

## M E M O

TO: Board of Directors  
FROM: Finance Manager  
SUBJECT: INVESTMENT REPORT PERIOD ENDING DECEMBER 31, 2008  
DATE: January 29, 2009

### **RECOMMENDATION:**

It is recommended that the Board of Directors review and file this report.

### **BACKGROUND:**

At the December 15, 2004 Board of Directors Meeting your Board adopted Resolution No. 17 (05-06) which established an Investment Policy for the San Lorenzo Valley Water District. The Investment Policy and California Government Code, Section 53646, states that the Board of Directors shall receive investment reports at least quarterly.

Attached are account statements for the period ending December 31, 2008 from the District's Local Agency Investment Fund (LAIF) Account (See Attachment 1) and Morgan Stanley Investment Account (See Attachment 2).

It is recommended that the Board of Directors review and file this report.

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Karen Alvarez  
Finance Manager

KA  
Attachment



**Local Agency Investment  
Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001**

<http://www.treasurer.ca.gov/pmia-laif/index.asp>

January 29, 2009

SAN LORENZO VALLEY WATE ▲  
 DISTRICT MANAGER  
 13060 HIGHWAY 9  
 ◀ ▶

PMIA Average Monthly Yields

Account Number: 90-44-001

Transactions

Tran Type Definitions

December 2008 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
12/5/2008	12/5/2008	RW	1201645	KAREN ALVAREZ	-270,000.00
12/19/2008	12/18/2008	RW	1203309	KAREN ALVAREZ	-138,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	1,241,826.06
Total Withdrawal:	-408,000.00	Ending Balance:	833,826.06

**Bill Lockyer, State Treasurer**  
**Inside the State Treasurer's Office**



Pooled Money Investment Account  
 Summary of Investment Data

	Average Daily Portfolio	Effective Yield	Average Life (Month End in Days)
<b>May 2008</b>	\$72,978,722	3.072	200
<b>May 2007</b>	\$63,222,005	5.248	170
<b>Change</b>	\$9,756,717	-2.176	+30
<b>June 2008</b>	\$72,545,195	2.894	212
<b>June 2007</b>	\$62,380,261	5.250	176
<b>Change</b>	\$10,164,934	-2.356	+36
<b>July 2008</b>	\$66,340,351	2.787	222
<b>July 2007</b>	\$60,681,221	5.255	186
<b>Change</b>	\$5,659,130	-2.468	+36
<b>August 2008</b>	\$65,595,666	2.779	224
<b>August 2007</b>	\$59,657,942	5.253	214
<b>Change</b>	\$5,937,724	-2.474	+10
<b>September 2008</b>	\$65,286,969	2.774	214
<b>September 2007</b>	\$58,058,289	5.231	207
<b>Change</b>	\$7,228,680	-2.457	+7
<b>October 2008</b>	\$61,664,368	2.709	241
<b>October 2007</b>	\$58,832,193	5.137	197
<b>Change</b>	\$2,832,175	-2.428	+44
<b>November 2008</b>	\$60,842,357	2.568	228
<b>November 2007</b>	\$61,562,908	4.962	208
<b>Change</b>	-\$720,551	-2.394	+20
<b>December 2008</b>	\$59,947,044	2.353	223
<b>December 2007</b>	\$59,946,588	4.801	204
<b>Change</b>	\$456	-2.448	+19

**State of California  
Pooled Money Investment Account  
Market Valuation  
12/31/2008**

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
United States Treasury:				
Bills	\$ 7,598,685,502.12	\$ 7,632,683,175.34	\$ 7,688,719,000.00	NA
Notes	\$ 3,773,662,273.52	\$ 3,773,619,004.28	\$ 3,791,713,000.00	\$ 1,745,333.00
Federal Agency:				
SBA	\$ 554,715,117.36	\$ 554,715,117.36	\$ 541,143,400.82	\$ 2,166,537.35
MBS-REMICs	\$ 1,070,364,455.69	\$ 1,070,364,455.69	\$ 1,086,343,051.97	\$ 5,082,300.57
Debentures	\$ 3,276,687,878.94	\$ 3,276,037,878.94	\$ 3,343,168,242.50	\$ 28,738,795.57
Debentures FR	\$ 6,335,547,335.12	\$ 6,335,547,335.12	\$ 6,341,921,340.00	\$ 22,179,057.81
Discount Notes	\$ 4,889,728,880.65	\$ 4,909,868,977.85	\$ 4,952,533,000.00	NA
FHLMC PC	\$ 3,892.41	\$ 3,892.41	\$ 3,969.72	\$ 67.91
GNMA	\$ 144,100.52	\$ 144,100.52	\$ 165,524.48	\$ 1,427.01
CDs and YCDs FR	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ -	\$ -	\$ -	\$ -
CDs and YCDs	\$ 3,950,070,461.28	\$ 3,950,031,997.74	\$ 3,951,825,606.50	\$ 12,378,881.25
Commercial Paper	\$ 1,947,499,180.51	\$ 1,949,637,597.22	\$ 1,949,625,694.45	NA
Corporate:				
Bonds FR	\$ 220,299,209.53	\$ 220,299,209.53	\$ 216,234,078.04	\$ 571,949.28
Bonds	\$ 104,134,401.22	\$ 104,134,401.22	\$ 104,578,018.15	\$ 1,090,502.98
Repurchase Agreement	\$ -	\$ -	\$ -	NA
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 8,249,500,000.00	\$ 8,249,500,000.00	\$ 8,249,500,000.00	NA
AB 55 & GF Loans	\$ 21,319,163,681.70	\$ 21,319,163,681.70	\$ 21,319,163,681.70	NA
<b>TOTAL</b>	<b>\$ 63,290,206,370.57</b>	<b>\$ 63,345,750,824.93</b>	<b>\$ 63,536,637,608.33</b>	<b>\$ 73,954,852.73</b>

Fair Value Including Accrued Interest

\$ 63,610,592,461.06

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (1.003013411). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,060,268.22 or \$20,000,000.00 x 1.003013411.

## POOLED MONEY INVESTMENT ACCOUNT

### SUMMARY OF INVESTMENT DATA A COMPARISON OF NOVEMBER 2008 WITH NOVEMBER 2007 (DOLLARS IN THOUSANDS)

	NOVEMBER 2008	NOVEMBER 2007	CHANGE
Average Daily Portfolio	\$ 60,842,357	\$ 61,562,908	\$ -720,551
Accrued Earnings	\$ 128,407	\$ 250,380	\$ -121,973
Effective Yield	2.568	4.962	-2.394
Average Life-Month End (In Days)	228	208	+20
<b>Total Security Transactions</b>			
Amount	\$ 16,345,349	\$ 31,190,986	\$ -14,845,637
Number	333	645	-312
<b>Total Time Deposit Transactions</b>			
Amount	\$ 2,552,000	\$ 4,586,500	\$ -2,034,500
Number	107	205	-98
Average Workday Investment Activity	\$ 1,111,609	\$ 1,883,026	\$ -771,417
<b>Prescribed Demand Account Balances</b>			
For Services	\$ 1,314,741	\$ 297,352	\$ +1,017,389
For Uncollected Funds	\$ 137,454	\$ 111,231	\$ +26,223

**BILL LOCKYER  
TREASURER  
STATE OF CALIFORNIA**

**INVESTMENT DIVISION SELECTED INVESTMENT DATA  
ANALYSIS OF THE POOLED MONEY INVESTMENT ACCOUNT PORTFOLIO  
(000 OMITTED)**

November 30, 2008

<u>TYPE OF SECURITY</u>	<u>AMOUNT</u>	<u>PERCENT OF PORTFOLIO</u>	<u>DIFFERENCE IN PERCENT OF PORTFOLIO FROM PRIOR MONTH</u>
<b>Government</b>			
Bills	\$ 6,105,008	9.74	+0.77
Bonds	0	0.00	0
Notes	3,489,068	5.57	+0.09
Strips	0	0.00	0
<b>Total Government</b>	<b>\$ 9,594,076</b>	<b>15.31</b>	<b>+0.86</b>
<b>Federal Agency Debentures</b>	<b>\$ 10,350,946</b>	<b>16.52</b>	<b>-0.26</b>
Certificates of Deposit	3,400,008	5.43	-2.74
Bank Notes	0	0.00	-0.47
Bankers' Acceptances	0	0.00	0
Repurchases	0	0.00	0
Federal Agency Discount Notes	3,489,867	5.57	-2.64
Time Deposits	8,518,000	13.60	+0.02
GNMAs	147	0.00	0.00
Commercial Paper	4,791,358	7.65	+1.02
FHLMC/Remics	1,077,379	1.72	+0.02
Corporate Bonds	333,436	0.53	-0.04
AB 55 Loans	11,845,253	18.91	+0.30
GF Loans	9,349,600	14.92	+3.94
Reversed Repurchases	-98,500	-0.16	+0.01
<b>Total (All Types)</b>	<b>\$ 62,651,570</b>	<b>100.00</b>	

**INVESTMENT ACTIVITY**

	NOVEMBER 2008		OCTOBER 2008	
	<u>NUMBER</u>	<u>AMOUNT</u>	<u>NUMBER</u>	<u>AMOUNT</u>
Pooled Money	333	\$ 16,345,349	743	\$ 36,406,085
Other	23	1,411,366	14	312,151
Time Deposits	107	2,552,000	237	6,797,900
<b>Totals</b>	<b>463</b>	<b>\$ 20,308,715</b>	<b>994</b>	<b>\$ 43,516,136</b>
PMIA Monthly Average Effective Yield	2.568		2.709	
Year to Date Yield Last Day of Month	2.726		2.763	

**Bill Lockyer, State Treasurer**  
**Inside the State Treasurer's Office**  
**Local Agency Investment Fund (LAIF)**



**PMIA Performance Report**

Date	Daily Yield	Quarter to Date Yield	Average Maturity (in days)
1/2/2009	2.20	2.17	227
1/3/2009	2.20	2.18	227
1/4/2009	2.20	2.18	227
1/5/2009	2.17	2.18	229
1/6/2009	2.16	2.18	230
1/7/2009	2.14	2.17	229
1/8/2009	2.11	2.16	227
1/9/2009	2.08	2.15	229
1/10/2009	2.08	2.15	229
1/11/2009	2.08	2.14	229
1/12/2009	2.06	2.13	227
1/13/2009	2.06	2.13	227
1/14/2009	2.05	2.12	226
1/15/2009	2.03	2.12	225

**LAIF Performance Report**

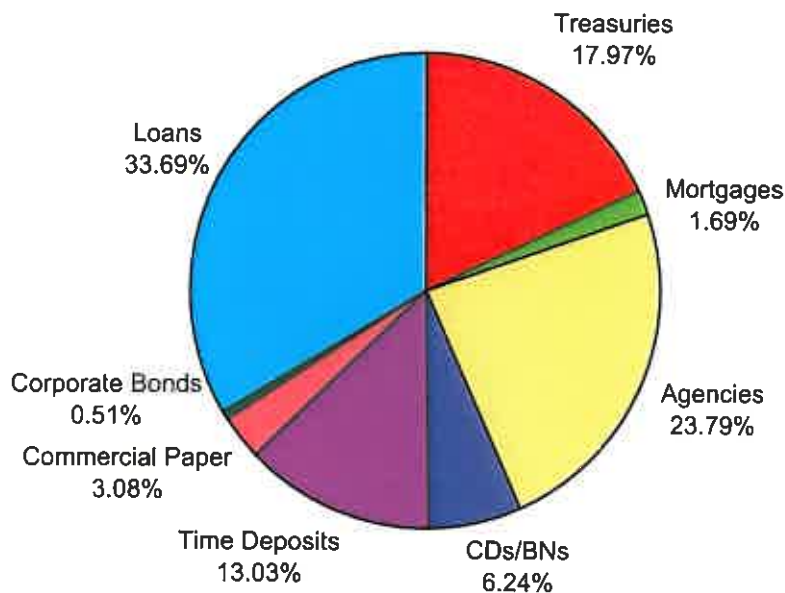
Quarter ending 12/31/2008

Apportionment Rate: 2.54%  
 Earnings Ratio: 0.00006948964923038  
 Fair Value Factor: 1.003013411

**PMIA Average Monthly Effective Yields**

**Dec 2008 2.353%**  
 Nov 2008 2.568%  
 Oct 2008 2.709%

**Pooled Money Investment Account**  
**Portfolio Composition**  
**\$63.3 Billion**  
**12/31/08**



**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING DECEMBER 31, 2008**

Your Financial Advisor  
BARGETTO HANSON GROUP  
MORGAN STANLEY  
6004 LA MADRONA DR 95060  
SANTA CRUZ, CA  
(831) 440-5200

Account Number  
136 022962 062

(950069119604)  
SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT  
ATTENTION: JAMES A MUELLER  
13060 HIGHWAY 9  
BOULDER CREEK CA 95006-9119

Access your account at:  
[www.morganstanley.com/online](http://www.morganstanley.com/online)

**ASSET DETAILS**

Your Investments		Current Price	Value	Est Yrly Income	Current Yield		
95000	WEBSTER BANK CD	3300	09MH03	100.209	95,198.55	3,135.00	3.29%
95000	1ST SIGNATURE CD	3300	09MH03	100.209	95,198.55	3,135.00	3.29%
95000	LEHMAN BROS CD	3500	09MH03	100.217	95,206.15	3,325.00	3.49%
95000	CIT BANK CD	4900	09MH06	100.484	95,459.80	4,655.00	4.87%
95000	AMERICAN WEST CD	5400	09JN29	101.588	96,508.60	5,130.00	5.31%
85000	NEVADA SEC BK CD	4600	09AU24	101.564	86,329.40	3,910.00	4.52%
95000	JPMC (WAMU NV) CD	4000	09SP15	102.349	97,231.55	3,800.00	3.90%
95000	TOWER BANK CD	4150	10FB23	101.629	96,547.55	3,942.50	4.08%
95000	FIRST BUSINESS CD	5000	10MY07	102.778	97,639.10	4,750.00	4.86%
95000	COWLITZ BANK CD	4300	10JN30	101.879	96,785.05	4,085.00	4.22%
95000	NEW SOUTH FED CD	4000	10SP13	101.463	96,389.85	3,800.00	3.94%
95000	JPMC (WAMU NV) CD	4400	10SP21	102.122	97,015.90	4,180.00	4.30%
80000	NATL REP BANK CD	4900	11JAL3	103.159	82,527.20	3,920.00	4.74%
95000	EVERBANK FLA CD	5000	11MY09	103.508	98,332.60	4,750.00	4.83%
95000	MACAYAWA BANK CD	4400	11MY20	102.180	97,071.00	4,180.00	4.30%
85000	NOVA SVGS BK CD	4500	11JN08	102.376	87,019.60	3,825.00	4.39%
95000	LASALLE BANK CD	5150	11AU09	103.917	98,721.15	4,892.50	4.95%
95000	FIRESIDE BANK	5300	11AU09	104.285	99,070.75	5,035.00	5.08%
95000	LEGENDS BANK CD	4500	11SP19	102.292	97,177.40	4,275.00	4.39%
85000	GUNNISON BANK CD	5050	11OC31	103.668	88,117.80	4,252.50	4.87%
95000	BAYTREE NATL BK &	4500	11DE27	102.125	97,018.75	4,275.00	4.40%
95000	BMW BANK NA CD	4000	12MH19	100.615	95,584.25	3,800.00	3.97%
95000	FIRSTBANK FINL CD	4000	12MH19	100.623	95,591.85	3,800.00	3.97%
95000	NATIOANL CITY CD	4000	12AP02	100.598	95,568.10	3,800.00	3.97%
95000	CAPITAL ONE BK	4000	12AP02	100.598	95,568.10	3,800.00	3.97%
95000	MONROE B&T CD	3900	12AP11	100.290	95,275.50	3,705.00	3.88%
95000	FRANKLIN TEMP BK	4000	12AP18	100.587	95,557.65	3,800.00	3.97%
95000	BANK NORTHN CD	4200	12MY07	101.176	96,117.20	3,990.00	4.15%
95000	OCEANIC BK CD	5000	12MY09	103.692	98,507.40	4,750.00	4.82%
95000	GOLF SVGS BANK CD	5000	12MY09	103.692	98,507.40	4,750.00	4.82%



**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING DECEMBER 31, 2008**

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

<b>Custodial Holdings</b>	Symbol	Current Price	Date	Value	Custodian	Dividend Cap Gains Option	Fund Plan Number
Bank Deposits #							
MORGAN STANLEY TRUST BANK				\$124,343.79			
Total Bank Deposits				\$124,343.79			
<b>Total Custodial Holdings</b>				\$124,343.79			

# Bank deposits are at Morgan Stanley Bank and Morgan Stanley Trust bank (Members FDIC), affiliates of Morgan Stanley & Co. Incorporated. Bank deposits are eligible for FDIC insurance up to applicable limits. Not SIPC insured.

<b>Asset Summary</b>	Value	Est Yrly Income
Cash	0.00	
<b>Total Account Valuation</b>	\$9,960,565.78	\$423,252.77

**If you hold Auction Rate Securities, please see the Message Center for important information regarding the pricing of these securities.**

## DAILY ACTIVITY DETAILS

Date	Activity	Quantity	Description	Price	Amount	Balance
12/01	Auto Investment		CLOSING BALANCE AS OF 11/30			16,740.99
12/02	Taxable Interest		BANK DEPOSIT PROGRAM		-16,740.99	.00
			WORLD JUMBO CD 5000 13NV26		+82.19	+82.19
			INTEREST PAYMENT			+82.19
12/08	Taxable Interest		NOVA SVGS BK CD 4500 11JUN08		+1,917.74	+1,999.93
	Auto Investment		BANK DEPOSIT PROGRAM		-82.19	+1,917.74
12/09	Taxable Interest		OCEANIC BK CD 5000 12MY09		+390.41	+2,308.15
	Taxable Interest		GOLF SVGS BANK CD 5000 12MY09		+390.41	+2,698.56
	Taxable Interest		FRIEDNSHIP ST CD 5000 12MY09		+390.41	+3,088.97
	Auto Investment		BANK DEPOSIT PROGRAM		-1,917.74	+1,171.23
12/10	Auto Investment		BANK DEPOSIT PROGRAM		-1,171.23	.00
12/11	Taxable Interest		MONROE BET CD 3900 12AP11		+304.52	+304.52
	Taxable Interest		PLANTERSFIRST CD 4000 13AP11		+312.33	+616.85

STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING DECEMBER 31, 2008

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

## DAILY ACTIVITY DETAILS

Date	Activity	Quantity	Description	Price	Amount	Balance
12/11	Taxable Interest		INVESTORS CD 4050 13AP11		+316.23	+933.08
12/15	Auto Investment		BANK DEPOSIT PROGRAM		-933.08	.00
12/18	Taxable Interest		FRANKLIN TEMP BK 4000 12AP18		+312.33	+312.33
	Taxable Interest		LEGENDS BANK CD 4500 11SP19		+351.37	+663.70
12/19	Taxable Interest		FIRSTBANK FINL CD 4000 12MH19		+312.33	+976.03
	Taxable Interest		FLAGSTAR BANK CD 4750 12SP19		+370.89	+1,346.92
12/20	Taxable Interest		MACATAWA BANK CD 4400 11MY20		+343.56	+1,690.48
	Taxable Interest		PROV BK MARYLAND 4650 13JN20		+2,214.80	+3,905.28
12/22	Principal		FHLB 4750 *15FB19		+7,415.25	+11,320.53
	Taxable Interest		PRINCIPAL PAYMENT			+11,320.53
	Taxable Interest		FHLB 4750 *15FB19		+120.34	+11,440.87
	Taxable Interest		ACCRUED INTEREST			+11,440.87
12/23	Auto Investment		BANK DEPOSIT PROGRAM		-1,346.92	+10,093.95
	Taxable Interest		TOWER BANK CD 4150 10FB23		+324.04	+10,417.99
	Taxable Interest		WESTBRIDGE BK CD 4450 12JN25		+347.47	+10,765.46
	Auto Investment		BANK DEPOSIT PROGRAM		-2,558.36	+8,207.10
12/24	Auto Investment		BANK DEPOSIT PROGRAM		-8,207.10	.00
12/25	Taxable Interest		FHLB 4010 *13JN25		+5,012.50	+5,012.50
	Taxable Interest		BAYTREE NATL BK & 4500 11DE27		+351.37	+5,363.87
12/26	Taxable Interest		FHLB 4010 *13JN25		+5,012.50	+10,376.37
	Delivered	250000	ACCRUED BOND INTEREST			+10,376.37
	Taxable Interest		FHLB 4010 *13JN25		+250,000.00	+260,376.37
	Taxable Interest		REDEMPTION OF CALLED BOND			+260,376.37
	Taxable Interest		FHLB 4010 *13JN25		-5,012.50	+255,363.87
12/28	Taxable Interest		REVERSE INTEREST PAYMENT			+255,363.87
12/29	Auto Investment		AMERICAN WEST CD 5400 09JN29		+2,572.03	+257,935.90
12/30	Withdrawal		BANK DEPOSIT PROGRAM		-260,376.37	-2,440.47
	Charge		WIRED FUNDS SENT			-227,731.26
	Taxable Interest		BENE: FIRST AMERICAN TITLE CO			-227,731.26
	Auto Investment		ACCT: 3016440000			-227,731.26
	Auto Investment		WIRED FUNDS FEE			-227,731.26
	Auto Investment		COWLITZ BANK CD 4300 10JN30		+2,048.10	-225,683.16
	Auto Redemption		BANK DEPOSIT PROGRAM		-5.64	-225,718.80
	Taxable Interest		BANK DEPOSIT PROGRAM		-89.35	-225,808.15
	Taxable Interest		BANK DEPOSIT PROGRAM		+2,440.47	-223,367.68
	Taxable Interest		MORGAN STANLEY BANK		+5.64	-223,362.04
	Taxable Interest		(Period 11/27-12/30)			-223,362.04
	Taxable Interest		MORGAN STANLEY TRUST BANK		+89.35	-223,272.69
	Taxable Interest		(Period 11/27-12/30)			-223,272.69
12/31	Auto Redemption		BANK DEPOSIT PROGRAM		+223,272.69	.00

**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING DECEMBER 31, 2008**

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

## DAILY ACTIVITY DETAILS

Date	Activity	Quantity	Description	Price	Amount	Balance
			CLOSING BALANCE AS OF 12/31			+.00

*Additional information concerning these transactions is available upon request.*

### Yields on Bank Deposits and Money Market Funds

#### BANK DEPOSITS

A Bank Deposits APY of 1.00% was in effect for your deposits at the statement ending date.

### Income Summary

	This Month	Year-to-Date	This Month	Year-to-Date
Dividends/Bank Deposit Interest	94.99	10,162.12	18,785.37	395,152.49
Accrued Bond Interest	.00	60,232.28	.00	.00
Margin Interest				

### Tax Information

	This Month	Year-to-Date
U.S. Treasury Coupon Interest	.00	130,968.75

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

### Messages

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\*\*\*\*\*Important Notice\*\*\*\*\*  
\*\*\*\*\*Please Read\*\*\*\*\*  
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The following message has been added to all client account statements but applies only to holders of Auction Rate Securities. Depending on your current holdings, this message may/may not be applicable to you.

Morgan Stanley recently mailed to eligible clients an offer to purchase certain Auction Rate Securities. If you did not receive the materials but believe you may be eligible to participate; or, if you received the materials and have questions, please contact the Morgan Stanley Auction Rate Securities Call Center (800) 566-2273 or visit our website for more information about eligible securities: <http://www.morganstanleyindividual.com/Markets/bondcenter/AuctionRateSecurities/>

Please note due to recent market conditions, certain Auction Rate Securities are experiencing no or limited liquidity. Therefore, the price(s) for any Auction Rate Securities shown on this statement may not reflect the price(s) you would receive upon a sale at auction or in a secondary market transaction. There can be no assurance that a successful auction will occur or that a secondary market exists or will develop for a particular security. The prices of any Auction Rate Securities on your statement are derived from various sources, and may differ from prices provided to Morgan Stanley by outside pricing services and/or from Morgan Stanley's own internal bookkeeping valuations. Please contact your Financial Advisor with any questions. To learn more about Auction Rate Securities, including information about the partial redemption allocations process, log on to ClientServ for more details. To enroll in ClientServ, go to [www.morganstanleyclientserv.com/welcome](http://www.morganstanleyclientserv.com/welcome).

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Questions regarding your account may be directed to either your Financial Advisor or the Branch Manager for the branch office where you maintain your account. If you require further assistance, your inquiries may also be directed to Client Service at (800) 869-3326 or you may contact the Legal and Compliance Division at (914) 225-5870 or Morgan Stanley & Co. Incorporated, Legal and Compliance Division, 2000 Westchester Avenue, Purchase, New York 10577 with any account-related concerns.

#### Consolidated Statement of Financial Condition (in thousands of dollars):

At November 30, 2008, Morgan Stanley & Co. Incorporated had net capital of \$8,283,858 which exceeded the Securities and Exchange Commission's minimum requirement by \$7,361,804 and included excess net capital of \$418,709 of MS Securities Services Inc., a broker-dealer and a guaranteed subsidiary of Morgan Stanley & Co. Incorporated. A copy of the Morgan Stanley & Co. Incorporated Consolidated Statement of Financial Condition at November 30, 2008 can be viewed online at: [www.morganstanley.com/about/ir/shareholder/morganstanley\\_co\\_inc.pdf](http://www.morganstanley.com/about/ir/shareholder/morganstanley_co_inc.pdf) or may be mailed to you at no cost by calling (866) 825-1675, after February 14, 2009.

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

PAGE 7 OF 16

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

### Messages

Save up to 30% on TurboTax This Tax Season

This year, we are pleased to offer you a simple way to do taxes through our relationship with TurboTax. And as a Morgan Stanley client, you can take advantage of 30% off the listed price of online federal versions or 20% off the listed price of the downloadable versions of TurboTax. Whether you need basic tax guidance or have a more complicated tax situation, TurboTax has the product to meet your individual needs. For more information, visit ClientServ.

TurboTax is not an agent of, nor affiliated with, Morgan Stanley. TurboTax and TurboTax Online are registered trademarks and/or service marks of Intuit Inc. in the United States and other countries. Morgan Stanley does not render advice on tax and tax accounting matters.

### INCREASE IN FDIC INSURANCE LIMITS

The FDIC has temporarily increased deposit insurance coverage from \$100,000 to \$250,000 per depositor. As a result, certain deposits that you may hold through the Bank Deposit Program are now eligible for these higher FDIC limits. The Deposit Limit at each Sweep Bank in Morgan Stanley's Bank Deposit Program has also increased from \$98,500 to \$245,000 for individually owned accounts and from \$197,000 to \$490,000 for joint accounts. Funds were rebalanced between the Sweep Banks in accordance with these new Limits on or after October 15, 2008. The Sweep Banks are Morgan Stanley Bank, N.A., and Morgan Stanley Trust FSB, and your holdings at each Bank are reflected on this statement.

Information on federal deposit insurance coverage can be found at: [www.fdic.gov](http://www.fdic.gov). For more information about the Deposit Limits, please contact your Financial Advisor or review the Bank Deposit Disclosure Statement at <http://www.morganstanleyindividual.com/accountoptions/activeassets/Investmentfeatures/>.

Morgan Stanley classifies the assets on your statement based on certain general characteristics, such as: income generation, underlying capital structure, or exposure to certain market sectors. Asset classification decisions are often influenced by marketplace conventions and are designed to be informative and provide clients with a particular, non-exclusive, view of their portfolio. As many assets contain characteristics of more than one asset class, the asset classification reflected on this statement may differ from others you may receive. These classifications are not intended to serve as a suitability analysis. Please contact your Financial Advisor for more information.

We understand that a primary concern of yours is the safety of your assets. Our goal at Morgan Stanley is not only to help you achieve your financial objectives, but also to make every effort to ensure that your assets are protected. Please review the brochure Protection for Your Assets, which is available via the link below. It provides an overview of the regulatory protections you enjoy as a client of Morgan Stanley, including safekeeping and segregation of client assets, as well as the protections afforded through the Securities Investor Protection Corporation (SIPC) and for Bank Deposits held through the Bank Deposit Program, protection provided by the Federal Deposit Insurance Corporation (FDIC). Morgan Stanley & Co Incorporated currently also maintains "excess SIPC" insurance coverage. The current coverage provided by the Customer Asset Protection Company (CAPCO) will remain in effect until February 16, 2009, but we have recently added "excess SIPC" coverage provided by Lloyd's of London that is effective immediately.

For more information, please visit:  
<http://www.morganstanleyindividual.com/customerservice/ProtectionForYourAssets.pdf>

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

PAGE 8 OF 16

Your Financial Advisor  
BARGETTO HANSON GROUP  
MORGAN STANLEY  
6004 LA MADRONA DR  
SANTA CRUZ, CA 95060  
(831) 440-5200

Account Number  
136 022962 062

(950069119604)  
SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT  
ATTENTION: JAMES A MUELLER  
13060 HIGHWAY 9  
BOULDER CREEK CA 95006-9119

Access your account at:  
[www.morganstanley.com/online](http://www.morganstanley.com/online)

### GAIN AND LOSS SUMMARY

*The Estimated Gain and Loss information is provided for informational purposes only and may not be relied upon in making any tax, accounting or regulatory filing or report. We recommend that you contact your tax advisor to determine the appropriate information to be used in the preparation of your tax return. This Estimated Gain and Loss Summary is not a substitute 1099 form (or any other appropriate tax form) and should not be filed with your taxes. The Total Cost, Unit Cost and Proceeds of eligible equity and options transactions with Choice SelectSM pricing do not include commissions paid on your purchases or sales and therefore may not equal the acquisition price or principal amount of the sale. The figures should be independently verified. Estimated Gain and Loss information does not take into account a taxpayer's particular circumstances such as the existence of hedging transactions, constructive sales or marked-to-market pricing adjustments on certain options held at year-end. Please note that although Morgan Stanley makes every effort to adjust the cost basis for such securities' capital changes, it does not adjust the cost basis for all events, including amortization of non-municipal bond premiums; exercise of unlisted stock options; securities deemed to have been sold and simultaneously repurchased; receipt of cash in lieu of fractional shares; or the net effect of wash sales and/or short sales against the box.*

*For securities not purchased through Morgan Stanley, for example, securities purchased elsewhere and later transferred to it, any data included in the Estimated Gain and Loss information has been provided either by you or another financial institution. Whether provided by you, another financial institution or Morgan Stanley, it is your responsibility to ensure the accuracy of all of the Estimated Gain and Loss information. Please contact your Financial Advisor with any questions or to correct any information.*

*For Managed Futures and alternative investments, there are likely to be restrictions on redemptions, please see applicable offering document.*

*With respect to estimated gains and losses for listed equity options, Morgan Stanley has taken into account option premiums paid or received and, in respect to multiple purchases and/or sales, calculated cost using an average unit price for all like positions. Morgan Stanley has made calculations using what appear to be off-setting positions; no assurance can be given that these positions are intended to off-set each other or that they are not intended to off-set other securities positions, in which case the analysis may be different. Morgan Stanley has obtained pricing information from independent sources it believes to be reliable. No assurance can be given that the values given are accurate. Values are subject to change and are as of a given point in time only. Past performance does not guarantee future returns.*

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

Unrealized Gain/(Loss)		Quantity	Date Acquired	Unit Cost Original / Adjusted*	Total Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information	
Government Securities**	Treasury Securities								
US TSY NOTE	3.000	2-15-09	350,000	02-27-04	100.70600 100.01856	352,476.00 350,064.98	351,148.00	1,083.02	Long Term
US TSY NOTE	4 7/8	5-15-09	500,000	07-24-06	100.24505 100.03408	501,225.25 500,170.40	508,575.00	8,404.60	Long Term
US TSY NOTE	4 3/4	2-15-10	750,000	02-13-07	100.30120 100.11744	752,259.00 750,880.86	785,715.00	34,834.14	Long Term
US TSY NOTE	4 7/8	5-31-11	500,000	07-24-06	100.18805 100.09890	500,940.25 500,494.54	549,650.00	49,155.46	Long Term
<b>Total Treasury Securities</b>					2,106,900.50 2,101,610.78	2,195,088.00	93,477.22		
<b>Federal Agencies</b>									
FHLB	4 7/8	1-16-13	250,000	06-13-08	100.00210 100.00187	250,005.25 250,004.69	250,390.00	385.31	Short Term
FHLMC MTN	4.000	8-15-14	1,100,000	01-31-08	100.00000 100.00000	1,100,000.00 1,100,000.00	1,102,321.00	2,321.00	Short Term
FHLB	4 3/4	2-19-15	100,000	11-06-08	100.00525 100.00514	100,005.25 100,005.14	92,613.44	(7,391.70)	Short Term
FNMA	4.000	9-04-15	1,300,000	02-27-08	100.00000 100.00000	1,300,000.00 1,300,000.00	1,302,444.00	2,444.00	Short Term
<b>Total Federal Agencies</b>					2,750,010.50 2,750,009.83	2,747,768.44	(2,241.39)		

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\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

\*\*The "Market Value" and "Unrealized Gain/(Loss)" figures shown for Fixed Income securities are representative values, which may not reflect the value that could actually be obtained in the market. See "Pricing of Securities" at the end of this statement.

## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

	Quantity	Date Acquired	Unit Cost Original / Adjusted*	Total Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
<b>Unrealized Gain/(Loss)</b>				4,856,911.00 4,851,620.61	4,942,856.44	91,235.83	
<b>Total Government Securities</b>							
<b>Certificates of Deposit**</b>							
CIT BANK CD	4.900	3-06-09	95.0000	02-22-06	100.00000 95,000.00	95,000.00 95,459.80	Long Term
WEBSTER BANK CD	3.300	3-03-09	95.0000	02-25-04	100.00000 95,000.00	95,000.00 198.55	Long Term
1ST SIGNATURE CD	3.300	3-03-09	95.0000	02-25-04	100.00000 95,000.00	95,000.00 198.55	Long Term
LEHMAN BROS CD	3 1/2	3-03-09	95.0000	02-25-04	100.00000 95,000.00	95,000.00 206.15	Long Term
AMERICAN WEST CD	5.400	6-29-09	95.0000	06-19-06	100.00000 95,000.00	95,000.00 1,508.60	Long Term
NEVADA SEC BK CD	4.600	8-24-09	85.0000	08-16-05	100.00000 85,000.00	85,000.00 1,329.40	Long Term
JPMC (WAMU NV) CD	4.000	9-15-09	95.0000	09-08-04	100.00000 95,000.00	95,000.00 2,231.55	Long Term
TOWER BANK CD	4.150	2-23-10	95.0000	02-15-05	100.00000 95,000.00	95,000.00 1,547.55	Long Term
FIRST BUSINESS CD	5.000	5-07-10	95.0053	05-01-07	100.00553 95,005.25	95,005.25 2,633.85	Long Term
COWLITZ BANK CD	4.300	6-30-10	95.0000	06-27-08	100.00000 95,000.00	95,000.00 1,785.05	Short Term

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

PAGE 11 OF 16

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

	Unrealized Gain/(Loss)	Quantity	Date Acquired	Unit Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
JPMC (WAMU NV) CD	4.400	95,000	09-08-05	100.00000 95,000.00	97,015.90	2,015.90	Long Term
NEW SOUTH FED CD	4.000	95,000	09-08-08	100.00000 95,000.00	96,389.85	1,389.85	Short Term
NATL REP BANK CD	4.900	80,000	01-05-06	100.00000 80,000.00	82,527.20	2,527.20	Long Term
EVERBANK FLA CD	5.000	95,000	05-01-07	100.00553 95,005.25	98,332.60	3,327.35	Long Term
MACATAWA BANK CD	4.400	95,000	11-10-08	100.00000 95,000.00	97,071.00	2,071.00	Short Term
NOVA SVGS BK CD	4 1/2	85,000	05-27-05	100.00000 85,000.00	87,019.60	2,019.60	Long Term
LASALLE BANK CD	5.150	95,000	07-31-06	100.00000 95,000.00	98,721.15	3,721.15	Long Term
FIRESIDE BANK	5.300	95,000	08-01-06	100.00000 95,000.00	99,070.75	4,070.75	Long Term
LEGENDS BANK CD	4 1/2	95,000	09-08-08	100.00000 95,000.00	97,177.40	2,177.40	Short Term
GUNNISON BANK CD	5.050	85,000	10-25-06	100.00000 85,000.00	88,117.80	3,117.80	Long Term
BAYTREE NATL BK &	4 1/2	95,000	06-20-08	100.00000 95,000.00	97,018.75	2,018.75	Short Term
BMW BANK NA CD	4.000	95,000	03-13-08	100.00000 95,000.00	95,584.25	584.25	Short Term
FIRSTBANK FINL CD	4.000	95,000	03-11-08	100.00000 95,000.00	95,591.85	591.85	Short Term

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

	Unrealized Gain/(Loss)	Quantity	Date Acquired	Unit Cost Original / Adjusted*	Total Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
NATIOANL CITY CD	4.000	4-02-12	95,000	03-19-08	100.00000 95,000.00	95,568.10	568.10	Short Term
CAPITAL ONE BK	4.000	4-02-12	95,000	03-25-08	100.00000 95,000.00	95,568.10	568.10	Short Term
MONROE B&T CD	3.900	4-11-12	95,000	04-04-08	100.00000 95,000.00	95,275.50	275.50	Short Term
FRANKLIN TEMP BK	4.000	4-18-12	95,000	04-09-08	100.00000 95,000.00	95,557.65	557.65	Short Term
OCEANIC BK CD	5.000	5-09-12	95,000	05-01-07	100.00553 95,005.25	98,507.40	3,502.15	Long Term
GOLF SVGS BANK CD	5.000	5-09-12	95,000	05-01-07	100.00000 95,000.00	98,507.40	3,507.40	Long Term
FRIEDNSHIP ST CD	5.000	5-09-12	95,000	05-01-07	100.00553 95,005.25	98,507.40	3,502.15	Long Term
BANK NORTHN CD	4.200	5-07-12	95,000	04-25-08	100.00000 95,000.00	96,117.20	1,117.20	Short Term
ACACIA FED SVG CD	4.200	5-16-12	95,000	05-06-08	100.00000 95,000.00	96,110.55	1,110.55	Short Term
BRANCH B&T CO CD	4 1/4	5-29-12	95,000	05-19-08	100.00000 95,000.00	96,251.15	1,251.15	Short Term
WESTERIDGE BK CD	4.450	6-25-12	95,000	06-13-08	100.00000 95,000.00	96,858.20	1,858.20	Short Term
FLAGSTAR BANK CD	4 3/4	9-19-12	95,000	09-08-08	100.00000 95,000.00	97,799.65	2,799.65	Short Term
GE MONEY BK	4.700	9-18-12	95,000	09-10-08	100.00000 95,000.00	97,609.65	2,609.65	Short Term

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

PAGE 13 OF 16

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

	Unrealized Gain/(Loss)	Quantity	Date Acquired	Unit Cost Original / Adjusted*	Total Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
NEW FRONTIER CD	4 3/4	11-07-12	95,000	10-31-08	100.00000 95,000.00	97,776.85	2,776.85	Short Term
JPMC (WAMU UT) CD	4 1/4	3-28-13	95,000	03-19-08	100.00000 95,000.00	95,742.90	742.90	Short Term
ADVANTA BANK CD	4 1/4	4-02-13	95,000	03-24-08	100.00000 95,000.00	95,724.85	724.85	Short Term
PLANTERSFIRST CD	4.000	4-11-13	95,000	04-04-08	100.00000 95,000.00	94,774.85	(225.15)	Short Term
INVESTORS CD	4.050	4-11-13	95,000	04-07-08	100.00000 95,000.00	94,960.10	(39.90)	Short Term
WACHOVIA BK CD	4 1/4	4-09-13	95,000	04-04-08	100.00000 95,000.00	95,700.15	700.15	Short Term
GOLDMAN SACHS CD	4.450	4-30-13	95,000	04-25-08	100.00000 95,000.00	96,368.00	1,368.00	Short Term
CAPMARK BANK CD	4 1/2	5-28-13	95,000	05-20-08	100.00000 95,000.00	96,463.95	1,463.95	Short Term
PROV BK MARYLAND	4.650	6-20-13	95,000	06-13-08	100.00000 95,000.00	96,960.80	1,960.80	Short Term
WACHOVIA BK CD	5.050	9-12-13	95,000	09-10-08	100.00000 95,000.00	98,274.65	3,274.65	Short Term
CAP ONE NA	4.950	9-17-13	95,000	09-08-08	100.00000 95,000.00	97,860.45	2,860.45	Short Term
MS BANK CD	5.050	11-05-13	95,000	10-31-08	100.00000 95,000.00	98,120.75	3,120.75	Short Term
WORLD JUMBO CD	5.000	11-26-13	100,000	11-18-08	100.00000 100,000.00	100,000.00		

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

Unrealized Gain/(Loss)		Quantity	Date Acquired	Unit Cost Original / Adjusted*	Market Value	Unrealized Gain/(Loss)	Additional Information
DISCOVER BANK CD	5.050	95,000	09-09-08	100.00000 95,000.00	97,630.55	2,630.55	Short Term
GE CAPITAL FINL	5.300	95,000	11-04-08	100.00000 95,000.00	97,026.35	2,026.35	Short Term
<b>Total Certificates of Deposit</b>				4,805,021.00 4,805,021.00	4,893,365.55	88,344.55	
<b>Totals for positions with cost data available</b>				\$9,656,641.61	\$9,836,221.99	\$179,580.38	
<b>Total Market Value for all positions</b>					\$9,836,221.99		

The "Total Cost" and "Unit Cost" for Fixed Income Unit Trusts, Mortgage-Backed Securities, and Zero Coupon Bonds has been adjusted to reflect any partial return of principal or capital that may have been paid to you, or accreted interest earned, since your purchase date. In the event that the accumulated total return of principal or capital is greater than the provided original cost, the adjusted cost will be "0.00".

Realized Gain/(Loss)		Quantity	Date Acquired	Date Sold	Unit Cost Original / Adjusted*	Proceeds	Realized Gain/(Loss)	Additional Information
ANB FINL NATL CD	5 1/2	95,000	10-18-07	06-02-08	95,005.19	95,000.00	(5.19)	Short Term
FHLB	5 1/4	500,000	04-30-07	03-31-08	500,000.25	500,000.00		
FHLB	4 3/4	7415.250	11-06-08	12-22-08	500,000.00	500,000.00		Short Term
FHLB	4.010	250,000	03-26-08	12-26-08	7,415.64	7,415.25	(.39)	
WELLS FARGO BK CD	5.300	95,000	10-18-07	04-24-08	250,000.00	250,000.00		Short Term
<b>Totals for positions with cost data available</b>					95,005.25	95,000.00	(5.25)	

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## STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING DECEMBER 31, 2008

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

Realized Gain/(Loss)	Quantity	Date Acquired	Date Sold	Total Cost / Adjusted*	Proceeds	Realized Gain/(Loss)	Additional Information
<b>Sub Total Short Term</b>				\$947,426.08	\$940,000.00	(\$10.83)	
<b>Long Term</b>							
BANKWEST INC CD	5 1/2	2-17-09	02-19-08	95,000.00	95,000.00		Long Term
BANKWEST PIERR CD	5 1/2	8-30-11	02-29-08	94,985.47	95,000.00	14.53	Long Term
CAROLINA FIRST CD	4 1/2	5-26-10	05-27-08	95,000.00	95,000.00		Long Term
CITIZENS NB CD	5 3/4	7-28-11	01-28-08	95,005.25	95,000.00	(5.25)	Long Term
COLE TAYLOR CALLD	4 1/2	11-24-09	05-27-08	95,000.00	95,000.00		Long Term
COUNTRYWIDE BK CD	6.000	8-23-13	02-25-08	95,000.00	95,000.00		Long Term
DISCOVER BANK CD	3 1/2	12-03-08	09-09-08	95,000.00	94,994.75	(5.25)	Long Term
FHLMC MTN	3.000	3-24-08	04-04-03	1,293,505.00	1,299,994.75	6,489.75	Long Term
FIRST BANK CA CD	4 1/4	4-28-08	04-15-05	90,000.00	90,000.00		Long Term
FNMA	5.000	12-17-09	12-08-03	523,425.00	525,000.00	1,575.00	Long Term
FNMA	4 1/2	8-26-10	08-16-04	150,000.00	150,000.00		Long Term
FNMA	4 1/2	3-16-12	09-08-04	170,000.00	170,000.00		Long Term
FNMA	5 3/4	2-15-08	07-05-02	987,615.94			Long Term
FNMA	3 1/2	9-04-09	02-25-04	925,379.94	925,512.75	132.81	
FNMA	3.270	6-16-09	03-12-04	500,000.00	500,000.00		Long Term
FNMA	5.080	6-18-10	04-05-07	449,442.50	450,000.00	557.50	Long Term
FRONTIER BANK FID	4 1/2	9-14-10	03-14-08	499,750.00	500,000.00	250.00	Long Term
GEAUGA SVGS BK CD	4.700	1-28-11	11-01-05	88,796.72	90,000.00	1,203.28	Long Term
IRWIN UNION BK CD	5.050	3-24-08	03-16-06	85,000.00	85,000.00		Long Term
M&I BANK FSB FID	5.000	7-10-10	01-06-05	95,005.00	95,000.00	(5.00)	Long Term
NEW SOUTH FSB CD	4 1/2	5-12-10	10-27-04	95,000.00	95,000.00		Long Term
US TSY NOTE	2 5/8	3-15-09	03-26-04	850,005.00	852,089.15	2,084.15	Long Term
US TSY NOTE	4 3/4	11-15-08	07-05-02	306,020.61			Long Term
US TSY NOTE	4 3/4	11-15-08	07-05-02	300,361.36	300,962.25	600.89	Long Term
US TSY NOTE	4 3/4	11-15-08	11-05-08	255,017.18			Long Term
US TSY NOTE	4 3/4	11-15-08	07-05-02	250,032.42	250,229.13	196.71	Long Term
US TSY NOTE	4 3/4	11-15-08	11-06-08	102,006.87			Long Term
US TSY NOTE	4 3/4	11-15-08	11-13-08	100,010.38	99,852.75	(157.63)	Long Term
US TSY NOTE	4 3/4	11-15-08	07-05-02	204,013.74			Long Term
<b>Sub Total Long Term</b>				200,000.03	200,000.00	(.03)	
				\$7,425,709.32	\$7,438,635.53	\$12,926.21	

This summary is not part of your account statement. It is for information purposes only and should not be used for tax preparation.

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

**STATEMENT OF YOUR ACCOUNT  
FOR MONTH ENDING DECEMBER 31, 2008**

SAN LORENZO VALLEY WATER DIST  
INVESTMENT BROKERAGE ACCT

Account Number  
136 022962 062

Realized Gain/(Loss)	Quantity	Date Acquired	Date Sold	Total Cost		Proceeds	Realized Gain/(Loss)	Additional Information
				Original / Adjusted*				
<b>Totals for closing transactions with cost data available</b>				\$8,373,135.40		\$8,378,635.53	\$12,915.38	
<b>Total Proceeds</b>						\$8,386,050.78		

**Summary**

	Short Term	Long Term	Total
Unrealized gain.....	\$52,134.46	\$135,102.67	\$187,237.13
Unrealized (loss).....	(\$7,656.75)	\$0.00	(\$7,656.75)
Realized gain YTD.....	\$0.00	\$13,104.62	\$13,104.62
Realized (loss) YTD.....	(\$10.83)	(\$178.41)	(\$189.24)

\*Adjusted Cost, Unit and Total, does not apply to all securities; it only applies to those securities whose terms can cause them to increase or reduce in value until maturity. Please contact your Financial Advisor for more information.

# Morgan Stanley

## Account Valuation

This figure represents the approximate value of your account on a settlement date basis and is computed by adding (1) the market value of all priced positions and (2) market values provided by pricing services and correspondent custodians for other positions, and by adding any credit or subtracting any debit to your closing cash, or money market fund and/or bank deposit balance. Please note, this valuation may be adjusted for the net change in priced asset values for securities held or for the net change in money market balances during the statement period. Your closing cash, money market fund and/or bank deposit balance represents the cash, money market funds and/or bank deposits and reflects the net month end available balance.

The Bank Deposit Annual Percentage Yield ("APY") represents the applicable rate in effect for your deposits at the statement ending date. This APY may be different than the APY that was in effect during the statement period. For current Bank Deposit or Money Market Fund yields, go to <http://www.morganstanley.com/AccountOptions/ActiveAssets/InvestmentFeatures/>

**Availability of Free Credit Balances and Financial Statements**  
Under the customer protection rules of the SEC [17 CFR §240.15c3-2 & -3], Morgan Stanley & Co. Incorporated may use free credit balances in your account which are payable to you on demand, in the ordinary course of its business. We send summary Morgan Stanley & Co. Incorporated financial statements to you semiannually; copies are also available on request, by mail.

**Certain Assets Not Held At Morgan Stanley & Co. Incorporated**  
You may purchase certain assets through Morgan Stanley & Co. Incorporated that may be held at a financial institution other than Morgan Stanley & Co. Incorporated. Assets not held at Morgan Stanley & Co. Incorporated may not be covered by SIPC protection. We may include information about these assets on your Morgan Stanley & Co. Incorporated statement, solely as a service to you and are not responsible for information (including valuation) derived from you or another external source. Generally, any financial institution that holds securities is responsible for providing taxable year-end reporting (1099s) and separate periodic statements, which may vary from our information due to different tax reporting periods. In the case of Morgan Stanley, Van Kampen and external networked mutual funds, Morgan Stanley & Co. Incorporated performs all year-end tax reporting (1099s). Under certain circumstances, such as IRA accounts, Morgan Stanley & Co. Incorporated performs all tax reporting.

**Client's Investment Objectives and Financial Situation**  
It is essential to advise your Financial Advisor immediately if there is a material change in your investment objectives or financial situation.

**Dividend/Interest (Month/YTD)**  
These figures represent dividends and/or interest on securities received by Morgan Stanley and credited to your account during the calendar year. As required by law, Morgan Stanley reports to the Internal Revenue Service dividend distributions and taxable bond interest credited to your account. The totals reported are indicated as the year-to-date (YTD) figures on the last statement for the calendar year. In the case of Real Estate Investment Trusts (REITs), Master Limited Partnerships, Regulated Investment Companies and Unit Investment Trusts, some sponsors may reclassify the distribution to a different tax type for year-end reporting (1099).

**Errors and Inquiries**  
If you do not understand an entry on your statement or suspect an error was made, it is essential that you immediately contact the manager of the office servicing your account. Oral communications regarding any inaccuracy or discrepancy in this statement should be re-confirmed in writing to further protect your rights, including rights under the Securities Investor Protection Act (SIPA). We will consider your statement to be correct unless we receive a written inquiry from you about the suspected error within 10 calendar days from the day on which you received your statement. It is your responsibility to review your statement promptly and to seek immediate clarification about entries that you do not understand.

**Estimated Annual Income and Yields**  
Estimated annual income and yields are calculated by annualizing the most recent distribution and do not reflect historic experience or projected future results. Since the rates are subject to change at any time, they should not be solely relied upon for making investment or trading decisions. You should consult with your Financial Advisor to obtain accurate, current information so you can make an informed decision.

**Listed Options**  
Information with respect to commissions and other charges related to the execution of options transactions has been included in confirmations of such transactions previously furnished to you and such information will be made available to you promptly at your request.

## Margin Interest Charges

Morgan Stanley calculates interest charges on margin loans as follows:  
(1) Multiply the applicable margin interest rate by the daily close of business net settled debit balance. (2) Divide by 360 (days)  
Margin interest accrues daily throughout the month and is added to your debit balance at month end. The month-end interest charge is the sum of the daily accrued interest calculations for the month. Morgan Stanley adds the accrued interest to your debit balance and starts a new calculation each time the applicable interest rate changes and at the close of every statement month. For current margin loan interest rates, please go to <http://www.morganstanley.com/customer-service/disclosures/#4>

**Margin Privileges**  
(not available for certain accounts such as IRAs or retirement accounts)  
If you have margin privileges, you may borrow money from Morgan Stanley in exchange for pledging assets in your account as collateral for any outstanding margin loan. The amount you may borrow is based on the value of the eligible securities in your margin account, which are identified by an asterisk (\*) on your statement.

## Pricing of Securities

The prices of securities displayed on your statement are derived from various sources and in some cases may be higher or lower than the price that you would actually receive in the market. Although we attempt to use reliable sources of information, we can offer no assurance as to its accuracy.

For securities listed on an exchange or trading continually in an active marketplace, the price reflects the market quotations at the close of your statement period. The prices of securities not actively traded may not be available. These are indicated by N/A (not available).

For bonds trading less frequently, we rely on outside pricing services or a computerized pricing model, which cannot always give us actual market values. Similarly, some annuity values provided by outside sponsors are estimates.

The amounts on this statement for limited partnerships are typically obtained from a third party or from the general partners unless Morgan Stanley has obtained other information such as an independent appraisal. Since many partnership valuations are provided only annually, they do not always represent current values.

Furthermore, limited partnerships and non-traded REITs are illiquid and have no public markets, so the amounts showing on this statement may not equal the amounts you would receive if you sold your investment.

The value of mutual fund shares is determined by multiplying the net asset value (NAV) by the number of shares or units held, as reported to Morgan Stanley by the correspondent custodian. If we cannot obtain a price or estimate, N/A appears. Speak to your Financial Advisor to obtain current information concerning the prices on your statements.

## Security Measures

Your Morgan Stanley statement features several embedded security elements to safeguard its authenticity. One is a unique security mark—a blue rectangle with the letters MS printed in heat-sensitive blue ink on the front side of every page. When exposed to warmth, the blue rectangle will disappear, and then reappear.

## SIPC Protection

Securities and cash held in Morgan Stanley & Co. Incorporated accounts are protected up to their full net equity value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC), a non-profit organization created by an Act of Congress, and additional protection purchased from a private insurer by Morgan Stanley (the Excess Coverage). Excess Coverage provides additional protection up to the full net equity value of each account including unlimited coverage for unvested cash. SIPC protects up to \$500,000 of each client's securities, of which up to \$100,000 may be unvested cash. SIPC and Excess Coverage apply only to securities and cash in the exclusive possession and control of Morgan Stanley & Co. Incorporated and do not protect against losses due to market fluctuations. Detailed information is available upon request.

Under Federal Income Tax law, Morgan Stanley is required to report the gross proceeds of sales transactions (including entering into short sales) to you on Form 1099-B by January 31 of the year following the calendar year of the transaction. The information reported on your Form 1099-B for the calendar year should be exclusively relied upon for the purpose of filing your tax return for the year. Under U.S. Internal Revenue Service regulations, if you have not provided us with certification of either U.S. or foreign status on an appropriate Form W-9 or W-8, your account may be subject to either 28% backup withholding or 30% nonresident alien withholding, as applicable, on payments made to your account.

## Taxes

All transaction dates on this statement are the transactions' settlement dates. In the case of unsettled trades, we list the trade date instead of the settlement date with a notation that the trade is unsettled. Upon written request, Morgan Stanley will furnish the date and time of a transaction and the name of the other party to a transaction. Morgan Stanley accepts benefits that constitute payment for order flow. Details regarding these benefits and the source and amount of any other remuneration received or to be received by us in connection with any transaction will be furnished upon written request.

## Transaction Dates and Conditions

All transaction dates on this statement are the transactions' settlement dates. In the case of unsettled trades, we list the trade date instead of the settlement date with a notation that the trade is unsettled. Upon written request, Morgan Stanley will furnish the date and time of a transaction and the name of the other party to a transaction. Morgan Stanley accepts benefits that constitute payment for order flow. Details regarding these benefits and the source and amount of any other remuneration received or to be received by us in connection with any transaction will be furnished upon written request.

ST500B

Rev:Laed 10/2007

Investments and services are offered through Morgan Stanley & Co. Incorporated, member SIPC.

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