

MINUTES OF THE TREASURY OVERSIGHT COMMITTEE
ORANGE COUNTY, CALIFORNIA

REGULAR MEETING

April 28, 2010

APPROVED

July 28, 2010

The Regular Meeting of the Treasury Oversight Committee (TOC) held on April 28, 2010 at the Orange County Auditor/Controller's Office, 12 Civic Center Plaza, Conference Room #300, Santa Ana, CA 92701, and called to order by David Sundstrom, Chair, at 3:02PM.

Committee Members:

Present:

David Sundstrom, Auditor-Controller (Chair)
Wendy Benkert for Bill Habermehl, OCDE
George Jeffries, City of Tustin
Raghu Mathur, SOCCD

Also present were:

Bob Franz, CFO, Public Finance; **Paul Gorman**, **Paul Cocking**, **Keith Rodenhuis**, **Fahad Haider**, **Ginika Echebiri**, and **Yvette Clark** from the Treasurer's office; **Angie Daftary** from County Counsel; **Nancy Ishida**, from Auditor-Controller's office; **Alan Marcum** & **Kenneth Wong** from Internal Audit and **Steve Kozak** from Children & Families Commission.

1) Meeting Called to Order

Mr. Sundstrom called the meeting to order.

2) Welcome and Self-introductions

Introductions were made.

3) Public Comments

None.

4) Approval of January 27 & 29, 2010 Meeting Minutes

- Ms. Benkert **moved** to approve the minutes. Dr. Mathur **seconded**. **All approved.**

5) Chairman's Report

- None

6) CFO's Report

- Mr. Franz stated that he would combine this item with agenda Item #9.

7) Receive & File Treasurer's Monthly Management Reports for January through March 2010

- Received & Filed

8) Status Report on Serpentine Funding Holdings

- Mr. Gorman stated that we own 17.9% of the entity Serpentine Funding. We used to own a lower percentage however many owners chose to take the cash-out option leaving us with more ownership.
- Mr. Gorman explained that we have a few options regarding the action we take with Serpentine Funding.
- 1st option would be . 2nd option would be..... 3rd option would be to hold & defer to next year. 4th option is to find a buyer outright to purchase.
- Carin Group is able to provide services that would evaluate the assets of Serpentine Funding. Their pricing for those services would approximately be \$250k for a full extensive evaluation of assets or \$60k for a market value pricing. Class C assets would take a significant amount of work to price because there is less pricing available in the market.
- Mr. Gorman explained that there are 5 classes in Serpentine. For each of those classes we can make a decision.
- Mr. Gorman stated that the duration of the holdings has not changed much from it's beginning estimate of 4 ½ years. However, the final maturity on some assets could be up to 25 years.
- Mr. Sundstrom stated that if he we're running the pool, he would auction off a big chunk.
- Mr. Cocking explained that JP Morgan has researched who has traded Serpentine notes in the past & has an idea of who used to buy them & would possibly buy them now. He doesn't see large institutes such as ourselves buying them. We could take an in-kind transfer & then we could do what we want with them piece by piece, but we don't recommend doing that because the bids would be exceptionally low on the small pieces. Gordian Knott, who has managed Sigma, would possibly be a candidate to buy.
- Mr. Franz stated that we would be comfortable with 90 cents on the dollar or greater. Then, we would probably move forward to sell.
- Mr. Sundstrom asked if we would consider selling Class C or auctioning it. Mr. Cocking responded that with the bidding process it's all or none, so if we received a zero bid than we would get zero for it. We could pick a firm & saw we'd like to sell Class C, however if you put it out in the market you shouldn't pull it back. It's not clear who they would market it to.
- Mr. Jeffries stated that there has been so much bad publicity about Whistlejacket & the particular number of \$80 Million. His opinion is that we just get rid of it all together. The media will not let it go otherwise.

9) Status Report on Transfer of Investment Responsibilities

- Mr. Franz stated the he is getting involved as much as he can since the transfer of Investment Responsibilities. He assumes that the newly elected Treasurer in January 2011 will take over the delegation of authority. In the interim, he stated the fine Treasurer's staff is managing the portfolio. We may make minor changes in the future.

10) Public Comments

- None

11) Schedule Next Meeting

- Next meeting is a regular meeting scheduled for July 28, 2010, 3:00 PM at the Auditor-Controller's Conference Room 300, 12 Civic Center Plaza, Santa Ana, CA 92701.

12) Adjournment

- Mr. Sundstrom adjourned the meeting at 3:53 PM