



Judicial Council of California
ADMINISTRATIVE OFFICE OF THE COURTS

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MEMORANDUM

| | |
|---|--|
| Date | Action Requested |
| January 28, 2010 | Please Review |
| To | Deadline |
| Members of the Judicial Council | N/A |
| From | Contact |
| Stephen Nash Director, Finance Division | Greg Keil Trial Court Trust and Treasury Services 415-865-7956 greg.keil@jud.ca.gov |
| Subject | |
| Trial Court Quarterly Investment Report for the Period of July 1, 2009 through September 30, 2009 | |

This Trial Court Quarterly Investment Report provides the financial results for the funds invested by the Administrative Office of the Courts (AOC) on behalf of the trial courts as part of the judicial branch treasury program. This report is submitted pursuant to the Resolutions Regarding Investment Activities for the Trial Courts, approved by the Judicial Council on February 27, 2004 (Resolutions). The period covered by this report is from July 1, 2009 through September 30, 2009.

The Resolutions authorized the purchase of Adviser Class shares of the Columbia Cash Reserves Adviser Fund (CCRAF),¹ the Columbia Treasury Reserves Adviser Fund (CTRAF),² and the Local Agency Investment Fund (LAIF). At the June 1, 2009, meeting of the council's Executive and Planning Committee, the committee added the Columbia Government Reserves money market mutual fund to the approved list of investments and the Resolutions were amended to authorize the purchase of any share class of the Columbia Cash Reserves, Columbia Treasury Reserves, and the Columbia Government Reserves money market mutual funds.

For purposes of the chart on the following page, the PFIC column represents Bank of America Public Funds Interest Checking accounts.

¹ Formerly known as the Nations Cash Reserve Fund-Adviser Class Shares.

² Formerly known as the Nations Treasury Reserves Fund- Adviser Class Shares.

Funds Held in the Judicial Branch Treasury

Total Investment Portfolio

As of the close of business on September 30, 2009, total investment balances held by the trial courts purchased from bank accounts directly managed by the AOC Treasury Services Unit of the Finance Division were as follows:

| Investment Description | CCRAF | CTRAF | LAIF | PFIC | Total |
|--|--------------------------|--------------------------|-----------------------|-------------|------------|
| All dollar amounts are reported in thousands (\$000's) | | | | | |
| Section A – Book Values | | | | | |
| Beginning Balance – 07/01/09 | \$ 206,471 | \$ 0 | \$ 304,647 | \$ 134,527 | \$ 645,644 |
| Net Purchases / (Sales) ³ | \$ (57,396) | \$ 0 | \$ 79,057 | \$ (11,207) | \$ 10,454 |
| Interest Paid ⁴ | \$ 14 | \$ 0 | \$ 1,194 | \$ 96 | \$ 1,304 |
| Total Change | \$ (57,382) | \$ 0 | \$ 80,251 | \$ (11,111) | \$ 11,758 |
| Ending Balance – 09/30/09 | \$ 149,088 | \$ 0 | \$ 384,898 | \$ 123,416 | \$ 657,402 |
| Section B – Fair Values | | | | | |
| Ending Balance – 09/30/09 | \$ 149,088 | \$ 0 | \$ 385,499 | \$ 123,416 | \$ 658,002 |
| Net Unrealized Gain/(Loss) ⁵ in Fair Value – 09/30/09 | \$ 0 | \$ 0 | \$ 601 | \$ 0 | \$ 601 |
| Ending Balance Plus Unpaid Interest Earned ⁶ – 09/30/09 | \$ 149,089 | \$ 0 | \$ 386,284 | \$ 123,417 | \$ 658,790 |
| Section C – Earnings and Statistics | | | | | |
| Interest Earned ⁷ | \$ 5 | \$ 0 | \$ 786 | \$ 97 | \$ 887 |
| Unpaid Interest Earned ⁸ | \$ 1 | \$ 0 | \$ 786 | \$ 1 | \$ 788 |
| Average Yield ⁹ | 0.00% | 0.00% | 0.90% | 0.30% | 0.58% |
| Dollar-Weighted Maturity (Days) | 47 | | 234 | N/A | 148 |
| Credit Quality | First Tier ¹⁰ | First Tier ¹⁰ | GC16430 ¹¹ | N/A | |
| Percentage of Investment Portfolio ¹² | 22.68% | 0.00% | 58.55% | 18.77% | 100.00% |

³ “Net Purchase/(Sales)” is the net amount of court investment principal purchases and sales completed during the quarterly period.

⁴ “Interest Paid” is the total amount of interest paid to the investment account during the quarterly period, and which as a result is included in the Ending Balance.

⁵ “Net Unrealized Gain/(Loss)” is the difference between the investment balance’s book value and its fair value as of the end of the period. The net gain or loss is “unrealized” as the valuation at fair value is only for assets held by the fund as of the end of the period. This Net Unrealized Gain/(Loss) would only be “realized” or become an actual gain or loss in the event all participants’ holdings in each portfolio were liquidated as of the end of the period.

⁶ “Ending Balance Plus Unpaid Interest Earned” is the Ending Balance at fair value plus Interest Earned that is unpaid as of the end of the period. This represents the liquidation value including unpaid Interest Earned only in the event all participants’ holdings in each portfolio were liquidated at the end of the period.

⁷ “Interest Earned” is the total amount of interest earned during the quarterly reporting period.

⁸ “Unpaid Interest Earned” is the amount of interest earned during the period that is unpaid as of the end of the quarterly reporting period.

⁹ “Average Yield” is the simple average of the 30 day yields for each calendar month, net of the investment’s operating expenses for the period.

¹⁰ First Tier money market debt securities are money market debt securities that receive a short-term rating from a Nationally Recognized Statistical Rating Organization in the highest short-term rating category for debt obligations.

¹¹ LAIF may only invest the money of the fund in debt obligations prescribed in GC16430.

¹² The portfolio balance percentages are calculated using the book values as of the end of the quarterly period.

The ratio of each investment's fair market value to its book value (Fair Market Value Factor) as of September 30, 2009, was as follows:

| | |
|-------|------------------|
| CCRAF | 1.000000000; |
| CTRAF | 1.000000000; |
| LAIF | 1.001560611; and |
| PFIC | 1.000000000. |

The Fair Market Value Factor is 1.000 for CCRAF and CTRAF because all holdings in CCRAF and CTRAF are valued at fair market value daily, and fair value is the price for all daily redemptions and re-investment transactions. Since LAIF's operating rules permit the redemption, at any time, of all or portion of any participating court's LAIF balance at its original purchase price, the court's redemption price is not impacted by unrealized gains or losses.

Section A, of the table above, provides the investment balances and activity for the period at book value or original cost plus or minus the straight-line amortization of any applicable discount or premium.

Section B provides the investment balances at their fair value as of the end of the annual period. Fair value is defined as the value at which an asset could be bought or sold in a current transaction between willing parties, other than in a liquidation.

Section C provides the investment earnings, the dollar weighted average maturity, the credit quality, and each investment's percent of the total investment portfolio.

These investment balances include the combined balances of both trial court operating funds and agency funds.¹³

Investment Portfolio Components:

CCRAF

The CCRAF is an overnight money market mutual fund registered with the Securities Exchange Commission under the Federal Investment Company Act of 1940, and operated in accordance with the Code of Federal Regulations 270.2a-7 (C.F.R. 270.2a-7). Each night, the CCRAF automatically sweeps funds in excess of an established floor from each bank account operated by the AOC for the benefit of a trial court and invests that money in adviser shares. At the opening of the following banking day, the CCRAF automatically returns the invested funds to the appropriate bank account. Simple interest is paid for each calendar month based on the actual interest rate returns realized on the portfolio daily during the term of each overnight investment net of the automated sweep service cost of 0.25 percent.

¹³ Agency funds are balances held in trust pending resolution of civil or criminal court proceedings, and funds held on behalf of the State and local agencies prior to their statutory distribution. Agency funds include the following categories: civil trust, criminal bail trust, Uniform Civil Fees and criminal fines, fees and penalties.

In accordance with C.F.R. 270.2a-7, the CCRAF must maintain a dollar-weighted average maturity consistent with its objective of maintaining a stable net asset value per share, not to exceed 90 days, and must contain only “First Tier” money market debt obligations receiving a short-term rating from a Nationally Recognized Statistical Rating Organization in the highest short-term rating category for debt obligations.

CCRAF invests only in high-quality money market instruments, which include bank obligations (including certificates of deposit and time deposits issued by domestic and foreign banks or their subsidiaries or branches), commercial paper, corporate bonds, extendible commercial notes, asset-backed securities, funding agreements, municipal securities, repurchase agreements and other high-quality short-term obligations. As of September 30, 2009, the CCRAF portfolio composition was as follows:

**CCRAF Portfolio Composition
As of September 30, 2009**

| | |
|---------------------------------|--------|
| Certificates of Deposit | 51.95% |
| Asset-Backed Commercial Paper | 16.60% |
| U.S. Govt. & Agency Obligations | 12.18% |
| Commercial Paper | 9.64% |
| Repurchase Agreements | 8.40% |
| Municipal Bonds | 0.99% |
| Corporate Bonds and Notes | 0.24% |

Colombia Management has determined that iMoneyNet’s Prime Category Average (iMoneyNet) money market mutual fund is a good proxy of the CCRAF portfolio composition and performance.¹⁴

LAIF

LAIF is a money market fund held and managed by the State Treasurer's Office and is part of the Pooled Money Investment Account (PMIA). The PMIA is the short-term investment pool for the State of California’s general fund; special funds held by State agencies; and moneys deposited by cities, counties and other entities into the LAIF. LAIF is a voluntary program created by statute; it began in 1977 as an investment alternative for California's local governments and special districts. The enabling statute for the LAIF is Section 16429.1 et seq. of the Government Code. By law, PMIA moneys can be invested only in the following categories: U.S. government securities, securities of federally-sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit and loans to various bond funds.

¹⁴ The most recent monthly fact sheet for the Columbia Cash Reserves Adviser Fund can be found at the following URL at Colombia Management’s website:
http://institutional.columbiamanagement.com/NR/rdonlyres/DC7C127C-B623-4683-A7EE-990E919495D6/0/CashReserves_Adv.pdf

LAIF's primary objectives are to maintain safety of principal and provide daily liquidity. These objectives are met by investing in high credit quality debt instruments, maintaining an average maturity between 120 days and 18 months, and providing daily availability of the entire invested balance. LAIF's investment yield is consistent with these very conservative objectives.

The LAIF Performance Report including the portfolio's composition, as of September 30, 2009, as reported by the State Treasurer's Office is attached. The State Treasurer's Office has not identified a money market fund suitable for benchmark comparison to LAIF.

CTRAF

Funds from the trial court's trust accounts were invested in the CTRAF from the CCRAF on October 1, 2008. Investment in the CTRAF was then discontinued as of June 1, 2009 and the accounts were converted to BofA Public Funds Interest Checking (PFIC) accounts, which are described in the PFIC section below.

PFIC

As of June 1, 2009, the investment sweeps into the Columbia Treasury Reserves for the Trial Court trust accounts were discontinued and the accounts converted to Bank of America Public Funds Interest Checking (PFIC) accounts. The PFIC accounts earn interest at a rate of 0.30 percent per annum. The PFIC accounts are Federal Deposit Insurance Corporation (FDIC) insured and are fully collateralized 110 percent with securities, per Government Code 53651, purchased by Bank of America and held in a collateral pool pledged to public deposits. Since PFIC accounts are FDIC insured, they are subject to FDIC insurance assessments of 0.13 percent per annum¹⁵.

¹⁵ The FDIC assessment fee is the direct result of maintaining PFIC balances on deposit with Bank of America. FDIC fees are assessed on the average PFIC balance for the quarter. PFIC accounts are not subject to Temporary Liquidity Guarantee Program (TLGP) assessment fees, which are assessments for a temporary supplemental guarantee program offered to banks by the FDIC.

Bill Lockyer, State Treasurer

Inside the State Treasurer's Office

Local Agency Investment Fund (LAIF)



SAVE THE DATE: LAIF ANNUAL CONFERENCE, OCTOBER 21-22, 2009

PMIA Performance Report

| Date | Daily Yield | Quarter to Date Yield | Average Maturity (in days) |
|------------|-------------|-----------------------|----------------------------|
| 9/29/2009 | 0.64 | 0.91 | 224 |
| 9/30/2009 | 0.62 | 0.9 | 234 |
| 10/1/2009 | 0.66 | 0.66 | 247 |
| 10/2/2009 | 0.66 | 0.69 | 249 |
| 10/3/2009 | 0.66 | 0.68 | 249 |
| 10/4/2009 | 0.66 | 0.68 | 249 |
| 10/5/2009 | 0.66 | 0.71 | 251 |
| 10/6/2009 | 0.66 | 0.70 | 252 |
| 10/7/2009 | 0.65 | 0.69 | 250 |
| 10/8/2009 | 0.65 | 0.69 | 248 |
| 10/9/2009 | 0.65 | 0.68 | 248 |
| 10/10/2009 | 0.65 | 0.68 | 248 |
| 10/11/2009 | 0.65 | 0.68 | 248 |
| 10/12/2009 | 0.65 | 0.67 | 246 |

LAIF Performance Report

Quarter ending 9/30/2009

Apportionment Rate: 0.90%
 Earnings Ratio: .00002459481708038
 Fair Value Factor: 1.001560611

PMIA Average Monthly Effective Yields

Sep 2009 0.750%
 Aug 2009 0.925%
 July 2009 1.035%

Pooled Money Investment Account

Portfolio Composition

\$61.9 Billion

09/30/09

