

**ORANGE COUNTY TREASURER-TAX COLLECTOR**  
**INVESTMENT POLICY COMPLIANCE**  
 January 31, 2010

Investment Policy Guidelines	Investment Type	Orange County Money Market Fund		Extended Fund		Orange County Educational Money Market Fund		John Wayne Airport Investment Pool	
		Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio
100%	U.S. Treasuries	\$ -	-	\$ 215,409,021	8.17%	\$ -	-	\$ -	-
40%	Bankers' Acceptances	-	-	-	-	-	-	-	-
30%	Negotiable Certificates of Deposit	243,987,124	11.57%	50,000,084	1.90%	219,997,082	12.50%	1,999,624	4.04%
45%	Commercial Paper	587,254,043	27.85%	209,492,633	7.94%	447,767,965	25.45%	7,839,666	15.85%
100%	U.S. Government Agencies	728,837,533	34.56%	1,882,133,892	71.38%	489,100,192	27.79%	18,220,479	36.83%
20%	Money Market Funds	163,061,397	7.73%	-	-	147,478,519	8.38%	6,543,436	13.23%
30%	Medium-Term Notes	132,620,312	6.29%	140,239,475	5.32%	118,571,743	6.74%	10,864,944	21.96%
50%	Repurchase Agreements	141,411,056	6.71%	-	-	232,612,607	13.22%	-	-
30%	Municipal Debt	111,443,130	5.29%	102,544,768	3.89%	104,187,520	5.92%	4,000,000	8.09%
10%	Asset Backed Securities	-	-	37,098,503	1.40%	-	-	-	-
		\$ 2,108,614,594	100.00%	\$ 2,636,918,375	100.00%	\$ 1,759,715,627	100.00%	\$ 49,468,149	100.00%

Compliance Category (Yes/No)	Orange County Money Market Fund	Extended Fund	Orange County Educational Money Market Fund	John Wayne Airport Investment Pool
Percentage Limits	Yes	Yes	Yes	Yes
Maturity Limits	Yes	Yes	Yes	Yes
Quality Limits	Yes		Yes	No
Net Asset Value Limits	Yes		Yes	Yes

- Notes: (1) The Money Market Fund (MMF) is authorized to purchase an additional 5-percent of its total assets in any authorized investment type, except commercial paper, for a period not to exceed 30 business days.
- (2) The Money Market Fund (MMF) is authorized to purchase up to 12.5 percent of its total assets in any authorized issuer for a period not to exceed 3 business days.
- (3) The Extended Fund includes the Extended Fund and OC Extended Fund B.
- (4) The Extended Fund is limited to Commercial Paper holdings of 40%, while the Money Market Fund is limited to Commercial Paper holdings of 45%

## **Noncompliance Report Summary For the Month Ended January 31, 2010**

During January the Orange County Money Market Fund, Educational Money Market Fund, Extended Fund, and the Children and Families Commission Investment Pools were all free of noncompliance incidents. However, there was one Compliance Deficiency in the John Wayne Airport Investment Pool.

Although certain Investment Policy Statement (IPS) guidelines were temporarily exceeded during the month in the Orange County Money Market Fund and Educational Money Market Fund the Treasurer believes these technical incidents did not cause any material impact of a negative nature.

### **Compliance Deficiency**

#### **John Wayne Airport Investment Pool**

Purchases of Medium Term Notes must be securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. During January, as discussed below, this IPS limitation was violated in the John Wayne Airport Pool.

01-07 A US dollar denominated Medium Term Note in the amount of \$1,052,000 was purchased from Rabobank Nederland for the John Wayne Airport Investment Pool. This purchase violated the guidelines of the existing IPS as Rabobank Nederland is not organized and operating in the United States. The issuer, Rabobank Nederland, was mistaken for Rabobank Nederland NV, NY, which is an approved issuer organized and operating in the United States. The security subsequently matured on February 01, 2010 with the pool receiving all entitled principal and interest.

#### **Corrective Action Plan**

In order to prevent a similar violation in the future, the Treasurer has implemented a new rule within the Bloomberg Portfolio Management system which warns the trader that a security being considered for purchase is from an issuer organized and operating outside of the United States and is therefore prohibited. In addition, the Treasurer is exploring ways in which similar checks can be performed on the “back-end” as part of the existing review and compliance checks. With these mitigating conditions we believe this problem can be eliminated from future occurrences.