



"Advancing Your Investments"

RICHARD M. CHARLTON
CHAIRMAN AND CEO

MICHAEL P. MANNING, CFA, CAIA
PRESIDENT

February 26, 2009

Dear NEPC Client:

In January, we provided you with information about the exposure of our clients to the Madoff fraud. You may recall that, despite the magnitude of the fraud, our clients suffered minimal losses, estimated to be less than four basis points (0.0004) across NEPC's entire client base. This minimal overall exposure is due in large part to the fact that neither Madoff nor any direct Madoff "feeder" fund was ever recommended by NEPC. Our clients benefitted from NEPC's proven commitment to a broad-based strategy of diversification and limited concentration in illiquid vehicles, particularly those with partial transparency.

Nevertheless, we indicated that due to the very broad and public nature of the fraud, there was a possibility that a client impacted by Madoff's fraud could pursue litigation against NEPC. We are writing today to inform you that a former client, Fairfield Pension Funds ("Fairfield"), has in fact filed suit against NEPC and KPMG LLP as joint defendants, seeking to recoup losses that Fairfield sustained as a result of Madoff.

We regret that Fairfield has exposure to the Madoff fraud and want to stress that NEPC did not propose or recommend Madoff to Fairfield. Fairfield's trustees chose to invest with Madoff long before NEPC was retained as a consultant and they had a 10-plus year relationship with the managers of the hedge fund vehicle they used to invest in Madoff. In addition, when NEPC was retained by Fairfield in 2006, we recommended that the trustees reduce their exposure to Madoff, but the trustees disregarded this advice. Given these facts, it is disappointing that Fairfield has chosen to sue NEPC. We are confident that NEPC, at all times, fulfilled its responsibility to provide prudent and professional investment advice to the town's pension funds and their beneficiaries. As such, we will vigorously defend against the suit and believe we will prevail when all the facts are known.

We recognize the difficulties created for investors by the recent market turmoil and assure you that all NEPC employees remain focused on providing investment advice to our clients while our legal advisors handle this matter. Even during this tumultuous time in the market, our clients have maintained relatively favorable performance. As a firm, we continue to experience solid growth and are adding to our consulting and research staff in order to meet your needs. We take pride in our long record of success in providing independent, objective investment advice to our clients and look forward to continuing that tradition.

We will continue to keep you apprised of any significant developments in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Charlton".

A handwritten signature in black ink, appearing to read "Michael P. Manning".