

**Portfolio Breakdown**

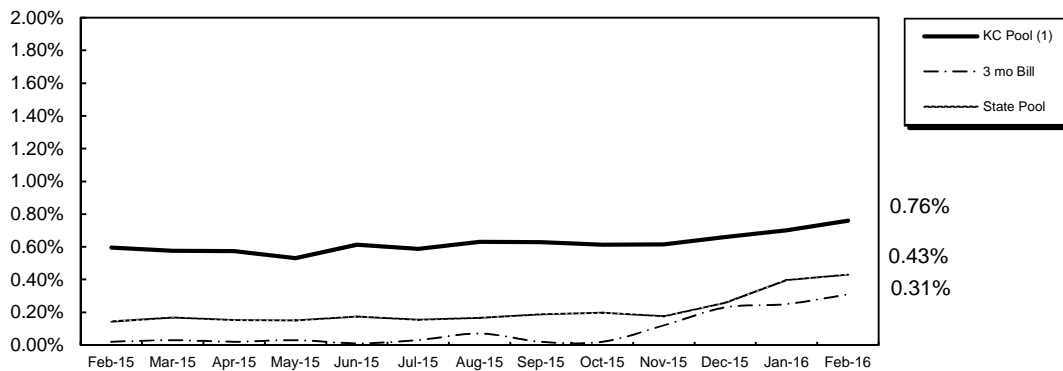
The following is a breakdown of the Investment Pool holdings for February 2016

	Average (\$000)	% of Portfolio
U.S. Agency Securities	2,145,877	37.7%
Commercial Paper	49,894	0.9%
Taxable Municipal Securities	-	0.0%
Bankers Acceptances	-	0.0%
Bank Corporate Notes	876,865	15.4%
U.S. Agency Mortgage-backed Securities	6,649	0.1%
Repurchase Agreements (Repos)	153,724	2.7%
Treasury Securities	2,130,347	37.4%
Certificates of Deposit & Overnight Deposits	-	0.0%
Local Government Investment Pool (LGIP)	332,234	5.8%
Reverse Repurchase Agreements	-	0.0%
<b>Total</b>	<b>\$5,695,589</b>	<b>100%</b>

\*Average Pool Effective Duration: 0.91 Years

\*Duration is a better measure of interest rate sensitivity than average portfolio maturity.

**Investment Pool Performance (before Pool fees)**



(1) King County pool distribution rate has not been adjusted for realized losses (or recoveries) from impaired commercial paper investments.

**Pool Net Asset Fair Value on February 29, 2016**

Net Assets <sup>(2)</sup>	\$5,750,522,168.60
Net Assets Consist of:	
Participant units outstanding (\$1.00 par)	\$5,745,492,232.11
Undistributed and unrealized gains(losses)	\$5,029,936.49
<b>Net Assets</b>	<b>\$5,750,522,168.60</b>
Net asset value at fair value price per share (\$5,750,522,168.60 divided by 5,745,492,232.11 units)	<u>\$1.0009</u>

(2) Excludes impaired assets that have been separated into a separate pool.

**Investment Pool Comments:**

**Asset Allocation:** The pool held over 75% of its assets in highly-rated U.S. government securities during February, and the pool's exposure to high-quality bank notes continued to slowly grow, reaching 15% of the pool's assets. The pool's exposure to commercial paper and U.S. government securities decreased slightly, while the pool's repurchase agreement position increased modestly.

**Pool Asset Size & Return:** The pool's balance declined by \$92 million during February, but a small decrease in the pool's balance is common during February. The pool's distribution yield increased to 0.76%, which was a 6 basis point improvement from last month's rate. This improvement was mainly due to two factors: 1) Maturing securities were able to be invested at higher rates. 2) Many securities the pool holds pay 30 days of interest each month, regardless of the actual number of days, and this resulted in a higher monthly yield since February had only 29 days.

**Market Value & Duration:** Interest rates between 6 months and 1 year increased by 5 to 15 basis points, while rates between 3 and 5 years decreased by 7 to 12 basis points. The decrease in rates in the 3 to 5 year area caused the pools' unrealized gain to rise by about \$500,000. The markets are still concerned about low oil prices, the strong dollar, and weakness in China's economy. These uncertainties have some market watchers speculating that the Fed may have to slow the pace of any additional interest rate increases.

King County remains committed to sharing information with pool members. Please call the Treasury Operations number at 206-263-2821 if you have any questions.

**Impaired Pool Holdings Report  
 2/29/2016**

Commercial Paper Issuer	Status	Current Book Value	Estimated Fair Value	Fair Value Adjustment
Cheyne Finance (1)	Restructured	787,502.14	507,750.00	279,752.14
Rhinebridge (1)	Restructured	1,885,308.88	1,134,600.00	750,708.88
VFNC Trust/Victoria Finance (2)	Restructured	9,838,699.91	6,233,026.00	3,605,673.91
<b>Total</b>		<b>12,511,510.93</b>	<b>7,875,376.00</b>	<b>4,636,134.93</b>

Fair Value Ratio	0.6295
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(1) These amounts are related to cash that was retained for DTC indemnifications and other reserves. It could be sometime in 2016 before these "tail" amounts are returned to investors, and it is possible that the amount recovered may be less than the estimate. We do expect Rhinebridge to make its final payment early in 2016.

(2) Victoria Finance's restructuring was completed during September 2009. The name of the restructured entity is VFNC Trust, and the new entity will continue to make monthly principal and interest payments. The *Estimated Fair Value* amount is based on a market price from a single dealer and the county expects to recover more than this "liquidation" price by receiving regular monthly payments over the coming years.

Impaired Pool Comments:

The majority of the amount remaining in the impaired pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. The monthly distribution for February totaled \$82,028.56. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 81%. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay, and we expect the monthly distributions to continue for at least 5 years.

We do not foresee distributing any realized losses until it is apparent that no further cash flows will be forthcoming. The market for this type of asset is illiquid and accurate pricing is difficult to obtain. Adding the cash recoveries through February to the latest dealer price (55) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 93%, but the actual recovery rate will depend on the size and duration of the future monthly cash distributions from VFNC Trust. At the time of Victoria's restructuring the County's financial advisory estimated that by participating in the exchange offer that the overall recovery rate could be between 50 to 76 percent, and potentially higher.

The County settled all lawsuits involving the securities held in the impaired pool, and all the parties involved in these lawsuits have reached a mutually acceptable resolution by way of a negotiated settlement that will avoid protracted litigation, there was no admission of liability, and all sides are satisfied with this resolution

The King County Executive Finance Committee approved bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct pool from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments; and (4) expedite the restoration of the Standard & Poor's rating for the performing pool.

Within the impaired pool, future "tail" payments from Cheyne and Rhinebridge are still possible, and it now appears that Rhinebridge may make its final payment in the 1st half of 2016. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed..