



OFFICE OF THE TREASURER-TAX COLLECTOR

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February 15, 2008

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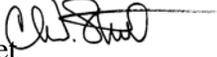
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TO: Board of Supervisors
Thomas G. Mauk, County Executive Officer
Treasury Oversight Committee
Treasurer's Advisory Committee
Participants

FROM: Chriss W. Street 
Treasurer-Tax Collector

SUBJECT: Treasurer's Management Report for January 31, 2008

Attached please find the Treasurer's Management Report for the County of Orange for the month ended January 31, 2008. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website www.ttc.ocgov.com.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending January 31. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Investment Pool's December 2007 and January 2008 interest apportionments. We anticipate posting the December 2007 and January 2008 interest apportionments to participants' cash accounts in the County general ledger by approximately February 11, 2008 and March 25, 2008 respectively.

CHANGES IN ELIGIBLE CREDITS

In the month of January, there were two changes to the Treasurer's approved eligibility list of issuers.

The following was added to the CP/ MTN Eligibility list:

- 1) **Coca-Cola Company**

The following was removed from the CP/ MTN Eligibility list:

- 2) **Giro Funding US Corp.**

CREDIT OBSERVATIONS

Whistlejacket

On January 31, 2008, Standard Chartered Bank (SCB) announced its intention to restructure Whistlejacket Capital Ltd., their structured investment vehicle. This effort included the bank's formal commitment to support Whistlejacket's liquidity needs with a new commercial paper (CP) facility and the retention of subordinated debt as a cushion for senior investors. In response to the announcement, Standard & Poor's, Moody's and Fitch all affirmed their ratings of SCB, citing the bank's strong funding and liquidity profile.

From October to December of 2007 Whistlejacket enhanced the position of senior debt holders, such as the Treasurer's holdings, by selling half of their assets to capital note holders through "vertical slice" purchases. During a press conference in December, Whistlejacket expressed a high likelihood that they will affect similar sales of the remaining \$7 billion, and that these actions will have a negligible effect on Standard Chartered Bank's Tier-1 capital given its size.

Whistlejacket has stated their intent to protect senior note holders throughout the current market turmoil. The actions taken thus far by Whistlejacket, including asset sales and a willingness to provide liquidity, are consistent with this goal and statements made to our investment staff.

As of January 31, 2008, Whistlejacket's assets can be characterized as:

- 64.4% Aaa-rated
- 32.8% Aa-rated
- 2.8% A-rated

On February 11, 2008, Standard Chartered (SCB) announced that the market priced net asset value of Whistlejacket's subordinated capital notes had declined below their NAV trigger (50% of par). This "market trigger" initiates a wind down designed to protect the senior note holders from incurring any market losses. Even after the decline in market value of the subordinated debt, there remains over \$600 million excess in capital note value, \$1.17 billion of bank CDs (breakable deposits) and committed bank liquidity by SCB to provide further cushion for senior note holders.

Subsequently, Deloitte & Touche LLP (DT) was appointed as receiver to advise on the course of action which best protects the interests of the secured parties. On February 12, 2008, DT reaffirmed that the liquidity lines had not been exercised, and that all options remain available to Whistlejacket. Moody's noted the options available include continuation of the repayment of senior debt in the normal course, acceleration of senior debt and completion of the plan initiated by Standard Chartered to provide liquidity support. Although DT has characterized SCB as being "quite responsive," the investment was downgraded by Moody's and S&P to BB/Ba2 long-term and B/NP short-term due to the increased uncertainty.

Whistlejacket continues to pay interest and principal on a timely basis and no default has occurred. Standard Chartered Bank has been taking aggressive action to protect the senior debt holders of Whistlejacket, and in recent conversations have indicated their intent to maintain this support.

Sigma Finance

On January 18, Fitch temporarily put Sigma Finance on credit watch and then withdrew their rating following the expiration of the rating agency's contract with Sigma. Sigma Finance has maintained the highest ratings by S&P (AAA/A-1) and Moody's (Aaa/P-1). Standard & Poors has distinguished Sigma from the other SIVs, stating Sigma Finance is a "limited purpose finance company."

CC USA and Five Finance

On February 13, 2008, Moody's affirmed the Aaa-ratings of Citibank-sponsored SIVs, and removed CC USA and Five Finance from credit-watch negative. Moody's actions were prompted by Citibank's capital commitment of \$883 million or 7.01% of CC USA's senior debt outstanding, and \$548 million or 7.44% of Five's senior debt outstanding and their willingness to replenish capital as needed.

The following graphs represent the County and School's investment pools' composition by issuer type including their portion of the Extended Fund where applicable (EXHIBIT 1).

MARKET OBSERVATIONS

It has been an active year for the Federal Open Market Committee. On the heels of several Fed Fund cuts, Chairman Bernanke announced a surprise 75 basis point inter-meeting cut on January 22nd. One week later surprise turned to amazement as Bernanke added another 50 basis point cut which lowered the Fed Funds rate to 3.0%. The Fed has stated they continue to “balance” the risks of recession versus inflation, although their actions make clear they are more afraid of the former. The latest moves also demonstrate Bernanke, like his predecessor Greenspan, is willing to bail investors out of shaky “bubbles.”

Market participants anticipate another 50 basis point cut in March and expect an additional 25 basis points to be trimmed in April. Although the Fed's actions indicate their belief that a recession may be on the horizon, a majority of economists believe these aggressive actions, and the \$160 billion stimulus package passed by Congress will return the economy to 2% growth by the fourth quarter of the year.

Before returning to growth however, the excesses of the last decade must be purged from the system. Global banks which convinced themselves that “this time is different” must begin to repair their tattered balance sheets. Banks which had been assuming risk without a commensurate amount of reward are now paying in the form of massive write downs. As a result, many of the new, as well as some well-established, forms of debt financing will not return. The net effect is that it will be increasingly difficult for firms to borrow, thereby slowing the capital creation process. The US will continue to dominate the global financial system going forward, but foreign banks' appetites to finance new endeavors will be greatly diminished by this “learning experience” and their own battered balance sheets.

One technique banks were using to “fix” the problems of the past was to share risk with the rest of their brethren. By peeling off and selling small amounts of risk from each new deal/product to other institutions, banks felt insulated from the risks inherent in all new debt being produced. Although diversified by each deal, the end result was that they all held the same level of market risk and each was exposed to the same assets. Banks compounded their problems by accepting mono-line insurers as additional counter parties. Currently, large multinational banks are faced with the unenviable task of trying to support these insurers while simultaneously hoarding cash to shore up their own balance sheets. Because of the lack of capital, banks have been looking to sovereign funds from Asia and the Middle East. It is noteworthy that each of these offerings significantly dilutes the holdings of all other shareholders.

An additional squall stirring up the waters is the inability of consumers to do their part. Notwithstanding the wage gains of the past few years, consumers have a limited capacity for additional spending. Faced with a slowing economy, heavy debt loads, declining values in their largest assets (housing) and a much tougher lending environment it seems

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logical consumers will also be diverting a portion of their incomes to repair their own balance sheets.

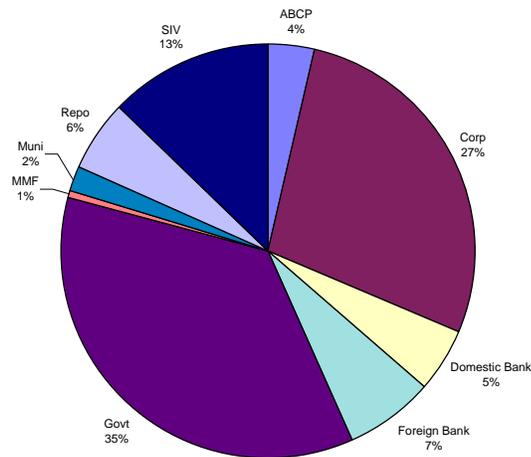
These market conditions have and will continue to create additional risks as well as opportunities. We have been anticipating this environment and will continue to reduce our risk profile as we position the portfolios to take advantage of market events as they become clear in the months ahead. We expect to continue our strategy of selectively extending the duration of individual investments as opportunities present themselves.

The Treasurer's Office appreciates your continued confidence as well as the opportunity to provide you with exemplary portfolio and cash management services in the future.

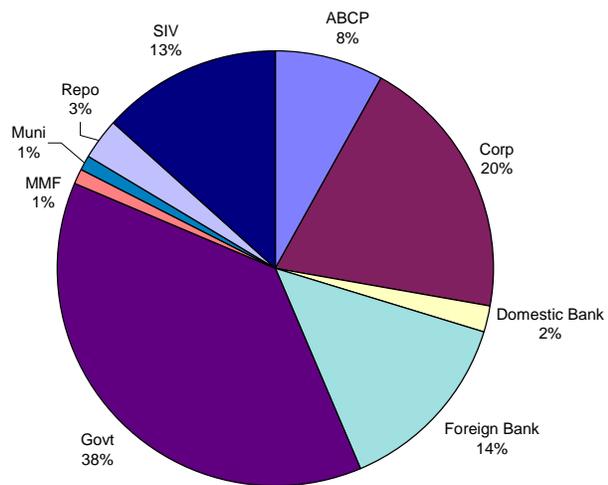
Please call with any questions.

EXHIBIT 1

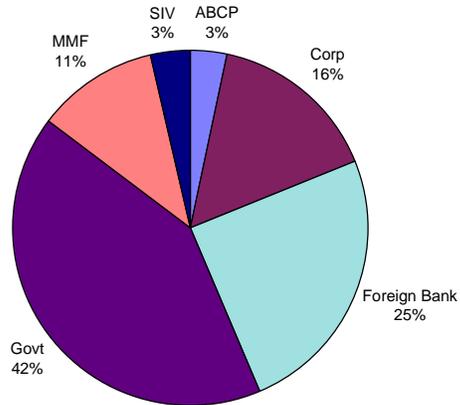
County



Schools



John Wayne Airport



**ORANGE COUNTY TREASURER-TAX COLLECTOR
EXECUTIVE SUMMARY
February 1, 2007 - January 31, 2008**

PERIOD ENDING - MONTH / YEAR	MONTH END MARKET VALUE	EARNINGS FOR MONTH	AVERAGE YIELD FOR MONTH	MONTH END WAM
<i>Current Month - January 2008</i>				
County Pool - Money Market Fund	\$ 1,977,674,788	\$ 8,208,591	4.56%	29
Educational Pool - Money Market Fund	\$ 2,132,664,074	\$ 8,270,478	4.53%	33
Extended Fund	\$ 2,176,737,787	\$ 9,396,820	5.13%	466
<i>December 2007</i>				
County Pool - Money Market Fund	\$ 2,241,143,754	\$ 10,399,742	4.91%	21
Educational Pool - Money Market Fund	\$ 2,347,118,458	\$ 7,819,755	4.83%	27
Extended Fund	\$ 2,205,742,474	\$ 10,088,589	5.21%	457
<i>November 2007</i>				
County Pool - Money Market Fund	\$ 1,982,354,313	\$ 7,788,881	5.05%	33
Educational Pool - Money Market Fund	\$ 1,609,274,201	\$ 6,711,960	5.00%	37
Extended Fund	\$ 2,331,861,281	\$ 10,381,129	5.35%	477
<i>October 2007</i>				
County Pool - Money Market Fund	\$ 1,782,577,124	\$ 6,883,821	5.35%	38
Educational Pool - Money Market Fund	\$ 1,694,769,373	\$ 7,831,908	5.22%	43
Extended Fund	\$ 2,402,836,096	\$ 11,058,084	5.28%	484
<i>September 2007</i>				
County Pool - Money Market Fund	\$ 1,432,086,153	\$ 6,660,098	5.41%	45
Educational Pool - Money Market Fund	\$ 1,819,448,968	\$ 7,855,956	5.37%	48
Extended Fund	\$ 2,540,343,321	\$ 10,875,629	5.24%	468
<i>August 2007</i>				
County Pool - Money Market Fund	\$ 1,504,259,141	\$ 7,099,764	5.43%	52
Educational Pool - Money Market Fund	\$ 1,838,089,922	\$ 8,360,457	5.40%	54
Extended Fund	\$ 2,562,116,542	\$ 10,926,380	5.16%	462
<i>July 2007</i>				
County Pool - Money Market Fund	\$ 1,591,863,228	\$ 8,124,200	5.40%	51
Educational Pool - Money Market Fund	\$ 1,955,074,669	\$ 8,736,819	5.38%	58
Extended Fund	\$ 2,498,650,022	\$ 10,525,066	5.16%	479
<i>June 2007</i>				
County Pool - Money Market Fund	\$ 1,877,130,515	\$ 8,120,941	5.40%	54
Educational Pool - Money Market Fund	\$ 1,796,807,395	\$ 9,202,118	5.37%	58
Extended Fund	\$ 2,360,816,509	\$ 10,541,871	5.29%	496
<i>May 2007</i>				
County Pool - Money Market Fund	\$ 2,038,485,187	\$ 9,453,530	5.38%	56
Educational Pool - Money Market Fund	\$ 2,253,481,882	\$ 11,347,317	5.35%	55
Extended Fund	\$ 2,269,898,637	\$ 9,010,127	5.11%	422
<i>April 2007</i>				
County Pool - Money Market Fund	\$ 2,310,098,771	\$ 11,096,800	5.38%	51
Educational Pool - Money Market Fund	\$ 2,584,211,525	\$ 10,202,892	5.36%	53
Extended Fund	\$ 2,037,558,524	\$ 9,230,167	5.25%	463
<i>March 2007</i>				
County Pool - Money Market Fund	\$ 1,800,423,404	\$ 7,762,592	5.30%	58
Educational Pool - Money Market Fund	\$ 2,156,514,102	\$ 9,805,516	5.29%	50
Extended Fund	\$ 2,257,154,399	\$ 9,622,420	4.99%	444
<i>February 2007</i>				
County Pool - Money Market Fund	\$ 1,707,506,698	\$ 6,691,832	5.40%	69
Educational Pool - Money Market Fund	\$ 2,273,724,523	\$ 8,707,709	5.35%	56
Extended Fund	\$ 2,278,912,413	\$ 9,587,935	5.43%	441
CUMULATIVE BALANCES - 12 MONTHS	AVERAGE BALANCES	TOTAL EARNINGS	AVERAGE YIELD	AVERAGE WAM
<i>February 1, 2007 - January 31, 2008</i>				
County Pool - Money Market Fund	\$ 1,853,800,256	\$ 98,290,791	5.26%	46
Educational Pool - Money Market Fund	\$ 2,038,431,591	\$ 104,852,886	5.21%	48
Extended Fund	\$ 2,326,885,667	\$ 121,244,217	5.22%	463