



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

October 26, 2000

Dear Mr. Moorlach,

We have completed our analysis on the compliance reporting for Orange County's Commingled Pool (692) and Educational Pool (694) for the second quarter, April 1, 2000 through June 30, 2000.

Based upon Fitch's conducting of the agreed upon procedures, this compliance letter shall serve as an indication of Orange County's portfolio holdings' substantial conformity with its investment policy statement and California Government Code Section 53601, Section 53635, and all other relevant Government Code provisions with regard to both the Commingled and Educational pools at June 30, 2000.

Fitch conducted its compliance review in accordance with a series of agreed upon procedures which required that we review, on a test basis, evidence of the portfolio holdings, perform certain mathematical calculations, and review the results with respect to Orange County's investment policy statement. In conducting this review Fitch examined the portfolio holdings on the following dates: April 14, May 19, June 9, and June 30, 2000. The scope of Fitch's review was limited to the agreed upon procedures.

With regard to the agreed upon procedures, Fitch identified the following exception and is of the opinion that, in all other regards, the Orange County Commingled and Educational pool portfolio holdings are in compliance with the County's investment policy statement and California Government Code Section 53601, Section 53635, and all other relevant Government Code provisions as of the sampled dates.

DATE	PORTFOLIO	VIOLATION
6/15/00	694	The pool was in violation on the date in question when the purchase of additional Syndicated MTN resulted in the amount of Syndicated Loan Funding exposure exceeding the 5% limit. The county had reported this as a technical incident, but later reclassified it appropriately as a violation.

In addition, Fitch reviews the noncompliance report in the Orange County Treasurer's Management Report on a monthly basis, to determine the materiality of certain Investment Policy Statement guideline violations, if any. We note the following additional violations for the quarter ended June 30, 2000:

DATE	PORTFOLIO	VIOLATION
5/25/00	694	The percentage of portfolio holdings for a single issuer exceeded 5 %. Due to a calculation error additional Countrywide Home Loan CP was purchased violating the single issuer constraint at 5.27% of holdings. The acquisition matured, bringing the portfolio back into compliance.
6/14/00	694	The % of portfolio holdings of Toronto Dominion exceeded the 5% limit at 5.02% due to a calculation error. The acquisition matured on June 21 <sup>st</sup> , bringing the portfolio back into compliance.

Although certain Investment Policy Statement guidelines were temporarily exceeded, Fitch finds no material impact of a negative nature to the Orange County Commingled and Educational Pools for the quarter ended June 30, 2000.

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

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

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

This compliance review is rendered solely for your benefit and may not be relied upon by any other person without our prior written consent. Please call me at (212) 908-0619 or Katie Lynch at (212) 908-0892 with any questions.

Sincerely,

John Schiavetta, CFA  
Managing Director

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Orange County Portfolio  
 Commingled Pool

Portfolio Dated

4/14/00  
 692

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	69.91	Yes
Minimum NAV	0.9950	0.9995	Yes
Maximum NAV	1.0050	0.9995	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	1.02%	100%	0%	Yes
AGENCY	2.03%	100%	0%	Yes
CP	39.12%	40%	0%	Yes
CD	28.82%	30%	0%	Yes
REPO	4.39%	50%	0%	Yes
BA	4.44%	40%	0%	Yes
MMF	0.30%	20%	0%	Yes
MTN	19.88%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
OTHER	0.00%	30%	0%	Yes
	100.00%			Yes

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

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

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

Orange County Portfolio  
Educational Pool

Portfolio Dated

4/14/00  
694

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	83.79	Yes
Minimum NAV	0.9950	0.9993	Yes
Maximum NAV	1.0050	0.9993	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	2.95%	100%	0%	Yes
CP	33.71%	40%	0%	Yes
CD	28.16%	30%	0%	Yes
REPO	4.77%	50%	0%	Yes
BA	3.89%	40%	0%	Yes
MMF	0.58%	20%	0%	Yes
MTN	25.94%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
OTHER	0.00%	0%	0%	Yes
	100.0%			Yes

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

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

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

**Orange County Portfolio** Portfolio Dated 5/19/00  
 Commingled Pool 692

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	72.97	Yes
Minimum NAV	0.9950	0.9991	Yes
Maximum NAV	1.0050	0.9991	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	2.46%	100%	0%	Yes
CP	36.75%	40%	0%	Yes
CD	26.52%	30%	0%	Yes
REPO	2.34%	50%	0%	Yes
BA	3.68%	40%	0%	Yes
MMF	0.17%	20%	0%	Yes
MTN	28.07%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
OTHER	0.00%	30%	0%	Yes
	100.0%			Yes

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

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

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

**Orange County Portfolio** Portfolio Dated 5/19/00  
 Educational Pool 694

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	72.91	Yes
Minimum NAV	0.9950	0.9993	Yes
Maximum NAV	1.0050	0.9993	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	3.39%	100%	0%	Yes
CP	39.54%	40%	0%	Yes
CD	29.84%	30%	0%	Yes
REPO	2.27%	50%	0%	Yes
BA	4.90%	40%	0%	Yes
MMF	0.14%	20%	0%	Yes
MTN	19.91%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
OTHER	0.00%	0%	0%	Yes
	100.0%			Yes

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

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

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

**Orange County Portfolio** Portfolio Dated 6/9/00  
 Commingled Pool 692

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	72.47	Yes
Minimum NAV	0.9950	0.9990	Yes
Maximum NAV	1.0050	0.9990	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.0%	100%	0%	Yes
AGENCY	2.9%	100%	0%	Yes
CP	38.7%	40%	0%	Yes
CD	25.5%	30%	0%	Yes
REPO	0.0%	50%	0%	Yes
BA	3.5%	40%	0%	Yes
MMF	0.6%	20%	0%	Yes
MTN	28.9%	30%	0%	Yes
CASH	0.0%	0%	0%	Yes
OTHER	0.0%	0%	0%	Yes
	100.0%			Yes

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

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

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

**Orange County Portfolio** Portfolio Dated 6/9/00  
 Educational Pool 694

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	77.58	Yes
Minimum NAV	0.9950	0.9990	Yes
Maximum NAV	1.0050	0.9990	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	1.60%	100%	0%	Yes
CP	34.75%	40%	0%	Yes
CD	31.59%	30%	0%	Yes
REPO	0.00%	50%	0%	Yes
BA	4.88%	40%	0%	Yes
MMF	0.50%	20%	0%	Yes
MTN	26.68%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
OTHER	0.00%	0%	0%	Yes
	100.0%			Yes

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

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

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



**Orange County Portfolio** Portfolio Dated 6/30/00  
 Commingled Pool 692

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	86.00	Yes
Minimum NAV	0.9950	0.9990	Yes
Maximum NAV	1.0050	0.9990	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.00%	100%	0%	Yes
AGENCY	2.19%	100%	0%	Yes
CP	39.48%	40%	0%	Yes
CD	27.17%	30%	0%	Yes
REPO	3.05%	50%	0%	Yes
BA	1.45%	40%	0%	Yes
MMF	0.33%	20%	0%	Yes
MTN	26.34%	30%	0%	Yes
CASH	0.00%	0%	0%	Yes
OTHER	0.00%	0%	0%	Yes
	100.0%			Yes

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

NB - Use formula first, then check Repos.

(1) No BA or CP has a final maturity of greater than 180 days.  
 (2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

**Orange County Portfolio** Portfolio Dated 6/30/00  
 Educational Pool 694

Portfolio	Guideline	Actual	Comply Yes/No
Weighted Avg. Maturity (Days)	90	82.00	Yes
Minimum NAV	0.9950	0.9990	Yes
Maximum NAV	1.0050	0.9990	Yes

Sector	% Market Value	Maximum Limits	Minimum Limits	Comply Yes/No
GOVT	0.0%	100%	0%	Yes
AGENCY	0.0%	100%	0%	Yes
CP	38.5%	40%	0%	Yes
CD	28.0%	30%	0%	Yes
REPO	3.4%	50%	0%	Yes
BA	2.9%	40%	0%	Yes
MMF	0.3%	20%	0%	Yes
MTN	26.9%	30%	0%	Yes
CASH	0.0%	0%	0%	Yes
OTHER	0.0%	0%	0%	Yes
	100.0%			Yes

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

NB - Use formula first, then check Repos.

(1) No BA or CP has a final maturity of greater than 180 days.  
 (2) Up to 10% for MMF and up to 100% for obligations of the U.S. government, U.S. government agencies, or U.S. government sponsored enterprises.

**Attachment I**

**Portfolio Compliance Monitoring Agreed Upon Procedures (effective 2/25/97)**

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

Fitch IBCA, Inc. will evaluate the County's Commingled and Educational pools as of the last day of each quarter in order to determine whether the County's pools are in compliance as of that date with the following guidelines.

A) Maturity

- 1) No individual security has a final maturity date greater than 13 months.
- 2) The weighted average maturity (WAM) of the each pool is less than 90 days.
- 3) No commercial paper has a final maturity of greater than 180 days.
- 4) No Bankers' Acceptance has a final maturity of greater than 180 days.
- 5) No receivable-backed security greater than 90 days maturity.

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

B) Credit Risk

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

C) Collateral Counterparty Risk - All counterparties to repurchase agreements are rated at least F1 / A-1.

D) Net Asset Value (NAV) - Maintained within a range of 99.5 - 1.005. Fitch IBCA, Inc. will rely on the NAV provided from Orange County or the custodial bank.

E) Diversification Guidelines - Maximum percentage concentration of the portfolio at the time of purchase

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

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

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

Policies regarding the maximum allowable exposures to individual issuers and classes of securities are to be considered at the time of purchase only. Therefore, unexpected withdrawals from a pool that boost percentage exposures above limits subsequent to purchase are not considered exceptions.

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

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

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

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

**Reporting Requirements**

In order to perform the above mentioned compliance monitoring, Fitch IBCA, Inc. will need to receive the following reports on a weekly basis.

- A) Daily Portfolio Holdings in electronic form
- B) Weekly Compliance Reports in electronic form
- C) Daily Investment Transactions Report
- D) Daily Pricing Report in electronic form

Fitch IBCA, Inc., when performing these agreed upon procedures, intends to rely on documents and information provided by Orange County and/or its custodian bank. Fitch IBCA, Inc. does not intend to independently audit or verify the truth or accuracy of such information as it pertains to the aforementioned agreed upon procedures.