

**Treasurer of State**

Schedule H-10  
 Securities Lending Program — GASB No. 28 and 40 Disclosures  
**State Funds — Regular Account**  
**(Excluding the Lottery Commission's Structured Investment Portfolio)**  
 As of June 30, 2012

| I<br>T<br>E<br>M | Type of Investment<br>Out on Loan -----><br>(Please specify Other Investment<br>Types Out on Loan in Column (C))  | (A)<br>U.S. Government<br>Obligations<br>(excluding<br>investments in Strips) | (B)<br>U.S. Agency and<br>Instrumentality<br>Obligations<br>(excluding investments<br>in Strips) | (C)                                      | (D)<br>Continue to . . .              |
|------------------|---|---|--|--|---------------------------------------|
| 1.               | Risk Category <sup>A</sup> Originally Assigned to Underlying Investments Out on Loan (Investment Risk Categories broken out by dollar <b>cost-based valuation</b> ):<br><br>Not Exposed to Custodial Credit Risk.....<br>Held by the Counterparty and not in the State's Name.....<br>Held by the Counterparty's Trust Department or Agent and not in the State's Name .....<br><br>Total (stated @ cost) as of June 30, 2012 ..... | \$ 49,981,133.34<br><br><br><br><br><br>\$ 49,981,133.34                      | \$ 1,061,876,840.00<br><br><br><br><br><br>\$ 1,061,876,840.00                                   | \$ .....<br><br><br><br><br><br>\$ ..... |                                       |
| 2.               | <b>Fair Value</b> of Underlying Investments Out on Loan broken out by Investment Risk Categories<br><br>Not Exposed to Custodial Credit Risk.....<br>Held by the Counterparty and not in the State's Name.....<br>Held by the Counterparty's Trust Department or Agent and not in the State's Name .....<br><br>Total (stated @ fair value) as of June 30, 2012 .....   | \$ 49,989,500.00<br><br><br><br><br><br>\$ 49,989,500.00                      | \$ 1,062,233,989.39<br><br><br><br><br><br>\$ 1,062,233,989.39                                   | \$ .....<br><br><br><br><br><br>\$ ..... |                                       |
| 3.               | General Disclosures.....  |   |  |  | SCHEDULE H-10,<br>PAGES 2-3, PART I   |
| 4.               | Value of Underlying Investments Out on Loan for which <i>Cash Was Received as Collateral</i> :<br><br><i>Stated @ Cost</i> .....<br><i>Stated @ Fair Value</i> .....  | \$ 49,981,133.34<br>\$ 49,989,500.00  | \$ 1,061,876,840.00<br>\$ 1,062,233,989.39   | \$ .....<br>\$ .....                     | SCHEDULE H-10,<br>PAGE 4,<br>PART II  |
| 5.               | Value of Underlying Investments Out on Loan for which <i>Securities Received as Collateral Can be Sold or Pledged without Borrower Default</i> , in accordance with the Loan Contract:<br><br><i>Stated @ Cost</i> .....<br><i>Stated @ Fair Value</i> .....  | \$ 0.00<br>\$ 0.00  | \$ 0.00<br>\$ 0.00   | \$ .....<br>\$ .....                     | SCHEDULE H-10,<br>PAGE 4,<br>PART III |
| 6.               | Value of Underlying Investments Out on Loan a.) in <i>Exchange for Letter(s) of Credit</i> or b.) for which <i>Securities Received as Collateral Cannot be Sold or Pledged</i> :<br><br><i>Stated @ Cost</i> .....<br><i>Stated @ Fair Value</i> .....  | \$ 0.00<br>\$ 0.00  | \$ 0.00<br>\$ 0.00   | \$ .....<br>\$ .....                     | SCHEDULE H-10,<br>PAGE 4,<br>PART IV  |

<sup>A</sup> Investment custodial credit risk categories are defined in GASB No. 40, ¶ 9.  
*Not Exposed to Custodial Credit Risk* includes investments that were insured or registered in the State's name; securities held by the TOS or a TOS agent in the State's name; and investments that were uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name. (NOTE: Balances reported in this row are not required to be disclosed in the notes to the financial statements; however, this row has been included so as to allow all investments to be accounted for on this schedule.)  
*Held by the Counterparty and not in the State's Name* includes investments that were uninsured and unregistered, with securities held by the counterparty but not in the State's name. (GASB 40, ¶ 9a.)  
*Held by the Counterparty's Trust Department or Agent and not in the State's Name* includes investments that were uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the State's name. (GASB 40, ¶ 9b.)

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Schedule H-10  
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As of June 30, 2012  
(Continued, page 2)

**PART I. GENERAL DISCLOSURES**

Please provide the following information for securities lending activities affecting the State's Regular Account (excluding the Lottery Commission's Structured Investment Portfolio).

1. What is the source of legal or contractual authorization for the Treasurer of State's use of securities lending transactions for this program? (GASB No. 28, ¶11)

Securities Lending Agency Agreement between the Treasurer of State of Ohio and KeyBank National Association dated February 18, 2005 as amended on June 14, 2007, February 29, 2008, April 2, 2008, May 5, 2008, October 7, 2009 and February 3, 2010.

Ohio Revised Code 135.143

2. Were there any significant violations of those provisions that occurred during fiscal year 2012? (GASB No. 28, ¶11)

\_\_\_\_\_ Yes       X  No

If yes, please give details of the violation(s) below.

3. Generally, during fiscal year 2012 (GASB No. 28, ¶12):

- a. What types of securities were lent?

US Government Obligations (Excluding Strips) and US Agency & Instrumentality Obligations (Excluding Strips)

- b. What types of collateral were received?

Cash

- c. Do the loan contracts specifically allow the Treasurer to pledge or sell collateral securities without borrower default?

\_\_\_\_\_ Yes       X  No

If yes, please complete PART III below. If no, please complete PART IV below.

- d. What is the amount by which the value of the collateral provided is required to exceed the value of the underlying securities out on loan?

2 \* percent of the market value of the underlying securities

\*The 2 percent is required at the time of the loan. At no point in time can the value of the collateral be less than 100% of the value of the underlying securities on loan.

- e. What are the restrictions, if any, on the amount of loan contracts that can be made?

There are currently no restrictions on the amount of loan contracts that can be made.

- f. Is there any loss indemnification provided to the Treasurer's Office by its securities lending agents?

X  Yes      \_\_\_\_\_ No

If yes, please describe the arrangement below.

"The securities lending agent shall indemnify the Treasurer for any losses resulting from either the default of the borrower or any violation of this policy." (Page 10 of the State Treasury Securities Lending Policy dated December 1, 2009)

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**PART I. GENERAL DISCLOSURES (Continued)**

4. Do the maturities of the investments made with cash collateral generally match the maturities of their securities loans? If so, what is the extent of such matching at June 30, 2012? Please describe below. (GASB No. 28, ¶13)

As of June 30, 2012, the weighted average maturity of all loans was 7.58 days, while the weighted average maturity of all collateral was 16.34 days.

5. What is the amount of **credit risk**, if any, related to the securities lending transactions at June 30, 2012?

**Credit risk** is calculated as the aggregate of the Treasurer's exposure to individual borrowers or on individual loans, depending on whether individual loans to the same borrower can be aggregated for purposes of offset in the event of default. A lender has exposure if the amount a borrower owes the lender exceeds the amount the lender owes the borrower.

The amount the borrower owes the lender includes the market value of the underlying securities (including accrued interest), unpaid income distributions on the underlying securities, and accrued loan premiums or fees. The amount the lender owes the borrower includes the cash collateral received, the market value of collateral securities (including accrued interest), the face value of letters of credit, unpaid income distributions on collateral securities, and accrued borrower rebates.

Given the definition above, please describe the State's situation (GASB No. 28, ¶14) with respect to credit risk.

Per the information available on the following page titled "Amount of Credit Risk", the lender owes each borrower more than each borrower owes the lender; therefore, there is no credit risk to the lender as of June 30, 2012.

6. What was the amount of losses on securities lending transactions during fiscal year 2012 resulting from the default of a borrower or lending agent?

\$ 0.00

7. What was the amount of recoveries during fiscal year 2012 from prior-period losses?

\$ 0.00

8. What were the costs of securities lending transactions during fiscal year 2012 for the following:

Borrower rebates? \$ 2,201,682.42

Agent fees? \$ 590,225.58

9. How are the above costs recorded in the OAKS System? Are they netted against investment earnings deposited in OAKS Fund 6080 or other receipts recorded on the OAKS against other funds? Or, are the costs recorded as cash disbursements on the OAKS? Please explain the mechanics below and cite specific OAKS funds affected.

Costs are netted against earnings. Investment earnings are posted to OAKS fund 4E90.

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**Part 1.5**

**Amount of Credit Risk**

As of June 30, 2012

|                           | Lender Owes to Borrower    |                      |                     |                                      | Borrower Owes to Lender            |                      |                  |                                      | Total Amount Lender Owes to Borrower – Total Amount Borrower Owes to Lender |
|---------------------------|----------------------------|----------------------|---------------------|--------------------------------------|------------------------------------|----------------------|------------------|--------------------------------------|---|
|                           | Cash Collateral            | Unpaid Distributions | Accrued Rebates     | Total Amount Lender Owes to Borrower | Market Value of Securities on Loan | Unpaid Distributions | Accrued Premiums | Total Amount Borrower Owes to Lender |   |
| BNP Paribas               | \$ 97,677,500.00           | \$ -                 | \$ 2,604.73         | \$ 97,680,104.73                     | \$ 95,703,812.50                   | \$ -                 | \$ -             | \$ 95,703,812.50                     | \$ 1,976,292.23   |
| Deutsche Bank             | 178,455,250.00             | -                    | 22,754.01           | 178,478,004.01                       | 174,957,350.00                     | -                    | -                | 174,957,350.00                       | \$ 3,520,654.01   |
| Goldman Sachs & Co        | 127,478,750.00             | -                    | 2,443.34            | 127,481,193.34                       | 124,979,000.00                     | -                    | -                | 124,979,000.00                       | \$ 2,502,193.34   |
| HSBC Securities (USA) Inc | 174,463,860.00             | -                    | 37,360.90           | 174,501,220.90                       | 171,040,259.14                     | -                    | -                | 171,040,259.14                       | \$ 3,460,961.76   |
| JP Morgan Securities      | 2,045,000.00               | -                    | 34.08               | 2,045,034.08                         | 2,001,640.00                       | -                    | -                | 2,001,640.00                         | \$ 43,394.08  |
| Merrill Lynch PFS         | 40,838,250.00              | -                    | 952.89              | 40,839,202.89                        | 40,014,400.00                      | -                    | -                | 40,014,400.00                        | \$ 824,802.89   |
| Morgan Stanley & Co       | 166,769,579.50             | -                    | 4,169.24            | 166,773,748.74                       | 163,485,077.75                     | -                    | -                | 163,485,077.75                       | \$ 3,288,670.99   |
| Nomura Securities, Inc.   | 178,500,000.00             | -                    | 17,850.00           | 178,517,850.00                       | 174,998,500.00                     | -                    | -                | 174,998,500.00                       | \$ 3,519,350.00   |
| RBS Securities Inc        | 168,437,500.00             | -                    | 3,509.12            | 168,441,009.12                       | 165,033,450.00                     | -                    | -                | 165,033,450.00                       | \$ 3,407,559.12   |
| <b>TOTAL</b>              | <b>\$ 1,134,665,689.50</b> | <b>\$ -</b>          | <b>\$ 91,678.31</b> | <b>\$ 1,134,757,367.81</b>           | <b>\$ 1,112,213,489.39</b>         | <b>\$ -</b>          | <b>\$ -</b>      | <b>\$ 1,112,213,489.39</b>           | <b>\$ 22,543,878.42</b>   |

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**PART II. CASH COLLATERAL RECEIVED**

1. What was the balance of cash collateral received in exchange for the underlying securities that are out on loan, as of June 30, 2012?

\$ 1,134,665,689.50

2. What dollar amount of the cash collateral amount reported above was used to purchase investments that were held by the Treasurer, as of June 30, 2012?

\$ 1,134,665,689.50 If the cash collateral, or any portion thereof, has been invested in securities, as of June 30, 2012, **please complete Schedule H-10 (a). Instructions for completing this schedule precede the schedule.**

3. What dollar amount of the cash collateral amount reported above was placed in financial institutions by the Treasurer, as of June 30, 2012?

\$ 0.00 If the cash collateral, or any portion thereof, was on deposit with financial institutions, as of June 30, 2012, **please complete Schedule H-10 (b). Instructions for completing this schedule precede the schedule.**

**PART III. COLLATERAL SECURITIES RECEIVED THAT CAN BE SOLD OR PLEDGED WITHOUT BORROWER DEFAULT**

1. What was the fair value of collateral securities, as of June 30, 2012, received by the Treasurer that can be sold or pledged without borrower default in accordance with their respective loan contracts? Please note that the value is generally greater than the carrying amount of the underlying securities that were exchanged for the collateral (e.g., 102 percent of the underlying securities).

\$ 0.00 If a balance is reported here, **please complete Schedule H-10 (c). Instructions for completing this schedule precede the schedule.**

**PART IV. LETTERS OF CREDIT AND COLLATERAL SECURITIES RECEIVED THAT CANNOT BE SOLD OR PLEDGED**

1. On Schedule H-10 (d), please categorize the carrying amounts (stated at fair value) of the underlying securities out on loan in exchange for letters of credit or collateral securities that cannot be sold or pledged, as reported on Schedule H-10, page 1, Item 6.

The underlying securities on loan should be classified by category of custodial credit risk on the basis of the type of collateral and the custodial arrangements for the collateral securities and letters of credit (GASB No. 40, ¶10c.). Please refer to the Illustration of Note Disclosures for Securities Lending Transactions — Securities and Letters of Credit Received as Collateral in Appendix C, Illustration 10, Example B, p. 54 of GASB Statement No. 40.

Prepared by: Denise Blain

Phone Number: (614) 466-8046 Date: July 19, 2012

Source(s) of Information Used to Complete Schedule: State Treasury Securities Lending Policy, Securities Lending reporting provided by the Lending Agent and the Custodian, and Treasurer of State Reporting.