



In accordance with the District's Investment Policy, the fourth quarter 2009 investment results have been prepared. The average rate of return during the fourth quarter decreased 42 basis points to 2.23% on an average invested balance of \$412,055,860. During the same period, the average yield on the State's Local Government Investment Pool (LGIP) decreased 19 basis points to .36% and the average yield on the three month Treasury Bill decreased 9 basis points to .07%. In comparison, the average effective maturity of the District's portfolio is 457 days versus 58 days for LGIP and 90 days for T-Bills.

The investment results reflect the District's investment policy for diversification and the current state of the US financial markets. Given the financial environment, the District has increased its cash holdings in an effort to stabilize average effective maturity and reduce exposure to interest rate risk.

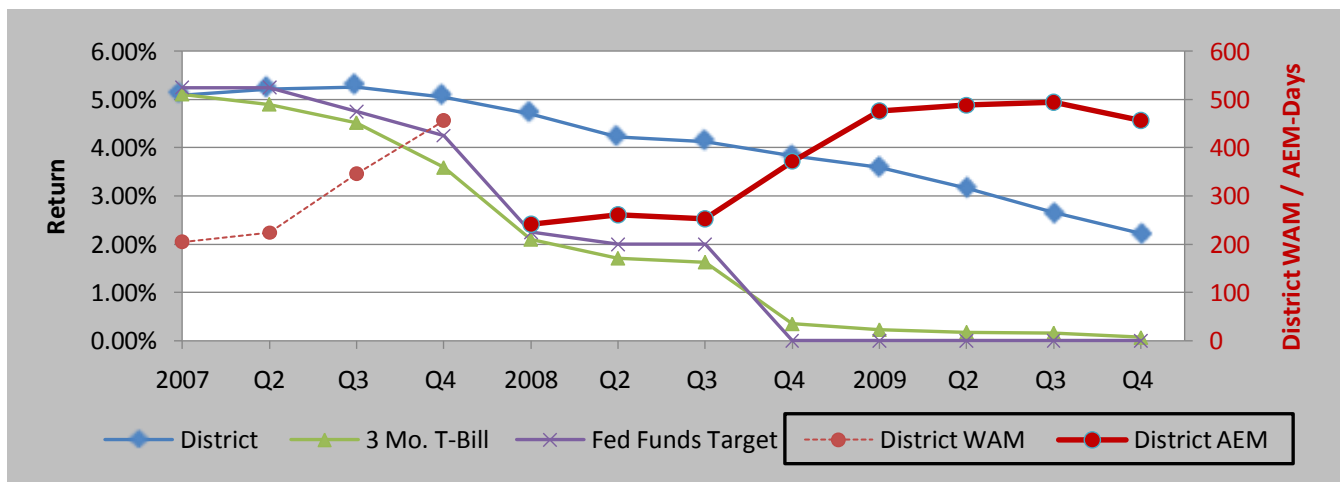
The FOMC minutes from December 16, 2009 show that the Fed maintained the target fed funds rate of 0.0% to .25%, and conditions are likely to warrant the rate being low for an extended period. Household spending appears to be expanding moderately, though it is constrained by a weak labor market, modest income growth, lower housing wealth, and tight credit. Financial market conditions have become more supportive of economic growth, but economic activity is likely to remain weak for a time.

Portfolio Summary:

| | Return | AEM* | Interest Earned In Q4 2009 | Avg Invested Balance |
|-------------------|------------|------|-------------------------------|----------------------|
| District: | 2.23% | 457 | \$ 2,315,293 | \$ 412,055,860 |
| 3 Month T-Bill: | 0.07% | 90 | | |
| LGIP: | 0.36% | 58 | | |
| Fed Funds Target: | 0.0 - .25% | | | |

*Average Effective Maturity- weighted average maturity adjusted for variable interest rate resets and expected calls, shown in days

Twelve Quarter Historical Return and District WAM / AEM



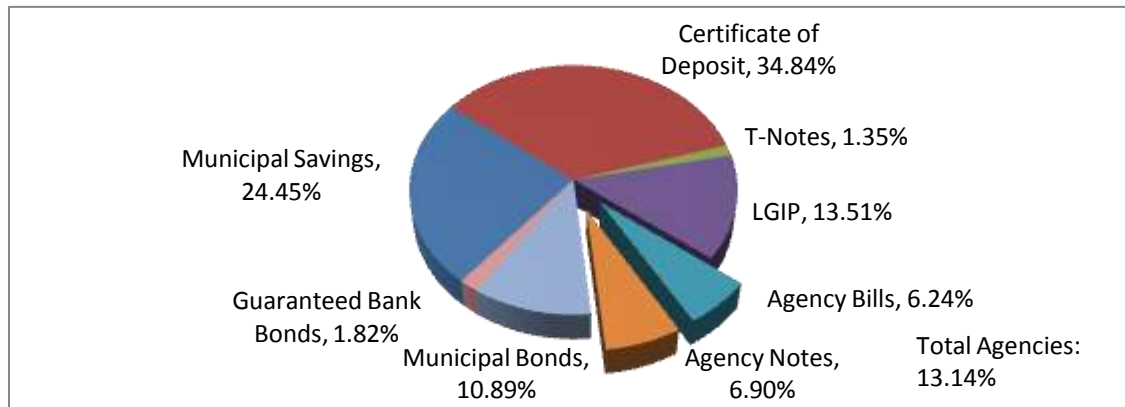
Beginning in Q1 2008, the weighted average maturity (WAM) has been restated as average effective maturity (AEM) to better reflect the effects of variable interest rate resets and callable securities on the portfolio.



Quarterly Investment Report
for the quarter ending December 31, 2009

Portfolio Diversification:

| | Book Value | % of Portfolio | % Limit | Average YTM | AEM |
|-------------------------|-----------------------|----------------|---------|--------------|------------|
| Municipal Savings: | \$ 105,827,217 | 24.45% | 75% | 0.50% | 1 |
| Certificate of Deposit: | \$ 150,809,681 | 34.84% | 75% | 2.91% | 485 |
| T-Notes: | \$ 5,837,727 | 1.35% | 100% | 4.14% | 7973 |
| LGIP: | \$ 58,475,330 | 13.51% | 15% | 0.30% | 1 |
| Agency Bills: | \$ 27,005,806 | 6.24% | 30% | 6.30% | 39 |
| Agency Notes: | \$ 29,884,422 | 6.90% | | 6.30% | 615 |
| Municipal Bonds: | \$ 47,126,566 | 10.89% | 30% | 2.94% | 974 |
| Guaranteed Bank Bonds | \$ 7,863,278 | 1.82% | 25% | 1.63% | 513 |
| Commercial Paper: | \$ - | 0.00% | 25% | - | - |
| Total: | \$ 432,830,025 | 100% | | 2.23% | 457 |



Portfolio Maturity Structure:

| Time to Maturity | Maturing Par Value | % of Portfolio | Cumulative % of Portfolio | Yield |
|--------------------------------|-----------------------|----------------|---------------------------|-------|
| 1-30 | \$ 300,000 | 0.07% | 0.07% | - |
| 31-60 | \$ 22,059,681 | 5.36% | 5.43% | 5.14% |
| 61-90 | \$ 17,500,000 | 4.25% | 9.69% | 0.86% |
| 91-180 | \$ 18,000,000 | 4.37% | 14.06% | 1.72% |
| 180-365 | \$ 39,750,000 | 9.66% | 23.72% | 1.61% |
| 1-2 Yrs | \$ 65,285,110 | 15.86% | 39.58% | 2.06% |
| 2-3 Yrs | \$ 46,915,000 | 11.40% | 50.98% | 3.77% |
| 3-4 Yrs | \$ 22,980,000 | 5.58% | 56.56% | 3.37% |
| 4-5 Yrs | \$ 9,515,000 | 2.31% | 58.88% | 3.82% |
| 5+ Yrs | \$ 24,065,000 | 5.85% | 64.72% | 6.13% |
| Variable Rate | \$ - | 0.00% | 64.72% | - |
| Municipal Savings ¹ | \$ 164,302,547 | 35.28% | 100.00% | 0.42% |
| Total: | \$ 430,672,338 | | | |

Table includes expected calls.

¹-Includes cash in banks (not including CDs) and the Local Government Investment Pool

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 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 (CVB/BB/WTB) - funds from political subdivisions that are placed in the custody of Cashmere Valley Bank, Banner Bank 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 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



CHELAN COUNTY

Supplement to the Quarterly Investment Report for the quarter ending December 31, 2009

| Time to Maturity | Maturing Par Value | |
|-------------------|-----------------------|--------------|
| 1-30 | \$300,000 | |
| | Municipal Bonds | \$300,000 |
| 31-60 | \$22,059,681 | |
| | Bank CD | \$22,059,681 |
| 61-90 | \$17,500,000 | |
| | Bank CD | \$17,500,000 |
| 91-180 | \$18,000,000 | |
| | Municipal Bonds | \$6,000,000 |
| | Bank CD | \$12,000,000 |
| 180-365 | \$39,750,000 | |
| | Bank CD | \$31,750,000 |
| | Municipal Bonds | \$8,000,000 |
| 1-2 Yrs | \$65,285,110 | |
| | Bank CD | \$29,500,000 |
| | Municipal Bonds | \$6,705,000 |
| | Agency Notes | \$13,175,000 |
| | Guaranteed Bank Bonds | \$7,820,000 |
| | FPSA | \$8,085,110 |
| 2-3 Yrs | \$46,915,000 | |
| | Bank CD | \$30,000,000 |
| | Municipal Bonds | \$7,575,000 |
| | Agency Notes | \$8,500,000 |
| | Treasury Notes | \$840,000 |
| 3-4 Yrs | \$22,980,000 | |
| | Bank CD | \$4,000,000 |
| | Municipal Bonds | \$18,980,000 |
| 4-5 Yrs | \$9,515,000 | |
| | Bank CD | \$4,000,000 |
| | Municipal Bonds | \$5,515,000 |
| 5+ Yrs | \$24,065,000 | |
| | Treasury Notes | \$4,958,000 |
| | FPSA | \$19,107,000 |
| Variable Rate | \$0 | |
| Municipal Savings | \$164,302,547 | |
| Total: | \$430,672,338 | |

