



INVESTMENT POLICY

AS OF OCTOBER 26, 2016

Orange County Sanitation District





ORANGE COUNTY SANITATION DISTRICT

INVESTMENT POLICY STATEMENT

**Proposed for
Review and Approval
By
Administration Committee
On
October 12, 2016**

**And for Adoption
By
Board of Directors
On
October 26, 2016**

CALIFORNIA MUNICIPAL TREASURERS ASSOCIATION

Investment Policy Certification



Orange County Sanitation District

The California Municipal Treasurers Association certifies that the investment policy of the Orange County Sanitation District complies with the current State statutes governing the investment practices of local government entities located within the State of California. This Policy shall be certified for the duration of one calendar year beginning December 12, 2012.



Gina Sharani

President

December 11, 2012

Date

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ORANGE COUNTY SANITATION DISTRICT

INVESTMENT POLICY STATEMENT

1.0 **Policy:**

It is the policy of the Orange County Sanitation District (OCSD) to invest public funds in a manner which ensures the safety and preservation of capital while meeting reasonably anticipated operating expenditure needs, achieving a reasonable rate of return and conforming to all state and local statutes governing the investment of public funds.

1.1. This Investment Policy is set forth by OCSD for the following purposes:

1.1.1. To establish a clear understanding for the Board of Directors, OCSD management, responsible employees and third parties of the objectives, policies and guidelines for the investment of the OCSD's idle and surplus funds.

1.1.2. To offer guidance to investment staff and any external investment advisors on the investment of OCSD funds (see Appendix "A").

1.1.3. To establish a basis for evaluating investment results.

1.2. OCSD establishes investment policies which meet its current investment goals. OCSD shall review this policy annually, and may change its policies as its investment objectives change.

2.0 **Scope:**

This Investment Policy applies to all financial assets of OCSD; except for the proceeds of OCSD's capital projects financing program, which are invested in accordance with provisions of their specific bond indentures; and such other funds excluded by law or other Board-approved covenant or agreement.

These funds are accounted for by OCSD as Enterprise Funds as represented in OCSD's Comprehensive Annual Financial Report.

3.0 **Standard of Prudence:**

The standard of prudence to be used by OCSD internal staff, and any authorized investment advisor(s), shall be as described in Section 53600.3 of the California Government Code as follows: Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the **prudent investor** standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing

public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

4.0 **Investment Objectives:**

The primary objectives of OCSD's investment activities, in priority order, and as described in Section 53600.5 of the California Government Code, shall be:

- 4.1 **Safety:** The safety and preservation of principal is the foremost objective of the investment program of OCSD. Investments shall be selected in a manner that seeks to ensure the preservation of capital in OCSD's overall portfolio. This will be accomplished through a program of diversification, more fully described in Section 11.0, and maturity limitations, more fully described in Section 12.0, in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- 4.2 **Liquidity:** The investment program will be administered in a manner that will ensure that sufficient funds are available for OCSD to meet its reasonably anticipated operating expenditure needs.
- 4.3 **Return on Investments:** The OCSD investment portfolio will be structured and managed with the objective of achieving a rate of return throughout budgetary and economic cycles, commensurate with legal, safety, and liquidity considerations.

5.0 **Delegation of Authority:**

- 5.1 Authority to manage OCSD's investment program is derived from the California Government Code Sections 53600 *et seq.* and Sections 53635 *et seq.* The Board of Directors hereby delegates management responsibility for the OCSD investment program to its Director of Finance and Administrative Services/Treasurer, who shall establish written procedures for the operation of the investment program, consistent with this Policy. The Controller/Assistant Treasurer shall be responsible for day-to-day administration, monitoring, and the development of written administrative procedures for the operation of the investment program, consistent with this Policy. The current treasury management procedures are presented in Appendix "B." No person may engage in an investment transaction except as provided under the terms of this Policy and the

procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken by OCSD internal staff, and shall establish a system of controls to regulate the activities of internal staff and external investment advisors engaged in accordance with Section 5.3.

5.2 The administrative procedures for the operation of OCSD's investment program will provide for, but not be limited to, the following:

5.2.1 Formats for monthly and quarterly reports to the Administration Committee, and the Board of Directors.

5.2.2 Compliance with generally accepted accounting principles of the Government Accounting Standards Board.

5.2.3 Establishment of benchmarks for performance measurement.

5.2.4 Establishment of a system of written internal controls.

5.2.5 Establishment of written procedures for competitive bids and offerings of securities that may be purchased or sold by internal OCSD staff.

5.2.6 Establishment of a Desk Procedures Manual for treasury operations and management.

5.3 The Board of Directors of OCSD may, in its discretion, engage the services of one or more registered investment advisors to assist in the management of OCSD's investment portfolio in a manner consistent with OCSD's objectives. Such external investment advisors, which shall be selected through a competitive process, shall be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such advisors must be registered under the Investment Advisers Act of 1940, or be exempt from such registration.

6.0 **Ethics and Conflicts of Interest:**

6.1 Officers and employees of OCSD involved in the investment process shall refrain from personal business activities that could conflict with proper execution of OCSD's investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the General Manager any material financial interests in financial institutions that conduct business within OCSD's boundaries, and they shall further disclose any large personal financial/investment positions, the performance of which could be related to the performance of positions in OCSD's portfolio.

7.0 **Authorized Financial Dealers and Institutions:**

- 7.1 For investment transactions conducted by OCSD internal staff, the Treasurer will maintain a list of financial institutions authorized to provide investment services to OCSD, including "primary" or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (Uniform Net Capital rule), and Federal or State of California chartered banks. No public deposit shall be made except in a qualified public depository as established by State law.

All financial institutions which desire to become qualified bidders for investment transactions with OCSD must supply the following for evaluation by the Treasurer:

7.1.1. Audited financial statements for the institution's three (3) most recent fiscal years.

7.1.2. A statement, in the format prescribed by the Government Finance Officers Association (GFOA), certifying that the institution has reviewed OCSD's Investment Policy and that all securities offered to the Districts shall comply fully and in every instance with all provisions of the California Government Code and with this Investment Policy. The current statement is presented in Appendix "C."

7.1.3. A statement describing the regulatory status of the dealer, and the background and expertise of the dealer's representatives.

Selection of financial institutions, broker/dealers, and banks authorized to engage in transactions with OCSD shall be made through a competitive process. An annual review of the financial condition of qualified institutions will be conducted by the Treasurer.

- 7.2 Selection of broker/dealers used by external investment advisors retained by OCSD, shall be in compliance with contract provisions between OCSD and any external investment advisors, and shall be in substantially the following form:

Use of Securities Brokers: Neither the Investment Advisor nor any parent, subsidiary or related firm shall act as a securities broker with respect to any purchases or sales of securities which may be made on behalf of OCSD, provided that this limitation shall not prevent the Investment Advisor from utilizing the services of a securities broker which is a parent, subsidiary or related firm, provided such broker effects transactions on a "cost only" or "nonprofit" basis to itself and provides competitive execution. The Investment Advisor shall provide the Districts with a list of suitable independent brokerage firms (including names and addresses) meeting the requirements of Government Code Section 53601.5, and, unless

otherwise directed by OCSD, the Investment Advisor may utilize the service of any of such independent securities brokerage firms it deems appropriate to the extent that such firms are competitive with respect to price of services and execution.

8.0 **Authorized and Suitable Investments:**

All investments shall be made in accordance with the California Government Code including Sections 16429.1 *et seq.*, 53600 *et seq.*, and 53684, and as described within this Investment Policy. Permitted investments under this Policy shall include:

- 8.1 **Securities, obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by the US Government**, a federal agency, or a US Government-sponsored enterprise pursuant to Section 53601 (f) of the California Government Code. US Treasury securities must make up at least 10% of the portfolio.
- 8.2 **Supranational Obligations** issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Securities must be eligible for purchase in the United States and be US dollar denominated senior unsecured unsubordinated obligations, with a maximum maturity of five years. Securities eligible for purchase under this section must be rated "AA" or better by a Nationally Recognized Statistical Rating Organization (NRSRO) and shall not exceed 30% of the total portfolio.
- 8.3 **Mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond** of a maximum maturity of five years. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section. Purchase of mortgage derivatives, which include interest-only payments (IOs) and principal-only payments (POs); inverse floaters, and RE-REMICs (Real Estate Mortgage Investment Conduits), is hereby prohibited.
- 8.4 **Commercial paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided by an NRSRO, and issued by a domestic corporation organized and operating in the United States with assets in excess of \$500 million and having a rating of "A" or better on its long-term debt as provided by an NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity from the date of

purchase. Purchases of commercial paper shall not exceed 25% of the market value of the portfolio. No more than 5% of the market value of the portfolio, or 10% of the issuer's outstanding paper, may be invested in commercial paper issued by any one (1) eligible corporation.

- 8.5 **Banker's acceptances** issued by institutions, the short-term obligations of which are rated of the highest ranking or the highest letter and number rating as provided by an NRSRO provided that: (a) the acceptance is eligible for purchase by the Federal Reserve System; (b) the maturity does not exceed 180 days; (c) no more than 40% of the total portfolio may be invested in banker's acceptances; and (d) no more than 5% of the total portfolio may be invested in the banker's acceptances of any one (1) commercial bank.
- 8.6 **Medium term (or corporate) notes** of a maximum of five (5) years maturity issued by corporations organized and operating within the United States, or issued by depository institutions licensed by the United States, or any state, and operating within the United States with assets in excess of \$500 million, and which is rated in a rating category of "A" or better on its long-term debt as provided by an NRSRO. If, after purchase, the rating of an eligible note falls below the minimum rating category stipulated above, the external investment advisor shall notify the District of the downgrade, and shall present an analysis and recommendations as to the disposition of the note consistent with the investment objectives of this Investment Policy. No more than 30% of the portfolio may be invested in medium term notes.
- 8.7 **Notes, bonds, or other obligations** that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.
- 8.8 **Shares of mutual funds** investing in securities permitted under this policy and under Section 53601 (l) of the California Government Code. Such funds must either: (1) attain the highest ranking, or the highest letter and numerical rating, provided by not less than two of the three largest nationally recognized rating services; or (2) have an Investment Advisor registered with the Securities and Exchange Commission with not less than five (5) years of experience investing in the securities and obligations authorized under this Policy and under California Government Code

Section 53601, and with assets under management in excess of \$500 million. The purchase price of shares of beneficial interest purchased pursuant to this policy, and the California Government Code may not include any commission that the companies may charge, and shall not exceed 20% of the District's surplus money that may be invested pursuant to this section. No more than 10% of the District's surplus funds may be invested in shares of beneficial interest of any one (1) mutual fund pursuant to this section. Money market mutual funds are limited to 20% per issuer and are not subject to the 10% stipulation.

8.9 **Certificates of deposit:**

8.9.1 **Secured (collateralized) time deposits** issued by a nationally or state-chartered bank or state or federal savings and loan association, as defined by Section 5102 of the California Financial Code, and having a net operating profit in the two (2) most recently completed fiscal years. Collateral must comply with Chapter 4, Bank Deposit Law, Section 16500 *et seq.*, and Chapter 4.5, Savings and Loan Association and Credit Union Deposit Law, Section 16600 *et seq.*, of the California Government Code.

8.9.2 **Negotiable certificates of deposit (NCDs)** issued by a nationally or state-chartered bank or state or federal savings and loan association, as defined by Section 5102 of the California Financial Code; *and* which shall have a rating of "A" or better on its long-term debt as provided by a NRSRO; or which shall have the highest letter and number rating for deposits as provided by a NRSRO; or as otherwise approved by the District's Board of Directors. No more than 30% of the portfolio may be invested in securities pursuant to this section.

8.9.3 To be eligible to receive local agency money, a bank, savings association, federal association, or federally insured individual loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low and moderate income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code.

8.10 **Taxable or tax-exempt municipal bonds** issued by any of the 50 United States. Such securities must be rated "A" or higher by a NRSRO; or as otherwise approved by the Districts' Board of Directors.

8.11 **The State of California Local Agency Investment Fund (LAIF).** The LAIF is an investment alternative for California's local governments and special districts managed by the State Treasurer's Office. LAIF is more fully described in the Glossary (See Appendix "H.") The District shall use LAIF as a short-term cash management facility. Investment of District funds in LAIF shall be subject to investigation and due diligence prior to

investing, and on a continual basis to a level of review pursuant to Section 3.0, Standard of Prudence, of this Policy. See Appendix "D" for investment pool questionnaire.

8.12 **The Orange County Treasurer's Money Market Commingled Investment Pool (OCCIP).** The OCCIP is a money market investment pool managed by the Orange County Treasurer's Office. OCCIP is more fully described in the Glossary. (See Appendix "H.") The District has no funds invested in OCCIP at this time. Investment of District funds in OCCIP would be subject to investigation and due diligence prior to investing, and on a continual basis to a level of review pursuant to Section 3.0, Standard of Prudence, of this Policy.

8.13 **Repurchase agreements** provided that:

8.13.1 All repurchase agreements shall be collateralized with securities eligible for purchase under this Policy. In order to anticipate market changes and to provide a level of security for all repurchase agreement transactions, collateralization shall be maintained at a level of at least 102% of the market value of the repurchase agreements, and shall be adjusted no less than weekly.

8.13.2 All repurchase agreements must be the subject of a Master Repurchase Agreement between OCSD and the provider of the repurchase agreement. The Master Repurchase Agreement shall be substantially in the form developed by The Bond Market Association.

8.14 **Reverse repurchase agreements** provided that:

8.14.1 No more than five percent (5%) of OCSD's portfolio shall be invested in reverse repurchase agreements, and there shall be no long-term reverse repurchase agreements unless otherwise authorized by the Districts' Board of Directors.

8.14.2 The maximum maturity of reverse repurchase agreements shall be ninety (90) days.

8.14.3 Reverse repurchase agreements shall mature on the exact date of a known cash flow which will be unconditionally available to repay the maturing reverse repurchase agreement.

8.14.4 Proceeds of reverse repurchase agreements shall be used solely to supplement portfolio income or to provide portfolio liquidity, and shall not be used to speculate on market movements.

8.14.5 All reverse repurchase agreements must be the subject of a Master Repurchase Agreement between OCSD and the provider of the reverse repurchase agreement. The Master Repurchase Agreement shall

be substantially in the form developed by The Bond Market Association.

- 8.15 Sales of OCSD-owned securities in the secondary market may incur losses in order to improve the risk or return characteristics of the portfolio, to prevent anticipated further erosion of principal, or when trading for securities that result in an expected net economic gain to OCSD.
- 8.16 If securities owned by the OCSD are downgraded below the quality required by this Investment Policy, it shall be OCSD's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. If a decision is made to retain the downgraded securities in the portfolio, their presence in the portfolio will be monitored and reported monthly to the OCSD General Manager, the Administration Committee and Board of Directors.

9.0 **Collateralization:**

Generally, the value to secure deposits under this Policy shall comply with Section 53652 of the California Government Code. Collateralization will be required for secured time deposits, as more fully described in Section 8.9.1; and repurchase agreements, as more fully described in Section 8.13.1. Collateral will always be held by an independent third-party, as more fully described in Section 10.1. The right of collateral substitution is granted.

10.0 **Safekeeping and Custody:**

- 10.1 All securities transactions, including collateral for repurchase agreements, entered into by, or on behalf of OCSD, shall be conducted on a **delivery-versus-payment (DVP)** basis. Securities will be held by OCSD's third-party custodian bank, which shall be selected through a competitive process, or that agent's representative, or in the agent's account at the Federal Reserve Bank, ***or within clearing corporations in the U.S.***, and evidenced by book entry statements.

11.0 **Diversification:**

OCSD will diversify its investments by security type, issuer, and financial institution in accordance with the following:

- 11.1 There is no limit on investment in securities issued by or guaranteed by the full faith and credit of the U.S. government.
- 11.2 No more than 20% of the portfolio may be invested in securities of a single agency of the U.S. government, which does not provide the full faith and credit of the U.S. government.
- 11.3 No more than 5% of the portfolio may be invested in securities of any one

issuer, other than the U.S. government or its agencies. Investment in mutual funds is not governed by this Section 11.3. See Section 11.8 for conditions of purchase of mutual funds.

- 11.4 No individual holding shall constitute more than 5% of the total debt outstanding of any issuer.
- 11.5 No more than 40% of the portfolio may be invested in banker's acceptances.
- 11.6 No more than 25% of the portfolio may be invested in commercial paper.
- 11.7 No more than 30% of the portfolio may be invested in medium-term (corporate) notes.
- 11.8 No more than 20% of the portfolio may be invested in mutual funds. No more than 10% of the District's portfolio may be invested in shares of beneficial interest of any one (1) mutual fund. Money market mutual funds are limited to 20% per issuer and are not subject to the 10% stipulation.
- 11.9 No more than 30% of the portfolio may be invested in negotiable certificates of deposit.
- 11.10 No more than 10% of the portfolio may be invested in eligible municipal bonds.
- 11.11 No more than 20% of the Long Term Operating Monies portfolio may be invested in a combination of mortgage-backed securities, CMOs and asset-backed securities.
- 11.12 No more than the lesser of 15% of the portfolio or the statutory maximum may be invested in LAIF.
- 11.13 No more than 15% of the portfolio may be invested in the Orange County Investment Pool.
- 11.14 No more than 20% of the portfolio may be invested in repurchase agreements.
- 11.15 No more than 5% of the portfolio may be invested in reverse repurchase agreements.

12.0 **Maximum Maturities:**

To the extent possible, OCSD will attempt to match its investments with reasonably anticipated cash flow requirements. The Treasurer shall develop a five-year cash flow forecast, which shall be updated quarterly. Based on this forecast, the Treasurer shall designate, from time-to-time, the amounts to be allocated to the investment portfolio.

OCSD monies invested in accordance with this Policy are divided into two (2) categories:

12.1 **Liquid Operating Monies.** Funds needed for current operating and capital expenditures are known as Liquid Operating Monies.

12.1.1 The maximum final stated maturity of individual securities in the Liquid Operating Monies account portfolio shall be one (1) year from the date of settlement.

12.1.2 The average duration of the Liquid Operating Monies account portfolio shall be recommended by the Treasurer based on the Districts' cash flow requirements, but may never exceed 180 days.

12.2 **Long Term Operating Monies.** Funds needed for longer term purposes are known as the Long Term Operating Monies.

12.2.1 The maximum final stated maturity of individual securities in the Long Term Operating Monies account portfolio shall be five (5) years from the date of settlement.

12.2.2 The duration of the Long Term Operating Monies account portfolio shall be recommended by the Treasurer based on the District's five-year cash flow forecast, but may never exceed 60 months.

12.2.3 The duration of the Long Term Operating Monies account portfolio shall never exceed 120% of the duration as established in accordance with Section 12.2.2.

12.2.4 The duration of the Long Term Operating Monies account portfolio shall never be less than 80% of the duration as established in accordance with Section 12.2.2

13.0 **Internal Control:**

13.1 The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. The current treasury management procedures are presented in Appendix "B."

14.0 **Performance Objectives and Benchmarks:**

14.1 **Overall objective.** The investment portfolio of OCSD shall be designed with the overall objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and reasonably anticipated cash flow needs.

14.2 **The Liquid Operating Monies.** The investment performance objective for the Liquid Operating Monies shall be to earn a total rate of return over

a market cycle which exceeds the return on a market index approved by the Administration Committee, and by the District's Board of Directors, when the duration of the portfolio is established. This market index is more fully described in Board Resolution No. OCSD 16-19 (see Appendix "E").

- 14.3 **The Long Term Operating Monies.** The investment performance objective for the Long Term Operating Monies shall be to earn a total rate of return over a market cycle which exceeds the return on a market index selected by the Administration Committee and approved by the District's Board of Directors, when the duration of the portfolio is established. This market index is more fully described in Board Resolution No. OCSD 16-19 (See Appendix "E").

15.0 **Reporting:**

- 15.1 Monthly transaction reports in accordance with California Government Code Section 53607 shall be submitted by the Treasurer to the District's Board of Directors.
- 15.2 Quarterly investment reports will be submitted by the Treasurer to the Administration Committee which shall forward the reports to the District's Board of Directors. The quarterly reports shall provide clear and concise status information on the District's portfolios at the end of each reporting period, including performance measures using the benchmarks described in Section 14.0 of this Investment Policy. Sample quarterly reports are presented in Appendix "F." These reports shall contain listings of individual securities held at the end of each reporting period, and shall disclose, at a minimum, the following information about the risk characteristics of OCSD's portfolio:
- 15.2.1 Cost and accurate and complete market value of the portfolio.
 - 15.2.2 Modified duration of the portfolio compared to Benchmark.
 - 15.2.3 Dollar change in value of the portfolio for a one-percent (1%) change in interest rates.
 - 15.2.4 Percent of portfolio invested in reverse repurchase agreements, and a schedule which matches the maturity of such reverse repurchase agreements with the cash flows which are available to repay them at maturity.
 - 15.2.5 For the Liquid Operating Monies account only, the percent of portfolio maturing within 90 days.
 - 15.2.6 Average portfolio credit quality.

15.2.7 Percent of portfolio with credit ratings below "A" by any rating agency, and a description of such securities.

15.2.8 State that all investments are in compliance with this policy and the California Government Code, or provide a listing of any transactions or holdings which do not comply with this policy or with the California Government Code.

15.2.9 Time-weighted total rate of return for the portfolio for the prior three months, twelve months, year to date, and since inception compared to the Benchmark returns for the same periods.

15.2.10 State that sufficient funds are available for OCSD to meet its operating expenditure requirements for the next six months, or if not, state the reasons for the shortfall.

15.2 OCSD's Treasurer shall meet quarterly with the Administration Committee to review investment performance, proposed strategies and compliance with this Investment Policy. External investment advisors may be required to attend said meetings at the discretion of the Chairman of the Administration Committee.

16.0 **Investment Policy Adoption and Revision:**

16.1 The Investment Policy of OCSD shall be reviewed by the Administration Committee and shall be adopted by resolution of the Board of Directors of OCSD. The Policy shall be reviewed on an annual basis in accordance with California Government Code Section 53646, and this Investment Policy, by the Administration Committee, which shall recommend revisions, as appropriate, to the Board of Directors. Any modifications made thereto shall be approved by the Board of Directors.

16.2 The Administration Committee shall serve as the oversight committee for the District's Investment program and shall adopt guidelines for the ongoing review of duration, quality and liquidity of the District's portfolio.

APPENDIX "A"
SUMMARY OF INVESTMENT AUTHORIZATION
INTERNAL AND EXTERNAL MANAGERS

SHORT TERM OPERATING FUND

INVESTMENT	INTERNAL	EXTERNAL
U.S. Treasuries	OK	OK
Federal Agencies	Fixed coupon, fixed mat.	OK
Supranationals	NO	OK
Mortgage-backed	NO	NO
Commercial paper	OK	OK
Banker's Accept.	OK	OK
Medium Term Notes	Fixed coupon, fixed mat.*	OK
Mutual Funds	Money Market Only**	Money Market Only
Negotiable CDs	Fixed coupon, fixed mat.*	OK
Municipal Bonds	OK*	NO
LAIF	OK	NO
OCIP	OK	NO
CMOs	NO	OK
Asset-backed	NO	OK
Repurchase Agree.	OK	OK
Reverse Repos	OK*	OK

LONG TERM OPERATING PORTFOLIO

INVESTMENT	INTERNAL	EXTERNAL
U.S. Treasuries	OK	OK
Federal Agencies	Fixed coupon, fixed mat.	OK
Supranationals	NO	OK
Mortgage-backed	NO	OK
Commercial Paper	OK	OK
Banker's Acceptances	OK	OK
Medium Term Notes	Fixed coupon, fixed mat.*	OK
Mutual Funds	Money Market Only**	OK
Negotiable CDs	Fixed coupon, fixed mat.*	OK
Municipal Bonds	OK*	OK
LAIF	OK	NO
OCIP	OK	NO
CMOs	NO	OK
Asset-backed	NO	OK
Repurchase Agree.	OK	OK
Reverse Repos	OK*	OK

*With prior approval of the Administration Committee.

**Using financial institutions approved by the Administration Committee.

Revised: November 1, 2016

Orange County Sanitation District Treasury Management Procedures

- 1.0 Purpose
 - 1.1 The purpose of this policy is to establish uniform guidelines and procedures for use in the administration of the District’s Treasury functions consistent with the California Government Code and the District’s adopted Investment Policy Statement.
- 2.0 Authority to Investment and/or Reinvestment of District Funds:
 - 2.1 Is delegated annually to the Director of Finance/Treasurer in accordance with California Government Code Section 53607.
- 3.0 Formal Investment Policy Statement:
 - 3.1 Is prepared by the Treasurer.
 - 3.2 Is reviewed by the District’s Administration Committee (ADM), in its role as the finance oversight committee.
 - 3.3 Is submitted to and adopted by the District’s Board of Directors annually at a public meeting in accordance with California Government Code Section 53646.
- 4.0 Delegation of some or all of the investment portfolio management to one or more registered investment advisors (external money managers):
 - 4.1 Is authorized by the District’s Investment Policy;
 - 4.2 Applies to the District’s entire investment portfolio except for:
 - 4.2.1 A maximum of \$65 million that is maintained within the State Local Agency Investment Fund (LAIF) for managing cash flows (i.e., deposits of large revenues, such as property tax and user fee proceeds, and the bi-weekly disbursements of payroll and accounts payable);
 - 4.2.2 A peg amount of approximately \$50,000 is maintained within the District’s checking account at Union Bank to serve as compensating balances to offset banking charges (note: the District’s Board of Directors has selected Union Bank to serve as the District’s commercial bank (the “Bank”); and
 - 4.2.3 Based on a determination by the District’s Treasurer on what is most advantageous to the District, the checking account residual amounts may be invested as follows:

- 4.2.3.1 Bank balances exceeding the peg balance (as a result of outstanding accounts payable and payroll warrants) may be invested overnight under a repurchase agreement with the Bank; or
- 4.2.3.2 The District may elect to receive earnings credit against bank charges on all bank balances including the peg amount equal to the 91 Day T-Bill Average.

5.0 Investment transactions involving the LAIF are approved by the Treasurer prior to their execution by the Controller. The approval function indicates that the transactions are in accordance with the District's Investment Policy. The Accounting Manager will serve as backup for the approval function upon the absence of any either of these two employees.

5.1 Specific Procedures involving LAIF include (note: all deposits and withdrawals of funds to/from LAIF may only be processed through the District's checking account with the Bank):

5.1.1 A "State Treasurer's Local Agency Investment Fund Authorization Form" (see Attachment "A") must be completed prior to the execution of the transaction indicating:

- 5.1.1.1 The effective date of the transaction;
- 5.1.1.2 The dollar amount to be withdrawn from or deposited into LAIF;
- 5.1.1.3 The date and signature approval by the Controller authorizing the transaction; and
- 5.1.1.4 The date and signature approval of the Treasurer approving the transaction.

5.1.2 The execution of the transaction will be done in accordance with the "State Treasurer's Local Agency Investment Fund Wire Transfer Instructions" (see Attachment "B"). Key internal control features include:

- 5.1.2.1 The requirement of the District's Personnel Identification Number (PIN) for either deposits or withdrawals, known only by the Treasurer and Controller.
- 5.1.2.2 Secondary confirmation requirement by the Bank for the

withdrawals/deposits from/to the Bank or LAIF. The confirmation can be made by the Controller or Treasurer (the person that didn't make the original request), the Accounting Manager, or the Principal Accountant.

5.1.3 Each transaction is confirmed the next day by the Bank's Previous Day Reporting modem service by the Principal Accountant and Controller.

6.0 Investment transactions involving the District's external investment program and performed by the independent investment firms are as follows:

6.1 The District's Board of Directors has selected Chandler Asset Management (Chandler) to manage two portfolios: the Districts' Liquid Operating Monies Fund, and the Long-term Operating Monies Fund.

6.1.1 Chandler has authorization to purchase and sell investment securities in accordance with the strict investment guidelines set forth in the District's Investment Policy (Section 8.0).

6.1.2 Hard copy confirmation reporting to the District is required on all transactions.

6.2 The District's Board of Directors has selected Mellon/Boston Trust (the "Custodian") to serve as the District's master custodian and safekeeping bank. In their capacity as Custodian, Mellon/Boston Trust shall perform the following duties to settle purchases and sales and engage in other transactions in the administration of the District's accounts:

6.2.1 Upon execution of any transaction by Chandler, all investment securities are recorded in book entry by the Custodian through either the Depository Trust Company or the Federal Reserve Bank;

6.2.2 Hold the property in safekeeping facilities of the Custodian or of other custodian banks or clearing corporations in the U.S.;

6.2.3 Collect all income payable to and all distributions due to the District's account and sign on the District's behalf all declarations, affidavits, and certificates of ownership required to collect income and principal payments;

6.2.4 Collect all proceeds from securities, certificates of deposit or other investments which may mature or be called;

6.2.5 Submit or cause to be submitted to the District or the external money

manager, as designated by the District, on a best effort basis all information received by the Custodian regarding the ownership rights pertaining to property held in the account;

6.2.6 Attend to involuntary corporation actions;

6.2.7 Determine the fair market value of the District's account on a monthly basis as of such dates as the Districts and the Custodian may agree upon, in accordance with methods consistently followed and uniformly applied;

6.2.8 Render to District, with copies to the external money manager, monthly statements for securities held hereunder; and

6.2.9 Provide the District with copies of the Custodian's financial statements filed with the State of California, or any agency thereof, within thirty (30) days after such filing.

6.3 The District's Board of Directors has selected Callan Associates as the District's Independent Investment Advisor (the "Advisor"). In their capacity as Advisor, Callan shall perform the following duties on behalf of the District:

6.3.1 Monitor and report on Chandler's compliance with the investment requirements of the Districts' Investment Policy, using data from transaction reports prepared by Mellon/Boston Trust, on a quarterly basis;

6.3.2 Review Chandler's investment strategy quarterly;

6.3.3 Monitor and report on the performance of Chandler against the performance benchmark standards established in the District's Investment Policy for both the Liquid Operating Monies Fund and the Long-term Operating Monies Fund on a quarterly basis; and

6.3.4 Review both Liquid and Long-term Operating Funds by asset allocation, asset flow, quarterly factors and cumulative results on a quarterly basis.

6.4 Specific procedures in depositing to or withdrawing funds from the investment portfolio managed by the District's external money manager include: (note: all deposits and withdrawals of funds from the District's investment portfolio managed by Chandler and Mellon/Boston Trust may only be processed through the District's checking account at the Bank):

6.4.1 A "Wire Transfer Form" (see Attachment "C") must be completed by the Controller prior to the execution of the transaction indicating:

- 6.4.1.1 The dollar amount to be withdrawn/deposited from/to the Bank checking account to/from the Chandler Liquid Operating or Chandler Long-term Operating Monies Funds;
- 6.4.1.2 The effective date of the transaction;
- 6.4.1.3 The date and signature review by the Controller; and
- 6.4.1.4 The date and signature approval of the Treasurer approving the transaction.

6.4.2 The execution of the transaction requires a verbal confirmation call from the Custodian to the Controller at the time of the transaction, and a written confirmation the following day.

6.4.3 Each transaction is confirmed the next day by the Bank's Previous Day Reporting modem service by the Principal Accountant and Controller.

7.0 Recording of investment transactions:

7.1 For investment transactions conducted by District staff with the LAIF, and with the transfer/withdrawal of funds with the Custodian:

7.1.1 Is done by the Controller who maintains a file of all investment transactions.

7.1.2 Is done within the accounting records by the Principal Accountant, who receives a signed copy of all investment transactions from the Controller.

7.2 For investment transactions conducted by the external money manager:

7.2.1 Is done by the Custodian who posts all investment transactions daily within their record keeping system and provides the District with a monthly report that provides both a summary and detail listing of all investment transactions.

7.2.2 Is done on a monthly basis by the Accounting Manager within the accounting records at a summary level using Monthly Transaction Reports prepared by the Custodian.

8.0 Verification of external money manager transactions is performed by:

8.1 The Custodian within their record keeping system (i.e., matching broker

confirmations to custodian records), and is reported to the District and Chandler on a monthly basis.

- 8.2 Chandler through their internal compliance office and reported monthly to the District as required by the District's Investment Policy.
 - 8.3 The Principal Accountant through reconciliation of Chandler's monthly investment transaction report against the monthly transaction report provided by the Custodian.
- 9.0 Safeguarding of Assets and Records:
- 9.1 Reconciliation of investment records to the accounting records is done by the Principal Accountant, or in his absence, the Accounting Manager on a monthly basis.
 - 9.2 Reconciliation of investment records to bank statements is performed by the Principal Accountant (or in their absence, the Accounting Supervisor) within one week following the receipt of the bank statement.
 - 9.3 Review of financial condition, safety, liquidity, and potential yields of investment instruments and reputation and financial condition of investment brokers is done by the District's external money manager, who is authorized to utilize the services of independent securities brokerage firms as deemed appropriate, and which meets the requirements of Government Code Section 53601.5.
- 10.0 The periodic review of the investment portfolio, including investment types, purchase price, market values, maturity dates, and investment yields as well as conformance to the stated Investment Policy will be performed monthly by the Controller, quarterly by the Advisor, and annually by the District's external independent auditors.
- 11.0 The District's Administration Committee will serve as the Oversight Investment Advisory Committee to assist the Board of Directors in monitoring treasury management activities.
- 11.1 The District's Treasurer submits a Quarterly Investment Program Performance Report which includes, but is not limited to, the following information:
 - 11.1.1 Quarterly interest earnings and rates of return;
 - 11.1.2 The market value of the portfolios;
 - 11.1.3 The annualized earnings of the portfolios;

11.1.4 Market recap;

11.1.5 Comparisons with pre-determined benchmarks;

11.1.6 Market forecast; and

11.1.7 Proposed investment strategy for the upcoming quarter.

Internal Control Strengths

1. The specific responsibility for the performance of duties is assigned and lines of authority and reporting are clearly identified.
2. Responsibilities are commensurate with the capabilities of the personnel assigned.
3. Incompatible functions have been properly segregated to prevent errors or fraud.
4. All transactions are authorized by an appropriate responsible individual.
5. Safeguards over assets and records are in place to ensure that recorded assets exist and are properly recorded.
6. Management controls are in place to ensure that significant transactions are properly performed and recorded.

Orange County Sanitation District

**State Treasurer's Local Agency Investment Fund
Transaction Authorization Form
LAIF Account No. 70-30-006**

Effective Date of Transaction _____
Confirmation Number _____
LAIF Representative _____
UBOC Representative _____

Wire transfer deposit from Union Bank of California
Checking Account #2740013230 in the amount of _____

Wire transfer (withdrawal) to Union Bank of California
Checking Account #2740013230 in the amount of _____

Prepared by:

Authorized by:

Approved by:

Name

Name

Name

Senior Accountant
Position

Controller
Position

Director of Finance/Treasurer
Position

Date

Date

Date

**State Treasurer's Local Agency Investment Fund
Wiring Instructions Form**

Deposits or withdrawals that are to take place by the end of the banking day must be made between 7:30 a.m. and 9:30 a.m.

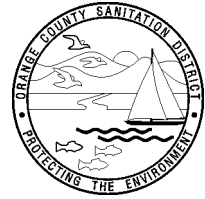
Deposits or withdrawals that are to take place on a future date can be made between 7:30 a.m. to 9:30 a.m. or 11:00 a.m. to 4:00 p.m. You must be sure to give the effective date of the future transaction.

To Deposit Funds:

- Step 1:
1. Call LAIF at (916)-653-3001, and let them know:
 - a. That you would like to make a wire transfer deposit.
 - b. The Districts LAIF account #70-30-006.
 - c. Your PIN number.
 - d. The dollar amount of deposit.
 - e. That the money will be coming from Union Bank Account No. 274-0013-230.
 2. LAIF will give you a confirmation number.
- Step 2:
1. Call Union Bank of California at 1-800-798-6466, and let them know:
 - a. You're making a wire transfer from Account No. 274-0013-230.
 - b. The dollar amount of the wire transfer.
 - c. The transfer is going to the District's LAIF Account No. 70-30-006.
 - d. The LAIF account ABA number at Union Bank is 121000496.
 2. The confirmation number of this transaction (see Step 1, Item 2 above).
- Step 3:
1. Give the above information to the Senior Accountant who will confirm this transaction with Union Bank.

To Withdraw Funds:

- Step 1:
1. Call LAIF at (916)-653-3001, and let them know:
 - a. That you would like to make a wire transfer withdrawal.
 - b. The Districts LAIF account #70-30-006.
 - c. Your PIN number.
 - d. The dollar amount of withdrawal.
 - e. The Union Bank account receiving the funds is No. 274-0013-230.
 2. LAIF will give you a confirmation number.



FAX

TO: SEE DISTRIBUTION LIST **FAX NO.:** SEE DISTRIBUTION LIST
FROM: Michael D. White, Controller **FAX NO.:** (714) 593-7788
DATE: January 4, 2017 **TIME:** 8:00 a.m. - Pacific Time
SUBJECT: RECEIPT AND INVESTMENT OF WIRE TRANSFER OF FUNDS IN THE AMOUNT OF \$XX MILLION, THURSDAY, *DAY MONTH* 2017
PAGES: One (1) including this cover sheet.

On Thursday, *Day Month* 2017, you will receive a wire transfer of funds in the exact sum of **\$XX million**, for immediate investment in the District's Liquid Operating Monies Portfolio, as follows:

FROM: MUFG Union Bank, N.A.
 ABA No: 122000496
 Debit to: General Account
 Account No: XXXXXXXXXXXX

TO: The Bank of New York Mellon
 ABA No: 021000018
 Credit to: OCS LIQ OP Chandler
 Account No: XXXXXXXXXXXX

DATE: Thursday, *Day Month* 2017

NOTE: **WIRE TRANSFER MUST BE COMPLETED AND CONFIRMED NO LATER THAN 10:00 A.M. ON *Day Month* 2017.**

Please confirm transfer completion with Mike White (mwhite@ocsd.com) & Rhea de Guzman (rdeguzman@ocsd.com).

Wire transfer instructions prepared by:

 Rhea de Guzman, Senior Accountant

 Date

Wire transfer transaction reviewed by:

 Michael White, Controller

 Date

Wire transfer transaction approved by:

 Lorenzo Tyner, Director of Finance/Treasurer

 Date

DISTRIBUTION LIST

___ Barbara Diaz, BNY Mellon	877-576-5496
___ Operations Team, Chandler Asset Management	858-875-9399
___ William Dennehy/Ted Piorkowski, Chandler Asset Management	858-546-3741



FAX

TO: SEE DISTRIBUTION LIST **FAX NO.:** SEE DISTRIBUTION LIST
FROM: Michael D. White, Controller **FAX NO.:** (714) 593-7788
DATE: January 4, 2017 **TIME:** 8:00 a.m. - Pacific Time
SUBJECT: **WIRE TRANSFER WITHDRAWAL OF FUNDS IN THE AMOUNT OF \$XX MILLION, THURSDAY, DAY MONTH 2017**
PAGES: One (1) including this cover sheet.

On Thursday, *Day Month* 2017, you are instructed to wire transfer the exact sum of **\$XX million**, from the District's Liquid Operating Monies Portfolio to the District's general bank account with Union Bank of California, as follows:

FROM: The Bank of New York Mellon
 ABA No: 021000018
 Credit to: OCS LIQ OP Chandler
 Account No: XXXXXXXXXXXX

TO: MUFG Union Bank, N.A.
 ABA No: 122000496
 Debit to: General Account
 Account No: XXXXXXXXXXXX

DATE: Thursday, *Day Month* 2016

NOTE: WIRE TRANSFER MUST BE COMPLETED AND CONFIRMED NO LATER THAN 10:00 A.M. ON *Day Month* 2017.

Please confirm transfer completion with Mike White (mwhite@ocsd.com) & Rhea de Guzman (rdeguzman@ocsd.com).

Wire transfer instructions prepared by:

 Rhea de Guzman, Senior Accountant

 Date

Wire transfer transaction reviewed by:

 Michael White, Controller

 Date

Wire transfer transaction approved by:

 Lorenzo Tyner, Director of Finance/Treasurer

 Date

DISTRIBUTION LIST

____	Barbara Diaz, BNY Mellon	877-576-5496
____	Operations Team, Chandler Asset Management	858-875-9399
____	William Dennehy/Ted Piorkowski, Chandler Asset Management	858-546-3741

December 5, 2017

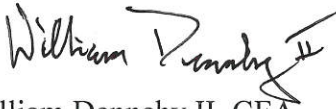
Mr. Mike White
Orange County Sanitation District
Administration Building
10844 Ellis Avenue
Fountain Valley, CA 92708-7018

Re: Investment Policy certification

Dear Mike:

Please accept this letter as confirmation that we have received and reviewed the District's 2017 Investment Policy Statement. We have consulted with District representatives and have agreed to manage the portfolio to the selected benchmarks in accordance with the current investment policy, California Government Code, and the District's objectives of safety, liquidity and yield.

Sincerely,



William Dennehy II, CFA
Executive Vice President, Portfolio Manager



Nicole Dragoo, JD, IACCP
COO, Chief Compliance Officer

Frequently Asked Questions about LAIF

QUESTION	YES	NO	EXPLANATION
I. SECURITIES			
1. Does the pool provide a written statement of investment policy and objectives?	YES		
2. Does the statement contain:			
a. a description of authorized securities?	YES		
b. the credit standards of investments?	YES		
c. the allowable maturity range of investments?	YES		
d. the maximum allowable dollar weighted average portfolio maturity?	YES		
e. the limits of portfolio concentration permitted for each type of security?	YES		
f. the policy on reverse repos?	YES		
3. Are changes in the policies communicated to the pool participants?	YES		
4. Is the pool rated?		NO	
II. INTEREST			
Interest Calculations			
1. Does the pool disclose the following about yield calculations:			
a. Which methodology is used to calculate interest? (simple maturity, yield to maturity, etc.)			On dollars per day.
b. What is the frequency of interest payments?			Quarterly.
c. How is interest paid? (credited to principal at the end of the month, each quarter, mailed?)			Credited to principal on the 15 th of the month after the quarter end.
d. How are gains/losses reported? (factored monthly or only when realized?)			When realized.

Frequently Asked Questions about LAIF

QUESTION	YES	NO	EXPLANATION
Reporting			
1. Is the yield reported to participants of the pool monthly? (If not, how often?)	YES		
2. Are administrative fees of the pool deducted before quoting the yield?		NO	The yield is quoted prior to deduction of administrative fees.
3. Is the yield generally in line with the market yields for securities in which you usually invest?	YES		
III. SECURITY			
1. Does the pool disclose safekeeping practices? (If yes, what are they?)	YES		The Treasurer may place and maintain for safekeeping as a trust deposit with any qualified trust company, other than the depositor bank, or with the federal reserve bank or any branch thereof any securities that have been received by the Treasurer. (Government Code Section 16551) The Treasurer utilizes a custodian bank.
2. Is the pool subject to audit by an independent auditor?	YES		
3. Is the copy of the audit available to participants?	YES		
4. Who makes the portfolio decisions?			State Treasurer and Investment Division Staff of the State Treasurer's Office.
5. How do the investment managers monitor the credit risk of the securities in the pool?			Written statement of portfolio management goals, objectives and policies, along with independent market valuations.

Frequently Asked Questions about LAIF

QUESTION	YES	NO	EXPLANATION
6. Is the pool monitored by someone on the board or a separate, neutral party external to the investment function to ensure compliance with written policies.	YES		Pooled Money Investment Board, Local Investment Advisory Board, and the Bureau of State Audits.
7. Does the pool have specific policies with regard to repurchase agreements? a. What are those policies?	YES		Government Code 16430/16480, Treasurer's Statement of Investment Policies, Goals and Objectives.
8. Does the pool report the portfolio's market value?	YES		Quarterly.
9. Does the pool disclose the following about portfolio valuations: a. The frequency with which the portfolio securities are valued? b. The method used to value the portfolio (cost, current value, or some other method)?	YES		Quarterly.
	YES		Amortized cost and current value.
IV. STATEMENTS			
1. Are statements for each account available online?	YES		Go to www.treasurer.ca.gov/pmia-laif/laif.asp
a. Do statements show balances and transactions?	YES		
2. Does the pool distribute detailed reports of its holdings? (regularly or on request only?)	YES		On a regular monthly basis.
V. FEES			
1. Is there a written schedule of administrative costs? a. What are the fees?	YES		Statute 16429.1 requires administrative costs not to exceed 5% of earnings quarterly. However, the fees are directly correlated to the costs of operation only.

Frequently Asked Questions about LAIF

QUESTION	YES	NO	EXPLANATION
b. How often are they assessed?			Quarterly.
c. How are they paid?			Prior to interest allocation.
d. Are there additional fees for wiring funds?		NO	
2. Are expenses deducted before quoting the yield?		NO	
VI. OPERATIONS			
1. Does the pool limit eligible participants?		NO	
a. What entities are permitted to invest in the pool?			Local governmental units, non-profit corporations whose membership is confined to public agencies or public officials, qualified quasi-governmental agencies.
2. Does the pool allow multiple accounts and subaccounts?		NO	
3. Is there a minimum or maximum account size?	YES		**\$65 million maximum No minimum account balance requirement.
4. Does the pool limit the number of transactions each month?	YES		
a. What is the number of transactions permitted each month?			**15 transactions per regular account.
5. Is there a limit on transaction amounts for withdrawals and deposits?	YES		
a. What is the minimum and maximum withdrawal amount permitted?			**\$65 million maximum \$5 thousand minimum.
b. What is the minimum and maximum deposit amount permitted?			**\$65 million maximum \$5 thousand minimum.

Frequently Asked Questions about LAIF

QUESTION	YES	NO	EXPLANATION
6. Does the pool require advance notice for deposits and/or withdrawals?		NO	However, LAIF asks that withdrawals of \$10 million or more give 24 hour notice.
7. Is there a cutoff time for deposits and withdrawals?	YES		Call by 10:00 a.m. for same day credit.
8. Are the funds 100% withdrawable at any time?	YES		
9. Are there procedures for making deposits and withdrawals?	YES		
a. What paperwork is required, if any?			Once resolution is authorized by governing body and banking information has been filed, authorized caller needs PIN # and sending bank name for deposits plus receiving bank name and account # to be credited for withdrawals.
b. What are the wiring procedures?			Authorized caller needs PIN #, to be credited for interbranch transfers or fed wires.
10. Can an account remain open with a zero balance?	YES		
11. Are confirmations sent following transactions?	YES		Included as part of monthly statement.
** BOND PROCEEDS ARE ONE-TIME DEPOSIT, HAVE NO MAXIMUM DEPOSIT AMOUNT, AND ARE MAINTAINED ON THIRTY DAY INCREMENTS.			

RESOLUTION NO. OCSD 16-19

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ORANGE COUNTY SANITATION DISTRICT, AUTHORIZING THE DISTRICT'S TREASURER TO INVEST AND/OR REINVEST DISTRICT'S FUNDS, ADOPTING DISTRICT'S INVESTMENT POLICY STATEMENT AND PERFORMANCE BENCHMARKS; AND REPEALING RESOLUTION NO. OCSD 15-25

WHEREAS, on December 16, 2015, the Board of Directors adopted Resolution No. 15-25, readopting the District's Investment Policy Statement, and establishing specific performance benchmarks and objectives, together with a schedule of frequency of investment performance reports; and

WHEREAS, pursuant to California Government Code Section 53607, the Board of Directors may delegate authority to invest and/or reinvest District's funds to the Treasurer for a one-year period; and

WHEREAS, pursuant to California Government Code Section 53646, the District is required to review its Investment Policy annually and readopt its Policy at a public meeting, which Policy will establish specific performance benchmarks and objectives, and specific monitoring and reports.

NOW, THEREFORE, the Board of Directors of the Orange County Sanitation District, DOES HEREBY RESOLVE, DETERMINE AND ORDER:

Section 1: That the authority of the Board of Directors to invest or reinvest District's surplus funds, or to sell or exchange securities so purchased, or to deposit for safekeeping the funds and investments of the Districts with depositories, as provided for in California Government Code Sections 53608 and 53630, is hereby delegated to the District's Treasurer for a one-year period commencing on the date this Resolution is adopted, as authorized by California Government Code Section 53607.

Section 2: That the Board of Directors hereby adopts the Investment Policy Statement of the Orange County Sanitation District, as set forth in Exhibit "A", attached hereto and incorporated herein by reference.

Section 3: That the Board of Directors hereby adopts the following specific performance benchmarks for their two investment funds in accordance with Section 14.0 of the District's Investment Policy:

LIQUID OPERATING MONIES: The Short-Term Operating Fund will be compared to the three-month T-Bill rate, and the Callan Active Cash Flow Income Style Group. The Callan Active Cash Flow Income Style Group represents a peer group of managers who operate with a maximum maturity of one year.

LONG-TERM OPERATING MONIES: The Long-Term Operating Fund will be compared to the Merrill Lynch Government and Corporate One-to-Five Year Maturity Index and to the Callan Defensive Fixed Income Style Group.

Section 4: That the Board of Directors hereby adopts a performance monitoring and reporting schedule, as required by Section 15.0 of the District's Investment Policy, which schedule is attached hereto as Exhibit "B", and incorporated herein by reference.

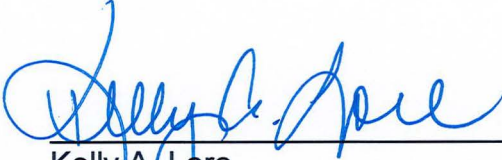
Section 5: That Resolution No. OCSD 15-25 is hereby repealed.

PASSED AND ADOPTED at regular meeting of the Board of Directors, Orange
County Sanitation District held October 26, 2016.



John Nielsen
Board Chair

ATTEST:



Kelly A. Lore
Clerk of the Board

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

I, Kelly A. Lore, Clerk of the Board of Directors of the Orange County Sanitation District, do hereby certify that the foregoing Resolution No. OCSD 16-19 was passed and adopted at a regular meeting of said Board on the 26th day of October, 2016, by the following vote, to wit:

AYES: Beamish; Beard (Alternate); Choi; Curry; Deaton; Ferryman;
 Katapodis; Kiley; Kim; Kring; Mills; R. Murphy; Nagel;
 Neugebauer; Nielsen; Parker; Sebourn; Shawver; F. Smith;
 T. Smith; Steel; Tinajero; Wanke; and Yarc
NOES: None
ABSTENTIONS: None
ABSENT: Withers

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of Orange County Sanitation District this 26th day of October, 2016.



Kelly A. Lore
Clerk of the Board of Directors
Orange County Sanitation District

EXHIBIT “B”

Calendar Year 2017 Performance Monitoring & Reporting Schedule

For the Administration Committee and Board of Directors meetings of:		The Quarterly Investment Management Program Report to be presented for the period of:
January 2017		
February		Oct – Dec 2016
March		
April		
May		Jan – March 2017
June		
July		
August (Board only)		April – June 2017
September		
October		
November		July – Sept 2017
December		

EXHIBIT "B"
ORANGE COUNTY SANTIATION DISTRICT
PERFORMANCE MONITORING & REPORTING SUMMARY
FOR THE
DISTRICT'S INVESTMENT PROGRAM

POLICY REFERENCE	PERFORMANCE CHARACTERISTIC	REPORTING PARTY*		
		Chandler	BNY	Callan
15.2.1	Cost and market value of the portfolio (monthly mark-to-market).	M, Q	M, Q	Q
15.2.2	Modified duration of the portfolio compared to benchmark.	M, Q		Q
15.2.3	Dollar change in value of the portfolio for a 1% change in interest rate.	M, Q		Q
15.2.4	Percent of portfolio invested in reverse repurchase agreements, and a schedule which matches the maturity of such reverse repurchase agreements with the cash flows which are available to repay them at maturity.	M, Q		
15.2.5	For the Liquid Operating Monies account only, the percent of portfolio maturing within 90 days.	M, Q		Q
15.2.6	Average portfolio credit quality.	M, Q		Q
15.2.7	Percent of portfolio with credit ratings below "A" by any rating agency, and a description of such securities.	M, Q		Q
15.2.8	Listing of any transaction or holdings which do not comply with this policy or with the California Government Code.	M, Q		
15.2.9	Time-weighted total rate of return for the portfolio for the prior three months, twelve months, year-to-date, and since inception compared to the benchmark returns for the same periods.	M, Q		Q
ADDL**	Comparison of portfolio performance to market index benchmark.	M, Q		Q
ADDL**	Comparison of Manager's performance to peer group benchmark.			Q
ADDL**	Monitoring of organizational and structural changes of investment management firm.			Q
ADDL**	Audit portfolios for compliance with investment policy guidelines.			Q
15.2.10	OCSD will report if sufficient funds are available for it to meet operating expenditure requirements for the next six months, or if not, state the reason for the shortfall.			

Notes

*M = Monthly

*Q = Quarterly

**ADDL = Monitoring of Additional Performance Characteristics



October 31, 2016

STAFF REPORT

Quarterly Treasurer's Report
For the Three Months Ended September 30, 2016

SUMMARY

Section 15.0 of the District's Investment Policy includes quarterly reporting requirements for the District's two investment portfolios. These two funds, the "Liquid Operating Monies," and the "Long-Term Operating Monies" are managed by Chandler Asset Management, the District's external money manager.

The ongoing monitoring of the District's investment program by staff and Callan Associates, the District's independent investment advisor, indicates that the District's investments are in compliance with the District's adopted Investment Policy and the California Government Code, and that overall performance has tracked with benchmark indices. In addition, sufficient liquidity and anticipated revenues are available for the District to meet budgeted expenditures for the next six months. The District's portfolios do not include any reverse repurchase agreements or derivative securities.

ADDITIONAL INFORMATION

Performance Reports

The Quarterly Strategy Review, prepared by Chandler Asset Management, and the Investment Measurement Service Quarterly Review, prepared by Callan Associates, is attached for reference. Also attached are Long-Term and Liquid Operating Monies Summary of Performance Data and Portfolio Statistics charts that depict the performance results, estimated yield and duration, credit quality, and sector diversification of the District's portfolios, as of September 30, 2016. The Liquid Operating Monies portfolio, with an average maturity of 40 days, consists entirely of high quality fixed income investments consistent with the District's investment policy.

Portfolio Performance Summary

The following table presents a performance summary of the District's portfolios as compared to their benchmarks for the period July 1 through September 30, 2016.

Quarterly Treasurer's Report
 For the Three Months Ended September 30, 2016
 Page 2 of 3

Portfolio Performance Summary Quarter Ended September 30, 2016				
	Liquid Operating Monies (%)		Long-Term Operating Monies (%)	
	Total Rate of Return	Benchmark ⁽¹⁾	Total Rate of Return	Benchmark ⁽¹⁾
3 Months	0.10	0.10	0.06	-0.07
6 Months	0.19	0.17	0.78	0.80
9 Months	0.36	0.24	2.33	2.38
12 Months	0.41	0.27	2.00	1.81
Annualized Since inception 30 Nov 2014	0.32	0.16	1.61	1.70
Market Value	\$58.0M		\$325.9M	
Average Quality	"AA+/"Aa1"		"AA+/"Aa1"	
Current Yield (%)	0.9		1.6	
Estimated Yield to Maturity (%)	0.5		1.1	
Quarterly Deposits (Withdrawals)	\$(81.5)M		\$(7.0)M	
Estimated Annual Income	\$0.3M		\$4.8M	

(1) Benchmarks:

- Liquid Operating Portfolio: 3-Month Treasury Bill Index
- Long-Term Operating Portfolio: Merrill Lynch Corp/Govt. 1-5 Year Bond Index

Portfolio Market Values

Comparative marked-to-market quarter-end portfolio values are shown in the following table, and in the attached bar chart.

Quarter Ending	Liquid Operating Monies (\$M)	Long-Term Operating Monies (\$M)
31 Dec. 15	132.0	314.8
31 Mar. 16	63.8	319.6
30 Jun. 16	139.4	332.7
30 Sep. 16	58.0	325.9

District's Investment Account Balances as of September 30, 2016

Investment Accounts	Book Balances September 30, 2016	Estimated Yield (%)
State of Calif. LAIF	\$ 18,672,556	0.63
Union Bank Checking Account	52,554	0.00
Union Bank Overnight Sweep Account	277,000	0.01
Union Bank W/C Checking	86,894	0.00
Chandler – Short-term Portfolio	57,842,514	0.51
Chandler - Long-term Portfolio	325,180,626	1.05
Petty Cash	3,000	N/A
BNY Mellon OCIP Reserve	3,602,141	0.88
TOTAL	<u>\$405,717,285</u>	0.95
Debt Service Reserves w/Trustees	<u>\$ 21,986,458</u>	2.52

District's Cost of Funds on Debt Issues as of September 30, 2016

Cost of Funds Issue Description	Outstanding COP Balance	Annual Interest Rate (%)
2007A Fixed	\$91,885,000	4.50
2007B Fixed	7,110,000	4.71
2009A Fixed	13,405,000	4.72
2010A Fixed	80,000,000	3.68
2010C Fixed	157,000,000	4.11
2011A Fixed	96,330,000	2.61
2012A Fixed	100,645,000	3.54
2012B Fixed	66,395,000	1.50
2014A Fixed	85,090,000	2.34
2014B Fixed	120,850,000	0.41
2015A Fixed	127,510,000	3.30
2016A Fixed	<u>145,880,000</u>	3.02
TOTAL	<u>\$1,092,100,000</u>	
Weighted Avg. Cost of Funds		2.99

ATTACHMENTS

1. Chandler Quarterly Report
2. Summary of Performance Data and Portfolio Statistics – Liquid Operating Monies
3. Summary of Performance Data and Portfolio Statistics – L-T Operating Monies
4. Investment Transactions and Balances in LAIF
5. Asset Summary by Asset Type – Liquid Operating Portfolio
6. Asset Summary by Asset Type – Long Term Portfolio
7. Asset Summary by Asset Type – Owner Controlled Insurance Program Escrow Account
8. Investment Listing (Yield Analysis Report)
9. Asset Detail – Consolidated
10. Custody Transaction History – Consolidated
11. Callan Quarterly Review
12. Chandler Quarterly Review
13. Rating Agency Comparisons

September 30, 2016

Mr. Mike White, CPA
Controller
Orange County Sanitation District
10844 Ellis Avenue
Fountain Valley CA 92708-7018

Dear Mike,

Bond Market Recap

The Federal Open Market Committee (FOMC) kept the fed funds rate unchanged at a range of 0.25%-0.50% in September. However, there were three dissenting votes (out of ten), as Esther George (Kansas City), Loretta Mester (Cleveland), and Eric Rosengren (Boston) preferred to raise the target range by a quarter percent. The Fed's overall assessment of the economy was little changed from July. In the policy statement, the Committee noted the labor market has continued to strengthen but inflation remains below target. In deciding whether or not to raise the fed funds target rate, the Committee said "the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives." In her press conference, Fed Chair Yellen remarked that the next meeting on November 1-2 is a "live" meeting but given its proximity to the US Presidential election on November 8, we think the Fed is likely to keep monetary policy on hold until December. If economic data remains modestly favorable over the next few months, we expect the Fed will hike the fed funds rate range by 25 basis points in December.

Market participants estimate the economy grew at an annualized pace of about 2.9% in the third quarter. If accurate, that represents a pick-up from first and second quarter GDP growth of 0.8% and 1.4, respectively. The consensus forecast calls for GDP growth of about 2.5% in the fourth quarter. Labor market trends remain favorable, which should continue to provide a tailwind to economic growth. The unemployment rate was 5.0% in September, wage growth ticked higher, and payrolls increased by 156,000 (more than enough to absorb new entrants into the labor market). Consumer confidence is strong. Housing trends remain positive even though home price appreciation has softened. Oil prices have rebounded from earlier this year. The manufacturing sector, though still under pressure, has slightly improved. Overall, domestic economic data remains indicative of slow growth.

In September, the 2-year Treasury yield decreased four basis points and the 10-year Treasury yield increased one basis point. Leading up to the FOMC meeting in September, the yield curve steepened slightly. After the FOMC meeting in September, yields modestly declined. More recently, yields across the curve have increased as the market-implied probability of a fed funds rate hike before year-end has risen to more than 65%.

In September, the Treasury yield curve was little changed. However, on a year-over-year basis the yield curve flattened with the 2-year Treasury yield up about 13 basis points and the 10-year Treasury yield down more than 44 basis points. Over the past year, financial market volatility has been elevated due to weak global economic growth, volatile commodity prices, political uncertainty, and divergent global central bank monetary policy.

Consumer Prices

The Consumer Price Index (CPI) was up 1.1% year-over-year in August, versus up 0.8% year-over-year in July. Core CPI (CPI less food and energy) was up 2.3% year-over-year in August, vs. 2.2% in July. The Personal Consumption Expenditures (PCE) index was up 1.0% year-over-year in August, versus 0.8% in July. Core PCE (excluding food and energy) was up 1.7% year-over-year in August vs. up 1.6% year-over-year in July. Although Core CPI is trending above 2.0%, the Fed's primary inflation gauge is PCE which remains below the Fed's 2.0% target.

Retail Sales

On a year-over-year basis, total retail sales were up 1.9% in August, compared with a 2.4% increase in July. On a month-over-month basis, retail sales declined 0.3% in August, below expectations. Excluding autos, retail sales fell 0.1% in the month.

Labor Market

Nonfarm payrolls were lower than expected in September, up 156,000 versus the consensus forecast of 172,000. July and August payrolls were revised down by a net total of 7,000. On a trailing 3-month and 6-month basis, payrolls increased by an average of 192,000 and 169,000 per month, respectively. The unemployment rate inched up in September to 5.0% from 4.9% in August, as the participation rate increased to 62.9% from 62.8%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, remained unchanged in September at 9.7%. Wages increased 0.2% in September, following a 0.1% increase in August. On a year-over-year basis, wages were up 2.6% in September, versus 2.4% in August.

Housing Starts

Total housing starts fell 5.8% in August, following growth of 1.4% in July. Single-family starts fell 6.0% in August while multi-family starts declined 5.4%. Housing starts tend to be volatile on a month-to-month basis but the underlying trend remains favorable. Notably, single-family permit growth was strong in August.

TREASURY YIELDS	9/30/2016	6/30/2016	CHANGE
3 Month	0.28	0.26	0.02
2 Year	0.76	0.58	0.18
3 Year	0.88	0.69	0.19
5 Year	1.15	1.00	0.15
7 Year	1.42	1.28	0.14
10 Year	1.60	1.47	0.13
30 Year	2.32	2.29	0.03

ECONOMIC INDICATOR	CURRENT RELEASE	PRIOR RELEASE	ONE YEAR AGO
Trade Balance	(40.7) \$Bln AUG 16	(39.5) \$Bln JUL 16	(44.6) \$Bln AUG 15
GDP	1.4% JUN 16	0.8% MAR 16	2.6% JUN 15
Unemployment Rate	5.0% SEP 16	4.9% AUG 16	5.1% SEP 15
Prime Rate	3.5% SEP 16	3.5% AUG 16	3.25% SEP 15
CRB Index	186.31 SEP 16	180.21 AUG 16	193.76 SEP 15
Oil (West Texas Int.)	\$48.24 SEP 16	\$44.70 AUG 16	\$45.09 SEP 15
Consumer Price Index (y/o/y)	1.1% AUG 16	0.8% JUL 16	0.2% AUG 15
Producer Price Index (y/o/y)	(2.1%) AUG 16	(2.2%) JUL 16	(3.1%) AUG 15
Dollar/EURO	1.12 SEP 16	1.12 AUG 16	1.12 SEP 15

Performance Attribution

Long-Term Portfolio

The long-term portfolio produced positive returns during the quarter, both on an absolute and relative basis. The quarterly return for the long-term portfolio was 0.06% versus (0.07%) for the Bank of America Merrill Lynch 1-5 Year AAA-A US Corporate and Government Index. The primary driver of the positive performance differentiation of the portfolio was the term structure positioning of the portfolio. Notably, the portfolio remained underweight in the one to three year maturity range, adding to results as the yield curve re-priced post the large flight to quality in the market after the Brexit vote in late June.

During the quarter the Chandler team added several new securities to the portfolio in the Asset Backed, Supranational, Negotiable CD, and Corporate sectors of the market. Changes in regulation related to prime money market funds led to some dislocation in short maturity non Treasury securities and the team took advantage via adding a Negotiable CD position and several ABS securities. The team continues to find the Supranational sector attractive relative to the Agency sector and will look to opportunistically increase exposure. The overall duration of the portfolio remains modestly below the benchmark as Chandler maintains the view the Federal Reserve will tighten policy in December. As the market prices in a higher probability of a tightening the team will look to close the duration gap versus the benchmark.

Liquid Portfolio

The Liquidity portfolio matched the return of the three month Treasury Bill benchmark during the quarter, generating a return of 0.10%. The portfolio experienced heavy negative cash flows with the net portfolio value shrinking to \$57.9 million versus \$139.4 million at the end of the prior quarter. Despite the contracting portfolio size the team still purchased many securities across the Treasury, Agency, Commercial Paper, and Corporate sectors of the market to optimize the structure of the portfolio. Similar to prior quarters the Chandler team continues to focus on positioning the portfolio to out-yield the benchmark after taking into account forecasted liquidity needs.

Economic Outlook

Risk market performance was solid in the third quarter as economic data was generally favorable and market participants looked past the long-term implications of the Brexit vote in late June. Both the S&P 500 and NASDAQ composite were up just over 6.0% YTD through the end of September, compared to a total return of 2.7% and -3.3% YTD at the end of June 2016. Treasury yields also moved higher, with the two year note moving higher by 0.18%, the five year by 0.15%, and the ten year by 0.13%. Commodity prices continued to stabilize with Oil (West Texas Intermediate) trading in a relatively tight range centered around \$47 per barrel during the quarter. Despite the continued global rhetoric on production cuts to support the price of oil the Chandler team maintains the view the price will remain range bound. Looking out over an intermediate time horizon prices are unlikely to touch the lows from earlier in the year, and also unlikely to break out above \$60 per barrel.

Developed market central bank policy differentiation is likely to remain a theme in the markets over the coming year. The Federal Reserve's recently released Summary of Economic Projections continues to forecast a terminal Fed Funds rate much higher than current market expectations. Chandler anticipates the Federal Reserve and market forecast will gradually converge, with the Federal Reserve forecast adjusting by a greater amount. Sovereign bond yields abroad, particularly in Germany and Japan, remain exceptionally low, and negative in many maturities. The low and negative rates abroad will serve to put a cap on the ability of the US Treasury market interest rates to adjust materially higher. We expect the dollar to strengthen over the coming year, which will serve as a de facto tightening of policy, and further expect the terminal Fed Funds rate to settle in above 1.00%, but well below the 3.00% Federal Reserve forecast as of September 2016. The markets are likely to remain volatile as the US Presidential cycle winds down and investors consider the ability of fiscal spending to take a more prominent role in the domestic economic recovery with the new administration and a divided Congress.

Chandler anticipates risk market performance will remain generally positive as investors continue to search for yield across asset classes. Treasury yields should continue to be under pressure, and move higher, but not by a dramatic amount as the Federal Reserve will be constrained in its ability to tighten traditional monetary policy due to the aforementioned global influences.

Strategy

Strategy highlights for the Long-Term Portfolio in coming months:

- Continue to optimize the overall term structure positioning of the portfolio by remaining underweight portions of the yield curve most exposed to re-pricing post a December monetary policy tightening by the Federal Reserve.
- Opportunistically increase the Corporate and Supranational exposure to enhance the total return opportunity of the strategy.
- Continue to take advantage of market dislocations to enhance the total return opportunity of the portfolio. The team will pay particular attention to the evolution of the Commercial Paper market post the change in Money Market Fund regulation in mid-October 2016.

Strategy highlights for the Liquidity Portfolio in coming months:

- Continue to ladder the Agency discount note and Treasury exposure to correspond to upcoming liquidity needs.
- Periodically add to the Corporate exposure of the portfolio between maturities of six months to a year, where the additional spread to the Treasury curve is compelling.
- Maintain a dedicated exposure to the Treasury sector of close to 20% on an ongoing basis.

Compliance Issues



Orange County Sanitation District Long Term September 30, 2016

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the investment policy

Category	Standard	Comment
Treasury Issues	5 years maximum maturity	Complies*
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 5 years maximum maturity	Complies
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
Municipal Securities	"A" or higher by 1 of 3 NRSROs; 10% maximum; 5% max issuer; 5 years maximum maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer (excluding MBS/govt agency); 5 years max maturity	Complies*
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
CDs/ TDS	5% max issuer; 5 years max maturity	Complies
Banker's Acceptances	A-1, or equivalent highest short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Maximum Maturity	5 years maximum maturity	Complies*

*The portfolio has twenty-four (24) securities with maturities greater than 5 years including one (1) ABS, five (5) CMOs, seventeen (17) MBS and one (1) treasury. All securities were inherited from the previous manager and complied at time of purchase.



Orange County Sanitation District Liquid
September 30, 2016

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the investment policy

Category	Standard	Comment
Treasury Issues	1 year maximum maturity; Minimum allocation of 10%	Complies
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 1 year maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 1 year maximum maturity	Complies*
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 1 year max maturity	Complies
Asset Backed/ CMOs	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer; 1 year max maturity	Complies
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs ; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 1 year max maturity	Complies
CDs/ TDS	5% max issuer; 1 year max maturity	Complies
Banker's Acceptances	A-1, or equivalent short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Prohibited	Municipal Securities	Complies
Prohibited	Mortgage Securities	Complies
Avg Duration	Not to exceed 180 days; Max duration of 1/2 year	Complies
Maximum Maturity	1 year maximum maturity	Complies

*Complies in the aggregate portfolio; Liquidity portfolio has 24% max issuer concentration on Federal National Mortgage Assoc (FNMA's).



OCSD Lehman Exposure September 30, 2016


COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the investment policy

Category	Standard	Comment
Treasury Issues	5 years maximum maturity	Complies
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max; 5 years maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 5 years maximum maturity	Complies
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies*
Municipal Securities	"A" or higher by 1 of 3 NRSROs; 10% maximum; 5% max issuer; 5 years maximum maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer (excluding MBS/govt agency); 5 years max maturity	Complies
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs ; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
CDs/ TDS	5% max issuer; 5 years max maturity	Complies
Banker's Acceptances	A-1, or equivalent highest short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Maximum Maturity	5 years maximum maturity	Complies

* Account holds \$2 million face value (cusip 525ESC0Y6) and \$600,000 face value (cusip 525ESC1B7) of defaulted Lehman Bros Holdings that were purchased by the previous manager. Complied at time of purchase.

Defaulted Bonds


OCSD Lehman Exposure
 Account #10284

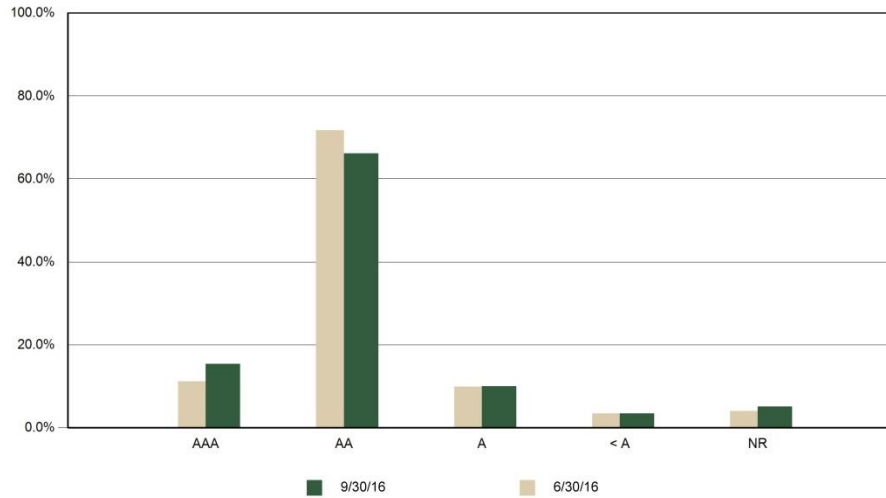
Holdings Report
 As of 9/30/16

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
COMMON STOCK									
SLHOPNTA4	Lehman Brothers, Inc Open Position Long Exposure Due 9/30/2016	60,641.49	11/21/2014 0.00 %	57,842.64 57,842.64	0.42 0.00 %	25,621.03 0.00	11.12 % (32,221.61)	NR / NR NR	0.00 0.00
Total Common Stock		60,641.49	N/A	57,842.64 57,842.64	0.00 %	25,621.03 0.00	11.12 % (32,221.61)	NR / NR NR	0.00 0.00
US CORPORATE									
525ESCIB7	Lehman Brothers Note-Defaulted Due 1/24/2017	600,000.00	09/19/2008 0.00 %	362,825.27 362,825.27	7.88 0.00 %	47,250.00 0.00	20.51 % (315,575.27)	NR / NR NR	0.32 0.00
525ESC0Y6	Lehman Brothers Note-Defaulted Due 10/22/2049	2,000,000.00	09/18/2008 0.00 %	1,173,493.59 1,173,493.59	7.88 0.00 %	157,500.00 0.00	88.37 % (1,015,993.59)	NR / NR NR	33.08 0.00
Total US Corporate		2,600,000.00	N/A	1,536,318.86 1,536,318.86	0.00 %	204,750.00 0.00	88.88 % (1,331,568.86)	NR / NR NR	25.52 0.00
TOTAL PORTFOLIO		2,660,641.49	N/A	1,594,161.50 1,594,161.50	0.00 %	230,371.03 0.00	100.00 % (1,363,790.47)	NR / NR NR	22.68 0.00
TOTAL MARKET VALUE PLUS ACCRUED						230,371.03			

Ratings

Orange County Sanitation District Long Term

September 30, 2016 vs. June 30, 2016

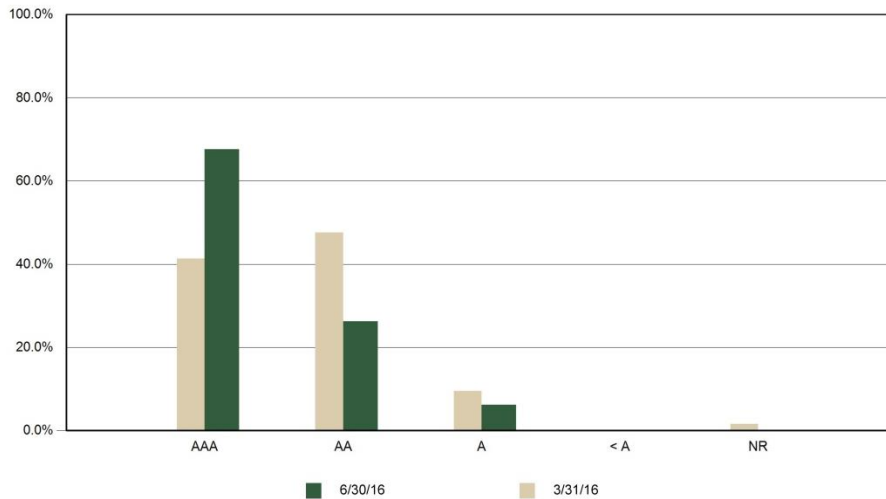


	AAA	AA	A	<A	NR
9/30/16	15.3 %	66.2 %	10.0 %	3.4 %	5.1 %
6/30/16	11.1 %	71.7 %	9.9 %	3.4 %	4.0 %

Source: S&P Ratings

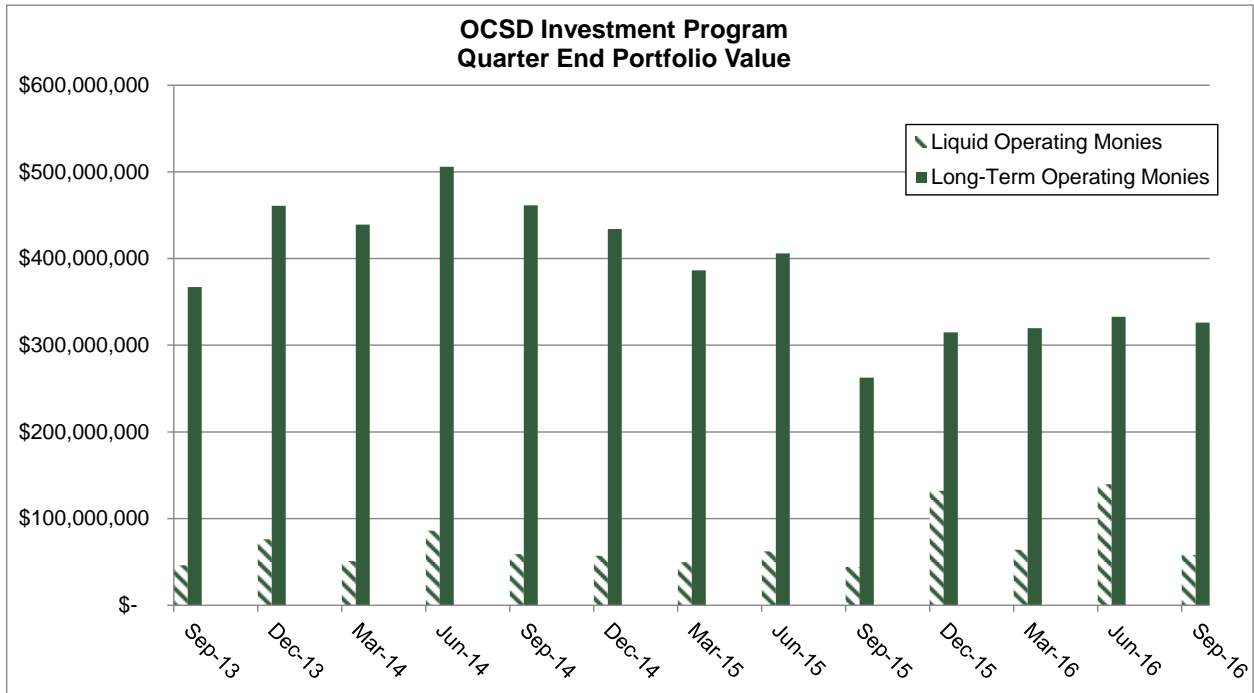
Orange County Sanitation District Liquid

June 30, 2016 vs. March 31, 2016

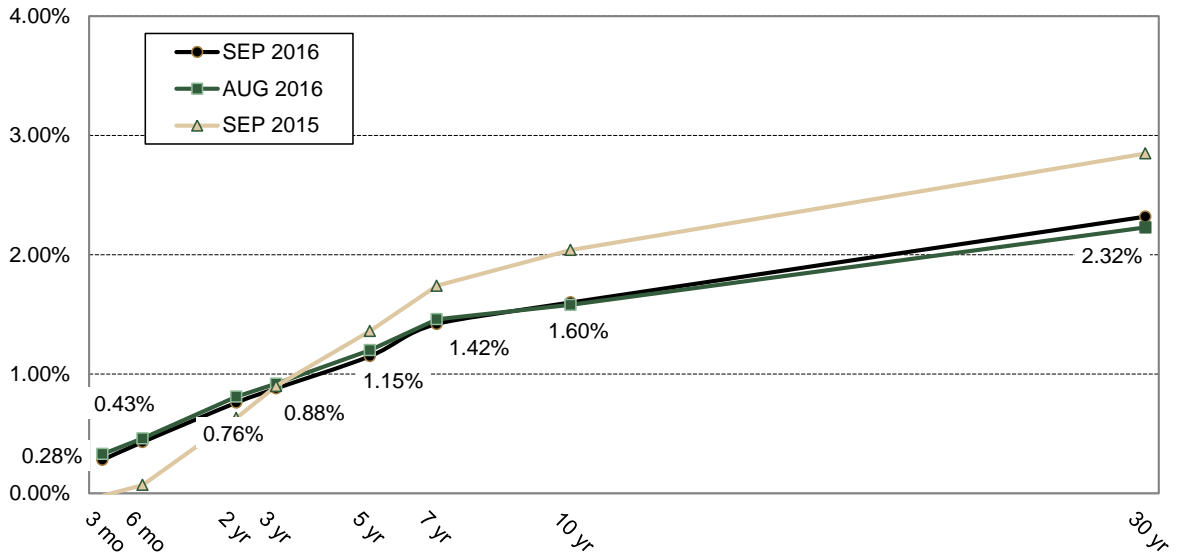


	AAA	AA	A	<A	NR
6/30/16	67.6 %	26.2 %	6.1 %	0.0 %	0.0 %
3/31/16	41.3 %	47.6 %	9.5 %	0.0 %	1.6 %

Source: S&P Ratings



HISTORICAL YIELD CURVE





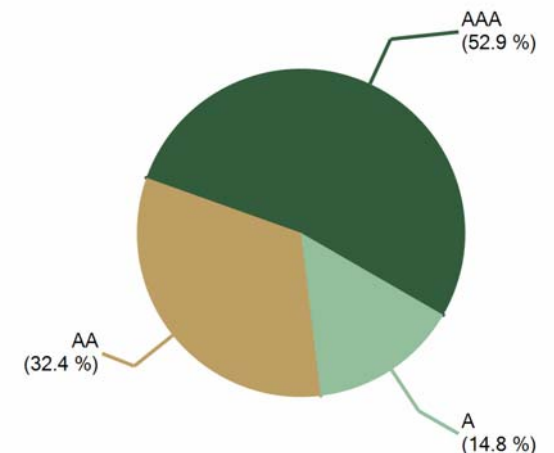
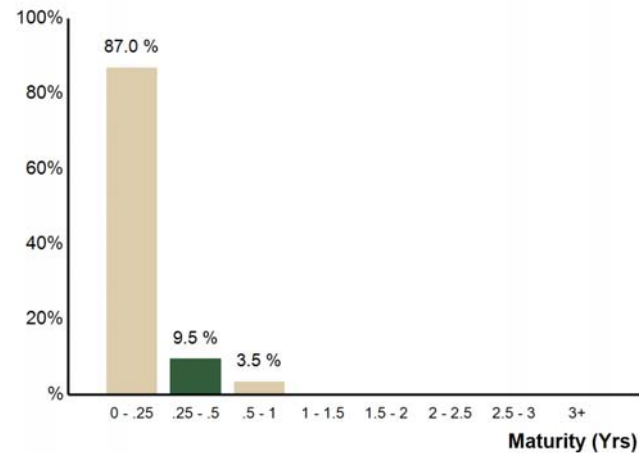
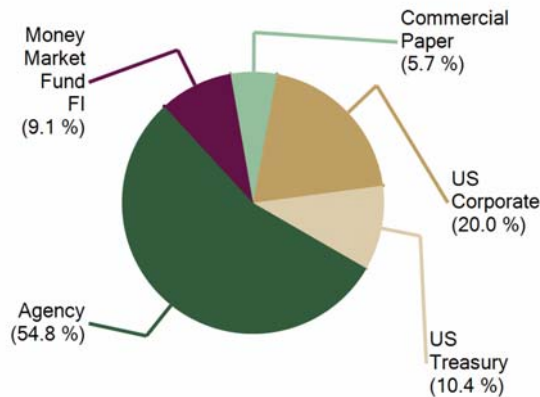
PORTFOLIO CHARACTERISTICS	ACCOUNT SUMMARY	TOP ISSUERS
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Average Duration	0.10
Average Coupon	0.88 %
Average Purchase YTM	0.45 %
Average Market YTM	0.51 %
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	0.11 yrs
Average Life	0.08 yrs

	Beg. Values as of 8/31/16	End Values as of 9/30/16
Market Value	57,776,948	57,855,563
Accrued Interest	193,924	133,291
Total Market Value	57,970,872	57,988,854
Income Earned	29,668	24,282
Cont/WD		0
Par	57,713,858	57,818,222
Book Value	57,774,927	57,859,842
Cost Value	57,842,676	57,919,793

Issuer	% Portfolio
Federal National Mortgage Assoc	24.4 %
Federal Home Loan Bank	19.7 %
Federal Home Loan Mortgage Corp	10.8 %
Government of United States	10.4 %
Drefus Treasury Money Market Fu	9.1 %
Pepsico Inc	2.6 %
Bank of Tokyo-Mit UFJ	2.2 %
Eli Lilly & Co	1.8 %
80.9 %	

SECTOR ALLOCATION	MATURITY DISTRIBUTION	CREDIT QUALITY (S&P)
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PERFORMANCE REVIEW									
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Total Rate of Return As of 9/30/2016	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized				Since 11/30/2014
					3 Yrs	5 Yrs	10 Yrs	11/30/2014	
Orange County Sanitation District Liquid	0.03 %	0.10 %	0.36 %	0.41 %	N/A	N/A	N/A	0.32 %	0.59 %
BAML 3-Month US Treasury Bill Index	0.05 %	0.10 %	0.24 %	0.27 %	N/A	N/A	N/A	0.16 %	0.30 %



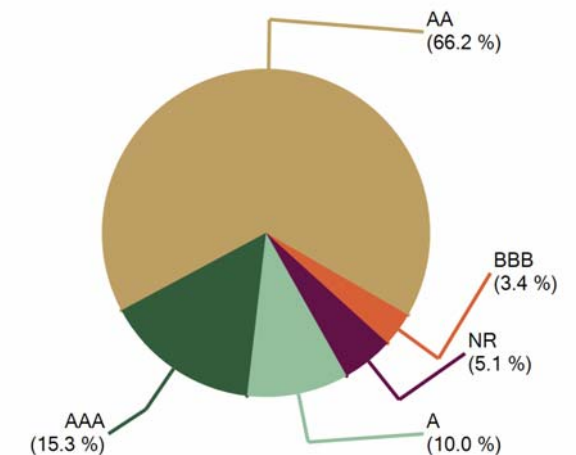
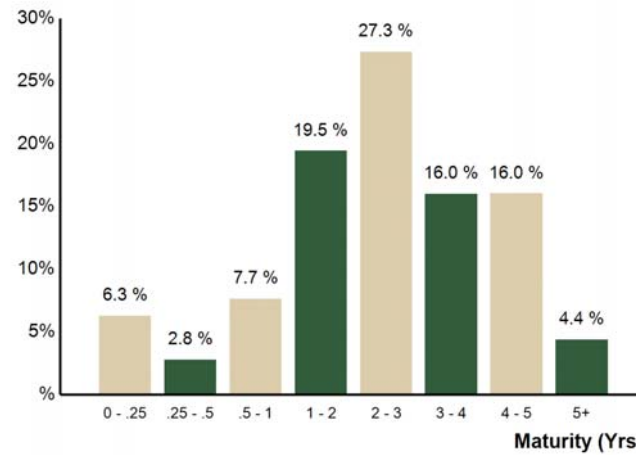
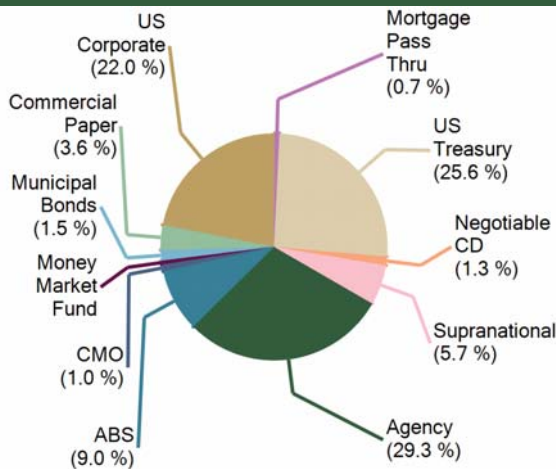
PORTFOLIO CHARACTERISTICS ACCOUNT SUMMARY TOP ISSUERS

Average Duration	2.38
Average Coupon	1.61 %
Average Purchase YTM	1.48 %
Average Market YTM	1.05 %
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	2.80 yrs
Average Life	2.47 yrs

	Beg. Values as of 8/31/16	End Values as of 9/30/16
Market Value	324,365,669	324,974,281
Accrued Interest	1,139,979	975,605
Total Market Value	325,505,648	325,949,886
Income Earned	393,830	393,148
Cont/WD		-15,999
Par	319,552,770	320,129,636
Book Value	320,377,638	320,927,042
Cost Value	321,581,440	322,156,483

Issuer	% Portfolio
Government of United States	25.6 %
Federal National Mortgage Assoc	12.1 %
Federal Home Loan Bank	9.4 %
Federal Home Loan Mortgage Corp	9.2 %
Inter-American Dev Bank	2.6 %
John Deere ABS	2.6 %
JP Morgan ABS	2.0 %
Bank of Tokyo-Mit UFJ	2.0 %
	65.5 %

SECTOR ALLOCATION MATURITY DISTRIBUTION CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

Total Rate of Return As of 9/30/2016	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			Since 11/30/2014	
					3 Yrs	5 Yrs	10 Yrs		
Orange County Sanitation District Long Term	0.14 %	0.06 %	2.33 %	2.00 %	N/A	N/A	N/A	1.61 %	2.98 %
BAML 1-5 Yr US Corporate/Govt Rated AAA-A Index	0.15 %	-0.07 %	2.38 %	1.81 %	N/A	N/A	N/A	1.70 %	3.15 %
BAML US 1-5 Yr US Corp/Govt Rated AAA-BBB Index	0.15 %	0.05 %	2.66 %	2.10 %	N/A	N/A	N/A	1.81 %	3.35 %

**Orange County Sanitation District
Investment Transactions and Balances in the
State of California Local Agency Investment Fund
September 30, 2016**

	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Rate</u>	<u>Yield</u>
Balance					
September 1, 2016	\$38,772,556	\$38,772,556	\$38,772,556	0.63	0.63
Deposits:					
Total Deposits	0	0	0	0.63	0.63
Quarterly Interest Distribution	-	-	-	0.63	0.63
Withdrawals:					
9/2/2016	(700,000)	(700,000)	(700,000)	0.63	0.63
9/9/2016	(5,200,000)	(5,200,000)	(5,200,000)	0.63	0.63
9/14/2016	(2,800,000)	(2,800,000)	(2,800,000)	0.63	0.63
9/16/2016	(400,000)	(400,000)	(400,000)	0.63	0.63
9/22/2016	(4,900,000)	(4,900,000)	(4,900,000)	0.63	0.63
9/28/2016	(3,100,000)	(3,100,000)	(3,100,000)	0.63	0.63
9/29/2016	(3,000,000)	(3,000,000)	(3,000,000)	0.63	0.63
Total Withdrawals	(20,100,000)	(20,100,000)	(20,100,000)	0.63	0.63
Balance					
September 30, 2016	\$18,672,556	\$18,672,556	\$18,672,556	0.63	0.63



OCS LIQ OP CHANDLER - OCSF07511102

Asset Summary by Asset Type with Sectors

9/30/2016

Report ID: GL8251
Base Currency: USD
Alternate Base Currency:
Exchange Rate:
Status: FINAL

Description	Shares Par	Cost Base	Market Value Base	% of Total	Net Unrealized Gain/Loss Base
CASH & CASH EQUIVALENTS					
U.S. DOLLAR					
COMMERCIAL PAPER - DISCOUNT	3,290,000.000	3,282,153.27	3,282,153.27	5.66%	0.00
FEDERAL HOME LOAN BANK - 1 YR OR LESS	11,400,000.000	11,398,131.48	11,398,131.48	19.66%	0.00
FEDERAL HOME LOAN MORTGAGES - 1 YR OR LESS	3,000,000.000	2,999,531.25	2,999,531.25	5.17%	0.00
FNMA ISSUES - 1 YR OR LESS	10,000,000.000	9,991,841.67	9,991,841.67	17.23%	0.00
SHORT TERM INVESTMENT FUNDS (US REGULATED)	5,266,222.230	5,266,222.23	5,266,222.23	9.08%	0.00
INTEREST		146,777.01	146,777.01	0.25%	0.00
U.S. DOLLAR	32,956,222.230	33,084,656.91	33,084,656.91	57.05%	0.00
CASH & CASH EQUIVALENTS	32,956,222.230	33,084,656.91	33,084,656.91	57.05%	0.00
FIXED INCOME SECURITIES					
U.S. DOLLAR					
BANKING & FINANCE	6,000,000.000	6,029,770.00	6,008,000.00	10.36%	-21,770.00
FOOD BEVERAGE & TOBACCO	1,500,000.000	1,501,765.00	1,500,540.00	2.59%	-1,225.00
HEALTH CARE	1,000,000.000	1,027,930.00	1,018,860.00	1.76%	-9,070.00
TECHNOLOGY	2,000,000.000	2,005,060.00	2,001,200.00	3.45%	-3,860.00
US AGENCIES	7,362,000.000	7,381,543.92	7,367,264.43	12.70%	-14,279.49
US GOVERNMENTS	6,000,000.000	6,033,184.16	6,008,370.00	10.36%	-24,814.16
UTILITY - TELEPHONE	1,000,000.000	1,002,660.00	1,000,400.00	1.73%	-2,260.00
U.S. DOLLAR	24,862,000.000	24,981,913.08	24,904,634.43	42.95%	-77,278.65
FIXED INCOME SECURITIES	24,862,000.000	24,981,913.08	24,904,634.43	42.95%	-77,278.65
TOTAL ASSETS - BASE:	57,818,222.230	58,066,569.99	57,989,291.34	100.00%	-77,278.65



OCS LONG CHANDLER - OCSF07522202

Asset Summary by Asset Type with Sectors

9/30/2016

Report ID: GL8251
Base Currency: USD
Alternate Base Currency:
Exchange Rate:
Status: FINAL

Description	Shares Par	Cost Base	Market Value Base	% of Total	Net Unrealized Gain/Loss Base
CASH & CASH EQUIVALENTS					
U.S. DOLLAR					
CASH EQUIVALENTS	60,641.490	93,294.59	25,621.03	0.01%	-67,673.56
CERTIFICATES OF DEPOSIT - U.S.	4,075,000.000	4,075,000.00	4,075,000.00	1.25%	0.00
COMMERCIAL PAPER - DISCOUNT	11,630,000.000	11,591,907.08	11,591,907.08	3.55%	0.00
SHORT TERM INVESTMENT FUNDS (US REGULATED)	1,841,283.620	1,841,283.62	1,841,283.62	0.56%	0.00
CASH		-607.28	-607.28	0.00%	0.00
PENDING TRADES		18.62	18.62	0.00%	0.00
INTEREST		1,022,753.89	1,022,753.89	0.31%	0.00
U.S. DOLLAR	17,606,925.110	18,623,650.52	18,555,976.96	5.69%	-67,673.56
CASH & CASH EQUIVALENTS	17,606,925.110	18,623,650.52	18,555,976.96	5.69%	-67,673.56
FIXED INCOME SECURITIES					
U.S. DOLLAR					
ABS - CAR LOANS	14,041,761.510	14,034,903.19	14,048,944.26	4.31%	14,041.07
ABS - CREDIT CARDS	6,640,000.000	6,638,764.23	6,640,970.20	2.04%	2,205.97
ABS - EQUIPMENT	8,355,493.720	8,356,316.41	8,358,717.43	2.56%	2,401.02
ABS - HOME EQUITY	133,743.290	100,432.85	125,690.61	0.04%	25,257.76
ABS - SMALL BUSINESS ADMINISTRATION	70,644.450	70,644.45	75,478.65	0.02%	4,834.20
ABS - STUDENT LOANS	37,851.810	37,698.24	37,935.46	0.01%	237.22
BANKING & FINANCE	39,370,000.000	40,291,126.86	38,395,871.40	11.77%	-1,895,255.46
CAPITAL GOODS	5,000,000.000	5,014,950.00	5,126,050.00	1.57%	111,100.00
FHLMC MULTICLASS	1,978,607.100	2,166,093.97	2,244,214.30	0.69%	78,120.33
FHLMC POOLS	2,476.400	2,416.06	2,560.35	0.00%	144.29
FNMA POOLS	1,710,221.170	1,787,039.87	1,875,502.03	0.57%	88,462.16
FNMA REMIC	404,207.960	402,132.36	407,242.56	0.12%	5,110.20
GNMA MULTI FAMILY POOLS	243,698.070	243,780.87	252,982.10	0.08%	9,201.23
GNMA REMIC	35,255.800	35,255.80	35,431.73	0.01%	175.93
HEALTH CARE	4,000,000.000	4,009,675.00	4,069,160.00	1.25%	59,485.00
OIL & GAS	9,500,000.000	9,476,387.40	9,611,580.00	2.95%	135,192.60
SUPRANATIONAL ISSUES	18,500,000.000	18,621,825.00	18,598,535.00	5.70%	-23,290.00
TAXABLE MUNICIPALS	4,240,000.000	4,307,633.89	4,735,090.00	1.45%	427,456.11
TECHNOLOGY	14,045,000.000	14,095,700.55	14,247,335.95	4.37%	151,635.40



OCS LONG CHANDLER - OCSF07522202

Asset Summary by Asset Type with Sectors

9/30/2016

Report ID: GL8251
Base Currency: USD
Alternate Base Currency:
Exchange Rate:
Status: FINAL

Description	Shares Par	Cost Base	Market Value Base	% of Total	Net Unrealized Gain/Loss Base
U.S. TIPS	10,540,816.000	10,423,531.89	10,694,711.91	3.28%	271,180.02
US AGENCIES	94,365,000.000	94,234,941.40	95,127,625.55	29.16%	892,684.15
US GOVERNMENTS	71,550,000.000	71,479,358.33	72,516,728.50	22.23%	1,037,370.17
WHOLE LOAN - CMO - COLLATERALIZED MTG OBLIG	418,964.850	418,962.95	419,044.45	0.13%	81.50
U.S. DOLLAR	305,183,742.130	306,249,571.57	307,647,402.44	94.31%	1,397,830.87
FIXED INCOME SECURITIES	305,183,742.130	306,249,571.57	307,647,402.44	94.31%	1,397,830.87
TOTAL ASSETS - BASE:	322,790,667.240	324,873,222.09	326,203,379.40	100.00%	1,330,157.31



ESCROW ACCOUNT - OCSF07555502

Asset Summary by Asset Type with Sectors

9/30/2016

Report ID: GL8251
Base Currency: USD
Alternate Base Currency:
Exchange Rate:
Status: FINAL

Description	Shares Par	Cost Base	Market Value Base	% of Total	Net Unrealized Gain/Loss Base
FIXED INCOME SECURITIES					
U.S. DOLLAR					
US GOVERNMENTS	3,594,000.000	3,603,596.33	3,594,000.00	100.00%	-9,596.33
TOTAL ASSETS - BASE:	3,594,000.000	3,603,596.33	3,594,000.00	100.00%	-9,596.33



Yield Analysis

Report ID: RAM234

Base Currency:

OCSF07511102
Liquid Oper- Pimco

9/30/2016

Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
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CASH & TEMPORARY

SUMRECV	Sum of Account Receivables			-		146,777		0.00
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AGENCY

10,700,000.00 313384K40	FEDERAL HOME LN BK CONS DISC 10/12/2016	0.19		Aaa	99.96	10,698,170 10,698,170	32.47 18.45	0.03
700,000.00 313384J59	FEDERAL HOME LN BK CONS DICS N 10/05/16	0.20		Aaa	100.00	699,961 699,961	2.12 1.21	0.01
3,000,000.00 313396K36	FEDERAL HOME LN MTG CORP DISC 0.000% 10/11/2016 DD 10/13/15	0.21		Aaa	99.99	2,999,531 2,999,531	9.10 5.17	0.03

CERTIFICATES OF DEPOSIT

10,000,000.00 313588L37	FEDERAL NATL MTG ASSN DISCOUNT MAT 10/19/2016	0.90		Aaa	99.98	9,991,842 9,991,842	30.32 17.23	0.04
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COMMERCIAL PAPER

1,000,000.00 89233GKC9	TOYOTA MTR CR CP DISC 10/12/2016	0.63		P-1	99.99	999,582 999,582	3.03 1.72	0.03
1,290,000.00 06538BKS1	BANK TOKYO-MITSUB DISC 10/26/2016	0.74	0.74	P-1	99.75	1,286,818 1,286,818	3.91 2.22	0.34
1,000,000.00 21687AMK6	COOPERAT CENT DISC 12/19/2016	0.84	0.84	P-1	99.58	995,753 995,753	3.02 1.72	0.50

OTHER

5,266,222.23 996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	-		Aaa		5,266,222 5,266,222	15.98 9.08	0.08
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Yield Analysis

Report ID: RAM234
Base Currency: USD

OCSF07511102
Liquid Oper- Pimco

9/30/2016

Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
TOTAL: CASH & TEMPORARY		0.51	0.07			32,937,880 33,084,657	100.00	0.07
FIXED INCOME								
AGENCIES & OTHER GOVT OBL								
3,225,000.00 3137EADS5	FEDERAL HOME LN MTG CORP 0.875% 10/14/2016 DD 08/16/13	0.44	0.87	Aaa	100.02	3,229,248 3,225,548	12.88 5.56	0.04
4,137,000.00 3135G0ES8	FEDERAL NATL MTG ASSN 1.375% 11/15/2016 DD 10/20/11	0.46	1.37	Aaa	100.11	4,152,296 4,141,716	16.54 7.14	0.13
BANKS & FINANCE								
1,000,000.00 24422ESD2	JOHN DEERE CAPITAL CORP 1.050% 10/11/2016 DD 10/11/13	0.95	1.05	A2	100.00	1,001,070 1,000,030	3.99 1.72	0.03
1,000,000.00 02665WAB7	AMERICAN HONDA FINANCE CORP 1.125% 10/07/2016 DD 10/10/13	1.07	1.12	A1	100.00	1,001,660 1,000,010	3.99 1.72	0.02
1,000,000.00 46623EJY6	JPMORGAN CHASE & CO 1.350% 02/15/2017 DD 02/18/14	1.22	1.35	A3	100.05	1,000,470 1,000,480	4.00 1.73	0.37
1,000,000.00 94974BFD7	WELLS FARGO & CO 2.100% 05/08/2017 DD 05/07/12	1.38	2.09	A2	100.43	1,008,550 1,004,320	4.01 1.73	0.60
1,000,000.00 06406HCA5	BANK OF NEW YORK MELLON CORP/T 2.400% 01/17/2017 DD 11/23/11	1.45	2.39	A1	100.28	1,008,120 1,002,800	4.01 1.73	0.25
1,000,000.00 91159HHB9	US BANCORP 2.200% 11/15/2016 DD 11/03/11	1.90	2.20	A1	100.04	1,009,900 1,000,360	4.00 1.73	0.12
INDUSTRIALS								
1,000,000.00 037833AM2	APPLE INC 1.050% 05/05/2017 DD 05/06/14	0.85	1.05	Aa1	100.12	1,002,590 1,001,200	4.00 1.73	0.59



Yield Analysis

Report ID: RAM234
Base Currency: USD

OCSF07511102
Liquid Oper- Pimco

9/30/2016

Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
1,500,000.00 713448CLO	PEPSICO INC 0.950% 02/22/2017 DD 02/28/14	0.86	0.95	A1	100.04	1,501,765 1,500,540	5.99 2.59	0.39
1,000,000.00 17275RAT9	CISCO SYSTEMS INC 1.100% 03/03/2017 DD 03/03/14	1.01	1.10	A1	100.04	1,002,660 1,000,400	4.00 1.73	0.42
1,000,000.00 532457BB3	ELI LILLY & CO 5.200% 03/15/2017 DD 03/14/07	1.06	5.10	A2	101.89	1,027,930 1,018,860	4.07 1.76	0.46
1,000,000.00 458140AH3	INTEL CORP 1.950% 10/01/2016 DD 09/19/11	1.94	1.95	A1	100.00	1,002,470 1,000,000	3.99 1.72	0.00
TREASURIES								
3,000,000.00 912828WF3	U S TREASURY NOTE 0.625% 11/15/2016 DD 11/15/13	0.22	0.62	Aaa	100.05	3,003,291 3,001,530	11.99 5.18	0.13
3,000,000.00 912828LU2	U S TREASURY NOTE 3.125% 10/31/2016 DD 10/31/09	0.41	3.12	Aaa	100.23	3,029,893 3,006,840	12.01 5.19	0.08
TOTAL: FIXED INCOME		0.77	1.63			24,981,913 24,904,634	100.00	0.19
TOTAL: Liquid Oper- Pimco		0.64	0.85			57,919,793 57,989,291	100.00	0.12



Yield Analysis

Report ID: RAM234
Base Currency:

OCSF07522202
Long Term Oper- Pimco

9/30/2016

Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
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CASH & TEMPORARY

SUMRECV	Sum of Account Receivables			-		1,022,773		0.00
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CERTIFICATES OF DEPOSIT

4,075,000.00	TORONTO DOMINION BANK C/D	1.13	1.19	-	100.03	4,075,000	23.20	0.45
89113WHF6	1.190% 03/13/2017 DD 08/23/16					4,075,000	1.25	

COMMERCIAL PAPER

6,630,000.00	BANK TOKYO-MITSUB DISC	0.74	0.74	P-1	99.75	6,613,646	37.65	0.34
06538BKS1	10/26/2016					6,613,646	2.03	
5,000,000.00	TOYOTA MTR CR CP DISC	4.83		P-1	99.42	4,978,261	28.34	0.13
89233GLJ3	11/18/2016					4,978,261	1.53	

OTHER

60,641.49	SLH PROXY LONG EXPOSURE	-		-		93,295	0.15	-
99VVAEU30	SLHOPNTA4					25,621	0.01	
1,841,283.62	DREYFUS TREAS & AGY CSH CSH MG	-		Aaa		1,841,284	10.48	0.08
996085247	VAR RT 12/31/2049 DD 04/09/97					1,841,284	0.56	

US CASH

1.00	USD (UNITED STATES DOLLAR)	-		-		0	0.00	-
NA9123459	GL PAYABLES RECEIVABLES					0	0.00	
1.00	US CASH	-		-		0	0.00	-
999999USD	GL PURE CASH					-607	0.00	

US CASH FUNDS

0.00	BNY MELLON CASH RESERVE	0.43	0.43	-	100.00	0	0.00	0.08
996087094	0.010% 12/31/2049 DD 06/26/97					0	0.00	



Yield Analysis

Report ID: RAM234
Base Currency: USD

OCSF07522202
Long Term Oper- Pimco

9/30/2016

Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
TOTAL: CASH & TEMPORARY		2.14	0.62			17,601,485 18,555,977	100.00	0.28
FIXED INCOME								
AGENCIES & OTHER GOVT OBL								
5,000,000.00 3137EADU0	FEDERAL HOME LN MTG CORP 0.500% 01/27/2017 DD 01/16/15	0.40	0.50	Aaa	100.03	4,991,050 5,001,550	1.62 1.53	0.32
4,000,000.00 3135G0ES8	FEDERAL NATL MTG ASSN 1.375% 11/15/2016 DD 10/20/11	0.46	1.37	Aaa	100.11	4,044,200 4,004,560	1.30 1.23	0.13
5,000,000.00 313379FW4	FEDERAL HOME LN BK CONS BD 1.000% 06/09/2017 DD 05/10/12	0.62	1.00	Aaa	100.26	5,025,100 5,013,200	1.62 1.54	0.69
5,000,000.00 3137EADV8	FEDERAL HOME LN MTG CORP 0.750% 07/14/2017 DD 05/29/15	0.63	0.75	Aaa	100.10	4,994,250 5,004,850	1.62 1.53	0.79
5,000,000.00 3137EADN6	FEDERAL HOME LN MTG CORP 0.750% 01/12/2018 DD 11/21/12	0.77	0.75	Aaa	99.97	4,967,500 4,998,550	1.62 1.53	1.27
7,500,000.00 313378A43	FEDERAL HOME LN BK CONS BD 1.375% 03/09/2018 DD 02/13/12	0.81	1.36	Aaa	100.82	7,544,850 7,561,125	2.45 2.32	1.43
5,000,000.00 3137EADP1	FEDERAL HOME LN MTG CORP 0.875% 03/07/2018 DD 01/17/13	0.82	0.87	Aaa	100.08	4,974,100 5,003,900	1.62 1.53	1.43
5,000,000.00 3135G0G72	FEDERAL NATL MTG ASSN 1.125% 12/14/2018 DD 11/03/15	0.90	1.12	Aaa	100.48	4,963,950 5,024,000	1.63 1.54	2.17
7,500,000.00 3133782M2	FEDERAL HOME LN BK CONS BD 1.500% 03/08/2019 DD 02/06/12	0.96	1.48	Aaa	101.31	7,589,190 7,598,025	2.46 2.33	2.39



Yield Analysis

Report ID: RAM234
Base Currency: USD

OCSF07522202
Long Term Oper- Pimco

9/30/2016

Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
5,000,000.00 3135G0ZG1	FEDERAL NATL MTG ASSN 1.750% 09/12/2019 DD 07/28/14	1.00	1.71	Aaa	102.16	5,021,500 5,108,100	1.66 1.57	2.88
7,500,000.00 3137EADM8	FEDERAL HOME LN MTG CORP 1.250% 10/02/2019 DD 10/02/12	1.01	1.24	Aaa	100.71	7,399,650 7,552,950	2.45 2.32	2.93
5,000,000.00 3135G0D75	FEDERAL NATL MTG ASSN 1.500% 06/22/2020 DD 04/27/15	1.08	1.48	Aaa	101.53	4,955,650 5,076,500	1.64 1.56	3.62
5,000,000.00 313383HU8	FEDERAL HOME LN BK CONS BD 1.750% 06/12/2020 DD 06/03/13	1.11	1.71	Aaa	102.32	5,008,950 5,115,800	1.66 1.57	3.57
7,500,000.00 3135G0F73	FEDERAL NATL MTG ASSN 1.500% 11/30/2020 DD 10/19/15	1.17	1.48	Aaa	101.35	7,370,726 7,600,950	2.46 2.33	4.03
10,000,000.00 3135G0J20	FEDERAL NATL MTG ASSN 1.375% 02/26/2021 DD 02/05/16	1.22	1.37	Aaa	100.66	10,040,950 10,066,000	3.26 3.09	4.28
5,365,000.00 3130A7CV5	FEDERAL HOME LN BK CONS BD 1.375% 02/18/2021 DD 02/18/16	1.23	1.37	Aaa	100.61	5,343,325 5,397,566	1.75 1.65	4.26
BANKS & FINANCE								
600,000.00 06050TLX8	BANK OF AMERICA NA VAR RT 05/08/2017 DD 05/08/14	1.01	1.20	A1	100.11	600,000 600,672	0.19 0.18	0.10
500,000.00 94988J2L0	WELLS FARGO BANK NA VAR RT 06/15/2017 DD 06/12/14	1.14	1.11	Aa2	99.98	500,000 499,905	0.16 0.15	0.17
5,000,000.00 36962G7M0	GENERAL ELECTRIC CO 2.200% 01/09/2020 DD 01/09/15	1.41	2.15	A1	102.52	5,014,950 5,126,050	1.66 1.57	3.15
5,000,000.00 24422ESS9	JOHN DEERE CAPITAL CORP 2.300% 09/16/2019 DD 09/15/14	1.46	2.25	A2	102.43	5,046,984 5,121,250	1.66 1.57	2.86



Yield Analysis

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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
2,120,000.00 06406HCW7	BANK OF NEW YORK MELLON CORP/T 2.300% 09/11/2019 DD 09/11/14	1.47	2.25	A1	102.37	2,142,175 2,170,286	0.70 0.67	2.85
3,200,000.00 073902CD8	BEAR STEARNS COS LLC/THE 4.650% 07/02/2018 DD 06/25/03	1.51	4.41	A3	105.42	3,523,520 3,373,504	1.09 1.03	1.68
2,900,000.00 025816AY5	AMERICAN EXPRESS CO 7.000% 03/19/2018 DD 03/19/08	1.56	6.49	A3	107.87	3,377,386 3,128,114	1.01 0.96	1.41
3,000,000.00 40428HPH9	HSBC USA INC 1.625% 01/16/2018 DD 12/20/12	1.58	1.62	A2	100.06	3,003,290 3,001,650	0.97 0.92	1.27
3,800,000.00 060505DP6	BANK OF AMERICA CORP 5.750% 12/01/2017 DD 12/04/07	1.61	5.49	Baa1	104.77	4,334,014 3,981,412	1.29 1.22	1.12
600,000.00 38141GFG4	GOLDMAN SACHS GROUP INC/THE 5.950% 01/18/2018 DD 01/18/08	1.65	5.64	A3	105.50	692,806 633,024	0.21 0.19	1.25
2,000,000.00 46625HKA7	JPMORGAN CHASE & CO 2.250% 01/23/2020 DD 01/23/15	1.84	2.22	A3	101.31	1,994,880 2,026,280	0.66 0.62	3.18
5,000,000.00 94974BGM6	WELLS FARGO & CO 2.600% 07/22/2020 DD 07/22/15	2.04	2.55	A2	102.03	5,001,650 5,101,450	1.65 1.56	3.61
1,250,000.00 40428HPR7	HSBC USA INC 2.350% 03/05/2020 DD 03/05/15	2.09	2.33	A2	100.87	1,222,788 1,260,850	0.41 0.39	3.29
2,800,000.00 61747WAL3	MORGAN STANLEY 5.500% 07/28/2021 DD 07/28/11	2.40	4.82	A3	114.05	3,200,848 3,193,484	1.03 0.98	4.28
600,000.00 525ESCIB7	ESC LEHMAN BRTH HLD ESCROW 0.000% 11/24/2013 DD 01/22/08	-	-	-	7.55	362,825 47,250	0.02 0.01	-
2,000,000.00 525ESC0Y6	LEHMAN BRTH HLD ESC 0.000% 12/30/2016 DD 10/24/05	-	-	-	7.55	1,241,321 157,500	0.05 0.05	-



Yield Analysis

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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
CARDS								
4,140,000.00 161571HH0	CHASE ISSUANCE TRUST A7 A7 1.060% 09/16/2019 DD 09/13/16	0.63	1.06	-	100.02	4,139,643 4,140,745	1.34 1.27	0.04
2,500,000.00 161571GC2	CHASE ISSUANCE TRUST A8 A8 1.010% 10/15/2018 DD 10/31/13	0.79	1.01	Aaa	100.01	2,499,121 2,500,225	0.81 0.77	0.04
1,810,000.00 43814QAC2	HONDA AUTO RECEIVABLES 20 2 A3 1.390% 04/15/2020 DD 05/31/16	1.14	1.38	Aaa	100.43	1,809,965 1,817,855	0.59 0.56	1.69
CARS								
1,074,791.53 89231MAC9	TOYOTA AUTO RECEIVABLES 2 A A3 0.670% 12/15/2017 DD 03/19/14	0.87	0.67	Aaa	99.95	1,072,566 1,074,211	0.35 0.33	0.19
832,992.09 43814GAC4	HONDA AUTO RECEIVABLES 20 2 A3 0.770% 03/19/2018 DD 05/21/14	0.93	0.77	Aaa	99.94	832,406 832,501	0.27 0.26	0.36
2,565,000.00 43814NAB1	HONDA AUTO RECEIVABLES 20 1 A2 1.010% 06/18/2018 DD 02/25/16	0.96	1.01	-	100.03	2,564,744 2,565,718	0.83 0.79	0.53
1,080,063.49 89231TAB6	TOYOTA AUTO RECEIVABLES C A2A 0.920% 02/15/2018 DD 08/26/15	0.98	0.92	Aaa	99.99	1,079,977 1,079,945	0.35 0.33	0.20
3,595,000.00 89236WAC2	TOYOTA AUTO RECEIVABLES 2 A A3 1.120% 02/15/2019 DD 03/04/15	1.01	1.12	Aaa	100.07	3,594,456 3,597,624	1.17 1.10	0.74
2,085,000.00 65478WAB1	NISSAN AUTO RECEIVABLES C A2A 1.070% 05/15/2019 DD 08/10/16	1.17	1.07	Aaa	99.93	2,084,918 2,083,624	0.68 0.64	0.65
998,914.40 43813JAC9	HONDA AUTO RECEIVABLES 20 1 A3 0.670% 11/21/2017 DD 02/27/14	1.38	0.67	Aaa	99.86	995,871 997,466	0.32 0.31	0.21

EQUIPMENT LOANS



Yield Analysis

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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
2,955,493.72 477877AD6	JOHN DEERE OWNER TRUST 20 B A3 1.070% 11/15/2018 DD 09/03/14	0.93	1.07	Aaa	100.04	2,956,879 2,956,735	0.96 0.91	0.30
2,980,000.00 47788NAB4	JOHN DEERE OWNER TRUST 20 B A2 1.090% 02/15/2019 DD 07/27/16	1.11	1.09	Aaa	99.99	2,979,818 2,979,732	0.97 0.91	0.49
2,420,000.00 47788MAC4	JOHN DEERE OWNER TRUST 20 A A3 1.360% 04/15/2020 DD 03/02/16	1.29	1.36	Aaa	100.09	2,419,619 2,422,251	0.78 0.74	1.19
FANNIE MAE REMIC								
40,243.38 31396X3Q5	FNMA GTD REMIC P/T 07-114 A6 VAR RT 10/27/2037 DD 11/30/07	-134.94	0.40	Aaa	99.83	38,282 40,173	0.01 0.01	0.50
363,964.58 31397QRE0	FNMA GTD REMIC P/T 11-3 FA VAR RT 02/25/2041 DD 01/25/11	0.98	1.16	Aaa	100.85	363,851 367,069	0.12 0.11	-2.66
FHLMC								
2,476.40 31348SWZ3	FHLMC POOL #78-6064 VAR RT 01/01/2028 DD 12/01/97	1.53	2.64	Aaa	103.39	2,416 2,560	0.00 0.00	0.42
FNMA								
34,410.55 31407BXH7	FNMA POOL #0826080 5.000% 07/01/2035 DD 06/01/05	1.37	4.49	Aaa	111.34	36,991 38,312	0.01 0.01	1.72
361,748.15 31381PDA3	FNMA POOL #0466397 3.400% 11/01/2020 DD 11/01/10	1.52	3.18	Aaa	107.01	353,920 387,110	0.13 0.12	3.70
189,489.23 31376KT22	FNMA POOL #0357969 5.000% 09/01/2035 DD 09/01/05	1.54	4.49	Aaa	111.35	203,701 211,002	0.07 0.06	1.74
5,510.49 31403GXF4	FNMA POOL #0748678 5.000% 10/01/2033 DD 10/01/03	1.61	4.48	Aaa	111.50	5,924 6,144	0.00 0.00	2.12



Yield Analysis

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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
182,993.56 31403DJZ3	FNMA POOL #0745580 5.000% 06/01/2036 DD 05/01/06	1.63	4.49	Aaa	111.30	196,718 203,670	0.07 0.06	1.96
20,660.13 3138EG6F6	FNMA POOL #0AL0869 4.500% 06/01/2029 DD 09/01/11	1.69	4.11	Aaa	109.54	21,850 22,631	0.01 0.01	2.67
363,648.90 31410F4V4	FNMA POOL #0888336 5.000% 07/01/2036 DD 04/01/07	1.72	4.49	Aaa	111.31	390,923 404,770	0.13 0.12	2.15
31,694.79 31417YAY3	FNMA POOL #0MA0022 4.500% 04/01/2029 DD 03/01/09	1.72	4.11	Aaa	109.54	33,520 34,719	0.01 0.01	2.77
26,054.38 31371NUC7	FNMA POOL #0257179 4.500% 04/01/2028 DD 03/01/08	1.75	4.11	Aaa	109.54	27,555 28,540	0.01 0.01	3.04
311,382.97 31406PQY8	FNMA POOL #0815971 5.000% 03/01/2035 DD 03/01/05	1.83	4.51	Aaa	110.97	334,737 345,554	0.11 0.11	2.11
182,628.02 31406XWT5	FNMA POOL #0823358 VAR RT 02/01/2035 DD 04/01/05	1.83	3.01	Aaa	105.71	181,201 193,049	0.06 0.06	0.47
FREDDIE MAC MULTICLASS								
49,510.10 3133TCE95	FHLMC MULTICLASS MTG E3 A VAR RT 08/15/2032 DD 12/01/97	1.25	2.94	Aaa	102.05	49,562 50,523	0.02 0.02	0.65
900,000.00 31398VJ98	FHLMC MULTICLASS MTG K006 A2 4.251% 01/25/2020 DD 04/01/10	1.51	3.93	NR	108.28	951,047 974,520	0.32 0.30	2.99
1,029,097.00 31394JY35	FHLMC MULTICLASS MTG 58 2A 6.500% 09/25/2043 DD 09/01/03	2.31	5.49	Aaa	118.47	1,165,485 1,219,171	0.40 0.37	1.86
GNMA								
91,575.75 36225DCB8	GNMA II POOL #0080965 VAR RT 07/20/2034 DD 07/01/04	0.73	2.05	Aaa	104.30	91,519 95,514	0.03 0.03	0.94



Yield Analysis

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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
10,868.72 36225CNM4	GNMA II POOL #0080395 VAR RT 04/20/2030 DD 04/01/00	1.24	2.06	Aaa	103.70	10,770 11,271	0.00 0.00	0.71
30,443.80 36225CC20	GNMA II POOL #080088M VAR RT 06/20/2027 DD 06/01/97	1.26	2.07	Aaa	103.33	31,110 31,457	0.01 0.01	0.95
84,686.66 36225CN28	GNMA II POOL #080408X VAR RT 05/20/2030 DD 05/01/00	1.26	2.06	Aaa	103.64	83,827 87,769	0.03 0.03	0.85
26,123.14 36225CAZ9	GNMA II POOL #0080023 VAR RT 12/20/2026 DD 12/01/96	1.26	2.07	Aaa	103.24	26,556 26,971	0.01 0.01	0.47
GNMA REMIC								
35,255.80 3837H4NX9	GNMA GTD REMIC P/T 00-9 FH VAR RT 02/16/2030	0.65	1.00	Aaa	100.50	35,256 35,432	0.01 0.01	0.03
HOME EQUITY								
133,743.29 03215PFN4	AMRESKO RESIDENTIAL SECURI 1 A VAR RT 06/25/2029 DD 10/20/99	1.74	1.00	-	93.98	100,433 125,691	0.04 0.04	0.00
INDUSTRIALS								
2,000,000.00 458140AL4	INTEL CORP 1.350% 12/15/2017 DD 12/11/12	1.09	1.35	A1	100.31	2,008,280 2,006,240	0.65 0.62	1.19
2,000,000.00 166764AA8	CHEVRON CORP 1.104% 12/05/2017 DD 12/05/12	1.17	1.10	Aa2	99.93	1,988,600 1,998,540	0.65 0.61	1.17
4,000,000.00 532457BF4	ELI LILLY & CO 1.950% 03/15/2019 DD 02/25/14	1.23	1.92	A2	101.73	4,009,675 4,069,160	1.32 1.25	2.40
2,000,000.00 674599CD5	OCCIDENTAL PETROLEUM CORP 1.500% 02/15/2018 DD 06/22/12	1.27	1.50	A3	100.31	1,986,340 2,006,200	0.65 0.62	1.36



Yield Analysis

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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
4,000,000.00 02665WAH4	AMERICAN HONDA FINANCE CORP 2.250% 08/15/2019 DD 09/09/14	1.37	2.20	A1	102.48	4,046,640 4,099,240	1.33 1.26	2.78
3,045,000.00 594918BP8	MICROSOFT CORP 1.550% 08/08/2021 DD 08/08/16	1.64	1.56	Aaa	99.59	3,041,385 3,032,546	0.98 0.93	4.67
4,000,000.00 037833BS8	APPLE INC 2.250% 02/23/2021 DD 02/23/16	1.64	2.19	Aa1	102.58	4,050,840 4,103,200	1.33 1.26	4.19
5,000,000.00 747525AD5	QUALCOMM INC 2.250% 05/20/2020 DD 05/20/15	1.65	2.20	A1	102.11	4,995,195 5,105,350	1.65 1.57	3.47
3,000,000.00 30231GAV4	EXXON MOBIL CORP 2.222% 03/01/2021 DD 03/03/16	1.71	2.17	Aaa	102.18	3,016,097 3,065,490	0.99 0.94	4.21
2,500,000.00 166764BG4	CHEVRON CORP 2.100% 05/16/2021 DD 05/16/16	1.73	2.07	Aa2	101.65	2,485,350 2,541,350	0.82 0.78	4.39
OTHER CMO GOVT AGENCIES								
418,964.85 62888UAA8	NCUA GUARANTEED NOTES TR R2 1A VAR RT 11/06/2017 DD 11/17/10	1.51	1.62	Aaa	100.02	418,963 419,044	0.14 0.13	0.02
70,644.45 83162CLJ0	SBA GTD PARTN CTFS 2001-20C 1 6.340% 03/01/2021	1.85	5.93	Aaa	106.84	70,644 75,479	0.02 0.02	1.50
STUDENT								
37,851.81 78445JAA5	SLM STUDENT LOAN TRUST 200 9 A VAR RT 04/25/2023 DD 08/28/08	2.08	2.21	Aaa	100.22	37,698 37,935	0.01 0.01	0.08
SUPRANATIONALS								
5,000,000.00 45950KBS8	INTERNATIONAL FINANCE CORP 1.000% 04/24/2017 DD 04/24/12	0.77	1.00	Aaa	100.13	5,020,700 5,006,600	1.62 1.53	0.56



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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
5,000,000.00 4581X0CG1	INTER-AMERICAN DEVELOPMENT BAN 1.000% 07/14/2017 DD 04/30/14	0.87	1.00	Aaa	100.10	5,019,550 5,005,200	1.62 1.53	0.78
5,000,000.00 459058EJ8	INTERNATIONAL BANK FOR RECONST 1.000% 06/15/2018 DD 04/30/15	0.89	1.00	Aaa	100.19	4,991,170 5,009,700	1.62 1.54	1.69
3,500,000.00 4581X0CS5	INTER-AMERICAN DEVELOPMENT BAN 1.875% 03/15/2021 DD 01/14/16	1.36	1.83	Aaa	102.20	3,590,405 3,577,035	1.16 1.10	4.29
TIPS								
0.00 912828PP9	US TREAS-CPI INFLAT 1.125% 01/15/2021 DD 01/15/11	1.11	1.06	Aaa	106.43	0 0	0.00 0.00	2.82
10,540,816.00 912828WU0	US TREAS-CPI INFLAT 0.125% 07/15/2024 DD 07/15/14	1.51	0.12	Aaa	101.46	10,423,532 10,694,712	3.47 3.28	5.24
TREASURIES								
3,000,000.00 912828G46	U S TREASURY NOTE 0.500% 11/30/2016 DD 11/30/14	0.21	0.50	Aaa	100.05	2,993,174 3,001,470	0.97 0.92	0.17
3,750,000.00 912828SS0	U S TREASURY NOTE 0.875% 04/30/2017 DD 04/30/12	0.54	0.87	Aaa	100.20	3,750,306 3,757,388	1.22 1.15	0.58
10,000,000.00 912828G20	U S TREASURY NOTE 0.875% 11/15/2017 DD 11/15/14	0.70	0.87	Aaa	100.19	9,948,784 10,019,100	3.25 3.07	1.12
3,500,000.00 912828UR9	U S TREASURY NOTE 0.750% 02/28/2018 DD 02/28/13	0.73	0.75	Aaa	100.03	3,496,457 3,501,085	1.13 1.07	1.41
11,000,000.00 912828B33	U S TREASURY NOTE 1.500% 01/31/2019 DD 01/31/14	0.83	1.48	Aaa	101.54	11,042,439 11,168,850	3.62 3.42	2.29
10,000,000.00 912828WS5	U S TREASURY NOTE 1.625% 06/30/2019 DD 06/30/14	0.87	1.59	Aaa	102.04	9,984,307 10,203,500	3.31 3.13	2.68



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Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
10,000,000.00 912828WW6	U S TREASURY NOTE 1.625% 07/31/2019 DD 07/31/14	0.88	1.59	Aaa	102.09	10,024,777 10,208,600	3.31 3.13	2.77
5,800,000.00 912828F39	U S TREASURY NOTE 1.750% 09/30/2019 DD 09/30/14	0.91	1.71	Aaa	102.49	5,873,187 5,944,536	1.93 1.82	2.93
7,500,000.00 912828G61	U S TREASURY NOTE 1.500% 11/30/2019 DD 11/30/14	0.94	1.47	Aaa	101.75	7,449,635 7,631,550	2.47 2.34	3.08
5,500,000.00 912828L99	U S TREASURY NOTE 1.375% 10/31/2020 DD 10/31/15	1.08	1.36	Aaa	101.17	5,424,667 5,564,240	1.80 1.71	3.96
1,500,000.00 912828N89	U S TREASURY NOTE 1.375% 01/31/2021 DD 01/31/16	1.12	1.36	Aaa	101.09	1,491,626 1,516,410	0.49 0.46	4.21
US TAXABLE MUNI BONDS								
2,440,000.00 73358WAG9	PORT AUTH OF NEW YORK & NEW JE 5.309% 12/01/2019 DD 07/01/09	1.38	4.73	Aa3	112.13	2,507,634 2,735,972	0.89 0.84	2.91
1,400,000.00 64971M5E8	NEW YORK CITY NY TRANSITIONAL 4.075% 11/01/2020 DD 11/03/10	1.48	3.70	Aa1	110.24	1,400,000 1,543,402	0.50 0.47	3.75
400,000.00 913366EJ5	UNIV OF CALIFORNIA CA RGTS MED 5.035% 05/15/2021 DD 11/18/10	1.88	4.42	Aa3	113.93	400,000 455,716	0.15 0.14	4.13
TOTAL: FIXED INCOME		1.08	1.63			306,249,572 307,647,402	100.00	2.36
TOTAL: Long Term Oper- Pimco		1.13	1.58			323,851,057 326,203,379	100.00	2.25



Yield Analysis

Report ID: RAM234
Base Currency:

OCSF07555502
O.C.S. Escrow Account

9/30/2016

Units Held Security ID	Security Description	YTM/ Call (EOP)	Curren t Yield	Moody's Quality Rating	Market Price	Total Cost Market Value	% Type % Market Value	Option Adj Duration
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CASH & TEMPORARY

SUMRECV	Sum of Account Receivables		-			0		0.00
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TOTAL: CASH & TEMPORARY		0.00	0.00			0	100.00	
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FIXED INCOME

TREASURIES

3,594,000.00	U S TREASURY NOTE	-		Aaa		3,603,596	100.00	-
912828SK7	0.375% 03/15/2015 DD 03/15/12					3,594,000	100.00	

TOTAL: FIXED INCOME		0.00	0.00			3,603,596	100.00	
						3,594,000		

TOTAL: O.C.S. Escrow Account		0.00	0.00			3,603,596	100.00	
						3,594,000		

Asset Detail

OCSD-CONSOLIDATED - OCSG00010000

As Of Date : 9/30/2016

Acct Base Currency Code : USD

Accounting Status : FINAL

Mellon Security ID	Security Description	Shares/Par	Base Price	Base Cost	Base Market Value	Percent of Total	Local Unrealized Gain/Loss	Net Unrealized Gain/Loss Base	
Grand Total					386,543,388.41	387,786,670.74	100.00		1,243,282.33
CASH & CASH EQUIVALENTS					51,708,307.43	51,640,633.87	13.32		-67,673.56
U.S. DOLLAR					51,708,307.43	51,640,633.87	13.32	-67,673.56	-67,673.56
06538BKS1	BANK TOKYO-MITSUB DISC 10/26/2016	6,630,000.000	99.75	6,613,645.98	6,613,645.98	1.71	0.00	0.00	
06538BKS1	BANK TOKYO-MITSUB DISC 10/26/2016	1,290,000.000	99.75	1,286,818.00	1,286,818.00	0.33	0.00	0.00	
21687AMK6	COOPERAT CENT DISC 12/19/2016	1,000,000.000	99.58	995,753.33	995,753.33	0.26	0.00	0.00	
313384J59	FEDERAL HOME LN BK CONS DISCS N 10/05/16	700,000.000	99.99	699,961.11	699,961.11	0.18	0.00	0.00	
313384K40	FEDERAL HOME LN BK CONS DISC 10/12/2016	10,700,000.000	99.98	10,698,170.37	10,698,170.37	2.76	0.00	0.00	
313396K36	FEDERAL HOME LN MTG CORP DISC 0.000% 10/11/2016 DD 10/13/15	3,000,000.000	99.98	2,999,531.25	2,999,531.25	0.77	0.00	0.00	
313588L37	FEDERAL NATL MTG ASSN DISCOUNT MAT 10/19/2016	10,000,000.000	99.92	9,991,841.67	9,991,841.67	2.58	0.00	0.00	
89113WHF6	TORONTO DOMINION BANK C/D 1.190% 03/13/2017 DD 08/23/16	4,075,000.000	100.00	4,075,000.00	4,075,000.00	1.05	0.00	0.00	
89233GKC9	TOYOTA MTR CR CP DISC 10/12/2016	1,000,000.000	99.96	999,581.94	999,581.94	0.26	0.00	0.00	
89233GLJ3	TOYOTA MTR CR CP DISC 11/18/2016	5,000,000.000	99.57	4,978,261.10	4,978,261.10	1.28	0.00	0.00	
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	1,841,283.620	100.00	1,841,283.62	1,841,283.62	0.47	0.00	0.00	
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	5,266,222.230	100.00	5,266,222.23	5,266,222.23	1.36	0.00	0.00	
99VVAEU30	SLH PROXY LONG EXPOSURE SLHOPNTA4	60,641.490	0.42	93,294.59	25,621.03	0.01	-67,673.56	-67,673.56	
	CASH	0.000	1.00	-607.28	-607.28	0.00	0.00	0.00	
	RECEIVABLE FOR INVESTMENTS SOLD	0.000	1.00	18.62	18.62	0.00	0.00	0.00	
	INTEREST RECEIVABLE	0.000	1.00	1,022,753.89	1,022,753.89	0.26	0.00	0.00	
	INTEREST RECEIVABLE	0.000	1.00	146,777.01	146,777.01	0.04	0.00	0.00	
FIXED INCOME SECURITIES					334,835,080.98	336,146,036.87	86.68		1,310,955.89
U.S. DOLLAR					334,835,080.98	336,146,036.87	86.68	1,310,955.89	1,310,955.89
025816AY5	AMERICAN EXPRESS CO 7.000% 03/19/2018 DD 03/19/08	2,900,000.000	107.87	3,377,385.79	3,128,114.00	0.81	-249,271.79	-249,271.79	
02665WAB7	AMERICAN HONDA FINANCE CORP 1.125% 10/07/2016 DD 10/10/13	1,000,000.000	100.00	1,001,660.00	1,000,010.00	0.26	-1,650.00	-1,650.00	
02665WAH4	AMERICAN HONDA FINANCE CORP 2.250% 08/15/2019 DD 09/09/14	4,000,000.000	102.48	4,046,640.00	4,099,240.00	1.06	52,600.00	52,600.00	
03215PFN4	AMRESCO RESIDENTIAL SECURI 1 A VAR RT 06/25/2029 DD 10/20/99	133,743.290	93.98	100,432.85	125,690.61	0.03	25,257.76	25,257.76	
037833AM2	APPLE INC 1.050% 05/05/2017 DD 05/06/14	1,000,000.000	100.12	1,002,590.00	1,001,200.00	0.26	-1,390.00	-1,390.00	
037833BS8	APPLE INC 2.250% 02/23/2021 DD 02/23/16	4,000,000.000	102.58	4,050,840.00	4,103,200.00	1.06	52,360.00	52,360.00	
060505DP6	BANK OF AMERICA CORP 5.750% 12/01/2017 DD 12/04/07	3,800,000.000	104.77	4,334,014.00	3,981,412.00	1.03	-352,602.00	-352,602.00	
06050TLX8	BANK OF AMERICA NA VAR RT 05/08/2017 DD 05/08/14	600,000.000	100.11	600,000.00	600,672.00	0.15	672.00	672.00	
06406HCA5	BANK OF NEW YORK MELLON CORP/T 2.400% 01/17/2017 DD 11/23/11	1,000,000.000	100.28	1,008,120.00	1,002,800.00	0.26	-5,320.00	-5,320.00	
06406HCW7	BANK OF NEW YORK MELLON CORP/T 2.300% 09/11/2019 DD 09/11/14	2,120,000.000	102.37	2,142,175.20	2,170,286.40	0.56	28,111.20	28,111.20	
073902CD8	BEAR STEARNS COS LLC/THE 4.650% 07/02/2018 DD 06/25/03	3,200,000.000	105.42	3,523,520.00	3,373,504.00	0.87	-150,016.00	-150,016.00	
161571GC2	CHASE ISSUANCE TRUST A8 A8 1.010% 10/15/2018 DD 10/31/13	2,500,000.000	100.01	2,499,121.10	2,500,225.00	0.64	1,103.90	1,103.90	
161571HH0	CHASE ISSUANCE TRUST A7 A7 1.060% 09/16/2019 DD 09/13/16	4,140,000.000	100.02	4,139,643.13	4,140,745.20	1.07	1,102.07	1,102.07	
166764AA8	CHEVRON CORP 1.104% 12/05/2017 DD 12/05/12	2,000,000.000	99.93	1,988,600.00	1,998,540.00	0.52	9,940.00	9,940.00	
166764BG4	CHEVRON CORP 2.100% 05/16/2021 DD 05/16/16	2,500,000.000	101.65	2,485,350.00	2,541,350.00	0.66	56,000.00	56,000.00	
17275RAT9	CISCO SYSTEMS INC 1.100% 03/03/2017 DD 03/03/14	1,000,000.000	100.04	1,002,660.00	1,000,400.00	0.26	-2,260.00	-2,260.00	
24422ESD2	JOHN DEERE CAPITAL CORP 1.050% 10/11/2016 DD 10/11/13	1,000,000.000	100.00	1,001,070.00	1,000,030.00	0.26	-1,040.00	-1,040.00	
24422ESS9	JOHN DEERE CAPITAL CORP 2.300% 09/16/2019 DD 09/15/14	5,000,000.000	102.43	5,046,984.00	5,121,250.00	1.32	74,266.00	74,266.00	
30231GAV4	EXXON MOBIL CORP 2.222% 03/01/2021 DD 03/03/16	3,000,000.000	102.18	3,016,097.40	3,065,490.00	0.79	49,392.60	49,392.60	
3130A7CV5	FEDERAL HOME LN BK CONS BD 1.375% 02/18/2021 DD 02/18/16	5,365,000.000	100.61	5,343,325.40	5,397,565.55	1.39	54,240.15	54,240.15	
3133782M2	FEDERAL HOME LN BK CONS BD 1.500% 03/08/2019 DD 02/06/12	7,500,000.000	101.31	7,589,190.00	7,598,025.00	1.96	8,835.00	8,835.00	
313378A43	FEDERAL HOME LN BK CONS BD 1.375% 03/09/2018 DD 02/13/12	7,500,000.000	100.82	7,544,850.00	7,561,125.00	1.95	16,275.00	16,275.00	
313379FW4	FEDERAL HOME LN BK CONS BD 1.000% 06/09/2017 DD 05/10/12	5,000,000.000	100.26	5,025,100.00	5,013,200.00	1.29	-11,900.00	-11,900.00	
313383HU8	FEDERAL HOME LN BK CONS BD 1.750% 06/12/2020 DD 06/03/13	5,000,000.000	102.32	5,008,950.00	5,115,800.00	1.32	106,850.00	106,850.00	
3133TCE95	FHLMC MULTICLASS MTG E3 A VAR RT 08/15/2032 DD 12/01/97	49,510.100	102.05	49,561.89	50,523.08	0.01	961.19	961.19	

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Mellon Security ID	Security Description	Shares/Par	Base Price	Base Cost	Base Market Value	Percent of Total	Local Unrealized Gain/Loss	Net Unrealized Gain/Loss Base
31348SWZ3	FHLMC POOL #78-6064 VAR RT 01/01/2028 DD 12/01/97	2,476.400	103.39	2,416.06	2,560.35	0.00	144.29	144.29
3135G0D75	FEDERAL NATL MTG ASSN 1.500% 06/22/2020 DD 04/27/15	5,000,000.000	101.53	4,955,650.00	5,076,500.00	1.31	120,850.00	120,850.00
3135G0ES8	FEDERAL NATL MTG ASSN 1.375% 11/15/2016 DD 10/20/11	4,000,000.000	100.11	4,044,200.00	4,004,560.00	1.03	-39,640.00	-39,640.00
3135G0ES8	FEDERAL NATL MTG ASSN 1.375% 11/15/2016 DD 10/20/11	4,137,000.000	100.11	4,152,295.92	4,141,716.18	1.07	-10,579.74	-10,579.74
3135G0F73	FEDERAL NATL MTG ASSN 1.500% 11/30/2020 DD 10/19/15	7,500,000.000	101.35	7,370,726.00	7,600,950.00	1.96	230,224.00	230,224.00
3135G0G72	FEDERAL NATL MTG ASSN 1.125% 12/14/2018 DD 11/03/15	5,000,000.000	100.48	4,963,950.00	5,024,000.00	1.30	60,050.00	60,050.00
3135G0J20	FEDERAL NATL MTG ASSN 1.375% 02/26/2021 DD 02/05/16	10,000,000.000	100.66	10,040,950.00	10,066,000.00	2.60	25,050.00	25,050.00
3135G0ZG1	FEDERAL NATL MTG ASSN 1.750% 09/12/2019 DD 07/28/14	5,000,000.000	102.16	5,021,500.00	5,108,100.00	1.32	86,600.00	86,600.00
31371NUC7	FNMA POOL #0257179 4.500% 04/01/2028 DD 03/01/08	26,054.380	109.54	27,555.06	28,540.23	0.01	985.17	985.17
31376KT22	FNMA POOL #0357969 5.000% 09/01/2035 DD 09/01/05	189,489.230	111.35	203,700.93	211,001.94	0.05	7,301.01	7,301.01
3137EADM8	FEDERAL HOME LN MTG CORP 1.250% 10/02/2019 DD 10/02/12	7,500,000.000	100.71	7,399,650.00	7,552,950.00	1.95	153,300.00	153,300.00
3137EADN6	FEDERAL HOME LN MTG CORP 0.750% 01/12/2018 DD 11/21/12	5,000,000.000	99.97	4,967,500.00	4,998,550.00	1.29	31,050.00	31,050.00
3137EADP1	FEDERAL HOME LN MTG CORP 0.875% 03/07/2018 DD 01/17/13	5,000,000.000	100.08	4,974,100.00	5,003,900.00	1.29	29,800.00	29,800.00
3137EADS5	FEDERAL HOME LN MTG CORP 0.875% 10/14/2016 DD 08/16/13	3,225,000.000	100.02	3,229,248.00	3,225,548.25	0.83	-3,699.75	-3,699.75
3137EADU0	FEDERAL HOME LN MTG CORP 0.500% 01/27/2017 DD 01/16/15	5,000,000.000	100.03	4,991,050.00	5,001,550.00	1.29	10,500.00	10,500.00
3137EADV8	FEDERAL HOME LN MTG CORP 0.750% 07/14/2017 DD 05/29/15	5,000,000.000	100.10	4,994,250.00	5,004,850.00	1.29	10,600.00	10,600.00
31381PDA3	FNMA POOL #0466397 3.400% 11/01/2020 DD 11/01/10	361,748.150	107.01	353,919.70	387,110.31	0.10	33,190.61	33,190.61
3138EG6F6	FNMA POOL #0AL0869 4.500% 06/01/2029 DD 09/01/11	20,660.130	109.54	21,850.12	22,631.31	0.01	781.19	781.19
31394JY35	FHLMC MULTICLASS MTG 58 2A 6.500% 09/25/2043 DD 09/01/03	1,029,097.000	118.47	1,165,485.20	1,219,171.22	0.31	53,686.02	53,686.02
31396X3Q5	FNMA GTD REMIC P/T 07-114 A6 VAR RT 10/27/2037 DD 11/30/07	40,243.380	99.83	38,281.52	40,173.36	0.01	1,891.84	1,891.84
31397QRE0	FNMA GTD REMIC P/T 11-3 FA VAR RT 02/25/2041 DD 01/25/11	363,964.580	100.85	363,850.84	367,069.20	0.09	3,218.36	3,218.36
31398VJ98	FHLMC MULTICLASS MTG K006 A2 4.251% 01/25/2020 DD 04/01/10	900,000.000	108.28	951,046.88	974,520.00	0.25	23,473.12	23,473.12
31403DJZ3	FNMA POOL #0745580 5.000% 06/01/2036 DD 05/01/06	182,993.560	111.30	196,718.08	203,670.00	0.05	6,951.92	6,951.92
31403GXF4	FNMA POOL #0748678 5.000% 10/01/2033 DD 10/01/03	5,510.490	111.50	5,923.78	6,144.20	0.00	220.42	220.42
31406PQY8	FNMA POOL #0815971 5.000% 03/01/2035 DD 03/01/05	311,382.970	110.97	334,736.71	345,554.14	0.09	10,817.43	10,817.43
31406XWT5	FNMA POOL #0823358 VAR RT 02/01/2035 DD 04/01/05	182,628.020	105.71	181,201.25	193,048.77	0.05	11,847.52	11,847.52
31407BXH7	FNMA POOL #0826080 5.000% 07/01/2035 DD 06/01/05	34,410.550	111.34	36,991.33	38,312.02	0.01	1,320.69	1,320.69
31410F4V4	FNMA POOL #0888336 5.000% 07/01/2036 DD 04/01/07	363,648.900	111.31	390,922.58	404,770.32	0.10	13,847.74	13,847.74
31417YAY3	FNMA POOL #0MA0022 4.500% 04/01/2029 DD 03/01/09	31,694.790	109.54	33,520.33	34,718.79	0.01	1,198.46	1,198.46
36225CAZ9	GNMA II POOL #0080023 VAR RT 12/20/2026 DD 12/01/96	26,123.140	103.24	26,555.81	26,970.57	0.01	414.76	414.76
36225CC20	GNMA II POOL #080088M VAR RT 06/20/2027 DD 06/01/97	30,443.800	103.33	31,109.76	31,456.67	0.01	346.91	346.91
36225CN28	GNMA II POOL #080408X VAR RT 05/20/2030 DD 05/01/00	84,686.660	103.64	83,826.57	87,769.25	0.02	3,942.68	3,942.68
36225CNM4	GNMA II POOL #0080395 VAR RT 04/20/2030 DD 04/01/00	10,868.720	103.70	10,770.20	11,271.19	0.00	500.99	500.99
36225DCB8	GNMA II POOL #0080965 VAR RT 07/20/2034 DD 07/01/04	91,575.750	104.30	91,518.53	95,514.42	0.02	3,995.89	3,995.89
36962G7M0	GENERAL ELECTRIC CO 2.200% 01/09/2020 DD 01/09/15	5,000,000.000	102.52	5,014,950.00	5,126,050.00	1.32	111,100.00	111,100.00
38141GFG4	GOLDMAN SACHS GROUP INC/THE 5.950% 01/18/2018 DD 01/18/08	600,000.000	105.50	692,806.00	633,024.00	0.16	-59,782.00	-59,782.00
3837H4NX9	GNMA GTD REMIC P/T 00-9 FH VAR RT 02/16/2030	35,255.800	100.50	35,255.80	35,431.73	0.01	175.93	175.93
40428HHPH7	HSBC USA INC 1.625% 01/16/2018 DD 12/20/12	3,000,000.000	100.06	3,003,290.00	3,001,650.00	0.77	-1,640.00	-1,640.00
40428HPR7	HSBC USA INC 2.350% 03/05/2020 DD 03/05/15	1,250,000.000	100.87	1,222,787.50	1,260,850.00	0.33	38,062.50	38,062.50
43813JAC9	HONDA AUTO RECEIVABLES 20 1 A3 0.670% 11/21/2017 DD 02/27/14	998,914.400	99.86	995,870.84	997,465.97	0.26	1,595.13	1,595.13
43814GAC4	HONDA AUTO RECEIVABLES 20 2 A3 0.770% 03/19/2018 DD 05/21/14	832,992.090	99.94	832,406.40	832,500.62	0.21	94.22	94.22
43814NAB1	HONDA AUTO RECEIVABLES 20 1 A2 1.010% 06/18/2018 DD 02/25/16	2,565,000.000	100.03	2,564,743.76	2,565,718.20	0.66	974.44	974.44
43814QAC2	HONDA AUTO RECEIVABLES 20 2 A3 1.390% 04/15/2020 DD 05/31/16	1,810,000.000	100.43	1,809,964.89	1,817,855.40	0.47	7,890.51	7,890.51
458140AH3	INTEL CORP 1.950% 10/01/2016 DD 09/19/11	1,000,000.000	100.00	1,002,470.00	1,000,000.00	0.26	-2,470.00	-2,470.00
458140AL4	INTEL CORP 1.350% 12/15/2017 DD 12/11/12	2,000,000.000	100.31	2,008,280.00	2,006,240.00	0.52	-2,040.00	-2,040.00
4581X0CG1	INTER-AMERICAN DEVELOPMENT BAN 1.000% 07/14/2017 DD 04/30/14	5,000,000.000	100.10	5,019,550.00	5,005,200.00	1.29	-14,350.00	-14,350.00
4581X0CS5	INTER-AMERICAN DEVELOPMENT BAN 1.875% 03/15/2021 DD 01/14/16	3,500,000.000	102.20	3,590,405.00	3,577,035.00	0.92	-13,370.00	-13,370.00



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459058EJ8	INTERNATIONAL BANK FOR RECONST 1.000% 06/15/2018 DD 04/30/15	5,000,000.000	100.19	4,991,170.00	5,009,700.00	1.29	18,530.00	18,530.00
45950KBS8	INTERNATIONAL FINANCE CORP 1.000% 04/24/2017 DD 04/24/12	5,000,000.000	100.13	5,020,700.00	5,006,600.00	1.29	-14,100.00	-14,100.00
46623EJY6	JPMORGAN CHASE & CO 1.350% 02/15/2017 DD 02/18/14	1,000,000.000	100.05	1,000,470.00	1,000,480.00	0.26	10.00	10.00
46625HKA7	JPMORGAN CHASE & CO 2.250% 01/23/2020 DD 01/23/15	2,000,000.000	101.31	1,994,880.00	2,026,280.00	0.52	31,400.00	31,400.00
477877AD6	JOHN DEERE OWNER TRUST 20 B A3 1.070% 11/15/2018 DD 09/03/14	2,955,493.720	100.04	2,956,879.10	2,956,735.03	0.76	-144.07	-144.07
47788MAC4	JOHN DEERE OWNER TRUST 20 A A3 1.360% 04/15/2020 DD 03/02/16	2,420,000.000	100.09	2,419,619.09	2,422,250.60	0.62	2,631.51	2,631.51
47788NAB4	JOHN DEERE OWNER TRUST 20 B A2 1.090% 02/15/2019 DD 07/27/16	2,980,000.000	99.99	2,979,818.22	2,979,731.80	0.77	-86.42	-86.42
525ESC0Y6	LEHMAN BRTH HLD ESC 0.000% 12/30/2016 DD 10/24/05	2,000,000.000	7.88	1,241,321.10	157,500.00	0.04	-1,083,821.10	-1,083,821.10
525ESCIB7	ESC LEHMAN BRTH HLD ESCROW 0.000% 11/24/2013 DD 01/22/08	600,000.000	7.88	362,825.27	47,250.00	0.01	-315,575.27	-315,575.27
532457BB3	ELI LILLY & CO 5.200% 03/15/2017 DD 03/14/07	1,000,000.000	101.89	1,027,930.00	1,018,860.00	0.26	-9,070.00	-9,070.00
532457BF4	ELI LILLY & CO 1.950% 03/15/2019 DD 02/25/14	4,000,000.000	101.73	4,009,675.00	4,069,160.00	1.05	59,485.00	59,485.00
594918BP8	MICROSOFT CORP 1.550% 08/08/2021 DD 08/08/16	3,045,000.000	99.59	3,041,385.15	3,032,545.95	0.78	-8,839.20	-8,839.20
61747WAL3	MORGAN STANLEY 5.500% 07/28/2021 DD 07/28/11	2,800,000.000	114.05	3,200,848.00	3,193,484.00	0.82	-7,364.00	-7,364.00
62888UAA8	NCUA GUARANTEED NOTES TR R2 1A VAR RT 11/06/2017 DD 11/17/10	418,964.850	100.02	418,962.95	419,044.45	0.11	81.50	81.50
64971M5E8	NEW YORK CITY NY TRANSITIONAL 4.075% 11/01/2020 DD 11/03/10	1,400,000.000	110.24	1,400,000.00	1,543,402.00	0.40	143,402.00	143,402.00
65478WAB1	NISSAN AUTO RECEIVABLES C A2A 1.070% 05/15/2019 DD 08/10/16	2,085,000.000	99.93	2,084,917.85	2,083,623.90	0.54	-1,293.95	-1,293.95
674599CD5	OCCIDENTAL PETROLEUM CORP 1.500% 02/15/2018 DD 06/22/12	2,000,000.000	100.31	1,986,340.00	2,006,200.00	0.52	19,860.00	19,860.00
713448CL0	PEPSICO INC 0.950% 02/22/2017 DD 02/28/14	1,500,000.000	100.04	1,501,765.00	1,500,540.00	0.39	-1,225.00	-1,225.00
73358WAG9	PORT AUTH OF NEW YORK & NEW JE 5.309% 12/01/2019 DD 07/01/09	2,440,000.000	112.13	2,507,633.89	2,735,972.00	0.71	228,338.11	228,338.11
747525AD5	QUALCOMM INC 2.250% 05/20/2020 DD 05/20/15	5,000,000.000	102.11	4,995,195.40	5,105,350.00	1.32	110,154.60	110,154.60
78445JAA5	SLM STUDENT LOAN TRUST 200 9 A VAR RT 04/25/2023 DD 08/28/08	37,851.810	100.22	37,698.24	37,935.46	0.01	237.22	237.22
83162CLJ0	SBA GTD PARTN CTFS 2001-20C 1 6.340% 03/01/2021	70,644.450	106.84	70,644.45	75,478.65	0.02	4,834.20	4,834.20
89231MAC9	TOYOTA AUTO RECEIVABLES 2 A A3 0.670% 12/15/2017 DD 03/19/14	1,074,791.530	99.95	1,072,566.37	1,074,211.14	0.28	1,644.77	1,644.77
89231TAB6	TOYOTA AUTO RECEIVABLES C A2A 0.920% 02/15/2018 DD 08/26/15	1,080,063.490	99.99	1,079,976.64	1,079,944.68	0.28	-31.96	-31.96
89236WAC2	TOYOTA AUTO RECEIVABLES 2 A A3 1.120% 02/15/2019 DD 03/04/15	3,595,000.000	100.07	3,594,456.44	3,597,624.35	0.93	3,167.91	3,167.91
91159HHB9	US BANCORP 2.200% 11/15/2016 DD 11/03/11	1,000,000.000	100.04	1,009,900.00	1,000,360.00	0.26	-9,540.00	-9,540.00
912828B33	U S TREASURY NOTE 1.500% 01/31/2019 DD 01/31/14	11,000,000.000	101.54	11,042,439.19	11,168,850.00	2.88	126,410.81	126,410.81
912828F39	U S TREASURY NOTE 1.750% 09/30/2019 DD 09/30/14	5,800,000.000	102.49	5,873,186.87	5,944,536.00	1.53	71,349.13	71,349.13
912828G20	U S TREASURY NOTE 0.875% 11/15/2017 DD 11/15/14	10,000,000.000	100.19	9,948,783.50	10,019,100.00	2.58	70,316.50	70,316.50
912828G46	U S TREASURY NOTE 0.500% 11/30/2016 DD 11/30/14	3,000,000.000	100.05	2,993,174.11	3,001,470.00	0.77	8,295.89	8,295.89
912828G61	U S TREASURY NOTE 1.500% 11/30/2019 DD 11/30/14	7,500,000.000	101.75	7,449,634.50	7,631,550.00	1.97	181,915.50	181,915.50
912828L99	U S TREASURY NOTE 1.375% 10/31/2020 DD 10/31/15	5,500,000.000	101.17	5,424,666.87	5,564,240.00	1.43	139,573.13	139,573.13
912828LU2	U S TREASURY NOTE 3.125% 10/31/2016 DD 10/31/09	3,000,000.000	100.23	3,029,892.86	3,006,840.00	0.78	-23,052.86	-23,052.86
912828N89	U S TREASURY NOTE 1.375% 01/31/2021 DD 01/31/16	1,500,000.000	101.09	1,491,626.12	1,516,410.00	0.39	24,783.88	24,783.88
912828SK7	U S TREASURY NOTE 0.375% 03/15/2015 DD 03/15/12	3,594,000.000	100.00	3,603,596.33	3,594,000.00	0.93	-9,596.33	-9,596.33
912828SS0	U S TREASURY NOTE 0.875% 04/30/2017 DD 04/30/12	3,750,000.000	100.20	3,750,305.53	3,757,387.50	0.97	7,081.97	7,081.97
912828UR9	U S TREASURY NOTE 0.750% 02/28/2018 DD 02/28/13	3,500,000.000	100.03	3,496,457.04	3,501,085.00	0.90	4,627.96	4,627.96
912828WF3	U S TREASURY NOTE 0.625% 11/15/2016 DD 11/15/13	3,000,000.000	100.05	3,003,291.30	3,001,530.00	0.77	-1,761.30	-1,761.30
912828WS5	U S TREASURY NOTE 1.625% 06/30/2019 DD 06/30/14	10,000,000.000	102.04	9,984,307.20	10,203,500.00	2.63	219,192.80	219,192.80
912828WU0	US TREAS-CPI INFLAT 0.125% 07/15/2024 DD 07/15/14	10,540,816.000	101.46	10,423,531.89	10,694,711.91	2.76	271,180.02	271,180.02
912828WW6	U S TREASURY NOTE 1.625% 07/31/2019 DD 07/31/14	10,000,000.000	102.09	10,024,777.40	10,208,600.00	2.63	183,822.60	183,822.60
913366EJ5	UNIV OF CALIFORNIA CA RGTS MED 5.035% 05/15/2021 DD 11/18/10	400,000.000	113.93	400,000.00	455,716.00	0.12	55,716.00	55,716.00
94974BFD7	WELLS FARGO & CO 2.100% 05/08/2017 DD 05/07/12	1,000,000.000	100.43	1,008,550.00	1,004,320.00	0.26	-4,230.00	-4,230.00
94974BGM6	WELLS FARGO & CO 2.600% 07/22/2020 DD 07/22/15	5,000,000.000	102.03	5,001,650.00	5,101,450.00	1.32	99,800.00	99,800.00
94988J2L0	WELLS FARGO BANK NA VAR RT 06/15/2017 DD 06/12/14	500,000.000	99.98	500,000.00	499,905.00	0.13	-95.00	-95.00



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Security ID	Description	Effective Date	Contract Settle Date	Shares/ Par	Trade Date Base Amount	Investment Base Amount	Investment Base Gain/Loss	Settle Base Amount
GRAND TOTAL					-676,856.39	652,382.50	-9,081.89	-676,875.01
MATURITIES					18,317,554.32	-18,344,492.42	-26,938.10	18,317,554.32
CASH & CASH EQUIVALENTS					4,597,554.32	-4,597,554.32	0.00	4,597,554.32
U.S. DOLLAR					4,597,554.32	-4,597,554.32	0.00	4,597,554.32
313384G78	FEDERAL HOME LN BK CONS DISC 09/21/2016	9/21/2016	9/21/2016	-4,600,000.000	4,597,554.32	-4,597,554.32	0.00	4,597,554.32
FIXED INCOME SECURITIES					13,720,000.00	-13,746,938.10	-26,938.10	13,720,000.00
U.S. DOLLAR					13,720,000.00	-13,746,938.10	-26,938.10	13,720,000.00
191216AU4	COCA-COLA CO/THE 1.800% 09/01/2016 DD 08/10/11	9/1/2016	9/1/2016	-1,000,000.000	1,000,000.00	-1,006,450.00	-6,450.00	1,000,000.00
3135G0CM3	FEDERAL NATL MTG ASSN 1.250% 09/28/2016 DD 08/19/11	9/28/2016	9/28/2016	-2,720,000.000	2,720,000.00	-2,725,565.10	-5,565.10	2,720,000.00
4581X0CJ5	INTER-AMERICAN DEVELOPMENT BAN 0.625% 09/12/2016 DD 09/12/14	9/12/2016	9/12/2016	-2,500,000.000	2,500,000.00	-2,499,150.00	850.00	2,500,000.00
459058BS1	INTERNATIONAL BANK FOR RECONST 1.000% 09/15/2016 DD 08/24/11	9/15/2016	9/15/2016	-2,500,000.000	2,500,000.00	-2,506,225.00	-6,225.00	2,500,000.00
912828VW7	U S TREASURY NOTE 0.875% 09/15/2016 DD 09/15/13	9/15/2016	9/15/2016	-3,000,000.000	3,000,000.00	-3,003,760.05	-3,760.05	3,000,000.00
912828RJ1	U S TREASURY NOTE 1.000% 09/30/2016 DD 09/30/11	9/30/2016	9/30/2016	-2,000,000.000	2,000,000.00	-2,005,787.95	-5,787.95	2,000,000.00
PRINCIPAL PAYMENTS					1,100,422.19	-1,101,749.41	-1,327.22	1,100,403.57
FIXED INCOME SECURITIES					1,100,422.19	-1,101,749.41	-1,327.22	1,100,403.57
U.S. DOLLAR					1,100,422.19	-1,101,749.41	-1,327.22	1,100,403.57
31348SWZ3	FHLMC POOL #78-6064 VAR RT 01/01/2028 DD 12/01/97	9/1/2016	9/1/2016	-18.620	18.62	-18.17	0.45	0.00
31348SWZ3	FHLMC POOL #78-6064 VAR RT 01/01/2028 DD 12/01/97	9/1/2016	9/1/2016	-18.570	18.57	-18.12	0.45	18.57
31394JY35	FHLMC MULTICLASS MTG 58 2A 6.500% 09/25/2043 DD 09/01/03	9/1/2016	9/1/2016	-7,337.530	7,337.53	-8,309.99	-972.46	7,337.53
3133TCE95	FHLMC MULTICLASS MTG E3 A VAR RT 08/15/2032 DD 12/01/97	8/1/2016	8/1/2016	-1,800.500	1,800.50	-1,802.38	-1.88	1,800.50
31371NUC7	FNMA POOL #0257179 4.500% 04/01/2028 DD 03/01/08	9/1/2016	9/1/2016	-263.010	263.01	-278.16	-15.15	263.01
31376KT22	FNMA POOL #0357969 5.000% 09/01/2035 DD 09/01/05	9/1/2016	9/1/2016	-3,184.890	3,184.89	-3,423.76	-238.87	3,184.89
31381PDA3	FNMA POOL #0466397 3.400% 11/01/2020 DD 11/01/10	9/1/2016	9/1/2016	-599.560	599.56	-586.59	12.97	599.56
31403DJZ3	FNMA POOL #0745580 5.000% 06/01/2036 DD 05/01/06	9/1/2016	9/1/2016	-4,397.750	4,397.75	-4,727.58	-329.83	4,397.75
31403GXF4	FNMA POOL #0748678 5.000% 10/01/2033 DD 10/01/03	9/1/2016	9/1/2016	-361.740	361.74	-388.87	-27.13	361.74
31406PQY8	FNMA POOL #0815971 5.000% 03/01/2035 DD 03/01/05	9/1/2016	9/1/2016	-8,217.120	8,217.12	-8,833.40	-616.28	8,217.12
31406XWT5	FNMA POOL #0823358 VAR RT 02/01/2035 DD 04/01/05	9/1/2016	9/1/2016	-632.440	632.44	-627.50	4.94	632.44
31407BXH7	FNMA POOL #0826080 5.000% 07/01/2035 DD 06/01/05	9/1/2016	9/1/2016	-648.230	648.23	-696.85	-48.62	648.23
31410F4V4	FNMA POOL #0888336 5.000% 07/01/2036 DD 04/01/07	9/1/2016	9/1/2016	-8,949.190	8,949.19	-9,620.38	-671.19	8,949.19
3138EG6F6	FNMA POOL #0AL0869 4.500% 06/01/2029 DD 09/01/11	9/1/2016	9/1/2016	-394.590	394.59	-417.32	-22.73	394.59
31417YAY3	FNMA POOL #0MA0022 4.500% 04/01/2029 DD 03/01/09	9/1/2016	9/1/2016	-956.900	956.90	-1,012.01	-55.11	956.90
31396X3Q5	FNMA GTD REMIC P/T 07-114 A6 VAR RT 10/27/2037 DD 11/30/07	9/25/2016	9/25/2016	-7,195.880	7,195.88	-6,845.08	350.80	7,195.88
31397QRE0	FNMA GTD REMIC P/T 11-3 FA VAR RT 02/25/2041 DD 01/25/11	9/25/2016	9/25/2016	-11,121.330	11,121.33	-11,117.85	3.48	11,121.33
3837H4NX9	GNMA GTD REMIC P/T 00-9 FH VAR RT 02/16/2030	9/16/2016	9/16/2016	-1,194.030	1,194.03	-1,194.03	0.00	1,194.03
36225CAZ9	GNMA II POOL #0800023 VAR RT 12/20/2026 DD 12/01/96	9/1/2016	9/1/2016	-309.600	309.60	-314.73	-5.13	309.60
36225CNM4	GNMA II POOL #0080395 VAR RT 04/20/2030 DD 04/01/00	9/1/2016	9/1/2016	-161.470	161.47	-160.01	1.46	161.47
36225DCB8	GNMA II POOL #0080965 VAR RT 07/20/2034 DD 07/01/04	9/1/2016	9/1/2016	-403.940	403.94	-403.69	0.25	403.94
36225CC20	GNMA II POOL #080088M VAR RT 06/20/2027 DD 06/01/97	9/1/2016	9/1/2016	-233.540	233.54	-238.65	-5.11	233.54
36225CN28	GNMA II POOL #080408X VAR RT 05/20/2030 DD 05/01/00	9/1/2016	9/1/2016	-439.040	439.04	-434.58	4.46	439.04
43813JAC9	HONDA AUTO RECEIVABLES 20 1 A3 0.670% 11/21/2017 DD 02/27/14	9/21/2016	9/21/2016	-269,400.290	269,400.29	-268,579.46	820.83	269,400.29
43814GAC4	HONDA AUTO RECEIVABLES 20 2 A3 0.770% 03/19/2018 DD 05/21/14	9/18/2016	9/18/2016	-109,881.090	109,881.09	-109,803.83	77.26	109,881.09
477877AD6	JOHN DEERE OWNER TRUST 20 B A3 1.070% 11/15/2018 DD 09/03/14	9/15/2016	9/15/2016	-204,602.700	204,602.70	-204,698.61	-95.91	204,602.70
62888UAA8	NCUA GUARANTEED NOTES TR R2 1A VAR RT 11/06/2017 DD 11/17/10	9/5/2016	9/5/2016	-8,462.700	8,462.70	-8,462.66	0.04	8,462.70
83162CLJ0	SBA GTD PARTN CTF5 2001-20C 1 6.340% 03/01/2021	9/1/2016	9/1/2016	-20,485.610	20,485.61	-20,485.61	0.00	20,485.61
89231MAC9	TOYOTA AUTO RECEIVABLES 2 A A3 0.670% 12/15/2017 DD 03/19/14	9/15/2016	9/15/2016	-234,343.080	234,343.08	-233,857.92	485.16	234,343.08
89231TAB6	TOYOTA AUTO RECEIVABLES C A2A 0.920% 02/15/2018 DD 08/26/15	9/15/2016	9/15/2016	-194,407.250	194,407.25	-194,391.62	15.63	194,407.25



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PURCHASES					-48,019,669.83	48,019,669.83	0.00	-48,019,669.83
CASH & CASH EQUIVALENTS					-43,880,026.70	43,880,026.70	0.00	-43,880,026.70
U.S. DOLLAR					-43,880,026.70	43,880,026.70	0.00	-43,880,026.70
996087094	BNY MELLON CASH RESERVE 0.010% 12/31/2049 DD 06/26/97	9/7/2016	9/7/2016	8,611.910	-8,611.91	8,611.91	0.00	-8,611.91
996087094	BNY MELLON CASH RESERVE 0.010% 12/31/2049 DD 06/26/97	9/13/2016	9/13/2016	445,960.900	-445,960.90	445,960.90	0.00	-445,960.90
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/1/2016	9/1/2016	1,009,000.000	-1,009,000.00	1,009,000.00	0.00	-1,009,000.00
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/1/2016	9/1/2016	56,334.100	-56,334.10	56,334.10	0.00	-56,334.10
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/2/2016	9/2/2016	671.520	-671.52	671.52	0.00	-671.52
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/2/2016	9/2/2016	450.150	-450.15	450.15	0.00	-450.15
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/6/2016	9/6/2016	5,500.000	-5,500.00	5,500.00	0.00	-5,500.00
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/6/2016	9/6/2016	14,687.500	-14,687.50	14,687.50	0.00	-14,687.50
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/7/2016	9/7/2016	7,560,852.920	-7,560,852.92	7,560,852.92	0.00	-7,560,852.92
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/8/2016	9/8/2016	64,861.910	-64,861.91	64,861.91	0.00	-64,861.91
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/12/2016	9/12/2016	2,507,812.500	-2,507,812.50	2,507,812.50	0.00	-2,507,812.50
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/12/2016	9/12/2016	68,130.000	-68,130.00	68,130.00	0.00	-68,130.00
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/14/2016	9/14/2016	445,960.900	-445,960.90	445,960.90	0.00	-445,960.90
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/15/2016	9/15/2016	5,551,625.000	-5,551,625.00	5,551,625.00	0.00	-5,551,625.00
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/15/2016	9/15/2016	729,610.340	-729,610.34	729,610.34	0.00	-729,610.34
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/16/2016	9/16/2016	58,724.610	-58,724.61	58,724.61	0.00	-58,724.61
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/19/2016	9/19/2016	214,144.980	-214,144.98	214,144.98	0.00	-214,144.98
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/20/2016	9/20/2016	1,959.950	-1,959.95	1,959.95	0.00	-1,959.95
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/21/2016	9/21/2016	4,600,000.000	-4,600,000.00	4,600,000.00	0.00	-4,600,000.00
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/21/2016	9/21/2016	270,108.430	-270,108.43	270,108.43	0.00	-270,108.43
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/26/2016	9/26/2016	62,803.420	-62,803.42	62,803.42	0.00	-62,803.42
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/28/2016	9/28/2016	2,737,000.000	-2,737,000.00	2,737,000.00	0.00	-2,737,000.00
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/28/2016	9/28/2016	7,220.990	-7,220.99	7,220.99	0.00	-7,220.99
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/30/2016	9/30/2016	50,750.000	-50,750.00	50,750.00	0.00	-50,750.00
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/30/2016	9/30/2016	2,010,000.000	-2,010,000.00	2,010,000.00	0.00	-2,010,000.00
313384J59	FEDERAL HOME LN BK CONS DISC N 10/05/16	9/27/2016	9/27/2016	700,000.000	-699,961.11	699,961.11	0.00	-699,961.11
313384K40	FEDERAL HOME LN BK CONS DISC 10/12/2016	9/7/2016	9/7/2016	1,200,000.000	-1,199,673.33	1,199,673.33	0.00	-1,199,673.33
313384K40	FEDERAL HOME LN BK CONS DISC 10/12/2016	9/7/2016	9/7/2016	600,000.000	-599,836.67	599,836.67	0.00	-599,836.67
313384K40	FEDERAL HOME LN BK CONS DISC 10/12/2016	9/13/2016	9/13/2016	2,900,000.000	-2,899,369.25	2,899,369.25	0.00	-2,899,369.25
313384K40	FEDERAL HOME LN BK CONS DISC 10/12/2016	9/16/2016	9/16/2016	2,000,000.000	-1,999,624.44	1,999,624.44	0.00	-1,999,624.44
313384K40	FEDERAL HOME LN BK CONS DISC 10/12/2016	9/27/2016	9/27/2016	4,000,000.000	-3,999,666.68	3,999,666.68	0.00	-3,999,666.68
313396K36	FEDERAL HOME LN MTG CORP DISC 0.000% 10/11/2016 DD 10/13/15	9/16/2016	9/16/2016	3,000,000.000	-2,999,531.25	2,999,531.25	0.00	-2,999,531.25
89233GKC9	TOYOTA MTR CR CP DISC 10/12/2016	9/7/2016	9/7/2016	1,000,000.000	-999,581.94	999,581.94	0.00	-999,581.94
FIXED INCOME SECURITIES					-4,139,643.13	4,139,643.13	0.00	-4,139,643.13
U.S. DOLLAR					-4,139,643.13	4,139,643.13	0.00	-4,139,643.13
161571HH0	CHASE ISSUANCE TRUST A7 A7 1.060% 09/16/2019 DD 09/13/16	9/6/2016	9/13/2016	4,140,000.000	-4,139,643.13	4,139,643.13	0.00	-4,139,643.13
RECEIPTS AND DISBURSEMENT TRANSACTIONS					0.00	-15,392.00	0.00	0.00
MISCELLANEOUS INCOME					0.00	-15,392.00	0.00	0.00
U.S. DOLLAR					0.00	-15,392.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/1/2016	9/1/2016	1,144.000	0.00	1,144.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/2/2016	9/2/2016	-1,768.000	0.00	-1,768.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/6/2016	9/6/2016	-1,144.000	0.00	-1,144.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/7/2016	9/7/2016	-520.000	0.00	-520.00	0.00	0.00

Security ID	Description	Effective Date	Contract Settle Date	Shares/ Par	Trade Date Base Amount	Investment Base Amount	Investment Base Gain/Loss	Settle Base Amount
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/8/2016	9/8/2016	-624.000	0.00	-624.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/9/2016	9/9/2016	-1,664.000	0.00	-1,664.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/12/2016	9/12/2016	-624.000	0.00	-624.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/13/2016	9/13/2016	-520.000	0.00	-520.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/14/2016	9/14/2016	-624.000	0.00	-624.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/15/2016	9/15/2016	-520.000	0.00	-520.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/16/2016	9/16/2016	-1,768.000	0.00	-1,768.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/19/2016	9/19/2016	-520.000	0.00	-520.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/20/2016	9/20/2016	-520.000	0.00	-520.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/21/2016	9/21/2016	-624.000	0.00	-624.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/22/2016	9/22/2016	-520.000	0.00	-520.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/23/2016	9/23/2016	-1,768.000	0.00	-1,768.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/26/2016	9/26/2016	-520.000	0.00	-520.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/27/2016	9/27/2016	-624.000	0.00	-624.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/28/2016	9/28/2016	-520.000	0.00	-520.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/29/2016	9/29/2016	-624.000	0.00	-624.00	0.00	0.00
912828WU0	ILB INFLATION ADJUSTMENTS US TREAS-CPI INFLAT	9/30/2016	9/30/2016	-520.000	0.00	-520.00	0.00	0.00
SALES					27,924,836.93	-27,905,653.50	19,183.43	27,924,836.93
CASH & CASH EQUIVALENTS					24,155,347.97	-24,155,347.97	0.00	24,155,347.97
U.S. DOLLAR					24,155,347.97	-24,155,347.97	0.00	24,155,347.97
996087094	BNY MELLON CASH RESERVE 0.010% 12/31/2049 DD 06/26/97	9/8/2016	9/8/2016	-8,611.910	8,611.91	-8,611.91	0.00	8,611.91
996087094	BNY MELLON CASH RESERVE 0.010% 12/31/2049 DD 06/26/97	9/14/2016	9/14/2016	-445,960.900	445,960.90	-445,960.90	0.00	445,960.90
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/7/2016	9/7/2016	-2,799,091.940	2,799,091.94	-2,799,091.94	0.00	2,799,091.94
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/9/2016	9/9/2016	-3,717,926.460	3,717,926.46	-3,717,926.46	0.00	3,717,926.46
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/13/2016	9/13/2016	-2,899,369.250	2,899,369.25	-2,899,369.25	0.00	2,899,369.25
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/13/2016	9/13/2016	-4,585,604.030	4,585,604.03	-4,585,604.03	0.00	4,585,604.03
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/16/2016	9/16/2016	-4,999,155.690	4,999,155.69	-4,999,155.69	0.00	4,999,155.69
996085247	DREYFUS TREAS & AGY CSH CSH MG VAR RT 12/31/2049 DD 04/09/97	9/27/2016	9/27/2016	-4,699,627.790	4,699,627.79	-4,699,627.79	0.00	4,699,627.79
FIXED INCOME SECURITIES					3,769,488.96	-3,750,305.53	19,183.43	3,769,488.96
U.S. DOLLAR					3,769,488.96	-3,750,305.53	19,183.43	3,769,488.96
912828SS0	U S TREASURY NOTE 0.875% 04/30/2017 DD 04/30/12	9/7/2016	9/7/2016	-3,750,000.000	3,769,488.96	-3,750,305.53	19,183.43	3,769,488.96

September 30, 2016

Orange County Sanitation District



**Investment Measurement Service
Quarterly Review**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. Callan does not provide advice regarding, nor shall Callan be responsible for, the purchase, sale, hedge or holding of individual securities, including, without limitation securities of the client (i.e., company stock) or derivatives in the client's accounts. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the conformity of individual security holdings with the client's investment policies and guidelines, nor has it assumed any responsibility to do so. Advice pertaining to the merits of individual securities and derivatives should be discussed with a third party securities expert. Copyright 2016 by Callan Associates Inc.

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Orange County Sanitation District Executive Summary for Period Ending September 30, 2016

Asset Allocation

	September 30, 2016		Net New Inv.
	Market Value	Weight	
Domestic Fixed Income			
Long Term Operating Fund*	326,203,379	84.91%	(7,000,000)
Liquid Operating Monies*	57,989,291	15.09%	(81,500,000)
Total Fund	\$384,192,671	100.0%	\$(88,500,000)

Performance

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Domestic Fixed Income					
Long Term Operating Fund^	0.09%	2.06%	1.62%	1.43%	2.26%
Chandler	0.09%	2.06%	-	-	-
BB Barclays Govt/Cred 1-5 Year Idx	0.04%	2.06%	1.73%	1.60%	2.17%
ML 1-5 Govt/Corp	0.05%	2.10%	1.78%	1.69%	2.24%
Liquid Operating Monies^	0.10%	0.40%	0.22%	0.20%	0.22%
Chandler	0.10%	0.40%	-	-	-
Citigroup 3-Month Treasury Bill	0.07%	0.20%	0.09%	0.08%	0.09%
Total Fund	0.09%	1.59%	1.36%	1.23%	1.89%
Target*	0.05%	1.72%	1.44%	1.36%	1.81%

* Current Quarter Target = 80.0% ML 1-5 Govt/Corp and 20.0% 3mo T-Bills.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Recent Developments

- During the quarter, \$88.5 million was withdrawn from the total portfolio. \$7 million was taken from the Long Term Operating Fund and \$81.5 exited the Liquid Operating Monies.

Organizational Issues

N/A

Manager Performance

- After rates fell in late June and early July, Treasury yields rose across the curve, particularly in short and intermediate maturities. The 10-year hit a record low of 1.37% on July 5th at the height of Brexit-induced worries before trending higher for the remainder of the quarter. As attention shifted away from Brexit, strong U.S. data reignited expectations of a potential future rate hike from the Fed. Although the Fed continued to stay the course this quarter and left the fed funds rate unchanged at a target range of 0.25% - 0.50%, the number of dissenting votes at the September meeting marked a shift in sentiment. Three Federal Reserve officials voted to hike rates; the most since December 2014. As of quarter-end, markets were pricing in a roughly 50% likelihood of a rate hike before the end of the year.

During the quarter, the 5-year Treasury rose 13 bps to 1.14%, and the 10-year increased 11 bps to 1.60%. The Bloomberg Barclays Aggregate Index gained 0.5%, bringing its year to date return to 5.8%. Government securities trailed the broader market (Barclays Government Index: -0.3%) while Credit securities led the broader market (Barclays Credit Index +1.2%). With the post-Brexit recovery in risk assets, investment grade credit spreads narrowed 18 basis points during the quarter while high yield spreads narrowed 114 basis points. High yield continues to lead other fixed income sectors, gaining 5.5% and 15.2% for the quarter and year to date (ML High Yield CP Index). Inflation protected securities increased 1.0% (Barclays U.S. TIPS Index).

- The Long Term Operating Fund was up 0.09% in the quarter, beating the ML 1-5 Govt/Corp Index (+0.05%) and ranking in the 61st percentile versus peers. The portfolio was short duration (2.38 versus 2.76 years), which helped as interest rates rose generally, and was underweight the short end of the yield curve (1-3 years). Chandler's allocation to mortgage-backed securities, which benefited from spread tightening, was additive to returns. The Long Term Operating Fund had less than 30% invested in credit and less than the permitted 20% invested in the combination of asset-backed securities, commercial mortgage backed securities, and CMOs as of September 30, 2016 (see page 21).
- The Liquid Operating Portfolio returned 0.06% (after fees) in the quarter, which was slightly lower than the return of the 3-month Treasury (+0.07%). The Portfolio returned 0.25% (after fees) for the trailing year and ranked 21st percentile versus peers.

Cordially,



Gordon M. Weightman, CFA
Vice President

Capital Market Review

This “Preview” contains excerpts from the upcoming *Capital Market Review* (CMR) newsletter, which will be published in several weeks.

Sell in May? No Way!

U.S. EQUITY | Mark Wood, CFA

The **S&P 500 Index** rose every month of the third quarter, ending up 3.85%. Small-capitalization companies trounced large cap (**Russell 2000 Index: +9.05%** vs. **Russell 1000 Index: +4.03%**), while growth outpaced value in all capitalizations (**Russell 1000 Growth Index: +4.58%** vs. **Russell 1000 Value Index: +3.48%**; **Russell 2000 Growth Index: +9.22%** vs. **Russell 2000 Value Index: +8.87%**).

The S&P 500 climbed to its all-time high of 2,193 on August 15, ending in positive territory for the fourth quarter in a row.

[Continued on pg. 2](#)

Calm After the Storm

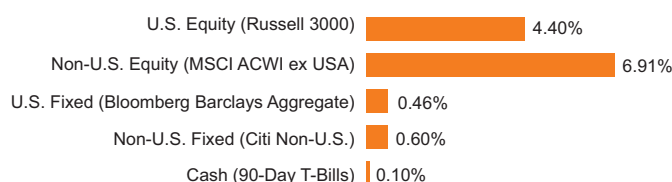
NON-U.S. EQUITY | Irina Sushch

Following two highly volatile quarters, the third quarter of 2016 bucked the trend—volatility was exceptionally low as investors appeared complacent about continued accommodative central bank policies and steady, albeit slow, economic growth. A risk-on rally led to stock market highs as anxieties about the U.K.’s vote to exit the European Union (“Brexit”) dwindled.

In this environment, the **MSCI ACWI ex USA Index** rose 6.91%. In contrast to the previous quarter, economically sensitive sectors fared best, particularly Information Technology (+15.50%) and Materials (+12.56%). Health Care was the only sector in

[Continued on pg. 3](#)

Broad Market Quarterly Returns



Sources: Bloomberg Barclays, Citigroup, Merrill Lynch, MSCI, Russell Investment Group

Quantity, not Quality

U.S. FIXED INCOME | Rufash Lama

During the third quarter, bond investors shook off concerns about the economy and developed a strong appetite for risk in their pursuit of yield. Companies took advantage of low rates and issued record supplies of new bonds. The Fed continued to push off a rate hike, citing a desire for further evidence of continued economic recovery.

[Continued on pg. 4](#)

Short End of the Stick

NON-U.S. FIXED INCOME | Kyle Fekete

Sovereign bond markets strengthened during the third quarter, with emerging market bonds outmuscling the developed markets as investors sought yield. Major currencies were mixed as the British pound suffered following the Brexit.

In an extraordinary effort to stimulate economic growth and inflation, the Bank of Japan introduced a 0% yield-target for 10-year bonds, aiming to exceed its 2% inflation objective. The central bank also intends to maintain its negative short rate stance in an

[Continued on pg. 5](#)

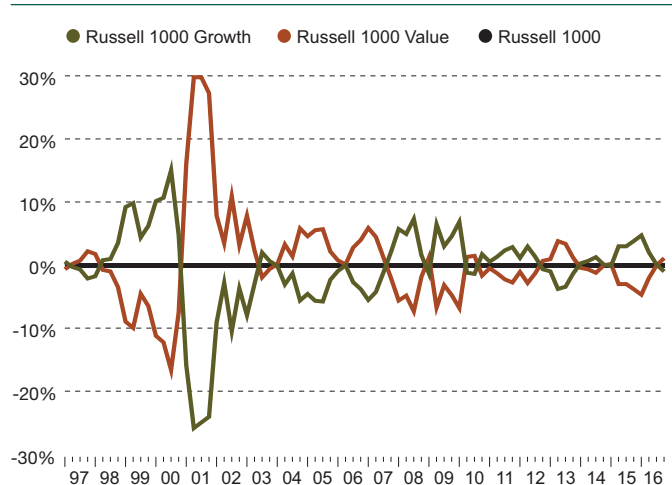
U.S. Equity: Sell in May? No Way!

Continued from pg. 1

The early days of the quarter were characterized by a strong rebound in equity markets following the late June vote in the U.K. to leave the European Union (“Brexit”). Market volatility (as measured by VIX) spiked in the immediate aftermath but retreated just as quickly as investors absorbed the shock. The swift pivot, coupled with optimism over U.S. economic prospects and easing fears on China, led to a risk-on environment. July produced the strongest returns of the quarter across market capitalizations; August and September traded in a narrow (but ultimately positive) range as markets anticipated the Fed’s interest rate decision in mid-September, which was to forego a rate hike. Foreign developed market indices outperformed the S&P 500 and, consistent with the quarter’s risk-on theme, emerging markets were the top performers.

Size was the single biggest determinant of performance. Smaller companies did better—micro, small, and mid-capitalization companies outpaced large-cap stocks (**Russell Microcap Index**: +11.25%, **Russell 2000 Index**: +9.05%, **Russell Midcap Index**: +4.52%, and **Russell 1000 Index**: +4.03%). Additionally, after two strong quarters value underperformed growth in all capitalizations (**Russell 2000 Value Index**: +8.87% and **Russell 2000 Growth Index**: +9.22%). The dispersion in style returns was narrow across market capitalizations, with the widest (110 bps) in large cap (**Russell**

Rolling One-Year Relative Returns (vs. Russell 1000)



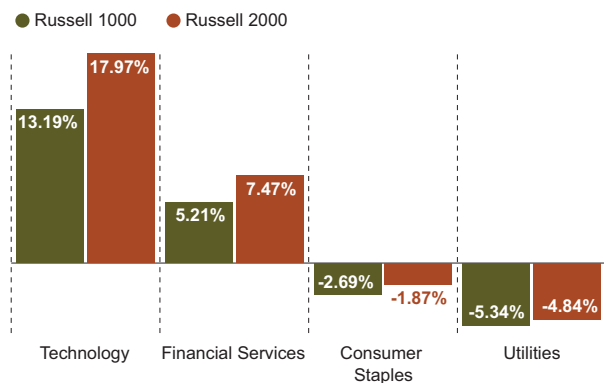
Source: Russell Investment Group

1000 Growth minus Russell 1000 Value). Defensive and high-dividend yield exposures sold off during the third quarter but have performed well year-to-date due to the increased global economic uncertainty earlier in 2016.

Sector performance reflected the shift in risk attitudes. Among the worst-performing sectors in the S&P 500 during the quarter were Utilities (-0.7%), Consumer Staples (-0.7%), and Telecom (+1.0)—all sectors associated with lower volatility and higher dividend yields. After a strong performance in the second quarter, Energy retreated, posting a 1.9% loss for the quarter. The more growth-oriented, risk-on sectors, Technology (+7.9%) and Health Care (+4.9%), were the top performers. In a new development, REITs and other listed real estate companies were extracted from the Financials sector and elevated to a new Real Estate sector in the Global Industry Classification Standard (GICS). The new sector, representing 3.1% of the S&P 500, had a tough start, finishing down 2.1%.

The U.S. equity market continued to rise, even as investor sentiment wavered between positive and negative over the course of the quarter. Active managers continue to find it a difficult environment to outperform as macro factors dominated price activity and performance in equity markets.

Quarterly Performance of Select Sectors



Source: Russell Investment Group

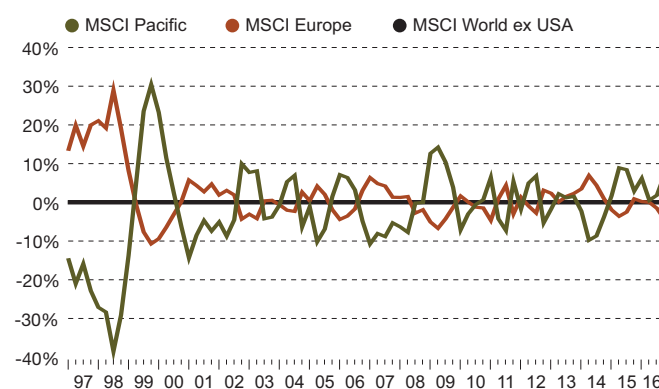
Non-U.S. Equity: Calm After the Storm

Continued from pg. 1

the red (-1.96%), although its defensive counterparts, Utilities (+0.20%) and Telecommunications (+0.43%), faltered as well. Consistent with the quarter's risk-on theme, emerging markets (**MSCI Emerging Markets Index**: +9.03%) outpaced their developed peers (**MSCI World ex USA Index**: +6.29%), even excluding Canada (**MSCI EAFE Index**: +6.43%). The **MSCI ACWI ex USA Value Index** (+7.79%) overcame the **MSCI ACWI ex USA Growth Index** (+6.06%) for the first time since the second quarter of 2014. Small-cap stocks shot up into the black (**MSCI ACWI ex USA Small Cap Index**: +7.91%), finishing near the top among major non-U.S. indices.

Equity markets across Europe crashed following the unexpected vote for Brexit but regained ground quickly as it became clear the aftermath of the referendum was not immediately catastrophic. British Prime Minister David Cameron resigned and was replaced by Theresa May, who pledged that the U.K. would go through with exiting the European Union, but not hastily. The Bank of England sprang into action to support the economy, and the European Central Bank offered reassurance that it too would work to bolster growth. The **MSCI Europe Index** climbed 5.40%, with the strong performers including Austria (+16.66%), Germany (+10.01%), Spain (+9.32%), the Netherlands (+9.11%), and even the U.K. (+3.98%). Their vigor was attributed to better-than-expected earnings from Information Technology giants, improving commodity prices, rallying financial stocks, and a swell of M&A activity. European Health Care stocks stumbled (-3.09%) due to intensified global scrutiny during the U.S. election; Denmark, where a large

Rolling One-Year Relative Returns (vs. MSCI World ex USA, USD hedged)



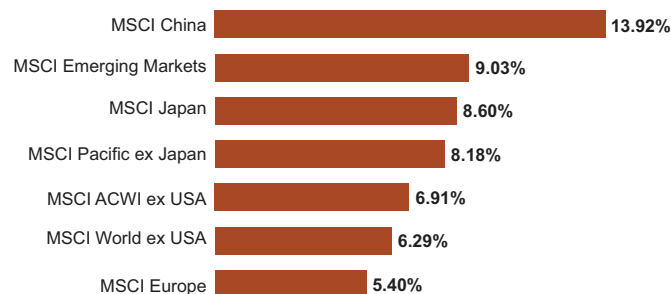
Source: MSCI

health care company makes up approximately 20% of the country's index, was particularly hard hit, dropping 6.27%.

Southeast Asia and the Pacific enjoyed a buoyant quarter as well; the **MSCI Pacific Index** was up 8.46%. Japanese equities rallied during the quarter, ascending 8.60% due to new central bank policies and a fresh stimulus package. Additionally, Consumer Discretionary, IT, and Materials stocks surged due to strong earnings growth in several gaming and automobile companies. Australia (+7.91%) and New Zealand (+12.44%) also performed well as megabanks and commodities gained ground.

Emerging markets shot up in the accommodative macroeconomic environment (**MSCI Emerging Markets Index**: +9.03%). The top sector was IT, surging 16.08%. The stocks of smartphone manufacturers and technology component suppliers soared, boosting the Asian markets, including Taiwan (+11.70%) and South Korea (+10.98%). China was one of the biggest beneficiaries (+13.92%), thanks to its burgeoning internet giants. Latin America was relatively sluggish this quarter (+5.37%) but was propped up by Brazil, which shot up another 11.31%, skyrocketing 62.90% year-to-date. Hopes for economic change run high under Michel Temer, who replaced the impeached Dilma Rousseff as president. Russia did not miss out on the rally, up 8.43%. However, Turkey, the Philippines, and Malaysia were all in the red as political turmoil continued to afflict the countries (-5.26%, -5.33%, and -1.52%, respectively). Mexico also dwindled -2.24% as the peso fell 5% against the dollar.

Regional Quarterly Performance (U.S. Dollar)



Source: MSCI

U.S. Fixed Income: Quantity, not Quality

Continued from pg. 1

For the quarter, the **Bloomberg Barclays High Yield Index** returned 5.55% while the **Bloomberg Barclays U.S. Aggregate Index** managed to rise a mere 0.46%.

Driven by Brexit-induced concerns, the yield on the benchmark 10-year Treasury note hit a record low of 1.37% in July; however, it rose for the remainder of the quarter and closed at 1.60%. While the Fed left the federal funds rate unchanged (between 0.25% and 0.50%), its announcement was noteworthy because of the high level of disagreement; the three dissenting votes were the most since December 2014. Based on federal funds futures contracts, traders are betting there is a 17% chance of a rate hike at the next meeting in November but a 67% chance at the meeting after that, in December.

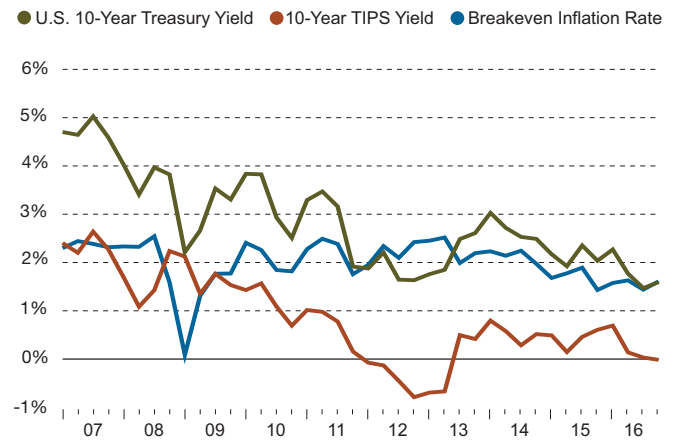
Yields varied across the maturity spectrum during the quarter: While Treasury rates rose along the entire yield curve in August, the curve steepened in September as the 2-year fell by 4 basis points to 0.76% and the 30-year rose by 8 basis points to end at 2.32%. Intermediate Treasuries (-0.26%) outperformed long Treasuries (-0.36%) during the quarter.

Credit spreads tightened during the quarter and yields inched toward historic lows. High-yield corporates were the strongest performer with a 5.55% jump. Despite record issuances in August, the credit sector gained 1.23% for the quarter and

outperformed MBS (+0.60%) and CMBS (+0.59%). Industrials beat Utilities and Financials on a duration-adjusted basis. Treasuries ended the quarter in the red (-0.28%).

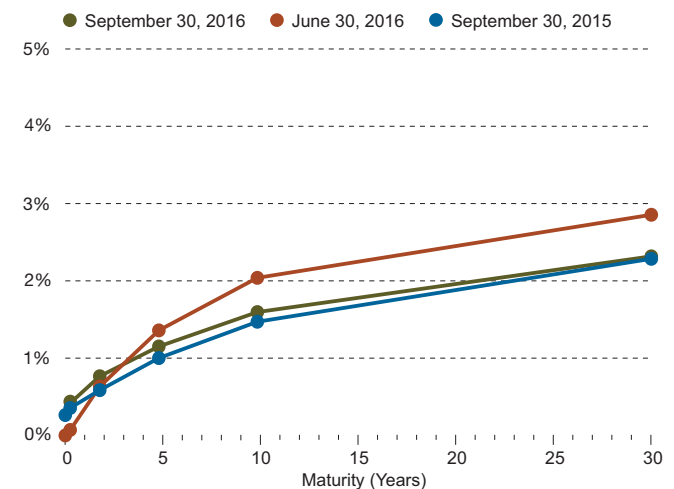
Investment-grade corporate issuance totaled \$340 billion for the quarter, setting a record. CMBS and municipal markets also demonstrated robust supply. By the end of September, year-to-date corporate investment-grade bond issuance was 8% ahead of last year's pace. And the record supplies in issuances were met with strong demand as investors snapped up bonds.

Historical 10-Year Yields



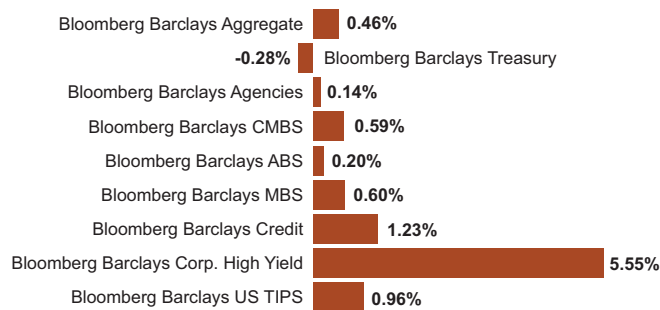
Source: Bloomberg

U.S. Treasury Yield Curves



Source: Bloomberg

Fixed Income Index Quarterly Returns



Source: Bloomberg Barclays

Non-U.S. Fixed Income: Short End of the Stick

Continued from pg. 1

effort to steepen the yield curve and thus help increase profitability for banks. The bank's governor termed the new policy a "reinforcement" of its quantitative easing (QE) program. Central banks have typically targeted short-term rates in QE programs, focusing on maturities of less than a year. Yield on the 10-year government bond settled at -0.09% at the end of the quarter.

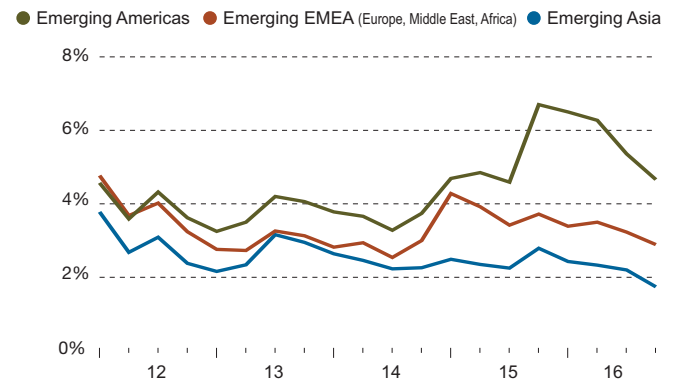
Overall, the European sovereign bond market was flat as the European Central Bank left interest rates unchanged. The **Bloomberg Barclays Global Aggregate Index** rose 0.82% (+0.53% hedged). The ECB committed to a monthly QE program of buying €80 billion in government bonds, asset-backed securities, and corporate debt through March 2017; however, President Mario Draghi announced a review of the program to ensure investable assets would not dry up. Yield on the German 10-year bund notched up a basis point to -0.12%. There is now over \$12 trillion of negative-yielding debt globally, with Japan accounting for nearly half and Western Europe—namely France, Germany, and the Netherlands—the other half. Investors' sustained hunt for yield was evident in European bond pricing as periphery government Treasuries tended to decline more than their core euro zone counterparts. The Spanish and Italian 10-year yields declined 28 bps and 7 bps to 0.88% and 1.91%, respectively. The euro increased 1.16% against the U.S. dollar.

The Brexit vote loomed over the market—the British pound plummeted 2.83%—but despite the economic and political uncertainty the "leave" vote left in its wake, data released showed no immediate negative effect on confidence or productivity. Yield on the 10-year gilt fell 12 bps to 0.75%.

The developing markets advanced for the fourth straight quarter in spite of multiple political headwinds. The hard currency **J.P. Morgan EMBI Global Index** climbed 4.04%. In Brazil, Michel Temer took the office of president after the impeachment and removal of his predecessor, Dilma Rousseff, for budgetary indiscretions. Turkey endured a failed coup attempt as well as

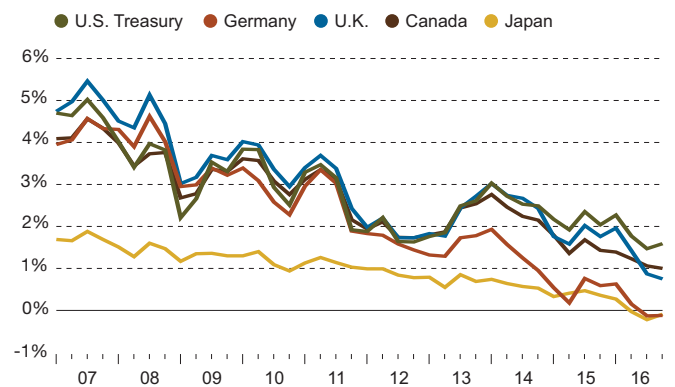
Emerging Spreads Over Developed

(By Region)

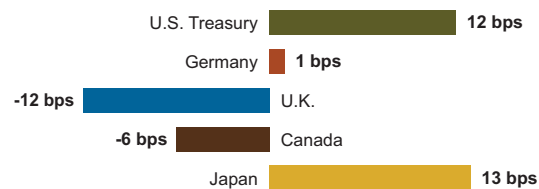


Source: Bloomberg

10-Year Global Government Bond Yields



Change in 10-Year Yields from 2Q16 to 3Q16



Source: Bloomberg

a downgrade by Moody's to junk status, which cited Turkey's heavy reliance on external financing. Local currency debt, as measured by the **J.P. Morgan GBI-EM Global Diversified Index**, ticked up 2.68%.

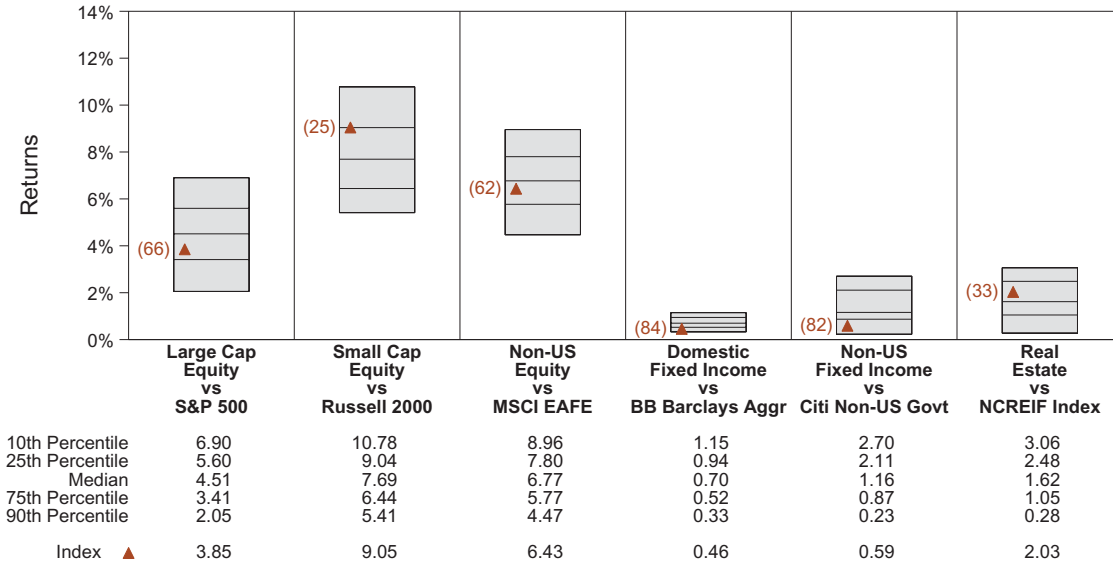
Active Management Overview

Market Overview Active Management vs Index Returns

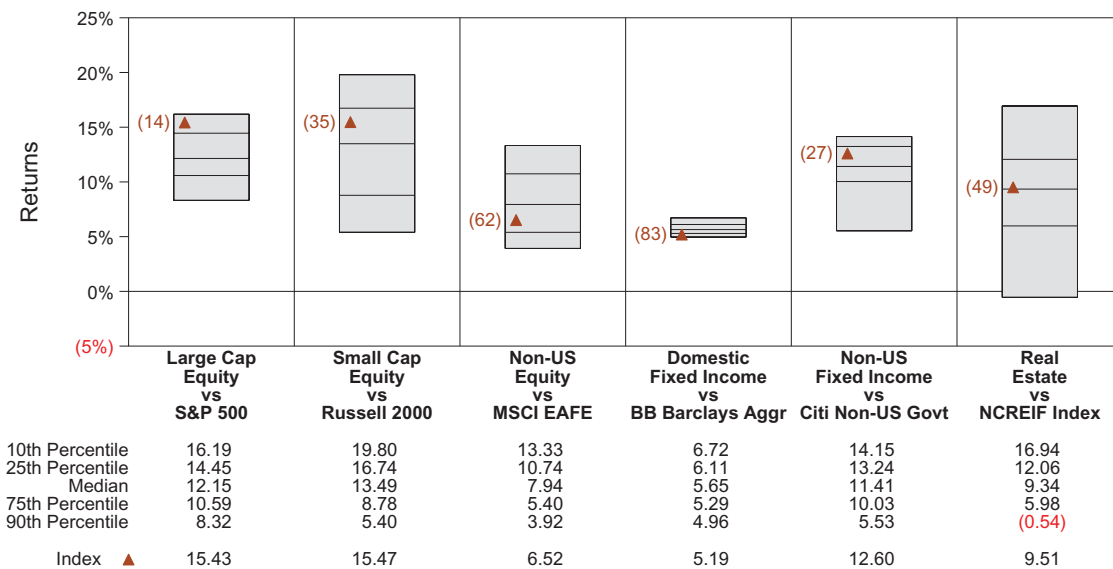
Market Overview

The charts below illustrate the range of returns across managers in Callan's Separate Account database over the most recent one quarter and one year time periods. The database is broken down by asset class to illustrate the difference in returns across those asset classes. An appropriate index is also shown for each asset class for comparison purposes. As an example, the first bar in the upper chart illustrates the range of returns for domestic equity managers over the last quarter. The triangle represents the S&P 500 return. The number next to the triangle represents the ranking of the S&P 500 in the Large Cap Equity manager database.

Range of Separate Account Manager Returns by Asset Class One Quarter Ended September 30, 2016



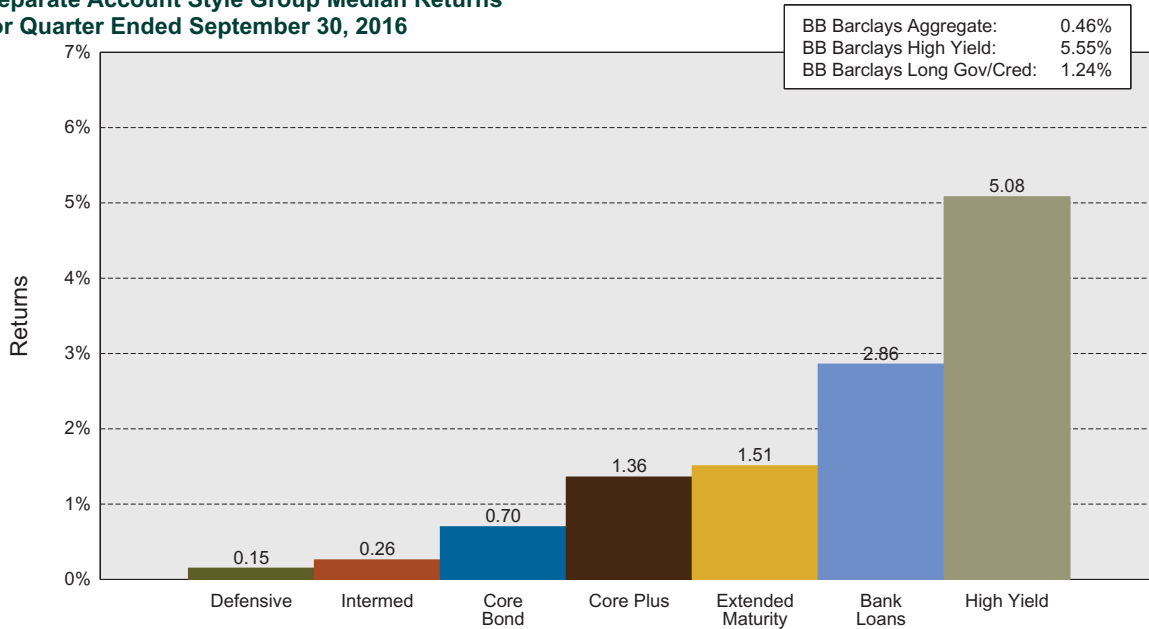
Range of Separate Account Manager Returns by Asset Class One Year Ended September 30, 2016



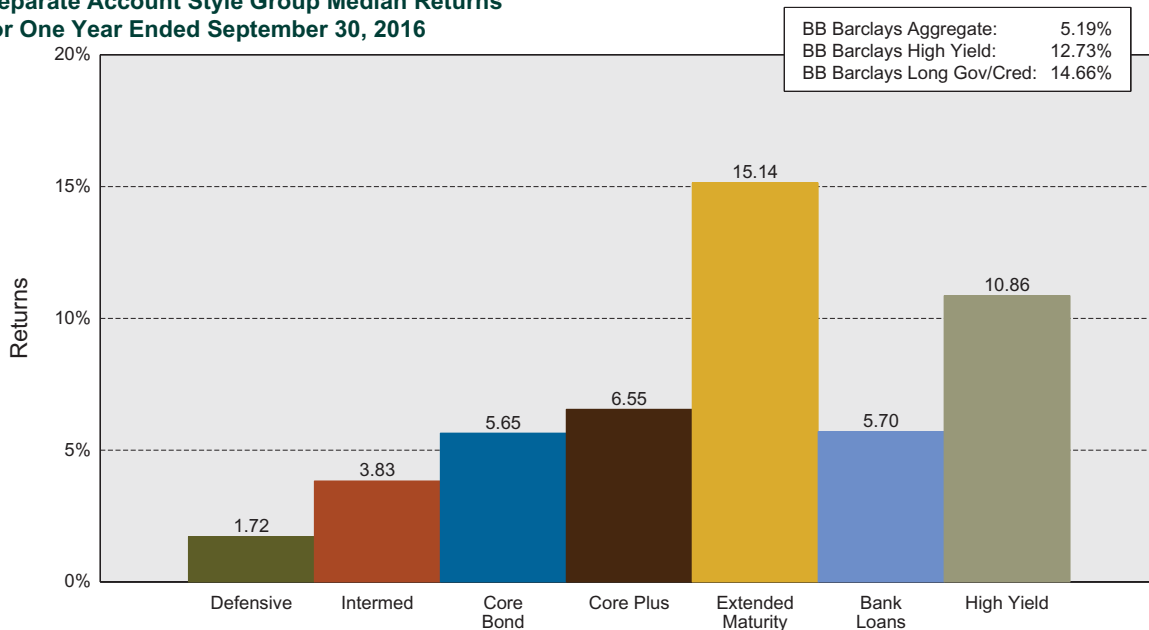
Domestic Fixed Income Active Management Overview

Yields in the US moved modestly higher during the 3rd quarter with the 10-year US Treasury yield rising 11 bps to close at 1.60%. However, the Treasury note did hit a record low of 1.37% on July 8th at the height of the Brexit-induced worries before trending higher through the remainder of the quarter. The yield curve continued its flattening trend in anticipation of eventual Fed rate hikes. Spread sectors outperformed US Treasuries with corporates, and especially high yield, being the strongest. The Bloomberg Barclays US Aggregate returned +0.5% for the quarter and is up 5.8% year-to-date. The BB Barclays High Yield Index gained 5.6% and is up over 15% year-to-date. The median Core and Core Plus Fixed Income managers outperformed the Barclays Aggregate Index.

Separate Account Style Group Median Returns for Quarter Ended September 30, 2016



Separate Account Style Group Median Returns for One Year Ended September 30, 2016



Asset Allocation

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2016, with the distribution as of June 30, 2016. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2016		Net New Inv.	Inv. Return	June 30, 2016	
	Market Value	Weight			Market Value	Weight
Domestic Fixed Income						
Long Term Operating Fund*	326,203,379	84.91%	(7,000,000)	307,934	332,895,445	70.48%
Liquid Operating Monies*	57,989,291	15.09%	(81,500,000)	88,050	139,401,241	29.52%
Total Fund	\$384,192,671	100.0%	\$(88,500,000)	\$395,985	\$472,296,686	100.0%

*Chandler replaced PIMCO during the 4th quarter of 2014. Assets were transferred in-kind as of 12/01/2014.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended September 30, 2016. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2016

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Domestic Fixed Income					
Long Term Operating Fund^	0.09%	2.06%	1.62%	1.43%	2.26%
Chandler	0.09%	2.06%	-	-	-
BB Barclays Govt/Cred 1-5 Year Idx	0.04%	2.06%	1.73%	1.60%	2.17%
ML 1-5 Govt/Corp	0.05%	2.10%	1.78%	1.69%	2.24%
Liquid Operating Monies^	0.10%	0.40%	0.22%	0.20%	0.22%
Chandler	0.10%	0.40%	-	-	-
Citigroup 3-Month Treasury Bill	0.07%	0.20%	0.09%	0.08%	0.09%
Total Fund	0.09%	1.59%	1.36%	1.23%	1.89%
Target*	0.05%	1.72%	1.44%	1.36%	1.81%

* Current Quarter Target = 80.0% ML 1-5 Govt/Corp and 20.0% 3mo T-Bills.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended September 30, 2016. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2016			
	Last 10 Years	Last 15 Years	Last 21 Years
Domestic Fixed Income			
Long Term Operating Fund^	3.43%	3.60%	4.57%
BB Barclays Govt/Cred 1-5 Year Idx	3.26%	3.39%	4.38%
ML 1-5 Govt/Corp	3.29%	3.39%	4.41%
Liquid Operating Monies^			
Citigroup 3-Month Treasury Bill	1.09%	1.54%	2.72%
	0.84%	1.30%	2.39%
Total Fund	2.99%	3.24%	4.28%
Target*	2.80%	2.97%	4.01%

* Current Quarter Target = 80.0% ML 1-5 Govt/Corp and 20.0% 3mo T-Bills.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	12/2015- 9/2016	2015	2014	2013	2012
Domestic Fixed Income					
Long Term Operating Fund^	2.40%	0.85%	1.98%	(1.77%)	3.06%
Chandler	2.40%	0.85%	-	-	-
BB Barclays Govt/Cred 1-5 Year Idx	2.64%	0.97%	1.42%	0.28%	2.24%
ML 1-5 Govt/Corp	2.66%	1.05%	1.51%	0.32%	2.47%
Liquid Operating Monies^	0.35%	0.22%	0.09%	0.13%	0.17%
Chandler	0.35%	0.22%	-	-	-
Citigroup 3-Month Treasury Bill	0.19%	0.03%	0.03%	0.05%	0.07%
Total Fund	1.86%	0.80%	1.73%	(1.49%)	2.70%
Target*	2.16%	0.85%	1.21%	0.26%	1.99%

* Current Quarter Target = 80.0% ML 1-5 Govt/Corp and 20.0% 3mo T-Bills.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

	2011	2010	2009	2008	2007
Domestic Fixed Income					
Long Term Operating Fund^	4.59%	4.42%	5.52%	5.37%	7.21%
BB Barclays Govt/Cred 1-5 Year Idx	3.14%	4.08%	4.62%	5.12%	7.27%
ML 1-5 Govt/Corp	3.10%	4.17%	4.88%	4.65%	7.27%
Liquid Operating Monies^	0.24%	0.25%	0.58%	2.40%	5.25%
Citigroup 3-Month Treasury Bill	0.08%	0.13%	0.16%	1.80%	4.74%
Total Fund	3.70%	3.68%	4.65%	4.61%	6.84%
Target*	2.49%	3.36%	3.93%	4.08%	6.76%

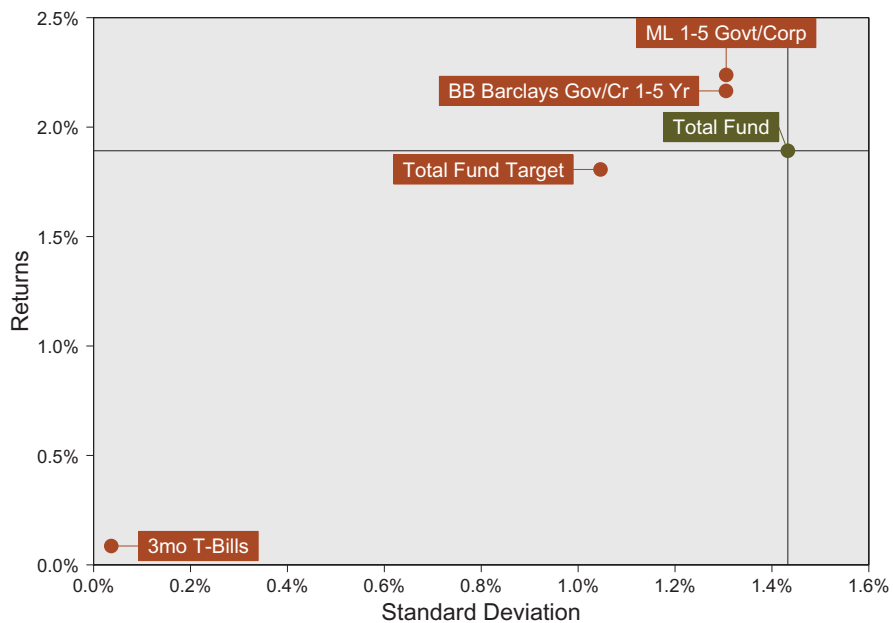
* Current Quarter Target = 80.0% ML 1-5 Govt/Corp and 20.0% 3mo T-Bills.

^Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

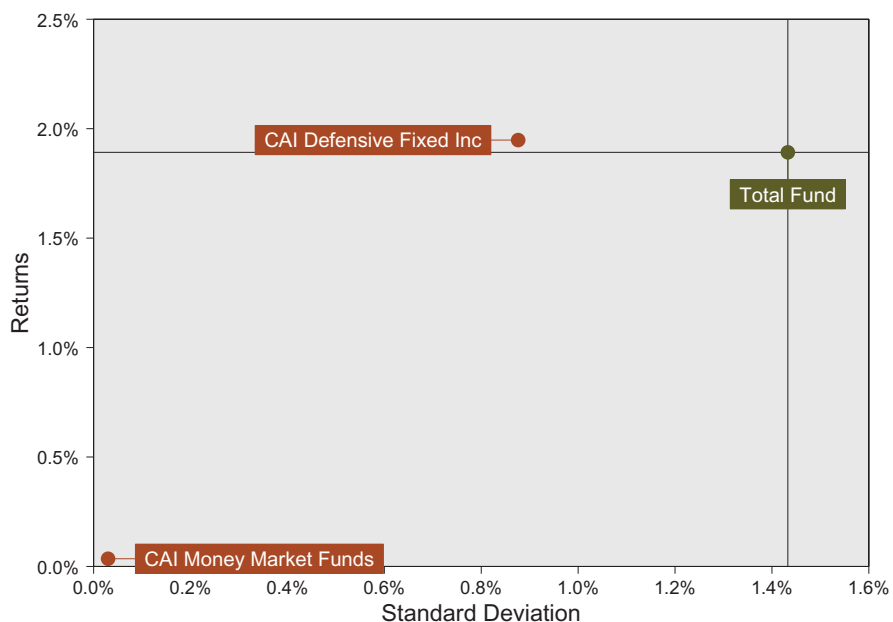
Asset Class Risk and Return

The charts below show the seven year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Seven Year Annualized Risk vs Return Asset Classes vs Benchmark Indices



Seven Year Annualized Risk vs Return Asset Classes vs Asset Class Median



Manager Analysis

Chandler-Long Term Operating Fund Period Ended September 30, 2016

Investment Philosophy

Chandler Asset Management's Short Term Bond strategy is driven by quantitative models and focuses on active duration management, sector selection and term structure. The strategy seeks to achieve consistent above-benchmark returns with low volatility relative to the style's performance benchmark. The firm has a unique focus on high quality fixed income management, and places risk control as a higher objective than return. Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

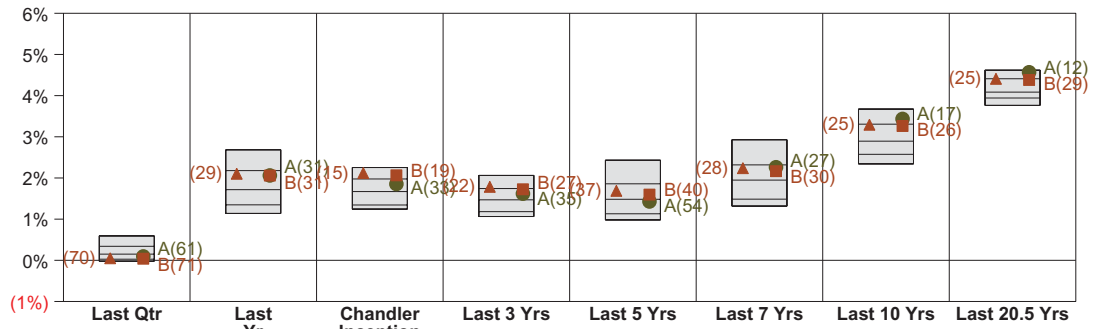
Quarterly Summary and Highlights

- Long Term Operating Fund's portfolio posted a 0.09% return for the quarter placing it in the 61 percentile of the CAI Defensive Fixed Income group for the quarter and in the 31 percentile for the last year.
- Long Term Operating Fund's portfolio outperformed the ML 1-5 Govt/Corp by 0.04% for the quarter and underperformed the ML 1-5 Govt/Corp for the year by 0.04%.

Quarterly Asset Growth

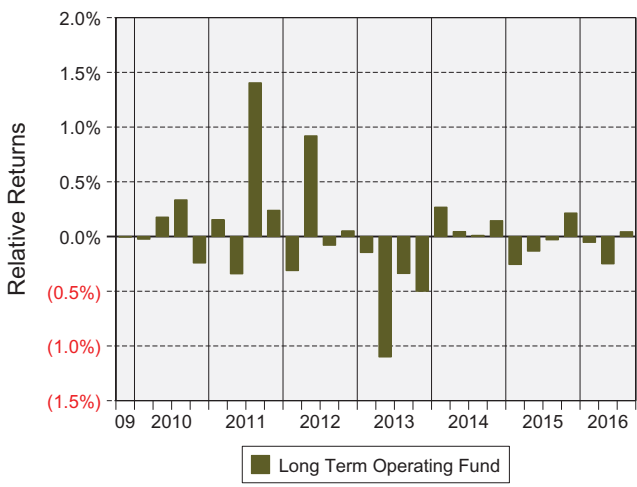
Beginning Market Value	\$332,895,445
Net New Investment	-\$7,000,000
Investment Gains/(Losses)	\$307,934
Ending Market Value	\$326,203,379

Performance vs CAI Defensive Fixed Income (Gross)

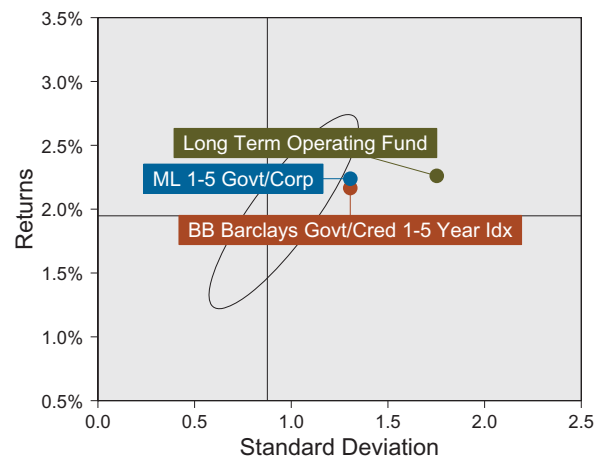


	Last Qtr	Last Yr	Chandler Inception	Last 3 Yrs	Last 5 Yrs	Last 7 Yrs	Last 10 Yrs	Last 20.5 Yrs
10th Percentile	0.59	2.68	2.25	2.06	2.43	2.93	3.67	4.62
25th Percentile	0.34	2.18	1.98	1.74	1.86	2.32	3.31	4.41
Median	0.15	1.72	1.67	1.47	1.48	1.95	2.89	4.09
75th Percentile	0.03	1.35	1.34	1.18	1.13	1.49	2.57	3.94
90th Percentile	(0.02)	1.14	1.24	1.06	0.98	1.32	2.34	3.76
Long Term Operating Fund	● A 0.09	2.06	1.85	1.62	1.43	2.26	3.43	4.57
BB Barclays Govt/Cred 1-5 Year Idx	■ B 0.04	2.06	2.06	1.73	1.60	2.17	3.26	4.38
ML 1-5 Govt/Corp	▲ C 0.05	2.10	2.12	1.78	1.69	2.24	3.29	4.41

Relative Return vs ML 1-5 Govt/Corp



CAI Defensive Fixed Income (Gross) Annualized Seven Year Risk vs Return



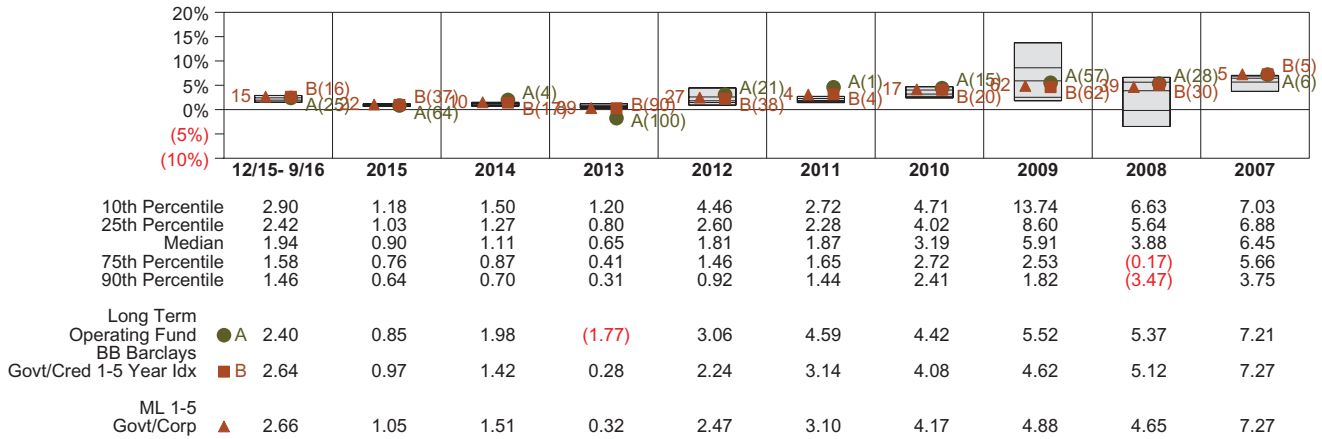
Long Term Operating Fund Return Analysis Summary

Return Analysis

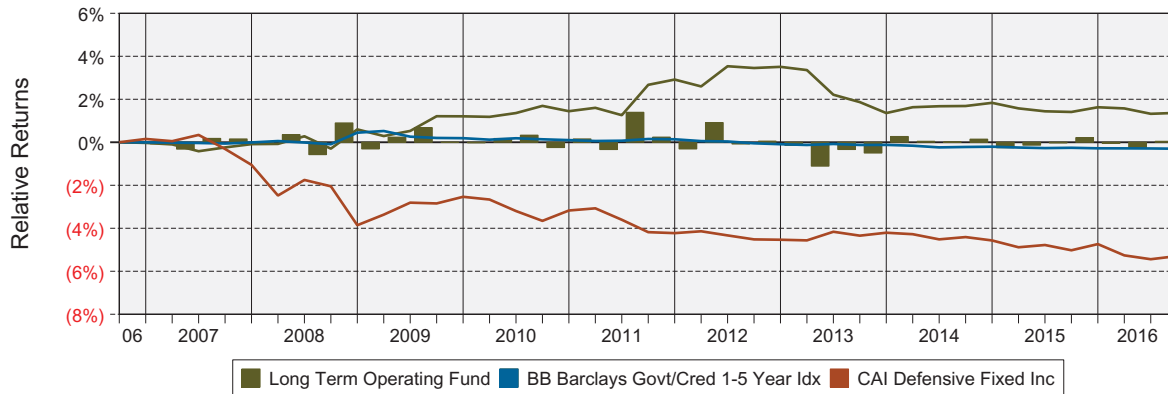
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

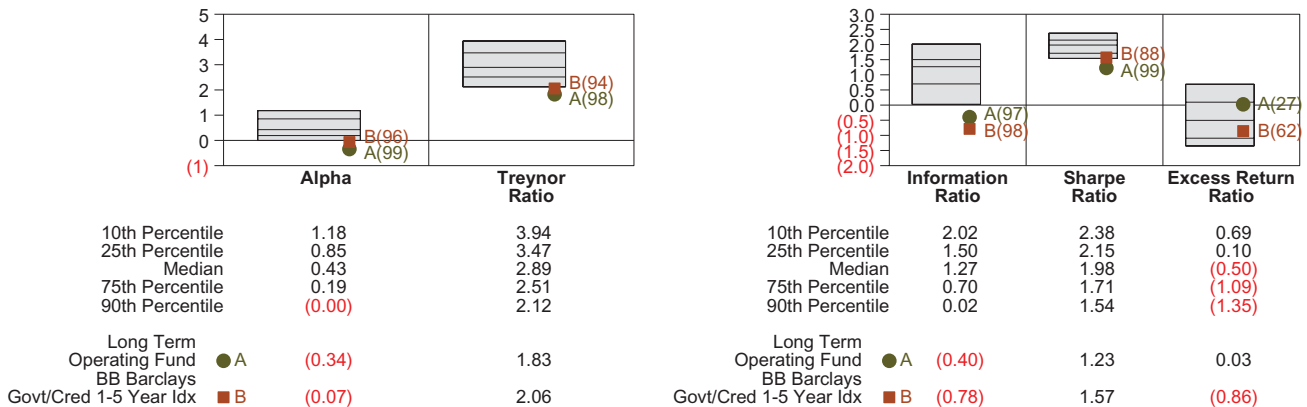
Performance vs CAI Defensive Fixed Income (Gross)



Cumulative and Quarterly Relative Return vs ML 1-5 Govt/Corp



Risk Adjusted Return Measures vs ML 1-5 Govt/Corp Rankings Against CAI Defensive Fixed Income (Gross) Seven Years Ended September 30, 2016

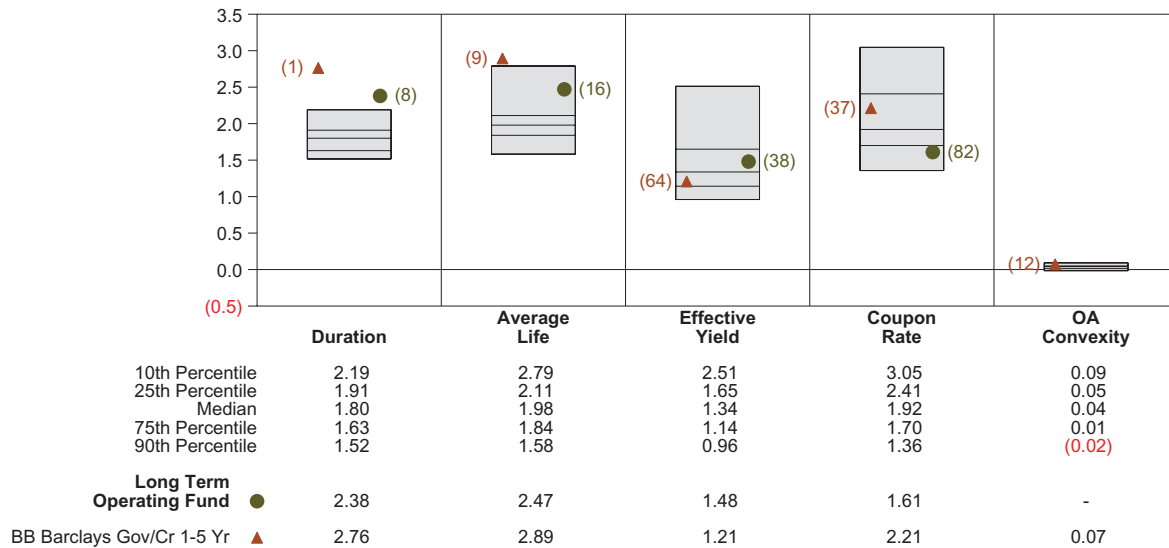


Long Term Operating Fund Bond Characteristics Analysis Summary

Portfolio Characteristics

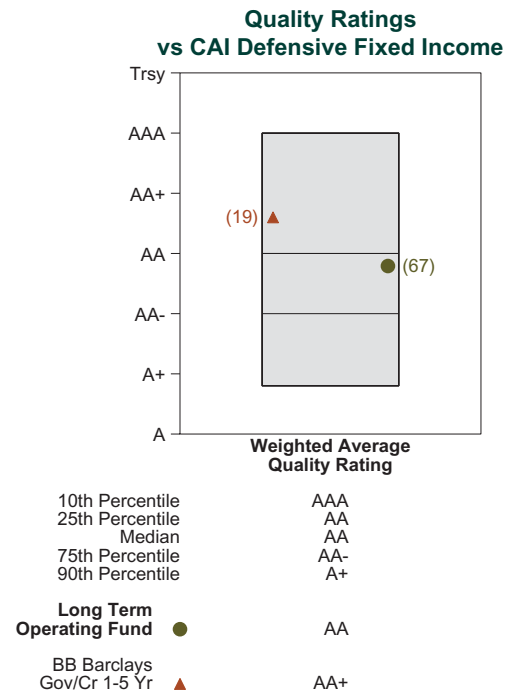
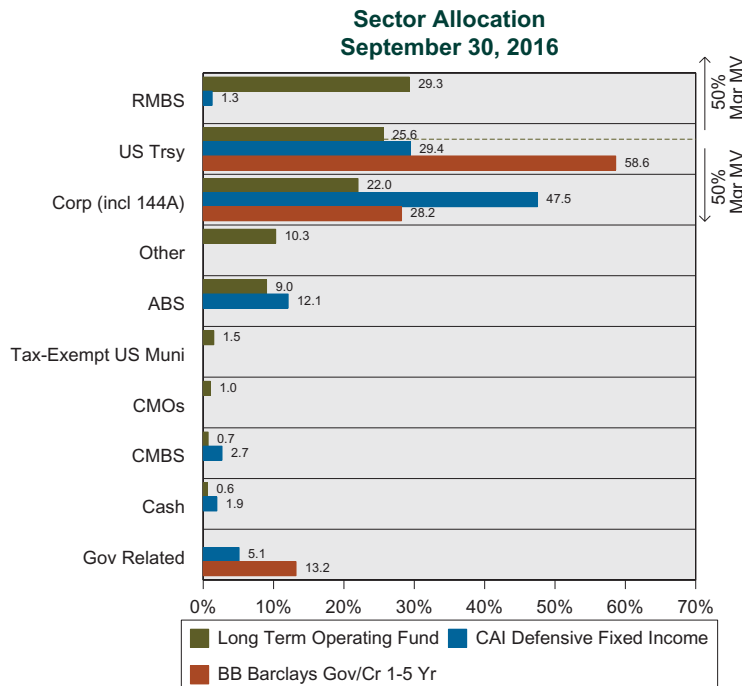
This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

Fixed Income Portfolio Characteristics Rankings Against CAI Defensive Fixed Income as of September 30, 2016



Sector Allocation and Quality Ratings

The first graph compares the manager's sector allocation with the average allocation across all the members of the manager's style. The second graph compares the manager's weighted average quality rating with the range of quality ratings for the style.

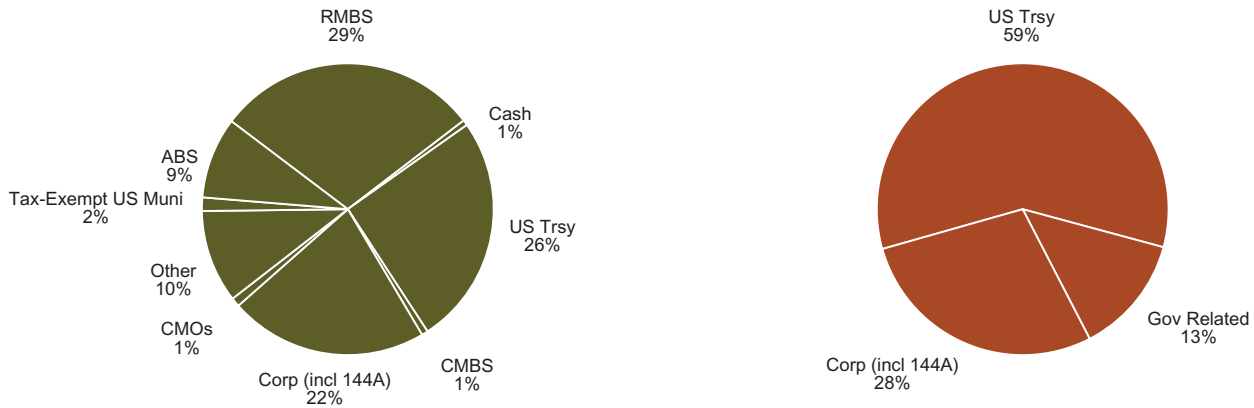


Long Term Operating Fund Portfolio Characteristics Summary As of September 30, 2016

Portfolio Structure Comparison

The charts below compare the structure of the portfolio to that of the index from the three perspectives that have the greatest influence on return. The first chart compares the two portfolios across sectors. The second chart compares the duration distribution. The last chart compares the distribution across quality ratings.

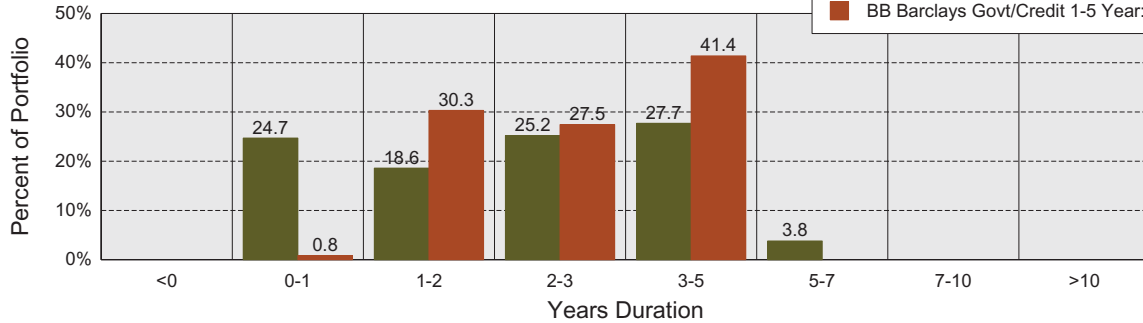
Sector Allocation



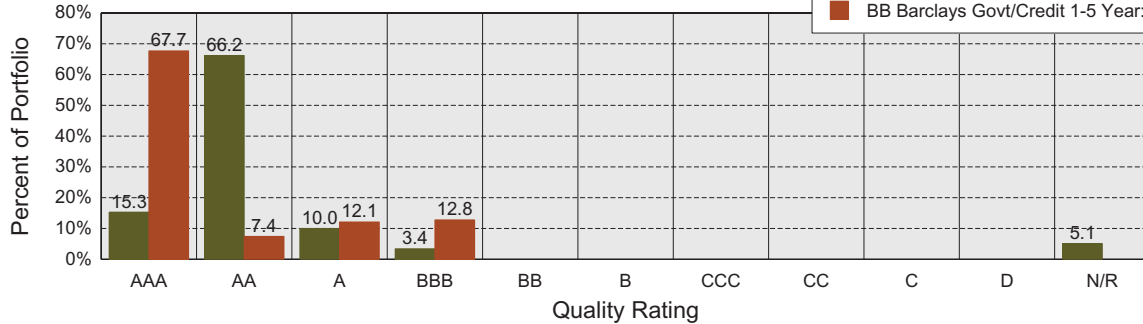
Long Term Operating Fund

BB Barclays Govt/Credit 1-5 Year

Duration Distribution



Quality Distribution



Chandler-Liquid Operating Money Period Ended September 30, 2016

Investment Philosophy

Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

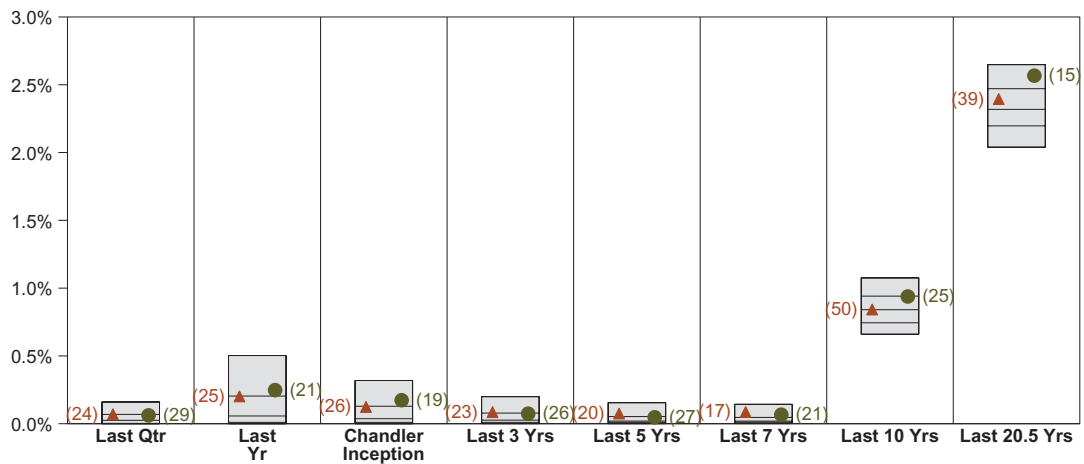
Quarterly Summary and Highlights

- Liquid Operating Money Net's portfolio posted a 0.06% return for the quarter placing it in the 29 percentile of the CAI Money Market Funds group for the quarter and in the 21 percentile for the last year.
- Liquid Operating Money Net's portfolio underperformed the Citigroup 3-Month Treasury Bill by 0.01% for the quarter and outperformed the Citigroup 3-Month Treasury Bill for the year by 0.05%.

Quarterly Asset Growth

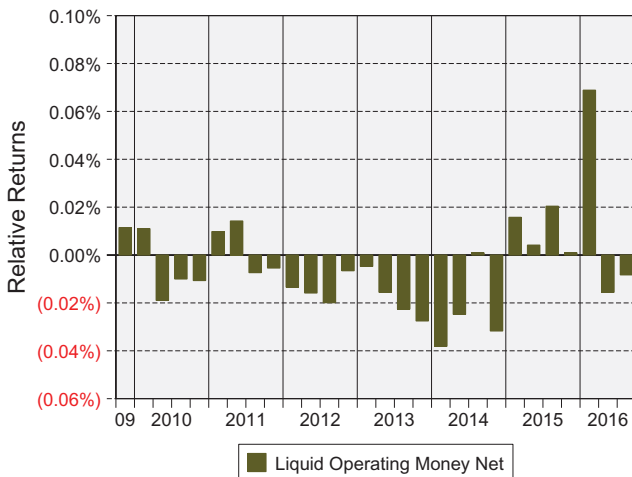
Beginning Market Value	\$139,401,241
Net New Investment	\$-81,500,000
Investment Gains/(Losses)	\$88,050
Ending Market Value	\$57,989,291

Performance vs CAI Money Market Funds (Net)

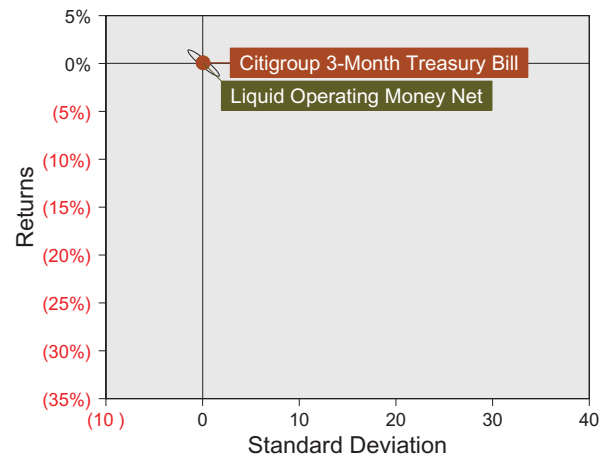


10th Percentile	0.16	0.50	0.32	0.20	0.15	0.14	1.08	2.65	
25th Percentile	0.07	0.20	0.13	0.08	0.05	0.05	0.94	2.47	
Median	0.03	0.06	0.04	0.03	0.02	0.02	0.84	2.32	
75th Percentile	0.00	0.01	0.01	0.01	0.01	0.01	0.74	2.20	
90th Percentile	0.00	0.00	0.00	0.00	0.00	0.00	0.66	2.04	
Liquid Operating Money Net	●	0.06	0.25	0.17	0.07	0.05	0.07	0.94	2.57
Citigroup 3-Month Treasury Bill	▲	0.07	0.20	0.12	0.09	0.08	0.09	0.84	2.39

Relative Returns vs Citigroup 3-Month Treasury Bill



CAI Money Market Funds (Net) Annualized Seven Year Risk vs Return



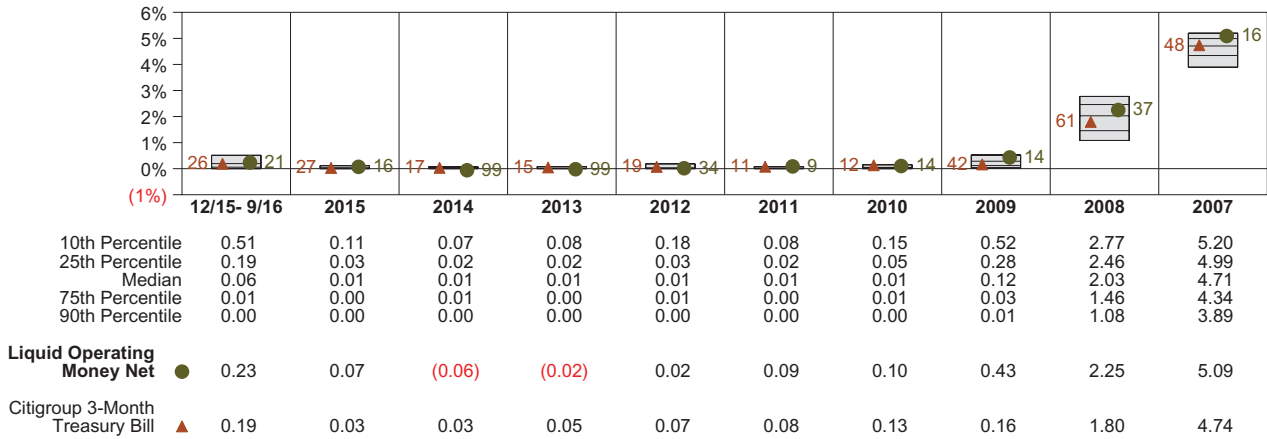
Liquid Operating Money Net Return Analysis Summary

Return Analysis

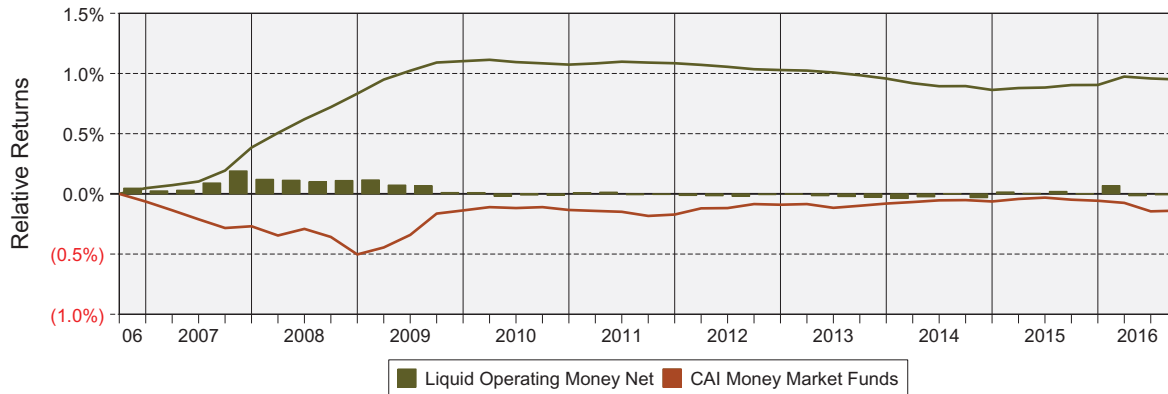
The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures.

Assets were transferred in kind to Chandler on 12/1/2014. Previous performance reflects PIMCO.

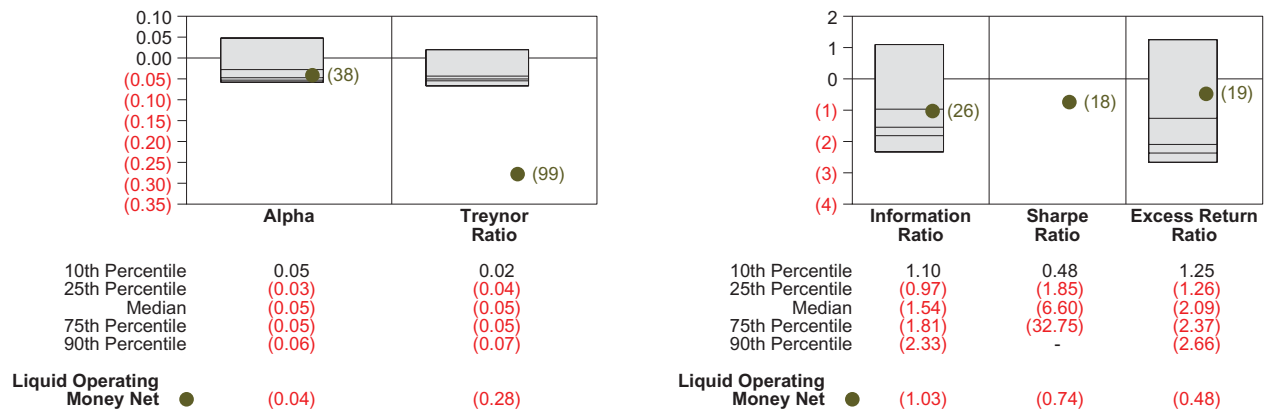
Performance vs CAI Money Market Funds (Net)



Cumulative and Quarterly Relative Return vs Citigroup 3-Month Treasury Bill



Risk Adjusted Return Measures vs Citigroup 3-Month Treasury Bill Rankings Against CAI Money Market Funds (Net) Seven Years Ended September 30, 2016



Callan Research/Education

Research and Educational Programs

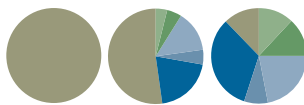
The Callan Institute provides research that updates clients on the latest industry trends while helping them learn through carefully structured educational programs. Visit www.callan.com/research to see all of our publications, or for more information contact Anna West at 415.974.5060 / institute@callan.com.

New Research from Callan's Experts

Built to Last: Strategic Guidance for Effective Investment Committees | Callan offers our high-level strategic advice for investment committees, touching on membership, investment policy statements, review processes, and fiduciary training and ongoing education.

10 Tips From Successful Investment Committees | Callan Chairman and CEO Ron Peyton and Consultant Brady O'Connell, CFA, CAIA, offer 10 tips based on their work with successful investment committees.

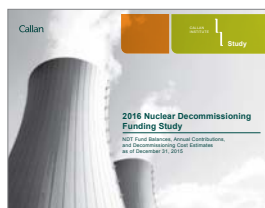
Risky Business | Callan research that found investors over the last 20 years have had to take on three times as much risk to earn the same return electrified the institutional investing community. We interviewed Jay Kloepfer and Julia Moriarty, CFA, about how the research was done and its implications.



Managing DC Plan Investments: A Fiduciary Handbook | Lori Lucas, CFA, covers responsibilities for DC plan fiduciaries, including investment structure, investment policy statements, QDIA oversight, and manager performance.

Ethics 101 for Investment Professionals | Callan Chairman and CEO Ron Peyton outlines his thoughts on how to create, instill, and maintain ethical standards for investment professionals. His advice: the right culture creates the best environment to maintain these standards. Firms should develop ethical guidelines that are based on principles, not rules, since the former offer better guidance for employees across the organization.

2016 Nuclear Decommissioning Funding Study | A report



by Julia Moriarty, CFA, covers 27 investor-owned and 27 public power utilities with an ownership interest in the 99 operating nuclear reactors (and 10 of the non-operating reactors) in the U.S.

How Green Is Your Bond? | Callan Analyst Rufash Lama tackles the area of green bonds, which are fixed income instruments issued specifically to support or finance environmental initiatives.

Periodicals

Real Assets Reporter, Summer/Fall 2016 | This edition explores if the boom in commercial real estate may be ending.

Private Markets Trends, Summer 2016 | Author Gary Robertson discusses the recent surge in private equity fundraising, an indication that some investors are establishing a defensive hedge as the five-year bull market pulls in its horns.

DC Observer, 2nd Quarter 2016 | Callan's Defined Contribution Practice Team outlines a framework to evaluate DC transaction fees. We explain how common they are, what they typically cost, and how they are generally paid.

Hedge Fund Monitor, 2nd Quarter 2016 | Jim McKee, director of Callan's Hedge Fund Research group, discusses the appeal of momentum-based investing strategies in the current climate of considerable economic uncertainty.

Events

Miss out on a Callan conference or workshop? Event summaries and speakers' presentations are available on our website: <https://www.callan.com/education/CII/>

Mark your calendars for our fall **Regional Workshop**, October 25 in New York and October 26 in Chicago, and our **National Conference**, January 23–25, 2017, at the Palace Hotel in San Francisco.

For more information about events, please contact Barb Gerraty: 415.274.3093 / gerraty@callan.com

The Center for Investment Training Educational Sessions

The Center for Investment Training, better known as the “Callan College,” provides a foundation of knowledge for industry professionals who are involved in the investment decision-making process. It was founded in 1994 to provide clients and non-clients alike with basic- to intermediate-level instruction. Our next session is:

Introduction to Investments

San Francisco, April 18-19, 2017

San Francisco, July 25-26, 2017

Chicago, October 24-25, 2017

This session familiarizes fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices. It lasts one-and-a-half days and is designed for individuals who have less than two years of experience with asset-management oversight and/or support responsibilities. Tuition for the Introductory “Callan College” session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

Customized Sessions

The “Callan College” is equipped to customize a curriculum to meet the training and educational needs of a specific organization. These tailored sessions range from basic to advanced and can take place anywhere—even at your office.

Learn more at <https://www.callan.com/education/college/> or contact Kathleen Cunnie: 415.274.3029 / cunnie@callan.com

Education: By the Numbers

500 Attendees (on average) of the Institute's annual National Conference

50+ Unique pieces of research the Institute generates each year

3,500 Total attendees of the “Callan College” since 1994

1980 Year the Callan Institute was founded



“We think the best way to learn something is to teach it. Entrusting client education to our consultants and specialists ensures that they have a total command of their subject matter. This is one reason why education and research have been cornerstones of our firm for more than 40 years.”

Ron Peyton, Chairman and CEO

Definitions

Risk/Reward Statistics

The risk statistics used in this report examine performance characteristics of a manager or a portfolio relative to a benchmark (market indicator) which assumes to represent overall movements in the asset class being considered. The main unit of analysis is the excess return, which is the portfolio return minus the return on a risk free asset (3 month T-Bill).

Alpha measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk which was taken for that level of market exposure.

Beta measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's beta measures the expected change in return per 1% change in the return on the market. If a beta of a portfolio is 1.5, a 1 percent increase in the return on the market will result, on average, in a 1.5 percent increase in the return on the portfolio. The converse would also be true.

Downside Risk stems from the desire to differentiate between "good risk" (upside volatility) and "bad risk" (downside volatility). Whereas standard deviation punishes both upside and downside volatility, downside risk measures only the standard deviation of returns below the target. Returns above the target are assigned a deviation of zero. Both the frequency and magnitude of underperformance affect the amount of downside risk.

Excess Return Ratio is a measure of risk adjusted relative return. This ratio captures the amount of active management performance (value added relative to an index) per unit of active management risk (tracking error against the index.) It is calculated by dividing the manager's annualized cumulative excess return relative to the index by the standard deviation of the individual quarterly excess returns. The Excess Return Ratio can be interpreted as the manager's active risk/reward tradeoff for diverging from the index when the index is mandated to be the "riskless" market position.

Information Ratio measures the manager's market risk-adjusted excess return per unit of residual risk relative to a benchmark. It is computed by dividing alpha by the residual risk over a given time period. Assuming all other factors being equal, managers with lower residual risk achieve higher values in the information ratio. Managers with higher information ratios will add value relative to the benchmark more reliably and consistently.

R-Squared indicates the extent to which the variability of the portfolio returns are explained by market action. It can also be thought of as measuring the diversification relative to the appropriate benchmark. An r-squared value of .75 indicates that 75% of the fluctuation in a portfolio return is explained by market action. An r-squared of 1.0 indicates that a portfolio's returns are entirely related to the market and it is not influenced by other factors. An r-squared of zero indicates that no relationship exists between the portfolio's return and the market.

Relative Standard Deviation is a simple measure of a manager's risk (volatility) relative to a benchmark. It is calculated by dividing the manager's standard deviation of returns by the benchmark's standard deviation of returns. A relative standard deviation of 1.20, for example, means the manager has exhibited 20% more risk than the benchmark over that time period. A ratio of .80 would imply 20% less risk. This ratio is especially useful when analyzing the risk of investment grade fixed-income products where actual historical durations are not available. By using this relative risk measure over rolling time periods one can illustrate the "implied" historical duration patterns of the portfolio versus the benchmark.

Residual Portfolio Risk is the unsystematic risk of a fund, the portion of the total risk unique to the fund (manager) itself and not related to the overall market. This reflects the "bets" which the manager places in that particular asset market. These bets may reflect emphasis in particular sectors, maturities (for bonds), or other issue specific factors which the manager considers a good investment opportunity. Diversification of the portfolio will reduce or eliminate the residual risk of that portfolio.

Risk/Reward Statistics

Sharpe Ratio is a commonly used measure of risk-adjusted return. It is calculated by subtracting the "risk-free" return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting "excess return" by the portfolio's risk level (standard deviation). The result is a measure of return gained per unit of risk taken.

Sortino Ratio is a downside risk-adjusted measure of value-added. It measures excess return over a benchmark divided by downside risk. The natural appeal is that it identifies value-added per unit of truly bad risk. The danger of interpretation, however, lies in these two areas: (1) the statistical significance of the denominator, and (2) its reliance on the persistence of skewness in return distributions.

Standard Deviation is a statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (ie. has a bell shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.

Total Portfolio Risk is a measure of the volatility of the quarterly excess returns of an asset. Total risk is composed of two measures of risk: market (non-diversifiable or systematic) risk and residual (diversifiable or unsystematic) risk. The purpose of portfolio diversification is to reduce the residual risk of the portfolio.

Tracking Error is a statistical measure of a portfolio's risk relative to an index. It reflects the standard deviation of a portfolio's individual quarterly or monthly returns from the index's returns. Typically, the lower the Tracking Error, the more "index-like" the portfolio.

Treynor Ratio represents the portfolio's average excess return over a specified period divided by the beta relative to its benchmark over that same period. This measure reflects the reward over the risk-free rate relative to the systematic risk assumed.

Note: Alpha, Total Risk, and Residual Risk are annualized.

Fixed Income Portfolio Characteristics

All Portfolio Characteristics are derived by first calculating the characteristics for each security, and then calculating the market value weighted average of these values for the portfolio.

Allocation by Sector - Sector allocation is one of the tools which managers often use to add value without impacting the duration of the portfolio. The sector weights exhibit can be used to contrast a portfolio's weights with those of the index to identify any significant sector bets.

Average Coupon - The average coupon is the market value weighted average coupon of all securities in the portfolio. The total portfolio coupon payments per year are divided by the total portfolio par value.

Average Moody's Rating for Total Portfolio - A measure of the credit quality as determined by the individual security ratings. The ratings for each security, from Moody's Investor Service, are compiled into a composite rating for the whole portfolio. Quality symbols range from Aaa+ (highest investment quality - lowest credit risk) to C (lowest investment quality - highest credit risk).

Average Option Adjusted (Effective) Convexity - Convexity is a measure of the portfolio's exposure to interest rate risk. It is a measure of how much the duration of the portfolio will change given a change in interest rates. Generally, securities with negative convexities are considered to be risky in that changes in interest rates will result in disadvantageous changes in duration. When a security's duration changes it indicates that the stream of expected future cash-flows has changed, generally having a significant impact on the value of the security. The option adjusted convexity for each security in the portfolio is calculated using models developed by Lehman Brothers and Salomon Brothers which determine the expected stream of cash-flows for the security based on various interest rate scenarios. Expected cash-flows take into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments.

Average Option Adjusted (Effective) Duration - Duration is one measure of the portfolio's exposure to interest rate risk. Generally, the higher a portfolio's duration, the more that its value will change in response to interest rate changes. The option adjusted duration for each security in the portfolio is calculated using models developed by Lehman Brothers and Salomon Brothers which determine the expected stream of cash-flows for the security based on various interest rate scenarios. Expected cash-flows take into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments.

Average Price - The average price is equal to the portfolio market value divided by the number of securities in the portfolio. Portfolios with an average price above par will tend to generate more current income than those with an average price below par.

Average Years to Expected Maturity - This is a measure of the market-value-weighted average of the years to expected maturity across all of the securities in the portfolio. Expected years to maturity takes into account any put or call options embedded in the security, any expected sinking-fund paydowns or any expected mortgage principal prepayments.

Average Years to Stated Maturity - The average years to stated maturity is the market value weighted average time to stated maturity for all securities in the portfolio. This measure does not take into account imbedded options, sinking fund paydowns, or prepayments.

Current Yield - The current yield is the current annual income generated by the total portfolio market value. It is equal to the total portfolio coupon payments per year divided by the current total portfolio market value.

Fixed Income Portfolio Characteristics

Duration Dispersion - Duration dispersion is the market-value weighted standard deviation of the portfolio's individual security durations around the total portfolio duration. The higher the dispersion, the more variable the security durations relative to the total portfolio duration ("barbellness"), and the smaller the dispersion, the more concentrated the holdings' durations around the overall portfolio's ("bulletness"). The purpose of this statistic is to gauge the "bulletness" or "barbellness" of a portfolio relative to its total duration and to that of its benchmark index.

Effective Yield - The effective yield is the actual total annualized return that would be realized if all securities in the portfolio were held to their expected maturities. Effective yield is calculated as the internal rate of return, using the current market value and all expected future interest and principal cash flows. This measure incorporates sinking fund paydowns, expected mortgage principal prepayments, and the exercise of any "in-the-money" imbedded put or call options.

Weighted Average Life - The weighted average life of a security is the weighted average time to payment of all remaining principal. It is calculated by multiplying each expected future principal payment amount by the time left to the payment. This amount is then divided by the total amount of principal remaining. Weighted average life is commonly used as a measure of the investment life for pass-through security types for comparison to non-pass-through securities.

Disclosures

List of Callan's Investment Manager Clients

Confidential – For Callan Client Use Only

Callan takes its fiduciary and disclosure responsibilities to clients very seriously. We recognize that there are numerous potential conflicts of interest encountered in the investment consulting industry and that it is our responsibility to manage those conflicts effectively and in the best interest of our clients. At Callan, we employ a robust process to identify, manage, monitor and disclose potential conflicts on an on-going basis.

The list below is an important component of our conflicts management and disclosure process. It identifies those investment managers that pay Callan fees for educational, consulting, software, database or reporting products and services. We update the list quarterly because we believe that our fund sponsor clients should know the investment managers that do business with Callan, particularly those investment manager clients that the fund sponsor clients may be using or considering using. Please refer to Callan's ADV Part 2A for a more detailed description of the services and products that Callan makes available to investment manager clients through our Institutional Consulting Group, Independent Adviser Group and Fund Sponsor Consulting Group. Due to the complex corporate and organizational ownership structures of many investment management firms, parent and affiliate firm relationships are not indicated on our list.

Fund sponsor clients may request a copy of the most currently available list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by particular fund manager clients. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Manager Name	Manager Name
1607 Capital Partners, LLC	Brandes Investment Partners, L.P.
Aberdeen Asset Management PLC	Brandywine Global Investment Management, LLC
Acadian Asset Management LLC	Brown Brothers Harriman & Company
ACR – Alpine Capital Research	Brown Investment Advisory & Trust Company
AEGON USA Investment Management	Cambiar Investors, LLC
AEW Capital Management	Capital Group
Affiliated Managers Group, Inc.	CastleArk Management, LLC
AllianceBernstein	Causeway Capital Management
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Amundi Smith Breeden LLC	Columbia Threadneedle Investments
Analytic Investors	Columbia Wanger Asset Management
Angelo, Gordon & Co.	Columbus Circle Investors
Apollo Global Management	Conestoga Capital Advisors
AQR Capital Management	Corbin Capital Partners, L.P.
Ares Management LLC	Cornerstone Capital Management
Ariel Investments, LLC	Cramer Rosenthal McGlynn, LLC
Aristotle Capital Management, LLC	Credit Suisse Asset Management
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ASB Capital Management Inc.	D.E. Shaw Investment Management, LLC
Ativo Capital Management	Delaware Investments
Atlanta Capital Management Co., LLC	DePrince, Race & Zollo, Inc.
Aviva Investors Americas	Deutsche Asset Management
AXA Investment Managers	Diamond Hill Investments
Babson Capital Management	Duff & Phelps Investment Mgmt. Co.
Baillie Gifford Overseas Limited	Eagle Asset Management, Inc.
Baird Advisors	EARNEST Partners, LLC
Bank of America	Eaton Vance Management
Baring Asset Management	Epoch Investment Partners, Inc.
Baron Capital Management, Inc.	Fayez Sarofim & Company
Barrow, Hanley, Mewhinney & Strauss, LLC	Federated Investors
BlackRock	Fidelity Institutional Asset Management
BMO Asset Management, Corp.	Fiera Capital Global Asset Management
BNP Paribas Investment Partners	First Eagle Investment Management, LLC
BNY Mellon Asset Management	First Hawaiian Bank Wealth Management Division
Boston Partners	Fisher Investments

Manager Name
Fort Washington Investment Advisors, Inc.
Franklin Templeton Institutional
Fred Alger Management, Inc.
Fuller & Thaler Asset Management, Inc.
GAM (USA) Inc.
GE Asset Management
GMO
Goldman Sachs Asset Management
Grand-Jean Capital Management
Guggenheim Investments
GW&K Investment Management
Harbor Capital Group Trust
Hartford Funds
Hartford Investment Management Co.
Henderson Global Investors
Hotchkis & Wiley Capital Management, LLC
HSBC Global Asset Management
Impax Asset Management Limited
Income Research + Management, Inc.
Insight Investment Management Limited
Institutional Capital LLC
INTECH Investment Management, LLC
Invesco
Investec Asset Management
Investment Counselors of Maryland, LLC
Janus Capital Management, LLC
Jarislowsky Fraser Global Investment Management
Jensen Investment Management
J.P. Morgan Asset Management
KeyCorp
Lazard Asset Management
Legal & General Investment Management America
Lincoln National Corporation
LMCG Investments, LLC
Longview Partners
Loomis, Sayles & Company, L.P.
Lord Abbett & Company
Los Angeles Capital Management
LSV Asset Management
MacKay Shields LLC
Man Investments Inc.
Manulife Asset Management
Martin Currie Inc.
McDonnell Investment Management, LLC
MFS Investment Management
MidFirst Bank
Mondrian Investment Partners Limited
Montag & Caldwell, LLC
Morgan Stanley Investment Management
Mountain Lake Investment Management LLC
MUFG Union Bank, N.A.
Neuberger Berman
Newton Investment Management (fka Newton Capital Management)
Nikko Asset Management Co., Ltd.
Northern Trust Asset Management
Nuveen Investments, Inc.
OFI Global Asset Management
Old Mutual Asset Management
Opus Capital Management Inc.

Manager Name
O'Shaughnessy Asset Management, LLC
Pacific Alternative Asset Management Co.
Pacific Current Group
Pacific Investment Management Company
Parametric Portfolio Associates
P/E Investments
Peregrine Capital Management, Inc.
PGIM
PineBridge Investments
Pinnacle Asset Management L.P.
Pioneer Investments
PNC Capital Advisors, LLC
Principal Global Investors
Private Advisors, LLC
Putnam Investments, LLC
QMA (Quantitative Management Associates)
RBC Global Asset Management
Regions Financial Corporation
RidgeWorth Capital Management, Inc.
Riverbridge Partners LLC
Rockefeller & Co., Inc.
Rothschild Asset Management, Inc.
Russell Investments
Santander Global Facilities
Schroder Investment Management North America Inc.
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Shenkman Capital Management, Inc.
Smith, Graham & Co. Investment Advisors, L.P.
Smith Group Asset Management
Standard Life Investments Limited
Standish
State Street Global Advisors
Stone Harbor Investment Partners, L.P.
Systematic Financial Management
T. Rowe Price Associates, Inc.
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The Boston Company Asset Management, LLC
The Hartford
The London Company
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Tri-Star Trust Bank
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Versus Capital Group
Victory Capital Management Inc.
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Voya Financial
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Waddell & Reed Asset Management Group
WCM Investment Management
Wasatch Advisors, Inc.
WEDGE Capital Management
Wellington Management Company, LLP
Wells Capital Management
Western Asset Management Company
William Blair & Company

Orange County Sanitation District

Period Ending
September 30, 2016



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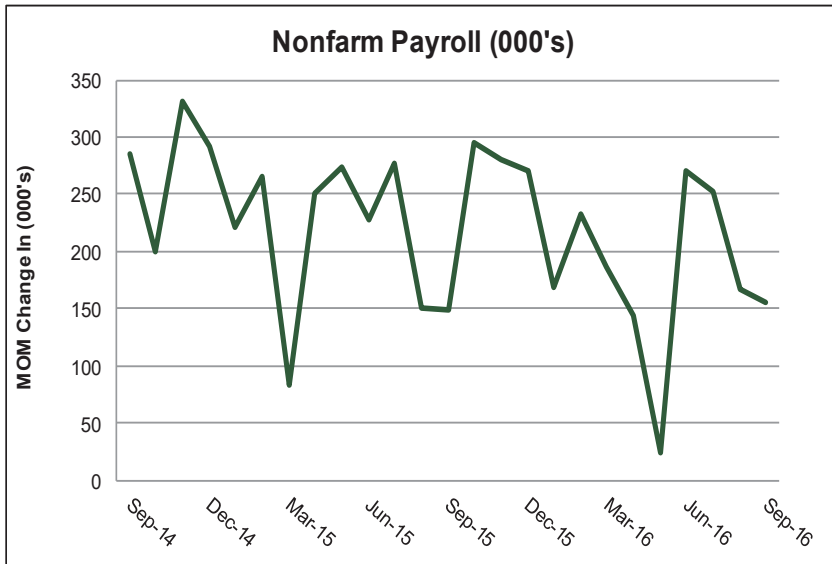
SECTION 1

Economic Update

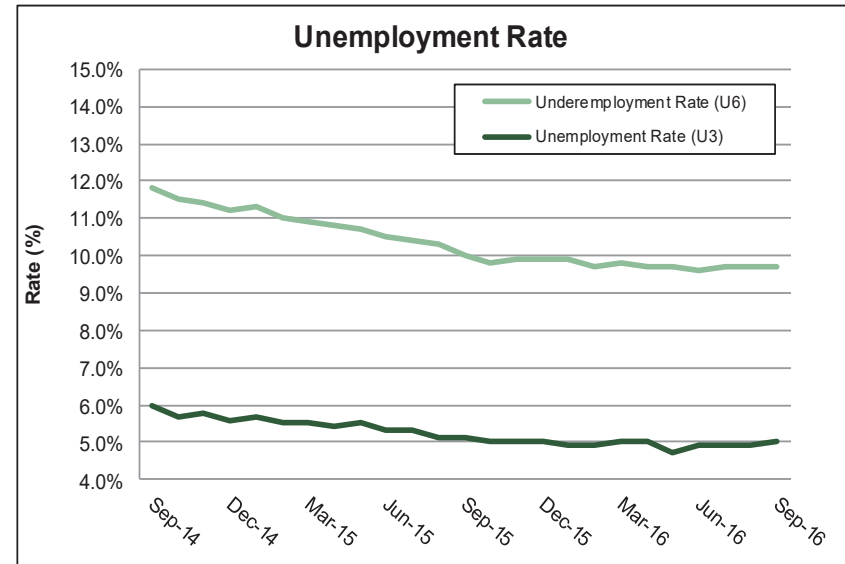


Economic Update

- The Federal Open Market Committee (FOMC) kept the fed funds rate unchanged at a range of 0.25%-0.50% in September. However, there were three dissenting votes (out of ten), as Esther George (Kansas City), Loretta Mester (Cleveland), and Eric Rosengren (Boston) preferred to raise the target range by a quarter percent. The Fed's overall assessment of the economy was little changed from July. In the policy statement, the Committee noted the labor market has continued to strengthen but inflation remains below target. In deciding whether or not to raise the fed funds target rate, the Committee said "the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives." In her press conference, Fed Chair Yellen remarked that the next meeting on November 1-2 is a "live" meeting but given its proximity to the US Presidential election on November 8, we think the Fed is likely to keep monetary policy on hold until December. If economic data remains modestly favorable over the next few months, we expect the Fed will hike the fed funds rate range by 25 basis points in December.
- The global economy continues to face headwinds, but domestic economic data points toward ongoing slow growth. The U.S. labor market remains healthy. The unemployment rate was 5.0% in September, and payrolls have increased by an average of 192,000 on a trailing 3-month moving average basis. Wage growth is inching higher. Consumer confidence remains strong. Housing trends remain favorable even though home price appreciation has softened. Oil prices have rebounded from earlier this year. The manufacturing sector, though still under pressure, has slightly improved. Second quarter 2016 GDP grew 1.4%, following growth of 0.8% in the first quarter. The consensus forecast calls for a pick-up in GDP growth in the second half of the year to 2.9% and 2.4% in the third and fourth quarters, respectively.
- In September, the 2-year Treasury yield decreased four basis points and the 10-year Treasury yield increased one basis point. Leading up to the FOMC meeting in September, the yield curve steepened slightly. After the FOMC meeting in September, yields modestly declined. The market-implied probability of a fed funds rate hike before year-end (reflected in fed funds futures prices) is now greater than 60%. According to the Fed's most recent projections, 14 out of 17 policymakers project at least one rate hike before year-end. The Fed's longer-run fed funds rate forecast is now 2.9%. The Fed's "dot plot" of fed funds rate projections has drifted lower over the last few years and we believe the projected terminal fed funds rate of 2.9% remains unrealistically high. We expect it will continue to move down closer to 2.0%. At least over the near-term, we believe multiple global and domestic factors will create an effective cap on rates across the yield curve.

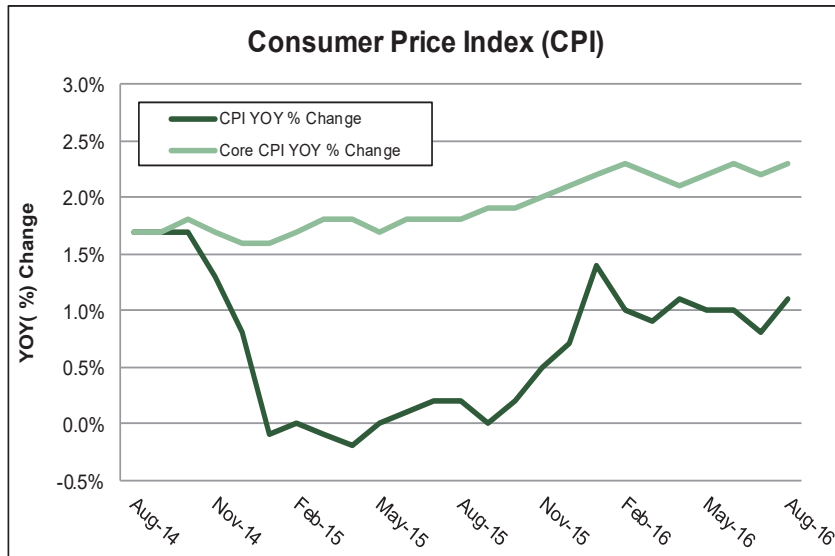


Source: US Department of Labor

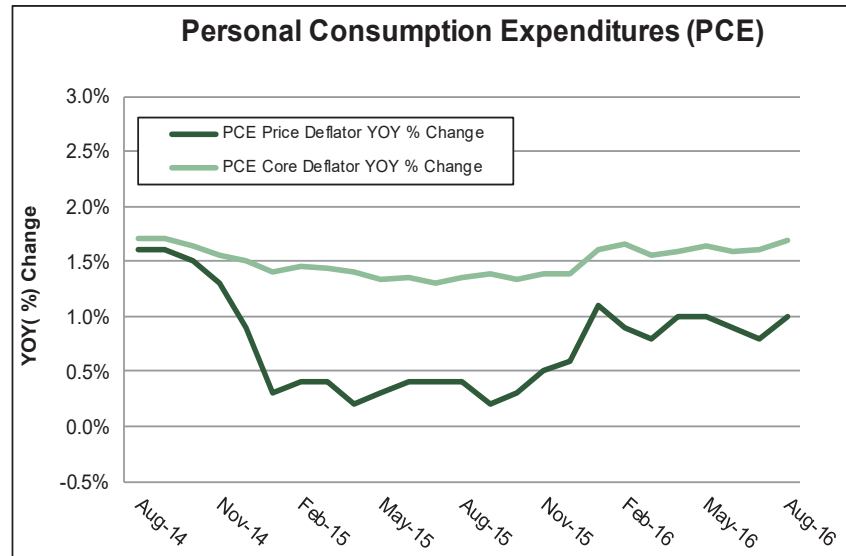


Source: US Department of Labor

Nonfarm payrolls were lower than expected in September, up 156,000 versus the consensus forecast of 172,000. July and August payrolls were revised down by a net total of 7,000. On a trailing 3-month and 6-month basis, payrolls increased by an average of 192,000 and 169,000 per month, respectively. The unemployment rate inched up in September to 5.0% from 4.9% in August, as the participation rate increased to 62.9% from 62.8%. A broader measure of unemployment called the U-6, which includes those who are marginally attached to the labor force and employed part time for economic reasons, remained unchanged in September at 9.7%. Wages increased 0.2% in September, following a 0.1% increase in August. On a year-over-year basis, wages were up 2.6% in September, versus 2.4% in August.

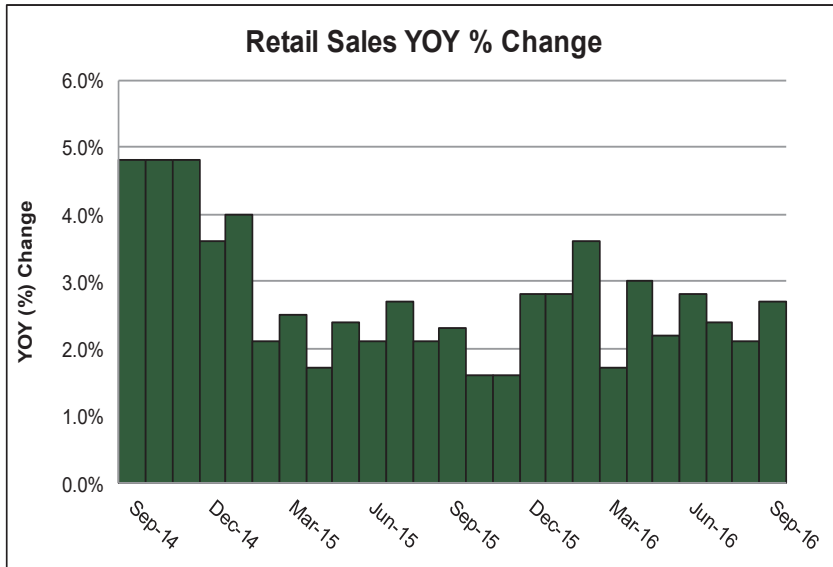


Source: US Department of Labor

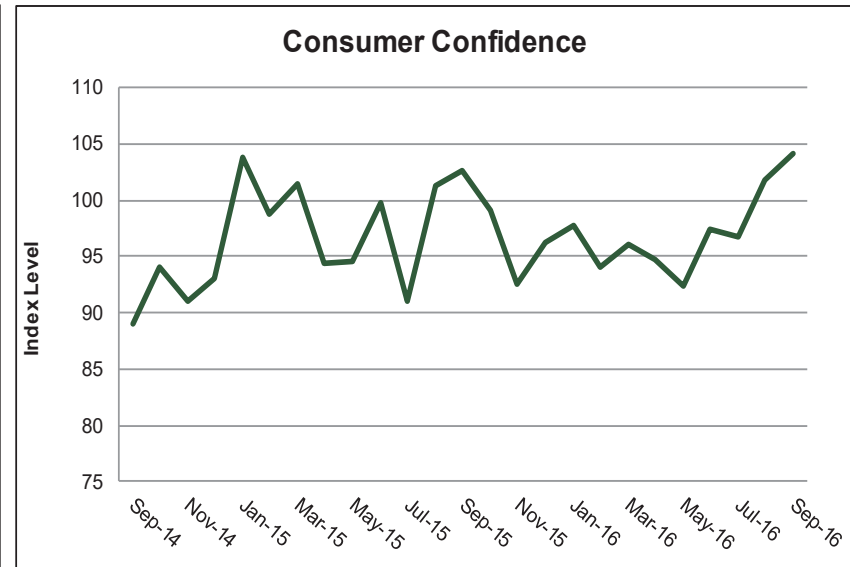


Source: US Department of Labor

The Consumer Price Index (CPI) was up 1.1% year-over-year in August, versus up 0.8% year-over-year in July. Core CPI (CPI less food and energy) was up 2.3% year-over-year in August, vs. 2.2% in July. The Personal Consumption Expenditures (PCE) index was up 1.0% year-over-year in August, versus 0.8% in July. Core PCE (excluding food and energy) was up 1.7% year-over-year in August vs. up 1.6% year-over-year in July. Although Core CPI is trending above 2.0%, the Fed's primary inflation gauge is PCE which remains below the Fed's 2.0% target.

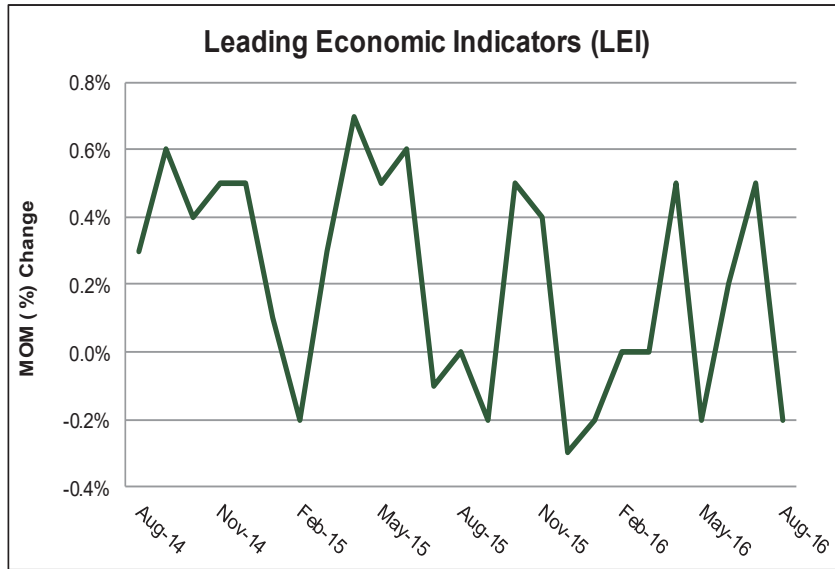


Source: US Department of Commerce

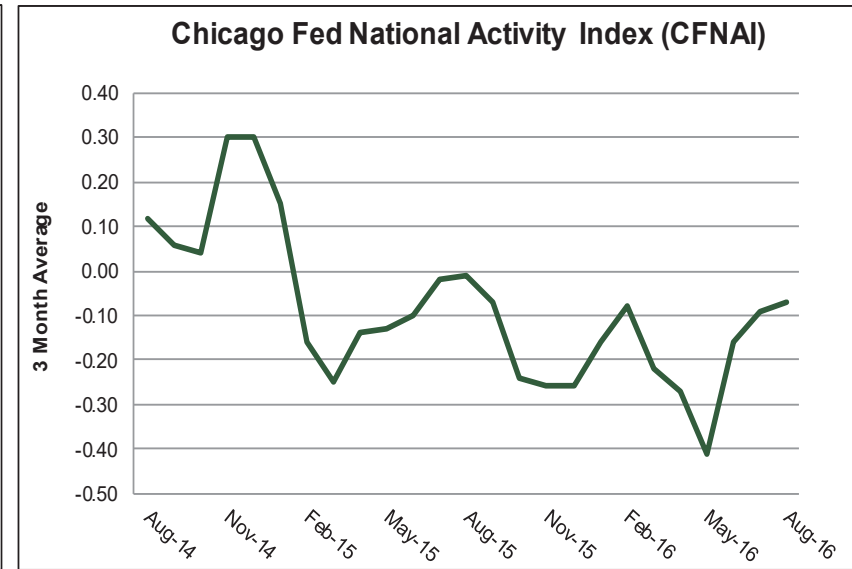


Source: Federal Reserve

On a year-over-year basis, total retail sales were solid, up 2.7% in September compared with a 2.1% increase in August. On a month-over-month basis, retail sales were up 0.6% in September, in line with expectations. Excluding autos and gas, retail sales rose 0.3% in the month. Meanwhile, consumer confidence remains strong. The consumer confidence index rose to 104.1 in September from 101.8 in August.

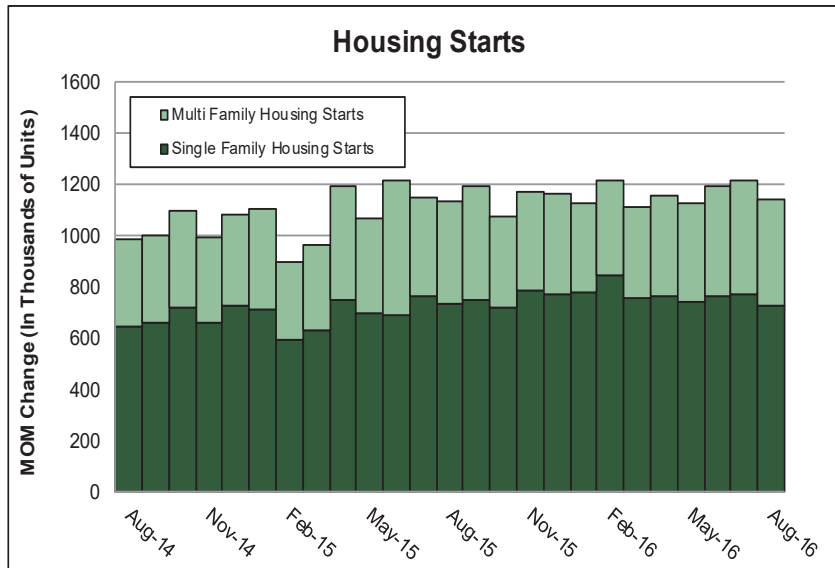


Source: The Conference Board

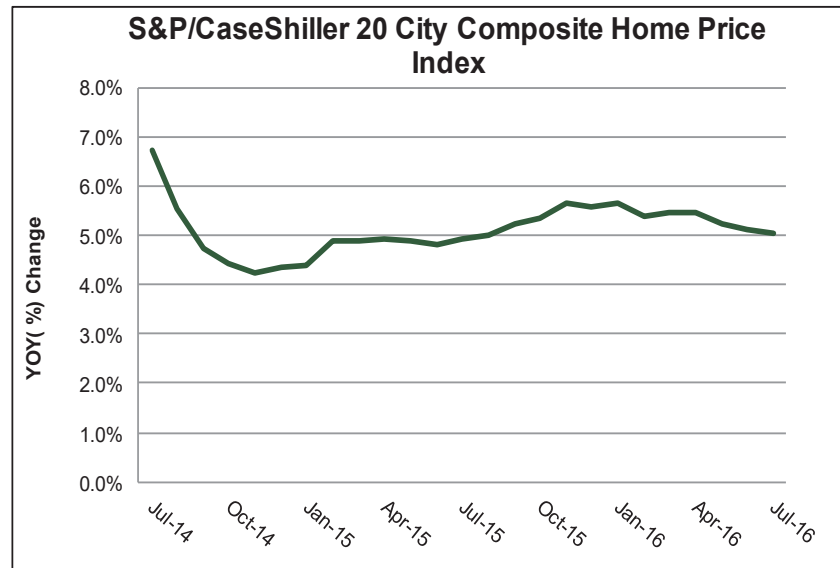


Source: Federal Reserve Bank of Chicago

The Index of Leading Economic Indicators (LEI) declined 0.2% in August, below expectations. Meanwhile, the Chicago Fed National Activity Index (CFNAI) improved to -0.07 in August on a 3-month moving average basis, from -0.09 in July. Both broad economic indices point to weak economic growth ahead.

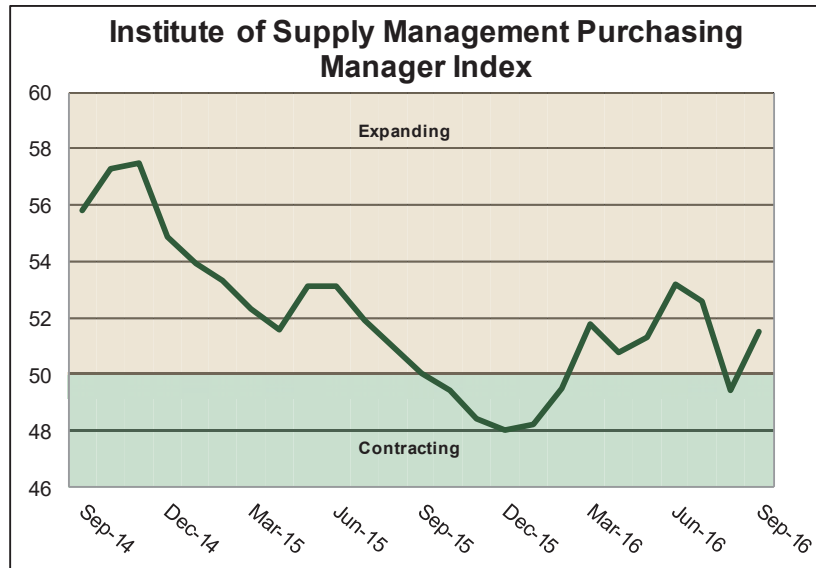


Source: US Census Bureau

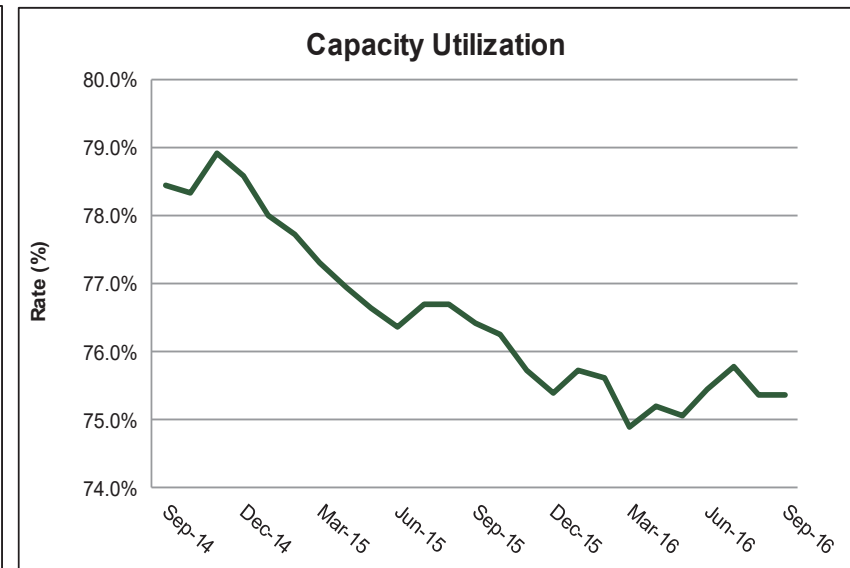


Source: S&P

Total housing starts fell 5.8% in August, following growth of 1.4% in July. Single-family starts fell 6.0% in August while multi-family starts declined 5.4%. Housing starts tend to be volatile on a month-to-month basis but the underlying trend remains favorable. Notably, single-family permit growth was strong in August. According to the Case-Shiller 20-City home price index, home prices were up just 5.0% year-over-year in July, vs. up 5.1% year-over-year in June. This index suggests that home price appreciation continues to soften.



Source: Institute for Supply Management



Source: Federal Reserve

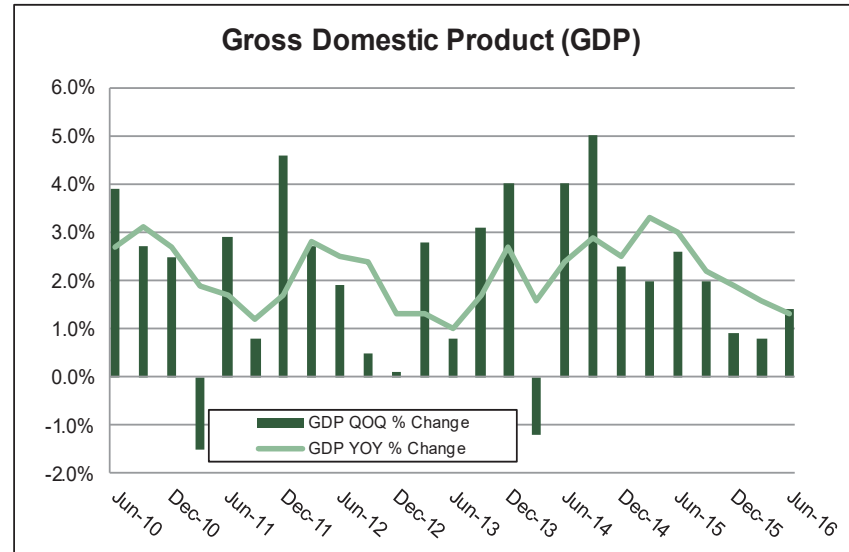
The Institute for Supply Management (ISM) manufacturing index increased to 51.5 in September from 49.4 in August, suggesting that manufacturing activity is improving. New orders grew solidly in September. A reading above 50.0 suggests the manufacturing sector is expanding, and a reading above 43.1 is generally indicative of broad economic expansion, based on the historical relationship between the index and GDP growth. Meanwhile, capacity utilization, which is production divided by capacity, decreased to 75.5% in August from 75.9% in July. The capacity utilization rate remains below the long-run average of 80.0% (1972-2015), suggesting there is still excess capacity in the industrial sector.



Gross Domestic Product (GDP)

Components of GDP	9/15	12/15	3/16	6/16
Personal Consumption Expenditures	1.8%	1.5%	1.1%	2.9%
Gross Private Domestic Investment	0.4%	-0.4%	-0.6%	-1.3%
Net Exports and Imports	-0.5%	-0.5%	0.0%	0.2%
Federal Government Expenditures	0.1%	0.3%	-0.1%	0.0%
State and Local (Consumption and Gross Investment)	0.3%	-0.1%	0.4%	-0.3%
Total	2.0%	0.9%	0.8%	1.4%

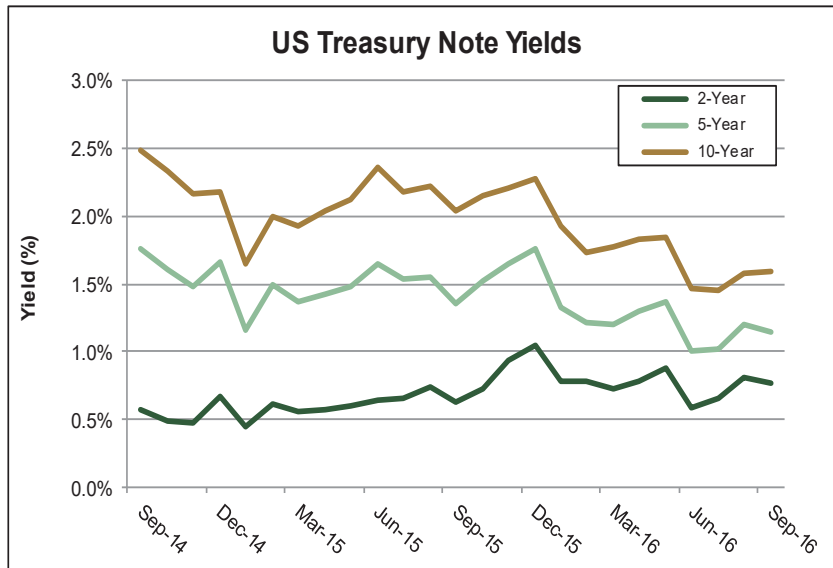
Source: US Department of Commerce



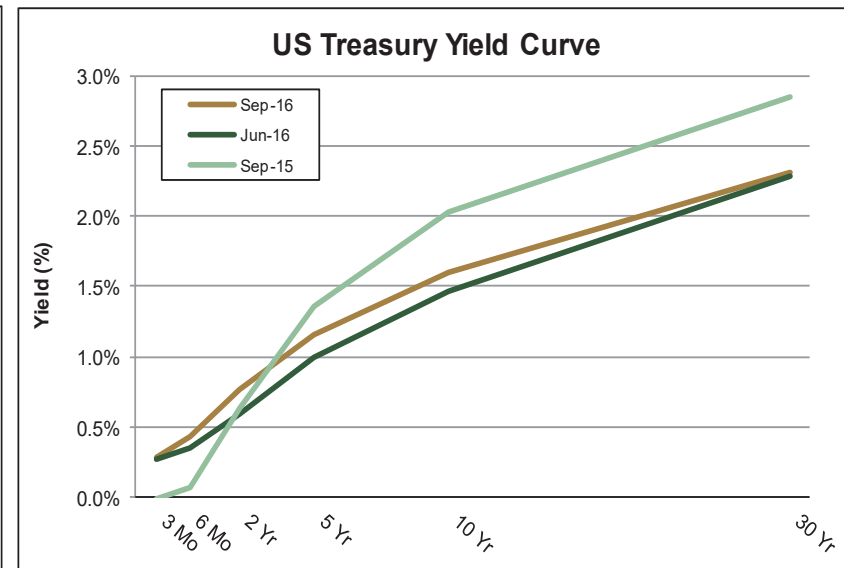
Source: US Department of Commerce

Second quarter real GDP growth was revised up to an annualized rate of 1.4% from the second estimate of 1.1%, slightly exceeding expectations. This follows growth of 0.8% in the first quarter and 0.9% in the fourth quarter. Nonresidential investment, exports, and inventories were the primary drivers of the revision. Growth from Personal Consumption Expenditures (PCE) was strong in the second quarter and continued to be the biggest overall contributor to economic growth. Market participants are forecasting GDP growth of 2.9% in the third quarter.

GA | Bond Yields



Source: Bloomberg



Source: Bloomberg

Over the past three months, the yield curve shifted upward with the 2-year Treasury yield up 18 basis points and the 10-year Treasury yield up nearly 13 basis points. However, on a year-over-year basis the yield curve flattened with the 2-year Treasury yield up about 13 basis points and the 10-year Treasury yield down more than 44 basis points. Over the past year, financial market volatility has been elevated due to weak global economic growth, volatile commodity prices, political uncertainty, and divergent global central bank monetary policy.



SECTION 2

Account Profile



Investment Objectives

The investment objectives of the Orange County Sanitation District are first, to provide safety of principal to ensure the preservation of capital in the overall portfolio; second, to provide sufficient liquidity to meet all operating requirements; and third, to earn a commensurate rate of return consistent with the constraints imposed by the safety and liquidity objectives.

Chandler Asset Management Performance Objective

Liquid Operating Monies – will be compared to the 3-month T-Bill rate and operate with a maximum maturity of one year.

Long-Term Operating Monies – will be compared to the Bank of America Merrill Lynch 1-5 Year Corporate Government Rated AAA – A Index.

Strategy

In order to achieve these objectives, the portfolio invests in high quality fixed income securities consistent with the investment policy and California Government Code.



Orange County Sanitation District Long Term September 30, 2016

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the investment policy

Category	Standard	Comment
Treasury Issues	5 years maximum maturity	Complies*
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 5 years maximum maturity	Complies
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
Municipal Securities	"A" or higher by 1 of 3 NRSROs; 10% maximum; 5% max issuer; 5 years maximum maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer (excluding MBS/govt agency); 5 years max maturity	Complies*
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs ; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
CDs/ TDS	5% max issuer; 5 years max maturity	Complies
Banker's Acceptances	A-1, or equivalent highest short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Maximum Maturity	5 years maximum maturity	Complies*

*The portfolio has twenty-four (24) securities with maturities greater than 5 years including one (1) ABS, five (5) CMOs, seventeen (17) MBS and one (1) treasury. All securities were inherited from the previous manager and complied at time of purchase.



Portfolio Characteristics

Orange County Sanitation District Long Term

	09/30/2016		06/30/2016
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	2.73	2.80	2.87
Modified Duration	2.62	2.38	2.45
Average Purchase Yield	n/a	1.48 %	1.43 %
Average Market Yield	1.07 %	1.05 %	0.92 %
Average Quality**	AAA	AA+/Aa1	AA+/Aa1
Total Market Value		325,949,886	332,689,558

* BAML 1-5 Yr US Corporate/Govt Rated AAA-A Index

** Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.

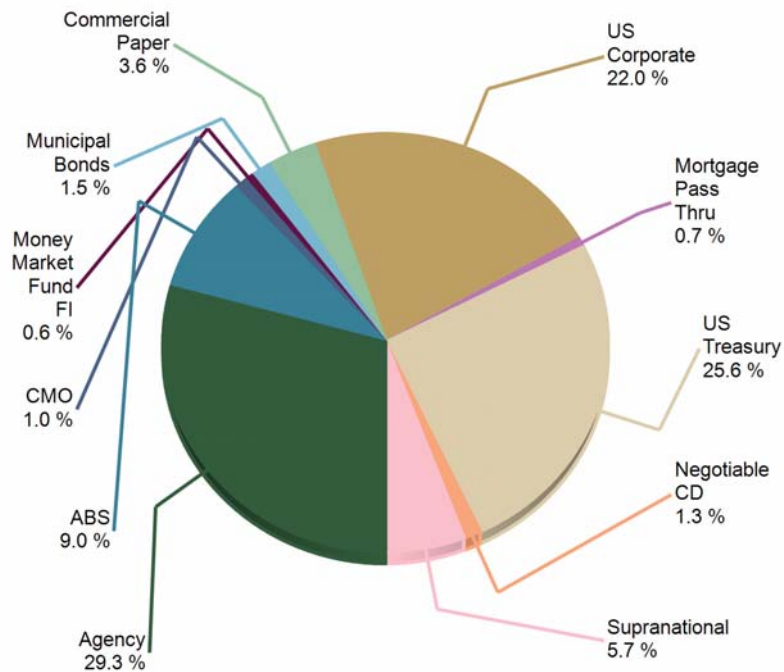
Several securities were purchased across the Supranational, Asset Backed, Negotiable CD, and Corporate sectors of the market to keep the portfolio structure in-line with Chandler objectives. Several Treasury notes were sold to facilitate the additions to the portfolio and to accommodate a \$7 million withdrawal in August.



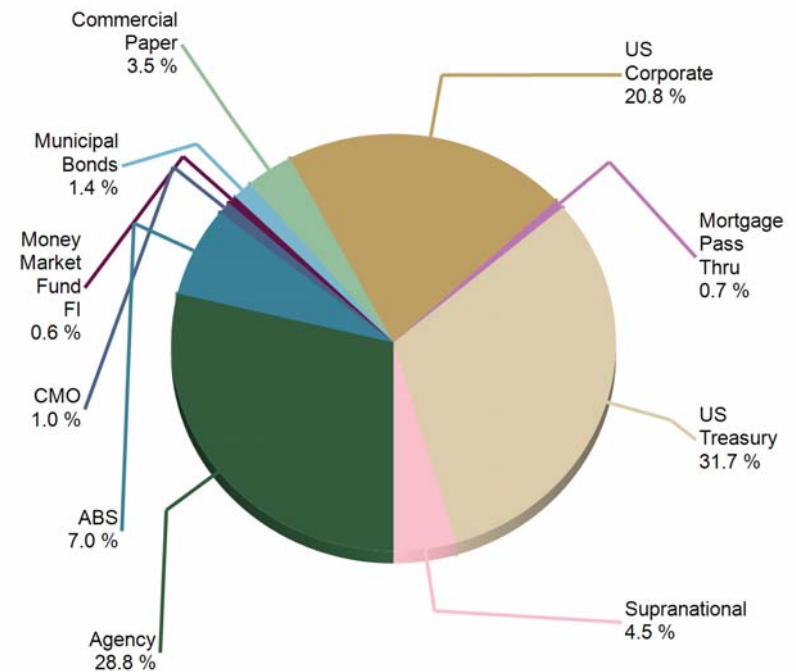
Sector Distribution

Orange County Sanitation District Long Term

September 30, 2016



June 30, 2016



The sector allocation changed moderately. Notably the Treasury allocation was reduced by 6.1%, to 25.6% of the portfolio, partially offset by the 2.0% increase in the Asset Backed allocation, and the 1.2% increase in both the Corporate and Supranational allocation.



Issuers



Orange County Sanitation District Long Term
Account #10268

Issuer Report

As of 9/30/2016

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	25.60 %
Federal National Mortgage Association	Agency	11.35 %
Federal Home Loan Bank	Agency	9.43 %
Federal Home Loan Mortgage Corp	Agency	8.48 %
Inter-American Dev Bank	Supranational	2.64 %
John Deere ABS	ABS	2.57 %
JP Morgan ABS	ABS	2.04 %
Bank of Tokyo-Mit UFJ	Commercial Paper	2.03 %
Honda ABS	ABS	1.91 %
Toyota ABS	ABS	1.77 %
Wells Fargo Corp	US Corporate	1.73 %
JP Morgan Chase & Co	US Corporate	1.67 %
General Electric Co	US Corporate	1.58 %
Qualcomm Inc	US Corporate	1.58 %
Deere & Company	US Corporate	1.57 %
International Finance Corp	Supranational	1.54 %
Intl Bank Recon and Development	Supranational	1.54 %
Toyota Motor Corp	Commercial Paper	1.53 %
Bank of America Corp	US Corporate	1.43 %
ChevronTexaco Corp	US Corporate	1.40 %
HSBC USA Corp	US Corporate	1.31 %
Apple Inc	US Corporate	1.26 %
Honda Motor Corporation	US Corporate	1.26 %
Toronto Dominion Holdings	Negotiable CD	1.25 %
Eli Lilly & Co	US Corporate	1.25 %
Morgan Stanley	US Corporate	0.99 %
American Express Credit	US Corporate	0.96 %
Exxon Mobil Corp	US Corporate	0.94 %
Microsoft	US Corporate	0.93 %
Port Authority of New York and New Jersey	Municipal Bonds	0.85 %
Federal Home Loan Mortgage Corp	CMO	0.70 %
Bank of New York	US Corporate	0.67 %
Nissan ABS	ABS	0.64 %



Issuers Continued



Orange County Sanitation District Long Term
Account #10268

Issuer Report

As of 9/30/2016

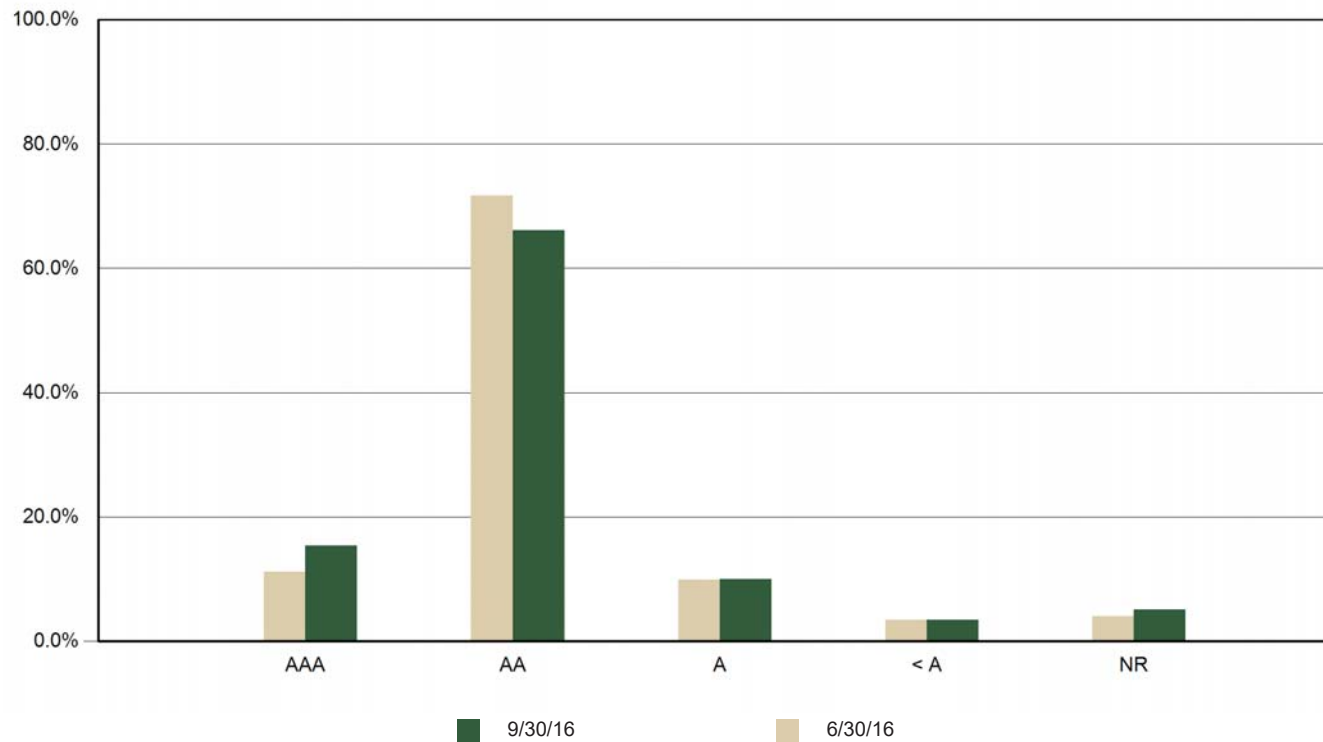
Issue Name	Investment Type	% Portfolio
Intel Corp	US Corporate	0.62 %
Occidental Petroleum Corporation	US Corporate	0.62 %
Federal National Mortgage Association	Mortgage Pass Thru	0.58 %
Drefus Treasury Money Market Fund	Money Market Fund FI	0.56 %
New York City Transitional Finance Authority	Municipal Bonds	0.48 %
Goldman Sachs Inc.	US Corporate	0.20 %
University of California	Municipal Bonds	0.14 %
NCUA Guaranteed Notes	CMO	0.13 %
Federal National Mortgage Association	CMO	0.12 %
GNMA	Mortgage Pass Thru	0.08 %
AMRESKO Residential Securities Corp	Mortgage Pass Thru	0.04 %
Small Business Administration	ABS	0.02 %
SLM Corp	ABS	0.01 %
GNMA	CMO	0.01 %
Federal Home Loan Mortgage Corp	Mortgage Pass Thru	0.00 %
Total		100.00 %



Quality Distribution

Orange County Sanitation District Long Term

September 30, 2016 vs. June 30, 2016



	AAA	AA	A	<A	NR
9/30/16	15.3 %	66.2 %	10.0 %	3.4 %	5.1 %
6/30/16	11.1 %	71.7 %	9.9 %	3.4 %	4.0 %

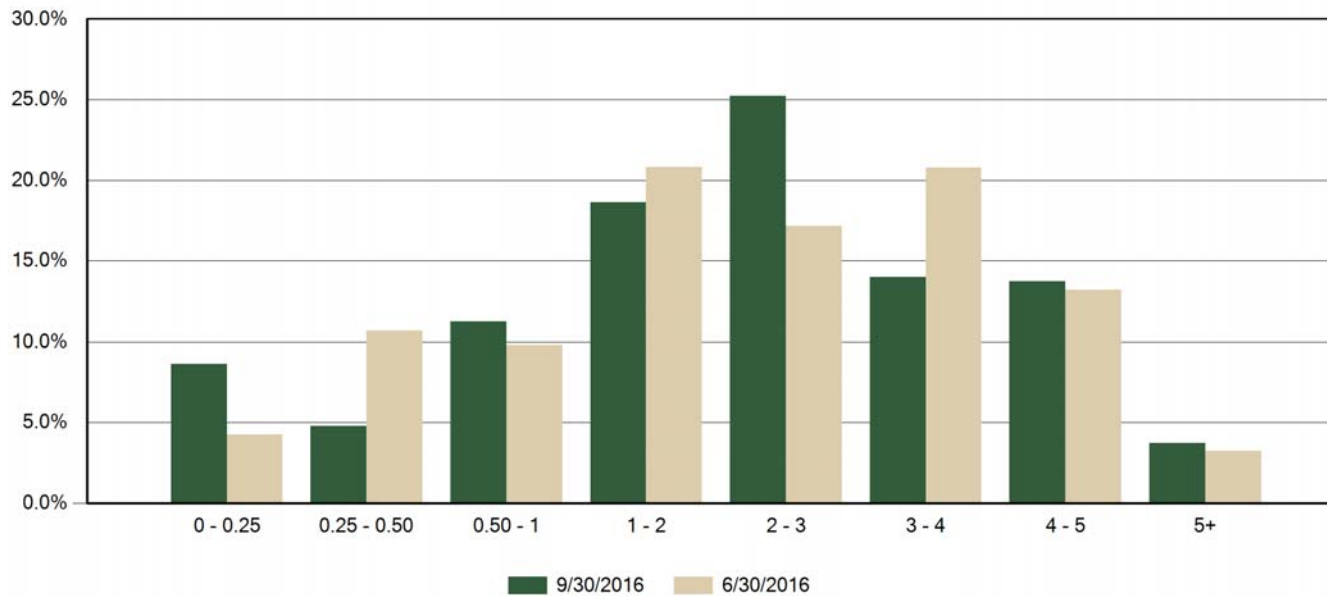
Source: S&P Ratings



Duration Distribution

Orange County Sanitation District Long Term

September 30, 2016 vs. June 30, 2016

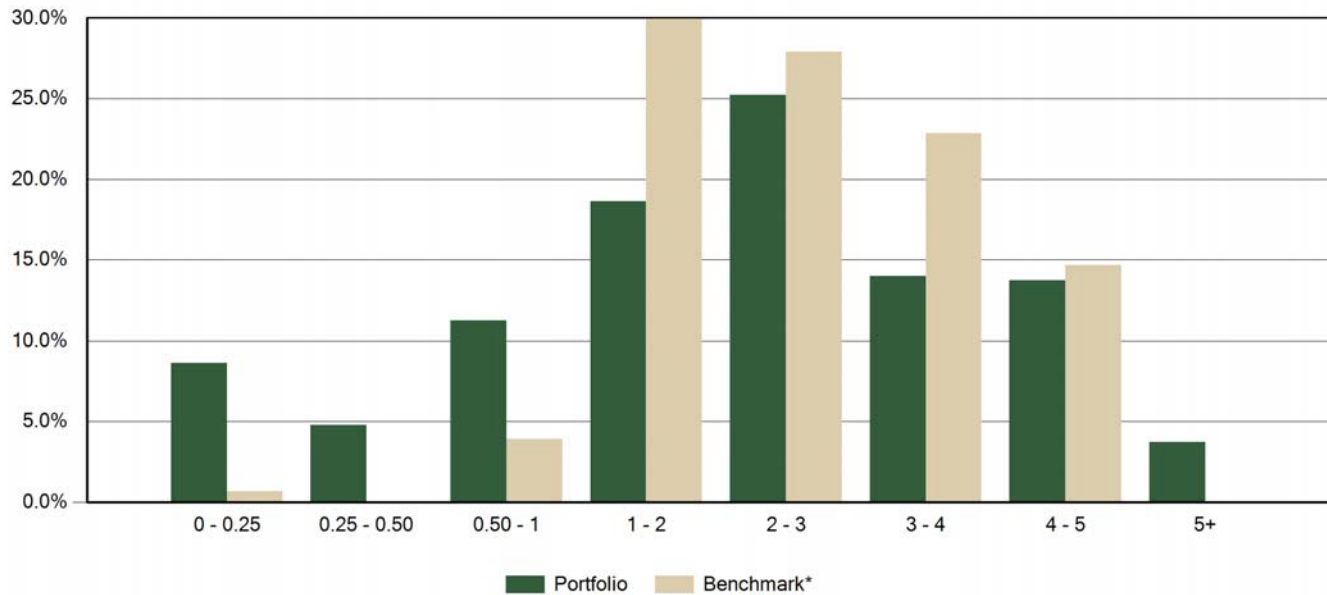


	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
9/30/16	8.6 %	4.8 %	11.3 %	18.6 %	25.2 %	14.0 %	13.7 %	3.7 %
6/30/16	4.3 %	10.7 %	9.8 %	20.8 %	17.2 %	20.8 %	13.2 %	3.2 %



Duration Distribution

Orange County Sanitation District Long Term Portfolio Compared to the Benchmark as of September 30, 2016



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	8.6 %	4.8 %	11.3 %	18.6 %	25.2 %	14.0 %	13.7 %	3.7 %
Benchmark*	0.7 %	0.0 %	3.9 %	29.9 %	27.9 %	22.8 %	14.7 %	0.0 %

* BAML 1-5 Yr US Corporate/Govt Rated AAA-A Index

The duration of the portfolio contracted moderately, currently 2.38 versus 2.45 at the end of the prior reporting period. The Chandler team will continue to keep the overall duration of the portfolio below the benchmark as in our judgment the market is underpricing the risk of a tightening to monetary policy later this year.



Investment Performance

Orange County Sanitation District Long Term

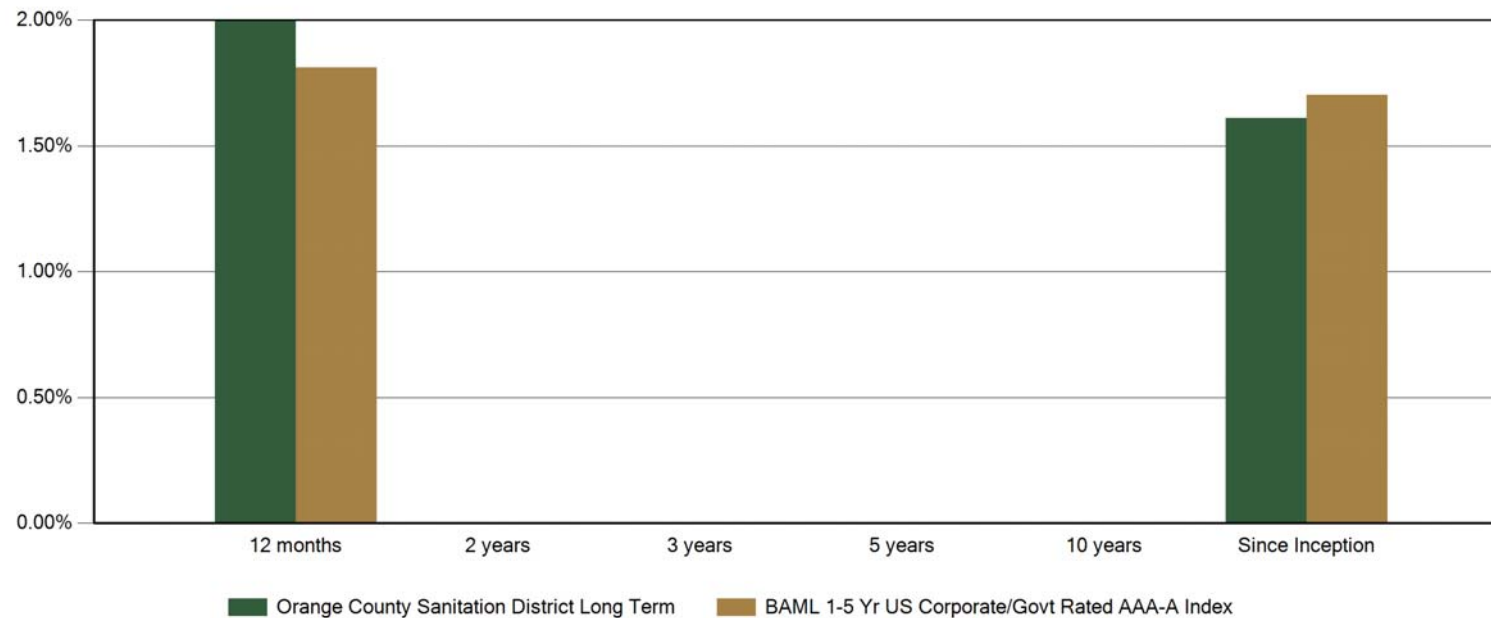
Period Ending

September 30, 2016

Total Rate of Return

Annualized Since Inception

November 30, 2014



	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
Orange County Sanitation District Long Term	0.06 %	2.00 %	N/A	N/A	N/A	N/A	1.61 %
BAML 1-5 Yr US Corporate/Govt Rated AAA-A Index	-0.07 %	1.81 %	N/A	N/A	N/A	N/A	1.70 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Compliance



Orange County Sanitation District Liquid

September 30, 2016

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the investment policy

Category	Standard	Comment
Treasury Issues	1 year maximum maturity; Minimum allocation of 10%	Complies
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 1 year maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 1 year maximum maturity	Complies*
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 1 year max maturity	Complies
Asset Backed/ CMOs	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer; 1 year max maturity	Complies
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs ; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 1 year max maturity	Complies
CDs/ TDS	5% max issuer; 1 year max maturity	Complies
Banker's Acceptances	A-1, or equivalent short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Prohibited	Municipal Securities	Complies
Prohibited	Mortgage Securities	Complies
Avg Duration	Not to exceed 180 days; Max duration of 1/2 year	Complies
Maximum Maturity	1 year maximum maturity	Complies

*Complies in the aggregate portfolio; Liquidity portfolio has 24% max issuer concentration on Federal National Mortgage Assoc (FNMA's).



Portfolio Characteristics

Orange County Sanitation District Liquid

	09/30/2016		06/30/2016
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	0.15	0.11	0.13
Modified Duration	0.15	0.10	0.13
Average Purchase Yield	n/a	0.45 %	0.40 %
Average Market Yield	0.17 %	0.51 %	0.38 %
Average Quality**	AAA	AA+/Aa1	AAA/Aa1
Total Market Value		57,988,854	139,402,771

* BAML 3-Month US Treasury Bill Index

** Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.

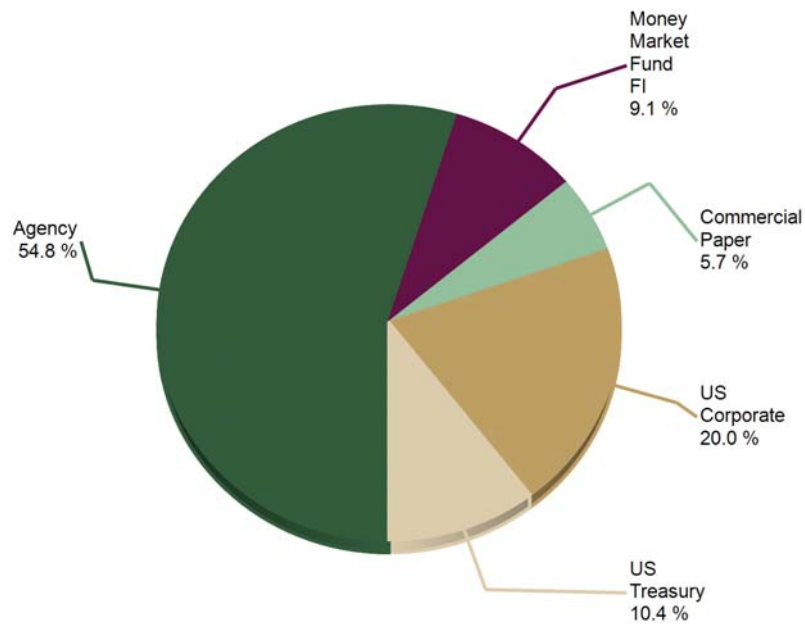
Many securities were purchased across the Treasury, Agency, Commercial Paper, and Corporate sectors of the market to reinvest maturing notes and offset upcoming liquidity needs. A large number of securities matured to offset the \$81.5 million withdrawn from the portfolio during the quarter; one security was sold.



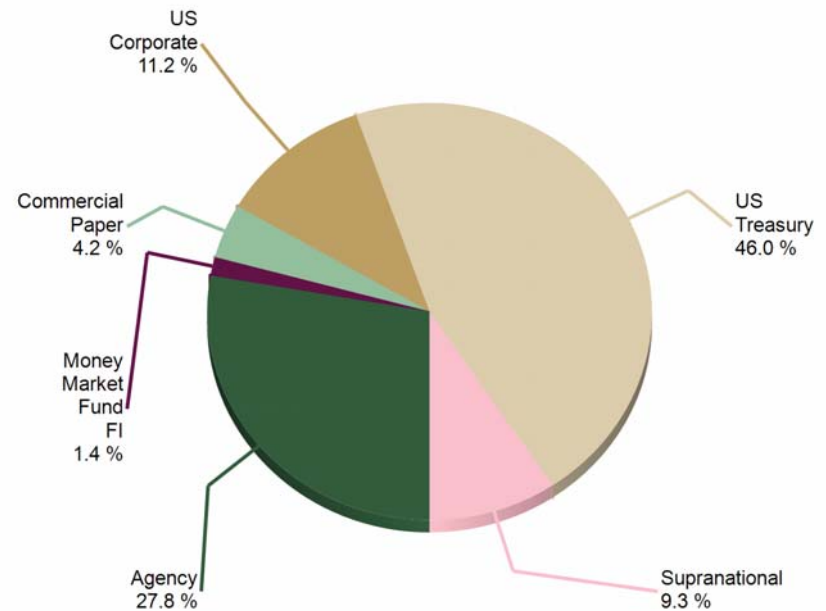
Sector Distribution

Orange County Sanitation District Liquid

September 30, 2016



June 30, 2016



The sector allocation changed materially driven by the large cash flows out of the portfolio during the quarter. The higher than normal cash balance was driven by a maturity on September 30.



Issuers



Orange County Sanitation District Liquid
Account #10282

Issuer Report

As of 9/30/2016

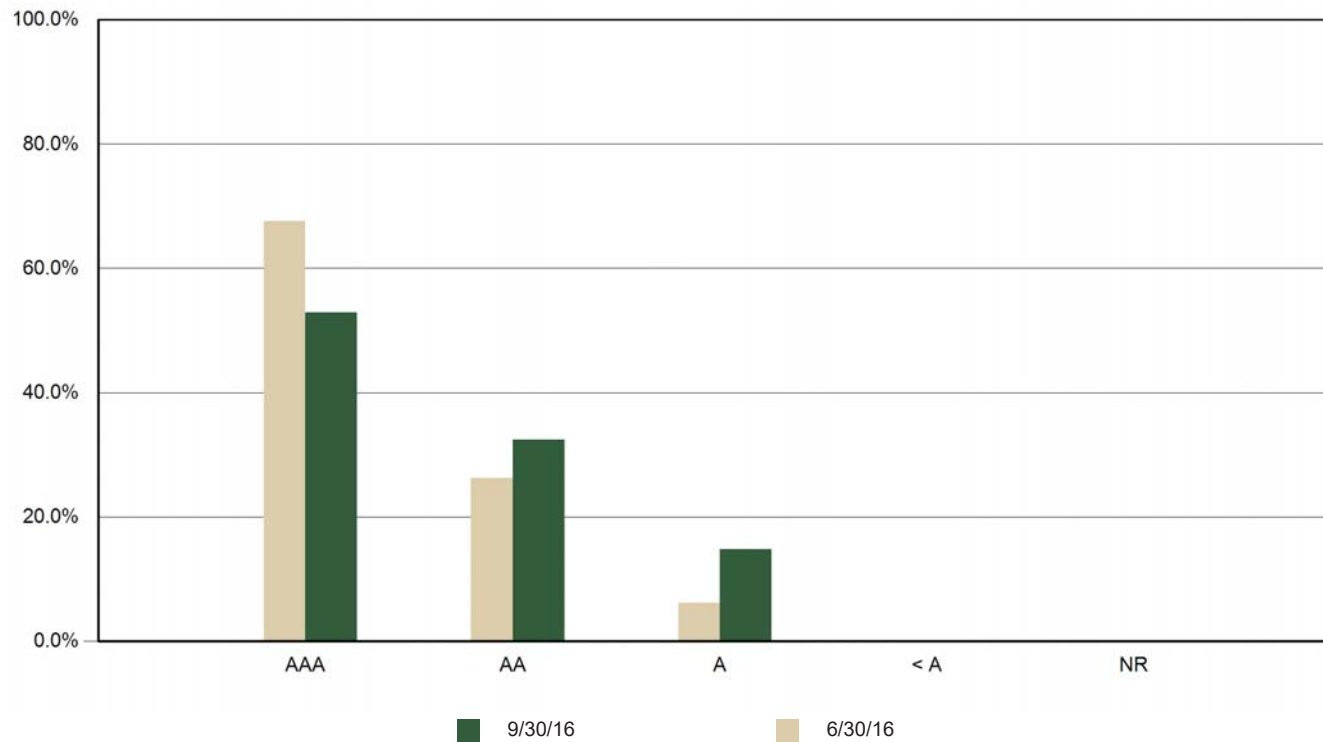
Issue Name	Investment Type	% Portfolio
Federal National Mortgage Association	Agency	24.42 %
Federal Home Loan Bank	Agency	19.66 %
Federal Home Loan Mortgage Corp	Agency	10.76 %
Government of United States	US Treasury	10.44 %
Drefus Treasury Money Market Fund	Money Market Fund FI	9.08 %
Pepsico Inc	US Corporate	2.59 %
Bank of Tokyo-Mit UFJ	Commercial Paper	2.22 %
Eli Lilly & Co	US Corporate	1.76 %
Wells Fargo Corp	US Corporate	1.75 %
Intel Corp	US Corporate	1.74 %
US Bancorp	US Corporate	1.74 %
Bank of New York	US Corporate	1.74 %
Honda Motor Corporation	US Corporate	1.73 %
Apple Inc	US Corporate	1.73 %
Deere & Company	US Corporate	1.73 %
JP Morgan Chase & Co	US Corporate	1.73 %
Cisco Systems	US Corporate	1.73 %
Toyota Motor Corp	Commercial Paper	1.72 %
Rabobank Nederland NV NY	Commercial Paper	1.72 %
Total		100.00 %



Quality Distribution

Orange County Sanitation District Liquid

September 30, 2016 vs. June 30, 2016



	AAA	AA	A	<A	NR
9/30/16	52.9 %	32.4 %	14.8 %	0.0 %	0.0 %
6/30/16	67.6 %	26.2 %	6.1 %	0.0 %	0.0 %

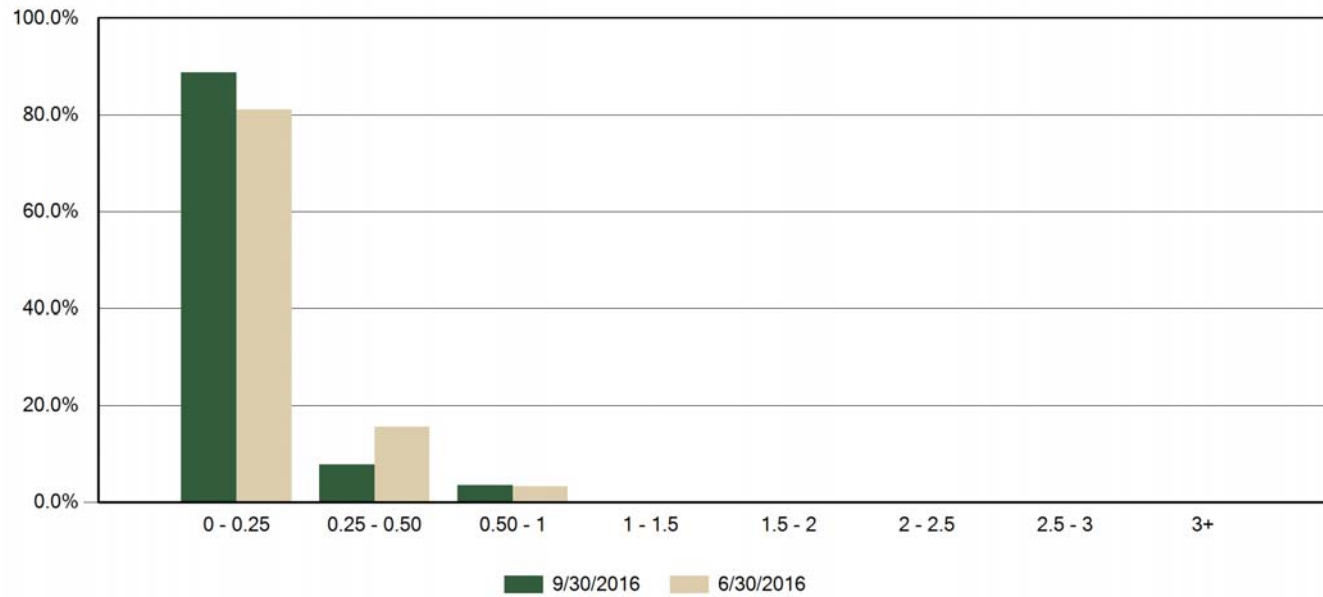
Source: S&P Ratings



Duration Distribution

Orange County Sanitation District Liquid

September 30, 2016 vs. June 30, 2016



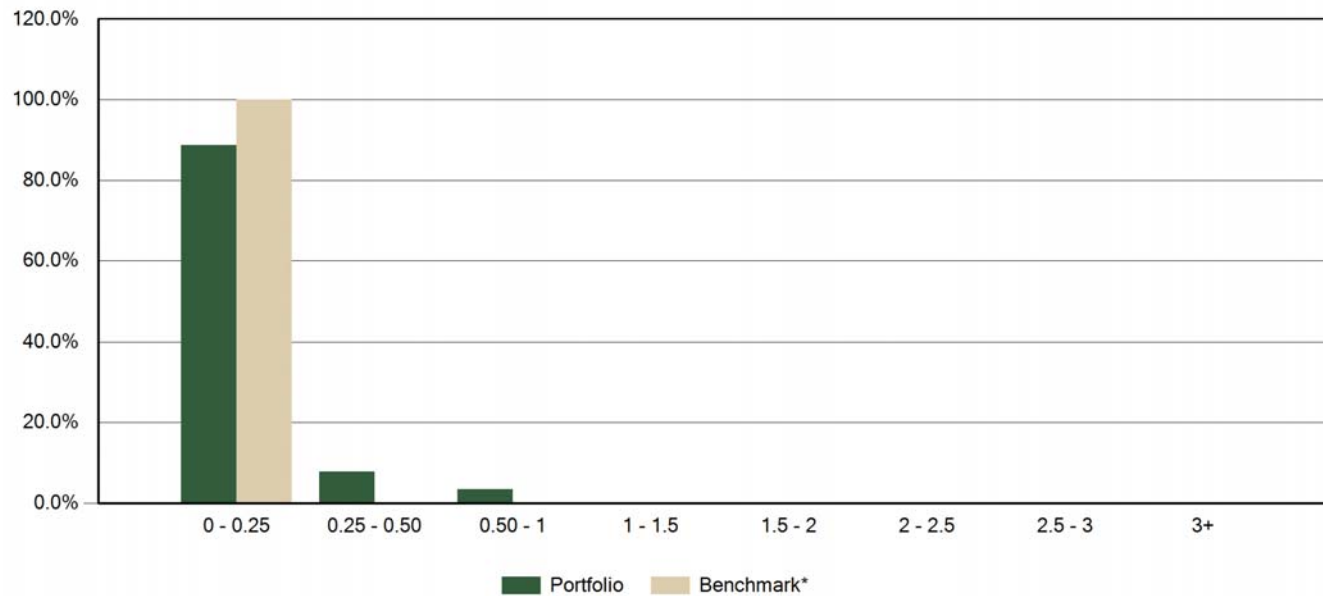
	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3+
9/30/16	88.7 %	7.8 %	3.5 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
6/30/16	81.1 %	15.6 %	3.3 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %



Duration Distribution

Orange County Sanitation District Liquid

Portfolio Compared to the Benchmark as of September 30, 2016



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 1.5	1.5 - 2	2 - 2.5	2.5 - 3	3+
Portfolio	88.7 %	7.8 %	3.5 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Benchmark*	100.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

* BAML 3-Month US Treasury Bill Index

The duration of the portfolio contracted slightly, currently 0.10 versus 0.13 at the end of the prior reporting period. The large liquidity need in mid-October is a contributing factor to the relatively short duration of the portfolio.

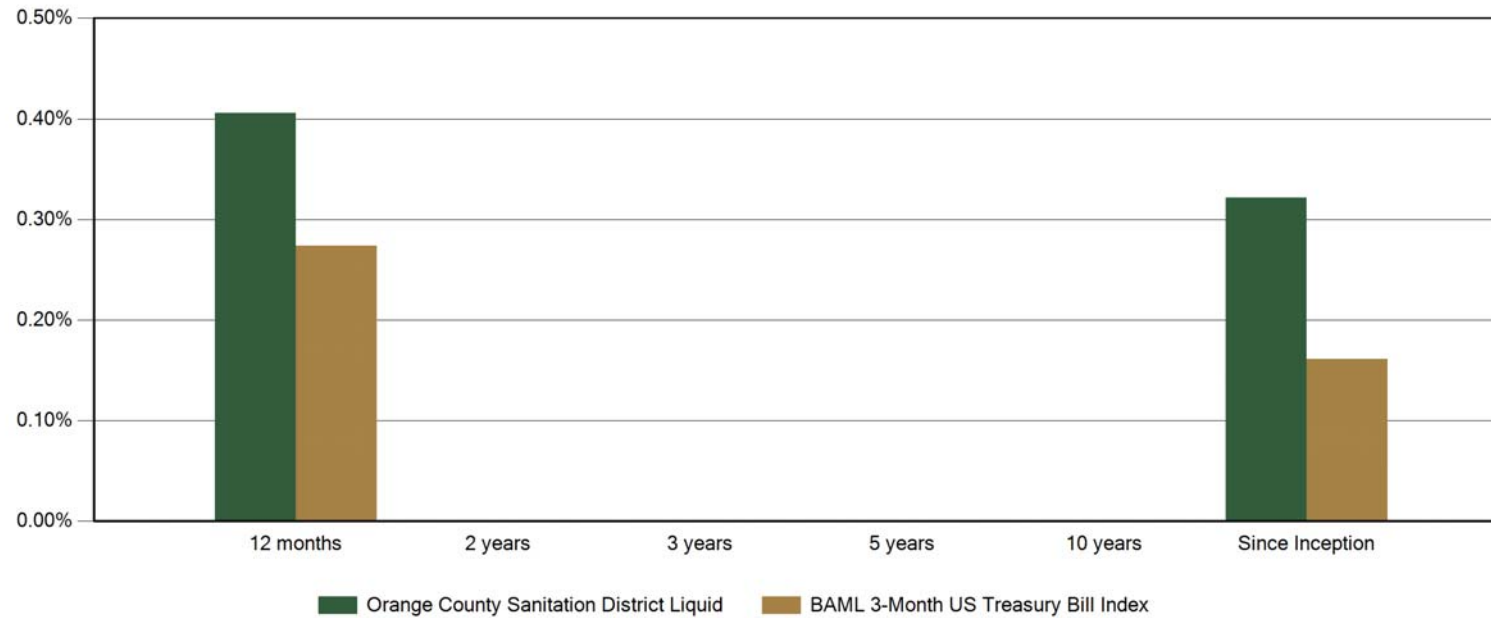


Investment Performance

Orange County Sanitation District Liquid

Period Ending
September 30, 2016

Total Rate of Return
Annualized Since Inception
November 30, 2014



	3 months	12 months	Annualized				Since Inception
			2 years	3 years	5 years	10 years	
Orange County Sanitation District Liquid	0.10 %	0.41 %	N/A	N/A	N/A	N/A	0.32 %
BAML 3-Month US Treasury Bill Index	0.10 %	0.27 %	N/A	N/A	N/A	N/A	0.16 %

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



OCSD Lehman Exposure

September 30, 2016

COMPLIANCE WITH INVESTMENT POLICY

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Category	Standard	Comment
Treasury Issues	5 years maximum maturity	Complies
Supranational	"AA" or better by 1 of 3 NRSROs; 30% maximum; 5% max; 5 years maturity; Includes only: IADB, IBRD, and IFC per CGC	Complies
U.S. Agencies	20% max issuer; 5 years maximum maturity	Complies
U.S. Corporate (MTNs)	"A" or better long term rating by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies*
Municipal Securities	"A" or higher by 1 of 3 NRSROs; 10% maximum; 5% max issuer; 5 years maximum maturity	Complies
Asset Backed/ CMOs/ Mortgage-backed	"AA" or better by 1 of 3 NRSROs; "A" or higher issuer rating by 1 of 3 NRSROs; 20% maximum; 5% max issuer (excluding MBS/govt agency); 5 years max maturity	Complies
Negotiable CDs	"A" or better on its long term debt by 1 of 3 NRSROs ; "A1/P1" or highest short term ratings by 1 of 3 NRSROs; 30% maximum; 5% max issuer; 5 years max maturity	Complies
CDs/ TDS	5% max issuer; 5 years max maturity	Complies
Banker's Acceptances	A-1, or equivalent highest short term rating by 1 of 3 NRSROs; 40% maximum; 5% max issuer; 180 days max maturity	Complies
Commercial Paper	A-1, or equivalent by 1 of 3 NRSROs; "A" or better by 1 of 3 NRSROs, if long term debt issued; 25% maximum; 5% max issuer; 270 days max maturity	Complies
Money Market Fund	Highest rating by 2 of 3 NRSROs; 20% maximum; 10% max issuer	Complies
Repurchase Agreements	102% collateralization	Complies
Reverse Repurchase Agreements	5% maximum, 90 days max maturity	Complies
LAIF	Not used by investment adviser	Complies
Avg Duration	Not to exceed 60 months - (80% to 120% of the benchmark)	Complies
Maximum Maturity	5 years maximum maturity	Complies

* Account holds \$2 million face value (cusip 525ESC0Y6) and \$600,000 face value (cusip 525ESC1B7) of defaulted Lehman Bros Holdings that were purchased by the previous manager. Complied at time of purchase.



Portfolio Characteristics

OCSD Lehman Exposure

	09/30/2016	06/30/2016
	Portfolio	Portfolio
Average Maturity (yrs)	22.68	22.17
Modified Duration	0.00	0.00
Average Purchase Yield	0.00 %	0.00 %
Average Market Yield	0.00 %	0.00 %
Average Quality**	NR/NR	NR/NR
Total Market Value	230,371	226,784

* Portfolio is S&P and Moody's respectively.

SECTION 3



Consolidated Information



Portfolio Characteristics

Orange County Sanitation District Consolidated

	09/30/2016	06/30/2016
	Portfolio	Portfolio
Average Maturity (yrs)	2.41	2.07
Modified Duration	2.04	1.77
Average Purchase Yield	1.32 %	1.12 %
Average Market Yield	0.97 %	0.76 %
Average Quality**	AA+/Aa1	AA+/Aa1
Total Market Value	384,169,111	472,319,114

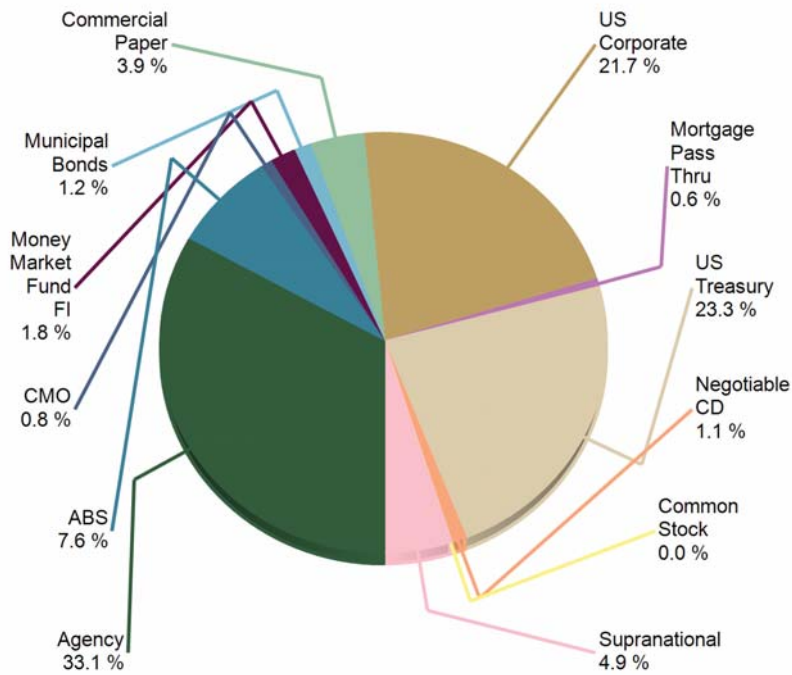
* Portfolio is S&P and Moody's respectively.



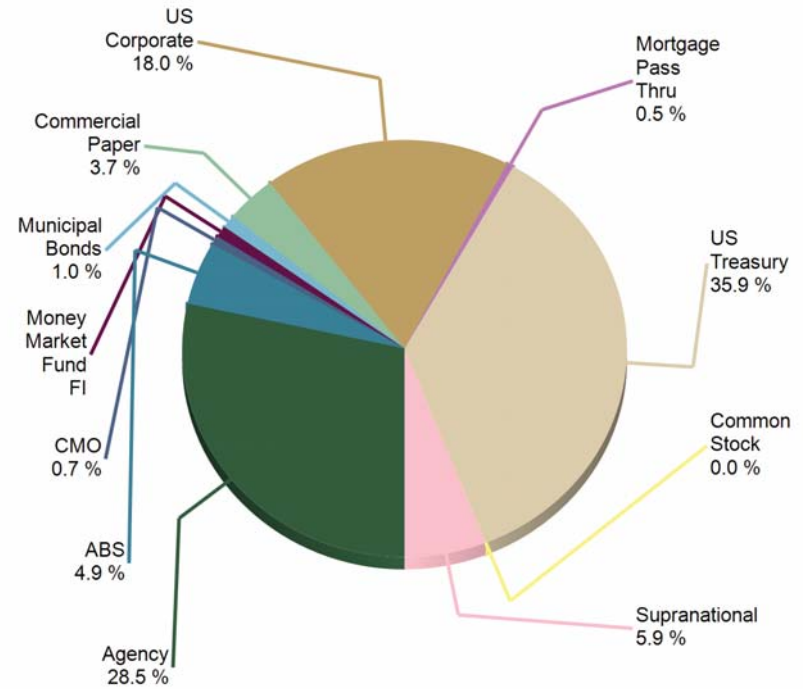
Sector Distribution

Orange County Sanitation District Consolidated

September 30, 2016



June 30, 2016



SECTION 4



Portfolio Holdings



Holdings Report

As of 9/30/16

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
43813JAC9	Honda Auto Receivables 2014-1 A3 0.67% Due 11/21/2017	998,914.40	01/22/2015 0.90 %	995,870.84 998,559.17	99.85 1.54 %	997,464.98 185.91	0.31 % (1,094.19)	Aaa / NR AAA	1.14 0.17
89231MAC9	Toyota Auto Receivables Owner 2014-A 0.67% Due 12/15/2017	1,074,791.54	01/21/2015 0.90 %	1,072,566.38 1,074,458.69	99.95 0.96 %	1,074,209.00 320.05	0.33 % (249.69)	Aaa / AAA NR	1.21 0.18
89231TAB6	Toyota Auto Receivables Owner 2015-C 0.92% Due 2/15/2018	1,080,063.49	08/18/2015 0.93 %	1,079,976.64 1,080,015.26	99.99 0.97 %	1,079,940.36 441.63	0.33 % (74.90)	Aaa / AAA NR	1.38 0.23
43814GAC4	Honda Auto Receivables 2014-2 A3 0.77% Due 3/19/2018	832,992.17	04/08/2015 0.83 %	832,406.48 832,817.07	99.94 0.95 %	832,504.04 231.62	0.26 % (313.03)	Aaa / AAA NR	1.47 0.34
43814NAB1	Honda Auto Receivables 2016-1 A2 1.01% Due 6/18/2018	2,565,000.00	02/16/2016 1.02 %	2,564,743.76 2,564,810.25	100.03 0.95 %	2,565,718.20 935.51	0.79 % 907.95	NR / AAA AAA	1.72 0.47
161571GC2	Chase CHAIT Pool #2013-A8 1.01% Due 10/15/2018	2,500,000.00	01/07/2016 1.03 %	2,499,121.10 2,499,350.64	100.01 0.65 %	2,500,227.50 1,122.22	0.77 % 876.86	Aaa / AAA AAA	2.04 0.02
477877AD6	John Deere Owner Trust 2014-B A3 1.07% Due 11/15/2018	2,955,493.72	02/04/2015 1.05 %	2,956,879.10 2,956,056.10	100.04 0.99 %	2,956,740.94 1,405.50	0.91 % 684.84	Aaa / NR AAA	2.13 0.48
89236WAC2	Toyota Auto Receivables Owner 2015-A 1.12% Due 2/15/2019	3,595,000.00	02/24/2015 1.13 %	3,594,456.44 3,594,747.11	100.07 1.01 %	3,597,609.97 1,789.51	1.10 % 2,862.86	Aaa / AAA NR	2.38 0.64
47788NAB4	John Deere Owner Trust 2016-B A2 1.09% Due 2/15/2019	2,980,000.00	07/19/2016 1.10 %	2,979,818.22 2,979,831.08	99.99 1.10 %	2,979,734.78 1,443.64	0.91 % (96.30)	Aaa / NR AAA	2.38 0.92
65478WAB1	Nissan Auto Receivables Owner 2016-C A2A 1.07% Due 5/15/2019	2,085,000.00	08/02/2016 1.08 %	2,084,917.85 2,084,922.09	99.93 1.14 %	2,083,619.73 991.53	0.64 % (1,302.36)	Aaa / NR AAA	2.62 1.00
161571HH0	Chase CHAIT Pool #2016-A7 1.06% Due 9/16/2019	4,140,000.00	09/06/2016 1.08 %	4,139,643.13 4,139,660.63	100.02 1.04 %	4,140,732.78 2,194.20	1.27 % 1,072.15	Aaa / AAA AAA	2.96 0.93
47788MAC4	John Deere Owner Trust 2016-A A3 1.36% Due 4/15/2020	2,420,000.00	02/23/2016 1.37 %	2,419,619.09 2,419,673.00	100.09 1.31 %	2,422,243.34 1,462.76	0.74 % 2,570.34	Aaa / NR AAA	3.54 1.65
43814QAC2	Honda Auto Receivables 2016-2 A3 1.39% Due 4/15/2020	1,810,000.00	05/24/2016 1.40 %	1,809,964.89 1,809,967.94	100.43 1.16 %	1,817,860.83 1,118.18	0.56 % 7,892.89	Aaa / NR AAA	3.54 1.82
83162CLJ0	Small Business Administration 2001-20C 6.34% Due 3/1/2021	70,644.46	03/06/2001 6.34 %	70,644.46 70,644.46	105.95 3.80 %	74,849.92 373.24	0.02 % 4,205.46	Aaa / AA+ AAA	4.42 2.30
78445JAA5	SLMA 2008-9 A 2.234% Due 4/25/2023	37,851.84	08/22/2008 2.33 %	37,698.27 37,833.98	100.22 2.38 %	37,935.38 159.69	0.01 % 101.40	Aaa / AA+ AAA	6.57 0.06
Total ABS		29,145,751.62	1.11 %	29,138,326.65 29,143,347.47	1.05 %	29,161,391.75 14,175.19	8.95 % 18,044.28	Aaa / AAA Aaa	2.40 0.76

AGENCY									
3135G0ES8	FNMA Note 1.375% Due 11/15/2016	4,000,000.00	06/11/2015 0.60 %	4,044,200.00 4,003,810.34	100.11 0.46 %	4,004,576.00 20,777.78	1.23 % 765.66	Aaa / AA+ AAA	0.13 0.12
3137EADU0	FHLMC Note 0.5% Due 1/27/2017	5,000,000.00	01/16/2015 0.59 %	4,991,050.00 4,998,568.97	100.03 0.40 %	5,001,545.00 4,444.44	1.54 % 2,976.03	Aaa / AA+ AAA	0.33 0.32
313379FW4	FHLB Note 1% Due 6/9/2017	5,000,000.00	05/22/2015 0.75 %	5,025,100.00 5,008,456.51	100.26 0.62 %	5,013,190.00 15,555.56	1.54 % 4,733.49	Aaa / AA+ AAA	0.69 0.69



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AGENCY									
3137EADV8	FHLMC Note 0.75% Due 7/14/2017	5,000,000.00	06/25/2015 0.81 %	4,994,250.00 4,997,804.41	100.10 0.63 %	5,004,825.00 8,020.83	1.54 % 7,020.59	Aaa / AA+ AAA	0.79 0.78
3137EADN6	FHLMC Note 0.75% Due 1/12/2018	5,000,000.00	01/23/2015 0.97 %	4,967,500.00 4,985,942.70	99.97 0.77 %	4,998,525.00 8,229.17	1.54 % 12,582.30	Aaa / AA+ AAA	1.28 1.27
3137EADP1	FHLMC Note 0.875% Due 3/7/2018	5,000,000.00	01/13/2015 1.04 %	4,974,100.00 4,988,223.17	100.08 0.82 %	5,003,920.00 2,916.67	1.54 % 15,696.83	Aaa / AA+ AAA	1.43 1.42
313378A43	FHLB Note 1.375% Due 3/9/2018	7,500,000.00	02/11/2015 1.18 %	7,544,850.00 7,520,964.67	100.82 0.80 %	7,561,147.50 6,302.08	2.32 % 40,182.83	Aaa / AA+ AAA	1.44 1.43
3135G0G72	FNMA Note 1.125% Due 12/14/2018	5,000,000.00	12/18/2015 1.37 %	4,963,950.00 4,973,384.57	100.48 0.90 %	5,023,985.00 16,718.75	1.55 % 50,600.43	Aaa / AA+ AAA	2.21 2.17
3133782M2	FHLB Note 1.5% Due 3/8/2019	7,500,000.00	Various 1.14 %	7,589,190.00 7,563,476.27	101.31 0.96 %	7,598,025.00 7,187.50	2.33 % 34,548.73	Aaa / AA+ AAA	2.44 2.39
3135G0ZG1	FNMA Note 1.75% Due 9/12/2019	5,000,000.00	12/15/2014 1.66 %	5,021,500.00 5,013,364.53	102.16 1.00 %	5,108,075.00 4,618.06	1.57 % 94,710.47	Aaa / AA+ AAA	2.95 2.87
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	7,500,000.00	Various 1.61 %	7,399,650.00 7,420,939.99	100.71 1.01 %	7,552,950.00 46,614.58	2.33 % 132,010.01	Aaa / AA+ AAA	3.01 2.93
313383HU8	FHLB Note 1.75% Due 6/12/2020	5,000,000.00	08/13/2015 1.71 %	5,008,950.00 5,006,849.49	102.32 1.11 %	5,115,795.00 26,493.06	1.58 % 108,945.51	Aaa / AA+ NR	3.70 3.56
3135G0D75	FNMA Note 1.5% Due 6/22/2020	5,000,000.00	11/16/2015 1.70 %	4,955,650.00 4,964,076.24	101.53 1.08 %	5,076,500.00 20,625.00	1.56 % 112,423.76	Aaa / AA+ AAA	3.73 3.61
3135G0F73	FNMA Note 1.5% Due 11/30/2020	7,500,000.00	Various 1.87 %	7,370,726.00 7,391,401.51	101.35 1.17 %	7,600,927.50 37,812.50	2.34 % 209,525.99	Aaa / AA+ AAA	4.17 4.01
3130A7CV5	FHLB Note 1.375% Due 2/18/2021	5,365,000.00	02/17/2016 1.46 %	5,343,325.40 5,346,006.55	100.61 1.23 %	5,397,565.55 8,811.27	1.66 % 51,559.00	Aaa / AA+ AAA	4.39 4.24
3135G0J20	FNMA Note 1.375% Due 2/26/2021	10,000,000.00	Various 1.28 %	10,040,950.00 10,039,317.66	100.66 1.22 %	10,065,950.00 13,368.06	3.09 % 26,632.34	Aaa / AA+ AAA	4.41 4.26
Total Agency		94,365,000.00	1.27 %	94,234,941.40 94,222,587.58	0.92 %	95,127,501.55 248,495.31	29.26 % 904,913.97	Aaa / AA+ Aaa	2.51 2.44
CMO									
62888UAA8	NCUA Guaranteed Note CMO 2010-R2 0.894% Due 11/6/2017	419,136.76	11/10/2010 0.00 %	419,134.86 419,134.86	100.02 0.88 %	419,215.56 260.00	0.13 % 80.70	Aaa / AA+ NR	1.10 0.08
31398VJ98	FHLMC FHMS K006 A2 4.251% Due 1/25/2020	900,000.00	11/23/2010 3.54 %	951,046.88 918,486.18	108.28 1.48 %	974,520.90 3,188.25	0.30 % 56,034.72	Aaa / AA+ AAA	3.32 2.96
3837H4NX9	GNMA Pool# 2000-9 1.032% Due 2/16/2030	35,255.74	01/24/2000 1.04 %	35,255.74 35,255.74	100.54 0.66 %	35,445.77 29.96	0.01 % 190.03	Aaa / AA+ AAA	13.39 0.03
3133TCE95	FHLMC FSPC E3 A 3.039% Due 8/15/2032	49,510.10	03/11/1998 3.01 %	49,561.89 49,534.05	104.26 1.55 %	51,618.29 125.38	0.02 % 2,084.24	Aaa / AA+ AAA	15.88 1.68
31396X3Q5	FNMA FNR 2007-114 A6 0.727% Due 10/27/2037	40,243.38	01/10/2008 1.07 %	38,281.52 38,855.40	99.83 1.00 %	40,173.44 3.25	0.01 % 1,318.04	Aaa / AA+ AAA	21.09 0.75



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CMO									
31397QRE0	FNMA FNR 2011-3 FA 1.202% Due 2/25/2041	363,964.60	12/20/2010 1.20 %	363,850.86 363,872.32	100.66 1.01 %	366,366.77 72.93	0.11 % 2,494.45	Aaa / AA+ AAA	24.42 0.07
31394JY35	FHLMC FSPC T-58 2A 6.5% Due 9/25/2043	1,029,097.01	06/09/2011 5.40 %	1,165,452.34 1,143,063.75	120.21 3.35 %	1,237,087.81 1,114.86	0.38 % 94,024.06	Aaa / AA+ AAA	27.00 6.15
Total CMO		2,837,207.59	3.40 %	3,022,584.09 2,968,202.30	2.07 %	3,124,428.54 4,794.63	0.96 % 156,226.24	Aaa / AA+ Aaa	15.41 3.42
COMMERCIAL PAPER									
06538BKS1	Bank of Tokyo Mitsubishi NY Discount CP 0.74% Due 10/26/2016	6,630,000.00	06/27/2016 0.75 %	6,613,645.98 6,626,592.91	99.95 0.75 %	6,626,592.91 0.00	2.03 % 0.00	P-1 / A-1 F-1	0.07 0.07
89233GLJ3	Toyota Motor Credit Discount CP 0.86% Due 11/18/2016	5,000,000.00	05/19/2016 0.88 %	4,978,261.10 4,994,266.66	99.89 0.88 %	4,994,266.66 0.00	1.53 % 0.00	P-1 / A-1+ F-1	0.13 0.13
Total Commercial Paper		11,630,000.00	0.81 %	11,591,907.08 11,620,859.57	0.81 %	11,620,859.57 0.00	3.57 % 0.00	P-1 / A-1 F-1	0.10 0.10
MONEY MARKET FUND FI									
261908107	Dreyfus Trsy/Agcy Cash Management 521	1,840,702.86	Various 0.21 %	1,840,702.86 1,840,702.86	1.00 0.21 %	1,840,702.86 0.00	0.56 % 0.00	Aaa / AAA AAA	0.00 0.00
Total Money Market Fund FI		1,840,702.86	0.21 %	1,840,702.86	0.21 %	1,840,702.86 0.00	0.56 % 0.00	Aaa / AAA Aaa	0.00 0.00
MORTGAGE PASS THRU									
31381PDA3	FNMA FN 466397 3.4% Due 11/1/2020	361,748.13	12/01/2010 3.80 %	353,919.68 358,519.81	107.01 1.56 %	387,109.57 239.16	0.12 % 28,589.76	Aaa / AA+ AAA	4.09 3.69
36225CAZ9	GNMA Pool# G2 80023 1.625% Due 12/20/2026	26,123.20	08/08/1997 1.52 %	26,555.87 26,273.98	103.24 1.56 %	26,970.64 35.38	0.01 % 696.66	Aaa / AA+ AAA	10.23 4.22
36225CC20	GNMA Pool# G2 80088 2.1% Due 6/20/2027	30,443.87	08/11/1997 1.96 %	31,109.84 30,683.21	103.33 1.66 %	31,456.71 53.28	0.01 % 773.50	Aaa / AA+ AAA	10.73 4.92
31348SWZ3	FHLMC FH 786064 2.737% Due 1/1/2028	2,495.40	02/18/2000 2.93 %	2,434.64 2,470.86	103.39 2.21 %	2,580.00 5.69	0.00 % 109.14	Aaa / AA+ AAA	11.26 0.26
31371NUC7	FNMA FN 257179 4.5% Due 4/1/2028	26,054.42	12/05/2011 3.72 %	27,555.10 27,112.83	109.54 1.18 %	28,540.35 97.70	0.01 % 1,427.52	Aaa / AA+ AAA	11.51 3.16
31417YAY3	FNMA Pool# FN MA0022 4.5% Due 4/1/2029	31,694.78	12/05/2011 3.76 %	33,520.32 33,013.39	109.54 1.48 %	34,718.87 118.86	0.01 % 1,705.48	Aaa / AA+ AAA	12.51 3.27
3138EG6F6	FNMA FN AL0869 4.5% Due 6/1/2029	20,660.16	12/05/2011 3.77 %	21,850.15 21,522.86	109.54 1.32 %	22,631.41 18.08	0.01 % 1,108.55	Aaa / AA+ AAA	12.68 3.04
03215PFN4	AMRESKO Residential Securities 1999-1 A 1.462% Due 6/25/2029	133,743.29	05/20/2011 4.98 %	100,432.85 110,299.44	88.06 2.83 %	117,777.68 32.59	0.04 % 7,478.24	NR / AA+ BBB	12.74 9.58



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MORTGAGE PASS THRU									
36225CNM4	GNMA Pool# G2 80395 2.1% Due 4/20/2030	10,868.71	03/15/2000 2.16 %	10,770.19 10,824.07	103.70 1.68 %	11,271.20 19.02	0.00 % 447.13	Aaa / AA+ AAA	13.56 6.00
36225CN28	GNMA Pool# G2 80408 2.1% Due 5/20/2030	84,686.67	03/15/2000 2.17 %	83,826.58 84,295.69	103.64 1.39 %	87,769.43 148.20	0.03 % 3,473.74	Aaa / AA+ AAA	13.64 3.66
31403GXF4	FNMA Pool# FN 748678 5% Due 10/1/2033	5,510.48	06/10/2013 4.16 %	5,923.77 5,858.05	111.50 1.58 %	6,144.21 22.96	0.00 % 286.16	Aaa / AA+ AAA	17.01 3.43
36225DCB8	GNMA Pool# G2 80965 1.875% Due 7/20/2034	91,575.75	07/19/2004 1.88 %	91,518.53 91,541.69	104.30 1.54 %	95,514.42 143.09	0.03 % 3,972.73	Aaa / AA+ AAA	17.81 5.48
31406XWT5	FNMA Pool# FN 823358 2.535% Due 2/1/2035	182,628.00	01/11/2006 2.59 %	181,201.23 181,726.58	105.71 2.62 %	193,049.12 385.80	0.06 % 11,322.54	Aaa / AA+ AAA	18.35 0.40
31406PQY8	FNMA Pool# FN 815971 5% Due 3/1/2035	311,382.99	06/10/2013 4.21 %	334,736.73 331,265.75	110.97 1.83 %	345,553.54 1,297.43	0.11 % 14,287.79	Aaa / AA+ AAA	18.43 3.61
31407BXH7	FNMA Pool# FN 826080 5% Due 7/1/2035	34,410.57	06/10/2013 4.22 %	36,991.35 36,613.61	111.34 1.84 %	38,311.97 143.38	0.01 % 1,698.36	Aaa / AA+ AAA	18.76 3.63
31376KT22	FNMA FN 357969 5% Due 9/1/2035	189,489.28	06/10/2013 4.22 %	203,700.98 201,636.83	111.35 1.84 %	211,002.19 184.23	0.06 % 9,365.36	Aaa / AA+ AAA	18.93 3.63
31403DJZ3	FNMA Pool #745580 5% Due 6/1/2036	182,993.55	06/10/2013 4.26 %	196,718.07 194,790.04	111.30 1.86 %	203,669.63 762.47	0.06 % 8,879.59	Aaa / AA+ AAA	19.68 3.65
31410F4V4	FNMA Pool# FN 888336 5% Due 7/1/2036	363,648.91	06/10/2013 4.25 %	390,922.59 387,104.86	111.31 1.85 %	404,771.42 1,515.20	0.12 % 17,666.56	Aaa / AA+ AAA	19.76 3.64
Total Mortgage Pass Thru		2,090,158.16	3.78 %	2,133,688.47 2,135,553.55	1.86 %	2,248,842.36 5,222.52	0.69 % 113,288.81	Aaa / AA+ Aaa	15.38 3.77
MUNICIPAL BONDS									
73358WAG9	Port Authority of NY & NJ TE-REV 5.309% Due 12/1/2019	2,440,000.00	Various 4.97 %	2,507,633.89 2,460,556.24	111.79 1.49 %	2,727,773.60 43,179.87	0.85 % 267,217.36	Aa3 / AA- AA-	3.17 2.91
64971M5E8	New York NY TE-REV 4.075% Due 11/1/2020	1,400,000.00	10/27/2010 4.08 %	1,400,000.00 1,400,000.00	109.76 1.60 %	1,536,668.00 23,770.83	0.48 % 136,668.00	Aa1 / AAA AAA	4.09 3.73
913366EJ5	Univ of California Rgts Med TE-REV 5.035% Due 5/15/2021	400,000.00	11/09/2010 5.04 %	400,000.00 400,000.00	113.94 1.87 %	455,772.00 7,608.44	0.14 % 55,772.00	Aa3 / AA- NR	4.62 4.11
Total Municipal Bonds		4,240,000.00	4.68 %	4,307,633.89 4,260,556.24	1.56 %	4,720,213.60 74,559.14	1.47 % 459,657.36	Aa2 / AA AA	3.61 3.29
NEGOTIABLE CD									
89113WHF6	Toronto Dominion NY Yankee CD 1.19% Due 3/13/2017	4,075,000.00	08/22/2016 1.19 %	4,075,000.00 4,075,000.00	100.00 1.19 %	4,075,000.00 5,253.35	1.25 % 0.00	P-1 / A-1+ F-1+	0.45 0.45
Total Negotiable CD		4,075,000.00	1.19 %	4,075,000.00 4,075,000.00	1.19 %	4,075,000.00 5,253.35	1.25 % 0.00	P-1 / A-1+ F-1+	0.45 0.45



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SUPRANATIONAL									
45950KBS8	International Finance Corp Note 1% Due 4/24/2017	5,000,000.00	03/16/2015 0.80 %	5,020,700.00 5,005,518.21	100.13 0.77 %	5,006,615.00 21,805.56	1.54 % 1,096.79	Aaa / AAA NR	0.56 0.56
4581X0CG1	Inter-American Dev Bank Note 1% Due 7/14/2017	5,000,000.00	06/22/2015 0.81 %	5,019,550.00 5,007,435.24	100.10 0.87 %	5,005,205.00 10,694.44	1.54 % (2,230.24)	Aaa / AAA AAA	0.79 0.78
459058EJ8	Intl. Bank Recon & Development Note 1% Due 6/15/2018	5,000,000.00	Various 1.07 %	4,991,170.00 4,994,354.10	100.19 0.89 %	5,009,705.00 14,722.22	1.54 % 15,350.90	Aaa / AAA AAA	1.71 1.69
4581X0CS5	Inter-American Dev Bank Note 1.875% Due 3/15/2021	3,500,000.00	07/25/2016 1.30 %	3,590,405.00 3,586,827.25	102.20 1.36 %	3,577,042.00 2,916.67	1.10 % (9,785.25)	Aaa / AAA AAA	4.46 4.27
Total Supranational		18,500,000.00	0.97 %	18,621,825.00 18,594,134.80	0.94 %	18,598,567.00 50,138.89	5.72 % 4,432.20	Aaa / AAA Aaa	1.68 1.64
US CORPORATE									
06050TLX8	Bank of America Note 1.226% Due 5/8/2017	600,000.00	05/01/2014 1.23 %	600,000.00 600,000.00	100.11 1.04 %	600,672.60 1,083.41	0.18 % 672.60	A1 / A NR	0.60 0.11
94988J2L0	Wells Fargo Bank Callable Note Qtrly 6/15/2016 1.117% Due 6/15/2017	500,000.00	06/05/2014 1.12 %	500,000.00 500,000.00	99.98 1.14 %	499,905.50 248.12	0.15 % (94.50)	Aa2 / AA- AA	0.71 0.21
060505DP6	Bank of America Corp Note 5.75% Due 12/1/2017	3,800,000.00	01/15/2014 1.95 %	4,334,014.00 3,961,340.40	104.77 1.61 %	3,981,423.40 72,833.33	1.24 % 20,083.00	Baa1 / BBB+ A	1.17 1.12
166764AA8	Chevron Corp Callable Note Cont 11/5/17 1.104% Due 12/5/2017	2,000,000.00	12/04/2014 1.30 %	1,988,600.00 1,995,510.99	99.93 1.17 %	1,998,544.00 7,114.67	0.62 % 3,033.01	Aa2 / AA- NR	1.18 1.08
458140AL4	Intel Corp Note 1.35% Due 12/15/2017	2,000,000.00	01/26/2015 1.20 %	2,008,280.00 2,003,466.41	100.31 1.09 %	2,006,244.00 7,950.00	0.62 % 2,777.59	A1 / A+ A+	1.21 1.19
40428HPH9	HSBC USA Inc Note 1.625% Due 1/16/2018	3,000,000.00	Various 1.59 %	3,003,290.00 3,001,424.71	100.05 1.58 %	3,001,641.00 10,156.25	0.92 % 216.29	A2 / A AA-	1.30 1.27
38141GFG4	Goldman Sachs Group Inc Note 5.95% Due 1/18/2018	600,000.00	Various 2.73 %	692,806.00 623,277.15	105.50 1.65 %	633,021.60 7,239.17	0.20 % 9,744.45	A3 / BBB+ A	1.30 1.25
674599CD5	Occidental Petroleum Callable Note Cont 1/15/18 1.5% Due 2/15/2018	2,000,000.00	01/06/2015 1.73 %	1,986,340.00 1,993,947.64	100.31 1.26 %	2,006,198.00 3,833.33	0.62 % 12,250.36	A3 / A A	1.38 1.27
025816AY5	American Express Credit Note 7% Due 3/19/2018	2,900,000.00	Various 4.28 %	3,377,385.79 2,998,404.21	107.87 1.56 %	3,128,119.80 6,766.66	0.96 % 129,715.59	A3 / BBB+ A	1.47 1.41
073902CD8	Bear Stearns Note 4.65% Due 7/2/2018	3,200,000.00	01/15/2014 2.25 %	3,523,520.00 3,327,374.79	105.42 1.51 %	3,373,507.20 36,786.67	1.05 % 46,132.41	A3 / NR A+	1.75 1.68
532457BF4	Eli Lilly & Co Note 1.95% Due 3/15/2019	4,000,000.00	Various 1.89 %	4,009,675.00 4,005,564.25	101.73 1.23 %	4,069,148.00 3,466.67	1.25 % 63,583.75	A2 / AA- A	2.45 2.40
02665WAH4	American Honda Finance Note 2.25% Due 8/15/2019	4,000,000.00	Various 1.93 %	4,046,640.00 4,035,144.80	102.48 1.37 %	4,099,248.00 11,500.00	1.26 % 64,103.20	A1 / A+ NR	2.87 2.78



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US CORPORATE									
06406HCW7	Bank of New York Callable Note Cont 8/11/2019 2.3% Due 9/11/2019	2,120,000.00	02/10/2016 1.99 %	2,142,175.20 2,138,200.40	102.37 1.45 %	2,170,277.92 2,708.89	0.67 % 32,077.52	A1 / A AA-	2.95 2.77
24422ESS9	John Deere Capital Corp Note 2.3% Due 9/16/2019	5,000,000.00	Various 2.07 %	5,046,984.00 5,031,709.99	102.42 1.46 %	5,121,245.00 4,791.67	1.57 % 89,535.01	A2 / A NR	2.96 2.86
36962G7M0	General Electric Capital Corp Callable Note 1X 12/9/2019 2.2% Due 1/9/2020	5,000,000.00	Various 2.13 %	5,014,950.00 5,010,076.12	102.52 1.39 %	5,126,065.00 25,055.55	1.58 % 115,988.88	A1 / AA- AA-	3.28 3.07
46625HKA7	JP Morgan Chase Callable Note Cont 12/23/2019 2.25% Due 1/23/2020	2,000,000.00	02/06/2015 2.30 %	1,994,880.00 1,996,574.39	101.31 1.83 %	2,026,276.00 8,500.00	0.62 % 29,701.61	A3 / A- A+	3.32 3.09
40428HPR7	HSBC USA Inc Note 2.35% Due 3/5/2020	1,250,000.00	02/05/2016 2.92 %	1,222,787.50 1,227,075.53	100.87 2.09 %	1,260,853.75 2,121.53	0.39 % 33,778.22	A2 / A AA-	3.43 3.28
747525AD5	Qualcomm Inc Note 2.25% Due 5/20/2020	5,000,000.00	05/19/2015 2.27 %	4,995,195.40 4,996,506.46	102.11 1.65 %	5,105,355.00 40,937.51	1.58 % 108,848.54	A1 / A+ NR	3.64 3.46
94974BGM6	Wells Fargo Corp Note 2.6% Due 7/22/2020	5,000,000.00	07/16/2015 2.59 %	5,001,650.00 5,001,255.34	102.03 2.04 %	5,101,450.00 24,916.67	1.57 % 100,194.66	A2 / A AA-	3.81 3.60
037833BS8	Apple Inc Callable Note Cont 1/23/2021 2.25% Due 2/23/2021	4,000,000.00	05/23/2016 1.96 %	4,050,840.00 4,047,018.79	102.58 1.64 %	4,103,196.00 9,500.00	1.26 % 56,177.21	Aa1 / AA+ NR	4.40 4.17
30231GAV4	Exxon Mobil Corp Callable Note Cont 2/1/2021 2.222% Due 3/1/2021	3,000,000.00	Various 2.10 %	3,016,097.40 3,014,921.80	102.18 1.71 %	3,065,490.00 5,555.01	0.94 % 50,568.20	Aaa / AA+ NR	4.42 4.19
166764BG4	Chevron Corp Callable Note Cont 4/15/2021 2.1% Due 5/16/2021	2,500,000.00	05/20/2016 2.23 %	2,485,350.00 2,486,390.09	101.65 1.72 %	2,541,337.50 19,687.50	0.79 % 54,947.41	Aa2 / AA- NR	4.63 4.29
61747WAL3	Morgan Stanley Note 5.5% Due 7/28/2021	2,800,000.00	06/06/2014 3.24 %	3,200,848.00 3,071,080.39	114.05 2.40 %	3,193,475.60 26,950.00	0.99 % 122,395.21	A3 / BBB+ A	4.83 4.26
594918BP8	Microsoft Callable Note Cont 7/8/21 1.55% Due 8/8/2021	3,045,000.00	Various 1.57 %	3,041,385.15 3,041,492.05	99.59 1.64 %	3,032,555.09 6,948.52	0.93 % (8,936.96)	Aaa / AAA AA+	4.86 4.65
Total US Corporate		69,315,000.00	2.17 %	71,283,693.44 70,107,756.70	1.59 %	71,245,249.96 346,651.13	21.96 % 1,137,493.26	A1 / A+ A+	2.96 2.79
US TREASURY									
912828G46	US Treasury Note 0.5% Due 11/30/2016	3,000,000.00	Various 0.62 %	2,993,174.11 2,999,426.83	100.05 0.20 %	3,001,473.00 5,040.98	0.92 % 2,046.17	Aaa / AA+ AAA	0.17 0.17
912828SS0	US Treasury Note 0.875% Due 4/30/2017	3,750,000.00	12/22/2015 0.87 %	3,750,305.53 3,750,130.50	100.20 0.54 %	3,757,398.75 13,731.32	1.16 % 7,268.25	Aaa / AA+ AAA	0.58 0.58
912828G20	US Treasury Note 0.875% Due 11/15/2017	10,000,000.00	Various 1.05 %	9,948,783.50 9,980,273.04	100.19 0.70 %	10,019,140.00 33,050.27	3.08 % 38,866.96	Aaa / AA+ AAA	1.13 1.11
912828UR9	US Treasury Note 0.75% Due 2/28/2018	3,500,000.00	04/22/2016 0.81 %	3,496,457.04 3,497,292.84	100.03 0.73 %	3,501,092.00 2,247.93	1.07 % 3,799.16	Aaa / AA+ AAA	1.41 1.41



Holdings Report

As of 9/30/16

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
912828B33	US Treasury Note 1.5% Due 1/31/2019	11,000,000.00	Various 1.37 %	11,042,439.19 11,031,921.38	101.54 0.83 %	11,168,872.00 27,798.91	3.44 % 136,950.62	Aaa / AA+ AAA	2.34 2.29
912828WS5	US Treasury Note 1.625% Due 6/30/2019	10,000,000.00	Various 1.66 %	9,984,307.21 9,991,271.94	102.04 0.87 %	10,203,520.00 41,066.57	3.14 % 212,248.06	Aaa / AA+ AAA	2.75 2.68
912828WW6	US Treasury Note 1.625% Due 7/31/2019	10,000,000.00	Various 1.57 %	10,024,777.40 10,014,130.35	102.09 0.88 %	10,208,590.00 27,377.73	3.14 % 194,459.65	Aaa / AA+ AAA	2.83 2.76
912828F39	US Treasury Note 1.75% Due 9/30/2019	5,800,000.00	10/27/2014 1.48 %	5,873,186.87 5,844,530.83	102.49 0.91 %	5,944,547.60 278.84	1.82 % 100,016.77	Aaa / AA+ AAA	3.00 2.92
912828G61	US Treasury Note 1.5% Due 11/30/2019	7,500,000.00	12/19/2014 1.64 %	7,449,634.50 7,467,753.80	101.75 0.94 %	7,631,542.50 37,807.38	2.35 % 163,788.70	Aaa / AA+ AAA	3.17 3.08
912828L99	US Treasury Note 1.375% Due 10/31/2020	5,500,000.00	Various 1.67 %	5,424,666.87 5,437,371.93	101.17 1.08 %	5,564,240.00 31,647.42	1.72 % 126,868.07	Aaa / AA+ AAA	4.09 3.94
912828N89	US Treasury Note 1.375% Due 1/31/2021	1,500,000.00	03/15/2016 1.49 %	1,491,626.12 1,492,561.25	101.09 1.12 %	1,516,407.00 3,474.86	0.47 % 23,845.75	Aaa / AA+ AAA	4.34 4.19
912828WU0	US Treasury Inflation Index Note 0.125% Due 7/15/2024	10,540,816.00	Various 0.23 %	10,426,821.71 10,451,676.67	101.46 -0.06 %	10,694,701.35 2,792.73	3.28 % 243,024.68	Aaa / AA+ AAA	7.79 7.76
Total US Treasury		82,090,816.00	1.23 %	81,906,180.05 81,958,341.36	0.71 %	83,211,524.20 226,314.94	25.60 % 1,253,182.84	Aaa / AA+ Aaa	3.08 3.03
TOTAL PORTFOLIO		320,129,636.23	1.48 %	322,156,482.93 320,927,042.43	1.05 %	324,974,281.39 975,605.10	100.00 % 4,047,238.96	Aa1 / AA+ Aaa	2.80 2.38
TOTAL MARKET VALUE PLUS ACCRUED						325,949,886.49			



Holdings Report

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
313384J59	FHLB Discount Note 0.25% Due 10/5/2016	700,000.00	09/27/2016 0.25 %	699,961.11 699,980.56	100.00 0.25 %	699,980.56 0.00	1.21 % 0.00	P-1 / A-1+ F-1+	0.01 0.01
313396K36	FHLMC Discount Note 0.22% Due 10/11/2016	3,000,000.00	09/16/2016 0.23 %	2,999,531.25 2,999,812.50	99.99 0.23 %	2,999,812.50 0.00	5.17 % 0.00	P-1 / A-1+ F-1+	0.03 0.03
313384K40	FHLB Discount Note 0.244% Due 10/12/2016	10,700,000.00	Various 0.25 %	10,698,170.37 10,699,203.43	99.99 0.25 %	10,699,203.43 0.00	18.45 % 0.00	P-1 / A-1+ F-1+	0.03 0.03
3137EADS5	FHLMC Note 0.875% Due 10/14/2016	3,225,000.00	Various 0.45 %	3,229,248.00 3,225,486.57	100.02 0.43 %	3,225,557.93 13,090.36	5.58 % 71.36	Aaa / AA+ AAA	0.04 0.04
313588L37	FNMA Discount Note 0.33% Due 10/19/2016	10,000,000.00	07/22/2016 0.33 %	9,991,841.67 9,998,350.00	99.98 0.33 %	9,998,350.00 0.00	17.24 % 0.00	P-1 / A-1+ F-1+	0.05 0.05
3135G0ES8	FNMA Note 1.375% Due 11/15/2016	4,137,000.00	Various 0.49 %	4,152,295.92 4,141,481.27	100.11 0.46 %	4,141,732.73 21,489.42	7.18 % 251.46	Aaa / AA+ AAA	0.13 0.12
Total Agency		31,762,000.00	0.33 %	31,771,048.32 31,764,314.33	0.32 %	31,764,637.15 34,579.78	54.84 % 322.82	P-1 / A-1+ F-1+	0.05 0.05
COMMERCIAL PAPER									
89233GKC9	Toyota Motor Credit Discount CP 0.43% Due 10/12/2016	1,000,000.00	09/07/2016 0.44 %	999,581.94 999,868.61	99.99 0.44 %	999,868.61 0.00	1.72 % 0.00	P-1 / A-1+ F-1	0.03 0.03
06538BKS1	Bank of Tokyo Mitsubishi NY Discount CP 0.74% Due 10/26/2016	1,290,000.00	06/27/2016 0.75 %	1,286,818.00 1,289,337.08	99.95 0.75 %	1,289,337.08 0.00	2.22 % 0.00	P-1 / A-1 F-1	0.07 0.07
21687AMK6	Rabobank Nederland NV NY Discount CP 0.84% Due 12/19/2016	1,000,000.00	06/16/2016 0.86 %	995,753.33 998,156.67	99.82 0.86 %	998,156.67 0.00	1.72 % 0.00	P-1 / A-1 NR	0.22 0.22
Total Commercial Paper		3,290,000.00	0.69 %	3,282,153.27 3,287,362.36	0.69 %	3,287,362.36 0.00	5.67 % 0.00	P-1 / A-1 F-1	0.10 0.10
MONEY MARKET FUND FI									
261908107	Dreyfus Trsy/Agcy Cash Management 521	5,266,222.23	Various 0.21 %	5,266,222.23 5,266,222.23	1.00 0.21 %	5,266,222.23 0.00	9.08 % 0.00	Aaa / AAA AAA	0.00 0.00
Total Money Market Fund FI		5,266,222.23	0.21 %	5,266,222.23 5,266,222.23	0.21 %	5,266,222.23 0.00	9.08 % 0.00	Aaa / AAA Aaa	0.00 0.00
US CORPORATE									
458140AH3	Intel Corp Note 1.95% Due 10/1/2016	1,000,000.00	07/21/2016 0.58 %	1,002,470.00 1,000,000.00	100.00 1.95 %	1,000,000.00 9,750.00	1.74 % 0.00	A1 / A+ A+	0.00 0.00
02665WAB7	American Honda Finance Note 1.125% Due 10/7/2016	1,000,000.00	12/21/2015 0.91 %	1,001,660.00 1,000,034.58	100.00 1.09 %	1,000,006.00 5,437.50	1.73 % (28.58)	A1 / A+ NR	0.02 0.02
24422ESD2	John Deere Capital Corp Note 1.05% Due 10/11/2016	1,000,000.00	12/21/2015 0.91 %	1,001,070.00 1,000,036.64	100.00 0.96 %	1,000,027.00 4,958.33	1.73 % (9.64)	A2 / A NR	0.03 0.03



Holdings Report

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
91159HHB9	US Bancorp Callable Note Cont 10/14/2016 2.2% Due 11/15/2016	1,000,000.00	12/21/2015 0.96 %	1,009,900.00 1,000,436.27	100.04 1.90 %	1,000,356.00 8,311.11	1.74 % (80.27)	A1 / A+ AA	0.13 0.12
06406HCA5	Bank of New York Callable Note Cont. 12/18/16 2.4% Due 1/17/2017	1,000,000.00	06/21/2016 0.71 %	1,008,120.00 1,003,578.31	100.28 1.10 %	1,002,798.00 4,933.33	1.74 % (780.31)	A1 / A AA-	0.30 0.22
46623EJY6	JP Morgan Chase Note 1.35% Due 2/15/2017	1,000,000.00	02/26/2016 1.30 %	1,000,470.00 1,000,183.97	100.05 1.22 %	1,000,479.00 1,725.00	1.73 % 295.03	A3 / A- A+	0.38 0.37
713448CL0	Pepsico Inc. Note 0.95% Due 2/22/2017	1,500,000.00	Various 0.75 %	1,501,765.00 1,501,140.29	100.04 0.86 %	1,500,537.00 1,543.75	2.59 % (603.29)	A1 / A A	0.40 0.39
17275RAT9	Cisco Systems Note 1.1% Due 3/3/2017	1,000,000.00	06/08/2016 0.73 %	1,002,660.00 1,001,547.45	100.04 1.00 %	1,000,401.00 855.56	1.73 % (1,146.45)	A1 / AA- NR	0.42 0.42
532457BB3	Eli Lilly & Co Note 5.2% Due 3/15/2017	1,000,000.00	07/21/2016 0.79 %	1,027,930.00 1,019,864.01	101.89 1.06 %	1,018,861.00 2,311.11	1.76 % (1,003.01)	A2 / AA- A	0.45 0.46
037833AM2	Apple Inc Note 1.05% Due 5/5/2017	1,000,000.00	06/08/2016 0.76 %	1,002,590.00 1,001,716.07	100.12 0.85 %	1,001,200.00 4,229.17	1.73 % (516.07)	Aa1 / AA+ NR	0.59 0.59
94974BFD7	Wells Fargo Corp Note 2.1% Due 5/8/2017	1,000,000.00	06/02/2016 1.16 %	1,008,550.00 1,005,589.40	100.43 1.38 %	1,004,321.00 8,341.67	1.75 % (1,268.40)	A2 / A AA-	0.60 0.60
Total US Corporate		11,500,000.00	0.87 %	11,567,185.00 11,534,126.99	1.20 %	11,528,986.00 52,396.53	19.97 % (5,140.99)	A1 / A+ A+	0.31 0.30
US TREASURY									
912828LU2	US Treasury Note 3.125% Due 10/31/2016	3,000,000.00	06/17/2016 0.36 %	3,029,892.86 3,006,742.75	100.23 0.42 %	3,006,831.00 39,232.34	5.25 % 88.25	Aaa / AA+ AAA	0.08 0.08
912828WF3	US Treasury Note 0.625% Due 11/15/2016	3,000,000.00	06/30/2016 0.33 %	3,003,291.30 3,001,073.25	100.05 0.22 %	3,001,524.00 7,082.20	5.19 % 450.75	Aaa / AA+ AAA	0.13 0.12
Total US Treasury		6,000,000.00	0.35 %	6,033,184.16 6,007,816.00	0.32 %	6,008,355.00 46,314.54	10.44 % 539.00	Aaa / AA+ Aaa	0.11 0.10
TOTAL PORTFOLIO		57,818,222.23	0.45 %	57,919,792.98 57,859,841.91	0.51 %	57,855,562.74 133,290.85	100.00 % (4,279.17)	P-2 / A-1 F-1+	0.11 0.10
TOTAL MARKET VALUE PLUS ACCRUED						57,988,853.59			



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As of 9/30/16

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
COMMON STOCK									
SLHOPNTA4	Lehman Brothers, Inc Open Position Long Exposure Due 9/30/2016	60,641.49	11/21/2014 0.00 %	57,842.64 57,842.64	0.42 0.00 %	25,621.03 0.00	11.12 % (32,221.61)	NR / NR NR	0.00 0.00
Total Common Stock		60,641.49	N/A	57,842.64 57,842.64	0.00 %	25,621.03 0.00	11.12 % (32,221.61)	NR / NR NR	0.00 0.00
US CORPORATE									
525ESCIB7	Lehman Brothers Note-Defaulted Due 1/24/2017	600,000.00	09/19/2008 0.00 %	362,825.27 362,825.27	7.88 0.00 %	47,250.00 0.00	20.51 % (315,575.27)	NR / NR NR	0.32 0.00
525ESC0Y6	Lehman Brothers Note-Defaulted Due 10/22/2049	2,000,000.00	09/18/2008 0.00 %	1,173,493.59 1,173,493.59	7.88 0.00 %	157,500.00 0.00	68.37 % (1,015,993.59)	NR / NR NR	33.08 0.00
Total US Corporate		2,600,000.00	N/A	1,536,318.86 1,536,318.86	0.00 %	204,750.00 0.00	88.88 % (1,331,568.86)	NR / NR NR	25.52 0.00
TOTAL PORTFOLIO		2,660,641.49	N/A	1,594,161.50 1,594,161.50	0.00 %	230,371.03 0.00	100.00 % (1,363,790.47)	NR / NR NR	22.68 0.00
TOTAL MARKET VALUE PLUS ACCRUED						230,371.03			

Rating Agency Comparisons

A summary of investment grade ratings are listed below. More complete descriptions of Moody's and Standard & Poor's ratings are included in the following pages.

Quality/Grade	Moody's	Standard & Poor's	Fitch
Best Quality	Aaa	AAA	AAA
High Quality	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-
Upper Medium Grade	A1 A2 A3	A+ A A-	A+ A A-
Medium Grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB1

Moody's - Investment Grade

"Aaa" - Bonds rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

"Aa" - Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

"A" - Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

"Baa" - Bonds which are rated Baa are considered as medium grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Bonds in the Aa, A, and Baa are also assigned "1", "2", or "3" based on the strength of the issue within each category. Accordingly, "A1" would be the strongest group of A securities and "A3" would be the weakest A securities.

Ba, B, Caa, Ca, and C - Bonds that possess one of these ratings provide questionable protection of interest and principal ("Ba" indicates some speculative elements; "B" indicates a general lack of characteristics of desirable investment; "Caa" represents a poor standing; "Ca" represents obligations which are speculative in a high degree; and "C" represents the lowest rated class of bonds). "Caa", "Ca" and "C" bonds may be in default.

Standard and Poor's - Investment Grade

AAA - Debt rated "AAA" has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.

AA - Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A - Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB - Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Standard and Poor's - Speculative Grade Rating

Debt rated "BB", "B", "CCC", "CC" and "C" is regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. "BB" indicates the least degree of speculation and "C" the highest. While such debt will likely have some quality and protective characteristics these are outweighed by major uncertainties or major exposures to adverse conditions.

BB - Debt rated "BB" has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The "BB" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BBB" rating.

B - Debt rated "B" has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The "B" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "BB" or "BB" rating.

CCC - Debt rated "CCC" has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The "CCC" rating category is also used for debt subordinated to senior debt that is assigned an actual or implied "B" or "B" rating.

CC - The rating "CC" typically is applied to debt subordinated to senior debt that is assigned an actual or implied "CCC" debt rating.

C - The rating "C" typically is applied to debt subordinated to senior debt which is assigned an actual or implied "CCC" debt rating. The "C" rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

CI - The rating "CI" is reserved for income bonds on which no interest is being paid.

D - Debt rated "D" is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The "D" rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

Plus (+) or Minus (-) - The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

NR - Indicates no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of obligation as a matter of policy.

APPENDIX "G"
SECTIONS OF THE CALIFORNIA GOVERNMENT CODE
PERTINENT TO
INVESTING PUBLIC FUNDS

INTRODUCTION

A requirement of Section 8, Authorized and Suitable Investments, of the District's Investment Policy Statement, is that all investments shall be made in accordance with the California Government Code, including Section 16429.1 et seq., and 53600 et seq. This appendix presents a copy of these sections for the reader's reference.

GOVERNMENT CODE
SECTION 16429.1-16429.4

16429.1. (a) There is in trust in the custody of the Treasurer the Local Agency Investment Fund, which fund is hereby created. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

(b) Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(c) Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

(d) Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agent engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

(e) The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

(f) The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

(g) The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.

(h) The Treasurer may refuse to accept deposits into the fund if, in the judgment of the Treasurer, the deposit would adversely affect the state's portfolio.

(i) The Treasurer may invest the money of the fund in securities prescribed in Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.

(j) Money in the fund shall be invested to achieve the objective of the fund which is to realize the maximum return consistent with safe and prudent treasury management.

(k) All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

(l) Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment Fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of 5 percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies, including the Treasurer, the Controller, and the Department of Finance, having incurred costs in carrying out the provisions of this section.

(m) The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

(n) As used in this section, "local agency," "local governmental unit," and "local governmental official" includes a campus or other unit and an official, respectively, of the California State University who deposits moneys in funds described in Sections 89721, 89722, and 89725 of the Education Code.

16429.2. There is created the Local Investment Advisory Board consisting of five members. The chairman shall be the State Treasurer or his or her designated representative. Two members who are qualified by training and experience in the field of investment or finance, shall be appointed by the State Treasurer. Two members who are treasurers, finance or fiscal officers or business managers, employed by any county, city or local district or municipal corporation of this state, shall be appointed by the Treasurer.

The term of office of each appointed member of the board is two years, but each appointed member serves at the pleasure of the appointing authority. A vacancy in the appointed membership, occurring other than by expiration of term, shall be filled in the same manner as the original appointment, but for the unexpired term only.

Members of the board who are not state officers or employees shall not receive a salary, but shall be entitled to a per diem allowance of fifty dollars (\$50) for each day's attendance at a meeting of the board, not to exceed three hundred dollars (\$300) in any month. All members shall be entitled to reimbursement for expenses incurred in the performance of their duties under this part, including travel and other necessary expenses.

The board's primary purpose shall be to advise and assist the State Treasurer in formulating the investment and reinvestment of moneys in the Local Agency Investment Fund, and the acquisition, retention, management, and disposition of investments of the fund. The board, from time to time, shall review those policies and advise therein as it considers necessary or desirable. The board shall advise the State Treasurer in the management of the fund and consult the State Treasurer on any matter relating to the investment and reinvestment of moneys in the fund.

16429.3. Moneys placed with the Treasurer for deposit in the Local Agency Investment Fund by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following:

- (a) Transfer or loan pursuant to Sections 16310, 16312, or 16313.
- (b) Impoundment or seizure by any state official or state agency.

16429.4. The right of a city, county, city and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the Local Agency Investment Fund, upon demand, may not be altered, impaired, or denied, in any way, by any state official or state agency based upon the state's failure to adopt a State Budget by July 1 of each new fiscal year.

GOVERNMENT CODE
SECTION 53600-53610

53600. As used in this article, "local agency" means 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.

53600.3. Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, 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 agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

53600.5. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the primary objective of a trustee shall be to safeguard the principal of the funds under its control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under its control.

53600.6. The Legislature hereby finds that the solvency and creditworthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

53601. This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having money in a sinking fund or money in its treasury not required for the immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the

securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, 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.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, 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.

(d) Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

(e) 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.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:

(A) Is organized and operating in the United States as a general corporation.

(B) Has total assets in excess of five hundred million dollars (\$500,000,000).

(C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria:

(A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

(B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. 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.

(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

(A) The security to be sold on reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty by way of a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse

repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4) (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may only be made upon prior approval of the governing body of the local agency and shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

(ii) Financing of a local agency's activities.

(iii) Acceptance of a local agency's securities or funds as deposits.

(5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, 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 under this subdivision shall be rated "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's money that may be invested pursuant to this section.

(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that 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.).

(3) If investment is in shares issued pursuant to paragraph (1), the company 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 statistical rating organizations. (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 subdivisions (a) to (k), inclusive, and subdivisions (m) to (o), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company 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 statistical rating organizations. (B) Retained an investment adviser 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 five hundred million dollars (\$500,000,000). (5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria: (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission. (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive. (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

53601.1. The authority of a local agency to invest funds pursuant to Section 53601 includes, in addition thereto, authority to invest in financial futures or financial option contracts in any of the investment categories enumerated in that section.

53601.2. As used in this article, "corporation" includes a limited liability company.

53601.5. The purchase by a local agency of any investment authorized pursuant to Section 53601 or 53601.1, not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code, or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association (as defined by Section 5102 of the Financial Code) or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank.

53601.6. (a) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips. (b) A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) that are authorized for investment pursuant to subdivision (l) of Section 53601.

53601.8. Notwithstanding Section 53601 or any other provision of this code, a local agency, at its discretion, may invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53635.8, and subdivision (i) of Section 53601 do not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose. The following conditions shall apply:

(a) The local agency shall choose a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.

(b) The selected depository institution may submit the funds to a private sector entity that assists in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account.

(c) The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(d) The selected depository institution shall serve as a custodian for each certificate of deposit that is issued with the placement service for the local agency's account.

(e) At the same time the local agency's funds are deposited and the certificates of deposit are issued, the selected depository institution shall receive an amount of deposits from other commercial banks, savings banks, savings and loan associations, or credit unions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution for investment.

(f) Notwithstanding subdivisions (a) to (f), inclusive, no credit union may act as a selected depository institution under this section or Section 53635.8 unless both of the following conditions are satisfied:

(1) The credit union offers federal depository insurance through the National Credit Union Administration.

(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more certificate of deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.

(g) It is the intent of the Legislature that nothing in this section shall restrict competition among private sector entities that provide placement services pursuant to this section.

53602. The legislative body shall invest only in notes, bonds, bills, certificates of indebtedness, warrants, or registered warrants which are legal investments for savings banks in the State, provided, that the board of supervisors of a county may, by a four-fifths vote thereof, invest in notes, warrants or other

evidences of indebtedness of public districts wholly or partly within the county, whether or not such notes, warrants, or other evidences of indebtedness are legal investments for savings banks.

53603. The legislative body may make the investment by direct purchase of any issue of eligible securities at their original sale or after they have been issued.

53604. The legislative body may sell, or exchange for other eligible securities, and reinvest the proceeds of, the securities purchased.

53605. From time to time, the legislative body shall sell the securities so that the proceeds may be applied to the purposes for which the original purchase money was placed in the sinking fund or the treasury of the local agency.

53606. The bonds purchased, which were issued by the purchaser, may be canceled either in satisfaction or sinking fund obligations or otherwise. When canceled, they are no longer outstanding, unless in its discretion, the legislative body holds them uncanceled. While held uncanceled, the bonds may be resold.

53607. The authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires, and shall make a monthly report of those transactions to the legislative body. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

53608. The legislative body of a local agency may deposit for safekeeping with a federal or state association (as defined by Section 5102 of the Financial Code), a trust company or a state or national bank located within this state or with the Federal Reserve Bank of San Francisco or any branch thereof within this state, or with any Federal Reserve bank or with any state or national bank located in any city designated as a reserve city by the Board of Governors of the Federal Reserve System, the bonds, notes, bills, debentures, obligations, certificates of indebtedness, warrants, or other evidences of indebtedness in which the money of the local agency is invested pursuant to this article or pursuant to other legislative authority. The local agency shall take from such financial institution a receipt for securities so deposited. The authority of the legislative body to deposit for safekeeping may be delegated by the legislative body to the treasurer of the local agency; the treasurer shall not be responsible for securities delivered to and receipted for by a financial institution until they are withdrawn from the financial institution by the treasurer.

53609. Notwithstanding the provisions of this chapter or any other provisions of this code, funds held by a local agency pursuant to a written agreement between the agency and employees of the agency to defer a portion of the compensation otherwise receivable by the agency's employees and pursuant to a plan for such deferral as adopted by the governing body of the agency, may be invested in the types of investments set forth in Sections 53601 and 53602 of this code, and may additionally be invested in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, life insurance policies, annuities, mortgages, deeds of trust, or other security interests in real or personal property. Nothing herein shall be construed to permit any type of investment prohibited by the Constitution. Deferred compensation funds are public pension or retirement funds for the purposes of Section 17 of Article XVI of the Constitution.

53610. (a) For purposes of this section, "Proposition 1A receivable" means the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.

(b) Notwithstanding any other law, a local agency may purchase, with its revenue, Proposition 1A receivables sold pursuant to Section 53999.

(c) A purchaser of Proposition 1A receivables pursuant to this section shall not offer them for sale pursuant to Section 6588.

GOVERNMENT CODE
SECTION 53630-53686

53630. As used in this article:

(a) "Local agency" means county, city, city and county, including a chartered city or county, a community college district, or other public agency or corporation in this state.

(b) "Treasurer" means treasurer of the local agency.

(c) "Depository" means a state or national bank, savings association or federal association, a state or federal credit union, or a federally insured industrial loan company, in this state in which the moneys of a local agency are deposited.

(d) "Agent of depository" means a trust company or trust department of a state or national bank located in this state, including the trust department of a depository where authorized, and the Federal Home Loan Bank of San Francisco, which is authorized to act as an agent of depository for the purposes of this article pursuant to Section 53657.

(e) "Security" means any of the eligible securities or obligations listed in Section 53651.

(f) "Pooled securities" means eligible securities held by an agent of depository for a depository and securing deposits of one or more local agencies.

(g) "Administrator" means the Administrator of Local Agency Security of the State of California.

(h) "Savings association or federal association" means a savings association, savings and loan association, or savings bank as defined by Section 5102 of the Financial Code.

(i) "Federally insured industrial loan company" means an industrial loan company licensed under Division 7 (commencing with Section 18000) of the Financial Code, the investment certificates of which are insured by the Federal Deposit Insurance Corporation.

(j) "Corporation" includes a limited liability company.

53630.1. The Legislature hereby finds that the solvency and credit worthiness of each individual local agency can impact the solvency and creditworthiness of the state and other local agencies within the state. Therefore, to protect the solvency and creditworthiness of the state and all of its political subdivisions, the Legislature hereby declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

53630.5. (a) The definitions in Section 1700 of, and Chapter 1 (commencing with Section 99) of Division 1 of, the Financial Code apply to this section. (b) In this article, for purposes of being a depository of

moneys belonging to or being in the custody of a local agency, the phrases "state or national bank located in this state," "state or national bank," "state or national bank in this state," and "state or national banks in the state" include, without limitation, any of the following:

(1) Any California branch office of a foreign (other state) state bank that the bank is authorized to maintain under the law of its domicile and federal law.

(2) Any California branch office of a foreign (other state) national bank that the bank is authorized to maintain under federal law.

(3) Any California branch office of a foreign (other nation) bank that the bank is licensed to maintain under Article 3 (commencing with Section 1750) of Chapter 13.5 of Division 1 of the Financial Code.

(4) Any California federal branch of a foreign (other nation) bank that the bank is authorized to maintain under federal law.

53631. Under those conditions as the treasurer of a local agency fixes with the approval of the legislative body, he or she may establish accounts at banks within or without the state and deposit money in those accounts to the extent necessary to pay the principal and interest of bonds to pay any warrant that has been presented for payment, or to fund any electronic disbursement of funds from the treasury of the local agency. This article does not apply to deposits for those purposes.

53632. There are three classes of deposits:

(a) Inactive deposits.

(b) Active deposits.

(c) Interest-bearing active deposits.

53632.5. There are three classes of security for deposits:

(a) Securities described in subdivision (m) of Section 53651.

(b) Securities described in subdivision (p) of Section 53651.

(c) Securities enumerated in Section 53651, except for those described in subdivisions (m) and (p) of that section.

53633. The treasurer shall determine the amounts of money to be deposited as inactive, active, and interest-bearing active deposits, except as otherwise provided in Section 53679.

53634. The treasurer may call in money from inactive deposits and place it in active deposits as current demands require. When there is money in his possession for which there is no demand as inactive deposits, he may place it as active deposits.

53635. (a) This section shall apply to a local agency that is a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. However, Section 53601 shall apply to all local agencies that pool money in deposits or investments exclusively with local agencies that have the same governing body.

This section shall be interpreted in a manner that recognizes the distinct characteristics of investment pools and the distinct administrative burdens on managing and investing funds on a pooled basis pursuant to Article 6 (commencing with Section 27130) of Chapter 5 of Division 2 of Title 3. A local agency that is a county, a city and county, or other local agency that pools money in deposits or investments with other agencies may invest in commercial paper pursuant to subdivision (h) of Section 53601, except that the local agency shall be subject to the following concentration limits:

(1) No more than 40 percent of the local agency's money may be invested in eligible commercial paper.

(2) No more than 10 percent of the total assets of the investments held by a local agency may be invested in any one issuer's commercial paper.

(b) Notwithstanding Section 53601, the City of Los Angeles shall be subject to the concentration limits of this section for counties and for cities and counties with regard to the investment of money in

eligible commercial paper.

53635.2. As far as possible, all money belonging to, or in the custody of, a local agency, including money paid to the treasurer or other official to pay the principal, interest, or penalties of bonds, shall be deposited for safekeeping in state or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in this state selected by the treasurer or other official having legal custody of the money; or may be invested in the investments set forth in Section 53601. To be eligible to receive local agency money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section.

53635.7. In making any decision that involves borrowing in the amount of one hundred thousand dollars (\$100,000) or more, the legislative body of the local agency shall discuss, consider, and deliberate each decision as a separate item of business on the agenda of its meeting as prescribed in Chapter 9 (commencing with Section 54950). As used in this section, "borrowing" does not include bank overdrafts or security lending.

53635.8. Notwithstanding Section 53601 or any other provision of this code, a local agency, at its discretion, may invest a portion of its surplus funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit, provided that the purchases of certificates of deposit pursuant to this section, Section 53601.8, and subdivision (i) of Section 53601 do not, in total, exceed 30 percent of the agency's funds that may be invested for this purpose. The following conditions shall apply:

(a) The local agency shall choose a nationally or state-chartered commercial bank, savings bank, savings and loan association, or credit union in this state to invest the funds, which shall be known as the "selected" depository institution.

(b) The selected depository institution may submit the funds to a private sector entity that assists in the placement of certificates of deposit with one or more commercial banks, savings banks, savings and loan associations, or credit unions that are located in the United States, for the local agency's account.

(c) The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

(d) The selected depository institution shall serve as a custodian for each certificate of deposit that is issued with the placement service for the local agency's account.

(e) At the same time the local agency's funds are deposited and the certificates of deposit are issued, the selected depository institution shall receive an amount of deposits from other commercial banks, savings banks, savings and loan associations, or credit unions that, in total, are equal to, or greater than, the full amount of the principal that the local agency initially deposited through the selected depository institution for investment.

(f) Notwithstanding subdivisions (a) to (f), inclusive, no credit union may act as a selected depository institution under this section or Section 53601.8 unless both of the following conditions are satisfied:

(1) The credit union offers federal depository insurance through the National Credit Union administration.

(2) The credit union is in possession of written guidance or other written communication from the National Credit Union Administration authorizing participation of federally insured credit unions in one or more certificate of deposit placement services and affirming that the moneys held by those credit unions while participating in a deposit placement service will at all times be insured by the federal government.

(g) It is the intent of the Legislature that nothing in this section shall restrict competition among private sector entities that provide placement services pursuant to this section.

53636. Money so deposited is deemed to be in the treasury of the local agency.

53637. The money shall be deposited in any bank, savings association or federal association, state or federal credit union, or federally insured industrial loan company with the objective of realizing maximum return, consistent with prudent financial management, except that money shall not be deposited in any state or federal credit union if a member of the legislative body of a local agency, or any person with investment decision making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

53638. (a) The deposit shall not exceed the shareholder's equity of any depository bank. For the purposes of this subdivision, shareholder's equity shall be determined in accordance with Section 118 of the Financial Code, but shall be deemed to include capital notes and debentures.

(b) The deposit shall not exceed the total of the net worth of any depository savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.

(c) The deposit to the share accounts of any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the Financial Code or are secured as required by law.

(d) The deposit in investment certificates of a federally insured industrial loan company shall not exceed the total of the unimpaired capital and surplus of the insured industrial loan company.

53639. Except as otherwise provided in Section 53682, the depository shall bear the expenses of transportation of money to and from the depository.

53640. Except as otherwise provided in Section 53682, the depository shall handle, collect, and pay all checks, drafts, and other exchange without cost to the local agency.

53641. When money is deposited in a depository, the treasurer or other authorized official shall take and preserve a receipt, certificate of deposit, or other evidence of the deposit as he or she requires.

53642. The money deposited may be drawn out by check or order of the treasurer or other official authorized to make such deposit.

53643. The treasurer may deposit any part of the money as agreed upon between the treasurer and the depository.

53644. If an agreement is not made:

(a) Active deposits and interest thereon are subject to withdrawal upon the demand of the treasurer or other authorized official, subject to any penalties which may be prescribed by federal law or regulation.

(b) Inactive deposits are subject to notice of at least thirty days before withdrawal.

53645. Interest shall be computed and paid by the depository, as follows:

(a) For active deposits upon which interest is payable, interest shall be computed on the average daily balance for the calendar quarter, and shall be paid quarterly.

(b) For inactive deposits, interest shall be computed on a 360-day basis, and shall be paid quarterly.

53646. (a) (1) In the case of county government, the treasurer may annually render to the board of supervisors and any oversight committee a statement of investment policy, which the board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the board at a public meeting.

(2) In the case of any other local agency, the treasurer or chief fiscal officer of the local agency may annually render to the legislative body of that local agency and any oversight committee of that local agency a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting. Any change in the policy shall also be considered by the legislative body of the local agency at a public meeting.

(b) (1) The treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency. The quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report. Except as provided in subdivisions (e) and (f), this report shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held by the local agency, and shall additionally include a description of any of the local agency's funds, investments, or programs, that are under the management of contracted parties, including lending programs. With respect to all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation.

(2) The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.

(3) The quarterly report shall include a statement denoting the ability of the local agency to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

(4) In the quarterly report, a subsidiary ledger of investments may be used in accordance with accepted accounting practices.

(c) Pursuant to subdivision (b), the treasurer or chief fiscal officer shall report whatever additional information or data may be required by the legislative body of the local agency.

(d) The legislative body of a local agency may elect to require the report specified in subdivision (b) to be made on a monthly basis instead of quarterly.

(e) For local agency investments that have been placed in the Local Agency Investment Fund, created by Section 16429.1, in National Credit Union Share Insurance Fund-insured accounts in a credit union, in accounts insured or guaranteed pursuant to Section 14858 of the Financial Code, or in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in a county investment pool, or any combination of these, the treasurer or chief fiscal officer may supply to the governing body, chief executive officer, and the auditor of the local agency the most recent statement or statements received by the local agency from these institutions in lieu of the information required by paragraph (1) of subdivision (b) regarding investments in these institutions.

(f) The treasurer or chief fiscal officer shall not be required to render a quarterly report, as required by subdivision (b), to a legislative body or any oversight committee of a school district or county office of education for securities, investments, or moneys held by the school district or county office of education in individual accounts that are less than twenty-five thousand dollars (\$25,000).

(g) In recognition of the state and local interests served by the actions made optional in subdivisions (a) and (b), the Legislature encourages the local agency officials to continue taking the actions formerly mandated by this section. However, nothing in this subdivision may be construed to impose any liability on a local agency that does not continue to take the formerly mandated action.

53647. (a) Interest on all money deposited belongs to, and shall be paid quarterly into the general fund of, the local agency represented by the officer making the deposit, unless otherwise directed by law.

(b) Notwithstanding the provisions of subdivision (a), and except as otherwise directed by law, if the governing body of the local agency represented by the officer making the deposit so directs, such interest shall be paid to the fund which contains the principal on which the interest accrued.

53647.5. Notwithstanding any other provision of law, interest earned on any bail money deposited in a bank account pursuant to Section 1463.1 of the Penal Code and Section 53679 of this code shall, if the board of supervisors so directs, be allocated for the support of the courts in that county.

53648. Notwithstanding this article, the treasurer may deposit moneys in, and enter into contracts with, a state or national bank, savings association or federal association, federal or state credit union, or federally insured industrial loan company, pursuant to a federal law or a rule of a federal department or agency adopted pursuant to the law if the law or rule conflicts with this article in regulating the payment of interest on deposits of public moneys by any of the following:

(a) Banks which are Federal Reserve System members or whose deposits are insured by the Federal Deposit Insurance Corporation.

(b) Savings associations or federal associations which are federal home loan bank members or whose deposits are insured by the Federal Savings and Loan Insurance Corporation.

(c) State or federal credit unions whose accounts are insured by the National Credit Union Share Insurance Fund or guaranteed by the California Credit Union Share Guaranty Corporation or insured or guaranteed pursuant to Section 14858 of the Financial Code, unless a member of the legislative body of a local agency, or any person with investment decision making authority of the administrative office, manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

(d) A federally insured industrial loan company.

53648.5. Upon the removal by federal law of the conflicting federal law or rule the agreement between the treasurer or other authorized official and a depository may be terminated by either party.

53649. The treasurer is responsible for the safekeeping of money in his or her custody and shall enter into any contract with a depository relating to any deposit which in his or her judgment is to the public advantage. The depository, and the agent of depository to the extent the agent of depository has been notified of deposits and the amount thereof, are responsible for securing moneys deposited pursuant to such a contract in accordance with Section 53652. One copy of each contract shall be filed with the auditor, controller, secretary, or corresponding officer of the local agency. The contract shall:

(a) Fix the duration of deposits, if appropriate.

(b) Fix the interest rate, if any.

(c) Provide conditions for withdrawal and repayment.

(d) Provide for placement of pooled securities in a named agent of depository in accordance with Section 53656.

(e) Grant authority for agent of depository to place securities for safekeeping in accordance with Section 53659.

(f) Set forth in accordance with Section 53665 the conditions upon which the administrator shall order pooled securities converted into money for the benefit of the local agency, and the procedure therefor.

(g) Provide for compliance in all respects with the provisions of this article and other applicable provisions of law.

(h) Provide, upon notice to the treasurer from the administrator, that a treasurer may withdraw deposits in the event a depository fails to pay the assessments, fines, or penalties assessed by the administrator or may withdraw authorization for the placement of pooled securities in an agent of depository in the event that the agent of depository fails to pay the fines or penalties assessed by the administrator.

53651. Eligible securities are any of the following:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest, including the guaranteed portions of small business administration loans, so long as the loans are obligations for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Notes or bonds or any obligations of a local public agency (as defined in the United States Housing Act of 1949) or any obligations of a public housing agency (as defined in the United States Housing Act of 1937) for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Bonds of this state or of any local agency or district of the State of California having the power, without limit as to rate or amount, to levy taxes or assessments to pay the principal and interest of the bonds upon all property within its boundaries subject to taxation or assessment by the local agency or district, and in addition, limited obligation bonds pursuant to Article 4 (commencing with Section 50665) of Chapter 3 of Division 1, senior obligation bonds pursuant to Article 5 (commencing with Section 53387) of Chapter 2.7, and revenue bonds and other obligations payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state, local agency or district or by a department, board, agency or authority thereof.

(d) Bonds of any public housing agency (as defined in the United States Housing Act of 1937, as amended) as are secured by a pledge of annual contributions under an annual contribution contract between the public housing agency and the Public Housing Administration if such contract shall contain the covenant by the Public Housing Administration which is authorized by subsection (b) of Section 22 of the United States Housing Act of 1937, as amended, and if the maximum sum and the maximum period specified in the contract pursuant to that subsection 22(b) shall not be less than the annual amount and the period for payment which are requisite to provide for the payment when due of all installments of principal and interest on the obligations.

(e) Registered warrants of this state.

(f) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by the United States Postal Service, federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, consolidated obligations of the federal home loan banks established under the Federal Home Loan Bank Act, bonds, debentures and other obligations of the Federal National Mortgage Association or of the Government National Mortgage Association established under the National Housing Act, as amended, bonds of any federal home loan bank established under that act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation established under the Emergency Home Finance Act of 1970, and obligations of the Tennessee Valley Authority.

(g) Notes, tax anticipation warrants or other evidence of indebtedness issued pursuant to Article 7 (commencing with Section 53820), Article 7.5 (commencing with Section 53840) or Article 7.6 (commencing with Section 53850) of this Chapter 4.

(h) State of California notes.

(i) Bonds, notes, certificates of indebtedness, warrants or other obligations issued by: (1) any state of the United States (except this state), or the Commonwealth of Puerto Rico, or any local agency thereof having the power to levy taxes, without limit as to rate or amount, to pay the principal and interest of such obligations, or (2) any state of the United States (except this state), or the Commonwealth of Puerto Rico, or a department, board, agency or authority thereof except bonds which provide for or are issued pursuant to a law which may contemplate a subsequent legislative appropriation as an assurance of the continued operation and solvency of the department, board, agency or authority but which does not constitute a valid and binding obligation for which the full faith and credit of such state or the Commonwealth of Puerto Rico are pledged, which are payable solely out of the revenues from a revenue-producing source owned, controlled or operated thereby; provided the obligations issued by an entity described in (1), above, are rated in one of the three highest grades, and such obligations issued by an entity described in (2), above, are rated in one of the two highest grades by a nationally recognized investment service organization that has been engaged regularly in rating state and

municipal issues for a period of not less than five years.

(j) Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development, Inter-American Development Bank, the Government Development Bank of Puerto Rico, the Asian Development Bank, the International Finance Corporation, or the African Development Bank.

(k) Participation certificates of the Export-Import Bank of the United States.

(l) Bonds and notes of the California Housing Finance Agency issued pursuant to Chapter 7 (commencing with Section 51350) of Part 3 of Division 31 of the Health and Safety Code.

(m) Promissory notes secured by first mortgages and first trust deeds which comply with Section 53651.2.

(n) Any bonds, notes, warrants, or other evidences of indebtedness of a nonprofit corporation issued to finance the construction of a school building or school buildings pursuant to a lease or agreement with a school district entered into in compliance with the provisions of Section 39315 or 81345 of the Education Code, and also any bonds, notes, warrants or other evidences of indebtedness issued to refinance those bonds, notes, warrants, or other evidences of indebtedness as specified in Section 39317 of the Education Code.

(o) Any municipal securities, as defined by Section 3(a)(29) of the Securities Exchange Act of June 6, 1934, (15 U.S.C. Sec. 78, as amended), which are issued by this state or any local agency thereof.

(p) With the consent of the treasurer, letters of credit issued by the Federal Home Loan Bank of San Francisco which comply with Section 53651.6.

53651.2. (a) To be an eligible security under subdivision (m) of Section 53651, a promissory note placed in a securities pool on or after January 1, 1987, shall comply with all of the following provisions:

(1) Each promissory note shall be secured by a first mortgage or first trust deed on improved 1 to 4 unit residential real property located in California, shall be fully amortized over the term of the note, and shall have a term of no more than 30 years. Any first mortgage or first trust deed which secures a promissory note providing for negative amortization shall be removed from the securities pool and replaced with an eligible security under subdivision (m) of Section 53651 if the loan to value ratio exceeds 85 percent of the original appraised value of the security property as a consequence of negative amortization.

(2) Each promissory note shall be eligible for sale to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation; provided, however, that up to 25 percent of the total dollar amount of any promissory note securities pool established pursuant to Section 53658 may consist of promissory notes with loan amounts which exceed the maximum amounts eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, but which do not exceed: (i) five hundred thousand dollars (\$500,000) in the case of a single family dwelling; (ii) one million dollars (\$1,000,000) in the case of a 2, 3, or 4 unit dwelling.

(b) The following shall not constitute eligible securities under subdivision (m) of Section 53651:

(1) Any promissory note on which any payment is more than 60 days past due.

(2) Any promissory note secured by a mortgage or deed of trust as to which there is a lien prior to the mortgage or deed of trust. For the purposes of this paragraph, no lien specified in Section 766 of the Financial Code shall be considered a prior encumbrance unless any installment or payment thereunder (other than a rental or royalty under a lease) is due and delinquent.

(3) Any promissory note secured by a mortgage or deed of trust as to which a notice of default has been recorded pursuant to Section 2924 of the Civil Code or an action has been commenced pursuant to Section 725a of the Code of Civil Procedure.

(c) The depository may exercise, enforce, or waive any right granted to it by the promissory note, mortgage, or deed of trust.

(d) For purposes of this article, the market value of a promissory note which is an eligible security under subdivision (m) of Section 53651, shall be determined in accordance with the regulations adopted by the Treasurer under paragraph (2) of subdivision (m) of Section 53651, as the regulations and statute were in effect on December 31, 1986. However, if and when regulations on the subject are adopted by the administrator, the market value shall be determined in accordance with those regulations of the administrator.

53651.4. (a) A depository that uses eligible securities of the class described in subdivision (m) of Section 53651 shall, within 90 days after the close of each calendar year or within a longer period as the administrator may specify, file with the administrator a report of an independent certified public accountant regarding compliance with this article and with regulations and orders issued by the administrator under this article with respect to eligible securities of that class. The report shall be based upon the audit, shall contain the information, and shall be in the form the administrator may prescribe. The depository shall provide a copy of the report to the treasurer on request.

(b) If a depository that is a state bank files with the administrator, not less than 90 days before the beginning of the calendar year, a notice that it elects to be examined by the administrator instead of filing a report of an independent certified public accountant under subdivision (a) for that calendar year, the depository shall be exempt from subdivision (a) for that calendar year and shall for that calendar year be subject to examination by the administrator regarding compliance with this article and with regulations and orders under this article with respect to eligible securities of the class described in subdivision (m) of Section 53651. The administrator shall provide a report to a treasurer with deposits in the examined state bank upon request of the treasurer.

(c) A national bank may apply to the administrator to be examined, and the administrator, in his or her discretion, may examine a national bank for the purposes of satisfying the requirements of subdivision (a). The administrator shall provide a report to a treasurer with deposits in the examined national bank upon request of the treasurer.

(d) Whenever the administrator examines a depository pursuant to subdivision (b) or (c), the depository shall pay, within 30 days after receipt of a statement from the administrator, a fee of seventy-five dollars (\$75) per hour for each examiner engaged in the examination.

53651.6. (a) To be an eligible security under subdivision (p) of Section 53651, a letter of credit shall be in such form and shall contain such provisions as the administrator may prescribe, and shall include all of the following terms:

(1) The administrator shall be the beneficiary of the letter of credit.

(2) The letter of credit shall be clean and irrevocable and shall provide that the administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

53652. To secure active or inactive deposits a depository shall at all times maintain with the agent of depository eligible securities in securities pools, pursuant to Sections 53656 and 53658, in the amounts specified in this section. Uncollected funds shall be excluded from the amount deposited in the depository when determining the security requirements for the deposits.

(a) Eligible securities, except eligible securities of the classes described in subdivisions (m) and (p) of Section 53651, shall have a market value of at least 10 percent in excess of the total amount of all deposits of a depository secured by the eligible securities.

(b) Eligible securities of the class described in subdivision (m) of Section 53651 shall have a market value at least 50 percent in excess of the total amount of all deposits of a depository secured by those eligible securities.

(c) Eligible securities of the class described in subdivision (p) of Section 53651 shall have a market value of at least 5 percent in excess of the total amount of all deposits of a depository secured by those eligible securities. For purposes of this article, the market value of a letter of credit which is an eligible security under subdivision (p) of Section 53651 shall be the amount of credit stated in the letter of credit.

53653. When in his or her discretion local conditions so warrant, the treasurer may waive security for the portion of any deposits as is insured pursuant to federal law, notwithstanding this article. For deposits equivalent to and not less than the maximum amount insured pursuant to federal law for which a treasurer has waived security under this section, a treasurer at his or her discretion may also waive security for the interest accrued on the deposits which, when added to the deposits, would cause the sum of the interest and deposits to exceed the maximum amount insured pursuant to federal law, provided

that the interest is computed by the depository on the average daily balance of the deposits, paid monthly and computed on a 360-day basis.

53654. (a) The depository may add securities to the pool or substitute securities of equal value for those in the pool at any time, but shall not interchange classes of security, as defined in Section 53632.5, without prior approval of the treasurer.

(b) Withdrawal of securities from the pool without replacement at equal value may be ordered only by two duly authorized officers or employees of the depository who satisfy the requirements as may be set by the administrator.

(c) The agent of depository is responsible for the safekeeping and disbursement of securities placed in its custody by a depository. It shall release securities only upon presentation by the depository of the most reasonably current statement of the total deposits subject to this article held by the depository, such statement to be verified and countersigned by two duly authorized officers, other than those who ordered the withdrawal of securities. A copy of this statement shall be forwarded to the administrator concurrently by the agent of depository.

53655. A placement of securities by a depository with an agent of depository pursuant to this article shall have the effect of perfecting a security interest in those securities in the local agencies having deposits in that depository notwithstanding provisions of the Uniform Commercial Code to the contrary and notwithstanding that the agent of depository may be the trust department of the depository.

53656. (a) At the time the treasurer enters into a contract with the depository pursuant to Section 53649, he or she shall authorize the agent of depository designated by the depository, but including the trust department of the depository only when acceptable to both the treasurer and the depository, to hold securities of the depository in accordance with this article to secure the deposit of the local agency.

(b) Only those trust companies and trust departments, or the Federal Home Loan Bank of San Francisco, which have been authorized by the administrator pursuant to Section 53657 shall be authorized by treasurers to act as agents of depository.

(c) The securities are subject to order of the depository in accordance with Section 53654 except when the provisions of subdivision (i) of Section 53661 and Section 53665 are in effect.

(d) An agent of depository shall not release any security held to secure a local agency deposit in a depository unless the administrator issues an order authorizing the release where either of the following occurs:

- (1) A state or federal regulatory agency has taken possession of the depository.
- (2) A conservator, receiver, or other legal custodian has been appointed for the depository.

53657. (a) No person shall act as an agent of depository unless that person is a trust company located in this state, the trust department of a bank located in this state, or the Federal Home Loan Bank of San Francisco, and is authorized by the administrator to act as an agent of depository.

(b) (1) An application for authorization shall be in such form, shall contain such information, shall be signed in such manner, and shall (if the administrator so requires) be verified in such manner, as the administrator may prescribe.

(2) The fee for filing an application for authorization with the administrator shall be five hundred dollars (\$500).

(3) If the administrator finds, with respect to an application for authorization, that the applicant is competent to act as an agent of depository and that it is reasonable to believe the applicant will comply with all applicable provisions of this article and of any regulation or order issued under this article, the administrator shall approve the application. If the administrator finds otherwise, the administrator shall deny the application.

(4) When an application for authorization has been approved, the applicant shall file with the administrator an agreement to comply with all applicable provisions of this article and of any regulation or order issued under this article. The agreement shall be in such form, shall contain such provisions, and shall be signed in such manner as the administrator may prescribe.

(5) When an application for authorization has been approved, the applicant has complied with paragraph (4), and all conditions precedent to authorizing the applicant to act as agent of depository have been fulfilled, the administrator shall authorize the applicant to act as agent of depository.

53658. An agent of a depository may hold and pool securities to secure deposits for one or more depositories pursuant to Section 53656, but shall maintain a separate pool for each said depository. Each local agency shall have an undivided security interest in the pooled securities in the proportion that the amount of its deposits bears to the total amount of deposits secured by the pooled securities.

53659. Whenever an agent of depository accepts securities pursuant to Section 53656 it may, with the authorization of the depository, place such securities for safekeeping with a Federal Reserve Bank or branch thereof or with any bank located in a city designated as a reserve city by the Board of Governors of the Federal Reserve System or with the Federal Home Loan Bank of San Francisco or with a trust company located in this state. Authority for such placement together with the names of the banks or, including the Federal Home Loan Bank of San Francisco, trust companies to be so used, shall be contained in the contract between the treasurer and the depository required in Section 53649.

53660. When deposits of a local agency are secured by pooled securities pursuant to Section 53656, the agent of depository shall make available to the treasurer for review at a mutually agreed upon time and location all of the following information which may be in the form of a copy of the report required in subdivision (e) of Section 53661:

(a) A certification that there are securities in the pool in the amounts required by Section 53652 to secure deposits.

(b) A certified report of the individual securities then on deposit in the pool with the location and total market value thereof.

(c) The total amount of deposits then reported by the depository to be secured by the pool.

53661. (a) The Commissioner of Financial Institutions shall act as Administrator of Local Agency Security and shall be responsible for the administration of Sections 53638, 53651, 53651.2, 53651.4, 53651.6, 53652, 53654, 53655, 53656, 53657, 53658, 53659, 53660, 53661, 53663, 53664, 53665, 53666, and 53667.

(b) The administrator shall have the powers necessary or convenient to administer and enforce the sections specified in subdivision (a).

(c) (1) The administrator shall issue regulations consistent with law as the administrator may deem necessary or advisable in executing the powers, duties, and responsibilities assigned by this article. The regulations may include regulations prescribing standards for the valuation, marketability, and liquidity of the eligible securities of the class described in subdivision (m) of Section 53651, regulations prescribing procedures and documentation for adding, withdrawing, substituting, and holding pooled securities, and regulations prescribing the form, content, and execution of any application, report, or other document called for in any of the sections specified in subdivision (a) or in any regulation or order issued under any of those sections. (2) The administrator, for good cause, may waive any provision of any regulation adopted pursuant to paragraph (1) or any order issued under this article, where the provision is not necessary in the public interest.

(d) The administrator may enter into any contracts or agreements as may be necessary, including joint underwriting agreements, to sell or liquidate eligible securities securing local agency deposits in the event of the failure of the depository or if the depository fails to pay all or part of the deposits of a local agency.

(e) The administrator shall require from every depository a report certified by the agent of depository listing all securities, and the market value thereof, which are securing local agency deposits together with the total deposits then secured by the pool, to determine whether there is compliance with Section 53652. These reports may be required whenever deemed necessary by the administrator, but shall be required at least four times each year at the times designated by the Comptroller of the Currency for reports

from national banking associations. These reports shall be filed in the office of the administrator by the depository within 20 business days of the date the administrator calls for the report.

(f) The administrator may have access to reports of examination made by the Comptroller of the Currency insofar as the reports relate to national banking association trust department activities which are subject to this article.

(g) (1) The administrator shall require the immediate substitution of an eligible security, where the substitution is necessary for compliance with Section 53652, if (i) the administrator determines that a security listed in Section 53651 is not qualified to secure public deposits, or (ii) a treasurer, who has deposits secured by the securities pool, provides written notice to the administrator and the administrator confirms that a security in the pool is not qualified to secure public deposits. (2) The failure of a depository to substitute securities, where the administrator has required the substitution, shall be reported by the administrator promptly to those treasurers having money on deposit in that depository and, in addition, shall be reported as follows:

(A) When that depository is a national bank, to the Comptroller of the Currency of the United States.

(B) When that depository is a state bank, to the Commissioner of Financial Institutions.

(C) When that depository is a federal association, to the Office of Thrift Supervision.

(D) When that depository is a savings association, to the Commissioner of Financial Institutions.

(E) When that depository is a federal credit union, to the National Credit Union Administration.

(F) When that depository is a state credit union or a federally insured industrial loan company, to the Commissioner of Financial Institutions.

(h) The administrator may require from each treasurer a registration report and at appropriate times a report stating the amount and location of each deposit together with other information deemed necessary by the administrator for effective operation of this article. The facts recited in any report from a treasurer to the administrator are conclusively presumed to be true for the single purpose of the administrator fulfilling responsibilities assigned to him or her by this article and for no other purpose.

(i) (1) If, after notice and opportunity for hearing, the administrator finds that any depository or agent of depository has violated or is violating, or that there is reasonable cause to believe that any depository or agent of depository is about to violate, any of the sections specified in subdivision (a) or any regulation or order issued under any of those sections, the administrator may order the depository or agent of depository to cease and desist from the violation or may by order suspend or revoke the authorization of the agent of depository. The order may require the depository or agent of depository to take affirmative action to correct any condition resulting from the violation. (2) (A) If the administrator makes any of the findings set forth in paragraph (1) with respect to any depository or agent of depository and, in addition, finds that the violation or the continuation of the violation is likely to seriously prejudice the interests of treasurers, the administrator may order the depository or agent of depository to cease and desist from the violation or may suspend or revoke the authorization of the agent of depository. The order may require the depository or agent of depository to take affirmative action to correct any condition resulting from the violation. (B) Within five business days after an order is issued under subparagraph (A), the depository or agent of depository may file with the administrator an application for a hearing on the order. The administrator shall schedule a hearing at least 30 days, but not more than 40 days, after receipt of an application for a hearing or within a shorter or longer period of time agreed to by a depository or an agent of depository. If the administrator fails to schedule the hearing within the specified or agreed to time period, the order shall be deemed rescinded. Within 30 days after the hearing, the administrator shall affirm, modify, or rescind the order; otherwise, the order shall be deemed rescinded. The right of a depository or agent of depository to which an order is issued under subparagraph (A) to petition for judicial review of the order shall not be affected by the failure of the depository or agent of depository to apply to the administrator for a hearing on the order pursuant to this subparagraph. (3) Whenever the administrator issues a cease and desist order under paragraph (1) or (2), the administrator may in the order restrict the right of the depository to withdraw securities from a security pool; and, in that event, both the depository to which the order is directed and the agent of depository which holds the security pool shall comply with the restriction. (4) In case the administrator issues an order under paragraph (1) or (2) suspending or revoking the authorization of an agent of depository, the administrator may order the agent of depository at its own expense to transfer all pooled securities held by it to such agent of depository as the administrator may designate in the order. The agent of depository designated in the order shall accept and hold the pooled securities in accordance with this article and regulations and orders issued under this article.

(j) In the discretion of the administrator, whenever it appears to the administrator that any person has violated or is violating, or that there is reasonable cause to believe that any person is about to violate, any of the sections specified in subdivision (a) or any regulation or order issued thereunder, the administrator may bring an action in the name of the people of the State of California in the superior court to enjoin the violation or to enforce compliance with those sections or any regulation or order issued thereunder. Upon a proper showing a permanent or preliminary injunction, restraining order, or writ of mandate shall be granted, and the court may not require the administrator to post a bond.

(k) In addition to other remedies, the administrator shall have the power and authority to impose the following sanctions for noncompliance with the sections specified in subdivision (a) after a hearing if requested by the party deemed in noncompliance. Any fine assessed pursuant to this subdivision shall be paid within 30 days after receipt of the assessment. (1) Assess against and collect from a depository a fine not to exceed two hundred fifty dollars (\$250) for each day the depository fails to maintain with the agent of depository securities as required by Section 53652. (2) Assess against and collect from a depository a fine not to exceed one hundred dollars (\$100) for each day beyond the time period specified in subdivision (b) of Section 53663 the depository negligently or willfully fails to file in the office of the administrator a written report required by that section. (3) Assess against and collect from a depository a fine not to exceed one hundred dollars (\$100) for each day beyond the time period specified in subdivision (e) that a depository negligently or willfully fails to file in the office of the administrator a written report required by that subdivision. (4) Assess and collect from an agent of depository a fine not to exceed one hundred dollars (\$100) for each day the agent of depository fails to comply with any of the applicable sections specified in subdivision (a) or any applicable regulation or order issued thereunder.

(l) (1) In the event that a depository or agent of depository fails to pay a fine assessed by the administrator pursuant to subdivision (k) within 30 days of receipt of the assessment, the administrator may assess and collect an additional penalty of 5 percent of the fine for each month or part thereof that the payment is delinquent. (2) If a depository fails to pay the fines or penalties assessed by the administrator, the administrator may notify local agency treasurers with deposits in the depository. (3) If an agent of depository fails to pay the fines or penalties assessed by the administrator, the administrator may notify local agency treasurers who have authorized the agent of depository as provided in Sections 53649 and 53656, and may by order revoke the authorization of the agent of depository as provided in subdivision(i).

(m) The amendments to this section enacted by the Legislature during the 1999-2000 Regular Session shall become operative on January 1, 2001.

53663. (a) Each agent of depository shall report in writing to the administrator within two business days after any withdrawal, substitution or addition of pooled securities and shall state the name and market value of the securities withdrawn, substituted or added together with the total deposits then secured by the pool. This information shall be available from the administrator to the treasurer upon request.

(b) Each depository shall report in writing to the administrator weekly, giving the total amount of all deposits held by such depository pursuant to this article. Such report shall be as of close of business on Wednesday of each week and shall be delivered to the office of the administrator or deposited in the United States mail, postage prepaid, addressed to the office of the administrator, within five business days. Where there has occurred no change in the deposits required to be held by the depository pursuant to this article, the report required by this subdivision need only state that fact.

53664. The individual reports specified in Sections 53654, 53660, 53661, and 53663 are not public documents and are not open to inspection by the public.

53665. If a depository fails to pay all or part of the deposits of a local agency secured by pooled securities in accordance with the contract provided for in Section 53649, and on demand of its treasurer or other authorized official and the treasurer files a report with the administrator, or if the depository fails:

(a) In case the pooled securities consist of securities other than securities of the class described in subdivision (p) of Section 53651, the administrator shall order the agent of depository holding the pooled

securities to convert into money that portion of the pooled securities necessary to produce an amount equal to the sum of (i) the deposits of the local agency, (ii) any accrued interest due on the deposits, and (iii) the reasonable expenses of the agent of depository in complying with the order of the administrator and to pay the sum of items (i) and (ii) to the treasurer in satisfaction of the deposits. The agent of depository shall be reimbursed out of the proceeds of the conversion for its reasonable expenses in complying with the order of the administrator, as approved by the administrator. Any excess moneys resulting from the conversion shall be retained by the agent of depository as part of the securities pool until the depository substitutes for the excess moneys securities having a market value sufficient to bring the total of pooled securities up to the amount required by Section 53652.

(b) In case the pooled securities consist of a security of the class described in subdivision (p) of Section 53651, the administrator shall draw on the letter of credit an amount equal to the sum of (i) the deposits of the local agency, (ii) any accrued interest on the deposits, and (iii) the reasonable expenses of the administrator in paying the deposits and pay the sum of items (i) and (ii) to the treasurer in satisfaction of the deposits.

53666. The only liability that shall attach to the administrator as the result of the operation of this article is that which would attach as a result of other laws of this state.

53667. (a) Expenses incurred by the administrator in carrying out the duties and responsibilities assigned to the administrator by the sections specified in subdivision (a) of Section 53661, shall be borne by the Local Agency Deposit Security Fund, which is hereby created and continuously appropriated to the administrator for the administration of the sections specified in subdivision (a) of Section 53661. This fund shall consist of fines levied pursuant to Section 53661, fees collected pursuant to the sections specified in subdivision (a) of Section 53661, and assessments levied pursuant to this section.

(b) Each fiscal year the administrator shall levy an assessment on a pro rata basis on those depositories which at any time during the preceding fiscal year held local agency deposits. The total assessment levied on all of those depositories shall be in an amount which, when added to the amount of fines and fees that the administrator estimates will be collected during the fiscal year when the assessment is levied, is sufficient in the judgment of the administrator to meet the expenses of the administrator in administering the sections specified in subdivision (a) of Section 53661 and to provide a reasonable reserve for contingencies. The basis of the apportionment of the assessment among the depositories assessed shall be the proportion that the average amount of local agency deposits held by each of those depositories bears to the average total amount of local agency deposits held by all of those depositories as shown by the reports of depositories to the administrator for the preceding fiscal year, as required in subdivision (e) of Section 53661; provided, however, that the amount of the assessment levied on each of those depositories shall be not less than twenty-five dollars (\$25).

(c) The administrator shall notify each depository by mail of the amount levied against it. The depository shall pay the amount levied within 20 days after such notice into the Local Agency Deposit Security Fund for the administration of the sections specified in subdivision (a) of Section 53661. If payment is not made to the administrator within such time, the administrator shall assess and collect, in addition to the annual assessment, a penalty of 5 percent of the assessment for each month or part thereof that the payment is delinquent. If a depository fails to pay the assessment or penalties assessed by the administrator, the administrator may notify local agency treasurers with deposits in the depository.

53669. The treasurer or other authorized official is not responsible for money while it is deposited pursuant to this article.

53676. The treasurer is not responsible for securities delivered to and receipted for by any bank, savings and loan association, credit union, federally insured industrial loan company, or trust company.

53678. The charges for the handling and safekeeping of any such securities are not a charge against the treasurer but shall be paid by the depository owning the securities.

53679. So far as possible, all money belonging to a local agency under the control of any of its officers or employees other than the treasurer or a judge or officer of a municipal court shall, and all money coming into the possession of a judge or officer of a municipal court may, be deposited as active deposits in the state or national bank, inactive deposits in the state or national bank or state or federal association, federal or state credit union, or federally insured industrial loan company in this state selected by the officer, employee, or judge of the court. For purposes of this section, an officer or employee of a local agency and a judge or officer of a municipal court are prohibited from depositing local agency funds or money coming into their possession into a state or federal credit union if an officer or employee of the local agency, or a judge or officer of a municipal court, also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the particular state or federal credit union. Such money is subject to this article except:

(a) Deposits in an amount less than that insured pursuant to federal law are not subject to this article.

For deposits in excess of the amount insured under any federal law a contract in accordance with Section 53649 is required and the provisions of this article shall apply.

(b) Interest is not required on money deposited in an active deposit by a judge or officer of a municipal court.

(c) Interest is not required on money deposited in an active deposit by an officer having control of a revolving fund created pursuant to Chapter 2 (commencing with Section 29300) of Division 3 of Title 3.

(d) Interest is not required on money deposited in an active deposit by an officer having control of a special fund established pursuant to Articles 5 (commencing with Section 29400) or 6 (commencing with Section 29430) of Chapter 2 of Division 3 of Title 3.

53679.1. Notwithstanding any other provision of law, the accounting practices of each county utilized prior to the effective date of this section relating to interest on trust funds shall be deemed appropriate and to have been made under the direction of the board of supervisors of that county. This section is declaratory of the law in existence prior to the enactment of this section.

53680. A tax collector of a local agency shall immediately deposit with the treasurer all money under his control, unless he deposits the money in a depository pursuant to this article under permission and instructions of the treasurer having authority to make such deposit.

53681. An officer or employee of a local agency who deposits money belonging to, or in the custody of, the local agency in any other manner than that prescribed in this article is subject to forfeiture of his office or employment.

53682. Notwithstanding any other provision in this article except Section 53652, the treasurer may deposit moneys in and enter into contracts with any depository, as defined in subdivision (c) of Section 53630, for services to be rendered by that depository that in the treasurer's judgment are to the public advantage. One copy of each contract entered into under this section shall be filed with the auditor or corresponding officer of the local agency. The contract shall:

(a) Fix the duration of compensating deposits, if any.

(b) Fix the interest rate of that compensating deposit, if any.

(c) Specify the services to be rendered by the depository.

(d) Indicate whether the depository shall bear the expenses of transportation of the money to and from the depository.

(e) Fix the consideration payable by the agency for such services.

(f) Specify who may deposit moneys into the treasurer's active account and how those persons are to make those deposits.

53683. Notwithstanding any other provision in this article, the consideration payable by the agency as specified in subdivision (e) of Section 53682 shall be paid by the treasurer by applying such consideration as costs applied on a pro rata basis against the interest earned by all the agencies for which the treasurer invests.

53684. (a) Unless otherwise provided by law, if the treasurer of any local agency, or other official responsible for the funds of the local agency, determines that the local agency has excess funds which are not required for immediate use, the treasurer or other official may, upon the adoption of a resolution by the legislative or governing body of the local agency authorizing the investment of funds pursuant to this section and with the consent of the county treasurer, deposit the excess funds in the county treasury for the purpose of investment by the county treasurer pursuant to Section 53601 or 53635.

(b) The county treasurer shall, at least quarterly, apportion any interest or other increment derived from the investment of funds pursuant to this section in an amount proportionate to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool. In apportioning and distributing that interest or increment, the county treasurer may use the cash method, the accrual method, or any other method in accordance with generally accepted accounting principles. Prior to distributing that interest or increment, the county treasurer may deduct the actual costs incurred by the county in administering this section in proportion to the average daily balance of the amounts deposited by the local agency and to the total average daily balance of deposits in the investment pool.

(c) The county treasurer shall disclose to each local agency that invests funds pursuant to this section the method of accounting used, whether cash, accrual, or other, and shall notify each local agency of any proposed changes in the accounting method at least 30 days prior to the date on which the proposed changes take effect.

(d) The treasurer or other official responsible for the funds of the local agency may withdraw the funds of the local agency pursuant to the procedure specified in Section 27136.

(e) Any moneys deposited in the county treasury for investment pursuant to this section are not subject to impoundment or seizure by any county official or agency while the funds are so deposited.

(f) This section is not operative in any county until the board of supervisors of the county, by majority vote, adopts a resolution making this section operative in the county.

(g) It is the intent of the Legislature in enacting this section to provide an alternative procedure to Section 51301 for local agencies to deposit money in the county treasury for investment purposes. Nothing in this section shall, therefore, be construed as a limitation on the authority of a county and a city to contract for the county treasurer to perform treasury functions for a city pursuant to Section 51301.

53686. (a) Any audit conducted relating to the investment of local agency funds and other funds by the county treasurer in the county fund maintained pursuant to Section 53684 shall be rendered to the depository, the auditor, the controller, the secretary, or the corresponding officer of the local agency, the treasurer or other official responsible for the funds of any local agency that has funds on deposit in the county treasury, and the presiding judge of any superior court that has ordered, pursuant to Section 3412, Section 3413, or Section 3611 of the Probate Code, that assets of an estate be deposited with the county treasurer for deposit or investment.

(b) Any report rendered pursuant to Section 53646 shall be provided to the treasurer or other official responsible for the funds of any local agency that has funds on deposit in the county treasury.

Source: CA Gov't Codes, 2014

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APPENDIX "H"

GLOSSARY OF INVESTMENT TERMS

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

ADJUSTABLE RATE NOTE. (See Floating Rate Note)

AMORTIZED COST. Measure of the cost of a security whereby the cost value will change over time as the discount or premium paid for the security is gradually incorporated into the principal value as interest payments are received.

ASKED PRICE. The price at which a seller offers to sell a security.

ASSET-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.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A highly liquid draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

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.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index which reflects the mix of securities allowed under a specific investment policy.

BID PRICE. The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer Price.

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). 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 for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

BULLET STRUCTURE. A portfolio strategy in which a manager overweights both the short and long end of the yield curve, and underweights the middle part of the curve.

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

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

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

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 monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds which redistribute the cash flows of mortgage securities (and whole loans) to create securities which have different levels of prepayment risk, as compared to the underlying mortgage securities

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). The official annual financial report for the District. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

CONDITIONAL PREPAYMENT RATE (CPR). A measure of mortgage prepayment activity. It assumes that a constant fraction of the principal prepays each month and is based on the previous month's remaining balance. The rate is expressed as an annualized percentage. For instance, a CPR of 6% indicates that each month 6% of the remaining principal balance prepays on an annualized basis.

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

CONVEXITY. The rate of change in a bond's price as duration changes. It is a particularly important component of price change for longer term bonds, or for large changes in interest rates.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been

included in the purchase cost, it is an incomplete measure of return.

COUPON. (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest on a payment date.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

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 security transactions buying and selling securities for his own account.

DEBENTURE. A bond secured only by the general credit of the issuer.

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

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate or index.

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 T-bills and banker's 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. Dividing investment funds among a variety of securities offering independent returns to avoid excessive exposure to any one source of risk.

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.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration and effective duration).

EFFECTIVE DURATION. Measures the price volatility of a fixed income security that contains embedded options. A more accurate measure of price volatility when the cash flow characteristics of the bond change when interest rates shift.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

FEDERAL FUNDS RATE. The rate of interest charged by banks for short term loans to other banks. It is established by the Federal Reserve Bank through open-market operations.

FEDERAL OPEN MARKET COMMITTEE (FOMC). A committee of the Federal Reserve Board which sets Federal Reserve guidelines regarding purchases and sales of Government Securities, and establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM. The central banking system of the U.S. created by Congress, which has supervisory powers over the 12 Federal Reserve regional banks and about 6,000 member banks.

FIXED-INCOME SECURITIES. Securities which 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.

LADDER STRUCTURE. A portfolio strategy in which a manager attempts to weight securities equally across the yield curve.

LEVERAGE. Borrowing funds in order to invest in securities which have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash without a substantial loss of value.

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.

LOCAL AGENCY INVESTMENT FUND (LAIF). The LAIF is an investment alternative for California's local government and special districts authorized under Sections 16429.1, 2, and 3, of the California Government Code (the "Code"). The LAIF is managed by the State Treasurer's Office, with oversight by the Local Agency Investment Advisory Board. All securities in LAIF are purchased under the authority of Code Sections 16430 and 16480.4. The State Treasurer's Office receives all securities on a delivery versus payment basis using a third party custodian. All securities are purchased at market, with market valuation conducted monthly.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

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

MARKET VALUE. The price at which a security can be traded (i.e., purchased or sold).

MASTER REPURCHASE AGREEMENT. A written contract covering all future transactions between the parties to repurchase or reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY. The final date upon which the principal or stated value of a security 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 notes" 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."

MODIFIED DURATION. Measures the percentage price volatility of a fixed income security or portfolio. Modified duration approximates the change in price for small changes in interest rates, assuming that the cash flow characteristics do not change when the yield curve shifts.

MONEY MARKET. The market in which short term debt instruments (T-bills, discount notes, commercial paper and banker's acceptances) are issued and traded.

MORTGAGE PASS THROUGH SECURITIES. Securities collateralized with residential mortgage loans, the principal and interest payments of which are distributed, or "passed-through" to the investor. Many of these securities are issued by agencies of the federal government, including GNMA and FHLMC.

MONEY MARKET MUTUAL FUNDS. An investment company that pools money from investors and invest in a variety of short-term money market instruments. The Net Asset Value (NAV) of these funds should remain at \$1.00; however, it is not guaranteed.

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

MUNICIPAL DEBT. Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED RATING SERVICES. 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 include Standard & Poor's Corporation; Moody's Investor Services, Inc.; Fitch Investors Service; Duff & Phelps Investment Service; Thompson BankWatch and International Bank Credit Analyst.

NEGATIVE CONVEXITY. A phenomenon associated with bonds which have embedded call options, it measures the rate at which duration of a callable bond gets smaller as interest rates fall. Negative convexity is an undesirable characteristic in bonds.

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.

NON-CALLABLE. Bond that is exempt from any kind of redemption for a stated time period.

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

OPTION ADJUSTED SPREAD. A measure of the value of a bond relative to a benchmark security, which takes into account the value of the embedded option inherent in any bond that has uncertain cash flows (i.e., callable bonds).

ORANGE COUNTY TREASURER'S MONEY MARKET COMMINGLED INVESTMENT POOL (OCCIP). A money market investment pool consisting of funds deposited by various entities required to do so by statute, as well as those entities voluntarily depositing monies in accordance with California Government Code Section 53684. The OCCIP is managed by the Orange County Treasurer's Office, with oversight by the Orange County Treasury Advisory Committee.

PAR VALUE. The amount of principal which 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 certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO. A collection of securities held by an investor.

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. A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

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

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRUDENT INVESTOR RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

PRIME RATE. The interest rate banks charge the biggest borrowers with the best credit ratings.

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

PSA MASTER REPURCHASE AGREEMENT. A written contract covering all future transactions between the parties to repurchase agreements that establishes each party's rights in the transactions.

RATE OF RETURN. The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REALIZED RETURN. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities which have not been sold from the portfolio.

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 or 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.

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

REPURCHASE AGREEMENT (RP OR REPO). The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities at a later date at a specified price that includes interest for the buyer's holding period. In essence, this is a collateralized investment whereby the security "buyer" lends the "seller" money for the period of the agreement.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO). A short-term transaction in which an investor (seller) sells a government security it owns to a bank or dealer (buyer) under an agreement in which the buyer agrees to sell the security back to the investor on a specified date, at an agreed-upon interest rate.

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. A service to bank customers whereby securities are held for protection by the bank in the customer's name.

SCENARIO ANALYSIS. A portfolio management technique that measures the performance of the portfolio under varying scenarios including, but not limited to, interest rate movements, spread changes and nonparallel yield curve shifts.

SECONDARY MARKET. A market made for the purchase and sale of outstanding issues following the initial sale and distribution.

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

SECURITIES LENDING AGREEMENT. An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

SEC RULE 15c3-1. Uniform Net Capital Rule.

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

STANDARD PREPAYMENT MODEL (TBMA). A measure of mortgage prepayment activity. The model is expressed as a monthly series of annual prepayment rates. The series begins at .2% per year in the first month, and increases by .2% per year in each successive month until month 30, where it levels out at 6% per year until maturity. This series is labeled 100 PSA. 200 PSA doubles this series, and 50 PSA would cut the series in half.

STRUCTURED NOTE. A complex, fixed income instrument which pays interest based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

THE BOND MARKET ASSOCIATION (TBMA). A trade association representing more than 260 securities firms and banks that underwrite, trade and sell debt securities. The TBMA, formerly known as the Public Securities Association, provides a forum through which industry professionals can respond to current issues and foster improvements in the legislative, regulatory, educational and market practices in the bond market.

THIRD-PARTY CUSTODIAL AGREEMENT. (See Custodian)

TOTAL RATE OF RETURN. A measure of a portfolio' performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio.

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. Requirement of the Securities and Exchange Commission that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called *net capital rule* and *net capital ratio*.

VARIABLE RATE NOTE. (See Floating Rate Note)

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY (YTM). The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Yield to maturity (at market). The discount rate that equates the present value of the promised cash flow (interest payments and redemption value) to the market price, assuming that all cash flows are invested at the YTM rate.

Yield to maturity (at purchase cost). The YTM that equates to the purchase price of the security.

YIELD. The annual rate of return on a debt investment computed as though held to maturity expressed in %.

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.



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