

Portfolio Breakdown

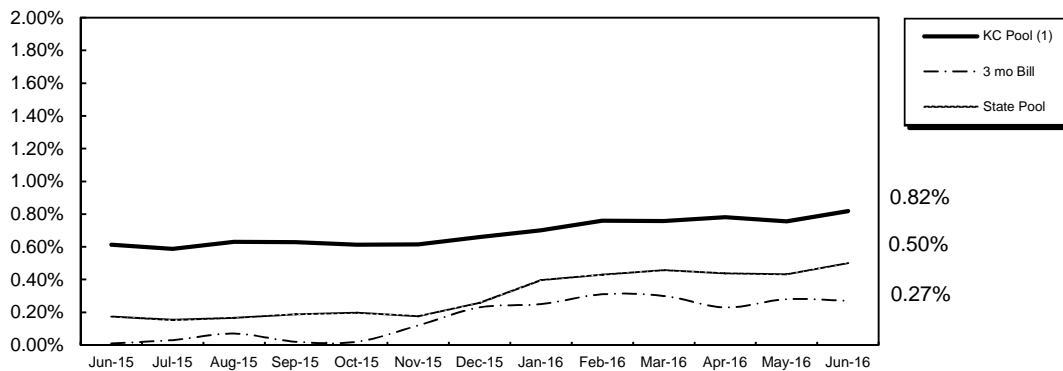
The following is a breakdown of the Investment Pool holdings for June 2016

| | Average (\$000) | % of Portfolio |
|--|--------------------|----------------|
| U.S. Agency Securities | 1,997,274 | 31.7% |
| Commercial Paper | 467,479 | 7.4% |
| Taxable Municipal Securities | - | 0.0% |
| Bankers Acceptances | - | 0.0% |
| Bank Corporate Notes | 874,413 | 13.9% |
| U.S. Agency Mortgage-backed Securities | 6,215 | 0.1% |
| Repurchase Agreements (Repos) | 101,500 | 1.6% |
| Treasury Securities | 2,326,863 | 36.9% |
| Certificates of Deposit & Overnight Deposits | - | 0.0% |
| Local Government Investment Pool (LGIP) | 532,793 | 8.4% |
| Reverse Repurchase Agreements | - | 0.0% |
| Total | \$6,306,536 | 100% |

*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 June 30, 2016

| | |
|--|---------------------------|
| Net Assets ⁽²⁾ | \$6,210,706,025.93 |
| Net Assets Consist of: | |
| Participant units outstanding (\$1.00 par) | \$6,191,648,458.82 |
| Undistributed and unrealized gains(losses) | \$19,057,567.11 |
| Net Assets | \$6,210,706,025.93 |
| Net asset value at fair value price per share ($\$6,210,706,025.93$ divided by $\$6,191,648,458.82$ units) | \$1.0031 |

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

Investment Pool Comments:

Asset Allocation: The pool held nearly 70% of its assets in highly-rated U.S. government securities during June. The dollars allocated to repos and commercial paper decreased as proceeds from those securities were used to meet normal June cash disbursements for pool participants, such as debt service and payrolls.

Pool Asset Size & Return: As mentioned earlier, June is normally an outflow month and this June was no different. The pool's balance decreased by about \$420 million from May's ending balance. Even after these typical seasonal outflows, the pool's balance ended the month above \$6.2 billion. Also, the pool's distribution yield increased to 0.82% and that was a 6 basis point improvement over May's rate. The proceeds from lower yielding short-term securities were used to meet cash outflow needs, and reducing the amount of these lower yielding investments helped move the pool's overall rate higher.

Market Value & Duration: The markets were surprised by the British people's vote in support of leaving the European Union (also known as Brexit). The uncertainty caused by the vote in favor of leaving the EU impacted the stock and bond markets around the world. Global stock markets reacted negatively and interest rates fell. In the United States interest rates decreased sharply, with rates in the 2 to 5-year part of the yield curve falling by 30 to nearly 40 basis points. Many knowledgeable people have speculated that Brexit will have a negative impact on global growth and that is why many investors sought the safety of bonds over stocks, and this resulted in bond prices moving higher and yields.

We remain committed to sharing information with pool members, so if you have any questions, please email us at

**Impaired Pool Holdings Report
6/30/2016**

| 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 | 84,407.60 | 84,407.60 | - |
| VFNC Trust/Victoria Finance (2) | Restructured | 9,351,916.69 | 5,138,073.00 | 4,213,843.69 |
| Total | | 10,223,826.43 | 5,730,230.60 | 4,493,595.83 |

| | |
|------------------|--------|
| Fair Value Ratio | 0.5605 |
|------------------|--------|

(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.

(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 market prices of the underlying securities that are held by VFNC Trust. These prices are provided by the Collateral Agent and the County expects to recover more than this estimated 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 June totaled \$242,118.15. Including all receipts to date, brings the cash recovery rate on the original Victoria investment to 82%. 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 June to the last estimated price (47.3) for the VFNC Trust security results in an estimated recovery rate to senior investors of about 92%, 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. Rhinebridge made a payment on 5//27/16 and we expect them to make just one more small payment by the end of 2016. When we determine that no further payments are probable from these impaired securities, any remaining unrealized losses will be distributed.