THE One INVESTMENT PROGRAM

1ST QUARTER REPORT

2010

Local Authority Services

An investment in your municipal future.

FINANCING CHUMS CORPORATION

Q1 2010 One Investment Program Highlights

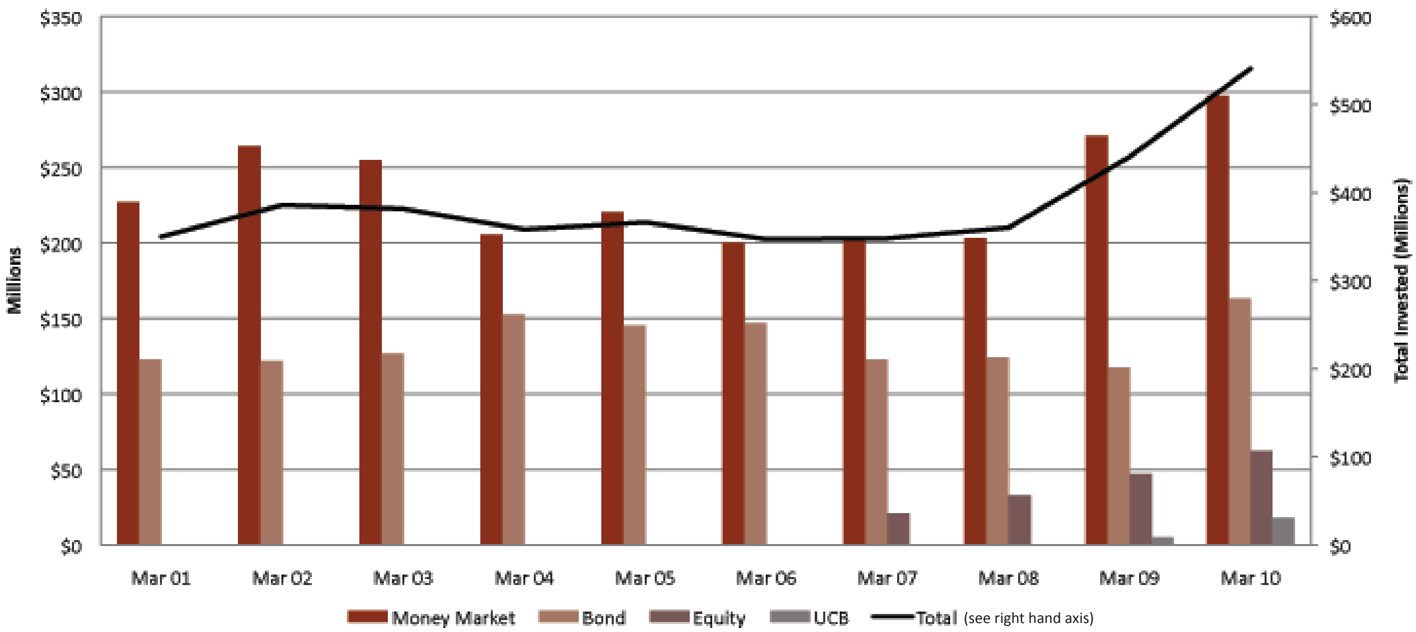
The One Investment Program is operated jointly by Local Authority Services Limited and The CHUMS Financing Corporation, wholly owned subsidiaries of the Association of Municipalities of Ontario (AMO) and the Municipal Finance Officers' Association of Ontario (MFOA), respectively. The One Investment Program is a pooled program whereby the deposits of multiple participating municipalities and eligible public sector organizations are jointly invested, and managed by professional portfolio managers.

- Q1 ending and Q1 average total balances across all One Investment Program Portfolios exceeded the balances for any first quarter since 2000. Portfolio balances ending Q1 2010 were $171M above the average Q1 ending balances for the previous 9 years and $100M over the Q1 2009 period ending balance.
- One's Investment Managers note their confidence in the medium-long term performance prospects for One's fixed income and equity portfolios – see the appendix to this report.
- Money Market Portfolio returns for Q1 2010 lagged the Prime less 1.75% comparator at the end of Q1 (annualized one year return) for the first time since August 2008.
- Spiking two to five year bond yields from mid-February onward sharply curtailed the Bond Portfolio's posted returns in February and March of 2010.
- The Equity Portfolio posted a 2.51% nominal return for Q1 2010; the portfolio outperformed both the TSX Composite and TSX 60 indices.
- The Universe Corporate Bond (UCB) Portfolio continued its strong performance in Q1 2010 with month end returns averaging 7.42% since inception.
- MFOA and LAS staff began planning for additional (and revised) Investment Basics Seminars, to be delivered at venues across the province throughout 2010. More than 130 municipal representatives attended the 2009 session offerings.
- One staff are making final preparations to open a Balanced Portfolio in Summer 2010, which will allow investors to access Corporate Bond and Equity through the One Program, but in a product where One's two Investment Managers provide all required allocation decisions. More details will be made available in summer 2010.

Portfolio balances and participation

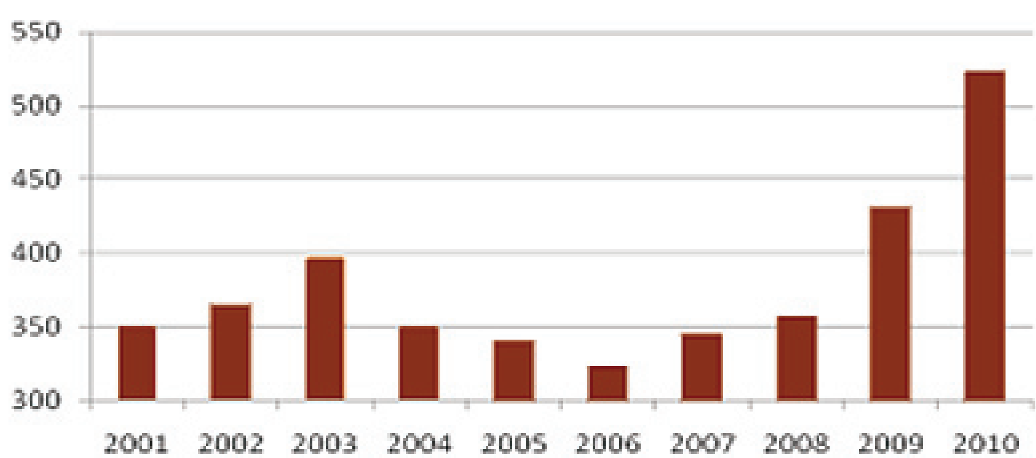
As illustrated in Figure 1, total One Portfolio balances continued to push higher through to the end of Q1 2010. Program balances ending Q1 2010 were $171M above the average Q1 ending balances for the previous 9 years and $100M over the same period ending Q1 2009. All Portfolio balances were higher at the end of Q1 2010 compared to Q1 2009. From the end of Q1 2009 to the end of Q1 2010 the Money Market Portfolio balance increased by $26M, the Bond Portfolio $46M, the Equity Portfolio $15M, and the Universe Corporate Bond Portfolio $13M.

Figure 1: One Investment Program Q1 Closing Balances (Millions $)



Average total One Program balances were similarly strong in Q1 2010 being $92M higher than the 2009 Q1 average and $160M higher than the 9 year average, see Figure 2 below.

Figure 2: Average One Investment Program Q1 Closing Balances



Portfolio Balance & Participation

Money Market Portfolio Investment by Municipal Deposit at Mar 31, 2010				
Investment	**Municipal Participants**	**Total Deposit in Range**	**Avg. Deposit in Range**	**% of Total Deposit**
Less than $100K	15	$626,474	$41,765	0.21%
$100K to $500K	15	$3,876,082	$258,405	1.30%
$500K to $1M	12	$8,297,402	$691,450	2.79%
$1M to $5M	19	$67,494,976	$3,552,367	22.69%
Greater than $5M	7	$217,156,038	$31,022,291	73.01%
Totals	68	$297,450,972		100.00%

Bond Portfolio Investment by Municipal Deposit at Mar 31, 2010				
Investment	**Municipal Participants**	**Total Deposit in Range**	**Avg. Deposit in Range**	**% of Total Deposit**
Less than $100K	4	$77,902	$19,476	0.05%
$100K to $500K	17	$4,980,351	$292,962	3.04%
$500K to $1M	5	$3,651,269	$730,254	2.23%
$1M to $5M	14	$30,711,563	$2,193,683	18.75%
Greater than $5M	11	$124,371,684	$11,306,517	75.93%
Totals	51	$163,792,769		100.00%

Equity Portfolio Investment by Municipal Deposit at Mar 31, 2010				
Investment	**Municipal Participants**	**Total Deposit in Range**	**Avg. Deposit in Range**	**% of Total Deposit**
Less than $100K	1	$23,750	$23,750	0.04%
$100K to $500K	1	$491,202	$491,202	0.79%
$500K to $1M	1	$806,548	$806,548	1.29%
$1M to $5M	8	$28,406,111	$3,550,764	45.55%
Greater than $5M	2	$32,636,325	$16,318,163	52.33%
Totals	13	$62,363,936		100.00%

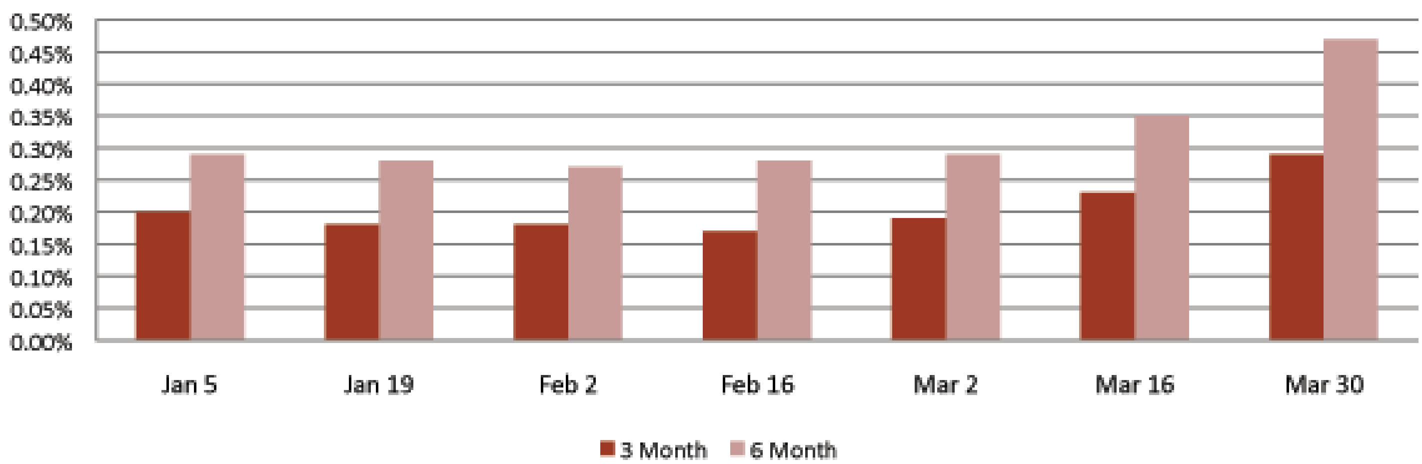
Corporate Bond Portfolio Investment by Municipal Deposit at Mar 31, 2010				
Investment	**Municipal Participants**	**Total Deposit in Range**	**Avg. Deposit in Range**	**% of Total Deposit**
Less than $100K	1	$74,190	$74,190	0.41%
$100K to $500K	0	$0	$0	0.00%
$500K to $1M	0	$0	$0	0.00%
$1M to $5M	0	$0	$0	0.00%
Greater than $5M	3	17,823,100	$5,941,033	99.59%
Totals	4	$17,897,290		100.00%

Combined One Investment by Municipal Deposit at Mar 31, 2010				
Investment	**Municipal Participants**	**Total Deposit in Range**	**Avg. Deposit in Range**	**% of Total Deposit**
Less than $100K	9	$308,612	$34,290	0.06%
$100K to $500K	17	$4,683,250	$275,485	0.86%
$500K to $1M	12	$9,215,575	$767,965	1.70%
$1M to $5M	30	$77,906,849	$2,596,895	14.39%
Greater than $5M	22	449,399,160	$20,427,235	82.99%
Totals	90	$541,513,446		100.00%

Portfolio Performance: Money Market

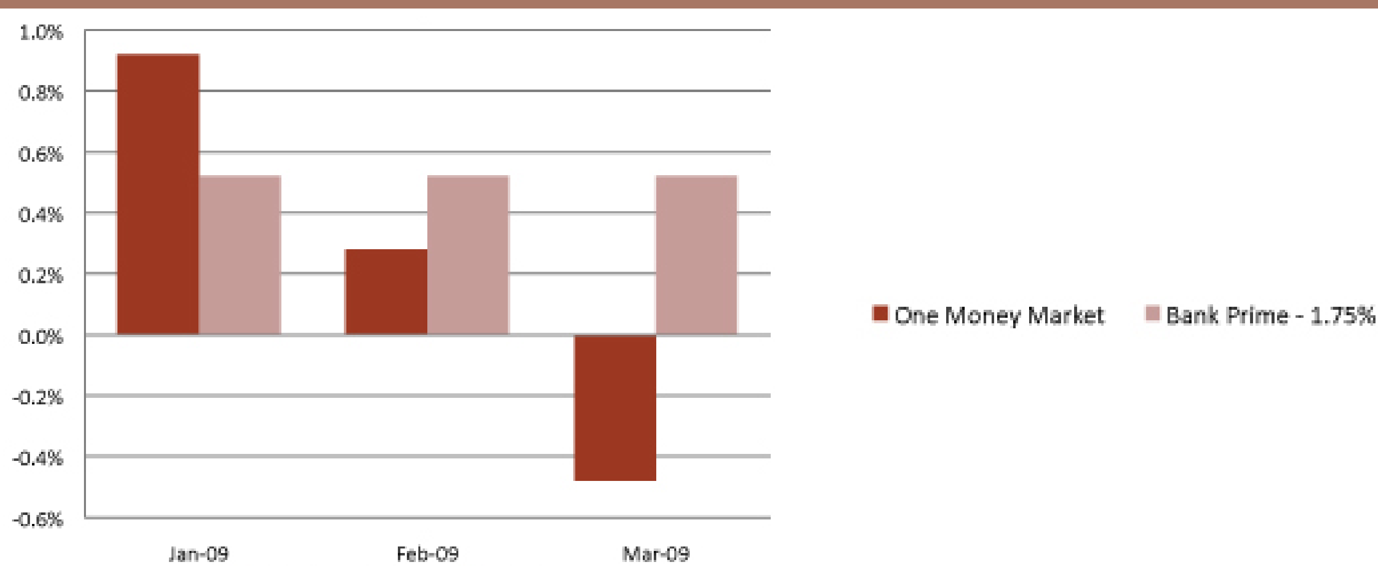
Following the historic low short term interest rates in 2009, the later stages of Q1 2010 saw sharp rate increases on both three and six month Treasury Bills. Figure 3 illustrates the three and six month Canadian T-bill average yields (as posted by the Bank of Canada). As short term rates increased marginally in February and more substantially in March 2010 the Money Market Portfolio experienced significant market value losses on the securities held in the portfolio. In March short term rate increases were of a magnitude that the market value loss outweighed the earned income such that a total return of -0.048 basis points was incurred by the portfolio. During the quarter the bank prime less 1.75% rate remained unchanged and accordingly that return was stable throughout the period.

Figure 3: Q1 Three- and Six-month Canadian Treasury Bill Yields



In January 2010 the Money Market Portfolio outperformed the bank Prime less 1.75% benchmark (the return commonly received by larger municipalities on overnight deposits) by 40 basis points. Two months of under-performance in comparison to the benchmark return of 24 and 100 basis points followed in February and March, respectively. Figure 4 represents the comparative returns for the Money Market Portfolio and Prime less 1.75% comparator. On the one year return however, the Money Market Portfolio continues to outpace the Prime less 1.75% alternative.

Figure 4: One Money Market vs. Prime Less 1.75%



Portfolio Performance: Bond

Similar to the case with the Money Market Porfolio, spiking two to five year bond yields from mid-February 2010 onward have sharply curtailed the Bond Portfolio's returns in later Q1. Figure 5 illustrates two, three, and five year Government of Canada bond yields for Q1 2010.

Figure 5: One Bond Portfolio One Year Returns for months ending 2007, 2008, 2009 & Q1 2010

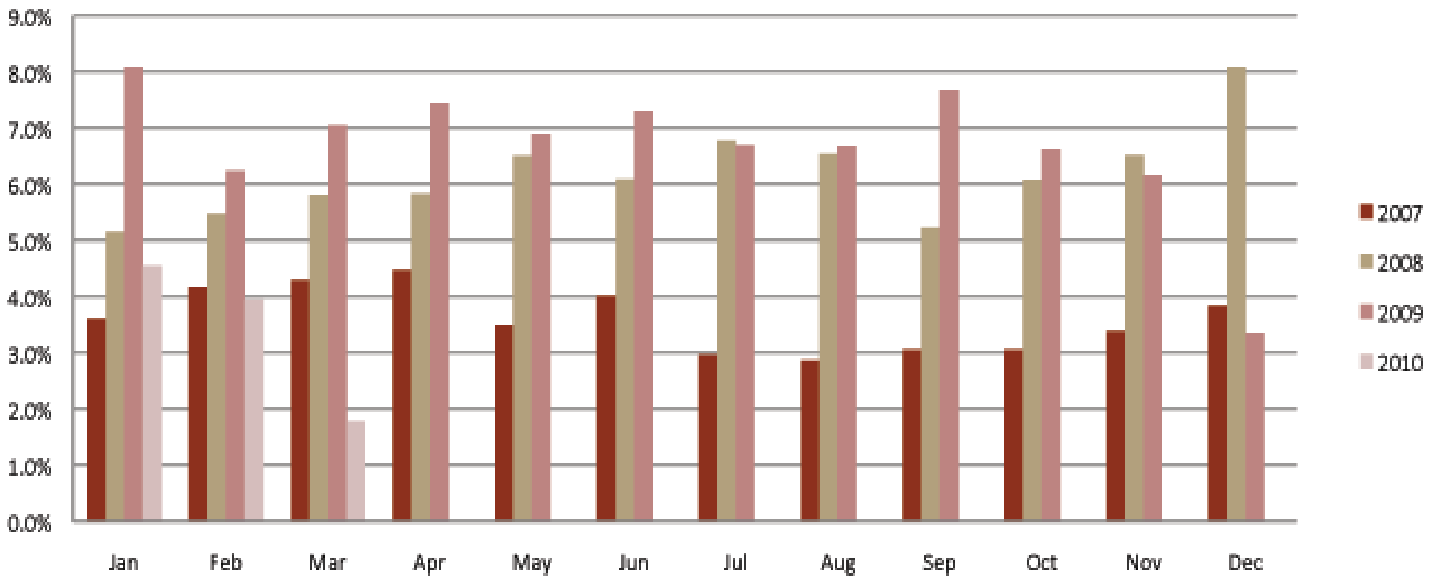
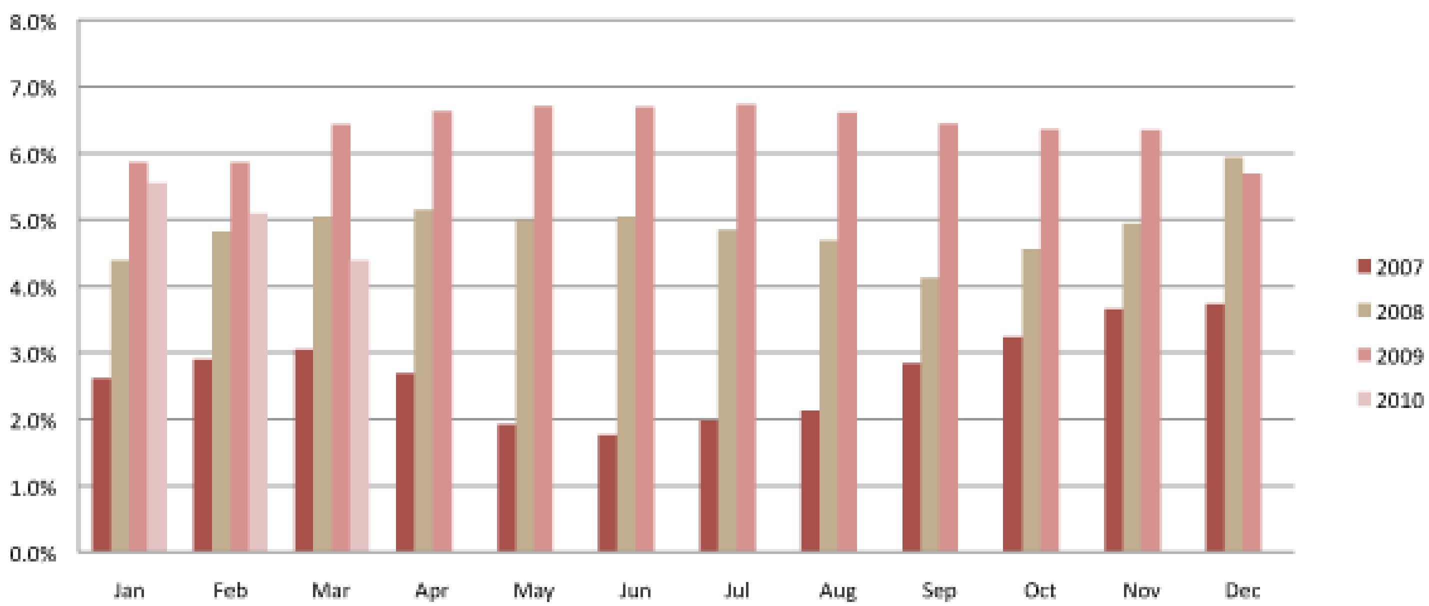
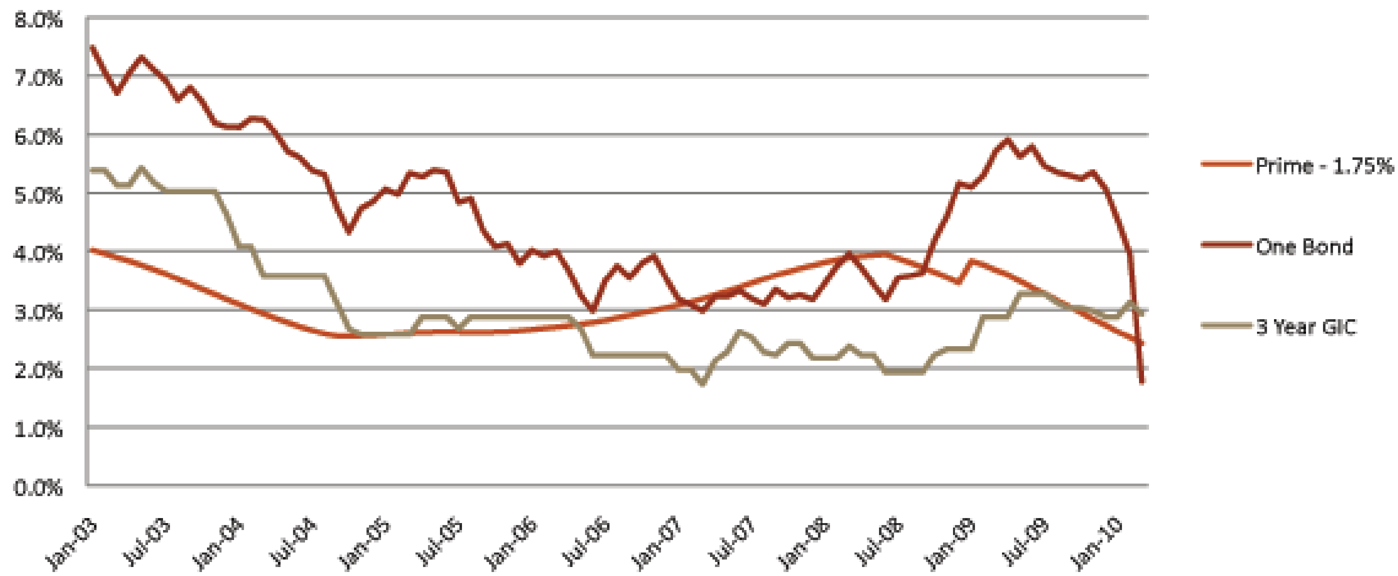


Figure 6: One Bond Portfolio Two Year Returns for Months Ending 2007, 2008, 2009 and Q1 2010



After falling slightly in the first weeks of 2010, Canada Bond yields have increased from these lows by 44%, 24% and 18% respectively for two, three, and five year issues. Accordingly the value of the bonds held in the One Bond Portfolio during that time took market losses, and as a result both one and two year portfolio returns started to retreat from prior year highs. One and two year Bond Portfolio returns for Q1 2010 and the previous three years are depicted in Figure 6 and 7.

Figure 7: Three Year Annualized Return Comparison - Prime less 1.75%, 3-year GIC and One Bond



At a recent meeting of the One Investment Program Advisory Committee, staff was asked to provide an additional view of Bond Portfolio performance. As such, Figure 7 is a comparison of Bond Portfolio returns to those received through a bank issued GIC.

Over the period from January of 2003 through March 2010 there were 87 three year month end terms represented in the data. As illustrated the Bond Portfolio had the highest return of the three measures in 67 of the periods or 77% of all occurrences. The Bond Portfolio had the lowest return of the group on only one occasion over the entire period.

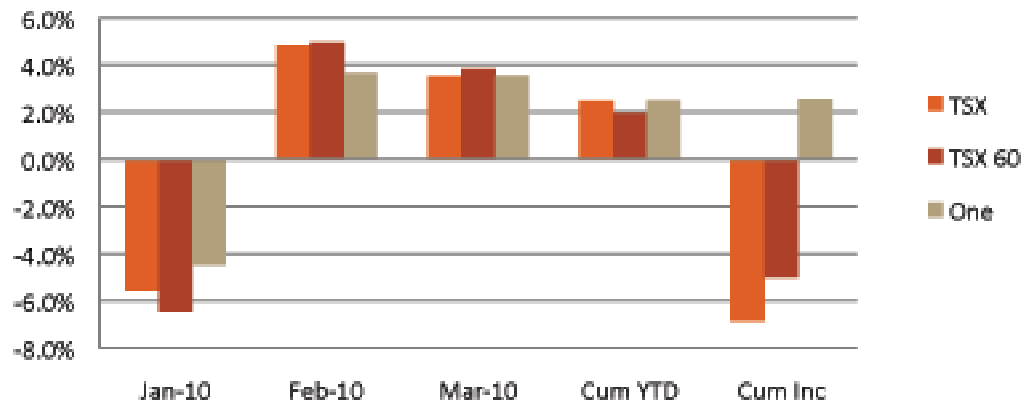
Table 1: Average Annualized Three Year Return From January 2003 Through March 2010	
Prime - 1.75%	2.78%
One Bond	4.13%
3 Year GIC	3.02%

Table 1 illustrates the average return over the seven years of data provided above for the three investment options. As noted, the Bond Portfolio has outperformed the three year GIC and the Prime less 1.75% options by 111 basis points and 135 basis points, respectively. Based on the average return rates presented above, a $100,000 investment in the Bond Portfolio returned $3,566 more than the GIC option and $4,318 more than the Prime less 1.75% options for an average three year period.

Portfolio Performance: Equity

Following poor January performance for the Canadian Equity markets as well as the One Equity Portfolio, improved markets in February and March brought Q1 2010 total performance into positive territory. The Equity Portfolio outperformed the TSX Composite Index for the quarter by three basis points and extended its out-performance since inception (at 2007) over the TSX Composite to 9.42% on a nominal basis.

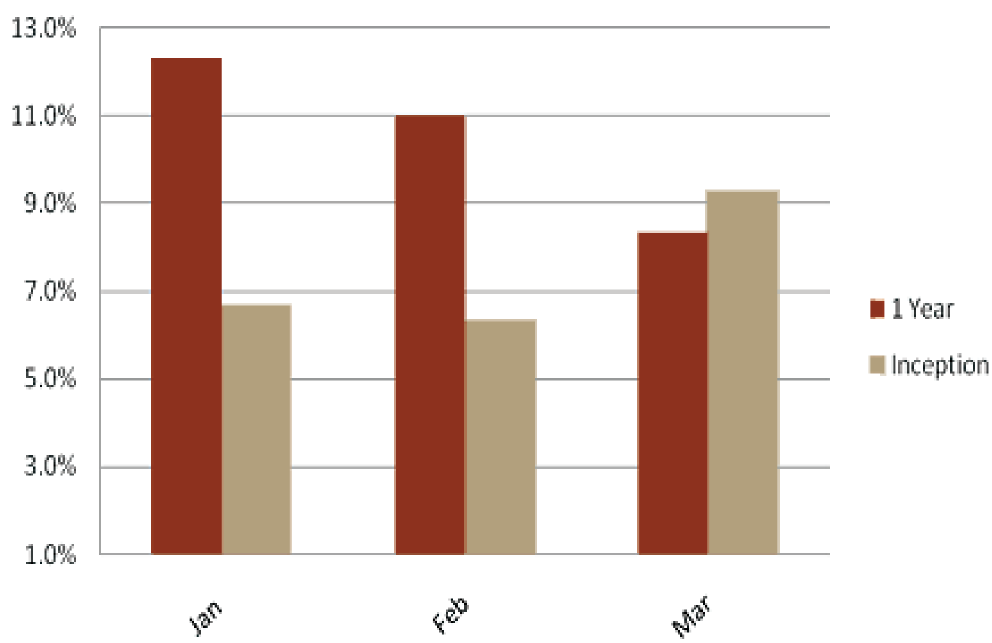
Figure 8: Equity Portfolio Q1 Monthly Cumulative YTD and since Inception Performance



Portfolio Performance: Universe Corporate Bond

Through Q1 2010 as shown in Figure 9 the One Corporate Bond Portfolio continued its exceptional performance compared to other investment options currently available to Ontario's municipal investors. The Portfolio Manager has positioned the portfolio holdings such that the portfolio is expected to sustain positive momentum as government interest rates begin to climb.

Figure 9: Q1 2010 One Universe Corporate Bond Returns

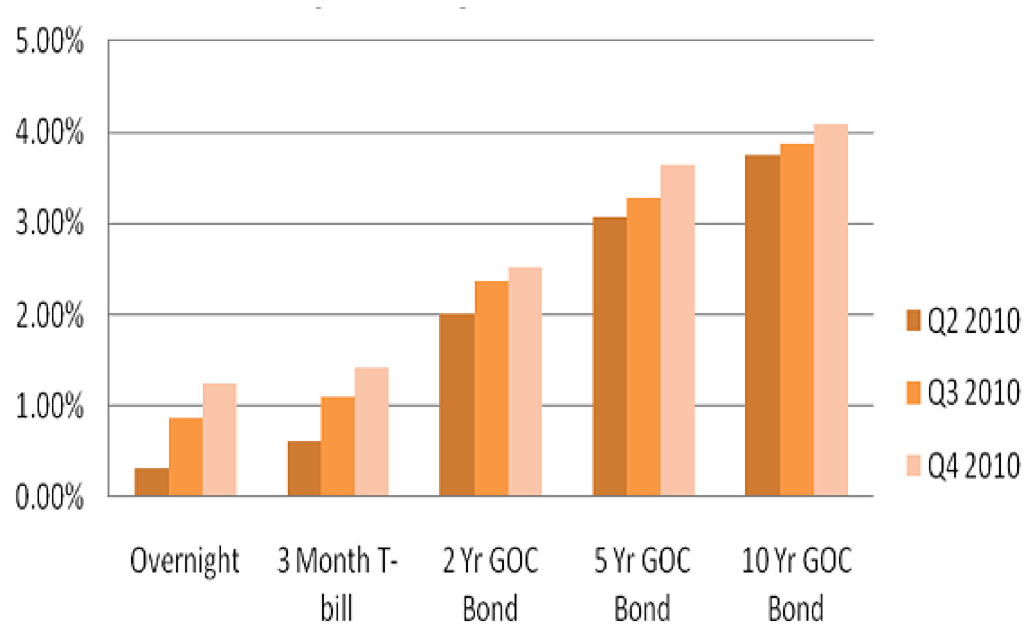


Economic Outlook

A survey of recent forecasts produced by the major Canadian Banks is depicted in the graph below. The banks are predicting rising government interest rates through 2010, with the shorter terms rising on a relative basis much more quickly.

The One Investment Program exercised significant diligence when selecting our two current Portfolio Managers, and by allowing the professional money managers to utilize their financial acumen to manage both risk and market conditions in such a challenging investment environment, should realize a positive benefit to all investors choosing to participate in the One Investment Program.

Figure 10: Interest Rate Forecasts Survey of Major Canadian Banks



Appendix A: Message from the Portfolio Managers

McLean Budden re: Fixed Income Portfolios

The domestic economic recovery has been surprisingly robust over the past few months, and in response, the Bank of Canada has prepared the market for a rise in administered interest rates this summer. Yet, despite this seemingly negative environment for money market and short-term bonds we remain very positive regarding the near-term prospects of fixed income assets managed within the One Money Market, Bond, and Corporate Bond Portfolios. Why? We anticipate growth to moderate going forward as inventory rebuilding and stimulative government spending subsides, and moderating economic growth is synonymous with falling interest rates and rising bond values.

Looking further afield, we see increasing economic hardships in Europe as the debt crisis in Greece and some neighboring countries continues. This situation will certainly result in slower global economic growth as governments must slash budgets in order to maintain financial viability. Until this crisis is resolved, our domestic fixed income market will continue to benefit as investors reallocate their investments to the security of high-quality bonds.

These factors continue to lead McLean Budden to believe that there is a positive environment for fixed income investments in the short-medium term.

Appendix A: Message from the Portfolio Managers

Guardian Capital re: Equity Portfolios

In just over a year we have perhaps witnessed one of the greatest reversals in market sentiment in history. In late 2008 and early 2009 the markets feared the worst with most commentators predicted a long recovery in both the economy and stock market. At that time, the markets seemed to be on edge about which stalwart financial institution would be next to announce they had financial difficulties. With this as a backdrop, it would have been hard to predict that what was to follow would be one of the sharpest stock market rallies in history and that this rally would be lead by renewed speculation and an increasing appetite for risk. On March 9, 2009 the S&P/TSX Composite bottomed and from that low to the end of April 2010 our market has gained 61%. As the world realized the financial system was not collapsing, bank stocks initially lead the rally, however, resource stocks, in particular those companies that previously had been shut out from the credit markets, carried the leadership forward. The rally has generally been described as a low quality rally. By way of illustration, from the market low to the end of April 2010 the BMO (weighted) Small Cap Index gained 123% while at the other end of the spectrum the S&P/TSX 60 Index (the largest 60 stocks in Canada) gained 55%.

In this environment, the Equity Portfolio of the One Investment Program has lagged in relative performance against its benchmark. However, our strategy is to control risk while holding quality companies that are reasonably priced. In controlling risk, we maintain prudent diversification by avoiding undue concentration in individual securities as well as individual sectors. This approach has clearly been out of favour of late. Over time, however, our experience (and data) has shown that quality companies provide a superior rate of return with considerably less risk.

To create value for the municipal and public sector clients invested in the One Investment Program Equity Portfolio, Guardian Capital looks past current market trends and builds a portfolio based on well established, quality businesses, with strong balance sheets, and sound management. Our portfolio holdings demonstrate our commitment to quality; consider, for example, Canadian National Railway - thought to be one of the best rail companies in North America, SNC-Lavalin - a global engineering company, Viterra - a global grain handler, Fortis - a growing and global electrical utility, and Tim Horton's - well known in Canada but with attractive growth plans for the US market. Such stocks lagged in the recent rally but these companies should provide steady and reliable growth resulting in the long term creation of wealth.

In addition, risk control is central to our investment process - indeed, the Equity Portfolio Benchmark has been constructed to reduce the impact of the high resource weight in the S&P/TSX Composite Index. Looking ahead, we see many headwinds that could disrupt the economy such as the withdrawal of stimulus, inflation, higher interest rates, and sovereign debt problems, particularly in Europe. To meet these challenges, we have built a portfolio of strong companies that should over time deliver superior results with less risk, consistent with a prudent public sector investment strategy.