



Butte County

LAND OF NATURAL WEALTH AND BEAUTY

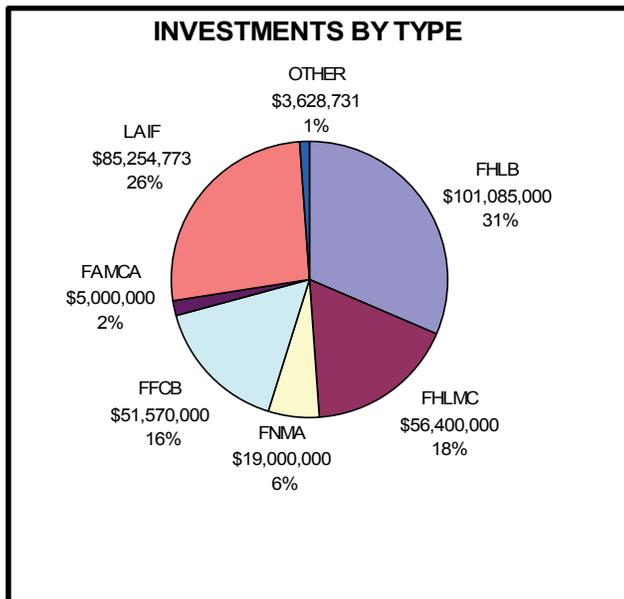
C. LINDA BARNES

TREASURER - TAX COLLECTOR

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BUTTE COUNTY POOLED INVESTMENT PORTFOLIO STATEMENT OF CONDITION SEPTEMBER 25, 2008

Given the turmoil in the financial markets, there may be some concern amongst pool participants regarding the safety of their invested funds in the Butte County Treasurer's Pooled Investment Portfolio. We want to reassure pool participants that the pool does not have investment exposure to Lehman, Merrill-Lynch, or AIG, either through direct investments or indirectly through LAIF. At this time, pooled funds are solely invested in Federal Agencies and LAIF. Investments in FHLMC and particularly in FNMA have been limited for quite some time due to negative reports, and are not currently being purchased even in light of the Federal Conservatorship implemented to stabilize those Agencies. All Agency investments carry the highest possible rating of AAA. The chart below shows the investment distribution of the Butte County Pooled Investment Portfolio. The Portfolio has a Fair Value of more than \$4M above the Cost Carried, or 101%, as of August 29, 2008.



LEGEND:

- FHLB: Federal Home Loan Bank
- FHLMC: Federal Home Loan Mortgage Corp.
- FNMA: Federal National Mortgage Association
- FFCB: Federal Farm Credit Bank
- FAMCA: Federal Agricultural Mortgage Corp.
- LAIF: Local Agency Investment Fund

- Other: Tennessee Valley Authority, CalTrust, Tri-Counties Bank CD

The Treasury has recently maintained a higher liquidity position than the historical norm due to the uncertainty of the State budget situation. Currently, about \$71M of the pool's actively invested portfolio and \$74.5M in GO bond proceeds are invested in LAIF. We have confidence in LAIF's money management philosophy; however, it is conceivable that the pool may have some exposure via the LAIF portfolio holdings. Pam Milliron, LAIF Administrator, assures us they have been extremely conservative with their corporate bonds and commercial paper investments, and a review of their holdings as of 6-30-08 reveals none of the corporate names that have been hitting the headlines. As part of their diversified portfolio, they hold negotiable CDs issued by domestic and foreign banks. These holdings may have a certain amount of exposure to loss, especially if the actions of the feds and the world's central banks are unable to stem the decline in the financial markets. Based on the most recent valuation provided by LAIF, an estimated 33% of LAIF's portfolio is invested in securities that may have some market risk. The Fair Value of the LAIF portfolio is at 100.16% of their Cost Carried balances of August 31, 2008.

For more detailed information, contact Peggy Moak at 538-7443 or pmoak@buttecounty.net.