



Second Quarter Investment Report 2012

PFM Asset Management LLC

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Overview of FY 11/12 Accomplishments

Portfolio Management Results: Fiscal Year 2011 – 2012

- Maintained an average portfolio yield of 0.62%, outperforming the Pool 5 and 7 averages by 0.43% and 0.55% respectively
- Produced of accrual earnings: FY \$403,738 / Inception \$704,414
- Booked \$127,280 of realized gains through active management strategies
- Ensured portfolio and Investment Policy in compliance with Arizona Revised Statutes

Investment Resource and Communication

- Attended quarterly portfolio strategy meetings
- Kept the City informed of current economic and market events
- Provided GASB 40 disclosures
- Annual “Investment and Financial Management Forum”

City of Surprise
Investment Guidelines and Objectives
Quarter Ended June 30, 2012

Investment Objectives: In accordance with the City's Investment Policy, the City's primary objectives in order of priority are:

- A. Safety** – Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to prudently mitigate credit risk and interest rate risk. It is understood by the City that no investment is completely free of risk.
- B. Liquidity** – The investment portfolio shall remain sufficiently liquid to meet anticipated cash flow requirements. This is to be accomplished by structuring the portfolio so that securities mature concurrent with anticipated cash flow needs (static liquidity). Furthermore, because all possible cash demands cannot be anticipated, the portfolio should consist of securities for which there are active secondary markets (dynamic liquidity).
- C. Optimal Yield** – Return on investment is of lesser importance compared to the safety and liquidity objectives described above. The investment portfolio shall be designed to optimize the yield the City obtains from the portfolio taking into account the criteria of the investment policy, the dynamic liquidity needs of the City, and the current interest rate outlook/economic condition.

Investment Guidelines: In relation to the investment portfolio, the City's investment strategy focuses on the following:

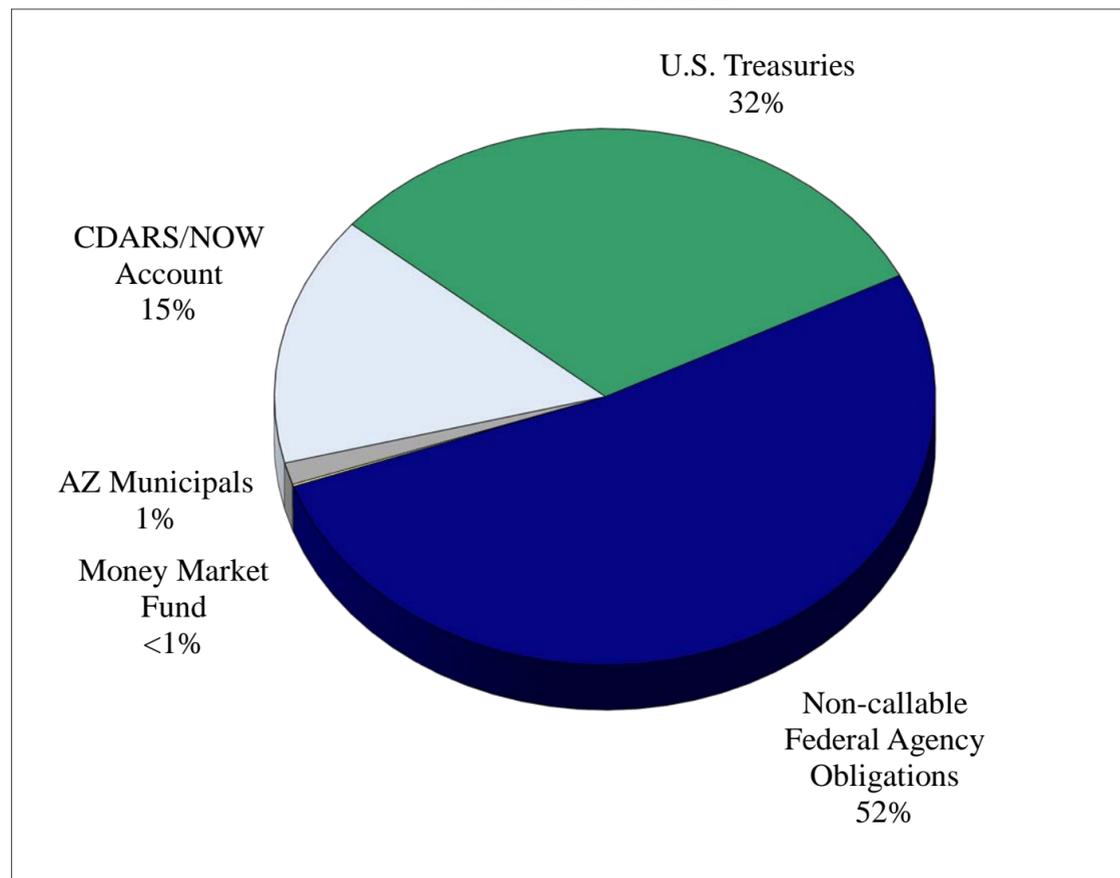
- Permitted Investments. The City will invest in permitted securities consistent with A.R.S. §35-323. Additionally, the City may desire to be more conservative in its investment portfolio and restrict or prohibit certain of the investments outlined in the Investment Policy.
- Transactions prior to maturity – Securities shall generally be held to maturity with the following exceptions:
 - A security with a declining credit may be sold early to minimize loss of principal.
 - Liquidity needs of the portfolio require that the security be sold.
 - Securities may be sold to better position the portfolio in accordance with better market opportunities. The City will approve all of these transactions but only after PFM Asset Management LLC, the City's investment advisor, provides detailed information about the transaction, including the qualitative and quantitative impacts on the portfolio, and will be cognizant of trades that will result in large material realized losses.

City of Surprise Portfolio Summary and Characteristics

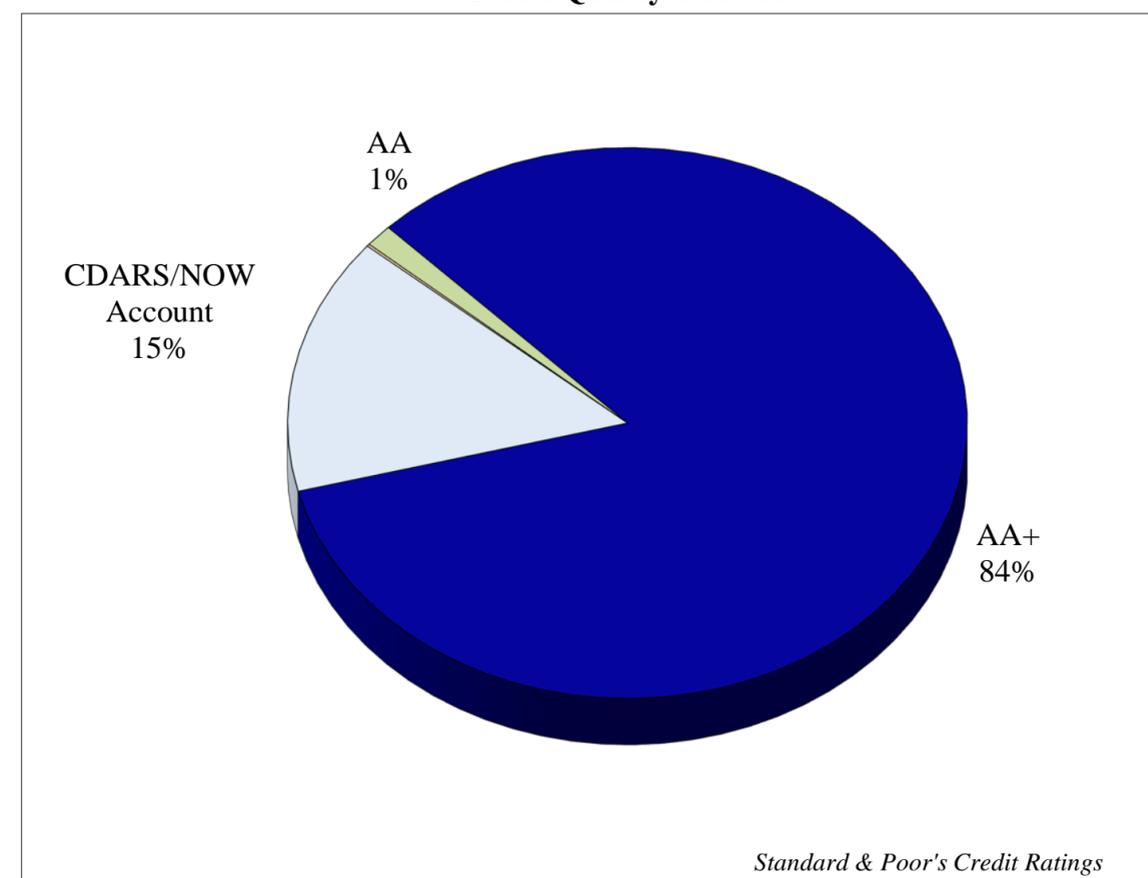
Quarter Ended June 30, 2012

<u>Security Type</u>	<u>Current Holdings*</u>	<u>Current Quarter % of Portfolio</u>	<u>Previous Quarter % of Portfolio</u>
U.S. Treasury	\$20,806,725.73	32%	27%
Federal Agency	\$34,475,155.57	52%	55%
CDARS/NOW Account	\$10,000,000.00	15%	15%
AZ Municipals	\$875,394.65	1%	1%
Wells Fargo MMF	\$88,359.46	0.1%	2%
Total Market Value	\$66,245,635.41	100%	100%

Sector Distribution



Credit Quality Distribution



The City's portfolio complies with the investment policy and the Arizona Revised Statutes.

*Security market values excluding accrued interest as of trade date. Note that PFM monthly statements reflect holdings as of trade date.

City of Surprise Maturity Summary and Key Portfolio Statistics

Quarter Ended June 30, 2012

Maturity Distribution Summary		
<u>Maturity Class</u>	<u>Fair Value*</u>	<u>% of Portfolio</u>
Under 6 Months	\$10,088,359.46	15%
6 - 12 Months	\$0.00	0%
1 - 2 Years	\$29,308,386.61	45%
2 - 3 Years	\$25,973,494.69	39%
3 Years and Over	\$875,394.65	1%
Total Market Value	\$66,245,635.41	100%

*Security market values excluding accrued interest as of trade date. Note that PFM monthly statements reflect holdings as of trade date.

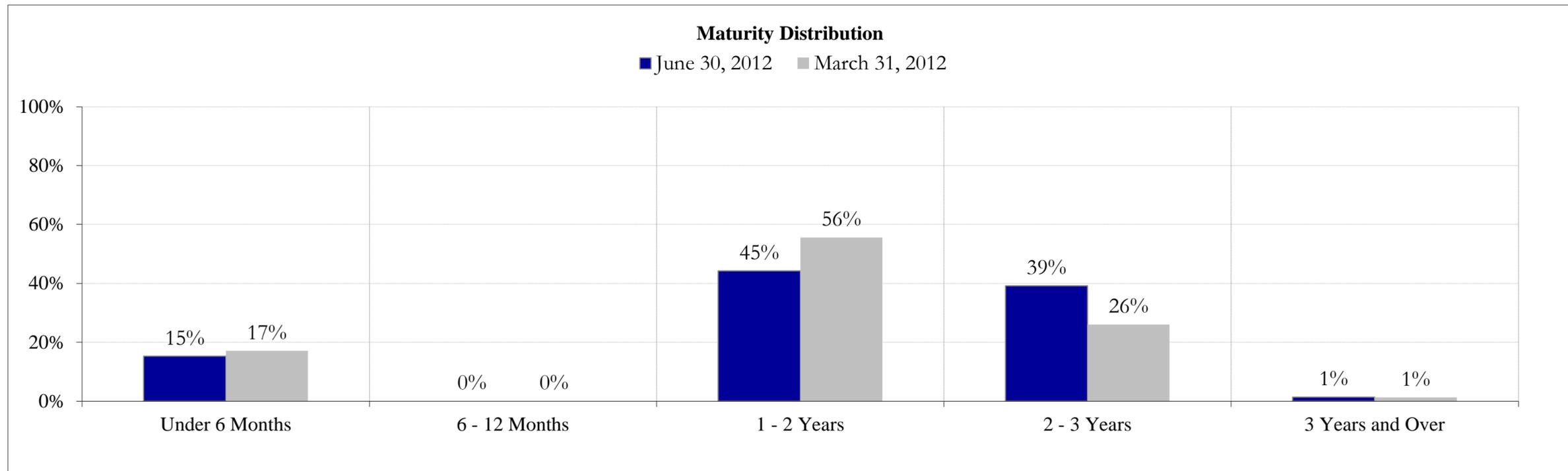
Key Portfolio Statistics	
Effective Duration¹	1.77 years
Benchmark Duration²	1.83 years
Yield at Cost	0.52%

1. Duration to worst as of 06/30/2012 was 1.88

2. The City's benchmark is the Merrill Lynch 1-3 year U.S. Treasury Index.

Performance statistics exclude money market fund, CDARS and NOW Account investments.

Please note that the percentages on this page are rounded and may not add up to 100% due to the rounding.



City of Surprise Individual Portfolio Yield Summary

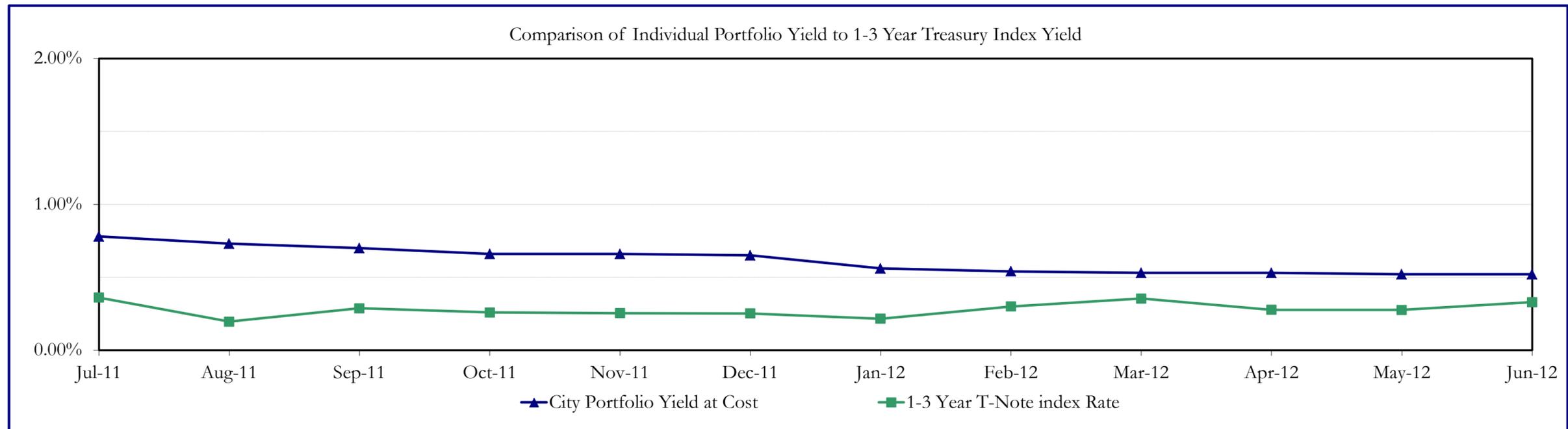
Trailing 12 Months

Date	Month-End Market Value ¹	Duration ²	Portfolio YTM at Cost ²	1-3 Year T-Note Index Rate ³
Jul-11	\$35,675,772	1.41	0.78%	0.36%
Aug-11	\$35,758,718	1.60	0.73%	0.20%
Sep-11	\$50,880,671	1.59	0.70%	0.29%
Oct-11	\$50,889,100	1.66	0.66%	0.26%
Nov-11	\$50,879,151	1.55	0.66%	0.25%
Dec-11	\$50,936,190	1.58	0.65%	0.25%
Jan-12	\$56,125,698	1.74	0.56%	0.22%
Feb-12	\$56,219,709	1.77	0.54%	0.30%
Mar-12	\$57,041,861	1.77	0.53%	0.35%
Apr-12	\$56,269,123	1.70	0.53%	0.28%
May-12	\$56,276,452	1.71	0.52%	0.28%
Jun-12	\$56,245,635	1.77	0.52%	0.33%

¹ Excludes accrued interest, CDARS, and NOW Account. Includes balance in the custody account MMF.

² Excludes CDARS, NOW Account and custoday account MMF.

³ Rate represents the Merrill Lynch 1-3 Year U.S. Treasury Note Index month-end yield. Source Bloomberg.

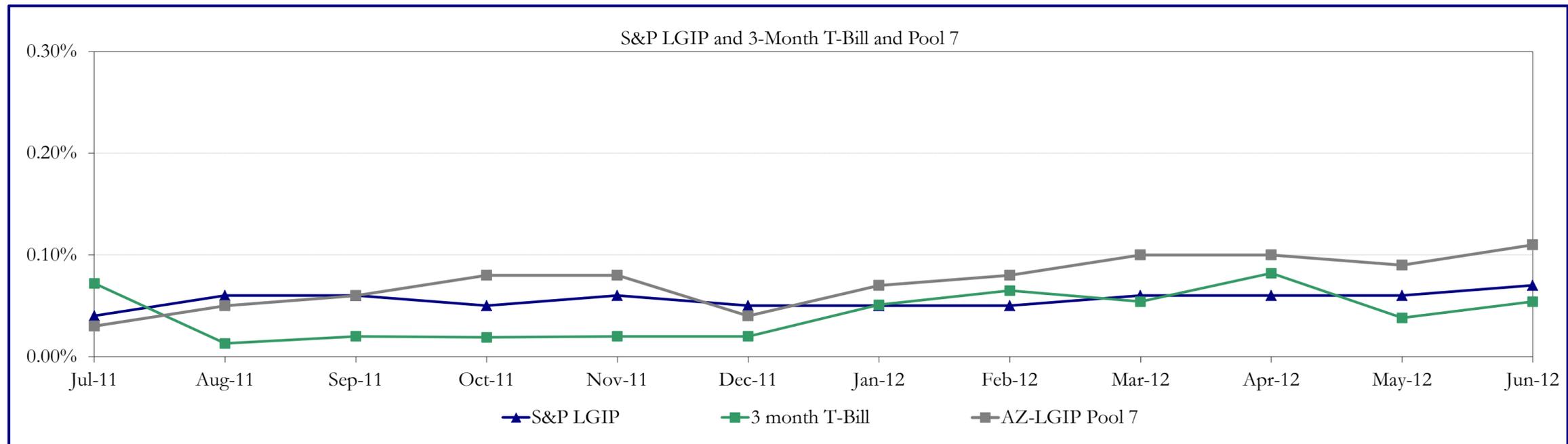


City of Surprise Short-Term Benchmark Comparisons
Trailing 12 Months

Date	S&P LGIP	AZ-LGIP Pool 7 ¹	3 month Treasury Bill ²
Jul-11	0.04%	0.03%	0.07%
Aug-11	0.06%	0.05%	0.01%
Sep-11	0.06%	0.06%	0.02%
Oct-11	0.05%	0.08%	0.02%
Nov-11	0.06%	0.08%	0.02%
Dec-11	0.06%	0.08%	0.02%
Jan-12	0.06%	0.08%	0.02%
Feb-12	0.06%	0.08%	0.02%
Mar-12	0.06%	0.08%	0.02%
Apr-12	0.06%	0.08%	0.02%
May-12	0.06%	0.08%	0.02%
Jun-12	0.07%	0.10%	0.05%

¹ Monthly Apportionment Yields. Source: Office of the Arizona State Treasurer.

² Rate represents the Merrill Lynch 3-Month U.S. Treasury Bill Index month-end yield. Source: Bloomberg.



City of Surprise Holdings
Quarter Ended June 30, 2012

Operating Funds Investment Inventory by Maturity Date

Issuer	Maturity	Years to Maturity	Fair Value	Yield to Maturity	Next Call Date	Frequency
Wells Fargo MMF	6/30/2012	0.00	\$88,359	0.01%		
CDARS/NOW Account	7/1/2012	0.00	\$10,000,000	0.12%		
FFCB	9/16/2013	1.21	\$5,009,490	0.43%		
FNMA	9/23/2013	1.23	\$5,041,645	0.73%		
U.S. Treasury	10/31/2013	1.33	\$3,779,093	0.27%		
U.S. Treasury	10/31/2013	1.33	\$1,703,689	0.29%		
U.S. Treasury	11/15/2013	1.38	\$3,098,813	0.81%		
FHLMC	12/23/2013	1.48	\$2,509,453	0.48%		
U.S. Treasury	12/31/2013	1.50	\$3,036,912	0.26%		
FNMA	2/27/2014	1.66	\$1,240,384	0.44%		
FNMA	2/27/2014	1.66	\$3,888,908	0.55%		
FHLMC	8/27/2014	2.16	\$1,013,590	0.94%		
FHLMC	8/27/2014	2.16	\$1,256,852	0.54%		
FHLMC	8/27/2014	2.16	\$2,533,975	0.52%		
FNMA	8/28/2014	2.16	\$3,898,805	0.64%		
FNMA	10/30/2014	2.33	\$3,746,509	0.49%		
U.S. Treasury	12/15/2014	2.46	\$1,097,164	0.39%		
FHLMC	12/29/2014	2.50	\$3,011,508	0.66%		
U.S. Treasury	1/31/2015	2.58	\$2,451,880	0.40%		
U.S. Treasury	1/31/2015	2.58	\$2,409,968	0.38%		
U.S. Treasury	2/28/2015	2.66	\$810,245	0.51%		
FNMA	5/27/2015	2.91	\$1,324,038	0.59%		
U.S. Treasury	6/30/2015	3.00	\$2,418,962	0.43%		
AZ Municipal	7/1/2015	3.00	\$875,395	0.77%		
Total Market Value			\$ 66,245,635			

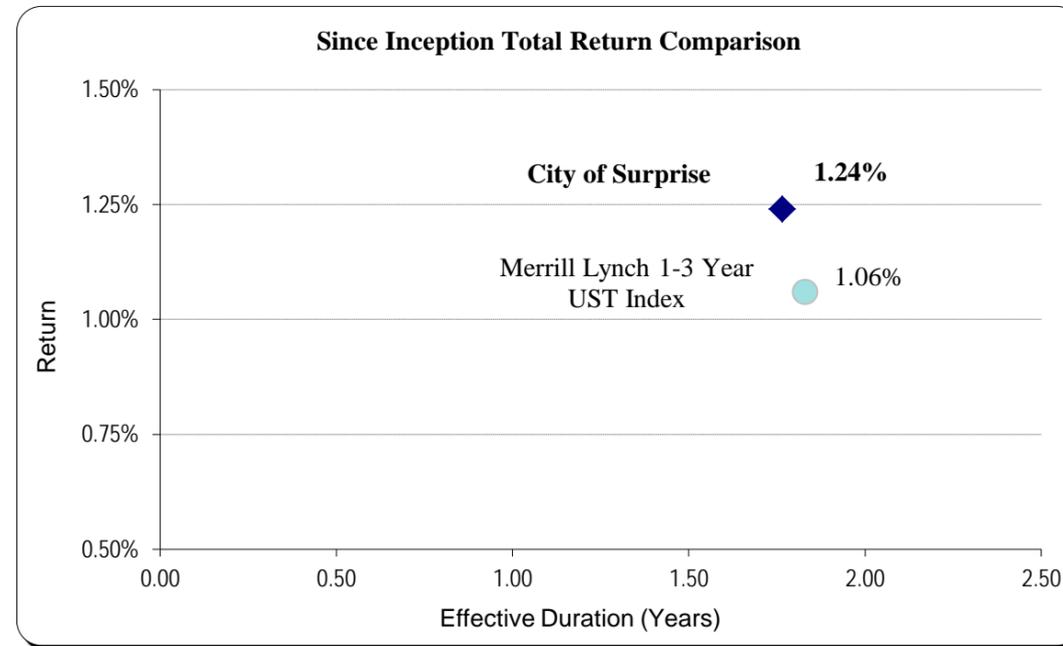
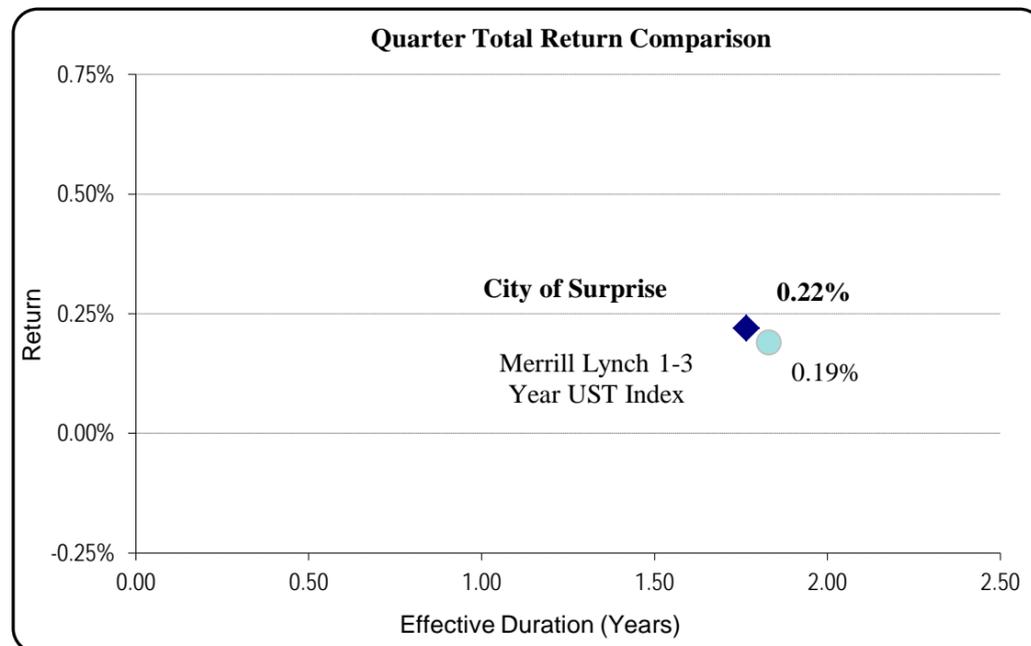
City of Surprise Quarterly Performance

Quarter Ended June 30, 2012

Portfolio Performance

Total Return ^{1,2,3,5}	Quarter Ended June 30, 2012	Past 6 Months	Past 1 Year	Since Inception
City of Surprise	0.22%	0.46%	0.89%	1.24%
Merrill Lynch 1-3 Year UST In	0.19%	0.11%	0.79%	1.06%

Effective Duration ⁴	June 30, 2012	March 31, 2012	Yields	June 30, 2012	March 31, 2012
City of Surprise	1.77	1.77	Yield at Market	0.36%	0.39%
Merrill Lynch 1-3 Year UST In	1.83	1.82	Yield on Cost	0.52%	0.53%



Notes:

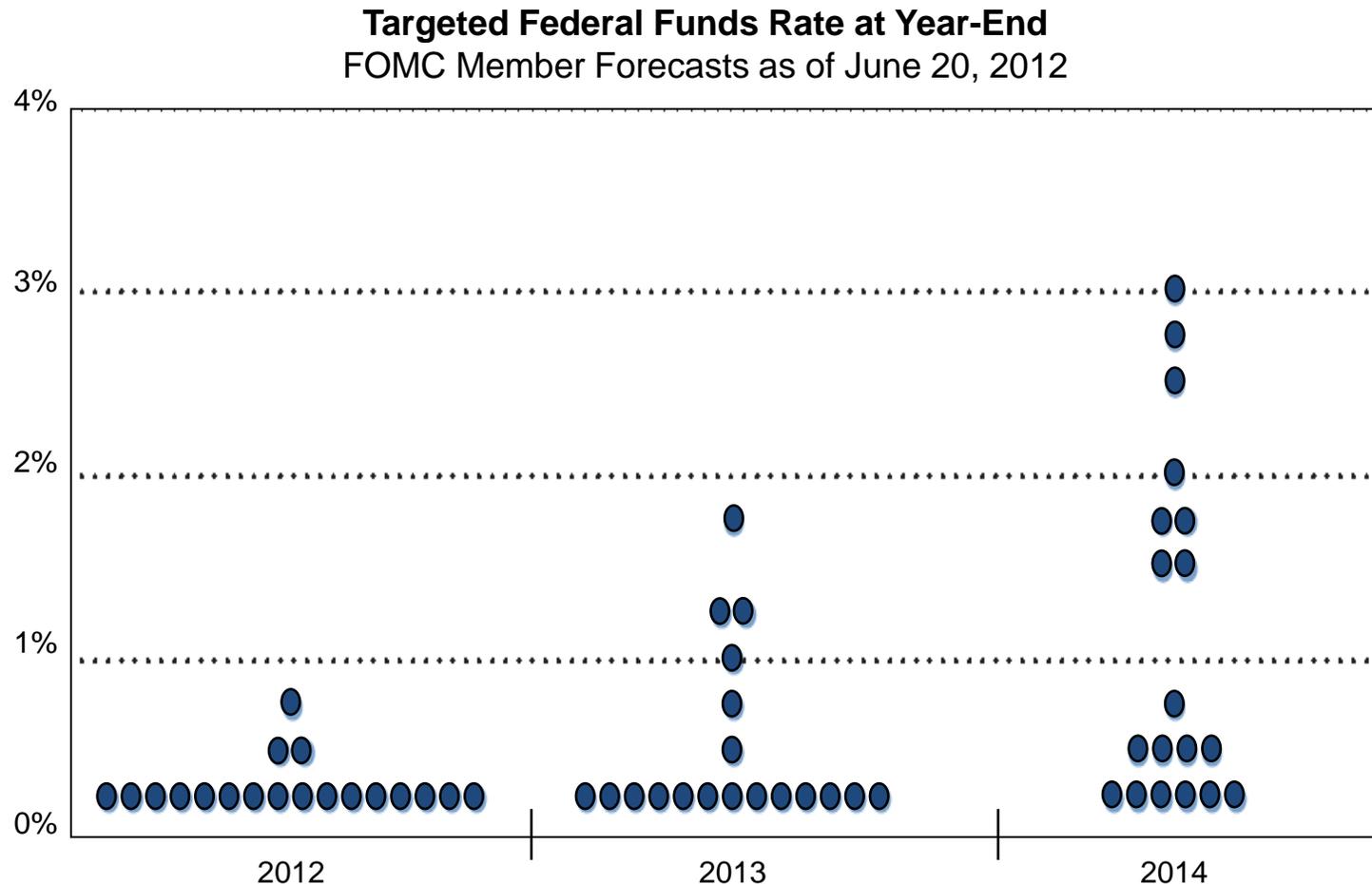
1. Performance on trade date basis, gross (i.e., before fees), in accordance with the CFA Institute's Global Investment Performance Standards (GIPS).
2. Quarterly returns are presented on an unannualized basis. Performance numbers for periods greater than one year are presented on an annualized basis.
3. Merrill Lynch Indices provided by Bloomberg Financial Markets.
4. Excludes money market fund and CDARS/NOW Account in duration and performance computations.
5. Inception date is June 16, 2010.

2nd Quarter Strategies

- The pace of economic activity in the U.S. slowed further in the second quarter, kicking off a strong rally in the Treasury market. Weaker than expected economic data, the continuation of the Fed's "Operation Twist" program, and a flight-to-quality caused by worsening turmoil in the Euro-Zone pushed long-term yields sharply lower.
- Yield spreads between Treasuries and Agencies fluctuated during the quarter creating different investment opportunities.
 - The portfolio's allocation to Treasuries, which were increased in the first quarter, benefitted the portfolio in the first few months of the quarter as spreads widened and Treasuries outperformed.
 - While spreads were wide, we focused purchases in the Federal Agency sector where the most relative value would be available.
 - Spreads narrowed again at the end of June and we used the opportunity to purchase additional Treasury securities.
- We are currently maintaining an extended duration position, targeting between 95% and 98% of the benchmark.

Federal Reserve Likely on Hold Through 2014

- Over one half of FOMC members believe the target rate will be 0.50% or lower through 2014. The target rate has been 0.00%-0.25% since December 2008.
- The continuation of the Fed's accommodative interest rate policy will keep short-term rates low.



Portfolio Rebalancing At Month Ends – Maintained Extended Duration Position

- Because of the expectation for prolonged low rates, we performed duration extension trades at month ends to maintain our target duration position of approximately 95%-98% of the benchmark.

Trade Date	Trade Type	Security	Maturity	Par	Yield	Agency Spread over Treasury
5/25/12	Sell	FNMA Notes	8/9/13	1,250,000	0.30%	-
5/25/12	Sell	U.S. Treasury Notes	8/15/13	2,350,000	0.25%	-
5/25/12	Buy	FNMA Notes	10/30/14	3,730,000	0.49%	+0.13%
6/28/12	Sell	FHLB Notes	8/28/13	4,875,000	0.31%	-
6/28/12	Buy	U.S. Treasury Notes	1/31/15	2,300,000	0.38%	+0.03%
6/28/12	Buy	U.S. Treasury Notes	6/30/15	2,320,000	0.43%	+0.10%

- Sector selection reflected capturing the most relative value available in the market at time of purchase. When spreads were wider we favored the Agency sector and as spreads narrowed during the end of the quarter we favored the Treasury sector.



Managed Account Detail of Securities Held

For the Month Ending **June 30, 2012**

CITY OF SURPRISE OPERATING FUND

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 10/31/2008 2.750% 10/31/2013	912828JQ4	1,650,000.00	AA+	Aaa	05/21/12	05/22/12	1,708,394.53	0.29	7,644.70	1,703,993.97	1,703,689.35
US TREASURY NOTES DTD 10/31/2008 2.750% 10/31/2013	912828JQ4	3,660,000.00	AA+	Aaa	02/10/12	02/13/12	3,814,692.19	0.27	16,957.34	3,780,407.52	3,779,092.74
US TREASURY NOTES DTD 11/15/2010 0.500% 11/15/2013	912828PU8	3,090,000.00	AA+	Aaa	12/01/10	12/02/10	3,062,117.58	0.81	1,973.23	3,076,962.64	3,098,812.68
US TREASURY N/B DTD 01/03/2012 0.125% 12/31/2013	912828RW2	3,045,000.00	AA+	Aaa	01/05/12	01/09/12	3,036,792.77	0.26	10.34	3,038,774.98	3,036,912.48
US TREASURY NOTES DTD 12/15/2011 0.250% 12/15/2014	912828RV4	1,100,000.00	AA+	Aaa	01/05/12	01/09/12	1,095,445.31	0.39	120.22	1,096,180.56	1,097,164.06
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	2,300,000.00	AA+	Aaa	06/28/12	06/29/12	2,410,777.34	0.38	21,609.89	2,410,543.47	2,409,967.60
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	2,340,000.00	AA+	Aaa	01/23/12	01/26/12	2,469,522.66	0.40	21,985.71	2,451,084.39	2,451,880.08
US TREASURY NOTES DTD 03/01/2010 2.375% 02/28/2015	912828MR8	770,000.00	AA+	Aaa	03/13/12	03/14/12	812,109.37	0.51	6,112.40	807,925.76	810,244.82
US TREASURY NOTES DTD 06/30/2010 1.875% 06/30/2015	912828NL0	2,320,000.00	AA+	Aaa	06/28/12	06/29/12	2,419,596.88	0.43	118.21	2,419,416.83	2,418,961.92
Security Type Sub-Total		20,275,000.00					20,829,448.63	0.41	76,532.04	20,785,290.12	20,806,725.73
Municipal Bond / Note											
MESA, AZ GO BONDS DTD 04/04/2012 2.000% 07/01/2015	590485WN4	845,000.00	AA	Aa2	03/02/12	04/04/12	878,200.05	0.77	4,084.17	875,749.69	875,394.65
Security Type Sub-Total		845,000.00					878,200.05	0.77	4,084.17	875,749.69	875,394.65
Federal Agency Bond / Note											
FFCB (FLOATING) NOTE DTD 09/16/2010 0.400% 09/16/2013	31331JG64	5,000,000.00	AA+	Aaa	10/12/10	10/13/10	5,000,000.00	0.43	865.28	5,000,000.00	5,009,490.00



Managed Account Detail of Securities Held

For the Month Ending **June 30, 2012**

CITY OF SURPRISE OPERATING FUND

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FANNIE MAE GLOBAL NOTES DTD 08/06/2010 1.000% 09/23/2013	31398A2S0	5,000,000.00	AA+	Aaa	10/12/10	10/13/10	5,038,650.00	0.73	13,611.11	5,016,216.65	5,041,645.00
FHLMC NOTES DTD 11/18/2011 0.625% 12/23/2013	3134G3BF6	2,500,000.00	AA+	Aaa	12/19/11	12/20/11	2,507,025.00	0.48	347.22	2,505,175.63	2,509,452.50
FNMA GLOBAL NOTES DTD 02/01/2011 1.250% 02/27/2014	3135G0AP8	1,220,000.00	AA+	Aaa	08/15/11	08/15/11	1,244,900.20	0.44	5,252.78	1,236,302.98	1,240,383.76
FNMA GLOBAL NOTES DTD 02/01/2011 1.250% 02/27/2014	3135G0AP8	3,825,000.00	AA+	Aaa	10/03/11	10/04/11	3,889,068.75	0.55	16,468.75	3,869,335.92	3,888,908.10
FHLMC NOTES DTD 07/05/2011 1.000% 08/27/2014	3137EACV9	1,000,000.00	AA+	Aaa	07/19/11	07/20/11	1,001,860.00	0.94	3,444.44	1,001,296.70	1,013,590.00
FHLMC NOTES DTD 07/05/2011 1.000% 08/27/2014	3137EACV9	1,240,000.00	AA+	Aaa	08/26/11	08/29/11	1,257,099.60	0.54	4,271.11	1,252,335.99	1,256,851.60
FHLMC NOTES DTD 07/05/2011 1.000% 08/27/2014	3137EACV9	2,500,000.00	AA+	Aaa	01/13/12	01/13/12	2,531,275.00	0.52	8,611.11	2,525,740.98	2,533,975.00
FNMA NOTES DTD 07/18/2011 0.875% 08/28/2014	3135G0BY8	3,860,000.00	AA+	Aaa	10/03/11	10/04/11	3,885,669.00	0.64	11,539.79	3,879,151.35	3,898,804.58
FANNIE MAE GLOBAL NOTES DTD 09/27/2011 0.625% 10/30/2014	3135G0DW0	3,730,000.00	AA+	Aaa	05/25/12	05/29/12	3,742,495.50	0.49	3,950.17	3,742,038.99	3,746,508.98
FHLMC NOTES DTD 12/16/2011 0.625% 12/29/2014	3137EADA4	3,000,000.00	AA+	Aaa	12/16/11	12/19/11	2,996,850.00	0.66	104.17	2,997,401.52	3,011,508.00
FANNIE MAE GLOBAL NOTES DTD 04/19/2012 0.500% 05/27/2015	3135G0KM4	1,325,000.00	AA+	Aaa	04/17/12	04/19/12	1,321,170.75	0.59	625.69	1,321,414.62	1,324,038.05
Security Type Sub-Total		34,200,000.00					34,416,063.80	0.57	69,091.62	34,346,411.33	34,475,155.57
Managed Account Sub-Total		55,320,000.00					56,123,712.48	0.52	149,707.83	56,007,451.14	56,157,275.95



Managed Account Detail of Securities Held

For the Month Ending **June 30, 2012**

CITY OF SURPRISE OPERATING FUND

Securities Sub-Total	\$55,320,000.00	\$56,123,712.48	0.52%	\$149,707.83	\$56,007,451.14	\$56,157,275.95
Accrued Interest						\$149,707.83
Total Investments						\$56,306,983.78



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Market Update



Economic and Market Conditions in 2nd Quarter

Economic Conditions

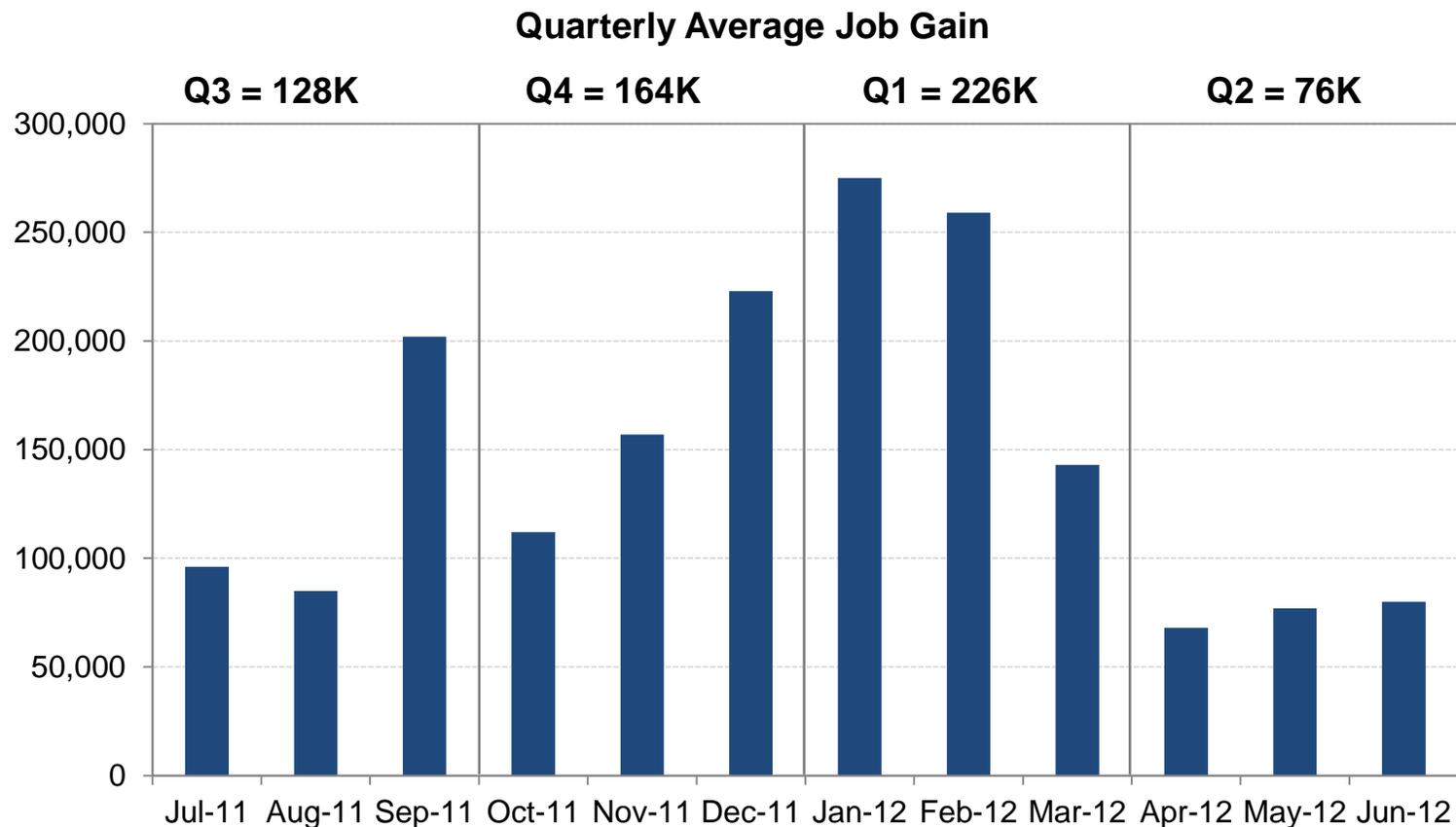
- U.S. job creation slowed
- European austerity measures curb growth
- China's growth slowed as trade and manufacturing decelerated
- U.S. housing market quietly gained momentum
- Energy prices moderated

Market Reaction

- “Risk on” / “risk off” drove market volatility
- U.S. Treasury yields plunged to new all-time lows at the start of June
- Agency and corporate spreads widened in April and May, narrowed in June
- Equity market tumble but finish down modestly for the quarter

Monthly Job Gains Slow Sharply in Second Quarter

- The U.S. economy lost approximately 8.8 million jobs during the recession and its aftermath — to date only 3.8 million jobs have been added.
- At the recent three months average pace it will take more than five years to get employment back to pre-recession levels.
- The official unemployment rate remains at 8.2% while U-6 unemployment, a broader unemployment measure including individuals who have not been actively looking for a job recently but are willing to work as well as those who are employed part-time due to economic reasons, rose to 14.9% in June from 14.8% in May.

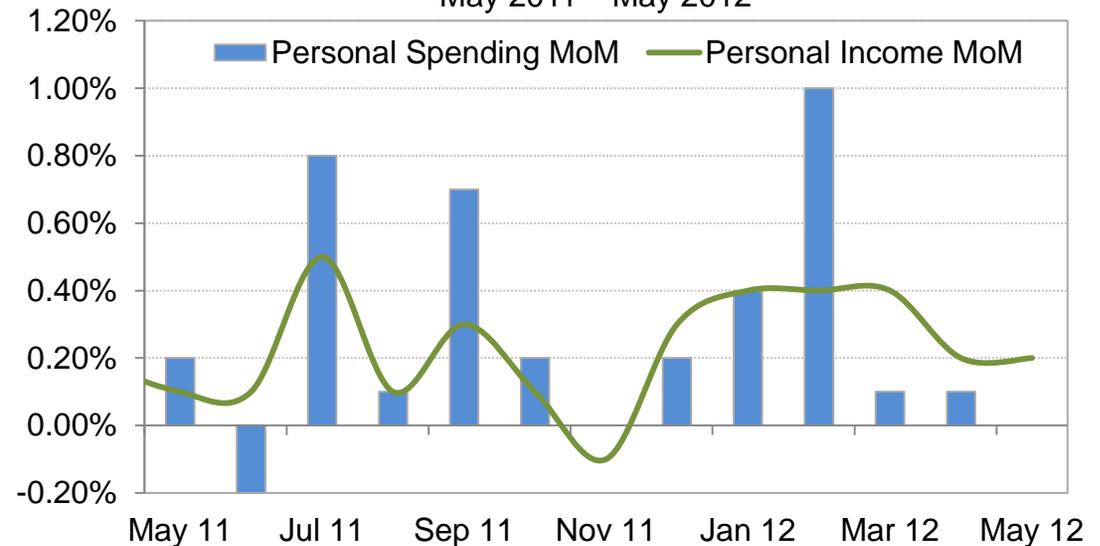


Wages & Spending Flat And Consumers Uneasy

- Personal income growth was slightly positive in May.
 - The important wages and salaries component, however, was unchanged and mainly held back by sluggish employment growth.
- Consumer spending was flat in May, following a 0.1% increase in the prior month.

Personal Income and Spending

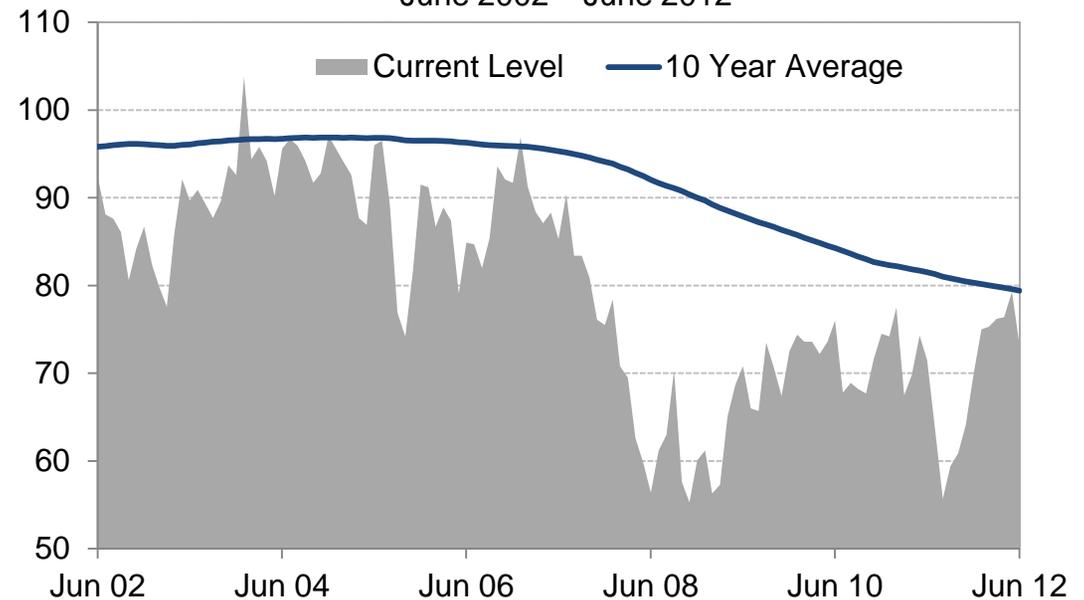
May 2011 – May 2012



University of Michigan Consumer Sentiment

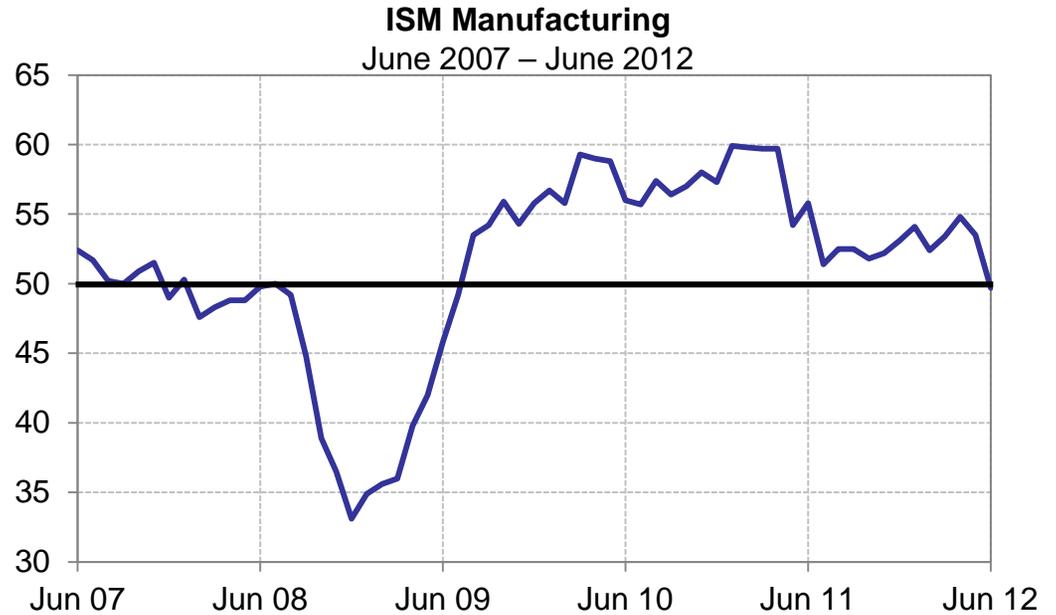
June 2002 – June 2012

- Consumer sentiment continues to trend down despite lower gasoline prices.
- The decline in consumer confidence may point toward weaker spending in the near term. However, consumer sentiment and spending are not perfectly correlated and may diverge from time to time.

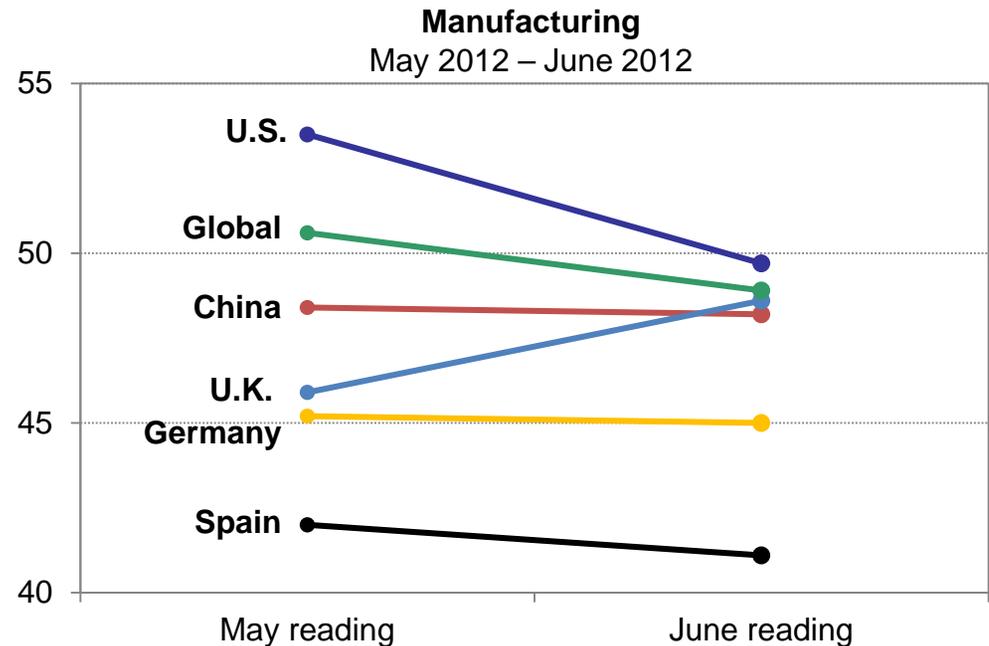


U.S. Manufacturing Dips into Contraction Territory—Falls Across the Globe

- In June, the ISM-manufacturing index declined to 49.7 indicating contraction for the first time since the official end of the recession.



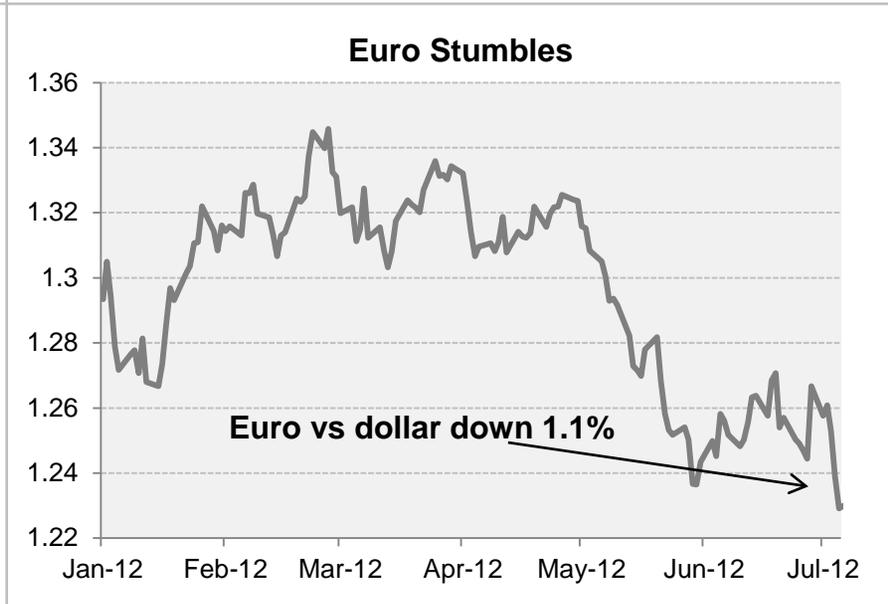
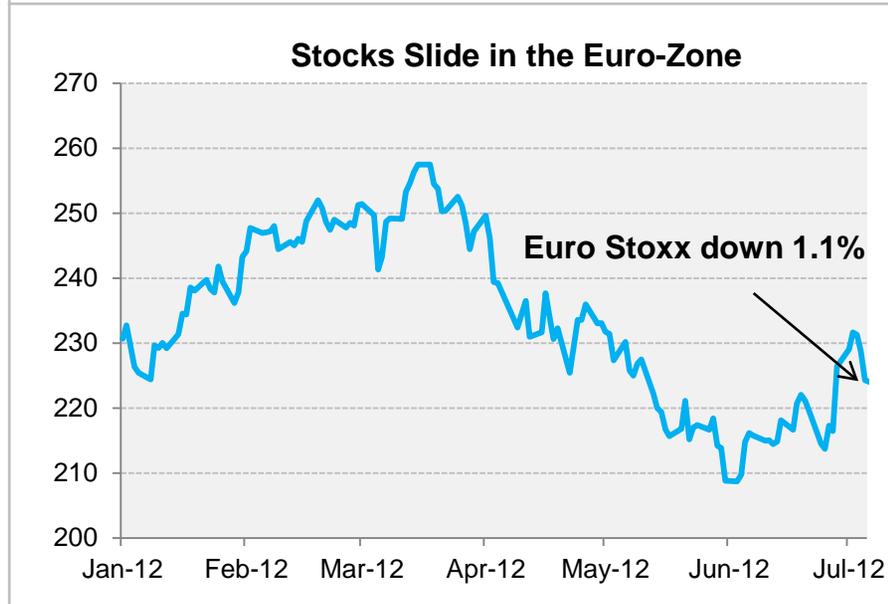
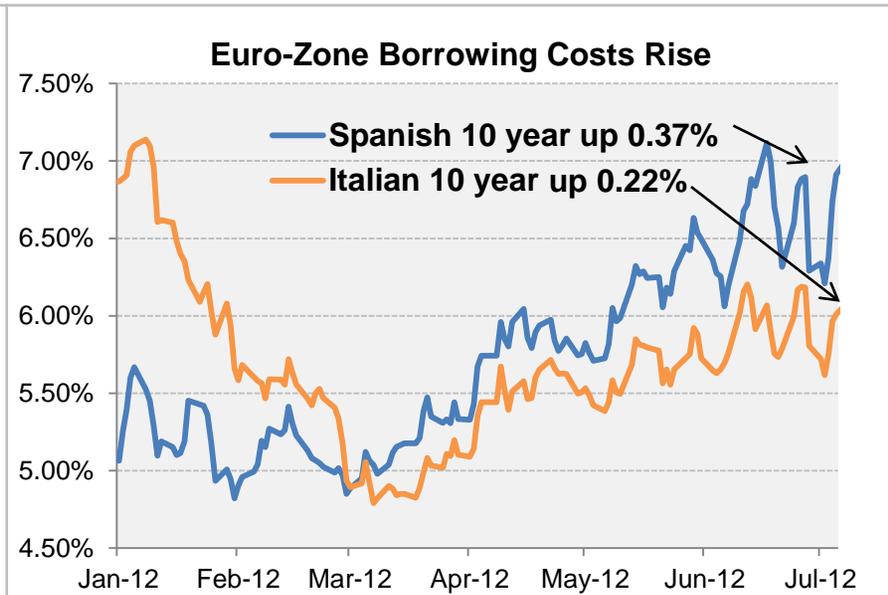
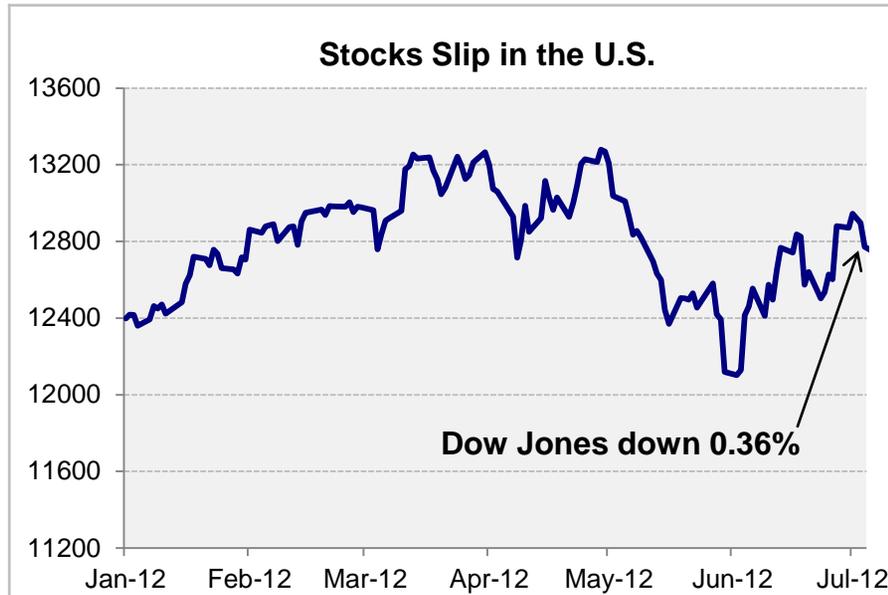
- A slowdown in manufacturing took place in Asia, Europe and America in June.



Central Banks Around the Globe Take Action in Hopes of Boosting Growth

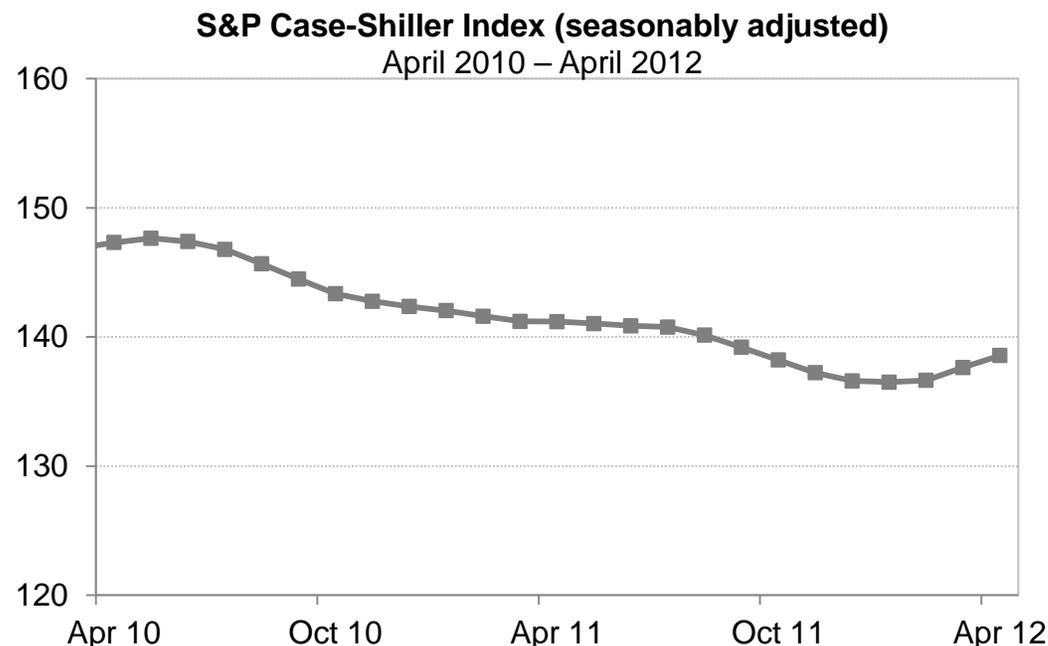
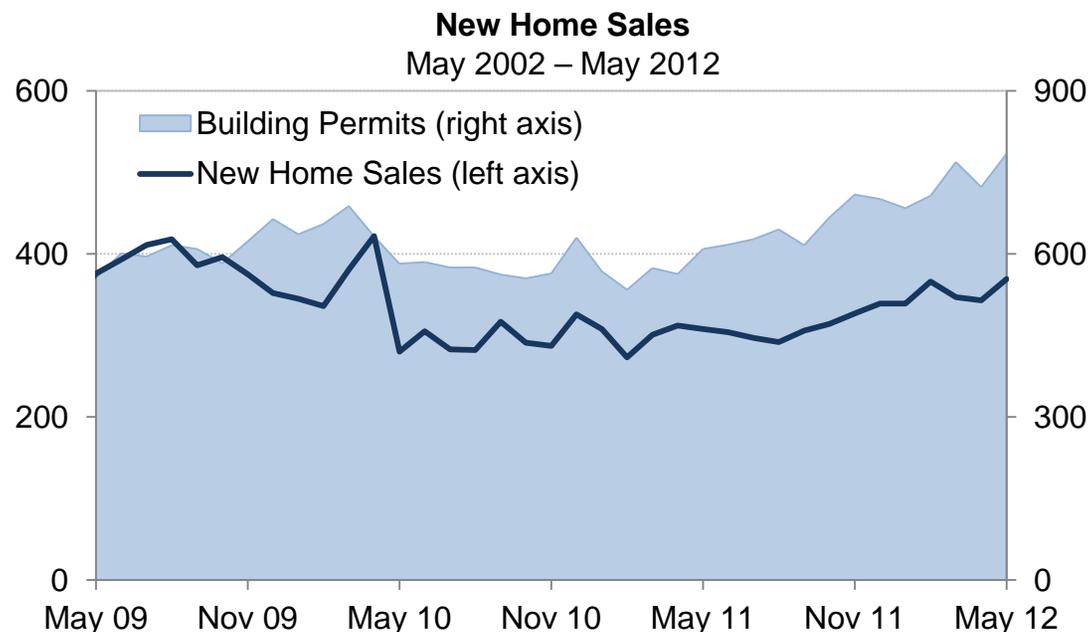
Bank	Economic Woes	Action											
European Central Bank	Euro-zone GDP hasn't expanded since 3q 2011 and is expected to have shrunk last quarter as well	Cut the benchmark short-term lending rate to record low 0.75% and reduced another rate that is pays to banks to zero.	<p>Lending Rate Target</p> <table border="1"> <caption>Lending Rate Target Data</caption> <thead> <tr> <th>Date</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Jan 11</td> <td>1.00%</td> </tr> <tr> <td>Jul 11</td> <td>1.50%</td> </tr> <tr> <td>Jan 12</td> <td>1.00%</td> </tr> <tr> <td>Jul 12</td> <td>0.75%</td> </tr> </tbody> </table>	Date	Rate (%)	Jan 11	1.00%	Jul 11	1.50%	Jan 12	1.00%	Jul 12	0.75%
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People's Bank of China	China facing its sharpest slowdown in growth since the financial crisis	Cutting a one-year Yuan lending rate by 0.31% to 6%.	<p>One-Year Lending Rate</p> <table border="1"> <caption>One-Year Lending Rate Data</caption> <thead> <tr> <th>Date</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Jan 11</td> <td>5.5%</td> </tr> <tr> <td>Jul 11</td> <td>6.5%</td> </tr> <tr> <td>Jan 12</td> <td>6.5%</td> </tr> <tr> <td>Jul 12</td> <td>6.0%</td> </tr> </tbody> </table>	Date	Rate (%)	Jan 11	5.5%	Jul 11	6.5%	Jan 12	6.5%	Jul 12	6.0%
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The Bank of England	Entered double-dip recession in 1Q 2012 and likely to remain there in 2Q.	Increased a bond-buying program by £50 billion (\$78 billion), to £375 billion, in an effort to drive down long-term interest rates. Have already reduced short-term interest rates to near-zero.	<p>Quantitative Easing</p> <table border="1"> <caption>Quantitative Easing Data</caption> <thead> <tr> <th>Date</th> <th>Program Size (Billions)</th> </tr> </thead> <tbody> <tr> <td>Jul 09</td> <td>200</td> </tr> <tr> <td>Jul 10</td> <td>200</td> </tr> <tr> <td>Jul 11</td> <td>325</td> </tr> <tr> <td>Jul 12</td> <td>375 (Planned)</td> </tr> </tbody> </table>	Date	Program Size (Billions)	Jul 09	200	Jul 10	200	Jul 11	325	Jul 12	375 (Planned)
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...But the Markets Moving in the Wrong Direction



On a Brighter Note – New Home Sales Unexpectedly Surge As Prices Increase

- In May, new home sales surprised on the upside, posting a solid and unexpected 7.6%. New homes sales rose to 369,000 units annually – the best rate in more than two years.
- The spike in new home purchases reduced supply on the market to 4.7 months, at the current sales pace.
- S&P/Case-Shiller Index reported a third consecutive month of price gains for single-family homes.



Municipal Bankruptcies

Purpose of Chapter 9: To provide a financially distressed municipality protection from its creditors while it develops and negotiates a plan for adjusting its debts.

How to file:

- Attorney, on behalf of the municipality, files a petition for Chapter 9 bankruptcy with the U.S. Bankruptcy Court. Also provides a list of creditors it owes.
- Court holds hearings on objections to the bankruptcy petition filed by any creditors.
- Judge approves or denies the petition.

What's next:

- The insolvent government proposes a debt repayment plan—usually a combination of forgiving some of the money owed, cutting interest rates and extending payback terms.
- Creditors can form a committee and make suggestions, but don't have a say in a final plan.
- The bankruptcy judge rules on the plan, ultimately deciding whether it's in the best interests of creditors and is feasible.

Bankruptcies Filed Since 2011			
Municipality	Date Filed	Debt or Deficit Amount	Status
Central Falls, RI	8/1/11	\$21 million	Filed for Bankruptcy
Boise County, ID	9/2/11	\$5.4 million	Bankruptcy filing rejected
Harrisburg, PA	10/12/11	More than \$300 million	Bankruptcy filing rejected
Jefferson County, AL	11/9/11	More than \$14 billion	Filed for bankruptcy
Stockton, CA	6/28/12	\$26 million	Filed for bankruptcy
Mammoth Lakes, CA	7/3/12	\$43 million	Filed for bankruptcy
San Bernardino, CA	7/10/12	\$46 million	City council voted to file for bankruptcy

Enacted in 1934 there have been more than 600 municipal bankruptcy petitions filed.

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