## Orange County Treasurer-Tax Collector Noncompliance Report Summary For the Month Ended January 31, 2007

During December the County, Educational, John Wayne Airport, and Children and Families Commission Investment pools all were free of noncompliance incidents. Although certain Investment Policy Statement (IPS) guidelines were temporarily exceeded during the month in both the County and Educational Pools, the Treasurer believes they did not cause any material impact of a negative nature.

### **Technical Incidents**

#### John Wayne Airport Investment Pool

#### **Credit Watch-Negative**

On October 13, 2006, Standard & Poor's placed Gannett Co. Inc.'s 'A' long-term and 'A-1' short-term ratings on credit watch negative, reflecting Gannett's higher debt levels and the continued weakness in its U.S. and U.K. newspaper businesses. S&P has indicated that if the ratings are lowered, it is expected to be limited to one notch. Moody's also placed Gannett's long and short-term ratings on credit watch negative on October 19<sup>th</sup>. The Gannett (GCI) securities were purchased before the rating actions and are considered technical incidents.

On December 22, 2006 Standard & Poor's lowered both the short-term and longterm ratings one notch to A-2 and A- respectively, citing "Gannett's credit profile will be more consistent with the new ratings over the intermediate term". Standard & Poor's outlook was changed to Stable in light of "strong discretionary cash flow generation."

On January 18, 2007, Moody's lowered both the short-term and long-term ratings one notch to P-2 and A3 respectively, and changed their outlook to stable.

The Treasurer has decided to hold the Gannett securities until maturity on April 1, 2007.

JWA Investment Pool	Description	Maturity Date	Face Amount	% of JWA Pool	Credit Watch Negative	ST/LT Ratings
GCI	MTN	4/01/2007	\$1,000,000.00	1.865	Mdy S&P	P-2 /A3 A-2/A-

# ORANGE COUNTY TREASURER-TAX COLLECTOR INVESTMENT POLICY COMPLIANCE January 31, 2007

nvestment Policy Guidelines		Orange County Investment Pool		Orange County Educational Investment Pool		John Wayne Airport Investment Pool	
Percent of Portfolio (See Notes)	Investment Type	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio	Market Value of Investments	Percent of Portfolio
100%	U.S. Treasuries	\$-	-	\$-	-	\$-	-
40%	Bankers' Acceptances	-	-	-	-	-	-
30%	Negotiable Certificates of Deposit	432,957,794	10.95%	583,955,129	26.89%	7,499,039	13.98%
<b>45</b> %	Commercial Paper	681,443,786	17.24%	984,883,196	45.35%	23,823,291	44.43%
100%	U.S. Government Agencies	1,745,596,770	44.16%	184,730,194	8.51%	9,394,148	17.52%
20%	Money Market Funds	36,872,038	0.93%	20,905,153	0.96%	5,648,220	10.539
30%	Medium-Term Notes	680,606,968	17.22%	216,094,165	9.95%	7,261,390	13.549
50%	Repurchase Agreements	190,000,000	4.81%	81,284,281	3.74%	-	-
10%	Municipal Debt	185,485,574	4.69%	100,000,000	4.60%	-	-
10%	Receivable-Backed Securities	-	-	-	-	-	-
		\$ 3,952,962,931	100.00%	\$ 2,171,852,117	100.00%	\$ 53,626,087	100.00%

Compliance Category (Yes/No)	Money Market Fund Extended Fund		Orange County Educational Investment Pool		John Wayne Airport Investment Pool	
Percentage Limits	Yes		Yes		Yes	
Maturity Limits	Yes	Yes	Yes		Yes	
Quality Limits	Yes		Yes		Yes	
Net Asset Value Limits	Yes		Yes		Yes	

Notes: (1) The Money Market Fund is authorized to purchase an additional 5-percent of its total assets in any authorized investment type, except commercial paper, for a period not to exceed 30 business days.

(2) Commercial paper holdings in the Money Market Fund may increase up to 50 percent of the total assets if the portfolio's month-end weighted average credit rating (WACR) remains at AA- or higher.

(3) The Money Market Fund is authorized to purchase up to 12.5 percent of its total assets in any authorized issuer for a period not to exceed 3 business days.