

Illinois Metropolitan Investment Fund

**Comprehensive Annual Financial Report
Year ended September 30, 2009**

ILLINOIS METROPOLITAN INVESTMENT FUND

Comprehensive Annual Financial Report Year Ended September 30, 2009

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INTRODUCTORY SECTION



Illinois Metropolitan Investment Fund

Investing together for
our communities

January 6, 2010

Elizabeth Holleb
Director of Finance
City of Highland Park
Chairman

Scott Bordui
Director of Finance
Village of Flossmoor
Vice Chairman

Robert Nowak
Director of Finance
Village of Skokie
Treasurer

Sue Stanish
Director of Finance
Village of Willowbrook
Secretary

Kevin Barr
Village Manager
Village of Schiller Park
Trustee

Jerry Ducay
Village Administrator
Village of Frankfort
Trustee

Christy Powell
Superintendent of Finance
& Personnel
Geneva Park District
Trustee

Gary Szott
Director of Finance/Treasurer
Village of Bloomingdale
Trustee

Laura F. Allen
Executive Director

Debra A. Zimmerman
Associate Director

Dear IMET Participants:

We hereby submit to you the thirteenth Comprehensive Annual Financial Report of the Illinois Metropolitan Investment Fund (IMET), which covers the fiscal year of October 1, 2008 through September 30, 2009. The 2009 fiscal year brought a year of continued economic uncertainty and declining interest rates with the federal funds rate plunging to an historic low between zero and 0.25 percent. This radical move was one of the monetary policy tools used to fight the worst financial crisis since the 1930s and to help revive the economy from a deep recession.

Although there was some volatility in IMET's funds in FY09, overall government-related securities yields fared well and IMET's Board, staff, and portfolio managers took advantage of investment opportunities presented during the year. In June 2009, IMET introduced an enhanced yield on its Convenience Series product. The membership response to this change and positive yields on the 1-3 Year Series were significant, with IMET proudly adding 16 new members in FY09. Additionally, IMET achieved several milestones in asset balances in FY09, and we are pleased to report that we completed FY09 with over \$650 million in combined assets equally distributed between the 1-3 Year Series and the Convenience Series. These achievements demonstrate that IMET continued to serve and add value to the investment portfolios of its members, and we are grateful that the IMET membership responded favorably and worked together in continuing our mission to provide safety, yield, and liquidity for our members' investment portfolios.

The economy languished in a deep recession for most of FY09 with the Federal Reserve Bank cutting the target interest rate to an historic low in December 2008 and then holding it steady for the remainder of the fiscal year. This interest rate environment, and the resulting flight to quality and safety, proved beneficial for investors in both the IMET Convenience Series as well as the IMET 1-3 Year Series. The IMET Convenience Series return is pegged to the federal funds target rate as a minimum rate guarantee and is fully collateralized at 110%. In June 2009, IMET was able to enhance the yield in the Convenience Series with the addition of a unique CD product with our banking business partner. With strong and proactive leadership of the Board, staff, and Charter One Bank, we identified this opportunity to bring a greatly enhanced rate to members' investment portfolios without any compromise in safety or liquidity to members. With the rate enhancement for the last quarter of the fiscal year, the IMET Convenience Series finished the year with a rate of 0.60% for FY 2009. Interest rates also proved beneficial for the IMET 1-3 Year Series, particularly due to the flight to quality and safety in U.S. Government Securities, and

IMET's portfolio managers at JP Morgan Asset Management continued to look for value and return in duration of investments. The IMET 1-3 Year Series finished the year with an outstanding rate of 4.60% for FY 2009. Combined net assets for both series increased by 61.4 percent during the fiscal year, from \$403,046,631 to \$650,334,909.

The 2009 fiscal year also brought operational change and improvement, as IMET completed its transition to Charter One Bank as the new provider for the Convenience Series. This new partnership provided IMET members with several important enhancements:

- IMET was able to obtain a multiyear agreement with Charter One Bank to provide Convenience Fund services to our members. This will eliminate the uncertainty of rate fluctuations to members and provide for consistency over a longer period of time, with a strong rate guarantee.
- Marketing support has been enhanced through our new relationship with Charter One Bank, enabling a greater outreach of IMET services to current bank customers.
- Members will experience improved efficiencies through Charter One Bank's commitment to IMET, with their dedicated team of professionals servicing the Convenience Fund.

IMET has had several other notable accomplishments during fiscal year 2009, such as the seamless office move from the Northwest Municipal Conference (NWMC) to the DuPage Mayors and Managers Conference (DMMC) in February 2009. IMET is very fortunate to have the support of our five sponsoring Councils of Governments, and the NWMC had graciously provided IMET with a leased office space since February 1998, along with the shared expense of administrative assistance staff. The expansion of conference services and other operational changes necessitated a change in office location for IMET, as well as a staffing change. The DMMC provided a warm welcome to IMET in February and our new part-time administrative assistant, Laura Clementi, joined the IMET team. Additionally, an improvement in IMET operations occurred in April 2009 when IMET's online Governmental Portfolio System was enhanced to update throughout the day for live transactions. This includes showing all pending transactions from those initiated via electronic means as well as those initiated via the operations desk. Current activity screens were also enhanced to show more detailed information and provide portability of data. Finally, through the expertise and oversight of our Board and staff, the IMET organization completed its triennial comprehensive strategic planning process and developed a new three-year business plan to lead IMET through the year 2012. We are pleased and excited that this new plan incorporates several member outreach programs in the coming years along with the celebration of IMET's 15th anniversary in 2011.

IMET's 1-3 Year Series continues to qualify for the highest ratings available from Standard & Poor's rating service for its credit and market risk ratings. Standard & Poor's continues to assign IMET its 'AAAF' credit quality rating based on the extremely high quality of the fund's portfolio as well as the adviser's strong risk management and compliance oversight capabilities and its 'S1' volatility rating due to its low sensitivity to changing market conditions. To receive the highest ratings possible in these difficult economic times is a continuing source of pride and security for IMET members.

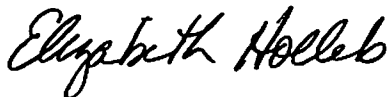
Through all of the changes, IMET is pleased and proud to be supported by a strong, dedicated staff as well as led and directed by a talented and committed group of IMET trustees. In addition to Laura Allen's continued work as Executive Director, Associate Director Deb Zimmerman returned from an extended leave of absence in May 2009. Deb has been with IMET since November of 2001.

Finally, in fiscal year 2009 IMET expressed its indebtedness to Scott Bordui of the Village of Flossmoor for his longstanding service to IMET beginning in January 1997. Scott is the Director of Finance for the Village of Flossmoor and has served as IMET's delegate from the South Suburban Mayors and Managers Association. Scott had graciously and effectively served as IMET's chair since 2004, and in January 2009 he assumed the Vice Chairman's position on IMET's Board. During his 12-year tenure, IMET surpassed numerous milestones such as expanding the investment options of the fund, growing the membership to its current level of 200 participants, and building an asset base of over \$650 million. Scott has also led IMET through successful transitions including selection of a new Executive Director and the development of new business partner relationships for accounting and custody services, as well as the Convenience Fund. Prior to his tenure as Chair, Scott led the New Products Committee's 2003 efforts to develop the Convenience Fund product, which has proven to be instrumental in IMET's continued success.

Each member of the Board, each volunteer on IMET's standing committees, and each participant make IMET the strong, creative and cooperative membership organization that is today and will continue to be. Your continued participation in this joint endeavor is sincerely appreciated.

On behalf of the IMET Board and staff, we look forward to continuing to work with participants for the long-term success of IMET. We are proud to offer IMET's services to all the public agencies in the State of Illinois.

In service with you,



Elizabeth Holleb
IMET Chair



Laura F. Allen
IMET Executive Director

ILLINOIS METROPOLITAN INVESTMENT FUND

Board of Trustees
September 30, 2009

ILLINOIS METROPOLITAN INVESTMENT FUND

1220 Oak Brook Road
Oak Brook, Illinois 60523
Telephone: (630) 571-0480, ext. 229
Facsimile: (630) 571-0484

BOARD OF TRUSTEES

Chairman: Elizabeth Holleb
City of Highland Park

Vice Chair: Scott Bordui
Village of Flossmoor

Treasurer: Robert Nowak
Village of Skokie

Secretary: Sue Stanish
Village of Willowbrook

Trustee: Kevin Barr
Village of Schiller Park

Trustee: Jerry Ducay
Village of Frankfort

Trustee: Christy Powell
Geneva Park District

Trustee: Gary Szott
Village of Bloomingdale

Executive Director: Laura F. Allen

ILLINOIS METROPOLITAN INVESTMENT FUND

Supporting Chicago Area Councils of Government
and External Advisors
September 30, 2009

SUPPORTING CHICAGO AREA COUNCILS OF GOVERNMENT

DUPAGE MAYORS AND MANAGERS CONFERENCE

Mark Baloga
Executive Director

NORTHWEST MUNICIPAL CONFERENCE

Mark Fowler
Executive Director

SOUTH SUBURBAN MAYORS AND MANAGERS ASSOCIATION

Ed Paesel
Executive Director

WEST CENTRAL MUNICIPAL CONFERENCE

Richard F. Pellegrino
Executive Director

WILL COUNTY GOVERNMENTAL LEAGUE

Steven Quigley
Executive Director

EXTERNAL ADVISORS

INVESTMENT ADVISOR

JP Morgan Asset Management
Chicago, Illinois
Columbus, Ohio

FUND ACCOUNTANT

PMA Financial Network
Naperville, Illinois

EXTERNAL PERFORMANCE MONITORING

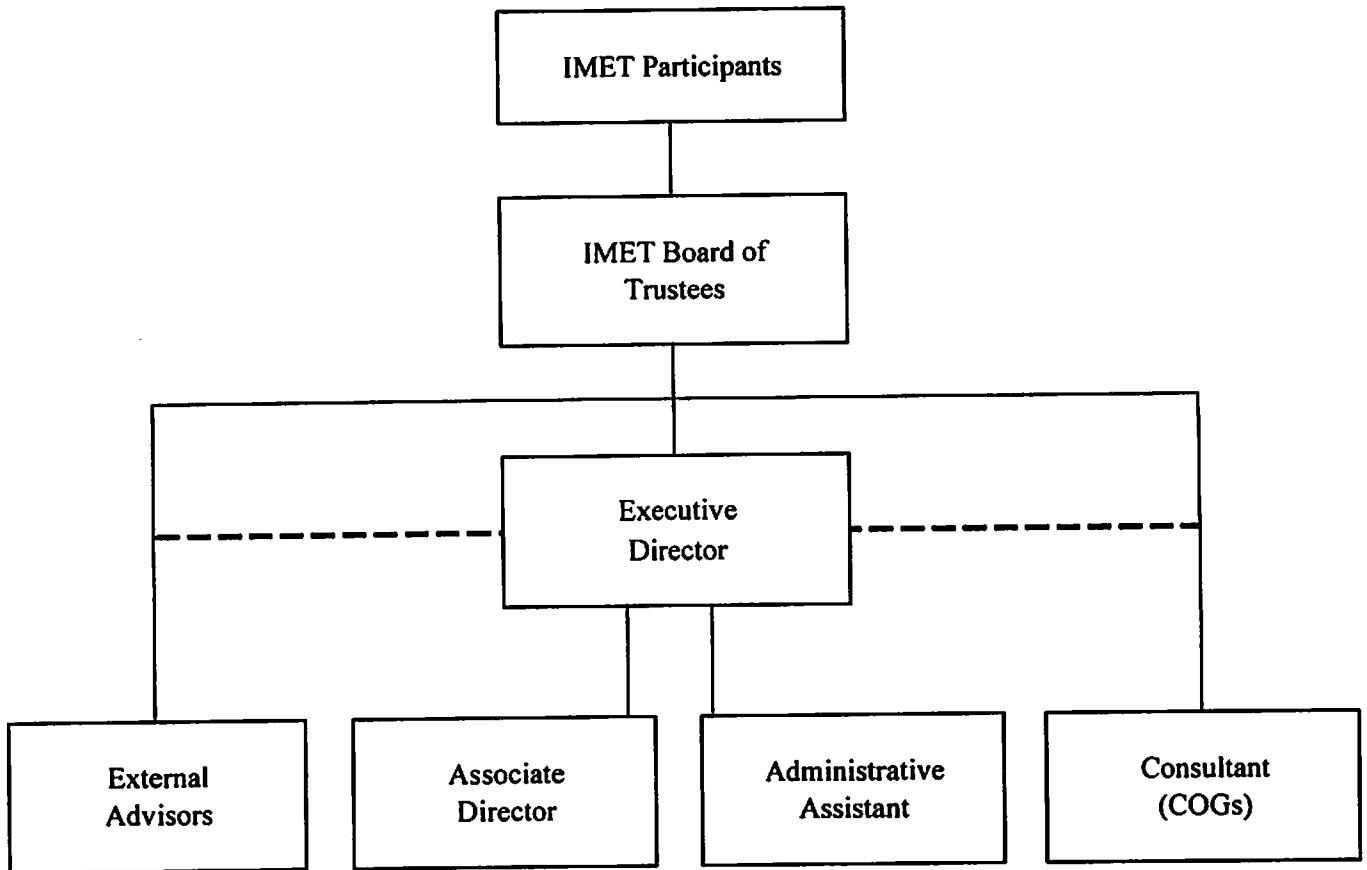
The Consulting Group of Smith Barney
Deerfield, Illinois

LEGAL COUNSEL

Chapman and Cutler LLP
Chicago, Illinois

ILLINOIS METROPOLITAN INVESTMENT FUND

Organizational Chart
September 30, 2009



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FINANCIAL SECTION

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Illinois Metropolitan Investment Fund
Oak Brook, Illinois

We have audited the accompanying combining statement of net assets of the Illinois Metropolitan Investment Fund (IMET) as of September 30, 2009, and the related combining statement of changes in net assets for the year then ended. These financial statements are the responsibility of IMET's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Metropolitan Investment Fund as of September 30, 2009, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 and the schedule of funding progress on page 19 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise IMET's financial statements. The accompanying schedule of investments, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

(Continued)

The Board of Trustees
Illinois Metropolitan Investment Fund
Oak Brook, Illinois

(Continued)

The accompanying introductory and other statistical information sections, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
January 6, 2010

ILLINOIS METROPOLITAN INVESTMENT FUND
Management's Discussion and Analysis
Year ended September 30, 2009

Management is pleased to provide this overview and analysis of the financial activities of the Illinois Metropolitan Investment Fund (IMET) for the years ended September 30, 2008 and September 30, 2009. This information is intended to supplement the financial statements, which begin on page eight of the report.

Financial Highlights

The 2009 fiscal year saw an increase in assets, as total assets increased by \$247,385,585 to a balance of \$650,553,451 as of September 30, 2009. Total assets of the IMET 1-3 Year Series increased by \$137,596,626 to a balance of \$319,607,288 during fiscal year 2009, while total assets of the IMET Convenience Series increased by \$109,788,959 to a balance of \$330,946,163 as of September 30, 2009.

During fiscal year 2008, total assets of IMET (including the IMET 1-3 Year Series and the IMET Convenience Series) increased by \$16,143,722 to a balance of \$403,167,866 as of September 30, 2008. Total assets of the IMET 1-3 Year Series increased by \$49,526,747 to a balance of \$182,010,662, while total assets of the IMET Convenience Series decreased by \$33,383,025 to a balance of \$221,157,204 as of September 30, 2008.

Participants' equity in IMET was \$403,046,631 (\$181,920,272 in the IMET 1-3 Year Series and \$221,126,359 in the IMET Convenience Series) as of September 30, 2008 and \$650,334,909 (\$319,459,941 in the IMET 1-3 Year Series and \$330,874,968 in the IMET Convenience Series) as of September 30, 2009.

IMET's 1-3 Year Series successfully outperformed the benchmark Barclay's 1-3 Year Government Bond Index on a gross-of-fees basis in fiscal year 2009 while also outperforming the 90-Day Treasury Bill rate, providing an outstanding return of 4.60 percent on a gross-of-fees basis. Interest rates had fallen to historically low levels by the end of the first quarter of fiscal 2009. However in June 2009, IMET was able to enhance the yield in the Convenience Series with the addition of a unique CD product with our banking business partner. With the addition of the enhanced yield in the final quarter of fiscal 2009, the IMET Convenience Series provided a highly competitive investment option for members with a net 12 month return of .60 percent, exceeding the Federal Funds Rate 12 month return of .45 percent.

Overview of the Financial Statements

The two basic financial statements of the Fund are the *Combining Statement of Net Assets* and the *Combining Statement of Changes in Net Assets*. The statements are prepared in conformity with accounting principles generally accepted in the United States of America.

The *Combining Statement of Net Assets* is a measure of the Fund assets and liabilities at the close of the fiscal year. Total assets less liabilities equal net assets held in trust for IMET participants. The following table is a Condensed Statement of Net Assets for the years ended September 30, 2009 and September 30, 2008.

ILLINOIS METROPOLITAN INVESTMENT FUND
Management's Discussion and Analysis
Year ended September 30, 2009

Condensed Statement of Net Assets

	IMET 1-3 Year Series 2009	IMET 1-3 Year Series 2008	IMET Convenience Series 2009	IMET Convenience Series 2008	Total 2009	Total 2008
Total assets	\$ 319,607,288	\$ 182,010,662	\$ 330,946,163	\$ 221,157,204	\$ 650,553,451	\$ 403,167,866
Total liabilities	147,347	90,390	71,195	30,845	218,542	121,235
Total net assets	<u>\$ 319,459,941</u>	<u>\$ 181,920,272</u>	<u>\$ 330,874,968</u>	<u>\$ 221,126,359</u>	<u>\$ 650,334,909</u>	<u>\$ 403,046,631</u>

The *Combining Statement of Changes in Net Assets* shows purchases to and redemptions (withdrawals) from the Fund, as well as additions and deductions due to operations during the fiscal year. The net increase (or decrease) is the change in net assets owned by participants since the end of the previous fiscal year. The following table is a Condensed Statement of Changes in Net Assets for the years ended September 30, 2009 and September 30, 2008.

Condensed Statement of Changes in Net Assets

	IMET 1-3 Year Series 2009	IMET 1-3 Year Series 2008	IMET Convenience Series 2009	IMET Convenience Series 2008	Total 2009	Total 2008
Total additions from operations	\$ 10,101,038	\$ 8,523,439	\$ 1,687,833	\$ 7,628,873	\$ 11,788,871	\$ 16,152,312
Total operating expenses	629,845	432,838	438,182	387,639	1,068,027	820,477
Net additions from operations	<u>9,471,193</u>	<u>8,090,601</u>	<u>1,249,651</u>	<u>7,241,234</u>	<u>10,720,844</u>	<u>15,331,835</u>
Total distributions	-	-	(1,249,651)	(7,241,234)	(1,249,651)	(7,241,234)
Net additions (deductions) from capital share and individual account transactions	<u>128,068,476</u>	<u>41,405,061</u>	<u>109,748,609</u>	<u>(33,382,403)</u>	<u>237,817,085</u>	<u>8,022,658</u>
Net increase (decrease)	137,539,669	49,495,662	109,748,609	(33,382,403)	247,288,278	16,113,259
Net assets held in trust for participants:						
Beginning of year	181,920,272	132,424,610	221,126,359	254,508,762	403,046,631	386,933,372
End of year	<u>\$ 319,459,941</u>	<u>\$ 181,920,272</u>	<u>\$ 330,874,968</u>	<u>\$ 221,126,359</u>	<u>\$ 650,334,909</u>	<u>\$ 403,046,631</u>

ILLINOIS METROPOLITAN INVESTMENT FUND
Management's Discussion and Analysis
Year ended September 30, 2009

The *Notes to the Financial Statements* are a fundamental part of the financial statements and provide important information to augment the figures in the financial statements. The notes describe accounting policies and other financial information.

A *Schedule of Investments* is included to detail the types and amounts of investment instruments held by the IMET 1-3 Year Series.

Financial Statement Analysis

Net Assets

Fiscal year 2008 saw an aggressive continuation of a multiyear campaign to lower interest rates in an effort to pull the U.S. economy out of a recession. Total net assets of IMET increased by \$16,113,259 to an ending balance of \$403,046,631 during fiscal year 2008. This net increase in total assets, in large part, was the result of the continued lower interest rates and the corresponding value offered by IMET's 1-3 Year Series. The result was a significant increase in the assets of the 1-3 Year Series as many members transferred money from the Convenience Series into the 1-3 Year Series. IMET also benefited from the flight to safety and quality in its 1-3 Year Series performance returns resulting in additional new dollar investments.

During the year ended September 30, 2009, IMET's total net assets increased by \$247,288,278, to a total balance of \$650,334,909. Fiscal year 2009 brought a year of continued economic uncertainty and declining interest rates with the federal funds rate plunging to an historic low between zero and 0.25 percent. This interest rate environment, and resulting flight to quality and safety, proved beneficial for investors in both the IMET Convenience Series as well as the IMET 1-3 Year Series. The IMET Convenience Series return is pegged to the federal funds target rate as a minimum rate guarantee and is fully collateralized at 110%. In June 2009, IMET was able to enhance the yield in the Convenience Series with the addition of a unique CD product with our banking business partner. The membership response to this change and positive yields on the 1-3 Year Series was significant, with IMET proudly achieving several milestones in asset balances to end the year with over \$650 million in combined assets.

Operations

During the current fiscal year ended September 30, 2009, total additions from operations consisted of \$8,765,178 in interest income and net appreciation in the fair value of investments of \$3,023,693. These amounts may be compared with \$14,381,032 of interest income and net appreciation in the fair value of investments of \$1,771,280 during the prior fiscal year, for total additions of \$11,788,871 in fiscal year 2009, compared to \$16,152,312 in fiscal year 2008. The primary difference between total additions from operations in fiscal year 2008 and fiscal year 2009 was the decline in interest income due to interest rates falling to historically low levels in fiscal year 2009.

Operating expenses of IMET were \$1,068,027 for the current fiscal year compared with \$820,477 for the prior fiscal year. This 30% increase in operating expenses was due to an increase in investment advisory, record keeping, and custodial fees that are calculated as a percentage of IMET's total assets. Total assets increased by more than 61 percent in fiscal year 2009.

ILLINOIS METROPOLITAN INVESTMENT FUND
Management's Discussion and Analysis
Year ended September 30, 2009

Summary of IMET Operations

During fiscal year 2009, IMET accomplished operational improvements with the completion of the transition to Charter One Bank as the new provider for the Convenience Series. This new partnership provided IMET members with several important enhancements:

- IMET was able to obtain a multiyear agreement with Charter One Bank to provide Convenience Fund services to our members. This will reduce the uncertainty of rate fluctuations to members and provide for consistency over a longer period of time with a strong rate guarantee.
- Marketing support has been enhanced through our new relationship with Charter One Bank enabling a greater outreach of IMET services to current bank customers.
- Members will experience improved efficiencies through Charter One Bank's commitment to IMET with their dedicated team of professionals servicing the Convenience Fund.

IMET has had several other notable accomplishments during fiscal year 2009, such as the seamless office move from the Northwest Municipal Conference (NWMC) to the DuPage Mayors and Managers Conference (DMMC) in February 2009. IMET's new part-time administrative assistant, Laura Clementi, joined the IMET team shortly after the office move. Additionally, an improvement in IMET operations occurred in April 2009 when IMET's online Governmental Portfolio System was enhanced to update throughout the day for live transactions. This includes showing all pending transactions from those initiated via electronic means as well as those initiated via the operations desk. Current activity screens were also enhanced to show more detailed information and provide portability of data. Finally, through the expertise and oversight of our Board and staff, the IMET organization completed its triennial comprehensive strategic planning process and developed a new three-year business plan to lead IMET through the year 2012. We are pleased and excited that this new plan incorporates several member outreach programs in the coming years along with the celebration of IMET's 15th anniversary in 2011.

Investment Performance

During fiscal year 2008, IMET was unable to outperform the benchmark Barclay's 1-3 Year Government Bond Index on a gross-of-fees basis due to a lengthy Treasury rally and IMET's underweight to the benchmark in the Treasury sector. However, IMET's 1-3 Year Series did outperform the 90-Day Treasury Bill rate. IMET ended the fiscal year with a gross one-year return of 5.56 percent versus a one-year return of 5.90 percent for the Barclay's Index, 5.28 for IMET's *net* 12 month return, and 2.90 percent for 90-Day Treasury Bills. The IMET Convenience Series outperformed the 90-Day Treasury Bill rate as well, with a return of 3.01 percent to participants for the fiscal year ended September 30, 2008.

ILLINOIS METROPOLITAN INVESTMENT FUND
Management's Discussion and Analysis
Year ended September 30, 2009

In fiscal year 2009, the IMET 1-3 Year Series outperformed both the benchmark and the 90-Day Treasury Bill rate, and provided a gross return of 4.60 percent versus 4.40 percent for the Barclay's Index, 4.32 percent for IMET's *net* 12 month return, and .39 percent for 90-Day Treasury Bills. The IMET Convenience Series rate declined in the first quarter from 2.00 percent to .25 percent as a result of the lowered federal funds rate and then held steady until the enhanced rate program was introduced in June 2009. IMET's Convenience Series provided a return of .60 percent for fiscal year 2009.

For additional information regarding performance returns of IMET and asset allocation, please refer to the Other Statistical Information (Unaudited) section on page 28 of this report.

Requests for Information

Questions about any information provided in this report should be addressed to:

The Illinois Metropolitan Investment Fund (IMET)
ATTN: Executive Director
1220 Oak Brook Road
Oak Brook, IL 60523

Illinois Metropolitan Investment Fund
Combining Statement of Net Assets
September 30, 2009

	IMET 1 - 3 Year Series	IMET Convenience Series	Total
ASSETS			
Cash and short-term investments	\$ 558,693	\$ 330,896,699	\$ 331,455,392
Interest receivable	2,095,325	49,464	2,144,789
Securities sold receivable	34,364	-	34,364
Investments at fair value:			
U.S. Treasury obligations	167,271,957	-	167,271,957
U.S. Government agency and agency-guaranteed obligations	119,404,216	-	119,404,216
Mortgage-backed securities	4,701,446	-	4,701,446
Money market mutual funds	25,541,287	-	25,541,287
Total assets	319,607,288	330,946,163	650,553,451
LIABILITIES			
Payables:			
Management fee	90,102	-	90,102
Administrative and other	57,245	71,195	128,440
Total liabilities	147,347	71,195	218,542
NET ASSETS			
Net assets held in trust for participants (units outstanding: 17,300,260 and 330,874,968 at September 30, 2009 for IMET 1-3 Year Series and IMET Convenience Series, respectively; equivalent to \$18.47 and \$1.00 per unit outstanding at September 30, 2009 for IMET 1-3 Year Series and IMET Convenience Series, respectively)			
Total net assets	\$ 319,459,941	\$ 330,874,968	\$ 650,334,909

The accompanying notes are an integral part of this statement.

Illinois Metropolitan Investment Fund
Combining Statement of Changes in Net Assets
Year ended September 30, 2009

	IMET 1 - 3 Year Series	IMET Convenience Series	Total
Additions from operations:			
Investment income			
Interest	\$ 7,077,345	\$ 1,687,833	\$ 8,765,178
Net appreciation in fair value of investments	3,023,693	-	3,023,693
Total additions from operations	10,101,038	1,687,833	11,788,871
Deductions from operations:			
Operating expenses:			
Management and administrative services	495,909	438,182	934,091
Compensation and related expenses	199,779	-	199,779
Professional services	34,920	-	34,920
Insurance	30,241	-	30,241
Audit	22,150	-	22,150
Marketing	31,872	-	31,872
Administrative and other	110,532	-	110,532
Less reimbursements for operating expenses	(295,558)	-	(295,558)
Total operating expenses	629,845	438,182	1,068,027
Net additions from operations	9,471,193	1,249,651	10,720,844
Distributions			
Distributions of income to participants	-	(1,249,651)	(1,249,651)
Total distributions	-	(1,249,651)	(1,249,651)
Capital share and individual account transactions:			
Proceeds from sale of units to participants	185,947,494	267,401,336	453,348,830
Distributions reinvested by participants	-	1,246,570	1,246,570
Cost of units redeemed by participants	(57,879,018)	(158,899,297)	(216,778,315)
Net additions from capital share and individual account transactions	128,068,476	109,748,609	237,817,085
Net increase in net assets held in trust for participants	137,539,669	109,748,609	247,288,278
Net assets held in trust for participants:			
Beginning of year	181,920,272	221,126,359	403,046,631
End of year	<u>\$ 319,459,941</u>	<u>\$ 330,874,968</u>	<u>\$ 650,334,909</u>

The accompanying notes are an integral part of this statement.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE A - NATURE OF OPERATIONS

The Illinois Metropolitan Investment Fund (IMET) is a quasi-governmental investment fund created under the Illinois Municipal Code. IMET, which was formed on July 17, 1996, actively manages two investment funds for municipal treasurers, official custodians of municipal funds, and other public agencies in the state of Illinois. These funds are the IMET 1-3 Year Series and the IMET Convenience Series. IMET also offers arbitrage rebate calculation services for participants whose bond proceeds are subject to federal arbitrage restrictions.

The IMET 1-3 Year Series is designed as an investment vehicle for funds not required for immediate expenditure and which are available for investment in securities with average maturities and returns generally greater than those for money market instruments.

The objectives of the IMET 1-3 Year Series are to provide a high current yield while maintaining safety and liquidity and to offer participation in a diversified portfolio of high-quality fixed income instruments permitted for investment under the Public Funds Investment Act of the State of Illinois. The IMET 1-3 Year Series seeks to ensure the preservation of capital with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment as measured by the Barclay's 1-3 year Government Bond Index.

The IMET Convenience Series was established on September 2, 2003 as an investment alternative exclusively for IMET participants. All IMET participants have immediate access to an IMET Convenience Series account; no additional application is needed. The IMET Convenience Series comprises a fully collateralized, short-term money market instrument with one-day liquidity and certificates of deposit. The money market instrument currently provides a return that is pegged to the federal funds target interest rate. It is intended for use as a short-term investment for funds that may or may not be needed for near-term disbursement.

The objective of the IMET Convenience Series is to provide a high current return while maintaining the safety and liquidity of public funds. The IMET Convenience Series serves as a companion vehicle to the IMET 1-3 Year Series and arbitrage rebate calculation service. It provides a money market vehicle for the convenient investment of bond proceeds, for the temporary investment of longer-term intermediate funds, and/or for cash management and liquidity purposes.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Illinois Metropolitan Investment Fund (IMET) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of IMET's accounting policies are described below.

1. **Reporting Entity**

The financial reporting entity consists of a primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Based upon the required criteria, IMET has no component units and is not a component unit of any other entity.

2. **Cash and Short-term Investments**

At September 30, 2009, the IMET 1-3 Year Series had \$558,693 segregated for administrative costs and future investment activity. These funds are invested in money market funds and included as cash and short-term investments on the statement of net assets.

3. **Security Valuation**

Investments of the IMET 1-3 Year Series are reported at fair value based on market quotations obtained from a third-party provider. If there were securities for which quotations were not available they would be stated at fair value as determined by the Board of Trustees. Currently there are none.

The IMET Convenience Series' investments are reported at cost, which approximates fair value based on the nature of the investment.

4. **Security Transactions and Income**

Security transactions are accounted for no later than one business day after the securities are purchased or sold. Gains and losses on investments are realized at the time of the sale and the cost of securities sold is determined on the first-in, first-out basis. Interest income from fixed income and money market investments is accrued on a daily basis. Discounts and premiums on all fixed income securities are amortized or accreted on a constant-yield basis.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. **Subscriptions and Redemptions**

Participants may subscribe to either of the funds on any business day. Purchase instructions received by IMET before 12:00 noon are credited to accounts at the net asset value as of the close of business that day. Participants may redeem shares of the IMET 1-3 Year Series with five days' notice at the net asset value as of the close of business on the third business day following the day of notification. Participants may redeem from the IMET Convenience Series with one day notice at the net asset value as of the day following notification. Redemptions from the IMET Convenience Series that are requested by noon central time will be completed on the same day.

6. **Use of Estimates**

In preparing IMET's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - DEPOSITS AND INVESTMENTS

At September 30, 2009, the bank balance and carrying amount of the IMET 1-3 Year Series' deposits was \$558,693, representing the balance of cash and short-term investments. The deposits of the IMET 1-3 Year Series are insured, registered, or collateralized by securities recorded in the IMET 1-3 Year Series' name and held by the IMET 1-3 Year Series' agent.

At September 30, 2009, the bank balance and carrying amount of the IMET Convenience Series' deposits was \$330,896,699. The deposits of the IMET Convenience Series are insured, registered, or collateralized by securities recorded in the IMET Convenience Series' name and held by the IMET Convenience Series' agent.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The following table presents a summarization of the fair values and duration of the IMET 1-3 Year Series cash and investments at September 30, 2009.

	<u>Fair Value</u>	<u>Duration (in years)</u>
U.S. Treasury obligations	\$ 167,271,957	1.77
U.S. Government agency and agency-guaranteed obligations	119,404,216	1.76
Mortgage-backed securities	4,701,446	4.08
Cash and short-term investments	558,693	-
Money market mutual funds	<u>25,541,287</u>	<u>-</u>
 Total cash and investments	 <u>\$ 317,477,599</u>	 1.65

1. Interest Rate Risk

Through its investment policy, IMET manages its exposure to fair value losses of the IMET 1-3 Year Series arising from increasing interest rates by limiting the duration of its investment portfolio to within 25% of that of the Barclay's 1-3 Year Government Bond Fund, under normal conditions. The duration for total investments represents the weighted average of the durations for the respective categories of investments. The duration for the Barclay's 1-3 Year Government Bond Fund was 1.86 years as of September 30, 2009.

2. Credit Risk

The investments in U.S. Treasury and agency and agency-guaranteed obligations carry the explicit guarantee of the United States Government. The investments in mortgage-backed securities are rated in the top rating category issued by nationally recognized statistical rating organizations. The investment in the Fidelity Institutional Money Market is not subject to credit risk categorization.

3. Concentration of Credit Risk

IMET's investment policy for the IMET 1-3 Year Series does not restrict the allowable concentration of total assets invested in the securities of the United States Government, its agencies, or mortgage pass-through securities.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE D - FUND EXPENSES - IMET 1-3 YEAR SERIES

The total expenses, including consulting fees, for the IMET 1-3 Year Series were approximately 0.36% of the average daily net assets for the year ended September 30, 2009. The average daily net assets of the IMET 1-3 Year Series were approximately \$254.4 million for the year ended September 30, 2009. The contractually obligated expenses are described below.

1. **Fund Management**

IMET pays a management fee to JP Morgan Asset Management, which acts as the investment advisor.

In accordance with the amended advisory agreement effective January 1, 2005, the management fee is calculated each day and paid monthly based upon the average daily net assets of the fund as follows:

	<u>Fee Rate</u>
Average daily net assets:	
Until Fund reaches \$500 million	0.105%
After Fund reaches \$500 million	0.080%

Effective November 1, 2006, IMET entered into an agreement with PMA Financial Network, Inc. to provide administrative services including fund accounting and transfer agent services. The fee associated with these services is calculated at an annual rate of 0.06% of the average daily net assets within the fund.

Also effective November 1, 2006, IMET entered into an agreement with Harris, N.A. to provide custody services. The fee associated with these services is calculated at an annual rate of 0.01% of the average daily net assets within the fund.

For the year ended September 30, 2009, the IMET 1-3 Year Series incurred expenses of \$267,009 for services provided by JP Morgan Asset Management, \$152,576 for services provided by PMA Financial Network, and \$25,440 for services provided by Harris, N.A.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE D - FUND EXPENSES - IMET 1-3 YEAR SERIES (Continued)

2. Consultant

The DuPage Mayors & Managers Conference, Northwest Municipal Conference, South Suburban Mayors & Managers Association, West Central Municipal Conference, and the Will County Governmental League act collectively as the IMET 1-3 Year Series' Consultant. Services provided by the Consultant typically include identification and solicitation of potential investors. The IMET 1-3 Year Series pays the Consultant an annual fee in arrears equal to 0.02% of the IMET 1-3 Year Series' average daily net assets for each fiscal year, not to exceed \$125,000 in any fiscal year. No annual fee shall be payable for any fiscal year unless the assets of the IMET 1-3 Year Series exceed \$100 million for at least 31 consecutive calendar days during such fiscal year and the total return to fund participants for such fiscal year equals or exceeds the average 90-day Treasury bill rate during such fiscal year. For fiscal year 2009, the IMET 1-3 Year Series' return exceeded the average 90-day Treasury bill rate. Accordingly, the IMET 1-3 Year Series incurred consulting fees expense of \$50,884 for the year ended September 30, 2009.

3. Administrative and Other Expenses

In accordance with the various agreements, the IMET 1-3 Year Series calculates a daily accrual, at a rate of 0.105% , applied to the Series' net assets. The amounts accrued are deposited monthly in a money market fund and are withdrawn as needed to cover actual administrative expenses incurred to operate and market the IMET 1-3 Year Series, including the cost of the Executive Director and staff of IMET. To the extent that the accrued amounts exceed the actual expenses in any period, the IMET 1-3 Year Series may use these amounts to pay future expenses. The amount accrued in fiscal year 2009 totaled \$267,009. Amounts remaining in the money market fund are included in net assets, and, accordingly, the amount accrued and the related expense have been eliminated within the Statement of Net Assets of the 1-3 Year Series.

NOTE E - FUND EXPENSES - IMET CONVENIENCE SERIES

1. Fund Management

Effective November 1, 2006, IMET entered into an agreement with PMA Financial Network, Inc. to provide administrative services including fund accounting and transfer agent services. The fee associated with these services is calculated at an annual rate of 0.06% of the average daily net assets within the fund.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE E - FUND EXPENSES - IMET CONVENIENCE SERIES (Continued)

1. **Fund Management** (Continued)

For the year ended September 30, 2009, the IMET Convenience Series incurred expenses of \$115,172 for services provided by PMA Financial Network, Inc.

2. **Administrative and Other Expenses**

In accordance with the various operating agreements, the IMET Convenience Series calculates a daily accrual, at a rate of 0.19% (0.11% through December 31, 2008), applied to the Series' net assets. The amounts accrued are deposited monthly in a separate money market fund and are withdrawn as needed to cover actual administrative expenses incurred to operate and market the IMET Convenience Series, including the cost of the Executive Director and staff of IMET. To the extent that the accrued amounts exceed the actual expenses in any period, the IMET Convenience Series may use these amounts to pay future expenses. The amount accrued in fiscal year 2009 totaled \$323,010.

NOTE F - UNIT TRANSACTIONS

A summary of participants' unit transactions for the year ended September 30, 2009 is as follows:

	<u>IMET 1 - 3 Year Series</u>	<u>IMET Convenience Series</u>
Unit transactions:		
Issued	10,185,030	267,401,336
Distributions reinvested	-	1,246,570
Redeemed	<u>(3,164,608)</u>	<u>(158,899,297)</u>
Change in units	7,020,422	109,748,609
Unit outstanding:		
Beginning of year	<u>10,279,838</u>	<u>221,126,359</u>
End of year	<u><u>17,300,260</u></u>	<u><u>330,874,968</u></u>

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE G - RETIREMENT FUND COMMITMENTS - ILLINOIS MUNICIPAL RETIREMENT FUND

Plan Description IMET's defined benefit pension plan provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. IMET's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy As set by statute, plan members are required to contribute 4.5% of their annual covered salary. The statutes require IMET to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 20.88% of annual covered payroll. IMET also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost For calendar year 2008, IMET's annual pension cost of \$23,654 was equal to IMET's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006 included: (a) a 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3% annually. The actuarial value of plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2006 valuation was 29 years.

Illinois Metropolitan Investment Fund
Notes to the Financial Statements
September 30, 2009

NOTE G - RETIREMENT FUND COMMITMENTS - ILLINOIS MUNICIPAL RETIREMENT FUND
(Continued)

Trend Information

<u>Calendar Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2008	\$ 23,654	100%	\$ -
12/31/2007	27,848	100%	-
12/31/2006	26,410	100%	-

IMET began participating in the Illinois Municipal Retirement Fund during the calendar year ended December 31, 2003.

Funded Status and Funding Policy As of December 31, 2008, the most recent actuarial valuation date, the plan was 88.77% funded. The actuarial accrued liability for benefits was \$222,554 and the actuarial value of assets was \$197,559, resulting in an underfunded actuarial accrued liability (UAAL) of \$24,995. The covered payroll (annual payroll of active employees covered by the plan) was \$113,288 and the ratio of the UAAL to the covered payroll was 22%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Illinois Metropolitan Investment Fund
 Required Supplementary Information - Schedule of Funding Progress
 Illinois Municipal Retirement Fund
September 30, 2009

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(2) - (1) Unfunded AAL (UAAL)	(1) / (2) Funded Ratio	(3) Covered Payroll	UAAL as a Percentage of Covered Payroll ((2-1)/3)
12/31/2008	\$ 197,559	\$ 222,554	\$ 24,995	88.77%	\$ 113,288	22.06%
12/31/2007	168,549	183,139	14,590	92.03%	145,953	10.00%
12/31/2006	125,560	257,833	132,273	48.70%	168,429	78.53%

IMET began participating in the Illinois Municipal Retirement Fund during the calendar year ended December 31, 2003.

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SUPPLEMENTARY INFORMATION

Illinois Metropolitan Investment Fund
Schedule of Cash and Investments
IMET 1-3 Year Series
September 30, 2009

Units/ par value	Description	Rate	Maturity	Market value
U.S. Treasury Obligations: 52.7%				
\$ 3,000,000	U.S. Treasury Note	3.375%	10/15/2009	\$ 3,003,626
3,500,000	U.S. Treasury Note	3.375%	10/15/2009	3,504,235
2,000,000	U.S. Treasury Strips	None	11/15/2009	1,999,340
500,000	U.S. Treasury Strips	None	11/15/2009	499,835
3,000,000	U.S. Treasury Note	4.625%	11/15/2009	3,016,410
2,000,000	U.S. Treasury Note	3.250%	12/31/2009	2,015,160
3,000,000	U.S. Treasury Note	3.250%	12/31/2009	3,022,740
3,000,000	U.S. Treasury Note	3.625%	1/15/2010	3,030,000
1,500,000	U.S. Treasury Note	6.500%	2/15/2010	1,535,280
2,500,000	U.S. Treasury Note	6.500%	2/15/2010	2,558,800
1,000,000	U.S. Treasury Note	6.500%	2/15/2010	1,023,520
2,000,000	U.S. Treasury Note	1.750%	3/31/2010	2,015,080
3,000,000	U.S. Treasury Note	1.750%	3/31/2010	3,022,620
2,000,000	U.S. Treasury Note	4.000%	4/15/2010	2,040,400
3,000,000	U.S. Treasury Note	2.625%	5/31/2010	3,046,650
2,000,000	U.S. Treasury Note	2.625%	5/31/2010	2,031,100
13,000,000	U.S. Treasury Note	2.375%	8/31/2010	13,234,650
2,500,000	U.S. Treasury Note	4.375%	12/15/2010	2,616,800
5,000,000	U.S. Treasury Note	0.875%	12/31/2010	5,021,500
1,000,000	U.S. Treasury Strips	None	2/15/2011	991,730
1,000,000	U.S. Treasury Strips	None	2/15/2011	991,730
3,000,000	U.S. Treasury Note	4.500%	2/28/2011	3,164,070
1,765,000	U.S. Treasury Note	4.750%	3/31/2011	1,872,894
1,106,470	U.S. Treasury Inflation-Protected Security	2.375%	4/15/2011	1,139,321
2,500,000	U.S. Treasury Note	4.875%	4/30/2011	2,663,775
2,500,000	U.S. Treasury Note	4.875%	4/30/2011	2,663,775
2,000,000	U.S. Treasury Note	5.125%	6/30/2011	2,150,240
1,650,000	U.S. Treasury Note	5.125%	6/30/2011	1,773,948
2,000,000	U.S. Treasury Note	4.625%	8/31/2011	2,141,320
3,000,000	U.S. Treasury Note	4.625%	8/31/2011	3,211,980
5,000,000	U.S. Treasury Note	4.500%	9/30/2011	5,350,800
2,000,000	U.S. Treasury Note	4.625%	10/31/2011	2,149,220
1,500,000	U.S. Treasury Note	1.750%	11/15/2011	1,522,620
5,000,000	U.S. Treasury Note	1.750%	11/15/2011	5,075,400
1,235,000	U.S. Treasury Note	1.750%	11/15/2011	1,253,624
2,265,000	U.S. Treasury Note	1.750%	11/15/2011	2,299,156
5,000,000	U.S. Treasury Note	1.125%	12/15/2011	5,005,100
5,000,000	U.S. Treasury Note	1.125%	12/15/2011	5,005,100

(Continued)

Illinois Metropolitan Investment Fund
Schedule of Cash and Investments (Continued)
IMET 1-3 Year Series
September 30, 2009

Units/ par value	Description	Rate	Maturity	Market value
U.S. Treasury Obligations (Continued)				
\$ 500,000	U.S. Treasury Strips	None	2/15/2012	\$ 487,020
1,000,000	U.S. Treasury Strips	None	2/15/2012	974,040
1,000,000	U.S. Treasury Strips	None	2/15/2012	974,040
539,255	U.S. Treasury Inflation-Protected Security	2.000%	4/15/2012	558,803
5,000,000	U.S. Treasury Note	1.375%	5/15/2012	5,016,800
1,500,000	U.S. Treasury Note	1.375%	5/15/2012	1,505,040
3,500,000	U.S. Treasury Note	1.375%	5/15/2012	3,511,760
5,000,000	U.S. Treasury Note	1.375%	5/15/2012	5,016,800
2,000,000	U.S. Treasury Note	1.875%	6/15/2012	2,031,260
1,800,000	U.S. Treasury Note	1.875%	6/15/2012	1,828,134
200,000	U.S. Treasury Note	1.875%	6/15/2012	203,126
2,150,000	U.S. Treasury Note	1.500%	7/15/2012	2,160,750
2,000,000	U.S. Treasury Note	4.375%	8/15/2012	2,171,400
5,000,000	U.S. Treasury Note	1.750%	8/15/2012	5,051,550
500,000	U.S. Treasury Strips	None	8/15/2012	480,280
1,000,000	U.S. Treasury Strips	None	8/15/2012	960,560
3,000,000	U.S. Treasury Note	1.375%	9/15/2012	2,994,840
5,000,000	U.S. Treasury Note	4.250%	9/30/2012	5,417,600
5,000,000	U.S. Treasury Note	3.625%	12/31/2012	5,332,800
5,000,000	U.S. Treasury Note	3.875%	2/15/2013	5,373,050
900,000	U.S. Treasury Strips	None	2/15/2013	850,230
750,000	U.S. Treasury Strips	None	2/15/2013	708,525
5,000,000	U.S. Treasury Note	1.125%	1/15/2020	5,000,000
				167,271,957
U.S. Government Agency and Agency-Guaranteed Obligations: 37.6%				
1,235,000	Federal Home Loan Bank	6.500%	11/13/2009	1,243,880
2,000,000	Federal Home Loan Bank	4.250%	11/20/2009	2,010,620
2,000,000	Federal Home Loan Bank	5.000%	12/11/2009	2,018,120
1,250,000	Federal Home Loan Bank	5.000%	3/12/2010	1,276,175
1,500,000	Federal Home Loan Bank	5.000%	3/12/2010	1,531,410
1,500,000	Federal Home Loan Bank	2.375%	4/30/2010	1,517,820
500,000	Federal Farm Credit Bank	2.750%	5/4/2010	507,190
1,000,000	Federal Home Loan Bank	7.625%	5/14/2010	1,045,000
1,500,000	Federal Home Loan Bank	7.625%	5/14/2010	1,567,500
1,000,000	Federal Home Loan Bank	4.250%	6/11/2010	1,026,560
600,000	Federal Home Loan Bank	3.510%	6/24/2010	613,500
1,025,000	Federal Farm Credit Bank	4.875%	8/6/2010	1,063,120

(Continued)

Illinois Metropolitan Investment Fund
Schedule of Cash and Investments (Continued)
IMET 1-3 Year Series
September 30, 2009

Units/ par value	Description	Rate	Maturity	Market value
U.S. Government Agency and Agency-Guaranteed Obligations (Continued)				
\$ 1,705,000	Federal Home Loan Bank	4.516%	8/10/2010	\$ 1,762,015
415,000	Federal Home Loan Bank	6.875%	8/13/2010	437,825
1,110,000	Federal Home Loan Bank	4.750%	8/13/2010	1,150,937
1,965,000	Federal Home Loan Bank	4.125%	8/13/2010	2,026,406
1,500,000	Federal Home Loan Mortgage Corp.	5.125%	8/23/2010	1,561,410
1,330,000	Federal Home Loan Bank	4.500%	9/10/2010	1,379,050
1,500,000	Federal Home Loan Bank	5.125%	9/10/2010	1,567,965
2,000,000	Federal Home Loan Mortgage Corp.	5.000%	10/18/2010	2,088,340
1,130,000	Federal Home Loan Bank	6.625%	11/15/2010	1,205,574
150,000	Federal Home Loan Mortgage Corp.	4.750%	12/8/2010	157,313
1,400,000	Federal Home Loan Mortgage Corp.	4.750%	12/8/2010	1,468,250
850,000	Federal Home Loan Bank	4.750%	12/10/2010	891,174
1,500,000	Federal Home Loan Bank	4.750%	12/10/2010	1,572,660
1,500,000	Federal Farm Credit Bank	4.050%	12/21/2010	1,560,945
693,000	Federal Farm Credit Bank	5.750%	1/18/2011	738,045
2,350,000	Federal Home Loan Mortgage Corp.	4.550%	1/20/2011	2,463,952
2,500,000	Federal Home Loan Bank	1.625%	1/21/2011	2,532,825
2,200,000	Federal Home Loan Bank	4.850%	2/4/2011	2,320,318
1,240,000	Federal Home Loan Bank	5.875%	2/15/2011	1,326,031
800,000	Federal Home Loan Bank	4.000%	2/15/2011	836,000
1,440,000	Federal Home Loan Bank	4.000%	2/15/2011	1,504,800
900,000	Federal Home Loan Mortgage Corp.	4.125%	2/24/2011	941,067
1,600,000	Federal Home Loan Mortgage Corp.	4.125%	2/24/2011	1,673,008
1,600,000	Federal Home Loan Bank	2.875%	3/11/2011	1,648,496
1,350,000	Federal Home Loan Mortgage Corp.	5.625%	3/15/2011	1,445,769
1,500,000	Federal Home Loan Mortgage Corp.	5.125%	4/18/2011	1,600,320
2,000,000	Federal Home Loan Mortgage Corp.	5.125%	4/18/2011	2,133,760
1,415,000	Federal Home Loan Mortgage Corp.	3.500%	5/5/2011	1,470,864
1,750,000	Federal Home Loan Bank	2.625%	5/20/2011	1,801,958
1,750,000	Federal Home Loan Bank	2.625%	5/20/2011	1,801,958
1,195,000	Federal Home Loan Bank	5.250%	6/10/2011	1,280,144
1,000,000	Federal Home Loan Bank	5.250%	6/10/2011	1,071,250
1,000,000	Federal Home Loan Bank	5.250%	6/10/2011	1,071,250
1,555,000	Federal Home Loan Bank	5.375%	6/10/2011	1,674,051
1,000,000	Federal Home Loan Bank	3.375%	6/24/2011	1,040,630
2,000,000	Federal Home Loan Bank	3.625%	7/1/2011	2,095,000
1,500,000	Federal Home Loan Bank	4.375%	9/9/2011	1,599,375
1,150,000	Federal Home Loan Bank	4.750%	12/9/2011	1,237,688
1,060,000	Federal Home Loan Bank	4.750%	12/9/2011	1,140,825

(Continued)

Illinois Metropolitan Investment Fund
Schedule of Cash and Investments (Continued)
IMET 1-3 Year Series
September 30, 2009

Units/ par value	Description	Rate	Maturity	Market value
U.S. Government Agency and Agency-Guaranteed Obligations (Continued)				
\$ 2,500,000	Tennessee Valley Authority	None	2/15/2012	\$ 2,403,625
2,500,000	Federal Home Loan Bank	2.250%	4/13/2012	2,554,700
300,000	Federal Farm Credit Bank	3.875%	6/4/2012	317,439
1,500,000	Federal Farm Credit Bank	3.875%	6/4/2012	1,587,195
500,000	Federal Farm Credit Bank	3.875%	6/4/2012	529,065
1,850,000	Federal Farm Credit Bank	2.125%	6/18/2012	1,868,500
2,000,000	Federal Home Loan Bank	1.750%	8/22/2012	2,006,260
3,000,000	Federal Home Loan Bank	1.625%	9/26/2012	2,992,500
2,000,000	Federal Home Loan Bank	4.625%	10/10/2012	2,173,120
1,260,000	Federal Home Loan Bank	3.470%	3/10/2014	1,316,700
2,023,000	Overseas Private Investment Corporation	4.050%	11/15/2014	2,084,095
1,000,000	PNC Funding Corp	1.875%	6/22/2011	1,012,060
2,000,000	Regions Bank	3.250%	12/9/2011	2,080,620
3,000,000	New York Community Bank	3.000%	12/16/2011	3,088,890
1,500,000	General Electric Capital Corporation	2.250%	3/12/2012	1,527,090
500,000	USAA Capital Corp	2.240%	3/30/2012	507,414
3,000,000	USAA Capital Corp	2.240%	3/30/2012	3,044,491
3,000,000	Citigroup Inc.	2.125%	4/30/2012	3,042,450
1,500,000	Citigroup Inc.	2.125%	4/30/2012	1,521,225
3,000,000	General Electric Capital Corporation	2.200%	6/8/2012	3,046,380
2,400,000	Sovereign Bancorp	2.500%	6/15/2012	2,447,856
950,000	Sovereign Bancorp	2.500%	6/15/2012	968,943
2,000,000	Citigroup Inc.	2.125%	7/12/2012	2,022,080
2,500,000	General Electric Capital Corporation	2.625%	12/28/2012	2,561,375
				119,404,216
Mortgage Backed Securities: 1.5%				
250	Federal Home Loan Mortgage Corp.	7.500%	9/1/2010	253
1,880	Federal Home Loan Mortgage Corp.	7.500%	11/1/2011	1,899
371,409	Federal Home Loan Mortgage Corp.	4.000%	11/1/2013	381,682
130,082	Federal Home Loan Mortgage Corp.	5.000%	4/1/2014	135,016
48,478	Federal Home Loan Mortgage Corp.	6.500%	7/1/2014	51,832
167,255	Federal Home Loan Mortgage Corp.	7.000%	12/1/2014	178,127
135,346	Federal Home Loan Mortgage Corp.	7.000%	3/1/2016	144,143
718,915	Federal Home Loan Mortgage Corp.	6.000%	6/1/2016	767,384
199,206	Federal Home Loan Mortgage Corp.	7.000%	9/1/2021	212,280
39,632	Government National Mortgage Assoc.	9.500%	12/15/2024	45,580
26,789	Government National Mortgage Assoc.	8.500%	5/20/2025	30,579
8,903	Government National Mortgage Assoc.	8.000%	11/20/2026	10,066
44,062	Government National Mortgage Assoc.	8.000%	11/20/2027	49,856

(Continued)

Illinois Metropolitan Investment Fund
Schedule of Cash and Investments (Continued)
IMET 1-3 Year Series
September 30, 2009

Units/ par value	Description	Rate	Maturity	Market value
Mortgage Backed Securities (Continued)				
\$ 183,769	Federal Home Loan Mortgage Corp.	6.549%	12/1/2027	\$ 185,740
3,877	Government National Mortgage Assoc.	8.000%	3/20/2028	4,390
2,660	Government National Mortgage Assoc.	8.000%	8/20/2028	3,012
8,081	Government National Mortgage Assoc.	8.000%	9/20/2028	9,149
1,184	Government National Mortgage Assoc.	8.000%	11/20/2028	1,340
193,808	Federal Home Loan Mortgage Corp.	5.140%	1/1/2030	198,740
668,163	Federal Home Loan Mortgage Corp.	4.311%	12/1/2034	686,611
627,110	Federal Home Loan Mortgage Corp.	4.660%	3/1/2035	646,589
384,528	Federal Home Loan Mortgage Corp.	5.144%	1/1/2036	400,663
259,510	Federal Home Loan Mortgage Corp.	5.618%	5/1/2037	269,786
274,550	Federal Home Loan Mortgage Corp.	5.457%	7/1/2037	286,729
				4,701,446
Cash and Money Market Mutual Funds: 8.2%				
18,889	Cash	0.000%	None	18,889
539,804	JPMorgan Liquid Assets Money Market	0.000%	None	539,804
25,541,287	Fidelity Institutional Money Market	0.010%	None	25,541,287
				26,099,980
				\$ 317,477,599

(Concluded)

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OTHER STATISTICAL INFORMATION (UNAUDITED)

Illinois Metropolitan Investment Fund
 Select Comparative Data - IMET 1-3 Year Series
September 30, 2009

	<u>One Year *</u>	<u>Three Year *</u>	<u>Since Inception July 17, 1996</u>
IMET 1-3 Year Series Net Return	4.32%	5.06%	4.75%
IMET 1-3 Year Series Gross Return**	4.61%	5.35%	5.10%
Barclays Capital 1-3 Year Government Bond Index	4.40%	5.33%	5.03%
Merrill Lynch 3-Month Treasury Bill Index	0.39%	2.81%	3.61%

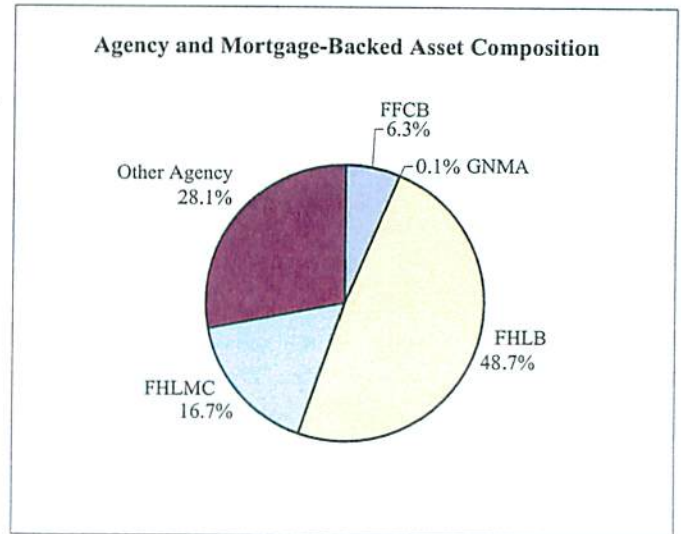
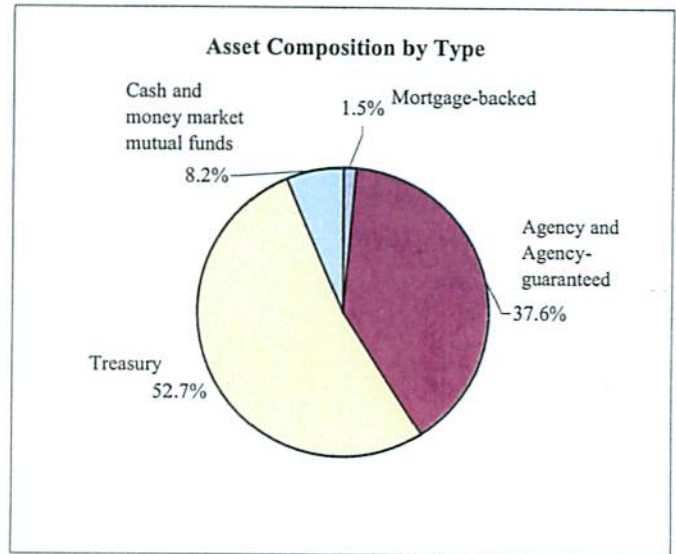
* Annualized return

** Returns exclude expenses of the fund

	<u>Fund Profile</u>	<u>Index Profile</u>
Gross yield to maturity	0.94%	1.03%
Duration	1.59 years	1.86 years
Average maturity	1.65 years	1.99 years

<u>Sectors</u>	<u>Fund Profile</u>	<u>Index Profile</u>
Treasury	52.7%	65.1%
Agency and Agency-guaranteed	37.6%	35.0%
Mortgage-backed	1.5%	-
Cash and money market mutual fund	8.2%	-

<u>Quality</u>	<u>Fund Profile</u>	<u>Index Profile</u>
AAA	100%	100%



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INVESTMENT POLICIES

Illinois Metropolitan Investment Fund

Investment Policy - IMET 1-3 Year Series

September 30, 2009

The Illinois Metropolitan Investment Fund ("*IMET*" or "*Fund*") is an actively managed investment fund for Illinois local governments. The IMET 1-3 Year Fund has a fluctuating net asset value and an average maturity of one-to-three years. Designed for public funds that may be invested for more than one year, IMET invests exclusively in U.S. government-backed securities (Treasuries and agencies).

1.0 Policy

It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. IMET is designed as an investment vehicle for funds not required to be spent immediately and available for investment in securities with maturities and returns generally greater than those for money market instruments. IMET will conform to Illinois state statutes governing the investment of public funds.

2.0 Funds

Monies invested in this Fund will be those of participating Illinois governments whose treasurers become members of the Fund. Any funds that an Illinois government can invest in under Illinois state statutes are eligible for investment in IMET. This is an intermediate investment fund, however, and short-term cash monies which are needed for immediate liquidity demands will not be encouraged to be invested in this Fund.

3.0 Prudence

The standard of prudence to be used for all investment activities shall be the following "prudent person" standards, as stated below, and shall be applied while conducting all investment transactions.

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived."

4.0 Objective

This actively managed portfolio will be invested in certain fixed income securities and cash equivalents. In summary, the investment objectives of IMET are:

- A. **Preservation of Principal:** Preservation of principal is the foremost objective of IMET. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Illinois Metropolitan Investment Fund
Investment Policy - IMET 1-3 Year Series (Continued)
September 30, 2009

4.0 Objective (Continued)

- B. Liquidity:** IMET will seek to remain sufficiently liquid to allow for withdrawals by Fund members with five business days' notice of that withdrawal to the Fund, and will otherwise remain sufficiently liquid in accordance with prudent fund management.
- C. Return on Investment:** IMET's assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. See also "Performance Standards" herein.

5.0 Delegation of Authority

The Board of Trustees of IMET (the "*Board*") seeks to employ an investment advisor who possesses superior capabilities in the management of assets of the Councils of Governments' governmental bodies. The Board further requires the investment advisor selected and working on its behalf to meet the following set of conditions.

- A.** To take, in its discretion, actions which in its best professional judgment are in the best interests of IMET, in accordance with this Investment Policy and the Investment Circular distributed by the Fund, to meet IMET investment objectives. Such actions include but are not limited to (A) the allocation of funds among alternative types of investments; (B) specific investment opportunities regarding the acquisition, retention, or disposition of investments; and (C) the recommendation of the addition, deletion, or modification of authorized investments.
- B.** To execute all investment transactions on behalf of the Fund at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Fund.
- C.** Additional responsibilities as detailed in each investment advisor's agreement with the Board.

6.0 Ethics and Conflicts of Interest

Officers and employees of the Fund involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the IMET chairperson any material financial interests in financial institutions that conduct business with IMET, and they shall further disclose any large personal financial/investment positions that could be related to the performance of IMET, particularly with regard to the time of purchases and sales.

Illinois Metropolitan Investment Fund
Investment Policy - IMET 1-3 Year Series (Continued)
September 30, 2009

7.0 Authorized Financial Dealers and Institutions

The Board will maintain a list of financial institutions authorized to provide investment advisor, administrative, and distributive investment services. The advisor will make investments only in those investments specifically authorized in the Public Investment Act of the State of Illinois (30 ILCS 235/1) (the "*Investment Act*"). The administrator shall perform its duties in conformance with the Declaration of Trust, By-Laws, and Investment Circular of the Fund. The distributor shall be competent and fully qualified under federal and state securities laws and the rules and regulations of the Comptroller of the Currency or the National Association of Securities Dealers, as applicable, to engage in marketing and sales efforts.

A current audited financial statement is required to be on file for each financial institution which provides the above mentioned services.

8.0 Authorized and Suitable Investments

All investments shall be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein. In seeking to achieve its investment objective, the Fund intends to invest under normal market conditions at least fifty percent (50%) in (i) obligations issued or secured by the U.S. Government and/or its agencies and/or (ii) money market mutual funds that are permitted investments under the Investment Act. In extraordinary circumstances, such as when the investment advisor believes that market conditions indicate that the Fund should adopt a temporary defensive position, the Fund may invest up to one hundred percent (100%) in cash and/or such money market mutual funds.

The Fund portfolio is restricted to a maximum dollar weighted-average maturity of five years or less, under normal conditions. The net asset value will fluctuate on a daily basis according to the change in market value of its underlying portfolio obligations.

The following are additional investment restrictions:

- (i) All fixed income securities (other than obligations of the U.S. or its agencies) at the time of purchase shall be rated at the highest rating classification established by at least two standard rating services (without regard to any refinement or gradation of rating category by numerical modifier or otherwise). However, issues that are reclassified after purchase so that they are no longer at the highest classifications established by at least two standard rating services may be sold by the advisor to the Fund after the date of the security's reclassification or held to maturity, in either case based on the investment advisor's discretion.

Illinois Metropolitan Investment Fund
Investment Policy - IMET 1-3 Year Series (Continued)
September 30, 2009

8.0 Authorized and Suitable Investments (Continued)

- (ii) Mortgage pass-through securities must be issued by an agency of the United States government. There are three major types of such agency pass-throughs, guaranteed by three organizations: Government National Mortgage Association ("*Ginnie Mae*"), Federal Home Loan Mortgage Corporation ("*Freddie Mac*"), and Federal National Mortgage Association ("*Fannie Mae*"). Pass-through securities or collateralized mortgage obligations of Fannie Mae are not permitted investments under Illinois law. In addition, privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.

- (iii) All investments are required to be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein.

The following transactions are prohibited in the portfolio managed by the investment advisor.

- 1) Reverse repurchase agreements.
- 2) Common or preferred stocks.
- 3) Futures and options.
- 4) Margin purchases or intentional use of leverage.
- 5) Private or direct placements.
- 6) Commodities.
- 7) Direct ownership of real estate or mortgages.
- 8) Non-U.S. dollar-denominated securities.
- 9) Stripped mortgage-backed securities (*i.e.*, interest-only (IO) and principal-only (PO) securities).
- 10) Convertible notes or bonds.

Illinois Metropolitan Investment Fund
Investment Policy - IMET 1-3 Year Series (Continued)
September 30, 2009

8.0 Authorized and Suitable Investments (Continued)

- 11) Purchase, participation, or other direct interest in gas, oil, or other mineral exploration or development programs.
- 12) Collateralized mortgage obligations.
- 13) Lending of Fund securities.
- 14) Structured notes—however, the Portfolio may invest in federal government agency securities whose coupon rates are scheduled to “step up” (*i.e.* increase) one or more times before they mature.
- 15) Investments not allowed under the Investment Act.

The advisor shall indemnify and make whole the Fund and its shareholders for any losses incurred by the Fund as a result of the advisor’s own or any subadvisor’s gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the investment advisor in writing by IMET or by IMET’s legal counsel.

9.0 Safekeeping and Custody

Securities purchased for IMET, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with the trust department of a bank acting as custodian. The bank will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

10.0 Diversification

Fixed income securities in the Fund will have the following characteristics:

- A) United States Treasury, agency, and agency mortgage pass-through securities may be used without limitation. Under normal market conditions, such obligations, along with money market mutual funds that are permitted investments under the Investment Act, will constitute at least 50% of the portfolio.
- B) Commercial paper investment, pursuant to Illinois law, must mature within 180 days from the date of purchase and cannot exceed 10% of the corporation’s total commercial paper. The Fund will have no more than one-third of its monies invested in commercial paper.

Illinois Metropolitan Investment Fund
Investment Policy - IMET 1-3 Year Series (Continued)
September 30, 2009

10.0 Diversification (Continued)

- C) At no time may the portfolio own more than 5% of the outstanding amount of any one fixed income issue (other than securities of the United States Government or its agencies) or have more than 7% of its total assets invested in the securities (including cash equivalents) of any permissible fixed income issuer (other than securities of the United States government or its agencies) without prior notification and approval of the Board.

11.0 Maturities

Portfolio duration is to be maintained within 25% of that of the Barclay's Capital 1-3 Year Government Bond Index under normal conditions; *provided, however*, that the portfolio's dollar weighted-average maturity will not exceed five years under normal conditions. Individual securities may have remaining maturities of greater than five years, but in any event not greater than ten years from the date of the Fund's purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted-average life of the security.

12.0 Internal Control

The advisor shall establish a system of internal controls, which shall be documented in writing. The controls shall be annually reviewed by their auditor and shall be designed to prevent losses of public funds arising from failure to comply with the provisions of the Investment Act, fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the firm. The advisor shall at all times have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Fund assets. Such bond or bonds shall be maintained in amounts not less than \$5,000,000 per occurrence and \$10,000,000 in the annual aggregate, covering its duties. The advisor will also maintain a fidelity bond against employee theft, dishonesty, and related risk, and cover its duties in an amount not less than \$10,000,000 in the annual aggregate.

13.0 Performance Standards

IMET's investment strategy is targeted active management. The performance objective for this portfolio is to meet or exceed the Lehman Brothers 1-3 Year Government Bond Index (the benchmark) prior to payment of Fund expenses.

Illinois Metropolitan Investment Fund
Investment Policy - IMET 1-3 Year Series (Continued)
September 30, 2009

14.0 Reporting

The advisor shall report to the Board at least quarterly on:

- A) Performance as compared to the benchmark.
- B) Asset allocation and duration as compared to the benchmark.
- C) Any deviation from the guidelines herein established.
- D) Significant changes in the portfolio under their management during the quarter.
- E) Economic and investment outlook for the near and long term.
- F) Monthly purchase and sale transactions.
- G) Any change in key personnel.

15.0 Investment Policy Adoption

IMET's investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

(Concluded)

Illinois Metropolitan Investment Fund

Investment Policy - IMET Convenience Series

September 30, 2009

The Illinois Metropolitan Investment Fund (“*IMET*” or “*Fund*”) is an actively managed investment fund for Illinois local governments. IMET’s Convenience Series (“Convenience Series”) is a short-term vehicle for use exclusively by members of IMET. This policy applies to the investment of Convenience Series funds. The Convenience Series is designed as an investment vehicle for: a) near-term investment of funds intended for eventual placement into the IMET 1-3 Year Series, b) the investment of bond proceeds, and c) any purpose deemed necessary and beneficial by Fund participants.

1.0 Governing Authority

It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. The Convenience Series will conform to Illinois state statutes governing the investment of public funds.

2.0 Funds

Monies invested in this Convenience Series will be those of participating Illinois governments whose treasurers are members of the IMET. Any funds that an Illinois government can invest in under Illinois state statutes are eligible for investment in the Convenience Series.

3.0 Prudence

The standard of prudence to be used for all investment activities shall be the following “prudent person” standards, as stated below, and shall be applied while conducting all investment transactions.

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived."

4.0 Objective

This portfolio will be invested in certain fixed income securities and cash equivalents. In summary, the investment objectives of the Convenience Series are:

- A. **Preservation of Principal:** Preservation of principal is the foremost objective of the Convenience Series. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Illinois Metropolitan Investment Fund
Investment Policy - IMET Convenience Series (Continued)
September 30, 2009

4.0 Objective (Continued)

- B. Liquidity: The Convenience Series will seek to remain sufficiently liquid to accommodate Convenience Series members and will otherwise remain sufficiently liquid in accordance with prudent fund management.
- C. Return on Investment: The Convenience Series' assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. See also "Performance Standards" herein.

5.0 Delegation of Authority

The Board of Trustees of IMET and of the Convenience Series (the "*Board*") seeks to employ financial institutions possessing established capabilities in the management of assets of the Councils of Governments' governmental bodies. The Board further requires the financial institution(s) selected and working on its behalf to meet the following set of conditions.

- A. To take, in its discretion, to the extent allowed by the financial institution's agreement with IMET, actions which in its best professional judgment are in the best interests of the Convenience Series, in accordance with this Investment Policy distributed by IMET, to meet Convenience Series investment objectives. Such actions include but are not limited to (A) the allocation of funds among alternative types of investments; (B) specific investment opportunities regarding the acquisition, retention, or disposition of investments; and (C) the recommendation of the addition, deletion, or modification of authorized investments.
- B. To execute all investment transactions on behalf of the Convenience Series at the best net price, utilizing such brokers and dealers as deemed appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Convenience Series.
- C. Additional responsibilities as detailed in each financial institution's agreement with the Board.

Illinois Metropolitan Investment Fund
Investment Policy - IMET Convenience Series (Continued)
September 30, 2009

6.0 Ethics and Conflicts of Interest

Officers and employees of the Convenience Series involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board chairperson any material financial interests in financial institutions that conduct business with IMET and the Convenience Series, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Convenience Series, particularly with regard to the time of purchases and sales.

7.0 Authorized Financial Dealers and Institutions

The Board will maintain a list of financial institutions authorized to provide investment advisor, administrative, and distributive investment services. The financial institution(s) will make investments only in those investments specifically authorized by the Public Investment Act of the State of Illinois (30 ILCS 235/1) (the "Investment Act") and by this Investment Policy. The financial institution(s) shall perform its duties in conformance with the IMET Declaration of Trust, the IMET By-Laws, and the Convenience Series Investment Policy. The distributor shall be competent and fully qualified under federal and state securities laws and the rules and regulations of the Comptroller of the Currency or the National Association of Securities Dealers, as applicable, to engage in marketing and sales efforts.

A current audited financial statement is required to be on file for each financial institution which provides the above mentioned services.

8.0 Authorized and Suitable Investments

The investments permitted by this policy are those defined by the Investment Act, including, without limitation, the definition of "agency" contained therein. In seeking to achieve its investment objective, the Convenience Series intends to invest under normal market conditions at least fifty percent (50%) in (i) interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, or (ii) money market mutual funds that are permitted investments under the Investment Act, or (iii) securities now or hereafter issued that constitute direct obligations of the U.S. Treasury which are guaranteed by the full faith and credit of the United States of America as to principal and interest, or (iv) other similar obligations of the United States of America or its agencies. In circumstances when the investment advisor believes that market conditions indicate that the Convenience Series should adopt a defensive position, the Convenience Series may invest up to one hundred percent (100%) in bank obligations and/or such money market mutual funds.

Illinois Metropolitan Investment Fund
Investment Policy - IMET Convenience Series (Continued)
September 30, 2009

8.0 Authorized and Suitable Investments (Continued)

The Convenience Series portfolio is restricted to a maximum dollar weighted-average maturity of one year or less, under normal conditions. The Convenience Series will be managed so as to maintain a stable \$1.00 share price, although there is no guarantee that it will do so.

The following are additional investment restrictions:

- (i) All fixed income securities (other than obligations of the U.S. or its agencies) at the time of purchase shall be rated at the highest rating classification established by at least two standard rating services (without regard to any refinement or gradation of rating category by numerical modifier or otherwise). However, issues that are reclassified after purchase so that they are no longer at the highest classifications established by at least two standard rating services may be sold by the financial institution(s) maintaining the Convenience Series after the date of the security's reclassification or held to maturity, in either case based on the financial institutions' discretion.
- (ii) Mortgage pass-through securities must be issued by an agency of the United States government and must have a liquid market with a readily determinable market value. There are three major types of such agency pass-throughs, guaranteed by three organizations: Government National Mortgage Association ("Ginnie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac"), and Federal National Mortgage Association ("Fannie Mae"). Pass-through securities or collateralized mortgage obligations of Fannie Mae are not permitted investments under Illinois law. In addition, privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.
- (iii) All investments are required to be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein.

The following transactions are prohibited in the portfolio:

- 1) Reverse repurchase agreements.
- 2) Common or preferred stocks.
- 3) Futures and options.
- 4) Margin purchases or intentional use of leverage.
- 5) Private or direct placements.

Illinois Metropolitan Investment Fund
Investment Policy - IMET Convenience Series (Continued)
September 30, 2009

8.0 Authorized and Suitable Investments (Continued)

- 6) Commodities.
- 7) Direct ownership of real estate or mortgages.
- 8) Non-U.S. dollar-denominated securities.
- 9) Stripped mortgage-backed securities (i.e., interest-only (IO) and principal-only (PO) securities).
- 10) Convertible notes or bonds.
- 11) Purchase, participation, or other direct interest in gas, oil, or other mineral exploration or development programs.
- 12) Collateralized mortgage obligations.
- 13) Lending of Convenience Series securities.
- 14) Structured notes—however, the Portfolio may invest in federal government agency securities whose coupon rates are scheduled to “step up” (*i.e.* increase) one or more times before they mature.
- 15) Investments not allowed under the Investment Act.

The advisor shall indemnify and make whole the Convenience Series and its shareholders for any losses incurred by the Convenience Series as a result of the advisor’s own or any subadvisor’s gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the investment advisor in writing by the Convenience Series or by the Convenience Series’ legal counsel.

9.0 Collateralization

Collateral will be pledged to the Convenience Fund with a market value equal to at least 105% of the obligations of the financial institution to the Convenience Fund’s deposits which exceed the sum of the Federal Deposit Insurance Corporation’s insurance limitation. The financial institution will monitor the market value of pledged securities on at least a daily basis, and make adjustments as necessary.

Illinois Metropolitan Investment Fund
Investment Policy - IMET Convenience Series (Continued)
September 30, 2009

10.0 Safekeeping and Custody

Securities purchased for the Convenience Series, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with the trust department of a bank acting as custodian. The bank will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

11.0 Diversification

Fixed income securities in the Convenience Series will have the following characteristics:

- a) No more than 50 percent of the portfolio may be invested beyond 12 months, and the weighted-average maturity of the portfolio generally shall not exceed one year.
- b) The following instruments may be used without limitation:
 - i) Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.
 - ii) Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations of the U.S. Treasury and its agencies as defined by Illinois law.

12.0 Maturities

At least 50 percent of the Fund's investments are expected to mature in the short-term (397 days or less), and the dollar-weighted average portfolio maturity of the Convenience Series will not exceed one year under normal conditions. Individual securities may have remaining maturities of greater than one year, but in any event not greater than five years from the date of the Convenience Series' purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted-average life of the security.

Illinois Metropolitan Investment Fund
Investment Policy - IMET Convenience Series (Continued)
September 30, 2009

13.0 Internal Control

The financial institution(s) shall establish a system of internal controls, which shall be documented in writing. The controls shall be annually reviewed by their auditor and shall be designed to prevent losses of public funds arising from failure to comply with the provisions of the Investment Act, fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of the firm. The financial institution(s) shall at all times have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Convenience Series assets. Such bond or bonds shall be maintained in amounts not less than \$5,000,000 per occurrence and \$10,000,000 in the annual aggregate, covering its duties. The financial institution(s) will also maintain a fidelity bond against employee theft, dishonesty, and related risk, and cover its duties in an amount not less than \$10,000,000 in the annual aggregate.

14.0 Performance Standards

The Convenience Series' investment strategy is designed so that the Convenience Series may maintain a stable \$1.00 per share price, although there is no guarantee that it will do so. The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of regularly meeting or exceeding the selected performance benchmark of Fed Funds, gross of fees. This index is considered a benchmark for lower risk investment transactions and, therefore, comprises an appropriate standard for the portfolio's rate of return.

15.0 Reporting

The financial institution(s) shall report to the Board at least quarterly on:

- a. Performance as compared to the benchmark.
- b. Asset allocation and duration as compared to the benchmark.
- c. Any deviation from the guidelines herein established.
- d. Significant changes in the portfolio under their management during the quarter.
- e. Economic and investment outlook for the near and long term.
- f. Monthly purchase and sale transactions.
- g. Any change in key personnel.

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16.0 Investment Policy Adoption

The Convenience Series' investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.

(Concluded)

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