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.

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.

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 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.

LAIF is a LGIP with assets under management of $69 billion as of June 30, 2010. LAIF
funds are not comingle 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.
Marin County Investment Pool    October 22, 2010

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. 

Copyright © 2010 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004. Telephone: 1-800-573-4624, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch’s factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch’s ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information they provide to Fitch and to the market in offering documents and other reports. In connection with the sale of the securities. Ratings may be changed or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registrant statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.