Local Government Investment Pool/U.S.
Full Rating Report

Marin County Investment Pool

Ratings

Security Class	Current Ratings
Marin County Treasury Investment Pool	AAA/V1

Analysts

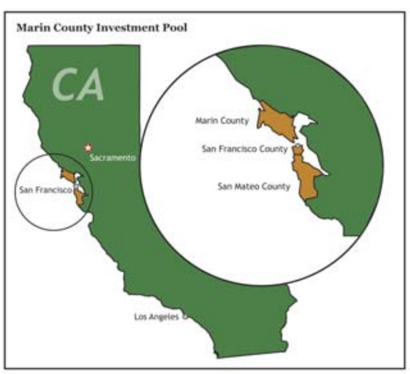
Russ Thomas
+1 312 368-3189
russ.thomas@fitchratings.com

Viktoria Baklanova
+1 212 908-9162
viktoria.baklanova@fitchratings.com

Related Research

Applicable Criteria

- *Global Bond Fund Rating Criteria, Feb. 10, 2010*
- *Global Bond Fund Rating Criteria (Short-Term Bond Fund Addendum), March 22, 2010*



Summary

The Marin County Investment Pool is rated 'AAA/V1' by Fitch Ratings, reflecting the credit quality of the portfolio assets and the low sensitivity to market risk. The Marin County Investment Pool is managed by the Marin County treasurer–tax collector on behalf of the pool participants.

The 'AAA' fund credit rating reflects the pool's vulnerability to losses as a result of defaults and is based on the actual and prospective average credit quality of the pool's invested portfolio. As such, the pool is expected to maintain a weighted average portfolio rating of 'AAA', taking into account certain adjustments for the reduced credit risk of short-term securities. The 'V1' fund volatility rating reflects the pool's low market risk and a capacity to return stable principal value to meet anticipated cash flow requirements, even in adverse interest rate environments. Portfolio valuation reports are submitted to Fitch on a monthly basis.

On March 18, 2010, Fitch completed a sector review of all rated local government investment pools (LGIPs) and public investment portfolios, following the publication of updated rating criteria, "Global Bond Fund Rating Criteria," dated Feb. 10, 2010, available on Fitch's Web site at www.fitchratings.com. As part of this review, the fund credit rating assigned to the Marin County Investment Pool was affirmed at 'AAA', and the fund volatility rating was revised to 'V1' from 'V1+'. The revision of the fund volatility rating was solely a result of Fitch eliminating the 'V1+' rating from its fund volatility rating scale. The revision of the fund volatility rating scale did not reflect any change in the market or liquidity risk of the portfolio.

Rating Considerations

- Credit quality of the portfolio is consistent with an 'AAA' fund credit rating. While the pool is permitted, per its investment policy, to invest in securities rated at least 'A/F1' or equivalent, the pool has historically focused its investment strategy on 'AAA' rated government agency securities and high-quality money market funds. The pool may also invest in repurchase agreements, provided they are overcollateralized by at least 102% with U.S. Treasury securities.
- The amount of available liquidity is viewed as sufficient given the predictable nature of the pool's cash outflows and asset maturity profile of the portfolio.
- Management oversight and operational controls are consistent with the assigned ratings.

Overview

The county of Marin is located in Northern California. The Marin County Investment Pool is managed by the Marin County treasurer–tax collector on behalf of the pool participants. Participants are defined as: Marin County; the Marin public school agency; Marin Community College; the Marin County office of education; districts under the control of the county board of supervisors; autonomous/independent districts, whose treasurer is the Marin County treasurer; and any other districts or agencies approved by the board of supervisors and the county treasurer, using Marin County as their fiscal agent. As of Aug. 31, 2010, the pool had $719 million in assets under management.

The pool is organized and invested in accordance with the state of California Government Code Section 53600 and Section 53639 and is not registered under federal law. The pool's primary investment objective is preservation of capital. The pool's secondary objective is to maintain sufficient liquidity to enable participants to meet their operating requirements. The last objective of the pool is to obtain a rate of return consistent with the first two objectives.

Investment Practices

The pool seeks to pursue its investment objectives by investing in a diversified portfolio of high-quality debt securities rated at least 'A/F1' by Fitch or of a comparable credit quality by other global rating agencies. Permitted investments include U.S. Treasury and government agency securities and state of California bonds, as well as registered warrants, bankers' acceptances, commercial paper, negotiable certificates of deposit, time deposits, medium-term notes, shares of money market funds, repurchase agreements, and the Local Agency Investment Fund (LAIF). LAIF is the California state investment pool, managed by the state treasurer's office.

Under the pool's investment policies, the use of reverse repurchase agreements or securities lending programs is not permitted.

Liquidity Management

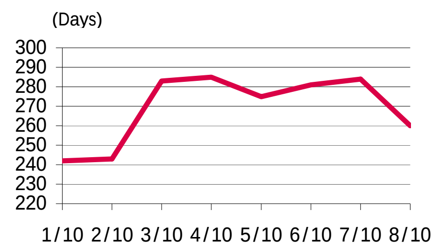
The maturity profile of the pool is managed to meet anticipated cash flow needs of the pool's participants. Investments are generally matched to scheduled cash outflows, using historical cash flow assumptions. Voluntary participants constituted approximately 13.9% of the pool's assets as of Aug. 31, 2010, with the balance of invested funds coming from Marin County and other mandatory participants.

The pool has daily access to its investments in money market funds and LAIF to meet daily withdrawal requirements and cash outflows. As of Aug. 31, 2010, approximately 27% of the portfolio's assets had a maturity of 30 days or less. In addition, the pool maintains a significant position in U.S. government agency securities, which are expected to demonstrate secondary market liquidity even during periods of market stress.

Market Risk

The weighted average maturity to reset date (WAMr) of securities held in the portfolio was approximately 260 days as of Aug. 31, 2010. WAMr is a measure of a portfolio's sensitivity to changing interest rates. As of the same date, approximately 74% of the pool's total assets were invested in securities with maturities of one year or less. By policy, the pool must maintain an average maturity of less than 18 months and is not allowed to purchase securities with maturities greater than two years. However, the treasurer may authorize the purchase of U.S. government agency obligations with final maturities of five years or less.

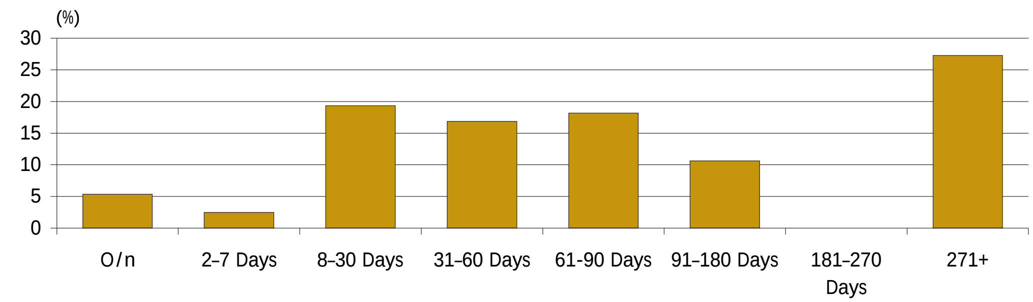
Portfolio Weighted Average Maturity
(As of Aug. 31, 2010)



Source: Marin County Treasurer.

To meet liquidity targets and minimize exposure to interest rate changes, the pool uses a laddered investment strategy across a short maturity spectrum. The pool also employs a cash flow-matching investment strategy to structure investment maturities to coincide with conservative expectations of draws on the portfolio. Marin County Investment Pool has historically benefited from highly predictable cash outflow needs of the pool's participants. The pool's anticipated redemptions include payroll and benefit payments, accounts payable, debt services, and other planned expenditures. Furthermore, no withdrawals from the pool can be made for the purposes of investing those funds outside the pool without prior approval of the Marin County treasurer. An approval can be given as long as such a withdrawal does not negatively affect the interests of other participants. A notice of withdrawal is required to be made in writing at least 10 days prior to the proposed withdrawal date.

Portfolio Maturity Profile[a]
(As of Aug. 31, 2010)



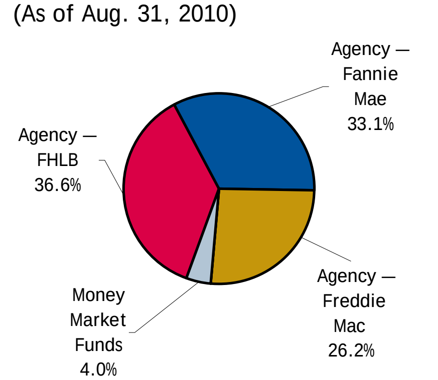
[a]Represents final maturity. O/n — Overnight.
Source: Marin County Treasurer.

Credit Quality

Under the pool's investment policies, the pool portfolio invests in a diversified portfolio of securities issued by entities rated at least 'A/F1' by Fitch or of comparable quality by other global rating agencies.

As of Aug. 31, 2010, approximately 96% of the portfolio was invested in U.S. government agency securities, 4% was invested in money market funds, and 0.03% was invested in LAIF. Eligible money market instruments must be rated at least 'A/F1' by Fitch or of a comparable credit quality by other global credit rating agencies, except LAIF, which is not rated by any rating agencies. The pool restricts concentrations in any one issuer (other than the U.S. government and its agencies) to a maximum of 5% of total assets to minimize single-issuer exposure. Repurchase agreements are entered into only with counterparties rated at least 'A/F1' by Fitch or of comparable quality by other global rating agencies and are 102% collateralized by U.S. government securities. As of Aug. 31, 2010, the pool did not have any investments in repurchase agreements.

Portfolio Rating Distribution
(As of Aug. 31, 2010)



Note: Numbers may not add to 100% due to rounding.
Source: Marin County Treasurer.

LAIF is a LGIP with assets under management of $69 billion as of June 30, 2010. LAIF funds are not comingled with the state's cash or in any way available for state use. Fitch does not rate LAIF; however, Fitch views it as being managed in a manner generally consistent with other Fitch-rated LGIPs operating in the state of California, in terms of asset credit quality, issuer diversification, investor diversification, and liquidity management. To maintain investor diversification, LAIF limits the maximum size of a single depositor's account to $50 million, which equates to approximately 7% of Marin County Investment Pool's assets under management as of Aug. 31, 2010. Aside from this limit, any amount of eligible bond proceeds could be invested in LAIF. As of Aug. 31, 2010, Marin County Investment Pool had a total of $233,083, or 0.03% of its assets in LAIF. Fitch generally views investments in LAIF by other rated entities of less than or equal to 15% as consistent with 'AAA/V1' ratings, particularly if such investments serve as the sole or primary source of overnight liquidity. Higher levels of exposure to LAIF may be viewed as consistent with 'AAA/V1' ratings, provided that such additional investment does not serve as the sole or primary source of the portfolio's overnight liquidity.

Weighted Average Rating Factor

Based on the portfolio credit quality and maturity profile as of Aug. 31, 2010, Fitch calculated the weighted average rating factor to be consistent with an 'AAA' fund credit rating. This analysis includes a reduction of the credit factors for securities maturing within 13 months in recognition of the lower default probability of such securities relative to longer dated securities.

Rating Distribution and Minimum Ratings

In evaluating LGIPs, Fitch also considers the portfolio's minimum asset ratings as well as the extent to which the portfolio may undertake a bar-belled investment strategy. As of Aug. 31, 2010, the portfolio consisted entirely of long-term assets rated 'AAA' and short-term assets rated 'F1' or higher (or its equivalent by another rating agency). The minimum ratings and absence of a bar-belled investment strategy are viewed as consistent with the 'AAA' fund credit rating assigned to the portfolio.

Diversification

The pool is highly concentrated in U.S. government agency securities, which are not viewed as posing concentration risk given the high credit quality and liquidity of such holdings. As of Aug. 31, 2010, the portfolio held 37% of its total assets in securities issued by the Federal Home Loan Bank (FHLB), 33% in securities issued by Fannie Mae and 26% in securities issued by the Freddie Mac.

Organization

The Marin County Investment Pool is managed by the Marin County treasurer–tax collector's office investment staff. Michael J. Smith, Marin County's treasurer–tax collector, has overall responsibility for overseeing the pool's investments and operations.

The pool's investment policies are reviewed periodically by the treasury oversight committee, consisting of representatives from Marin County, the superintendent of schools' office, and school and special districts.

The pool is subject to quarterly internal audits by the county auditor's office. The pool is also subject to an annual external audit. Wells Fargo Institutional Trust Services, a subsidiary of Wells Fargo Bank, N.A. (rated 'AA–/F1+' by Fitch), acts as the safekeeping agent for the pool's assets.