



THE EDUCATED INVESTOR

Exclusively for Members of the Iowa Schools Joint Investment Trust

BOARD OF TRUSTEES

Chair

Jane Lichtenstein
Durant Community School District
706 9th Street
Durrant, IA 52747-9585

Vice Chair

Susan McDermott
Cedar Rapids Community Schools
2012 Blake Blvd, SE
Cedar Rapids, IA 52403-4420

Treasurer

Paul Bobek
Iowa City Community Schools
509 South Dubuque Street
Iowa City, IA 52240

Trustees

Richard L. Vande Kieft
Cedar Falls Community School
District
3100 Shady Lane
Cedar Falls, IA 50613

Don Friedrichsen

Galva-Holstein Community School
District
207 Lubeck Street
Holstein, IA 51025

Veronica Stalker

Waukee Community School
District
445 5th Street
Waukee, IA 50263

Secretary

Ronald M. Rice
Iowa Association of School Boards
700 2nd Avenue, Suite 100
Des Moines, IA 50309-1731

Asst. Secretary

Larry Sigel
Iowa Association of School Boards
700 2nd Avenue, Suite 100
Des Moines, IA 50309-1731

IASB Treasurer

Carl Benning
930 Greenfield
Waverly, IA 50677-1441

Kruse'n Down the Highway

Adventures of Paul Kruse as he travels around the State of Iowa

*By Paul Kruse, Corporate Trust Marketing Director,
Bankers Trust, Email: pkruse@bankerstrust.com*



Wow! It's hard to believe, but exactly 10 years ago this month Iowa saw it's worst natural disaster in the history of this state, the flood of 1993. Lately the weather has been pretty nice but we all know it can change in a heart-beat.

I'll never forget the night it really opened up and the serious flooding began. It was the last night of the Ruan Grand Prix, July 10th to be exact, and I was on my way back from Iowa City. Because of the flooding, the Iowa State Highway Patrol was not able to deliver harvested donor eyes to the University of Iowa Hospital for an eye transplant. Because I was serving as the Des Moines Lions Club president, I was asked if I could make the trip. I made the delivery but on the way back, it poured like I'd never seen it rain before. It rained just over 10 inches that night and by the time I reached Des Moines, the Ruan Grand Prix was cancelled and the "Summer of the Great Flood" began.

That summer my travels were limited. Our office, located in downtown Des Moines at the time, was closed for a couple of weeks and many of my co-workers would come to my home in West Des Moines to shower as most were without water for up to 10 days. When I tell my five-year old son about sandbagging along the Raccoon River, it reminds me of the times my father would tell me the stories of the terrible winters in northern Iowa. I too can embellish a little.

Let's hope we don't see a repeat of 1993. But I do agree with most all the participants, that it would be nice to see the investment rates of 1993 again. Back then, the average

daily rate for July was 2.67 percent and rising. By December 1994, the daily rate had risen to 5.11 percent. In 1993, we had not yet started using Flexible Certificates of Deposit (Flex-CDs), but the fixed term rates were between 4 and 5 percent. Just think of the investment income with those rates!

Although the ISJIT rates are low, we continue to maintain strong balances and have expanded our relationships to a record number of participants. Jeff Lorenzen, the ISJIT portfolio manager, has positioned the portfolio so that when rates do rebound, he will be able to take advantage quickly of the increase and pass it on to the ISJIT participants.

One thing that has remained consistent has been my travels around Iowa. I've been to a few new spots lately and as always, return to some of my favorites. On a recent trip to Davenport, I stopped at the Texas Roadhouse. I passed on the item called road kill (chopped steak with onions, mushrooms and jack cheese) and had the Dallas filet with steak fries and a house salad with blue cheese dressing. I'm planning on going back there soon.

Another new spot, and probably a place many of you have not been, is the Kozy Korner Kafe in Armstrong, up in Emmet County. On a cold, late February evening, I was treated to one of the best cheeseburgers I've ever had. It was thick, juicy and probably not the healthiest, but really good. That night I was back at one of my favorite overnight spots, the Queen Marie in Emmetsburg. This great Victorian Bed &

Inside this issue...

Kruse'n Down the Highway

Market Performance Digest

ISJIT Administration Update

Kruse'n Down the Highway (cont.)

Breakfast in Emmetsburg is run by a couple of transplants from California who had just decided one day that they had had enough of the hubbub of California life. They bought this place over 10 years ago and now know what we know about how great Iowa life can be. The Queen Marie is just like home, with a big comfortable bed and an awesome breakfast served in the morning.

If you like great food, great ambiance and something a little different, try Thymes Remembered Tea Room in Perry. You need to go early or late to get a table since they are really busy. This is a repeat stop for me. The last time I was there, I took some out-of-town friends to show them a neat place and to enjoy wonderful food. My favorite is the chicken Florentine. If it's too busy at Thymes Remembered, check out David's Milwaukee Diner at the Hotel Pattee. Try the stacked Cajun chicken sandwich and I guarantee you'll go back. To let you know how great the food is here, a friend of mine from Los Angeles asked if I'd ever eaten at David's Milwaukee Diner? He said it was featured in a magazine he was reading on the airplane. Must be good!

The Sunrise Café in Jesup is another one of those places where many people don't know about (unless you're from Jesup) but really need to try. They serve great sandwiches, those fat French fries and, the day I was there, featured a fabulous peanut butter pie. I've eaten there several times and you can't go wrong with the Reuben or any of the burgers. Check it out.

I usually don't eat at many of the restaurants in Des Moines during the workweek; not that they aren't good, but I just don't eat out that much. I did, however, go to lunch at Legends American Grille in West Des Moines during the Iowa Association of School Business Officials Annual Conference. I would recommend the charbroiled pork tenderloin sandwich. It's a pork tenderloin with jalapenos and cheddar cheese on a Kaiser roll. For those of you that plan on coming to West Des Moines and checking out the new Jordan Creek Mall, it's just west a couple of miles on Ashworth Road.

Most recently I had lunch at one of my favorite, repeat restaurants. The Iris Restaurant in Mount Pleasant is one of those places that makes you feel at home and based on the crowds at noon, popular in the area. The service is always great, the food is fantastic and very reasonable. Over the years I think I've tried just about every sandwich on the menu and I'd recommend them all, but my favorite is probably the French dip. I know I'll be back.

In closing, I hope everyone has a wonderful summer and I hope we don't see another one like we did in 1993. I'm looking forward to the summer and I'm sure it will be a busy one. I appreciate all your recommendations for places to eat and overnight stays. Keep it up and hopefully I'll get a chance to visit all of them as I continue Kruse'n Down the Highway!

With Our Deepest Sympathy...

Chuck Stalker, long time school administrator and wife of Waukee Superintendent, Veronica Stalker, passed away May 13 while attending a meeting of school administrators in San Francisco, California. Since 1958, Chuck had served Iowa schools and Iowa children. After his retirement in 1997, he continued his work as interim superintendent, helping six more schools grow and thrive. He was a great friend and will be greatly missed.



Market Performance Digest

By Jeffrey D. Lorenzen, Senior Vice President, Chief Investment Officer, Investors Management Group, Email: jeff.lorenzen@amcore.com

Are We There Yet?

"The present state of the economy also is similar to that of a decade ago."

Anyone who has traveled with children has encountered the dreaded, "Are We There Yet?" When you find yourself somewhere along the route when queried, it is always difficult to explain how far you have come and how far is left to travel. Investors in fixed-income instruments have to be asking themselves the age-old query, as the Federal Reserve again lowered short-term interest rates a thirteenth time on Wednesday, June 25 to 1.00 percent, the lowest level since 1958. How far

have we come, and more importantly, how far have we to go?

It is clear that Alan Greenspan and his Federal Open Market Committee colleagues are also not sure if we are "there" yet. Their "intended destination" is clearly to encourage consumer spending, capital investment and generally get a surprisingly stubborn economy moving forward again. "The economy has yet to exhibit sustainable growth", the Fed said. "The

Market Performance Digest (cont.)

Committee judged that a slightly more expansive monetary policy would add further support for an economy which it expects to improve over time”.

Since the beginning of the current rate cutting campaign in January 2001, the Fed has moved aggressively and consistently to reduce short-term borrowing costs. The results have been spotty.

What does this mean for investors in ISJIT and other short-term investment alternatives?

1. This rate-environment is aberrant, with only a few brief periods in our history producing lower rates. The typical short-term yield curve produces returns in the four-to-five percent range. Today's yields are less than one percent, a fraction of the historical averages. While these rates will certainly produce “excessive” growth over time, leading to rate increases to temper activity, the economy has exhibited protracted sluggishness. In a real sense, this recovery may mirror recovery from the 1990-91 recession. It took a full two years after the end of that slowdown for the economy to fully rebound. Rates will recover, but the timing is increasingly difficult to predict. ISJIT is positioned to reflect increases in rates of return when they occur.
2. This yield environment may be with us for a while. The Fed next meets on August 12. Little is likely to happen between now and then. There are those who talk of further rate cuts at that meeting. That appears unlikely unless economic signs point to further weakening. While it may be tempting to take on investment risk to attempt to increase returns, there is little to be gained. Iowa's public funds investment statutes are quite restrictive in terms of allowable securities. ISJIT will continue to invest in only the highest quality securities to protect invested participant funds. Your money is safe with ISJIT.

We all wish returns would improve soon. Everyone knows they will eventually. We at ISJIT pledge to do everything we can in this unusual situation to produce the best possible returns. However, rest assured that we would never buy a security or pursue an investment strategy that does not focus clearly upon security of invested funds as a first and guiding priority.

We appreciate your support of ISJIT during these difficult times. Some day we will all look back on the “dog days” of 2003. We are as anxious as you to get out that “rear-view” mirror.

Important Notice

Important Notice

Beginning July 1, 2003, new collateralization procedures to protect public funds deposits within the state of Iowa were scheduled to go into effect. Please read the following notice directed from the state Treasurer's office to banks within the state:

June 27, 2003

A Notice from the Office of Treasurer of State and the Iowa Division of Banking:

The Office of Treasurer of State is in the process of finalizing the forms of agreements that are necessary for compliance by financial institutions accepting deposits of public funds with Chapter 12C of the Iowa Code (the "Public Funds Law"), as amended by H.F. 681, Chapter 1096 of the Laws of the 79th General Assembly, 2002 Session, and the rules of the Treasurer of State adopted pursuant to the 2002 amendments (781 Iowa Admin. Code Chapter 13).

The Office of the Treasurer of State and the Iowa Division of Banking are issuing this joint notice to inform financial institutions of their joint position with respect to compliance with the Public Funds Law until the form development process is completed. Financial institutions will not be required to comply with the 2002 amendments to the Public Funds Law until sixty (60) days following the adoption of the necessary forms by the Treasurer of State. Until that time, a bank accepting deposits of public funds will not be subject to administrative action by the Office of the Treasurer of State or the Iowa Division of Banking for failure to comply with the pledging requirements of the 2002 amendments, so long as the bank complies with the Public Funds Law as in effect prior to the 2002 amendments.

When the forms to implement the 2002 amendments are adopted, the Office of the Treasurer of State will post them on its web site (www.treasurer.state.ia.us), will issue a statement announcing their adoption, and will also inform the Iowa Bankers Association and the Iowa Independent Bankers Association.

ISJIT was started in 1986. Today there are over 350 participants in the ISJIT program. ISJIT provides two daily liquid investments - the Diversified Fund and the Direct Government Obligation (DGO) Fund. With ISJIT's unique, internet-based proprietary reporting system, real-time account inquiry and transaction capabilities are available via the Internet. Participants may invest, withdraw funds, check balances or transaction histories with this service. There is also toll-free phone access to experienced administrators who can personally assist with any ISJIT-related inquiry. There is no cost to use the program; a district may have an unlimited number of individual accounts with no minimum balance required. Please contact us today to learn more about the additional benefits ISJIT has to offer you!

ISJIT



Iowa Schools Joint Investment Trust
PO Box 71158
Clive, IA 50325-0158
Phone: 800.872.0140
www.isjit.org

Paul Kruse
Phone: 800.269.2363
Fax: 877.884.6119
Email: pkruse@bankerstrust.com

WE'RE ON THE WEB!



ISJIT Administration Update

By Amy Mitchell, Vice President, Director of Fund Administration, Investors Management Group, Email: amy.mitchell@amcore.com

"For the participants of ISJIT it means faster response time within IPASonline."

IPASonline

As I write this article, we are right in the heart of rolling out IPASonline on a new platform. What does a new platform for IPASonline mean? At the foundation of any transaction application, such as IPASonline, is a database. That database runs on a specific platform, which I have come to refer to as the foundation.

For the past three years we have run IPASonline on Oracle and have made the decision to switch to a Microsoft SQL platform after in-depth review of the features of the two platforms. So we ask again, what does a new platform for IPASonline mean? For the participants of ISJIT it means faster response time within IPASonline. Even though the changes aren't visible to the users, I believe all users will notice quicker results when viewing their balances, creating transactions, and viewing statements online. I think it's safe to say everyone could use those extra couple of seconds that in the past have been spent waiting on internet screens!

Call Recording System

During the early months of 2003, we also added new technology for recording participant phone calls. Out with the clunky tapes and in with the

new technology. The new system allows us to record the phone calls through the PC and have the recordings saved as .wav files. The system has better sound quality than the tapes, allows for better storage and retrieval, and is easier for the administrators to operate. All participant calls, incoming and outgoing, are recorded to ensure accurate communication. The recordings are also used for customer service training for the administrators.

Online Efforts

Our online efforts are designed as a supplement to our "live" administration. Our administrators, Anita, Jaime, and Justin are available each business day from 8:00 to 5:00 through the toll-free line at 800-872-0140, to handle your needs. We hope the online features give you another convenient option when participating in ISJIT. If you would like assistance in using IPASonline or would like an administrator to walk through the ISJIT.org site, please call. We can assist over the phone or Paul Kruse can visit you in person and take you through the online capabilities.

We appreciate your continued support of the ISJIT program and welcome any suggestions you may have to enhance the administrative services we provide. Have a safe and wonderful summer!