

A COMMENT ON LAIF



Some Large Government Pools are in the News: Not LAIF – December 2007

The plight of the Florida state investment pool, with defaults on sub-prime and SIV-based commercial paper, along with massive withdrawals from the pool by local government participants has made headlines. Other large, governmental pools are also experiencing credit-related problems, including Connecticut, Montana, Maine, and King County, Washington.

Some of you have asked us to comment on whether LAIF has any problems similar to those of the Florida Pool or other troubled governmental funds.

On Friday, November 30, Dan Dowell, Director of Investments for the State of California Pooled Money Investment Account (PMIA), of which LAIF is a part, spoke with us. Here are the highlights of that discussion. According to Dan,

The staff at PMIA has done considerable research on asset-backed commercial paper.

Though 12 ABCP programs are approved, currently they are investing in the six programs that meet their credit criteria.

All six of these programs are bank-sponsored and credit-enhanced.

Four of the six programs carry A1+/P1 ratings; the two remaining programs —NCAT and FCAR—each have dual programs carrying dual ratings of A1+/P1 and A1/P1.

None of these programs are collateralized with sub-prime securities, except in *de minimis*, immaterial amounts

The Treasurer's Investment Division credit manager and staff monitor collateral on each asset-backed holding on a daily basis

Given current headlines regarding troubled pools, the PMIA has provided a portfolio asset listing to Bloomberg News and has directed a number of inquiries, including one from the Los Angeles Times to the Treasurer's website where the portfolio is available for viewing.

Dan also noted that the PMIA owns a total of \$49 million of Countrywide notes, maturing between June and December of 2008. This amounts to 0.08% of the total PMIA portfolio. Presently, he plans to hold the Countrywide notes until maturity.

Conclusion:

Based on our discussion with Dan, we continue to believe that LAIF is safe and secure, and remains an appropriate investment vehicle for California local agencies.