



Cutwater Asset Management
1900 Sixteenth Street, Suite 200
Denver, CO 80202
Tel: 303 860 1100
Fax: 303 860 0016

City of Ann Arbor

Reports for the period December 1, 2011 - December 31, 2011

Please contact Accounting by calling the number above or email camreports@cutwater.com with questions concerning this report.

Fixed Income Market Review December 31, 2011

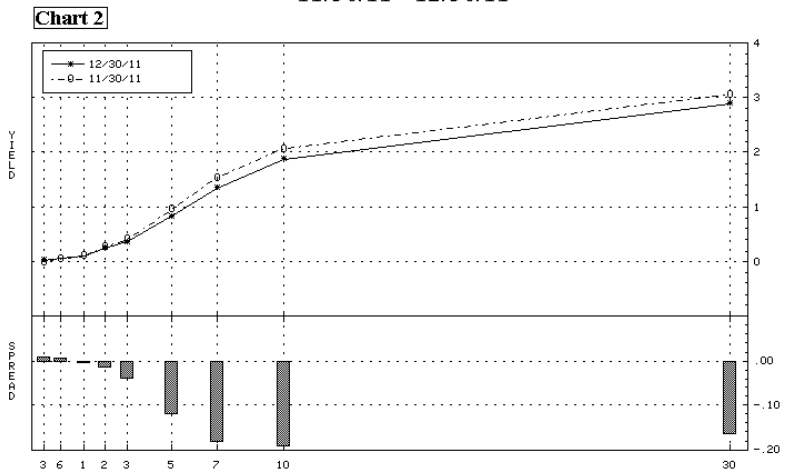
Fed Funds Target Rate and Two Year Treasury
12/31/06 - 12/31/11



Economic Indicators & Monetary Policy – On December 16, 2008, the Federal Open Market Committee (FOMC) cut the federal funds rate to a target range of 0 to 0.25 percent, where it still stands today more than three years later. This has kept yield levels extremely low over this period, especially in the short-end of the yield curve. For example, the two-year Treasury has averaged a yield of 0.70 percent for the past three years and is currently stuck below 0.30 percent. (See Chart 1.) Yields will likely remain relatively low for quite some time with the FOMC’S pledge to keep interest rates at record lows until “at least mid-2013.”

U.S. jobless claims fell to a three-year low in December with the fewest filings for unemployment benefits since the FOMC cut the fed funds rate to zero. The four-week moving average for jobless claims fell to 375,000 toward the end of 2011, the lowest level since June 2008. This reduction is a positive sign for the employment situation and economy heading into 2012 since it might pave the way for an increase in payrolls and spur consumer spending. In November, employers added a net 120,000 jobs while the unemployment rate declined to 8.6 percent, the lowest level since March 2009. Economists expect to see a net increase of 150,000 in payrolls for the month of December, which will be reported on January 6th.

Treasury Yield Curves
11/30/11 - 12/30/11



At its latest meeting on December 13th, the FOMC kept the federal funds target rate at a range of zero to 0.25 percent. The FOMC noted that “while indicators point to some improvement in overall labor market conditions, the unemployment rate remains elevated.” It “continues to expect a moderate pace of economic growth over the coming quarters and consequently anticipates that the unemployment rate will decline only gradually” for now. As such, the FOMC maintained its pledge to keep the benchmark federal funds rate near zero through at least mid-2013 and “continue its program to extend the average maturity of its holdings of securities as announced in September.”

Yield Curve & Spreads – Treasury yields moved lower in December despite improvement in overall economic activity for the month.

At the end of December, three-month Treasury bills yielded 0.01 percent, six-month Treasury bills yielded 0.06 percent, two-year Treasuries yielded 0.24 percent, five-year Treasuries yielded 0.83 percent, 10-year Treasuries yielded 1.88 percent, and 30-year bonds yielded 2.89 percent. (See Chart 2.)

Additional Information
December 31, 2011

A current version of the investment adviser brochure, for Cutwater Investor Services Corp., in the form of the Firm's ADV Part 2A is available for your review. Please contact our Client Service Desk at 1-800-395-5505 or mail your request to:

Cutwater Investor Services Corp.
Attention: Client Services
113 King Street
Armonk, NY 10504

A copy of the brochure will be sent to you either by mail or electronically at your option.

In addition, a copy of the most recent version of the Firm's complete Form ADV can be downloaded from the SEC website at www.adviserinfo.sec.gov/.

City of Ann Arbor
Activity and Performance Summary
for the period December 1, 2011 - December 31, 2011

| <u>Amortized Cost Basis Activity Summary</u> | |
|--|----------------|
| Beginning Amortized Cost Value | 223,231,445.28 |
| Additions | |
| Contributions | 0.00 |
| Interest Received | 683,991.25 |
| Accrued Interest Sold | 0.00 |
| Gain on Sales | 0.00 |
| Total Additions | 683,991.25 |
| Deductions | |
| Withdrawals | 8,682,593.47 |
| Fees Paid | 14,921.24 |
| Accrued Interest Purchased | 0.00 |
| Loss on Sales | 0.00 |
| Total Deductions | (8,697,514.71) |
| Accretion (Amortization) for the Period | (103,252.38) |
| Ending Amortized Cost Value | 215,114,669.44 |
| Ending Fair Value | 218,570,292.08 |
| Unrealized Gain (Loss) | 3,455,622.64 |

| <u>Detail of Amortized Cost Basis Return</u> | | | | |
|--|--------------------|-----------------------------|-------------------------|-----------------|
| | Interest Earned | Accretion (Amortization) | Realized Gain (Loss) | Total Income |
| Current Holdings | | | | |
| U.S. Treasury | 159,538.70 | (74,197.56) | 0.00 | 85,341.14 |
| U.S. Instrumentality | 205,464.08 | (20,736.62) | 0.00 | 184,727.46 |
| Sales and Maturities | | | | |
| U.S. Instrumentality | 18,083.34 | (8,318.20) | 0.00 | 9,765.14 |
| Total | 383,086.12 | (103,252.38) | 0.00 | 279,833.74 |

| <u>Annualized Comparative Rates of Return</u> | | | |
|---|--------------------------|-----------------------|---------------|
| | Twelve Month Trailing | Six Month Trailing | For the Month |
| Fed Funds | 0.10% | 0.08% | 0.07% |
| Overnight Repo | 0.05% | 0.05% | 0.05% |
| 3 Month T-Bill | 0.04% | 0.01% | 0.00% |
| 6 Month T-Bill | 0.08% | 0.04% | 0.04% |
| 1 Year T-Note | 0.18% | 0.13% | 0.12% |
| 2 Year T-Note | 0.45% | 0.28% | 0.26% |
| 5 Year T-Note | 1.52% | 1.06% | 0.89% |

| <u>Summary of Amortized Cost Basis Return for the Period</u> | | |
|--|-----------------|----------------|
| | Total Portfolio | Excl. Cash Eq. |
| Interest Earned | 383,086.12 | 383,086.12 |
| Accretion (Amortization) | (103,252.38) | (103,252.38) |
| Realized Gain (Loss) on Sales | <u>0.00</u> | <u>0.00</u> |
| Total Income on Portfolio | 279,833.74 | 279,833.74 |
| Average Daily Historical Cost | 221,161,292.72 | 192,059,148.16 |
| Annualized Return | 1.49% | 1.72% |
| Annualized Return Net of Fees | 1.42% | 1.63% |
| Annualized Return Year to Date Net of Fees | 1.68% | 1.84% |
| Weighted Average Effective Maturity in Days | 735 | 845 |

City of Ann Arbor
Activity and Performance Summary
for the period December 1, 2011 - December 31, 2011

| <u>Fair Value Basis Activity Summary</u> | | |
|--|--------------|----------------|
| Beginning Fair Value | | 226,408,489.98 |
| Additions | | |
| Contributions | 0.00 | |
| Interest Received | 683,991.25 | |
| Accrued Interest Sold | 0.00 | |
| Total Additions | | 683,991.25 |
| Deductions | | |
| Withdrawals | 8,682,593.47 | |
| Fees Paid | 14,921.24 | |
| Accrued Interest Purchased | 0.00 | |
| Total Deductions | | (8,697,514.71) |
| Change in Fair Value for the Period | | 175,325.56 |
| Ending Fair Value | | 218,570,292.08 |

| <u>Detail of Fair Value Basis Return</u> | | | |
|--|--------------------|-------------------------|-----------------|
| | Interest Earned | Change in Fair Value | Total Income |
| Current Holdings | | | |
| U.S. Treasury | 159,538.70 | 163,677.50 | 323,216.20 |
| U.S. Instrumentality | 205,464.08 | 26,320.06 | 231,784.14 |
| Sales and Maturities | | | |
| U.S. Instrumentality | 18,083.34 | (14,672.00) | 3,411.34 |
| Total | 383,086.12 | 175,325.56 | 558,411.68 |

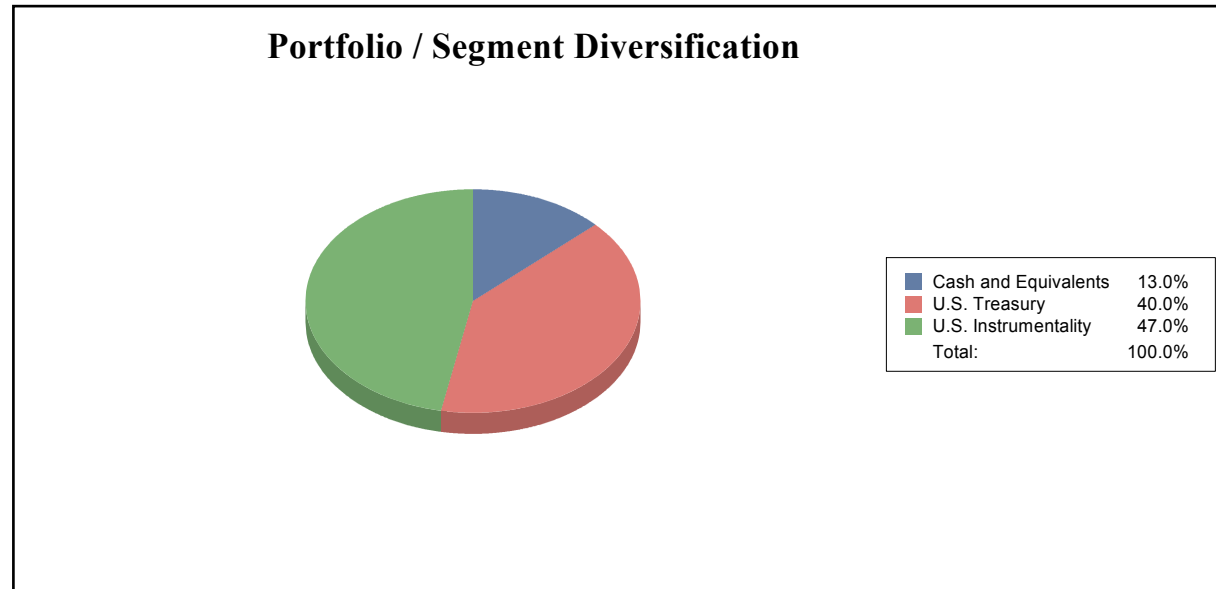
| <u>Annualized Comparative Rates of Return</u> | | | |
|---|--------------------------|-----------------------|---------------|
| | Twelve Month Trailing | Six Month Trailing | For the Month |
| Fed Funds | 0.10% | 0.08% | 0.07% |
| Overnight Repo | 0.05% | 0.05% | 0.05% |
| 3 Month T-Bill | 0.11% | 0.04% | 0.00% |
| 6 Month T-Bill | 0.29% | 0.24% | 0.24% |
| 1 Year T-Note | 0.51% | 0.38% | 0.24% |
| 2 Year T-Note | 1.53% | 1.19% | 0.47% |
| 5 Year T-Note | 9.01% | 11.43% | 9.07% |

| <u>Summary of Fair Value Basis Return for the Period</u> | | |
|--|-------------------|-------------------|
| | Total Portfolio | Excl. Cash Eq. |
| Interest Earned | 383,086.12 | 383,086.12 |
| Change in Fair Value | <u>175,325.56</u> | <u>175,325.56</u> |
| Total Income on Portfolio | 558,411.68 | 558,411.68 |
| Average Daily Historical Cost | 221,161,292.72 | 192,059,148.16 |
| Annualized Return | 2.97% | 3.42% |
| Annualized Return Net of Fees | 2.90% | 3.34% |
| Annualized Return Year to Date Net of Fees | 2.53% | 2.78% |
| Weighted Average Effective Maturity in Days | 735 | 845 |

**City of Ann Arbor
Recap of Securities Held
December 31, 2011**

| | Historical Cost | Amortized Cost | Fair Value | Unrealized Gain (Loss) | Weighted Average Final Maturity (Days) | Weighted Average Effective Maturity (Days) | % Portfolio/Segment | Weighted Average Yield * | Weighted Average Market Duration (Years) |
|----------------------|-----------------------|-----------------------|-----------------------|------------------------|--|--|---------------------|--------------------------|--|
| Cash and Equivalents | 28,123,734.76 | 28,123,734.76 | 28,123,734.76 | 0.00 | 1 | 1 | 12.99 | 0.00 | 0.00 |
| U.S. Treasury | 86,600,976.58 | 85,777,143.07 | 87,415,437.50 | 1,638,294.43 | 1,388 | 1,388 | 40.00 | 1.19 | 3.63 |
| U.S. Instrumentality | 101,799,739.72 | 101,213,791.61 | 103,031,119.82 | 1,817,328.21 | 1,095 | 383 | 47.02 | 2.27 | 1.03 |
| TOTAL | 216,524,451.06 | 215,114,669.44 | 218,570,292.08 | 3,455,622.64 | 1,070 | 735 | 100.00 | 1.54 | 1.93 |

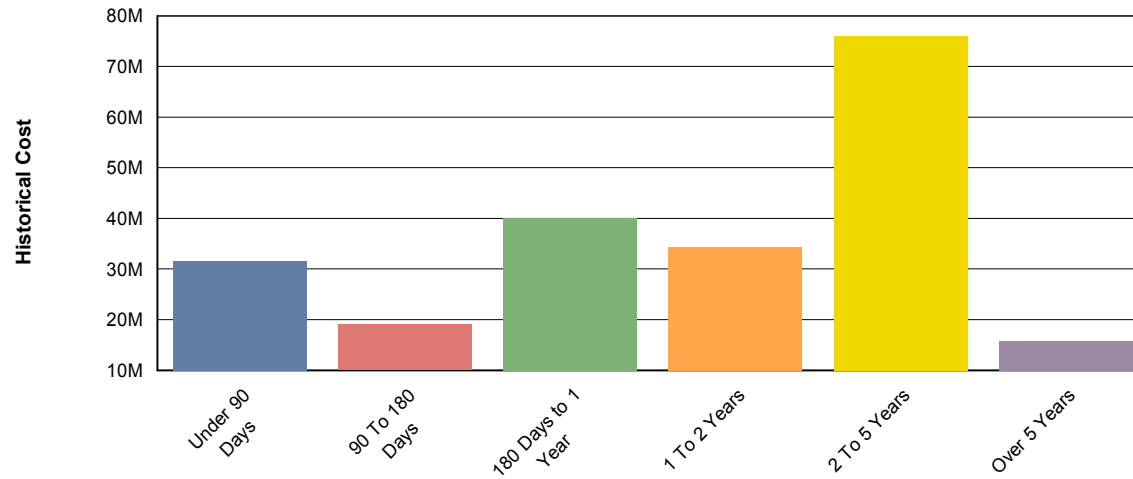
* Weighted Average Yield is calculated on a "yield to worst" basis.



City of Ann Arbor
Maturity Distribution of Securities Held
December 31, 2011

| Maturity | Historical Cost | Percent |
|--------------------|-----------------------|----------------|
| Under 90 Days | 31,518,395.26 | 14.56% |
| 90 To 180 Days | 19,044,884.15 | 8.80% |
| 180 Days to 1 Year | 40,025,700.00 | 18.49% |
| 1 To 2 Years | 34,307,150.07 | 15.84% |
| 2 To 5 Years | 75,920,509.08 | 35.06% |
| Over 5 Years | 15,707,812.50 | 7.25% |
| | 216,524,451.06 | 100.00% |

Maturity Distribution



**City of Ann Arbor
Securities Held
December 31, 2011**

| CUSIP/ Description | Purchase Date | Rate/ Coupon | Maturity/ Call Date | Par Value/ Shares | Historical Cost/ Accrued Interest Purchased | Amortized Cost/Accretion (Amortization) | Fair Value/ Change In Fair Value | Unrealized Gain (Loss) | Interest Received | Interest Earned | Total Accrued Interest | % Port Cost | Yield |
|------------------------------------|------------------|-----------------|------------------------|----------------------|---|---|--|------------------------------|----------------------|--------------------|------------------------------|-------------------|-------|
| <u>Cash and Equivalents</u> | | | | | | | | | | | | | |
| BankOne | 12/31/11 | 0.000 V | | 27,914,359.76 | 27,914,359.76 0.00 | 27,914,359.76 0.00 | 27,914,359.76 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12.89 | 0.00 |
| Int Receivable | 12/31/11 | 0.000 | 01/03/12 | 209,375.00 | 209,375.00 0.00 | 209,375.00 0.00 | 209,375.00 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.10 | 0.00 |
| TOTAL | | | | 28,123,734.76 | 28,123,734.76 0.00 | 28,123,734.76 0.00 | 28,123,734.76 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12.99 | |
| <u>U.S. Treasury</u> | | | | | | | | | | | | | |
| 912828JD3 T-Note | 07/17/08 | 3.375 | 06/30/13 | 5,000,000.00 | 5,035,937.50 0.00 | 5,010,846.81 (615.84) | 5,234,765.00 (13,870.00) | 223,918.19 | 84,375.00 | 14,220.39 | 463.60 | 2.33 | 3.22 |
| 912828KF6 T-Note | 08/26/10 | 1.875 | 02/28/14 | 5,000,000.00 | 5,173,046.88 0.00 | 5,106,500.77 (4,184.44) | 5,170,310.00 (5,860.00) | 63,809.23 | 0.00 | 7,984.21 | 31,679.26 | 2.39 | 0.87 |
| 912828QC7 T-Note | 08/29/11 | 1.250 | 04/15/14 | 5,000,000.00 | 5,131,250.00 0.00 | 5,114,160.16 (4,238.28) | 5,108,205.00 (2,735.00) | (5,955.16) | 0.00 | 5,293.71 | 13,319.67 | 2.37 | 0.25 |
| 912828LS7 T-Note | 08/29/11 | 2.375 | 10/31/14 | 5,000,000.00 | 5,314,062.50 0.00 | 5,280,190.36 (8,400.29) | 5,281,640.00 (4,690.00) | 1,449.64 | 0.00 | 10,058.06 | 20,440.57 | 2.45 | 0.38 |
| 912828LZ1 T-Note | 08/26/10 | 2.125 | 11/30/14 | 5,000,000.00 | 5,207,031.25 0.00 | 5,141,478.00 (4,122.01) | 5,251,560.00 (3,130.00) | 110,082.00 | 0.00 | 8,999.32 | 9,289.62 | 2.40 | 1.13 |
| 912828MR8 T-Note | 08/26/10 | 2.375 | 02/28/15 | 5,000,000.00 | 5,258,593.75 0.00 | 5,181,188.33 (4,867.28) | 5,305,080.00 (1,560.00) | 123,891.67 | 0.00 | 10,113.32 | 40,127.06 | 2.43 | 1.19 |
| 912828NL0 T-Note | 08/29/11 | 1.875 | 06/30/15 | 5,000,000.00 | 5,249,218.75 0.00 | 5,226,982.96 (5,514.47) | 5,239,060.00 6,250.00 | 12,077.04 | 46,875.00 | 7,900.21 | 257.55 | 2.42 | 0.56 |
| 912828PE4 T-Note | 08/29/11 | 1.250 | 10/31/15 | 5,000,000.00 | 5,121,875.00 0.00 | 5,111,878.69 (2,479.09) | 5,128,125.00 12,890.00 | 16,246.31 | 0.00 | 5,293.72 | 10,758.20 | 2.37 | 0.66 |
| 912828EN6 T-Note | 08/26/10 | 4.500 | 11/15/15 | 5,000,000.00 | 5,795,312.50 0.00 | 5,589,707.33 (12,928.52) | 5,748,440.00 (3,120.00) | 158,732.67 | 0.00 | 19,162.09 | 29,052.20 | 2.68 | 1.33 |
| 912828PJ3 T-Note | 08/29/11 | 1.375 | 11/30/15 | 5,000,000.00 | 5,146,093.75 0.00 | 5,134,342.32 (2,914.36) | 5,152,345.00 12,110.00 | 18,002.68 | 0.00 | 5,823.09 | 6,010.93 | 2.38 | 0.68 |
| 912828KS8 T-Note | 08/26/10 | 2.625 | 02/29/16 | 5,000,000.00 | 5,287,890.63 0.00 | 5,217,383.88 (4,433.49) | 5,404,690.00 8,205.00 | 187,306.12 | 0.00 | 11,177.88 | 44,350.96 | 2.44 | 1.53 |
| 912828KZ2 T-Note | 09/30/10 | 3.250 | 06/30/16 | 2,500,000.00 | 2,732,617.19 0.00 | 2,681,884.49 (3,433.87) | 2,776,367.50 2,147.50 | 94,483.01 | 40,625.00 | 6,846.85 | 223.21 | 1.26 | 1.55 |
| 912828QR4 T-Note | 08/29/11 | 1.500 | 06/30/16 | 5,000,000.00 | 5,148,437.50 0.00 | 5,137,936.83 (2,604.16) | 5,170,705.00 22,265.00 | 32,768.17 | 37,500.00 | 6,320.17 | 206.04 | 2.38 | 0.87 |
| 912828MA5 T-Note | 08/26/10 | 2.750 | 11/30/16 | 5,000,000.00 | 5,291,796.88 0.00 | 5,228,922.81 (3,953.55) | 5,458,985.00 24,220.00 | 230,062.19 | 0.00 | 11,646.18 | 12,021.86 | 2.44 | 1.76 |

**City of Ann Arbor
Securities Held
December 31, 2011**

| CUSIP/ Description | Purchase Date | Rate/ Coupon | Maturity/ Call Date | Par Value/ Shares | Historical Cost/ Accrued Interest Purchased | Amortized Cost/Accretion (Amortization) | Fair Value/ Change In Fair Value | Unrealized Gain (Loss) | Interest Received | Interest Earned | Total Accrued Interest | % Port Cost | Yield |
|-----------------------------|------------------|-----------------|------------------------|----------------------|---|---|--|------------------------------|----------------------|--------------------|------------------------------|-------------------|-------|
| U.S. Treasury | | | | | | | | | | | | | |
| 912828MS6 T-Note | 08/26/10 | 3.000 | 02/28/17 | 5,000,000.00 | 5,360,156.25 0.00 | 5,285,489.71 (4,695.06) | 5,529,690.00 28,130.00 | 244,200.29 | 0.00 | 12,774.72 | 50,686.81 | 2.48 | 1.82 |
| 912828PA2 T-Note | 08/29/11 | 1.875 | 09/30/17 | 5,000,000.00 | 5,175,000.00 0.00 | 5,165,164.12 (2,439.30) | 5,227,735.00 39,065.00 | 62,570.88 | 0.00 | 7,940.57 | 23,821.72 | 2.39 | 1.28 |
| 912828PF1 T-Note | 08/29/11 | 1.875 | 10/31/17 | 5,000,000.00 | 5,172,656.25 0.00 | 5,163,085.50 (2,373.55) | 5,227,735.00 43,360.00 | 64,649.50 | 0.00 | 7,984.21 | 15,968.41 | 2.39 | 1.29 |
| TOTAL | | | | 82,500,000.00 | 86,600,976.58 0.00 | 85,777,143.07 (74,197.56) | 87,415,437.50 163,677.50 | 1,638,294.43 | 209,375.00 | 159,538.70 | 308,677.67 | 40.00 | |
| U.S. Instrumentality | | | | | | | | | | | | | |
| 31331XG30 FFCB | 11/15/07 | 5.450 | 06/21/12 | 3,885,000.00 | 4,039,584.15 0.00 | 3,900,826.47 (2,852.45) | 3,980,776.91 (17,074.57) | 79,950.44 | 105,866.25 | 17,644.38 | 5,881.46 | 1.87 | 4.48 |
| 31331Y3X6 FFCB | 08/01/08 | 3.950 | 07/23/12 | 5,000,000.00 | 4,988,100.00 0.00 | 4,998,328.10 254.06 | 5,103,250.00 (15,870.00) | 104,921.90 | 0.00 | 16,458.34 | 86,680.56 | 2.30 | 4.02 |
| 31331YGE4 FFCB | 12/31/07 | 4.250 | 12/04/12 | 5,000,000.00 | 5,040,100.00 0.00 | 5,007,529.89 (690.61) | 5,183,945.00 (17,235.00) | 176,415.11 | 106,250.00 | 17,708.33 | 15,937.50 | 2.33 | 4.07 |
| 31359MQV8 FNMA | Call 09/18/06 | 4.750 | 02/21/13 02/21/13 | 5,000,000.00 | 4,902,300.00 0.00 | 4,982,648.68 1,289.91 | 5,251,565.00 (18,650.00) | 268,916.32 | 0.00 | 19,791.67 | 85,763.89 | 2.26 | 5.11 |
| 31359MQV8 FNMA | Call 08/07/09 | 4.750 | 02/21/13 02/21/13 | 3,418,000.00 | 3,691,234.92 0.00 | 3,506,051.75 (6,545.81) | 3,589,969.83 (12,749.14) | 83,918.08 | 0.00 | 13,529.58 | 58,628.19 | 1.70 | 2.38 |
| 31359MQV8 FNMA | Call 12/09/09 | 4.750 | 02/21/13 02/21/13 | 2,870,000.00 | 3,151,231.30 0.00 | 2,970,233.72 (7,451.43) | 3,014,398.31 (10,705.10) | 44,164.59 | 0.00 | 11,360.41 | 49,228.47 | 1.46 | 1.60 |
| 31331GZL6 FFCB | 07/01/09 | 2.800 | 06/03/13 | 3,000,000.00 | 3,018,360.00 0.00 | 3,006,649.57 (397.19) | 3,104,283.00 (5,925.00) | 97,633.43 | 42,000.00 | 7,000.00 | 6,533.33 | 1.39 | 2.64 |
| 31331GS83 FFCB | 10/15/09 | 2.350 | 09/23/13 | 3,300,000.00 | 3,322,770.00 0.00 | 3,309,984.62 (490.53) | 3,411,058.20 (4,913.70) | 101,073.58 | 0.00 | 6,462.50 | 21,110.83 | 1.53 | 2.17 |
| 31398A4N9 FNMA | 10/18/10 | 1.000 | 10/15/13 | 3,000,000.00 | 3,004,050.00 0.00 | 3,000,000.00 0.00 | 3,021,855.00 (162.00) | 21,855.00 | 0.00 | 2,500.00 | 6,333.33 | 1.39 | 1.00 |
| 31398A4N9 FNMA | 10/18/10 | 1.000 | 10/15/13 | 3,165,000.00 | 3,168,766.35 0.00 | 3,165,000.00 0.00 | 3,188,057.03 (170.91) | 23,057.03 | 0.00 | 2,637.50 | 6,681.67 | 1.46 | 1.00 |
| 31331XSR4 FFCB | 05/23/08 | 4.875 | 03/14/14 | 5,000,000.00 | 5,182,500.00 0.00 | 5,069,093.59 (2,667.37) | 5,478,400.00 (16,280.00) | 409,306.41 | 0.00 | 20,312.50 | 72,447.92 | 2.39 | 4.16 |
| 31331JQA4 FFCB | 06/11/10 | 1.900 | 06/02/14 | 3,000,000.00 | 2,990,070.00 0.00 | 2,993,961.30 212.00 | 3,096,474.00 (1,668.00) | 102,512.70 | 28,500.00 | 4,750.00 | 4,591.67 | 1.38 | 1.99 |
| 31331KMF4 FFCB | Call 06/06/11 | 1.180 | 06/06/14 06/06/12 | 5,000,000.00 | 5,000,000.00 0.00 | 5,000,000.00 0.00 | 5,015,305.00 (2,705.00) | 15,305.00 | 29,500.00 | 4,916.66 | 4,097.22 | 2.31 | 1.18 |

**City of Ann Arbor
Securities Held
December 31, 2011**

| CUSIP/ Description | Purchase Date | Rate/ Coupon | Maturity/ Call Date | Par Value/ Shares | Historical Cost/ Accrued Interest Purchased | Amortized Cost/Accretion (Amortization) | Fair Value/ Change In Fair Value | Unrealized Gain (Loss) | Interest Received | Interest Earned | Total Accrued Interest | % Port Cost | Yield | |
|-----------------------------|------------------|-----------------|------------------------|----------------------|---|---|---|--|----------------------|--------------------|------------------------------|-------------------|---------------|------|
| U.S. Instrumentality | | | | | | | | | | | | | | |
| 3134G23L4 FHLMC | Call | 11/10/11 | 0.950 | 11/10/14 05/10/12 | 5,000,000.00 | 5,005,300.00 0.00 | 5,003,785.71 (902.75) | 5,006,820.00 (1,065.00) | 3,034.29 | 0.00 | 3,958.34 | 6,729.17 | 2.31 | 0.74 |
| 3134G2PM8 FHLMC | Call | 06/29/11 | 1.250 | 12/29/14 06/29/12 | 5,000,000.00 | 5,000,000.00 0.00 | 5,000,000.00 0.00 | 5,017,000.00 (1,600.00) | 17,000.00 | 31,250.00 | 5,208.33 | 347.22 | 2.31 | 1.25 |
| 31331GY29 FFCB | | 10/15/09 | 2.900 | 10/09/15 | 1,905,000.00 | 1,890,712.50 0.00 | 1,895,995.93 202.70 | 2,047,935.96 4,585.33 | 151,940.03 | 0.00 | 4,603.75 | 12,583.58 | 0.87 | 3.04 |
| 3134G24E9 FHLMC | Call | 11/17/11 | 1.200 | 11/17/15 05/17/13 | 5,000,000.00 | 5,012,500.00 0.00 | 5,011,471.66 (708.41) | 5,023,195.00 20,825.00 | 11,723.34 | 0.00 | 5,000.00 | 7,333.33 | 2.31 | 1.03 |
| 31331J7F4 FFCB | Call | 01/20/11 | 2.370 | 01/11/16 01/11/12 | 3,395,000.00 | 3,394,660.50 0.00 | 3,394,725.15 5.79 | 3,396,646.58 (6,616.85) | 1,921.43 | 0.00 | 6,705.13 | 37,995.71 | 1.57 | 2.37 |
| 3136FTEP0 FNMA | Call | 10/26/11 | 1.375 V | 10/26/16 10/26/12 | 5,000,000.00 | 5,000,000.00 0.00 | 5,000,000.00 0.00 | 5,032,710.00 8,980.00 | 32,710.00 | 0.00 | 5,729.16 | 12,413.19 | 2.31 | 1.37 |
| 3136FTHU6 FNMA | Call | 11/16/11 | 1.800 | 11/16/16 05/16/12 | 5,000,000.00 | 5,000,000.00 0.00 | 5,000,000.00 0.00 | 5,014,000.00 11,380.00 | 14,000.00 | 0.00 | 7,500.00 | 11,250.00 | 2.31 | 1.80 |
| 3136FTMP1 FNMA | Call | 11/23/11 | 1.125 V | 11/23/16 11/23/12 | 5,000,000.00 | 5,000,000.00 0.00 | 5,000,000.00 0.00 | 5,006,295.00 28,290.00 | 6,295.00 | 0.00 | 4,687.50 | 5,937.50 | 2.31 | 1.13 |
| 3136FTVF3 FNMA | Call | 12/28/11 | 1.000 V | 12/28/16 12/28/12 | 5,000,000.00 | 4,997,500.00 0.00 | 4,997,505.47 5.47 | 5,004,650.00 7,150.00 | 7,144.53 | 0.00 | 416.67 | 416.67 | 2.31 | 1.69 |
| 31331KZP8 FFCB | Call | 09/26/11 | 1.800 | 09/26/17 09/26/12 | 5,000,000.00 | 5,000,000.00 0.00 | 5,000,000.00 0.00 | 5,018,380.00 25,365.00 | 18,380.00 | 0.00 | 7,500.00 | 23,750.00 | 2.31 | 1.80 |
| 313376CK9 FHLB | Call | 11/16/11 | 2.180 | 11/16/18 11/16/12 | 5,000,000.00 | 5,000,000.00 0.00 | 5,000,000.00 0.00 | 5,024,150.00 53,135.00 | 24,150.00 | 0.00 | 9,083.33 | 13,625.00 | 2.31 | 2.18 |
| TOTAL | | | | | 100,938,000.00 | 101,799,739.72 0.00 | 101,213,791.61 (20,736.62) | 103,031,119.82 26,320.06 | 1,817,328.21 | 343,366.25 | 205,464.08 | 556,297.41 | 47.02 | |
| GRAND TOTAL | | | | | 211,561,734.76 | 216,524,451.06 0.00 | 215,114,669.44 (94,934.18) | 218,570,292.08 189,997.56 | 3,455,622.64 | 552,741.25 | 365,002.78 | 864,975.08 | 100.00 | |

V = variable rate, current rate shown, average rate for Cash & Equivalents

City of Ann Arbor
GASB 40 - Deposit and Investment Risk Disclosure
December 31, 2011

| CUSIP | Type | Coupon | Maturity Date | Call Date | S&P Rating | Moody Rating | Par Value / Shares | Historical Cost | % Portfolio Hist Cost | Market Value | % Portfolio Mkt Value | Weighted Avg Mkt Dur (Yrs) |
|----------------------|----------------------|--------|---------------|------------|------------|--------------|--------------------|-----------------|-----------------------|---------------|-----------------------|----------------------------|
| <u>T-Note</u> | | | | | | | | | | | | |
| 912828JD3 | U.S. Treasury | 3.375 | 06/30/2013 | | AA+ | Aaa | 5,000,000.00 | 5,035,937.50 | 2.33 | 5,234,765.00 | 2.40 | 1.48 |
| 912828KF6 | U.S. Treasury | 1.875 | 02/28/2014 | | AA+ | Aaa | 5,000,000.00 | 5,173,046.88 | 2.39 | 5,170,310.00 | 2.37 | 2.12 |
| 912828QC7 | U.S. Treasury | 1.250 | 04/15/2014 | | AA+ | Aaa | 5,000,000.00 | 5,131,250.00 | 2.37 | 5,108,205.00 | 2.34 | 2.26 |
| 912828LS7 | U.S. Treasury | 2.375 | 10/31/2014 | | AA+ | Aaa | 5,000,000.00 | 5,314,062.50 | 2.45 | 5,281,640.00 | 2.42 | 2.75 |
| 912828LZ1 | U.S. Treasury | 2.125 | 11/30/2014 | | AA+ | Aaa | 5,000,000.00 | 5,207,031.25 | 2.40 | 5,251,560.00 | 2.40 | 2.84 |
| 912828MR8 | U.S. Treasury | 2.375 | 02/28/2015 | | AA+ | Aaa | 5,000,000.00 | 5,258,593.75 | 2.43 | 5,305,080.00 | 2.43 | 3.04 |
| 912828NL0 | U.S. Treasury | 1.875 | 06/30/2015 | | AA+ | Aaa | 5,000,000.00 | 5,249,218.75 | 2.42 | 5,239,060.00 | 2.40 | 3.40 |
| 912828EN6 | U.S. Treasury | 4.500 | 11/15/2015 | | AA+ | Aaa | 5,000,000.00 | 5,795,312.50 | 2.68 | 5,748,440.00 | 2.63 | 3.60 |
| 912828PE4 | U.S. Treasury | 1.250 | 10/31/2015 | | AA+ | Aaa | 5,000,000.00 | 5,121,875.00 | 2.37 | 5,128,125.00 | 2.35 | 3.74 |
| 912828PJ3 | U.S. Treasury | 1.375 | 11/30/2015 | | AA+ | Aaa | 5,000,000.00 | 5,146,093.75 | 2.38 | 5,152,345.00 | 2.36 | 3.81 |
| 912828KS8 | U.S. Treasury | 2.625 | 02/29/2016 | | AA+ | Aaa | 5,000,000.00 | 5,287,890.63 | 2.44 | 5,404,690.00 | 2.47 | 3.94 |
| 912828KZ2 | U.S. Treasury | 3.250 | 06/30/2016 | | AA+ | Aaa | 2,500,000.00 | 2,732,617.19 | 1.26 | 2,776,367.50 | 1.27 | 4.23 |
| 912828QR4 | U.S. Treasury | 1.500 | 06/30/2016 | | AA+ | Aaa | 5,000,000.00 | 5,148,437.50 | 2.38 | 5,170,705.00 | 2.37 | 4.33 |
| 912828MA5 | U.S. Treasury | 2.750 | 11/30/2016 | | AA+ | Aaa | 5,000,000.00 | 5,291,796.88 | 2.44 | 5,458,985.00 | 2.50 | 4.62 |
| 912828MS6 | U.S. Treasury | 3.000 | 02/28/2017 | | AA+ | Aaa | 5,000,000.00 | 5,360,156.25 | 2.48 | 5,529,690.00 | 2.53 | 4.78 |
| 912828PA2 | U.S. Treasury | 1.875 | 09/30/2017 | | AA+ | Aaa | 5,000,000.00 | 5,175,000.00 | 2.39 | 5,227,735.00 | 2.39 | 5.43 |
| 912828PF1 | U.S. Treasury | 1.875 | 10/31/2017 | | AA+ | Aaa | 5,000,000.00 | 5,172,656.25 | 2.39 | 5,227,735.00 | 2.39 | 5.52 |
| ISSUER TOTAL | | | | | | | 82,500,000.00 | 86,600,976.58 | 40.00 | 87,415,437.50 | 39.99 | 3.63 |
| <u>FFCB</u> | | | | | | | | | | | | |
| 31331J7F4 | U.S. Instrumentality | 2.370 | 01/11/2016 | 01/11/2012 | AA+ | Aaa | 3,395,000.00 | 3,394,660.50 | 1.57 | 3,396,646.58 | 1.55 | 0.03 |
| 31331KMF4 | U.S. Instrumentality | 1.180 | 06/06/2014 | 06/06/2012 | AA+ | Aaa | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,015,305.00 | 2.29 | 0.43 |
| 31331XG30 | U.S. Instrumentality | 5.450 | 06/21/2012 | | AA+ | Aaa | 3,885,000.00 | 4,039,584.15 | 1.87 | 3,980,776.91 | 1.82 | 0.47 |
| 31331Y3X6 | U.S. Instrumentality | 3.950 | 07/23/2012 | | AA+ | Aaa | 5,000,000.00 | 4,988,100.00 | 2.30 | 5,103,250.00 | 2.33 | 0.55 |
| 31331KZP8 | U.S. Instrumentality | 1.800 | 09/26/2017 | 09/26/2012 | AA+ | Aaa | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,018,380.00 | 2.30 | 0.73 |
| 31331YGE4 | U.S. Instrumentality | 4.250 | 12/04/2012 | | AA+ | Aaa | 5,000,000.00 | 5,040,100.00 | 2.33 | 5,183,945.00 | 2.37 | 0.92 |
| 31331GZL6 | U.S. Instrumentality | 2.800 | 06/03/2013 | | AA+ | Aaa | 3,000,000.00 | 3,018,360.00 | 1.39 | 3,104,283.00 | 1.42 | 1.40 |
| 31331GS83 | U.S. Instrumentality | 2.350 | 09/23/2013 | | AA+ | Aaa | 3,300,000.00 | 3,322,770.00 | 1.53 | 3,411,058.20 | 1.56 | 1.69 |
| 31331XSR4 | U.S. Instrumentality | 4.875 | 03/14/2014 | | AA+ | Aaa | 5,000,000.00 | 5,182,500.00 | 2.39 | 5,478,400.00 | 2.51 | 2.09 |
| 31331JQA4 | U.S. Instrumentality | 1.900 | 06/02/2014 | | AA+ | Aaa | 3,000,000.00 | 2,990,070.00 | 1.38 | 3,096,474.00 | 1.42 | 2.37 |
| 31331GY29 | U.S. Instrumentality | 2.900 | 10/09/2015 | | AA+ | Aaa | 1,905,000.00 | 1,890,712.50 | 0.87 | 2,047,935.96 | 0.94 | 3.57 |
| ISSUER TOTAL | | | | | | | 43,485,000.00 | 43,866,857.15 | 20.26 | 44,836,454.65 | 20.51 | 1.15 |
| <u>FNMA</u> | | | | | | | | | | | | |
| 3136FTHU6 | U.S. Instrumentality | 1.800 | 11/16/2016 | 05/16/2012 | AA+ | Aaa | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,014,000.00 | 2.29 | 0.38 |
| 3136FTEP0 | U.S. Instrumentality | 1.375 | 10/26/2016 | 10/26/2012 | AA+ | Aaa | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,032,710.00 | 2.30 | 0.82 |

City of Ann Arbor
GASB 40 - Deposit and Investment Risk Disclosure
December 31, 2011

| CUSIP | Type | Coupon | Maturity Date | Call Date | S&P Rating | Moody Rating | Par Value / Shares | Historical Cost | % Portfolio Hist Cost | Market Value | % Portfolio Mkt Value | Weighted Avg Mkt Dur (Yrs) |
|------------------------------|----------------------|--------|---------------|------------|------------|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------|
| <u>FNMA</u> | | | | | | | | | | | | |
| 3136FTMP1 | U.S. Instrumentality | 1.125 | 11/23/2016 | 11/23/2012 | AA+ | Aaa | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,006,295.00 | 2.29 | 0.89 |
| 3136FTVF3 | U.S. Instrumentality | 1.000 | 12/28/2016 | 12/28/2012 | AA+ | Aaa | 5,000,000.00 | 4,997,500.00 | 2.31 | 5,004,650.00 | 2.29 | 0.99 |
| 31359MQV8 | U.S. Instrumentality | 4.750 | 02/21/2013 | 02/21/2013 | AA+ | Aaa | 11,288,000.00 | 11,744,766.22 | 5.42 | 11,855,933.14 | 5.42 | 1.11 |
| 31398A4N9 | U.S. Instrumentality | 1.000 | 10/15/2013 | | AA+ | Aaa | 6,165,000.00 | 6,172,816.35 | 2.85 | 6,209,912.03 | 2.84 | 1.77 |
| ISSUER TOTAL | | | | | | | 37,453,000.00 | 37,915,082.57 | 17.51 | 38,123,500.17 | 17.44 | 1.04 |
| <u>BankOne</u> | | | | | | | | | | | | |
| | Cash and Equivalents | 0.000 | | | | | 27,914,359.76 | 27,914,359.76 | 12.89 | 27,914,359.76 | 12.77 | 0.00 |
| ISSUER TOTAL | | | | | | | 27,914,359.76 | 27,914,359.76 | 12.89 | 27,914,359.76 | 12.77 | 0.00 |
| <u>FHLMC</u> | | | | | | | | | | | | |
| 3134G23L4 | U.S. Instrumentality | 0.950 | 11/10/2014 | 05/10/2012 | AA+ | Aaa | 5,000,000.00 | 5,005,300.00 | 2.31 | 5,006,820.00 | 2.29 | 0.36 |
| 3134G2PM8 | U.S. Instrumentality | 1.250 | 12/29/2014 | 06/29/2012 | AA+ | Aaa | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,017,000.00 | 2.30 | 0.50 |
| 3134G24E9 | U.S. Instrumentality | 1.200 | 11/17/2015 | 05/17/2013 | AA+ | Aaa | 5,000,000.00 | 5,012,500.00 | 2.31 | 5,023,195.00 | 2.30 | 1.37 |
| ISSUER TOTAL | | | | | | | 15,000,000.00 | 15,017,800.00 | 6.94 | 15,047,015.00 | 6.88 | 0.74 |
| <u>FHLB</u> | | | | | | | | | | | | |
| 313376CK9 | U.S. Instrumentality | 2.180 | 11/16/2018 | 11/16/2012 | AA+ | Aaa | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,024,150.00 | 2.30 | 0.87 |
| ISSUER TOTAL | | | | | | | 5,000,000.00 | 5,000,000.00 | 2.31 | 5,024,150.00 | 2.30 | 0.87 |
| <u>Int Receivable</u> | | | | | | | | | | | | |
| | Cash and Equivalents | 0.000 | 01/03/2012 | | | | 209,375.00 | 209,375.00 | 0.10 | 209,375.00 | 0.10 | 0.00 |
| ISSUER TOTAL | | | | | | | 209,375.00 | 209,375.00 | 0.10 | 209,375.00 | 0.10 | 0.00 |
| GRAND TOTAL | | | | | | | 211,561,734.76 | 216,524,451.06 | 100.00 | 218,570,292.08 | 100.00 | 1.94 |

Highlighted totals are issuers representing 5.00% or more of the portfolio's market value.

**City of Ann Arbor
Securities Purchased
for the period December 1, 2011 - December 31, 2011**

| CUSIP/ Description | Purchase Date | Rate/ Coupon | Maturity/ Call Date | Par Value/ Shares | Unit Cost | Principal Cost | Accrued Interest Purchased | Yield | |
|------------------------------------|------------------|-----------------|------------------------|--------------------------|---------------------|-------------------|-------------------------------|-------------|------|
| <u>U.S. Instrumentality</u> | | | | | | | | | |
| 3136FTVF3 FNMA | Call | 12/28/2011 | 1.000 V | 12/28/2016 12/28/2012 | 5,000,000.00 | 99.950 | 4,997,500.00 | 0.00 | 1.69 |
| TOTAL | | | | | 5,000,000.00 | | 4,997,500.00 | 0.00 | |
| GRAND TOTAL | | | | | 5,000,000.00 | | 4,997,500.00 | 0.00 | |

V = variable rate, opening rate shown, average rate for Cash & Equivalents

City of Ann Arbor
Securities Sold and Matured
for the period December 1, 2011 - December 31, 2011

| CUSIP/ Description | Sale or Maturity Date | Rate/ Coupon | Maturity/ Call Date | Par Value/ Shares | Historical Cost | Amortized Cost at Sale or Maturity / Accr / (Amort) | Sale/ Maturity Price | Fair Value at Sale or Maturity / Chg. In Fair Value | Realized Gain (Loss) | Accrued Interest Sold | Interest Received | Interest Earned | Yield | |
|------------------------------------|-----------------------------|-----------------|------------------------|----------------------|----------------------|---|---|---|--|-----------------------------|----------------------|--------------------|------------------|------|
| <u>Cash and Equivalents</u> | | | | | | | | | | | | | | |
| BankOne | 12/31/11 | 0.000 V | | 1,220,398.46 | 1,220,398.46 | 1,220,398.46 0.00 | 100.00 | 1,220,398.46 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| TOTAL | | | | 1,220,398.46 | 1,220,398.46 | 1,220,398.46 0.00 | | 1,220,398.46 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |
| <u>U.S. Instrumentality</u> | | | | | | | | | | | | | | |
| 3134G2JF0 FHLMC | Call | 12/09/11 | 1.050 | 12/09/13 03/09/12 | 5,000,000.00 | 5,002,500.00 | 5,000,000.00 (109.29) | 100.00 | 5,000,000.00 (630.00) | 0.00 | 0.00 | 26,250.00 | 1,166.67 | 0.95 |
| 3136FMK29 FNMA | | 12/30/11 | 3.000 | 06/30/15 | 7,000,000.00 | 7,155,120.00 | 7,000,000.00 (8,208.91) | 100.00 | 7,000,000.00 (14,042.00) | 0.00 | 0.00 | 105,000.00 | 16,916.67 | 1.50 |
| TOTAL | | | | | 12,000,000.00 | 12,157,620.00 | 12,000,000.00 (8,318.20) | | 12,000,000.00 (14,672.00) | 0.00 | 0.00 | 131,250.00 | 18,083.34 | |
| GRAND TOTAL | | | | | 13,220,398.46 | 13,378,018.46 | 13,220,398.46 (8,318.20) | | 13,220,398.46 (14,672.00) | 0.00 | 0.00 | 131,250.00 | 18,083.34 | |

V = variable rate, current rate shown, average rate for Cash & Cash Equivalents

**City of Ann Arbor
Transaction Report
for the period December 1, 2011 - December 31, 2011**

| Date | CUSIP | Transaction | Sec Type | Description | Maturity | PAR Value/Shares | Principal | Interest | Transaction Total | Balance | | | | | |
|-------------------|-----------|-------------|----------|-----------------|------------|------------------|--------------|--------------|---------------------------------|---------------------|--|-----------|--|-----------|--|
| 12/02/2011 | 31331JQA4 | Interest | INS | FFCB | 06/02/2014 | 3,000,000.00 | 0.00 | 28,500.00 | 28,500.00 | 28,500.00 | | | | | |
| 12/03/2011 | 31331GZL6 | Interest | INS | FFCB | 06/03/2013 | 3,000,000.00 | 0.00 | 42,000.00 | 42,000.00 | 70,500.00 | | | | | |
| 12/04/2011 | 31331YGE4 | Interest | INS | FFCB | 12/04/2012 | 5,000,000.00 | 0.00 | 106,250.00 | 106,250.00 | 176,750.00 | | | | | |
| 12/06/2011 | 31331KMF4 | Interest | INS | FFCB | 06/06/2014 | 5,000,000.00 | 0.00 | 29,500.00 | 29,500.00 | 206,250.00 | | | | | |
| 12/09/2011 | 3134G2JF0 | Interest | INS | FHLMC | 12/09/2013 | 5,000,000.00 | 0.00 | 26,250.00 | 26,250.00 | 232,500.00 | | | | | |
| | 3134G2JF0 | Call | INS | FHLMC | 12/09/2013 | 5,000,000.00 | 5,000,000.00 | 0.00 | 5,000,000.00 | 5,232,500.00 | | | | | |
| 12/21/2011 | 31331XG30 | Interest | INS | FFCB | 06/21/2012 | 3,885,000.00 | 0.00 | 105,866.25 | 105,866.25 | 5,338,366.25 | | | | | |
| 12/28/2011 | 3136FTVF3 | Bought | INS | FNMA | 12/28/2016 | 5,000,000.00 | 4,997,500.00 | 0.00 | (4,997,500.00) | 340,866.25 | | | | | |
| 12/29/2011 | 3134G2PM8 | Interest | INS | FHLMC | 12/29/2014 | 5,000,000.00 | 0.00 | 31,250.00 | 31,250.00 | 372,116.25 | | | | | |
| 12/30/2011 | 3136FMK29 | Interest | INS | FNMA | 06/30/2015 | 7,000,000.00 | 0.00 | 105,000.00 | 105,000.00 | 477,116.25 | | | | | |
| | 3136FMK29 | Call | INS | FNMA | 06/30/2015 | 7,000,000.00 | 7,000,000.00 | 0.00 | 7,000,000.00 | 7,477,116.25 | | | | | |
| 12/31/2011 | 912828JD3 | Interest | TSY | T-Note | 06/30/2013 | 5,000,000.00 | 0.00 | 84,375.00 | 84,375.00 | 7,561,491.25 | | | | | |
| | 912828KZ2 | Interest | TSY | T-Note | 06/30/2016 | 2,500,000.00 | 0.00 | 40,625.00 | 40,625.00 | 7,602,116.25 | | | | | |
| | 912828NL0 | Interest | TSY | T-Note | 06/30/2015 | 5,000,000.00 | 0.00 | 46,875.00 | 46,875.00 | 7,648,991.25 | | | | | |
| | 912828QR4 | Interest | TSY | T-Note | 06/30/2016 | 5,000,000.00 | 0.00 | 37,500.00 | 37,500.00 | 7,686,491.25 | | | | | |
| | | Bought | CE | Int Receivable | 01/03/2012 | 209,375.00 | 209,375.00 | 0.00 | (209,375.00) | 7,477,116.25 | | | | | |
| | | Sold | CE | BankOne | | 1,220,398.46 | 1,220,398.46 | 0.00 | 1,220,398.46 | 8,697,514.71 | | | | | |
| | | | | | | | | | Portfolio Activity Total | 8,697,514.71 | | | | | |
| Net Contributions | | 0.00 | | Net Withdrawals | | 8,682,593.47 | | Fees Charged | | 13,822.58 | | Fees Paid | | 14,921.24 | |

**City of Ann Arbor
Securities Bid and Offer
for the period December 01, 2011 - December 31, 2011**

| Trans | Settle | Description | Call Date | Broker | Par Value | Discount | Price | YTM/YTC | Competitive Bids |
|-------|------------|-------------------|-----------|--------|-----------|----------|--------|-------------|--|
| BUY | 12/28/2011 | FNMA 1 12/28/2016 | 12/28/12 | WUN | 5,000,000 | | 99.950 | 1.69 / 1.05 | MER - FNMA 4.875% 12/15/16 @ YTM 1.18 JEF - FNMA 0.375% 12/28/12 @ YTM 0.20 |

**City of Ann Arbor
Upcoming Cash Activity
for the next 45 days**

| Date | Transaction | CUSIP | Description | Coupon | Maturity Date | Next Call Date | Par / Shares | Principal | Interest | Transaction Total |
|------------|-------------|-----------|-------------|--------|---------------|----------------|--------------|-----------|-----------|-------------------|
| 01/11/2012 | Interest | 31331J7F4 | FFCB | 2.370 | 01/11/2016 | 01/11/2012 | 3,395,000.00 | 0.00 | 40,230.75 | 40,230.75 |
| 01/23/2012 | Interest | 31331Y3X6 | FFCB | 3.950 | 07/23/2012 | | 5,000,000.00 | 0.00 | 98,750.00 | 98,750.00 |