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Request for Correction/Retraction Orange County Register article “Did County Treasurer Bet on a Nag” dated 3/14/08

Statement: “Orange County will probably lose some of the \$80 million it sank into a defaulted investment, financial experts say.”

FACT: The introductory sentence leads readers to believe that Orange County made an investment in a vehicle that had already been placed in default (we received several calls from people believing as such).

The securities referenced were purchased on January 25, 2007 and July 25, 2007. At the time of purchase the investments were not in default. A default did not occur until February 21, 2008.

Statement: “The structured investment vehicle (Whistlejacket) has lost most of its value since July.”

FACT: Whistlejacket has not lost most of its value since July.

Whistlejacket reported a portfolio net asset value of 93.96% on February 11. On February 21, Moody’s stated that the over-collateralization ratio of senior debt was 105%. This means the County’s holding continue to have significant protection.

To state that most of the SIV’s value has been lost is factually incorrect.

Statement: “First it (Whistlejacket) started trading assets to junior creditors for cash...junior creditors were claiming assets ahead of senior creditors such as the county...”

FACT: Vertical slices do not take senior investor’s assets and give them to a junior investor.

The story leads the reader to believe pristine assets were cherry picked by junior creditors to the detriment of the Senior Note holders such as the County. The term vertical slice describes the purchase of a *pro rata* share of the portfolio. This means that if 4% of the portfolio is security XYZ, then 4% of the assets the Junior Creditor (also known as Capital Note Holder) purchases will also be XYZ.

Statement “You've skimmed off all the good stuff, and what you've got left is the sludge at the bottom of the barrel.”

FACT: Junior Creditors receive a pro rata share (see above). They receive no preferential treatment and do not get the “good stuff.”

FACT: The rating agencies require a substantial portion of the holdings to be in highly liquid or cash equivalent assets, These assets are referred to as Liquidity Equivalent Assets are not to be sold or otherwise encumbered. These , are of sufficient quality to attract bids in the market place.

Again, after significant asset sales from October through December 2007, the portfolio net asset value was still above 95 cents on the dollar.

Statement “He (Treasurer Chriss Street) did so, he has said, to diversify away from the troubled U.S. mortgage market where the county traditionally has invested...”

FACT: The County does not “traditionally place its portfolio in the troubled U.S. mortgage market.”

It is true that the decision to invest in SIVs was a part of an overall strategy to diversify away from the U.S. mortgage market. Each investment has always been weighed on its individual merit. There is no sector, including investments tied to the US Mortgage market that the Treasurer’s office has “traditionally” invested in. The County has been investing in SIVs since 2002.

“SIVs are private, unregulated investment funds...”

FACT: SIVs are regulated legal entities. SIVs are reregulated by the FSA (Financial Service Authority) and Securities & Exchange Commission (SEC) in the UK and USA respectively.

SIVs have external and internal auditors and are required by law to issue annual reports of financial condition. SIVs must meet rating agency conditions and have strict operational governance. These well-defined conditions of operation are the very reason why Whistlejacket went into enforcement and is now being operated by a Receiver, Deloitte & Touche.

Statement: “...SIVs carry assets that banks don’t want on their own balance sheets...By dumping these assets, banks free up money for the loans...”

FACT: SIVs are not the “dumping” ground of bad assets unwanted by sponsoring banks.

SIVs’ assets were never predominantly the assets of the sponsoring bank. They bought assets on the open market. Unlike ABCP conduits which were set up for regulatory capital relief, (assisting banks in freeing up capital) SIVs were not.

Statement: “The vehicles are financial black boxes. Investors like Orange County have only a vague idea of the SIVs’ holdings.”

FACT: Per regulatory guidelines, financial reports from SIV are frequent and adequate to perform a proper analysis of the investment.

Monthly updates on geographic exposure, product type, ratings, liquidity, foreign exchange exposure, interest rate limits and other compliance matters are reported to the investor. The largest holdings are identified by name even though investors do not generally receive granular level information. Additional information is obtained by dialoguing with the investment managers.