

Colorado Surplus Asset Fund Trust (CSAFE)

Accountants' Report and Financial Statements

December 31, 2008 and 2007

Colorado Surplus Asset Fund Trust (CSAFE)

December 31, 2008 and 2007

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Colorado Surplus Asset Fund Trust
Denver, Colorado

We have audited the accompanying statements of net assets of Colorado Surplus Asset Fund Trust (CSAFE) as of December 31, 2008 and 2007, and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of CSAFE's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Surplus Asset Fund Trust as of December 31, 2008 and 2007, and the results of its operations and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

February 26, 2009

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2008 and 2007

Colorado Surplus Asst Fund Trust ("CSAFE") is a local government investment pool trust fund organized under C.R.S. §24-75-701, et seq., registered as such with the Colorado Securities Commissioner pursuant to the Local Government Investment Pool Trust Fund Administration and Enforcement Act, C.R.S. §11-51-901, et seq. As such a trust, CSAFE pools and invests the funds of its Colorado local government participants within the investment policies and limitations set forth in CSAFE's Indenture of Trust and C.R.S. §24-75-601, et seq.

CSAFE is overseen by a nine-member Board of Trustees comprised of Colorado local government officials. All of the local government assets entrusted to CSAFE are held by its Custodian, U.S. Bank. BKD, LLP serves as the independent auditor to CSAFE. Davidson Fixed Income Management, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission, serves as CSAFE's investment adviser and administrator.

CSAFE operates to provide daily liquidity for Colorado government entities. CSAFE participants include school districts, counties, municipalities and special districts. In addition, CSAFE is rated AAAM by the Standard & Poor's Corporation (S&P). S&P has strict requirements that further govern the composition of investments, the average maturity of the investments and the types of investments. CSAFE reports to S&P on a weekly basis and is subject to an annual rating review.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CSAFE's basic financial statements. In accordance with Governmental Accounting Standards Board (GASB) Statements, including GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, CSAFE presents a statement of net assets and a statement of changes in net assets prepared on the economic resources measurement focus and the accrual basis of accounting. Additionally, CSAFE presents a statement of operations in its basic statements. All applicable GASB pronouncements are applied in these financial statements.

The statement of net assets presents information on all of CSAFE's assets and liabilities, with the difference between the two reported as net assets applicable to shares outstanding.

The statement of changes in net assets presents information showing how CSAFE's net assets changed during the fiscal years presented. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statement of operations reports a detail of the changes in net assets resulting from operations, or net investment income, that is included in the statements of changes in net assets.

The notes to the financial statements are required to be presented in accordance with accounting principles generally accepted in the United States of America and provide information about CSAFE's significant accounting policies used in the preparation of its basic financial statements as well as other explanatory information about amounts included in the basic financial statements. The notes to the financial statements should be read in connection with the basic financial statements.

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2008 and 2007

Financial Highlights

- CSAFE's net assets totaled \$1.017 billion as of December 31, 2008, a decrease of 31.9% over the prior year. The drop in net assets was principally the result of redemptions in excess of sales of shares by \$527.048 million in 2008; in 2007 sales of shares exceeded redemptions by \$350.723 million.
- In the fourth quarter of 2008, the composition of security investments shifted to a higher degree of liquidity for 2008 compared to 2007. As of December 31, 2008, approximately 6.6% of CSAFE's assets were invested in U.S. government agency securities, 36.0% in collateralized bank accounts and 57.4% in AAAM rated money market funds. As of December 31, 2007, 4.7% of assets were invested in U.S. government agency securities, 5.6% in collateralized bank accounts, 74.8% in AAAM rated money market funds and 14.9% of assets were invested in commercial paper.
- Net investment income declined 28.7% in fiscal year 2008 compared to 2007, totaling \$50.061 million. In 2007 CSAFE recorded \$70.167 million of net investment income and in 2006 net investment income totaled \$42.554 million. The decrease in investment income from 2007 through 2008 was primarily the result of a) falling market interest rates and b) decreased asset levels. The net yield of an investment in CSAFE was 2.7% in 2008, 5.1% in 2007, and 4.8% in 2006.
- In September 2008 CSAFE experienced liquidity issues with three money market funds in which it invested. This caused the CSAFE Board of Trustees to implement temporary redemption restrictions from September 22, 2008 to December 16, 2008. By December 31, 2008, with the exception of the Reserve Primary money market fund, the liquidity issues were resolved by 100% distributions from two of the funds in which CSAFE invested and CSAFE had returned to normal operations. As of December 31, 2008, CSAFE had received two partial distributions from the Reserve Primary fund totaling \$414 million, representing approximately 80% of its assets in that fund. A third partial distribution was received in mid-February 2009 totaling \$34.8 million that increased the total distributions to 85% of CSAFE's assets in the fund. CSAFE's remaining investment in the fund of \$76.2 million is anticipated to be distributed to CSAFE in 2009 under the Reserve's final plan of liquidation.

CSAFE Asset Summary

From 2007 to 2008, CSAFE recorded a decline of \$476.987 million in net assets. Year-end assets grew from \$1.073 billion in 2006 to \$1.494 billion in 2007 and declined to \$1.017 billion in 2008. CSAFE investments primarily include U.S. government agency securities, highly-rated commercial paper, bank deposits, repurchase agreements and AAAM rated money market funds.

By following the AAAM rating guidelines of Standard & Poor's Corporation, CSAFE maintained a per share value of \$1.00 per share in 2006, 2007 and 2008.

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2008 and 2007

Shown below is a three-year summary of the net assets of CSAFE as of December 31, 2008, 2007 and 2006:

**Table 1: Condensed Statements of Net Assets
(in Millions)**

	2008	2007	2006
Assets			
Investment in securities			
U.S. government agency securities	\$ 67.0	\$ 70.0	\$ 85.0
Commercial paper	-	221.7	50.8
Total investment in securities	67.0	291.7	135.8
Cash and cash equivalents	949.3	1,198.5	934.3
Other assets			
Accrued interest	0.6	3.8	2.9
Total assets	1,016.9	1,494.0	1,073.0
Liabilities			
Accrued expenses	0.2	0.3	0.2
Net assets applicable to shares outstanding	\$ 1,016.7	\$ 1,493.7	\$ 1,072.8
Net asset value per share	\$ 1.00	\$ 1.00	\$ 1.00

CSAFE Changes in Net Assets Summary

The changes in CSAFE's net assets are the result of net investment income and sales of shares to participants less redemptions of shares by participants.

CSAFE's net assets decreased by \$476.987 million as of December 31, 2008 compared to December 31, 2007. CSAFE's net assets increased \$420.891 million as of December 31, 2007 compared to December 31, 2006. As of December 31, 2006, CSAFE assets increased \$310.883 million over year ended 2005.

Colorado Surplus Asset Fund Trust (CSAFE)

Management's Discussion and Analysis

(Unaudited)

December 31, 2008 and 2007

Shown below is a three-year summary of changes in net assets of CSAFE for the years ended December 31, 2008, 2007 and 2006:

Table 2: Condensed Statements of Changes in Net Assets (in Millions)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Increase in net assets attributed to			
Operations – net of investment income	<u>\$ 50.0</u>	<u>\$ 70.2</u>	<u>\$ 42.5</u>
Share transactions			
Net proceeds from sales of shares	5,930.2	3,980.3	3,211.4
Cost of shares redeemed	<u>(6,457.2)</u>	<u>(3,629.6)</u>	<u>(2,943.1)</u>
Net increase (decrease) in net assets derived from share transactions	<u>(527.0)</u>	<u>350.7</u>	<u>268.3</u>
Net increase (decrease) in net assets	(477.0)	420.9	310.8
Net assets at beginning of year	<u>1,493.7</u>	<u>1,072.8</u>	<u>762.0</u>
Net assets at end of year	<u>\$ 1,016.7</u>	<u>\$ 1,493.7</u>	<u>\$ 1,072.8</u>

Currently Known Facts, Decisions or Conditions

Because CSAFE operates in a fiduciary capacity on behalf of various Colorado government entities, changes in interest rates, changes in the number of participating governments and investment decisions of those Colorado government entities are the primary drivers of CSAFE's net assets and changes in net assets.

Requests for Information

This financial report is designed to provide a general overview of CSAFE's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chris Blackwood, Portfolio Manager and Fund Administrator, 1600 Broadway, Suite 1100, Denver, Colorado 80202.

Colorado Surplus Asset Fund Trust (CSAFE)

Statements of Net Assets

December 31,

Assets

	2008	2007
Investment in securities		
U.S. government agency securities	\$ 67,000,000	\$ 70,000,000
Commercial paper	-	221,710,682
	<hr/>	<hr/>
Total investment in securities	67,000,000	291,710,682
Cash and cash equivalents	949,307,386	1,198,520,760
Other assets		
Accrued interest	624,009	3,768,769
	<hr/>	<hr/>
Total assets	1,016,931,395	1,494,000,211

Liabilities

Accrued expenses	180,337	262,225
	<hr/>	<hr/>
Net assets applicable to shares outstanding	\$ 1,016,751,058	\$ 1,493,737,986
	<hr/>	<hr/>
Net assets value per share	\$ 1.00	\$ 1.00
	<hr/>	<hr/>

Colorado Surplus Asset Fund Trust (CSAFE)

Statements of Operations Years Ended December 31,

	<u>2008</u>	<u>2007</u>
Investment income		
Interest	\$ 52,901,510	\$ 72,517,622
Expenses		
Advisory fees	2,355,476	2,065,941
Custodian fees	150,217	120,907
Client statements	13,580	42,962
Insurance	15,137	17,878
Activity and transaction fees	54,681	39,519
Legal Fees	165,140	-
Standard & Poor's fee	36,500	18,000
Accounting and auditing	32,390	25,200
Miscellaneous	(2,994)	(376)
Trustee board meeting expenses	18,675	13,256
Internet/Web page	1,174	7,026
Total expenses	<u>2,839,976</u>	<u>2,350,313</u>
Net increase in net assets resulting from operations – net investment income	<u>\$ 50,061,534</u>	<u>\$ 70,167,309</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Statements of Changes in Net Assets

Years Ended December 31,

	<u>2008</u>	<u>2007</u>
Increase in net assets attributed to		
Operations – net investment income	\$ 50,061,534	\$ 70,167,309
Share transactions		
Net proceeds from sales of shares	5,930,168,377	3,980,284,261
Cost of shares redeemed	<u>(6,457,216,839)</u>	<u>(3,629,560,950)</u>
Net increase (decrease) in net assets derived from share transactions	<u>(527,048,462)</u>	<u>350,723,311</u>
Net increase (decrease) in net assets	(476,986,928)	420,890,620
Net assets at beginning of year	<u>1,493,737,986</u>	<u>1,072,847,366</u>
Net assets at end of year	<u>\$ 1,016,751,058</u>	<u>\$ 1,493,737,986</u>

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2008 and 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The Colorado Surplus Asset Fund Trust (CSAFE or the Trust) was established under authority of, and in conformity with, Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes. CSAFE began operations on October 3, 1988. The Trust was formed by and for Colorado local governmental entities as a means of investing funds. CSAFE operates as a liquid money market fund with each share equal in value to \$1.00. The State of Colorado provides regulatory oversight over CSAFE and CSAFE is not registered with the U.S. Securities and Exchange Commission.

Following is a summary of significant accounting policies consistently applied by CSAFE in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Measurement Focus

The accompanying financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue in the period in which they are earned and administrative costs are recognized as expense when incurred, regardless of the timing of related cash flows.

CSAFE prepares its financial statements as a special-purpose government in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, CSAFE has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, to the extent they do not conflict with or contradict GASB pronouncements.

Custodian

U.S. Bank Trust Department serves as custodian for CSAFE pursuant to a custody agreement. The custodian is responsible for the safekeeping of all securities and trust accounting. All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the U.S. Bank Trust Department.

Security Valuation

Securities, other than repurchase agreements, are reported at amortized cost. Repurchase agreements are reported at cost, which approximates amortized cost.

Net Asset Valuation

For purposes of calculating CSAFE's net asset value per share, the securities held by CSAFE are valued weekly as follows: securities for which market quotations are readily available are valued at the most recent bid price or yield equivalent as obtained from one or more market makers for such securities, except that any such securities maturing within 60 days of the valuation date may be valued at cost, plus or minus any amortized discount or premium.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2008 and 2007

The result of this calculation will be a per-share value, which is rounded to the nearest penny. Accordingly, the price at which portfolio shares are sold and redeemed will not reflect net realized or unrealized gains or losses on portfolio securities which amount to less than \$.005 per share.

CSAFE will endeavor to minimize the amount of such gains or losses. However, if net realized or unrealized gains or losses should exceed \$.005 per share, a portfolio's net asset value per share may change from \$1.00 or be maintained at \$1.00 per share by reducing on a pro rata basis each participant's shares in the event of losses, or by a distribution of additional shares in the event of gains.

There has been no involuntary participation (required by legal provisions) in the pool.

Investment Income

Investment income is recognized on an accrual basis. Distributions from net investment income are declared and payable on a daily basis. It is currently the policy of CSAFE not to invest in securities to realize capital gains.

Income Taxes

CSAFE was organized to provide pooling of public funds for local governmental entities in Colorado, which are exempt from federal and state income taxation. Accordingly, no provision for income or other taxes is required in the accompanying financial statements.

Use of Estimates

In preparing financial statements in conformity with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Cash Deposits and Investments

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

CSAFE's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk.

None of CSAFE's investments are deemed to be exposed to custodial credit risk as they are either considered open-ended money market mutual funds (i.e. a fund that does not have restrictions on the number of shares it can issue) or are insured and held in CSAFE's name by the trust.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2008 and 2007

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Investments issued or explicitly guaranteed by the U.S. government are excluded from this disclosure requirement.

There was no commercial paper outstanding as of December 31, 2008. Commercial paper of \$59,349,722, \$59,092,172, \$58,731,751, \$29,568,787 and \$14,968,250 represent 20%, 20%, 20%, 10% and 5%, respectively, of CSAFE's total investments in securities as of December 31, 2007, and had maturities ranging from January 15, 2008 to August 6, 2008.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. CSAFE's investments as of December 31, 2008, all mature within one year of that date.

CSAFE's cash and investments at December 31, 2008 and 2007, consisted of the following:

	<u>2008</u>	<u>2007</u>
Deposits	\$ 365,530,574	\$ 83,873,472
Money market funds	583,776,812	1,114,647,288
U.S. government agency securities	67,000,000	70,000,000
Commercial paper	-	221,710,682
Total	<u>\$ 1,016,307,386</u>	<u>\$ 1,490,231,442</u>

Deposits

Colorado statutes require that local governments use eligible public depositories as defined by the Public Deposit Protection Act (PDPA) of 1989. Under the Act, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation. Eligible collateral as defined by the Act primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado or any political subdivision thereof and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

CSAFE's cash deposits held in PDPA eligible public depositories at December 31, 2008 and 2007, had a carrying value of \$365,530,574 and \$83,873,472, respectively.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2008 and 2007

CSAFE maintains a controlled disbursement account for the use of its participants. Participants can use the account as a demand deposit account and may make withdrawals in amounts up to their share account total.

Investments in Securities

Pursuant to the Trust investment policy, CSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper and repurchase agreements collateralized with securities valued in excess of the repurchase agreement amount. The maximum maturity allowed for any investment is 397 days.

As discussed in Note 1, CSAFE's investments in securities are held by the Federal Reserve Bank in the account maintained for the custodian. The custodian's internal records identify the specific investments owned by CSAFE.

Pursuant to the Indenture of Trust, CSAFE may not borrow money or incur indebtedness with the intent to purchase investments, except as a temporary measure to facilitate withdrawal requests that would otherwise require selling investments before their maturity.

Investments in U.S. government agency securities at December 31, 2008, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 40,000,000	2.700% FHLB callable note due March 17, 2009	2.700%	\$ 40,000,000	\$ 40,491,123
27,000,000	2.450% FHLB callable note due April 21, 2009	2.450%	<u>27,000,000</u>	<u>27,164,682</u>
			<u>\$ 67,000,000</u>	<u>\$ 67,655,805</u>

Colorado Surplus Asset Fund Trust (CSAFE)
Notes to Financial Statements
December 31, 2008 and 2007

Investments in U.S. government agency securities at December 31, 2007, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 10,000,000	5.250% FHLB callable note due February 1, 2008	5.250%	\$ 10,000,000	\$ 10,219,473
30,000,000	5.325% FHLB callable note due July 16, 2008	5.325%	30,000,000	30,744,288
30,000,000	4.500% FHLB callable note due December 5, 2008	4.500%	<u>30,000,000</u>	<u>30,114,164</u>
			<u>\$ 70,000,000</u>	<u>\$ 71,077,925</u>

Investments in commercial paper rated A-1+ by Standard & Poor's at December 31, 2007, were as follows:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 15,000,000	AIG Funding, Inc. due January 15, 2008	5.260%	\$ 14,968,250	\$ 14,974,500
15,000,000	General Electric Capital Corp. due February 26, 2008	5.340%	14,878,162	14,893,500
10,000,000	General Electric Capital Corp. due March 5, 2008	5.390%	9,906,382	9,916,000
20,000,000	General Electric Capital Corp. due May 12, 2008	4.590%	19,668,978	19,638,000
15,000,000	General Electric Capital Corp. due July 16, 2008	4.520%	14,638,650	14,598,000
20,000,000	New Center Asset Trust due February 4, 2008	4.990%	19,904,333	19,916,000

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2008 and 2007

Investments in commercial paper rated A-1+ by Standard & Poor's at December 31, 2007, continued:

Face Amount	Security	Yield	Carrying Value – Amortized Cost	Market Value
\$ 20,000,000	New Center Asset Trust due March 25, 2008	5.080%	19,764,833	19,778,000
20,000,000	New Center Asset Trust due April 24, 2008	5.130%	19,680,556	19,690,000
10,000,000	Toyota Motor Credit Corp. due June 26, 2008	4.550%	9,781,456	9,759,000
10,000,000	Toyota Motor Credit Corp. due February 15, 2008	5.320%	9,934,578	9,943,000
20,000,000	Toyota Motor Credit Corp. due July 8, 2008	4.490%	19,537,667	19,484,000
20,000,000	Toyota Motor Credit Corp. due August 6, 2008	4.420%	19,478,050	19,406,000
15,000,000	UBS due March 11, 2008	5.460%	14,842,912	14,862,000
15,000,000	UBS due May 8, 2008	5.280%	14,725,875	14,737,500
			<u>\$ 221,710,682</u>	<u>\$ 221,595,500</u>

CSAFE's investments in institutional money market funds are rated AAAM by Standard & Poor's. These investments are made principally when the net rate of the money market fund exceeds the rate that can be obtained on a repurchase agreement. Money market management fees for the years ended December 31, 2008 and 2007, related to these money market funds ranged between .13% and .20% for each year. These fees are in addition to the fees paid by CSAFE participants to the trust's advisor.

CSAFE holds shares in the Reserve Primary money market fund, which totaled \$111,107,269 as of December 31, 2008. Reserve Primary fund incurred liquidity issues in 2008 due to its holding of debt securities issued by Lehman Brothers Holdings, Inc., which filed for bankruptcy protection in 2008. As of December 31, 2008, CSAFE had received two partial distributions from the Reserve Primary fund totaling \$414 million, representing approximately 80% of its assets in that fund. A third partial distribution was received in mid-February 2009 totaling \$34.8 million that increased the total distributions to 85% of CSAFE's assets in the fund. CSAFE's remaining investment of \$76.2 million in the fund is anticipated to be distributed to CSAFE in 2009 under the Reserve's final plan of liquidation (Note 4).

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2008 and 2007

Note 3: Investment Advisory and Administrative Fees

Davidson Fixed Income Management, Inc. provides investment advisory services to CSAFE under an Investment Advisory and Administrative Agreement (Advisory Agreement). Fees for such services are calculated daily and paid monthly, at a rate equal to .18% of the average daily net assets up to \$200 million, and .15% of the average daily net assets in excess of \$200 million. Fees incurred in 2008 and 2007 totaled \$2,355,476 and \$2,065,941, respectively.

In addition, the Administrator accrued 0.04% of average daily net assets of the Trust in both 2008 and 2007, to meet administrative and custodial expenses.

Note 4: Standby Capital Agreement

On December 11, 2008, CSAFE entered into a Standby Capital Agreement with Davidson Fixed Income Management, Inc. ("DFIM") whereby DFIM placed into escrow with US Bank (CSAFE's custodian) \$3 million to fund potential losses related to the Reserve Primary money market fund (Note 2). Under this agreement, if a loss is created related to the Reserve Primary fund and CSAFE's net asset value (NAV) is less than \$0.9975, DFIM will make a contribution to CSAFE in an amount equal to the lesser of (i) the shortfall, or (ii) the maximum contribution amount less contributions previously made in order for CSAFE to maintain its S&P rating of AAAM. The shortfall is defined as the amount required to bring the CSAFE NAV to \$0.9975, subject to a maximum dollar cap of \$3.0 million. DFIM would receive no equity interest in CSAFE in the event a contribution is made under the agreement. CSAFE is required under this agreement to accrue all advisory fees payable under the Advisory Agreement for the period from December 4, 2008 in an escrowed fees account until the earlier of (i) the amount equals \$3.0 million or (ii) DFIM has made contributions equal to the shortfall. Any contributions made to CSAFE are to be drawn from the escrowed fee account prior to drawing amounts on the funds held in the custodial account. The obligation of DFIM to make contributions to CSAFE terminates when the earlier of the following occurs: (i) DFIM has made contributions equal to the shortfall; (ii) CSAFE receives a return of principal from the Reserve that does not cause the NAV to be below \$0.9975 or (iii) there is no longer any exposure to the shortfall. CSAFE has no obligation to repay any amounts contributed by DFIM under this agreement.

Note 5: Significant Estimates and Concentrations

Current Economic Conditions

The current economic environment presents local government investment pool trust funds with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments, declines in net assets from increased share redemptions and constraints on liquidity. The financial statements have been prepared using values and information currently available to CSAFE.

Colorado Surplus Asset Fund Trust (CSAFE)

Notes to Financial Statements

December 31, 2008 and 2007

Current economic and financial market conditions could adversely affect our activities in future periods. The current instability in the financial markets may reduce the amount of funds Colorado local governmental entities have available for investment in the trust, which in turn, would have an impact on funds available for investment and total net assets.

Note 6: Additional Information

Selected data for each share outstanding at December 31 for each of the last five years is as follows:

	2008	2007	2006	2005	2004
Investment income	\$ 0.028893	\$ 0.052760	\$ 0.050104	\$ 0.033136	\$ 0.015065
Expenses	<u>0.001551</u>	<u>0.001709</u>	<u>0.001847</u>	<u>0.001881</u>	<u>0.001876</u>
Net investment income	<u>\$ 0.027342</u>	<u>\$ 0.051051</u>	<u>\$ 0.048257</u>	<u>\$ 0.031255</u>	<u>\$ 0.013189</u>

Additional data on the investment portfolio as of December 31, for each of the last five years is as below:

	2008	2007	2006	2005	2004
Weighted-average maturity in days	7	29	27	38	46
Number of shares	1,016,420,022	1,493,737,986	1,072,816,606	761,964,361	825,154,809

The Trust's net average yield for 2008 and 2007 was 2.73% and 5.11%, respectively. For example, \$1,000 invested in the Trust on January 1, 2008, would have been worth \$1,027.34 at December 31, 2008 and \$1,000 invested on January 1, 2007 would have been worth \$1,051.05 at December 31, 2007. For 2008 and 2007 the unamortized portion of realized losses on investments is excluded from the above calculations, because it did not impact participant valuation calculations.

Colorado Surplus Asset Fund Trust (CSAFE)

CSAFE Board of Trustees

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Pursuant to Article IX of CSAFE's Indenture of Trust, as amended, a majority of Trustees must be members of the Board of Participants (treasurers of the respective participants) and any non-treasurer trustee must be appointed or elected as a non-treasurer trustee.