
LOCAL GOVERNMENT NEWS REPORT

December 2007

INTEREST RATES

The average annualized yield for November was 5.1160%. The rates for November were as follows:

November 1 st – 6 th	5.25%
November 7 th – 15 th	5.18%
November 16 th – 22 nd	5.10%
November 23 rd – 29 th	4.97%
November 30 th	4.87%

2008 HOLIDAY SCHEDULE

To help you in your investment planning, the following are holidays that will be observed by the State Treasurer's Office during 2008.

Tuesday	January 1 st	(New Year's Day)
Monday	January 21 nd	(Martin Luther King Jr. Day)
Monday	February 18 th	(Presidents' Day)
Monday	May 26 th	(Memorial Day)
Friday	July 4 th	(Independence Day)
Monday	September 1 st	(Labor Day)
Monday	October 13th	(Columbus Day) *Due to Fed & bank closure
Tuesday	November 11 th	(Veterans' Day)
Thursday	November 27 th	(Thanksgiving Day)
Thursday	December 25 th	(Christmas Day)

ACH transactions called in prior to 1:00 p.m. on the business day preceding a holiday will settle on the business day following the holiday. Any **ACH** transactions called in **between** 1:00 p.m. on the business day preceding a holiday and 1:00 p.m. on the business day following a holiday will settle at your bank the **second** business day following the holiday.

UPCOMING HOLIDAYS

Due to the Christmas holiday, the State Treasurer's Office, Fed wire service, and Oregon banks will be closed Tuesday, December 25th. Any ACH transfers called prior to 1:00 p.m. on Monday, December 24th, will settle at your bank on Wednesday, December 26th. Any ACH transfers called between 1:00 p.m. Monday, December 24th, and 1:00p.m. Wednesday, December 26th, will settle at your bank on Thursday, December 27th.

Due to the New Year's holiday, the State Treasurer's Office, Fed wire service, and Oregon banks will be closed Tuesday, January 1st. Any ACH transfers called prior to 1:00 p.m. on Monday, December 31st, will settle at your bank on Wednesday, January 2nd. Any ACH transfers called between 1:00 p.m. Monday, December 31st, and 1:00 p.m. Wednesday, January 2nd, will settle at your bank on Thursday, January 3rd.

OSTF NEW BOARD MEMBER – Wayne Lowry

Mr. Lowry joined the OSTF Board effective November 9, 2007. He takes the seat vacated by Judy Land.

Wayne Lowry is the Director of Finance and Operations for the Sherwood School District. He previously held the position of Chief Finance Officer for Washington County between May 1999 and October 2007. Prior to that, he served as the Director of Finance for the City of Tigard from 1986 to 1999. Prior to moving to Oregon, Mr. Lowry worked for Orange County California and was a Senior Manager in the Internal Audit Unit of the Auditor Controllers Office. He points out that Orange County was financially solvent when he left there.

Mr. Lowry is a Certified Public Accountant in the State of Oregon. He also served on the Board of the Oregon Municipal Finance Officers Association from 1993 through 2000, serving as President of the organization in 1998-99. He also served two terms on the Sherwood Board of Education from 1999 to 2007.

Oregon Short-Term Fund Update Regarding Current Market Conditions

Dear Colleagues:

The current credit crunch continues and requires thorough due-diligence by investors, especially short-term fixed income investment officers and portfolio managers.

OSTF Update

Over the past five months staff has revised the “Approved CP List” on numerous occasions, with a vigilant eye on the Asset-Backed Commercial Paper (ABCP) sector. Liquidity has improved for many of the ABCP programs, but not so for SIV programs or those programs with any hint of exposure to subprime debt and/or CDOs. Although staff believes that the programs on our approved list merit inclusion in the OSTF, we feel we have separated the good apples from the bad – staff is also cognizant of the headline risk in the current environment associated with ABCP and have put these programs on HOLD until further notice.

As of December 11, 2007, ABCP exposure is 0.431% of the total OSTF. The OSTF does not have direct exposure to any SIV, subprime or CDO asset classes. The only ABCP holding, FCAR Owner Trust I, representing Ford Motor Credit Company auto receivables, will mature on December 14, 2007. Here is a summary of ABCP exposure in the OSTF as of December 11, assuming no change in total OSTF assets:

Maturity Date	Issue	Current Ratings	Administrator	Program Type	Par Amount	% OSTF*	Total ABCP, % OSTF* @ 12/14
December 14	FCAR Owner Trust I	A1+/P1	Ford Motor Credit Company	Single-Seller	\$50,000,000	0.431%	0.000%

**The percent allocations for the December maturities assume the December 11, 2007 OSTF value; the allocation will fluctuate depending on OSTF cashflow.*

In an effort to dispel rumors or potential questions from yourselves or your governing bodies, staff emphasizes that all credits are reviewed on an on-going basis. It is important to note that staff does not buy credits based solely on ratings – but based on the underlying fundamentals, assets and trends of the issuers.

Finally, please note that the OSTF rate may also, at times, benefit from the State Street Bank (our custodian) Securities Lending Program. The enormous demand for high quality assets such as US Treasury and Agency securities has resulted in favorable securities lending income. Thus, in recent months, a greater percentage of the fund has been on loan and the spread between the financing rate and the reinvestment of the monies has

increased. At current, the OSTF securities lending portfolio (a.k.a. the OSTF cash collateral fund) does not have any exposure to the subprime, home equity, Alt-A, second lien, SIV, or CDO subsectors. Securities lending income has increased over the past four months resulting in an additional 10-15 basis points in the OSTF rate. This additional benefit will fluctuate depending on the State Street Bank staff views of the market and the overall market environment.

OSTF Bottom Line

- The OSTF and the OSTF securities lending cash collateral fund have zero exposure to SIVs or any asset-backed or structured security backed by subprime, Alt-A, second lien and home equity loans as well as zero exposure to CDOs.
- The OSTF has neither suspended nor frozen withdrawal requests from local governments nor any pool participants.

Florida Investment Pool Developments

On November 29, 2007, the Florida State Board of Administration announced that all withdrawals from their investment pool would be suspended after redemptions reduced assets by 44 percent in the preceding month. The pool had \$3 billion of withdrawals on November 29 alone, putting assets at \$14 billion. Before the November withdrawals, the pool was the largest of its kind at \$27 billion.

On December 4, 2007, Florida state officials approved a plan by BlackRock Inc. (BLK) to salvage the state investment pool. BLK will take over management from the State Board of Administration while an outside firm is sought. Under the BLK plan, the pool would be divided into two separate funds – the first fund, Fund A, with 86 percent or about \$12 billion assets representing high-quality money-market instruments with maturities ranging from this month to December 2008 (securities that have no risk of loss or default), and Fund B, with the remaining 14 percent or about \$2 billion, representing the weakest securities of the pool. Local governments may withdraw the greater of 15 percent of their holdings or \$2 million without penalty. Investors would lose access to 14 percent of their funds, consisting of holdings that have been downgraded, defaulted or had their maturities extended. Investors would still own these assets, but they won't be able to collect them while they are in the separate fund. Pool investors seeking to withdraw more than the limits imposed by BLK will have to borrow against their assets in the pool or pay a redemption fee which BLK recommended start at 2 percent and be reduced over time. Additional withdrawals would be allowed as more securities mature or local governments deposit money into the fund.

On December 10, 2007, Florida local governments withdrew \$77.5 million from the pool, an 86 percent decline from the withdrawal total on Friday, December 7, and a sign of increasing confidence in the fund. New deposits totaled \$26.7 million, more than triple the amount received on December 6-7, according to state officials.

MLEC Developments

The proposed Master-Liquidity Enhancement Conduit, also known as MLEC or Super-SIV, continues to move forward with operations anticipated by year-end. The MLEC would approximate \$80 billion with Bank of America, Citigroup and JP Morgan Chase as the larger members of the consortium of the plan with BlackRock managing the MLEC. The MLEC is expected to be structured to buy assets from existing SIVs that choose to utilize the MLEC. It is expected to be structured so that it holds assets to maturity and does not need to liquidate at distressed prices.

However, reducing the urgency for the MLEC, many banks and financial institutions (such as HSBC, MBIA, Rabobank, to name a few) are arranging their own rescues, thus diminishing the threat that SIVs will dump holdings and further roil credit markets stung by losses in securities related to subprime mortgages. Generally, the more SIV-based paper that comes back on banks' balance sheets the better. Citigroup, the largest SIV manager, reduced the assets of its SIVs to \$66 billion from \$83 billion since September, through quiet side deals with some junior investors of their SIVs and without resorting to fire sales of the SIV assets.

Please feel free to contact us should you have any further questions.

Sincerely,

OSTF Staff



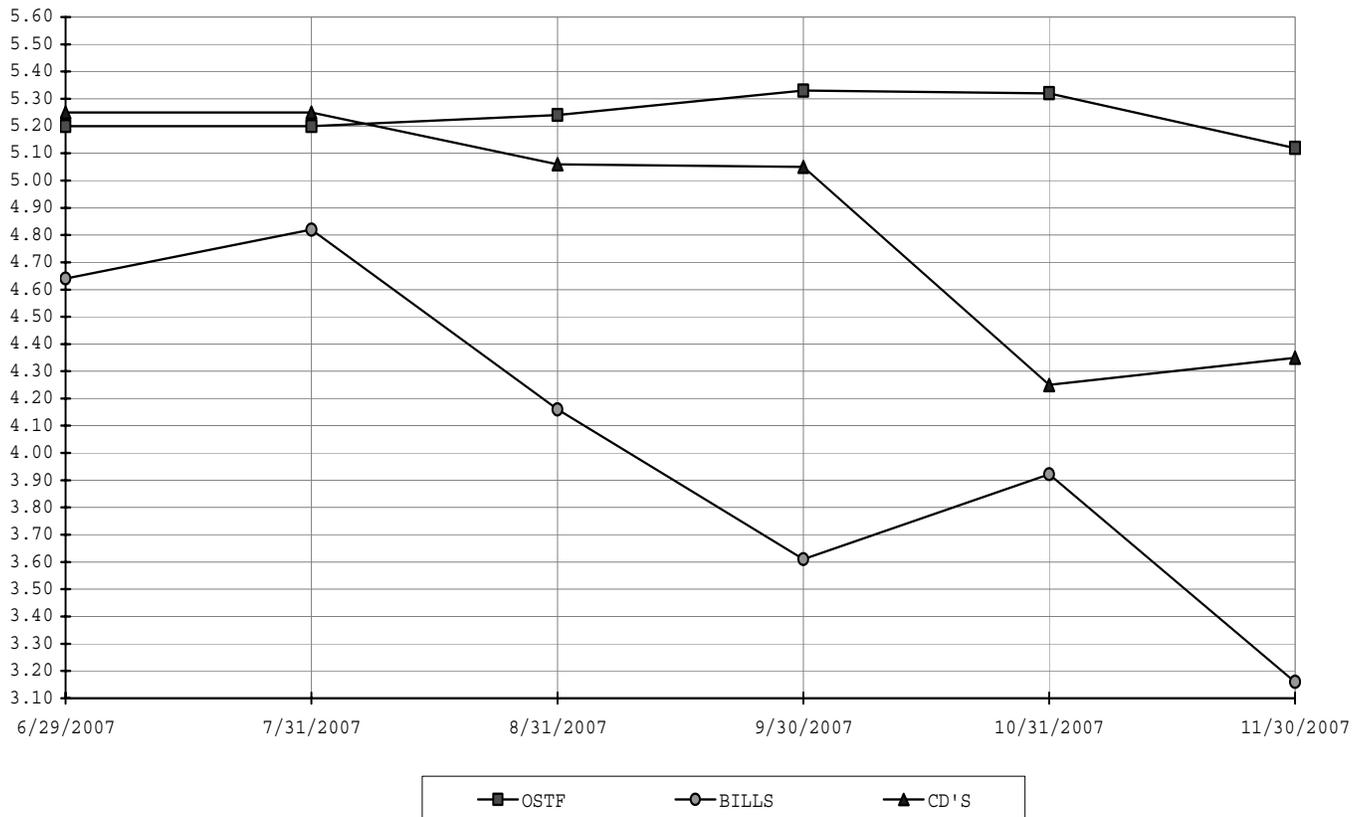
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OREGON SHORT-TERM FUND ANALYSIS



Oregon Short-Term Fund Analysis as of November 30, 2007

	<u>6/29/2007</u>	<u>7/31/2007</u>	<u>8/31/2007</u>	<u>9/30/2007</u>	<u>10/31/2007</u>	<u>11/30/2007</u>
LGIP AV DOLLARS INVESTED (MM)	3,848	3,730	3,805	3,784	3,828	5,150
STATE AGENCY AV DOLLARS INVESTED (MM)	6,304	6,271	6,051	6,409	6,811	6,554
TOTAL OSTF AV DOLLARS INVESTED (MM)	10,152	10,001	9,856	10,194	10,639	11,704
OST ANNUAL YIELD (ACT/ACT)	5.20	5.20	5.24	5.33	5.32	5.12
3-MO UST BILLS (BOND EQ YLD)	4.64	4.82	4.16	3.61	3.92	3.16
3-MO JUMBO CDS (ACT/360)	5.25	5.25	5.06	5.05	4.25	4.35

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to account holders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from monthend. 3-MO JUMBO CDS is the highest posted rate received by the Treasury from Oregon banks as of monthend. Consequently, whereas the yield on UST Bills should normally be lower than CD rates, the fact that the quotes are up to a week different in time may result in an apparent reversal of this situation.

This material is available in alternative format and media upon request.