CITY OF PEORIA, ARIZONA

INVESTMENT PERFORMANCE REPORT

Annual Report

Period Ended

June 30, 2012

Brent D. Mattingly, Chief Financial Officer

Finance Department

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I. INTRODUCTION

This report reflects investment activity for the period of July 1, 2011 to June 30, 2012 for the City's investment management program. The City's Investment and Portfolio Policies, approved and adopted in January 1992 by the City Council, with revisions approved in June 2005, requires that the City's investment program meet the following criteria, listed in order of importance:

Safety - *Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio.*

Liquidity - *The investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements.*

Yield - *The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, while taking into account the City's strict risk constraints.*

In keeping with these principles, the Finance Department continued to invest the City's funds only in allowable, safe securities and to structure the maturity of the investment portfolio to assure liquidity. Short-term needs (6 months or less) are being met by investments in overnight repurchase agreements, commercial paper, money market funds, and the State's Investment Pool. Funds not required to meet specific short-term needs are invested primarily in Treasury Notes and U.S. Government Agency Securities.

Only after the safety and liquidity requirements are met does the Finance Department attempt to maximize earnings. For the Quarter Ended June 30, 2012, the weighted average annualized yield on investments was as follows:

Table 1

AVERAGE ANNUALIZED INVESTMENT YIELD					
	FY 12 Q1	FY 12 Q2	FY 12 Q3	FY 12 Q4	Year Ended 6/30/12
General Portfolio	0.62	0.58	0.53	0.47	0.55
Bond Funds	0.34	0.28	0.31	0.31	0.31
Total Portfolio	0.59	0.55	0.51	0.45	0.52

The average annual yield of 0.52% represents a decrease of 0.11% from the total portfolio annualized yield of 0.63% experienced for the Year Ended June 30, 2011.

This quarter's average yield of 0.45% for the total portfolio represents a decrease of 0.06% from the total portfolio annualized yield of 0.51% experienced for the Quarter Ended March 31, 2012.

II. TOTAL INVESTMENT PORTFOLIO STRUCTURE

The City's overall portfolio is identified by source and use of funds in accordance with the City's investment policy. The general operating funds are composed of all funds of the City with the exception of restricted capital project funds containing direct bond proceeds and escrow funds. The interest from the operating fund portfolio is allocated pro rata to the General Fund and other commingled funds making up the portfolio. Funds identified in this category are:

General Fund
Special Revenue Funds
Enterprise Funds
Internal Service Funds
Debt Service Funds
Trust and Agency Funds

Capital project funds are managed in unique portfolios identified by individual bond issue in order to fulfill all U.S. Government tax requirements and to simplify reporting and arbitrage calculations.

During the past quarter, the City's investment portfolio has been divided between general funds and several bond fund accounts. For purposes of this performance report, however, the operating portfolio is reported as a whole and reference to performance and strategy are directed toward the portfolio in its entirety.

III. INVESTMENT POLICY COMPLIANCE

The City's Investment Policy, as approved by City Council, applies to all the financial assets and funds held by the City of Peoria. All investments follow the provisions established in that Policy.

IV. INVESTMENT PERFORMANCE

A. Portfolio Composition. It is the policy of the City to diversify its portfolio by security type and institution to minimize market volatility risk and credit risk. The Policy stipulates maximum investment levels by market sector to insure diversification. Diversification is further accomplished through the laddering of maturities, which mirror anticipated cash flows for the various funds. If not matched to specific cash flows, the funds are invested with a priority of liquidity and safety until specific cash flow needs are identified.

The table below illustrates the diversification structured into the portfolio composition with dollar amounts and percentages by investment type (market sector). The table shows the overall conservative nature of the portfolio and its

diversified structure. The fluctuation in percentages between fiscal quarters represents a shifting of value between market sectors from the varying economic conditions throughout the year. The concentration on Treasury Notes and Agency Securities illustrates the portfolio's safety priority.

Table 2

TOTAL PORTFOLIO COMPOSITION (In Millions of Dollars)								
Security Type	**FY 12 – Q1**		**FY 12 – Q2**		**FY 12 – Q3**		**FY 12 – Q4**	
	Amt	**%**	**Amt**	**%**	**Amt**	**%**	**Amt**	**%**
Money Market	**36.4**	**12.2**	**38.5**	**12.2**	**30.3**	**9.4**	**52.0**	**16.3**
Agency Securities	**152.4**	**50.9**	**173.4**	**55.1**	**183.1**	**56.9**	**170.9**	**53.5**
Treasury Bills	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Treasury Notes	**25.6**	**8.6**	**15.6**	**4.9**	**15.5**	**4.8**	**12.1**	**3.8**
Commercial Paper	**84.9**	**28.3**	**84.4**	**26.8**	**92.3**	**28.7**	**83.8**	**26.2**
Repurchase Agreements	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
State Pool	**0.1**	**0.0**	**3.0**	**1.0**	**0.1**	**0.2**	**0.5**	**0.2**
TOTALS:	**299.4**	**100.0**	**314.9**	**100.0**	**321.3**	**100.0**	**319.3**	**100.0**

B. Average Invested Cash Balances. The average investment cash balance of the overall portfolio for the Year Ended June 30, 2012 was $312,071,778 as compared to $309,032,295 for the Year Ended June 30, 2011.

The average investment cash balance of the overall portfolio for the Quarter Ended June 30, 2012 was $321,730,549 as compared to $318,404,229 for the Quarter Ended March 31, 2012.

Fluctuations in the quarterly balances shown in the chart below represent normal cash flows throughout the fiscal year, the addition of new bond proceeds, investment of earned interest, and the spend down of existing bond proceeds for capital projects.

C. Investment Income. Total investment income for the Year Ended June 30, 2012 was $1,357,269, which represents a decrease of 21.3% from the $1,725,207 earned for the Year Ended June 30, 2011.

Total investment income for the 4th Quarter of FY12 was $328,960, which represents a decrease of 5.8% from the $349,082 earned in the 3rd Quarter of FY12.

D. Comparative Investment Yields. Since the Investment Policy of the City restricts investment primarily to the U.S. fixed income and money markets, the portfolio performance is measured directly against these markets for comparison purposes. The maximum maturity of securities purchased for the portfolio is restricted to five (5) years. The weighted average maturity should not exceed 365 days. The actual weighted average maturity for the 4th Quarter of FY12 was 332 days. The average rates of comparable benchmarks are shown in the table below.

Table 3

COMPARATIVE ANNUALIZED INVESTMENT YIELDS				
	FY 12 Q1	**FY 12 Q2**	**FY 12 Q3**	**FY 12 Q4**
City of Peoria (General Portfolio)	**0.62**	**0.58**	**0.53**	**0.47**
3 Month T-Bill	**0.02**	**0.01**	**0.06**	**0.08**
6 Month T- Bill	**0.06**	**0.04**	**0.11**	**0.14**
1 Year T-Bill	**0.12**	**0.10**	**0.14**	**0.18**
2 Year Treasury	**0.27**	**0.26**	**0.28**	**0.28**

E. Average Maturity of the Portfolio. For the Quarter ended June 30, 2012, the average maturity of the portfolio was 332 days as compared to 351 days on March 31, 2012. Matching maturities to known cash flows requires the maintenance of a somewhat short portfolio. This assures the City's liabilities can be met as they come due. Cash not needed to match immediate cash flow needs (within a nine month rolling horizon of liabilities) is normally extended somewhat to take advantage of higher yields. Longer maturities are used to capture yields at purchase and to capture capital gains during the period.

F. Comparison of Market Value and Book Value. The book value of the portfolio is captured on an amortized cost basis recognizing the City's position in the securities on a straight-line amortization of premiums and discounts. Book and market values do not include accrued interest on the securities. The market value reflects the *then current* market price at which these securities could be sold in the open market. A comparison of book and market reflects the changes in market rates as well as the performance of the portfolio against the market. Since the shortest portion of the portfolio is matched against anticipated cash flows, rate changes will more directly affect their relative gain/loss positions. A summary of market and book values for the total portfolio for the Quarter are shown below.

Beginning Book Value.....$321,336,470
Beginning Market Value.....$321,365,109

Ending Book Value $319,286,192
Ending Market Value.....$319,361,196

At quarter's end, the market value of the portfolio exceeded the book value of securities resulting in an overall unrealized gain in value of $75,004.

ECONOMIC REVIEW AS OF 6-30-12:

Gross Domestic Product (GDP) There had been some question as to how much the unseasonably mild winter weather that prevailed in the first quarter bolstered growth early in the year at the expense of subsequent quarters. Although all the numbers have yet to be crunched for the most recently completed period, the slowdown appears to be substantial. The final reading of first quarter growth was a disappointing 1.9%, but the third straight month of negative retail sales reports caused many Wall Street analysts to trim second quarter GDP forecasts into the 1.2% to 1.5% range, with as much as half being inventory accumulation. The media has picked up on the "impending fiscal cliff" story, and consumer confidence levels are falling as Americans grow increasingly concerned that hundreds of billions in tax cuts and extended unemployment benefits will expire at the same time as across-the-board expense cuts go into effect.

Nonfarm Payrolls Job growth has *slowed significantly* in the spring months. Much of this may have had to do with accelerated hiring in the winter months. Nonfarm payrolls grew by just 80,000 during the month of June. During the quarter, company payrolls averaged just 75,000. This was the slowest quarterly growth rate since the third quarter of 2010, and a significant decline from the 225,000 average pace during the first quarter of 2012. The unemployment rate rose from 8.1% to 8.2% in May, *the first increase in a year*, and remained at 8.2% in June. According to the most recent "JOLT" survey, as of May, there were 3.5 unemployed job seekers for every job opening. This ratio was 1.6 in November 2007 before the recession began, but rose to 6.7 immediately after the recession officially ended in July 2009.

U.S. Home Sales Freddie Mac's 30-yr mortgage index averaged a record low of 3.53% for the week ending July 18, 2012. In 1982, the average rate was over 16%. So, after roughly 6½ years of decline, the housing market may have finally reached bottom and begun to dig itself out. Inventory levels, although far from lean, are improved. CNBC reported in June that there were 2.49 million homes listed for sale, 20% below a year ago. The median price for an existing home rose 7.9% year-over-year to $189,400 in June, while housing starts rose 6.9% to a 760k annual unit rate, the highest in three years. But, not all the news was good. Existing home sales dropped 5.4% in June to a seasonally adjusted annual pace of 4.37 million, while new home sales fell 8.4% in June to a annualized pace of 350k. Although still a fraction of 2005 peak levels, both are well above recession lows.

Retail Sales The decreased rate of U.S. job growth, combined with deteriorating conditions in Europe and the impending fiscal cliff have combined to dampen spending and confidence. The Conference Board's measure of consumer confidence dropped for the fourth straight month in June, falling to lowest level since January. Retail sales unexpectedly fell by 0.5% in June, following declines in both April and May. The last time retail sales were negative for three straight months was October 2008 through December 2008, *during the deepest point of the recession*. For the entire quarter, retail sales declined by an annualized 0.8%. In the previous quarter, sales had *risen* by an annualized 6.7%. After reaching a post-recession high of 15 million for annualized sales of cars and light trucks in February, the pace of vehicle sales has decelerated, hitting 13.7 annualized in May.

- Scott McIntyre, First Southwest Asset Management

SUMMARY DATA

Table 4

PORTFOLIO COMPOSITION General Funds				
Security Type	**FY 12 – Q1 Ending 09/30/11**	**FY 12 – Q2 Ending 12/31/11**	**FY 12 – Q3 Ending 03/31/12**	**FY 12 – Q4 Ending 06/30/12**
Money Market	$30,687,565	$30,671,406	$24,556,931	$33,432,537
Agency Securities	$145,375,479	$168,421,183	$178,078,029	$168,842,838
Treasury Notes	$20,122,338	$10,068,188	$10,030,807	$8,053,238
Treasury Bills	$0	$0	$0	$0
Commercial Paper	$65,910,591	$70,394,215	$78,366,240	$67,872,524
Repurchase Agreements	$0	$0	$0	$0
State Pool	$70,818	$2,974,199	$52,355	529,637
Totals:	**$262,166,791**	**$282,529,191**	**$291,084,362**	**$278,730,774**
Avg Yield	0.62	0.58	0.53	0.47
Avg Maturity (Years)	1.07	1.03	1.04	0.98
State Pool Yield	0.06	0.04	0.10	0.11

Table 5

PORTFOLIO COMPOSITION G.O. Bonds 2007				
Security Type	**FY 12 – Q1 Ending 09/30/11**	**FY 12 – Q2 Ending 12/31/11**	**FY 12 – Q3 Ending 03/31/12**	**FY 12 – Q4 Ending 06/30/12**
Money Market	$3,003	$1,450,450	$1,192,802	$1,630,677
Agency Securities	$0	$0	$0	$0
Treasury Notes	$1,506,057	$1,503,435	$1,500,830	$1,010,212
Treasury Bills	$0	$0	$0	$0
Commercial Paper	$4,497,489	$0	$0	$0
Repurchase Agreements	$0	$0	$0	$0
Totals:	**$6,006,549**	**$2,953,885**	**$2,693,632**	**$2,640,889**
Avg Yield	0.46	0.20	0.17	0.08
Avg Maturity (Years)	0.31	0.16	0.09	0.36

Table 6

PORTFOLIO COMPOSITION G.O. Bonds 2009				
Security Type	**FY 12 – Q1 Ending 09/30/11**	**FY 12 – Q2 Ending 12/31/11**	**FY 12 – Q3 Ending 03/31/12**	**FY 12 – Q4 Ending 06/30/12**
Money Market	$2,634,840	$3,646,226	$2,213,087	$3,209,367
Agency Securities	$4,006,237	$2,000,316	$2,000,232	$2,000,148
Treasury Notes	$4,016,153	$4,009,159	$4,002,213	$3,030,635
Treasury Bills	$0	$0	$0	$0
Commercial Paper	$7,991,233	$7,995,076	$8,980,572	$8,983,133
Repurchase Agreements	$0	$0	$0	$0
Totals:	**$18,648,463**	**$17,650,777**	**$17,196,104**	**$17,223,283**
Avg Yield	0.36	0.31	0.30	0.33
Avg Maturity (Years)	0.32	0.24	0.29	0.44

Table 7

PORTFOLIO COMPOSITION G.O. Bonds 2010				
Security Type	**FY 12 – Q1 Ending 09/30/11**	**FY 12 – Q2 Ending 12/31/11**	**FY 12 – Q3 Ending 03/31/12**	**FY 12 – Q4 Ending 06/30/12**
Money Market	$3,115,676	$2,724,759	$2,373,419	$2,844,971
Agency Securities	$3,021,501	$3,014,092	$3,006,675	$0
Treasury Notes	$0	$0	$0	$0
Treasury Bills	$0	$0	$0	$0
Commercial Paper	$6,493,634	$5,988,723	$4,982,278	$6,982,302
Repurchase Agreements	$0	$0	$0	$0
Totals:	**$12,630,811**	**$11,727,574**	**$10,362,372**	**$9,827,273**
Avg Yield	0.26	0.25	0.37	0.41
Avg Maturity (Years)	0.35	0.26	0.31	0.25

Table 8

PORTFOLIO COMPOSITION G.O. Bonds 2012*				
Security Type	**FY 12 – Q1 Ending 09/30/11**	**FY 12 – Q2 Ending 12/31/11**	**FY 12 – Q3 Ending 03/31/12**	**FY 12 – Q4 Ending 06/30/12**
Money Market	$0	$0	$0	$10,863,973
Agency Securities	$0	$0	$0	$0
Treasury Notes	$0	$0	$0	$0
Treasury Bills	$0	$0	$0	$0
Commercial Paper	$0	$0	$0	$0
Repurchase Agreements	$0	$0	$0	$0
Totals:	**$0**	**$0**	**$0**	**$10,863,973**
Avg Yield	0.00	0.00	0.00	0.00
Avg Maturity (Years)	0.00	0.00	0.00	0.00

* Bond proceeds received 6/28/12

City of Peoria
Detail of Security Holdings
As of 06/30/2012

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty
General Fund														
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					33,432,536.89	100.000	33,432,536.89	33,432,536.89	100.000	33,432,536.89	1
3024A0H65	11/10/11	CP - DISC	FCAR Owner Trust		08/06/12			10,000,000.00	99.550	9,955,000.00	9,994,000.00	99.985	9,998,460.00	37
36959HH75	02/09/12	CP - DISC	GE Capital Corp		08/07/12			8,000,000.00	99.840	7,987,200.00	7,997,368.88	99.984	7,998,736.00	38
36959HJ40	03/07/12	CP - DISC	GE Capital Corp		09/04/12			8,000,000.00	99.839	7,987,128.89	7,995,377.76	99.963	7,997,064.00	66
36959HKB2	04/12/12	CP - DISC	GE Capital Corp		10/11/12			5,000,000.00	99.833	4,991,658.33	4,995,325.00	99.937	4,996,855.00	103
31331JY56	09/23/11	AGCY BULET	FFCB	0.400	11/02/12			5,000,000.00	100.173	5,008,650.00	5,002,625.45	100.080	5,004,000.00	125
89233GL53	02/10/12	CP - DISC	Toyota Mtr Cr		11/05/12			5,000,000.00	99.559	4,977,956.94	4,989,593.05	99.900	4,995,020.00	128
3024A0L94	02/14/12	CP - DISC	FCAR Owner Trust		11/09/12			4,000,000.00	99.537	3,981,468.89	3,990,975.56	99.897	3,995,892.00	132
3024A0L94	02/16/12	CP - DISC	FCAR Owner Trust		11/09/12			4,000,000.00	99.540	3,981,606.67	3,990,975.56	99.897	3,995,892.00	132
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr		11/09/12			6,000,000.00	99.535	5,972,070.00	5,986,245.00	99.897	5,993,838.00	132
313376HQ1	12/20/11	AGCY BULET	FHLB	0.210	12/10/12			6,000,000.00	100.016	6,000,978.00	6,000,444.60	100.020	6,001,200.00	163
3137EACQ0	12/20/11	AGCY BULET	FHLMC	0.625	12/28/12			9,580,000.00	100.438	9,621,941.24	9,600,183.43	100.200	9,599,160.00	181
3024A0NF8	04/20/12	CP - DISC	FCAR Owner Trust		01/15/13			8,000,000.00	99.543	7,963,400.00	7,973,160.00	99.812	7,984,968.00	199
89233GPR1	05/31/12	CP - DISC	Toyota Mtr Cr		02/25/13			10,000,000.00	99.543	9,954,250.00	9,959,502.80	99.633	9,963,330.00	240
313376KL8	03/29/12	AGCY BULET	FHLB	0.400	06/21/13			9,500,000.00	100.154	9,514,658.50	9,511,613.85	100.130	9,512,350.00	356
31331JPK3	01/30/12	AGCY BULET	FFCB	1.375	06/25/13			4,465,000.00	101.627	4,537,650.02	4,515,951.01	101.110	4,514,561.50	360
31331JPK3	03/12/12	AGCY BULET	FFCB	1.375	06/25/13			7,900,000.00	101.405	8,010,995.00	7,984,906.44	101.110	7,987,690.00	360
313376GY5	01/23/12	AGCY BULET	FHLB	0.330	07/01/13			10,000,000.00	100.084	10,008,400.00	10,005,843.10	100.060	10,006,000.00	366
3134G2SQ6	07/26/11	AGCY STEP	FHLMC	0.400	07/26/13	07/26/12	ONE TIME	10,000,000.00	100.000	10,000,000.00	10,000,000.00	100.000	10,000,000.00	391
3136FPGA9	10/19/11	AGCY CALL	FNMA	1.000	09/20/13	09/20/12	ONE TIME	8,000,000.00	100.558	8,044,640.00	8,010,664.24	100.050	8,004,000.00	447
3135G0EU3	10/25/11	AGCY CALL	FNMA	0.625	10/25/13	10/25/12	QRTLY	8,000,000.00	100.000	8,000,000.00	8,000,000.00	100.080	8,006,400.00	482
3135G0FG3	01/19/12	AGCY CALL	FNMA	0.600	11/14/13	11/14/12	ONE TIME	10,000,000.00	100.266	10,026,600.00	10,011,999.90	100.080	10,008,000.00	502
3135G0FS7	11/29/11	AGCY CALL	FNMA	0.600	11/21/13	11/21/12	QRTLY	5,000,000.00	99.850	4,992,500.00	4,994,722.50	100.050	5,002,500.00	509
912828PL8	06/29/12	TREAS NOTE	U.S. Treasury	0.750	12/15/13			8,000,000.00	100.668	8,053,437.50	8,053,238.00	100.640	8,051,200.00	533
3134G3BF6	02/09/12	AGCY BULET	FHLMC	0.625	12/23/13			10,000,000.00	100.548	10,054,820.00	10,043,302.00	100.380	10,038,000.00	541
3134G3MM9	02/27/12	AGCY CALL	FHLMC	0.400	02/27/14	02/27/13	ONE TIME	8,000,000.00	100.000	8,000,000.00	8,000,000.00	100.050	8,004,000.00	607
313379MX4	06/19/12	AGCY CALL	FHLB	0.500	06/19/14	09/19/12	QRTLY	10,000,000.00	100.000	10,000,000.00	10,000,000.00	99.950	9,995,000.00	719
313379MX4	06/19/12	AGCY CALL	FHLB	0.500	06/19/14	09/19/12	QRTLY	7,150,000.00	100.000	7,150,000.00	7,150,000.00	99.950	7,146,425.00	719
31398A3G5	03/29/12	AGCY BULET	FNMA	1.500	09/08/14			7,025,000.00	102.382	7,192,335.50	7,174,915.05	102.040	7,168,310.00	800
3135G0EM1	11/07/11	AGCY CALL	FNMA	1.000	11/07/14	11/07/12	QRTLY	5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.200	5,010,000.00	860
3134G3BL3	12/05/11	AGCY CALL	FHLMC	1.000	12/05/14	12/05/12	QRTLY	5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.170	5,008,500.00	888
3133XW4A4	08/26/11	AGCY STEP	FHLB	2.000	12/24/14	12/24/12	ONE TIME	4,800,000.00	102.049	4,898,352.00	4,835,666.74	100.650	4,831,200.00	907
3135G0LK7	06/04/12	AGCY CALL	FNMA	0.750	06/04/15	12/04/12	QRTLY	10,000,000.00	100.000	10,000,000.00	10,000,000.00	99.990	9,999,000.00	1,069
3136G0BT7	04/25/12	AGCY CALL	FNMA	1.000	01/25/16	10/25/12	QRTLY	8,000,000.00	100.000	8,000,000.00	8,000,000.00	100.160	8,012,800.00	1,304
Total for General Fund								277,852,536.89		278,300,234.37	278,201,136.81		278,262,888.39	391

City of Peoria
Detail of Security Holdings
As of 06/30/2012

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty
GO Bond - Series 2007 A														
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					1,630,677.37	100.000	1,630,677.37	1,630,677.37	100.000	1,630,677.37	1
912828NC0	04/30/12	TREAS NOTE	U.S. Treasury	1.375	05/15/13			1,000,000.00	101.219	1,012,187.50	1,010,211.61	100.980	1,009,800.00	319
Total for GO Bond - Series 2007 A								**2,630,677.37**		**2,642,864.87**	**2,640,888.98**		**2,640,477.37**	**123**
GO Bond - Series 2009														
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					3,209,367.23	100.000	3,209,367.23	3,209,367.23	100.000	3,209,367.23	1
36959HH75	02/09/12	CP - DISC	GE Capital Corp		08/07/12			3,000,000.00	99.840	2,995,200.00	2,999,013.33	99.984	2,999,526.00	38
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr		11/09/12			4,000,000.00	99.535	3,981,380.00	3,990,830.00	99.897	3,995,892.00	132
313376HQ1	12/20/11	AGCY BULET	FHLB	0.210	12/10/12			2,000,000.00	100.016	2,000,326.00	2,000,148.20	100.020	2,000,400.00	163
3024A0NF8	04/20/12	CP - DISC	FCAR Owner Trust		01/15/13			2,000,000.00	99.543	1,990,850.00	1,993,290.00	99.812	1,996,242.00	199
912828NC0	04/30/12	TREAS NOTE	U.S. Treasury	1.375	05/15/13			3,000,000.00	101.219	3,036,562.50	3,030,634.83	100.980	3,029,400.00	319
Total for GO Bond - Series 2009								**17,209,367.23**		**17,213,685.73**	**17,223,283.59**		**17,230,827.23**	**135**
GO Bond - Series 2010														
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					2,844,970.93	100.000	2,844,970.93	2,844,970.93	100.000	2,844,970.93	1
89233GJ49	12/12/11	CP - DISC	Toyota Mtr Cr		09/04/12			2,000,000.00	99.481	1,989,616.67	1,997,472.22	99.963	1,999,266.00	66
89233GL95	02/17/12	CP - DISC	Toyota Mtr Cr		11/09/12			3,000,000.00	99.535	2,986,035.00	2,993,122.50	99.897	2,996,919.00	132
3024A0QB4	06/14/12	CP - DISC	FCAR Owner Trust		03/11/13			2,000,000.00	99.558	1,991,150.00	1,991,707.22	99.612	1,992,238.00	254
Total for GO Bond - Series 2010								**9,844,970.93**		**9,811,772.60**	**9,827,272.87**		**9,833,393.93**	**105**
GO Bond - Series 2012														
WF-ADVGOV		MMF	Wells Fargo Adv Govt MMF					10,863,973.00	100.000	10,863,973.00	10,863,973.00	100.000	10,863,973.00	1
Total for GO Bond - Series 2012								**10,863,973.00**		**10,863,973.00**	**10,863,973.00**		**10,863,973.00**	**1**
State Pool								529,637.00		529,637.00	529,637.00		529,637.00	
Total for City of Peoria								**318,931,162.42**		**319,362,167.57**	**319,286,192.25**		**319,361,196.92**	**353**

FirstSouthwest
A PlainsCapital Company

Security Acronyms:

AGCY – DISCO	Agency Discount Note
AGCY – BULET	Agency Bullet
AGCY – CALL	Agency Callable Note
AGCY – STEP	Agency Step-Up Note
CP – DISC	Commercial Paper Discounted
FFCB	Federal Farm Credit Bank
FHLB	Federal Home Loan Bank
FNMA	Federal National Mortgage Association or "Fannie Mae"
FHLMC	Federal Home Loan Mortgage Corporation or "Freddie Mac"
FCAR Owner Trust	Ford Credit Asset Receivable
GE Capital Corp	General Electric Capital Corp
MMF	Money Market Fund

Security Definitions:

Agency Notes - A debt security issued by a federal or federally sponsored agency. These are widely considered to be among the safest types of fixed income securities, although they are not explicitly guaranteed by the Federal government, there is a market peerception that there is an implicit government guarantee. The following are Government-Related Enterprises, originally created by an act of Congress: Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).

Federal Farm Credit Bank (FFCB) - The Federal Farm Credit Bank System is the oldest of the government sponsored enterprises, created by an act of congress in 1916. Its mission is to provide a reliable and low cost source of funds to support agriculture in the United States. FFCB debt obligations are highly liquid and its senior debt is AAA-rated. Yields on FFCB obligations are often slightly lower than yields on FHLB, FNMA or FHLMC obligations because they issue fewer bonds and are in demand as portfolio diversifiers.

Federal Home Loan Bank (FHLB) - The Federal Home Loan Bank system was created by an act of Congress in 1932 as a system of 12 regional banks that provide funds to its member banks. FHLB's primary mission is to support residential and community lending. Its membership of more than 8,000 financial institutions includes savings banks, commercial banks, credit unions and insurance companies active in housing finance. FHLB debt obligations are highly liquid and its senior debt is AAA-rated.

Federal National Mortgage Association (FNMA or "Fannie Mae") - Fannie Mae was chartered in 1938 under the Federal National Mortgage Association Act to provide a secondary market for mortgage loans in the United States, by purchasing existing home loans and pooling them together to create mortgage-backed securities that can them be sold to investors, along with a guaranty of the timely payment of principal and interest on the underlying loans. Fannie Mae was privatized in 1968, and operated as a private stockholder-owned company for 40 years before the housing market collapse forced them into federal government conservatorship in September 2008. Fannie Mae currently continues operation under government control and has been instrumental in the government's attempts to revive the housing sector. Fannie Mae debt obligations are highly liquid and its senior debt is AAA-rated.

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Freddie Mac was created by an act of Congress in 1970 as a shareholder-owned company to further expand the secondary market for mortgage loans in the United States. Freddie Mac buys existing mortgages and pools them together to create mortgage-backed securities that can then be sold to investors, thereby providing liquidity to lenders who can then make additional loans. Along with Fannie Mae, Freddie Mac was placed into government conservatorship in September 2008, but continues full operations under government control and has been instrumental in the government's attempt to revive the housing sector. Freddie Mac securities are highly liquid and its senior debt is AAA-rated.

Agency Bullet- An agency security that matures at a single point in time and does not feature a call option. This security will earn a fixed rate of interest and the entire face value will be returned to the investor at maturity. The security does not amortize or make periodic payments of principal.

Agency Callable - An agency security where the issuer has the option to call the security away, or redeem it, prior to maturity. This allows the issuer to return principal to the investor prior to the stated maturity date.

Agency Discount Note - Similar to a Treasury Bill, an agency discount note is a zero coupon bond sold at a discount to face value. At maturity the investor will receive face value. The income earned is the difference between the cost paid for the security and its face value.

Agency Step-Up Note - An agency security that provides for the fixed rate of interest to adjust, or "step-up" at predetermined intervals based on a specific schedule. The schedule may include one or several rate adjustments over the life of the security. In most cases, the security is also callable at the step-up dates.

Commerical Paper – An unsecured short –term promissory note issued by corporations, with maturities ranging from 2 to 270 days. Examples of commercial paper include Ford Credit Asset Receivable, General Electric Capital Corporation, Johns Hopkins Health System and Toyota Motor Credit.

Treasury Bill – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000.

Treasury Note - U.S. government debt securities with maturities of ten years or longer, and issued in minimum denominations of $1,000.