

M E M O

TO: Board of Directors

FROM: Finance Manager

SUBJECT: INVESTMENT REPORT PERIOD ENDING FEBRUARY 28, 2006

DATE: March 31, 2006

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 February 28, 2006 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.

Karen Alvarez
Finance Manager

KA
Attachment

Portfolio as of 12-31-05

Pooled Money Investment Account

PAR VALUES MATURING BY DATE AND TYPE

Maturities in Millions of Dollars

| ITEM | 1 day to 30 days | 31 days to 60 days | 61 days to 90 days | 91 days to 120 days | 121 days to 150 days | 151 days to 180 days | 181 days to 210 days | 211 days to 270 days | 271 days to 1 year | 1 year to 2 years | 2 years to 3 years | 3 years to 4 years | 4 years to 5 year/out |
|-----------|------------------------|--------------------------|--------------------------|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------|-------------------------|--------------------------|--------------------------|-----------------------------|
| TREASURY | | | \$ 200 | \$ 900 | \$ 1,125 | \$ 100 | \$ 600 | | \$ 900 | | | | |
| REPO | | | | | | | | | | | | | |
| TDs | \$ 2,395 | \$ 2,109 | \$ 1,244 | \$ 633 | \$ 318 | \$ 859 | | \$ 4 | \$ 78 | | | | |
| AGENCY | \$ 1,615 | \$ 800 | \$ 2,200 | \$ 1,575 | \$ 2,138 | \$ 398 | \$ 650 | \$ 1,714 | \$ 1,628 | \$ 2,488 | \$ 636 | \$ 439 | \$ 2 |
| BAs | | | | | | | | | | | | | |
| CP | \$ 2,876 | \$ 2,930 | \$ 2,052 | \$ 460 | \$ 860 | | | | | | | | |
| CDs + BNs | \$ 3,200 | \$ 4,875 | \$ 1,980 | \$ 1,400 | \$ 1,675 | | | | | | | | |
| CORP BND | \$ 11 | \$ 96 | \$ 67 | \$ 4 | \$ 96 | \$ 15 | \$ 10 | \$ 364 | \$ 55 | \$ 191 | \$ 15 | | |
| TOTAL | | | | | | | | | | | | | |
| \$ 50,976 | \$ 10,096 | \$ 10,810 | \$ 7,743 | \$ 4,971 | \$ 6,212 | \$ 1,372 | \$ 1,260 | \$ 2,082 | \$ 2,660 | \$ 2,679 | \$ 651 | \$ 439 | \$ 2 |
| PERCENT | 19.8% | 21.2% | 15.2% | 9.8% | 12.2% | 2.7% | 2.5% | 4.1% | 5.2% | 5.3% | 1.3% | 0.9% | 0.0% |

Notes:

1. SBA Floating Rate Securities are represented at coupon change date.
2. Mortgages are represented at current book value.
3. Figures are rounded to the nearest million.
4. Does not include AB55 and General Fund loans

POOLED MONEY INVESTMENT ACCOUNT

SUMMARY OF INVESTMENT DATA

A COMPARISON OF JANUARY 2006 WITH JANUARY 2005

(DOLLARS IN THOUSANDS)

| | JANUARY 2006 | JANUARY 2005 | CHANGE |
|-------------------------------------|---------------|---------------|---------------|
| Average Daily Portfolio | \$ 58,086,223 | \$ 54,363,641 | \$ +3,722,582 |
| Accrued Earnings | \$ 195,101 | \$ 104,516 | \$ +90,585 |
| Effective Yield | 3.955 | 2.264 | +1.691 |
| Average Life-Month End (In Days) | 175 | 202 | -27 |
| Total Security Transactions | | | |
| Amount | \$ 21,902,735 | \$ 21,081,115 | \$ +821,620 |
| Number | 457 | 441 | +16 |
| Total Time Deposit Transactions | | | |
| Amount | \$ 4,839,190 | \$ 4,634,500 | \$ +204,690 |
| Number | 182 | 154 | +28 |
| Average Workday Investment Activity | \$ 1,337,096 | \$ 1,285,781 | \$ +51,315 |
| Prescribed Demand Account Balances | | | |
| For Services | \$ 332,791 | \$ 635,710 | \$ -302,919 |
| For Uncollected Funds | \$ 163,896 | \$ 182,877 | \$ -18,981 |

**PHIL ANGELIDES
TREASURER
STATE OF CALIFORNIA**

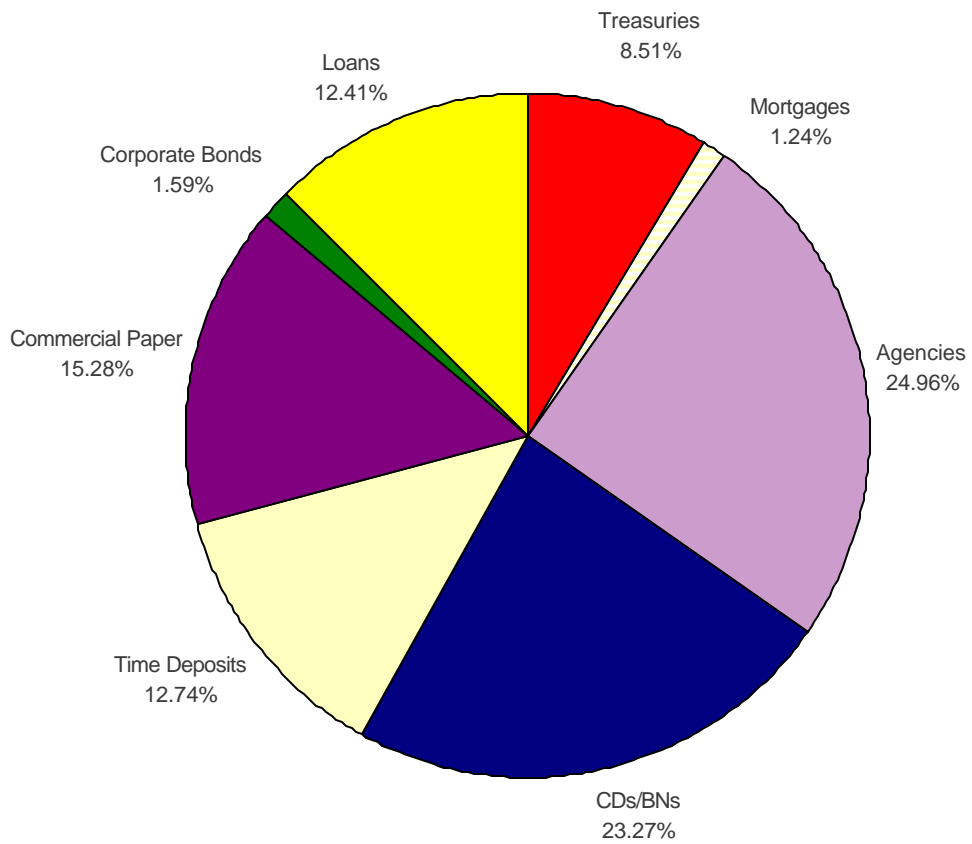
**INVESTMENT DIVISION SELECTED INVESTMENT DATA
ANALYSIS OF THE POOLED MONEY INVESTMENT ACCOUNT PORTFOLIO
(000 OMITTED)**

| January 31, 2006 | | | |
|-------------------------------|---------------|---------------------------------|--|
| <u>TYPE OF SECURITY</u> | <u>AMOUNT</u> | <u>PERCENT OF PORTFOLIO</u> | <u>DIFFERENCE IN PERCENT OF PORTFOLIO FROM PRIOR MONTH</u> |
| Government | | | |
| Bills | \$ 1,721,340 | 2.85 | +1.49 |
| Bonds | 0 | | |
| Notes | 3,416,272 | 5.66 | +0.41 |
| Strips | 0 | | |
| Total Government | \$ 5,137,612 | 8.51 | +1.90 |
| Federal Agency Coupons | \$ 8,952,225 | 14.83 | +0.13 |
| Certificates of Deposit | 12,345,116 | 20.45 | +0.02 |
| Bank Notes | 1,699,993 | 2.82 | +0.48 |
| Bankers' Acceptances | 0 | 0.00 | 0.00 |
| Repurchases | 0 | 0.00 | 0.00 |
| Federal Agency Discount Notes | 6,116,758 | 10.13 | -0.91 |
| Time Deposits | 7,688,995 | 12.74 | -0.50 |
| GNMAs | 256 | 0.00 | 0.00 |
| Commercial Paper | 9,221,457 | 15.28 | -0.44 |
| FHLMC/Remics | 747,439 | 1.24 | -0.09 |
| Corporate Bonds | 958,214 | 1.59 | -0.04 |
| AB 55 Loans | 7,493,515 | 12.41 | -0.55 |
| GF Loans | 0 | 0.00 | 0.00 |
| Reversed Repurchases | 0 | 0.00 | 0.00 |
| Total (All Types) | \$ 60,361,580 | 100.00 | |

INVESTMENT ACTIVITY

| | JANUARY 2006 | | DECEMBER 2005 | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | <u>NUMBER</u> | <u>AMOUNT</u> | <u>NUMBER</u> | <u>AMOUNT</u> |
| Pooled Money | 457 | \$ 21,902,735 | 451 | \$ 21,953,937 |
| Other | 9 | 435,804 | 89 | 3,495,993 |
| Time Deposits | 182 | 4,839,190 | 146 | 3,148,500 |
| Totals | 648 | \$ 27,177,729 | 686 | \$ 28,598,430 |
| PMIA Monthly Average Effective Yield | 3.955 | | 3.808 | |
| Year to Date Yield Last Day of Month | 3.497 | | 3.413 | |

**Pooled Money Investment Account
Portfolio Composition
\$60.4 Billion
01/31/06**



STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING FEBRUARY 28, 2006

PAGE 1 OF 11

Your Financial Advisor
JAMES M BARGETTO
SENIOR VICE PRESIDENT
MORGAN STANLEY
716 OCEAN STREET
SANTA CRUZ, CA 95060
(831) 457-4314

Account Number
136 022962 014

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

Householding Anniv. Date:
03/08/2003
Access your account at:
www.morganstanley.com/online

ASSET DETAILS

| Your Investments | | | | Current Price | Value | Est Yrly Income | Current Yield |
|------------------|-------------------|--------|---------|------------------|--------------|--------------------|------------------|
| 60000 | BSB BANK & TR CD | 2650 | 06AU29 | 98.895 | 59,337.00 | 1,590.00 | 2.67% |
| 95000 | MIDFIRST BANK CD | 3250 | 06SP05 | 99.152 | 94,194.40 | 3,087.50 | 3.27% |
| 90000 | FIRST BANK CA CD | 4250 | 08AP28 | 98.248 | 88,423.20 | 3,825.00 | 4.32% |
| 95000 | DISCOVER BANK CD | 3500 | 08DE03 | 95.783 | 90,993.85 | 3,325.00 | 3.65% |
| 95000 | WEBSTER BANK CD | 3300 | 09MH03 | 94.864 | 90,120.80 | 3,135.00 | 3.47% |
| 95000 | 1ST SIGNATURE CD | 3300 | 09MH03 | 94.864 | 90,120.80 | 3,135.00 | 3.47% |
| 95000 | LEHMAN BROS CD | 3500 | 09MH03 | 95.413 | 90,642.35 | 3,325.00 | 3.66% |
| 85000 | NEVADA SEC BK CD | 4600 | 09AU24 | 98.144 | 83,422.40 | 3,910.00 | 4.68% |
| 95000 | PROVIDIAN NATL CD | 4000 | 09SP15 | 100.685 | 95,650.75 | 3,800.00 | 3.97% |
| 95000 | COLE TAYLOR FID | 41250* | 09NV24 | 97.948 | 93,050.60 | 3,918.75 | 4.21% |
| 95000 | SOVEREIGN BK CD | 42500* | 09DE09 | 98.880 | 93,936.00 | 4,037.50 | 4.29% |
| 95000 | TOWER BANK CD | 4150 | 10FB23 | 96.235 | 91,423.25 | 3,942.50 | 4.31% |
| 95000 | NEW SOUTH FSB CD | 3500 | *10MY12 | 96.820 | 91,979.00 | 3,325.00 | 3.61% |
| 95000 | CAROLINA FIRST CD | 3500 | *10MY26 | 97.071 | 92,217.45 | 3,325.00 | 3.60% |
| 95000 | M&I BANK FSB FID | 37500* | 10JL10 | 97.438 | 92,566.10 | 3,562.50 | 3.84% |
| 90000 | FRONTIER BANK FID | 4500 | *10SP14 | 97.069 | 87,362.10 | 4,050.00 | 4.63% |
| 95000 | WASHINGTON MUT CD | 4400 | 10SP21 | 96.680 | 91,846.00 | 4,180.00 | 4.55% |
| 80000 | NATL REP BANK CD | 4900 | 11JA13 | 98.535 | 78,828.00 | 3,920.00 | 4.97% |
| 95000 | GEAUGA SVGS BK CD | 4700 | *11JA28 | 97.643 | 92,760.85 | 4,465.00 | 4.81% |
| 85000 | NOVA SVGS BK CD | 4500 | 11JN08 | 96.519 | 82,041.15 | 3,825.00 | 4.66% |
| 1200000 | FNMA | 4375 | 06OC15 | 99.688 | 1,196,256.00 | 52,500.00 | 4.38% |
| 850000 | US TSY NOTE | 3500 | 06NV15 | 99.141 | 842,698.50 | 29,750.00 | 3.53% |
| 750000 | US TSY NOTE | 2250 | 07FB15 | 97.676 | 732,570.00 | 16,875.00 | 2.30% |
| 850000 | US TSY NOTE | 3250 | 07AU15 | 97.953 | 832,600.50 | 27,625.00 | 3.31% |
| 100000 | CAPITAL JUMBO CD | 4550 | 07SP04 | 99.069 | 99,069.00 | 4,550.00 | 4.59% |
| 700000 | US TSY NOTE | 3000 | 07NV15 | 97.230 | 680,610.00 | 21,000.00 | 3.08% |
| 925000 | FNMA | 5750 | 08FB15 | 101.563 | 939,457.75 | 53,187.50 | 5.66% |
| 1300000 | FHLMC MTN | 3000 | 08MH24 | 96.290 | 1,251,770.00 | 39,000.00 | 3.11% |
| 850000 | US TSY NOTE | 4750 | 08NV15 | 100.211 | 851,793.50 | 40,375.00 | 4.73% |

STATEMENT OF YOUR ACCOUNT
FOR MONTH ENDING FEBRUARY 28, 2006

SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

| Your Investments | | | | Current Price | Value | Est Yrly Income | Current Yield |
|-----------------------------------|-------------|-------|---------|---------------|-----------------|-----------------|---------------|
| 350000 | US TSY NOTE | 3000 | 09FB15 | 95.445 | 334,057.50 | 10,500.00 | 3.14% |
| 850000 | US TSY NOTE | 2625 | 09MH15 | 94.277 | 801,354.50 | 22,312.50 | 2.78% |
| 450000 | FNMA | 3270 | *09JN16 | 94.969 | 427,360.50 | 14,715.00 | 3.44% |
| 500000 | FNMA | 3500 | *09SP04 | 95.313 | 476,565.00 | 17,500.00 | 3.67% |
| 500000 | FNMA | 2900 | *09OC14 | 97.656 | 488,280.00 | 14,500.00 | 2.96% |
| 525000 | FNMA | 40000 | *09DE17 | 97.625 | 512,531.25 | 21,000.00 | 4.09% |
| 100000 | FFCB | 4950 | *10FB01 | 98.844 | 98,844.00 | 4,950.00 | 5.00% |
| 150000 | FNMA | 3000 | *10AU26 | 97.781 | 146,671.50 | 4,500.00 | 3.06% |
| 250000 | FNMA | 4750 | *10DE02 | 98.906 | 247,265.00 | 11,875.00 | 4.80% |
| 170000 | FNMA | 3750 | *12MH16 | 97.219 | 165,272.30 | 6,375.00 | 3.85% |
| Total Value of Priced Investments | | | | | \$12,895,942.85 | \$484,773.75 | 3.75% |

| Custodial Holdings | | Symbol | Current Price | Date | Value | Custodian | Dividend Cap Gains Option | Fund Plan Number |
|--------------------------|----------------------------|--------|---------------|----------|--------------|-----------|---------------------------|------------------|
| 101758.55 | U.S. GOV'T MONEY MARKET TR | SGMT | 1.00 | 02/28/06 | 101,758.55 | MSDWT | Reinv/ N/A | 519953650 |
| Total Custodial Holdings | | | | | \$101,758.55 | | | |

| Asset Summary | Value | Est Yrly Income |
|-------------------------|-----------------|-----------------|
| Cash | 1,176.40 | |
| Total Account Valuation | \$12,998,877.80 | \$484,773.75 |

DAILY ACTIVITY DETAILS

| Date | Activity | Quantity | Description | Price | Amount | Cash Balance |
|------|------------------|----------|----------------------------|-------|-----------|--------------|
| | | | CLOSING BALANCE AS OF 1/31 | | | 379.22 |
| 2/01 | Taxable Interest | | FFCB 4950 *10FB01 | | +2,062.50 | +2,441.72 |

STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING FEBRUARY 28, 2006

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SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

DAILY ACTIVITY DETAILS

| <i>Date</i> | <i>Activity</i> | <i>Quantity</i> | <i>Description</i> | <i>Price</i> | <i>Amount</i> | <i>Cash Balance</i> |
|-------------|------------------|-----------------|--------------------------------|--------------|---------------|---------------------|
| 2/02 | Taxable Interest | | CAPITAL JUMBO CD 4550 07SP04 | | +386.44 | +2,828.16 |
| | Bought | 2441.72 | U.S. GOV'T MONEY MARKET TR | 1.00 | -2,441.72 | +386.44 |
| 2/04 | Taxable Interest | | FNMA 3500 *09SP04 | | +1,458.34 | +1,844.78 |
| 2/06 | Bought | 386.44 | U.S. GOV'T MONEY MARKET TR | 1.00 | -386.44 | +1,458.34 |
| 2/07 | Bought | 1458.34 | U.S. GOV'T MONEY MARKET TR | 1.00 | -1,458.34 | .00 |
| 2/14 | Taxable Interest | | FRONTIER BANK FID 4500 *10SP14 | | +343.97 | +343.97 |
| 2/15 | Taxable Interest | | FNMA 5750 08FB15 | | +26,593.75 | +26,937.72 |
| | Taxable Interest | | US TSY NOTE 3250 07AU15 | | +13,812.50 | +40,750.22 |
| | Taxable Interest | | US TSY NOTE 2250 07FB15 | | +8,437.50 | +49,187.72 |
| | Taxable Interest | | US TSY NOTE 3000 09FB15 | | +5,250.00 | +54,437.72 |
| 2/16 | Bought | 54437.72 | U.S. GOV'T MONEY MARKET TR | 1.00 | -54,437.72 | .00 |
| 2/23 | Taxable Interest | | TOWER BANK CD 4150 10FB23 | | +334.84 | +334.84 |
| 2/24 | Taxable Interest | | NEVADA SEC BK CD 4600 09AU24 | | +1,971.07 | +2,305.91 |
| 2/26 | Taxable Interest | | FNMA 3000 *10AU26 | | +2,250.00 | +4,555.91 |
| 2/27 | Sold | 35000 | BSB BANK & TR CD 2650 06AU29 | 98.808 | +35,034.95 | +39,590.86 |
| | | | AMOUNT INCLUDES ACCRUED | | +.00 | |
| | | | INTEREST OF \$457.40 | | +.00 | |
| | Bought | 2305.91 | U.S. GOV'T MONEY MARKET TR | 1.00 | -2,305.91 | +37,284.95 |
| 2/28 | Taxable Interest | | GEAUGA SVGS BK CD 4700 *11JA28 | | +379.22 | +37,664.17 |
| | Taxable Interest | | BSB BANK & TR CD 2650 06AU29 | | +797.18 | +38,461.35 |
| | Dividend | | U.S. GOV'T MONEY MARKET TR | | +90.26 | +38,461.35 |
| | Direct Purchase | 90.260 | U.S. GOV'T MONEY MARKET TR | 1.00 | -90.26 | +38,461.35 |
| | | | REINVESTMENT | | | +38,461.35 |
| | Bought | 37284.95 | U.S. GOV'T MONEY MARKET TR | 1.00 | -37,284.95 | +1,176.40 |
| | | | CLOSING BALANCE AS OF 2/28 | | | +1,176.40 |

| Morgan Stanley Fund Summary | <i>YTD Dividends</i> | <i>YTD Cap Gains</i> | <i>YTD Taxes</i> | <i>Features</i> |
|------------------------------------|----------------------|----------------------|------------------|--------------------|
| U.S. GOV'T MONEY MARKET TR | 144.78 | 0.00 | 0.00 | Reinvest Dividends |

STATEMENT OF YOUR ACCOUNT
FOR MONTH ENDING FEBRUARY 28, 2006

SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

| Morgan Stanley Fund Summary | | YTD Dividends | YTD Cap Gains | YTD Taxes | Features | |
|-------------------------------|--|------------------|------------------|-----------------|------------|--------------|
| Totals | | \$144.78 | \$0.00 | \$0.00 | | |
| Income Summary | | This Month | Year-to-Date | | This Month | Year-to-Date |
| Dividends | | 90.26 | 144.78 | Interest | 64,077.31 | 68,656.28 |
| Accrued Bond Interest | | 457.40 | 731.84 | Margin Interest | .00 | .00 |
| Tax Information | | This Month | Year-to-Date | | | |
| U.S. Treasury Coupon Interest | | 27,500.00 | 27,500.00 | | | |

STATEMENT OF YOUR ACCOUNT
FOR MONTH ENDING FEBRUARY 28, 2006

SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

Margin Loan Rates

| <i>Loan Amount</i> | <i>Rate</i> | |
|--------------------------|-------------|------------------------------------|
| \$0 - 9,999 | 11.375% | EFFECTIVE DATE: February 1, 2006 |
| \$10,000 - 24,999 | 11.250% | PREVIOUS CHANGE: December 14, 2005 |
| \$25,000 - 49,999 | 10.250% | |
| \$50,000 - 99,999 | 10.125% | |
| \$100,000 - 499,999 | 8.875% | |
| \$500,000 - 999,999 | 8.625% | |
| \$1,000,000 - 4,999,999. | 8.000% | |
| \$5,000,000 - 9,999,999. | 7.500% | |
| \$10,000,000 & over..... | 7.250% | |

STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING FEBRUARY 28, 2006

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Your Financial Advisor
JAMES M BARGETTO
SENIOR VICE PRESIDENT
MORGAN STANLEY
716 OCEAN STREET
SANTA CRUZ, CA 95060
(831) 457-4314

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

Account Number
136 022962 014

Householding Anniv. Date:
03/08/2003
Access your account at:
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 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 DW Inc. 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 DW Inc., 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 DW Inc., 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.

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

STATEMENT OF YOUR ACCOUNT
FOR MONTH ENDING FEBRUARY 28, 2006

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SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

| 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 1/2 | 11-15-06 | 850,000 | 07-05-02 | 98.00873 | 840,425.50 | | | Long Term |
| | | | | | 98.00873 | 840,425.50 | 842,698.50 | 2,273.00 | |
| US TSY NOTE | 2 1/4 | 2-15-07 | 750,000 | 02-26-04 | 100.71647 | 755,378.58 | | | Long Term |
| | | | | | 100.23695 | 751,777.16 | 732,570.00 | (19,207.16) | |
| US TSY NOTE | 3 1/4 | 8-15-07 | 850,000 | 08-28-02 | 100.00601 | 855,113.50 | | | Long Term |
| | | | | | 100.18672 | 851,587.19 | 832,600.50 | (18,986.69) | |
| US TSY NOTE | 3.000 | 11-15-07 | 700,000 | 12-05-03 | 100.90600 | 706,347.00 | | | Long Term |
| | | | | | 100.40499 | 702,834.95 | 680,610.00 | (22,224.95) | |
| US TSY NOTE | 4 3/4 | 11-15-08 | 850,000 | 07-05-02 | 102.00687 | 872,844.50 | | | Long Term |
| | | | | | 101.23163 | 860,468.86 | 851,793.50 | (8,675.36) | |
| US TSY NOTE | 3.000 | 2-15-09 | 350,000 | 02-27-04 | 100.70600 | 352,476.00 | | | Long Term |
| | | | | | 100.43427 | 351,519.97 | 334,057.50 | (17,462.47) | |
| US TSY NOTE | 2 5/8 | 3-15-09 | 850,000 | 03-26-04 | 100.00000 | 850,005.00 | | | Long Term |
| | | | | | 100.00000 | 850,005.00 | 801,354.50 | (48,650.50) | |
| Federal Agencies | | | | | | | | | |
| FNMA | 4 3/8 | 10-15-06 | 1,200,000 | 07-05-02 | 100.00800 | 1,209,605.00 | | | Long Term |
| | | | | | 100.00800 | 1,209,605.00 | 1,196,256.00 | (13,349.00) | |
| FNMA | 5 3/4 | 2-15-08 | 925,000 | 07-05-02 | 106.00768 | 987,615.94 | | | Long Term |
| | | | | | 106.00768 | 987,615.94 | 939,457.75 | (48,158.19) | |
| FHLMC MTN | 3.000 | 3-24-08 | 1,300,000 | 04-04-03 | 99.00500 | 1,293,505.00 | | | Long Term |
| | | | | | 99.00500 | 1,293,505.00 | 1,251,770.00 | (41,735.00) | |

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.*

***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 FEBRUARY 28, 2006

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SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

| Unrealized Gain/(Loss) | | Quantity | Date Acquired | Unit Cost Original / Adjusted* | Total Cost Original / Adjusted* | Market Value | Unrealized Gain/(Loss) | Additional Information | |
|---------------------------|-------|----------|------------------|--------------------------------------|---------------------------------------|--------------------------|---------------------------|---------------------------|------------|
| | | | | | | | | | |
| FNMA | 3.270 | 6-16-09 | 450,000 | 03-12-04 | 99.87500 99.87500 | 449,442.50 449,442.50 | 427,360.50 | (22,082.00) | Long Term |
| FNMA | 3 1/2 | 9-04-09 | 500,000 | 02-25-04 | 100.00000 100.00000 | 500,000.00 500,000.00 | 476,565.00 | (23,435.00) | Long Term |
| FNMA | 2.900 | 10-14-09 | 500,000 | 01-25-05 | 99.00000 99.00000 | 495,005.00 495,005.00 | 488,280.00 | (6,725.00) | Long Term |
| FNMA | 4.000 | 12-17-09 | 525,000 | 12-08-03 | 99.70000 99.70000 | 523,425.00 523,425.00 | 512,531.25 | (10,893.75) | Long Term |
| FFCB | 4.950 | 2-01-10 | 100,000 | 11-28-05 | 99.88025 99.88025 | 99,880.25 99,880.25 | 98,844.00 | (1,036.25) | Short Term |
| FNMA | 3.000 | 8-26-10 | 150,000 | 08-16-04 | 100.00000 100.00000 | 150,000.00 150,000.00 | 146,671.50 | (3,328.50) | Long Term |
| FNMA | 4 3/4 | 12-02-10 | 250,000 | 11-07-05 | 100.00000 100.00000 | 250,000.00 250,000.00 | 247,265.00 | (2,735.00) | Short Term |
| FNMA | 3 3/4 | 3-16-12 | 170,000 | 09-08-04 | 100.00000 100.00000 | 170,000.00 170,000.00 | 165,272.30 | (4,727.70) | Long Term |
| Certificates of Deposit** | | | | | | | | | |
| BSB BANK & TR CD | 2.650 | 8-29-06 | 60,000 | 08-26-03 | 100.00000 100.00000 | 60,000.00 60,000.00 | 59,337.00 | (663.00) | Long Term |
| MIDFIRST BANK CD | 3 1/4 | 9-05-06 | 95,000 | 08-28-02 | 100.00000 100.00000 | 95,000.00 95,000.00 | 94,194.40 | (805.60) | Long Term |
| CAPITAL JUMBO CD | 4.550 | 9-04-07 | 100,000 | 08-28-02 | 100.00000 100.00000 | 100,000.00 100,000.00 | 99,069.00 | (931.00) | Long Term |

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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 FEBRUARY 28, 2006

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SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

| Unrealized Gain/(Loss) | | Quantity | Date Acquired | Unit Cost Original / Adjusted* | Total Cost Original / Adjusted* | Market Value | Unrealized Gain/(Loss) | Additional Information | |
|------------------------|-------|----------|------------------|--------------------------------------|---------------------------------------|------------------------|---------------------------|---------------------------|------------|
| | | | | | | | | | |
| FIRST BANK CA CD | 4 1/4 | 4-28-08 | 90,000 | 04-15-05 | 100.00000 100.00000 | 90,000.00 90,000.00 | 88,423.20 | (1,576.80) | Short Term |
| DISCOVER BANK CD | 3 1/2 | 12-03-08 | 95,000 | 11-26-03 | 100.00000 100.00000 | 95,000.00 95,000.00 | 90,993.85 | (4,006.15) | Long Term |
| WEBSTER BANK CD | 3.300 | 3-03-09 | 95,000 | 02-25-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 90,120.80 | (4,879.20) | Long Term |
| 1ST SIGNATURE CD | 3.300 | 3-03-09 | 95,000 | 02-25-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 90,120.80 | (4,879.20) | Long Term |
| LEHMAN BROS CD | 3 1/2 | 3-03-09 | 95,000 | 02-25-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 90,642.35 | (4,357.65) | Long Term |
| NEVADA SEC BK CD | 4.600 | 8-24-09 | 85,000 | 08-16-05 | 100.00000 100.00000 | 85,000.00 85,000.00 | 83,422.40 | (1,577.60) | Short Term |
| PROVIDIAN NATL CD | 4.000 | 9-15-09 | 95,000 | 09-08-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 95,650.75 | 650.75 | Long Term |
| COLE TAYLOR FID | 4 1/8 | 11-24-09 | 95,000 | 05-10-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 93,050.60 | (1,949.40) | Long Term |
| SOVEREIGN BK CD | 4 1/4 | 12-09-09 | 95,000 | 05-18-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 93,936.00 | (1,064.00) | Long Term |
| TOWER BANK CD | 4.150 | 2-23-10 | 95,000 | 02-15-05 | 100.00000 100.00000 | 95,000.00 95,000.00 | 91,423.25 | (3,576.75) | Long Term |
| NEW SOUTH FSB CD | 3 1/2 | 5-12-10 | 95,000 | 10-27-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 91,979.00 | (3,021.00) | Long Term |
| CAROLINA FIRST CD | 3 1/2 | 5-26-10 | 95,000 | 11-17-04 | 100.00000 100.00000 | 95,000.00 95,000.00 | 92,217.45 | (2,782.55) | Long Term |
| M&I BANK FSB FID | 3 3/4 | 7-10-10 | 95,000 | 01-06-05 | 100.00000 100.00000 | 95,005.00 95,005.00 | 92,566.10 | (2,438.90) | Long Term |

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STATEMENT OF YOUR ACCOUNT FOR MONTH ENDING FEBRUARY 28, 2006

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SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

| Unrealized Gain/(Loss) | | Quantity | Date Acquired | Unit Cost Original / Adjusted* | Total Cost Original / Adjusted* | Market Value | Unrealized Gain/(Loss) | Additional Information | |
|---|-------|----------|------------------|--------------------------------------|---------------------------------------|------------------------|---------------------------|---------------------------|------------|
| | | | | | | | | | |
| WASHINGTON MUT CD | 4.400 | 9-21-10 | 95,000 | 09-08-05 | 100.00000 100.00000 | 95,000.00 95,000.00 | 91,846.00 | (3,154.00) | Short Term |
| FRONTIER BANK FID | 4 1/2 | 9-14-10 | 90,000 | 11-01-05 | 98.66302 98.66302 | 88,796.72 88,796.72 | 87,362.10 | (1,434.62) | Short Term |
| GEAUGA SVGS BK CD | 4.700 | 1-28-11 | 95,000 | 08-05-05 | 100.00553 100.00553 | 95,005.25 95,005.25 | 92,760.85 | (2,244.40) | Short Term |
| NATL REP BANK CD | 4.900 | 1-13-11 | 80,000 | 01-05-06 | 100.00000 100.00000 | 80,000.00 80,000.00 | 78,828.00 | (1,172.00) | Short Term |
| NOVA SVGS BK CD | 4 1/2 | 6-08-11 | 85,000 | 05-27-05 | 100.00000 100.00000 | 85,000.00 85,000.00 | 82,041.15 | (2,958.85) | Short Term |
| Totals for positions with cost data available | | | | | | \$13,255,904.29 | \$12,895,942.85 | (\$359,961.44) | |
| Total Market Value for all positions | | | | | | | \$12,895,942.85 | | |

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 | Total Cost | | Proceeds | Realized Gain/(Loss) | Additional Information |
|--|----------|---------------|-----------|------------|-----------|-------------|----------------------|------------------------|
| | | | | Original / | Adjusted* | | | |
| Long Term | | | | | | | | |
| ALLSTATE BANK CD | 2.100 | 3-27-06 | 45,000 | 03-20-03 | 01-05-06 | 45,000.00 | 44,735.55 | (264.45) Long Term |
| BSB BANK & TR CD | 2.650 | 8-29-06 | 35,000 | 08-26-03 | 02-22-06 | 35,000.00 | 34,577.55 | (422.45) Long Term |
| Sub Total Long Term | | | | | | \$80,000.00 | \$79,313.10 | (\$686.90) |
| Totals for closing transactions with cost data available | | | | | | \$80,000.00 | \$79,313.10 | (\$686.90) |
| Total Proceeds | | | | | | | \$79,313.10 | |

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STATEMENT OF YOUR ACCOUNT
FOR MONTH ENDING FEBRUARY 28, 2006

SAN LORENZO VALLEY WATER DIST
INVESTMENT BROKERAGE ACCT

Account Number
136 022962 014

Summary

| | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> |
|--------------------------|-------------------|------------------|----------------|
| Unrealized gain..... | \$0.00 | \$2,923.75 | \$2,923.75 |
| Unrealized (loss)..... | (\$17,889.52) | (\$344,995.67) | (\$362,885.19) |
| Realized gain YTD..... | \$0.00 | \$0.00 | \$0.00 |
| Realized (loss) YTD..... | \$0.00 | (\$686.90) | (\$686.90) |

| | |
|---|---|
| Errors & Inquiries | If you do not understand an entry on your statement or suspect an error, it is essential that you immediately contact the manager of the office servicing your account or, if you have a self-directed account, please call 800-688-6896. We will consider your statement 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. |
| SIPC Protection | Securities and cash held in Morgan Stanley 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"). SIPC protects up to \$500,000 of each customer's securities of which up to \$100,000 may be uninvested cash. Excess Coverage provides additional protection up to the full net equity value of each account including unlimited coverage for uninvested cash. SIPC and Excess Coverage apply only to securities and cash in the exclusive possession and control of Morgan Stanley and do not protect against losses due to market fluctuations. Detailed information is available upon request. |
| Transaction Dates | All transaction dates on this statement are the transactions' settlement dates. In the case of unsettled trades, we list the trade date instead of settlement date with a notation that the trade is unsettled. |
| Pricing of Securities | <p>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. 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).</p> <p>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.</p> <p>The amounts on this statement for limited partnerships are typically obtained from a third party or from the investments' general partners unless Morgan Stanley DW Inc. has obtained other information such as an independent appraisal. Since many partnership valuations are provided only annually, they do not always represent current values.</p> <p>Furthermore, limited partnerships and non-traded <i>Real Estate Investment Trusts</i> (REITs) are illiquid and have no public markets, so the amounts shown on this statement may not equal the amounts you would receive if you sold your investment.</p> <p>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 DW Inc. by the correspondent custodian. If we cannot obtain a price or estimate, "N/A" appears.</p> <p>For more detailed current information on prices, speak to your Financial Advisor or, if you have a self-directed account, please call 800-688-6896.</p> |
| 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 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 in your account during the statement period. Your closing cash and/or money market balance represents the cash and/or money market funds available in your account and reflects the net month end balance of all deposits, credits and debits (including checking and MasterCard activity in Active Assets accounts). |
| Margin Privileges (not available for IRAs or retirement accounts) | If you have applied for margin privileges and have been approved, you may borrow money from Morgan Stanley DW Inc. 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. |

| | |
|--|--|
| Margin Interest Charges | <p>We calculate interest charges on margin loans as follows:</p> <ol style="list-style-type: none"> (1) Multiply the applicable margin interest rate times the average daily balance of your margin loan. (2) Multiply the result of Step (1) times the number of days your loan was outstanding. (3) Divide the result of Step (2) by 360 (days). <p>We add the accrued interest to your debit balance and start a new calculation each time the applicable interest rate changes and at the close of every statement month.</p> |
| Availability of Free Credit Balances and Financial Statements | Under the customer protection rules of the SEC [17 CFR §240.15c3-2 & -3], Morgan Stanley DW Inc. 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 DW Inc. financial statements to you semiannually: copies are also available on request, by mail. |
| Taxes | Under Federal Income Tax law, we are required to report the gross proceeds of sales transactions, entering into short sales and redemptions done in your account. Although your statement may describe certain items as (federally) tax-free, this is for information purposes only: when reporting your taxes please rely exclusively on the 1099 forms you will receive at the end of the year. (For IRAs, 1099s report distributions from the account rather than income or proceeds from sales.) Federal law subjects you to penalties and withholding if you fail to provide us with your Social Security or Tax ID Number. |
| Listed Options | Information with respect to commissions and to other charges related to the execution of options transactions has been included in confirmations of such transactions previously furnished to you. A summary of such information will be made available to you promptly at your request. |
| 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 entirely relied on for making investment or trading decisions. You are advised to consult with your Financial Advisor before making decisions. Your Financial Advisor will be able to assist you with accurate up-to-date information so that you can make an informed decision. If you have a self-directed account, please call 800-688-6896. |
| Accrued Bond Interest YTD | This figure represents the taxable accrued interest received on bond sale transactions and credited to your account during the calendar year. As required by law, Morgan Stanley DW Inc. will report to the Internal Revenue Service the total year-to-date figure indicated on the last statement you receive for the calendar year. |
| Dividend/Interest (Month/YTD) | These figures represent dividends and/or interest on securities received by Morgan Stanley DW Inc. and credited to your account during the calendar year. As required by law, Morgan Stanley DW Inc. reports taxable dividends and bond interest credited to your account to the Internal Revenue Service. The totals reported are indicated as the year-to-date figures on the last statement for the calendar year. In the case of REITs, Real Estate Limited Partnerships and Regulated Investment Company Unit Investment Trusts, the Sponsor may reclassify income and return of principal into a different ratio for the prior year. |
| Certain Assets Not Held at Morgan Stanley DW Inc. | You may purchase certain assets through Morgan Stanley DW Inc. which will be held at a custodial institution other than Morgan Stanley DW Inc. Assets held in custodial positions are not covered by SIPC protection. Where available, we include information about these assets on your Morgan Stanley DW Inc. statement. The custodial institution is responsible for providing year-end tax reporting (1099s) and separate periodic statements, which may vary from our information due to different reporting periods. In the case of Morgan Stanley, Van Kampen and external networked mutual funds, Morgan Stanley DW Inc. will provide all year-end tax reporting (1099's). In the case of IRA accounts, Morgan Stanley DW Inc. performs all tax reporting. |
| Client's Investment Objectives and Financial Situation | It is essential to advise your Financial Advisor or for self-directed accounts, call 800-688-6896, immediately if there is a material change in your investment objectives or financial situation. |

Investments and services are offered through Morgan Stanley DW Inc., member SIPC.