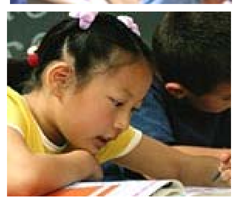
Lake County School District, Florida

Investment Performance Review
Quarter Ended December 31, 2010



Investment Advisors

Steven Alexander, CTP, CGFO, Managing Director
Mel Hamilton, Senior Managing Consultant
David Jang, CTP, Senior Managing Consultant
Gregg Manjerovic, CFA, Portfolio Manager
Rebecca Dole, CTP, Consultant

PFM Asset Management LLC

300 S. Orange Avenue, Suite 1170
Orlando, FL 32801
(407) 648-2208
(407) 648-1323 fax

One Keystone Plaza, Suite 300
North Front & Market Streets
Harrisburg, PA 17101-2044
717-232-2723
717-233-6073 fax

Table of Contents

A sharp mid-quarter interest rate reversal drove intermediate- and long-term interest rates higher, ending a seven-month trend of lower rates. As a result longer-duration fixed income portfolios posted negative returns for the fourth quarter, but over the full year they out-performed cash investments by significant margins. In the quarter, corporate and Federal Agency securities outperformed comparable U.S. Treasuries and had a positive effect on accounts that held these investments.

The market-reversal followed the early November announcement by the Federal Reserve of a plan to purchase up to $600 billion of U.S. Treasury securities through June 2011 via a second round of Quantitative Easing ("QE2"). Quantitative easing is a form of monetary policy in which a central bank attempts to keep yields low by creating money to purchase fixed income securities, thereby decreasing the supply of such securities.

In the weeks leading up to the Federal Reserve's decision to implement QE2, investors began aggressively purchasing U.S. Treasuries in an attempt to front-run the announcement, causing U.S. Treasury prices to increase sharply. Following the Fed's official announcement of QE2, yields across all sectors (corporate, municipal, U.S. Treasury, and Federal Agency) actually ***increased*** due to a combination of positive economic data and increased expectations for growth and future inflation.

U.S. interest rate movements were paralleled in Europe where the European Central Bank (ECB) acted to alleviate sovereign debt concerns by purchasing Greek, Irish, and Portuguese bonds in addition to other euro-region government and corporate bonds. Since the program's inception in May 2010, the ECB purchased over €72.5 billion ($95.5 billion) of European sovereign debt. Quarter-over-quarter, the yield on 10-year German Bunds increased by over 65 basis points while yields on 10-year bonds issued by the French government increased by 64 basis points. Concerns over possible default by Ireland from earlier in the quarter dissipated after Ireland accepted an €85 billion ($112 billion) bailout package from the European Union and International Monetary Fund. Such actions combined to boost global investor optimism and push interest rates higher.

Interest Rates and Returns

Intra-quarter volatility was high as 2-year U.S. Treasuries hit a record low of 0.33% on November 12 before peaking to 0.73% on December 29 and ending the quarter at 0.59%. The 17 basis point increase is the greatest quarter-over-quarter change in a year. As illustrated in the following table, yields on intermediate- and long-term U.S. Treasuries also increased. Short-term rates remained anchored to the Federal Funds target range of 0.00% to 0.25%.

Summary of U.S. Treasury Security Yields

Date	3M	6M	1Y	2Y	3Y	5Y	10Y
December 31, 2010	0.12%	0.18%	0.26%	0.59%	0.99%	2.01%	3.29%
September 30, 2010	0.15%	0.19%	0.25%	0.42%	0.63%	1.26%	2.51%
Change over Quarter	-0.03%	-0.01%	0.01%	0.17%	0.36%	0.75%	0.78%
December 31, 2009	0.05%	0.19%	0.44%	1.14%	1.68%	2.68%	3.84%
Change over Year	0.07%	-0.01%	-0.18%	-0.55%	-0.69%	-0.67%	-0.55%

Source data: Bloomberg

As illustrated in the following chart, even with the back-up, 2-year U.S. Treasury yields remain below year-to-date highs set last January and April but have increased significantly since hitting record lows in November of 2010.

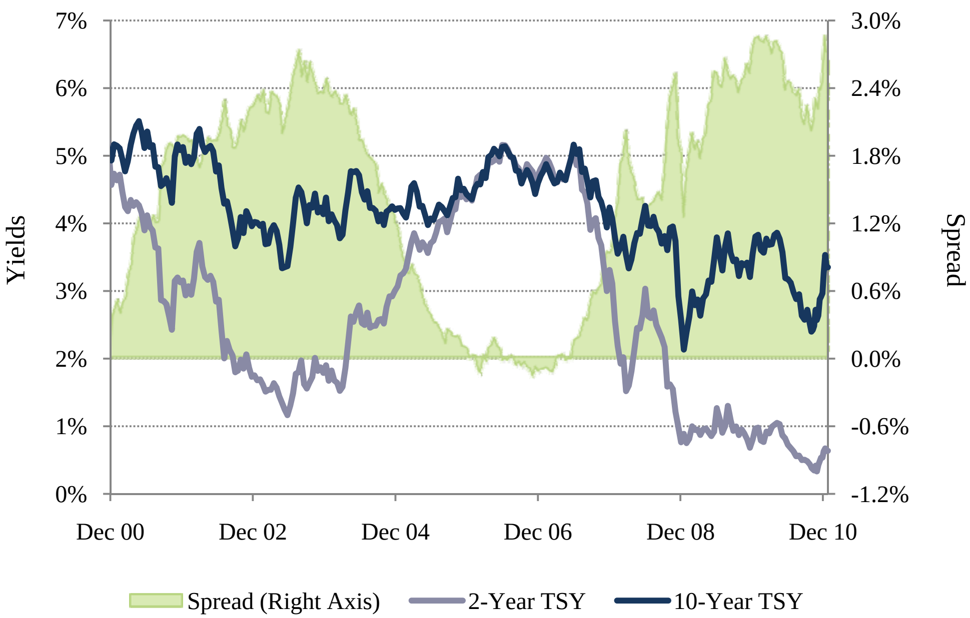
2-Year U.S. Treasury Note Yield
January 1, 2009 through December 31, 2010

Source data: Bloomberg

The yield on 2-year U.S. Treasury notes, which is influenced by overnight rates, increased less than 10-year U.S. Treasury notes, which is more affected by inflation and growth expectations. As illustrated in the chart below, the steepness of the U.S. Treasury yield curve, measured as the spread between 2- and 10-year U.S. Treasuries, reached record highs in December 2010. As of December 31, the spread was 270 basis points. A steeper yield curve generally signals that the pace of economic growth and/or future inflation will increase.

U.S. Treasury Yields and Yield Curve Steepness

December 2000 to December 2010



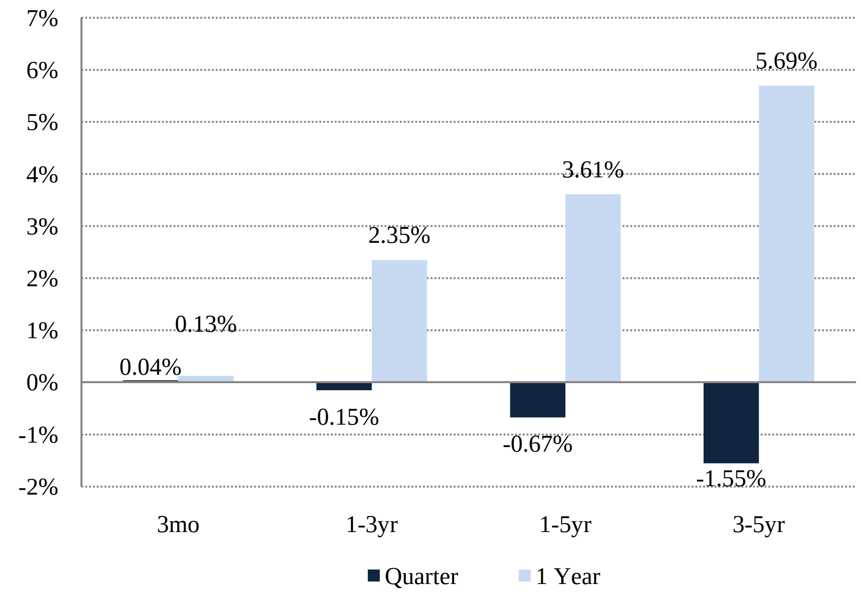
Source data: Bloomberg

In 2010, portfolios with longer durations outperformed shorter portfolios as a result of declining interest rates. Even with negative returns for the fourth quarter, 1 to 3-year U.S. Treasuries returned 2.35% for the year, which is significantly above bank deposits and money market funds with yields near zero.

Portfolios with longer durations have more price sensitivity to changes in interest rates than do shorter duration portfolios; thus the 3- to 5-year U.S. Treasury benchmark returned -1.55% in the quarter (-6.01% annualized) and 5.69% for the year. The duration of the 3- to 5-year U.S. Treasury benchmark was 3.80 years, more than twice that of the 1- to 3-year U.S. Treasury benchmark with a duration of 1.85 years.

Total Returns of Merrill Lynch U.S. Treasury Indices

Quarterly and 12-Month Total Return as of December 31, 2010



Source data: Bank of America Merrill Lynch; Bloomberg

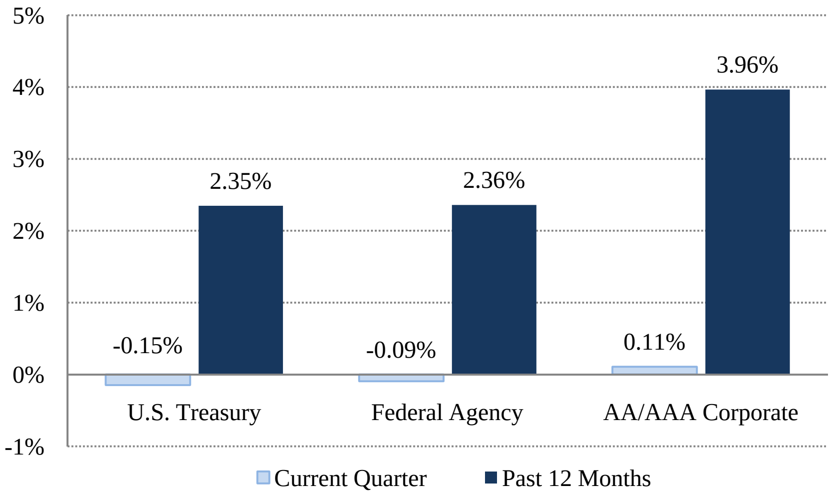
Federal Agency and corporate securities out-performed comparable Treasuries. Spreads between U.S. Treasuries and Federal Agencies generally widened for longer maturities, but remained narrow by historical standards. The 10-year average spread between 2-year U.S Treasuries and Federal Agencies has been 0.35%, while they are currently at 0.15%. Spreads on 10-year obligations have historically traded at 0.50% and they are currently at 0.30%.

Spreads between U.S. Treasuries and corporate securities remained generally unchanged on the short end of the curve and slightly tightened on the long end of the curve. As shown in the chart on the next page, on a duration-adjusted basis, corporate benchmarks outperformed both Federal

Agency and U.S. Treasury benchmarks as a result of the higher income generated by corporate securities.

Duration Adjusted Returns of Merrill Lynch 1-3 Year Indices

Quarterly and 12-Month Total Return as of December 31, 2010



Source data: Bank of America Merrill Lynch; Bloomberg
Duration-adjusted return incorporates an adjustment to the market value return (but not the income return) of each benchmark to account for their varied durations, making it easier for investors to assess the relative risk and return of benchmarks of different lengths.

Improving credit and stable spreads led us generally to increase corporate holdings to take advantage of the incremental yield offered on highly-rated issuers. We will remain cautious with regard to issuer concentration due to continued expectations of high volatility and uncertainty surrounding the pace of economic recovery, which may impact credit spreads.

Economic Outlook

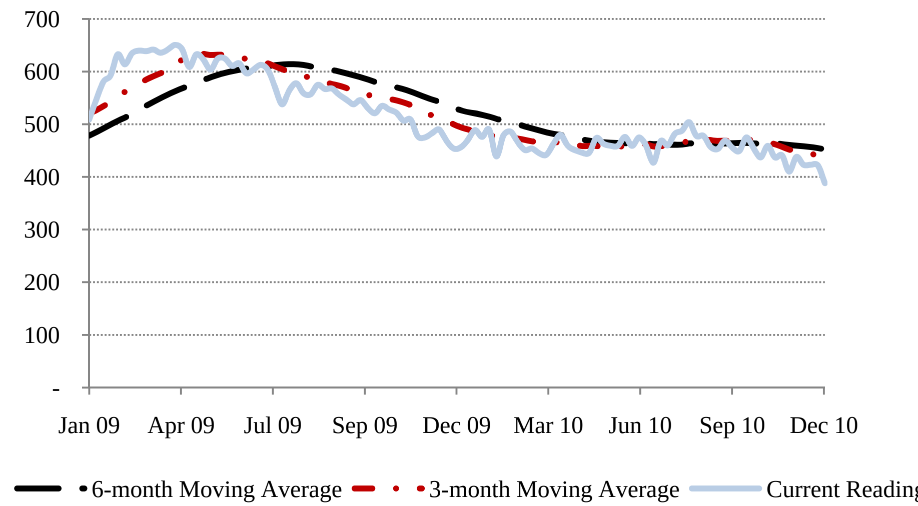
Economic data indicated some signs of improvement in the fourth quarter. GDP appeared to accelerate towards the end of the year.

The housing sector remained weak and continues to be a drag on the economy. Housing starts remained at depressed levels throughout the quarter and new home sales remain well below 15-year historical averages. The Case-Shiller Home-Price Index continued to show falling home prices, and building permits remained disappointing throughout the quarter.

While the unemployment rate remains elevated, there have been some positive developments in the labor market. December's initial jobless claims number of 388,000 was the lowest level since July 2008, while both the 3- and 6-month moving averages for initial jobless claims appear to show a downward trend from mid-2010 plateaus as illustrated in the accompanying chart. Continuing jobless claims also demonstrate a similar downward trend.

Initial Jobless Claims, Thousands

Current vs. 3-Month Moving Average vs. 6-Month Moving Average
January 1, 2009 to December 31, 2010



Source data: Bloomberg

However, the consumer remains strained as personal income and personal spending showed only marginal improvements in the fourth quarter. For the year, over 1.5 million Americans filed for personal bankruptcy, which represents a 9% increase from 2009.

Economists generally expect that the passing of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 in December will give the economy a boost over the next year. Included in the legislation was an extension of the Bush-era tax cuts and reduction of the FICA payroll tax, both of which are designed to spur growth via additional consumer spending. The bill also included an extension of federal unemployment benefits. The fiscal impact is about equal to that of the American Recovery and Reinvestment Act, though the emphasis is on boosting consumer spending, whereas the first stimulus program contained large federal construction and state and local government aid programs.

The pace of manufacturing activity continued to accelerate as evidenced by strong Philadelphia Fed and ISM Manufacturing numbers. Capacity utilization, which measures the relationship between actual output and potential output, continued to increase but remains significantly below pre-financial crisis levels.

Gold reached record highs in December and finished up 29.67% for the year, while oil traded above $91 per barrel for the first time since October 2008. The S&P 500 reached 2-year highs in December and ended the year up 15.06%.

Investment Strategy

With the prospect for higher rates ahead, investors are faced with the choice of keeping money in cash for a future chance to invest at higher rates or investing now to take advantage of the positively sloped yield curve. Our view is that short-term rates will remain low for the foreseeable future as the Fed keeps its easy money bias in place, and that this presents an opportunity for a return that exceeds the near-zero rate on cash. The economic recovery will take some time to accelerate to the point where unemployment falls to acceptable levels and/or inflation takes hold. Meanwhile we plan to continue to take advantage of the sharply-sloped yield curve. We also expect to continue to add corporate exposure where permitted to take advantage of incremental yield versus U.S. Treasuries. We remain cautious in executing this strategy because we recognize that with rates not far from historic lows there is more room for them to widen than narrow from here.

Executive Summary

PORTFOLIO STRATEGY

- Lake County School District's Impact Fee and COPS 2006A Portfolios are of high credit quality and maintain adequate liquidity. The portfolios are invested entirely in Federal Agency and Commercial Paper securities. The securities are allocated among high quality issuers rated AAA and A-1+ and A-1.
- Intermediate-term Treasury yields declined to record lows over the quarter. Two-year U.S. Treasury rates closed at 0.33% in early November, spurred by the announcement of a second round of quantitative easing ("QE2") by the Federal Reserve at its November 3rd FOMC meeting. The Fed called for an additional $600 billion in longer-term Treasury purchases through June 2011 in an attempt to reduce corporate, consumer, and mortgage borrowing rates, thus stimulating economic growth through corporate investment and support for the housing sector. By the end of the fourth quarter of 2010, the Fed had purchased nearly $168 billion in Treasury securities.
- By the end of the quarter, intermediate-term yields increased sharply from record lows in early November, but remained well below long-term historical averages. The yield increases were due in part to increased inflation expectations as a result of QE2, as well as the extension of the Bush-era tax cuts, which will add an additional $858 billion to the economy over two years. The two-year U.S. Treasury yield ended the quarter at 0.59%, closing 0.17% higher than it opened.
- Overall economic conditions appear to be improving. For example, third quarter GDP was 2.6%, a substantial improvement over second quarter GDP. However this level of growth remains insufficient to impact the problematically high unemployment rate. Nonetheless, the unemployment rate was 9.4% in December, the lowest reading of the year. At the same time, the number of discouraged workers hit a record high 3.1 million – these workers are not counted in the headline unemployment rate.
- The Impact Fees and COPS 2006A Portfolios continue to provide the School District with favorable yield relative to the benchmark. Over the quarter the portfolios had a weighted average Yield to Maturity at Cost of 0.37%, exceeding the average Yield to Maturity of its benchmark the Merrill Lynch 3 Month U.S. Treasury Bill Index by 23 basis points (0.23%).
- PFM will continue to follow the prudent investment strategies that have safely provided the School District with favorable yield and maintained adequate liquidity during this period of significant market and economic turmoil.

District's Portfolios Statistics

Account Name	Amortized Cost[1,2,3] December 31, 2010	Amortized Cost[1,2,3] September 30, 2010	Market Value[1,2,3] December 31, 2010	Market Value[1,2,3] September 30, 2010	Duration (Years) December 31, 2010
Impact Fees Portfolio	**$31,068,660.68**	$31,166,279.24	**$31,077,524.47**	$31,176,508.87	**0.25**
2006A COPS Project Fund	**7,216,527.60**	10,630,748.06	**7,217,685.08**	10,632,841.42	**0.12**
Total	**$38,285,188.28**	$41,797,027.30	**$38,295,209.55**	$41,809,350.29	

Account Name	Average Quarterly Yield to Maturity on Cost[4] December 31, 2010	Average Quarterly Yield to Maturity on Cost[4] September 30, 2010	Average Quarterly Yield to Maturity at Market December 31, 2010	Average Quarterly Yield to Maturity at Market September 30, 2010	Duration (Years) September 30, 2010
Impact Fees Portfolio	**0.37%**	0.40%	**0.24%**	0.28%	0.43
2006A COPS Project Fund	**0.35%**	0.35%	**0.27%**	0.25%	0.22
Weighted Average Yield	**0.37%**	0.39%	**0.25%**	0.27%	

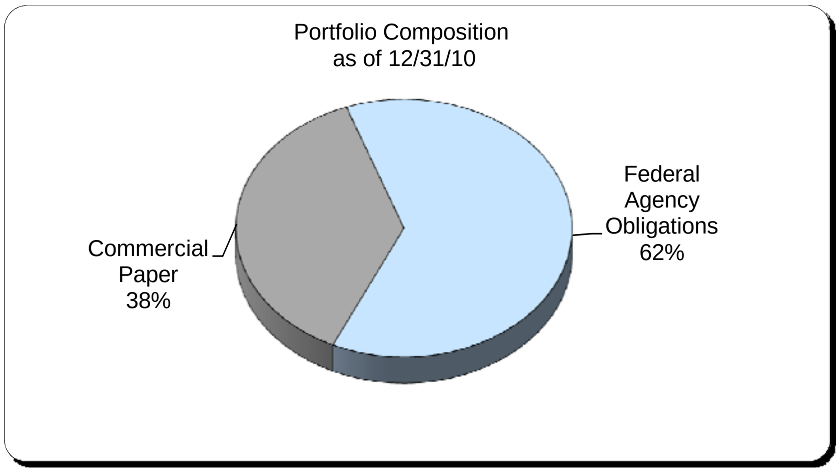
Benchmarks	December 31, 2010	September 30, 2010
Merrill Lynch 3 Month U.S. Treasury Bill Index[5, 6]	**0.14%**	0.16%

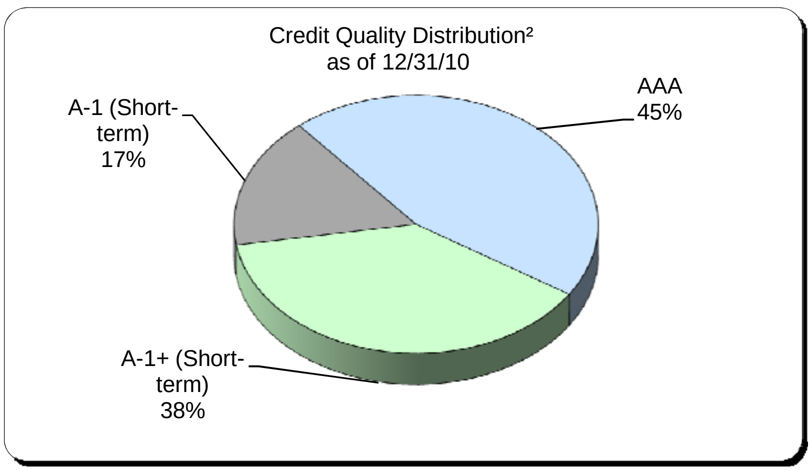
Notes:

1. On a trade-date basis, including accrued interest.
2. In order to comply with GASB accrual accounting reporting requirements; forward settling trades are included in the monthly balance.
3. Excludes any money market fund/cash balances held in custodian account.
4. Past performance is not indicative of future results.
5. Average quarterly returns, source Bloomberg.
6. Due to its excessive concentration in Corporate Instruments, the SBA is no longer a suitable benchmark, therefore; we are utilizing the 3 Month U.S. Treasury Bill Index at this time, as it represents a risk-free benchmark.

Impact Fees Portfolio Composition and Credit Quality Characteristics

Security Type[1]	December 31, 2010	% of Portfolio	September 30, 2010	% of Portfolio
U.S. Treasuries	**$0.00**	**0.00%**	$0.00	0.00%
Federal Agencies	**19,421,290.71**	**62.49%**	19,523,187.32	62.62%
Commercial Paper	**11,656,233.76**	**37.51%**	11,653,321.55	37.38%
Commercial Paper - TLGP	**0.00**	**0.00%**	0.00	0.00%
Certificates of Deposit	**0.00**	**0.00%**	0.00	0.00%
Bankers Acceptances	**0.00**	**0.00%**	0.00	0.00%
Repurchase Agreements	**0.00**	**0.00%**	0.00	0.00%
Municipal Obligations	**0.00**	**0.00%**	0.00	0.00%
Corporate Notes/Bonds	**0.00**	**0.00%**	0.00	0.00%
Mortgage Backed	**0.00**	**0.00%**	0.00	0.00%
Money Market Fund/Cash	**0.00**	**0.00%**	0.00	0.00%
Totals	**$31,077,524.47**	**100.00%**	$31,176,508.87	100.00%



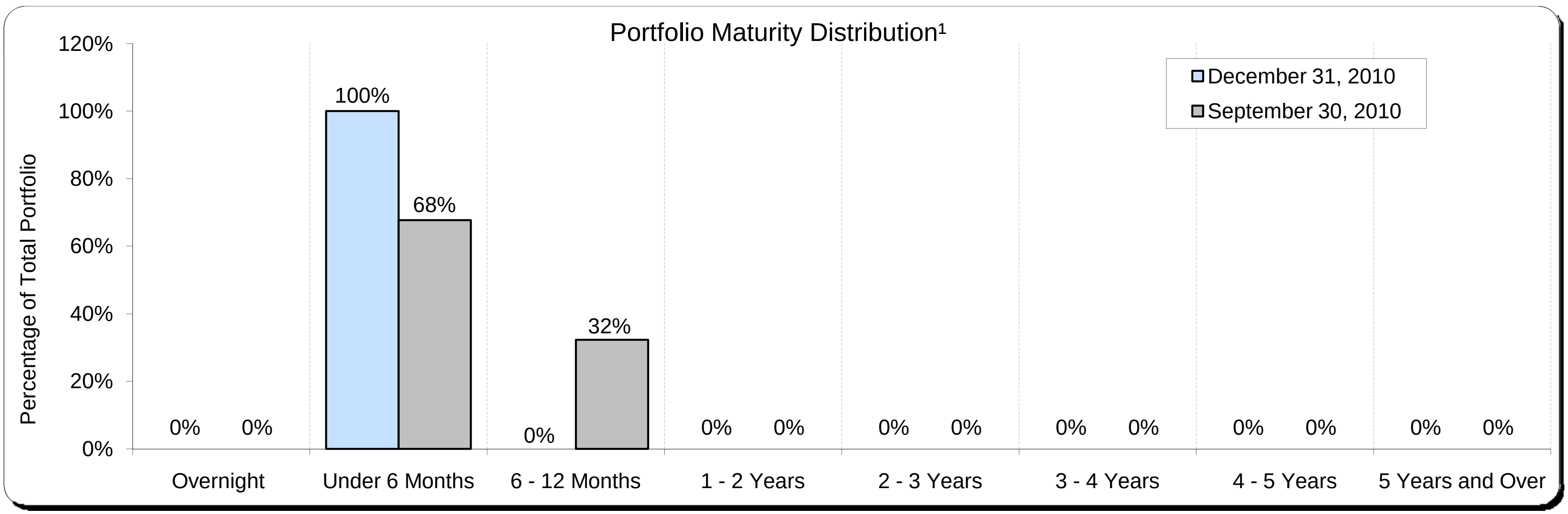


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.

Impact Fees Portfolio Maturity Distribution

Maturity Distribution[1]	December 31, 2010	September 30, 2010
Overnight (Money Market Fund)	**$0.00**	$0.00
Under 6 Months	**31,077,524.47**	21,100,423.40
6 - 12 Months	**0.00**	10,076,085.47
1 - 2 Years	**0.00**	0.00
2 - 3 Years	**0.00**	0.00
3 - 4 Years	**0.00**	0.00
4 - 5 Years	**0.00**	0.00
5 Years and Over	**0.00**	0.00
Totals	**$31,077,524.47**	$31,176,508.87

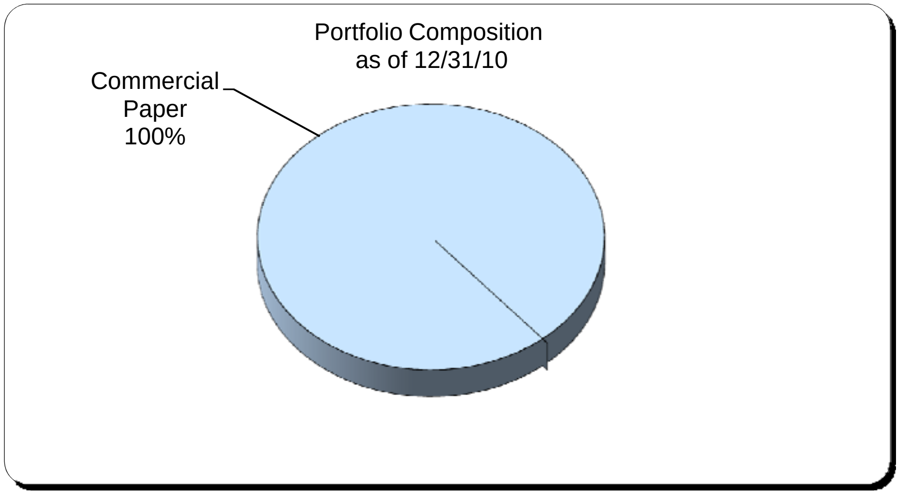


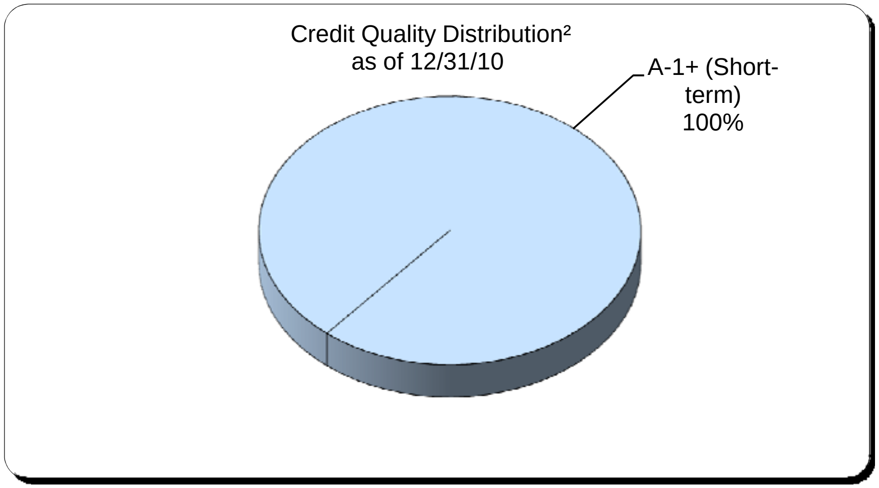
Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

2006A COPS Project Fund Portfolio Composition and Credit Quality Characteristics

Security Type[1]	December 31, 2010	% of Portfolio	September 30, 2010	% of Portfolio
U.S. Treasuries	**$0.00**	**0.00%**	$0.00	0.00%
Federal Agencies	**0.00**	**0.00%**	0.00	0.00%
Commercial Paper	**7,217,685.08**	**100.00%**	10,632,841.42	100.00%
Certificates of Deposit	**0.00**	**0.00%**	0.00	0.00%
Bankers Acceptances	**0.00**	**0.00%**	0.00	0.00%
Repurchase Agreements	**0.00**	**0.00%**	0.00	0.00%
Municipal Obligations	**0.00**	**0.00%**	0.00	0.00%
Corporate Notes/Bonds	**0.00**	**0.00%**	0.00	0.00%
Mortgage Backed	**0.00**	**0.00%**	0.00	0.00%
Money Market Fund/Cash	**0.00**	**0.00%**	0.00	0.00%
Totals	**$7,217,685.08**	**100.00%**	$10,632,841.42	100.00%



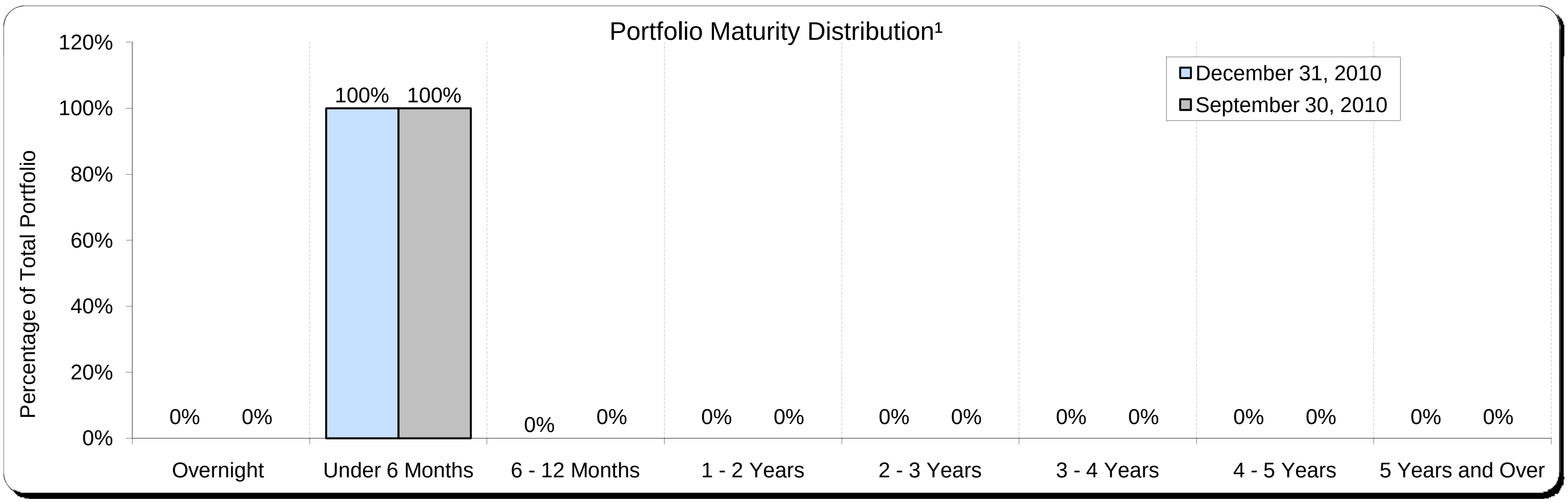


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Credit rating of securities held in portfolio, exclusive of money market fund/LGIP.

2006A COPS Project Fund Portfolio Maturity Distribution

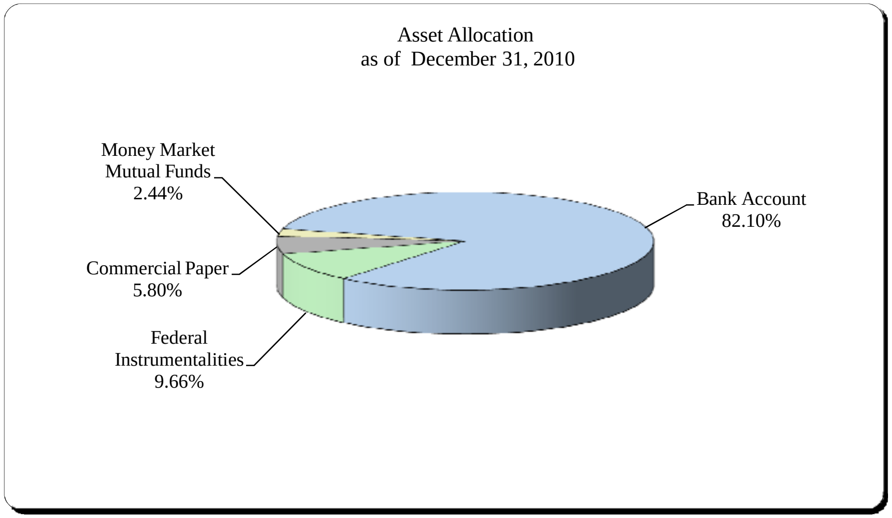
Maturity Distribution[1]	December 31, 2010	September 30, 2010
Overnight (Money Market Fund)	**$0.00**	$0.00
Under 6 Months	**7,217,685.08**	10,632,841.42
6 - 12 Months	**0.00**	0.00
1 - 2 Years	**0.00**	0.00
2 - 3 Years	**0.00**	0.00
3 - 4 Years	**0.00**	0.00
4 - 5 Years	**0.00**	0.00
5 Years and Over	**0.00**	0.00
Totals	**$7,217,685.08**	$10,632,841.42



Notes:

1. Callable securities in portfolio are included in the maturity distribution analysis to their stated maturity date, although they may be called prior to maturity.

Security Type[2]	December 31, 2010	Notes	Permitted by Policy
Florida SBA	0.00%		**100%**
United States Treasury Securities	0.00%		**100%**
United States Government Agency Securities	0.00%		**50%**
Federal Instrumentalities	9.66%	1	**80%**
Certificates of Deposit	0.00%		**25%**
Repurchase Agreements	0.00%		**50%**
Commercial Paper	5.80%		**35%**
Corporate Notes	0.00%		**0%**
Mortgage-Backed Securities	0.00%	1	**25%**
Bankers' Acceptances	0.00%		**35%**
State and/or Local Government Debt	0.00%		**20%**
Money Market Mutual Funds	2.44%		**50%**
Intergovernmental Investment Pool	0.00%		**0%**
Bank Account	82.10%		**100%**



Individual Issuer Breakdown	December 31, 2010	Notes	Permitted by Policy
Government National Mortgage Association (GNMA)	0.00%		**25%**
US Export-Import Bank (Ex-Im)	0.00%		**25%**
Farmers Home Administration (FMHA)	0.00%		**25%**
Federal Financing Bank	0.00%		**25%**
Federal Housing Administration (FHA)	0.00%		**25%**
General Services Administration	0.00%		**25%**
New Communities Act Debentures	0.00%		**25%**
US Public Housing Notes & Bonds	0.00%		**25%**
US Dept. of Housing and Urban Development	0.00%		**25%**
Federal Farm Credit Bank (FFCB)	0.00%		**40%**
Federal Home Loan Bank (FHLB)	5.96%		**40%**
Federal National Mortgage Association (FNMA)	1.03%		**40%**
Federal Home Loan Mortgage Corporation (FHLMC)	2.67%		**40%**
Student Loan Marketing Association (SLMA)	0.00%		**40%**

Individual Issuer Breakdown	December 31, 2010	Notes	Permitted by Policy
CD - Bank A	0.00%		**15%**
CD - Bank B	0.00%		**15%**
Fully collateralized Repo - A	0.00%		**25%**
Fully collateralized Repo - B	0.00%		**25%**
BNP Paribas CP	1.42%		**10%**
Societe Generale CP	2.54%		**10%**
Credit Agricole CP	1.14%		**10%**
Bank of Nova Scotia CP	0.70%		**10%**
CP F	0.00%		**10%**
CP G	0.00%		**10%**
CP H	0.00%		**10%**
BA Bank B	0.00%		**10%**
Municipal Notes/Bonds	0.00%		**20%**
Money Market Fund - Impact Fees	2.44%		**25%**
Money Market Fund - Ridgeworth Governmental	0.00%		**25%**
SunTrust Bank Account	82.10%		**100%**
Bank Account B	0.00%		**100%**

Notes:

1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 80%. The combined total as of December 31, 2010 is 9.66%.
2. End of month trade-date amortized cost of portfolio holdings, including accrued interest.

* No Bond Proceeds