

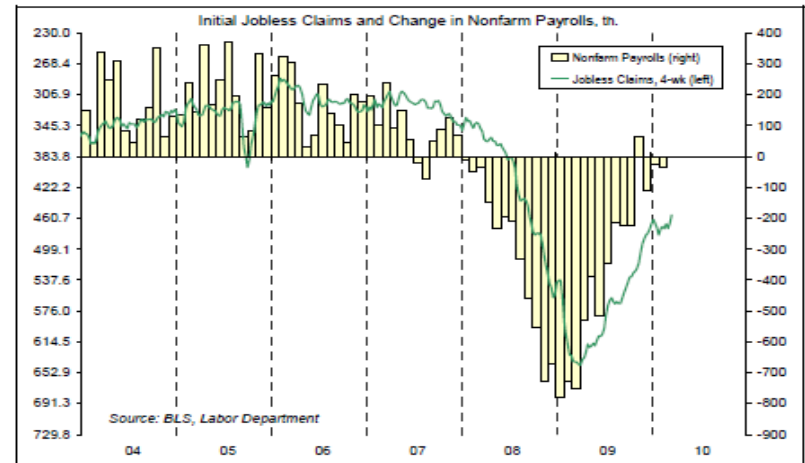


Quarterly Investment Report

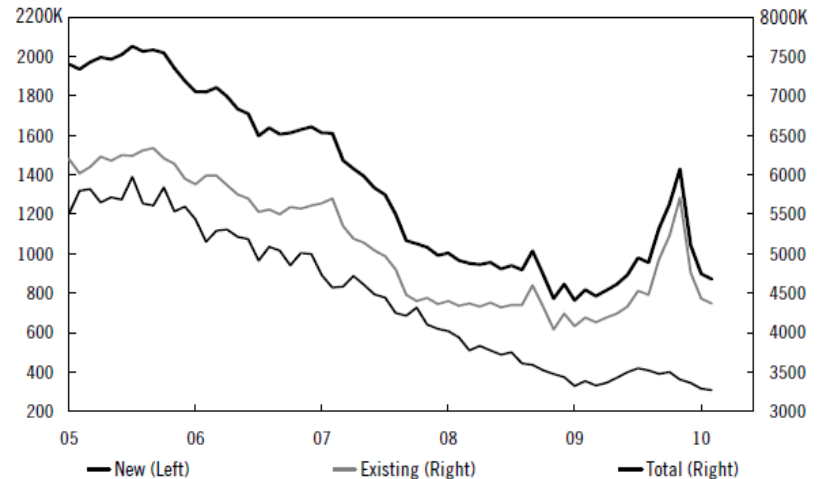
December 2009 through March 2010

The economy is growing

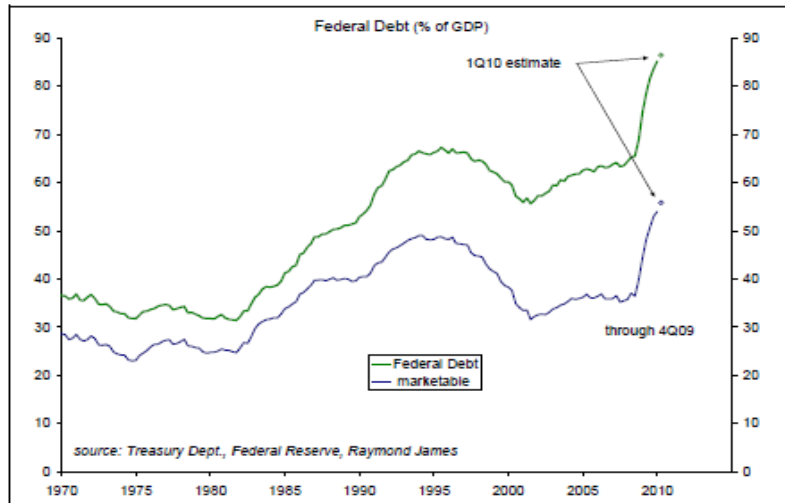
- The fixed income market refuses to move in the short-end the economy is starting to move into a growth period. But, some major economic drags remain which will be difficult to overcome.
- Employment claims have decreased slightly even with increased exhausted claims, which bodes well. The market is poised for moderate monthly increases in jobs.
- Jobless rates hit record highs in FL, NV, GA and NC. In 27 states the unemployment rate grew with only 7 states declining. Continuing problems keep confidence low.
- The housing market recovery has potentially run out of steam. Sales of new and existing homes have fallen for three consecutive months. As a result, house inventories have grown, putting downward pressure on home values. New and existing home sales reached the lowest levels since the 1960s.
- Delinquencies and failures in commercial real estate could hurt regional banks which fund much of this real estate.



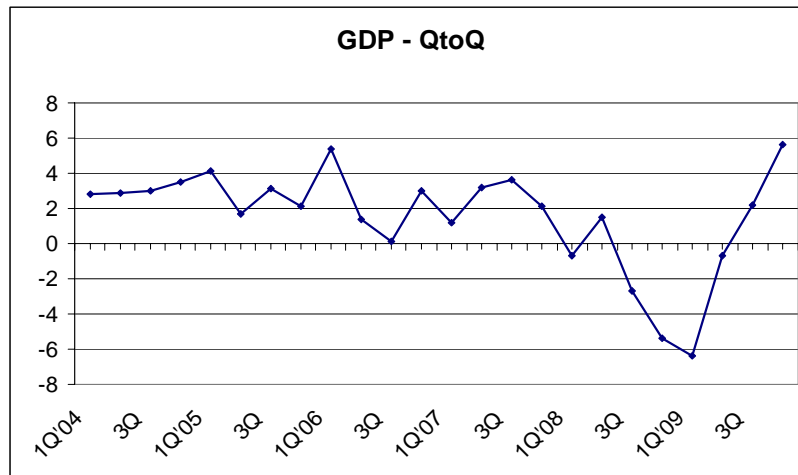
New, Existing and Total Single-Family Home Sales, 2005-Feb 10



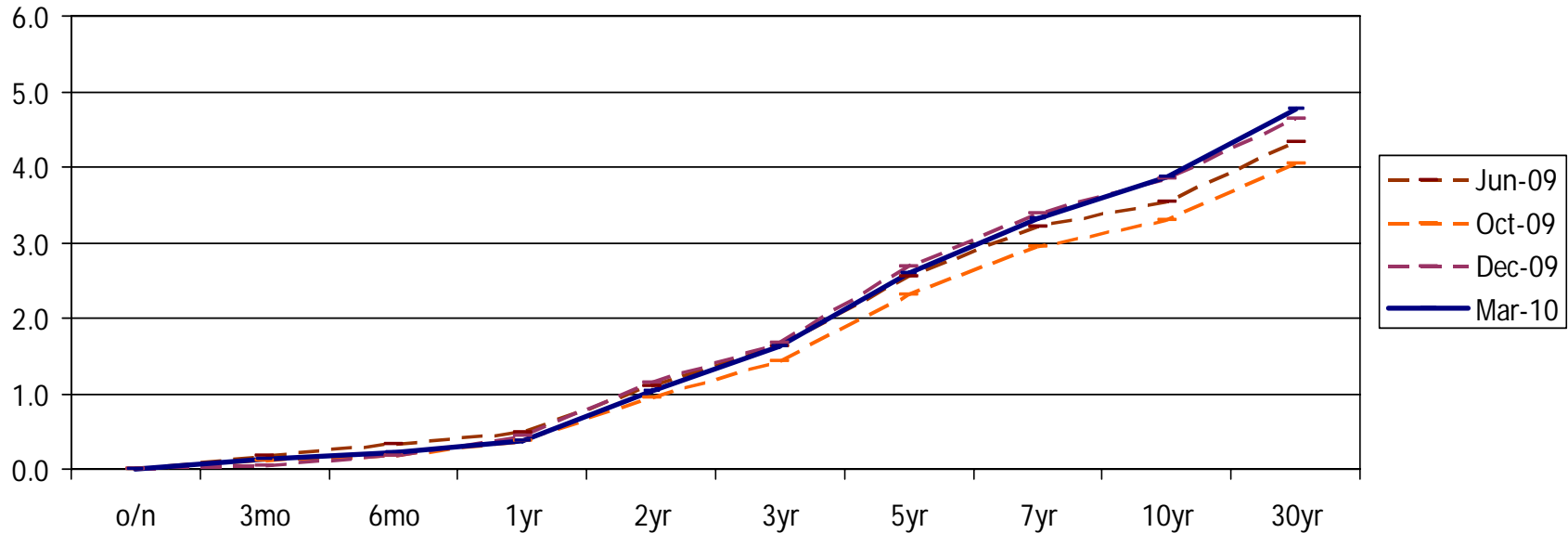
Global Growth



- The final GDP grew less than expected in 4Q (5.6% not 5.9%) and the data shows we came out of the recession in mid-2009, but the growth is too anemic to support new jobs.
- Delinquencies on U.S. mortgages rose to nearly 14 percent in late 2009, led by a sharp increase in seriously overdue home loans held by the most credit-worthy borrowers.
- Growth is a global affair. All central banks are making the same moves.
- This quarter saw global challenges in Dubai, Greece, Portugal, Italy and Spain. However, the growth worldwide improves US trade and keeps the dollar strong.
- There is no inflation but the potential – and reality – will surface albeit not for several years perhaps.



Short Term Rates Still Stuck in Neutral



- The bond market is beginning to move – albeit glacially – on growth signs in the economy and the strong dollar.
- Equity markets can concentrate on the good earnings reports, but the bond vigilantes take more convincing.
- Confidence is still lacking in the markets, which keeps investors short and cautious. This leaves money in the under one year area of the curve pressing down on rates.
- Banks are being told to spend and lend, but regulators force increased capital. The banks are de-leveraging and reducing risk, but the inward focus does little to help small business.
- The Treasury Bill to two year curve has steepened markedly, but short rates remain under 0.50% with little support for short term investors.
- The two-year Treasury Note has broken through 1.0%, but appears poised to slide back down with bad news on any number of fronts.
- The Federal Reserve continues to telegraph a holding position on overnight rates, probably through 3Q 2010.

Construction Funds

Quarterly Summary

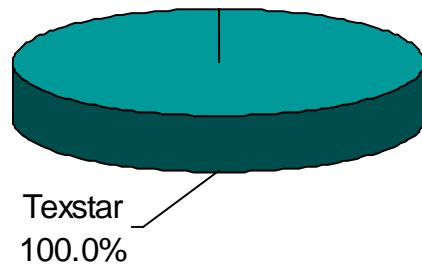
• Beginning Market	\$	27,873,151	12/31/09
• Beginning Book	\$	27,873,151	
• Gain/(Loss)	\$	00	
• WAM		1 day	
• Net Quarterly Yield		0.198 %	
• Yield at End of Quarter		0.189 %	
• Earnings for Quarter	\$	11,670	

• Ending Market	\$	71,423,608	03/31/10
• Ending Book	\$	71,432,858	
• Gain/(Loss)	\$	(9,250)	
• WAM		79 days	
• Net Quarterly Yield		0.257 %	
• Yield at End of Period		0.371 %	
• Earnings for the quarter	\$	43,588	
• Fiscal Year Earnings	\$	55,258	



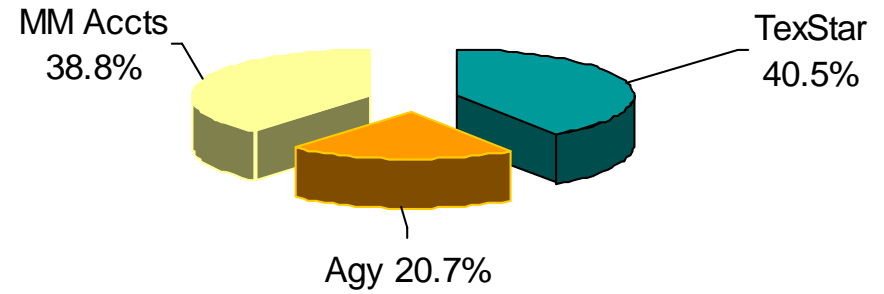
Construction Funds - Allocation Analysis

As of 12/31/09

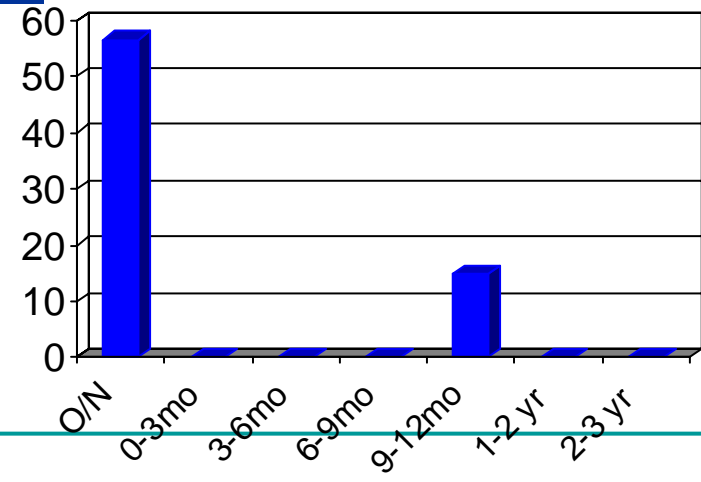
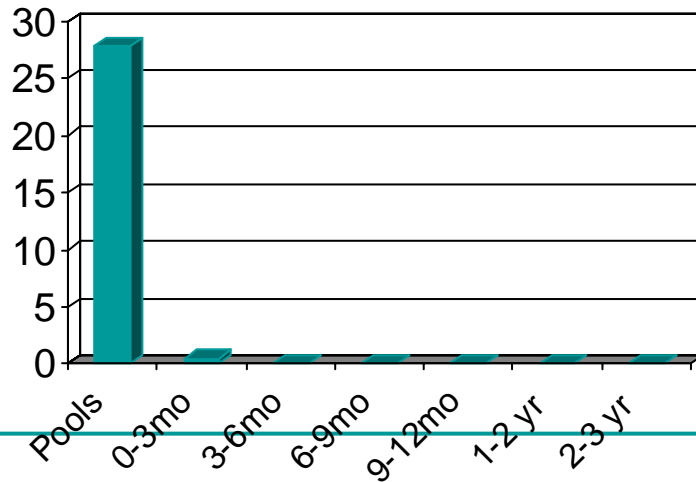


% Asset
Allocation

As of 03/31/10



Maturity Allocation
(in millions)



Debt Service Funds

Quarterly Summary

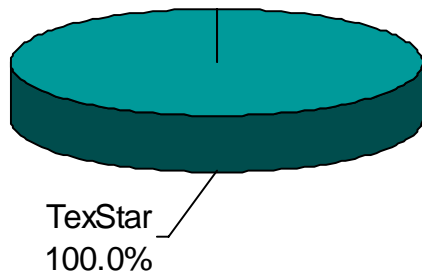
• Beginning Market	\$	11,951,341	12/31/09
• Beginning Book	\$	11,951,341	
• Gain/(Loss)	\$	00	
• WAM		1 day	
• Net Quarterly Yield		0.198 %	
• Yield at End of Quarter		0.189 %	
• Earnings for Quarter	\$	5,723	

• Ending Market	\$	8,407,113	03/31/10
• Ending Book	\$	7,407,113	
• Gain/(Loss)	\$	00	
• WAM		106 days	
• Net Quarterly Yield		0.359 %	
• Yield at End of Period		0.447 %	
• Earnings for the quarter	\$	6,720	
• Fiscal Year Earnings	\$	12,443	



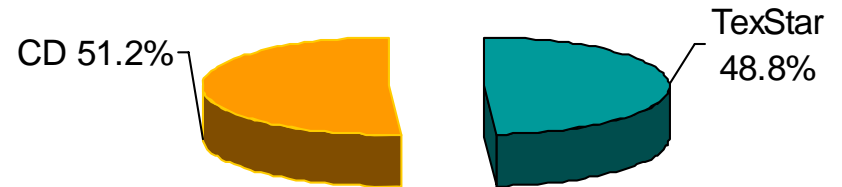
Debt Service Funds - Allocation Analysis

As of 12/31/09

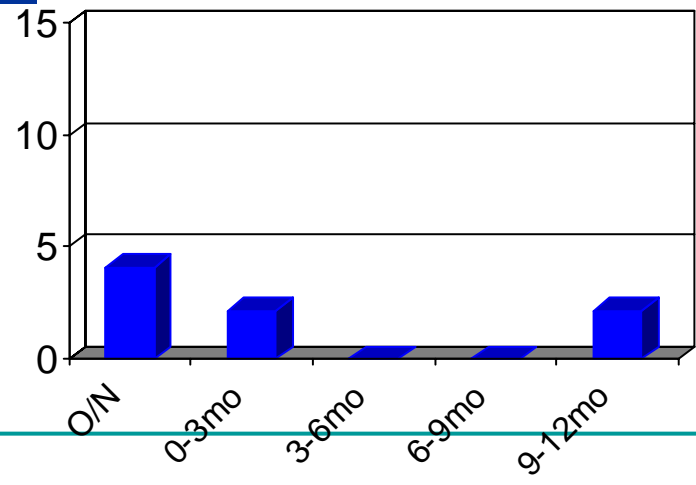
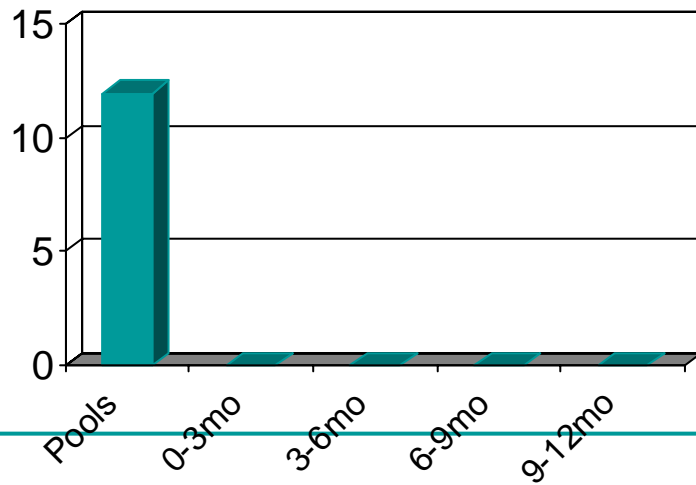


% Asset
Allocation

As of 03/31/10



Maturity Allocation
(in millions)



Escrow Funds

Quarterly Summary

• Beginning Market	\$	135,017,908	12/31/09
• Beginning Book	\$	135,017,908	
• Gain/(Loss)	\$	00	
• WAM		1 day	
• Net Quarterly Yield		0.198 %	
• Yield at End of Quarter		0.189 %	
• Earnings for Quarter	\$	70,000	

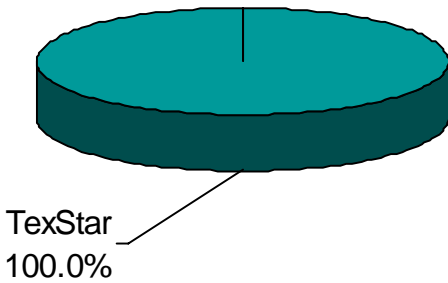
• Ending Market	\$	58,548,784	03/31/10
• Ending Book	\$	58,557,784	
• Gain/(Loss)	\$	9,000	
• WAM		171 days	
• Net Quarterly Yield		0.183 %	
• Yield at End of Period		0.274 %	
• Earnings for the quarter	\$	36,334	

• Fiscal Year Earnings	\$	106,334	
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Escrow Funds - Allocation Analysis

As of 12/31/09

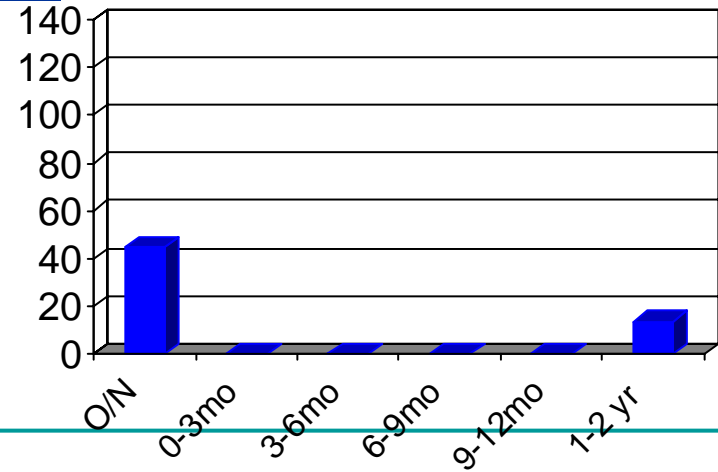
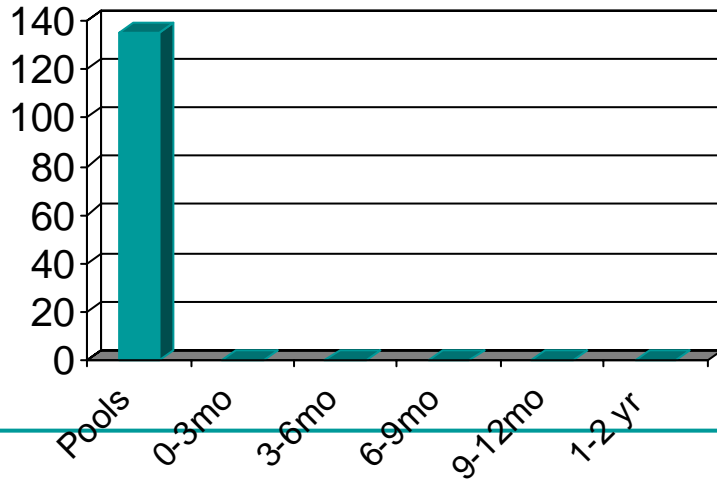


Asset
Allocation

As of 03/31/10



Maturity Allocation
(in millions)



Total Funds

Quarterly Summary

• Beginning Market	\$	174,842,402	12/31/09
• Beginning Book	\$	174,842,402	
• Gain/(Loss)	\$	00	
• WAM		1 day	
• Net Quarterly Yield		0.198 %	
• Yield at End of Quarter		0.189 %	
• Earnings for Quarter	\$	87,395	

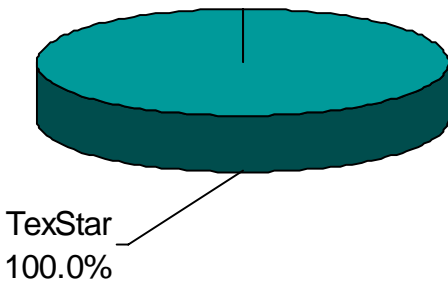
• Ending Market	\$	138,379,507	03/31/10
• Ending Book	\$	138,397,757	
• Gain/(Loss)	\$	(18,250)	
• WAM		120 days	
• Net Quarterly Yield		0.257 %	
• Yield at End of Period		0.334 %	
• Earnings for the quarter	\$	86,644	

• Fiscal Year Earnings	\$	174,039	
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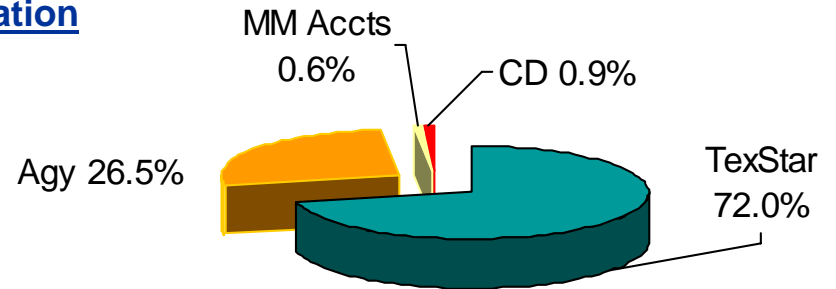
Total Funds - Allocation Analysis

As of 12/31/09

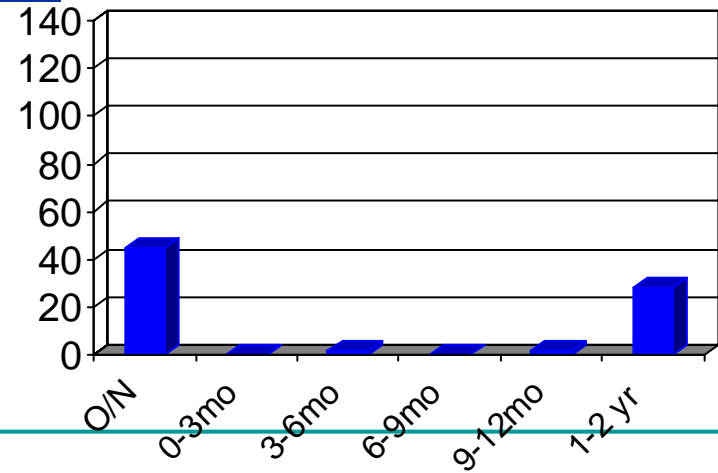
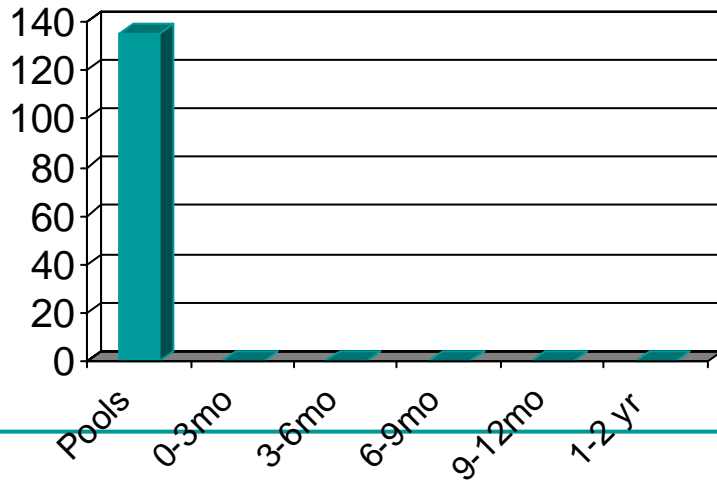


% Asset
Allocation

As of 03/31/10

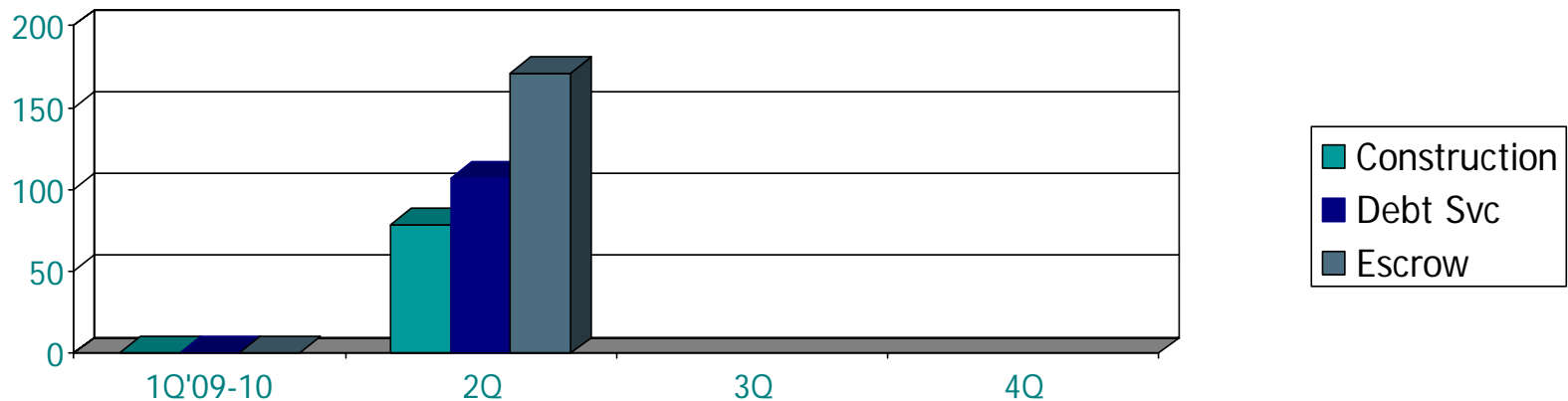


Maturity Allocation
(in millions)



Weighted Average Maturity

- The WAM is a measure of volatility
- Overall WAM has increased 120 days through direct investments
- 72% of the portfolio is in the pool (at 0.15%) or money market accounts (at 0.50%) the best short term rates and for liquidity
- Use of agency 'step-ups' add yield and protection when rates rise
- Extensions took advantage of 12-24 month yields
- Protection of positions remains paramount



FY 09-10

Benchmark Review

(Quarterly Average Rates)

	<u>1Q FY'09-10</u>	<u>2Q FY'09-10</u>
Construction	0.198%	0.322%
Debt Svc	0.198%	0.359%
Escrow	0.198%	0.183%
Overall	0.198%	0.257%
3 Mo T-Bill	0.051%	0.102%
6 Mo T-Bill	0.157%	0.181%
1 Yr T-Note	0.330%	0.339%
3 Mo Agy	0.114%	0.137%
6 Mo Agy	0.219%	0.226%
1 Yr Agy	0.407%	0.440%

The Impact of Rates

- The portfolio (at 120 day average) generated the following additional earnings compared to the BCRUA benchmarks during the quarter.

	<u>Overall</u>
3-Month T-Bill	\$ 60,686
6-Month T-Bill	\$ 29,756
1-Year T-Bill	\$ 32,105-

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Treasury management.



Patterson & Associates
Austin, Texas
