



PO Box 1749  
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**Item No. 2**

**Halifax Regional Council**  
**February 12, 2008,**  
*February 19, 2008*

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
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S. Dale MacLennan, CA, Director of Finance

**DATE:** January 29, 2008

**SUBJECT:** Investment Activities - Quarter Ending September 30, 2007

### INFORMATION REPORT

#### ORIGIN

Quarterly report of investment performance and adherence to approved Investment Policy.

## BACKGROUND

The Investment Policy calls for quarterly reporting by the Treasurer to Council and the Investment Policy Advisory Committee (the Committee). The report for the Quarter ending September 30, 2007 has been reviewed by the Committee.

## DISCUSSION

### HRM Investment Performance and Activities

#### HRM Short Term (Money Market Pool)

HRM Money Market investment performance is summarized below in comparison with the Mercer Investment Consulting Survey of Canadian Institutional Pooled Funds for periods ending September 30, 2007:

Money Market Funds	3 Months (to September 30, 2007)	9 Months (to September 30, 2007)	1 Year (to September 30, 2007)
5 <sup>th</sup> Percentile	1.20%	3.38%	4.50%
1 <sup>st</sup> Quartile	1.15%	3.31%	4.43%
Mercer Median	1.13%	3.29%	4.38%
3 <sup>rd</sup> Quartile	1.10%	3.19%	4.27%
95 <sup>th</sup> Percentile	1.00%	3.03%	4.03%
SC 91 Day T-Bills	1.22%	3.32%	4.40%
<b>HRM</b>	<b>1.12%</b>	<b>3.23%</b>	<b>4.30%</b>

Given the recent turmoil in the Money Markets over potential exposure to troubled U.S. sub-prime mortgages and related securities, staff are satisfied with the level of relative performance achieved. Particularly in light of the very high quality of the HRM portfolio.

During the Quarter there were 105 investments made at a cost of approximately \$390,000,000. The average term to maturity was 52 days. This compares to the same Quarter last year when there were 31 investments made at a cost of \$147,000,000 with an average term to maturity of 61 days. The dramatic increase in activity this year compared to last year is in large part due to carrying less cash in the HRM bank account in response to the lower interest rate offered under the new banking contract. The average effective cash held in the bank during the reporting Quarter was \$4,400,000 compared to \$11,800,000 last year. As a result there were more investments rolled over to meet anticipated cash requirements. Additional factors were the filling up of the additional room available for non-Government investments after the approval of the changes in the Investment Policy in July. Staff limit the term of non-Government investments to generally 91 days or less

as a risk control measure and to take advantage of the greater spread over Government issues. The change in the HRM Investment Policy to increase non-Government investments from 25% to 50% was particularly opportune. Staff estimate that this change will allow additional income of \$132,000 to be earned on investments made to the end of the reporting Quarter. While staff had estimated that the change in the Policy would result in annual income gains of \$50,000 the substantial widening of spreads has produced much better results. Given the very high quality names in which we invest this additional income has come at a very small incremental increase in risk.

Staff did one strategic sale during the Quarter. A \$12,000,000 position of November 30 Government of Canada T-Bills were sold for an immediate profit of \$3,941 with the proceeds re-invested in Province of Ontario and Alberta Treasury Branch instruments that better met cash requirements. This also resulted in a 7 bps increase in yield on these funds.

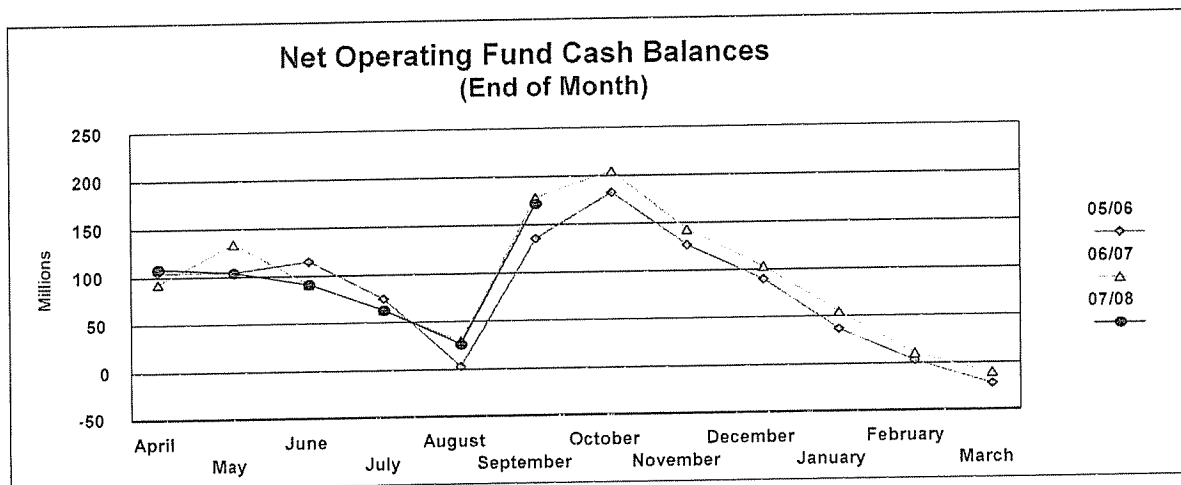
Operating Fund Investment Income is currently projected to exceed budget for the fiscal year by \$100,000. Better than anticipated rates of return are being offset by somewhat lower than projected cash balances available for the Operating Fund. This has become more evident after the end of the reporting Quarter.

HRM Short Term Bond Pool and Targeted Reserve Fund Investments

There were no bond purchases made during the Quarter. Bond yields relative to 1 Year T-Bills did not reach attractive levels. All yields on these Government instruments dropped substantially on the flight to quality at the onset of the problems in the markets in mid-August.

Cash Flows

Net Operating Fund cash levels tracked very closely to the previous year's levels during the reporting Quarter.



Effective Cash in the Royal Bank averaged \$4,400,000 during the Quarter versus a target of \$5,000,000.

As is generally the case when there is a Property Tax due date, cash received after investment operations

were concluded for the day resulted in the Royal Bank and Financial Institutions Sector Weights being exceeded. Investments on the next business day brought the Sector Weights back in line with Policy.

Subsequent to End of Reporting Quarter

With the emphasis on Tier 1 names and the desire to maintain the non-Government Sector Weight near the new maximum to take advantage of the yield differential, many of the Tier 1 names were fully allocated at various points in time. While the Investment Policy calls for a maximum of 10% per issuer for Tier 1 names at the time an investment is being placed, staff have sought to manage to a higher standard of staying within the maximum per name allocation at all times. This can be challenging as the portfolio goes through cyclical contractions as investments mature to meet cash requirements that result in a shrinking allocation to each name. Uncertainty around the amount and timing of Capital Fund payments can be particularly problematic. In November the Sector Weight of CIBC exceeded the Policy weighting by approximately .044% (\$150,000) for two days and the Bank of Nova Scotia weighting was exceeded for one day by .15% (\$475,000) as a result of portfolio contraction. In both instances Capital expenditure levels were much higher than anticipated. While this does not constitute an actual variance from the Policy staff want to report on this as these were the first such occurrences. When this matter was reviewed with the Committee no concerns were expressed.

With the exception of one financial institution which had no U.S. sub-prime related exposure, all of the financial institutions in which we invest had some write-downs related to the credit market turmoil when earnings were reported in December. In some cases the write-downs have been offset by gains from the restructuring of VISA and in other cases profits have taken substantial hits. There has been no indication that the current or potential future write-downs would have any material impact on the Banks' abilities to meet their financial obligations. For example while one analyst reports that the Big 6 Canadian Banks have collectively taken \$2 billion in write-downs for the Quarter and there could be anywhere from an additional \$1.5 billion to \$15.3 billion in write-downs to come she still rates them as a "buy". Bank of Canada Deputy Governor Duguay in a recent speech also confirmed the Central Bank's view that Canadian Banks are in a strong position to withstand the global credit turmoil.

In a recent development the Dominion Bond Rating Service (DBRS) changed the outlook for one of the Canadian Big 5 Banks to negative from stable. This is often a precursor to a ratings downgrade. However as this Bank currently carries the R-1 High rating, the highest rating given by DBRS for short term securities, a downgrade one notch to R-1 Middle would still be an acceptable rating under the Investment Policy. A summary of the DBRS R-1 ratings is attached to this report for reference. Staff continue to purchase instruments issued by this Institution and will continue to monitor developments closely.

In October the Investment Analyst attended an intensive two day Money Market course in Toronto sponsored by the Treasury Management Association of Canada. In addition to providing for staff development this was also an opportunity compare our processes and strategies to industry best practices.

Staff made one additional strategic sale to better position funds to meet cash requirements while making an immediate profit and enhancing yield on these funds.

At the December 4, 2007 fixed interest rate announcement date the Bank of Canada reduced interest rates by .25% reversing the July 2007 increase. The Bank projects a lessening of inflation risks in Canada partly as a result of the rise in the Canadian dollar and partly due to a potential slowing of demand in the U.S. for

Canadian exports.

#### Outlook & Strategy

While risks of a U.S. recession and a consequential slowdown in Canada have risen over recent months, the situation is not all gloom and doom. High employment levels in Canada and the U.S. as well as strong global demand for Canadian resources are a counterweight to credit market concerns and the still weakening U.S. housing market. Interest rate cuts in the U.S. as well as Government led initiatives to help homeowners with mortgage problems will also have a positive impacts.

We have been and will continue to be selective when adding to longer dated maturities to take advantage of relatively higher interest rates that occur after positive economic news events. We will continue to maintain the non-Government Sector Weights near maximum to take advantage of elevated spread levels. Financial market developments will be monitored very closely and strategy will be adjusted should events warrant.

#### Policy Compliance

Adherence to Legal Requirements - There were no legal issues identified during the Quarter with respect to investments.

Preservation of Capital - There was no loss of capital during the Quarter and all investments were held to maturity with the exception of the strategic sales discussed in this report.

Liquidity - No overdraft charges were incurred and sufficient cash was available to meet all requirements. The funded ratio of the Reserves at Quarter end was 100%.

Diversification of Investment Portfolio - Staff believe that the Diversification Objective of managing risk and return has been achieved.

Competitive Return on Investments - Although the rate of return was below median for the year ending September 30 on a before fee basis on an after estimated fee basis the rate of return would have exceeded the median level. As a result staff maintain that this Objective has been met.

Regular Review of Performance - Performance data continues to be reported to the Investment Policy Advisory Committee.

## BUDGET IMPLICATIONS

From information currently available staff anticipate that the Operating Fund Investment Income budget will be exceeded by \$100,000 for the Fiscal Year.

## FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

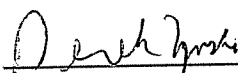
## ATTACHMENTS

Sector Weight Schedules @ September 30, 2007 (Schedules A, B, C, D & E)  
Appendix A - Economic Statistics and Central Bank Actions  
Appendix B - List of Eligible Investments  
Appendix C - DBRS Rating Scale

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Derek Tynski, BA, CMA, Deputy Treasurer 490-6471

Report Approved by:   
Derek Tynski, BA, CMA, Deputy Treasurer

## Appendix A

### Economic Statistics

	Canada	US
Unemployment Rate	July 6.0%, August 6.0%, September 5.9%	July 4.6%, August 4.6%, September 4.7%
Jobs Created / (Lost) ( '000's)	July 11.3, August 23.3, September 51.1	July 93, August 93, September 96
CPI (year over year)	July 2.2%, August 1.7%, September 2.5%	July 2.4%, August 2.0%, September 2.8%
CPI-X (Core) (year over year)	July 2.3%, August 2.2%, September 2.0%	July 2.2%, August 2.1%, September 2.1%
GDP Q3	2.9%	3.9%

### Central Bank Activities July 1 to September 30, 2007

- July 10 Bank of Canada Increases rate by .25% to 4.50%, Bias Tighten
- August 7 US Federal Open Market Committee Hold at 5.25%, Bias Neutral
- September 5 Bank of Canada Hold at 4.50%, Bias Neutral
- September 18 US Federal Open Market Committee Reduces rate by .50% to 4.75%, Bias Easing

**List of Eligible Investments**

The Government of Canada & Its Guarantees:

Federal Government  
Business Development Bank  
Canada Mortgage & Housing Corporation  
Canadian Wheat Board  
Export Development Canada  
Farm Credit Corporation

Provincial Governments & Their Guarantees:

The Province of Alberta & Its Guarantees  
The Province of British Columbia & Its Guarantees  
The Province of Manitoba & Its Guarantees  
The Province of New Brunswick & Its Guarantees  
The Province of Ontario & Its Guarantees  
The Province of Quebec & Its Guarantees  
The Province of Saskatchewan & Its Guarantees

Municipal Governments & Their Guarantees:

The Municipality of Calgary & Its Guarantees  
The Municipality of Edmonton & Its Guarantees

Financial Institutions & Their Guarantees (Tier 1):

The Bank of Montreal & Its Guarantees  
The Bank of Nova Scotia & Its Guarantees  
Canadian Imperial Bank of Commerce & Its Guarantees  
Royal Bank of Canada & Its Guarantees  
Toronto Dominion Bank & Its Guarantees

Financial Institutions & Corporations (Tier 2):

Desjardins Group  
Caisse Centrale Desjardins  
CDP Financial Inc  
National Bank of Canada  
Ontario Infrastructure Projects Corporation  
OMERS Realty Corporation



**Dominion Bond Rating Service (DBRS) Rating Scale**

**R-1 (high)**

Short-term debt rated R-1 (high) is of the highest credit quality, and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average. Companies achieving an R-1 (high) rating are normally leaders in structurally sound industry segments with proven track records, sustainable positive future results, and no substantial qualifying negative factors. Given the extremely tough definition DBRS has established for an R-1 (high), few entities are strong enough to achieve this rating.

**R-1 (middle)**

Short-term debt rated R-1 (middle) is of superior credit quality and, in most cases, ratings in this category differ from R-1 (high) credits by only a small degree. Given the extremely tough definition DBRS has established for the R-1 (high) category, entities rated R-1 (middle) are also considered strong credits, and typically exemplify above average strength in key areas of consideration for the timely repayment of short-term liabilities.

**R-1 (low)**

Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.

Total Investments  
Sector Weights  
@ September 30, 2007

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	70,221,340	21%	342,326,474	100%	272,105,134	79%
Federal Government	Open	65,501,550	19%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	4,719,790	1%				
<b>Provincial Governments &amp; their Guarantees</b>	R-1 Mid or Greater	87,825,240	26%	342,326,474	100%	254,501,235	74%
Total Alberta (R-1 High)	Open	13,806,240	4%	85,581,619	25%	71,775,379	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	13,806,240					
British Columbia (R-1 High)	Open	16,694,820	5%	85,581,619	25%	68,886,799	20%
Manitoba (R-1 Mid)	Open	0	0%	85,581,619	25%	85,581,619	
New Brunswick (R-1 Mid)	Open	0	0%	85,581,619	25%	85,581,619	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			85,581,619	25%	85,581,619	
Nova Scotia (R-1 Low)	Closed			85,581,619	25%	85,581,619	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			85,581,619	25%	85,581,619	
Ontario (R-1 High)	Open	23,744,339	7%	85,581,619	25%	61,837,279	18%
Prince Edward Island (R-1 Low)	Closed			85,581,619	25%	85,581,619	
Quebec (R-1 Mid)	Open	33,579,840	10%	85,581,619	25%	52,001,778	
Saskatchewan (R-1 Mid)	Open		0%	85,581,619	25%	85,581,619	
<b>Municipal Governments &amp; their Guarantees*</b>	R-1 Mid or Greater	0		85,581,619	25%	85,581,619	25%
Calgary (R-1 High)	Open			34,232,647	10%	34,232,647	10%
Edmonton (R-1 High)	Open			34,232,647	10%	34,232,647	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		184,279,895	54%	171,163,237	50%	-13,116,658	-4%
	BA's Schedule A						
	Canadian Banks R-1						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	Mid	162,981,749	48%	171,163,237	50%	8,181,488	2%
Bank of Montreal (R-1 High)	Open	25,583,963	7%	34,232,647	10%	8,648,685	3%
Bank of Nova Scotia (R-1 High)	Open	29,266,150	9%	34,232,647	10%	4,966,497	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	31,069,443	9%	34,232,647	10%	3,163,204	1%
Royal Bank (R-1 High)	Open	20,497,472	14%	34,232,647	10%	-13,578,735	-4%
Royal Bank - Effective Cash		27,313,911					
Toronto Dominion (R-1 High)	Open	29,250,810	9%	34,232,647	10%	4,981,837	1%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	R-1 Mid/High***	21,298,146	6%	85,581,619	25%	64,283,473	19%
National Bank of Canada (R-1 Mid)	Open	9,350,596	3%	17,116,324	5%	7,765,728	2%
OMERS Realty Corporation (R-1 High)	Open	0	0%	17,116,324	5%	17,116,324	5%
CDP Financial Inc (R-1 High)	Open	0	0%	17,116,324	5%	17,116,324	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	17,116,324	5%	17,116,324	5%
Desjardins Total		11,947,550	3%	17,116,324	5%	5,168,774	2%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	11,947,550					
<b>Total Cash and Equivalents</b>		<u>342,326,474</u>	<u>100%</u>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		12,124,913	3%				
<b>Total Fixed</b>		<u>12,124,913</u>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<u>6,410</u>					
<b>Total Investments</b>		<u>354,457,797</u>					
Interest Bearing Bank Accounts - O/S Cheque Coverage		19,764,676	*				
<b>Total Investments and O/S Cheques Coverage</b>		<u><u>374,222,474</u></u>					

## SCHEDULE B

Operating Funds  
Sector Weights  
@ September 30, 2007

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	34,629,598	21%	168,818,030	100%	134,188,432	79%
Federal Government	Open	32,302,038	19%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	2,327,561	1%				
<b>Provincial Governments &amp; their Guarantees</b>	R-1 Mid or Greater	43,310,948	26%	168,818,030	100%	125,507,083	74%
Total Alberta (R-1 High)	Open	6,808,536	4%	42,204,508	25%	35,395,971	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	6,808,536					
British Columbia (R-1 High)	Open	8,233,037	5%	42,204,508	25%	33,971,470	20%
Manitoba (R-1 Mid)	Open	0	0%	42,204,508	25%	42,204,508	
New Brunswick (R-1 Mid)	Open	0	0%	42,204,508	25%	42,204,508	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			42,204,508	25%	42,204,508	
Nova Scotia (R-1 Low)	Closed			42,204,508	25%	42,204,508	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			42,204,508	25%	42,204,508	
Ontario (R-1 High)	Open	11,709,502	7%	42,204,508	25%	30,495,005	18%
Prince Edward Island (R-1 Low)	Closed			42,204,508	25%	42,204,508	
Quebec (R-1 Mid)	Open	16,559,872	10%	42,204,508	25%	25,644,636	
Saskatchewan (R-1 Mid)	Open		0%	42,204,508	25%	42,204,508	
<b>Municipal Governments &amp; their Guarantees*</b>	R-1 Mid or Greater	0		42,204,508	25%	42,204,508	25%
Calgary (R-1 High)	Open			16,881,803	10%	16,881,803	10%
Edmonton (R-1 High)	Open			16,881,803	10%	16,881,803	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		90,877,485	54%	84,409,015	50%	-6,468,469	-4%
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	BA's Schedule A Canadian Banks R-1 Mid	80,374,321	48%	84,409,015	50%	4,034,695	2%
Bank of Montreal (R-1 High)	Open	12,616,711	7%	16,881,803	10%	4,265,092	3%
Bank of Nova Scotia (R-1 High)	Open	14,432,579	9%	16,881,803	10%	2,449,224	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	15,321,871	9%	16,881,803	10%	1,559,932	1%
Royal Bank (R-1 High)	Open	10,108,312	14%	16,881,803	10%	-6,696,343	-4%
Royal Bank - Effective Cash		13,469,834					
Toronto Dominion (R-1 High)	Open	14,425,014	9%	16,881,803	10%	2,456,789	1%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	R-1 Mid/High***	10,503,164	6%	42,204,508	25%	31,701,344	19%
National Bank of Canada (R-1 Mid)	Open	4,611,239	3%	8,440,902	5%	3,829,662	2%
OMERS Realty Corporation (R-1 High)	Open	0	0%	8,440,902	5%	8,440,902	5%
CDP Financial Inc (R-1 High)	Open	0	0%	8,440,902	5%	8,440,902	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	8,440,902	5%	8,440,902	5%
Desjardins Total		5,891,925	3%	8,440,902	5%	2,548,977	2%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	5,891,925					
<b>Total Investments</b>		<u>168,818,030</u>	<u>100%</u>				
Interest Bearing Bank Accounts - O/S Cheque Coverage		19,764,676	*				
<b>Total Investments and O/S Cheques Coverage</b>		<u>188,582,707</u>					

## SCHEDULE C

Capital Funds  
Sector Weights  
@ September 30, 2007

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	0	0%	0	100%	0	0%
Federal Government	Open	0	0%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	0	0%				
<b>Provincial Governments &amp; their Guarantees</b>	R-1 Mid or Greater	0	0%	0	100%	0	0%
Total Alberta (R-1 High)	Open	0	0%	0	25%	0	0%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	0					
British Columbia (R-1 High)	Open	0	0%	0	25%	0	0%
Manitoba (R-1 Mid)	Open	0	0%	0	25%	0	
New Brunswick (R-1 Mid)	Open	0	0%	0	25%	0	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			0	25%	0	
Nova Scotia (R-1 Low)	Closed			0	25%	0	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			0	25%	0	0
Ontario (R-1 High)	Open	0	0%	0	25%	0	0%
Prince Edward Island (R-1 Low)	Closed			0	25%	0	
Quebec (R-1 Mid)	Open	0	0%	0	25%	0	
Saskatchewan (R-1 Mid)	Open			0	25%	0	
<b>Municipal Governments &amp; their Guarantees*</b>	R-1 Mid or Greater	0		0	25%	0	0%
Calgary (R-1 High)	Open			0	10%	0	0%
Edmonton (R-1 High)	Open			0	10%	0	0%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		0	0%	0	50%	0	0%
	<b>BA's Schedule A</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>Canadian Banks R-1 Mid</b>	0	0%	0	50%	0	0%
Bank of Montreal (R-1 High)	Open	0	0%	0	10%	0	0%
Bank of Nova Scotia (R-1 High)	Open	0	0%	0	10%	0	0%
Canadian Imperial Bank of Commerce (R-1 High)	Open	0	0%	0	10%	0	0%
Royal Bank (R-1 High)	Open	0	0%	0	10%	0	0%
Royal Bank - Effective Cash		0					
Toronto Dominion (R-1 High)	Open	0	0%	0	10%	0	0%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	0	0%	0	25%	0	0%
National Bank of Canada (R-1 Mid)	Open	0	0%	0	5%	0	0%
OMERS Realty Corporation (R-1 High)	Open	0	0%	0	5%	0	0%
CDP Financial Inc (R-1 High)	Open	0	0%	0	5%	0	0%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	0	5%	0	0%
Desjardins Total		0	0%	0	5%	0	0%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	0					
<b>Total Cash and Equivalents</b>		<u>0</u>	<u>0%</u>				

## SCHEDULE D

Reserve Funds  
Sector Weights  
@ September 30, 2007

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	Open	35,006,737	21%	170,656,566	100%	135,649,829	79%
Federal Government	Open	32,653,827	19%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	2,352,909	1%				
<b>Provincial Governments &amp; their Guarantees</b>	R-1 Mid or Greater	43,782,631	26%	170,656,566	100%	126,873,935	74%
Total Alberta (R-1 High)	Open	6,882,686	4%	42,664,141	25%	35,781,456	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	6,882,686					
British Columbia (R-1 High)	Open	8,322,700	5%	42,664,141	25%	34,341,441	20%
Manitoba (R-1 Mid)	Open	0	0%	42,664,141	25%	42,664,141	
New Brunswick (R-1 Mid)	Open	0	0%	42,664,141	25%	42,664,141	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			42,664,141	25%	42,664,141	
Nova Scotia (R-1 Low)	Closed			42,664,141	25%	42,664,141	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			42,664,141	25%	42,664,141	
Ontario (R-1 High)	Open	11,837,026	7%	42,664,141	25%	30,827,115	18%
Prince Edward Island (R-1 Low)	Closed			42,664,141	25%	42,664,141	
Quebec (R-1 Mid)	Open	16,740,219	10%	42,664,141	25%	25,923,922	
Saskatchewan (R-1 Mid)	Open		0%	42,664,141	25%	42,664,141	
<b>Municipal Governments &amp; their Guarantees*</b>	R-1 Mid or Greater	0		42,664,141	25%	42,664,141	25%
Calgary (R-1 High)	Open			17,065,657	10%	17,065,657	10%
Edmonton (R-1 High)	Open			17,065,657	10%	17,065,657	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		91,867,198	54%	85,328,283	50%	-6,538,915	-4%
	<b>BA's Schedule A</b>						
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	Canadian Banks R-1 Mid	81,249,648	48%	85,328,283	50%	4,078,635	2%
Bank of Montreal (R-1 High)	Open	12,754,115	7%	17,065,657	10%	4,311,541	3%
Bank of Nova Scotia (R-1 High)	Open	14,589,759	9%	17,065,657	10%	2,475,898	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	15,488,736	9%	17,065,657	10%	1,576,920	1%
Royal Bank (R-1 High)	Open	10,218,398	14%	17,065,657	10%	-6,769,270	-4%
Royal Bank - Effective Cash		13,616,529					
Toronto Dominion (R-1 High)	Open	14,582,111	9%	17,065,657	10%	2,483,545	1%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	R-1 Mid/High***	10,617,550	6%	42,664,141	25%	32,046,591	19%
National Bank of Canada (R-1 Mid)	Open	4,661,458	3%	8,532,828	5%	3,871,370	2%
OMERS Realty Corporation (R-1 High)	Open	0	0%	8,532,828	5%	8,532,828	5%
CDP Financial Inc (R-1 High)	Open	0	0%	8,532,828	5%	8,532,828	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	8,532,828	5%	8,532,828	5%
Desjardins Total		5,956,092	3%	8,532,828	5%	2,576,737	2%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	5,956,092					
<b>Total Cash and Equivalents</b>		<u>170,656,566</u>	<u>100%</u>				
<b>FIXED (Bonds, etc. over one year)</b>							
Federal Government		<u>12,070,738</u>	7%				
<b>Total Fixed</b>		<u>12,070,738</u>					
<b>Total Investments</b>		<u>182,727,304</u>					

Trust Funds  
Sector Weights  
@ September 30, 2007

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>585,005</b>	<b>21%</b>	<b>2,851,878</b>	<b>100%</b>	<b>2,266,873</b>	<b>79%</b>
Federal Government	Open	545,685	19%				
Business Development Bank	Open	0	0%				
Canada Mortgage & Housing Corp.	Open	0	0%				
Canadian Wheat Board	Open	0	0%				
Export Development Canada	Open						
Farm Credit Corp	Open	39,320	1%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>731,661</b>	<b>26%</b>	<b>2,851,878</b>	<b>100%</b>	<b>2,120,217</b>	<b>74%</b>
Total Alberta (R-1 High)	Open	115,018	4%	712,969	25%	597,951	21%
Alberta (R-1 High)	Open	0					
Alberta Capital Finance Authority (R-1 High)	Open	0					
Alberta Treasury Branches (R-1 High)	Open	115,018					
British Columbia (R-1 High)	Open	139,082	5%	712,969	25%	573,887	20%
Manitoba (R-1 Mid)	Open	0	0%	712,969	25%	712,969	
New Brunswick (R-1 Mid)	Open	0	0%	712,969	25%	712,969	
New Brunswick Municipal Finance Corp (R-1 Mid)	Open			712,969	25%	712,969	
Nova Scotia (R-1 Low)	Closed			712,969	25%	712,969	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			712,969	25%	712,969	
Ontario (R-1 High)	Open	197,811	7%	712,969	25%	515,158	18%
Prince Edward Island (R-1 Low)	Closed			712,969	25%	712,969	
Quebec (R-1 Mid)	Open	279,749	10%	712,969	25%	433,220	
Saskatchewan (R-1 Mid)	Open		0%	712,969	25%	712,969	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>0</b>		<b>712,969</b>	<b>25%</b>	<b>712,969</b>	<b>25%</b>
Calgary (R-1 High)	Open			285,188	10%	285,188	10%
Edmonton (R-1 High)	Open			285,188	10%	285,188	10%
<b>Financial Institutions &amp; their Guarantees /Corporations</b>		<b>1,535,212</b>	<b>54%</b>	<b>1,425,939</b>	<b>50%</b>	<b>-109,273</b>	<b>-4%</b>
<b>Tier 1 - Financial Institutions &amp; their Guarantees</b>	<b>BA's Schedule A</b>	<b>1,357,780</b>	<b>48%</b>	<b>1,425,939</b>	<b>50%</b>	<b>68,159</b>	<b>2%</b>
<b>Canadian Banks R-1 Mid</b>							
Bank of Montreal (R-1 High)	Open	213,137	7%	285,188	10%	72,051	3%
Bank of Nova Scotia (R-1 High)	Open	243,813	9%	285,188	10%	41,375	1%
Canadian Imperial Bank of Commerce (R-1 High)	Open	258,836	9%	285,188	10%	26,352	1%
Royal Bank (R-1 High)	Open	170,762	14%	285,188	10%	-113,123	-4%
Royal Bank - Effective Cash		227,549					
Toronto Dominion (R-1 High)	Open	243,685	9%	285,188	10%	41,503	1%
<b>Tier 2 - Financial Institutions &amp; Corporations</b>	<b>R-1 Mid/High***</b>	<b>177,432</b>	<b>6%</b>	<b>712,969</b>	<b>25%</b>	<b>535,537</b>	<b>19%</b>
National Bank of Canada (R-1 Mid)	Open	77,899	3%	142,594	5%	64,695	2%
OMERS Realty Corporation (R-1 High)	Open	0	0%	142,594	5%	142,594	5%
CDP Financial Inc (R-1 High)	Open	0	0%	142,594	5%	142,594	5%
Ontario Infrastructure Projects Corporation (R-1 High)	Open	0	0%	142,594	5%	142,594	5%
Desjardins Total		99,534	3%	142,594	5%	43,060	2%
Desjardins Group (R-1 High)	Open	0					
Caisse Centale Desjardins (R-1 High)	Open	99,534					
<b>Total Cash and Equivalents</b>		<b>2,851,878</b>	<b>100%</b>				
<b>FIXED (Bonds, etc. over one year)</b>		<b>54,175</b>	<b>2%</b>				
Federal Government							
<b>Total Fixed</b>		<b>54,175</b>					
<b>Equities</b>							
Bank of Montreal		6,410					
<b>Total Equities</b>		<b>6,410</b>					
<b>Total Investments</b>		<b>2,912,463</b>					