

FitchRatings

John M.W. Moorlach, CPA, CFP
 Treasurer - Tax Collector of Orange County
 12 Civic Center Plaza, Room G-76
 P.O. Box 4515
 Santa Ana, CA 92702

February 15, 2002

Dear Mr. Moorlach,

We have completed our analysis on the compliance reporting for Orange County's Commingled Pool (692 & 699) and Educational Pool (694) for the fourth quarter, October 1, 2001 through December 31, 2001.

Based upon Fitch's conducting of the agreed upon procedures, this compliance letter shall serve as an indication of Orange County's portfolio holdings' substantial conformity with its investment policy statement and California Government Code Section 53601, Section 53635, and all other relevant Government Code provisions with regard to the Commingled, Educational and Extended pools at December 31, 2001.

Fitch conducted its compliance review in accordance with a series of agreed upon procedures which required that we review, on a test basis, evidence of the portfolio holdings, perform certain mathematical calculations, and review the results with respect to Orange County's investment policy statement. In conducting this review Fitch examined the portfolio holdings on the following dates: October 12, November 9, December 7, and December 31, 2001. The scope of Fitch's review was limited to the agreed upon procedures.

Fitch reviews the noncompliance report in the Orange County Treasurer's Management Report on a monthly basis to determine the materiality of certain Investment Policy Statement (IPS, dated 03/27/01) guideline violations, if any.

DATE	PORTFOLIO	VIOLATION
11/09/01	692	The dollar weighted average maturity (WAM) of the Extended Fund exceeded 547 days. The portfolio was back in compliance on the following business day, November 13.
11/28/01	694	The purchase of \$37 million of Credit Agricole/New York certificates of deposit led to a violation of the single issuer limit. The portfolio was back in compliance on November 30.
10/12/01 11/09/01 12/07/01	694	Due to a calculation error additional Syndicated Loan Funding medium-term notes were purchased, causing a violation of the single issuer limit. The portfolio was back in compliance on December 31.

Although not in violation of the IPS, Fitch notes the occurrence of the following credit concerns cited in the Orange County Treasurer's Management Report:

- All three rating agencies placed Ford Motor and General Motors Acceptance Corp. on Rating Watch Negative on 8/17/01. Fitch downgraded Ford Motor on 09/26/01 and Moody's and S&P followed in mid-October (F2/P2/A2). Ford Motor medium term notes is currently held in both the County (\$12.2 million) and Educational (\$5 million) Investment Pools scheduled to mature on 2/15/02 and 2/28/02, respectively.

- Transamerica Financial, rated A2/P1/F1+, medium term notes were held in the County Pool (\$17.85 million matured on 11/1/01) and in the Educational Investment Pool (\$18.48 million matured on 12/14/01).

Fitch has relied, without independent verification, upon documents delivered to us by Orange County, and/or Orange County's custodial bank. Fitch relied solely on the County, its staff, and custodial bank as to the accuracy of such information.

Fitch does not represent, warrant or guarantee: (i) that it is providing any financial advice, auditing, accounting, appraisal or actuarial services; (ii) the accuracy, correctness, integrity, completeness or timeliness of any part of the services described herein, due to the fact that all the results of Fitch's analysis are based on information provided solely by the County of Orange; or (iii) that the information, analyses and agreed upon procedures contained in, and constituting a part of, the services described herein will fulfill any of the County's particular purposes or needs. Fitch is not responsible for any underwriting, credit, or investment decision, or damages or other losses resulting from use of the services described herein.

Regardless of the basis on which the county or any third party may be entitled to recover damages from Fitch (including: breach of warranty, contract or fiduciary duty; fraud, negligence, misrepresentation or other tort; or indemnity), Fitch's liability in connection with the services described herein is limited to actual direct damages that can be proven up to an amount not to exceed the greater of \$5,000, and the aggregate of the fees paid in connection with the services described herein. Furthermore, the party suffering such damages or losses must first exhaust any available legal and equitable remedies against parties other than Fitch. Fitch shall in no event be liable to the county or any third party (including the county's employee's and agents) for any special, incidental, indirect or consequential damages (including lost profits, savings, revenues, business opportunities or business advantages) in any way in connection with the services described herein whatsoever, even if Fitch has been advised of the possibility of such damages.

This compliance review is rendered solely for your benefit and may not be relied upon by any other person without our prior written consent. Please call me at (212) 908-0619 or Lara Storm at (212) 908-0243 with any questions.

Sincerely,

Richard V. Hrvatin
Senior Director
Credit Products

Orange County Portfolio
 Commingled Pool & Extended Pool

Portfolio Dated

10/12/2001
 692 & 699

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days) 692	90	65	Yes
Weighted Avg. Maturity (Days) 699	547	497	Yes
Minimum NAV	0.9950	0.9993	Yes
Maximum NAV	1.0050	1.0015	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	35.92%	100%	0%	Yes
CP	30.08%	40%	0%	Yes
CD	15.81%	30%	0%	Yes
REPO	1.80%	50%	0%	Yes
BA	1.80%	40%	0%	Yes
MMF	1.06%	20%	0%	Yes
MTN	13.53%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
	100.00%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes
All US Dollar Denominated			

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	59	Yes
Minimum NAV	0.9950	1.0020	Yes
Maximum NAV	1.0050	1.0020	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	23.68%	100%	0%	Yes
CP	33.02%	40%	0%	Yes
CD	18.30%	30%	0%	Yes
REPO	3.51%	50%	0%	Yes
BA	3.46%	40%	0%	Yes
MMF	1.50%	20%	0%	Yes
MTN	16.53%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
	100.0%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes*
All US Dollar Denominated			

*Not in compliance due to a technical incident

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Orange County Portfolio
 Commingled Pool & Extended Fund

Portfolio Dated 11/9/2001
 692 & 699

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days) 692	90	57	Yes
Weighted Avg. Maturity (Days) 699	547	578	No
Minimum NAV	0.9950	0.9995	Yes
Maximum NAV	1.0050	1.0013	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	31.84%	100%	0%	Yes
CP	33.34%	40%	0%	Yes
CD	14.98%	30%	0%	Yes
REPO	1.68%	50%	0%	Yes
BA	1.55%	40%	0%	Yes
MMF	6.83%	20%	0%	Yes
MTN	9.78%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
	100.0%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes
All US Dollar Denominated			

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Orange County Portfolio

Portfolio Dated 11/9/2001

Educational Pool

694

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	52	Yes
Minimum NAV	0.9950	1.0020	Yes
Maximum NAV	1.0050	1.0020	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	16.89%	100%	0%	Yes
CP	32.43%	40%	0%	Yes
CD	21.11%	30%	0%	Yes
REPO	3.74%	50%	0%	Yes
BA	3.57%	40%	0%	Yes
MMF	9.06%	20%	0%	Yes
MTN	13.20%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
	100.0%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes*
All US Dollar Denominated			

*Not in compliance due to a technical incident

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Orange County Portfolio
 Commingled Pool & Extended Fund

Portfolio Dated

12/7/2001
 692 & 699

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days) 692	90	61	Yes
Weighted Avg. Maturity (Days) 699	547	528	Yes
Minimum NAV	0.9950	1.0002	Yes
Maximum NAV	1.0050	1.0010	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.0%	100%	0%	Yes
AGENCY	31.6%	100%	0%	Yes
CP	36.7%	40%	0%	Yes
CD	15.3%	30%	0%	Yes
REPO	1.4%	50%	0%	Yes
BA	1.4%	40%	0%	Yes
MMF	2.8%	20%	0%	Yes
MTN	10.8%	30%	0%	Yes
CASH	0.0%	0%	0%	Yes
	100.0%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes
All US Dollar Denominated			

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Orange County Portfolio

Educational Pool

Portfolio Dated

12/7/2001

694

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	55	Yes
Minimum NAV	0.9950	1.0017	Yes
Maximum NAV	1.0050	1.0017	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	18.78%	100%	0%	Yes
CP	36.41%	40%	0%	Yes
CD	20.04%	30%	0%	Yes
REPO	3.64%	50%	0%	Yes
BA	4.08%	40%	0%	Yes
MMF	2.58%	20%	0%	Yes
MTN	14.47%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
	100.0%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes*
All US Dollar Denominated			

*Not in compliance due to technical incident

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Orange County Portfolio
 Commingled Pool & Extended Fund

Portfolio Dated

12/31/2001
 692 & 699

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days) 692	90	48	Yes
Weighted Avg. Maturity (Days) 699	547	489	Yes
Minimum NAV	0.9950	0.9990	Yes
Maximum NAV	1.0050	1.0009	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	31.89%	100%	0%	Yes
CP	29.57%	40%	0%	Yes
CD	17.23%	30%	0%	Yes
REPO	1.40%	50%	0%	Yes
BA	2.26%	40%	0%	Yes
MMF	4.89%	20%	0%	Yes
MTN	12.76%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
	100.0%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes
All US Dollar Denominated			

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Orange County Portfolio

Portfolio Dated

12/31/2001

Educational Pool

694

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	38	Yes
Minimum NAV	0.9950	1.0008	Yes
Maximum NAV	1.0050	1.0008	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.0%	100%	0%	Yes
AGENCY	19.8%	100%	0%	Yes
CP	38.4%	40%	0%	Yes
CD	24.0%	30%	0%	Yes
REPO	2.6%	50%	0%	Yes
BA	2.9%	40%	0%	Yes
MMF	3.1%	20%	0%	Yes
MTN	9.1%	30%	0%	Yes
CASH	0.0%	0%	0%	Yes
	100.0%			Yes

Individual Security	Guideline	Actual	Comply Yes/No
Final Maturity	13 Months(1)		Yes
Credit Quality	AAA		Yes
Repo Counterparty Rating	A1/F1		Yes
Issuer Bank BA Limit	5%		Yes
Issuer CP Limit	5%		Yes
Single Issuer Limit	5%(2)		Yes
All US Dollar Denominated			

(1) No BA or CP has a final maturity of greater than 180 days.

(2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Attachment I

Portfolio Compliance Monitoring Agreed Upon Procedures

Fitch will provide an ongoing quarterly compliance report of the Orange County's investment portfolio based on the following agreed upon procedures. The scope of the work to be performed will be limited to these agreed upon procedures and the procedures will be included as an appendix to all compliance reports issued by Fitch.

Fitch will evaluate the County's Commingled, Extended, and Educational pools as of the last day of each quarter in order to determine whether the County's pools are in compliance as of that date with the following guidelines. These guidelines were updated on December 2000 in accordance with the provisions in the Orange County Treasurer Investment Policy Statement (the IPS) effective July 2000. As per the IPS and at the request of the Orange County Treasurer's office (Orange County), the Commingled and Extended pools will be evaluated by Fitch as a single entity for compliance purposes, except for in the evaluation of weighted average maturity and net asset value. The monitoring for the Educational pool will not change. Additionally, in performing the compliance review, Fitch recognizes that Orange County makes the distinction between "noncompliance incidents" and "technical incidents". As per the IPS, as long as the percentage constraints are adhered to at the time of purchase, later changes in percentage due to a change in value or assets will not result in a violation, or noncompliance incident. The same applies to a change in credit rating subsequent to purchase. The above mentioned will be considered a "technical incident". If a percentage or credit rating is out of compliance at the time of purchase, it will be booked as a "noncompliance incident", or "violation".

At the request of Orange County, only noncompliance incidents will be reported in detail in the quarterly monitoring letter provided to the County by Fitch. Technical incidents will be noted by Fitch, but not described in detail.

A) Maturity

- 1) For both the Commingled and Educational pools, no individual security has a final maturity date greater than 13 months. For the Extended pool, no individual security has a final maturity date greater than three years.
- 2) The weighted average maturity (WAM) of both the Commingled and Educational pool is less than 90 days. The weighted average maturity (WAM) of the Extended pool is limited to 18 months or less.
- 3) No commercial paper has a final maturity of greater than 270 days.
- 4) No Bankers' Acceptance has a final maturity of greater than 180 days.
- 5) No receivable-backed security greater than 90 days maturity.

Fitch will rely on the final maturity dates provided by Orange County when performing the calculations. Fitch will not independently verify the accuracy of such information.

B) Credit Risk

Commercial Paper	at least F1, A-1, or P-1
Negotiable Certificates	at least F1, A-1, or P-1
Bankers' Acceptances	at least F1, A-1, or P-1
Receivable-Backed Securities	at least AA
Medium Term Notes	at least A
State and Local Agency	at least A

- C) Collateral Counterparty Risk - All counterparties to repurchase agreements are rated at least F1 / A-1.
- D) Net Asset Value (NAV) - Maintained within a range of 99.5 - 1.005 for both the Commingled and Educational pools. As per the IPS and as described to Fitch by Orange County, only the Commingled and Educational pools have specific NAV requirements. Fitch will rely on the NAV provided from Orange County or the custodial bank.
- E) Diversification Guidelines - Maximum percentage concentration of the portfolio at the time of purchase

U.S. Treasury	100%
U.S. Government Agencies	100%
Commercial Paper (CP)	40%
Certificates of Deposit	30%
Repurchase Agreements	50%
Bankers' Acceptances	40%
Money Market Funds	20%
Receivable Backed Securities	10%
Medium Term Notes	30%
State and Local Agency	10%

At the time of purchase, no more than 5% of the total market value may be invested in securities of one issuer with the exception that up to 10% of the total market value may be invested in the shares of one money market fund and up to 100% of the total market value may be invested in obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

Fitch will rely on the security types and issuers provide by Orange County when performing these calculations. Fitch will not independently verify the accuracy of such information and will not “look-through” to the underlying assets of any money market fund held.

- F) All investments are U.S. dollar denominated.

Fitch does not intend to verify the type or level of over-collateralization associated with the pools' repurchase agreements and/or its time deposits exceeding \$100,000.

Additionally, Fitch will employ a random sample of not less than 3 observations from among the daily data received from Orange County to determine whether the County's pools were in compliance as of the sampled dates with regard to the aforementioned guidelines.

Fitch, in its normal course of monitoring a rated portfolio's assets, performs additional surveillance tests based on Fitch's published ratings guidelines. Fitch intends to continue to perform this surveillance function, however, Fitch does not plan to broaden the scope of these agreed upon procedures to include additional procedures used in the surveillance process.