# ORANGE COUNTY TREASURER-TAX COLLECTOR INVESTMENT POLICY COMPLIANCE January 31, 2011

Investment Policy (IPS) Guidelines		County Money Marke		Extended	Fund	Educatio Money Marke		John Wayne Investmen	
Percent of Portfolio	Investment Type	Market Value of	Percent of	Market Value of	Percent of	Market Value of	Percent of	Market Value of	Percent of
See Notes (1) & (2)		Investments (4)	Portfolio	Investments (4)	Portfolio	Investments (4)	Portfolio	Investments (4)	Portfolio
100%	U.S. Treasuries	\$ 224,983,102	14.57%	\$ 40,149,335	1.31%	\$ 305,077,648	15.06%	\$ 5,199,684	10.49%
40%	Bankers' Acceptances	-	-	-	-	-	-	-	-
30%	Negotiable Certificates of Deposit	205,967,810	13.34%	164,650,455	5.36%	222,967,600	11.01%	5,800,128	11.70%
40%	Commercial Paper	304,073,249	19.69%	116,898,403	3.81%	368,577,747	18.20%	8,721,875	17.59%
100%	U.S. Government Agencies	564,578,377	36.56%	2,294,648,108	74.71%	850,566,429	42.00%	24,152,693	48.71%
20%	Money Market Funds	11,336,361	0.73%	-	-	35,839,126	1.77%	696,942	1.41%
30%	Medium-Term Notes	217,532,712	14.09%	353,461,261	11.51%	205,219,160	10.13%	3,654,610	7.37%
50%	Repurchase Agreements	3,207,988	0.21%	-	-	328,702	0.01%	-	-
30%	Municipal Debt	12,500,000	0.81%	101,374,719	3.30%	36,761,988	1.82%	1,355,000	2.73%
10%	Asset Backed Securities	-	-	-	-	-	-	-	-
		\$ 1,544,179,597	100.00%	\$ 3,071,182,280	100.00%	\$ 2,025,338,400	100.00%	\$ 49,580,931	100.00%

Compliance Category (Yes/No)	County Money Market Fund	Extended Fund	Educational Money Market Fund	John Wayne Airport Investment Pool	
Percentage Limits	Yes	Yes	Yes	Yes	
Maturity/Duration Limits	Yes/NA	NA/Yes	Yes/NA	Yes/NA	
Quality Limits	NO (3)	Yes	NO (3)	NO (3)	
Net Asset Value Limits	Yes	N/A	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) See Non-Compliance Report for specific non-compliance violations.
- (4) All investments are marked to market in compliance with the narrow valuation range prescribed by the IPS and market values are provided by Bloomberg Professional Services.
- NA Not applicable

### Non-Compliance Report For the Month Ended January 31, 2011

In January, there was a purchase of one single issue that caused a compliance deficiency in the County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Pool as follows:

#### **Investment Policy Statement (IPS)-Investment Restrictions (Credit-Watch)**

Per the IPS, any issuer that has been placed on "Credit Watch-Negative" by a Nationally Recognized Statistical Rating Agencies (NRSRO) will be removed from our approved list unless the issuer has (a) an A-1+ or F1+ short-term rating; or (b) at least an AA or Aa2 long-term rating.

The issuer, EI DuPont de Nemours & Co was an approved issuer with a short-term rating of A-1, P-1, F1 and a long-term rating of A, A2 and A. On 1-10-11 this issue was placed on credit watch-negative by Fitch, thereby making them ineligible to be purchased under the IPS.

# **Compliance Violations**

- 1) U.S. Commercial Paper in the amount of the amount of \$24,997,777.78 was purchased from EI DuPont de Nemours & Co for the Orange County Money Market Fund on 01-14-11. The security was sold on the next business day and removed from the approved issuer list.
- 2) U.S. Commercial Paper in the amount of the amount of \$9,999,733.33 was purchased from EI DuPont de Nemours & Co for the Orange County Educational Money Market Fund on 1-14-11. The security was sold on the next business day and removed from the approved issuer list.
- 3) U.S. Commercial Paper in the amount of the amount of \$999,973.33 was purchased from EI DuPont de Nemours & Co for the John Wayne Airport Investment Pool on 1-14-11. The security was sold on the next business day and removed from the approved issuer list.

## Corrective Action Plan

The Treasurer implemented a policy which is stricter than the IPS. This policy does not allow for an issuer on credit-watch negative to be on the Approved Issuer List. In addition, a new rule within the Bloomberg Portfolio Compliance Manager was added which prevents the trader from purchasing any security on credit watch negative. This hard rule in the investment software will prevent any compliance violations of this type in the future.