OFFICE OF THE TREASURER-TAX COLLECTOR



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February 15, 2010

TO: Board of Supervisors

Thomas G. Mauk, County Executive Officer

Treasury Oversight Committee Treasurer's Advisory Committee

Participants

FROM: Chriss W. Street

Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for Month ended January 31, 2010

Attached please find the Treasurer's Management Report for the County of Orange for the month ended January 31, 2010. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website www.ttc.ocgov.com.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending January 31, 2010. Each money market fund has an average maturity of less than sixty days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The Extended Fund shall have a duration not to exceed a leading 1-3 Year index +25%. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the cost and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

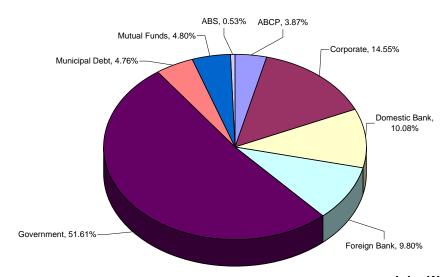
APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Investment Pool's December 2009 and January 2010 interest apportionments. We anticipate posting the December 2009 and January 2010 interest apportionments to participants' cash accounts in the County general ledger by approximately February 15 and March 3, 2010 respectively.

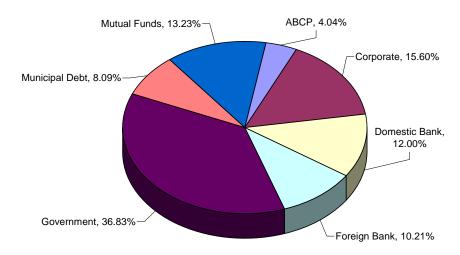
PORTFOLIO COMPOSITION

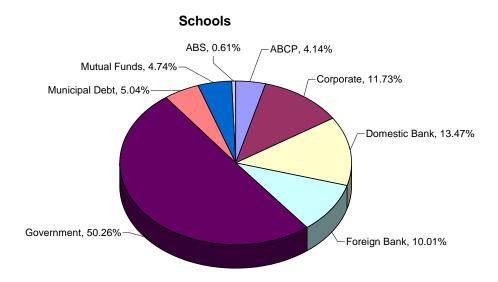
The following graphs represent the County, School and John Wayne Airport investment pools' composition by issuer type. The County and School pools include their portion of the Extended Fund (Exhibit 1).

Exhibit 1: County



John Wayne Airport





MARKET OBSERVATIONS

For the month of January 2010, the Orange County Treasury Investment team is reporting a relatively quiet month. The fixed income markets traded in a narrow range and the County and School Investment Pools benefited from the higher rates we locked in at the end of last year.

We continue to believe that the world, contrary to conventional wisdom in the media, is approaching a classic deflationary spiral. In this situation, lack of demand leads to decreases in prices, which leads to lower production, which in turn leads to lower wages and demand, which leads to further decreases in prices. The US Federal Reserve and the Obama Administration have already employed every simulative tool at their disposal in an effort to stabilize the economy. As the stimulus peters out in the second half of 2010, we expect the economy to slow dramatically.

Most Americans have experienced inflation in their lifetimes and believe that it is a common norm. However, in 1933, it only took \$1.46 to buy the equivalent of what \$1 bought in 1665; in 2007, it took \$16 to buy what \$1 bought in 1933. During this long period, most Americans could benefit from this inflation by borrowing large amounts of money to acquire assets.

Government tax revenue tended to rise faster than income during this long upward sweep of inflation. Now that process has reversed as asset prices have been falling, but government tax revenue has fallen faster. This has become a worldwide phenomenon with the recent collapse of Dubai and the looming debt crisis of Greece and other European countries. Closer to home, we

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have enclosed the cash flow chart for the State of California which testifies to the huge imbalance facing the State.

As the investment manager for the County Schools, the Orange County Treasurer's office became the first manager of public funds to inaugurate a special program which allows schools to access their reserve funds. We continue to maintain the highest level of credit quality, AAAm (please see letters from Standard & Poor's attached to the end of this report). We are also holding much higher levels than normal of liquidity in these challenging times.

The Orange County Treasurer's office expects 1 to 3 year US Treasury Notes to stay in a trading range of low interest rates for the next six months. We sold most of our floating rate securities in expectation of lower rates in the second half of the year ahead. If rates go back up, we will use some of our liquidity to capture somewhat higher yields.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you exemplary portfolio and cash management services in the future. Please call Orange County Treasurer, Chriss W. Street, at 714-834-7625 with any questions.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY

February 1, 2009 - January 31, 2010

. 03/14/	u.y.	1, 2009 - January 3			\/IEI D EOD	MONITU
PERIOD ENDING - MONTH / YEAR		MARKET		EARNINGS	YIELD FOR	MONTH
		VALUE	F	OR MONTH	MONTH	END WAM
Current Month - January 2010	Φ.	0.400.044.504	Φ.	500 700	0.070/	
County Pool - Money Market Fund	\$	2,108,614,594	\$	508,703	0.27%	55
Educational Pool - Money Market Fund	\$	1,759,715,627	\$	369,528	0.26%	57
Extended Fund	\$	2,599,819,873	\$	3,353,439	1.49%	489
OC Extended Fund B	\$	37,098,503	\$	-	N/A	125
December 2009	φ	2 462 450 670	φ	615 400	0.24%	F7
County Pool - Money Market Fund	\$	2,463,159,678	Ф	615,490		57
Educational Pool - Money Market Fund	\$	2,071,614,454	\$	380,114	0.37%	43
Extended Fund	\$	2,592,000,368	\$	3,029,087	1.35%	408
OC Extended Fund B November 2009	Ф	37,405,659	\$	-	N/A	156
	\$	2,213,498,431	\$	507,764	0.29%	52
County Pool - Money Market Fund Educational Pool - Money Market Fund	\$		\$	375,995	0.29%	60
Extended Fund	\$	1,157,124,969				
	\$	2,595,489,296	\$	6,021,428	2.78%	340 187
OC Extended Fund B October 2009	Ф	37,545,360	\$	-	N/A	107
	Ф	2 120 242 120	Ф	560,511	0.33%	53
County Pool - Money Market Fund	\$ \$	2,129,243,138	\$	407,887	0.33%	59
Educational Pool - Money Market Fund		1,322,589,455	\$			
Extended Fund B	\$	2,566,724,258 38,277,435	\$	3,600,287	1.62% N/A	498 217
OC Extended Fund B September 2009	Φ	30,211,435	Ф	=	IN/A	217
County Pool - Money Market Fund	\$	1,970,027,204	\$	583,000	0.35%	54
Educational Pool - Money Market Fund	\$	1,368,057,984	\$	517,448	0.56%	57
Extended Fund	\$	2,531,354,790	\$	3,569,904	1.71%	486
OC Extended Fund B	\$	38,725,414	\$	3,309,904	1.71% N/A	248
August 2009	Ψ	30,723,414	Ψ		IN/A	240
County Pool - Money Market Fund	\$	2,106,086,758	2	915,879	0.50%	57
Educational Pool - Money Market Fund	\$	1,419,464,342	\$	769,121	0.58%	60
Extended Fund	\$	2,443,068,280	\$	8,317,118	4.02%	476
OC Extended Fund B	\$	38,891,543	\$	0,317,110	4.02 /6 N/A	278
July 2009	Ψ	30,031,343	Ψ	<u> </u>	IN/A	210
County Pool - Money Market Fund	\$	2,426,411,208	\$	951,216	0.51%	53
Educational Pool - Money Market Fund	\$	1,664,060,971	\$	763,406	0.62%	59
Extended Fund	\$	2,202,254,242	\$	8,680,964	3.98%	578
OC Extended Fund B	\$	39,228,860	\$	0,000,904	0.9076 N/A	309
June 2009	Ψ	33,220,000	Ψ		14/74	303
County Pool - Money Market Fund	\$	1,715,299,012	\$	953,720	0.64%	48
Educational Pool - Money Market Fund	\$	1,403,295,309	\$	870,875	0.65%	52
Extended Fund	\$	2,717,967,912	\$	5,043,252	2.32%	491
OC Extended Fund B	\$	39,948,442	\$	5,045,252	N/A	340
May 2009	Ψ	00,040,442	Ψ		14/71	0-10
County Pool - Money Market Fund	\$	1,930,854,836	\$	1,331,283	0.84%	49
Educational Pool - Money Market Fund	\$	1,557,527,352	\$	969,271	0.68%	52
Extended Fund	\$	2,570,383,695	\$	5,244,514	2.27%	423
OC Extended Fund B	\$	49,011,934	\$		N/A	369
April 2009	Ψ	10,011,004	Ψ		19/75	509
County Pool - Money Market Fund	\$	2,179,797,628	\$	1,444,232	0.64%	51
Educational Pool - Money Market Fund	\$	1,787,863,217	\$	854,923	0.74%	50
Extended Fund	\$	2,667,974,783	\$	4,796,125	2.17%	417
OC Extended Fund B	\$	52,200,929	\$	- 1,1 00, 120	N/A	61
March 2009	Ψ	02,200,020	Ψ		14// (
County Pool - Money Market Fund	\$	2,029,134,964	\$	1,400,404	0.81%	48
Educational Pool - Money Market Fund	\$	1,338,411,552	\$	1,109,701	0.88%	48
Extended Fund	\$	2,645,713,854	\$	5,538,166	2.57%	428
OC Extended Fund B	\$	52,200,929	\$	-	N/A	91
February 2009	7	1=,200,020	_		. 4/7 (
County Pool - Money Market Fund	\$	2,169,443,772	\$	1,630,117	1.00%	53
Educational Pool - Money Market Fund	\$	1,576,700,518	\$	1,540,126	1.17%	59
Extended Fund	\$	2,350,452,260	\$	5,828,257	3.12%	387
OC Extended Fund B	\$	52,200,929	\$	-	N/A	122
	,		,	Total far V		Annual
February 1, 2009 - January 31, 2010	A	nnual Average	•	Total for Year	Annual Average	Average
County Pool - Money Market Fund	\$	2,120,130,935	\$	11,402,319	0.54%	53
Educational Pool - Money Market Fund	\$	1,535,535,479	\$	8,928,395	0.61%	55
Extended Fund	\$	2,582,994,962	\$	63,022,541	2.45%	452