



In accordance with the District's Investment Policy, the second quarter 2010 investment results have been prepared. The average rate of return during the quarter decreased 21 basis points to 1.86% on an average invested balance of \$414,293,803. During the same period, the average yield on the State's Local Government Investment Pool (LGIP) increased 1 basis point to .27% and the average yield on the three month Treasury Bill increased 4 basis points to .15%. In comparison, the average effective maturity of the District's portfolio is 411 days versus 48 days for LGIP and 90 days for T-Bills.

The District's investment performance is reflective of the current state of economic conditions and capital markets. The second quarter proved to be one of negative headlines and economic indicators; a sovereign country required a bailout to avoid defaulting on debt, a massive oil spill in the Gulf of Mexico, and job reports indicating less than expected growth. Those events helped push US Treasury securities to record low yields. In addition to market rates being low, most banks began lowering the yield on NOW accounts to gradually comply with the FDIC requirement of maximum interest being .25% by July 1, 2010.

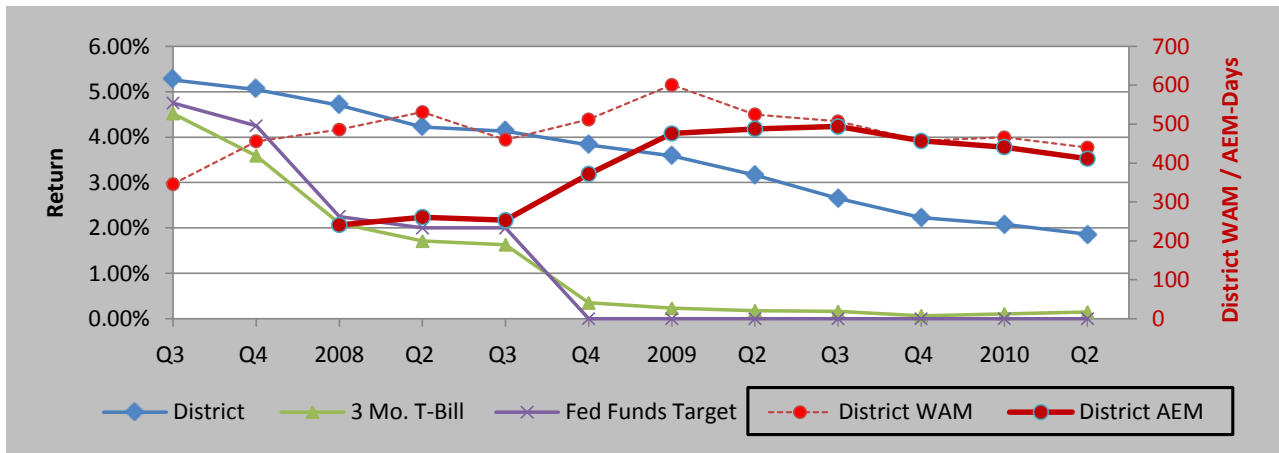
The FOMC minutes from June 23, 2010 show that the Fed maintained the target fed funds rate of 0.0% to .25%, and conditions are likely to warrant the rate being low for an extended period. Financial conditions have become less supportive of growth, bank lending continues to contract, and underlying inflation has trended lower.

**Portfolio Summary:**

	Quarterly Return	WAM / AEM*	Interest Earned in the Quarter	Avg Invested Balance
District:	1.86%	440/ 411	\$ 1,924,089	\$ 414,293,803
3 Month T-Bill:	0.15%	90		
LGIP:	0.27%	48		
Fed Funds Target:	0.0 - .25%			

\*Average Effective Maturity- weighted average maturity adjusted for securities expected to be called

**Twelve Quarter Historical Return and District WAM / AEM**





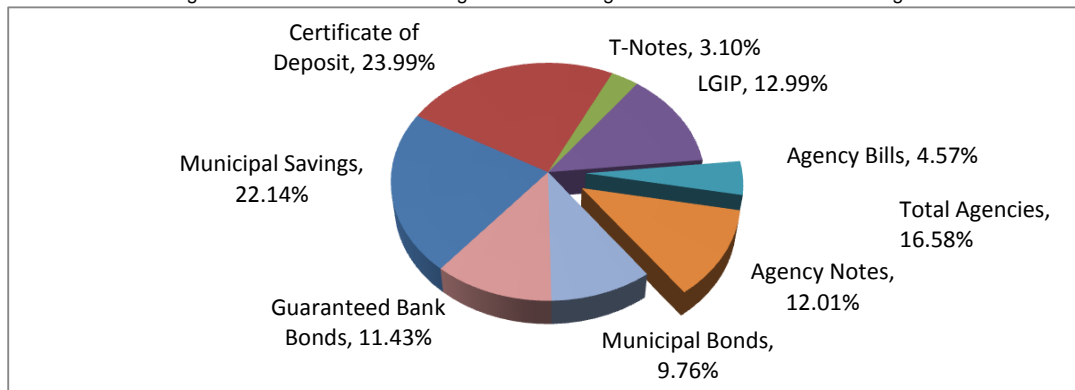
**Quarterly Investment Report**  
for the quarter ending June 30, 2010

**Portfolio Diversification:**

As of 6/30/10

	Book Value	% of Portfolio	% Limit	Avg. Yield	WAM
Municipal Savings:	\$ 91,661,980	22.14%	50%	0.31%	1
Certificate of Deposit:	\$ 99,325,617	23.99%	75%	2.67%	488
T-Notes:	\$ 12,841,138	3.10%	100%	2.15%	3719
LGIP:	\$ 53,789,805	12.99%	15%	0.30%	1
Agency Bills:	\$ 18,921,897	4.57%	30%	6.74% *	62
Agency Notes:	\$ 49,729,214	12.01%		491	
Municipal Bonds:	\$ 40,396,964	9.76%	30%	2.89%	929
Guaranteed Bank Bonds	\$ 47,304,277	11.43%	30%	1.00%	479
Commercial Paper:	\$ -	0.00%	25%	-	-
<b>Total:</b>	<b>\$ 413,970,891</b>	<b>100%</b>		<b>1.77%</b>	<b>440</b>

\* higher rate due to securities being delivered through Forward Purchase and Sale Agreements



**Portfolio Maturity/ Yield Distribution :**

As of 6/30/10

Maturity	Par Value	% of Portfolio	Cumulative % of Portfolio	Avg. Yield
1-90	\$ 29,000,000	7.04%	7.04%	1.54%
91-180	\$ 25,712,438	6.24%	13.29%	1.84%
181-365	\$ 61,213,179	14.86%	28.15%	1.76%
1-2 Yrs	\$ 60,865,000	14.78%	42.93%	1.64%
2-3 Yrs	\$ 41,870,000	10.17%	53.10%	3.51%
3-4 Yrs	\$ 23,600,000	5.73%	58.83%	3.67%
4-5 Yrs	\$ -	0.00%	58.83%	-
5+ Yrs	\$ 24,090,120	5.85%	64.68%	6.25%
Variable Rate	\$ -	0.00%	64.68%	-
LGIP	\$ 53,789,805	13.06%	77.74%	0.30%
Municipal Savings <sup>1</sup>	\$ 91,661,980	22.26%	100.00%	0.31%

**Total: \$ 411,802,522 1.77%**

Table Includes expected calls

1-Includes cash in banks (not including CDs)

## Investment Types

*All investment types listed below are authorized by the State Investment Board and the RCW's*

**Bankers Acceptance (BA)** - time draft or bill of exchange drawn on a bank and accepted by that bank. The draft is stamped "accepted" and signed by a bank officer. By accepting the draft, the bank agrees to pay the face value of the obligation if the issuer fails to pay. Maturities generally last from 30 to 180 days.

**Commercial Paper (CP)** - short term unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from 2 to 270 days, that is a promissory note of the issuer used to finance current obligations.

**Federal Agency Securities (Agency)** - interest bearing debt securities of U.S. departments and agencies which include the 12 Federal Home Loan Banks, the Federal National Mortgage Association, and the Federal Housing Authority. Examples of Agency types include: Fannie Mae (FNMA, FNDN), Freddie Mac (FHLMC, FMCDN), Federal Home Loan Bank (FHLB, FHDN) and Federal Farm Credit Bank Notes (FFCB).

**Forward Purchase and Sale Agreement (FPSA)** - contract that provides for the delivery of specific types of securities on specified future dates at fixed yields.

**Guaranteed Bank Bonds**-Debt securities issued by a financial institution that are guaranteed by an agency of the federal government as allowed by RCW 39.60.050.

**Local Government Investment Pool (LGIP)** - funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment. These funds are completely liquid, there is no required holding period or fixed maturity date.

**Long Term REPO (L-T REPO)** - contract to sell and subsequently repurchase securities at a specified date and price, with maturities of longer than 30 days.

**Municipal Bank Accounts** - funds from political subdivisions that are placed in the custody of Cashmere Valley Bank, Banner Bank, Sterling Savings Bank, Bank of America and Washington Trust Bank for investment. These funds are completely liquid, there is no required holding period or fixed maturity date. Funds in excess of FDIC limits are insured through the Public Deposit Protection Commission.

**Municipal Bonds** - Debt (bonds, notes, warrants, etc) issued by a state or local government or municipality as authorized by RCW 39.59.020.

**Repurchase Agreement (REPO)** - contract to sell and subsequently repurchase securities at a specified date and price, with maturities of no longer than 30 days.

**Treasury Bills (T-Bill)** - short-term U.S. Treasury security with maturities of 13, 26, or 52 weeks.

**Treasury Notes (T-Note)** - intermediate-term, coupon bearing U.S. Treasury securities having initial maturities of less than 10 years and paying interest semiannually.