



In accordance with the District's Investment Policy, the fourth quarter 2008 investment results have been prepared. The average rate of return during the fourth quarter was 3.83% on an average invested balance of \$392,063,954. The yield decreased 30 basis points from the prior quarter. During the same period, the yield on the State's Local Government Investment Pool (LGIP) decreased 17 basis points to 2.16% and the yield on the three month Treasury Bill decreased 128 basis points to .35%. In comparison, the weighted average maturity of the District's portfolio is 512 days versus 60 days for LGIP or 90 days for T-Bills.

The District's investment results reflect the change in the District's investment policy for diversification and the current state of the US financial markets. As the District moves to further diversify portfolio holdings and reduce agency securities, more is being reinvested in US Treasuries, certificates of deposit, eligible municipal bonds, and held as cash in municipal savings accounts.

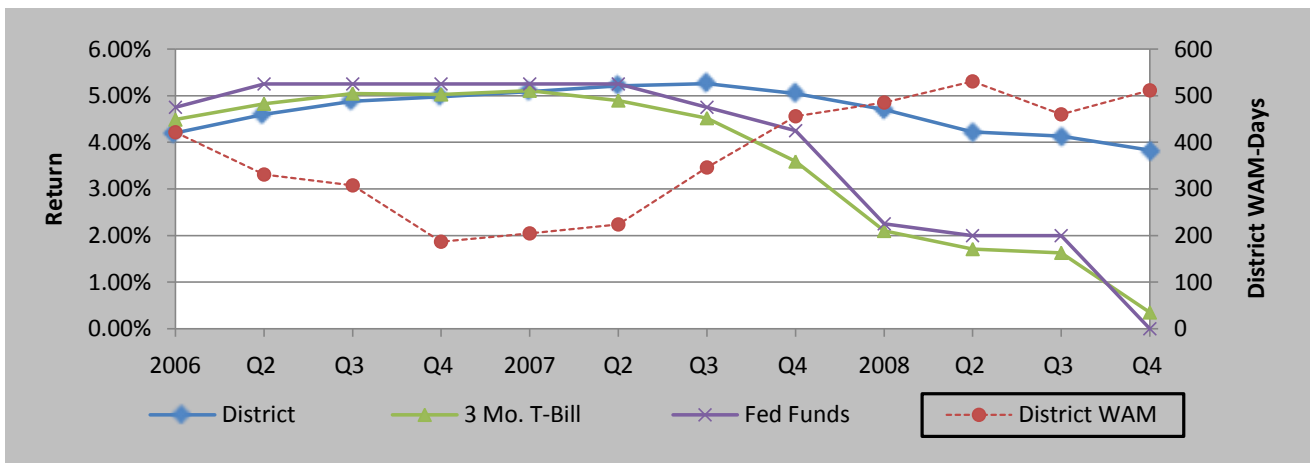
The fourth quarter of 2008 was one of the worst in US economic history. The FOMC meeting on December 15-16 reviewed the generally negative outlook on the economy; unemployment rose to 6.7%, further weakening in the housing market, higher risk spreads, and tighter constraints in the credit markets. The US Treasury, Federal Reserve, and Federal Deposit Insurance Corporation (FDIC) created many unprecedented financial programs attempting to help ease economic pressures. On December 16, the FOMC set the Fed Funds target rate between 0 and .25%, making it the lowest rate on record.

Portfolio Summary:

| | Return | WAM* | Interest Earned In Q4 2008 | Avg Invested Balance |
|-------------------|------------|------|-------------------------------|----------------------|
| District: | 3.83% | 512 | \$ 3,780,673 | \$ 392,063,954 |
| 3 Month T-Bill: | 0.35% | 90 | | |
| LGIP: | 2.16% | 60 | | |
| Fed Funds Target: | 0.0 - .25% | | | |

*Weighted Average Maturity, in days

Twelve Quarter Historical Return and District WAM

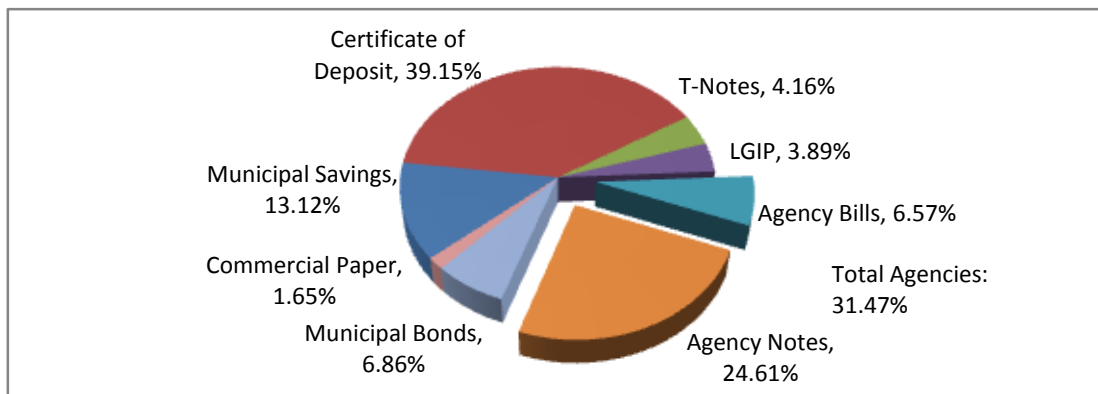




Quarterly Investment Report for the quarter ending December 31, 2008

Portfolio Breakdown:

| | Par Value | % of Portfolio | % Limit | Average YTM | WAM |
|-------------------------|-----------------------|----------------|---------|--------------|------------|
| Municipal Savings: | \$ 54,906,922 | 13.12% | 50% | 1.98% | 1 |
| Certificate of Deposit: | \$ 163,879,681 | 39.15% | 50% | 4.00% | 570 |
| T-Notes: | \$ 17,415,000 | 4.16% | 100% | 2.58% | 1149 |
| LGIP: | \$ 16,263,795 | 3.89% | 10% | 1.90% | 1 |
| Agency Bills: | \$ 27,511,707 | 6.57% | 30% | 6.38% | 103 |
| Agency Notes: | \$ 102,995,000 | 24.61% | | 4.02% | 801 |
| Municipal Bonds: | \$ 28,715,000 | 6.86% | 50% | 5.86% | 515 |
| Commercial Paper: | \$ 6,902,000 | 1.65% | 25% | 2.53% | 14 |
| Total: | \$ 418,589,105 | 100.00% | | 3.83% | 512 |



Portfolio Maturity Structure: As of December 31, 2008

| Time to Maturity | Maturing Par Value | % of Portfolio | Cumulative % of Portfolio | Yield |
|--------------------------------|-----------------------|----------------|---------------------------|--------------------|
| 1-30 | \$ 15,984,707 | 3.82% | 3.82% | 4.08% ³ |
| 31-60 | \$ 10,675,000 | 2.55% | 6.37% | 3.62% |
| 61-90 | \$ 15,000,000 | 3.58% | 9.95% | 4.14% |
| 91-180 | \$ 51,404,000 | 12.28% | 22.23% | 4.84% ⁴ |
| 180-365 | \$ 70,439,000 | 16.83% | 39.06% | 3.40% |
| 1-2 Yrs | \$ 36,359,681 | 8.69% | 47.75% | 4.29% |
| 2-3 Yrs | \$ 50,650,000 | 12.10% | 59.85% | 3.59% |
| 3-4 Yrs | \$ 69,110,000 | 16.51% | 76.36% | 4.49% |
| 4-5 Yrs | \$ 8,100,000 | 1.94% | 78.29% | 4.63% |
| 5+ Yrs | \$ 1,696,000 | 0.41% | 78.70% | 4.99% |
| Variable Rate ¹ | \$ 18,000,000 | 4.30% | 83.00% | 4.50% |
| Municipal Savings ² | \$ 71,170,716 | 17.00% | 100.00% | 1.91% |
| Total: | \$ 418,589,105 | | | |

1-Weekly reset, municipal issuer

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

3-Includes \$7,972,970 invested with a Forward Purchase and Sale Agreement at 5.445% guaranteed rate

4- Includes \$18,820,179 invested with a Forward Purchase and Sale Agreement at 6.63% guaranteed rate

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).

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 - Bonds issued by the state of Washington or local governments within the state of Washington. At this time, District policy does not allow for the purchase of bonds from other states' governments.

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