Orange County Treasurer

Investment Policy Statement

Effective as of January 2001

Revised 12/19/00

TABLE OF CONTENTS

Page No.

I. Policy Statement 1

II. Objectives 1-2

III. Scope 2-3

IV. Authorized Investments 3-5

V. Investment Restrictions and Prohibited Transactions 5-7

VI. Diversification and Maturity Restrictions 7-8

VII. Ethics and Conflict of Interest 8

VIII. Authorized Financial Dealers and Qualified Institutions 8

IX. Performance Evaluation 9

X. Safekeeping 9

XI. Collateralization 9

XII. Maintaining the Public Trust 9

XIII. Internal Controls 10

XIV. Compensation Agreement 10

XV. Voluntary Participants 11

XVI. Withdrawal 11

XVII. Performance Standards 11

XVIII. Investment Policy Review 12

XIX. Financial Reporting 12

XX. Legislative Changes 12

XXI. Disaster Recovery Program 12-13

APPENDIX
Glossary 1-6

ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

INTRODUCTION

The Orange County Treasurer's Investment Policy Statement is being filed with the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. This Investment Policy Statement represents the Investment Funds ("the Funds"), the Money Market Fund and the Extended Fund, managed by the Orange County Treasurer's office.

The Funds are comprised of the following separate Pools which are each invested in accordance with this Investment Policy Statement:

1. The Orange County Investment Pool
2. The Orange County Educational Investment Pool
3. John Wayne Airport Investment Pool

I. POLICY STATEMENT

It is the policy of the Orange County Treasurer (the "Treasurer") to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on achieving the highest yield while meeting the daily cash flow needs of the pool participants and conforming to all applicable State statutes and County resolutions governing the investment of public funds.

The Orange County Investment Funds are designed to meet both the investment and cash requirements of our participants. The Treasurer shall determine on a cash flow basis what percent of available cash will be invested in both Funds.

The Money Market Fund is invested in cash-equivalent securities, therefore providing liquidity for immediate cash needs.

The Extended Fund is for cash requirements past one year. This Fund will be invested in high grade securities for yield enhancement.

The Treasurer's investment holdings may include "specific investments" that were made upon the authorization of a participant's governing board or for bond proceeds as permitted in a bond's official documents. Specific investments may fall outside the parameters of this Investment Policy Statement.

II. OBJECTIVES

The primary objectives, in priority order, of the Treasurer's investment activities shall be:

1. **SAFETY OF PRINCIPAL**
   Safety of principal is the foremost objective of the Treasurer. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this goal, diversification is required in the portfolio's composition.

2. **LIQUIDITY**
   The Money Market Fund will be substantially liquid for the purpose of meeting all operating requirements which might be reasonably anticipated. "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 losing some portion of principal or interest.

3. **YIELD**
   The Funds are designed with the objective of attaining a competitive rate of return throughout budgetary and economic cycles, which is commensurate with the Funds' investment risk constraints and the cash flow characteristics of each portfolio.

   Although the Treasury may employ certain indexes with respect to the Funds' intention of earning a competitive rate of return," such index(es) 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, the Money Market Fund will attempt to stabilize at a $1 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 the Money Market Fund within the $.995 to $1.005 range, however, the $1 Net Asset Value is not guaranteed or insured by the Treasurer.

III. <u>SCOPE</u>

By County Resolution #00-457, effective December 19, 2000, the County Board of Supervisors has delegated to the Treasurer 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. Resolution #00-457 is effective for one year, unless earlier revoked.

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the County 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.

The standard of prudence to be used by County investment officers shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers shall act in accordance with written procedures and investment policy and exercise due diligence and shall report in a timely fashion and exercise appropriate action to control adverse developments.

IV. AUTHORIZED INVESTMENTS

Consistent with the requirements of law and this Investment Policy, the Treasurer may place orders for the execution of transactions with or through such brokers, dealers, banks and repurchase agreement counter parties as may be selected from time to time in his/her discretion.

To the extent consistent with the objectives stated above and investment restrictions outlined below, the assets in the Funds may be invested 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.

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.

3. **COMMERCIAL PAPER**
   Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating (A-1/P-1/F-1) as provided for by at least two of the following nationally recognized rating agencies: Standard and Poor's Corporation (Standard & Poor's)**;** or Moody's Investors Service, Inc. (Moody's) or Fitch IBCA Inc. (Fitch). Eligible paper is further limited to issuing corporations that are organized and operating in the United States, have total assets in excess of $500,000,000 and have long term debt ratings**,** if any**,** of "A" or better from Standard & Poor's or Moody's or Fitch. In addition, no more than 40% of the Funds may be invested in commercial paper**.** Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of the issuing corporation.

4. **NEGOTIABLE CERTIFICATES OF DEPOSIT**
   Negotiable certificates of deposit issued by a U.S. national or state-chartered bank 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 (provided such foreign bank is one of the 75 largest foreign banks in terms of total net capital assets). Issuers of certificates of deposit must be rated by at least two of the following nationally recognized rating agencies, and must not be rated below the following minimum

ratings: “A-1" by Standard & Poor’s, “P-1" by Moody’s, “F-1" by Fitch and “B/C” by Thomson BankWatch.

5. **REPURCHASE AGREEMENTS**

Investments in repurchase agreements for the purpose of this policy (as defined by sections 53601(l) and 53635(l) 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 repurchase agreements shall be for 90 days or less. The term "securities" for purposes of repurchase agreements shall mean securities authorized by California Government Code Section 53601 and 53635 et al.

At a minimum, the collateral for repurchase agreements must be valued at 102% (market value of principal and accrued interest) of the cost, and shall be adjusted no less frequently than weekly. For compliance purposes, the investment restrictions from Section V.4. herein consider U. S. Treasury and/or agency collateral exempt from issuer limits. Repurchase agreements collateralized by all other authorized securities will be subject to the 5% maximum using the seller (broker/dealer) as the issuer.

A Public Securities Association (PSA) Master Repurchase Agreement is required to be on file with the Treasurer. The PSA Master Repurchase Agreement must be approved for each broker/dealer by the Treasurer before engaging in any repurchase agreement transactions.

6. **BANKERS ACCEPTANCES**

Primarily used to finance international trade, bankers acceptances are time drafts (bills of exchange) drawn on and accepted by a commercial bank. Purchases of bankers acceptances shall not exceed 180 days maturity nor 40% of the market value of the Funds. Issuing banks must be rated by at least two of the following nationally recognized rating agencies, and must not be rated below the following minimum short-term ratings: “A-1" by Standard & Poor’s, “P-1" by Moody’s, “F-1" by Fitch and “B/C” by Thomson Bankwatch.

7. **MONEY MARKET MUTUAL FUNDS**

Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations authorized by California Government Code Sections 53601(k) and 53635(k) and/or are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.) and shall have met either of the following criteria:

a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized rating services.

b. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized by California Government Code Sections 53601 and 53635 subdivisions (a) to (j) and (m) to (n) and with assets under management in excess of $500,000,000.

No more than 20% of the Funds' market value will be invested in money market funds and no more than 10% of the Funds will be invested in any one mutual fund. Money market mutual funds that meet all other investment criteria, and which invest in eligible "floating rate notes" (See Section V., Paragraph 3.) are an eligible investment. Money market mutual funds that invest in prohibited floating-rate or variable-rate securities are ineligible for investment.

8. **STATE OF CALIFORNIA OR MUNICIPAL DEBT**

Such bonds are defined as being issued by a local California 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 of the State of California, 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 the state.

c. Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this 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.

No more than 10% of the Funds' market value will be invested in state and local agency issues. All municipal debt purchases shall be rated "A" or its equivalent or better by a nationally recognized rating service.

9. **RECEIVABLE-BACKED SECURITIES**

Consumer receivable pass-through certificate or consumer receivable-backed bond with a maximum of 90 days maturity. Securities eligible for investment shall have a credit rating of "AA" or better and its issuer shall have a credit rating of "A" or higher for the issuer's debt by at least two nationally recognized rating services. No more than 10% of the Funds' market value may be invested in consumer receivable pass-through certificates and consumer receivable-backed bonds.

10. **MEDIUM-TERM NOTES**

Medium-term notes (including all corporate and depository institution debt securities) with a maximum remaining maturity of thirteen months for the Money Market Fund and three years for the 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. Eligible notes shall be rated "A" or better by at least two of the following nationally recognized rating agencies: Standard and Poor's, or Moody's, or Fitch. Furthermore, if the medium-term note issuer has a commercial paper rating, it must have at least two of the following ratings: "A-1" by Standard and Poor's, "P-1" by Moody's or "F-1" by Fitch. Purchases of medium-term notes may not exceed 30 percent of the Funds' market value.

V. INVESTMENT RESTRICTIONS AND PROHIBITED TRANSACTIONS

The following types of transactions are restricted or prohibited:

1. Borrowing for investment purposes ("Leverage") is prohibited.

2. Reverse Repurchase Agreements, as defined by California Government Code Sections 53601(l) and 53635(l) or otherwise are prohibited.

3. Instruments known as "Structured Notes" (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities) and "Derivatives" (e.g. options, futures, swaps, caps, floors, collars) are prohibited. For the purpose of identifying ineligible securities, the definition of prohibited "Structured Notes" and "Derivatives" 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 considered an eligible investment. Eligible "floating rate notes" (U. S. Government Agencies, Certificates of Deposit, Medium-Term Notes, etc.), must meet all quality, maturity and percent limitations assigned to their respective security category.

   Callable securities, which otherwise meet the quality, maturity and percent limitations assigned to their respective security category, are considered to be an acceptable investment. U.S. Treasury and Agency zero coupon bonds, U.S. Treasury and Agency strips and Resolution Funding Corporation (REFCORP) strips are considered to be an acceptable investment. No investment prohibited by California Government Code Sections 53601.6 or 53631.5 shall be permitted herein.

4. No more than 5% of the total market value of the Funds may be invested in securities of any one issuer with the exception of obligations of the U.S. Government, U.S. Government agencies and U. S. Government-sponsored enterprises. No more than 10% may be invested in one Money Market Mutual Fund.

5. The average maturity of the Funds, on a dollar-weighted basis, will be as follows:

Money Market Fund	not to exceed 90 days
Extended Fund	18 months

6. The maximum maturity of any portfolio instrument purchased by the Funds will be:-

Money Market Fund	13 months (396/397 days)
Extended Fund	3 years

The maturity of a variable-rate security may be considered to be 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.

7. All investments will be U.S. dollar denominated.

8. Any investment transactions, credit risk criterion, or market valuation which are not in compliance with this Investment Policy must be documented and approved by the Treasurer in writing. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical.

9. At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with California Government Code Sections 53601, 53601.1, 53601.2, 53601.6, 53631.5, 53635 and 53635.2 as such may be amended from time to time. 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. Furthermore, if a credit rating standard is adhered to at the time of purchase, a later downgrade in credit rating will not constitute a violation of that standard. Securities which are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

VI. 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 specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type for each Fund shall comply with the following:

1. U.S. Treasuries and securities having principal and/or interest guaranteed by the U.S. Government.....100%

2. U.S. Government agencies, and government sponsored enterprises.....100%

3. Commercial Paper.....no more than 40%

4. Negotiable Certificates of Deposit.....no more than 30%

5. Repurchase Agreements.....no more than 50%

6. Bankers' Acceptances.....no more than 40%

7. Money Market Funds.....no more than 20%

8. State and Local Agency Obligations.....no more than 10%

9. Receivable-Backed Securities.....no more than 10%

10. Medium-Term Notes.....no more than 30%

The Treasurer shall also be required to diversify maturities and to the extent possible, match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk.

VII. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all investment personnel 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 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.

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

VIII. AUTHORIZED FINANCIAL DEALERS AND QUALIFIED INSTITUTIONS

A list of broker/dealers (Qualified Institutions) authorized to provide investment services to the Treasurer shall be maintained. Any permitted investment, not purchased directly from the 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. A detailed questionnaire is required to be completed by securities dealers and financial institutions wishing to be approved (see attached Exhibit A).

Once approved, Qualified Institutions are required to provide the Treasurer a current audited financial statement and MSRB Rule G-37 filing or a signed statement of

explanation why this filing is not available/applicable. California Government Code Section 27133(c) prohibits the approval of any firm that has, within any consecutive 48-month period from January 1, 1996, made a political contribution to the Treasurer or to any member of the Board of Supervisors of the County or to any candidate for these offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. The Treasurer shall make a best effort to conduct an annual review of each Qualified Institution's financial condition and registrations to determine whether it should remain on the approved list.

Public deposits shall be made in qualified public depositories as established by California Government Code. In addition, qualified public depositories shall meet certain other criteria as determined by the Treasurer.

IX. 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 3 and 31, the Treasurer shall provide financial information on the treasury for the County's Comprehensive Annual Financial Report.

X. 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 securities shall be held by a third party custodian designated by the Treasurer and approved by the Treasury Oversight Committee. 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.

XI. COLLATERALIZATION

Repurchase agreements are required to be collateralized by securities authorized under California Government Code Section 53601 and 53635. In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the collateralization level will be a minimum of 102% of market value of the principal and accrued interest and 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 percent no later than the next business day.

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.

XII. 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.

XIII. 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, misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate any 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 26920-26923. Daily compliance of the investment portfolio shall be performed by the Treasurer's Compliance Division.

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, Public Securities Association 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.

The Treasurer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the County Treasurer is not present. 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 Treasury personnel.

XIV. 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 administrative fee will be subject to change; the administrative and overhead fee will be reviewed by the Treasury Oversight Committee on an annual basis.

Investment earnings and the above fee charge will be allocated to the pool participants on a monthly basis. As of the first working day of the next month, the pool participants' account will reflect the gross investment earnings and the monthly administrative and overhead costs.

NOTE: The current administrative fee range is estimated to be between ten and twenty basis points. Please consult the monthly Summary of Apportionment Yields for the most recent charge.

XV. VOLUNTARY PARTICIPANTS

Should a local agency 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. Subject to the approval/disapproval of the County Board of Supervisors, the Treasurer shall approve or disapprove such agency's request in writing.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the Money Market Fund. To participate in the Extended Fund, the local agency must sign a waiver indicating their understanding of the possible NAV risk involved.

XVI. 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. 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 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))

XVII. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return

throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The Treasurer's investment strategy is active. 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.

The standards enumerated herein do not constitute a guarantee of the Fund's performance.

XVIII. INVESTMENT POLICY REVIEW

The Treasurer's investment policy shall be presented to and annually reviewed and approved by the Board of Supervisors in an open session. The Board of Supervisors shall also review and approve any changes to the investment policy. The policy shall also be reviewed on an annual basis by the Treasury Oversight Committee.

XIX. FINANCIAL REPORTING

The monthly Treasurer's Management Report and any Audit Report 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 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.

XX. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type or percentage allocations, will, upon effectiveness, be incorporated into the Orange County Treasurer's Investment Policy Statement and supersede any and all previous applicable language.

XXI. DISASTER RECOVERY PROGRAM

The County of Orange Treasurer-Tax Collector's Disaster Plan includes critical phone numbers and addresses of key personnel, as well as, active bankers and broker/dealers. Three copies of the Disaster Plan for home, office and car have been distributed to department officers including the Investment Officer. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Investment Officer is unable to invest the portfolio, the Bank of New York Cash Reserve Account will automatically sweep 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.

As a precautionary measure, the Investment Officer carries a cellular phone and laptop personal computer (PC) with him or her at all times. The PC has the necessary software to allow the Investment Officer access to important investment reports and statistics. These tools will assist with investing the portfolio away from the office without significant disruption. In addition, the Investment Officer transports current cash and investment reports to and from work daily to facilitate offsite trading.

RESOLUTION OF THE BOARD OF SUPERVISORS OF

ORANGE COUNTY, CALIFORNIA

December 19, 2000

WHEREAS, in accordance with California Government Code Section 53646, the Treasurer shall annually render to the Treasury Oversight Committee (the "TOC") and the Board of Supervisors (the "Board") a statement of investment policy, which the Board shall review and approve at a public meeting; and

WHEREAS, any changes in the statement of investment policy shall also be reviewed and approved by the Board at a public meeting; and

WHEREAS, following TOC approval, on June 20, 2000, the Board reviewed and approved the Orange County Treasurer Investment Policy Statement (the "Policy"); and

WHEREAS, the Treasurer has submitted to this Board an updated Policy (the "2001 Policy"); and

WHEREAS, the 2001 Policy was approved by the TOC on November 29, 2000; and

WHEREAS, the Board is vested with certain public funds investment authority with respect to County and other funds as specified under California law; and

WHEREAS, the Board may delegate its investment authority to the Treasurer, who shall thereafter assume full responsibility for such transactions, for a period of one year; and

WHEREAS, the Board's prior investment authority delegations are represented by County of Orange Codified Ordinance Section 1-2-320; and

WHEREAS, delegation of the investment authority under Codified Ordinance Section 1-2-320 may be annually renewed by resolution of this Board; and

WHEREAS, this Board has conducted a review of the Treasurer's performance for the calendar year 2000.

NOW, THEREFORE BE IT RESOLVED that the County does hereby FIND, DETERMINE, RESOLVE and Order as follows:

1. The Board approves the 2001 Policy.

2. In accordance with Codified Ordinance Section 1-2-320(g), the Board hereby delegates its investment authority, as specified in Codified Ordinance Section 1-2-320 to the Treasurer for calendar year 2001.

3. In addition to the delegation of investment authority under Codified Ordinance Section 1-2-320, this Board hereby delegates its authority to invest in commercial paper as permitted in California Government Code Sections 53601.2 and 53635.2.