

QUARTERLY REPORT

March 23, 2009

Pipeline Safety Trust
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Market Commentary

Unexpected news from the latest meeting of the Federal Reserve drove the stock market higher on Wednesday, pushing the rebound in the Dow Jones Industrials and the S&P 500 indexes up close to 15% from their 12-year lows only a week or so before. The volume of trading, heaviest for the year, contributed new hope to some investors that the rally was a sign that the bottom of this market downturn had been established. They also point to other economic indicators over the past week that at least things were becoming "less bad"; the needed signals before hope for recovery can begin. Some data suggest retail sales, home building and manufacturing were declining more slowly. Because the stock market can be an early indicator of the economy's direction, those waiting to see jumped at the chance for some kind of positive news.

The recent Fed announcements were initially seen as further help for those areas that remain the keys to getting things straightened out --- the credit system and housing. Reaffirming their support for the many independent Treasury programs, the Fed's actions to push more money into the system are primarily meant to drive interest rates lower for all parts of the economy. By buying Treasury bonds from the market, the Fed reduces the attractiveness of the bonds returns, making investing and lending to other riskier businesses and individuals more attractive for banks. In essence, it will help to free up the still clogged lending machinery. The housing market should be a particular beneficiary as mortgage rates are tied most closely to the 10-year Treasury rates. It could be an important help if first day results are an indication. On the Fed news the Treasury bond yield dropped to approximately 2.5% from 3.0%, while the 30-year fixed mortgage rates fell to 4.75% from over 5.0%.¹

The Fed's bold action, although discussed by analysts as a possibility for months, was seen more negatively by some; as a need for more urgent action to turn the economy. Gold rose and the dollar fell. If the economy remains weaker than expected, the market's rebound could be temporary. However, for many investors, while it may take longer, the action is further encouragement that the Treasury and the Federal Reserve continue to support each other in solving the basic problems. Market movements will likely continue to be tied to developments in Washington and could remain quite volatile in the short-term.

¹ Wall Street Journal, 3/19/09

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**PIPELINE SAFETY TRUST
PORTFOLIO HOLDINGS
As of March 31, 2009**

INCOME STOCKS, BONDS & FUNDS

Fannie Mae Medium Term Notes – US government agency bonds, coupon rates 5.5% to 5.7%

Keycorp – corporate bond of a major bank, coupon rate 6.5%

Prudential Financial – corporate bond of an insurance company, coupon rate 5.1%

SLM Corporation Preferred – preferred stock of the student loan marketing corp, current yield 14.5%

Target Corporation – corporate bond of a discount retail company, coupon rate 5.375%

Verizon Communications – corporate bond of a telecommunications company, coupon rate 5.55%

REAL ESTATE INVESTMENT TRUSTS (REITs) (with current yields)

Apartment Investment & Mgmt. – holder of residential rentals & affordable housing, dividend 17.8%

HCP Inc. (Health Care Prop.) – holder of healthcare & senior assisted living facilities, dividend 10.5%

HRPT Properties - holder of class A commercial properties nationwide, dividend 13.8%

Sovran Storage – manager of storage unit business across 21 southeastern states, dividend 12.9%

GROWTH STOCKS & FUNDS

Companhia De Saneamento – major Brazilian, environmentally oriented water utility

Devry Incorporated – education firm offering degrees in technology, healthcare & management

Echelon Corporation – leading developer of environmental controls equipment

Energy Recovery – developer of desalinization system that reduces energy use by 60%

Evergreen Solar – successful manufacturer of solar energy equipment

Fuel Systems Solutions – maker of alternative-fuel emissions control systems for cleaner air

Hewlett Packard – leading computer hardware and software producer

Honda Motors – Japanese automaker & leader in hybrid and alternative fuel engine systems

Sims Group Ltd – Australian company, among the largest recyclers of metals worldwide

Sterling Construction – construction firm dealing mainly with transportation & water infrastructure

Sunpower Corporation – maker of solar equipment for residential, commercial & industrial uses

Sunrise Senior Living – established senior assisted living management company

Tetra Tech Incorporated – global engineering firm focused on water & waste management projects

Thermo Electron – developer of data measurement and detection instruments

United Natural Foods – leading US distributor of natural & organic grocery products

Viropharma – profitable pharmaceutical company developing critical anti-viral products

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PORTFOLIO UPDATE - 1st Quarter, 2009

PREFERRED ASSET MGMT	SHARES	COST	DATE	VALUE 3/23/2009	CUMULATIVE % CHANGE	YTD % RETURN	% OF TOTAL
INCOME STOCKS, BONDS & FUNDS							
FNMA 5.5% 2/28/17	235k	\$234,821.40	6/05	\$235,220.90	0.17	2.77	
FNMA 5.7% 7/6/20	250k	249,350.00	8/05	250,235.00	0.35	2.92	
Keycorp 6.5% 5/14/13	200k	199,702.00	5/08	199,796.33	0.05	7.37	
Prudential Financial 5.1% 9/20/14	250k	244,910.00	3/08	191,206.25	(21.93)	(7.11)	
SLM Corporation	3000	260,970.00	6/07	39,900.00	(84.71)	(20.73)	
Target Corporation 5.375% 5/1/17	200k	197,870.00	4/08	198,698.28	0.42	8.15	
Verizon Communications 5.55% 2/15/11	300k	298,152.00	3/08	305,846.50	2.58	4.99	
		Income Sub-Total		\$1,420,903.26			45.11%
REAL ESTATE INVESTMENT TRUSTS (REITs)							
Apartment Investment & Management	5609	117,000.00	5/08	34,495.35	(77.38)	(34.49)	
		35,500.00	6/08				
HCP Inc. (aka Health Care Properties)	6000	72,000.00	4/07	120,720.00	(28.01)	(26.04)	
		56,700.00	6/07				
		39,000.00	11/08				
HRPT Properties	12000	100,400.00	4/07	43,440.00	(69.02)	11.11	
		39,800.00	9/07				
Sovran Self Storage Inc	5500	108,000.00	1/04	110,880.00	(30.21)	(41.00)	
	partial sale	(36,000.00)	9/04				
	partial sale	(18,000.00)	9/06				
		35,950.00	2/08				
		37,440.00	11/08				
		31,491.00	2/09				
		REIT Sub-Total		\$309,535.35			9.83%
GROWTH STOCKS & FUNDS							
Companhia De Saneamento	3000	96,600.00	3/07	69,780.00	(27.76)	(3.92)	
Devry Incorporated	1500	84,675.00	12/09	72,960.00	(13.84)	(15.28)	
Echelon Corporation	10000	33,000.00	1/08	75,000.00	(40.00)	(7.98)	
		34,500.00	2/08				
		57,500.00	6/08				
Energy Recovery Inc.	20000	98,735.56	8/08	130,000.00	(26.48)	(14.25)	
		78,090.40	10/08				
Evergreen Solar	18000	126,780.00	12/05	28,800.00	(83.41)	(49.84)	
		46,800.00	10/06				
Fuel System Solutions (was Impco)	4000	48,720.00	1/04	46,600.00	(31.33)	(78.17)	
		43,650.00	3/04				
		25,100.00	12/05				
	partial sale	(68,120.00)	6/06				
	partial sale	(19,400.00)	5/08				
	partial sale	(9,870.00)	8/08				
		47,780.00	2/09				
Hewlett Packard	3000	149,700.00	1/04	93,570.00	41.77	(12.58)	
		88,000.00	4/04				
	partial sale	(99,800.00)	2/06				
	partial sale	(49,900.00)	9/06				
	partial sale	(22,000.00)	1/09				
Honda Motors	3000	114,600.00	2/07	72,660.00	(36.60)	14.02	

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PORTFOLIO UPDATE - (continued)

PREFERRED ASSET MGMT	SHARES	COST	DATE	VALUE 3/23/2009	CUMULATIVE % CHANGE	YTD % RETURN	% OF TOTAL
GROWTH STOCKS & FUNDS (continued)							
Sims Group Ltd (merg exch fr MM 3/08)	5000	\$49,500.00	1/04	\$66,000.00	64.00	6.28	
	partial sale	(9,256.10)	6/08				
Sterling Construction	4000	76,000.00	12/08	69,800.00	(8.16)	(5.83)	
Sunpower Corporation	3000	87,000.00	1/09	65,310.00	(24.93)	(25.29)	
Sunrise Senior Living (split 10/05)	4000	205,000.00	1/04	2,880.00	(95.89)	(57.14)	
		105,000.00	3/04				
	partial sale	(82,000.00)	12/04				
	partial sale	(61,500.00)	8/05				
	partial sale	(61,500.00)	3/06				
	partial sale	(35,000.00)	10/06				
Tetra Tech Incorporated	6000	174,960.00	6/07	134,520.00	2.51	(5.42)	
	partial sale	(43,740.00)	2/09				
Thermo Fisher Scientific Inc.	3000	116,800.00	5/04	104,700.00	19.52	2.44	
	partial sale	(29,200.00)	10/06				
United Natural Foods	9000	104,000.00	11/04	164,160.00	(19.22)	2.36	
		27,230.00	12/05				
		72,000.00	3/08				
Viropharma Inc	5000	62,500.00	9/06	21,550.00	(65.52)	(66.90)	
		Growth Sub-Total		\$1,218,290.00			38.68%
CASH BALANCE & CDs (includes Accrued Interest)		(\$27,991.26)		\$200,952.27			6.38%
TOTAL MARKET VALUE 3/23/09		\$3,940,000.00		\$3,149,680.88			100.00%
CASH WITHDRAWALS for OPERATIONS thru 3/23/09				\$725,000.00			
PORTFOLIO TOTAL RETURN (since inception)		\$3,940,000.00		\$3,874,680.88	(1.66)	(8.90)	

This report has been prepared by Karen Sloss, a Certified Financial Planner with Financial Network Investment Corp., with data from mutual fund, Pershing Securities, and investment statements. Pricing was obtained from the Wall Street Journal or other sources deemed to be accurate. This report is not meant to be a guarantee of positions owned. Limited Partnerships are carried at the General Partners' estimate of value, if available, and there is no assurance that the stated value would be realized upon liquidation.

ASSET ALLOCATION - Pipeline Safety Trust

