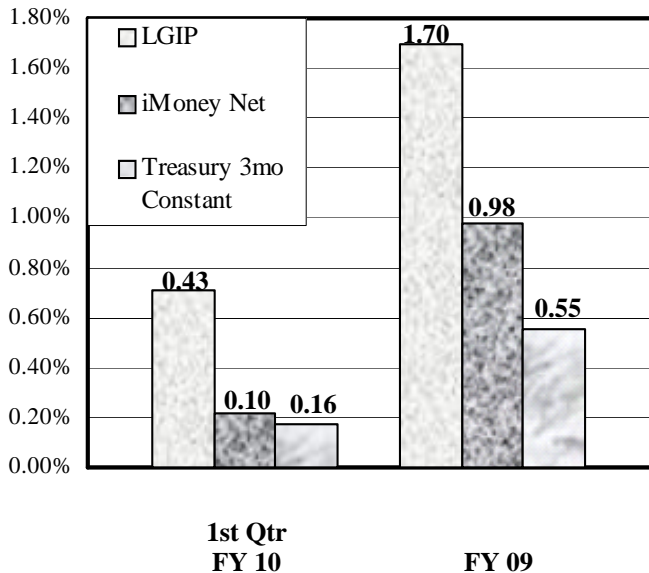




Participant Newsletter September 30, 2009



Investment Guidelines Compliance (09-30-09):

	<u>Actual</u>	<u>Max.</u>
●Diversification:		
U. S. Treasury/Agency	80%	100%
Repurchase Agreements	0%	50%
Negotiable CDs & BAs	12%	40%
Non-Negotiable CDs	0%	5%
Commercial Paper	2%	35%
Corporate	0%	25%
FDIC Guaranteed	6%	-
●Maturity Limitations:		
Average Days to Maturity		55 days
Average Maturity May Not Exceed		90 days

Monthly Statistics:

- Avg NAV: 3,312,197,000
- Active Accounts: 953
- Simple Yield: 0.40%
- Effective Yield: 0.40%

Quarterly Performance:

	<u>1st Qtr</u>	<u>FY 09</u>
●Average Yield:		
LGIP	0.43%	1.70%
Institutional Money Funds*	0.10%	0.98%
Treasury 3-Mo. Constant Maturity	0.16%	0.55%

* Consist of 646 institutional money market funds totaling \$2,084 billion as reported by iMoneyNet as of 09-30-09.

News of Interest:

During the past quarter, short-term interest rates have continued to move lower. The 3-month LIBOR rate has fallen to 0.28% from 0.60% at June 30. There are a number of factors continuing to press short-term rates lower even though the Federal Reserve’s target federal funds rate has remained unchanged at zero to 25 basis points since December 2008. Both Federal Reserve and Treasury programs are providing an extraordinary amount of liquidity to the financial system. This liquidity is keeping the federal funds rate around 0.15%. LIBOR rates have trended lower as improved confidence and the perceived health of major banks have narrowed the spread between 3-month LIBOR and the anticipated federal funds rate. For five years prior to August 2007 this spread averaged about 11 basis points. It peaked in October 2008 at 364 basis points and is now below 11 basis points. Both of these factors have facilitated a continuing slide in money market yields.

Another aspect contributing to lower yields is a decreased supply of high quality short-term securities. Issuers are reducing borrowing and/or shifting a larger percentage of their borrowing needs into intermediate and long dated maturities. For a short period of time, increased Treasury Bill issuance took up the slack. Treasury Bill outstandings almost doubled as the Treasury’s unanticipated borrowing needs ballooned when they aggressively addressed financial and fiscal stability needs. For a period Treasury Bill yields were comparable to government agency yields. Going forward the Treasury plans to reduce Treasury Bill issuance and increase issuance of

longer term securities. By mid 2010 they expect Bill issuance to be closer to the historical averages. This has brought 6-month Treasury Bill yields down from 0.35% at June 30 to 0.14% on October 13.

The latest Federal Open Market Committee meeting was on September 23. Their statement indicated that they expect inflation to remain subdued for some time and that “conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.” It is anticipated that the federal funds target will remain unchanged over the next year at zero to 0.25%. This is contributing to the flatness of the short-end of the yield curve and less opportunity to enhance portfolio yields.

With stability returning to the credit markets, LGIP staff has elected to resume the purchase of high quality credit securities. We have reviewed and revised our credit criteria to reflect the current environment, reducing both individual exposure and permitted maturities and tying these criteria to quality.

During the quarter Standard & Poor’s performed their onsite management review meeting with the LGIP staff. The onsite visit is in addition to required weekly surveillance reporting. They affirmed the LGIP’s AAAM rating.

Going forward we will be looking for opportunities to add incremental yield to the LGIP portfolio, but acknowledge opportunities will be limited in the near term. As the economy improves and the market begins to anticipate an end to this extended period of historically low yields, rates will begin to rise, but this is not currently even in the rumor stage. Improved market conditions are enabling some of the emergency liquidity facilities to be scaled back and the Fed is beginning to at least discuss potential exit strategies. Taking their cue from the Fed, economists expect this movement to be delayed and gradual resulting in a continuation of the low interest rate environment.