	276,006
Market Value 9/2012	\$ 5,638,744

INVESTMENT GROWTH

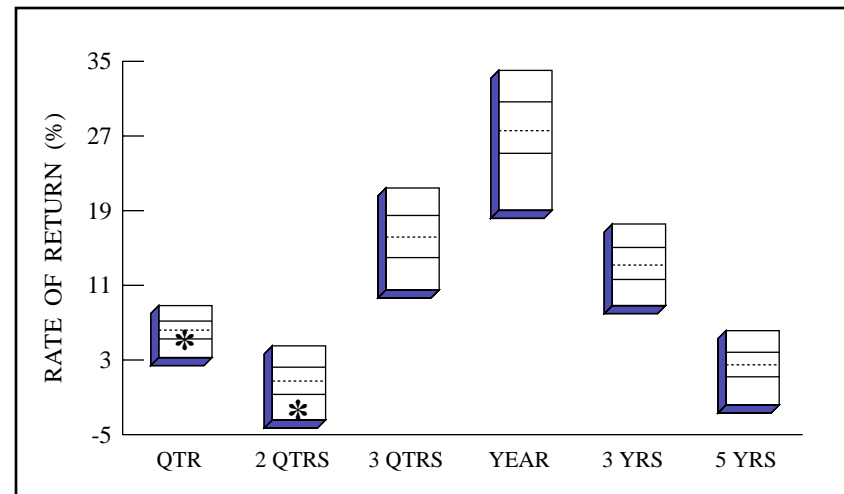
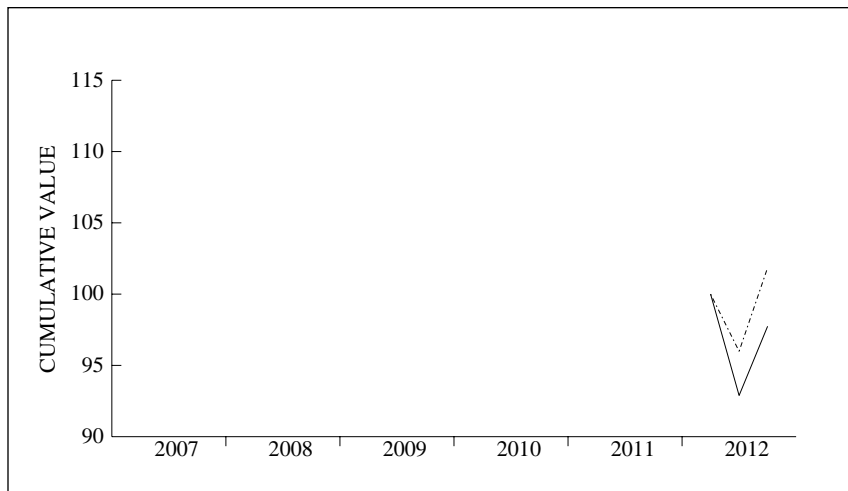


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

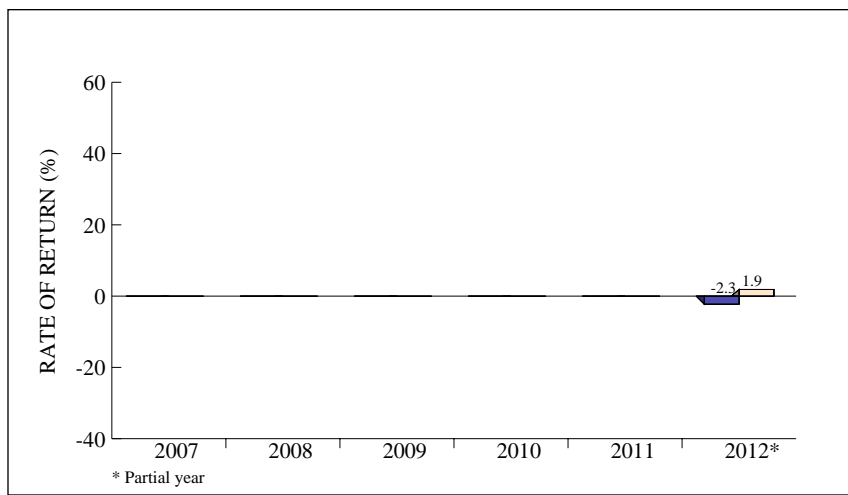
VALUE ASSUMING
 8.0% RETURN
 \$ 5,934,376

	LAST QUARTER	PERIOD 3/12 - 9/12
BEGINNING VALUE	\$ 4,898,237	\$ 5,273,154
NET CONTRIBUTIONS	450,000	450,000
<u>INVESTMENT RETURN</u>	<u>290,507</u>	<u>- 84,410</u>
ENDING VALUE	\$ 5,638,744	\$ 5,638,744
INCOME	14,501	27,569
CAPITAL GAINS (LOSSES)	<u>276,006</u>	<u>-111,979</u>
INVESTMENT RETURN	290,507	- 84,410

TOTAL RETURN COMPARISONS



Large Cap Growth Universe

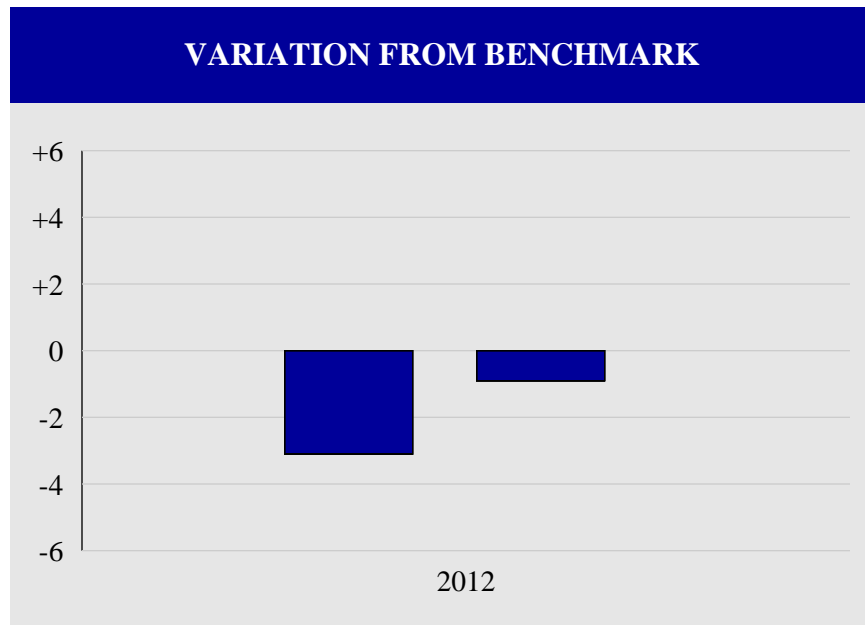


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	-----ANNUALIZED-----	
					<u>3 YRS</u>	<u>5 YRS</u>
RETURN	5.2	-2.3	----	----	----	----
(RANK)	(77)	(89)	----	----	----	----
5TH %ILE	8.8	4.5	21.4	34.0	17.6	6.1
25TH %ILE	7.2	2.2	18.5	30.7	15.1	3.8
MEDIAN	6.2	0.7	16.2	27.6	13.2	2.5
75TH %ILE	5.3	-0.7	14.0	25.2	11.6	1.2
95TH %ILE	3.3	-3.4	10.5	19.0	8.8	-1.8
Russ 1000G	6.1	1.9	16.8	29.2	14.7	3.2

Large Cap Growth Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

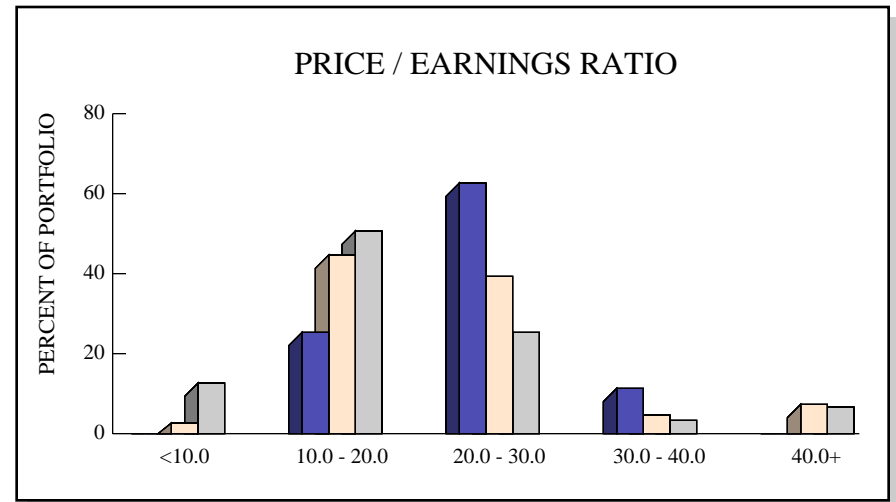
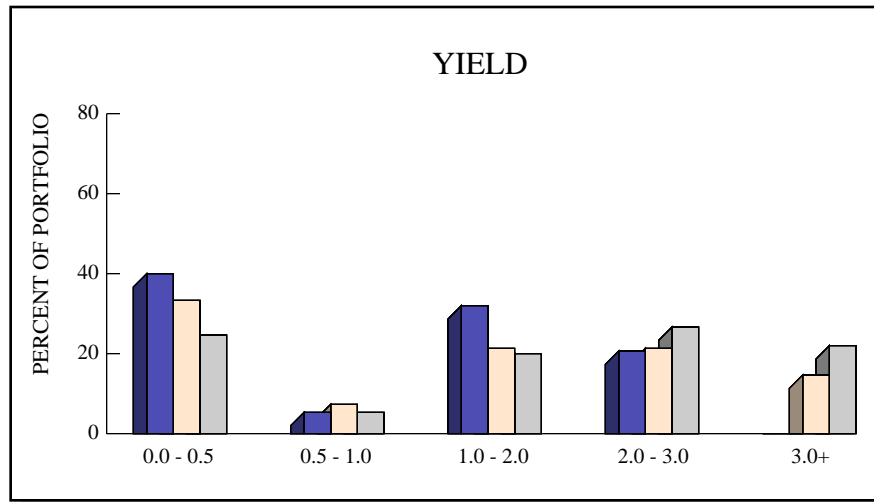
COMPARATIVE BENCHMARK: RUSSELL 1000 GROWTH



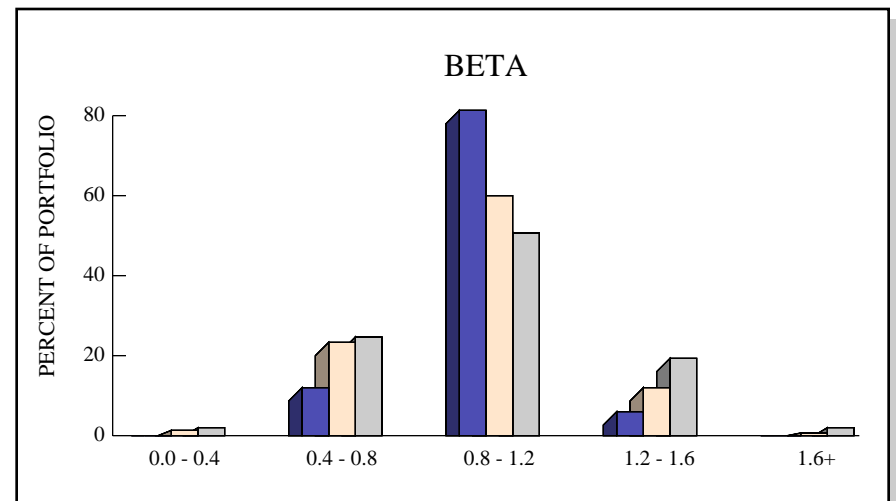
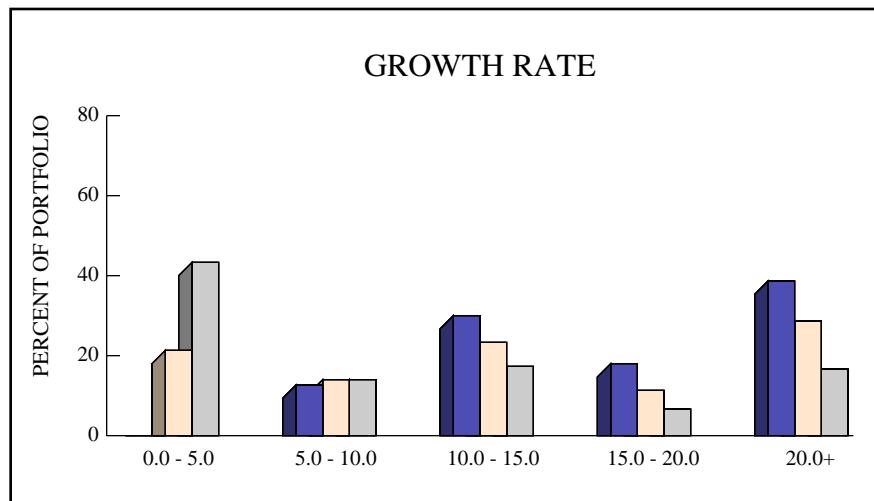
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-7.1	-4.0	-3.1
9/12	5.2	6.1	-0.9

Total Quarters Observed	2
Quarters At or Above the Benchmark	0
Quarters Below the Benchmark	2
Batting Average	.000

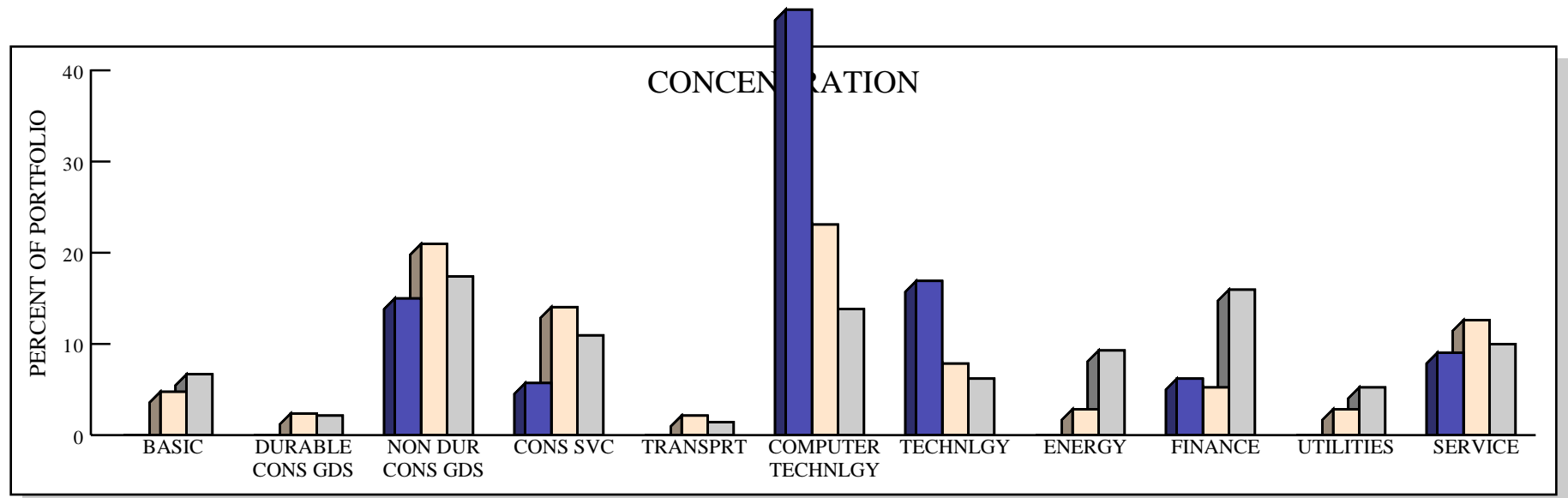
STOCK CHARACTERISTICS



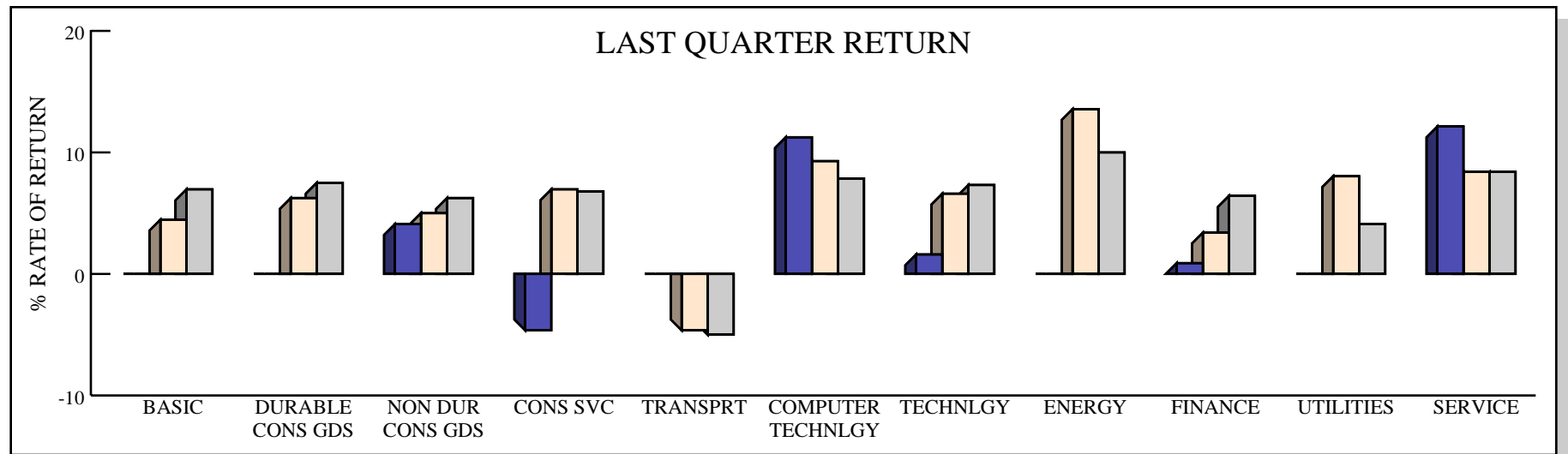
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.0%	22.9%	23.3	1.00
RUSSELL 1000G	1.5%	17.0%	22.3	0.95
RUSSELL 1000	1.9%	9.1%	19.4	0.98



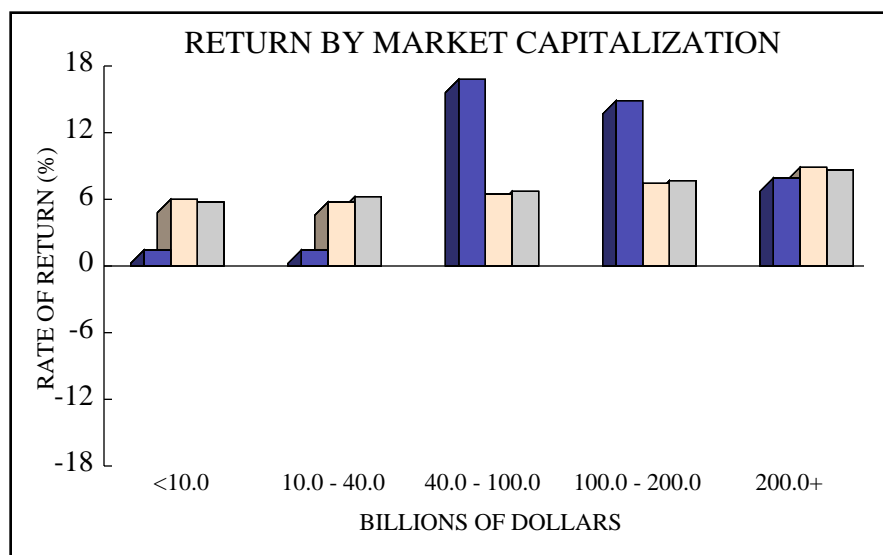
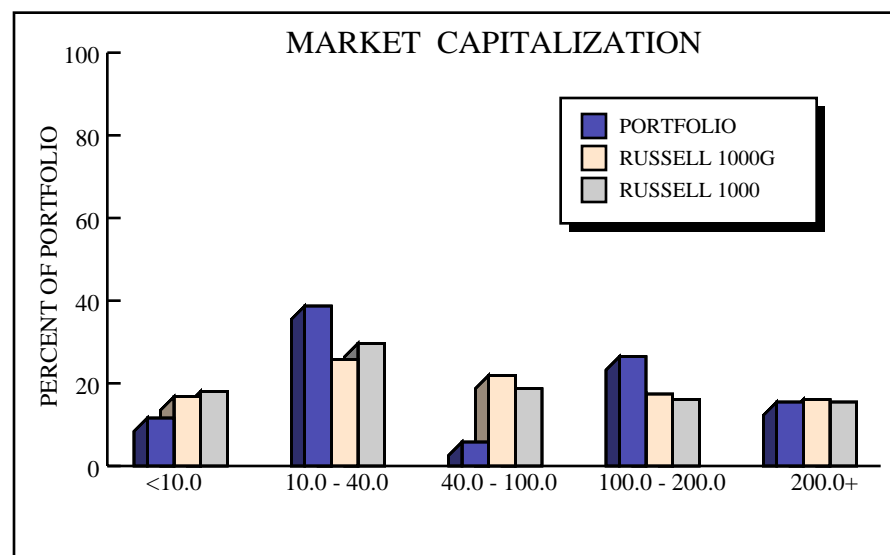
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 1000 GROWTH ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	APPLE INC	\$ 526,468	9.95%	14.3%	Computer Tech	\$ 625.5 B
2	GOOGLE INC-CL A	407,430	7.70%	30.1%	Computer Tech	197.7 B
3	COGNIZANT TECH SOLUTIONS-A	376,309	7.12%	16.5%	Computer Tech	20.9 B
4	QUALCOMM INC	372,440	7.04%	12.6%	Technology	106.4 B
5	ACCENTURE PLC-CL A	341,046	6.45%	17.0%	Service	44.8 B
6	T ROWE PRICE GROUP INC	329,160	6.22%	1.1%	Finance	16.1 B
7	ABBOTT LABORATORIES	326,551	6.17%	7.1%	NonDur Cons Goods	107.6 B
8	MICROSOFT CORP	317,633	6.01%	-2.0%	Computer Tech	249.7 B
9	ALLERGAN INC	315,951	5.97%	-1.0%	NonDur Cons Goods	27.6 B
10	STARBUCKS CORP	308,560	5.83%	-4.5%	Consumer Service	38.6 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
O'SHAUGHNESSY ASSET MANAGEMENT
PERFORMANCE REVIEW
SEPTEMBER 2012

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's O'Shaughnessy Asset Management portfolio was valued at \$5,628,226, representing an increase of \$673,564 from the June quarter's ending value of \$4,954,662. Last quarter, the Fund posted net contributions equaling \$399,703 plus a net investment gain equaling \$273,861. Total net investment return was the result of income receipts, which totaled \$44,102 and net realized and unrealized capital gains of \$229,759.

For the cumulative period since March 2012, the fund has recorded net contributions totaling \$399,588, and recorded net investment gains of \$125,526. For the period since March 2012, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$5.7 million or \$78,537 more than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

Total Fund

In the third quarter, the O'Shaughnessy Asset Management portfolio gained 4.9%, which was 1.6% below the Russell 1000 Value Index's return of 6.5% and ranked in the 84th percentile of the Large Cap Value universe.

ASSET ALLOCATION

On September 30th, 2012, domestic equities comprised 97.6% of the total portfolio (\$5.5 million), while cash & equivalents comprised the remaining 2.4% (\$132,681).

STOCK ANALYSIS

At the end of the quarter, the portfolio was diversified across nine of the eleven industry sectors in our analysis. Relative to the Russell 1000 Value, the portfolio maintained notably higher concentrations in the Consumer Service, Technology, and Service sectors. In contrast, the portfolio's Non-durable Consumer Goods, Energy, Finance and Utilities sectors were the most notably under-weighted. The Basic and Durable Consumer Goods sectors were vacant of holdings.

The portfolio struggled with stock selection during the third quarter – it fell behind the benchmark in five of the ten utilized sectors. Steep losses were recorded in Transportation sector, while the Computer Technology recorded a decline in contrast to the respective sector-gain for the index. The strong returns from the Service sector provided some relief, unfortunately it was not enough to overcome the losses seen elsewhere in the portfolio.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Years*	Since 3/2012
Total Gross/Fees	4.9	----	----	----	1.9
<i>LARGE CAP VALUE RANK</i>	(84)	----	----	----	(61)
Total Net/Fees	4.8	----	----	----	1.6
RUSSELL 1000V	6.5	15.7	30.9	11.8	4.2
Domestic Equity	5.0	----	----	----	1.9
<i>LARGE CAP VALUE RANK</i>	(81)	----	----	----	(59)
RUSSELL 1000V	6.5	15.7	30.9	11.8	4.2

* Annualized Return

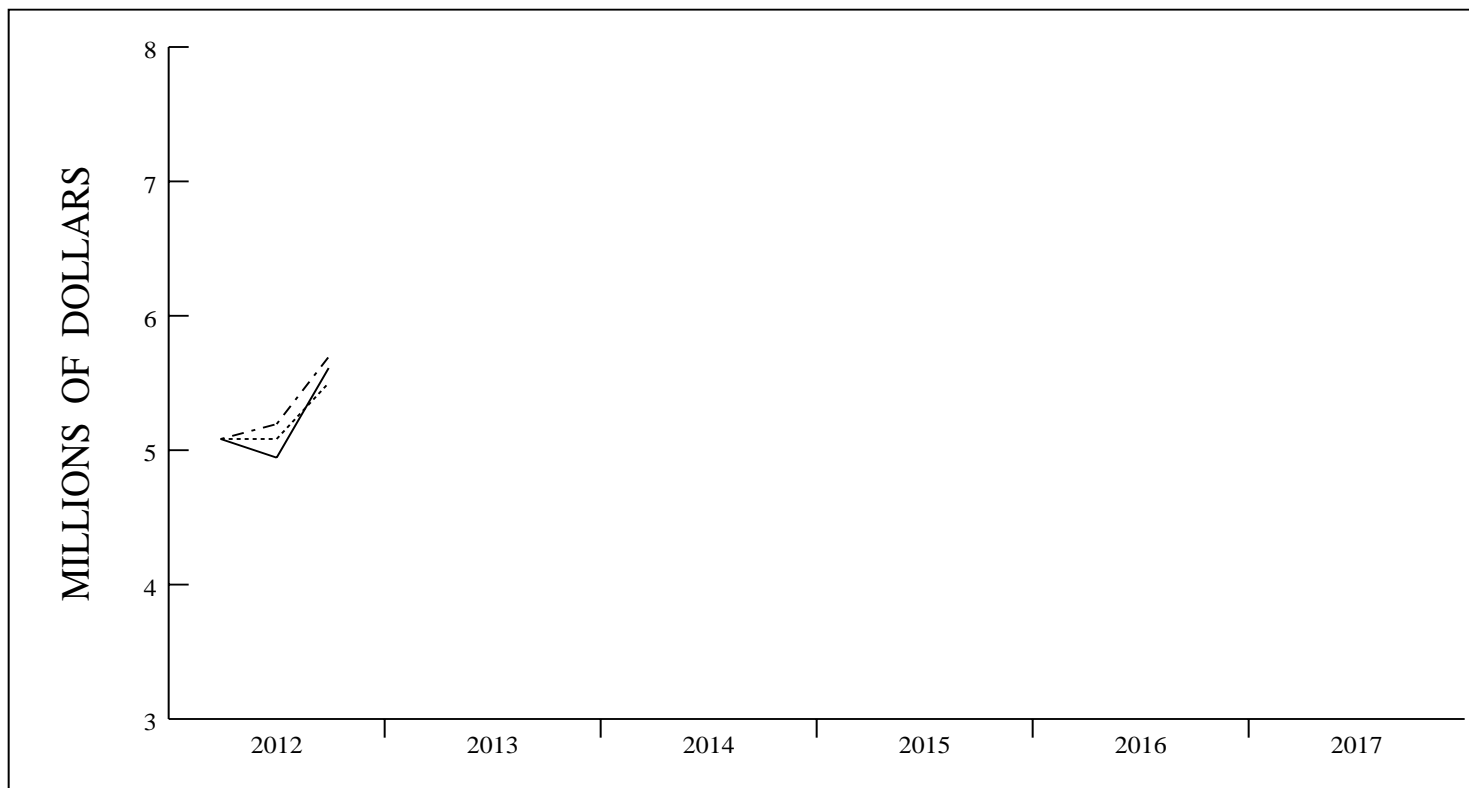
ASSET ALLOCATION

Domestic Equity	97.6%	\$ 5,495,545
Cash	2.4%	132,681
Total Portfolio	100.0%	\$ 5,628,226

INVESTMENT RETURN

Market Value 6/2012	\$ 4,954,662
Contribs / Withdrawals	399,703
Income	44,102
Capital Gains / Losses	229,759
Market Value 9/2012	\$ 5,628,226

INVESTMENT GROWTH

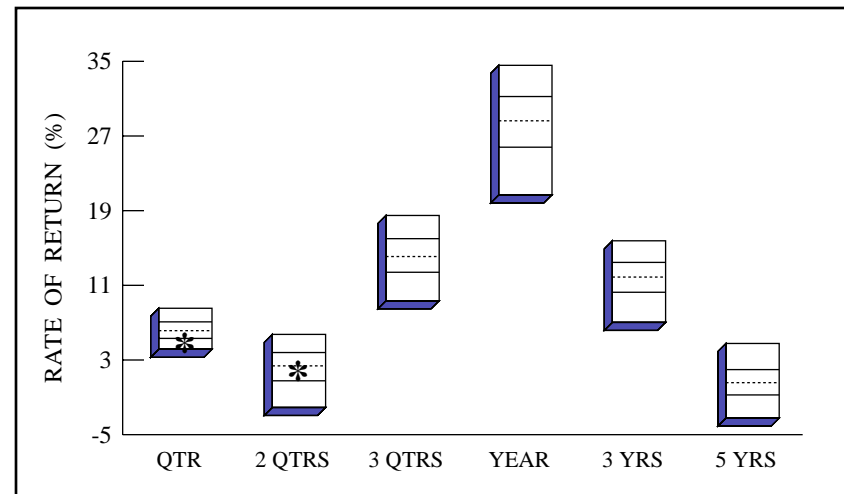
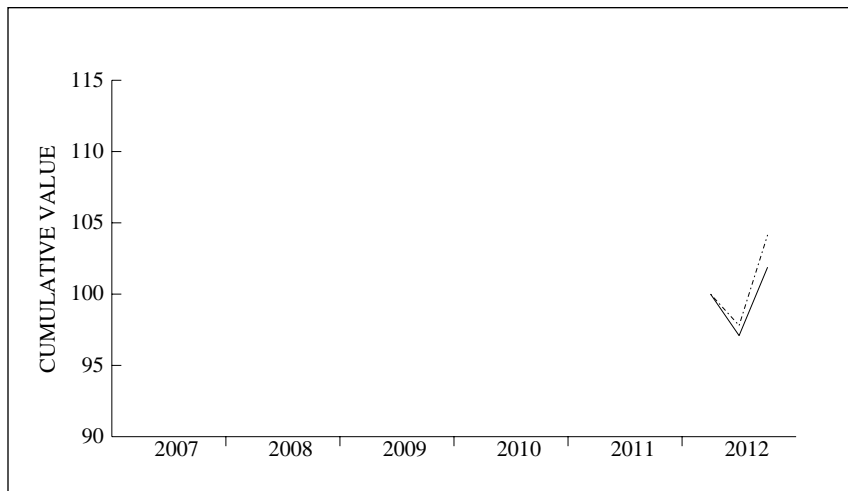


————	ACTUAL RETURN
- - - - -	8.0%
.....	0.0%

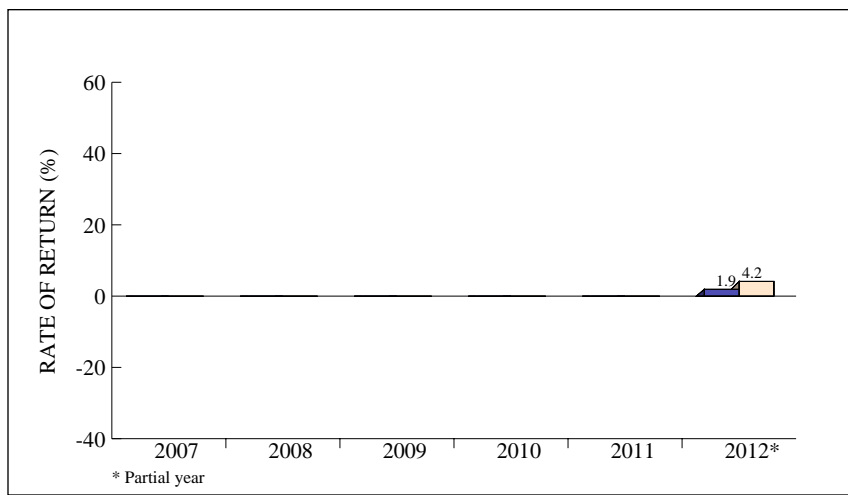
VALUE ASSUMING 8.0% RETURN
\$ 5,706,763

	LAST QUARTER	PERIOD 3/12 - 9/12
BEGINNING VALUE	\$ 4,954,662	\$ 5,103,112
NET CONTRIBUTIONS	399,703	399,588
<u>INVESTMENT RETURN</u>	<u>273,861</u>	<u>125,526</u>
ENDING VALUE	\$ 5,628,226	\$ 5,628,226
INCOME	44,102	99,249
CAPITAL GAINS (LOSSES)	<u>229,759</u>	<u>26,277</u>
INVESTMENT RETURN	273,861	125,526

TOTAL RETURN COMPARISONS



Large Cap Value Universe



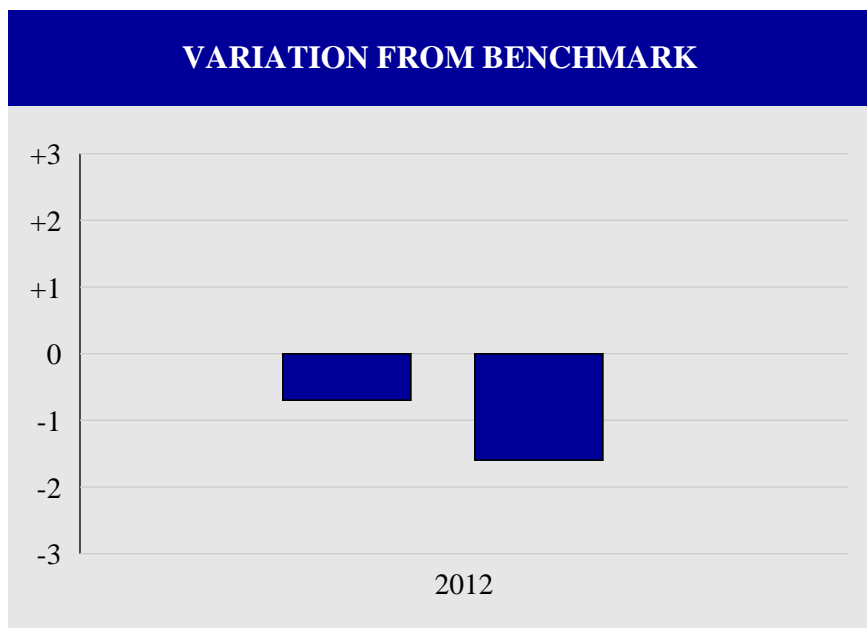
* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	4.9	1.9	---	---	---	---
(RANK)	(84)	(61)	---	---	---	---
5TH %ILE	8.6	5.7	18.5	34.6	15.8	4.8
25TH %ILE	7.1	3.8	16.0	31.2	13.5	2.0
MEDIAN	6.1	2.4	14.1	28.6	11.9	0.6
75TH %ILE	5.3	0.8	12.4	25.8	10.3	-0.8
95TH %ILE	4.1	-2.1	9.4	20.7	7.0	-3.2
Russ 1000V	6.5	4.2	15.7	30.9	11.8	-0.9

Large Cap Value Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

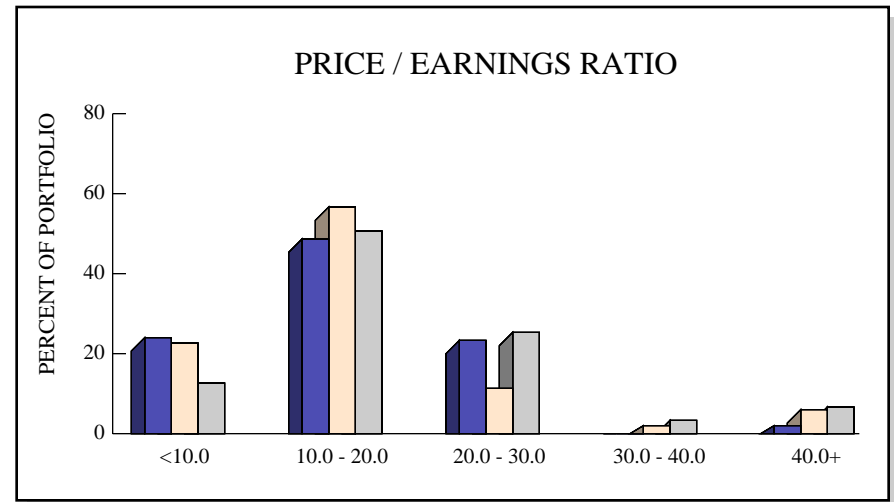
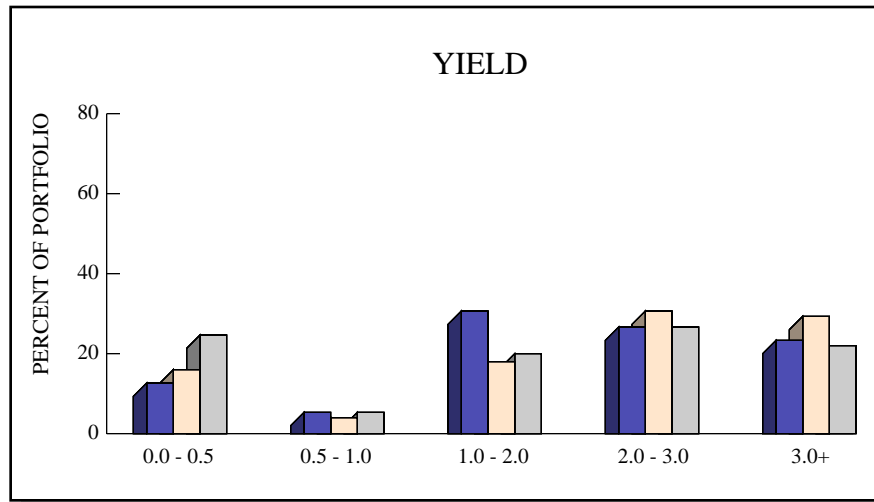
COMPARATIVE BENCHMARK: RUSSELL 1000 VALUE



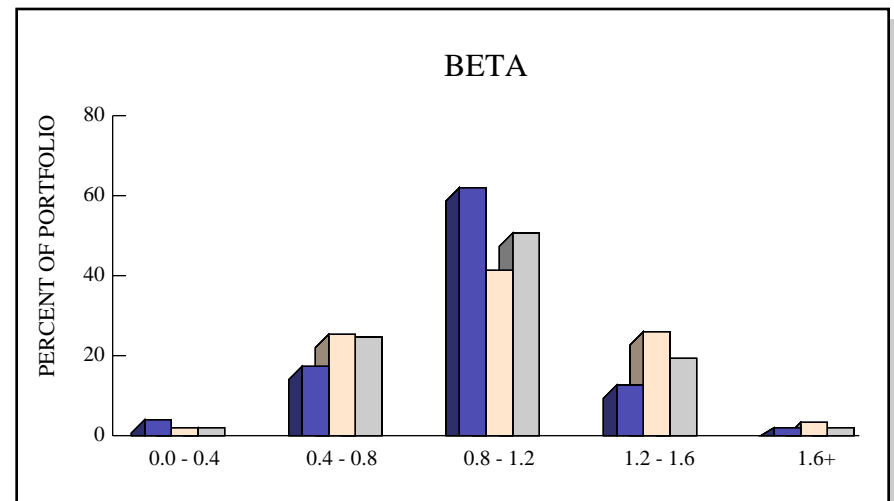
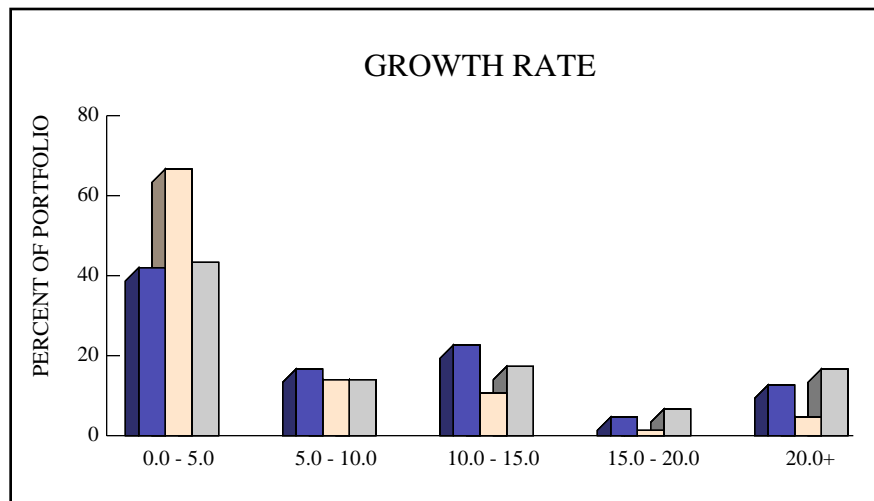
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
6/12	-2.9	-2.2	-0.7
9/12	4.9	6.5	-1.6

Total Quarters Observed	2
Quarters At or Above the Benchmark	0
Quarters Below the Benchmark	2
Batting Average	.000

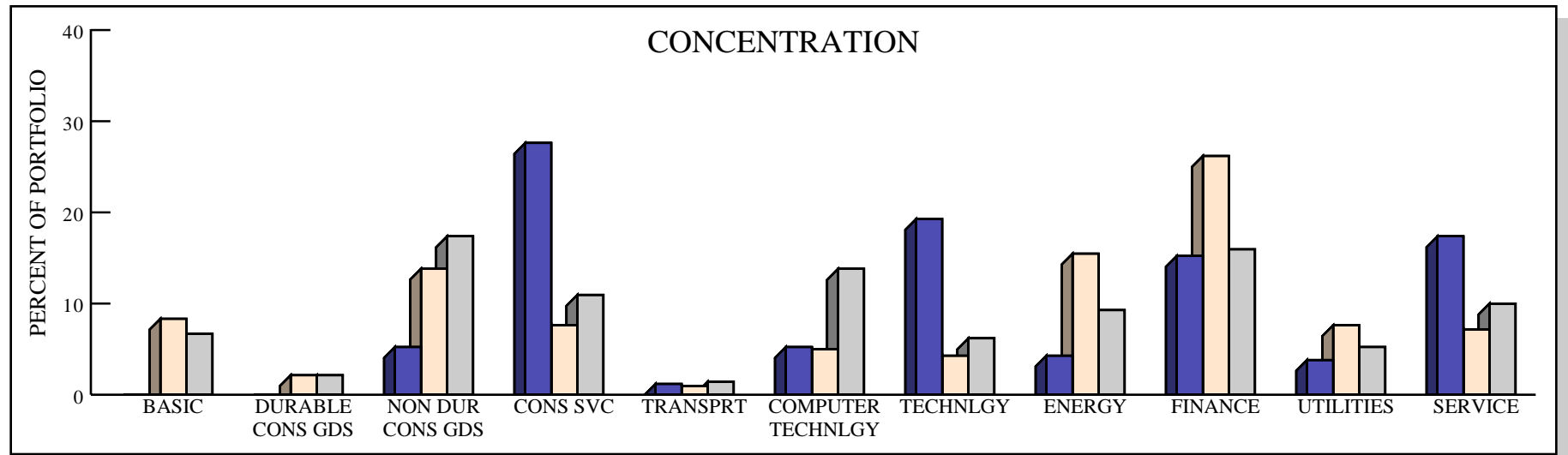
STOCK CHARACTERISTICS



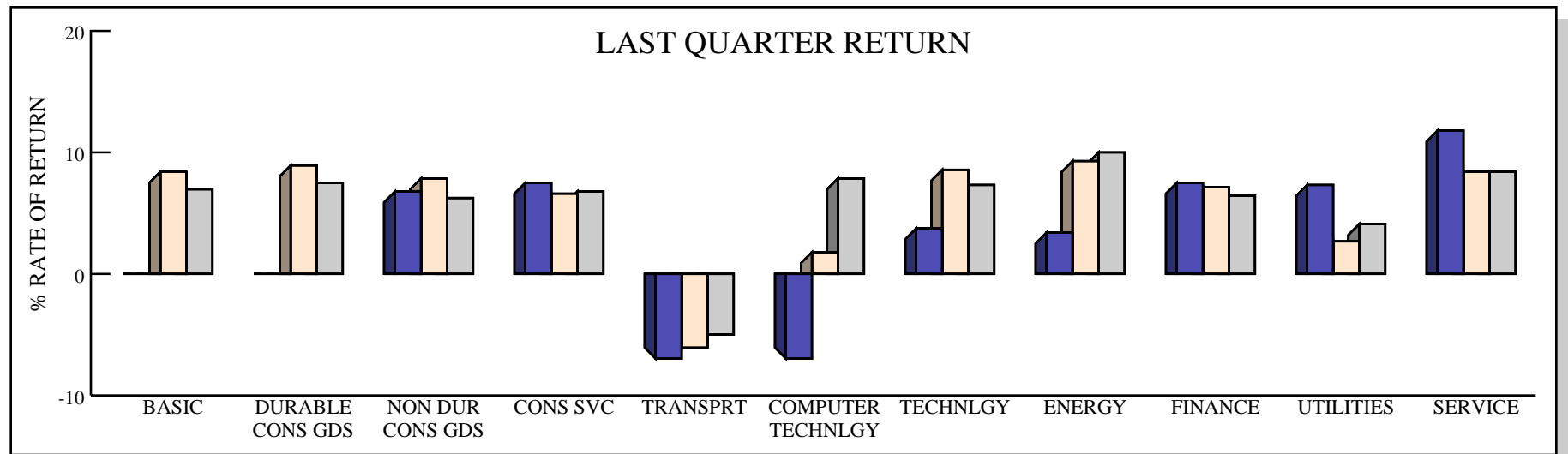
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	2.2%	5.6%	14.9	0.93
RUSSELL 1000V	2.4%	0.9%	16.5	1.02
RUSSELL 1000	1.9%	9.1%	19.4	0.98



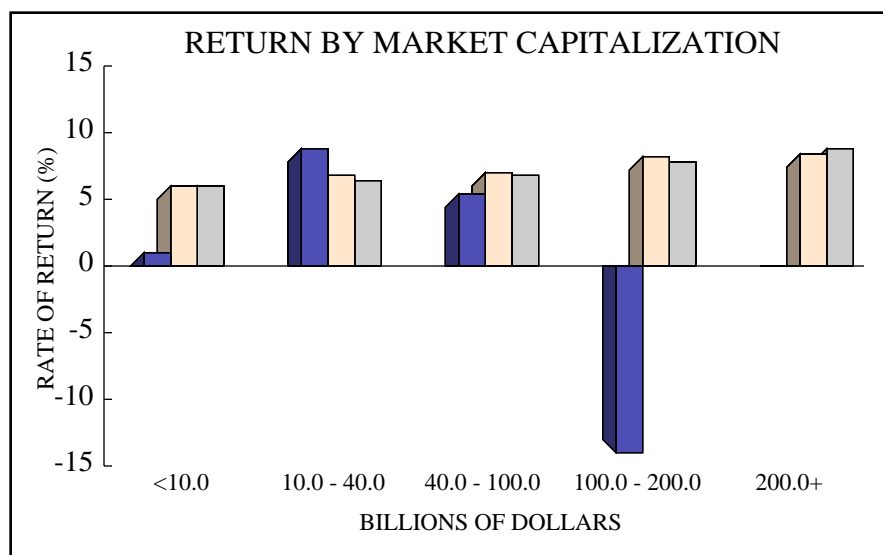
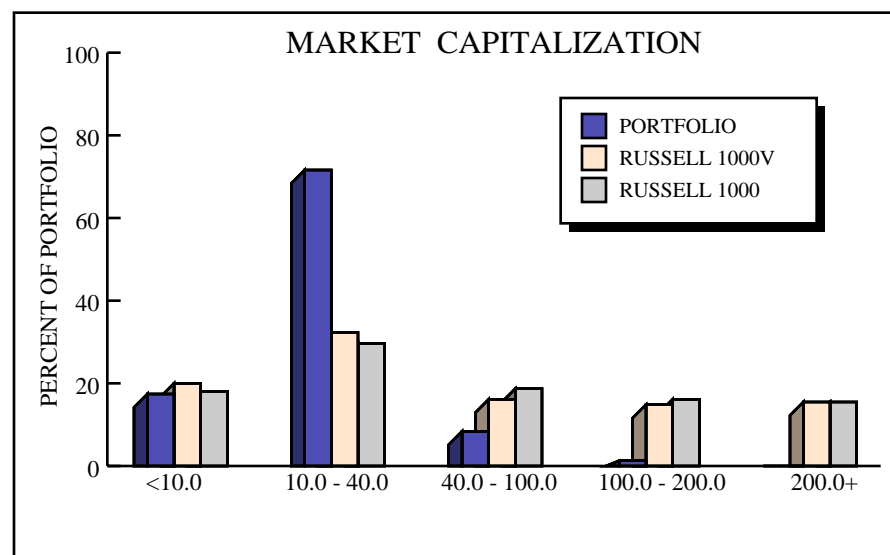
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO
 ■ RUSSELL 1000 VALUE
 ■ RUSSELL 1000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	GAP INC/THE	\$ 254,432	4.63%	31.1%	Consumer Service	\$ 17.2 B
2	DIRECTV	239,900	4.37%	7.5%	Service	32.9 B
3	CONOCOPHILLIPS	237,983	4.33%	3.5%	Energy	69.4 B
4	L-3 COMMUNICATIONS HOLDINGS	220,006	4.00%	1.7%	Technology	6.9 B
5	LOCKHEED MARTIN CORP	217,295	3.95%	8.2%	Technology	30.3 B
6	AMERIPRISE FINANCIAL INC	211,227	3.84%	9.0%	Finance	11.9 B
7	TRAVELERS COS INC/THE	211,128	3.84%	7.5%	Finance	26.3 B
8	LOWE'S COS INC	205,813	3.75%	6.8%	Consumer Service	34.5 B
9	KOHL'S CORP	201,858	3.67%	13.2%	Consumer Service	12.0 B
10	TIME WARNER CABLE	198,485	3.61%	16.3%	Service	29.1 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
SEIZERT CAPITAL PARTNERS
PERFORMANCE REVIEW
SEPTEMBER 2012

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's Seizert Capital Partners portfolio was valued at \$4,941,551, representing an increase of \$1,008,571 from the June quarter's ending value of \$3,932,980. Last quarter, the Fund posted net contributions equaling \$500,000 plus a net investment gain equaling \$508,571. Total net investment return was the result of income receipts, which totaled \$13,847 and net realized and unrealized capital gains of \$494,724.

For the cumulative period since June 2011, the fund has recorded net withdrawals totaling \$33,000 and posted net investment gains of \$39,484. For the period since June 2011, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$5.4 million or \$441,011 more than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

In the third quarter, the Seizert Capital Partners portfolio gained 11.7%, which was 6.1% above the Russell Mid Cap's return of 5.6% and ranked in the 1st percentile of the Mid Cap universe. Over the trailing year, the portfolio returned 29.0%, which was 1.0% greater than the benchmark's 28.0% performance, and ranked in the 30th percentile. Since June 2011, the portfolio returned 0.1% on an annualized basis and ranked in the 73rd percentile. For comparison, the Russell Mid Cap returned an annualized 3.0% over the same period.

ASSET ALLOCATION

On September 30th, 2012, domestic equities comprised 95.8% of the total portfolio (\$4.7 million), while cash & equivalents totaled 4.2% (\$208,944).

STOCK ANALYSIS

At the end of the quarter, the Seizert portfolio was invested in ten of the eleven industry sectors in our analysis. Relative to the Russell Mid Cap, the portfolio placed more emphasis into the Energy, Finance, and Service sectors. In contrast, the portfolio's weight in the Consumer Goods Nondurable and Consumer Service sectors was notably light, while the Utilities sector was vacant of holdings.

The Seizert portfolio benefitted from its overweight allocations to the Energy and Service sectors; both sectors were top-performers in the midcap environment. In addition, the manager utilized strong stock selection from the Basic, Consumer Goods Durable, Computer Technology, Finance and Service sectors to produce last quarters strong performance.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 6/2011
Total Gross/Fees	11.7	15.1	29.0	----	0.1
<i>MID CAP RANK</i>	(1)	(30)	(30)	----	(73)
Total Net/Fees	11.5	14.5	28.2	----	-0.6
RUSSELL MID	5.6	14.0	28.0	14.3	3.0
Domestic Equity	12.1	15.6	30.3	----	0.0
<i>MID CAP RANK</i>	(1)	(25)	(22)	----	(73)
RUSSELL MID	5.6	14.0	28.0	14.3	3.0

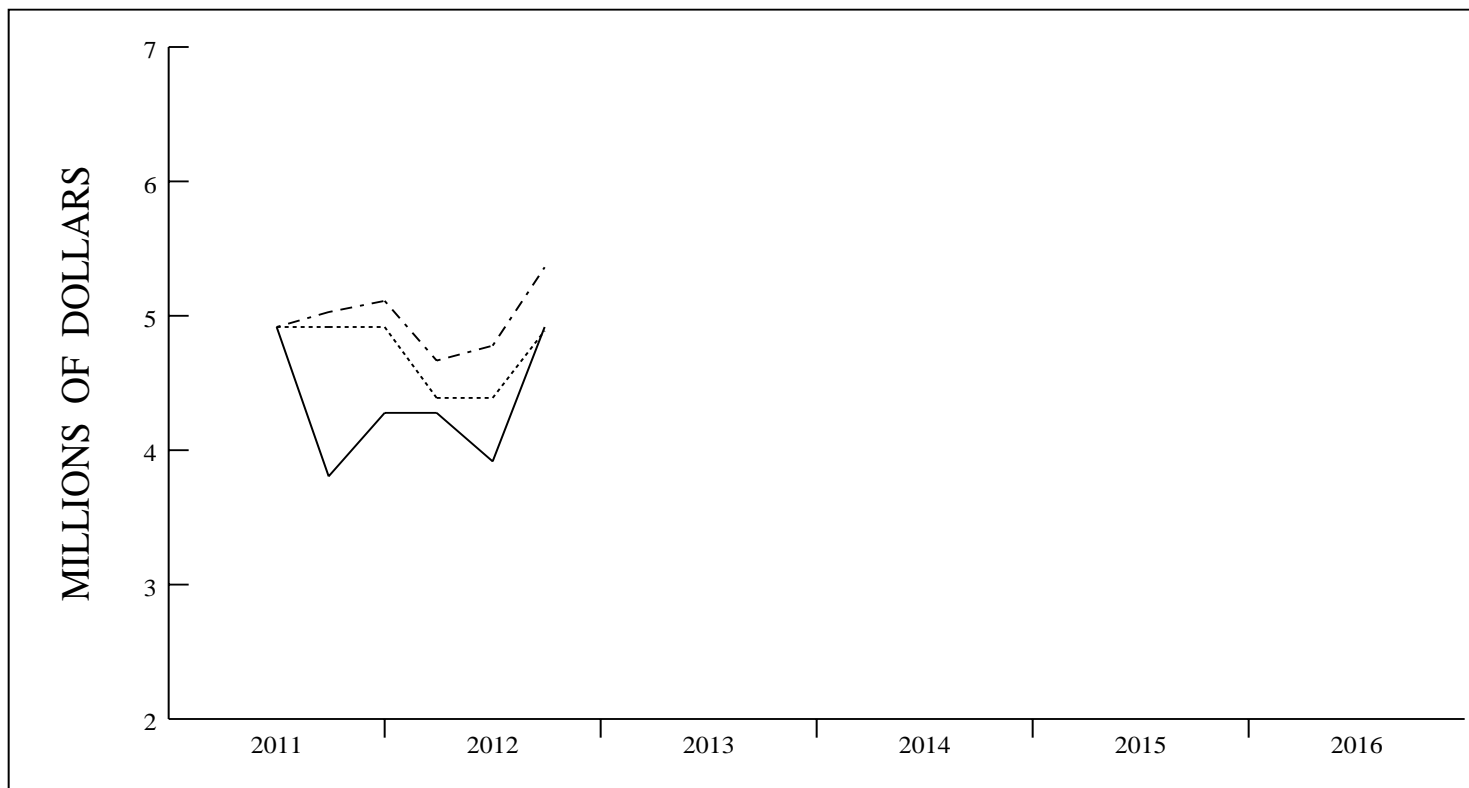
ASSET ALLOCATION

Domestic Equity	95.8%	\$ 4,732,607
Cash	4.2%	208,944
Total Portfolio	100.0%	\$ 4,941,551

INVESTMENT RETURN

Market Value 6/2012	\$ 3,932,980
Contribs / Withdrawals	500,000
Income	13,847
Capital Gains / Losses	494,724
Market Value 9/2012	\$ 4,941,551

INVESTMENT GROWTH

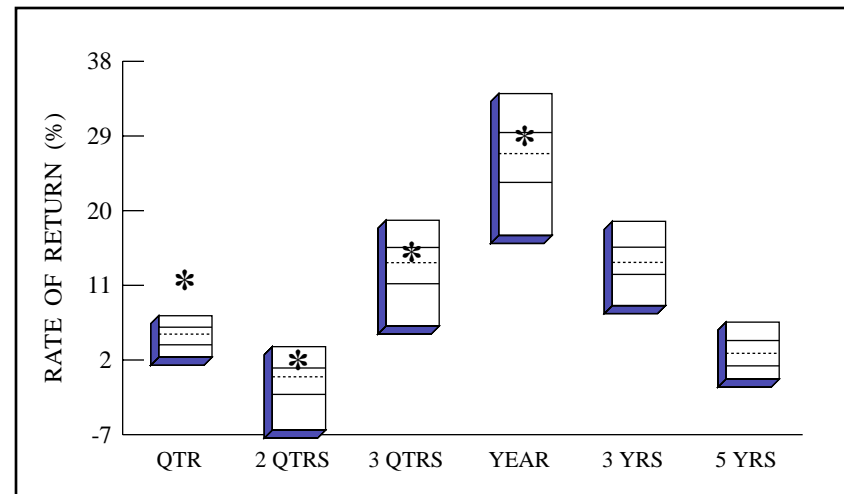
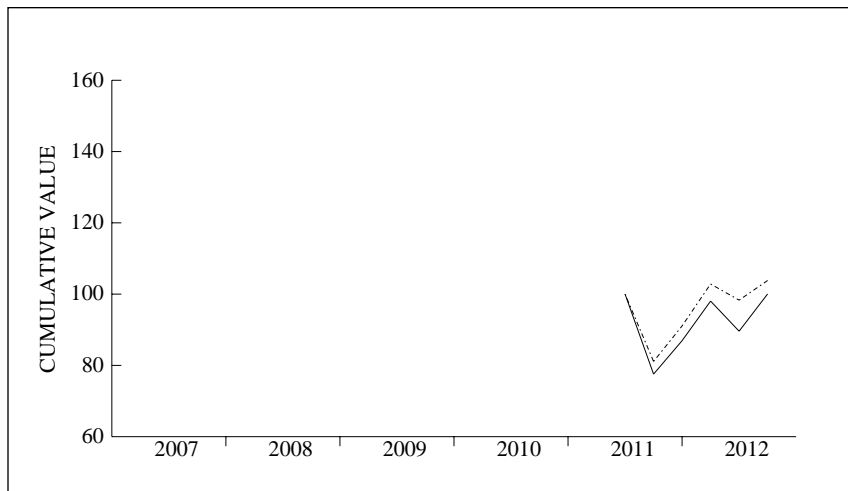


—	ACTUAL RETURN
- - -	8.0%
· · ·	0.0%

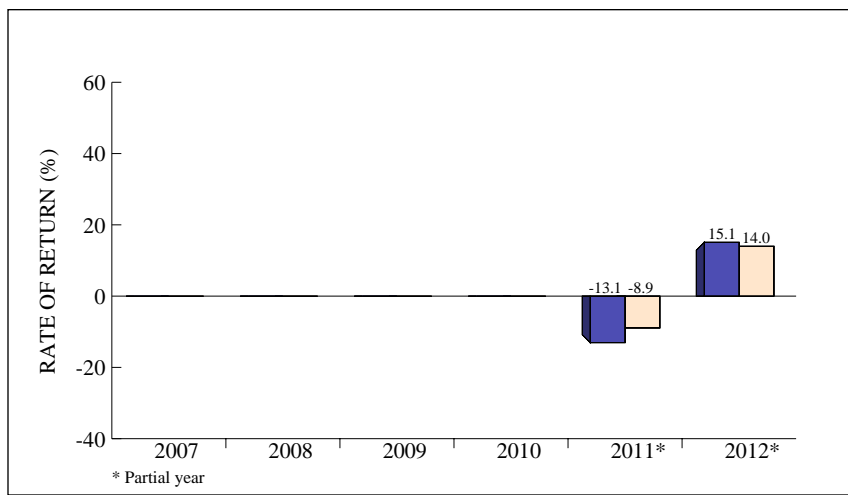
VALUE ASSUMING 8.0% RETURN
\$ 5,382,562

	LAST QUARTER	PERIOD 6/11 - 9/12
BEGINNING VALUE	\$ 3,932,980	\$ 4,935,067
NET CONTRIBUTIONS	500,000	- 33,000
<u>INVESTMENT RETURN</u>	<u>508,571</u>	<u>39,484</u>
ENDING VALUE	\$ 4,941,551	\$ 4,941,551
INCOME	13,847	79,210
CAPITAL GAINS (LOSSES)	<u>494,724</u>	<u>- 39,726</u>
INVESTMENT RETURN	508,571	39,484

TOTAL RETURN COMPARISONS



Mid Cap Universe



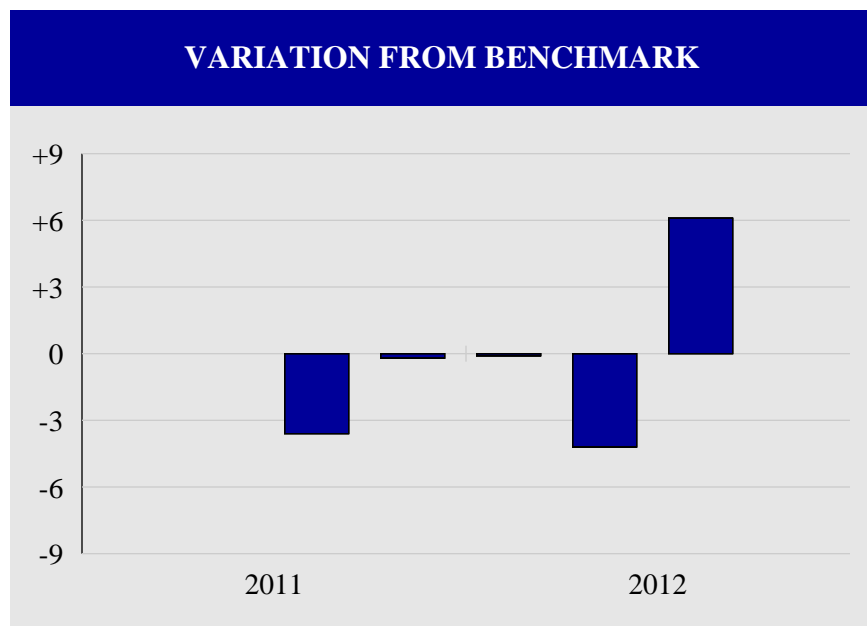
* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	11.7	2.1	15.1	29.0	----	----
(RANK)	(1)	(15)	(30)	(30)	----	----
5TH %ILE	7.3	3.6	18.8	34.1	18.7	6.6
25TH %ILE	6.0	1.0	15.6	29.4	15.6	4.4
MEDIAN	5.1	0.0	13.7	26.9	13.8	2.8
75TH %ILE	3.8	-2.2	11.2	23.4	12.3	1.3
95TH %ILE	2.3	-6.4	6.1	17.0	8.6	-0.3
Russ MC	5.6	0.9	14.0	28.0	14.3	2.2

Mid Cap Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

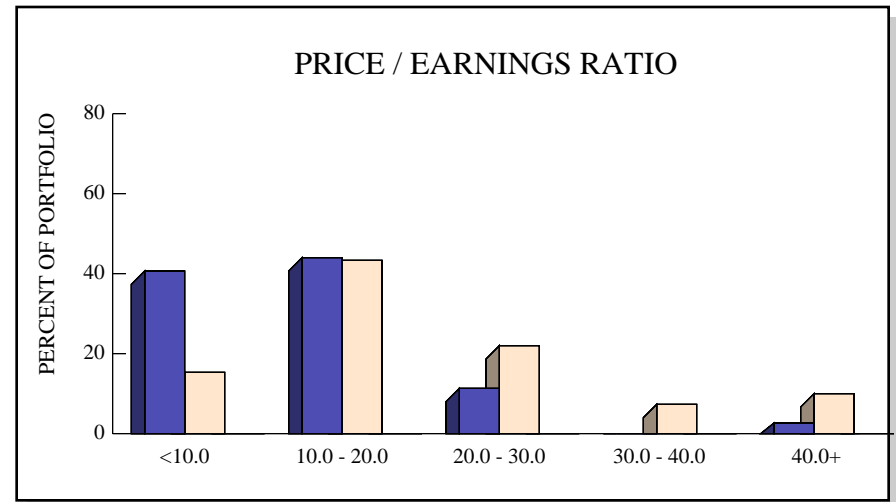
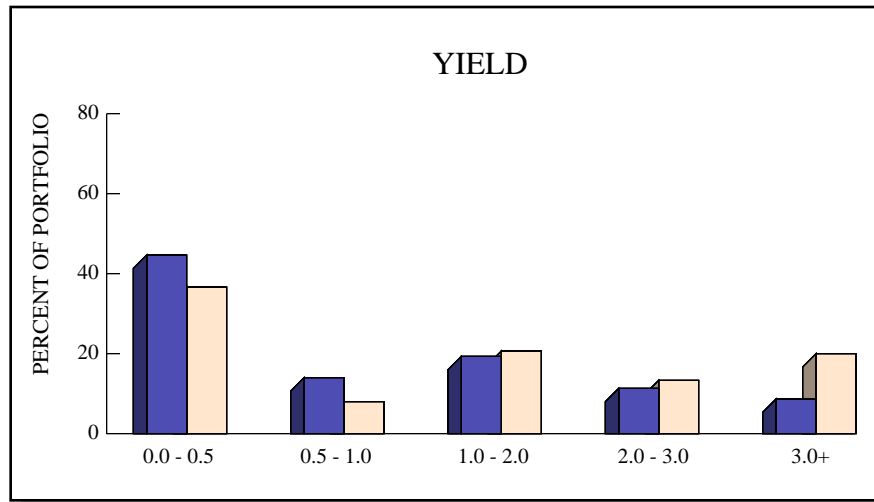
COMPARATIVE BENCHMARK: RUSSELL MID CAP



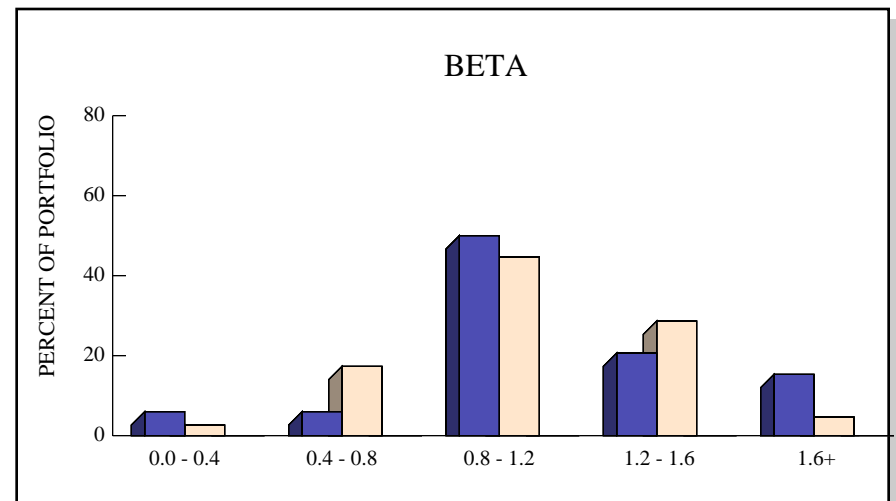
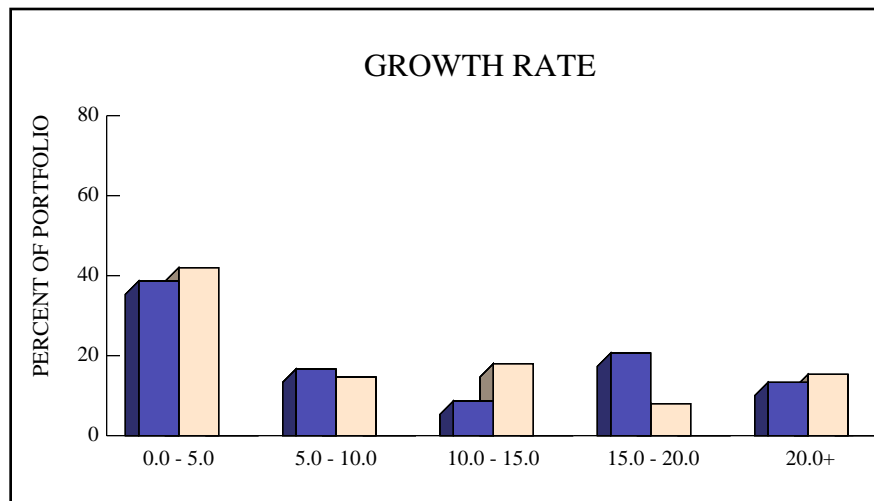
RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
9/11	-22.5	-18.9	-3.6
12/11	12.1	12.3	-0.2
3/12	12.8	12.9	-0.1
6/12	-8.6	-4.4	-4.2
9/12	11.7	5.6	6.1

Total Quarters Observed	5
Quarters At or Above the Benchmark	1
Quarters Below the Benchmark	4
Batting Average	.200

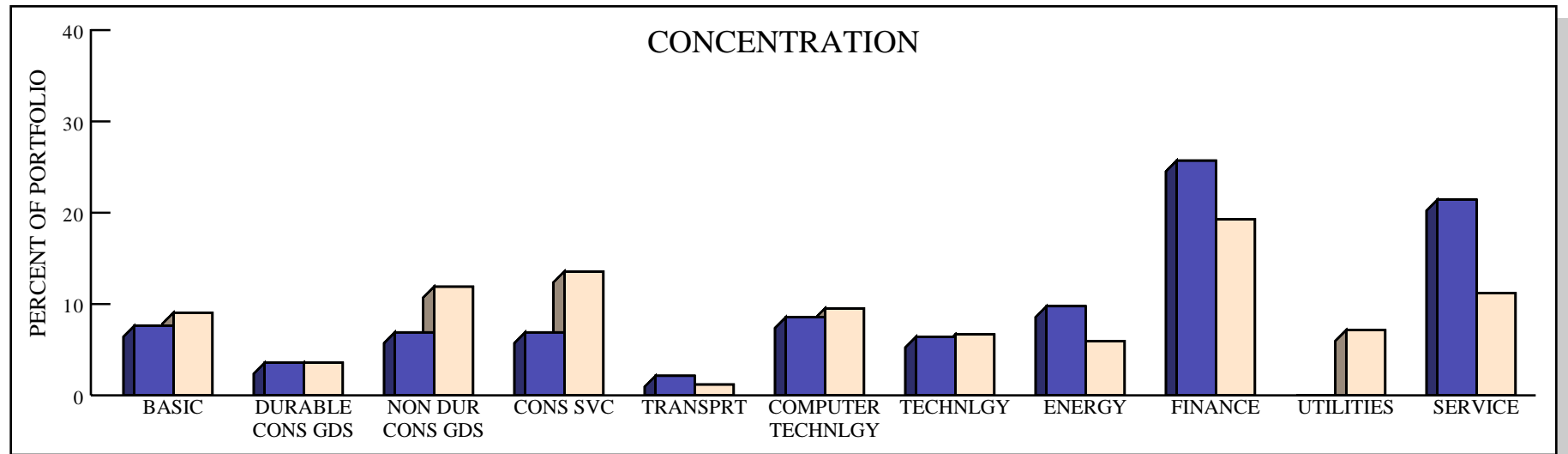
STOCK CHARACTERISTICS



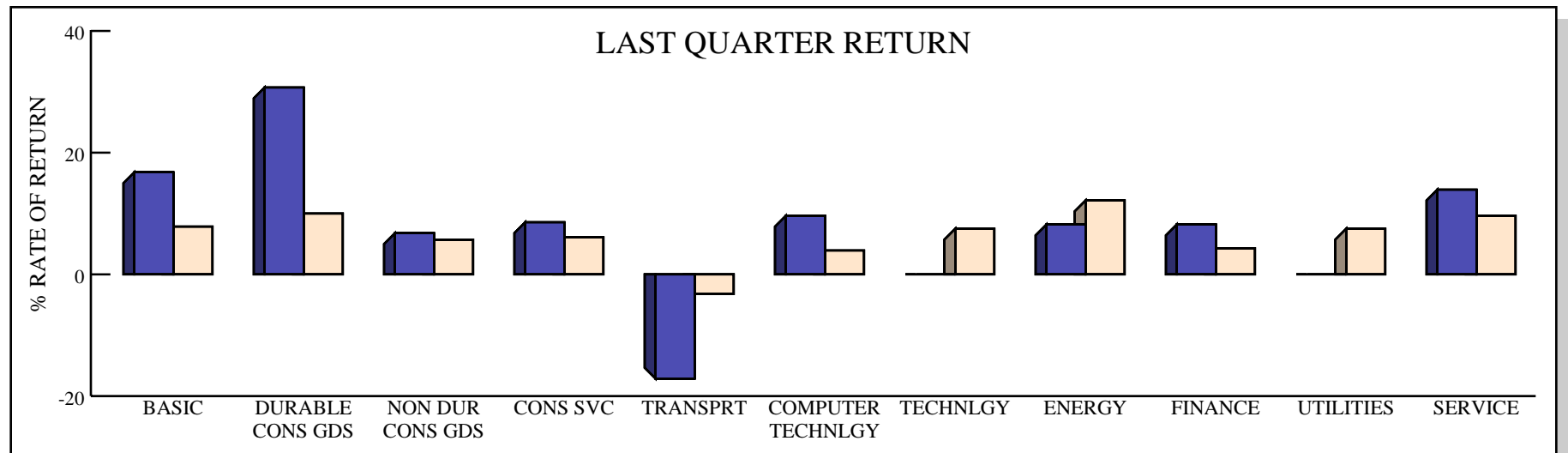
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.2%	8.4%	10.9	1.09
RUSSELL MID	1.7%	6.8%	20.4	1.05



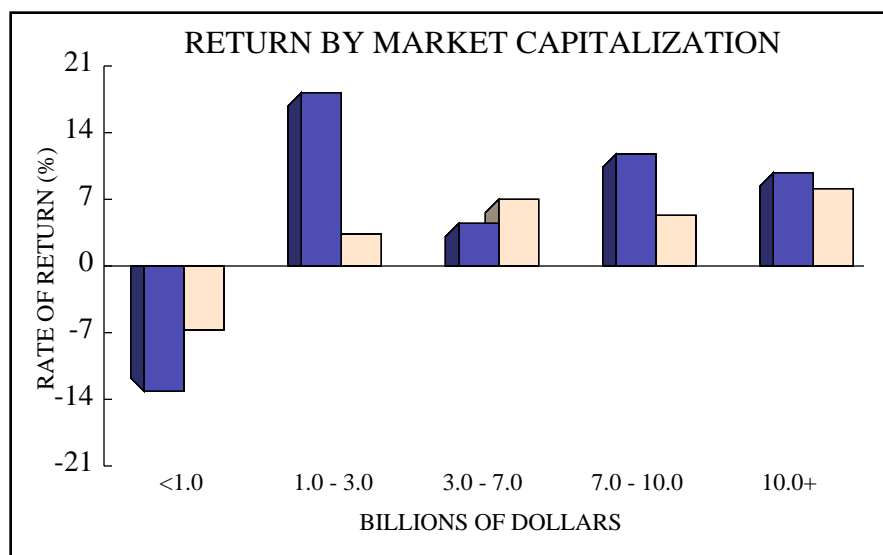
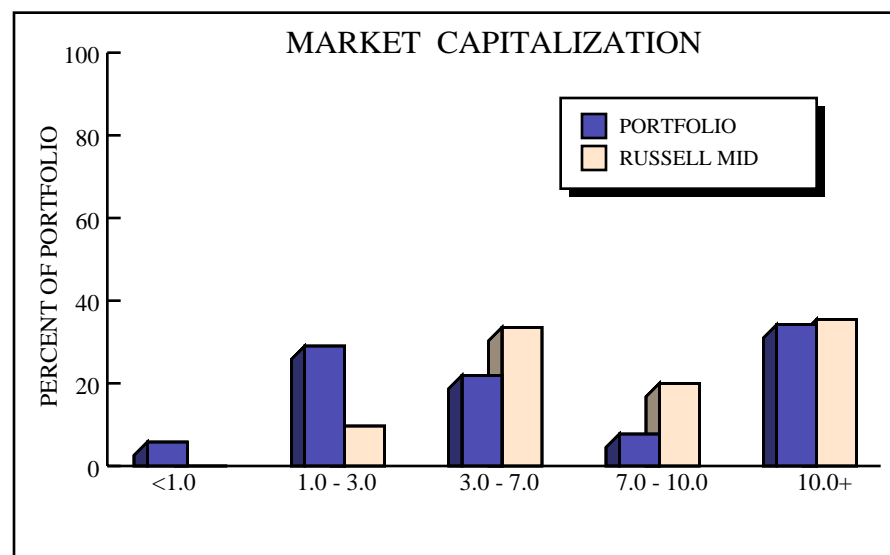
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL MID CAP



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LIBERTY MEDIA CORP - LIBER-A	\$ 342,719	7.24%	18.5%	Service	\$ 11.5 B
2	FOSTER WHEELER AG	214,202	4.53%	38.3%	Service	2.6 B
3	LOEWS CORP	211,045	4.46%	1.0%	Finance	16.3 B
4	ENDO HEALTH SOLUTIONS INC	195,871	4.14%	2.4%	NonDur Cons Goods	3.7 B
5	VISTEON CORP	195,179	4.12%	18.6%	Basic	2.3 B
6	L-3 COMMUNICATIONS HOLDINGS	195,051	4.12%	1.7%	Technology	6.9 B
7	MURPHY OIL CORP	189,902	4.01%	7.3%	Energy	10.4 B
8	SOHU.COM INC	186,880	3.95%	-5.7%	Service	1.6 B
9	HCC INSURANCE HOLDINGS INC	185,039	3.91%	8.4%	Finance	3.4 B
10	TESSERA TECHNOLOGIES INC	177,566	3.75%	-10.8%	Computer Tech	0.7 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
DARUMA
PERFORMANCE REVIEW
SEPTEMBER 2012

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's Daruma portfolio was valued at \$9,487,072, representing an increase of \$988,289 from the June quarter's ending value of \$8,498,783. Last quarter, the Fund posted net contributions equaling \$450,000 plus a net investment gain equaling \$538,289. Total net investment return was the result of income receipts, which totaled \$6,816 and net realized and unrealized capital gains of \$531,473.

For the cumulative period since December 2006, the fund has recorded net withdrawals totaling \$365,000 and posted net investment gains of \$3.0 million. For the period since December 2006, if the total fund returned a compounded nominal rate of 8.0% it would have been valued at \$10.3 million or \$789,719 more than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

Total Fund

In the third quarter, the Daruma portfolio gained 6.1%, which was 0.9% above the Russell 2000 Index's return of 5.2% and ranked in the 40th percentile of the Small Cap universe. Over the trailing year, the portfolio returned 26.0%, which was 5.9% less than the benchmark's 31.9% performance, and ranked in the 83rd percentile. Since December 2006, the portfolio returned 6.0% on an annualized basis and ranked in the 21st percentile. For comparison, the Russell 2000 returned an annualized 2.5% over the same period.

ASSET ALLOCATION

On September 30th, 2012, domestic equities comprised 92.4% of the total portfolio (\$8.8 million), while cash & equivalents totaled 7.6% (\$722,390).

HOLDINGS ANALYSIS

At the end of the third quarter, the Daruma portfolio was invested in eight of the eleven industry sectors in our analysis. Relative to the Russell 2000, the portfolio placed greater emphasis into the Non Durable Consumer Goods, Consumer Service, Computer Technology, and Service sectors. In contrast, the portfolio's weightings in the Durable Consumer Goods, and Technology sectors were the most notably light, while the Transportation, Utilities and Finance sectors were vacant of holdings.

Positive allocations effects were the main cause for the Daruma portfolio's slight lead over the Russell 2000 for the quarter. Significant allocation deviations from the benchmark in the Consumer Service, and Energy sectors amplified the surpluses achieved throughout these sectors. The remaining utilized sectors fell below their respective index counterparts, but were not enough to offset the positive effects from the two sectors mentioned above and allowed the portfolio to beat the index by 90 basis points.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	6.1	13.6	26.0	13.3	6.0
<i>SMALL CAP RANK</i>	(40)	(56)	(83)	(67)	(21)
Total Net/Fees	5.9	12.8	24.8	12.1	5.0
RUSSELL 2000	5.2	14.2	31.9	13.0	2.5
Domestic Equity	6.4	14.4	27.2	13.8	6.1
<i>SMALL CAP RANK</i>	(36)	(48)	(77)	(60)	(21)
RUSSELL 2000	5.2	14.2	31.9	13.0	2.5
RUSSELL 2000G	4.8	14.1	31.2	14.2	4.2
RUSSELL 2000V	5.7	14.4	32.6	11.7	0.7

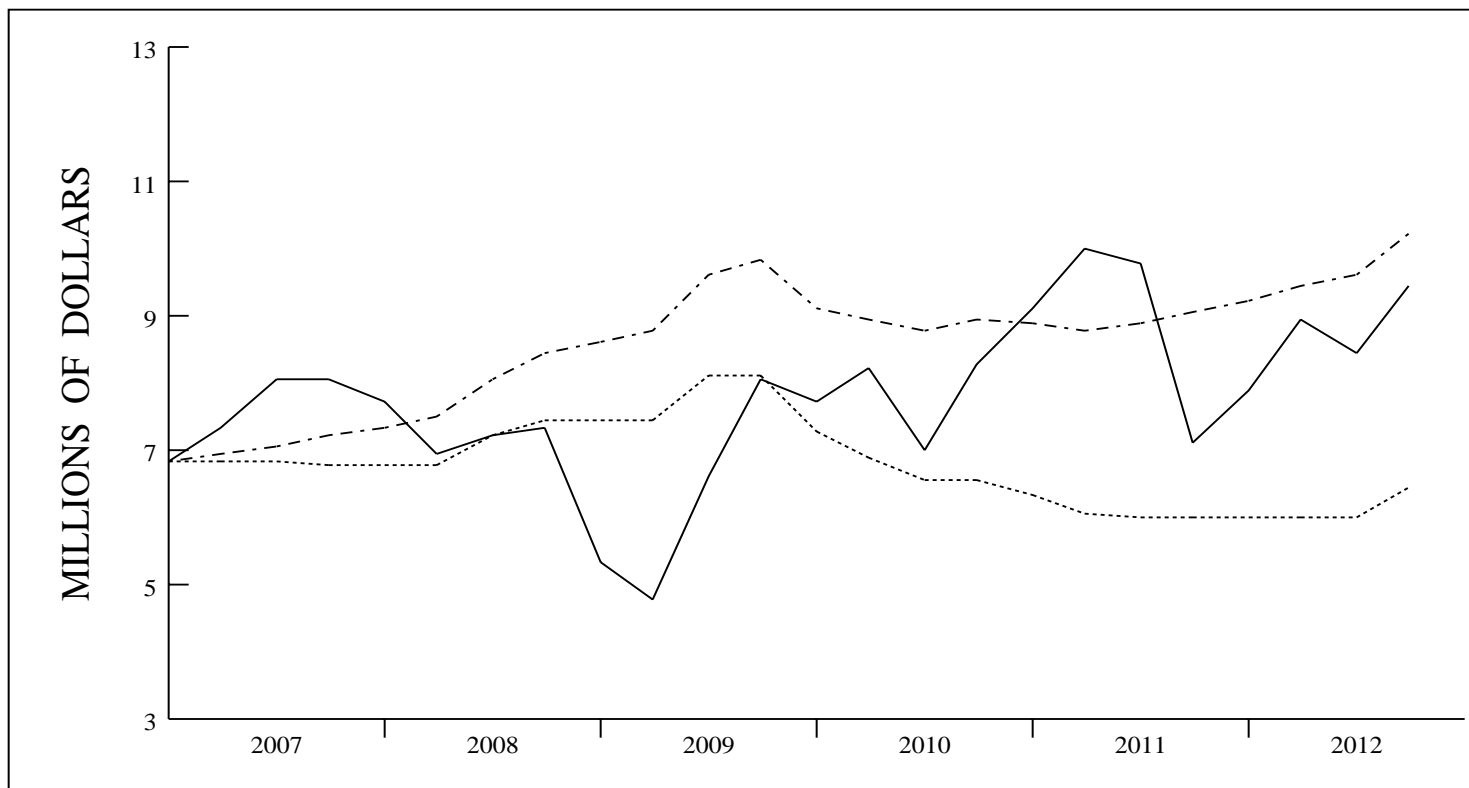
ASSET ALLOCATION

Domestic Equity	92.4%	\$ 8,764,681
Cash	7.6%	722,390
Total Portfolio	100.0%	\$ 9,487,072

INVESTMENT RETURN

Market Value 6/2012	\$ 8,498,783
Contribs / Withdrawals	450,000
Income	6,816
Capital Gains / Losses	531,473
Market Value 9/2012	\$ 9,487,072

INVESTMENT GROWTH

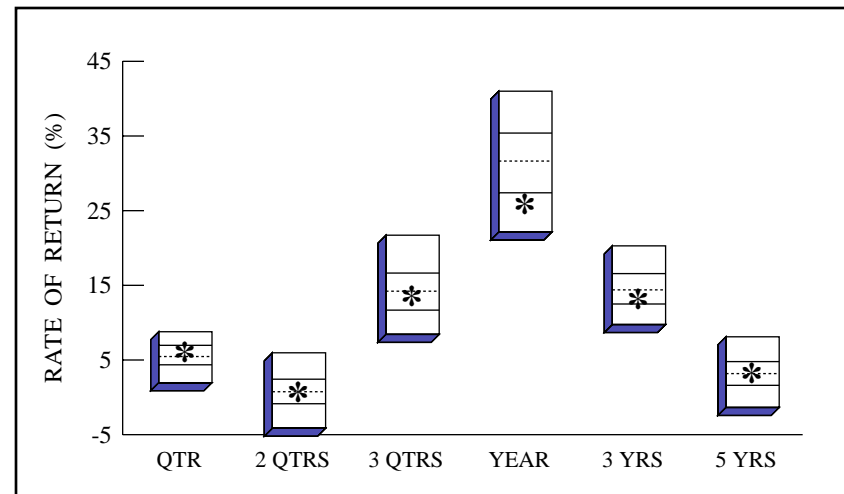
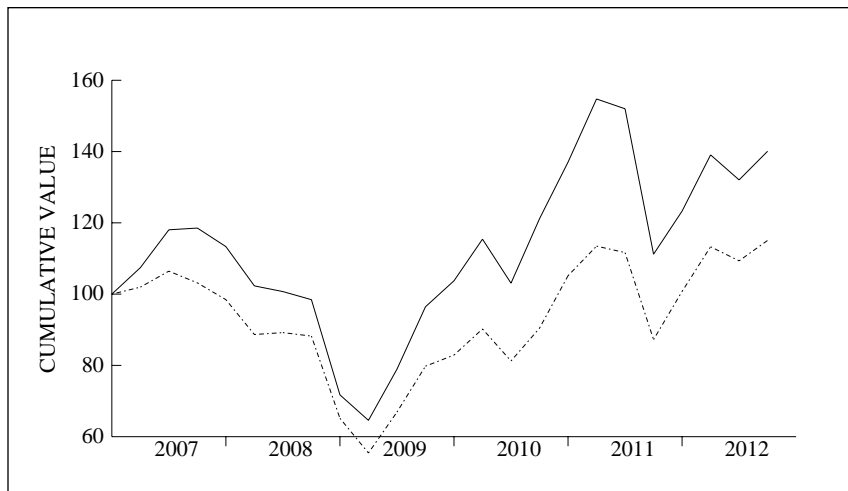


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

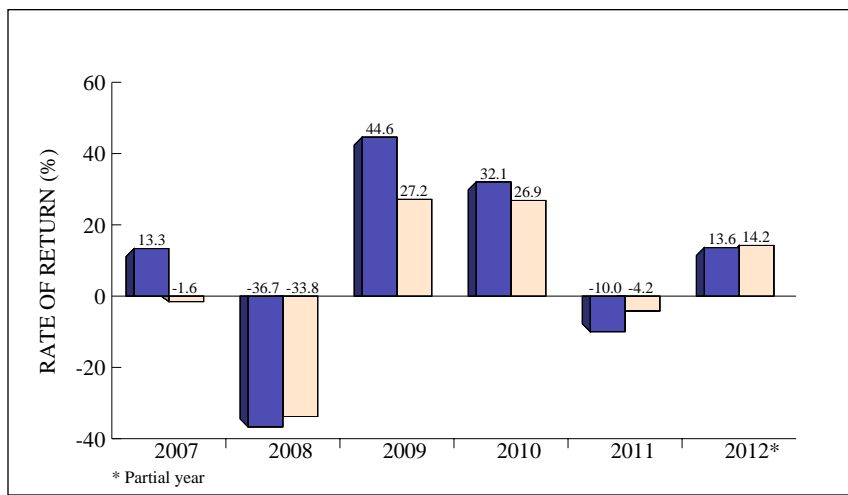
VALUE ASSUMING
 8.0% RETURN
 \$ 10,276,791

	LAST QUARTER	PERIOD 12/06 - 9/12
BEGINNING VALUE	\$ 8,498,783	\$ 6,835,404
NET CONTRIBUTIONS	450,000	-365,000
INVESTMENT RETURN	538,289	3,016,668
ENDING VALUE	\$ 9,487,072	\$ 9,487,072
INCOME	6,816	273,916
CAPITAL GAINS (LOSSES)	531,473	2,742,752
INVESTMENT RETURN	538,289	3,016,668

TOTAL RETURN COMPARISONS

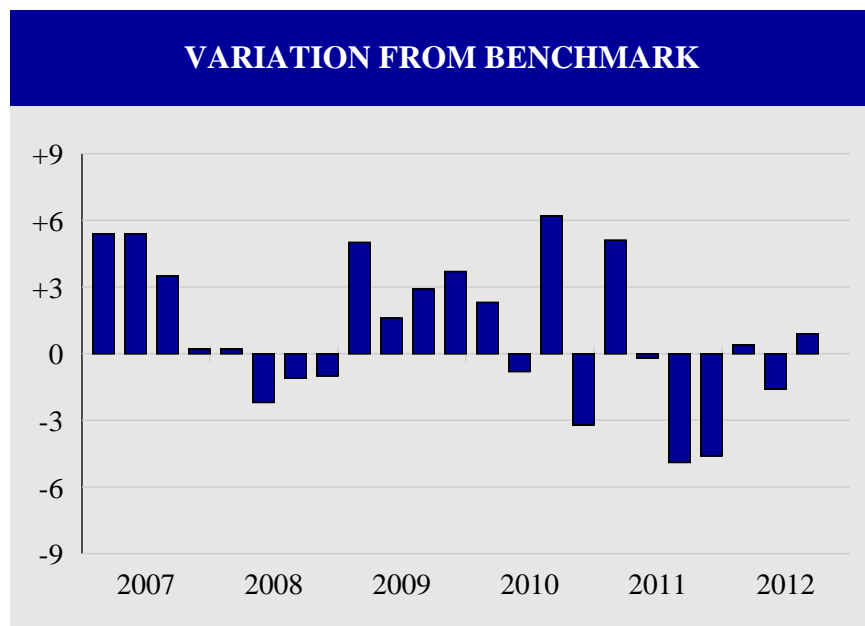


Small Cap Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	6.1	0.7	13.6	26.0	13.3	3.4
(RANK)	(40)	(50)	(56)	(83)	(67)	(47)
5TH %ILE	8.8	6.0	21.7	41.0	20.3	8.1
25TH %ILE	7.0	2.4	16.6	35.4	16.6	4.8
MEDIAN	5.5	0.7	14.2	31.7	14.4	3.2
75TH %ILE	4.4	-0.8	11.7	27.4	12.5	1.6
95TH %ILE	2.0	-4.1	8.4	22.1	9.8	-1.4
Russ 2000	5.2	1.6	14.2	31.9	13.0	2.2

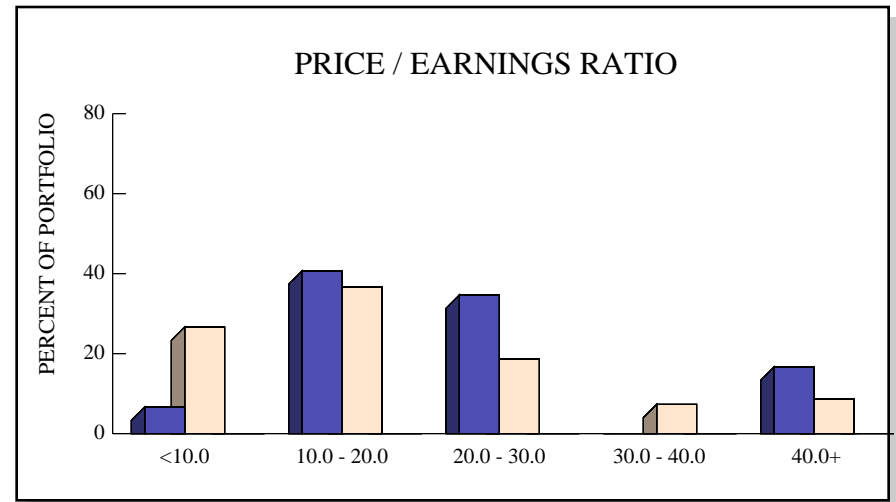
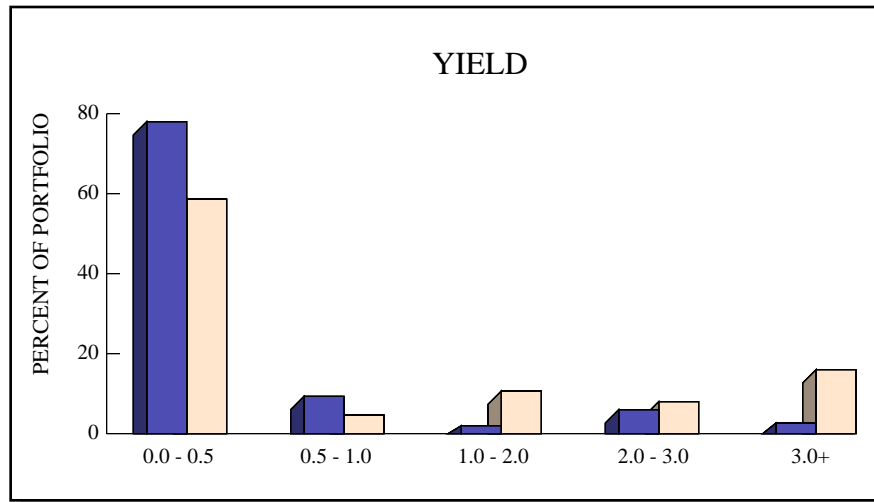
Small Cap Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: RUSSELL 2000**

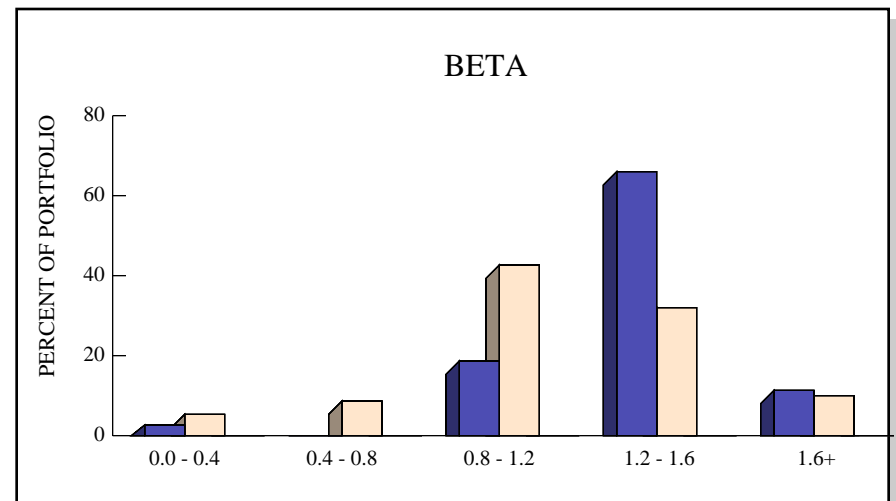
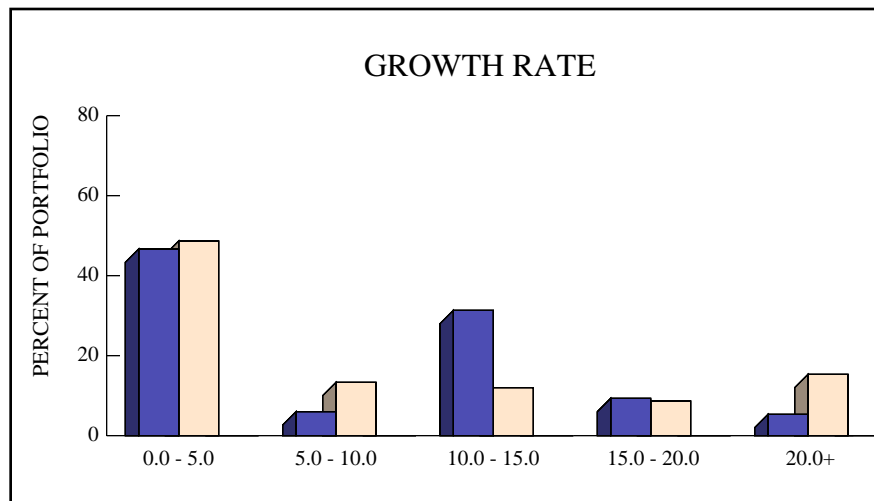
Total Quarters Observed	23
Quarters At or Above the Benchmark	14
Quarters Below the Benchmark	9
Batting Average	.609

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	7.4	2.0	5.4
6/07	9.8	4.4	5.4
9/07	0.4	-3.1	3.5
12/07	-4.4	-4.6	0.2
3/08	-9.7	-9.9	0.2
6/08	-1.6	0.6	-2.2
9/08	-2.2	-1.1	-1.1
12/08	-27.1	-26.1	-1.0
3/09	-10.0	-15.0	5.0
6/09	22.3	20.7	1.6
9/09	22.2	19.3	2.9
12/09	7.6	3.9	3.7
3/10	11.2	8.9	2.3
6/10	-10.7	-9.9	-0.8
9/10	17.5	11.3	6.2
12/10	13.1	16.3	-3.2
3/11	13.0	7.9	5.1
6/11	-1.8	-1.6	-0.2
9/11	-26.8	-21.9	-4.9
12/11	10.9	15.5	-4.6
3/12	12.8	12.4	0.4
6/12	-5.1	-3.5	-1.6
9/12	6.1	5.2	0.9

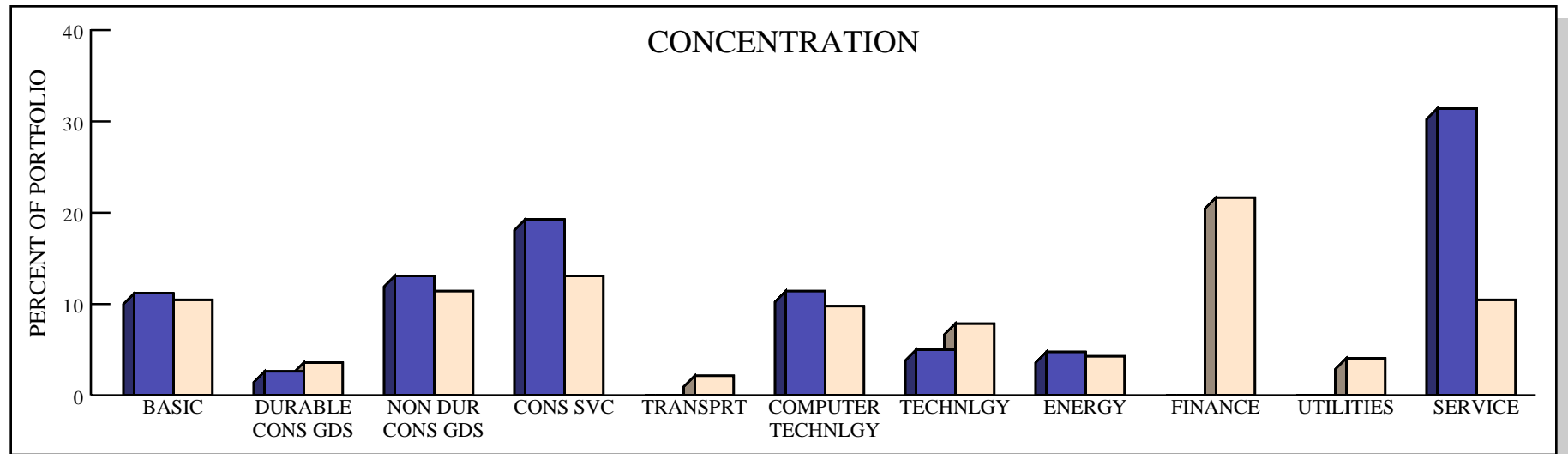
STOCK CHARACTERISTICS



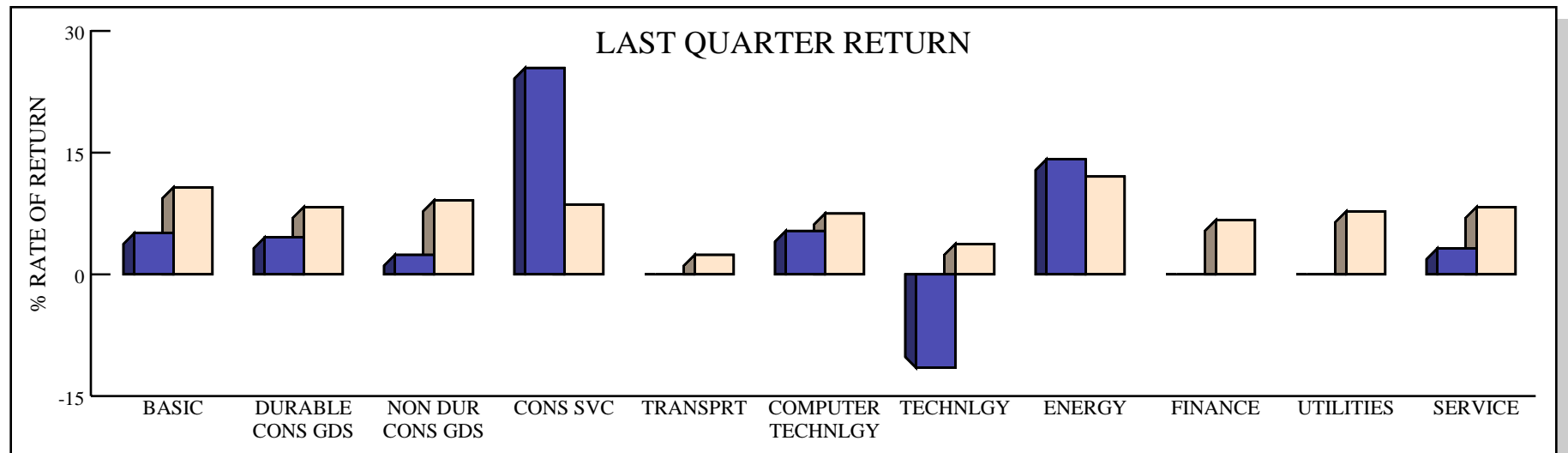
	YIELD	GROWTH	P/E	BETA
PORTFOLIO	0.9%	6.1%	22.0	1.32
RUSSELL 2000	1.4%	5.7%	16.2	1.12



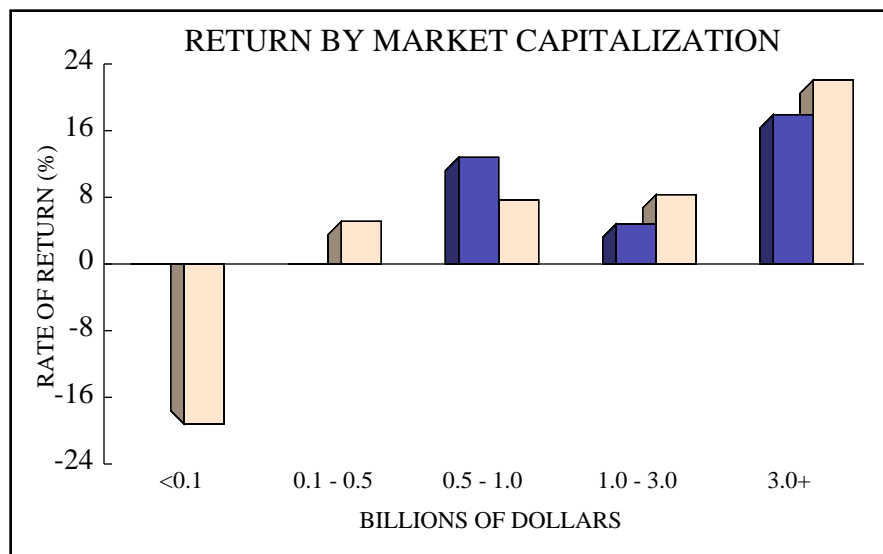
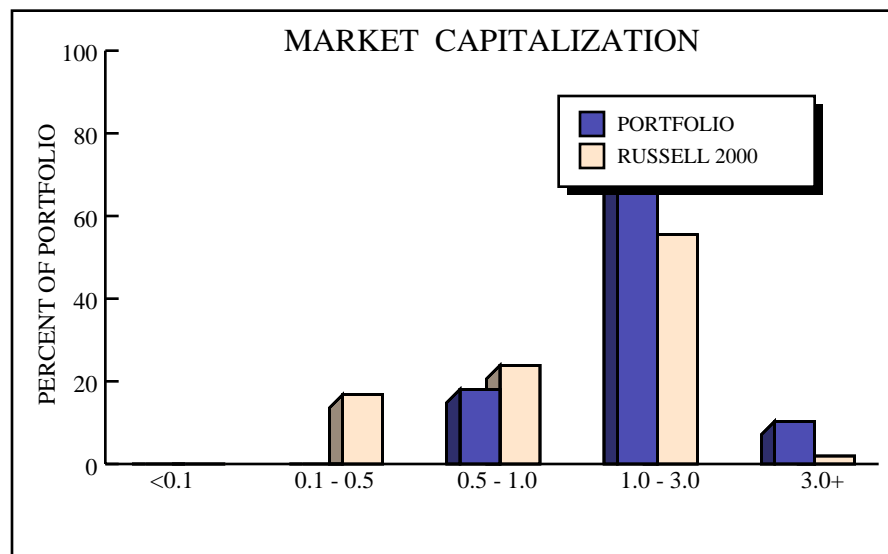
STOCK INDUSTRY ANALYSIS



■ PORTFOLIO ■ RUSSELL 2000



TOP TEN HOLDINGS



TOP TEN EQUITY HOLDINGS

RANK	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MKT CAP
1	LUMBER LIQUIDATORS HOLDINGS	\$ 383,901	4.38%	50.0%	Consumer Service	\$ 1.4 B
2	WRIGHT EXPRESS CORP	372,026	4.24%	13.0%	Service	2.7 B
3	ACXIOM CORP	371,064	4.23%	20.9%	Service	1.4 B
4	MAXIMUS INC	363,098	4.14%	15.6%	Service	2.0 B
5	COSTAR GROUP INC	348,176	3.97%	0.4%	Service	2.3 B
6	WABTEC CORP	339,627	3.87%	3.0%	Basic	3.8 B
7	BRUNSWICK CORP	333,340	3.80%	1.9%	Basic	2.0 B
8	SHUTTERFLY INC	328,534	3.75%	1.4%	Service	1.1 B
9	HEALTHSOUTH CORP	326,085	3.72%	3.4%	Consumer Service	2.3 B
10	CADENCE DESIGN SYS INC	324,967	3.71%	17.1%	Computer Tech	3.5 B

FRANKLIN REGIONAL RETIREMENT SYSTEM
PRIT CORE REAL ESTATE
PERFORMANCE REVIEW
SEPTEMBER 2012

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's PRIT Core Real Estate portfolio was valued at \$4,788,940, representing an increase of \$135,441 from the June quarter's ending value of \$4,653,499. Last quarter, the Fund posted withdrawals totaling \$5,374, which partially offset the portfolio's net investment return of \$140,815. Income receipts totaling \$57,523 plus net realized and unrealized capital gains of \$83,292 combined to produce the portfolio's net investment return.

For the cumulative period since September 2010, the fund has recorded net contributions totaling \$2.8 million, and recorded net investment gains of \$736,522. For the period since September 2010, if the total fund had returned a compounded nominal rate of 8.0% it would have been valued at \$4.5 million or \$282,581 less than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

In the third quarter, the PRIT Core Real Estate portfolio gained 3.0%, which was 0.2% greater than the NCREIF NFI-ODCE Index's return of 2.8%. Over the trailing twelve-month period, the portfolio returned 15.5%, which was 3.9% above the benchmark's 11.6% return. Since September 2010, the account returned 13.2% on an annualized basis, while the NCREIF NFI-ODCE Index returned an annualized 14.9% over the same time frame.

ASSET ALLOCATION

This portfolio was fully invested in the PRIT Core Real Estate Fund at the end of the quarter.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 9/2010
Total Gross/Fees	3.0	9.6	15.5	----	13.2
Total Net/Fees	2.9	9.3	14.9	----	12.6
NCREIF ODCE	2.8	8.4	11.6	12.2	14.9
Real Estate	3.0	9.6	15.5	----	13.2
NCREIF ODCE	2.8	8.4	11.6	12.2	14.9

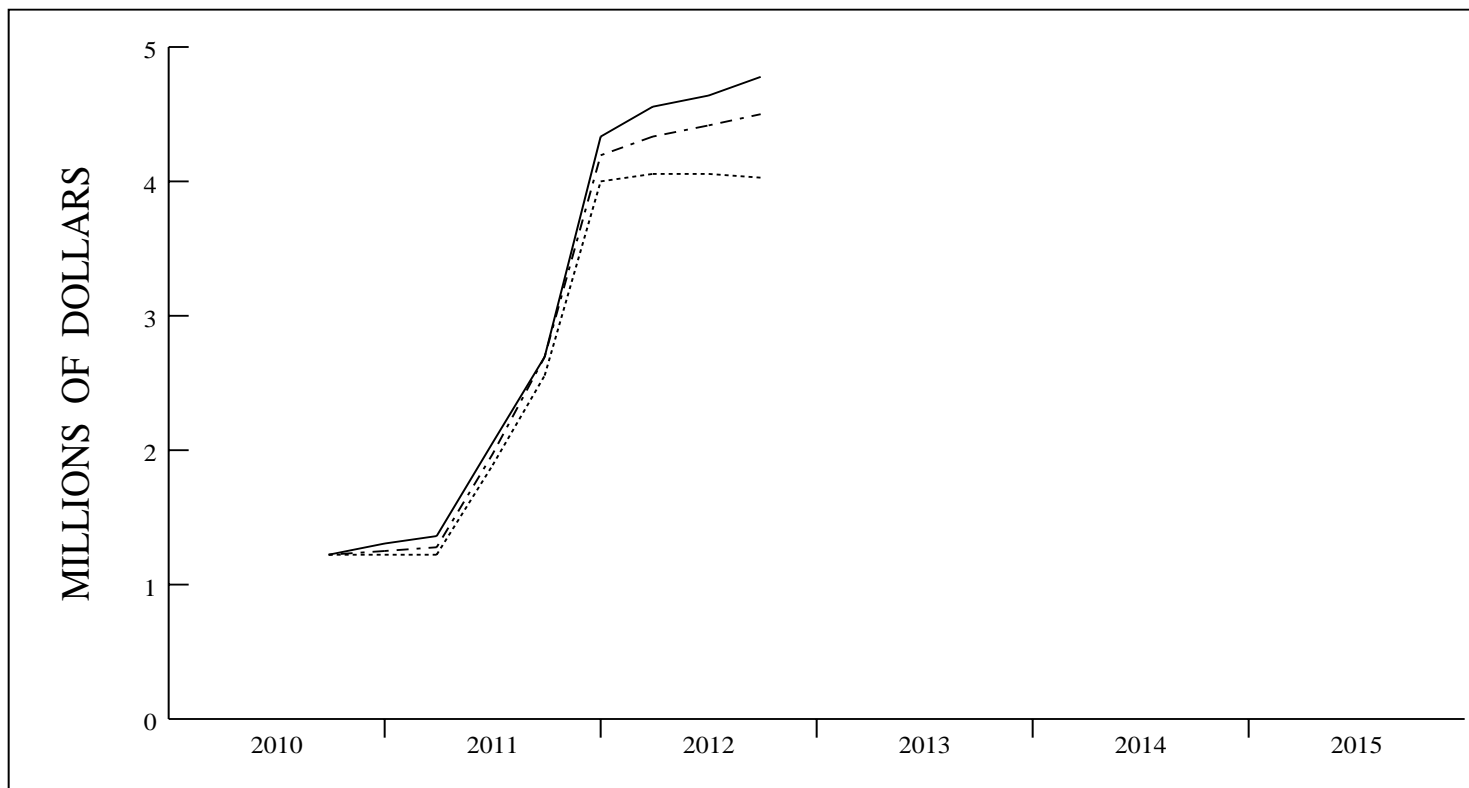
ASSET ALLOCATION

Real Estate	100.0%	\$ 4,788,940
Total Portfolio	100.0%	\$ 4,788,940

INVESTMENT RETURN

Market Value 6/2012	\$ 4,653,499
Contribs / Withdrawals	- 5,374
Income	57,523
Capital Gains / Losses	83,292
Market Value 9/2012	\$ 4,788,940

INVESTMENT GROWTH



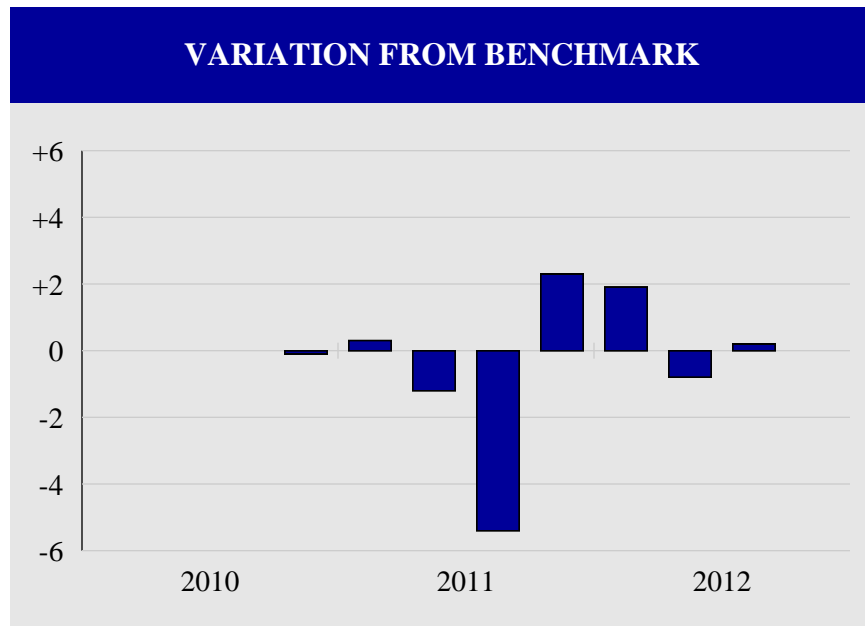
— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

VALUE ASSUMING
 8.0% RETURN
 \$ 4,506,359

	LAST QUARTER	PERIOD 9/10 - 9/12
BEGINNING VALUE	\$ 4,653,499	\$ 1,247,572
NET CONTRIBUTIONS	- 5,374	2,804,846
INVESTMENT RETURN	140,815	736,522
ENDING VALUE	\$ 4,788,940	\$ 4,788,940
INCOME	57,523	317,808
CAPITAL GAINS (LOSSES)	83,292	418,714
INVESTMENT RETURN	140,815	736,522

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: NCREIF NFI-ODCE INDEX



RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
12/10	4.9	5.0	-0.1
3/11	4.3	4.0	0.3
6/11	3.4	4.6	-1.2
9/11	-1.9	3.5	-5.4
12/11	5.3	3.0	2.3
3/12	4.7	2.8	1.9
6/12	1.7	2.5	-0.8
9/12	3.0	2.8	0.2

Total Quarters Observed	8
Quarters At or Above the Benchmark	4
Quarters Below the Benchmark	4
Batting Average	.500

FRANKLIN REGIONAL RETIREMENT SYSTEM
INCOME RESEARCH & MANAGEMENT
PERFORMANCE REVIEW
SEPTEMBER 2012

INVESTMENT RETURN

On September 30th, 2012, the Franklin Regional Retirement System's Income Research & Management portfolio was valued at \$11,994,413, representing an increase of \$876,500 from the June quarter's ending value of \$11,117,913. Last quarter, the Fund posted net contributions equaling \$500,000 plus a net investment gain equaling \$376,500. Since there were no income receipts during the quarter, the portfolio's net investment return was the result of net realized and unrealized capital gains totaling \$376,500.

Since December 2006, the account has posted net withdrawals totaling \$87,000 while recording net investment gains totaling \$3.7 million. Since December 2006, if the total portfolio returned a compounded nominal rate of 8.0% it would have been valued at \$12.7 million or \$740,975 more than the actual value as of September 30th, 2012.

RELATIVE PERFORMANCE

For the third quarter, the Income Research & Management portfolio gained 2.6%, which was 1.0% greater than the Barclays Aggregate Index's return of 1.6% and ranked in the 20th percentile of the Core Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 7.6%, which was 2.4% greater than the benchmark's 5.2% return, ranking in the 27th percentile. Since December 2006, the portfolio returned 7.0% per annum and ranked in the 46th percentile. The Barclays Aggregate Index returned an annualized 6.4% over the same time frame.

ASSET ALLOCATION

The portfolio was fully invested in the IR&M Core Bond Fund at the end of the quarter.

ANALYSIS

At the end of the quarter, USG rated securities comprised nearly 45% of the bond portfolio, while corporate securities, rated AAA through less than BBB, comprised the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 10.4 years, significantly longer than the Barclays Aggregate Index's 6.7-year maturity. The average coupon was 4.1%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	-----Annualized-----	
				3 Years	Since 12/2006
Total Gross/Fees	2.6	6.1	7.6	6.9	7.0
<i>CORE FIXED INCOME RANK</i>	(20)	(29)	(27)	(59)	(46)
Total Net/Fees	2.5	5.8	7.3	6.6	6.6
BARCLAYS AGG	1.6	4.0	5.2	6.2	6.4
Fixed Income	2.6	6.1	7.6	6.9	7.0
<i>CORE FIXED INCOME RANK</i>	(20)	(29)	(27)	(59)	(45)
BARCLAYS AGG	1.6	4.0	5.2	6.2	6.4
GOV/CREDIT	1.7	4.4	5.7	6.5	6.5

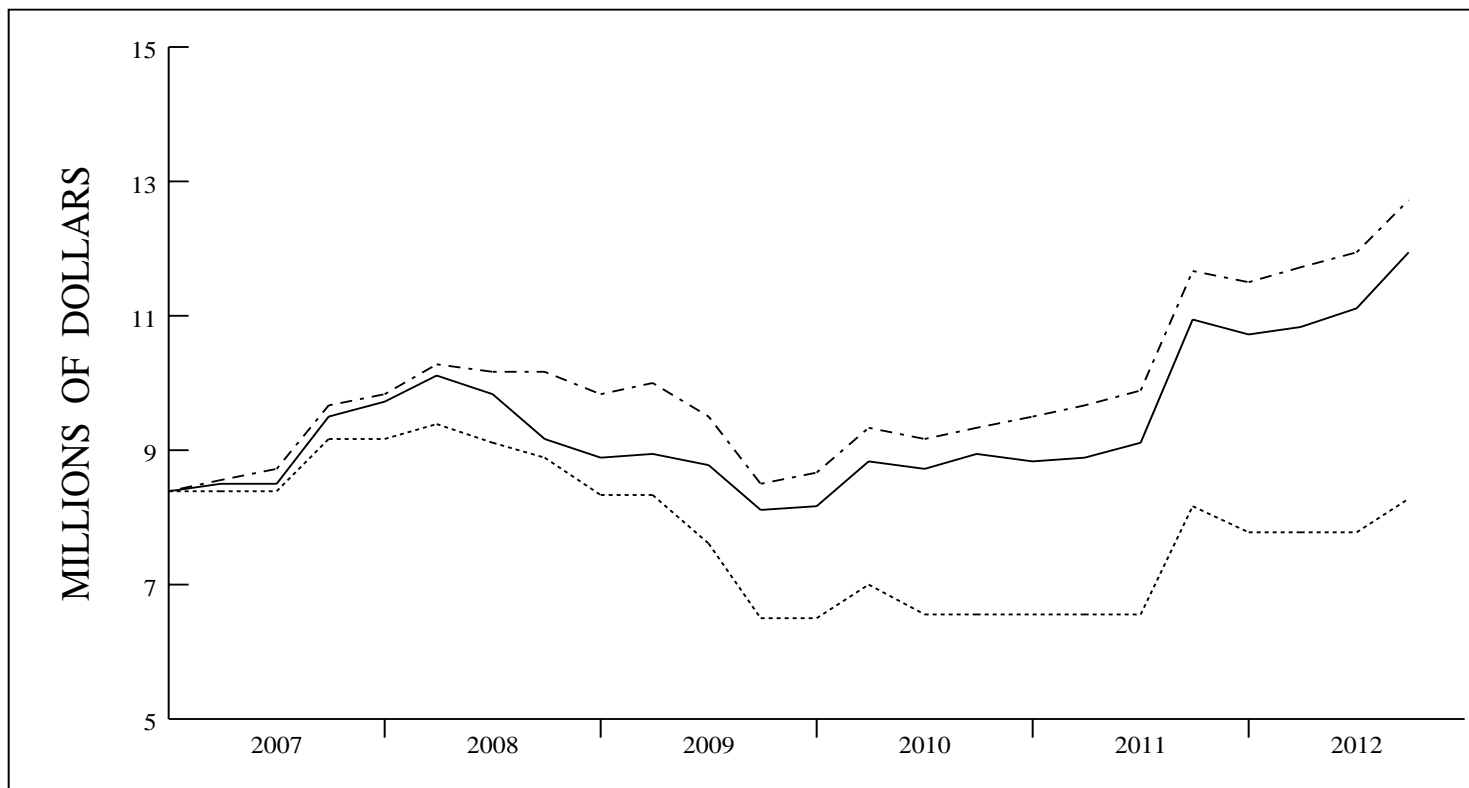
ASSET ALLOCATION

Fixed Income	100.0%	\$ 11,994,413
Total Portfolio	100.0%	\$ 11,994,413

INVESTMENT RETURN

Market Value 6/2012	\$ 11,117,913
Contribs / Withdrawals	500,000
Income	0
Capital Gains / Losses	376,500
Market Value 9/2012	\$ 11,994,413

INVESTMENT GROWTH

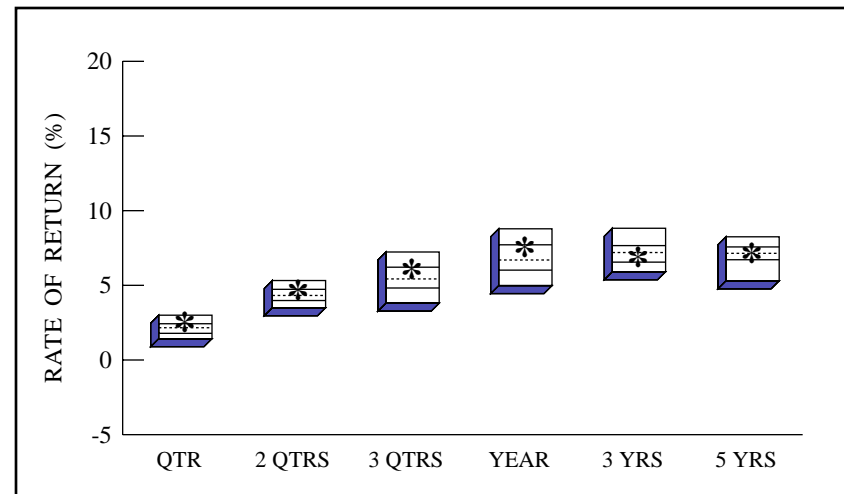
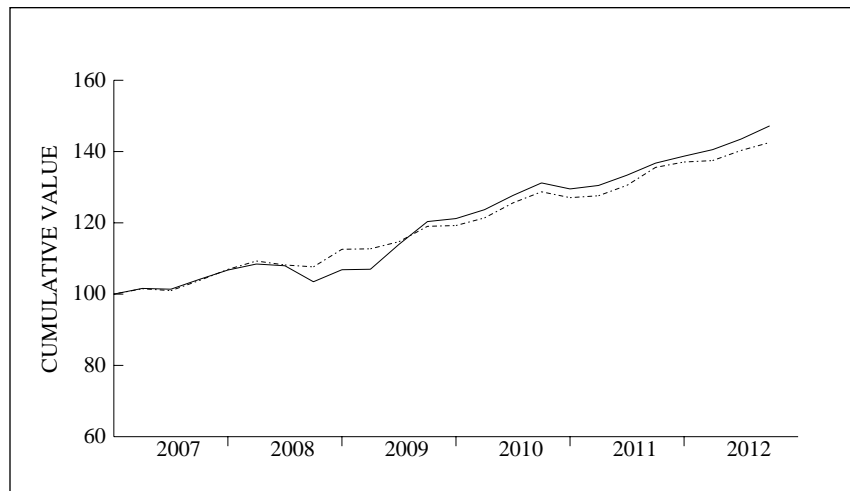


— ACTUAL RETURN
 - - - 8.0%
 . . . 0.0%

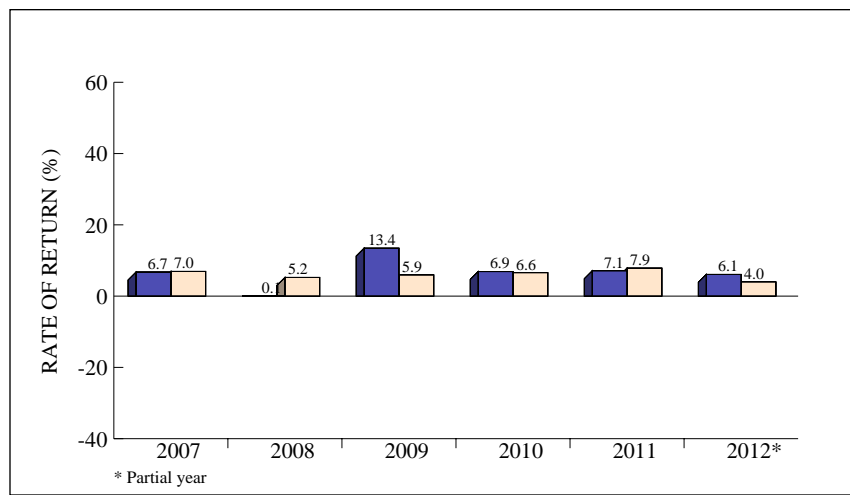
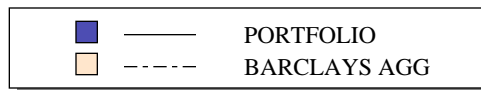
VALUE ASSUMING
 8.0% RETURN
 \$ 12,735,388

	LAST QUARTER	PERIOD 12/06 - 9/12
BEGINNING VALUE	\$ 11,117,913	\$ 8,417,154
NET CONTRIBUTIONS	500,000	- 87,000
<u>INVESTMENT RETURN</u>	<u>376,500</u>	<u>3,664,259</u>
ENDING VALUE	\$ 11,994,413	\$ 11,994,413
INCOME	0	87
<u>CAPITAL GAINS (LOSSES)</u>	<u>376,500</u>	<u>3,664,172</u>
INVESTMENT RETURN	376,500	3,664,259

TOTAL RETURN COMPARISONS

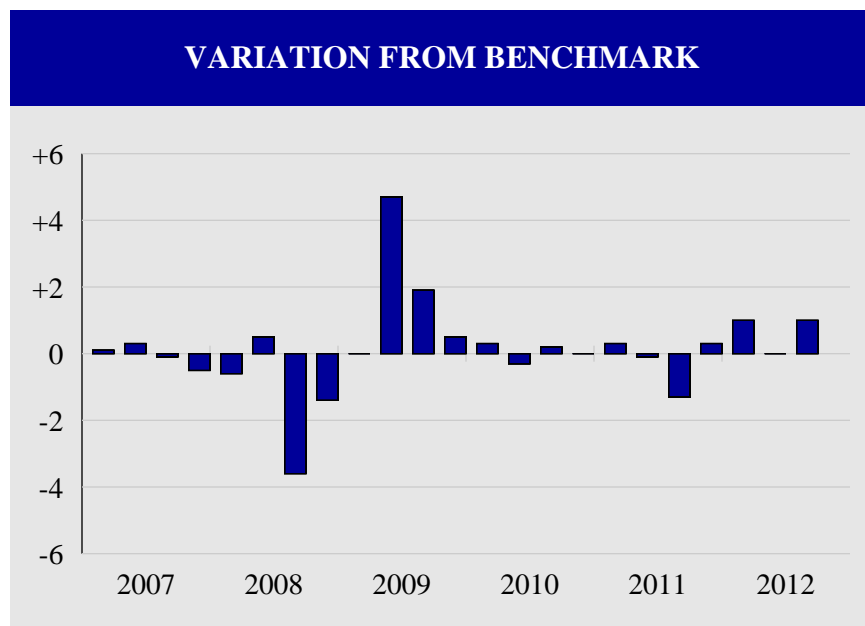


Core Fixed Income Universe



	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.6	4.8	6.1	7.6	6.9	7.2
(RANK)	(20)	(23)	(29)	(27)	(59)	(50)
5TH %ILE	3.0	5.3	7.2	8.8	8.8	8.3
25TH %ILE	2.4	4.7	6.2	7.7	7.7	7.6
MEDIAN	2.2	4.3	5.4	6.7	7.2	7.2
75TH %ILE	1.8	4.0	4.8	6.0	6.6	6.7
95TH %ILE	1.4	3.5	3.8	5.0	5.9	5.3
Agg Index	1.6	3.7	4.0	5.2	6.2	6.5

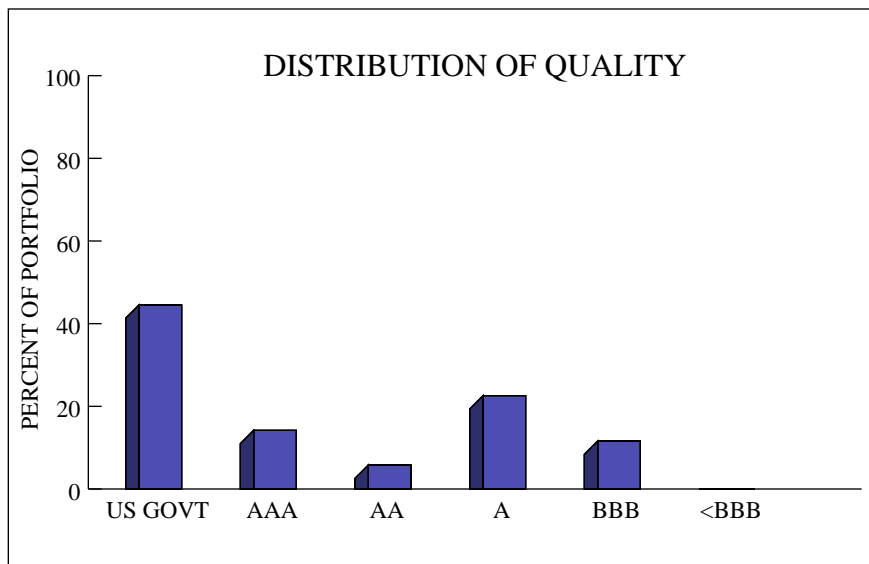
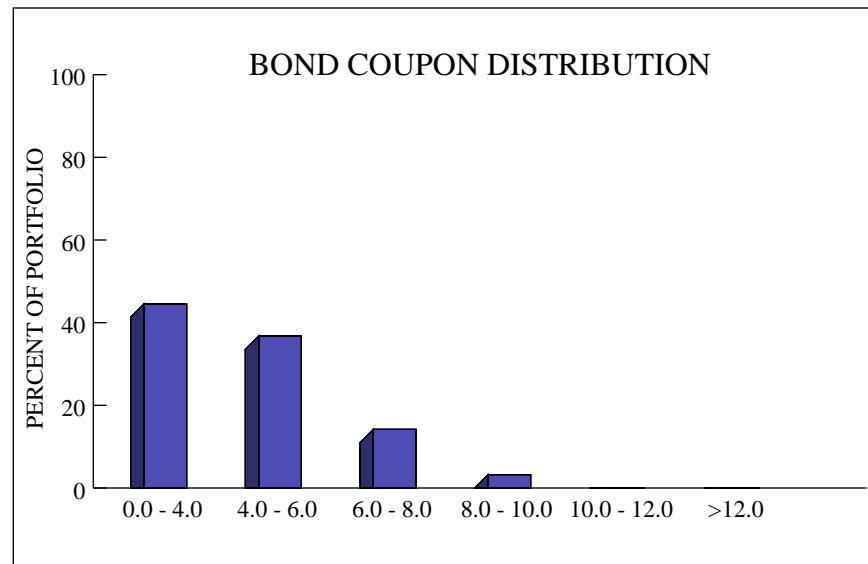
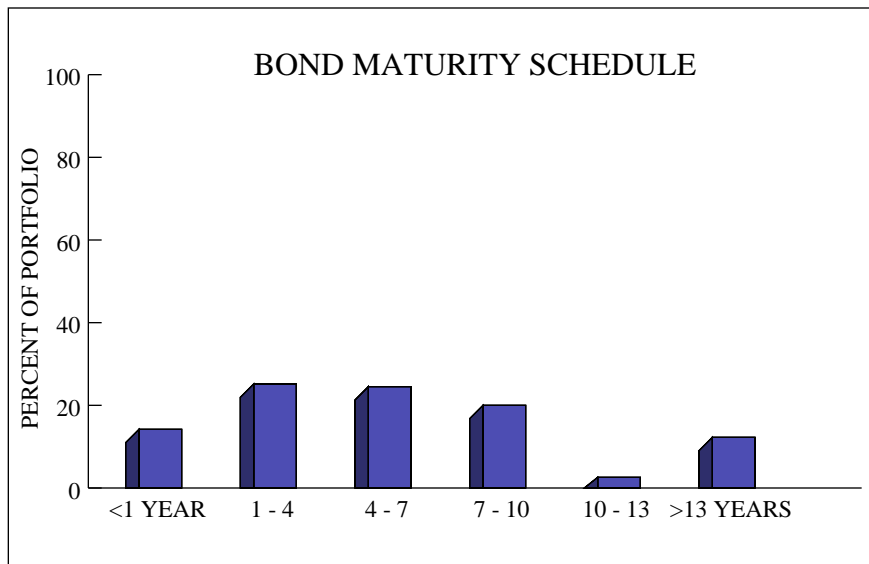
Core Fixed Income Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**COMPARATIVE BENCHMARK: BARCLAYS AGGREGATE INDEX**

Total Quarters Observed	23
Quarters At or Above the Benchmark	15
Quarters Below the Benchmark	8
Batting Average	.652

RATES OF RETURN			
Date	Portfolio	Benchmark	Difference
3/07	1.6	1.5	0.1
6/07	-0.2	-0.5	0.3
9/07	2.7	2.8	-0.1
12/07	2.5	3.0	-0.5
3/08	1.6	2.2	-0.6
6/08	-0.5	-1.0	0.5
9/08	-4.1	-0.5	-3.6
12/08	3.2	4.6	-1.4
3/09	0.1	0.1	0.0
6/09	6.5	1.8	4.7
9/09	5.6	3.7	1.9
12/09	0.7	0.2	0.5
3/10	2.1	1.8	0.3
6/10	3.2	3.5	-0.3
9/10	2.7	2.5	0.2
12/10	-1.3	-1.3	0.0
3/11	0.7	0.4	0.3
6/11	2.2	2.3	-0.1
9/11	2.5	3.8	-1.3
12/11	1.4	1.1	0.3
3/12	1.3	0.3	1.0
6/12	2.1	2.1	0.0
9/12	2.6	1.6	1.0

BOND CHARACTERISTICS



	PORTFOLIO	BARCLAYS AGG
No. of Securities	158	7,999
Duration	6.04	4.85
YTM	4.16	1.61
Average Coupon	4.11	3.67
Avg Maturity / WAL	10.37	6.73
Average Quality	AAA-AA	USG-AAA