

## Statement Regarding Recent Events in the Financial Markets as they relate to The Pacific Capital Funds of Cash Assets Trust

### Government Response

In response to recent market volatility, on Monday September 29<sup>th</sup>, the U.S. Treasury Department provided updated information regarding the money market fund insurance program originally announced on September 19<sup>th</sup>; the program is intended to add stability to the financial markets and to reassure money market fund investors.

- The U.S. Treasury will provide insurance that, for a fee, will guarantee a Net Asset Value of \$1.00 for those investor assets that were invested in a participating money market fund as of September 19, 2008.
- The insurance is available for all taxable and tax-free money market funds that are registered with the Securities and Exchange Commission (SEC) and maintain a stable share price of \$1.00.
- Additional details of the program are available at [www.treas.gov/press/releases/hp1161.htm](http://www.treas.gov/press/releases/hp1161.htm) (Announcement) and [www.treas.gov/press/releases/hp1163.htm](http://www.treas.gov/press/releases/hp1163.htm) (Frequently Asked Questions - FAQ).

The Pacific Capital Funds of Cash Assets Trust intend to apply for this insurance for all three money market funds: Cash Assets Trust, U.S. Government Securities Cash Assets Trust and Tax-Free Cash Assets Trust. Please note that the insurance will only apply to those shareholder assets that were invested in the funds as of September 19<sup>th</sup>, 2008.

### Bank of Hawaii Response

We would also like to inform you that during this volatile period, the funds have been transacting at a Net Asset Value (NAV) of \$1.00 per share, investors have had full liquidity and access to their accounts and that none of the funds hold:

- Structured Investment Vehicles (SIVs)
- Collateralized Debt Obligations (CDOs)
- Asset Backed Commercial Paper (ABCP)
- Lehman Brothers or Washington Mutual securities.

Investments eligible for money market funds not only must satisfy strict requirements issued by the U.S. Securities and Exchange Commission, they must also meet stringent internal credit review by a fund's investment adviser to assure that the investments present minimal credit risk. This has been the case since the inception of each of the funds beginning with Pacific Capital Cash Assets Trust in 1984.

The Asset Management Group of Bank of Hawaii believes that the short-term obligations of each of the three funds present minimal credit risk to investors. Furthermore, Bank of Hawaii Corporation has pledged limited credit support, which may be withdrawn at any time, for specific fund investments on a daily basis for certain portfolio holdings of Pacific Capital Cash Assets Trust to facilitate fund transactions at \$1.00 per share. Bank of Hawaii Corporation may provide additional support in the future to the money market funds, but it is under no obligation to do so.

Each of the funds normally makes its portfolio holdings publicly available on a quarterly basis generally by 15 days after the quarter end. However, due to the recent developments in the financial markets, management will be accelerating the distribution of the September 30<sup>th</sup> holdings to make them available immediately and, as permissible by the funds' disclosure policy, holdings may be available on a more frequent basis as deemed appropriate. Portfolio holdings are available at [www.aquilafunds.com](http://www.aquilafunds.com) or by calling 800-437-1020.

Asset Management Group of Bank of Hawaii  
Investment Adviser

Aquila Investment Management LLC  
Administrator

Aquila Distributors, Inc.  
Distributor

*As detailed in the Prospectus, while money market funds seek to preserve the value of \$1.00 per share, it is possible to lose money by investing in these funds. Money market fund investments have never been insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency or Bank of Hawaii. So long as market conditions require support of certain portfolio securities, there can be no assurance that the \$1.00 share price is sustainable. Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can request a prospectus by calling 800-437-1020. Please read the prospectus carefully before investing.*

October 1, 2008