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CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

FINANCIAL/OPERATING FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: OC POB (1996A_1997A) - Annual Report, for the year ended 06/30/2013

DOCUMENTS

Financial Operating Filing

- OC POB (1996A_1997A) 2013 - FINAL.pdf posted 02/21/2014

THE FOLLOWING ISSUERS ARE ASSOCIATED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-6	State	Issuer Name
68428L	CA	ORANGE CNTY CALIF PENSION OBLIG

THE FOLLOWING 43 SECURITIES HAVE BEEN PUBLISHED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-9	Maturity Date
68428LAP9	09/01/2005
68428LAQ7	09/01/2006
68428LAR5	09/01/2007
68428LAS3	09/01/2008
68428LAT1	09/01/2009
68428LAU8	09/01/2010
68428LAV6	09/01/2011
68428LAW4	09/01/2012
68428LAX2	09/01/2013
68428LAZ7	09/01/2014
68428LBA1	09/01/2015

68428LBB9	09/01/2016
68428LBD5	09/01/1997
68428LBE3	09/01/1998
68428LBF0	09/01/1999
68428LBG8	09/01/2000
68428LBH6	09/01/2001
68428LBJ2	09/01/2002
68428LBK9	09/01/2003
68428LBL7	09/01/2004
68428LBM5	09/01/2005
68428LBN3	09/01/2006
68428LBP8	09/01/2007
68428LBQ6	09/01/2008
68428LBR4	09/01/2009
68428LBS2	09/01/2010
68428LBT0	09/01/2011
68428LBU7	09/01/2012
68428LBV5	09/01/2013
68428LBW3	09/01/2014
68428LBX1	09/01/2015
68428LBY9	09/01/2016
68428LBZ6	09/01/2017
68428LCA0	09/01/2018
68428LCB8	09/01/2019
68428LCC6	09/01/2020
68428LCD4	09/01/2021
68428LCE2	09/01/2005
68428LCF9	09/01/2006
68428LCG7	09/01/2007
68428LCH5	09/01/2008
68428LCJ1	09/01/2009
68428LCK8	09/01/2010

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COUNTY OF ORANGE, CALIFORNIA
TAXABLE REFUNDING PENSION OBLIGATION BONDS
SERIES 1996A and 1997A
ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2013

Dated February 21, 2014

County of Orange, California
Taxable Refunding Pension Obligation Bonds,
Series 1996A and 1997A
Annual Report
For Fiscal Year Ended June 30, 2013

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INTRODUCTION

The County of Orange, California (the “County”) hereby provides its annual report (the “Annual Report”) for the Fiscal Year ended June 30, 2013, in connection with the following Bonds:

Bond Issues (collectively, the “Bonds”):

1. County of Orange, California, Taxable Refunding Pension Obligation Bonds, Series 1996A (the "Series 1996A Bonds").

2. County of Orange, California, Taxable Refunding Pension Obligation Bonds, Series 1997A (the "Series 1997A Bonds").

Annual Report:

The County’s Annual Report as defined by the Continuing Disclosure Certificates (the “Disclosure Certificates”) dated June 12, 1996 with respect to the Series 1996A and dated January 14, 1997 with respect to the Series 1997A Bonds for the Fiscal Year ended June 30, 20013 is attached hereto.

Other Matters:

This Annual Report is provided solely for purposes of the Disclosure Certificates. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the County or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the County’s financial condition, the security for the Bonds, or an investor’s decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the County.

Dated: February 21, 2014

COUNTY OF ORANGE, CALIFORNIA

1. Audited Financial Statements For Fiscal Year Ended June 30, 2013

   To be submitted separately pursuant to Section 4 of the Continuing Disclosure Agreements.

2. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement relating to the Series 1996A and 1997A Bonds, in the following charts and tables or under the following captions:

   a. Debt Service Schedule

      In September 1994, the County issued its Taxable Pension Obligation Bonds, Series 1994 in the aggregate principal amount of $110,200,000 (the "Series 1994 Bonds"). The Series 1994 Bonds were partially refunded with proceeds of the 1996A and 1997A Bonds (together the "Pension Obligation Bonds").

      On May 11, 2000, a cash tender offer of certain outstanding Pension Obligation Bonds was completed. The County purchased and canceled $288,290,000 (maturity value) of Pension Obligation Bonds for a cost of $170,016,000. On June 22, 2000, the debt service on the outstanding Pension Obligation Bonds was provided for through the deposit with the trustee of $175,492,000 principal amount of "AAA" rated debt securities issued by Fannie Mae, along with $9,151,000 in debt service funds already being held by the trustee. In accordance with irrevocable instructions, these securities, together with other cash amounts and investments held by the trustee, will be used soley to retire the remaining Pension Obligation Bonds as they mature.

      The current debt service schedules are included as Attachment A and Attachment B.

   b. County Investment Policy

      The County Treasurer is granted the authority to deposit and invest County and County agency funds under the County Treasurer's control pursuant to California Government Code Section 27000 et seq. and Section 53600 et seq. and certain actions of the County Board of Supervisors. Additionally, school districts located in the County are required to deposit their moneys with the County Treasurer pursuant to the California Education Code. The deposits of funds from other districts and local agencies may be invested with the County Treasurer pursuant to a procedure established by California Government Code Section 53684 and other statutory provisions.

      The County Treasurer has established the County Money Market Fund, the Educational Money Market Fund and the John Wayne Airport Investment Pool, all three of which are invested like money market funds in cash-equivalent securities and provide liquidity for immediate cash needs. The County Treasurer has also established the Extended Fund (the "Extended Fund"), which is for cash requirements between one and five years, and serves the needs of both the County and school districts. The County Investment Pool (the "County Pool") describes the County Money Market Fund and its portion of the Extended Fund. The Orange County Educational Investment Pool describes the Educational Money Market Fund and its portion of the Extended Fund. Copies of the Investment Policy are located at bos.ocgov.com/ocinvestments.

On January 8, 2013 the Board adopted the County's annual Investment Policy Statement (the "Investment Policy"), containing strict guidelines for permitted investments which apply to funds currently invested in the County Pool, the Educational Pool, the John Wayne Airport Investment Pool, and other specific investments. Certain other funds are invested separately and are not subject to the Investment Policy. The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The maximum maturity of investment in the money market funds is 13 months, with a maximum weighted average maturity of 60 days. The maximum maturity of the Extended Fund is five years, with duration not to exceed the Merrill Lynch 1-3 Year index +25% (2.34). The investments in the pools are marked to market daily to determine the value of the pools. To further maintain safety, adherence to an investment strategy of diversification in regard to instruments and maturities, as well as maintenance of internal controls for proper accounting and reporting, compliance, document safekeeping, collateralization and qualified financial broker-dealers is required.

Please refer to the County Investment Policy Statement included as Attachment C.

c. Budget Information Relating to the County

TABLE 2
COUNTY GENERAL FUND
COMPARISON OF GENERAL FUND ADOPTED BUDGETS FOR FISCAL YEAR 2011-12, 2012-13, 2013-14

	2011-12		2012-13			2013-14	
	Adopted Budget	**Final Modified Budget (1)**	**Adopted Budget**	**Final Modified Budget (1)**	**Variance Between Adopted Budget and Final Budget**	**Modified Budget (2)**	**Change from 2012-13 Adopted Budget**
REQUIREMENTS							
Public Protection (2)	$957,378,616	$988,343,935	$995,871,840	$1,023,065,226	2.73%	$1,043,272,511	4.76%
Health & Community & Social Services	$1,501,340,962	$1,529,848,441	$1,513,876,452	$1,601,302,690	5.77%	$1,586,146,077	4.77%
Infrastructure & Environmental Resources (3)	$107,947,471	$106,255,171	$103,558,805	$104,212,709	0.63%	$98,185,876	-5.19%
General Government & Services	$138,654,644	$141,606,884	$142,552,714	$147,546,030	3.50%	$138,069,749	-3.14%
Capital Improvements (4)	$25,196,758	$100,403,974	$25,446,688	$68,705,534	170.00%	$28,045,072	10.21%
Debt Service (5)	$341,613,105	$583,679,315	$286,150,943	$561,950,943	96.38%	$398,378,412	39.22%
Insurance, Reserves & Miscellaneous (6)	$15,175,643	$13,620,160	$19,467,085	$34,677,217	78.13%	$17,992,066	-7.58%
Increases to Reserves (7)	$1,680,178	$2,483,555	$0	$45,425,005	--	$0	--
Total Requirements	**$3,088,987,377**	**$3,466,241,435**	**$3,086,924,527**	**$3,586,885,354**	**16.20%**	**$3,310,089,763**	**7.23%**
AVAILABLE FUNDS							
Fund Balance Available	$20,000,000	$42,495,889	$0	$45,425,005	--	$0	--
Property Taxes (8)	$525,312,108	$603,431,224	$601,122,362	$601,122,362	0.00%	$569,100,585	-5.33%
Sales Tax	$7,346,000	$7,346,000	$7,921,000	$7,921,000	0.00%	$8,426,000	6.38%
Licenses, Permits & Franchises(9)	$16,623,246	$16,623,246	$18,038,501	$19,277,343	6.87%	$20,216,426	12.07%
Fines, Forfeitures & Penalties	$40,147,136	$40,151,102	$39,755,872	$39,755,872	0.00%	$34,998,448	-11.97%
Use of Money & Property	$6,860,770	$6,860,770	$6,252,889	$6,252,889	0.00%	$4,800,217	-23.23%
Intergovernmental Revenues (10)	$1,398,279,156	$1,470,923,735	$1,495,635,243	$1,585,831,268	6.03%	$1,583,855,265	5.90%
Charges for Services	$457,829,692	$415,610,462	$415,731,891	$415,036,900	-0.17%	$421,209,060	1.32%
Miscellaneous Revenues (11)	$37,151,613	$38,927,076	$253,784,153	$253,550,178	-0.09%	$31,327,132	-87.66%
Other Financing Sources (12)	$579,437,656	$823,871,931	$247,548,906	$550,096,898	122.22%	$621,671,171	151.13%
Decreases to Reserves (7) (13)	$0	$0	$1,133,710	$62,615,639	--	$14,485,459	--
Total Available Funds	**$3,088,987,377**	**$3,466,241,435**	**$3,086,924,527**	**$3,586,885,354**	**16.20%**	**$3,310,089,763**	**7.23%**

(1) Final Budgets include all mid-year budget adjustments. Budgeted amounts differ from actual expenditures and revenues in Table A-3 and A-5. The variances between budget and actual are due to lower than budgeted expenditures and corresponding lower than budgeted revenue from reimbursement claims and charges for services, unspent contingencies, and appropriations requirements for the Taxable Pension Obligation Bonds with no corresponding expenditures.

(2) Increases in Public Protection primarily a result of AB 109, Statewide Public Safety Realignment offset by Board approved reductions as a result of Vehicle License Fee Adjustment Amount (VLFAA) loss.

(3) Decreases to Infrastructure & Environmental Resources since FY 2012-13 primarily due to exclusion of pass-through Proposition 50 and Proposition 84 grants to other non-County governments.

(4) Increase in FY 2011-12 for Capital Improvements a result of the appropriation of $73.5 million in VLFAA to support debt prepayment on information technology projects and deferred maintenance for critical public safety facilities. This action was taken by the Board of Supervisors on February 7, 2012. As a result of the tentative VLFAA ruling, capital and information technology projects deferred in FY 2013-14.

(5) The FY 2011-12 budget includes appropriations of the proceeds of Taxable Pension Obligation Bonds, 2011 Series A and Taxable Pension Obligation Bonds 2012 Series A, respectively, and subsequent prepayment to the retirement system. FY 2011-12 and FY 2012-13 budgets include appropriations for debt service to repay the Taxable Pension Obligation Bonds, 2011 Series A in an amount of $275.9 million and Taxable Pension Obligation Bonds, 2012 Series A of $229.9 million, respectively. FY 2012-13 budget also includes appropriation[s?] for the acquisition of the Taxable Pension Obligation Bonds 2013 Series A in an amount of $268.5 million. FY 2013-14 budget includes appropriation for the acquisition of the Taxable Obligation Bonds 2014 Series in an amount of $325.4 million. Due to a change in accounting policy, FY 2013-14 does not require appropriations for debt service to repay the Taxable Pension Obligation Bonds 2013 Series A. In addition, FY 2011-12 includes a $38 million reduction in debt service related to the 2005 Lease Revenue Refunding Bonds. In FY 2012-13 the County was successful in refunding the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 for a gross savings of approximately $8.5 million.

(6) Increase in FY 2012-13 includes $5.0 million to fund the construction of U.S Immigration and Customs Enforcement (ICE) Court Modular project and $16.7 million in appropriations for the reimbursement of Property Tax Administration Fees as a result of the City of Alhambra vs County of Los Angeles lawsuit.

(7) In FY 2011-12, reserve increase of $2.5 million was related to unanticipated fund balance and revenues. FY 2012-13 net decrease to reserves is a result of reimbursement required by the City of Alhambra vs County of Los Angeles lawsuit and reclassification of reserved realignment funds.

(8) FY 2011-12 and FY 2012-13 each include $73.5 million in additional VLFAA. This additional VLFAA revenue was excluded from the FY 2013-14 Adopted Budget based on the tentative VLFAA ruling. As part of the FY 2013-14 Adopted Budget, the Board of Supervisors approved additional reductions in response to the loss in revenues. This reduction was mitigated by higher anticipated property tax revenues from growth in property assessed valuations as well as additional pass-through revenues from former Redevelopment Agencies.

(9) Licenses, Permits and Franchises increased from anticipated increased housing permit activities.

(10) This funding is comprised of Federal and State grants & reimbursements, matching funds and State-distributed revenues.

(11) Increase in FY 2012-13 due to booking of revenues from departments for debt service of the Taxable Pension Obligation Bonds, 2012 Series A. Prior to FY 2012-13, revenues were recorded in Other Financing Sources. Due to change in accounting policy, FY 2013-14 does not include appropriations or revenues for debt service for the Taxable Pension Obligation Bonds, 2013 Series A.

(12) Includes operating transfers and residual equity transfers from other funds within the County including transfers from the Teeter Program and departmental transfers from Non-General Funds for the reimbursement of program expenditures. FY 2011-12 budget includes an additional $229.9 million to account for the Taxable Pension Obligation Bonds, 2011 Series A and Taxable Pension Obligation Bonds, 2012 Series A. FY 2011-12 also includes a Board approved one-time prepayment of debt for various information technology projects. In FY 2012-13, revenues for the repayment of the Taxable Pension Obligation Bonds, 2012 Series A were booked in the Miscellaneous Revenues category. FY 2013-14 includes revenues for the Taxable Pension Obligation Bonds, 2014 Series A in an amount of $325.4 million. Additionally, starting in FY 2011-12, there were decreases in Teeter penalties due to lower anticipated delinquencies and lower financing requirements for various information technology projects.

(13) Budgeted draw from reserves in FY 2013-14 primarily a result of recognition of deferred 2011 realignment revenues reserved as part of the year end process.

Source: County of Orange, County Budget Office

d. Tables A-17, A-18, A-19, A-20, A-21, and A-22 in Appendix A (of the Official Statement)

1. *Table A-17- Comparison Statement of General Fund*

TABLE A-17
COUNTY OF ORANGE
COMPARISION STATEMENT OF GENERAL FUND
REVENUES AND EXPENDITURES [(1)]
(IN THOUSANDS)
FISCAL YEARS 2008-09 THROUGH 2012-13

	2008-09	2009-10	2010-11	2011-12	2012-13
REVENUES					
Taxes	$ 534,455	$ 557,087	$ 555,229	$ 610,493	$668,819
Licenses, Permits & Franchises	10,242	10,899	15,121	16,481	13,190
Fines, Forfeitures & Penalties	39,728	41,067	42,442	41,986	36,562
Use of Money and Property	9,809	5,818	6,404	5,394	3,510
Intergovernmental Revenues	1,344,385	1,320,306	1,346,710	1,419,777	1,551,407
Charges for Services	393,235	370,324	418,768	369,167	389,367
Other Revenues	18,021	18,854	19,075	19,364	18,147
TOTAL REVENUES	$2,349,875	$2,324,355	$2,403,749	$2,482,662	$2,681,002
EXPENDITURES					
General Government	$ 148,298	$ 156,057	$ 155,629	$ 142,577	169,625
Public Protection	1,016,275	951,930	975,366	1,004,669	1,047,148
Public Ways and Facilities	41,557	40,436	41,687	37,654	36,614
Health and Sanitation	575,988	558,491	573,531	578,584	609,572
Public Assistance	735,614	738,227	753,177	735,713	749,128
Capital Outlay	40,615	15,291	10,142	16,713	12,459
Principal Retirement	18,206	18,301	18,619	19,484	20,252
Interest	16,751	14,079	14,220	15,228	9,204
Debt Issuance Costs	--	--	--	--	--
TOTAL EXPENDITURES	$2,593,304	$2,492,812	$2,542,371	$2,550,622	$2,654,002
Excess (Deficit) of Revenues Over Expenditures	$(243,429)	$(168,457)	$(138,622)	$(67,960)	$27,000
Other Financing Sources (Uses)					
Transfers In	327,171	259,631	231,664	213,289	184,891
Transfers Out	(110,671)	(110,934)	(115,029)	(70,689)	(90,668)
Principal Payment on Demand Bonds	--	--		--	--
Capital Lease Proceeds	--	--	133	--	--
Total Other Fin. Sources (Uses)	216,500	148,697	116,768	142,600	$94,223
Net Change in Fund Balances	$(26,929)	$(19,760)	$(21,854)	$74,640	$121,223
Fund Balances – Beginning of Year	314,973	288,044	268,284	278,594	353,234
Adjustments due to Change in Accounting Principle			32,164		
Adjustment due to HCA Claim					(29,911)
Fund Balances – Beginning of Year as Restated			300,448		323,323
FUND BALANCES – End of Year	$ 288,044	$ 268,284	$ 278,594	$ 353,234	$444,546

(1) The Notes to the County's Basic Financial Statements are an integral part of this table and can be found in the County's Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2013.
Sources: Orange County Comprehensive Annual Financial Reports.

2. *Table A-18- Short Term Borrowings*

   Short term borrowings is provided in the Notes to the County's Basic Financial Statements and can be found in the County's Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2013.

3. *Table A-19- Statement of Bonded Indebtedness*

   Statement of Bonded Indebtedness General Obligation is no longer provided since the County has no direct general obligation ad valorem indebtedness.

4. *Table A-20 – Capital Lease Payments*

TABLE A-20
COUNTY OF ORANGE
CAPITAL LEASE PAYMENTS
(IN THOUSANDS)

Fiscal Year Ending June 30	
2014	$9,832
2015	8,574
2016	8,762
2017	8,987
2018	9,172
2019-2023	41,599
2024-2028	12,886
Total minimum lease payments	99,812
Less: Amount Representing Interest	(32,459)
Present Value of Net Minimum Lease Payments	67,353

Source: Orange County Comprehensive Annual Financial Report dated June 30, 2013.

5. Table A-21 – Outstanding Long-Term Debt and Lease Obligation

TABLE A-21
COUNTY OF ORANGE
CHANGES IN CAPITAL LEASE OBLIGATIONS FOR THE GENERAL LONG-TERM DEBT ACCOUNT GROUP
(IN THOUSANDS)

Description	Source of Repayment	Outstanding Principal Balance (June 30, 2013)[1]	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	$2,821,474	2018
County of Orange Refunding Recovery Bonds, 2005 Series A	General Fund	$34,270,000	2015
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	General Fund	$105,410,000	2017
County of Orange Taxable Pension Refunding Obligation Bonds, Series 1996 A[2]	General Fund	$16,464,760	2016
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A[2]	General Fund	$21,462,484	2021
Orange County Public Financing Authority Lease Revenue Bond, Series 2006 (Cogeneration Project)	General Fund	$18,185,000	2018
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	$29,860,000	2019
SUBTOTAL- GENERAL FUND OBLIGATIONS		**$228,473,718**	
Airport Revenue Refunding Bonds, Series 2003	Airport Revenues	$23,685,000	2018
Airport Revenue Bonds, Series 2009A	Airport Revenues	$65,235,000	2039
Airport Revenue Bonds, Series 2009B	Airport Revenues	$152,825,000	2039
Orange County Public Financing Authority Waste Management System Refunding Revenue Bonds, Series 1997	Solid Waste System Revenues	$7,020,000	2013
Orange County Development Agency Tax Allocation Refunding Bonds, Series 2001 (Neighborhood Development and Preservation Project)	Redevelopment Property Tax Trust Fund	$16,625,000	2022
Orange County Development Agency Santa Ana Heights Project Area 2003 Tax Allocation Refunding Bonds	Redevelopment Property Tax Trust Fund	$24,875,000	2023
TOTAL		**$518,738,718**	

(1) Total General Fund debt service for Fiscal Year 2013-14 excluding the defeased Pension Obligation Bonds, Series 1996A and Series 1997A is $45,070,362.
(2) The outstanding Taxable Refunding Pension Obligation Bonds, Series 1996A and Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of $175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

Source: County of Orange, CEO Public Finance Unit.

6. Table A-22 – Operating Lease Payments

TABLE A-22
COUNTY OF ORANGE
OPERATING LEASE PAYMENTS
(IN THOUSANDS)

Fiscal Year Ending June 30	Equipment	Real Property	Total
2014	$1,691	$24,130	$25,821
2015	3	22,585	22,588
2016	1	20,284	20,285
2017	1	14,240	14,241
2018	--	9,691	9,691
2019-2023	--	26,831	26,831
2024-2028	--	5	5
TOTAL	$1,696	$117,766	$119,462

Source: Orange County Comprehensive Annual Financial Report dated June 30, 2013.

7. Table A-23 – Direct and Overlapping Debt

TABLE A-23
COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT

ORANGE COUNTY

2012-13 Assessed Valuation: $432,902,273,795 (includes unitary utility valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/13
Metropolitan Water District	23.259%	$ 38,397,120
Coast Community College District	100.	648,598,698
North Orange County Joint Community College District	97.709	208,505,144
Rancho Santiago Community College District	100.	293,246,944
Unified School Districts	100.	1,371,377,449
Anaheim Union High School District	100.	105,183,955
Fullerton Joint Union High School District	91.574	47,905,024
Huntington Beach Union High School District	100.	210,579,998
School Districts	100.	429,195,870
Irvine Ranch Water District Improvement Districts	100.	537,000,000
Moulton-Niguel Water District Improvement Districts	100.	27,775,000
Santa Margarita Water District Improvement Districts	100.	156,670,000
South Coast Water District	100.	2,450,000
Cities	100.	33,515,000
Orange County Community Facilities Districts	100.	404,429,210
Other Community Facilities Districts	100.	1,509,820,616
City and Special District Special Assessment Bonds	100.	846,434,387
County 1915 Act Bonds	100.	88,708,296
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$6,959,792,711
OTHER DIRECT AND OVERLAPPING DEBT:		
Orange County General Fund Obligations	**100. %**	**$ 190,546,000** (1)
Orange County Pension Obligations	**100.**	**306,287,244**
Orange County Office of Education Certificates of Participation	100.	15,770,000
Municipal Water District of Orange County Water Facilities Corporation	100.	10,035,000
Unified School District Certificates of Participation	100.	412,536,844
High School District Certificates of Participation	91.574-100.	117,328,979
School District Certificates of Participation	100.	68,109,320
City of Anaheim General Fund Obligations	100.	539,077,465
Other City General Fund Obligations	100.	470,222,026
Moulton-Niguel Water District Certificates of Participation	100.	83,535,000
Other Special District General Fund Obligations	100.	355,000
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		$2,213,802,878
Less: MWDOC Water Facilities Corporation (100% supported)		10,035,000
City of Anaheim supported obligations		529,057,465
Other city authority supported bonds		21,861,034
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		$1,652,849,379
OVERLAPPING TAX INCREMENT DEBT:		
Anaheim Redevelopment Agency	100. %	$ 207,780,000
Brea Redevelopment Agency	100.	191,157,189
Westminster Redevelopment Agency	100.	133,355,000
Fullerton Redevelopment Agency	100.	89,775,000
Buena Park Redevelopment Agency	100.	88,795,000
Other Redevelopment Agencies	100.	558,590,513
TOTAL OVERLAPPING TAX INCREMENT DEBT		$1,269,452,702
GROSS COMBINED TOTAL DEBT		$10,443,048,291
	(2)	
NET COMBINED TOTAL DEBT		$9,882,094,792

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Table A-23 Continued

Ratios to 2012-13 Assessed Valuation:	
Total Direct and Overlapping Tax and Assessment Debt	1.61%
Combined Direct Debt ($496,833,244)……………	**0.11%**
Gross Combined Total Debt………………………….	2.41%
Net Combined Total Debt……………………………	2.28%
Ratios to Redevelopment Incremental Valuation ($43,639,326,700):	
Total Overlapping Tax Increment Debt……………..	2.91%

Source: California Municipal Statistics, Inc.

ATTACHMENT A

COUNTY OF ORANGE
TAXABLE REFUNDING PENSION OBLIGATION BONDS, SERIES 1996A

DEBT SERVICE SCHEDULE

96 POB A
COUNTY OF ORANGE
$121,680,326.21*

ECONOMICALLY DEFEASED

DATE	YEAR	PRINCIPAL (1)	INTEREST	CAB INTEREST	TOTAL
SEPTEMBER 1	2000	0.00	1,267,270.50	0.00	1,267,270.50
MARCH 1	2001	0.00	1,267,270.50	0.00	1,267,270.50
SEPTEMBER 1	2001	0.00	1,267,270.50	0.00	1,267,270.50
MARCH 1	2002	0.00	1,267,270.50	0.00	1,267,270.50
SEPTEMBER 1	2002	0.00	1,267,270.50	0.00	1,267,270.50
MARCH 1	2003	0.00	1,267,270.50	0.00	1,267,270.50
SEPTEMBER 1	2003	0.00	1,267,270.50	0.00	1,267,270.50
MARCH 1	2004	0.00	1,267,270.50	0.00	1,267,270.50
SEPTEMBER 1	2004	0.00	1,267,270.50	0.00	1,267,270.50
MARCH 1	2005	0.00	1,267,270.50	0.00	1,267,270.50
SEPTEMBER 1	2005	8,995,000.00	1,267,270.50	0.00	10,262,270.50
MARCH 1	2006	0.00	931,307.25	0.00	931,307.25
SEPTEMBER 1	2006	6,100,000.00	931,307.25	0.00	7,031,307.25
MARCH 1	2007	0.00	701,947.25	0.00	701,947.25
SEPTEMBER 1	2007	12,000,000.00	701,947.25	0.00	12,701,947.25
MARCH 1	2008	0.00	247,747.25	0.00	247,747.25
SEPTEMBER 1	2008	575,000.00	247,747.25	0.00	822,747.25
MARCH 1	2009	0.00	225,839.75	0.00	225,839.75
SEPTEMBER 1	2009	5,285,000.00	225,839.75	0.00	5,510,839.75
MARCH 1	2010	0.00	23,160.00	0.00	23,160.00
SEPTEMBER 1	2010	2,499,234.82	23,160.00	3,966,765.18	6,489,160.00
MARCH 1	2011	0.00	0.00	0.00	0.00
SEPTEMBER 1	2011	6,538,209.26	0.00	15,450,790.74	21,989,000.00
MARCH 1	2012	0.00	0.00	0.00	0.00
SEPTEMBER 1	2012	6,195,027.75	0.00	16,579,972.25	22,775,000.00
MARCH 1	2013	0.00	0.00	0.00	0.00
SEPTEMBER 1	2013	3,071,455.20	0.00	9,204,544.80	12,276,000.00
MARCH 1	2014	0.00	0.00	0.00	0.00
SEPTEMBER 1	2014	2,378,026.85	0.00	7,958,973.15	10,337,000.00
MARCH 1	2015	0.00	0.00	0.00	0.00
SEPTEMBER 1	2015	5,943,737.97	0.00	22,115,262.03	28,059,000.00
MARCH 1	2016	0.00	0.00	0.00	0.00
SEPTEMBER 1	2016	5,071,539.84	0.00	20,984,460.16	26,056,000.00
TOTAL		64,652,231.69	18,199,978.50	96,260,768.31	179,112,978.50
CURRENT PRINCIPAL & INTEREST BALANCE		16,464,759.86	0.00	60,263,240.14	76,728,000.00
NEXT DS TO BE PAID IN FY 13/14		0.00	0.00	0.00	0.00

*TENDER OFFER IN APRIL 2000 REDUCED PRINCIPAL

ECONOMIC DEFEASANCE IN JUNE 2000 RESULTED IN US TRUST TAKING OVER DEBT SERVICE PAYMENTS

(1) INCLUDES CAB PRINCIPAL FIGURES BEGINNING WITH FY 2010 - 11.

ATTACHMENT B

COUNTY OF ORANGE
TAXABLE REFUNDING PENSION OBLIGATION BONDS, SERIES 1997A

DEBT SERVICE SCHEDULE

97 POB A
COUNTY OF ORANGE
$136,923,080.63*

ECONOMICALLY DEFEASED

DATE	YEAR	PRINCIPAL (1)	INTEREST	CAB INTEREST	TOTAL
SEPTEMBER 1	2000	[illegible]	[illegible],214.75	0.00	695,214.75
MARCH 1	2001	[illegible]	695,214.75	0.00	695,214.75
SEPTEMBER 1	2001	[illegible]	695,214.75	0.00	945,214.75
MARCH 1	2002	[illegible].00	686,[illegible].25	0.00	686,802.25
SEPTEMBER 1	2002	[illegible],000.00	[illegible].25	0.00	14,526,802.25
MARCH 1	[illegible]	0.00	[illegible].25	0.00	216,934.25
SEPTEMBER 1	[illegible]	[illegible]	[illegible]4.25	0.00	216,934.25
MARCH 1	[illegible]	[illegible]	[illegible],934.25	0.00	216,934.25
SEPTEMBER 1	[illegible]04	[illegible]	216,934.25	0.00	216,934.25
MARCH 1	2005	[illegible]	216,934.25	0.00	216,934.25
SEPTEMBER 1	2005	[illegible]3.52	216,934.25	2,636,806.48	5,914,934.25
MARCH 1	2006	0.00	216,934.25	0.00	216,934.25
SEPTEMBER 1	2006	3,723,219.75	216,934.25	3,001,780.25	6,941,934.25
MARCH 1	2007	0.00	190,084.25	0.00	190,084.25
SEPTEMBER 1	2007	5,163,210.74	190,084.25	3,120,789.26	8,474,084.25
MARCH 1	2008	0.00	99,598.75	0.00	99,598.75
SEPTEMBER 1	2008	2,441,866.17	99,598.75	3,301,133.83	5,842,598.75
MARCH 1	2009	0.00	99,598.75	0.00	99,598.75
SEPTEMBER 1	2009	5,094,619.54	99,598.75	3,687,380.46	8,881,598.75
MARCH 1	2010	0.00	0.00	0.00	0.00
SEPTEMBER 1	2010	2,151,649.85	0.00	3,819,350.15	5,971,000.00
MARCH 1	2011	0.00	0.00	0.00	0.00
SEPTEMBER 1	2011	618,935.46	0.00	1,240,064.54	1,859,000.00
MARCH 1	2012	0.00	0.00	0.00	0.00
SEPTEMBER 1	2012	3,403,081.14	0.00	7,715,918.86	11,119,000.00
MARCH 1	2013	0.00	0.00	0.00	0.00
SEPTEMBER 1	2013	2,660,500.71	0.00	6,852,499.29	9,513,000.00
MARCH 1	2014	0.00	0.00	0.00	0.00
SEPTEMBER 1	2014	2,587,637.91	0.00	7,435,362.09	10,023,000.00
MARCH 1	2015	0.00	0.00	0.00	0.00
SEPTEMBER 1	2015	2,143,027.12	0.00	6,852,972.88	8,996,000.00
MARCH 1	2016	0.00	0.00	0.00	0.00
SEPTEMBER 1	2016	2,848,779.04	0.00	10,214,220.96	13,063,000.00
MARCH 1	2017	0.00	0.00	0.00	0.00
SEPTEMBER 1	2017	3,003,150.00	0.00	11,996,850.00	15,000,000.00
MARCH 1	2018	0.00	0.00	0.00	0.00
SEPTEMBER 1	2018	2,772,150.00	0.00	12,227,850.00	15,000,000.00
MARCH 1	2019	0.00	0.00	0.00	0.00
SEPTEMBER 1	2019	2,478,485.00	0.00	12,021,515.00	14,500,000.00
MARCH 1	2020	0.00	0.00	0.00	0.00
SEPTEMBER 1	2020	2,450,550.00	0.00	13,049,450.00	15,500,000.00
MARCH 1	2021	0.00	0.00	0.00	0.00
SEPTEMBER 1	2021	518,203.68	0.00	3,025,796.32	3,544,000.00
TOTAL		61,210,259.63	5,973,286.25	112,199,740.37	179,383,286.25
CURRENT PRINCIPAL & INTEREST BALANCE		21,462,483.46	0.00	83,676,516.54	105,139,000.00
NEXT DS TO BE PAID IN FY 13/14		0.00	0.00	0.00	0.00

*TENDER OFFER IN APRIL 2000 REDUCED PRINCIPAL

ECONOMIC DEFEASANCE IN JUNE 2000 RESULTED IN US TRUST TAKING OVER DEBT SERVICE PAYMENT

(1) INCLUDES CAB PRINCIPAL FIGURES BEGINNING WITH FY 2005 - 06.

ATTACHMENT C

COUNTY OF ORANGE
INVESTMENT POLICY STATEMENT

Orange County Treasurer

Investment Policy Statement

(APPROVED BY B.O.S. 01/08/2013)

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ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

PURPOSE

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (Treasurer) and outline the policies to assist in maximizing the efficiency of the Treasurer's cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer's Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133.

I. POLICY STATEMENT

The Investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (the "OCIF"), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

II. SCOPE

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

1. **FUNDS:**
   The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all moneys under the investment authority of the Treasurer, including funds, and subsets of funds, for the Orange County Department of Education; and excluding the County employee's pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds which are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County's CAFR and include:

   - Governmental Funds, including the General Fund
   - Enterprise Funds
   - Fiduciary Funds

Any other funds or new funds created by the County, unless specifically exempted.

a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use for funds by allowing for more efficient cash flows, a reduction in transaction costs and improved access to the market. OCIF may be split into different pools to meet the specific needs of participants such as short-term money pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in California Government Code Section 53601 and 53635.

i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements between one and five years. It will be invested primarily in high grade securities.

ii. If short-term pools such as money market funds are established, they can be established as a single money market pool or as separate money market pools depending on the needs of the Pool Participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash-equivalent securities, commensurate with safety and liquidity.

b) Specific Investments:

From time to time, the Treasurer may be authorized by a participant's governing board to manage other "specific investments" or to manage bond proceeds issued by the County, a local school district, voluntary participant or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities as allowed by Government Code. No investment will be made in any security with a remaining maturity in excess of five years at the time of purchase unless the Board of Supervisors has granted express authority to make such an investment specifically or as part of an investment program. Board of Supervisor's approval must occur at least three months prior to the investment or investment programs being effective. Strategies for such deposits may include matching maturities with long-term liabilities. Participating agencies will sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity. This agreement will be reviewed with the participating agency on an annual basis.

III. PRUDENCE

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

As outlined in Government Code Section 27000.3, the standard of prudence to be used by the Treasurer shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. In addition, the Treasurer will follow the "Prudent Investor Rule" which provides that pursuant to California Government Code Section 53600.3, that investments shall be made with judgment and care - under circumstances then prevailing - which person of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of their capital as well as the probable income to be derived.

The Treasurer and those delegated staff shall act in accordance with written procedures and investment policy, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. DELEGATION OF AUTHORITY

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in California Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

V. OBJECTIVES

Criteria for selecting investments and the absolute order of priority are:

1. SAFETY

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

a) Credit Risk: Defined as an issuer(s) ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

b) Market Risk: Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional

2. **LIQUIDITY**
   Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

3. **YIELD**
   Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic cycles. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

4. **MARK-TO-MARKET**
   To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a money market fund will attempt to stabilize at a $1.00 net asset value (NAV). If the ratio of the market value of the money market fund divided by the book value of the money market fund is less than $.995 or greater than $1.005, holdings may be sold as necessary to maintain the ratio between $.995 and $1.005.

   The Treasurer will act on a "best efforts" basis to stabilize any short-term pools such as a money market fund within the $.995 to $1.005 range, however, the $1.00 NAV is not guaranteed or insured by the Treasurer.

VI. AUTHORIZED INVESTMENTS

The County is authorized by California Government Code Section 53600 et seq. to invest in specific types of securities. Investments not specifically listed below are prohibited. Consistent with the requirements of law and this Investment Policy Statement, the Treasurer may place orders for the execution of transactions with or through such broker/dealers, banks or counterparties as may be selected from time to time at his/her discretion. All securities must be U.S. dollar denominated. To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Section VII and VIII, the pools may invest in the following areas.

1. **U. S. TREASURY SECURITIES**
   United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the percentage of portfolio that can be invested in this category.

2. **U. S. GOVERNMENT AGENCY SECURITIES**
   Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise. There is no limit on the percentage of

the pool that can be invested in this category, but each issuer is limited to 30% of any individual pool's total assets.

3. COMMERCIAL PAPER

Eligible commercial paper shall be of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a Nationally Recognized Statistical Rating Organization (NRSRO), shall not exceed 270 days maturity and shall not exceed 40% of the fund. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

a) Has total assets in excess of five hundred million dollars ($500,000,000), is organized and operating within the United States as a general corporation, and has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond, has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Split ratings (i.e. A2/P1) are not allowed. No more than 5% of the total assets of any individual pool may be invested in any one issuer's commercial paper.

4. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable certificates of deposit issued by a U.S. national or state-chartered bank, savings bank, savings and loan association, or credit union in this state or state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank. Issuing banks must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an "A" from a NRSRO, if any. No more than 30% of any individual pool's total assets may be invested in negotiable certificates of deposit.

5. REPURCHASE AGREEMENTS

Investments in repurchase agreements for the purpose of this Investment Policy Statement (as defined by section 53601(j) of the California Government Code) means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date, and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code Section 53601(j) (2).

1. Collateralization:

In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

Collateral will be limited to U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2 . Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. The Treasurer retains the right to substitute or grant substitutions of collateral.

Investments in repurchase agreements may be collateralized by any securities authorized within this section, but are limited to no more than 20% of any individual pool's total assets. Agreements are subject to California Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. BANKERS ACCEPTANCES

Bankers acceptances, also known as time drafts (bills of exchange) are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Issuing banks must be rated by at least two of the NRSRO and have a short-term rating of at least A1/P1 and a long-term rating of not less than "A" from a NRSRO, if any. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

7. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq), which only invest in direct obligations in U.S. Treasury bills, notes and bonds, U.S. Government Agencies and repurchase agreements with a weighted average maturity of 60 days or less. Mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets with no more than 10% of any individual pool's total assets in a single money market fund. At a minimum, approved mutual funds shall have met either of the following criteria:

a). Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

b). Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds with assets under management in excess of $500,000,000.

8. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

a). Bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b). Registered state warrants or treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.

c). Bonds, notes, warrants, or other evidences of indebtedness of any local agency within a state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Issuing municipalities must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an "A" from a NRSRO, if any. Municipal debt issued by the County of Orange, California is exempt from this credit rating requirement.

9. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools such as money market funds and five years for any longer-term pools such as an extended fund. Medium-term notes must be 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. Notes eligible for investment shall be rated not less than "A" or its equivalent from two NRSROs. Investments in medium-term notes are limited to no more than 30% of any individual pool's total assets.

10. INVESTMENT POOLS/MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies, or a joint powers authority organized pursuant to Government Code Section 6509.7 that invest in the securities and obligations as authorized under 53601 (l) (a) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2. The Treasurer shall be required to investigate all local government investment pools and money market funds prior to investing and performing at least a quarterly review thereafter while the funds are invested in the pool or the money market fund.

The analysis shall include the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund

- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets and no more than 10% of a single issuer.

VII. INVESTMENT RESTRICTIONS

1. CREDIT RATINGS:

Credit ratings will be applied at the time of purchase of a security. A subsequent downgrade in a security's credit rating will not constitute a violation of the Investment Policy. Securities which are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

Municipal debt issued by the County of Orange, California is exempt from the credit rating requirements listed below. U.S. Government obligations (as defined in Section VI (1) and VI (2)) are exempt from the credit rating requirements listed below.

The credit ratings referred to below must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation "S&P", Moody's Investors Service, Inc. "Moody's" Fitch Ratings "Fitch".

a) Short-term debt ratings – (two of the following and not less than the following)

"A-1" or "SP-1"	Standard & Poor's Corporation (S&P)
"P-1" or "MIG 1/VMIG 1"	Moody's Investors Service, Inc. (Moody's)
"F1"	Fitch Ratings (Fitch)

Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt must have no less than an "A" on long-term debt, if any.

b) Long-term debt ratings- (if separate short-term and long-term pools exist)
Investments purchased for short-term pools - shall be rated by at least two NRSROs and no less than "A" by any.

Investments purchased for long-term pools, such as the extended fund, – shall be rated by at least two NRSROs and no less than "AA" by any.

If an issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1.

c) Counterparties
Repurchase Agreement counterparties shall have a minimum short-term rating, or counterparty rating, of no less than A-1 or equivalent by two NRSROs and have capital of no less than $500 million.

d) Credit Watch
Any issuer that has been placed on "Credit Watch-Negative" by a NRSRO will be removed from our approved list unless the following criteria are met:

The issuer has (a) an A-1+ or F1+ short-term rating; or (b) at least an AA or Aa2 long-term rating.

VIII. DIVERSIFICATION AND MATURITY RESTRICTIONS

It is the policy of the Treasurer to diversify the funds' portfolios. Investments are diversified to minimize the risk of loss resulting in over concentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and periodically reviewed.

1. AUTHORIZED INVESTMENTS:

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term-Extended Fund)	Orange County IPS Maximum Final Maturity (Short-Term – Money Market Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% Total, no more than 30% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Investment Pools / Mutual Funds	20%, 10% in a single fund	20% Total, no more than 10% in one fund	N/A	N/A	N/A

2. ISSUER CONCENTRATION:

a). Only debt issued by firms listed on the Approved Issuer List may be purchased.

b). No more than 5% of any individual pool's total market value may be invested in securities of any one issuer. U.S. Treasury securities are exempt from this restriction.

No more than 30% of any individual pool's total market value may be invested in securities of any one U.S. Government Agency, or U.S. government-sponsored enterprise.

At the time of purchase, an individual pool may invest up to ten percent (10%) of its total market value in a single issuer for a period up to three business days only with approval of the Treasurer . The fund may not invest in the securities of more than one issuer under this provision at any time.

No more than 10% of any individual pool's total market value may be invested in any one Money Market Mutual Fund.

No more than 10% of an individual pool's market value may be invested in Repurchase Agreements of any one issuer.

3. **MATURITY**:
   a) The weighted average maturity (WAM) of any Money Market Funds, on a dollar- weighted basis, shall not exceed 60 days.

   b) The maximum maturity of any investment purchased will be five years and if short-term and long-term pools are used the following restrictions will apply:

Short-term - **Money Market Fund**	13 months (397 days)
Long-term - **Extended Fund**	5 years

   c) For purposes of calculating final maturity, the earlier of final maturity date or mandatory put or tender option date will be used.

   d) For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

4. **DURATION:**
   a) The long-term pools, such as an extended fund, shall have duration not to exceed a leading 1-3 Year index +25%.

IX. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the California Government Code, as may be amended from time to time. No investment prohibited by California Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations or market valuation that are not in compliance with this Investment Policy Statement and cannot be cancelled without penalty **at time of purchase** must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

1. The following transactions are prohibited:

a) Borrowing for investment purposes ("Leverage).

b) Reverse Repurchase Agreements, as defined by California Government Code Section 53601(j) (3) and (j) (4) or otherwise.

c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities,). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Simple “floating rate notes,” whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips or other callable securities which otherwise meet the quality, maturity and percent limitations assigned to their respective security category, are exempt from this section.

d) **S**tructured Investment Vehicles (SIV).

e) Derivatives (e.g. options, futures, swaps, swap options, spreads, straddles, caps, floors, collars) shall be prohibited.

X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers and vendors which conduct business with the County of Orange and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the County of Orange's investment portfolio by filing Form 700 annually.

On May 10, 1993, the Orange County Board of Supervisors passed the "Orange County Gift Ban Ordinance" (see Exhibit A attached). This ordinance prohibits the receipt of specified gifts to "designated employees" including members of the Treasury Oversight Committee. All designated employees shall complete on an annual basis, the State of California Form 700, Statement of Economic Interests Disclosure. In addition, designated employees are subject to the State Gift Ban restrictions. Should any conflicts be disclosed, the Treasurer will resolve such matters as soon as practical.

For the purposes of this section, “designated employees” include the following employees of the Treasurer’s office: the Treasurer-Tax Collector, the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all Investment staff, all Financial/Credit Analysts, all Cash Managers, and all Accounting and Compliance staff. The Treasurer will review this list annually and shall submit any proposed changes to the Treasury Oversight Committee (TOC) as part of the IPS review.

XI. AUTHORIZED FINANCIAL DEALERS AND QUALIFIED INSTITUTIONS

A list of broker/dealers and financial institutions (Qualified Institutions) authorized to provide investment and/or depository services and products to the Treasurer shall be maintained. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a “primary” or regional broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) or a “well capitalized” financial institution, as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4. Qualified institutions must comply with the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board (Section 27133(c) which include prohibiting the selection of any broker, brokerage, dealer or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period following January 1, 1996). A detailed questionnaire is required to be completed by securities dealers and financial institutions wishing to be approved. The Treasurer shall conduct an annual review of each Qualified Institution’s financial condition and registrations to determine whether it should remain on the approved list and require annual audited financial statements to be on file for each company. The County shall annually send a copy of the current investment policy to all Qualified Institutions approved to do business with the County and they shall notify the Treasurer’s office in writing of receipt and that they have read it.

XII. PERFORMANCE EVALUATION

The Treasurer shall submit monthly, quarterly and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the Pool Participants, the Chief Executive Officer, the Internal Audit Director, the Auditor-Controller and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31 and 40, the Treasurer shall provide financial information on the treasury for the County’s Comprehensive Annual Financial Report.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and the specific pool name as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer and approved by the Treasury Oversight Committee (does not apply to money market funds or investment pools). The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity and other pertinent information.

XIV. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by California Government Code Section 26920-26922. Daily compliance of the investment portfolio shall be performed by the Treasurer’s Compliance Division. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements and trade packets will be subject to review annually by auditors in conjunction with their audit.

1. **INVESTMENT PROCEDURES:**
   The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

   No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

XVI. COMPENSATION AGREEMENT

As authorized by California Government Code Section 27013, the Treasurer will charge all Pool Participants for administrative and overhead costs. Costs include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code §27130-27137 shall be included as administrative costs. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise the administrative fee charged in accordance with California Government Code Section 27013. The Treasurer will be required to annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings and the above estimated fee charge will be allocated to the Pool Participants on at least a quarterly basis. As of the first working day of the following period, the Pool Participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs.

NOTE: The current administrative fee range is estimated to be between five and ten basis points. Please consult the Treasurer's Monthly Investment Report for the most recent charge.

XVII. VOLUNTARY PARTICIPANTS

Should a local agency within Orange County, or a Joint Powers Agency (JPA) consisting of at least one public agency from within Orange County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Section 53684 of the California Government Code and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of California Government Code Section 27136, and the agency's understanding that administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing. Upon the Treasurer's approval of voluntary participants to join the pool, the Treasurer will notify the Board of Supervisors within 5 days.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the Orange County Investment Pool and shall be invested by the Treasurer in accordance with the policies contained in the Orange County Treasurer Investment Policy, as now in effect and as may be revised from time to time. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest Local Agency's excess funds which have been deposited for investment with the Treasurer.

XVIII. WITHDRAWAL

Withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer or designee. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury. (California Government Code Sections 27000.3, 27133(h), 27136, 53684(c))

XIX. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on preservation of capital and then liquidity as the most important objectives, with yield as the least important objective.

The Treasurer's investment strategy is to actively manage the portfolios to create less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, etc. or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

XX. INVESTMENT POLICY REVIEW

This Investment Policy shall be reviewed on an annual basis by the Treasury Oversight Committee prior to being presented to, and annually reviewed and approved by the Board of Supervisors in an open session.

XXI. FINANCIAL REPORTING

The monthly Treasurer's Management Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, Chief Executive Officer, Chief Financial Officer, Internal Audit Director, Auditor-Controller, Treasury Oversight Committee and the director or director executive officer of any Local Agency who has investments in the County's Investment Funds as required by California Government Code Sections 53646 and 53686.

All reports filed by the Treasurer in accordance with California Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with California Government Code 53646 (b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XXII. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

XXIII. <u>DISASTER RECOVERY PROGRAM</u>

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel, as well as, currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into an interest-bearing account. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an Individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and Pool Participants in a timely manner.

XXIV. <u>INVESTMENT POLICY ADOPTION:</u>

By virtue of a resolution by the Board of Supervisors, the Board shall acknowledge the receipt and filing of this annual statement of investment policy for the respective fiscal year.

INVESTMENT POLICY
GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this IPS. The definitions included herein do not modify any of the terms of this IPS or applicable law.

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

AGENCY SECURITIES: (See U.S. Government Agency Securities)

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): (See Receivable-Backed Securities)

BANKERS ACCEPTANCE (BA): A negotiable money market instrument issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALLABLE BONDS: Bonds that may be redeemed by the issuing company prior to the maturity date.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK: The risk to a bondholder that a bond may be redeemed prior to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD or NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 180 days or less.

CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)

CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

CREDIT OUTLOOK: (See Rating Outlook)

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CREDIT WATCH: indicates that a company's credit is under review and credit ratings are subject to change.

+ (positive)	Credit is under review for possible upgrade.
- (negative)	Credit is under review for possible downgrade.
Evolving/ Neutral	Credit is under review, direction uncertain.

COUPON: The rate at which a bond pays interest.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

DOMINION BOND RATING SERVICE, LTD: (see NRSRO)

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FEDERAL FUNDS RATE: Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FITCH, INC: (see NRSRO)

FIXED-INCOME SECURITIES: Securities that return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTORLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT COMPANY ACT OF 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARK TO THE MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities by public entities

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; Fitch, Inc.; and Dominion Bond Rating Service, Ltd.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NONCALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: One of 22 banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank of financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (RP OR REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13 month maturity limit and a 90 day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR'S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE: A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB); Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac); Federal National Mortgage Association (FNMA, or Fannie Mae); Federal Farm Credit Banks (FFCB); Resolution Trust Corporation (RTC); and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> **Treasury bills:** non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.
>
> **Treasury notes:** interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.
>
> **Treasury bonds:** interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.
YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a %.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.