What PARS Does

- Specializes exclusively in retirement plan consulting and administration for public agencies since 1983
- Assists in plan design
- Performs all on-going plan administration
- Fields Participant information requests
- Coordinate benefit distributions

PARS Trustee - Union Bank

- Chartered in 1864
- 4th largest bank in California
- 2nd largest trust division in California
    - $140 billion in trust assets
- Serves as corporate trustee overseeing plan assets for Placentia Library District to safeguard plan assets and ensure their suitability for retirement plan investments

Summary of Plan

• Type of Plans:	401(a) Tax-Qualified Defined Contribution
• Plan Effective Date:	July 1, 2008
• Benefit Level:	8% of Compensation
• Eligibility:	Full-Time and Part-Time Employees 21 Years of Age 6 Months of Service

Plan Feature Review

Tax-Qualified Defined Contribution Plan

- Retirement Benefit consists of your vested account balance.
- Employer/Employee contributions made are not immediately taxable to the participant.
- All Capital Gains while employed are exempt from taxation.
- Participants receive favorable tax treatment upon distribution of account balance.

Plan Feature Review

Employer Plan Contributions

- All eligible employees shall have an employer contribution equivalent to **8.0% of compensation** contributed to the plan.
- Contribution amounts are subject to change at the discretion of the District.

Employee Plan Contributions

- A one-time irrevocable election of a contribution rate ranging from 1%-12% (in 1% increments).
- An annual opportunity will be given to those that have not made an election.

Plan Feature Review

Plan Vesting

- Vesting refers to the ownership of your account.
- Participants shall be 100% vested in their Employer Contributions after reaching age 65 or attaining 5 years of District Service.
- If neither the age nor service requirement has been met, the following schedule will be applied to determine vesting of the Employer Contributions.
- Participants will always be 100% vested in their Employee Contributions (if any).

Plan Feature Review

Plan Vesting (continued)

Years of Service Completed	Percent Vested
1	20%
2	40%
3	60%
4	80%
5	100%

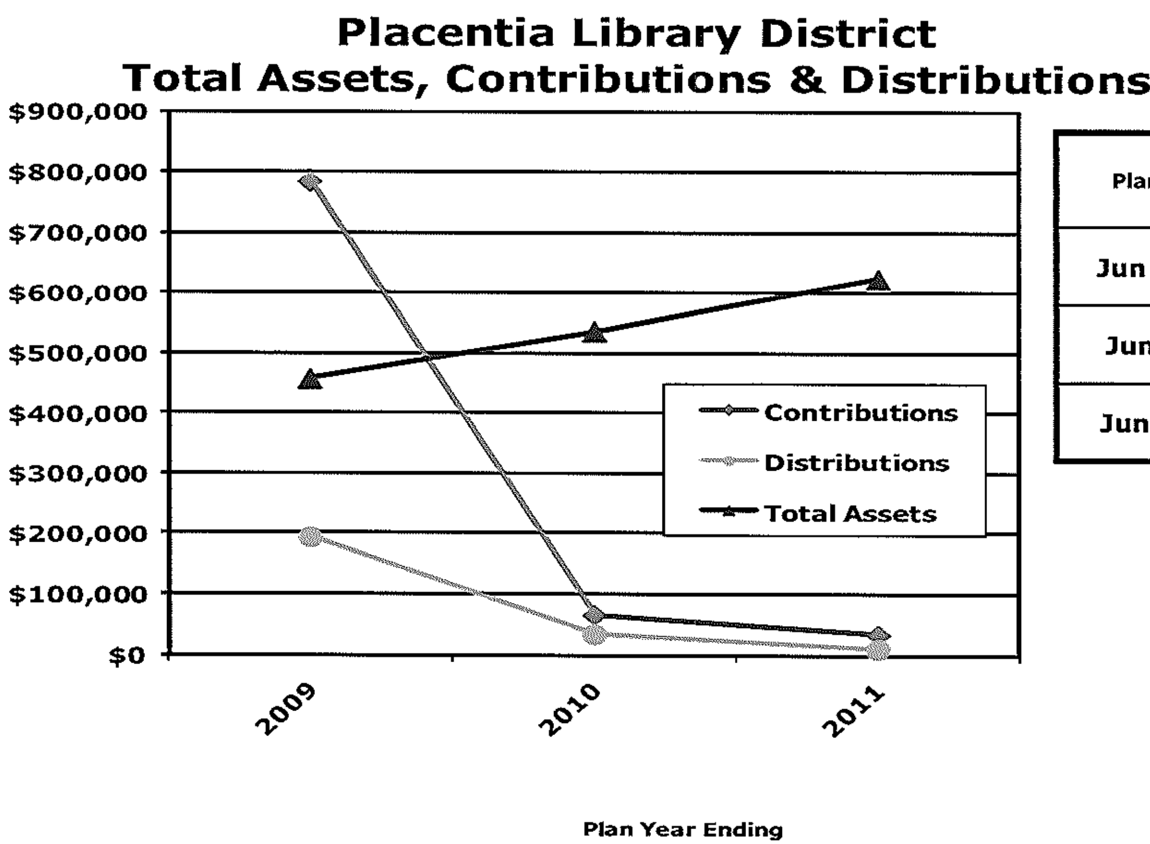
- Participants will be credited one (1) year of District Service upon completion of 1000 hours within the plan year.

Summary of the Plan

Number of Participants:			60
▪ **Active Contributing**	34	(active participants who have been credited contributions within the last 365 days)	
▪ **Active Non-Contributing**	16	(active participants who have not been credited contributions within the last 365 days)	
▪ **Inactive**	10	(participants pending distribution)	
Average Account Balance:			$10,230.95
Investment Selection:			Balanced/Moderately Aggressive HighMark PLUS

Note: All expenses paid by Plan Assets

Summary of the Plan



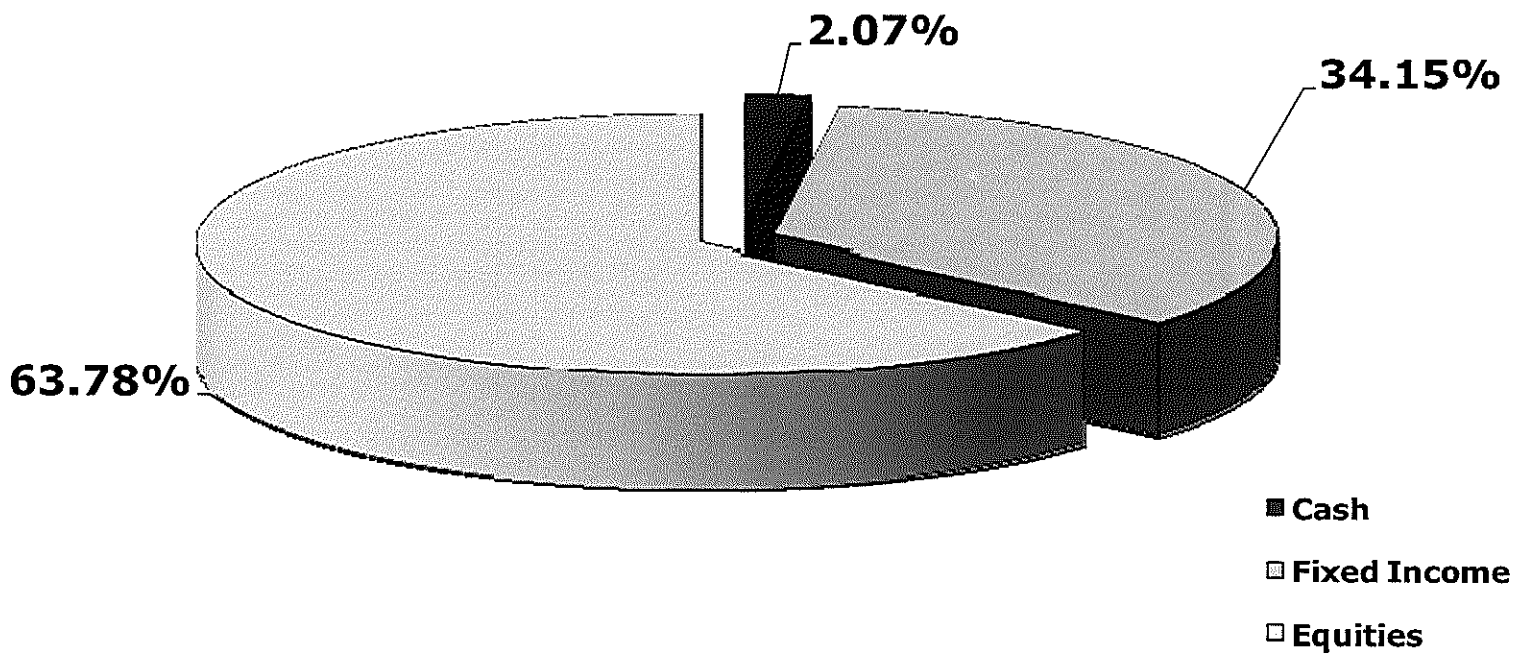
Plan Y/E	Contributions	Distributions	Total Assets
Jun –09*	$783,600	$192,693	$457,171
Jun –10	$64,990	$33,300	$535,713
Jun –11**	$33,104	$8,090	$623,038

* Contributions in 2008-09 year include asset transfer from previous provider

**Plan Year Ending June 2011 is based on 5 months of activity through November 30, 2010

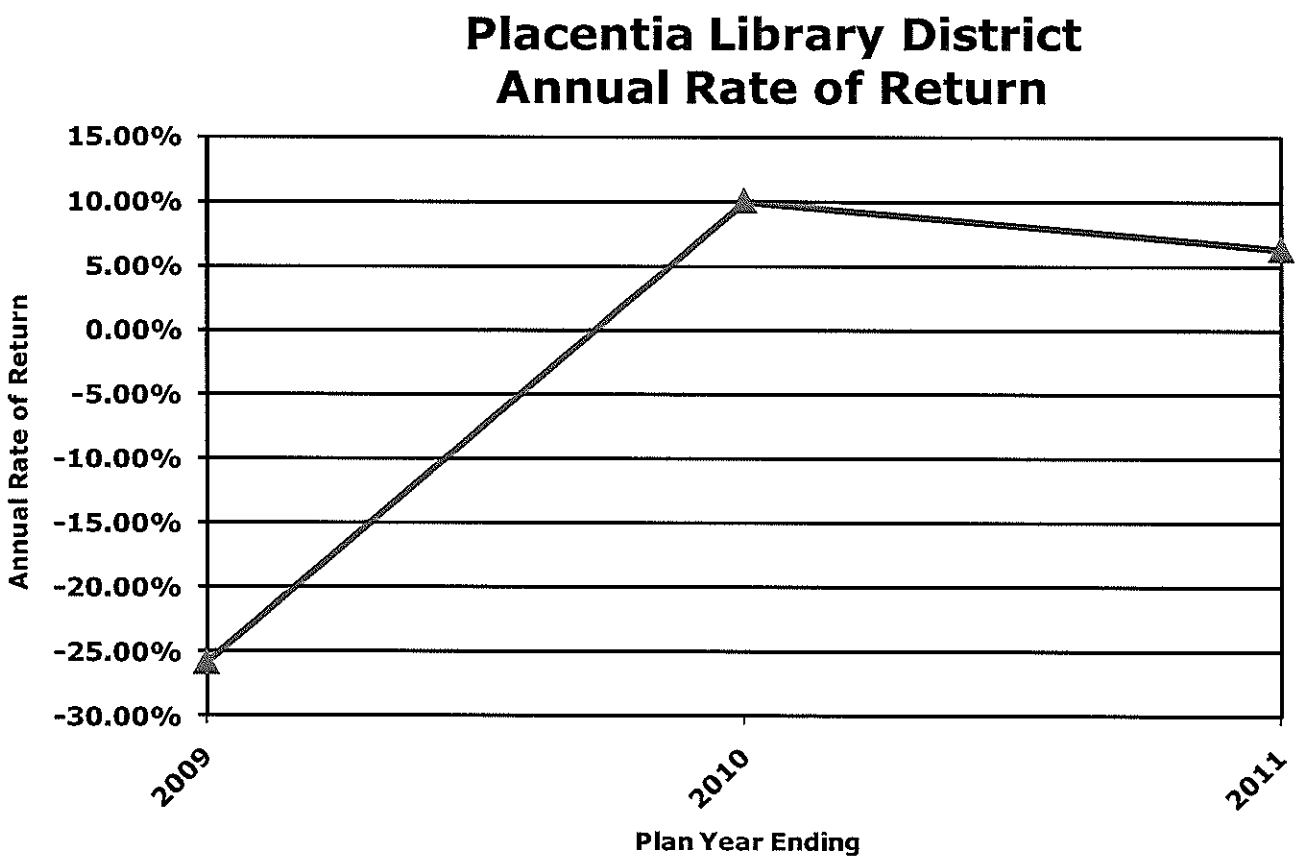
Summary of the Plan

Placentia Library District
Asset Allocation as of 11/30/2010



Balanced/Moderately Aggressive
HighMark PLUS

Summary of the Plan



Plan Y/E	Return
Jun –09	-25.91%
Jun –10	10.00%
Jun –11*	11.08%

*Plan Year Ending June 2010 is based on 5 months of activity through November 30, 2010.

Plan Design Features

Eligibility for Distribution

- PARS Plans permit distribution of benefits based on the occurrence of one of the following events:
  - Termination or Separation from Employment
  - Retirement
  - Permanent and Total Disability
  - Death

Plan Design Features

Distribution Process

- District notifies PARS of distributable event
- PARS sends distribution materials directly to the participant
- Participant complete necessary forms and return them to PARS
- Union Bank sends benefit payment based on participant instructions

Plan Design Features

Distribution Flexibility

- PARS Plans permit employees to select benefit payout options including:
  - Lump Sum Payout
  - IRA Rollover
  - Rollover to another qualified Plan
  - Annuity purchase

Contact PARS

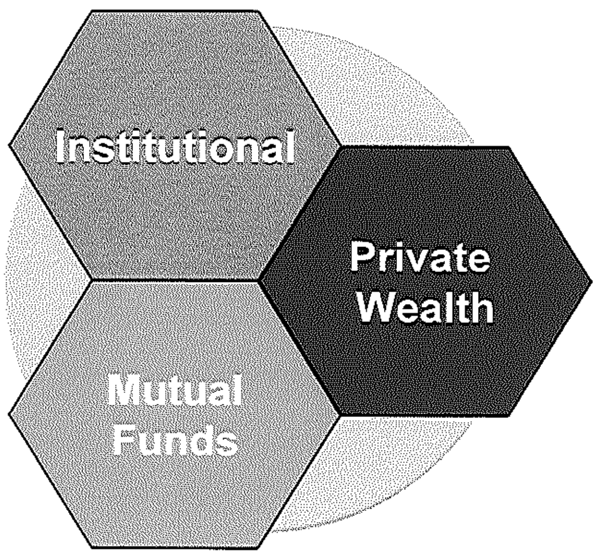
4350 Von Karman Ave, Suite 100
Newport Beach, CA 92660
Phone: 800.540.6369
Fax: 800.660.8057

Dennis Yu, Senior Vice President, Consulting dyu@pars.org	Ext. 104
Veronica Martinez, Senior Client Services Coordinator vmartinez@pars.org	Ext. 123
Gabriel Owen, Administration Specialist gowen@pars.org	Ext. 122
Phillip Muschetto, Manager, Plan Accounting pmuschetto@pars.org	Ext. 106

Placentia Library District of Orange County

FIRM OVERVIEW

Vision. Discipline. Results.[SM]



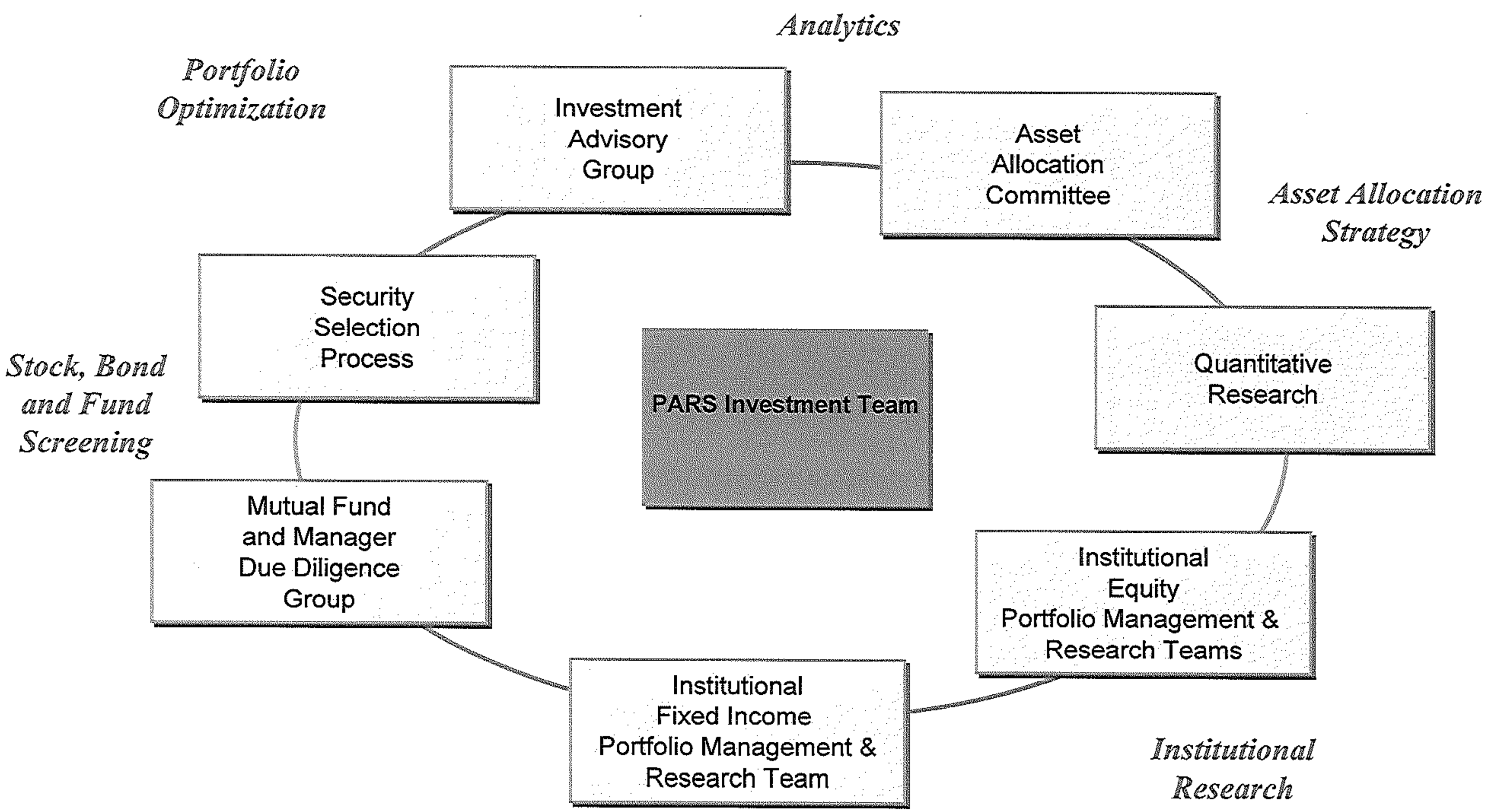
HIGHMARK®
CAPITAL MANAGEMENT

- With its predecessors, HighMark has been focused exclusively on investment management of client's assets since 1919.
- Registered Investment Adviser with more than $16.7 billion in assets under management.
- 63 investment professionals with an average of 20 years investment experience.
- 25 professionals hold the Chartered Financial Analyst® (CFA) designation.
- Wholly owned subsidiary of Union Bank, N.A.
- In-house investment research capabilities and access to top-tier investment managers.

Source: as of 9/30/10

OUR INVESTMENT CAPABILITIES

Our Senior Portfolio Managers are supported by deep investment resources and unique processes.



Client Investment Objective - June 2008

Goals & Objectives
- *Target 7%*

Time Horizon
- *Long-term*

Liquidity/Income Needs
- *Some disbursements.*

Tolerance for Risk
- *Modest to high*

Constraints
- *None*

Communication Expectations
- *Target annual meetings*

Investment Selections
- *Moderately Aggressive*

PARS/HCM MOD AGGRESS HM PLUS

Account#: 13159618-17

Investment Performance - for periods ending 12-31-10

Rate of Return	1 Month	Quarter	Year to-Date	1 Year	2 Years	Inception-to Date (29 Months)
Cash Equivalents	.00	.02	.14	.14	.41	.76
iMoneyNet Taxable	*.00*	*.00*	*.00*	*.00*	*.08*	*.32*
Fixed Income	-.56	-.68	7.32	7.32	10.07	8.24
BC Aggregate Bond	*-1.08*	*-1.29*	*6.56*	*6.56*	*6.25*	*6.93*
Equities	6.84	11.10	17.03	17.03	23.84	2.40
Standard & Poors 500	*6.68*	*10.74*	*15.05*	*15.05*	*20.61*	*2.01*
Total Managed Portfolio	4.17	6.76	14.13	14.13	18.35	4.88

Account Inception: 08/2008

Source: SEI Investments

Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

DISCUSSION HIGHLIGHTS Placentia Library District

Asset Allocation:

- Current allocation (12/6/11) 65% stocks 33% bonds, 2% cash
- Large cap domestic 37%, international 11.5%, small cap 9%, mid-cap 5.5%, real estate 2%

Performance: (Thru December 2010)

- Moderately Aggressive Pool 2010, 14.1%
- Jackson Hole rally
- Stocks strong. Small/mid cap, large cap growth, real estate, emerging markets
- Bonds OK. How much longer?

Outlook

- HCM earnings estimate $80/FY10, $92/FY11
- Jobs/unemployment
- Government (Healthcare, Financial regulation)
- Housing
- Deficit/Taxes
- Inflation
- Other (geopolitics, state government, trade issues)

ASSET ALLOCATION

As of December 31, 2010

Current Asset Allocation		Investment Vehicle	12/31/2010
Equity			**65.10%**
Large Cap Core	DNVYX	Davis New York Venture Fund Y	5.14%
	EXEYX	Manning and Napier Equity Fund	5.14%
Large Cap Value	HMIEX	HighMark Large Cap Value	7.27%
	EILVX	Eaton Vance Large Cap Value Fund I	7.39%
Large Cap Growth	HACAX	Harbor Capital Appreciation Instl	5.56%
	PRGFX	T. Rowe Price Growth Stock Fund	5.96%
Mid Cap Value	TIMVX	TIAA-CREF Mid-Cap Value Instl	3.34%
Mid Cap Growth	PNMFX	HighMark Geneva Mid Cap Growth Fund	2.38%
Small Cap Value	NSVAX	Columbia Small Cap Value Fund II	5.79%
Small Cap Growth	PRNHX	T. Rowe Price New Horizons Fund	3.11%
International Core	HIOFX	HighMark International Opportunity Fund	2.81%
International Value	DODFX	Dodge & Cox International Stock Fund	2.48%
International Growth	MQGIX	MFS International Growth Fund	2.52%
Emerging Markets	LZEMX	Lazard Emerging Markets Instl Fund	2.79%
	RSENX	RS Emerging Markets Y	1.21%
Real Estate	FARCX	Frist American Real Estate Sec Y	2.20%
Fixed Income			**33.07%**
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	8.91%
Intermediate-Term	HMBDX	HighMark Bond Fund	12.07%
	PTTRX	PIMCO Total Return Instl Fund	12.08%
Cash			**1.84%**
	HMDXX	HighMark Diversified MM Fund	1.84%
TOTAL			**100.00%**

PARS/HCM MOD AGGRESS HM PLUS

For Periods Ending December 31, 2010

Fund Name	1-Month Return	3-Month Return	Year-to-Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
LARGE CAP EQUITY FUNDS							
Eaton Vance Large-Cap Value I	7.52	10.17	10.36	10.36	-5.23	2.26	4.32
HighMark Large Cap Value Fid	9.07	10.19	13.29	13.29	-4.15	0.78	1.61
S&P 500 Value TR	**8.22**	**10.51**	**15.10**	**15.10**	**-5.36**	**0.87**	**1.65**
Harbor Capital Appreciation Instl (3)	3.86	11.47	11.61	11.61	-0.15	2.72	0.58
T. Rowe Price Growth Stock	4.37	11.34	16.93	16.93	-1.11	4.01	2.69
S&P 500 Growth TR	**5.22**	**11.02**	**15.05**	**15.05**	**-0.50**	**3.60**	**0.99**
Davis NY Venture Y	6.87	10.67	12.40	12.40	-3.62	1.69	2.93
Manning & Napier Equity Fd	6.93	12.15	13.86	13.86	0.40	4.83	4.75
S&P 500 Index	**6.68**	**10.76**	**15.06**	**15.06**	**-2.86**	**2.29**	**1.41**
MID CAP EQUITY FUNDS							
HighMark Geneva Mid Cap Growth (1)	5.17	15.30	29.69	29.69	3.87	6.09	6.33
Russell Mid Cap Growth Index	**6.24**	**14.01**	**26.38**	**26.38**	**0.97**	**4.88**	**3.12**
TIAA-Cref Mid-Cap Value Instl (1)	7.50	12.24	21.20	21.20	-0.36	4.80	--
Russell Mid Cap Value Index	**7.55**	**12.24**	**24.75**	**24.75**	**1.01**	**4.08**	**8.07**
SMALL CAP EQUITY FUNDS							
Columbia Small Cap Value II Z	8.21	16.42	25.64	25.64	1.43	4.68	--
T. Rowe Price New Horizons	7.79	17.94	34.67	34.67	5.85	6.24	6.64
Russell 2000 Index	**7.94**	**16.25**	**26.85**	**26.85**	**2.22**	**4.47**	**6.33**
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox Intl Stock	7.96	7.96	13.69	13.69	-3.67	5.03	
HighMark Int'l Opportunities Fid	7.42	7.42	11.85	11.85	-7.15	3.83	5.56
Lazard Emerging Mkt Inst	6.73	5.30	22.81	22.81	2.82	13.51	17.91
RS Emerging Markets Y (4)	7.43	6.43	18.57	18.57	0.54	14.68	17.71
MFS International Growth I	8.23	9.38	15.24	15.24	-1.49	7.00	6.95
MSCI EAFE Index	**8.10**	**6.61**	**7.75**	**7.75**	**-7.02**	**2.46**	**3.50**
REIT EQUITY FUNDS							
First American Real Estate Secs Y (2)	4.74	7.89	30.57	30.57	3.58	5.62	12.53
DJ US Select REIT TR USD	**4.74**	**7.45**	**28.07**	**28.07**	**0.01**	**2.32**	**10.42**
BOND FUNDS							
HighMark Bond Fid	-0.86	-0.92	7.67	7.67	6.62	6.01	5.64
Pimco Total Return Inst'l	-0.54	-0.92	8.83	8.83	9.10	8.05	7.33
Vanguard Short-Term Investment-Grade Adm	-0.23	-0.06	5.32	5.32	4.66	5.01	4.72
BarCap US Aggregate Bond	**-1.08**	**-1.30**	**6.54**	**6.54**	**5.90**	**5.80**	**5.84**

Source: SEI Investments, Morningstar Investments

(1) Fund was added to the portfolio in February 2010
(2) Fund was added to the portfolio in December 2009
(3) Fund was added to the portfolio in July 2010
(4) Fund was added to the portfolio in Augut 2010

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

INVESTMENT HIGHLIGHTS: *HIDDEN VALUE IN PLAIN SIGHT*

by: David Goerz, SVP - Chief Investment Officer

Hidden Value in Plain Sight

Throughout 2010, we have encouraged investors to embrace the value we perceived in global equities. Our preference favored Emerging Market and U.S. equities, particularly small-cap stocks. These tilts have played out well for our clients last year, even as the U.S. dollar firmed relative to European currencies. Valuations have only improved as strong S&P 500 earnings growth outpaced even our expectations and the index return. We believe equities will outperform other asset classes in 2011, including bonds and alternative assets, as well as providing the best hedge against increasing inflation concerns and rising interest rates. Commodities, particularly gold, may not have much room for further appreciation as financial speculative exposures have increased from $10 billion to more than $250 billion over the last decade. A wider range of investors chased new financial products with an expectation far exceeding the 2.5% return observed for commodities since 1900. Bonds are also significantly overvalued, in our opinion. Given the excessive risk aversion of investors toward equities, measured any number of ways, it is not surprising that there remains *Hidden Value in Plain Sight*, despite an S&P 500 return of over 96% since March 6, 2008 and reaching the highest level since Lehman's bankruptcy.

The key to unlocking the *Hidden Value* in equities is a visible transition from recovery to a broader expansion. Only then are fund flows likely to swing in favor of equities, benefiting from a rotation out of bonds and alternative investments, including commodities and hedge funds. Real-estate and other distressed investments may still have upside, as confidence improves and write-offs are reversed, even as skeptics remain fearful of another shoe-to-drop. U.S. real GDP has matched our 2.6% beginning-of-year forecast, while global growth expectations of 4.9% are near the upper end of our stronger-than-concensus global growth range of 4.5-5.0%, in spite of a second quarter stall and double-dip expectations. It seemed logical to us that the recovery would transition to expansion this year, in spite of various regulatory and legislative inhibitors to growth.

Many investors remain skeptical of the stock market after back-to-back bear markets during the "naughts" decade, but such divergence from normal averages typically leads to an inflection point in equity sentiment and mean reversion of long-term asset class returns. Corporate earnings growth and balance sheets haven't been this compelling in many decades. If there is any faith left in equity valuations based on earnings, book value, or dividends there is tremendous *Hidden Value in Plain Sight* for further equity outperformance. We have observed increased interest in dollar cost averaging into equities and higher dividend seeking portfolios, used as transitional strategies into higher equity exposures.

Economic Outlook

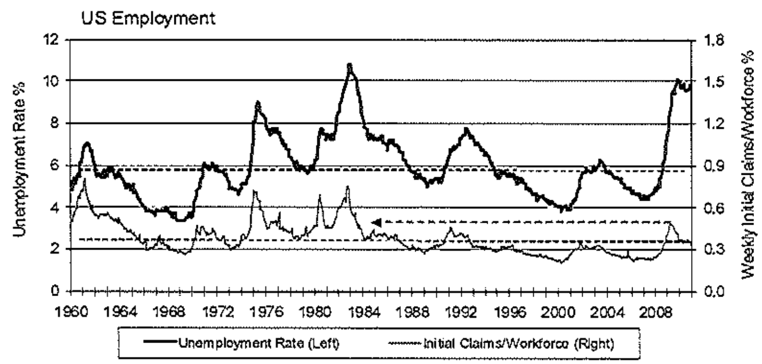
With another upward revision of U.S. economic growth to 2.6% in the third quarter, rolling annual real GDP of 3.3% exceeded old fashioned normal potential real growth of 2.7-3.0%. Now 18 months into an economic expansion, GDP has nominally exceeded the previous peak in 2007. The resilience of consumer spending has surprised most economists, with retail sales growing 7.7%, well above its 20-year average of 5.0%. Similarly, 5.4% growth in industrial production has rebounded from the -12.7% trough in June 2009. Exports increased 15.5% over the last year, while the ISM survey index has been above 50% for 16 months, suggesting purchasing managers believe economic conditions are improving. Profits in the national accounts data (i.e., broader economy) increased 45% over the last year through Q3, outpacing S&P 500 operating earnings growth. Furthermore, estimates for real global growth have been revised higher with consensus expectations of 4.9% now within our range set earlier this year of 4.5-5.0%.

The strength of economic indicators since June 2009 suggests the U.S. recovery has been stronger than expected in many dimensions, except for unemployment and housing. We address both of these critical issues, as well as inflation expectations below. In spite of the various policy mistakes we perceived throughout 2010 that undermined business and consumer confidence, the economy grew fast enough to produce strong earnings and cash flow growth that has improved balance sheets. Refinancing of corporate

INVESTMENT HIGHLIGHTS: *HIDDEN VALUE IN PLAIN SIGHT* (cont.)

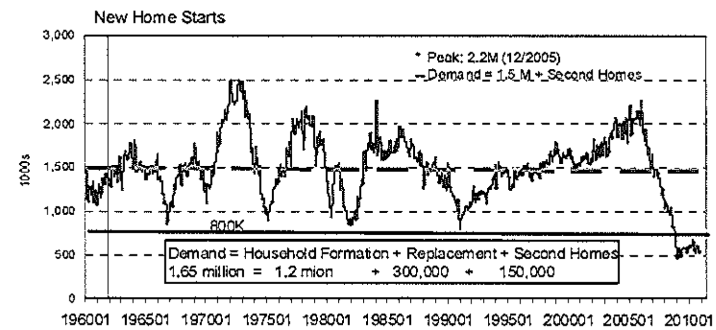
and household debt has reduced leverage, as well as interest expense. In contrast, the U.S. Treasury has significantly increased its debt burden, such that its interest expense will increase significantly if interest rates rise.

The unemployment rate should decline in 2011, in spite of another extension of unemployment benefits. In *Expansion by Natural Causes (Q4/2010)*, we outlined our theory about why a recovery in employment has failed to match the strength of the broader economy. We believe that extending unemployment benefits, as with many other misguided stimulus programs, probably caused more harm than good. Extending unemployment benefits seemed like a compassionate thing to do, but are benefits of up to 99 weeks, double the previous maximum rate of 49 weeks, undermining employment growth at great cost to taxpayers? Employers are struggling to fill rapidly increasing job vacancies, up 33.5% according to the Department of Labor, while the unemployment rate among college graduates is 5.1%. There appears to be a mismatch between skills and job vacancies. We also think incentives to not search for a job are too high. Initial claims for unemployment insurance have been trending lower (-12.3%), which is encouraging since this indicator has led unemployment rate changes historically. In the chart below, we normalized initial claims to the size of the workforce—we anticipate initial claims falling further, leading to a decline in the unemployment rate to 8.7% in 2011.



Source: HighMark Capital estimates and Thomson Datastream

Unemployment of 9.8% is below the 1982 recession peak of 10.8%, but still uncomfortably high, even if it does tend to lag the economic cycle. Hiring managers need confidence that demand is sustainable, even as rising employment costs remain an impediment. High unemployment continues within construction, so an improvement in housing starts is critical to job growth.



Source: HighMark Capital estimates and Thomson Datastream

Household formation is the driver of housing starts, but during March 2009-March 2010, U.S. Census reported that just 347,000 households were created. This is well below the historical average of 1.2 million households formed per year. The chart above illustrates the cyclical mean-reverting behavior of housing starts, which is empirically consistent with intuitive sustainable demand estimates of 1.5 million housing units. Low household formation bolsters the case that deferred activity could increase even more sharply once housing confidence improves. Note that there was no analogous decline in birth rates 25 years ago, but rather just the opposite, as an increasing birthrate defined the Echo Boomers, also known as Gen-Y or the Millennials (born 1985-1995).

INVESTMENT HIGHLIGHTS: *HIDDEN VALUE IN PLAIN SIGHT*(cont.)

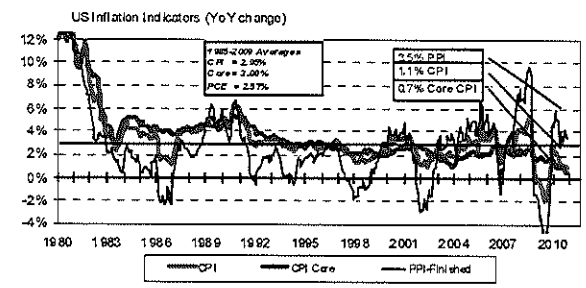
We believe that the recovery has failed to meet expectations because the fiscal stimulus was only transitory and failed to offer sustainable incentives. Tax rebates, unemployment benefit extensions, useless research grants, unnecessary infrastructure spending, cash-for-clunkers, and home buyer tax credits increased our national debt, but failed to promote a sustainable expansion. Demand was pulled forward by a few months, but the stimulus retreated just as quickly when individual programs eventually expired. We are now left waiting for the economy to work through an expansion derived from the natural process of recovery. Below we summarize our outlook for 2011-2012.

Economic Forecasts	2006	2007	2008	2009	2010e	2011e	2012e
U.S. GDP (Y/Y Real)	2.5	2.6	-1.9	0.1	2.6	3.0	3.0
Earnings Growth	15.3	-1.6	-27.9	-2.0	38.8	13.1	9.5
CPI Inflation (Y/Y)	2.5	4.2	-0.1	2.8	1.8	2.0	2.5
Unemployment	4.4	5.0	7.4	10.0	9.5	8.7	8.0
Fed Funds Target	5.25	4.25	0.25	0.25	0.25	1.25	2.50
Treasury Notes-10y	4.71	4.03	2.25	3.84	3.32	3.75	4.50
S&P 500 Target	1418.	1468.	903.	1115.	1258.	1375.	1520.

Source: HighMark Capital estimates and Thomson Datastream

Inflationary Forces Building

The third critical economic issue being actively debated, beyond jobless growth and housing, is inflation expectations, which is so important to setting monetary policy. We have disagreed with the current policy to restart quantitative easing, as announced on November 3rd, and keep the Fed Funds target at the credit crisis level of 0 - ¼%. U.S. economic growth has been exceeding its long-term average, bolstered by economic demand from emerging markets, while early indicators that suggest higher future inflation are already visible.



Source: HighMark Capital Management and Thomson Datastream

Many academics contend that inflation should not be a concern given the output gap argument attributable to slack in employment and manufacturing utilization. The recent decline in inflation toward 1% supports this view. Yet, the Consumer Price Index (CPI) inflation has swung dramatically peaking at 5.5% in July 2008, as commodity prices surged during 2002–2007, then falling precipitously by September 2009 to -2.0%. When there is excess supply of something, prices should decline until the market finds a clearing price, assuming that market is free and competitive. Under normal circumstances, this theoretical argument is reasonable, but unemployment and housing have decoupled from the economic cycle. So the debate rages on between the "Output Gap-ers" and the "Pragmatic Vigilantes".

For the Pragmatic Vigilantes, inflation expectations should be a function of commodity prices and other input costs, which are rising and evident in higher producer prices. Food costs have increased materially with rising wheat to meat prices and higher transportation costs that will only accelerate inflation. Other constituents of consumer prices that have been deflationary now have the potential of reversing quickly. Rent equivalent shelter (32% of CPI) was declining with housing weakness, but home prices troughed in January 2009, so rising rental rates and declining vacancies reinforce the inflation point in shelter costs already observed. Energy prices, which are about 10% of the CPI

INVESTMENT HIGHLIGHTS: *HIDDEN VALUE IN PLAIN SIGHT* (cont.)

index, are likely to rebound after the weakness observed in natural gas prices seems to have troughed. A weaker dollar and increasing wages in emerging markets, coupled with higher commodity input costs, are pushing up import prices, even as the U.S. seeks to encourage China to appreciate its currency further. US wages also increased 4.0% over the last 12 months--so much for employment slack capping inflation. Thus, the drivers of inflation are numerous, while the causes of disinflation have faded.

A hike in interest rates to 1.0-1.5% in 2011 would still be highly stimulative, but keep inflation expectations in check. The economy will be resilient if the Fed can communicate the need to unwind overly stimulative monetary policy, including negative real interest rates. Inflationary forces are building and becoming widespread, so it will grow increasingly difficult to tamp down if the Fed doesn't reposition its stance soon. That will include reversing itself on *Quantitative Easing* (QE) or the purchase of Treasuries to drive bond yields lower.

Failure of Quantitative Easing Evident

Introducing QE-1 was a bold and creative move during the Financial Crisis of 2008, but as with most successful interventions, it was predicated on shock-and-awe. Credit markets had seized up, but Fed purchases of mortgage securities was so far outside the scope of what had ever been contemplated, that credit markets responded positively. In fact, it was so successful that in November 2009, the Fed announced it would wind down QE-1 by April 2010, as it had already done with other liquidity programs. Credit spreads tightened, as hoped, and record new debt issuance in 2010 was absorbed well in all sectors. The economic stall in the second quarter was not sufficient to derail economic recovery.

On August 27th, at a Federal Reserve sponsored Annual Economic Symposium in Jackson Hole, Chairman Bernanke laid out three policy options for increasing output and employment. They included: (1) re-starting quantitative easing for Treasuries only, (2) enhancing the Fed's communication, or (3) reducing the interest rate paid on excess reserves. Since June, bank credit availability has loosened, but is still tight as higher capital requirement rules and their impact in financial reform legislation and Basel III are still uncertain. Financial conditions couldn't be more different than in 2008 when credit spreads were tight and Treasury yields plunged to historic lows. We preferred the Fed eliminate interest paid on reserves to encourage greater lending, but the Fed has opted for re-starting quantitative easing. Their objective was to drive long-term interest rates lower, stimulating growth, but Treasury bond yields must actually fall for there to be any hope that quantitative easing will work. There was no shock-and-awe in QE-2 by simply purchasing Treasuries and offering a well choreographed program too small and spread out over time to have much effect. Unless mortgage rates fall, we do not think that quantitative easing can help accelerate housing starts or increase investment.

It is our belief that QE-2 has failed, because it didn't surprise markets—worse than that, it apparently caused investors to increase their inflation expectations instead, driving up Treasury yields. When the Fed announced its intent to purchase Treasuries on November 2nd, 10-year Treasury yields were hovering at 2.6%, but yields climbed to over 3.5% during December. Mortgage rates have risen almost as much. Now the Fed must find a way to unwind an even larger balance sheet of assets it has purchased. In our opinion, QE-2 is more likely to increase future economic volatility.

An advantage of the Fed's monetary mandate is that it isn't a rigid rules-based policy. During mid-2007, the Fed began cutting rates, despite rising commodity prices, and increasing inflation risk that eventually drove CPI inflation over 5.5% in August 2008. The economic risk of tightening credit conditions was too great. Other central banks that were unable to deviate from their inflation target disciplines either kept rates steady or, in the case of the European Central Bank, mistakenly hiked interest rates in July 2008. The Fed's creative efforts to restore liquidity to credit markets worked well, including the first attempt at quantitative easing unleashed on July 24, 2009. While flexibility provides room for more adaptive and effective monetary policy, we believe recent efforts to

INVESTMENT HIGHLIGHTS: *HIDDEN VALUE IN PLAIN SIGHT*(cont.)

keep interest rates at emergency levels of 0 - ¼% and implementation QE-2 are misguided, exacerbating gathering inflation concerns.

We think QE-2 should be suspended as it clearly has failed to accomplish its goal. Furthermore, with the economy growing in excess of potential growth and inflationary forces increasing, the Fed should begin to raise interest rates slowly, so as to keep inflation expectations contained. Interest rates of up to 2% would remain stimulative, even as we expect inflation indicators to continue gathering steam. Meanwhile, the year-end rotation of regional bank presidents will result in a notably more hawkish Federal Open Market Committee (FOMC) of the Federal Reserve in 2011, including Dallas Fed President Fisher and Philadelphia Fed President Plosser as voting members. The new San Francisco Fed President has yet to be nominated since Janet Yellen was confirmed as FOMC Vice Chairman.

Conclusion

Security in an increasingly volatile world is elusive. Correlations change by the week, but persistent patterns, illogical as they may be, have trumped fundamental intuition. Provocateurs seem to get more attention these days. Falling Treasury yields coincided inconceivably with higher gold prices over the last two years. Commodities and hedge funds have supplanted equity exposure, even as the U.S. dollar weakened against the Japanese yen, despite Japan's burden of the highest debt/GDP ratio worldwide, supported by less than half the economic growth rate of the U.S.

Investment return expectations have shifted dramatically since the credit crisis of 2008, but popular forecasts bear little resemblance to either capital market theory or long-term empirical observations. We expect the returns of the next 10 years will bear little resemblance to the last 10 years. Investors must be paid to take risk, so an equity risk premium must be observed. We expect investors to adjust their risk preferences, recognizing compelling global equity valuations and rich bond yields, resulting in a dramatic rotation of asset allocation exposures. Cash flows have favored absolute return, commodity and bond funds, but skepticism of these strategies, which we expect will increase over time, should re-direct flows into equity and target risk strategies, much like we observed in 2003-2007 and 1982-1999. The popularity of absolute return strategies surged in recent years, but was likely the result of a poor decade for equities, and new financial products that increased the liquidity and acceptance of commodities. New funds just a few years old realized voracious, but unsustainable inflows. We believe that as equities reassert their rightful place in the asset class pecking order and interest rates begin to rise, increasing holding costs, enthusiasm for commodities will fade. 2011 will be a transition year for Emerging Market equities and bonds due to higher inflation, increasing interest rates and slowing growth. Brazil and Mexico could disappoint investors, in our opinion, while India faces similar challenges, but without the political uncertainty and better growth prospects.

U.S. growth that was better than consensus expected benefited from five key growth drivers we introduced in 2010. We expect inventory contributions observed will fade by mid-year, but increased housing activity has upside potential in 2011 after expanding only modestly last year. Deflation concerns caused by rapid innovation and creative destruction in goods and services have undoubtedly provided strong productivity improvements that over the long-run are more beneficial than problematic. Investors remain bullish on emerging market growth prospects, but higher inflation rates are likely to result in near-term interest rate increases that will hamper growth. We remain overweight U.S. equities, particularly small-cap stocks, as we observe *Hidden Value In Plain Sight*. We are most concerned that the level of global bond yields, particularly U.S. Treasuries, are too low given global inflation pressures, and are likely to lead to disappointing bond returns in 2011.

INVESTMENT HIGHLIGHTS: *HIDDEN VALUE IN PLAIN SIGHT*(cont.)

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: Partnership with the Placentia Yorba Linda Arts Association

DATE: January 17, 2011

BACKGROUND:

The Placentia Yorba Linda Arts Association (PYLAA) has traditionally exhibited artwork from their members here at the Placentia Library. The artworks are professionally presented and draw a large number of patrons to the Library.

As part of the re-flooring project, the southeast wall will be utilized to feature artwork from members of PYLAA. Library staff recommends that the Placentia Library District establish a partnership with PYLAA to provide monthly artwork to be displayed on the southeast wall of the Library, across from the new circulation desk.

Administrative Assistant Marisa Timothy will be the Library's contact to coordinate activities.

Attachment A is the proposed agreement.

FISCAL IMPACT: $250 annually for staff time

RECOMMENDATION:

Authorize the Placentia Library District to enter into a partnership with the Placentia Yorba Linda Arts Association to provide artwork for the library as specified in Attachment A.

Placentia-Yorba Linda Art Association (PYLAA) Agreement with the Placentia Library District (PLD)

1. PYLAA would provide up to 10-12 framed paintings (half sheet or quarter sheet- 22 x 28 or 16 x 24).

2. PLD would hang the paintings. PYLAA would deliver them in a two day period. PLD would remove the paintings and have them ready to be picked up by the individual artists. The individual artists would also be responsible for delivering them to PLD.

3. The contact person for PYLAA will be Dixie Moore at (714) 579-1935 and for PLD will be Marisa Timothy at (714) 528-1925 x200

4. PYLAA would expect to change them out about every 1-2 months.

5. PLD will not hang other artist's work.

6. PYLAA will be allowed to put name tags on each painting for selling the artwork.

Dixie Moore, PYLAA

Jeanette Contreras, Library Director

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: Travel Authorizations: Special District Leadership Academy on February 24, 25, April 1 and 14, 2011 in Ontario.

DATE: January 17, 2011

BACKGROUND:
The Special District Leadership Academy is a program consisting of four modules: Governance Foundations, Setting Direction/Community Leadership, Board's Role in Finance and Fiscal Accountability, and Board's Role in Human Resources. The program will be held in Ontario and the dates are:

- February 24 & 25, 2011
- April 1 & 14, 2011

Cost is $800 per attendee for all four modules.

Attachment A is additional information regarding the four specific modules for the Special District Leadership Academy.

FISCAL IMPACT: $800 - $4,000 depending on attendance.

RECOMMENDATIONS:
1) Determine which Library Board of Trustees would like to attend the Special District Leadership Academy on February 24, 25, April 1 and 14, 2011 in Ontario.

2) Authorize travel expenses for $800 per Trustees for the Special District Leadership Academy to be drawn from the general fund.

CSDA's Special District Leadership Academy

CSDA Special District Leadership Academy

Premiere Governance Training for Directors & Trustees!

Co-sponsored by SDRMA

Program participants attend four 6-hour modules.

CSDA's Special District Leadership Academy is a groundbreaking and curriculum-based continuing education program that recognizes the necessity for the board and general manager to work closely toward a common goal. If you are a special district professional, you must include this training in your schedule. It is important. It is your responsibility. Completion of the Leadership Academy training program marks a hallmark in your special district career. This training is the signature of professionalism for special district leadership and special district governance.

Program participants attend four 6-hour modules.

Module 1 - Governance Foundations

Governance Foundations, the first of four modules and the core of the Special District Leadership Academy series, provides the basic information needed by board members, general managers and staff to build an effective and functional governance team. This course teaches the foundational knowledge and skills that identify and define the essential building blocks of a successful board, focusing on critical elements of governance:

- Effective Trustees
- Board Mindset
- Structure, Process and Protocols
- Individual/Team Standards
- Board's Role and Responsibilities

Directors/Trustees will learn to:

- Develop a unity of purpose.
- Understand the board's role in the district.
- Build a strong, positive, functional board culture.
- Organize the formal structure of the board.

"Helped clarify my role as a new director."

– D. Albright, Director,
Greater Vallejo Recreation District

Module 1 - Locations

Ontario – **FEBRUARY 24, 2011** – Cucamonga Valley Water District - [Course Code: LAGF01]
Sacramento – **MARCH 31, 2011** – Red Lion Hotel - [Course Code: LAGF02]
With SDRMA Safety/Claims Education Day! SAVE $100.00 ONLY $125.00 Member
Monterey – **OCTOBER 10, 2011** – Marriott Monterey - [Course Code: LAGF03]

Agenda

- 8:30 – 9:00 a.m.
  Registration
- 9:00 a.m. – 12:00 p.m.
  Workshop
- 12:00 – 1:00 p.m.
  Lunch on your own
- 1:00 – 4:00 p.m.
  Workshop

Agenda is the same for each module.

Module 2 - Setting Direction/Community Leadership

To understand the board's responsibility in setting the direction of the district, this presentation provides a step-by-step discourse of the board and senior management's position in establishing the vision, mission and strategic goals of the district. It will define and investigate the success indicators used by districts to measure performance. Participants will:

- Discuss why the process of setting direction is important and how it benefits the district.
- Understand the importance of being future-oriented and to think strategically.
- Learn to transition from individual board members to members of a governance team.
- Understand the sequence of steps needed to set the direction of the governance team.

This module will also address the importance of board leadership and duty to provide information to the public on the essential services offered by the special district in its community. Participants will learn the importance of being connected with the community, how to interact with the public about district business, how to set protocols for public involvement in board meetings and how to develop a board communication plan.

Cost per class

CSDA member	$ 225
SDLF Spons. Org.	$ 250
Non-member	$ 375

Sign up for all four academy courses and save $ $ $

CSDA member	$ 800
SDLF Spons. Org.	$ 900
Non-Member	$1,400

Module 2 - Locations

Ontario – **APRIL 1, 2011** – Jurupa Community Services District - [Course Code: LASD01]
Sacramento – **MAY 2, 2011** – CA District Attorneys Association - [Course Code: LASD02]

Module 3 - Board's Role In Finance And Fiscal Accountability

The third module in the series takes a close look at how the special district board carries out its fiduciary responsibilities. A fundamental discussion of district budgets, arguably the most significant policy document in a special district, shows how district goals are conveyed in their budgets and why boards must do more than just adopt budgets, but must also monitor them; receive and evaluate audit reports; and understand the principles of facility development. Now, more than ever, special district boards must understand and fulfill fiscal supervision and oversight in a responsible manner.

This course will focus on how to:

- Develop a method for approving the district's annual budget.
- Communicate budget information to the public.
- Establish financial goals for the district.
- Review district finances.
- Develop and analyze capital improvement plans and reserve guidelines.
- Comprehend the relationship between district finance and district belief and values as set forth in the district mission and strategic goals.

"Excellent seminar."
– J. Pearson, General Manager,
West Kern Water District

Module 3 - Locations

Ontario – **FEBRUARY 25, 2011** – Jurupa Community Services District - [Course Code: LAFA01]
Sacramento – **APRIL 28, 2011** – CA District Attorneys Association - [Course Code: LAFA02]

SDRMA CIP Points

Module 4 - Board's Role In Human Resources

The Board's Role in Human Resources, the fourth and final module in the CSDA Leadership Academy series, puts the spotlight on how special district boards interface with district personnel. This module addresses the board's ongoing relationship with the general manager, a key employee hired by the board; senior staff, and other district staff. It discusses the board's role in evaluating support personnel and the rules and practices regulating its relations with its human resources.

Participant will learn:

- To develop guidelines for assessing the performance of the general manager.
- To determine a protocol for approving personnel policies.
- To create a process for approving job descriptions and organizational structure.
- The confidentiality and legal liabilities of a district board member.

"It was another enjoyable CSDA experience."
– P. Dorey, Director,
Vista Irrigation District

Module 4 - Locations

Sacramento – **APRIL 14, 2011** – CA District Attorneys Association - [Course Code: LAHR01]
Ontario – **JUNE 24, 2011** – Jurupa Community Services District - [Course Code: LAHR02]

SDRMA CIP Points

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: Travel Authorizations: How to be an Effective Board Member on January 27, 2011 in Riverside.

DATE: January 17, 2011

BACKGROUND:

The "How to be an Effective Board Member" workshop will be held on January 27, 2011 in Riverside. This is a workshop for new elected and experienced special district officials. Cost is $225 per attendee.

Attachment A is additional information regarding the How to be an Effective Board Member workshop.

FISCAL IMPACT: $225 - $1,125 depending on attendance.

RECOMMENDATIONS:

1) Determine which Library Board of Trustees would like to attend the How to be an Effective Board Member workshop on January 27, 2011 in Riverside.

2) Authorize travel expenses for $225 per Trustees for the How to Be an Effective Board Member workshop on January 27, 2011 in Riverside.

How To Be An Effective Board Member

$225

An essential workshop for both experienced and newly elected/appointed special district officials.

- SACRAMENTO – **JANUARY 6, 2011** – CSAC Conference Center - [Course Code: HEBM01]
- RIVERSIDE – **JANUARY 27, 2011** – Western Municipal Water District - [Course Code: HEBM02]
- MONTEREY – **FEBRUARY 3, 2011** – Pebble Beach Community Services District - [Course Code: HEBM03]

Meets AB 1234 Ethics Training Compliance Requirement

SDRMA CIP Points

Leading a special district as an experienced or newly elected/appointed official is both exciting and challenging. You have accepted the responsibility of representing your constituents and customers in the most effective and professional manner possible. This will demand that you acquire or maintain the necessary skills to govern a special district. The How To Be An Effective Board Member training has been designed specifically for special district board members and board chairs/presidents in order to provide the tools, background and overall knowledge necessary to help navigate the first year of governing a special district and be an effective leader.

Workshop participants will learn:

- The major legislative issues that affect special districts (Prop. 13, ERAF, LAFCO, state and local fiscal relationships, etc.).
- The basics of special districts, including their history, structure, organizational differences, funding mechanisms and the role they play in communities.
- A board member's role and responsibilities including: making and approving appropriate district policy, community leadership, strategic thinking and developing a board's vision.
- The laws that govern special districts and their board members.

"Best instructor I have had in board training"

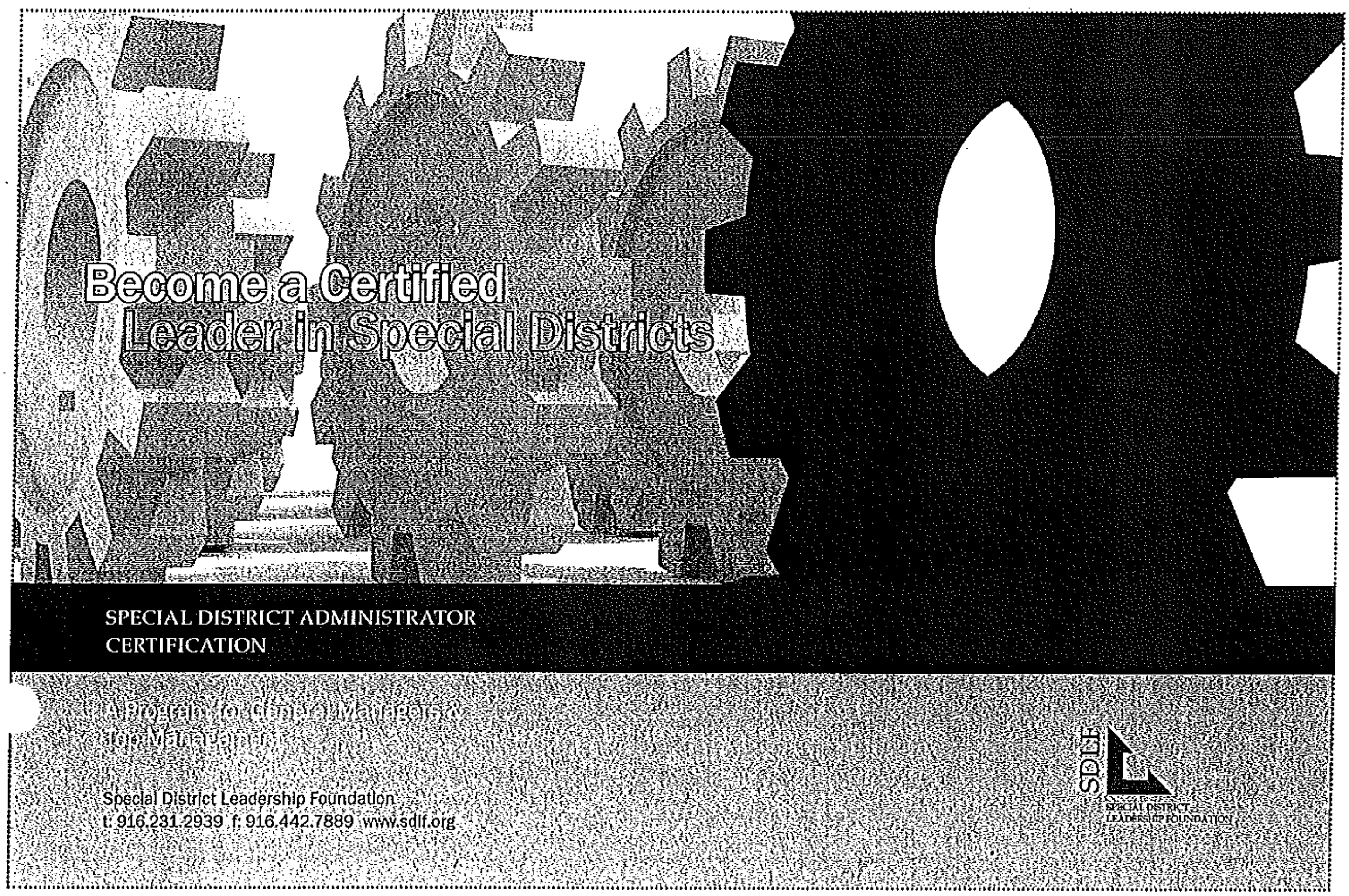
– R. Hanson, Director, Solano Irrigation District

Agenda

- 8:30 – 9:00 a.m.
  Registration
- 9:00 a.m. – 12:00 p.m.
  Workshop
- 12:00 – 1:00 p.m.
  Lunch provided
- 1:00 – 4:00 p.m.
  Workshop

Cost

CSDA member	$225
Non-member	$375



PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Yesenia Baltierra, Human Resources/Finance Analyst

SUBJECT: **Update on the Circulation Supervisor Recruitment**

DATE: January 17, 2011

The Human Resources/Finance Analyst will provide an update on the current status of the Circulation Supervisor recruitment.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: Naming of Children's Department in Honor of Dixie Shaw

DATE: January 17, 2011

BACKGROUND:

The Placentia Library Friends Foundation (PLFF) has discussed the possibility of honoring a long-time supporter of PLFF, Ms. Dixie Shaw. One recommendation is to name the Library's Children's Department after Ms. Shaw because of her passion and commitment to children and literature.

Ms. Shaw and her late husband, Mr. Gordon Shaw, have provided funding for many of the children's programs, including Lapsit and Pocket Tales. Through Ms. Shaw's generosity, the library staff has been able to attend several worthwhile trainings related to the promotion and education of music. She has also contributed to the development of the adult and children's book collection.

PLFF would like the Library Board of Trustees to consider their wish to honor Ms. Dixie Shaw by naming the Children's Department after her.

FISCAL IMPACT: $75 staff time

RECOMMENDATION:

Action to be determined by the Library Board of Trustees.

PLACENTIA LIBRARY DISTRICT BOARD OF TRUSTEES

TO: Library Board of Trustees

FROM: Jeanette Contreras, Library Director

SUBJECT: Discussion on the Placentia Library District's Infrastructure Needs

DATE: January 17, 2011

BACKGROUND:

Upon a cursory assessment of the Placentia Library District's infrastructure current condition, the following items were identified as needing improvement:

Interior

- Central HVAC – Inconsistent temperature throughout the library.
- Staff lounge area – Kitchen cabinets, sink, faucet, refrigerator & water heater.
- Women's and men's staff restroom – Need new sink and faucet.
- Computer server room – Better cooling system.
- Children's area – Water fountain needs a faucet, water pipe over the children's area need reinforcement (pipes vibrates and make a loud noise around the children's area), reference desk needs refinish or replacement.
- Children's Storytime Theatre – Need one designated area to conduct storytime. Currently children's programs are conducted in an unclosed area and they create disruption for other patrons using the library.
- Meeting room – Leaking in some area. Need to expand and remodel.
- Carpet and floor equipment – Carpet cleaning extractor & floor buffer.
- History Work Room – Need more space. Current space is insufficient to maintain, preserve, and expand the collection.
- Friends Sorting Room – Need more space and better security of shelves.
- Check-In Desk – Not efficient use of space. Perhaps consider remodeling this space into a coffee/pastry counter.
- Public Restrooms – Need privacy partition in ADA restroom. Keyless restroom access for both restrooms.

Exterior

- Bookdrop in parking lot – Need bookdrop that is more ergonomics for staff's safety.
- Loading loading dock area – Metal poles need reinforcement & uneven pavement by entrance to the loading dock and the bookdrop.
- Parking lot – Need more lighting by the Employee of the Quarter & Trustee parking spaces.
- East wall – Need to reseal from outside.
- Outdoor marquee – Location to be more prominent, e.g., Chapman and All America Way corner.

FISCAL IMPACT: Information not available at this time.

RECOMMENDATION:
Action to be determined by the Library Board of Trustees.