

**REGULAR MEETING OF THE MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

2401 Colonial Drive, 3rd Floor, Helena, Montana

August 11 & 12, 2010

AGENDA

Tab 1	CALL TO ORDER A. Roll Call B. Approval of the May 18 & 19, 2010 Board Meeting Minutes C. Administrative Business 1. Human Resource Committee Report 2. Audit Committee Report 3. Loan Committee Report D. Public Comment - <i>Public Comment on issues within Board Jurisdiction</i>	12:30 p.m.
Tab 2	EXECUTIVE DIRECTOR REPORTS – Carroll South A. SAVA Committee Activity Update - Verbal B. Asset Allocation – Board Action C. Real Asset Investment Overview – R.V. Kuhns & Associates D. Asset/Liability Study – Board Action E. Board Member Education Policy – R.V. Kuhns & Associates	12:50 p.m.
Handout	QUARTERLY PERFORMANCE REPORTS A. Pension Funds and Investment Pools – R.V. Kuhns & Associates	2:00 p.m.
	BREAK – 15 min.	3:00 p.m.
Handout	EXTERNAL MANAGER PRESENTATION A. Neuberger Berman – High Yield Fixed Income • Ann Benjamin, Portfolio Manager	3:15 p.m.
Tab 3	INVESTMENT ACTIVITIES/REPORTS – Cliff Sheets, CFA, CIO A. Retirement System Asset Allocation Report B. Comparison to State Street Public Fund Universe	4:15 p.m.
	ADJOURNMENT	5:00 p.m.

The Board of Investments makes reasonable accommodations for any known disability that may interfere with a person's ability to participate in public meetings. Persons needing an accommodation must notify the Board at 444-0001 or write to P.O. Box 200126, Helena, Montana 59620 no later than three days prior to the meeting to allow adequate time to make needed arrangements.

Actual times may vary from those in the agenda.

**REGULAR MEETING OF THE MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

August 11 & 12, 2010

AGENDA – DAY 2

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|--------------------|--|-------------------|
| | RECONVENE AND CALL TO ORDER | 8:30 a.m. |
| | A. Roll Call | |
| | B. Public Comment – <i>Public Comment on issues within Board Jurisdiction</i> | |
| Tab 3 cont. | INVESTMENT ACTIVITIES/REPORTS – Cliff Sheets, CFA, CIO | 8:40 a.m. |
| | C. Public Asset Pool Reviews | |
| | 1. Fixed Income | |
| | i. Bond Pools (RFBP and TFIP) | |
| | ii. Short Term (STIP) and Other Fixed Income Portfolios | |
| | iii. Below Investment Grade Holdings Report | |
| | 2. Domestic Equity (MDEP) | |
| | 3. International Equity (MTIP) | |
| | 4. Manager Watch List | |
| | D. Private Asset Pool Reviews | |
| | 1. Private Equity (MPEP) | |
| | 2. Real Estate (MTRP) | |
| | 3. Partnership Focus Lists | |
| | E. Private Equity Investment Policy – Board Action | |
| | F. Upper Blackfoot Response Action & Restoration Fund Investment Policy – Board Action | |
| | BREAK – 15 min. | 9:55 a.m. |
| Handout | EXTERNAL MANAGER PRESENTATION | 10:10 a.m. |
| | A. Alliance Bernstein – International Large Cap Value Equity | |
| | • Robert I.H. Harleman, Director, Client Relations | |
| | • Morgan C. Harting, CFA, Senior Portfolio Manager, Value Equities | |
| Tab 4 | MONTANA LOAN PROGRAM – Herb Kulow | 11:10 p.m. |
| | A. Commercial and Residential Portfolios Report | |
| Tab 5 | BOND PROGRAM – Louise Welsh | 11:25 p.m. |
| | A. INTERCAP | |
| | 1. Activity Report | |
| | 2. Staff Approved Loans Report | |
| | 3. Annual INTERCAP Loan Detail Report | |
| | ADJOURNMENT | 11:40 a.m. |

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**MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

**2401 Colonial Drive, 3rd Floor
Helena, Montana
May 18 - 19, 2010**

MINUTES

BOARD MEMBERS PRESENT:

Terry Moore, Chair
Teresa Cohea
Karl Englund
Maureen Fleming
Jack Prothero
Jon Satre
Jim Turcotte
Representative Brady Wiseman

BOARD MEMBERS ABSENT:

Elouise Cobell
Patrick McKittrick
Senator Greg Barkus

STAFF PRESENT:

Jason Brent, Investment Analyst	Jon Putnam, Investment Analyst
Geri Burton, Deputy Director	Nancy Rivera, Credit Analyst
Richard Cooley, CFA, Portfolio Manager	John Romasko, Investment Analyst
Rachel Fairbank, Accountant	Nathan Sax, CFA, Portfolio Manager
Tim House, Investment Operations Chief	Clifford A. Sheets, CFA, Chief Investment Officer
Ed Kelly, Alternative Investment Analyst	Jon Shoen, CFA, Portfolio Manager
Herb Kulow, Portfolio Manager	Carroll South, Executive Director
Gayle Moon, Accounting Fiscal Manager	Steve Strong, Investment Analyst
Rande Muffick, CFA, Portfolio Manager	Louise Welsh, Bond Program Officer
Mary Noack, Network Administrator	Dan Zarling, CFA, Director of Research
Chris Phillips, Investment Staff	

GUESTS:

Mark Barry, Montana State Fund
James Fairweather, Head of Global Equities, Martin Currie, Inc.
Mark Higgins, RV Kuhns and Associates
Brian Holland, Portfolio Manager, International Equity, Artio Global Investors, Inc.
Gordon Hoven, Piper Jaffray & Co.
Chuck Johnson, Lee Newspapers
Patrick Maldari, CFA, Senior Portfolio Manager, Fixed Income, Artio Global Investors, Inc.
Anna Miller, Department of Natural Resources and Conservation
Jaime Sandison, Senior Vice President, Client Service and Sales, Martin Currie, Inc.
Teri Smith, Director of Client Services, Institutional Investments, Artio Global Investors, Inc.
Jim Voytko, RV Kuhns and Associates

CALL TO ORDER

Chairman Terry Moore called the regular meeting of the Board of Investments (Board) to order at 1:05 p.m. in the conference room at 2401 Colonial Drive, third floor, Helena, Montana. As noted above, the meeting convened with seven members of the Board present. Legislative Liaison Representative Brady Wiseman was also in attendance. Members Elouise Cobell and Patrick McKittrick and Legislative Liaison Senator Greg Barkus were absent.

Member Karl Englund made a Motion to approve the February 9 and 10, 2010 Minutes; Member Terry Cohea seconded the Motion. The Motion was unanimously carried.

ADMINISTRATIVE BUSINESS

Audit Committee Report

Member Jim Turcotte, Audit Committee Chair, reported that the legislative auditor will be on site in June to perform their FY10 preliminary review. The internal controls auditor, Galusha, Higgins & Galusha, will be on site May 29, 2010 to begin their FY10 internal controls review.

Loan Committee Report

Member Jack Prothero, Loan Committee Chair, reported that the Loan Committee reviewed and approved two loan enhancement requests from the Montana Facility Finance Authority that will be presented and discussed during the Montana Loan Program portion of the agenda.

The Loan Committee reviewed and approved two INTERCAP loan requests via email; the Loan Committee authorized staff to proceed with processing and closing these loans using the Board's standard Bond Program office procedures.

Borrower:	Gallatin County/Gallatin County Solid Waste District
Purpose:	Purchase 694.56 acres located in Logan, MT for future expansion
LC Approval Date:	April 26, 2010
Board Loan Amount:	\$1,250,000
Other Funding Sources:	\$ 400,000
Total Project Cost:	\$1,650,000
Term:	10 years

Borrower:	MSU-Bozeman
Purpose:	Cooley Microbiological Laboratories building renovations
LC Approval Date:	May 5, 2010
Board Loan Amount:	\$ 1,300,000
Other Funding Sources:	\$15,700,000
Total Project Cost:	\$17,000,000
Term:	5 years

Public Comment

Chairman Terry Moore called for public comment on Board issues.

Member Karl Englund asked for the Board minutes to reflect the reason for Member Eloise Cobell's absence and offer support for her efforts. Member Cobell has been working on a class action suit that was recently resolved which will provide abundant resources on behalf of the people being represented. The Board wishes her well and admires her dedication to the project.

August 2010 Board Meeting

The August Board meeting was rescheduled for August 11-12, 2010.

MONTANA LOAN PROGRAMS

Commercial and Residential Portfolios Report

Mr. Herb Kulow reported on the status of the commercial and residential loan programs as of April 30, 2010. The commercial loan portfolio totaled \$185,953,585; the residential loan portfolio totaled \$36,999,286.

BOI Enhancement – Powell County Medical Center, Deer Lodge

Michelle Barstad, Executive Director of the Montana Facility Finance Authority, presented Master Loan Program, Resolution No. 226 entitled: "Resolution relating to Health Care Revenue Bonds (Master Loan Program) of the Montana Health Facility Authority; authorizing loans to the Authority for its Capital Reserve Account securing such Bonds and the execution and delivery of an amendment to Capital Reserve Account Agreement." On May 27, 2010, the MFFA Board will meet to approve issuing approximately \$17.72 million of bonds for financing the Powell County Medical Center project

Member Jack Prothero, Chairperson of the Loan Committee, presented Committee approval to participate in the Montana Facility Finance Authority Loan Request in an amount not to exceed \$15 million; Member Maureen Fleming seconded the Motion and the Motion was unanimously carried.

BOI Enhancement – Community Medical Center, Missoula

Michelle Barstad, Executive Director of the Montana Facility Finance Authority, presented Master Loan Program, Resolution No. 227 entitled: "Resolution relating to Health Care Revenue Bonds (Master Loan Program) of the Montana Health Facility Authority; authorizing loans to the Authority for its Capital Reserve Account securing such Bonds and the execution and delivery of an amendment to Capital Reserve Account Agreement." On May 27, 2010, the MFFA Board will meet to approve issuing approximately \$26,086,075 of bonds for financing the Community Medical Center project

Member Prothero, Chairperson of the Loan Committee, presented Committee approval to participate in the Montana Facility Finance Authority Loan Request in an amount not to exceed \$15 million plus the principal amount of the Series 2001 Bonds (\$4,015,000); Member Fleming seconded the Motion and the Motion was unanimously.

EXECUTIVE DIRECTOR'S REPORT

State Fund Building, Investment Policy

Executive Director Carroll South provided an update to the Board regarding the status of the State Fund building. Mr. South reported that the design and construction have proceeded smoothly and State Fund staff will occupy the building on June 1, 2010. After the property was purchased and construction of the building was underway, State Fund and Board of Investments' staff discovered that Generally Accepted Accounting Principles (GAAP) require that a building owned by an entity that will occupy more than half of the building should be recorded as an operational asset, rather than an invested asset. To comply with GAAP, the building was removed from the Board of Investments' Fiscal Year 2008 and Fiscal Year 2009 financial statements and recorded in the state accounting system as an operational asset of the State Fund.

Mr. South explained that because the Board of Investments held title to the property; had binding contracts with the architect/contractor; and had entered into a long-term agreement with the City of Helena to lease parking spaces; a decision was made for the Board to retain title to the property until the State Fund actually occupied the building.

Proposed changes to the State Fund's Investment Policy were reviewed and Mr. South made the following recommendations:

1. Authorize transfer of the State Fund Building title to the State Fund as an operational asset and remove the real estate allocation in the State Fund Investment Policy.
2. Authorize an allocation to international equities in the State Fund Investment Policy and approve the revised Investment Policy.

Member Jon Satre made a Motion to approve the staff recommendations as presented; Member Jim Turcotte seconded the Motion. The Motion was unanimously carried.

Unfinished Business

Carroll South, Executive Director, reported on the status of the remaining recommendations from the Independent Fiduciary Services report issued on February 28, 2005. There were 56 recommendations that were fully implemented or no longer applicable, 14 recommendations that staff recommended no implementation and three recommendations that were partially implemented as reflected below.

1. Rebalancing Recommendation – Expand the rebalancing policy approved on December 2, 2004 to include all asset classes and prescribe the required actions when an asset class falls below the bottom of the range.

Rebalancing is performed on a monthly basis to ensure that pension assets are within guideline ranges. Rebalancing within the investment pools has been addressed when the Investment Policy Statements are revised and approved by the Board. This recommendation will be fully implemented when staff revise all pension fund Investment Policy Statements; they will be presented for approval at the August Board Meeting.

2. Investment Policy Statements Recommendation – Revise the approved pension fund policy ranges so that they are more appropriately aligned with the targets. The Investment Policy Statement should be revised to establish the overall target asset allocation as well as the ranges.

The Board's Governance Policy delineates the respective roles for the Board and staff. While Board investment staff operate under parameters approved by the Board, the Pension Fund Investment Policy Statements should be updated to reflect the parameters. This recommendation will be fully implemented when staff revise all pension fund Investment Policy Statements; they will be presented for approval at the August Board Meeting.

3. Board/Staff Educational Opportunities Recommendation – The Board should authorize a comprehensive orientation program for new Board members and an ongoing curriculum for education of all Board members. The Board should develop a professional development curriculum for staff to ensure that all staff are at an expected level of educational achievement or are making progress there toward.

There currently is no systematic process to orientate new Board members or provide ongoing Board member education. Basic orientation and education is provided by staff and the Board's consultant. Assistance is currently provided to Board staff that wish to pursue further education or credentials.

Member Maureen Fleming and Executive Director Carroll South will draft a policy regarding Board training, including type, frequency and cost of such.

Asset/Liability Studies - Mr. South and Cliff Sheets, Chief Investment Officer, reported on Asset/Liability studies allocation implementation.

Mr. Jim Voytko from R.V. Kuhns and Associates provided an overview of the benefits and drawbacks of investing in hedge funds. Mr. Voytko began with a review of historical returns and volatility for the asset class. The relative stability of returns and the diversification benefits were emphasized as key benefits. Mr. Voytko also acknowledged many of the drawbacks of hedge funds, such as lack of transparency, high fees, headline risk, etc., but insisted that these risks often accompany other investments as well.

Mr. Cliff Sheets, Chief Investment Officer, offered staff's perspective on hedge funds and its recommendation to exclude hedge funds from the retirement portfolios. First, he noted that hedge funds are not an asset class per se but simply a legal vehicle that invests in all kinds of underlying strategies. Drawbacks highlighted by Mr. Sheets included the lack of transparency and significant headline risk. He went on to question the diversification benefits by observing that the diversification benefits can potentially be attributed to the fact that multi-strategy hedge funds (the proxy being used to model a hedge fund allocation) reflect underlying portfolios that are diversified across a number of asset classes.

Mr. South made the following recommendations:

1. Continue efforts to strike a more optimal balance between US and international equities as opportunities arise. Keep the current ranges as these ranges will accommodate a more optimal balance.
2. Do not make an allocation to hedge funds-of-funds and remove hedge funds from the list of available assets in future Asset/Liability studies.
3. Present a recommendation to the Board at its August meeting on investing in any of the components within the inflation hedge composite in the Asset/Liability studies.

Terry Cohea made a Motion to approve the staff recommendations as presented; Member Jim Turcotte seconded the Motion. The Motion was unanimously carried.

Department of Natural Resources & Conservation Loan

Executive Director Carroll South reported that the Department of Natural Resources and Conservation (DNRC) requests to borrow up to \$15 million to fund loans through its Water Pollution Control State Revolving Fund Program which offers low interest loans for community wastewater treatment projects. The loan would be funded from the Coal Tax Trust Permanent Fund, would be for a maximum term of three years and would be in the form of a revenue anticipation note (RAN) that will be a general obligation of the State of Montana.

Staff recommends approval of a loan from the Coal Tax Trust Permanent Fund of up to \$15 million to DNRC in the form of a RAN.

Member Jack Prothero made a Motion to approve the \$15 million loan to DNRC; Member Karl Englund seconded the Motion. The Motion was unanimously carried.

QUARTERLY INVESTMENT PERFORMANCE REPORTS

(A complete copy of this report is kept on file with the documents of this meeting.)

Mr. Jim Voytko and Mr. Mark Higgins provided an overview of the current market environment and investment performance of the Retirement Plans for the first quarter of 2010. Mr. Voytko began by highlighting the continued strength of the global economic recovery, which was evidenced across virtually all asset classes with the exception of real estate and private equity. Mr. Higgins followed with an overview of asset class and manager performance. Key observations that were discussed include:

1. Continued improvement in the international equity portfolio. Over the past quarter, the international equity pool nearly matched the index. Improvement is attributable to trimming underperforming active managers and shifting a greater portion of the portfolio to the passively managed BGI index fund.
2. Continued strong performance in the domestic equity and fixed income portfolios. Both portfolios continued to strongly outperform their benchmarks. Credit was given to internal manager Nathan Sax as well as recent diversification efforts into Core Plus and High Yield external managers (e.g., Reams, Post, and Neuberger Berman).

3. Attention was focused on the continued underperformance of the private equity and real estate portfolios, although caution was encouraged due to the benchmarking challenges and the lagged nature of valuation.
4. Finally, Mr. Higgins reviewed several managers on the watch list, drawing close attention to Northpointe, Martin Currie, Analytical Investors, Martingale and Western Asset.

EXTERNAL MANAGER PRESENTATION

Martin Currie, Inc.

Mr. Rande Muffick introduced Mr. Jamie Sandison and Mr. James Fairweather, who reviewed their firm and management style. Martin Currie, Inc. manages a large cap growth fund in the International Equity Pool.

INVESTMENT ACTIVITY/REPORTS

Retirement System Asset Allocation Report

Mr. Cliff Sheets presented the Retirement Systems Asset Allocation Report for the quarter ending March 31, 2010. Total plan asset values increased by more than \$181 million during the quarter, primarily due to the continued rise in public equity markets and stable interest rates. Total equities increased slightly to 67.0%, up by 0.1%, and the allocation to bonds shrunk by 0.2% to 26.4%. The percent allocation for private equity and real estate increased slightly by 0.2% and 0.1%, respectively. The only significant allocation changes made to the Retirement Systems during the quarter ending March 31, 2010 were additions to Private Equity of \$11 million and reductions to Domestic Equity of \$65 million.

He also reviewed a comparison of the two large pension plans to the State Street public fund universe in terms of relative performance and asset allocation as a supplement to the R.V. Kuhns public fund universe return comparison.

ADJOURNED

The meeting adjourned for the day at 5:20 p.m.

CALL TO ORDER – Day 2

The meeting was reconvened Wednesday, May 19, 2010 at 8:00 a.m. with seven members of the Board present. Representative Brady Wiseman was also in attendance. Members Elouise Cobell and Patrick McKittrick were absent. Senator Greg Barkus was also absent.

INVESTMENT ACTIVITY/REPORTS continued

Private Equity (MPEP)

Mr. Jon Shoen reviewed the following Private Edge reports: quarterly cash flow; total exposure by strategy; market value exposure by industry; total exposure by geography; total exposure by investment vehicle; periodic return comparison and LPs by family of funds. There were two new fund commitments made since the February 2010 Board Meeting.

<u>Fund Name</u>	<u>Vintage</u>	<u>Subclass</u>	<u>Amount</u>	<u>Date</u>
EIF United States Power Fund IV, LP	2010	Special Situations	\$25M	3/29/10
BDCM Opportunity Fund III, LP	2010	Distressed – Control	\$25M	4/13/09
Total New Commitments			\$50M	

Real Estate (MTRP)

Mr. Jon Shoen reviewed the following Private Edge reports: total exposure by strategy; market value exposure by property type; total exposure by geography; time weighted and internal rates of return and the portfolio status report. There were six new fund commitments made since the February 2010 Board Meeting.

<u>Fund Name</u>	<u>Pool</u>	<u>Subclass</u>	<u>Amount</u>	<u>Date</u>
American Core Realty Fund, LLC	TFIP	Core	\$18M	4/1/10
TIAA-CREF Asset Management Core Property Fund, LP	TFIP	Core	\$10M	5/1/10
JPMorgan Strategic Property Fund	MTRP	Core	\$15M	4/1/10
JPMorgan Strategic Property Fund	MTRP	Core	\$15M	5/1/10
The Realty Associates Fund IX, L.P.	MTRP	Value Added	\$ 5M	3/25/10
ABR Chesapeake Investors Fund IV, L.P.	MTRP	Value Added	\$17M	3/15/10
Total New Commitments			\$80M	

Domestic Equity (MDEP)

Mr. Rande Muffick presented the Montana Domestic Equity Pool Report as of March 31, 2010 and a summary of recent market trends.

International Equity (MTIP)

Mr. Rande Muffick presented the Montana International Equity Pool Report for the period ending March 31, 2010 and discussed market trends during the quarter.

Public Equity External Managers Watch List

Mr. Rande Muffick presented the External Managers Watch List – Quarterly Update. The Watch List criteria were established in accordance with the Montana Board of Investments Public Equity Manager Evaluation Policy, adopted by the Board on May 14, 2008. During the quarter there was one manager added to the list, Analytic Investors, and one manager removed, AXA Rosenberg, due to termination. The new list is shown below.

<u>Manager</u>	<u>Style Bucket</u>	<u>Reason</u>	<u>Inclusion Date</u>
Western Asset	Domestic - LC Enhanced	Performance, Tracking Error	March 2008
NorthPointe	Domestic- SC Growth	Performance	August 2008
Acadian	International - LC Value	Performance, Process	February 2009
Martin Currie	International - LC Growth	Performance, Risk Controls	February 2009
Batterymarch	International - LC Core	Performance, Process	May 2009
Martingale	Domestic - 130/30	Performance, Process	February 2010
Martingale	Domestic - MC Core	Performance, Process	February 2010
Analytic Investors	Domestic - 130/30	Performance, Process	May 2010

Fixed Income

Mr. Nathan Sax presented the Fixed Income Overview and Strategy.

Mr. Richard Cooley presented the Short-Term Investment Pool, State Fund Insurance and Treasurer's Fund Portfolio Reports.

Mr. Cliff Sheets presented the Non-Investment Grade Holdings Report.

EXTERNAL MANAGER PRESENTATION

Artio Global Investors, Inc.

Mr. Rande Muffick introduced Mr. Brian Holland, Mr. Patrick Maldari and Ms. Teri Smith who reviewed their firm and management style. Artio Global Investors, Inc. manages a large cap core fund for the International Equity Pool and a core-plus fixed income portfolio within the Retirement Funds Bond Pool.

BOND PROGRAM

Activity Report

The Board reviewed this report for the period ending March 31, 2010.

Staff Approved Loans Report

The Board reviewed this report for the period of January 1 through March 31, 2010:

Borrower:	City of Havre
Purpose:	Purchase an asphalt reclaiming machine
Staff Approval Date	January 22, 2010
Board Loan Amount:	\$86,950
Other Funding Sources:	\$ 0
Total Project Cost:	\$86,950
Term:	10 years

Borrower:	Sweet Grass County
Purpose:	Purchase road equipment [motor grader, skid steer, & mower]
Staff Approval Date	February 1, 2010
Board Loan Amount:	\$200,000
Other Funding Sources:	\$ 1,895
Total Project Cost:	\$201,895
Term:	5 years

Borrower:	Town of Sheridan
Purpose:	Interim financing in anticipation of USDA Rural Development loan for wastewater system improvements
Staff Approval Date	February 3, 2010

Board Loan Amount:	\$815,000
Other Funding Sources:	\$102,000
Total Project Cost:	\$917,000
Term:	2 years

Borrower:	Town of Twin Bridges
Purpose:	Engineering services for water & wastewater meter installation project
Staff Approval Date	March 15, 2010
Board Loan Amount:	\$130,000
Other Funding Sources:	\$ 0
Total Project Cost:	\$130,000
Term:	6 years



MONTANA UNIVERSITY SYSTEM

Borrower:	University of Montana - Missoula
Purpose:	Addition to Building 24 for bus storage
Staff Approval Date	January 5, 2010
Board Loan Amount:	\$350,000
Other Funding Sources:	\$100,000
Total Project Cost:	\$450,000
Term:	10 years

Borrower:	Montana State University - Billings
Purpose:	Replace indoor tennis air supported membrane
Staff Approval Date	March 30, 2010
Board Loan Amount:	\$150,000
Other Funding Sources:	\$ 50,000
Total Project Cost:	\$200,000
Term:	6 years

ADMINISTRATIVE BUSINESS

Public Comment

Chairman Terry Moore called for Public Comment of Board-Related Items. *No Public Comment made.*

NEXT MEETING

The next regularly scheduled meeting of the Board will be August 11 and 12, 2010 in Helena, Montana.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:40 a.m.

BOARD OF INVESTMENTS

APPROVE: _____
Terry Moore, Chair

ATTEST: _____
Carroll South, Executive Director

DATE: _____

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Executive Director Reports

MEMORANDUM

Montana Board of Investments

Department of Commerce
2401 Colonial Drive, 3rd Floor
Helena, MT 59601 (406) 444-0001

To: Board Members
From: Carroll South, Executive Director
Cliff Sheets, Chief Investment Officer
Date: August 11, 2010
Subject: Asset Allocation Recommendations

Asset/Liability Studies Allocations

History - At the May 2010 Board meeting, staff presented a report that measured progress in implementing the asset allocation recommendations from the Asset/Liability (A/L) Studies for the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS). The TRS study was conducted and published by the Board's consultant in May 2006 and the PERS study was completed in February 2007. The A/L Studies utilized a Mean Variance Optimization process to achieve an efficient portfolio intended to meet the actuarial investment return assumptions of the retirement systems. To generate the most optimal portfolio mix, all available asset classes were considered, although the Board had not authorized allocations to several of them. The table below shows two of 10 portfolio mixes that were suggested by the A/L Studies as being the most likely to generate the assumed actuarial investment return without incurring excessive risk.

Asset Class	2006 Return Assumptions	MIN %	MAX %	Mix 1 %	Mix 2 %
		<----->			
Large Cap US Equity	8.00%	15	35	15	19
Small Cap US Equity	9.00%	3	8	3	8
Large Cap Int'l Equity	8.25%	15	25	15	25
Small Cap Int'l Equity	9.25%	3	8	8	8
Emerging Markets Equity	9.75%	2	6	6	6
Fixed Income Composite*	5.20%	15	40	24	15
Real Estate	7.50%	3	8	8	3
Absolute Return	8.25%	0	5	5	5
Private Equity	12.75%	5	10	10	10
Inflation Hedge Composite**	6.15%	0	5	5	0
Cash Equivalents	3.25%	1	3	1	1
Total				100	100
Total Equity Exposure				57	76
Assumed Annual Return				7.91	8.35

* Comprised of 85% US Core, 5% International, and 10% High Yield
** Comprised of 60% TIPS, 20% Timber, and 20% Commodities

When the Board commissioned the first A/L Study, it had not authorized allocations to three of the asset classes included in the study:

- Real Estate
- Absolute Return (Hedge Funds)
- Inflation-Hedged Investments.

The Board authorized real estate investments in April 2006, and has allocated a maximum of 8.0 percent of retirement funds to this asset class. At its May 2010 meeting, the Board approved a staff recommendation that retirement funds not be invested in hedge funds. The recommendation was as follows:

“2. Staff recommends that the Board not make an allocation to hedge funds-of-funds and that hedge funds be removed from the list of available assets in future A/L studies.

3. Staff recommends that it present to the Board at the August meeting a recommendation on investing in any of the components within the inflation hedge composite in the A/L studies.”

This report discusses the last remaining asset class included in the A/L studies for which the Board has not made a decision.

The Inflation Hedge Composite

Wikipedia defines inflation as follows:

“In economics, inflation is a rise in the general level of prices of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services; consequently, inflation is also an erosion in the purchasing power of money – a loss of real value in the internal medium of exchange and unit of account in the economy. A chief measure of price inflation is the inflation rate, the annualized percentage change in a general price index (normally the Consumer Price Index) over time.”

The inflation composite in the A/L Studies was comprised of Treasury Inflation-Protected Securities (TIPS), Timberland, and Commodities. Before discussing the individual components of the composite, it may be helpful to ascertain what contribution an inflation-hedged asset would make in the retirement system investment portfolios.

Inflationary Impact on Retirement Systems - Inflation could impact a defined benefit pension plan in two ways. First, member salaries could be increased to keep pace with inflation. When retiree benefit levels are determined by final salaries, benefit payouts may be larger if inflation has been significant during the working career of the retiree. Second, some plans may provide retirees with annual benefit increases based on inflation, similar to Social Security.

Determining the actual impact inflation may have on Montana’s defined benefit retirement systems is difficult. Salaries paid by the systems’ public employers are more likely to be influenced by the amount of funding available when raises are considered, rather than inflation. To the extent that inflation increases public employer revenues, there may be a casual connection between member salary increases and inflation. Once a member retires, initial benefits and any annual increase in benefit levels are set by law, rather than linked to inflation. While the retirement system actuaries estimate future inflation rates when calculating system valuations, the investment return assumptions are more critical to the Board’s mission than inflation. The Board’s consultant also considers anticipated long-term inflation and

inflation volatility in its asset class return assumptions. Regardless of inflation rates, when return assumptions are not met, funding ratios shrink and unfunded liabilities increase.

To ensure retirement system solvency over the long term, the investment return assumptions must be paramount when asset allocation decisions are considered. If an inflation hedge component protects against future inflation but falls short of the required investment return it will not contribute to system solvency, unless it offers significant diversification. While TIPS are designed to hedge inflation when held to maturity, in a pension portfolio that is priced daily they can decline in value if real interest rates rise, regardless of the inflation rate. While the potential value decline can be mitigated by buying short duration TIPS in which total returns are more closely linked to inflation, doing so requires the acceptance of very low yields. Currently, TIPS with maturities less than five years yield less than 0.25 percent.

Treasury Inflation-Protected Securities – If the Board chooses to invest in these securities, a distinct allocation is not required as they are currently eligible investments in the Retirement Fund Bond Pool and can be purchased at staff discretion.

Timberland – It is not clear that Timberland will provide any more inflation protection than will other types of real property, but it would provide diversification when combined with other real property. From a global and long-term perspective, the most logical argument that real property may provide an inflation hedge is that the global supply is fixed, while the world’s population continues to increase. However, in the short-term, real property returns are sensitive to economic conditions, interest rates, supply and demand, and other factors, which in the case of timber may include disease, fire, and environmental factors. If there is an oversupply of commercial office real estate due to over-building or a depressed economy, returns will suffer due to vacancies and reduced rent, regardless of inflation. A depressed housing market may reduce the need for lumber, but timber may be left in place and harvested when lumber prices improve.

As with any real property, the price paid for Timberland is a critical driver of future returns whether or not it serves as an inflation hedge. Overpaying will negate its value as an inflation hedge. This includes not only the price paid by investors to subscribe to a timberland fund but the price paid by the fund for the land itself. Examples abound of real estate funds overpaying for real property at the peak – a decision that will depress returns for the remainder of the fund’s existence.

Board staff has had an interest in Timberland for some time and in October 2007 prepared a 24-page report entitled “Does Money Grow on Trees?” An Executive Summary of the report was presented to the Board at its November 2007 meeting as follows:

“Timber Investments: Does Money Grow On Trees?”

Executive Summary

This BOI staff study investigated the appropriateness of timber investments for inclusion into the Montana Board of Investments portfolio. The study provided the following recommendation:

- *Recommendation. The staff recommends that timber be considered as an appropriate asset class within the allocations to either real estate or real return assets. The recommended investment approach is a gradual allocation over several years with a substantial allocation to diversified international markets.”*

Staff did not ask the Board to act on the recommendation and the Board took no action.

Commodities – While nearly everyone understands what commodities are – tangible, critical items such as energy, livestock, grains, precious metals, and industrial metals, the mechanism for investing in these assets is more complex than for stocks and bonds. Unless an investor has the physical capability of purchasing and storing these assets (oil tankers for oil and grain bins for grain for example), investments are generally made indirectly through futures, swaps, and structured notes - all derivative instruments. Intuitively, commodities should provide some protection against inflation because the costs of critical materials have historically increased and some commodities are components of inflation measures. But, commodities prices are also subject to supply and demand and economic conditions. When global construction activity declined, the price of steel and copper fell. When oil prices skyrocketed to \$155 per barrel in July 2008 and then fell to \$48 seven months later it had little to do with inflation.

Complicating commodity investments further is the disparate mix of entities in the playing field. Farmers attempt to lock in future prices for their grains and airlines hedge against increases in jet fuel prices while investors simply attempt to make a profit on commodity price movements. This has not gone unnoticed. When oil prices peaked, there was discussion in Congress as to whether speculators (investors) were responsible for escalating oil prices at the expense of those businesses that actually used the oil – farmers, airlines, truckers, etc. This concern is likely to continue if institutional investors, such as pension funds and hedge funds, become more active in trading the derivative products that impact commodity prices.

The bottom line for an allocation decision to commodities is their impact on long-term returns/risk and any diversification benefit. Assuming commodities would provide some long-term diversification benefits, the degree of diversification would depend upon the size of the commodity allocation. A 2.0 to 3.0 percent allocation to commodities would not provide significant diversification in a portfolio holding 60.0 to 70.0 percent equities. The long term returns on commodities have been lower than equity asset classes. Additionally, commodity investments do not yield the current income that will become increasingly important as the retirement systems mature.

Apart from the viability of commodities as an appropriate asset for the Montana retirement systems, there are structural and operational issues that should be considered. Currently, the nine retirement funds are invested in six investment pools that provide broad diversification for each fund, while simplifying investing and accounting. Although commodities could be included in one of the pools, they would not be a good fit. Creating a seventh investment pool for a small allocation to commodities would not be efficient. Investing each fund in commodities individually would be even less efficient.

Summary – The A/L Studies presumed that all asset classes were available to develop an ideal portfolio mix that would generate the required returns without incurring excessive risk. There were three asset classes included in the mix to which the Board had not made an allocation: real estate, absolute return (hedge funds), and inflation composites. The Board has since made an allocation to real estate and chose not to invest in hedge funds. That leaves one asset class undecided. Before another A/L Study is commissioned it is important that a decision be made on this asset class so the consultant knows what assets to include in the Studies.

In a retirement system portfolio that is priced daily, there is no guarantee that any type of investment will protect against future inflation. Retirement system valuations are based on the price of securities in the portfolio on June 30, despite what inflation may have been during the year. If an investment could

potentially protect against future inflation but yields less than the investment return assumptions, it will compromise the Board's ability to meet the assumptions. The Board currently allocates up to 32.0 percent of retirement assets to bonds that historically have generated a lower return than the actuarial return assumption. A return tradeoff for bonds is deemed acceptable because of the diversification benefit bonds provide versus equities and the current income that is critical for paying benefits. Adding small allocations to lower returning assets to potentially protect against inflation risk may not add value to the portfolios.

To avoid adding further complexity to the Board's structure and operations, another factor for consideration is where the investments discussed here would "fit" in the current infrastructure for retirement fund investments. TIPS would be a good fit for the Retirement Fund Bond Pool. Timberland, as real property, would fit appropriately in the Real Estate Pool. Commodities, because they are basically derivative type investments, would not be a good fit in any of the six existing pools.

Recommendations

1. Asset Class Allocations - Staff recommends that a specific allocation for an "Inflation Hedge Composite" not be created and that any new retirement fund investments be held in one of the six existing investment pools.

2. Treasury Inflation-Protected Securities – Staff recommends that, at their discretion, TIPS may be purchased opportunistically and held in the Retirement Fund Bond Pool.

3. Timberland – Staff recommends that Timberland be an authorized investment to be made opportunistically over time and held in the Real Estate Pool where it will provide additional diversification. Staff recommends that the maximum allocation to the Real Estate Pool be increased from 8.0 percent to 10.0 percent to accommodate potential timber investments.

4. Commodities – Staff recommends that an allocation not be made to commodities.

Real Assets Investment Overview

Prepared for Montana Board of Investments

August 2010

R.V. Kuhns & Associates, Inc.

Section #1: Inflation Measurement

Measuring Inflation

The most commonly used metric of inflation—and the metric that RVK most frequently uses for reporting purposes—is the CPI-U (referred to throughout this document as CPI for simplicity). This version of CPI represents purchases of 90% of the U.S. population and has the most extensive historical data. The Consumer Price Index (CPI) is calculated by the U.S. Bureau of Labor Statistics and measures the weighted average price of a basket of consumer goods and services purchased by US households. CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their relative contribution to overall CPI. Changes in CPI are used to assess price changes associated with the cost of living.

While we believe that CPI is the best metric for measuring inflation, it is important to note that quantitative evaluation of the relationship between different asset classes and CPI is wrought with inaccuracies. Perhaps the best example is the lower than anticipated correlation between TIPS and CPI, particularly over short time horizons. A large portion of this mismatch is attributed to the fact that TIPS funds have a long duration (typically around 7 years), while CPI changes on a monthly basis. To compensate for these inaccuracies, RVK often recommends that plans consider a more qualitative analysis of the link between real asset returns and inflation. Taking commodities as an example, a simple way of achieving this is to evaluate the underlying components of CPI and compare them to the underlying components in a commodities portfolio. Logically, if the underlying components of CPI match closely to the underlying components of a commodities portfolio, the portfolio should offer a strong inflation hedge (even if the reported returns suggest a weaker correlation). The table below provides a high level breakdown of the major expense categories contributing to CPI. A more detailed breakdown can be obtained from the Bureau of Labor and Statistics website.

CPI Major Expenditure Categories	
CPI Sub-Category	Relative Importance in Index
Food & Beverages	14.8%
Housing ¹	42.0%
Apparel	3.7%
Transportation ¹	16.7%
Medical Care	6.5%
Recreation	6.4%
Education & Communication	6.4%
Other Goods & Services	3.5%

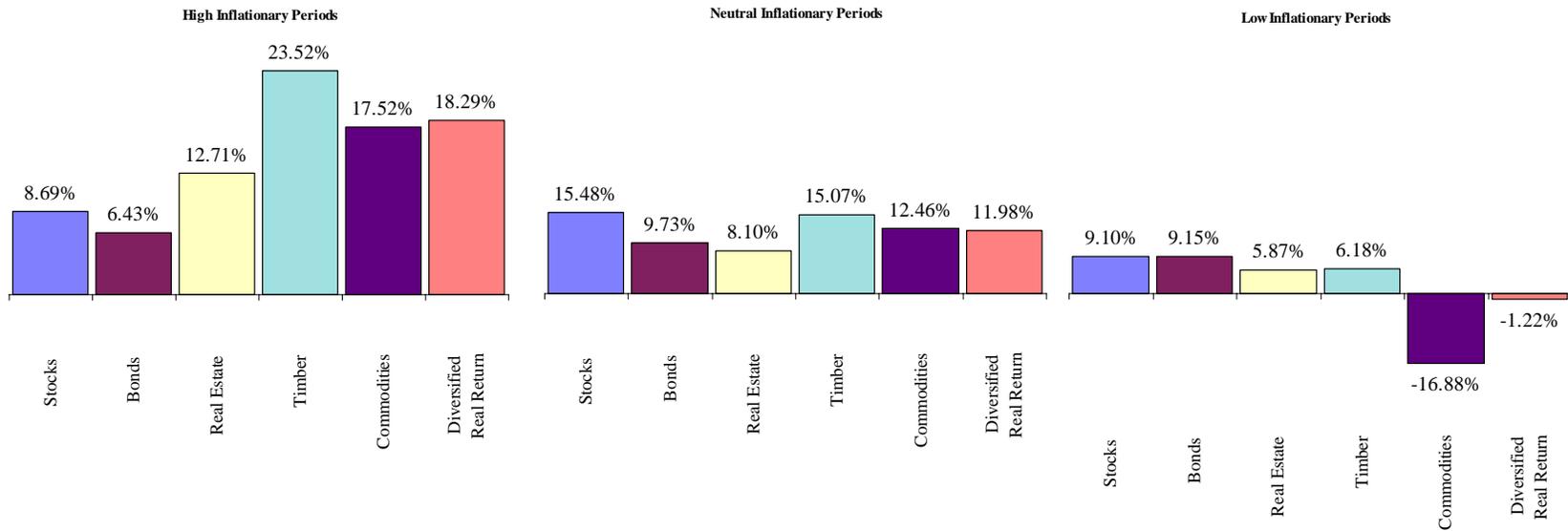
Source: Bureau of Labor and Statistics. (May 2010)

Historical Returns in Different Inflationary Environments

Figure 1 on the following page shows the performance of different asset classes during sustained periods of high, neutral, and low inflation. **Figure 2** shows the relative performance of various real asset sub-asset classes in comparison to CPI and other major asset class categories.

¹ Housing and transportation include a substantial energy component.

Figure 1: Average Annual Return by Asset Class Indices in High, Neutral, and Low Inflationary Periods
 Rolling 12 Month Data Reported Quarterly



High Inflation
Neutral Inflation
Low Inflation

= Greater than 4% annual inflation
 = Between 2% and 4% annual inflation
 = Less than 2% annual inflation

<u>Asset Class</u>	<u>Standard Deviation</u>	<u>Index</u>	<u>Inception</u>
Stocks	18.8%	S&P 500 Index	January 1, 1973
Bonds	7.1%	BC Aggregate Bond Index	January 1, 1977
Real Estate	8.3%	NCREIF Property Index	January 1, 1978
Timber	11.1%	NCREIF Timberland Index	January 1, 1988
Commodities	25.7%	S&P/Goldman Sachs Commodities Index	January 1, 1974
Diversified Real Assets	10.2%	25% NCREIF Property, 25% NCREIF Timberland, 25% S&P GSCI, 25% BC World Gov't Inflation Linked Bond Index	January 1, 1998

Figure 2
Montana Board of Investments
Comparative Performance
As of March 31, 2010

	Quarter	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	2009	2008	2007
Commodities Indices											
S&P GS Cmdty Index	-0.89	25.87	-8.78	-6.94	2.04	3.72	4.87	4.44	13.49	-46.49	32.67
DJ-UBS Cmdty Index (TR)	-5.03	20.53	-6.88	-1.36	4.66	5.73	5.75	N/A	18.91	-35.65	16.23
Timber Indices											
NCREIF Timberland Index	-0.25	-5.69	6.55	10.43	10.33	7.10	8.97	11.95	-4.76	9.52	18.43
Inflation-Linked Bond Indices											
BC US Trsy: US TIPS Index	0.56	6.18	6.01	4.82	5.37	7.30	N/A	N/A	11.41	-2.35	11.63
BC Wrld Gov Infl-Lnkd Index (All Maturities)	-1.59	11.68	4.59	4.40	6.68	7.42	N/A	N/A	13.21	-7.32	11.84
Broad Asset Class Indices											
Consumer Price Index	0.78	2.31	1.95	2.40	2.41	2.43	2.45	2.68	2.72	0.09	4.08
R 3000 Index	5.94	52.44	-3.99	2.39	7.56	-0.07	7.92	8.96	28.34	-37.31	5.14
MSCI ACW Ex US Index (Gross)	1.66	61.67	-3.72	6.59	14.34	3.21	6.22	5.82	42.14	-45.24	17.12
BC US Agg Bond Index	1.78	7.69	6.14	5.44	4.81	6.29	6.57	7.12	5.93	5.24	6.97
NCREIF Property Index	0.76	-9.60	-4.32	4.18	6.52	7.12	8.69	N/A	-16.86	-6.46	15.83

Performance is annualized for periods greater than one year.

2010 Capital Market Expectations

For reference purposes, the table below provides RVK's 2010 projected long term capital market expectations.

Figure 3: Asset Class Return and Risk Assumptions for Calendar Year 2010		
Asset Class	Arithmetic Return %	Risk (Standard Deviation) %
Global Equity	8.32	18.36
US Equity		
Large/Mid Cap US Equity	8.00	17.50
Small/Mid Cap US Equity	9.00	21.50
Broad US Equity	8.15	17.50
International Equity (Non-US)		
Developed Large/Mid Cap Int'l	8.25	18.50
Developed Small/Mid Cap Int'l	9.25	22.50
Emerging Markets	10.50	28.00
Broad International	8.60	19.10
Fixed Income		
Core Fixed Income	5.00	5.00
Non-US Fixed Income (Unhedged)	5.00	9.25
TIPS	4.75	5.25
Low Duration Fixed Income	3.75	3.00
Long Duration Fixed Income	5.25	10.00
High Yield	7.00	14.00
Real Estate		
Real Estate – Core – Property	7.00	10.50
Real Estate – Value-Added	9.75	18.50
Real Estate – Opportunistic	11.75	27.75
REITS	7.50	16.50
Alternative Strategies		
Absolute Return	7.75	8.50
Real Return Strategy	6.75	9.50
Commodities – Broad	7.75	19.00
Commodities – Energy	8.75	24.00
Timber	8.25	14.50
Private Equity	12.25	29.75
Cash and Inflation		
Inflation	2.50	2.50
Cash Equivalents	3.00	2.50

Section #2: Broad Commodities

Commodities Indices

Listed below are three indices that are used to measure the performance of a broad basket of commodities. For performance reporting purposes, RVK uses the S&P GSCI Index for energy focused funds and the Dow Jones – UBS Commodity Index for broad commodity funds. These are also the most frequently used benchmarks and target indices for broad commodities managers and ETFs. RVK currently does not utilize the JP Morgan Commodity Curve Index; however, we have provided a basic overview of this index per Montana's request.

S&P Goldman Sachs Commodity Index (S&P GSCI)

The S&P GSCI is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The returns are calculated on a fully collateralized basis with full reinvestment. The combination of these attributes provides a representative and realistic picture of realizable returns attainable in the commodities markets. Individual components qualify for inclusion in the S&P GSCI on the basis of liquidity and are weighted by their respective world production quantities. The principles behind the construction of the index are public and designed to allow easy and cost-efficient investment implementation.

Source: Goldman Sachs, Inc.

Dow Jones – UBS Commodity Index (DJ-UBSCI)

The DJ-UBSCI is composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold and contracts that have not yet reached the delivery period must be purchased. This process is known as "rolling" a futures position. The DJ-UBSCI is composed of commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The index is calculated on both an excess return and total return basis. The excess return indexes reflect the return of underlying commodity futures price movements only, whereas the total return indexes reflect the theoretical return on fully-collateralized futures positions.

Source: Dow Jones Indexes

JP Morgan Commodity Curve Index (JPMCCI)

The J.P. Morgan Commodity Curve Index captures investment opportunities across the entire futures curve, while tracking the performance of 35 commodity markets. The Index is a family of passive benchmark indices that are "curve-neutral" and diversified across a broad universe of commodities. By investing along the entire length of the futures curve in proportion to its open interest, JPMCCI avoids the front-end bias of traditional indices. This gains diversification benefits by investing both within and across a broad set of commodity markets. Additional benefits of the JPMCCI include better-balanced sector allocation, significantly reduced roll drag and enhanced risk-adjusted returns compared to traditional passive indices.

Source: JP Morgan, Inc.

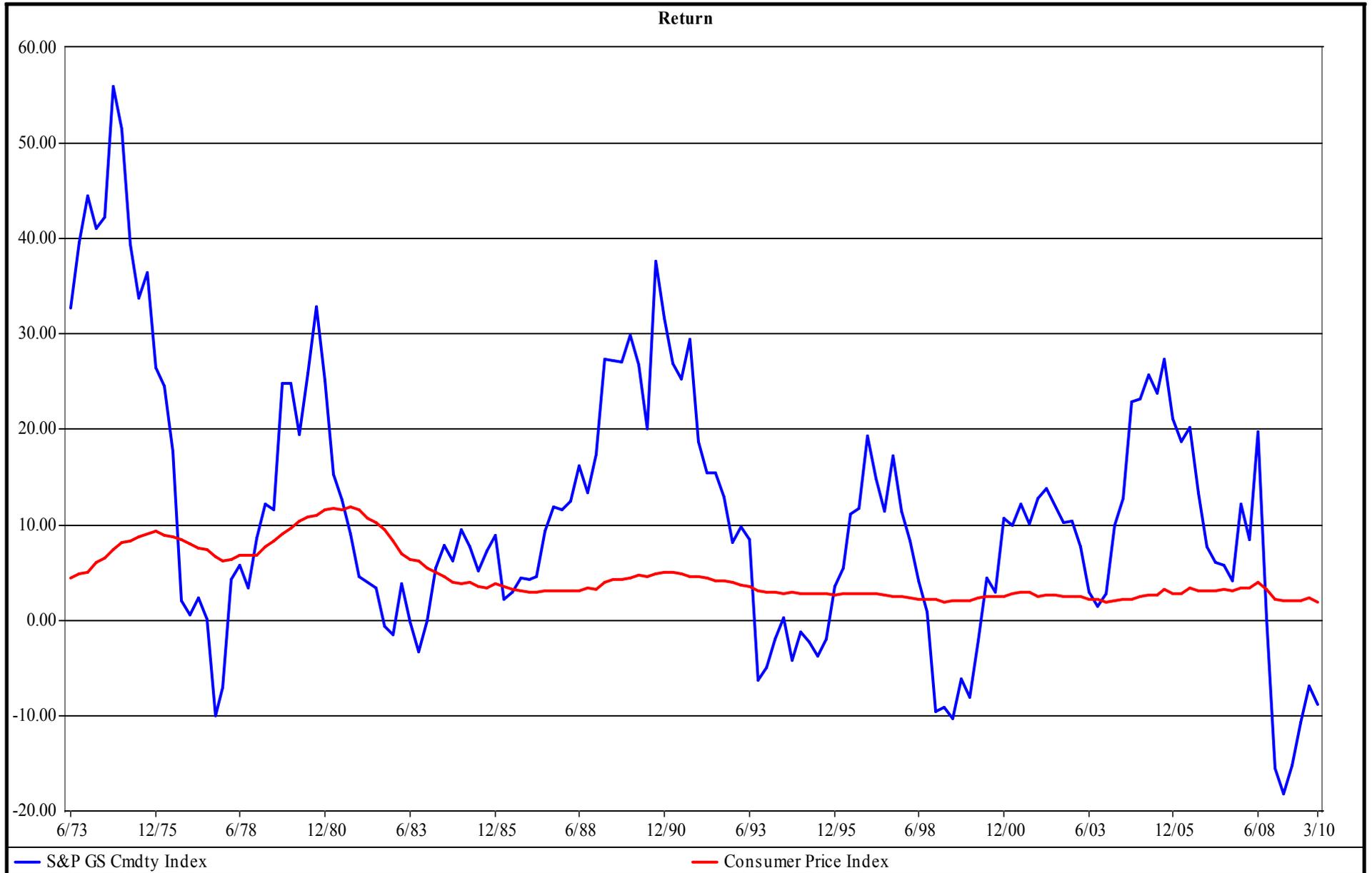
Performance Relative to Inflation & Other Asset Classes

The charts on the following pages show the performance of the S&P GSCI Commodity Index and the DJ-UBS Commodity Index relative to CPI, and several broad asset class indices. Each chart/table is described below.

Chart Listing

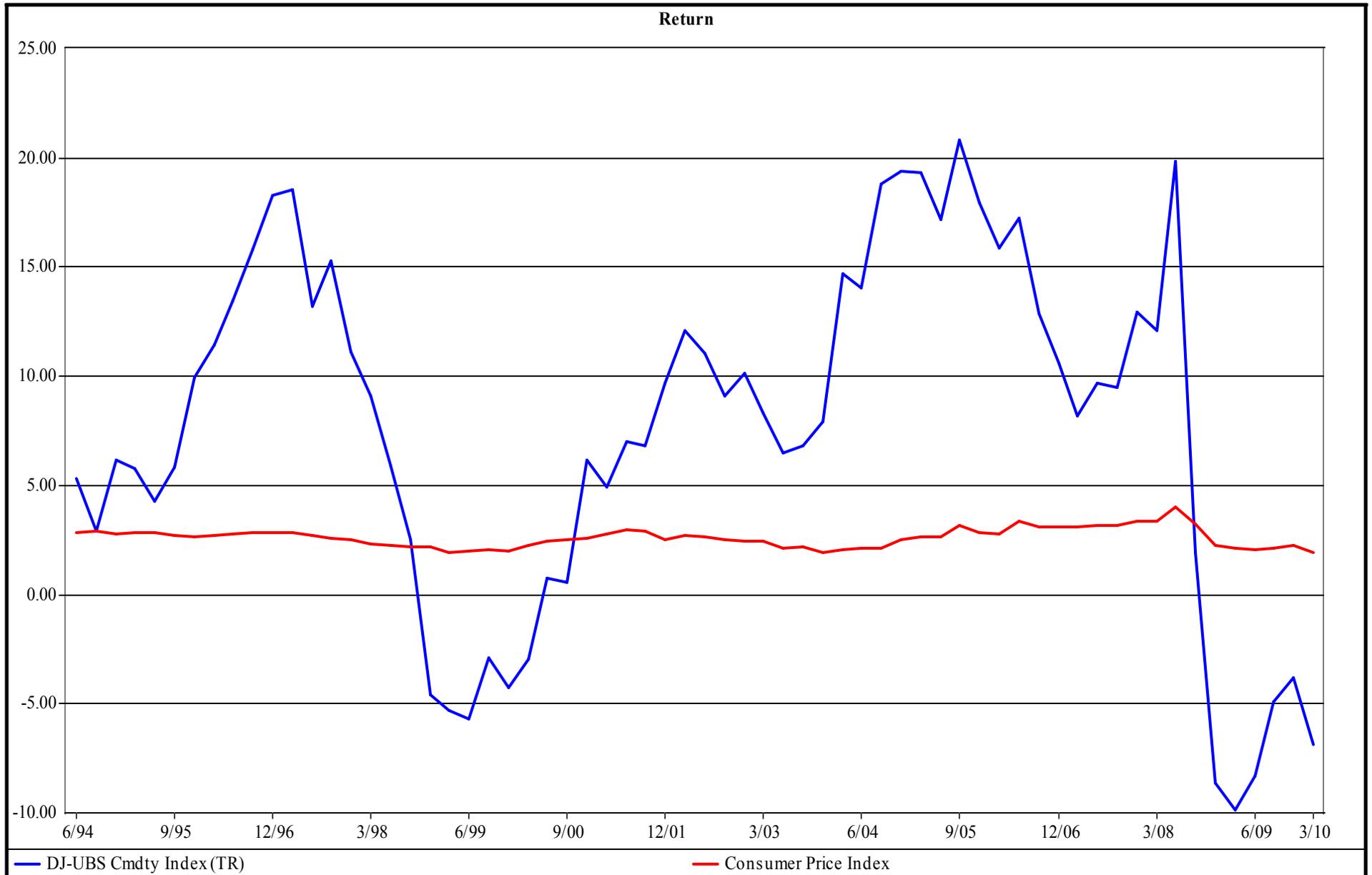
- **Page 10:** S&P/Goldman Sachs Commodities Index vs. CPI
- **Page 11:** DJ/UBS Commodities Index vs. CPI
- **Page 12:** Rolling 12 Quarter Commodities Returns vs. Asset Class Indices
- **Page 13:** Commodities Correlation Tables

Montana Board of Investments
Commodities: S&P GS Cmdy vs. CPI
12 Quarters Rolling Periods As of March 31, 2010



Calculation is based on quarterly periodicity.

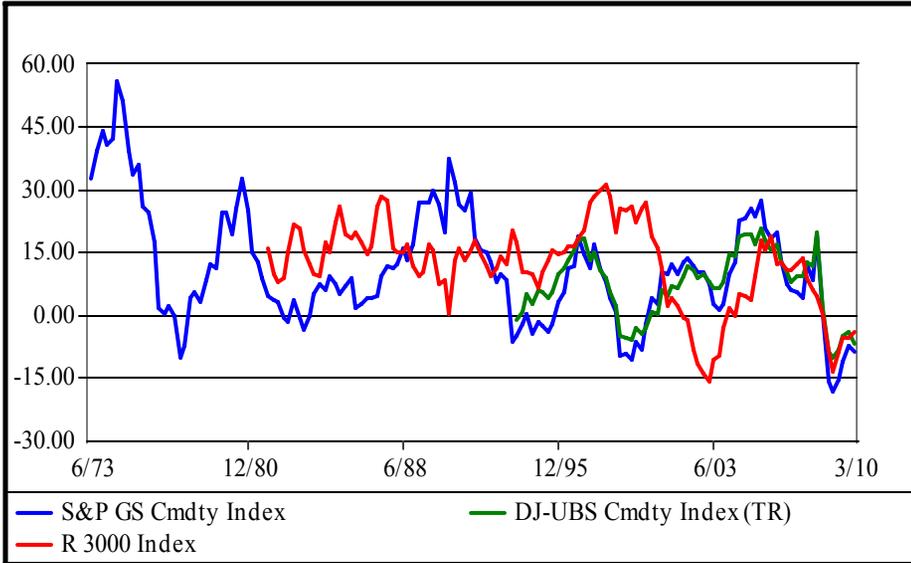
Montana Board of Investments
Commodities: DJ-UBS Cmdty Index (TR) vs. CPI
12 Quarters Rolling Periods As of March 31, 2010



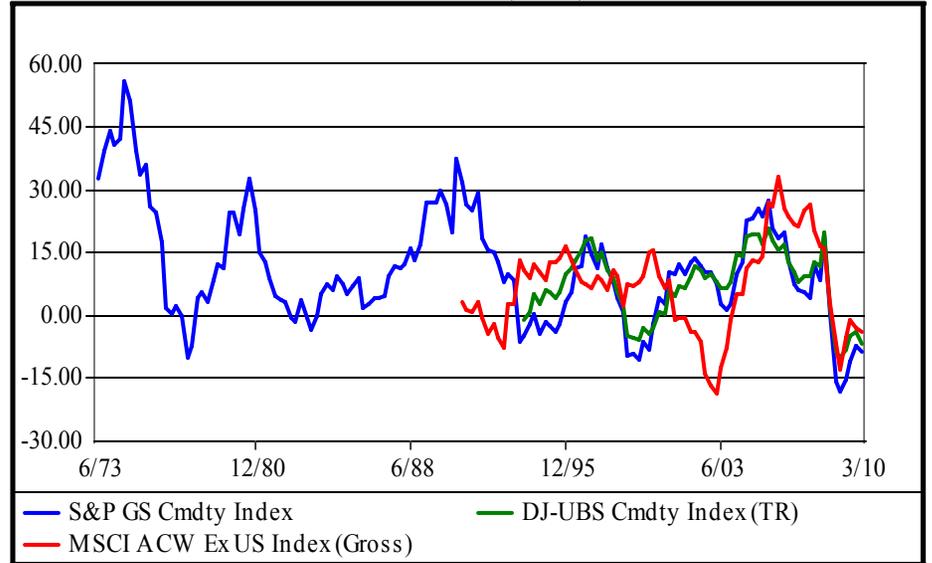
Calculation is based on quarterly periodicity.

**Montana Board of Investments
Commodities
12 Quarters Rolling Periods
As of March 31, 2010**

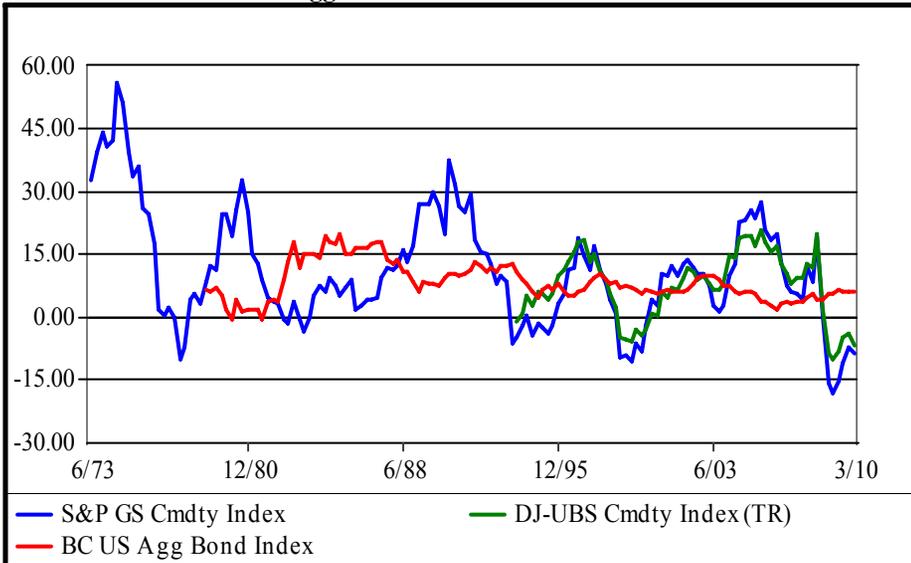
Commodities vs. R 3000 Index



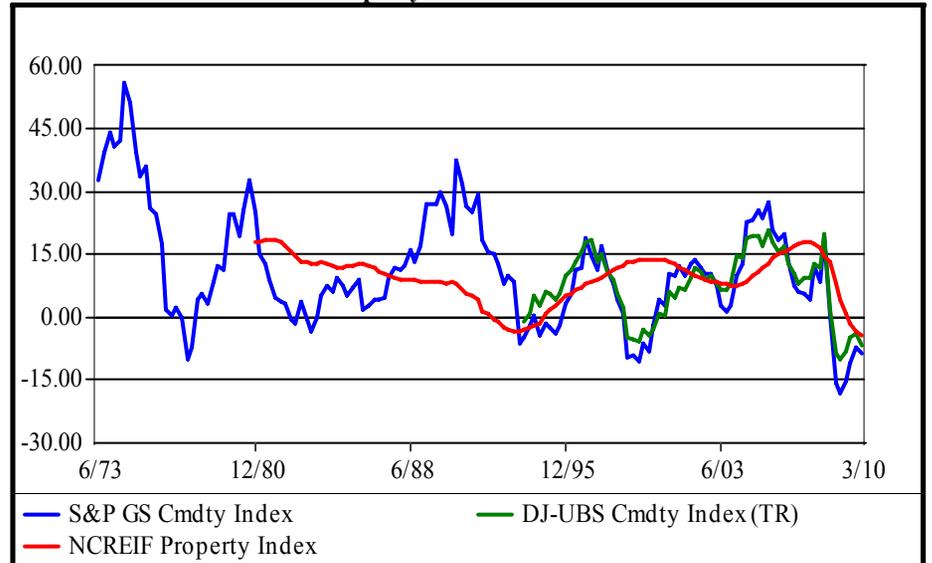
Commodities vs. MSCI ACW ExUS Index (Gross)



Commodities vs. BC US Agg Bond Index



Commodities vs. NCREIF Property Index



Calculation is based on quarterly periodicity.

Montana Board of Investments
Commodities Correlation Analysis
As of March 31, 2010

Correlation Matrix - 1 Year

	A	B	C	D	E	F	G
A	1.00						
B	0.80	1.00					
C	0.61	0.10	1.00				
D	0.32	0.48	0.37	1.00			
E	0.54	0.61	0.50	0.97	1.00		
F	-0.45	-0.25	0.02	0.69	0.50	1.00	
G	-0.69	-0.88	-0.29	-0.84	-0.91	-0.21	1.00

A = S&P GS Cmdty Index
B = DJ-UBS Cmdty Index (TR)
C = Consumer Price Index
D = R 3000 Index
E = MSCI ACW Ex US Index (Gross)
F = BC US Agg Bond Index
G = NCREIF Property Index

Correlation Matrix - 3 Years

	A	B	C	D	E	F	G
A	1.00						
B	0.97	1.00					
C	0.81	0.72	1.00				
D	0.61	0.62	0.47	1.00			
E	0.66	0.71	0.43	0.94	1.00		
F	-0.28	-0.16	-0.61	-0.08	0.07	1.00	
G	0.49	0.37	0.48	0.22	0.13	-0.24	1.00

A = S&P GS Cmdty Index
B = DJ-UBS Cmdty Index (TR)
C = Consumer Price Index
D = R 3000 Index
E = MSCI ACW Ex US Index (Gross)
F = BC US Agg Bond Index
G = NCREIF Property Index

Correlation Matrix - 5 Years

	A	B	C	D	E	F	G
A	1.00						
B	0.95	1.00					
C	0.80	0.69	1.00				
D	0.52	0.56	0.38	1.00			
E	0.60	0.68	0.38	0.93	1.00		
F	-0.36	-0.27	-0.57	-0.08	-0.04	1.00	
G	0.33	0.33	0.35	0.28	0.23	-0.22	1.00

A = S&P GS Cmdty Index
B = DJ-UBS Cmdty Index (TR)
C = Consumer Price Index
D = R 3000 Index
E = MSCI ACW Ex US Index (Gross)
F = BC US Agg Bond Index
G = NCREIF Property Index

Correlation Matrix - 10 Years

	A	B	C	D	E	F	G
A	1.00						
B	0.94	1.00					
C	0.67	0.57	1.00				
D	0.27	0.34	0.10	1.00			
E	0.36	0.47	0.12	0.91	1.00		
F	-0.21	-0.14	-0.39	-0.36	-0.27	1.00	
G	0.32	0.32	0.31	0.19	0.17	-0.14	1.00

A = S&P GS Cmdty Index
B = DJ-UBS Cmdty Index (TR)
C = Consumer Price Index
D = R 3000 Index
E = MSCI ACW Ex US Index (Gross)
F = BC US Agg Bond Index
G = NCREIF Property Index

Calculation is based on quarterly periodicity.

Commodities Investment Options

Commodity Trading Advisors (CTAs)/Managed Futures

Overview

According to the U.S. Commodity Futures and Trading Commission, a CTA is an individual or organization which, for compensation or profit, advises others as to the value of or the advisability of buying or selling futures contracts or options on futures. For institutional investors, CTAs offer a variety of investment vehicles in the form of separate accounts, commingled funds, and mutual funds. With regard to active versus passive management, CTAs offer a full spectrum of options, including pure indexing (typically to the Dow Jones-UBS Commodity Index), enhanced indexing, and full active management.

Benefits

- **Direct Access to Commodities Futures**—As opposed to investing indirectly in commodities via the purchase of companies, such as mining companies, CTAs provide direct exposure to the underlying commodities. Diversification benefits are maximized using this approach.
- **Low Fees**—Particularly with passive options, fees are relatively modest. In a recent RVK search for a \$40 million mandate, separate account fees were as low as 25 basis points for passive funds and 75-100 basis points for active funds.

Drawbacks

- **High Investment Minimums**—Several investment options are only offered as commingled funds or separate accounts with relatively high investment minimums. Commingled fund minimums typically range between \$1 and \$5 million, while separate accounts range between \$25 and \$50 million. For retail and small institutional investors this is a disadvantage.

Examples:

- **Credit Suisse Group, New York, NY**
- **Gresham Investment Management, New York, NY**
- **Schroders, New York, NY**

Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs)

Overview

ETFs and ETNs provide investors with direct exposure to commodities by investing in the underlying commodity or futures contracts. For small institutional and retail investors, the main advantage of these is that they provide direct commodities exposure with reasonable liquidity and effectively no investment minimum. While liquidity can be an issue for large institutional investors, average daily trading volume and the total float for commodities ETFs is substantially greater than niche ETFs, such as timber ETFs. Specific benefits and drawbacks of commodities ETFs and ETNs are outlined in greater detail below.

Benefits

- **Adequate Liquidity for Small Investors**—Liquidity is relatively high for commodities ETFs for relatively small trades. The total assets under management for two of the largest ETFs are approximately \$1.6 billion for the iShares S&P GSCI Commodity-Indexed Trust ETF and \$4.2 billion for the PowerShares DB Commodity Index Tracking ETF. For institutional and retail investors with small mandates (perhaps \$5 million or less), ETFs provide reasonable liquidity.
- **Absence of Investment Minimums**—With share prices of less than \$50, there are effectively no investment minimums.

- ☞ **Availability of Passive Approach**—ETFs and ETNs are predominantly designed to passively track broad commodities indices.

Drawbacks

- ☞ **Limited Investment Options**—There are few broad ETF and ETN options available to institutional commodities investors. An initial review reveals only 4-6 viable options.

Examples

- **iShares S&P GSCI Commodity-Indexed Trust (Ticker: GSG)**
- **PowerShares DB Commodity Index Tracking (Ticker: DBC)**
- **iPath DJ-UBS Commodity Index TR ETN (Ticker: DJP)**

Swaps

Overview

Institutional investors can enter Over-the-Counter (OTC) commodity and/or commodity index swaps in which the return on an underlying asset is exchanged for the return on a commodity or broad index of commodities.

Benefits

- ☞ **Low Cost Commodities Exposure**—Transaction costs for executing a swap are minimal in comparison to other investment options, such as CTAs and ETFs.

Drawbacks

- ☞ **Counterparty Risk**—Total return swaps are OTC products, which exposes the investor to counterparty risk.
- ☞ **Limited Liquidity**—May be difficult to exit or offset a position.

Mutual Funds

Overview

Several investment management firms offer commodities mutual funds, most of which are passively managed to a commodities index (typically either the S&P/GSCI or DJ-UBSCI).

Benefits

- ☞ **Liquidity**—Mutual funds offer greater liquidity than ETFs, Swaps, and CTA/managed futures.
- ☞ **Absence of Minimums**—Minimum investments are relatively low to access institutional share classes at a reasonable cost.

Drawbacks

- ☞ **Limited Options**—Similar to ETFs, there are relatively few commodities mutual funds.
- ☞ **Imperfect Exposure**—Most mutual funds provide exposure to commodities via swaps rather than futures contracts. As a result, the managers lose control of the term structure of the underlying commodities exposure. In effect, this reduces the control that the manager exerts over the portfolio.

Examples

- **Credit Suisse Group, New York, NY**
- **Wellington Management, Boston, MA**
- **PIMCO, Newport Beach, CA**

Section #3: Timber Investment Strategies

Timber Indices

Listed below are two commonly used indices to measure the performance of timber funds. For performance reporting purposes, RVK relies on the NCREIF Timberland Index, as this is the most commonly used index. Currently RVK does not use the World Timber Index; however, we have provided a description of the index as it is a viable benchmark, particularly for investments where the underlying assets are timber-related companies rather than the actual commodity.

NCREIF Timberland Index

The NCREIF Timberland Index is a quarterly time series composite return measure of investment performance of a large pool of individual timber properties acquired in the private market for investment purposes only. All properties in the Timberland Index have been acquired, at least in part, on behalf of tax-exempt institutional investors—the great majority being pension funds. As such, all properties are held in a fiduciary environment. Total return of the index includes appreciation (or depreciation), realized capital gain (or loss) and each property’s net operating income. As of 3/31/2010 the index had 372 properties with an approximate market value of \$24 billion. The Timberland Index is reported on a national level, and is also subdivided into three geographic regions within the United States: the Pacific Northwest, South and Northeast.

Source: National Council of Real Estate Investment Fiduciaries (NCREIF)

Societe Generale World Timber Index (TIMBEX)

The World Timber Index aims to reflect the global timber sector. The index consists of the 15 largest and most liquid listed stocks in the following activities: forestry products, REITs, and paper sectors. TIMBEX is calculated and compiled by Dow Jones Indexes, which is also responsible for selecting the index’s members. To be included in the index, companies must have a minimum market capitalization of \$500M and have substantial ownership of land. The index is capitalization weighted and no component company may exceed 10%. The index is rebalanced every quarter and reassessment takes place twice a year.

Source: Societe Generale

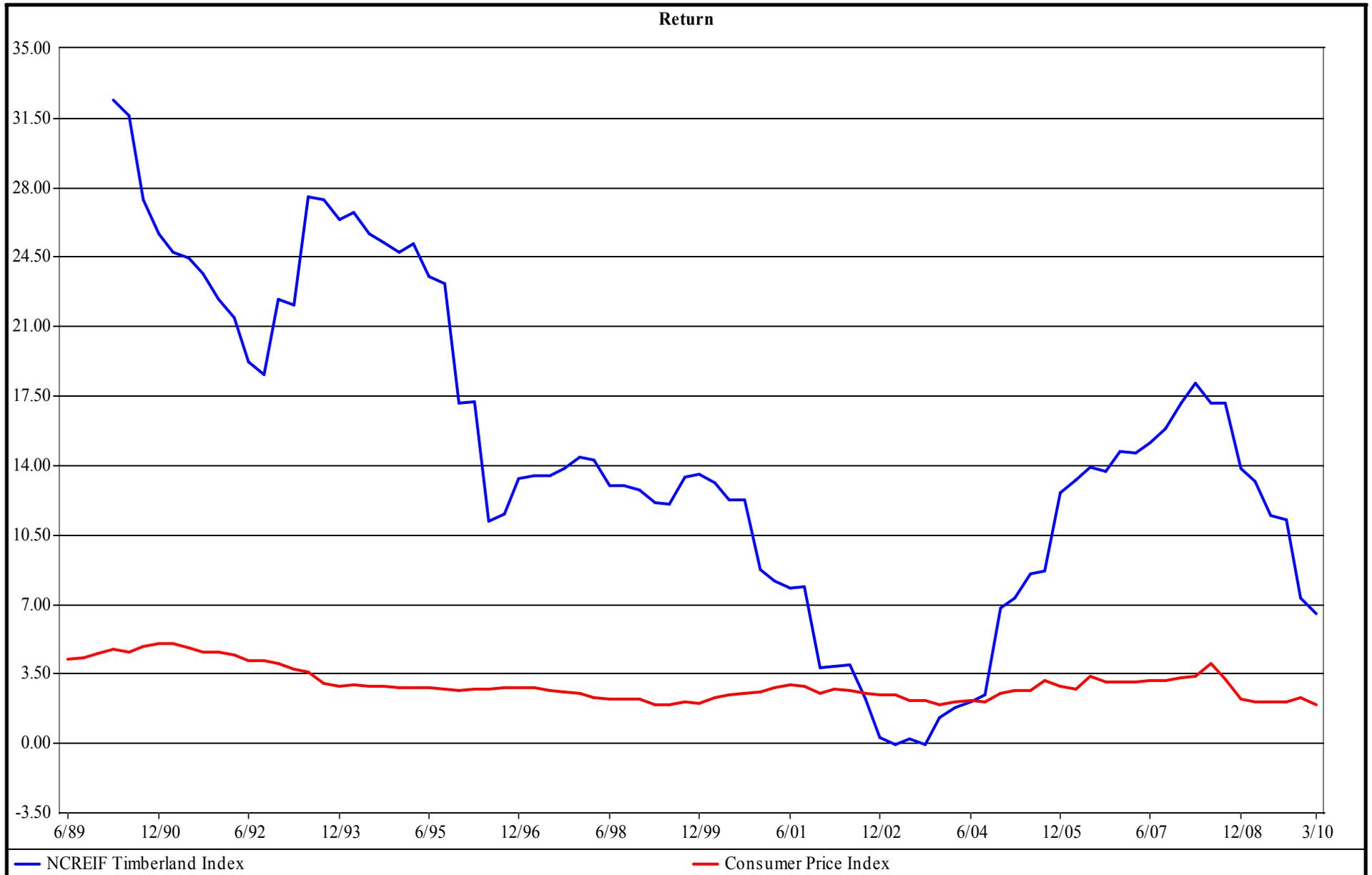
Performance Relative to Inflation & Other Asset Classes

The charts on the following pages show the performance of the NCREIF Timberland Index relative to CPI and several broad asset class indices. Each chart/table is described below.

Chart Listing

- **Page 18:** NCREIF Timberland Index vs. CPI
- **Page 19:** Rolling 12 Quarter Timberland Returns vs. Asset Class Indices
- **Page 20:** Timberland Correlation Tables

**Montana Board of Investments
NCREIF Timberland Index vs. CPI
12 Quarters Rolling Periods As of March 31, 2010**



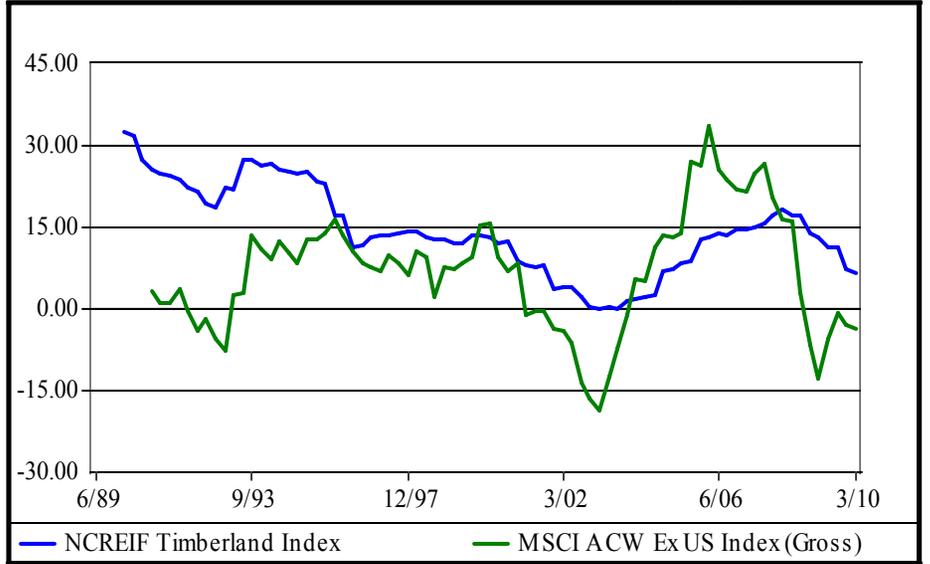
Calculation is based on quarterly periodicity.

**Montana Board of Investments
NCREIF Timberland Index
12 Quarters Rolling Periods
As of March 31, 2010**

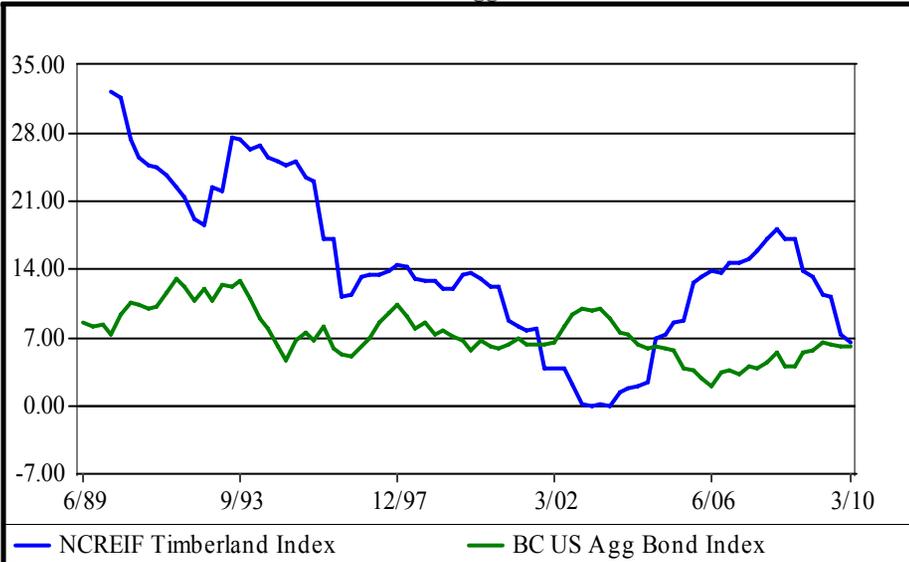
NCREIF Timberland Index vs. R 3000 Index



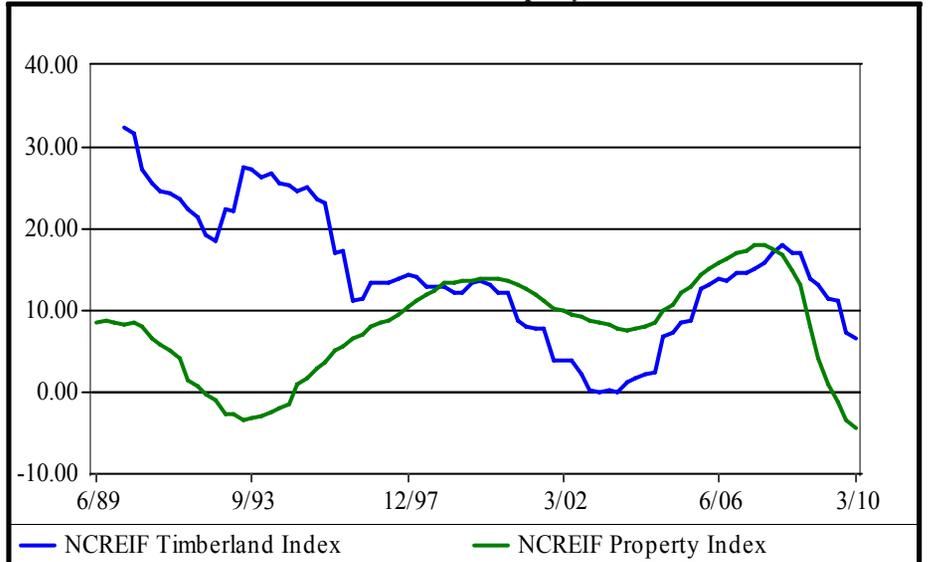
NCREIF Timberland Index vs. MSCI ACW ExUS Index (Gross)



NCREIF Timberland Index vs. BC US Agg Bond Index



NCREIF Timberland Index vs. NCREIF Property Index



Calculation is based on quarterly periodicity.

Montana Board of Investments
NCREIF Timberland Index Correlation Analysis
As of March 31, 2010

Correlation Matrix - 1 Year

	A	B	C	D	E	F
A	1.00					
B	0.36	1.00				
C	0.51	0.37	1.00			
D	0.88	0.02	0.69	1.00		
E	0.37	0.50	0.97	0.50	1.00	
F	0.04	-0.29	-0.84	-0.21	-0.91	1.00

A = NCREIF Timberland Index
B = Consumer Price Index
C = R 3000 Index
D = BC US Agg Bond Index
E = MSCI ACW Ex US Index (Gross)
F = NCREIF Property Index

Correlation Matrix - 3 Years

	A	B	C	D	E	F
A	1.00					
B	-0.02	1.00				
C	-0.40	0.47	1.00			
D	0.38	-0.61	-0.08	1.00		
E	-0.26	0.43	0.94	0.07	1.00	
F	0.43	0.48	0.22	-0.24	0.13	1.00

A = NCREIF Timberland Index
B = Consumer Price Index
C = R 3000 Index
D = BC US Agg Bond Index
E = MSCI ACW Ex US Index (Gross)
F = NCREIF Property Index

Correlation Matrix - 5 Years

	A	B	C	D	E	F
A	1.00					
B	-0.22	1.00				
C	-0.22	0.38	1.00			
D	0.14	-0.57	-0.08	1.00		
E	-0.11	0.38	0.93	-0.04	1.00	
F	0.49	0.35	0.28	-0.22	0.23	1.00

A = NCREIF Timberland Index
B = Consumer Price Index
C = R 3000 Index
D = BC US Agg Bond Index
E = MSCI ACW Ex US Index (Gross)
F = NCREIF Property Index

Correlation Matrix - 10 Years

	A	B	C	D	E	F
A	1.00					
B	-0.11	1.00				
C	-0.07	0.10	1.00			
D	0.06	-0.39	-0.36	1.00		
E	0.02	0.12	0.91	-0.27	1.00	
F	0.40	0.31	0.19	-0.14	0.17	1.00

A = NCREIF Timberland Index
B = Consumer Price Index
C = R 3000 Index
D = BC US Agg Bond Index
E = MSCI ACW Ex US Index (Gross)
F = NCREIF Property Index

Calculation is based on quarterly periodicity.

Timber Investment Options

Timber Investment Management Organizations (TIMOs)

Separate Accounts

Overview

The separate account is only an option for large institutional investors with at least a \$50 million timber mandate. The separate account is structured by first selecting a timber manager, who then invests directly in timber-related assets within the specific guidelines of the investment policy.

Benefits

- **Full Realization of Timber Diversification Benefits**—As opposed to vehicles such as ETFs and REITS, the TIMO separate account provides direct access to underlying timber assets (i.e., actual timber land). This allows for the full realization of timber diversification benefits, which include low volatility and low correlation to equity markets.
- **Avoidance of Ethical Conflicts**—Many institutional investors are concerned with potential ethical conflicts (and the potential legal and PR complications that may arise) when investing in timber. Ethical conflicts are particularly a concern within emerging markets where illegal logging and environmental damage are both common and difficult to foresee. As opposed to commingled funds, separate accounts provide institutional investors with flexibility in defining specific investment criteria, and authority to reject investments. This significantly minimizes the likelihood of ethical problems.

Drawbacks

- **Low Liquidity**—Timber investments are one of the most illiquid investments in an institutional portfolio. Fund lives are often 10 years at minimum, and may extend as long as 25 years. Further complicating the liquidity constraint is the fact that many timber funds have negligible (if any) cash outflows in the early years.
- **High Investment Minimums**—TIMO separate account minimums typically begin at approximately \$50 million, and are therefore limited to large institutional investors with substantial mandates.
- **Need for Expertise in Manager Selection**—Hiring a TIMO manager requires substantial due diligence and requires expertise in a niche market with unique attributes.

Examples:

- **Hancock Timber Resources Group – Boston, MA**
- **Forest Capital Partners – Portland, OR**
- **The Campbell Group, LLC. - Portland, OR**

Commingled Funds

Overview

Several TIMOs offer commingled fund options in addition to structuring separate accounts. Commingled funds trade off less flexibility in terms of asset selection for lower investment minimums and potentially lower fees depending on the size of the account. Benefits and drawbacks of commingled funds are similar to that of separate accounts, but also have a few distinct differences outlined below.

Benefits

- ☞ **Increased Diversification Relative to Separate Accounts**—Commingled funds allow greater diversification, as the pooling of funds provides greater flexibility in terms of the number of investments and the diversity of investments in terms of factors such as geography, wood type, and growth stage.
- ☞ **Lower Minimums Relative to Separate Accounts**—Commingled funds have minimums that begin at \$5 million, providing greater access for institutional funds with smaller mandates.
- ☞ **Greater Liquidity Relative to Separate Accounts**—As opposed to separate accounts, commingled funds may offer slightly better liquidity due to their pooled nature.

Drawbacks

- ☞ **Low Liquidity**—While liquidity is greater than it is in a separate account, timber commingled funds are highly illiquid relative to funds in other asset classes.
- ☞ **Exposure to Ethical Conflicts**—Commingled funds provide less flexibility in terms of investment selection; therefore, institutional investors have greater exposure to ethical conflicts arising from underlying investments.
- ☞ **Need for Expertise in Manager Selection**—Similar to separate accounts, hiring a TIMO commingled fund manager requires substantial due diligence and requires expertise in a niche market with unique attributes.

Examples:

- **Hancock Timber Resources Group – Boston, MA**
- **RMK Timberland Group – Winston-Salem, NC**
- **Timbervest – Atlanta, GA**

Exchange Traded Funds (ETFs)

Overview

ETFs provide investors indirect exposure to timber by investing in a variety of timber-related companies. For small institutional and retail investors, the main advantage of the ETFs is that they provide some degree of timber exposure with reasonable liquidity and effectively no investment minimum. Specific benefits and drawbacks of timber ETFs are outlined in greater detail below.

Benefits

- ☞ **Liquidity**—Liquidity is reasonable for ETFs for relatively small trades. The total assets under management for two of the largest ETFs are approximately \$96 million for the Claymore/Beacon Global Timber Index ETF and \$52 million for the iShares S&P Global Timber & Forestry Index ETF. For institutional and retail investors with small mandates (perhaps \$1 million or less), the ETFs provide a reasonably liquid option.
- ☞ **Absence of Investment Minimums**—With share prices of less than \$50, there is effectively no investment minimum for timber ETFs.

Drawbacks

- ☞ **Limited Realization of Diversification Benefits**—ETFs invest in publicly traded companies focused on the forestry industry. Investment returns are only indirectly driven by the underlying timber commodity. Investors are also exposed to equity market risk. As a result, timber ETFs have a substantially higher correlation to equity markets and do not provide the full diversification benefits of Timber.
- ☞ **Limited Investment Options**—The iShares S&P Global Timber & Forestry Index ETF and Claymore/Beacon Global Timber Index ETF are the only two ETFs currently available in this asset class.

Examples

- **iShares S&P Global Timber & Forestry Index ETF (Ticker: WOOD)**
- **Claymore/Beacon Global Timber Index ETF (Ticker: CUT)**

Timber REITs

Overview

Timber REITs are structured like traditional Real Estate Investment Trusts, but invest exclusively in timber and timber-related assets. Unfortunately, much of the diversification benefits of timber are negated by the substantial exposure of timber REITs to downstream manufacturing operations, such as saw mills, pulp mills and paper mills. That said, timber REITs offer an advantage over direct timber investments through TIMOs and timber ETFs in that they have much greater liquidity. Specific benefits and drawbacks of Timber REITs are outlined in greater detail below.

Benefits

- ☞ **Liquidity**—REITs are highly liquid for even large investors. In comparison to ETFs, timber REITs have substantially higher float and average daily trading volume. For example, Plum Creek Timber, has a float of approximately \$5.4 billion and an average daily trading volume of approximately \$80 million. Even large institutional investors can find sufficient liquidity in these investments.
- ☞ **Absence of Investment Minimums**—Similar to ETFs, with share prices of less than \$50 per share, there is effectively no investment minimum.

Drawbacks

- ☞ **Limited Realization of Diversification Benefits**—Similar to ETFs, Timber REITs fail to provide the full diversification benefits of timber. While a portion of REITs are invested in underlying timberland, a large portion of the underlying assets are also downstream operations, such as sawmills, pulp mills, and paper mills. The operational portion of these investments shows much higher correlation to macroeconomic events and equity markets, which dampens the timber-related diversification benefits.
- ☞ **Exposure to Business Risk**—As opposed to ETFs, timber REITs are structured as individual companies. Therefore, investing in a single REIT is similar to investing in a single company stock. Investors are exposed to the unique business risks of the individual REIT.
- ☞ **Limited Investment Options**—Similar to ETFs, there are only a handful of timber REIT investment options.

Examples

- **Plum Creek Timber (Ticker: PCL)**
- **Rayonier (Ticker: RYN)**
- **Potlatch (Ticker: PCH)**

Section #4: Inflation-Linked Bond Investment Strategies

Inflation-Linked Bond Indices

Listed below are the two indices that are predominantly used to measure the performance of US inflation-linked bonds (i.e., US TIPS) and global inflation-linked bonds. For performance reporting purposes, RVK relies on these two indices, as these are widely regarded as the standard benchmark for TIPS and global inflation-linked bond investment products.

Barclays Capital US Treasury Inflation-Protected Securities (TIPS) Index

The Barclays US TIPS Index measures the performance of the US TIPS market and only includes capital indexed bonds with a remaining maturity of one year or more. Bonds must be issued by the US government and based in US dollars. Coupons must be fixed or zero and the issue size may be no smaller than \$500 million. The index uses mid-market real prices from the Barclays Capital market makers at local market close. The index is calculated daily and is reviewed and rebalanced on the last calendar day of each month.

Source: Barclays Capital Live.com

Barclays Capital World Government Inflation-Linked Bond (WGILB) Index

The Barclays Capital World Government Inflation-Linked Bond (WGILB) Index measures the performance of the major government inflation-linked bond markets. The index is designed to include only those markets in which a global government linker fund is likely and able to invest. Euro government, US TIPS, UK linkers and Japanese linker prices come from Barclays Capital market makers. Prices for Australian, Canadian, and Swedish linkers are taken from outside sources. The index uses mid-market prices from local market close. The index is calculated daily and is reviewed and rebalanced on the last calendar day of each month.

Source: Barclays Capital Live.com

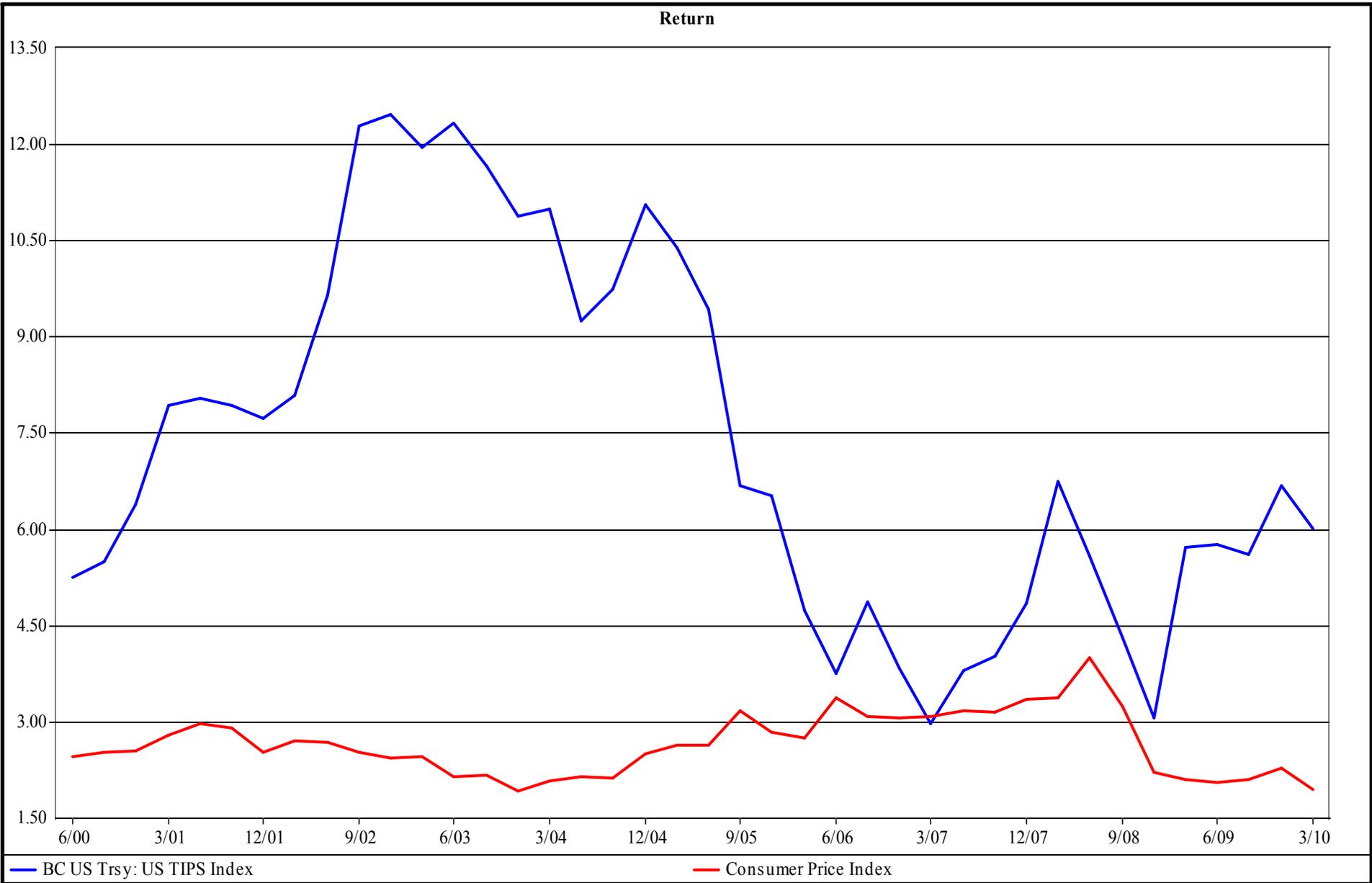
Performance Relative to Inflation & Other Asset Classes

The charts on the following pages show the performance of the BC US Treasury: US TIPS Index and the BC World Government Inflation-Linked Bond Index relative to CPI and several broad asset class indices. Each chart/table is described below.

Chart Listing

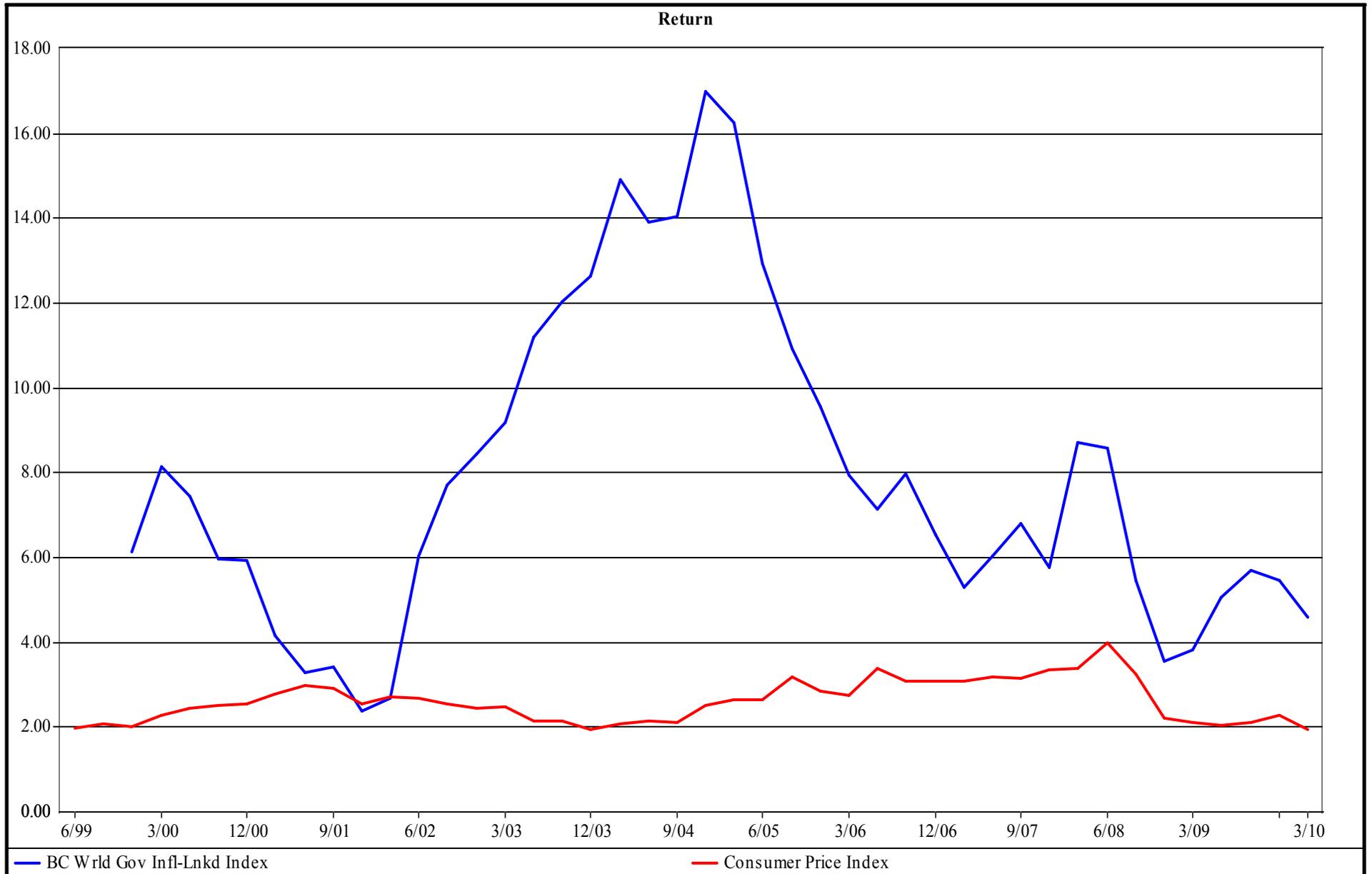
- **Page 26:** BC US Treasury: US TIPS Index vs. CPI
- **Page 27:** BC World Government Inflation Linked Bond Index vs. CPI
- **Page 28:** Rolling 12 Quarter Inflation-Linked Bond Returns vs. Asset Class Indices
- **Page 29:** Inflation-Linked Bond Returns Correlation Tables

Montana Board of Investments
TIPS & Global Linkers: BC US Trsy: US TIPS Index vs. CPI
12 Quarters Rolling Periods As of March 31, 2010



Calculation is based on quarterly periodicity.

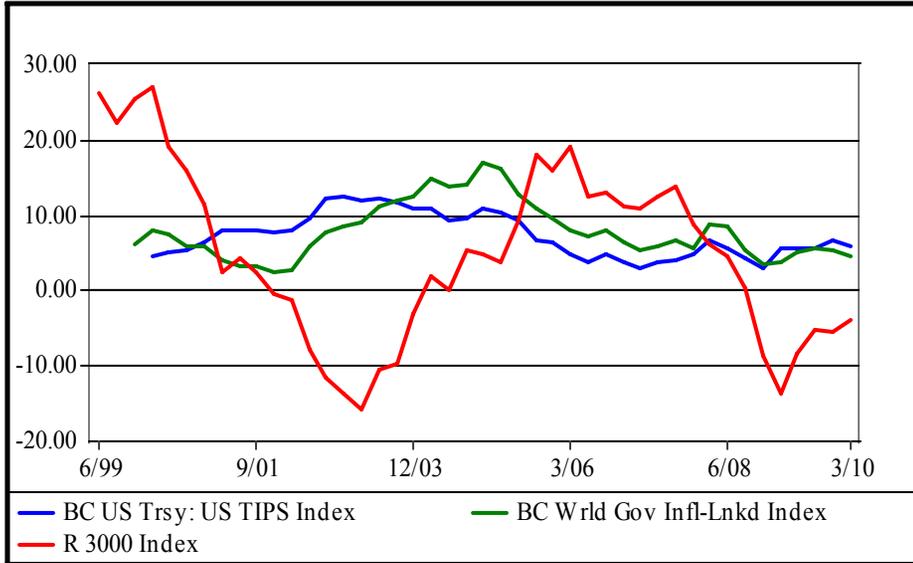
Montana Board of Investments
TIPS & Global Linkers: BC Wrld Gov Infl-Lnkd Index vs. CPI
12 Quarters Rolling Periods As of March 31, 2010



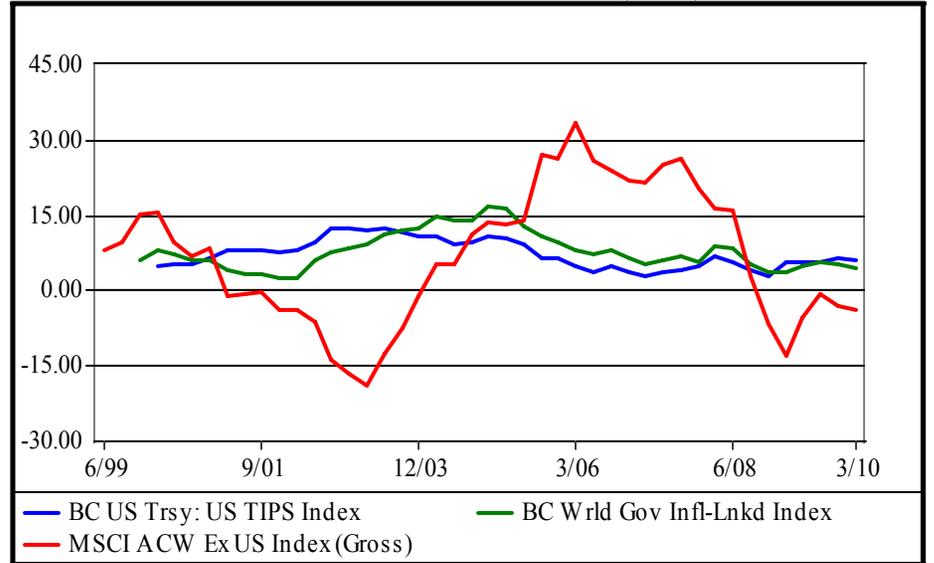
Calculation is based on quarterly periodicity.

**Montana Board of Investments
TIPS & Global Linkers
12 Quarters Rolling Periods
As of March 31, 2010**

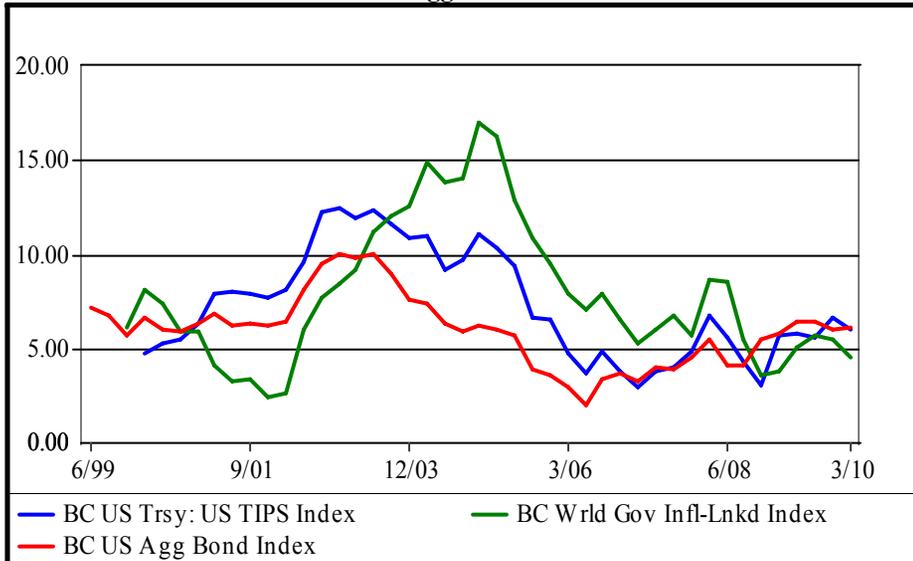
TIPS & Global Linkers vs. R 3000 Index



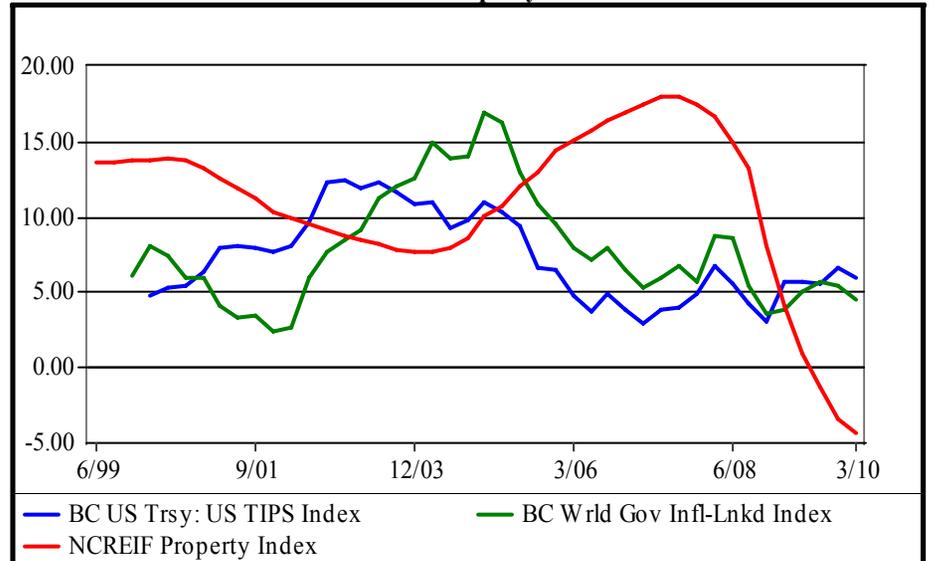
TIPS & Global Linkers vs. MSCI ACW ExUS Index (Gross)



TIPS & Global Linkers vs. BC US Agg Bond Index



TIPS & Global Linkers vs. NCREIF Property Index



Calculation is based on quarterly periodicity.

Montana Board of Investments
Inflation & Global-Linkers Correlation Analysis
As of March 31, 2010

Correlation Matrix - 1 Year

	A	B	C	D	E	F	G
A	1.00						
B	0.26	1.00					
C	-0.76	0.36	1.00				
D	0.32	0.95	0.37	1.00			
E	0.52	0.43	0.02	0.69	1.00		
F	0.14	0.98	0.50	0.97	0.50	1.00	
G	-0.22	-0.97	-0.29	-0.84	-0.21	-0.91	1.00

A = BC US Trsy: US TIPS Index
B = BC Wrld Gov Infl-Lnkd Index
C = Consumer Price Index
D = R 3000 Index
E = BC US Agg Bond Index
F = MSCI ACW Ex US Index (Gross)
G = NCREIF Property Index

Correlation Matrix - 3 Years

	A	B	C	D	E	F	G
A	1.00						
B	0.76	1.00					
C	0.42	0.46	1.00				
D	0.17	0.54	0.47	1.00			
E	0.19	0.30	-0.61	-0.08	1.00		
F	0.28	0.70	0.43	0.94	0.07	1.00	
G	0.18	0.25	0.48	0.22	-0.24	0.13	1.00

A = BC US Trsy: US TIPS Index
B = BC Wrld Gov Infl-Lnkd Index
C = Consumer Price Index
D = R 3000 Index
E = BC US Agg Bond Index
F = MSCI ACW Ex US Index (Gross)
G = NCREIF Property Index

Correlation Matrix - 5 Years

	A	B	C	D	E	F	G
A	1.00						
B	0.70	1.00					
C	0.30	0.38	1.00				
D	0.09	0.49	0.38	1.00			
E	0.37	0.29	-0.57	-0.08	1.00		
F	0.13	0.61	0.38	0.93	-0.04	1.00	
G	0.04	0.16	0.35	0.28	-0.22	0.23	1.00

A = BC US Trsy: US TIPS Index
B = BC Wrld Gov Infl-Lnkd Index
C = Consumer Price Index
D = R 3000 Index
E = BC US Agg Bond Index
F = MSCI ACW Ex US Index (Gross)
G = NCREIF Property Index

Correlation Matrix - 10 Years

	A	B	C	D	E	F	G
A	1.00						
B	0.68	1.00					
C	0.22	0.15	1.00				
D	-0.22	0.20	0.10	1.00			
E	0.61	0.40	-0.39	-0.36	1.00		
F	-0.11	0.41	0.12	0.91	-0.27	1.00	
G	0.07	0.16	0.31	0.19	-0.14	0.17	1.00

A = BC US Trsy: US TIPS Index
B = BC Wrld Gov Infl-Lnkd Index
C = Consumer Price Index
D = R 3000 Index
E = BC US Agg Bond Index
F = MSCI ACW Ex US Index (Gross)
G = NCREIF Property Index

Calculation is based on quarterly periodicity.

Inflation-Linked Bond Investment Options

Inflation-linked bond options for both US TIPS and Global Inflation-linked Bonds are similar to more traditional fixed income options. Both U.S. and Global Inflation-linked bond managers offer separate accounts, commingled funds, and mutual funds. Similar to traditional fixed income funds, the level of fees and accessibility of these options varies based on investment minimums. Separate accounts typically require between \$10 and \$50 million, while commingled funds may require as low as \$1 million.

With regard to US TIPS, a variety of passive and active management options are available to institutional investors. For example, State Street Global Investors offers a passively managed US TIPS fund with more than \$11 Billion in assets as of March 31, 2010. On the flipside, there are also a number of actively managed funds offered by firms, such as PIMCO and Blackrock. Should Montana decide to pursue an active or passive strategy, RVK could assist in a more comprehensive manager search.

With regard to Global Inflation-Linked Bonds, the availability of investment options is sparse in comparison to US TIPS. eVestment Alliance lists only 13 managers providing global inflation-linked bond products. Further, options appear to be limited exclusively to active management, although a more rigorous search would be required to confirm this fact. Despite the limitations, a sufficient mix of managers and investment options via separate account, commingled fund, or mutual fund is available should Montana pursue a global inflation-linked bond allocation.

MEMORANDUM

Montana Board of Investments

Department of Commerce
2401 Colonial Drive, 3rd Floor
Helena, MT 59601 (406) 444-0001

To: Board Members

From: Carroll South, Executive Director
Cliff Sheets, Chief Investment Officer

Date: August 11, 2010

Subject: Asset/Liability Study

Several years ago, the Board commissioned its consultant, RV Kuhns, to conduct asset/liability (A/L) studies of the state's two largest pension systems, the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS). The TRS Study was published in May 2006 and the PERS Study in February 2007. The Studies articulated the purpose of an A/L Study as follows:

What is an A/L Study?

Investment Programs do not exist in a vacuum. They seek to satisfy one or more investment objectives. The purpose of an Asset/Liability study is to examine how well alternative investment strategies (i.e., differing asset allocations) address the objectives served by the fund. In doing so, it creates an important "guidepost" for the actual asset allocation for the fund.

For the Montana Retirement Systems, we assume the objectives are:

- Fund all participants' benefits over time
- Assure sufficient liquidity to pay benefits at all times.
- Foster a stable contribution stream consistent with objectives 1 and 2.
- Achieve adequate returns without accepting unnecessary or imprudent levels of risk.

An A/L Study is not:

- An actuarial study of the Montana Retirement Systems' pension liabilities—that is the purview of the System's actuary.
- A prescription for plan benefits—that is the purview of the legislature.
- An assessment of the affordability of contribution levels—that is the purview of the elected officials and their constituents.
- The sole determinant of the final asset allocation adopted for the fund—there are a number of factors, including insights from an Asset/Liability study that will bear on optimal asset allocation.

The Studies utilized a Mean Variance Optimization process to achieve an efficient portfolio intended to meet the actuarial investment return assumptions of the retirement systems. To generate the most optimal portfolio mix, all available investment asset classes were considered, even though the Board had not authorized allocations to several of them. These Studies' results no longer provide a reliable road map for asset allocation for two reasons. The return/risk assumptions for most asset classes have been revised, partially reflecting the trauma of the last two years. And, the Board has made a decision not to invest in some of the asset classes included in the Studies.

Now that the Board has determined the asset classes to which it is willing to allocate retirement fund assets, it may be prudent to conduct another A/L Study that includes only the authorized asset types. The Study would:

- Consider only the broad asset classes incorporated in the six investment pools
- Utilize the latest return/risk assumptions provided by the Board's consultant, and also examine the effect of alternative assumptions
- Consider future liquidity requirements for benefit payments
- Consider the June 30, 2010 liability data provided by the retirement system actuary
- Limit public/private equity to no more than 70.0 percent of assets
- Limit private equity to no more than 15.0 percent of assets
- Limit real estate to no more than 10.0 percent of assets

Recommendation – Staff recommends that the Board's consultant be commissioned to conduct an Asset/Liability Study of the Teachers' Retirement System to be presented to the Board at a special meeting in December.

MEMORANDUM

To: Maureen Fleming
From: R.V. Kuhns and Associates, Inc.
Re: Board Member Education Policy
Date: August 11, 2010
Attachments: Sample Public Fund Education Policies

During the May 18-19, 2010 meeting, the Montana Board of Investments requested that RVK collaborate with you to propose a formal Board Member Education Policy. Establishment of such a policy was originally recommended in an audit completed by Independent Fiduciary Services (IFS) in 2005. Although over the past four years the Board has periodically engaged in educational activities covering a wide range of topics with the assistance of RVK and MTBOI staff, in the absence of a formal policy, this audit item remains “partially completed.” To address this issue fully, we assume the Board desires to implement a more formal education policy.

As a first step, RVK conducted a comprehensive review of current policies in place with existing clients and other public funds to determine what constitutes common practice. Using our own judgment we considered these approaches in light of what we would consider best practice. Building on this research, this memo outlines several key considerations when establishing an education program, a high level gap analysis of the Board’s current program, and recommended next steps for the Board.

Key Considerations in an Education Program

❖ Self Assessment

The first consideration in establishing an effective Education Program is to conduct a needs-based and interest-based self assessment survey. By “needs” we mean the general knowledge that MTBOI trustees should have (or have ready access to) that bears on key fund management decisions. Thus it requires an assessment of what board members believe their current state of knowledge to be and then match that to their core duties and fund management decisions. To facilitate a self assessment, RVK can provide sample templates. In addition, based on our experience, we believe that the topics below could be considered viable and productive education topics for the Board to consider.

- **Real Estate Investing**—In addition to being a relatively new asset class for the Board, real estate is characterized by a high degree of complexity and uncertainty, and is still suffering from the effects of the credit and real estate crises. Commercial real estate property values have only just started to begin stabilizing. The Board has received limited education in this asset class since originally approving real estate investments in 2006. RVK employs a dedicated group of 4 real estate investment professionals and stands ready to assist in this area. Additionally, several investment managers in the Montana portfolio are well-equipped to provide educational overviews. Given the dynamics of the asset class and the expertise in place, we believe this is a prime educational opportunity.
- **Private Equity Investing**—Private equity investments differ substantially from public equity investments with regard to issues such as investment terms, valuation, fee structures and unique firm investment strategies. Given MTBOI’s substantial allocation to private equity—approximately 11% for the retirement plans—obtaining deeper knowledge in this asset class would be prudent in our judgment. Your staff has resources here to discuss MTBOI’s private equity investment program. We could create a joint presentation with staff to address key asset class characteristics and long-term performance trends.

- **Macro-Economic Outlook**—Many managers are both willing and well-equipped to provide informative outlooks on the global economy. Macro-economic overviews are low cost—in fact many managers seek out opportunities to present before Boards—and can provide Board members with an additional framework for evaluating portfolio performance. RVK would be happy to propose speakers from within the investment managers currently employed in the MBTOI investment program as well as suggest other resources.
- **Special Topics**—From time to time special issues will arise in the investment community that are directly relevant to MTBOI’s efforts and strategy. A recent example is the education session RVK provided at the Board’s request addressing Asset Allocation Mean Variance Optimization’s strengths and shortcomings. We anticipate that a formal board education policy would systematically recognize such opportunities and incorporate them into the program.

The four areas above simply represent RVK’s preliminary perspective on potential topics. A more detailed survey may reveal different and/or additional areas of focus.

❖ **Educational Sources**

The table below identifies five major sources of educational opportunities. We believe each of these sources should be considered in an educational program. In selecting specific opportunities in each category, board members should carefully consider educational content and applicability, peer board networking opportunities, and other considerations such as time required, location, and cost.

ONSITE OPPORTUNITIES

Onsite opportunities include educational activities provided by MTBOI staff, investment consultants, and other third parties such as investment managers or other special speakers. The main benefit of onsite opportunities is that they can typically be provided at minimal cost in terms of time, effort, and travel fees. However, the disadvantage is that they may limit the perspective of board members, which can be enhanced through networking opportunities with peer board members and industry experts who are unaffiliated with the MTBOI. Figure 1 below discusses some of the onsite opportunities that should be considered in a Board Education Program.

Figure 1: Onsite Board Education	
Source	Description
MTBOI Staff Presentations	The CIO and staff members are well equipped to provide a variety of educational presentations ranging from topics such as key investment concepts and terminology, manager selection and due diligence processes, and general economic trends. Incremental costs of such educational efforts are minimal, as they consist only of incremental staff time.
Consultant Presentations	RVK can upon request provide presentations ranging from topics such as asset class overviews, key investment concepts, performance monitoring strategies, and general economic trends. Periodic requests are assumed by RVK to be part of our existing scope of work and we are prepared to discuss scope addendums if the Board wishes to expand these activities meaningfully.
Manager and Broker/Dealer Presentations	Investment managers and broker/dealers are an excellent source for educational presentations, and are highly incented to present to Boards at no cost. At the same time, one must acknowledge that this effort is a marketing opportunity, providing a chance to display their intellectual capital to prospective clients. Managers are particularly adept at providing overviews for the asset classes in which they invest and in some cases macroeconomic overviews. The only significant disadvantage of manager presentations is that their perspective may be biased to some degree.

OFFSITE OPPORTUNITIES

Offsite opportunities include educational activities in venues, such as industry seminars and conferences, and fee-based executive education programs. A unique advantage of offsite programs is the opportunity to interact with industry experts and other peer board members who are unaffiliated with the MTBOI. By sharing experiences and perspectives with outsiders, Board members may gain different and useful perspectives on how to address current challenges. A disadvantage of offsite opportunities is the potential for paid sponsors to dominate the discussion. Listed in **Figure 2** are two common offsite educational activities that should be considered in a Board Education Program.

Figure 2: Offsite Board Education	
Source	Description
Industry Events	<p>Numerous industry conferences and seminars are advertised to Boards of public plans. There are some respected industry conference organizations that more consistently provide compelling, useful agendas. The conferences organized by these firms could be a subject of ongoing monitoring for potential interest. In contrast, some industry events have agendas influenced by sponsoring organizations, which predominantly include asset management, software, proxy servicing, custodial and litigation firms. As a result, the substance of some of these meetings may be of more limited value.</p> <p>A general benefit of attending industry events and conferences is the opportunity to network with fellow peer Board members, who can provide MTBOI with different and potentially useful insights.</p>
Executive Education	<p>Several leading business schools offer open-enrollment seminars covering key Board member responsibilities and concepts. Programs typically range between 1-5 days and cost between \$500 and \$5,000 per attendee depending on the curriculum and provider. One program used in the past by RVK clients is <i>The Foundations for Trustees</i> program, which is delivered via a partnership between the Wharton School of Business and the International Foundation of Employee Benefits Plans (IFEBP). Programs similar to the <i>Foundations for Trustees</i> program are offered by other leading academic institutions, such as Northwestern University and Stanford University. While the cost of such programs can exceed some other educational opportunities, the high quality, deep agendas and unbiased nature of the content may justify the cost of periodic attendance.</p>

❖ **Gap Analysis**

The table below summarizes educational presentations provided to Montana in the past, as well as potential ideas for future activities. The table is not intended to be comprehensive, as RVK expects to add more potential activities following an assessment of the Board's needs.

Figure 3: Educational Program History and Gap Analysis	
Educational Year	Potential Educational Activities
Staff Education	To Be Determined in Coordination with Staff
Aug 2008	Socially Responsive Investing (SRI)
Aug 2006	Real Estate
Nov 2007	Asset Class Tutorials (Absolute Return, Fixed Income, and Real Return)
May 2008	Hedge Funds
Aug 2008	Commodities Investments
May 2009	Securities Lending
Nov 2009	Mean Variance Optimization (MVO) Benefits and Limitations
Consultant Education	<ul style="list-style-type: none"> • Active versus Passive Investment Strategies • Derivatives & Hedging • Fundamental Indexing Strategies • Risk Budgeting • Portfolio Rebalancing Strategies • Performance Benchmarks • Risk Parity • Portfolio Performance Metrics • Asset Class Tutorials <ul style="list-style-type: none"> - US Equity - International Equity - Fixed Income - Absolute Return - Private Equity - Real Estate - Real Return (scheduled for Aug 2010)
Vendor Education	Quarterly Manager Presentations Existing and prospective investment managers and broker/dealers.
Executive Education	Information Unavailable* Wharton Trustee Education Program Northwestern University Public Pension Fund Trustee Education Program Director's Consortium – Stanford University
Industry Events	Information Unavailable* Conference Sponsors and Industry Events can be identified in response to chosen education policy.

* The Board does not keep records of executive education and industry events attended by individual Board Members.

Recommended Next Steps

RVK recommends the following next steps for the Montana Board of Investments.

1. **Conduct a Survey of Board Educational Needs**—As soon as is feasible, each Board member should complete a survey to identify high priority educational topics. RVK can provide the Board with sample survey templates.
2. **Establish an Education Policy**—RVK has provided the Board with 5 sample Educational Policies in use at other public funds. Using these policies as a model, the Board should create a formal Educational Policy. We recommend that, at minimum, the policy require an orientation for new members and some form of annual educational activity.
3. **Establish an Orientation Program**—RVK believes that, at minimum, an Education Policy should require Board Members to complete an orientation program (preferably before attending their first board meeting). Such a program is included in most policies of public funds reviewed by RVK, and we believe it is essential
4. **Establish a 12-Month Education Plan**—Once a Formal Education Policy is in place, the Board should create an implementation plan for the next 12 months. The plan should be reviewed periodically to ensure that initiatives include the highest priority topics.

Final Note: RVK believes the highest value, least cost opportunity for effective trustee education is at the point of decision-making. By that we mean education applied to specific issues and decisions before the Board, in the normal process of their deliberations, utilizing resources already at hand (staff, consultant, and trustees themselves) and supplementing them with outside resources as needed.

[Return to Meeting Agenda](#)

Investment Activity

ALLOCATION REPORT

Retirement Systems Asset Allocations as of 3/31/10										
Pension Fund	MDEP	MTIP	MPEP	Total		STIP	Mtgs	Real Estate		Total Assets
				Equity	RFBP			Direct	Pool	
PUBLIC EMPLOYEES	37.4%	17.7%	11.9%	67.0%	26.3%	1.3%	0.6%	0.3%	4.6%	3,493,807,871
TEACHERS	37.2%	17.8%	11.9%	67.0%	26.4%	1.1%	0.6%	0.3%	4.6%	2,633,686,432
POLICE	37.6%	17.8%	12.0%	67.3%	27.1%	1.0%			4.6%	186,787,862
SHERIFFS	37.3%	17.5%	11.7%	66.5%	26.6%	2.3%			4.6%	180,855,594
FIREFIGHTERS	37.3%	17.8%	11.9%	67.0%	27.0%	1.5%			4.6%	183,814,219
HIGHWAY PATROL	37.5%	17.7%	11.9%	67.0%	27.0%	1.3%			4.6%	87,158,427
GAME WARDENS	37.3%	17.4%	11.7%	66.3%	26.5%	2.7%			4.5%	76,516,543
JUDGES	37.5%	17.4%	11.8%	66.7%	26.7%	2.0%			4.6%	55,062,288
VOL FIREFIGHTERS	37.8%	17.7%	11.9%	67.4%	27.5%	0.6%			4.5%	22,667,929
TOTAL	37.3%	17.8%	11.9%	67.0%	26.4%	1.3%	0.5%	0.3%	4.6%	6,920,357,165
Approved Range	30 - 50%	15 - 30%	9 - 15%	60 - 70%	22 - 32%	1 - 5%	0 - 4%	0 - 1%	0 - 8%	

Retirement Systems Asset Allocations as of 6/30/10										
Pension Fund	MDEP	MTIP	MPEP	Total		STIP	Mtgs	Real Estate		Total Assets
				Equity	RFBP			Direct	Pool	
PUBLIC EMPLOYEES	33.7%	16.7%	13.0%	63.5%	28.4%	1.8%	0.6%	0.3%	5.4%	3,304,243,795
TEACHERS	33.7%	16.7%	13.1%	63.5%	28.5%	1.6%	0.7%	0.3%	5.4%	2,491,322,409
POLICE	33.9%	16.7%	13.2%	63.7%	29.4%	1.4%			5.4%	175,814,321
SHERIFFS	33.8%	16.7%	12.8%	63.3%	28.6%	2.8%			5.4%	172,089,117
FIREFIGHTERS	33.8%	16.8%	13.1%	63.7%	29.2%	1.6%			5.4%	173,192,031
HIGHWAY PATROL	33.7%	16.7%	13.0%	63.5%	29.2%	1.9%			5.4%	82,525,737
GAME WARDENS	33.4%	17.0%	12.6%	62.9%	28.0%	3.7%			5.4%	73,774,470
JUDGES	33.6%	16.7%	12.8%	63.1%	28.7%	2.8%			5.4%	52,400,547
VOL FIREFIGHTERS	32.1%	15.8%	12.4%	60.3%	28.2%	6.5%			5.0%	22,595,537
TOTAL	33.7%	16.7%	13.1%	63.5%	28.5%	1.8%	0.5%	0.3%	5.4%	6,547,957,966
Approved Range	30 - 50%	15 - 30%	9 - 15%	60 - 70%	22 - 32%	1 - 5%	0 - 4%	0 - 1%	0 - 8%	

Change From Last Quarter										
Pension Fund	MDEP	MTIP	MPEP	Total		STIP	Mtgs	Real Estate		Total Assets
				Equity	RFBP			Direct	Pool	
PUBLIC EMPLOYEES	-3.6%	-1.0%	1.2%	-3.5%	2.1%	0.5%	0.0%	0.0%	0.8%	(189,564,075)
TEACHERS	-3.5%	-1.2%	1.2%	-3.5%	2.1%	0.5%	0.0%	0.0%	0.8%	(142,364,022)
POLICE	-3.7%	-1.1%	1.2%	-3.6%	2.3%	0.4%			0.8%	(10,973,541)
SHERIFFS	-3.5%	-0.8%	1.1%	-3.2%	2.0%	0.4%			0.8%	(8,766,477)
FIREFIGHTERS	-3.5%	-1.0%	1.2%	-3.3%	2.3%	0.2%			0.9%	(10,622,187)
HIGHWAY PATROL	-3.8%	-0.9%	1.1%	-3.5%	2.1%	0.6%			0.8%	(4,632,690)
GAME WARDENS	-3.9%	-0.4%	0.9%	-3.4%	1.6%	1.0%			0.8%	(2,742,073)
JUDGES	-3.9%	-0.7%	1.1%	-3.6%	2.0%	0.8%			0.8%	(2,661,741)
VOL FIREFIGHTERS	-5.7%	-1.9%	0.5%	-7.1%	0.7%	5.9%			0.5%	(72,392)
TOTAL	-3.6%	-1.1%	1.2%	-3.5%	2.1%	0.5%	0.0%	0.0%	0.8%	(372,399,200)

Allocations During Quarter					
MDEP	MTIP	MPEP	Total Equity	RFBP	Real Estate
(\$89,290,000)	\$23,980,000	\$0	(\$65,310,000)	\$0	\$40,000,000
Net New Investments for Quarter					→ (\$25,310,000)

Montana Board of Investments

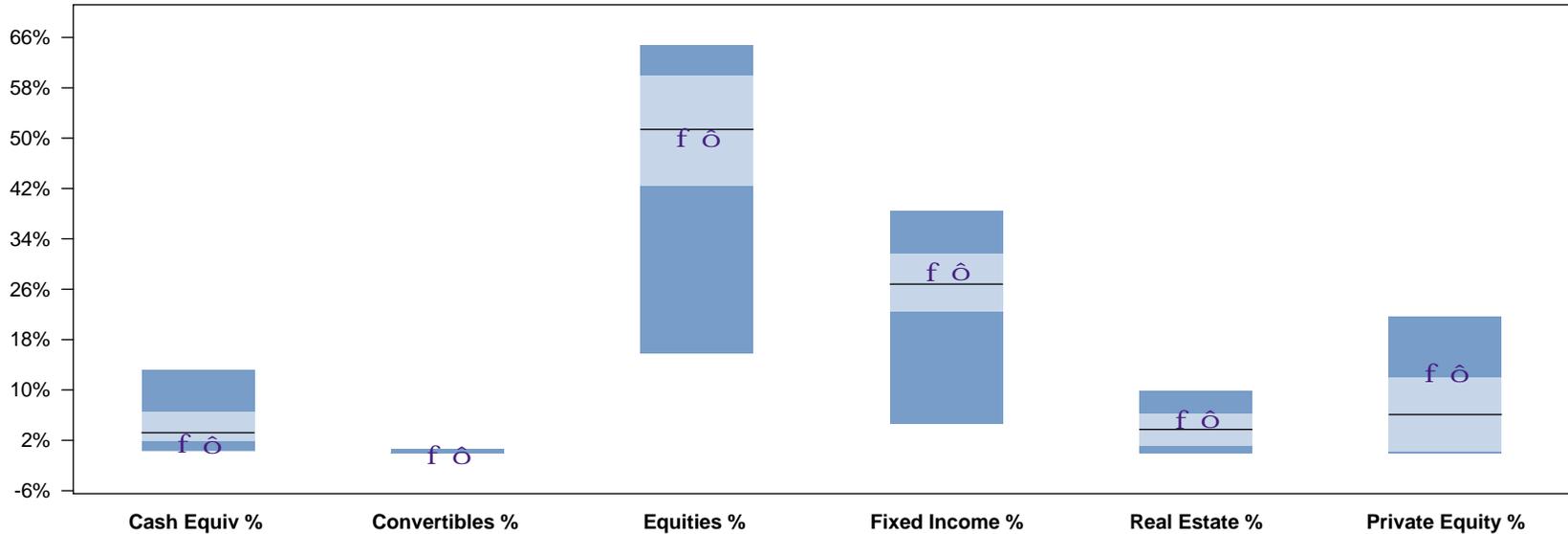
Public Funds (DB) > \$1 Billion(SSE)

PERIOD ENDING June 30, 2010



STATE STREET

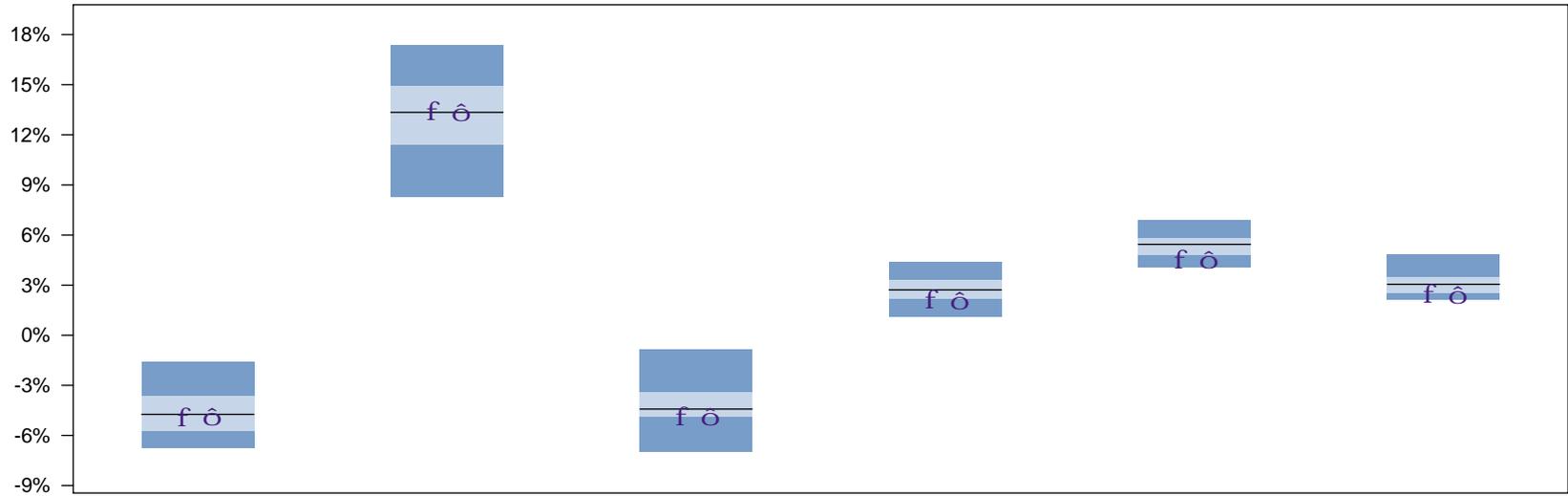
ALLOCATION



	Cash Equiv %	Convertibles %	Equities %	Fixed Income %	Real Estate %	Private Equity %
5th Percentile	13.22	0.65	64.71	38.45	9.78	21.60
25th Percentile	6.58	0.03	60.01	31.70	6.26	12.01
50th Percentile	3.22	0.00	51.39	26.80	3.74	6.09
75th Percentile	1.79	0.00	42.37	22.34	1.11	0.24
95th Percentile	0.30	0.00	15.81	4.57	0.00	0.00
No. of Obs	60	59	62	62	63	62
f PUBLIC EMPLOYEES RET	1.82 73	0.00 50	50.41 53	29.08 37	5.67 30	13.02 21
o TEACHERS RETIREMENT	1.62 81	0.00 50	50.33 56	29.22 34	5.74 29	13.09 18

Montana Board of Investments

Public Funds (DB) > \$1 Billion (SSE) - MBOI PERS - TRS UNIVERSE
 PERIOD ENDING June 30, 2010



	Total Fund Return 1 Qtr	Total Fund Return 1 Yr	Total Fund Return 3 Yrs	Total Fund Return 5 Yrs	Total Fund Return 7 Yrs	Total Fund Return 10 Yrs
No. of Obs	62	63	60	62	62	58
5th Percentile	-1.61	17.35	-0.87	4.38	6.91	4.85
25th Percentile	-3.64	14.93	-3.39	3.34	5.87	3.49
50th Percentile	-4.74	13.35	-4.42	2.72	5.44	3.05
75th Percentile	-5.73	11.43	-4.92	2.17	4.79	2.52
95th Percentile	-6.76	8.30	-7.01	1.10	4.10	2.14
f PUBLIC EMPLOYEES RET	-4.76 53	13.53 43	-4.70 63	2.26 70	4.66 83	2.60 72
o TEACHERS RETIREMENT	-4.74 50	13.51 46	-4.71 66	2.25 72	4.67 81	2.59 73

FIXED INCOME OVERVIEW & STRATEGY

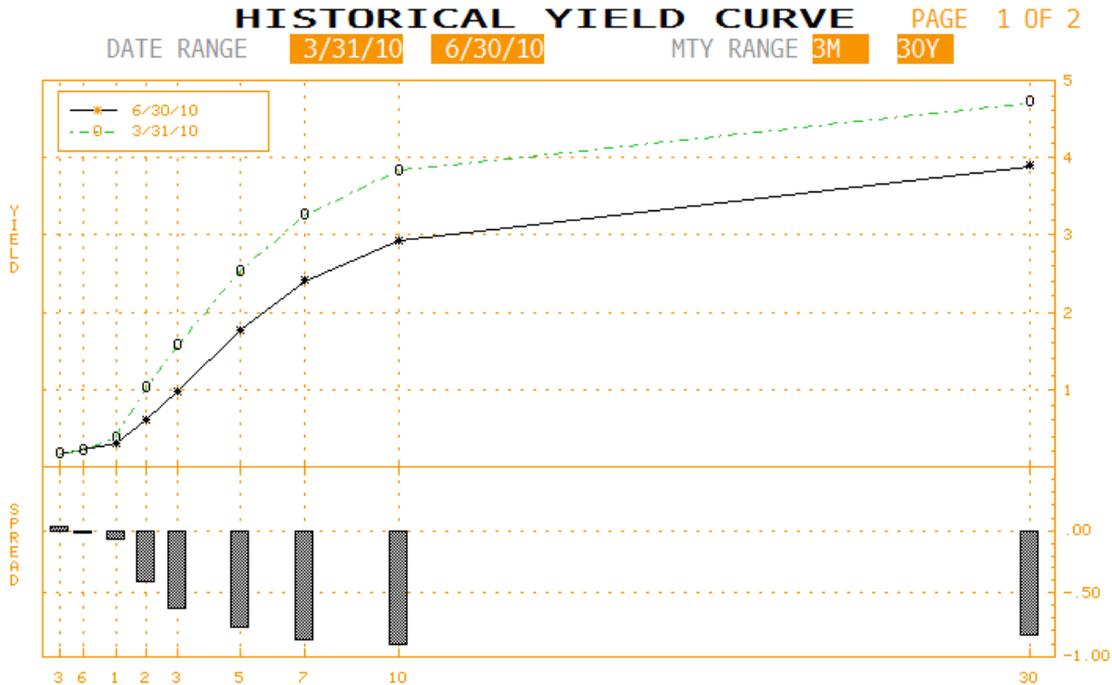
Nathan Sax, CFA, Portfolio Manager

August 12, 2010

RETIREMENT & TRUST FUND BOND POOLS

The yield curve flattened in the second quarter amidst falling interest rates. The yield differential between the U.S. Treasury two and ten-year notes was 281 basis points on March 31, 2010. That gap narrowed to 233 basis points by June 30, 2010. The yield on the two-year note decreased from 1.02% to 0.60%, reflecting a lower probability that the Fed will raise short term interest rates anytime soon. The yield to maturity on the Treasury ten-year note dropped a stunning 90 basis points, from 3.83% to 2.93%. The 10-year peaked at 4.017% in early April before beginning an impressive decline to less than 3.00%. That change reflects reduced expectations for inflation. The yield curve remains steep by historical standards, even after flattening by 48 basis points over the past three months.

The long end of the yield curve is driven largely by the outlook for inflation, which has dissipated lately. According to *Blue Chip Economic Indicators*, “the consensus predicts the chained GDP price index will register a year-to-year increase of 0.9% in 2010, the smallest since 1950.”



Treasury bonds posted a total return of +4.68% in the second quarter. Other Government related bonds returned +2.62%, mortgage backed securities +2.87%, corporate bonds +3.42%, asset backed securities +2.54% and CMBS +2.78%. The Barclays Capital Aggregate Bond Index return was +3.49%. When Treasury bonds, considered free from the risk of default, lead sector returns, investors are expressing a preference for safety over yield. Despite the outlook for lower inflation, it may have been concerns regarding European sovereign debt and European banks that drove trading.

Real GDP growth was revised to +3.7% in the first quarter following the inventory-led 5.0% rate of growth in the fourth quarter of 2009. The second quarter real GDP number was +2.4%. Estimates of economic growth over the next five quarters generally fall between +2.7 to +3.2%. Fears of a slide back into recession are a distinctly minority view at this point. We are more likely to see an extended period of slow growth; perhaps +1 to +2% real GDP annually.

Please note that we have added data summarizing High Yield, Core Real Estate (TFIP) and non-dollar debt exposure versus allowable Policy ranges below the sector allocation table:

RFBP/TFBP vs. Barclays Aggregate – 06/30/10

	Retirement Fund Bond Pool						Trust Fund Bond Pool	Barclays Aggregate	CIBP/TFBP Policy Range
	CIBP	Reams	Artio	Post	Neubgr Berman	Total RFBP			
Treasuries	14.14	29.85	36.64	0.00	0.00	16.00	16.71	32.09	10-35
Agencies & Govt Related	13.62	3.62	16.31	0.00	0.70	11.50	12.37	12.27	5-25
Total Government	27.76	33.47	52.95	0.00	0.70	27.50	29.08	44.36	15-60
Mortgage Backed	24.32	18.88	12.39	0.00	0.00	21.01	25.44	34.13	20-50
Asset Backed	1.80	7.51	2.86	0.80	1.06	2.44	2.01	0.28	0-10
CMBS	9.64	2.30	8.90	0.00	0.00	7.95	9.80	3.05	0-10
Total Securitized	35.76	28.69	24.15	0.80	1.06	31.40	37.25	37.46	20-75
Financial	13.21	17.85	8.64	6.77	11.29	13.19	13.41	6.38	
Industrial	13.74	5.96	10.81	87.04	79.28	18.40	13.56	9.71	
Utility	4.09	4.82	0.42	1.77	6.46	4.02	4.07	2.09	
Total Corporate	31.04	28.63	19.87	95.58	97.03	35.61	31.04	18.18	10-35
Other	0.80	0.06	0.70	0.33	0.00	0.65	0.40	0.00	
Cash	4.64	9.15	2.33	3.29	1.21	4.84	2.23	0.00	0-10
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Fixed Income Sector	Policy Range	RFBP on 6/30/10
U.S. High Yield	0-15%	12.81%
Non-US (incl. EM)	0-10%	0.94%
Total "Plus" sectors	0-20%	13.75%
Core (U.S. Investment Grade)	80-100%	86.25%

Fixed Income Sector	Policy Range	TFIP on 6/30/10
U.S. High Yield	0-10%	7.34%
Core Real Estate	0-8%	3.52%
Core (U.S. Investment Grade)	0-100%	89.14%

The duration of the Core Investment Bond Pool (CIBP) is relatively neutral. We remain in a barbell position because we expect the yield curve to flatten further with the short end remaining anchored between zero and 25 basis points. The longer segments of the yield curve have been outperforming for the past one, three, six and twelve months. Conversely, down-in-quality trades have weakened this year relative to the second half of 2009. It appears that the corporate sector has adjusted as prospects for a strong economic recovery have dimmed. Although corporate credit spreads are 182 basis points versus 139 in April, we believe spreads will hold their ground going forward. We plan to maintain our over-weighting to credit for the foreseeable future. We expect financials to operate much like utilities, i.e., they will be heavily regulated and required to hold high capital positions and take limited risk. As long as we are successful in our choice of industrial and utility bond issuer names, avoiding adverse credit events, those sectors should also perform well for us.

The odds of a “double dip” back into recession are considered to be relatively low by Street economists. However, yield spreads arguably got as tight as they did under the assumption that the U.S. would see a far stronger economic recovery than what appears to be the case now. Given the high probability of large tax increases in 2011, it may yet be possible for us to see negative growth later in 2011.

Benchmark Comparison Analysis CIBP vs. Merrill US Broad Market Index on 06/30/2010						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	102.79	4.47	4.19	3.32	4.26	3.63
Benchmark	106.65	4.49	4.16	2.68	4.32	0.63
Difference	-3.86	-0.02	0.03	0.64	-0.06	3.00

Benchmark Comparison Analysis RFBP vs. Merrill US Broad Market Index on 06/30/2010						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	101.95	4.73	4.54	3.83	4.34	3.57
Benchmark	106.63	4.48	4.15	2.67	4.31	0.63
Difference	-4.68	0.25	0.39	1.16	0.03	2.94

Benchmark Comparison Analysis TFBP vs. Merrill US Broad Market Index on 06/30/2010						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	93.62	4.07	3.81	3.34	4.35	2.52
Benchmark	106.65	4.49	4.16	2.68	4.32	0.63
Difference	-13.03	-0.43	-0.35	0.66	0.03	1.90

We took advantage of wider yield spreads during the second quarter; by funding Neuberger Berman with an additional \$50mm in late May. Additionally, we added \$25mm in funding our second High Yield manager, Post Advisors, on June 1st via the TFIP in their Limited Partnership vehicle. High Yield spreads went from 528 basis points to 713 between April 26th and May 25th. They later tightened to 655 basis points in mid-July. The spreads numbers are to comparable maturity Treasuries. Both Post and Neuberger Berman beat the U.S. High Yield (2% issuer cap) Index in the second quarter.

Barclays U.S. High Yield 2% Issuer Cap, Avg OAS – 06/09 to 06/10



The CIBP and TFIP have greatly improved liquidity profiles. The capital markets have concerns regarding the possibility of more liquidity crunches and flights to quality. We are now safely under 10% in illiquid securities, with 9.4% of the CIBP and 6.3% of the TFIP in such bonds. This will help the plans' financial flexibility and liquidity to aid in asset allocation management. The CIBP will have less ability to generate alpha (excess return over the benchmark) because of its reduced overall level of risk. Within the broader Retirement Fund, it will offer a pool of liquidity and will serve as a stable, low risk asset class. The external fixed income managers will play a significant role in alpha generation, investing as they do in the core plus sectors of the bond market, i.e. High Yield, non-dollar, higher turnover and taking more concentrated bets. Reams completed an excellent fiscal year for the MBOI, beating the Barclays Universal Index again this quarter. Artio Global, however, struggled during the quarter, especially as their foreign currency exposure fared poorly against the dollar.

Summary

The second quarter and the start of the third quarter 2010 saw investor expectations for inflation and economic recovery lowered. The euro stabilized against the dollar, regaining much lost ground, although the risk for another flight to quality remains as Europe struggles to stabilize its banking system and help smaller European economies to get their fiscal house in order. Corporate bond spreads widened appreciably in sympathy with revised economic forecasts for slower growth and very low inflation and with a fierce rally in Treasuries. The markets are now anticipating that the Federal Reserve will remain on hold throughout much of 2011.

The yield curve flattened appreciably, signaling expectations for slower growth than previously forecast. The Barclays Capital Aggregate bond index was up 9.50% for the fiscal year with corporate bonds leading the way at +15.92%. Although there is no shortage of institutional investors looking for interest rates to rise, the outlook for inflation and economic growth that would herald such a move is distinctly lacking.

Short Term Investment Pool (STIP)

Richard Cooley, CFA, Portfolio Manager

August 12, 2010

During the second quarter money market yields continued to move upwards as the sovereign debt crisis unfolded in European markets. The uncertainty of the credit quality of southern European based banks caused their funding costs to increase substantially and drove up spreads across the board. Increasing outflows from money funds due to low yields along with additional requirements for front-end liquidity due to SEC mandated changes led to less money available to buy the longer end of the money market curve and those rates increased. Higher Libor rates continued into the second quarter as evidenced by an additional 24 bp increase for three month and 10bp increase for one month rates during the quarter. Credit spreads widened dramatically during the quarter, as depicted by the spread between three month Treasury bills and three month LIBOR rates (TED spread). This spread ended the second quarter at about 35 basis points, up 21 basis points for the quarter.

TED Spread (06/30/09 – 06/30/10)

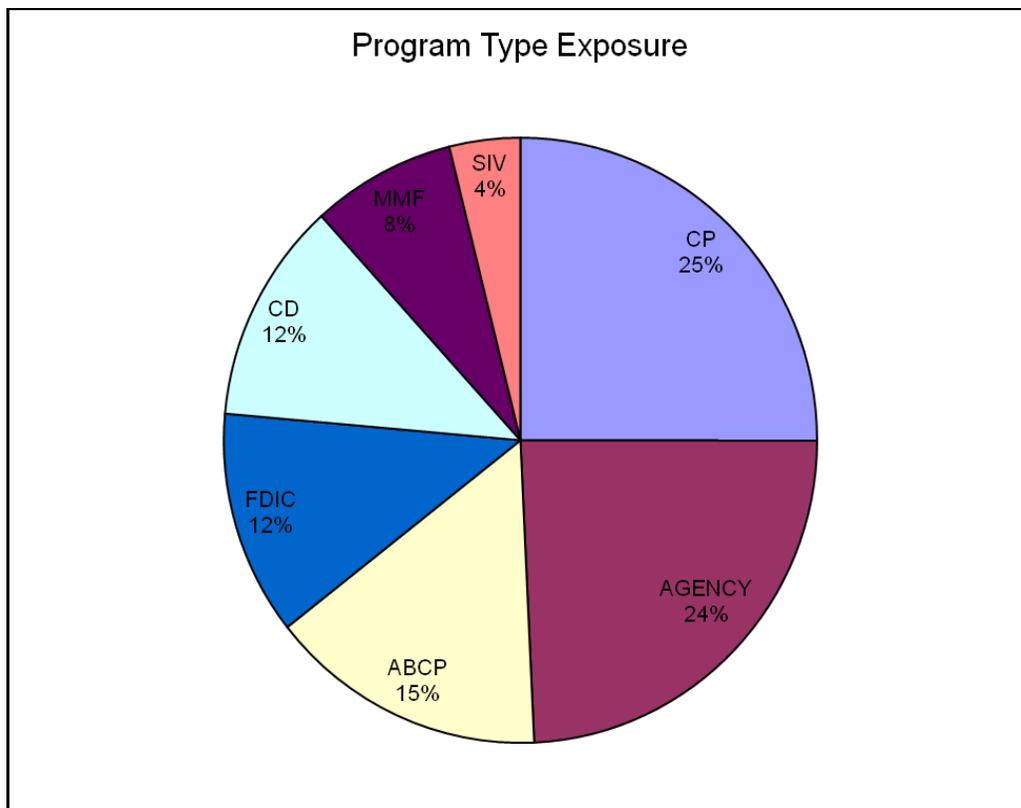


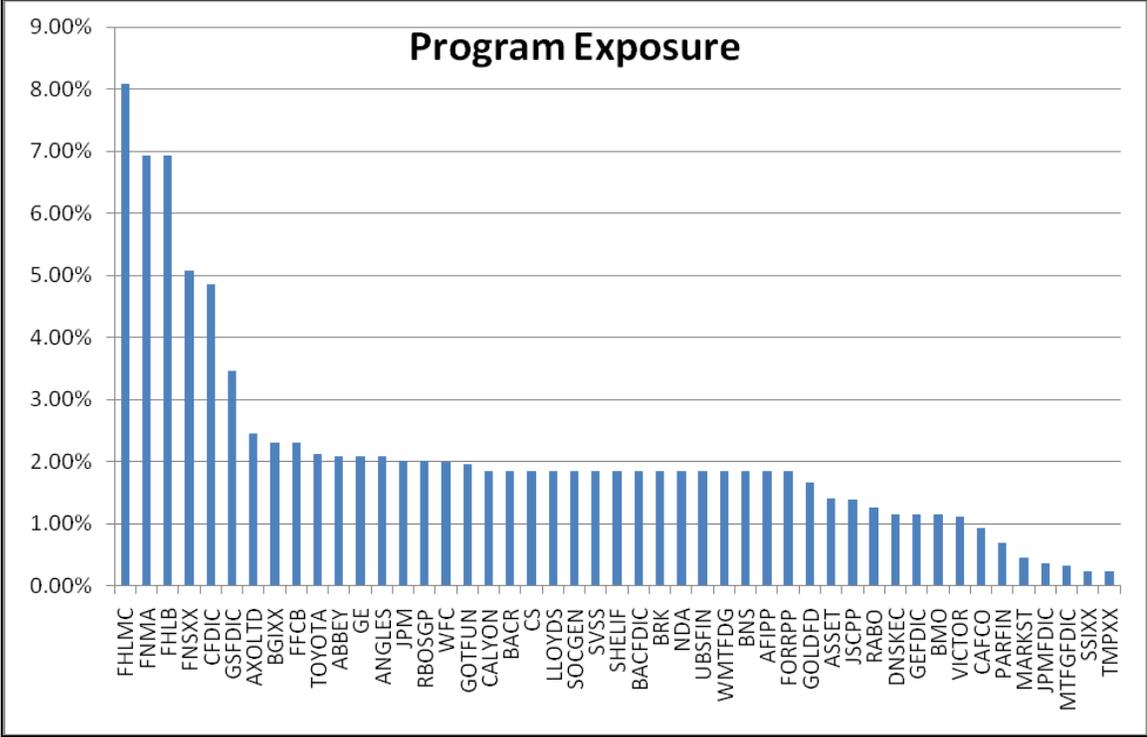
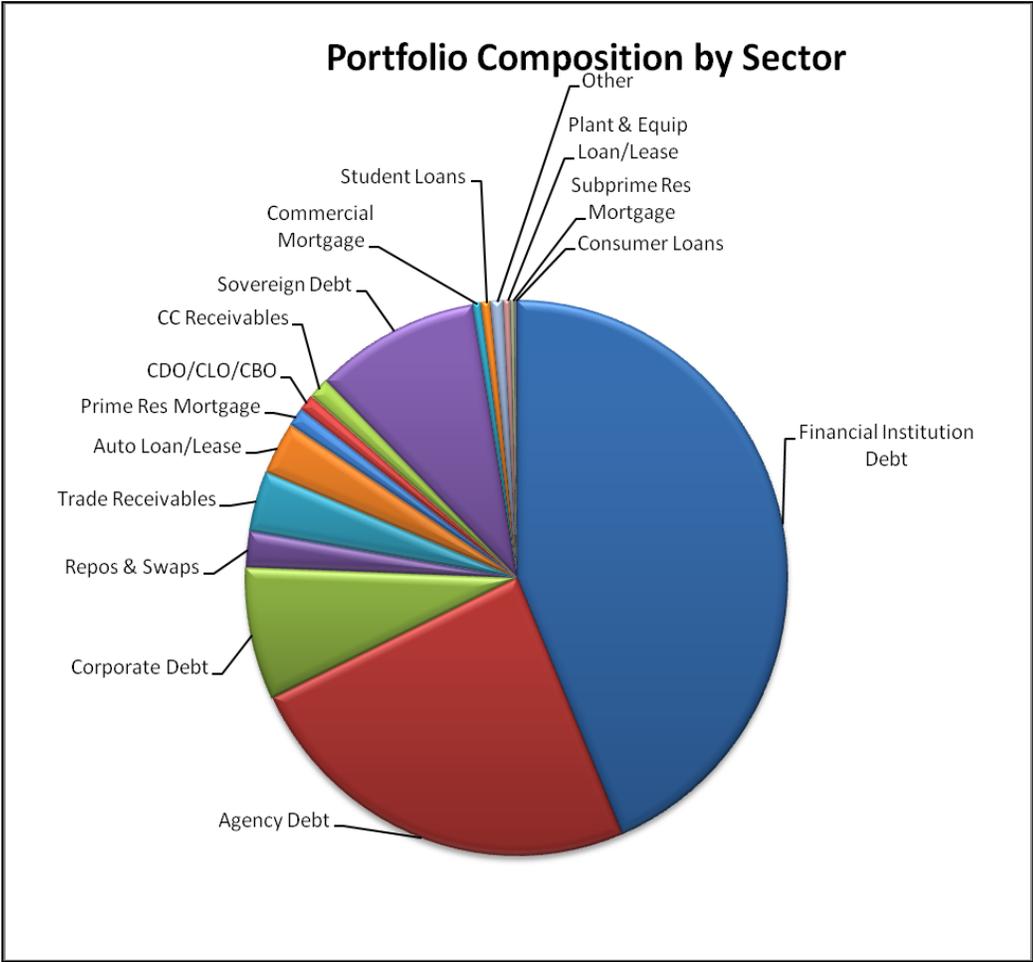
The STIP portfolio is currently well diversified and is operating within all the guidelines adopted by the Board at the February 2008 meeting. Daily liquidity is at a minimum of \$150 million and weekly liquidity is at a minimum of \$250 million. The average days to maturity are about 40 days as compared to a policy maximum of 60 days. Asset-backed commercial paper is about 16% of holdings (40% max) and corporate exposure is around 21% (40% max). We currently have approximately 35% in agency/FDIC paper, 15% in Yankee CD's (30% max) and 8% in four institutional money funds.

During the second quarter we purchased \$75 million of floating rate Agencies, pegged to one month Libor. We also purchased \$83 million of corporate floating rate securities and \$50 million of floating rate Yankee CDs. The portfolio yield has benefited from the increase in Libor rates as floating rate securities reset at higher base rates.

The net daily yield on STIP is currently 0.36% as compared with the current one-month LIBOR rate of 0.32% and current fed funds target rate of 0.0%-0.25%. The portfolio asset size is currently \$2.16 billion, down slightly from three months ago.

All charts below are as of July 26, 2010.





State Fund Insurance

Richard Cooley, CFA, Portfolio Manager

August 12, 2010

The table below lays out the basic characteristics of the State Fund fixed income portfolio in comparison to a Merrill Lynch index. The Merrill Lynch index serves as a proxy for the account's actual benchmark, which is the Barclays Capital Government/Credit Intermediate Index.

Benchmark Comparison Analysis						
State Fund vs. Merrill US Corp and Govt, 1-10 Yrs on 06/30/2010						
Summary Characteristics						
	Price	Coupon	Current Yield	Yield to Maturity	Effective Duration	Effective Spread
Portfolio	105.60	4.51	4.18	2.75	3.63	2.05
Benchmark	106.00	3.75	3.47	2.18	3.83	0.64
Difference	-0.40	0.76	0.71	0.57	-0.20	1.41

The portfolio has an overweight in agencies, mortgage backed securities (MBS), corporate bonds and commercial mortgage backed securities (CMBS) and is underweighted in Treasuries. The sector table on the following page provides more detail on the differences between the portfolio and the benchmark. We have been slowly increasing the Treasury portion of the government holdings, as agency spreads have tightened substantially and do not offer much relative value. The portfolio has a shorter duration than the benchmark and is thus less sensitive to interest rate changes. This provides some defense against higher bond yields which may be important over the intermediate timeframe, while only having a minimal impact on the portfolio's yield.

Spread product ended the second quarter mixed as compared to the end of the first quarter. MBS spreads tightened by 9 bp to 11 bp, agencies were unchanged at 24 bp and corporate spreads widened by 43 bp to 193 bp. During the quarter, the ten year Treasury yield decreased by 90bp from 3.83% to 2.93%.

The overweight in spread product (all non-Treasuries) has added substantial value during the past year as spreads tightened. The fixed income portion of the account outperformed the benchmark by 22 basis points during the June quarter and by 361 basis points over the past year. Longer term performance is +49 basis points for the past five years and +71 basis points for the past ten years (ended June 30).

During the June quarter, there were purchases of \$51 million including: \$25 million of utility bonds and \$26 million of finance related bonds. These corporate purchases were mostly in the five year and shorter areas. Equities were added to the total portfolio during the quarter during periods of market weakness. There were \$8 million of purchases of S&P 500 index units and \$4 million of purchases of international (ACWI ex-U.S.) index units during the quarter. Because of the decline in equity prices during the quarter, these purchases merely acted to keep the equity allocation flat when compared to the prior quarter-end level at 9.85%.

The portfolio has a 57 basis point yield advantage over the benchmark with only a one notch lower quality rating. Client preferences include keeping the STIP balance of 1-5 percent (currently 2.2%) and limiting holdings rated lower than A3 or A- to 25 percent of fixed income (currently 20.5%).

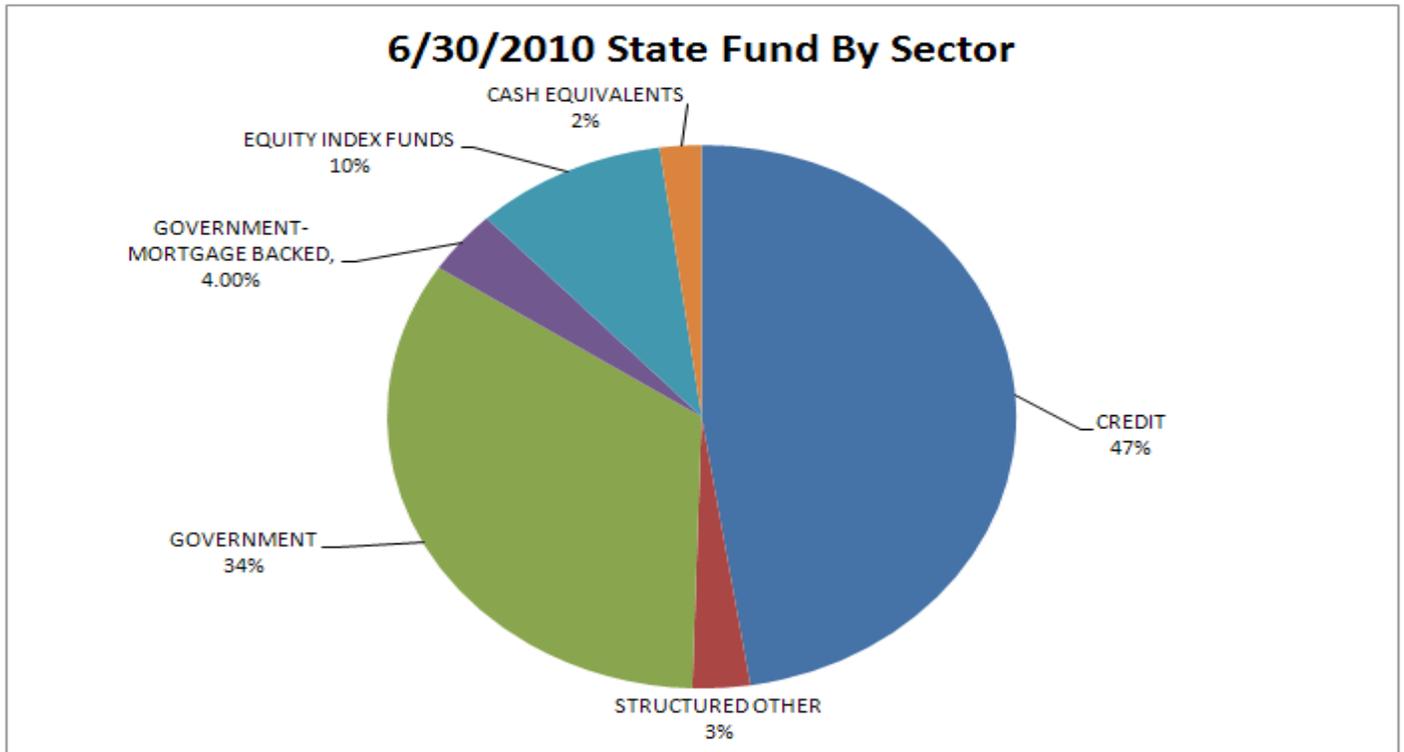
State Fund vs. Merrill US Corp and Govt, 1-10 Yrs on 03/31/2010			
	SFBP Portfolio (%)	Benchmark (%)	Difference
Treasuries	14.12	52.94	-38.82
Agencies & Govt Related	22.80	19.73	3.07
Total Government	36.92	72.67	-35.75
Mortgage Backed	4.17	0.00	4.17
Asset Backed	0.00	0.00	0.00
CMBS	2.54	0.00	2.54
Securitized	6.71	0.00	6.71
Financial	28.31	10.60	17.71
Industrial	20.32	14.87	5.45
Utility	4.65	1.86	2.79
Total Corporates	53.28	27.33	25.95
Other	0.74	0.00	0.74
Cash	2.35	0.00	2.35
Total	100.00	100.00	

The following sector breakout is a look at the entire State Fund account including the S&P 500 and ACWI ex-U.S. equity holdings. The policy range for equities is currently 8%-12%. This is a client preference as the maximum allowed by statute is 25% of book value. We have been adding to equity holdings based on market conditions.

The last page is the monthly performance report from State Street. The custom composite index is an asset-weighted index that holds the same weights as the portfolio in each of the underlying benchmarks. The fixed income returns have been over the benchmark during recent periods due to an historical overweight in spread product versus the benchmark.

6/30/2010 State Fund By Sector

<u>Sector</u>	<u>Market Value</u>	<u>%</u>
<i>BANKS</i>	86,235,242	7.66%
<i>COMMUNICATIONS</i>	24,547,751	2.18%
<i>ENERGY</i>	31,097,460	2.76%
<i>GAS/PIPELINES</i>	6,058,834	0.54%
<i>INSURANCE</i>	50,332,717	4.47%
<i>OTHER FINANCE</i>	150,243,824	13.35%
<i>RETAIL</i>	5,602,987	0.50%
<i>TRANSPORTATION</i>	42,329,197	3.76%
<i>UTILITIES</i>	51,332,165	4.56%
<i>INDUSTRAL</i>	86,830,506	7.72%
CREDIT	534,610,682	47.51%
<i>CDO</i>	7,500,000	0.67%
<i>CMBS</i>	25,888,292	2.30%
STRUCTURED OTHER	33,388,292	2.97%
<i>TITLE XI</i>	8,131,436	0.72%
<i>TREASURY NOTES/BONDS</i>	143,504,198	12.75%
<i>AGENCY</i>	227,989,948	20.26%
GOVERNMENT	379,625,583	33.74%
<i>FHLMC</i>	22,213,659	1.97%
<i>FNMA</i>	20,327,402	1.81%
GOVERNMENT-MORTGAGE BACKED	42,541,061	3.78%
TOTAL FIXED INCOME	990,165,618	88.00%
EQUITY INDEX FUNDS	110,790,189	9.85%
CASH EQUIVALENTS	24,213,560	2.15%
GRAND TOTAL	1,125,169,366	100.00%



MONTANA BOARD OF INVESTMENTS

SUMMARY OF INDIVIDUAL PLAN PERFORMANCE

Rates of Returns

Periods Ending June 30, 2010



STATE STREET

	MKT VAL \$(000)	ALLOC	MONTH	QTR	FYTD	1 Year	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
STATE FUND INSURANCE											
TOTAL	1,135,760	100.0	0.82	1.63	11.67	11.67	5.70	5.24	6.15	6.12	12/01/1993
CASH EQUIVALENTS	24,219	2.1	0.03	0.08	0.32	0.32	3.64	4.14	3.50	4.31	
EQUITIES	110,790	9.8	-5.26	-11.37	14.58	14.58	-9.17	-0.37		-0.85	01/01/2001
FIXED INCOME	1,000,750	88.1	1.52	3.19	11.90	11.90	7.40	5.75	6.77	6.50	
STATE FUND INSURANCE CUSTOM COMPO			0.68	1.43	8.45	8.45	5.23	4.75			
CITIGROUP 3 MONTH T-BILL			0.01	0.04	0.12	0.12	1.40	2.63	2.56		
S&P 500			-5.23	-11.43	14.43	14.43	-9.81	-0.79	-1.59		
BC GOV/CREDIT INTERMEDIATE			1.36	2.97	8.29	8.29	6.97	5.26	6.06		

Treasurer's Fund

Richard Cooley, CFA, Portfolio Manager

August 12, 2010

The fund totaled \$910 million as of June 30, 2010, consisting of approximately half general fund monies and the balance in various other state operating accounts. There were no additional purchases of securities in the second quarter. Current securities holdings total \$70 million. The investment policy for the fund limits security holdings to 50% of the projected General Fund FYE balance of the current period. The latest estimated balance is \$218 million.

MONTANA DOMESTIC EQUITY POOL

Rande Muffick, CFA, Portfolio Manager

August 12, 2010

6/30/2010 Domestic Stock Pool By Manager			
Manager Name	Market Value	%	
BLACKROCK EQUITY INDEX FUND	341,625,636	15.47%	
STATE STREET SPIF ALT INV	16,425,083	0.74%	
LARGE CAP CORE Total	358,050,719	16.21%	10-30%
ENHANCED INVEST TECHNOLOGIES	143,366,327	6.49%	
T ROWE PRICE ASSOCIATES INC	231,402,373	10.48%	
WESTERN ASSET US INDX PLUS LLC	117,126,006	5.30%	
LARGE CAP ENHANCED Total	491,894,706	22.27%	20-30%
BARROW HANLEY MEWHINNEY + STRS	155,979,173	7.06%	
QUANTITATIVE MANAGEMENT ASSOC	98,619,142	4.46%	
LARGE CAP VALUE Total	254,598,316	11.53%	
COLUMBUS CIRCLE INVESTORS	113,596,944	5.14%	
RAINIER INVESTMENT MGMT INC	108,441,915	4.91%	
RENAISSANCE GROUP LLC	91,164,064	4.13%	
LARGE CAP GROWTH Total	313,202,923	14.18%	
LARGE CAP STYLE BASED Total	567,801,238	25.71%	20-30%
ANALYTIC INVESTORS MU3B	89,361,972	4.05%	
JP MORGAN ASSET MGMT MU3E	257,578,911	11.66%	
MARTINGALE ASSET MGMT MU3D	60,249,396	2.73%	
130-30 Total	407,190,279	18.43%	10-20%
COMBINED LARGE CAP Total	1,824,936,942	82.62%	82-92%
ARTISAN MID CAP VALUE	82,283,312	3.73%	
BLACKROCK MIDCAP EQUITY IND FD	19,267,498	0.87%	
MARTINGALE ASSET MGMT MID CAP	61,723,113	2.79%	
TIMESQUARE CAPITAL MGMT	82,208,514	3.72%	
MID CAP Total	245,482,437	11.11%	5-11%
DIMENSIONAL FUND ADVISORS INC	51,423,091	2.33%	
NORTHPOINTE CAPITAL SMALL CAP	32,037,612	1.45%	
VAUGHAN NELSON INV	54,913,853	2.49%	
SMALL CAP Total	138,374,555	6.26%	3-8%
MDEP Total	2,208,793,934	100.00%	

The table above displays the Montana Domestic Equity Pool (MDEP) allocation at quarter end across market cap segments and manager styles. At this time, all weightings are within the approved ranges except the mid cap allocation which is slightly above the range. There were no major changes in active manager allocations during the quarter.

After a rather promising start to the calendar year, equity markets sold off sharply in the second quarter. Most economic measures proved to be disappointing and the recovery that equity

investors had earlier embraced looked to be in jeopardy. Retail sales sputtered, manufacturing lost momentum, housing showed poor results following the expiration of federal incentives, and concerns over sovereign debt reached new heights.

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COMPARATIVE RETURNS

Range **3/31/10** - **6/30/10** Period **D** Daily 91 Day Period

Securities	Crcny	Prc Appr	Total Ret	Difference	Annual Eq
1 SPX Index	USD	-11.86 %	-11.43 %	-1.84 %	-38.53 %
2 MID Index	USD	-9.90 %	-9.59 %		-33.25 %
3 SML Index	USD	-8.97 %	-8.74 %	.85 %	-30.69 %

(* = No dividends or coupons)



Performance across all market capitalizations was dismal. The price of the S&P 500 Index fell 11.9% in the quarter while mid caps fell 9.9% and small caps dropped 9.0%. No doubt the large caps underperformed due to concerns over their larger business exposure to Europe and the fact that they provide easier liquidity when investors want to raise cash quickly. MDEP's tilt toward non-large caps benefited the pool.

COMPARATIVE RETURNS

Range **3/31/10** - **6/30/10** Period **D** Daily 91 Day Period

Securities	Crcny	Prc Appr	Total Ret	Difference	Annual Eq
1 SPX Index	USD	-11.86 %	-11.43 %	-.14 %	-38.53 %
2 SGX Index	USD	-11.64 %	-11.28 %		-38.13 %
3 SVX Index	USD	-12.08 %	-11.57 %	-.29 %	-38.93 %

(* = No dividends or coupons)



Performance among style categories showed more of the same. There was no place to hide as growth and value did equally poorly. Growth stocks as a whole declined 11.3% while value stocks fell 11.6%. As a result, MDEP's tilt toward growth had little effect on total return.



True to form, the VIX spiked but it did not come close to levels reached in 2008. Nevertheless, the levels seen through most of the past twelve months had looked unrealistic and we should expect volatility in markets for some time to come. In short, there are great challenges for the world economy that will take time to overcome and there are too many structural changes imbedded in government actions that are taking place to expect smooth sailing. It would be rather naïve to believe that such great problems that nearly caused a second Great Depression would be solved so quickly without any “bumps in the road”.

Looking at MDEP’s manager performances for the quarter: enhanced, mid cap, and small cap buckets outperformed their benchmarks while large cap growth, large cap value, and partial long/short underperformed. For the fiscal year: enhanced, large cap value, and small cap outperformed while large cap growth, partial long/short, and mid cap underperformed. Quantitative managers struggled over the fiscal year, but as a whole showed an improving trend in the later half.

Overall MDEP underperformed the S&P 1500 benchmark by 14 basis points in the quarter. The pool outperformed by 34 basis points for the fiscal year but has underperformed by 38 basis points annualized for the three year period.

Going forward the strategy at the pool level is to continue with the overweight in mid caps and small caps and a slight overweight in growth versus value. The passive weight in the pool will be increased within the next few months, particularly within large caps. It is anticipated that the mid cap allocation will be slightly reduced in order to position it within the range.

DOMESTIC EXPOSURE-MARKET CAP %

June 30, 2010

MANAGERS	MEGA	GIANT	LARGE			MID	SMALL	MICRO	WTD AVG MARKET CAP (\$B)
	\$200B+	\$100-\$200B	\$50-\$100B	\$20-\$50B	\$10-\$20B	\$2.5-\$10B	\$500MM-\$2.5B	< \$500MM	
Analytic Investors, Inc	4.7	20.2	10.7	28.0	17.4	23.5	-6.3	-0.3	60.2
Artisan Partners	--	--	--	0.6	21.9	66.3	11.2	--	6.4
Barrow Hanley	1.2	12.6	5.7	25.7	16.9	34.6	3.2	--	37.0
Columbus Circle Investors	5.3	17.0	5.1	35.0	22.6	15.0	---	--	54.3
Dimensional Fund Advisors	--	--	--	--	--	0.2	66.0	33.8	0.8
INTECH Investment Management	7.9	24.3	8.2	15.6	16.1	26.5	1.4	--	67.9
J.P. Morgan	8.6	27.1	15.7	23.1	18.1	6.1	0.2	--	77.2
Martingale Asset Mgmt	--	--	--	--	5.8	74.1	20.1	--	5.1
Martingale Enhanced Alpha	6.7	27.4	8.3	20.0	16.0	22.5	-2.6	--	71.0
NorthPointe Cap	--	--	--	--	---	3.8	51.3	44.9	0.9
Quantitative Management	1.4	24.7	8.2	19.9	18.9	24.0	2.9	--	53.7
Rainier Investment Mgt	8.1	10.4	13.1	26.8	20.9	20.0	0.7	--	51.7
Renaissance Investment Mgt	3.5	11.5	6.9	21.7	18.8	34.2	3.4	--	38.4
T. Rowe Associates	8.3	26.0	11.8	21.8	15.1	16.2	0.7	--	75.2
TimesSquare Cap Mgmt	--	--	--	4.0	14.6	77.1	4.3	--	7.0
Vaughan Nelson Mgmt	--	--	--	--	--	17.1	79.9	3.0	1.8
Western Asset US Index Plus	7.5	25.7	11.7	23.9	15.5	15.1	0.6	--	72.7
BlackRock S&P 500 Index Fund	7.4	25.5	11.6	23.6	15.4	15.0	0.6	--	72.7
BlackRock Midcap Equity Index Fund	--	--	--	--	--	56.2	41.8	---	2.9
ALL DOMESTIC EQUITY PORTFOLIOS	5.3	18.5	8.8	19.7	15.7	23.9	6.2	1.5	54.1
Benchmark: S&P Composite 1500	6.6	22.6	10.3	21.0	13.6	18.1	7.1	0.7	64.3
Over/underweight(-)	-1.2	-4.2	-1.5	-1.3	2.1	5.8	-0.9	0.8	

DOMESTIC EXPOSURE-SECTOR %

June 30, 2010

MANAGERS

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Technology	Materials	Telecom Services	Utilities
Analytic Investors, Inc	10.7	10.6	10.7	15.5	14.6	5.0	20.5	3.3	3.8	3.1
Artisan Partners	10.2	6.9	9.3	19.6	3.6	20.7	20.9	--	--	8.7
Barrow Hanley	11.9	7.4	9.1	23.5	14.0	13.4	12.3	1.1	1.3	6.0
Columbus Circle Investors	21.1	8.9	--	12.3	12.5	8.4	31.2	5.5	--	--
Dimensional Fund Advisors	15.1	4.8	4.3	14.1	13.7	18.5	20.6	4.6	0.9	3.5
INTECH Investment Management	11.0	12.5	8.8	11.4	16.3	9.0	21.2	2.3	3.5	3.9
J.P. Morgan	14.3	9.6	10.7	14.3	10.2	8.0	21.4	3.8	3.1	3.4
Martingale Asset Mgmt	20.3	7.6	6.3	15.8	9.1	9.7	16.9	6.0	0.0	8.1
Martingale Enhanced Alpha	15.8	10.2	9.6	12.7	13.8	10.6	18.1	2.2	2.0	3.2
NorthPointe Cap	16.0	1.2	8.8	8.0	20.2	16.9	24.6	4.2	--	--
Quantitative Management	10.7	5.6	14.1	20.2	13.5	11.9	4.8	4.8	5.7	8.9
Rainier Investment Mgt	14.4	8.2	7.4	5.4	12.0	15.8	30.2	4.1	1.8	0.8
Renaissance Investment Mgt	25.6	2.2	3.7	1.4	11.1	21.9	32.9	1.3	--	--
T. Rowe Associates	11.0	11.3	11.3	15.5	12.4	10.9	18.9	3.0	2.8	2.7
TimesSquare Cap Mgmt	13.0	3.5	6.2	12.9	15.6	15.2	24.7	3.8	5.0	--
Vaughan Nelson Mgmt	11.7	--	7.5	30.6	4.3	18.5	9.0	10.2	1.1	3.0
Western Asset US Index Plus	10.1	11.5	10.7	16.3	12.1	10.3	18.7	3.4	3.0	3.8
BlackRock S&P 500 Index Fund	10.0	11.4	10.6	16.2	12.0	10.2	18.6	3.4	3.0	3.7
BlackRock Midcap Equity Index Fund	13.5	3.7	5.7	20.4	12.2	14.5	14.9	6.5	0.8	6.0
All Domestic Equity Portfolios	13.1	8.8	9.0	15.0	12.2	11.8	20.0	3.4	2.4	3.6
Benchmark: S&P Composite 1500	10.6	10.6	10.1	16.8	12.2	10.9	18.4	3.7	2.7	4.0
Over/underweight(-)	2.5	-1.8	-1.1	-1.7	0.0	0.9	1.6	-0.3	-0.3	-0.4

DOMESTIC PORTFOLIO CHARACTERISTICS

June 30, 2010

MANAGERS	Market Value (mm)	Number of Securities	3Yr Historical EPS Growth	Price/Earnings	Price/Book	Dividend Yield
Analytic Investors, Inc	91.5	199	0.7	10.3	1.9	2.4
Artisan Partners	83.3	55	-0.1	12.5	1.6	2.0
Barrow Hanley	156.5	91	-3.4	12.5	1.5	2.7
Columbus Circle Investors	113.7	48	13.2	18.2	2.4	0.8
Dimensional Fund Advisors	51.4	2,760	2.3	15.3	1.5	1.2
INTECH Investment Management	143.5	379	5.1	14.2	2.0	2.1
J.P. Morgan	260.4	252	4.0	14.0	1.9	1.9
Martingale Asset Mgmt	61.8	132	4.8	10.9	1.6	1.6
Martingale Enhanced Alpha	61.3	240	1.8	10.5	1.7	2.0
NorthPointe Cap	31.6	74	4.2	14.1	1.7	0.1
Quantitative Management	98.5	153	-6.6	12.5	1.4	2.7
Rainier Investment Mgt	109.0	76	18.3	18.8	2.7	0.9
Renaissance Investment Mgt	91.3	55	3.7	14.0	2.9	1.3
T. Rowe Associates	231.7	294	3.4	14.2	1.9	1.9
TimesSquare Cap Mgmt	82.5	71	13.0	17.0	2.5	0.8
Vaughan Nelson Mgmt	55.2	79	3.3	14.4	1.4	1.7
Western Asset US Index Plus	117.1	500	3.1	14.5	1.9	2.1
Blackrock Equity Index Fund	341.6	502	3.1	14.5	1.9	2.1
Blackrock Midcap Equity Index Fund	19.3	403	5.4	17.2	1.8	1.6
All Domestic Equity Portfolios	2,217.6	3,671	3.9	13.9	1.9	1.8

BENCHMARKS

S&P Composite 1500	1,500	3.3	14.8	1.8	2.0
S&P/Citigroup 1500 Pure Growth	365	17.1	19.0	2.3	0.5
S&P/Citigroup 1500 Pure Value	328	-5.2	14.4	0.9	1.5
S&P 500	500	3.1	14.5	1.9	2.1
Russell 1000	985	3.3	14.6	1.8	2.0
Russell 1000 Growth	631	10.0	16.8	3.1	1.6
Russell 1000 Value	668	-3.4	12.9	1.3	2.4
Russell Midcap	792	4.3	15.9	1.8	1.7
Russell Midcap Growth	497	11.3	19.5	3.1	1.0
Russell Midcap Value	542	-2.1	13.5	1.3	2.3
Russell 2000	2,010	2.3	14.8	1.5	1.5
Russell 2000 Growth	1,291	9.3	18.5	2.7	0.6
Russell 2000 Value	1,300	-4.0	12.2	1.1	2.5

Montana International Stock Pool

Rande Muffick, CFA, Portfolio Manager

August 12, 2010

6/30/2010 International Stock Pool By Manager			
<u>Manager Name</u>	<u>Market Value</u>	<u>%</u>	<u>Approved Range</u>
ARTIO GLOBAL MU1G	99,238,047	9.07%	
BATTERYMARCH INTL EQUITY	95,723,833	8.75%	
BLACKROCK GL EX US ALPHA TILT	87,550,614	8.00%	
BLACKROCK ACWI EX US SUPERFUND	380,523,563	34.77%	
EAFE STOCK PERFORMANCE INDEX	42,891,177	3.92%	0-10%
CORE Total	705,927,233	64.50%	50-70%
ACADIAN ACWI EX US VALUE	73,475,267	6.71%	
BERNSTEIN ACWI EX	90,824,481	8.30%	
VALUE Total	164,299,747	15.01%	10-20%
HANSBERGER INTL EQUITY GROWTH	88,195,247	8.06%	
MARTIN CURRIE ACWI X	82,962,888	7.58%	
PRINCIPAL GLOBAL	16,408	0.00%	
GROWTH Total	171,174,543	15.64%	10-20%
DFA INTL SMALL CO PORTFOLIO	53,056,998	4.85%	
SMALL CAP Total	53,056,998	4.85%	5-15%
MTIP Total	1,094,458,522	100.00%	

The table above displays the Montana International Equity Pool (MTIP) allocation at quarter end across market cap segments and manager styles. At this time, all weightings are within the approved ranges with the exception of small cap which is slightly below the range. There was one manager termination during the quarter (AXA Rosenberg) which led to a temporary decrease in small cap and an increase in large cap core. In all, \$39 million was redeemed from AXA with \$10 million being allocated to DFA International Small Cap and \$29 million being allocated to the BlackRock ACWI ex US Superfund A.

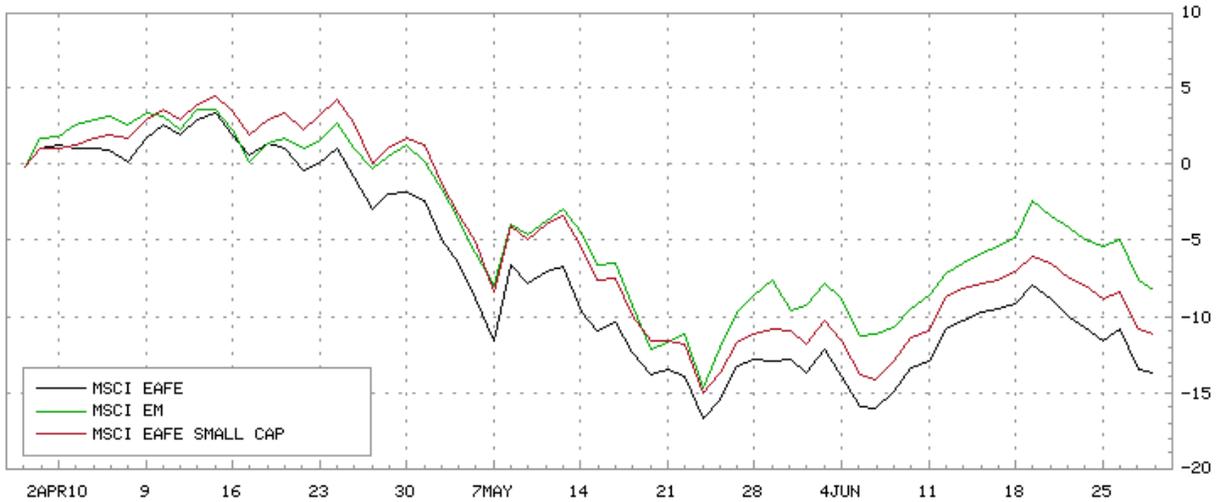
Concerns over the sovereign debt crisis and its potential effect on global economic growth hit international equity markets hard in the quarter. As shown in the following graph, the MSCI EAFE Index dropped -13.7% in the quarter. Interestingly, small cap stocks fell less than their large cap brethren (down -11.2%) and emerging markets fared even better (down -8.3%). Similar to U.S. investors, international investors fled stocks of companies exposed to Europe and stocks that were easier to trade in order to raise cash.

COMPARATIVE RETURNS

Range **3/31/10** - **6/30/10** Period **D** Daily 91 Day Period

Securities	Crncy	Prc Appr	Total Ret	Difference	Annual Eq
1 MXEA Index	USD	-14.91 %	-13.69 %	-5.41 %	-44.59 %
2 MXEF Index	USD	-9.14 %	-8.28 %		-29.29 %
3 MXEASC Index	USD	-11.99 %	-11.15 %	-2.88 %	-37.77 %

(* = No dividends or coupons)



Performance among style categories reflected the sell off as well. Large cap growth stocks declined -11.4% while large cap value stocks dropped -13.5%. Contrary to the U.S., growth did better as investors sold commodities, deep cyclicals and banks (all traditionally value stocks).



The rising dollar, as shown in the graph above, penalized international returns as investors fled risk assets and bought treasuries. For the quarter the dollar appreciated 6.2% against a basket of major currencies and nearly 10% against the euro. The euro looks doomed to fall further over the next couple of years when compared to other major currencies including the dollar.

Looking at MTIP's manager performance for the quarter, large cap core and small cap buckets outperformed while large cap growth and large cap value lagged. For the fiscal year, small cap and large cap value outperformed while large cap growth and large cap core underperformed. For the three year period all categories underperformed. Quantitative managers struggled over the year, but as a whole showed an improving trend in the latter half.

Overall MTIP underperformed the custom benchmark by 24 basis points in the quarter. For the year MTIP underperformed by 119 basis points and for the three years it underperformed by 306 basis points, annualized.

Going forward the strategy is to remain neutral with regard to style (i.e. growth versus value) and to continue to carry a sizeable passive weight. It is anticipated that small caps will be increased to an overweight should the market provide an opportunity. In addition, with the termination of one of the active small cap managers, a passive small cap component is likely as review of actively managed products offered by current managers in good standing did not uncover suitable alternatives.

INTERNATIONAL EXPOSURE-MARKET CAP %

June 30, 2010

Managers	MEGA	GIANT	LARGE			MID	SMALL	MICRO	WTD AVG
	\$200B+	\$100-\$200B	\$50-\$100B	\$20-\$50B	\$10-\$20B	\$2.5-\$10B	\$500MM-\$2.5B	< \$500MM	MARKET CAP (\$B)
Acadian Asset Management	1.1	1.2	21.8	18.4	16.0	23.4	11.8	6.4	29.4
Artio Global - Intl Equity II with look throughs	--	4.4	18.3	26.6	14.6	29.2	1.7	0.6	34.4
Batterymarch Financial Mgmt	0.4	7.0	19.7	16.1	16.3	34.8	5.4	---	34.2
Bernstein Inv Mgt & Research with look throughs	0.7	5.1	14.9	27.6	12.0	28.2	7.7	0.1	33.2
BlackRock Global Ex US Alpha Tilt Fd	0.5	6.3	16.1	26.0	14.9	27.9	3.4	---	34.8
DFA International Small Cap	--	--	--	--	---	11.6	62.1	26.1	1.2
Hansberger Global Investors	--	10.7	16.9	23.7	13.4	34.1	1.3	---	39.2
Martin Currie with look throughs	--	3.6	15.6	29.1	18.5	30.8	2.5	---	32.7
BlackRock ACWI Ex US Superfund A	0.5	7.1	18.9	27.6	16.5	24.9	3.6	---	37.2
ALL INTERNATIONAL EQUITY PORTFOLIOS	0.4	6.0	17.5	24.4	14.9	27.1	6.9	1.8	33.8
International Custom Benchmark	0.5	7.1	18.9	27.6	16.4	24.9	4.3	0.3	36.9
Over/underweight(-)	-0.1	-1.1	-1.4	-3.2	-1.5	2.2	2.6	1.5	

INTERNATIONAL EXPOSURE-SECTOR %

June 30, 2010

MANAGERS

	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Technology	Materials	Telecom. Services	Utilities
Acadian Asset Management	8.1	0.9	11.8	27.3	5.6	12.8	12.8	6.6	10.3	3.6
Artio Global - Intl Equity II with look throughs	8.5	15.4	5.9	15.6	8.7	10.9	5.4	20.4	2.6	1.3
Batterymarch Financial Mgmt	7.9	8.6	10.3	24.3	6.8	9.6	8.7	11.5	7.6	4.7
Bernstein Inv Mgt & Research with look through	11.3	4.8	12.3	23.3	5.6	9.2	7.0	9.5	8.6	4.9
Blackrock Global Ex US Alpha Tilt Fd	10.8	10.0	9.1	21.4	7.5	10.9	6.6	10.6	5.3	3.1
DFA International Small Cap	17.7	6.5	5.8	13.1	5.7	25.1	9.3	13.4	1.0	2.0
Hansberger Global Investors	12.7	8.7	6.9	17.2	8.3	10.7	12.8	15.4	5.2	2.2
Martin Currie with look throughs	23.5	14.5	10.0	16.0	7.9	7.6	5.8	11.2	3.5	0.0
Blackrock ACWI ex-US Superfund	8.8	9.0	10.1	25.1	6.3	10.4	6.8	11.8	6.0	4.7
All International Equity Portfolios	10.7	8.9	9.2	21.6	6.8	10.9	7.6	12.0	5.7	3.5
International Custom Benchmark	9.0	9.1	10.2	25.2	6.4	10.6	6.9	11.9	6.0	4.7
Over/underweight(-)	1.8	-0.2	-1.0	-3.7	0.4	0.3	0.7	0.1	-0.3	-1.2

INTERNATIONAL PORTFOLIO CHARACTERISTICS

June 30, 2010

	Market Value	Number of Securities	3Yr Hist EPS Growth	Price/Earnings	Price/Book	Dividend Yield
International Accounts with look throughs	1,120.4	6,556	-1.7	13.8	1.5	2.80

International Equity Managers

Acadian Asset Management	73.7	297	(2.7)	10.3	1.1	2.89
Artio Global - Intl Equity II with look throughs	123.7	267	(2.4)	15.0	1.7	2.43
Batterymarch Financial Mgmt	95.6	221	(2.7)	12.5	1.4	3.18
Bernstein Inv Mgt & Research with look throughs	92.2	218	(5.5)	11.2	1.2	3.17
Blackrock Global Ex US Alpha Tilt Fd	87.5	1,324	(5.2)	14.0	1.4	2.92
DFA International Small Cap	53.4	4,601	(0.5)	14.0	1.3	2.32
Hansberger Global Investors	88.1	64	9.9	18.7	2.4	1.79
Martin Currie with look throughs	82.7	55	3.2	15.8	1.6	2.27
Blackrock ACWI ex-US Superfund	380.5	1,865	(2.8)	14.3	1.5	2.94

Benchmarks

MSCI All Country World Ex-United States		1,819	(2.8)	14.1	1.5	2.93
MSCI All Country World Ex-United States Growth		1,080	2.0	17.0	2.0	2.03
MSCI All Country World Ex-United States Value		1,010	(7.9)	12.1	1.2	3.86
MSCI EAFE Small Cap		2,351	(1.4)	12.9	1.1	2.47
MSCI World Ex-United States Small Cap		2,567	(1.2)	13.2	1.2	2.50
MSCI All Country Pacific		924	(4.7)	16.5	1.4	2.43
MSCI Europe		459	(5.1)	12.7	1.5	3.59

International Custom Benchmark

		6,279	(2.8)	14.1	1.5	2.93
--	--	-------	-------	------	-----	------

INTERNATIONAL EQUITY
Region and Market Exposure
June 30, 2010

Developed Countries	Aggregate Int'l Portfolio Weight (%)	International Custom Benchmark Weight	difference	3 Month Return	FYTD Return	Calendar YTD Return	1 yr Return
Asia/Pacific	24.1%	24.7%	-0.58%				
Australia	4.7%	5.6%		-19.0%	18.1%	-16.0%	18.1%
Hong Kong	1.8%	1.8%		-5.7%	16.6%	-2.6%	16.6%
Japan	16.3%	16.1%		-9.3%	1.0%	-1.8%	1.0%
New Zealand	0.1%	0.1%		-10.6%	11.2%	-13.0%	11.2%
Singapore	1.2%	1.2%		-0.2%	31.9%	-0.7%	31.9%
European Union	24.0%	23.1%	0.90%				
Austria	0.5%	0.2%		-20.8%	-0.2%	-21.0%	-0.2%
Belgium	0.8%	0.7%		-13.2%	13.9%	-13.0%	13.9%
Denmark	0.8%	0.7%		-7.4%	18.7%	0.4%	18.7%
Finland	0.7%	0.7%		-25.0%	-5.7%	-16.8%	-5.7%
France	6.5%	6.7%		-18.7%	1.4%	-21.6%	1.4%
Germany	6.0%	5.4%		-12.9%	7.9%	-14.8%	7.9%
Greece	0.2%	0.2%		-38.6%	-45.6%	-46.9%	-45.6%
Ireland	0.2%	0.2%		-20.0%	-9.0%	-20.5%	-9.0%
Italy	1.9%	2.0%		-21.6%	-10.3%	-27.0%	-10.3%
Netherlands	3.1%	1.8%		-13.6%	16.9%	-14.3%	16.9%
Portugal	0.2%	0.2%		-18.0%	-10.8%	-26.2%	-10.8%
Spain	1.5%	2.4%		-20.9%	-13.6%	-32.6%	-13.6%
Sweden	1.6%	2.0%		-9.0%	30.8%	-1.7%	30.8%
Non-EU Europe	5.9%	6.0%	-0.10%				
Norway	0.6%	0.5%		-20.7%	13.0%	-22.0%	13.0%
Switzerland	5.3%	5.5%		-11.6%	17.6%	-7.5%	17.6%
North America	6.8%	7.9%	-1.05%				
Canada	6.8%	7.9%		-10.4%	21.4%	-4.4%	21.4%
USA	0.0%	0.0%		-11.4%	15.2%	-6.3%	15.2%
United Kingdom	14.5%	14.5%	0.01%				
United Kingdom	14.5%	14.5%		-13.2%	9.6%	-13.4%	9.6%
Other							
Other	2.4%	0.6%					
DEVELOPED TOTAL	77.7%	76.7%	0.97%				
Emerging & Frontier Market Countries							
Asia/Pacific	12.6%	13.8%	-1.23%				
China	4.3%	4.4%		-5.7%	12.5%	-6.3%	12.5%
India	1.5%	2.0%		-1.7%	34.1%	3.1%	34.1%
Indonesia	0.5%	0.6%		3.1%	60.3%	14.2%	60.3%
S. Korea	3.2%	3.2%		-7.1%	29.8%	-3.9%	29.8%
Malaysia	0.7%	0.7%		-0.2%	34.6%	10.0%	34.6%
Philippines	0.1%	0.1%		3.6%	44.3%	10.4%	44.3%
Taiwan	1.8%	2.5%		-9.3%	17.7%	-12.4%	17.7%
Thailand	0.5%	0.4%		-0.2%	41.0%	12.3%	41.0%
European Union	0.5%	0.5%	0.05%				
Czech Republic	0.1%	0.1%		-12.5%	2.4%	-11.3%	2.4%
Hungary	0.1%	0.1%		-30.1%	14.8%	-21.5%	14.8%
Poland	0.3%	0.3%		-22.1%	22.2%	-18.0%	22.2%
Non-EU Europe	1.5%	1.5%	0.07%				
Russia	1.5%	1.5%		-15.7%	27.7%	-9.4%	27.7%
Latin America/Caribbean	4.4%	5.3%	-0.87%				
Brazil	3.0%	3.6%		-14.5%	25.1%	-14.7%	25.1%
Chile	0.4%	0.4%		2.8%	26.0%	3.7%	26.0%
Colombia	0.1%	0.2%		3.4%	55.2%	14.1%	55.2%
Mexico	0.9%	1.0%		-9.1%	32.4%	-1.8%	32.4%
Peru	0.1%	0.1%		3.7%	50.4%	4.5%	50.4%
Mid East/Africa	1.9%	2.2%	-0.32%				
Egypt	0.1%	0.1%		-13.8%	7.9%	-2.9%	7.9%
Morocco	0.0%	0.0%		-3.4%	-10.9%	2.7%	-10.9%
South Africa	1.4%	1.7%		-9.0%	19.8%	-4.6%	19.8%
Turkey	0.4%	0.4%		-5.3%	45.5%	-0.6%	45.5%
Frontier	0.1%	0.0%	0.12%				
EMERGING & FRONTIER TOTAL	21.1%	23.3%	-2.17%				

MEMORANDUM

Montana Board of Investments

Department of Commerce

2401 Colonial Drive, 3rd Floor

Helena, MT 59601 (406) 444-0001

To: Members of the Board

From: Rande R. Muffick, CFA
Portfolio Manager

Date: August 3, 2010

Subject: Public Equity External Managers Watch List - Quarterly Update

During the quarter Renaissance Investment Management was added to the Watch List due to concerns about performance and process. Renaissance implements a quantitative screening process within its fundamental framework. Similar to most quantitative approaches, its stock picking process has struggled and the manager's performance has lagged the benchmark since inception.

There were no removals from the Watch List and there were no terminations.

MANAGER WATCH LIST August 2010

Manager	Style Bucket	Reason	Inclusion Date
Western Asset	Domestic - LC Enhanced	Performance, Tracking Error	March 2008
NorthPointe	Domestic- SC Growth	Performance	August 2008
Acadian	International – LC Value	Performance, Process	February 2009
Martin Currie	International – LC Growth	Performance, Risk Controls	February 2009
Batterymarch	International – LC Core	Performance, Process	May 2009
Martingale	Domestic – 130/30	Performance, Process	February 2010
Martingale	Domestic – MC Core	Performance, Process	February 2010
Analytic Investors	Domestic - 130/30	Performance, Process	May 2010
Renaissance Inv. Mgt	Domestic – LC Growth	Performance, Process	August 2010

Attached for reference is the Public Equity Manager Evaluation Policy.

MONTANA BOARD OF INVESTMENTS PUBLIC EQUITY MANAGER
EVALUATION POLICY
(May 14, 2008)

INTRODUCTION

The purpose of this policy is to broadly define the monitoring and evaluation of external public equity managers. This policy also provides a basis for the retention and/or termination of managers employed within the Montana Domestic Equity Pool (MDEP) and the Montana International Equity Pool (MTIP).

The costs involved in transitioning assets between managed portfolios can be significant and have the potential to detract from MDEP and MTIP returns. Therefore it is important that the decision process be based on a thorough assessment of relevant evaluation criteria prior to implementing any manager changes. Staff will consider such transition costs when deciding to add or subtract to manager weights within the pools as well as in deciding to retain or terminate managers.

MONITORING PROCESS

Periodic Reviews: Staff will conduct periodic reviews of external managers and will document such periodic reviews and subsequent conclusions. Periodic reviews may include quarterly conference calls on portfolio performance and organizational issues as well as reviews conducted in the offices of the Montana Board of Investments (MBOI) and on-site at the offices of the external managers. Reviews will cover the broad manager evaluation criteria indicated in this policy as well as further, more-detailed analysis related to the criteria as needed.

Continual Assessment: Staff will make a continual assessment of the external managers by establishing and maintaining manager profiles, monitoring company actions, and analyzing the performance of the portfolios managed with the use of in-house data bases and sophisticated analytical systems, including systems accessed through the Master Custodian and the Investment Consultant. This process culminates in a judgment which takes into account all aspects of the manager's working relationship with MBOI, including portfolio performance.

Staff will actively work with the Investment Consultant in the assessment of managers which will include use of database research, conference calls and discussions specific to each manager, and in any consideration of actions to be taken with respect to managers.

It is also important to note that our manager contracts are limited to a seven year term. While we may choose to issue a RFP at any time as deemed appropriate, this contractual provision will eventually force us to issue a RFP to which the manager may respond and be subject to re-evaluation against his/her peers.

MANAGER EVALUATIONS

The evaluation of managers includes the assessment of the managers with respect to the following qualitative and quantitative criteria.

Qualitative Criteria:

- Firm ownership and/or structure
- Stability of personnel
- Client base and/or assets under management
- Adherence to investment philosophy and style (style drift)
- Unique macroeconomic and capital market events that affect manager performance
- Client service, reporting, and reconciliation issues
- Ethics and regulatory issues
- Compliance with respect to contract and investment guidelines
- Asset allocation strategy changes that affect manager funding levels

Quantitative Criteria:

- Performance versus benchmark – Performance of managers is evaluated on a three-year rolling period after fees.
- Performance versus peer group – Performance of managers is evaluated on a three-year rolling period before fees.
- Performance attribution versus benchmark – Performance of managers is evaluated on a quarterly and annual basis.
- Other measures of performance, including the following statistical measures:
 - Tracking error
 - Information ratio
 - Sharpe ratio
 - Alpha and Beta

PERFORMANCE MEASUREMENT

Performance calculations and relative performance measurement compared to the relevant benchmark(s) and peer groups are based on a daily time-weighted rate of return. The official book of record for performance measurement is the Master Custodian.

The performance periods relevant to the manager review process will depend in part on market conditions and whether any unique circumstances are apparent that may impact a manager's performance strength or weakness. Generally, however, a measurement period should be sufficiently long to enable observation across a variety of different market conditions. This would suggest a normal evaluation period of three to five years.

ACTIONS

Watch List Status: Staff will maintain a “Watch List” of external managers that have been noted to have deficiencies in one or more evaluation criteria. An external manager may be put on the “Watch List” for deficiencies in any of the above mentioned criteria or for any other reason deemed necessary by the Chief Investment Officer (CIO). A manager may be removed from the “Watch List” if the CIO is satisfied that the concerns which led to such status have been remedied and/or no longer apply.

Termination: The CIO may terminate a manager at any time for any reason deemed to be prudent and necessary and consistent with the terms of the appropriate contract. A termination can effectively be made on very short notice if not immediately.

ROLES AND RESPONSIBILITIES

CIO: The CIO is responsible for the final decision regarding retention of managers, placement on and removal of “Watch List” status, and termination of managers.

Staff: Staff is responsible for monitoring external managers, portfolio allocations and recommending allocation changes to the CIO, and recommending retention or termination of external managers to the CIO.

Investment Consultant: The consultant is responsible for assisting staff in monitoring and evaluating managers and for reporting independently to the Board on a quarterly basis.

External Managers: The external managers are responsible for all aspects of portfolio management as set forth in their respective contracts and investment guidelines. Managers also must communicate with staff as needed regarding investment strategies and results in a consistent manner. Managers must cooperate fully with staff regarding administrative, accounting, and reconciliation issues as well as any requests from the Investment Consultant and the Custodian.

MEMORANDUM

Montana Board of Investments

Department of Commerce
2401 Colonial Drive, 3rd Floor
Helena, MT 59601 (406) 444-0001

To: Members of the Board
From: Jon Shoen, Portfolio Manager – Alternative Investments
Date: August 12, 2010
Subject: Montana Private Equity Pool [MPEP]

Following this memo are the items listed below:

- (i) **Montana Private Equity Pool Review:**
Comprehensive overview of the private equity portfolio.
- (ii) **New Commitments:**
The table below summarizes the investment decisions made by Staff since the last Board meeting. The investment brief summarizing this fund and the general partners follows.

Fund Name	Vintage	Subclass	Sector	Amount	Date
Veritas Capital Fund IV, L.P.	2010	Buyout	Diverse	\$25M	4/13/10

- (iii) **Portfolio Index Comparison:**
Table comparing the performance of the private equity portfolio to the State Street Private Equity Index.

Montana Board of Investments

Private Equity Board Report

Q1 2010

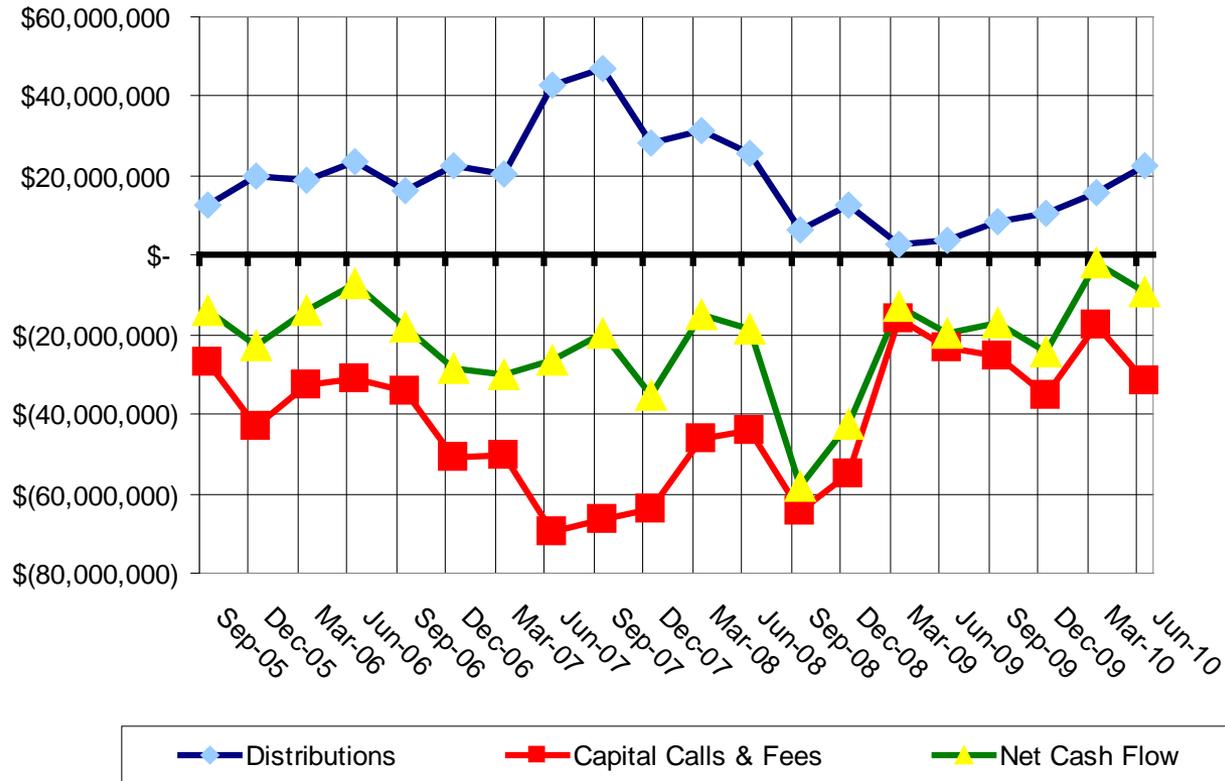
Contents

- **Quarterly Cash Flow Chart**
- **Strategy – Total Exposure Chart**
- **Industry – Market Value Exposure Chart**
- **Geography – Total Exposure Chart**
- **Investment Vehicle – Total Exposure Chart**
- **Periodic Return Comparison**
- **LPs by Family of Funds Table**

MPEP Quarterly Cash Flows

July 1, 2005 through June 30, 2010

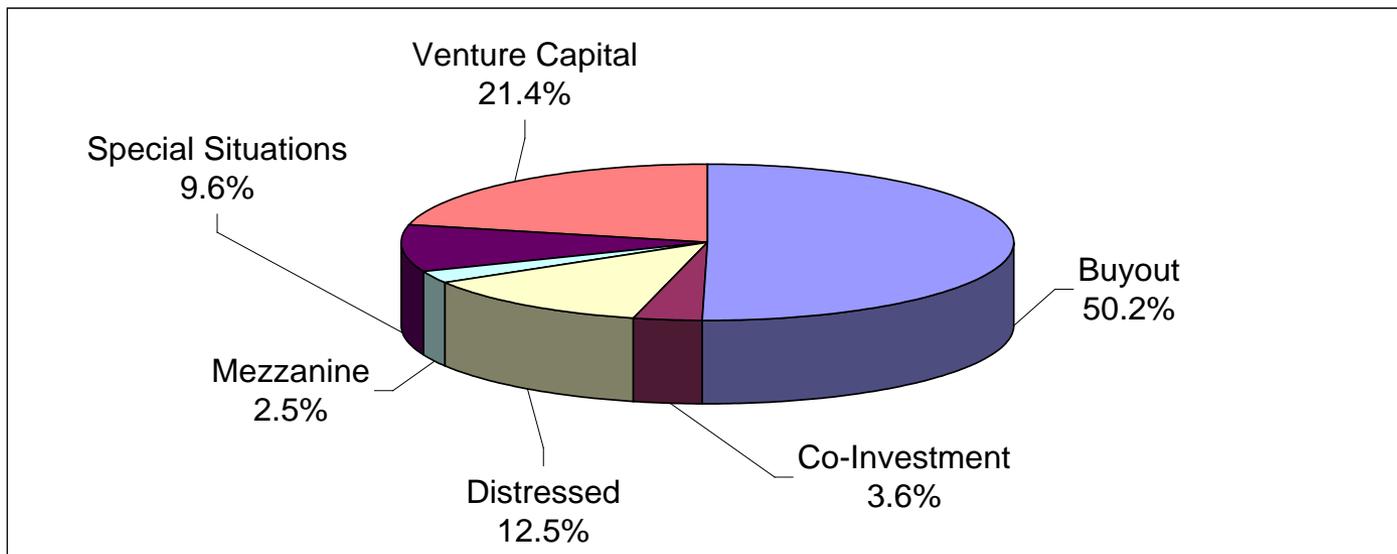
MPEP Cash Flows



The second quarter saw the portfolio's cash distributions continue to increase while cash contributions also jogged higher, leading to a relatively modest net cash outflow during the period. The portfolio's Buyout managers were active in both calling and returning capital. Significant cash distribution activity also occurred at several of the portfolio's Secondary managers, while the portfolio's Venture and Distressed managers were relatively quiet during the period.

Q1 2010 Strategy – Total Exposure

Montana Private Equity Pool Strategy Total Exposure by Market Value & Remaining Commitments (Fund of Funds broken out) *(since inception through March 31, 2010)*

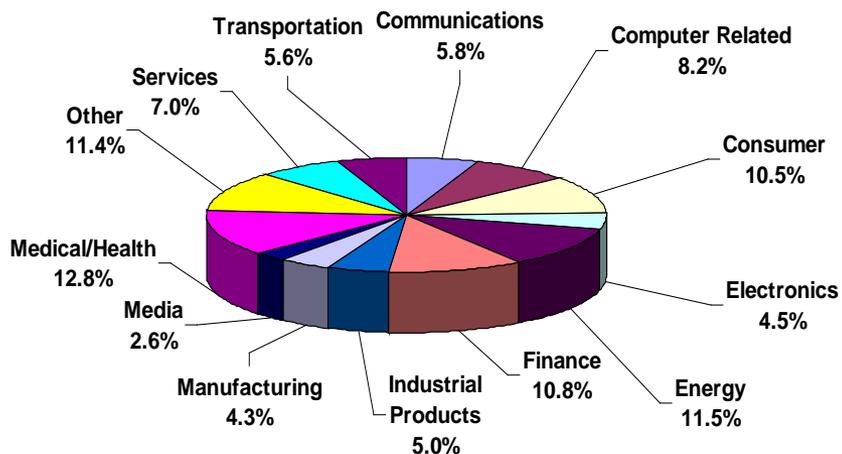


Strategy	Remaining Commitments	Percentage	Market Value	Percentage	Total Exposure	Percentage
Buyout	\$266,339,874	56.6%	\$390,445,697	46.6%	\$656,785,570	50.2%
Co-Investment	\$21,014,411	4.5%	\$26,706,099	3.2%	\$47,720,510	3.6%
Distressed	\$33,955,290	7.2%	\$130,236,668	15.5%	\$164,191,959	12.5%
Mezzanine	\$10,942,745	2.3%	\$22,402,620	2.7%	\$33,345,365	2.5%
Special Situations	\$35,241,438	7.5%	\$90,984,519	10.9%	\$126,225,957	9.6%
Venture Capital	\$103,232,884	21.9%	\$177,475,201	21.2%	\$280,708,085	21.4%
Total	\$470,726,642	100.0%	\$838,250,804	100.0%	\$1,308,977,445	100.0%

The portfolio is well diversified by strategy, with the most significant strategy weight consisting of Buyout at 50.2% of total exposure. None of the portfolio's strategy exposures are significantly changed from the prior quarter. Given that the timing of investments and realizations are controlled by the fund manager, it is not possible to precisely predict the future direction of the portfolio's exposure to any given strategy. However, commitments which have closed subsequent to 3/31/10 should incrementally increase the portfolio's exposure to Special Situations, Distressed, and Buyout at the expense of the remaining strategies.

Q1 2010 Industry – Market Value Exposure

Montana Private Equity Pool Underlying Investment Industry Exposure, by Market Value (since inception through March 31, 2010)



Industry	Investments, At Market Value	Percentage
Communications	\$47,343,638	5.8%
Computer Related	\$66,918,484	8.2%
Consumer	\$85,591,110	10.5%
Electronics	\$37,065,328	4.5%
Energy	\$93,565,850	11.5%
Finance	\$88,295,257	10.8%
Industrial Products	\$40,355,117	5.0%
Manufacturing	\$35,338,178	4.3%
Media	\$20,904,017	2.6%
Medical/Health	\$104,251,164	12.8%
Other	\$93,160,095	11.4%
Services	\$56,980,090	7.0%
Transportation	\$45,332,600	5.6%
Total	\$815,100,927	100.0%

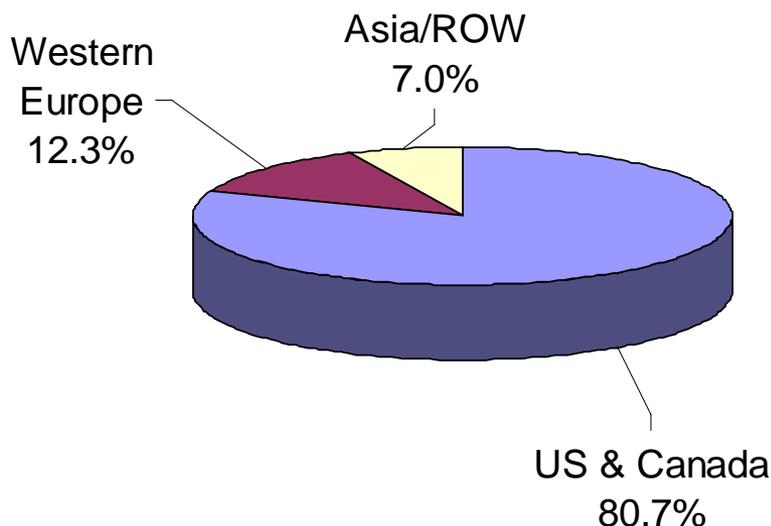
The portfolio has broad industry diversification, with Medical/Health representing the highest industry concentration at 12.8% of assets. With the exception of Energy and the technology-related industries, the portfolio's underlying managers tend to be multi-sector investors. Therefore, the composition of the portfolio by industry is and will continue to be primarily an outflow of manager deal sourcing success rather than a function of Board staff's desire to over or underweight a specific industry.

Q1 2010 Geography – Total Exposure

Montana Private Equity Pool

Investment Geography Exposure by Market Value & Remaining Commitments

(since inception through March 31, 2010)



The portfolio's geographic exposure is heavily weighted towards developed North America, with 80.7% of market value and uncalled capital domiciled in or targeted for the U.S. and Canada. North America is expected to continue to account for a dominant share of portfolio's total exposure for the foreseeable future.

Geography	Remaining Commitments ⁽¹⁾	Percentage	Market Value ⁽²⁾	Percentage	Total Exposure	Percentage
US & Canada	\$ 400,380,837	85.1%	\$ 637,763,230	78.2%	\$ 1,038,144,066	80.7%
Western Europe	\$ 39,542,807	8.4%	\$ 118,718,562	14.6%	\$ 158,261,370	12.3%
Asia/ROW	\$ 30,802,998	6.5%	\$ 58,619,135	7.2%	\$ 89,422,132	7.0%
Total	\$ 470,726,642	100.0%	\$ 815,100,927	100.0%	\$ 1,285,827,569	100.0%

⁽¹⁾ Remaining commitments are based upon the investment location of the partnerships.

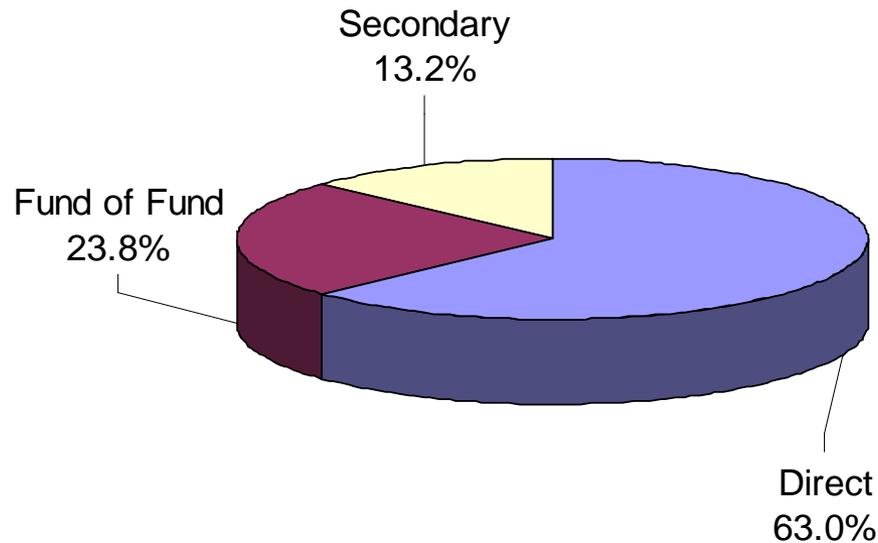
⁽²⁾ Market Value represents the aggregate market values of the underlying investment companies of the partnerships.

Q1 2010 Investment Vehicle – Total Exposure

Montana Private Equity Pool

Investment Vehicle Exposure by Market Value & Remaining Commitments

(since inception through March 31, 2010)



The portfolio is invested primarily through direct private equity commitments. To the extent that the quality of managers invested with directly is comparable to the quality of managers available through a fund of funds, a direct strategy should outperform fund of funds due to a reduced fee burden. In future periods, the portfolio is likely to depend upon fund of funds managers for international investments as well as for exposure to domestic venture capital, while non-venture domestic exposure will be accessed directly. Based on recent and expected future commitment activity, it is likely that coming quarters will see the portfolio's exposure to fund of funds and direct commitments increase at the expense of secondary.

Investment Vehicle	Remaining Commitments	Percentage	Market Value	Percentage	Total Exposure	Percentage
Direct	\$ 256,786,511	54.6%	\$ 567,524,225	67.7%	\$ 824,310,736	63.0%
Fund of Fund	\$ 129,369,869	27.5%	\$ 182,621,588	21.8%	\$ 311,991,457	23.8%
Secondary	\$ 84,570,262	18.0%	\$ 88,104,991	10.5%	\$ 172,675,253	13.2%
Total	\$ 470,726,642	100.0%	\$ 838,250,804	100.0%	\$ 1,308,977,446	100.0%

Q1 2010 1 – 3 – 5 Year Periodic Return Comparison

**Montana Board of Investments
Periodic Return Comparison
For the Period Ended March 31, 2010**

Description	Since Inception					1 Year Return	3 Year Return	5 Year Return
	Fund Count	Ending Market Value	Investment Multiple	IRR	Contribution to IRR	IRR	IRR	IRR
Total	116	838,250,804	1.32	11.97	11.97	19.20	(0.06)	5.57
<i>Adams Street Funds</i>	34	191,411,899	1.36	11.98	3.11	14.82	(0.06)	7.76
ASP - Direct VC Funds	4	32,394,955	1.36	14.40	0.66	8.17	(2.33)	5.24
ASP - Secondary Funds	7	20,158,936	1.55	44.75	0.51	9.94	5.39	12.31
ASP - U.S. Partnership Funds	14	121,637,798	1.32	9.32	1.66	16.59	(0.08)	7.39
ASP Non-US Partnership Funds	9	17,220,210	1.41	11.30	0.27	23.47	(0.35)	12.65
<i>Buyout</i>	25	247,911,574	1.41	10.92	5.10	15.51	(1.85)	5.18
<i>Co-Investment</i>	2	26,706,099	0.99	(0.28)	(0.01)	30.16	(1.07)	N/A
<i>Distressed</i>	8	128,733,416	1.34	27.57	1.85	62.67	10.69	3.87
<i>Mezzanine</i>	3	18,325,424	1.38	11.03	0.19	2.56	6.65	8.20
<i>Non-US Private Equity</i>	6	33,496,609	1.23	10.11	0.41	30.03	(13.11)	6.58
<i>Secondary</i>	7	67,946,055	1.25	12.07	0.77	14.40	0.76	7.51
<i>Special Situations</i>	5	75,942,047	1.11	4.88	0.27	10.95	3.63	4.64
<i>Venture Capital</i>	26	47,777,681	1.14	16.72	0.26	(0.19)	(5.01)	(5.79)

The portfolio's trailing one-year IRR is 19.20%, and from inception investment multiple and IRR results rose to 1.32 and 11.97%, respectively, from 1.30 and 11.82%, respectively, at the end of the prior quarter. Buyout, Co-Investment, Distressed and Secondary were standout drivers of positive returns during the quarter. In light of the choppy performance the public equity market has experienced since the end of Q1, it should be anticipated that the rebound recently seen in the private equity portfolio may stall in the June quarter.

Q1 2010 LPs by Family of Funds

Montana Board of Investments
LP's by Family of Funds
All Investments
As of March 31, 2010

Description	Since Inception												
	Vintage Year	Commitment	Capital Contributed for Investment	Management Fees	Remaining Commitment	% Capital Contributed/ Committed	Capital Distributed	Ending Market Value	% of Ending Market Value	Net IRR	Investment Multiple	Total Exposure	% of Total Exposure
Total		1,757,388,174	1,230,041,593	79,827,852	470,726,642	74.54	890,758,698	838,250,804	100.00	11.97	1.32	1,308,977,445	100.00
<i>LP's By Family of Funds (Active)</i>													
Total		1,745,470,174	1,218,464,149	78,649,056	470,726,642	74.31	855,593,557	838,250,804	100.00	11.22	1.31	1,308,977,446	100.00
Adams Street Partners		327,129,264	276,179,275	26,197,577	35,647,675	92.43	219,923,938	191,411,899	22.83	11.98	1.36	227,059,574	17.35
Adams Street Partners Fund - U.S.		94,000,000	70,946,089	4,904,411	18,149,500	80.69	20,326,648	66,614,886	7.95	4.63	1.15	84,764,386	6.48
Adams Street - 2002 U.S. Fund, L.P.	2002	34,000,000	28,585,426	2,082,574	3,332,000	90.20	12,696,549	26,579,980	3.17	7.71	1.28	29,911,980	2.29
Adams Street - 2003 U.S. Fund, L.P.	2003	20,000,000	15,213,750	1,046,250	3,740,000	81.30	4,226,402	14,626,850	1.74	4.94	1.16	18,366,850	1.40
Adams Street - 2004 U.S. Fund, L.P.	2004	15,000,000	11,220,352	727,148	3,052,500	79.65	2,133,408	10,593,581	1.26	2.22	1.07	13,646,081	1.04
Adams Street - 2005 U.S. Fund, L.P.	2005	25,000,000	15,926,561	1,048,439	8,025,000	67.90	1,270,289	14,814,475	1.77	(2.04)	0.95	22,839,475	1.74
Adams Street Partners Fund - Non-U.S.		16,000,000	13,059,809	804,191	2,136,000	86.65	6,077,493	11,558,139	1.38	9.32	1.27	13,694,139	1.05
Adams Street - 2002 Non-U.S. Fund, L.P.	2002	6,000,000	5,413,765	352,235	234,000	96.10	4,286,233	4,480,782	0.53	14.33	1.52	4,714,782	0.36
Adams Street - 2004 Non-U.S. Fund, L.P.	2004	5,000,000	3,999,795	245,705	754,500	84.91	1,298,064	3,654,894	0.44	6.10	1.17	4,409,394	0.34
Adams Street - 2005 Non-U.S. Fund, L.P.	2005	5,000,000	3,646,249	206,251	1,147,500	77.05	493,196	3,422,463	0.41	0.68	1.02	4,569,963	0.35
Brinson Partnership Trust - Non-U.S		9,809,483	9,318,556	1,019,284	560,102	105.39	11,123,494	5,791,927	0.69	13.63	1.64	6,352,029	0.49
Brinson Non-U.S. Trust-1999 Primary Fund	1999	1,524,853	1,474,957	158,445	119,071	107.12	2,126,897	491,911	0.06	10.85	1.60	610,982	0.05
Brinson Non-U.S. Trust-2000 Primary Fund	2000	1,815,207	1,815,207	188,615	0	110.39	2,469,095	902,159	0.11	12.65	1.68	902,159	0.07
Brinson Non-U.S. Trust-2001 Primary Fund	2001	1,341,612	1,341,612	139,405	0	110.39	1,764,720	639,849	0.08	12.88	1.62	639,849	0.05
Brinson Non-U.S. Trust-2002 Primary Fund	2002	1,696,452	1,696,452	176,275	0	110.39	1,185,275	1,391,156	0.17	8.94	1.38	1,391,156	0.11
Brinson Non-U.S. Trust-2002 Secondary	2002	637,308	601,542	66,221	35,766	104.78	1,329,057	129,856	0.02	26.37	2.18	165,622	0.01
Brinson Non-U.S. Trust-2003 Primary Fund	2003	1,896,438	1,659,040	197,055	237,398	97.87	1,888,576	1,533,651	0.18	22.58	1.84	1,771,049	0.14
Brinson Non-U.S. Trust-2004 Primary Fund	2004	897,613	729,746	93,269	167,867	91.69	359,874	703,345	0.08	8.42	1.29	871,212	0.07
Brinson Partnership Trust - U.S.		103,319,781	96,220,953	9,783,728	7,098,828	102.60	95,362,632	57,253,121	6.83	10.27	1.44	64,351,949	4.92
Brinson Partners - 1996 Fund	1996	3,950,740	3,708,316	450,127	242,424	105.26	6,824,237	269,398	0.03	15.00	1.71	511,822	0.04
Brinson Partners - 1997 Primary Fund	1997	3,554,935	3,554,935	403,096	0	111.34	14,267,325	251,183	0.03	71.47	3.67	251,183	0.02
Brinson Partners - 1998 Primary Fund	1998	7,161,019	7,122,251	812,157	38,768	110.80	10,085,017	937,092	0.11	6.71	1.39	975,860	0.07
Brinson Partners - 1998 Secondary Fund	1998	266,625	266,625	30,210	0	111.33	181,932	14,615	0.00	(7.06)	0.66	14,615	0.00
Brinson Partners - 1999 Primary Fund	1999	8,346,761	7,832,823	928,984	513,938	104.97	7,832,823	2,023,832	0.24	2.22	1.12	2,537,770	0.19
Brinson Partners - 2000 Primary Fund	2000	20,064,960	19,079,570	2,060,414	985,390	105.36	19,190,354	8,659,994	1.03	5.67	1.32	9,645,384	0.74
Brinson Partners - 2001 Primary Fund	2001	15,496,322	14,830,208	1,362,234	666,114	104.49	8,127,055	12,047,765	1.44	5.03	1.25	12,713,879	0.97
Brinson Partners - 2002 Primary Fund	2002	16,297,079	15,783,921	1,420,665	513,158	105.57	13,662,316	11,288,838	1.35	11.55	1.45	11,801,996	0.90
Brinson Partners - 2002 Secondary Fund	2002	2,608,820	2,498,592	221,253	110,228	104.26	3,162,471	1,433,187	0.17	14.17	1.69	1,543,415	0.12
Brinson Partners - 2003 Primary Fund	2003	15,589,100	13,272,620	1,326,599	2,316,480	93.65	8,564,913	11,767,717	1.40	10.11	1.39	14,084,197	1.08
Brinson Partners - 2003 Secondary Fund	2003	1,151,151	1,020,460	88,554	130,691	96.34	1,906,646	793,332	0.09	26.44	2.43	924,023	0.07
Brinson Partners - 2004 Primary Fund	2004	8,832,269	7,250,632	679,434	1,581,637	89.79	1,557,543	7,766,168	0.93	4.80	1.18	9,347,805	0.71

Q1 2010 LPs by Family of Funds - Continued

Montana Board of Investments
LP's by Family of Funds
All Investments
As of March 31, 2010

Description	Since Inception												
	Vintage Year	Capital Commitment	Capital Contributed for Investment	Management Fees	Remaining Commitment	% Capital Contributed/Committed	Capital Distributed	Ending Market Value	% of Ending Market Value	Net IRR	Investment Multiple	Total Exposure	% of Total Exposure
Remaining ASP Funds		104,000,000	86,633,868	9,685,963	7,703,245	92.62	87,033,671	50,193,826	5.99	21.11	1.42	57,897,071	4.42
Adams Street Global Oppty Secondary Fund	2004	25,000,000	18,247,263	690,237	6,062,500	75.75	6,115,263	17,614,660	2.10	10.45	1.25	23,677,160	1.81
Adams Street V, L.P.	2003	40,000,000	34,999,999	4,400,001	600,000	98.50	11,309,266	24,560,343	2.93	(2.49)	0.91	25,160,343	1.92
Adams Street VPAF Fund II	1990	4,000,000	3,621,830	378,170	0	100.00	7,879,041	10,925	0.00	25.25	1.97	10,925	0.00
Brinson Venture Capital Fund III, L.P.	1993	5,000,000	4,045,656	954,344	0	100.00	15,622,448	12,946	0.00	40.47	3.13	12,946	0.00
Brinson VPF III	1993	5,000,000	4,488,559	522,979	0	100.23	14,899,918	159,932	0.02	29.47	3.01	159,932	0.01
Brinson VPF III - Secondary Interest	1999	5,000,000	4,820,288	191,250	0	100.23	8,182,793	160,340	0.02	41.49	1.66	160,340	0.01
BVCF III - Secondary Interest	1999	5,000,000	3,602,735	356,520	1,040,745	79.19	9,634,305	12,946	0.00	97.02	2.44	1,053,691	0.08
BVCF IV, L.P.	1999	15,000,000	12,807,538	2,192,462	0	100.00	13,390,637	7,661,734	0.91	4.89	1.40	7,661,734	0.59
Affinity Asia Capital		15,000,000	5,959,159	1,078,442	7,964,067	46.92	121,676	5,004,049	0.60	(19.31)	0.73	12,968,116	0.99
Affinity Asia Pacific Fund III, LP	2006	15,000,000	5,959,159	1,078,442	7,964,067	46.92	121,676	5,004,049	0.60	(19.31)	0.73	12,968,116	0.99
ArcLight Energy Partners		50,000,000	41,725,857	1,629,981	6,871,644	86.71	20,795,732	34,107,988	4.07	9.87	1.27	40,979,632	3.13
ArcLight Energy Partners Fund II	2004	25,000,000	20,721,278	973,284	3,405,720	86.78	18,829,261	12,384,904	1.48	15.66	1.44	15,790,624	1.21
ArcLight Energy Partners Fund III, LP	2006	25,000,000	21,004,580	656,697	3,465,924	86.65	1,966,471	21,723,084	2.59	3.37	1.09	25,189,008	1.92
Austin Ventures		500,000	424,416	129,154	1	110.71	1,216,717	15,764	0.00	20.56	2.23	15,765	0.00
Austin Ventures III	1991	500,000	424,416	129,154	1	110.71	1,216,717	15,764	0.00	20.56	2.23	15,765	0.00
Avenue Investments		35,000,000	33,684,161	1,525,736	0	100.60	80,585	41,931,264	5.00	11.15	1.19	41,931,264	3.20
Avenue Special Situations Fund V, LP	2007	35,000,000	33,684,161	1,525,736	0	100.60	80,585	41,931,264	5.00	11.15	1.19	41,931,264	3.20
Axiom Asia Private Capital		25,000,000	1,964,793	234,760	22,838,931	8.80	0	2,296,099	0.27	4.40	1.04	25,135,030	1.92
Axiom Asia Private Capital II, LP ¹	2009	25,000,000	1,964,793	234,760	22,838,931	8.80	0	2,296,099	0.27	4.40	1.04	25,135,030	1.92
Carlyle Partners		60,000,000	46,814,137	3,376,645	9,908,220	83.65	4,143,841	48,668,443	5.81	1.81	1.05	58,576,663	4.47
Carlyle Partners IV, L.P.	2005	35,000,000	31,662,839	1,245,499	2,190,664	94.02	3,974,838	33,300,420	3.97	3.91	1.13	35,491,084	2.71
Carlyle U.S. Growth Fund III, L.P.	2006	25,000,000	15,151,298	2,131,146	7,717,556	69.13	169,003	15,368,023	1.83	(5.07)	0.90	23,085,579	1.76
CCMP Associates		30,000,000	10,258,071	1,447,214	18,294,715	39.02	75,714	9,685,545	1.16	(8.20)	0.83	27,980,260	2.14
CCMP Capital Investors II, L.P.	2006	30,000,000	10,258,071	1,447,214	18,294,715	39.02	75,714	9,685,545	1.16	(8.20)	0.83	27,980,260	2.14
Centerbridge		12,500,000	8,722,553	27,447	3,750,000	70.00	0	11,370,898	1.36	51.33	1.30	15,120,898	1.16
Centerbridge Special Credit Partners	2009	12,500,000	8,722,553	27,447	3,750,000	70.00	0	11,370,898	1.36	51.33	1.30	15,120,898	1.16
First Reserve		55,485,789	31,568,037	957,088	22,960,664	58.62	1,193,473	30,869,000	3.68	(0.79)	0.99	53,829,664	4.11
First Reserve Fund XI, L.P.	2006	30,000,000	22,185,531	645,145	7,169,324	76.10	1,023,213	23,479,000	2.80	3.46	1.07	30,648,324	2.34
First Reserve Fund XII, L.P.	2008	25,485,789	9,382,506	311,943	15,791,341	38.04	170,260	7,390,000	0.88	(19.31)	0.78	23,181,341	1.77
HarbourVest		61,823,772	12,901,543	348,641	48,587,114	21.43	143,379	13,346,289	1.59	1.17	1.02	61,933,403	4.73
Dover Street VII L.P.	2008	20,000,000	4,045,124	168,401	15,800,000	21.07	143,379	4,033,574	0.48	(0.59)	0.99	19,833,574	1.52
HarbourVest Direct 2007 Fund	2007	20,000,000	7,929,924	120,076	11,950,000	40.25	0	8,368,861	1.00	2.31	1.04	20,318,861	1.55
HarbourVest Intl Private Equity Fund VI	2008	21,823,772	926,495	60,164	20,837,114	4.52	0	943,854	0.11	(8.31)	0.96	21,780,968	1.66
Hellman & Friedman		40,000,000	16,901,770	558,832	22,539,398	43.65	804,881	18,422,682	2.20	4.73	1.10	40,962,080	3.13
Hellman & Friedman Capital Partners VI	2006	25,000,000	16,901,770	558,832	7,539,398	69.84	804,881	18,422,682	2.20	4.73	1.10	25,962,080	1.98
Hellman & Friedman Capital Partners VII	2010	15,000,000	0	0	15,000,000	0.00	0	0	0.00	N/A	0.00	15,000,000	1.15

Q1 2010 LPs by Family of Funds - Continued

Montana Board of Investments
LP's by Family of Funds
All Investments
As of March 31, 2010

Description	Since Inception												
	Vintage Year	Capital Commitment	Capital Contributed for Investment	Management Fees	Remaining Commitment	% Capital Contributed/Committed	Capital Distributed	Ending Market Value	% of Ending Market Value	Net IRR	Investment Multiple	Total Exposure	% of Total Exposure
Highway 12 Ventures		10,000,000	4,656,366	839,215	4,504,419	54.96	73,476	4,269,132	0.51	(14.18)	0.79	8,773,551	0.67
Highway 12 Venture Fund II, L.P.	2006	10,000,000	4,656,366	839,215	4,504,419	54.96	73,476	4,269,132	0.51	(14.18)	0.79	8,773,551	0.67
Industry Ventures		10,000,000	9,321,237	487,542	595,358	98.09	1,489,317	8,543,421	1.02	1.05	1.02	9,138,779	0.70
Industry Ventures Fund IV, L.P.	2005	10,000,000	9,321,237	487,542	595,358	98.09	1,489,317	8,543,421	1.02	1.05	1.02	9,138,779	0.70
JCF		25,000,000	23,899,985	622,502	488,309	98.09	617,334	7,389,157	0.88	(40.02)	0.33	7,877,466	0.60
J.C. Flowers II L.P.	2006	25,000,000	23,899,985	622,502	488,309	98.09	617,334	7,389,157	0.88	(40.02)	0.33	7,877,466	0.60
Joseph Littlejohn & Levy		25,000,000	20,907,339	1,009,550	3,083,111	87.67	4,319,466	20,573,003	2.45	6.07	1.14	23,656,114	1.81
JLL Partners Fund V, L.P.	2005	25,000,000	20,907,339	1,009,550	3,083,111	87.67	4,319,466	20,573,003	2.45	6.07	1.14	23,656,114	1.81
KKR		175,000,000	175,000,000	9,628,342	0	105.50	321,110,662	27,713,078	3.31	12.29	1.89	27,713,078	2.12
KKR 1987 Fund	1987	25,000,000	25,000,000	2,101,164	0	108.40	55,896,579	261,576	0.03	8.89	2.07	261,576	0.02
KKR 1993 Fund	1993	25,000,000	25,000,000	1,002,236	0	104.01	48,789,535	93,988	0.01	17.78	1.88	93,988	0.01
KKR 1996 Fund	1997	100,000,000	100,000,000	4,676,973	0	104.68	173,572,183	12,512,186	1.49	13.40	1.78	12,512,186	0.96
KKR European Fund, L.P.	1999	25,000,000	25,000,000	1,847,969	0	107.39	42,852,365	14,845,328	1.77	19.76	2.15	14,845,328	1.13
Lexington Capital Partners		140,000,000	87,900,899	4,158,150	47,940,951	65.76	65,613,155	52,598,698	6.27	13.22	1.28	100,539,649	7.68
Lexington Capital Partners V, L.P.	2001	50,000,000	47,308,917	2,208,298	482,785	99.03	55,783,027	20,486,092	2.44	19.18	1.54	20,968,877	1.60
Lexington Capital Partners VI-B, L.P.	2005	50,000,000	39,252,290	1,584,849	9,162,861	81.67	9,826,025	30,562,667	3.65	(0.58)	0.99	39,725,528	3.03
Lexington Capital Partners VII, L.P.	2009	30,000,000	161,669	278,945	29,559,386	1.47	176	137,228	0.02	(100.00)	0.31	29,696,614	2.27
Lexington Middle Market Investors II, LP	2008	10,000,000	1,178,023	86,058	8,735,919	12.64	3,927	1,412,711	0.17	12.61	1.12	10,148,630	0.78
Madison Dearborn Capital Partners		75,000,000	46,913,359	1,686,234	26,400,407	64.80	23,491,795	39,066,645	4.66	9.07	1.29	65,467,052	5.00
Madison Dearborn Capital Partners IV, LP	2001	25,000,000	23,569,991	527,757	902,252	96.39	22,471,839	19,906,651	2.37	16.36	1.76	20,808,903	1.59
Madison Dearborn Capital Partners V, LP	2006	25,000,000	19,915,614	722,546	4,361,840	82.55	1,019,956	15,775,544	1.88	(7.43)	0.81	20,137,384	1.54
Madison Dearborn Capital Partners VI, LP	2008	25,000,000	3,427,754	435,931	21,136,315	15.45	0	3,384,450	0.40	(8.25)	0.88	24,520,765	1.87
Matlin Patterson		30,000,000	21,048,073	1,185,783	7,766,144	74.11	2,738,466	18,326,913	2.19	(3.48)	0.95	26,093,057	1.99
MatlinPatterson Global Opps. Ptnrs. III	2007	30,000,000	21,048,073	1,185,783	7,766,144	74.11	2,738,466	18,326,913	2.19	(3.48)	0.95	26,093,057	1.99
MHR Institutional Partners		25,000,000	14,699,635	1,189,578	9,110,787	63.56	244,507	12,330,650	1.47	(10.06)	0.79	21,441,437	1.64
MHR Institutional Partners III, L.P.	2006	25,000,000	14,699,635	1,189,578	9,110,787	63.56	244,507	12,330,650	1.47	(10.06)	0.79	21,441,437	1.64
Montlake Capital		15,000,000	5,388,687	1,211,313	8,400,000	44.00	0	5,089,086	0.61	(11.90)	0.77	13,489,086	1.03
Montlake Capital II, L.P.	2007	15,000,000	5,388,687	1,211,313	8,400,000	44.00	0	5,089,086	0.61	(11.90)	0.77	13,489,086	1.03
Neuberger Berman Group, LLC		35,000,000	24,795,266	1,140,323	9,064,411	74.10	7,080,585	18,337,238	2.19	(0.89)	0.98	27,401,649	2.09
NB Co-investment Partners, L.P.	2006	35,000,000	24,795,266	1,140,323	9,064,411	74.10	7,080,585	18,337,238	2.19	(0.89)	0.98	27,401,649	2.09
Oak Hill Capital Partners		45,000,000	28,379,512	2,187,632	14,514,209	67.93	2,296,499	32,135,652	3.83	4.56	1.13	46,649,861	3.56
Oak Hill Capital Partners II, L.P.	2005	25,000,000	22,210,182	1,441,506	1,348,312	94.61	2,252,384	26,914,555	3.21	7.35	1.23	28,262,867	2.16
Oak Hill Capital Partners III, L.P.	2008	20,000,000	6,169,330	746,126	13,165,897	34.58	44,115	5,221,097	0.62	(14.84)	0.76	18,386,994	1.40
Oaktree Capital Partners		120,000,000	103,976,329	3,023,671	13,000,000	89.17	121,554,428	44,773,691	5.34	44.18	1.55	57,773,691	4.41
Oaktree Opportunities Fund VIII, L.P.	2009	10,000,000	2,175,625	74,348	7,750,000	22.50	0	2,355,909	0.28	10.02	1.05	10,105,909	0.77
OCM Opportunities Fund IVb, L.P.	2002	75,000,000	73,086,225	1,913,775	0	100.00	121,554,428	(21,445)	(0.00)	44.89	1.62	-21,445	0.00
OCM Opportunities Fund VIIb, L.P.	2008	35,000,000	28,714,452	1,035,548	5,250,000	85.00	0	42,439,227	5.06	29.92	1.43	47,689,227	3.64
Odyssey Partners Fund III		45,000,000	27,710,030	2,433,795	14,856,195	66.99	20,674,290	23,901,974	2.85	24.45	1.48	38,758,169	2.96
Odyssey Investment Partners IV, L.P.	2008	20,000,000	5,501,192	535,856	13,962,972	30.19	60	5,389,544	0.64	(30.10)	0.89	19,352,516	1.48
Odyssey Partners Fund III, L.P.	2004	25,000,000	22,208,838	1,897,939	893,223	96.43	20,674,230	18,512,430	2.21	25.66	1.63	19,405,653	1.48
Performance Venture Capital		25,000,000	2,020,319	449,315	22,530,366	9.88	383	1,881,588	0.22	(25.62)	0.76	24,411,954	1.86
Performance Venture Capital II	2008	25,000,000	2,020,319	449,315	22,530,366	9.88	383	1,881,588	0.22	(25.62)	0.76	24,411,954	1.86

Q1 2010 LPs by Family of Funds - Continued

Montana Board of Investments
LP's by Family of Funds
All Investments
As of March 31, 2010

Description	Since Inception												
	Vintage Year	Capital Contributed for Investment	Management Fees	Remaining Commitment	% Capital Contributed/Committed	Capital Distributed	Ending Market Value	% of Ending Market Value	Net IRR	Investment Multiple	Total Exposure	% of Total Exposure	
Portfolio Advisors		70,000,000	32,292,135	1,581,083	36,373,633	48.39	1,275,155	29,807,230	3.56	(4.71)	0.92	66,180,863	5.06
Port. Advisors Fund IV (B), L.P.	2006	30,000,000	19,346,601	845,313	9,808,086	67.31	1,096,907	18,425,076	2.20	(1.60)	0.97	28,233,162	2.16
Port. Advisors Fund IV (E), L.P.	2006	15,000,000	7,610,076	564,200	6,825,724	54.50	4,731	5,885,546	0.70	(19.00)	0.72	12,711,270	0.97
Port. Advisors Fund V (B), L.P.	2008	10,000,000	3,099,697	131,250	6,885,800	32.31	150,959	2,726,246	0.33	(8.59)	0.89	9,612,046	0.73
Portfolio Advisors Secondary Fund, L.P.	2008	15,000,000	2,235,761	40,320	12,854,023	15.17	22,558	2,770,362	0.33	23.74	1.23	15,624,385	1.19
Quintana Energy Partners		15,000,000	11,414,134	1,007,532	2,598,705	82.81	0	10,965,059	1.31	(5.44)	0.88	13,563,764	1.04
Quintana Energy Partners Fund I, L.P.	2006	15,000,000	11,414,134	1,007,532	2,598,705	82.81	0	10,965,059	1.31	(5.44)	0.88	13,563,764	1.04
Siguler Guff & Company		25,000,000	12,587,435	568,750	11,976,103	52.62	660,788	11,605,170	1.38	(4.28)	0.93	23,581,273	1.80
Siguler Guff Small Buyout Opportunities	2007	25,000,000	12,587,435	568,750	11,976,103	52.62	660,788	11,605,170	1.38	(4.28)	0.93	23,581,273	1.80
Sprout Capital Partners		500,000	416,999	122,671	0	107.93	1,080,388	0	0.00	17.71	2.00	0	0.00
Sprout Capital VI	1990	500,000	416,999	122,671	0	107.93	1,080,388	0	0.00	17.71	2.00	0	0.00
Summit Ventures		500,000	388,928	109,563	25,003	99.70	1,255,067	2,766	0.00	28.32	2.52	27,769	0.00
Summit Ventures II, L.P.	1988	500,000	388,928	109,563	25,003	99.70	1,255,067	2,766	0.00	28.32	2.52	27,769	0.00
TA Associates, Inc.		10,000,000	0	0	10,000,000	0.00	0	0	0.00	N/A	0.00	10,000,000	0.76
TA XI, L.P.	2010	10,000,000	0	0	10,000,000	0.00	0	0	0.00	N/A	0.00	10,000,000	0.76
Terra Firma Capital Partners		25,432,997	14,950,034	1,804,456	8,695,559	65.88	0	4,521,732	0.54	(49.56)	0.27	13,217,291	1.01
Terra Firma Capital Partners III, LP	2007	25,432,997	14,950,034	1,804,456	8,695,559	65.88	0	4,521,732	0.54	(49.56)	0.27	13,217,291	1.01
Trilantic Capital Partners		11,098,351	4,309,870	597,937	6,190,544	44.22	0	4,787,987	0.57	(1.75)	0.98	10,978,531	0.84
Trilantic Capital Partners IV L.P.	2007	11,098,351	4,309,870	597,937	6,190,544	44.22	0	4,787,987	0.57	(1.75)	0.98	10,978,531	0.84
Welsh, Carson, Anderson & Stowe		75,500,000	58,383,806	4,092,600	13,250,000	82.75	31,517,859	52,501,013	6.26	9.11	1.34	65,751,013	5.02
Welsh, Carson, Anderson & Stowe II	1990	500,000	455,663	88,404	0	108.81	694,053	97,196	0.01	8.62	1.45	97,196	0.01
Welsh, Carson, Anderson & Stowe IV, LP	2004	25,000,000	15,617,453	882,547	8,500,000	66.00	3,602,769	18,228,228	2.17	8.28	1.32	26,728,228	2.04
Welsh, Carson, Anderson & Stowe IX, L.P.	2000	25,000,000	22,067,480	1,932,520	1,000,000	96.00	27,221,037	12,736,542	1.52	13.12	1.66	13,736,542	1.05
Welsh, Carson, Anderson & Stowe X, L.P.	2005	25,000,000	20,243,210	1,189,129	3,750,000	85.73	0	21,439,047	2.56	0.01	1.00	25,189,047	1.92
LP's by Family of Funds (Inactive)													
Total		11,918,000	11,577,444	1,178,796	0	107.03	35,165,141	0	0.00	21.42	2.76	0	0.00

Footnote:

1 Due to, among other things, the lack of a valuation standard in the private equity industry, differences in the pace of investment across funds and the understatement of returns in the early years of a fund's life, the internal rate of return information does not accurately reflect current or expected future returns. Prior to fund realization, internal rates of return should not be used to compare the investment success of a fund or to compare returns across funds, and the internal rates of return disclosed with respect to this Partnership have not been approved by the General Partners or the Partnership.

The portfolio experienced a modest improvement in net IRR and investment multiple versus the prior quarter. Funds showing noteworthy improvement in performance during the period include Hellman & Friedman VI, Industry Ventures IV, Portfolio Advisors Secondary Fund, and MatlinPatterson III. The portfolio continues to be well diversified by manager, with Madison Dearborn Capital Partners and Welsh, Carson, Anderson & Stowe being the only non-fund of funds or secondary managers to account for more than 5% of total portfolio exposure.

State Street Private Equity Index SM-- Q4 2009 IRR Benchmark Comparison (Since 1980)

As of 12/31/2009										
Description	SSPE % Contrib	Montana % Contrib	SSPE DPI	Montana DPI	SSPE RVPI	Montana RVPI	SSPE Inv Multiple	Montana Inv Multiple	SSPE Index IRR	Montana IRR
Pooled IRR	0.70	0.75	0.65	0.68	0.65	0.62	1.30	1.30	11.42	11.82
By Investment Focus										
<i>Buyout</i>	0.68	0.74	0.68	0.84	0.65	0.58	1.33	1.41	12.15	11.13
<i>Venture Capital</i>	0.77	0.68	0.68	0.63	0.53	0.60	1.21	1.24	8.27	15.92
<i>Mezzanine & Distressed</i>	0.77	0.81	0.49	0.64	0.76	0.67	1.25	1.31	10.95	24.86
By Investment Origin										
<i>US</i>	0.72	0.75	0.67	0.70	0.63	0.62	1.30	1.33	11.21	12.28
<i>Non-US</i>	0.65	0.72	0.59	0.46	0.70	0.61	1.29	1.07	12.48	3.36
By Vintage Year										
<i>Vintage Year 1990</i>	1.01	1.04	2.45	2.40	0.02	0.02	2.46	2.41	18.04	27.63
<i>Vintage Year 1991</i>	0.98	1.07	2.91	2.29	0.00	0.01	2.91	2.30	27.87	24.24
<i>Vintage Year 1992</i>	0.99	N/A	2.33	N/A	0.00	N/A	2.33	N/A	23.80	N/A
<i>Vintage Year 1993</i>	0.99	1.03	2.43	2.22	0.02	0.01	2.45	2.22	24.47	23.25
<i>Vintage Year 1994</i>	0.95	N/A	2.36	N/A	0.02	N/A	2.38	N/A	24.83	N/A
<i>Vintage Year 1995</i>	0.94	N/A	1.87	N/A	0.02	N/A	1.89	N/A	19.65	N/A
<i>Vintage Year 1996</i>	0.97	1.05	1.58	1.64	0.08	0.06	1.65	1.70	11.77	14.97
<i>Vintage Year 1997</i>	0.99	1.05	1.53	1.72	0.15	0.11	1.68	1.83	12.59	15.06
<i>Vintage Year 1998</i>	0.97	1.11	1.30	1.25	0.16	0.12	1.46	1.37	8.03	6.31
<i>Vintage Year 1999</i>	0.95	1.02	0.99	1.34	0.21	0.40	1.19	1.74	3.85	13.95
<i>Vintage Year 2000</i>	0.97	1.01	1.06	0.98	0.47	0.51	1.53	1.49	10.78	9.31
<i>Vintage Year 2001</i>	0.98	0.99	1.20	0.93	0.48	0.60	1.68	1.53	18.10	14.82
<i>Vintage Year 2002</i>	0.94	0.98	1.04	1.18	0.58	0.33	1.61	1.51	19.35	27.40
<i>Vintage Year 2003</i>	0.97	0.93	0.99	0.37	0.70	0.73	1.70	1.10	22.84	2.98
<i>Vintage Year 2004</i>	0.92	0.82	0.55	0.51	0.83	0.83	1.38	1.34	12.64	12.69
<i>Vintage Year 2005</i>	0.86	0.85	0.20	0.12	0.95	0.89	1.15	1.02	5.76	0.71
<i>Vintage Year 2006</i>	0.73	0.69	0.07	0.06	0.78	0.79	0.85	0.85	(5.98)	(7.86)
<i>Vintage Year 2007</i>	0.49	0.64	0.02	0.00	0.94	0.85	0.96	0.85	(2.58)	(10.31)
<i>Vintage Year 2008</i>	0.27	0.30	0.05	0.01	0.93	1.08	0.99	1.08	(1.94)	7.83
<i>Vintage Year 2009</i>	0.23	0.10	0.01	0.00	1.05	1.19	1.06	1.19	13.53	31.77

Based on data compiled from 1,717 Private Equity funds, including fully liquidated partnerships, formed between 1990 to 2009.
IRR: Pooled Average IRR is net of fees, expenses and carried interest.

The preceding table presents a performance comparison between State Street Private Equity Index data and the MBOI's private equity portfolio. The information presented is current through 12/31/10, the most recent period for which index data is available. With the exception of the vintage year information, all comparison data extends back to the inception of Montana's private equity investment activity.

The table shows that MBOI's private equity portfolio has equaled the investment multiple of the index and exceeded the IRR of the index. Montana's performance by strategy has been favorable; with the portfolio's Buyout, Venture, and Mezzanine & Distressed investments all outperforming the index based on the investment multiple criteria. Montana's Venture and Mezzanine & Distressed investments have outperformed the comparable index holdings on an IRR basis as well.

MEMORANDUM

Montana Board of Investments

Department of Commerce

2401 Colonial Drive, 3rd Floor

Helena, MT 59601 (406) 444-0001

To: Members of the Board

From: Jon Shoen, Portfolio Manager – Alternative Investments

Date: August 12, 2010

Subject: Montana Real Estate Pool [MTRP]

Attached to this memo are the following reports:

- (i) **Montana Real Estate Pool Review:**
Comprehensive overview of the real estate portfolio.
- (ii) **New Commitments:**
The table below summarizes the investment decisions made by Staff since the last Board meeting. Additions to core funds were made in both MTRP and TFIP. There was one new commitment to a closed-end fund, GEM IV. The investment brief summarizing this fund and the general partners follows.

Fund Name	Pool	Subclass	Sector	Amount	Date Funded (Core) or Date of Decision
American Core Realty Fund, LLC	TFIP	Core	Diverse	\$10 M	7/1/10
TIAA-CREF Asset Management Core Property Fund, LP	TFIP	Core	Diverse	\$10 M	8/1/10
UBS Trumbull Property Fund	MTRP	Core	Diverse	\$20 M	7/1/10
GEM Realty Fund IV, L.P.	MTRP	Opportunistic	Diverse	\$15 M	6/1/10

Montana Board of Investments

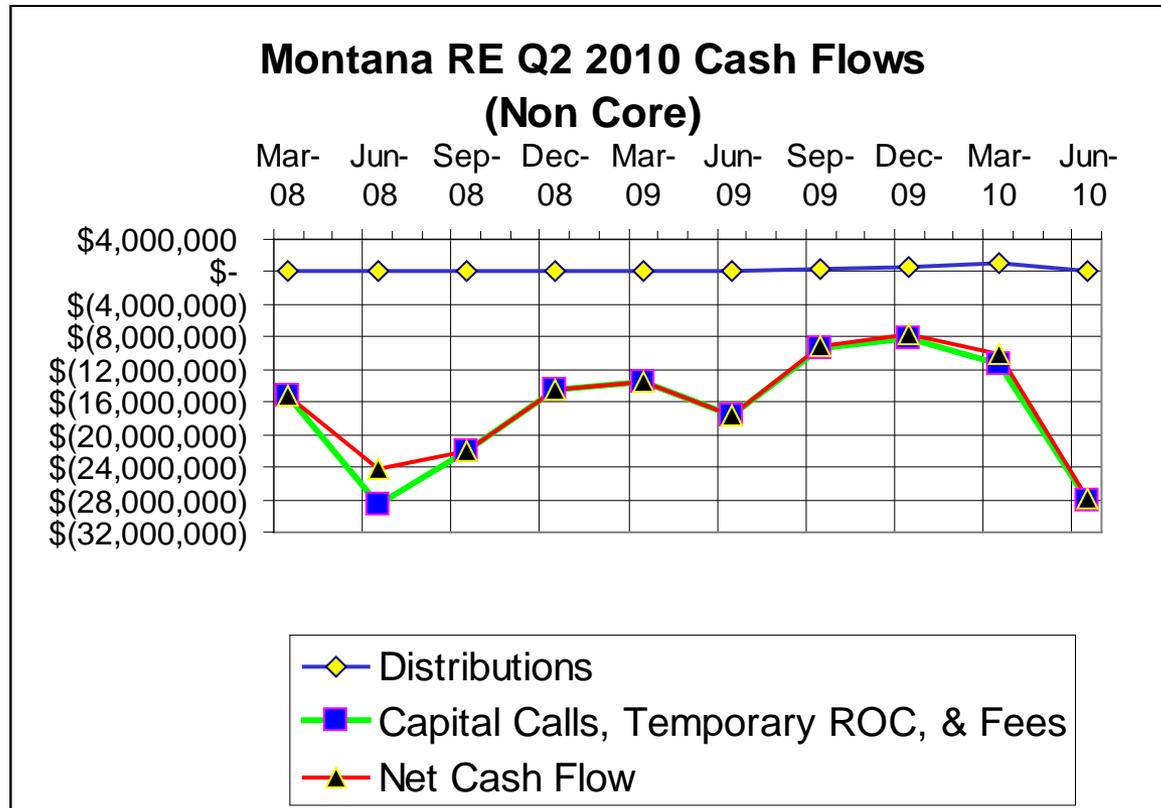
Real Estate Board Report

Q1 2010

Contents

- **Quarterly Cash Flow Chart**
- **Strategy – Total Exposure Chart**
- **Property Type – Market Value Exposure Chart**
- **Geography – Total Exposure Chart**
- **Time Weighted Returns & Internal Rates of Return**
- **Portfolio Status Report**

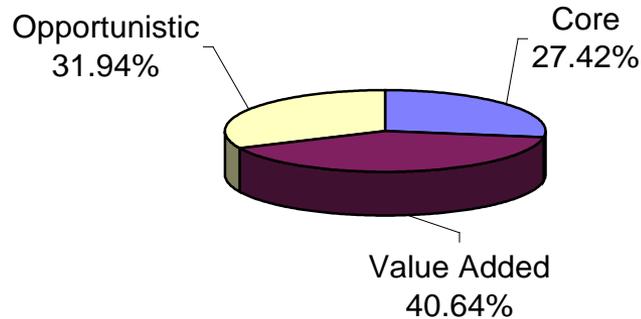
Quarterly Cash Flows April 1 through June 30 2010



Capital call activity picked up significantly during the 2nd quarter. Credit for real estate transactions is becoming increasingly available, and fund managers are comfortable with the values the market is offering them. Capital call levels increased in both the Value Added and Opportunistic segments of the portfolio, with funds managed by Angelo Gordon, AREA Property Partners, and TA Realty Associates being particularly active during the period.

Q1 2010 Strategy – Total Exposure

Total Exposure

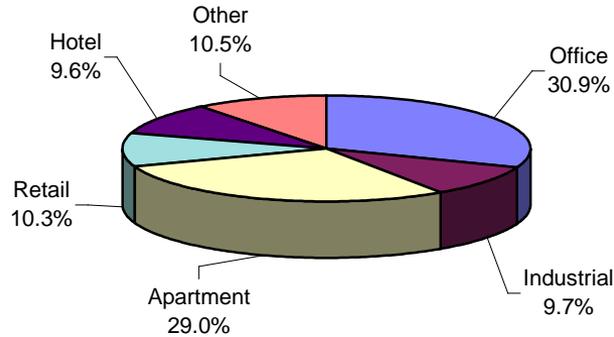


Strategy	Remaining Commitments	Percentage	Net Asset Value	Percentage	Total Exposure	Percentage
Core	\$0	0.00%	\$119,622,152	44.22%	\$119,622,152	27.42%
Value Added	\$78,719,443	47.48%	\$98,591,158	36.44%	\$177,310,601	40.64%
Opportunistic	\$87,061,681	52.52%	\$52,312,076	19.34%	\$139,373,757	31.94%
Total	\$165,781,125	100.00%	\$270,525,386	100.00%	\$436,306,511	100.00%

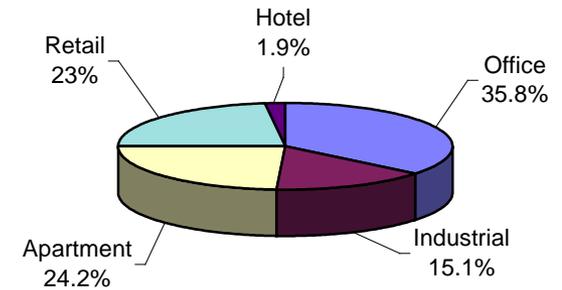
The real estate portfolio is well diversified by strategy, but the Value Added and Opportunistic strategies continue to be outside of the 20-30% of NAV range suggested in the investment policy statement. As expected, recent contributions to core managers and capital calls from opportunistic managers did reduce this imbalance when compared to the prior quarter. The Value Added overweight should continue to decrease in subsequent periods as additional core investments are made.

Q1 2010 Property Type – Market Value Exposure

Montana United States Portfolio



NCREIF Index



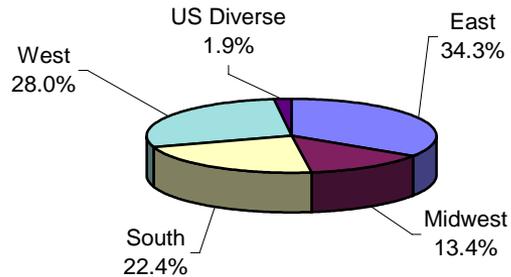
	Office	Industrial	Apartment	Retail	Hotel	Other	Total
Montana US Value	\$190.0	\$59.6	\$178.3	\$63.1	\$59.3	\$64.8	\$615.2
Montana US Total	30.9%	9.7%	29.0%	10.3%	9.6%	10.5%	100.0%
NCREIF Value	83,521	35,109	56,385	53,595	4,545		233,155
NCREIF	35.8%	15.1%	24.2%	23.0%	1.9%		100.0%
Difference	-4.9%	-5.4%	4.8%	-12.7%	7.7%	10.5%	
Montana Non-US Value	\$39.5	\$0.0	\$9.0	\$6.4	\$13.9	\$41.8	\$110.6
Montana Non-US Total	35.7%	0.0%	8.2%	5.8%	12.5%	37.8%	100.0%
Montana Total Value	\$229.6	\$59.6	\$187.4	\$69.5	\$73.2	\$106.6	\$725.8
Montana Total	31.6%	8.2%	25.8%	9.6%	10.1%	14.7%	100.0%

Note: Diversification percentages are based on the Gross Market Value, which represents the MBOI share of the partnerships' interests in properties exclusive of any underlying debt used to acquire each property.

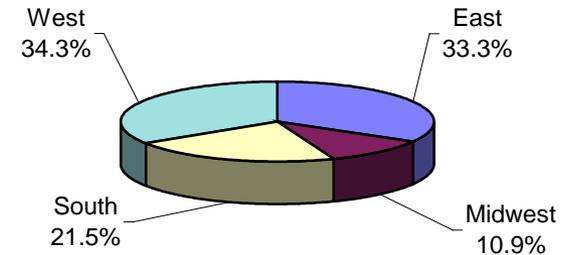
Relative to NCREIF, the domestic portion of the portfolio has a 13% underweight in Retail and 5% underweights in Office and Industrial. The offsetting overweight positions are in Hotel, Apartment, and Other. Hotel, at 10.1%, is above its 0-5% policy range while Industrial and Retail are slightly below their policy ranges of 10-40%. While Other is above its 10% policy upper band, most of Other is composed of mixed-use properties which, if disaggregated, would fit into Office, Retail, and Apartment.

Q1 2010 Geography – Total Exposure

Montana United States Portfolio



NCREIF Index



	East	Midwest	South	West	US Diverse	Non-US	Total
Montana US Value	\$210.9	\$82.5	\$137.5	\$172.4	\$11.8		\$615.2
Montana US Total	34.3%	13.4%	22.4%	28.0%	1.9%		100.0%
NCREIF Value	77,608	25,403	50,232	79,911			233,155
NCREIF	33.3%	10.9%	21.5%	34.3%			100.0%
Difference	1.0%	2.5%	0.8%	-6.2%	1.9%		
Montana Total Value	\$210.9	\$82.5	\$137.5	\$172.4	\$11.8	\$110.6	\$725.8
Montana Total	29.1%	11.4%	18.9%	23.8%	1.6%	15.2%	100.0%

Note: Diversification percentages are based on the Gross Market Value, which represents the MBOI share of the partnerships' interests in properties exclusive of any underlying debt used to acquire each property.

The real estate portfolio is geographically well-diversified. International properties account for 15.2% of the portfolio. In the domestic holdings, the portfolio is about 6% underweight in the West versus the NCREIF. None of the remaining geographic allocations vary by more than 3% when compared to the Index.

Q1 2010 Commitment Summary

	Since Inception									
	Vintage Year	Commitment	Capital Contributed	Remaining Commitment	Capital Distributed	Net Asset Value	NAV %	Total Exposure	Total Exposure%	Investment Multiple
Core		175,000,000	175,000,000	-	9,971,490	119,622,152	44.22%	119,622,152	27.42%	0.73
Clarion Lion Properties Fund	2006	45,000,000	45,000,000	-	5,757,101	23,807,578	8.80%	23,807,578	5.46%	0.65
INVESCO Core Real Estate-USA	2007	45,000,000	45,000,000	-	2,454,789	28,448,142	10.52%	28,448,142	6.52%	0.68
JP Morgan Strategic Property Fund	2007	65,000,000	65,000,000	-	1,759,599	46,985,332	17.37%	46,985,332	10.77%	0.74
UBS-Trumbull Property Fund	2010	20,000,000	20,000,000	-	-	20,381,100	7.53%	20,381,100	4.67%	1.02
Value Added		209,200,000	130,480,557	78,719,443	6,649,677	98,591,158	36.44%	177,310,601	40.64%	0.80
ABR Chesapeake Fund III	2006	20,000,000	20,000,000	-	1,140,098	18,116,514	6.70%	18,116,514	4.15%	0.96
AG Core Plus Realty Fund II	2007	20,000,000	12,934,917	7,065,083	368,594	10,663,112	3.94%	17,728,195	4.06%	0.86
Apollo Real Estate Finance Corp.	2007	10,000,000	8,805,000	1,195,000	550,839	7,270,968	2.69%	8,465,968	1.94%	0.89
AREFIN Co-Invest	2008	10,000,000	1,706,000	8,294,000	34,254	907,893	0.34%	9,201,893	2.11%	0.55
DRA Growth & Income Fund VI	2007	35,000,000	17,971,854	17,028,146	2,782,367	13,825,386	5.11%	30,853,532	7.07%	0.88
Five Arrows Securities V, L.P.	2007	30,000,000	4,862,786	25,137,214	387,072	4,792,342	1.77%	29,929,556	6.86%	1.07
Hudson RE Fund IV Co-Invest	2008	10,000,000	10,000,000	-	61,473	9,484,636	3.51%	9,484,636	2.17%	0.95
Hudson Realty Capital Fund IV	2007	15,000,000	15,000,000	-	241,000	10,417,448	3.85%	10,417,448	2.39%	0.71
Realty Associates Fund IX	2008	20,000,000	-	20,000,000	-	-327,827	-0.12%	19,672,173	4.51%	-
Realty Associates Fund VIII	2007	20,000,000	20,000,000	-	795,978	13,222,863	4.89%	13,222,863	3.03%	0.70
Strategic Partners Value Enhancement Fund	2007	19,200,000	19,200,000	-	288,000	10,217,823	3.78%	10,217,823	2.34%	0.55
Opportunistic		213,008,422	128,446,740	87,061,681	4,178,583	52,312,076	19.34%	139,373,757	31.94%	0.43
AG Realty Fund VII L.P.	2007	20,000,000	7,100,000	12,900,000	1,005,231	6,116,716	2.26%	19,016,716	4.36%	1.00
Beacon Capital Strategic Partners V	2007	25,000,000	18,500,000	6,500,000	-	6,284,052	2.32%	12,784,052	2.93%	0.34
Carlyle Europe Real Estate Partners III	2007	30,994,690	12,117,353	18,877,337	-	6,214,792	2.30%	25,092,129	5.75%	0.51
CIM Fund III, L.P.	2007	25,000,000	5,242,784	19,757,216	115,372	3,653,769	1.35%	23,410,985	5.37%	0.57
JER Real Estate Partners - Fund IV	2007	20,000,000	15,634,891	4,365,109	21,784	7,442,798	2.75%	11,807,907	2.71%	0.48
Liquid Realty IV	2007	22,013,732	18,762,779	3,250,953	2,926,620	10,958,085	4.05%	14,209,038	3.26%	0.70
MGP Asia Fund III, LP	2007	30,000,000	14,009,977	15,990,023	19,892	4,243,754	1.57%	20,233,777	4.64%	0.30
MSREF VI International	2007	25,000,000	27,500,000	-	17,313	4,508,837	1.67%	4,508,837	1.03%	0.16
O'Connor North American Property Partners II	2008	15,000,000	9,578,957	5,421,043	72,371	2,889,273	1.07%	8,310,316	1.90%	0.30
Montana Real Estate		\$597,208,422	\$433,927,297	\$165,781,125	\$20,799,750	\$270,525,386		436,306,511		0.66

The portfolio is well diversified by fund and by manager. Only core funds INVESCO Core Real Estate-USA and JP Morgan Strategic Property Fund account for greater than 10% of NAV, with the Strategic Property Fund representing the largest portfolio weighting at 17%.

MEMORANDUM

Montana Board of Investments

Department of Commerce
2401 Colonial Drive, 3rd Floor
Helena, MT 59601 (406) 444-0001

To: Members of the Board

From: Jon Shoen, Portfolio Manager – Alternative Investments

Date: August 12, 2010

Subject: MPEP Investment Policy Statement – Recommended Revisions

Staff has performed a review of the MPEP Investment Policy Statement (IPS) which became effective in April of 2005. Based on this review, a revised IPS is being submitting for Board approval. The IPS has been updated to reflect changes which Staff believes improve the completeness of the IPS and more accurately reflect MPEP operations. The following are the material elements of the proposed revisions.

- i) The insertion of language defining what types of investments are eligible to be held in MPEP.
- ii) Revisions to strategy policy ranges and the implementation of concentration limits on individual partnerships and managers.

Other modifications to the IPS include the elimination of redundant information, the inclusion of additional definitions, a streamlining of the language discussing the pool's operations, and miscellaneous changes to the wording and ordering of the document which should help improve its readability. Complete copies of both the existing and the proposed IPS's are provided as attachments to this memo.

BOARD OF INVESTMENTS INVESTMENT POLICY STATEMENT
MONTANA PRIVATE EQUITY POOL (MPEP) (Revised 04/15/05)

This policy is effective immediately upon adoption and supercedes all previous Montana Private Equity Pool (MPEP) policies.

INTRODUCTION

The purpose of this policy statement is to provide investment objectives, strategies, and constraints for private equity investments, which are consolidated into the Montana Private Equity Pool (MPEP). The statement provides a basis on which to invest in private equity partnerships and enables the participants to monitor the progress of private equity investments made on their behalf. MPEP investments are managed by external managers with the expertise and experience to prudently manage these types of investments.

OBJECTIVES

Attaining enhanced investment returns from private equity investments while diversifying investment risk is the strategic objective of the MPEP. The objectives include the following components:

- Achieve diversification benefits by investing pension fund portfolios in non-traditional (i.e. equity and fixed income) capital markets
- Diversify the asset mix of pension fund portfolios across domestic and international private equity partnerships in order to achieve higher risk-adjusted portfolio returns
- Achieve superior incremental asset-class investment returns
- Ancillary strategic objectives associated with private equity investments include, but are not limited to the following:
 - a. Develop secondary market capabilities to prudently either divest private equity assets prior to maturity or liquidation or invest in established partnerships in the secondary market
 - b. Establish key general partner relationships that may enhance partnership and direct investment opportunities

Return Requirement: There is no generally accepted benchmark index for private equity performance comparisons. Characteristically, private equity partnership investments are impacted by the “J-curve effect, in which fees and transaction costs create negative returns during the initial investment years before distributions are realized. Private equity investing requires a long time horizon in order to realize the value created by the creation or restructuring of private companies.

- The performance objective for MPEP is the achievement of long-term net returns (after management fees and general partner’s carried interest) above a benchmark reflecting public equity market returns plus an appropriate premium to compensate for the higher degree of risk.
- The benchmark established for the MPEP is an annualized rate of return 400 basis points above the Standard & Poor’s 1500 Index which is a proxy for the broad domestic stock market.

BOARD OF INVESTMENTS INVESTMENT POLICY STATEMENT
MONTANA PRIVATE EQUITY POOL (MPEP) (Revised 04/15/05)

Risk Tolerance: Private equity investments incur a higher degree of risk with a higher return potential than traditional equity investments. Portfolio diversification of risk is achieved through multiple partnership relationships and investments diversified by time, stage of financing, industry sector, investment size and geographical region. Private equity investments typically have a low correlation relative to other investment asset classes and should contribute to the reduction of risk and the enhancement of returns on a total investment portfolio basis. The private equity investment program utilizes fund-of-funds and direct partnership investment management strategies that have similar risk tolerance requirements.

CONSTRAINTS

Liquidity: Private equity investments are extremely illiquid and participation in these investments is limited to the nine pension funds.

Time Horizon: Private equity investments are classified as long-term in nature. Private equity investment fund positions represent 7 to 10 year commitments usually characterized by capital calls occurring during years 1 through 5 with final termination of the investment typically scheduled after 10 years. The final term may be increased in one-year increments up to 13 years.

Tax Considerations: Since the investments are made exclusively for the pension funds, there are no tax implications applicable to the MPEP. However, partnerships in which MPEP invests may be structured to minimize tax implications for private investors.

Legal: Legal constraints on the management of investment funds for the State of Montana are defined in MCA 17-6-201. Unified investment program - general provisions:

The unified investment program directed by Article VIII, section 13, of the Montana constitution to be provided for public funds must be administered by the Board of Investments in accordance with the prudent expert principle, which requires any investment manager to:

- (a) discharge his duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of like character with like aims;
- (b) diversify holdings of each fund to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly prudent not to do so, and;
- (c) discharge his duties solely in the interest of and for the benefit of the funds.

Client Preferences:

- MCA section 17-6-201 (3) (b) states...“The Board is urged under the prudent expert principle to invest up to three percent (3%) of retirement funds in Venture Capital companies. Whenever possible, preferences should be given to investments in those

BOARD OF INVESTMENTS INVESTMENT POLICY STATEMENT
MONTANA PRIVATE EQUITY POOL (MPEP) (Revised 04/15/05)

Venture Capital companies which demonstrate an interest in making investments in Montana.”

- These preferences shall be incorporated into all partnership agreement documents.

RESPONSIBILITIES AND DELEGATION

Board: The Board shall approve and revise the MPEP Investment Policy Statement as necessary, oversee MPEP performance, delegate decision making to staff as appropriate and authorize investment and other decisions not delegated to Staff. The Board delegates to Staff the authority to screen, evaluate and select private equity managers who meet the due diligence guidelines of this policy.

Staff: Staff assigned to the MPEP will be responsible to:

- Make recommendations to the Board concerning MPEP Strategy, Annual Plan and Investment Policy changes
- Manage day-to-day operations, delegate work to external resources as appropriate, and oversee all due diligence activity
- Screen, evaluate and select private equity managers who meet the due diligence guidelines of this policy and inform the Board at its next meeting: 1) which managers were selected; 2) what due diligence was performed prior to the selection of the manager; and 3) how the selection of the manager fulfills the strategy and objectives of MPEP.
- Monitor and report to the Board the performance of the MPEP and the individual managers in the MPEP
- Manage on an ongoing basis any external resources and notify the Board of any changes in these resources
- Report any deviations from this Policy to the Board

External Resources: With Board approval, external resources may be retained to serve as an extension of investment staff.

PROGRAM ELEMENTS

General Approach: Staff shall manage the MPEP investments with a disciplined and opportunistic approach and as a consolidated entity in conformance with the criteria established for both Fund-of-Funds managers and direct partnership investing.

Program Annual Plan: Staff shall review the MPEP annually and prepare an Annual Plan for presentation to the Board for approval. The Annual Plan shall incorporate an analysis of economic and market conditions as well as a review of the existing portfolio and what progress has been made towards the asset allocation target for MPEP. The Annual Plan shall specify future priorities, costs, resource requirements, strategy enhancements and other objectives for the MPEP.

BOARD OF INVESTMENTS INVESTMENT POLICY STATEMENT
MONTANA PRIVATE EQUITY POOL (MPEP) (Revised 04/15/05)

Program Strategy The MPEP Strategy shall be revised periodically as appropriate and updated annually through the Annual Plan. The Strategy shall include, but not be limited to, the following components:

- Goals and objectives
- Structure and management of MPEP
- Strategic approach to the asset class and sub-classes
- Roles and responsibilities, and
- Resource requirements

Portfolio Management: Assets shall be managed externally by qualified Fund-of-Funds managers and/or Direct Limited Partnerships. Fund-of-Funds managers may be chosen to manage assets where particular expertise is required and cannot be provided by Staff or where the Fund-of-Funds manager can cost-effectively provide relevant information/assistance to Staff in the selection of Direct Limited Partnership investments.

Portfolio Performance: Staff shall continually review MPEP investments for compliance and performance relative to the following:

- Provisions of the Annual Plan
- Pace and timing of investment commitments, funding and return of capital;
- Diversity of sectors (industry, geographical, investment style, and others as appropriate)
- Stated objectives specific to the investment;
- The benchmark established for the MPEP

Risk Management: Private Equity investments may involve the following risks:

- **Financial Risk:** These investments may employ financial leverage (debt) leading to a higher degree of volatility in investment returns. Buyout strategies are characterized by the use of significant levels of debt in their capital structures.
- **Operating and Business Risk:** These investments typically involve above average operating and business risk, due to risks associated with the development of new products, new business models, new markets or inexperienced management teams.
- **Market Liquidity:** These investments lack liquidity and typically have time horizons of 10 to 13 years. Secondary markets for such investments are limited and often are handled via an auction process.
- **Valuation Risk:** Given the illiquid nature of private equity investments, partnership reporting of asset valuations shall be evaluated to determine if an appropriate valuation discipline is being followed.
- **Structure Risk:** These investments involve extensive legal documents which must be reviewed by legal counsel as part of the due diligence process.
- **Country Risk:** Investing in global alternative investments include all of the risks associated with this particular asset class along with political, economic, and

BOARD OF INVESTMENTS INVESTMENT POLICY STATEMENT
MONTANA PRIVATE EQUITY POOL (MPEP) (Revised 04/15/05)

currency risks associated with investing outside of the U.S.

- **Vintage Risk:** Refers to the variability of private equity commitments by vintage year, i.e. the year of first capital drawdown over time.
- **Manager Risk:** This risk is composed of two elements, the exposure within an individual partnership and the exposure to the number of general partners in the MPEP portfolio.
- **Industry Risk:** Private equity firms are permitted to invest in a wide variety of industries without many restrictions. Diversification across industries is the means by which this risk is controlled in a private equity portfolio.

INVESTMENT CLASSIFICATIONS

Private equity investments typically classified as follows:

- **Buyout and Corporate:** Investments in leveraged buyouts, management buyouts, debt restructuring, or other acquisition strategies and financial restructurings strategies.
- **Venture Capital:** Investments in relatively small but rapidly growing private companies in various stages of development
- **Distressed:** Either debt or equity securities in troubled companies are purchased and held while the investment manager negotiates with the bankruptcy court. As a workout plan is put into action, the value of the distressed securities appreciates and can be profitably liquidated.
- **Mezzanine:** Privately negotiated subordinated debt investments, usually with an equity warrant attached at a relatively low cost.
- **Special Situations:** Typically, specific industry strategies, unconventional investment opportunities are so classified

INVESTMENT PROCESS

Minimum Requirements/Investment Styles

- Managers shall demonstrate relevant experience in or directly applicable to the market in which they propose to invest
- Managers shall demonstrate that they are specifically qualified to pursue the proposed strategy in the market in which they propose to invest
- Managers shall demonstrate the requisite skills and experience necessary to execute successfully the proposed strategy, including evidence from similar endeavors of their ability to work successfully with Limited Partners
- Managers shall dedicate sufficient time and effort to the proposed opportunity and make, within the context of the particular investment, a meaningful personal financial commitment
- The Manager's proposed strategy and business plan shall be set forth in sufficient detail to permit substantive and meaningful review of the opportunity, verification of the investment concept, and of the risk factors
- The risk/reward trade-off in the particular market in which the Manager proposes

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MONTANA PRIVATE EQUITY POOL (MPEP) (Revised 04/15/05)

to invest shall be attractive based on reasonable assumptions.

Evaluation Criteria: Evaluation factors include:

- Conformance to the MPEP Program Strategy, Annual Plan, and the Objectives
- Uniqueness of the investment strategy relative to existing Managers
- Integrity and experience of the key principals, employees and the reputation of the firm
- Quality of the partnership corporate governance, including controls and reporting systems
- Relationships with other Limited Partners, particularly public investment boards
- Past financial performance
- Appropriateness of terms and conditions and alignment of interests of the firm's principals with the Limited Partners
- Reasonable ratio of committed capital by the managing principals

Due Diligence A due-diligence review by Staff and any external resources utilized by Staff shall include at least the following;

- Face to face discussions with the managing principals of the Partnership under review for investment
- Review and analysis of all pertinent offering documents including: offering memorandum, subscription agreements, private placement memorandums and operative investment agreements
- Consideration of potential conflicts of interest, if any, posed by the proposed investment and prior investments and activities of the firm
- Review and analysis of the investment concept, including entry and exit strategies and terms including fees, principal participation and structure
- Review and analysis of the appropriateness of the proposed investment with the MPEP Strategy, Annual Plan, and Guidelines
- Review of news articles and public reports regarding the partnership and its managing principals, prior investments, and investment strategy
- Review and Analysis of the partnership investment performance record including both prior and current investments
- Consideration of relative size of the proposed investment relative to the partnership's prior investment funds and distribution of investment responsibilities between managing principals.
- Investigation of special terms and conditions, management fees and legal "side letter" agreements with past and present investors
- Determining the ability and stability of the management team and the investment organization
- Review disclosure of any lawsuits, litigation involving the general partner, its principals, employees and prior funds.

BOARD OF INVESTMENTS INVESTMENT POLICY STATEMENT
MONTANA PRIVATE EQUITY POOL (MPEP) (Revised 04/15/05)

MONITORING AND REPORTING

Monitoring

- Staff shall monitor both individual Managers within MPEP and overall performance of MPEP
- Staff shall assess the performance of Managers relative to the following criteria:
 1. Objectives established by the Managers or the principals managing the investment relative to their stated performance objectives
 2. Degree of risk undertaken
 3. Performance comparisons to other managers with similar investment styles and/or within the same vintage year.
 4. The MPEP performance versus the selected benchmark

Reporting

- Managers shall submit periodic reports to facilitate Staff's monitoring of the Managers' conformance to MPEP policy and performance objectives
- Staff shall provide quarterly and annual reports to the Board that include the results of such monitoring of Managers

BACKGROUND INFORMATION

The Board approved the creation of MPEP at the April 4, 2002 Board meeting and the pool was created on May 1, 2002.

MONTANA PRIVATE EQUITY POOL (MPEP)
MPEP Asset Allocation (At Committed Value)

	<u>June</u> <u>2002</u>	<u>June</u> <u>2003</u>	<u>June</u> <u>2004</u>	<u>MPEP</u> <u>Range</u>	<u>MPEP</u> <u>Target</u>
<u>Asset Classification</u>					
Leveraged Buyouts	74.5%	62.2%	56.1%	40.0% - 75.0%	58.0%
Venture Capital	16.0%	13.3%	18.8%	10.0% - 50.0%	19.0%
Mezzanine Financing	2.3%	1.4%	2.5%	0.0% - 10.0%	2.0%
Distressed Securities	1.3%	18.8%	12.9%	0.0% - 40.0%	10.0%
Special Situations	<u>0.8%</u>	<u>1.3%</u>	<u>5.9%</u>	<u>0.0%</u> - <u>10.0%</u>	<u>7.0%</u>
<i>SubTotal</i>	<u>95.0%</u>	<u>97.0%</u>	<u>96.3%</u>	<u>0.0%</u> - <u>0.0%</u>	<u>96.0%</u>
Short Term Futures Fund	5.0%	3.0%	3.7%	100.0% - 100.0%	4.0%
MPEP Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

MONTANA PRIVATE EQUITY POOL (MPEP)
INVESTMENT POLICY STATEMENT (Revised 08/12/10)

This policy is effective immediately upon adoption and supersedes all previous Montana Private Equity Pool (MPEP) policies.

INTRODUCTION

The purpose of this policy statement is to provide investment objectives, strategies, and constraints for private equity investments, which are consolidated into the Montana Private Equity Pool (MPEP). The Board approved the creation of MPEP at the April 2, 2002 Board meeting, and the pool was created on May 1, 2002. This statement provides a basis on which to invest in private equity partnerships. MPEP investments consist of private partnership funds which are selected and managed by internal investment staff. The underlying assets held in these funds are managed by external managers with the expertise and experience to prudently manage these types of investments.

OBJECTIVES

Attaining enhanced investment returns from private equity investments while diversifying investment risk is the strategic objective of MPEP. The objective includes the following components:

- Achieve diversification benefits by investing pension fund portfolios in non-traditional (i.e. equity and fixed income) domestic and international capital markets
- Achieve higher risk-adjusted portfolio returns by investing in private investments that are actively managed to add value using principles and tactics often not available in the public marketplace
- Achieve superior investment returns within the respective investment strategies that make up the pool
- Ancillary strategic objectives associated with private equity investments include, but are not limited to the following:
 - a. Develop secondary market capabilities to prudently either divest private equity assets prior to maturity or liquidation or invest in established partnerships in the secondary market
 - b. Establish key general partner relationships that may enhance partnership and direct investment opportunities

Return Requirement: There is no generally accepted benchmark index for private equity performance comparisons. Characteristically, private equity partnership investments are impacted by the “J-curve” effect, in which fees and transaction costs create negative returns during the initial investment years before distributions are realized. Private equity investing requires a long time horizon in order to realize the value provided by the creation or restructuring of private companies.

- The performance objective for MPEP is the achievement of long-term net returns (after management fees and general partner’s carried interest) above a benchmark reflecting public equity market returns plus an appropriate premium to compensate for the higher degree of risk.

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- The benchmark established for MPEP is an annualized rate of return 400 basis points above the Standard & Poor's 1500 Index which is a proxy for the broad domestic stock market.

Risk: Private equity investments incur a higher degree of risk with a higher return potential than traditional equity investments. Portfolio diversification of risk is achieved through multiple partnership relationships and investments diversified by time, stage of financing, industry sector, investment size and geographical region.

RESPONSIBILITIES AND DELEGATION

Board: The Board shall approve and revise the MPEP Investment Policy Statement as necessary, oversee MPEP performance, delegate decision making to Staff as appropriate and authorize investment and other decisions not delegated to Staff. The Board delegates to Staff the authority to screen, evaluate and select private equity managers who meet the due diligence guidelines of this policy.

Staff: Staff assigned to the MPEP will be responsible to:

- Make recommendations to the Board concerning MPEP Strategy and Investment Policy changes
- Manage day-to-day operations, delegate work to external resources as appropriate, and oversee all due diligence activity
- Screen, evaluate and select private equity managers who meet the due diligence guidelines of this policy and inform the Board at its next meeting: 1) which managers were selected; and 2) how the selection of the manager fulfills the strategy and objectives of MPEP.
- Monitor and report to the Board the performance of the MPEP and the individual managers in the MPEP
- Manage on an ongoing basis any external resources and notify the Board of any material changes in these resources
- Report any deviations from this Policy to the Board

INVESTMENT SELECTION PROCESS

Portfolio Management: Staff reviews and selects appropriate funds to fulfill the objectives of the pool. The management of the underlying assets will be executed by the General Partners of Fund-of-Funds and/or Direct Limited Partnerships. Fund-of-Funds managers may be chosen to manage assets where particular expertise is required and cannot be provided by Staff or where the Fund-of-Funds manager can cost-effectively provide relevant information/assistance to Staff in the selection of Direct Limited Partnership investments.

Staff shall oversee the construction and maintenance of a pacing analysis. The pacing analysis will use historical private equity data to estimate the level of new commitments

MONTANA PRIVATE EQUITY POOL (MPEP)
INVESTMENT POLICY STATEMENT (Revised 08/12/10)

needed to maintain MPEP assets at a level that is consistent with MPEP and Pension strategies. The pacing analysis will be reviewed and updated at least biennially.

Staff shall continually review MPEP investments for compliance and performance relative to the following:

- Pace and timing of investment commitments, funding and return of capital;
- Diversity of sectors (industry, geographical, investment style, and others as appropriate)
- Stated objectives specific to the investment;
- The benchmark established for the MPEP

Eligible Investments: Private equity partnership interests are eligible MPEP investments. These private equity partnerships may be Direct Limited Partnerships or vehicles that primarily invest in Direct Limited Partnerships, including Fund-of-Funds and Secondary Funds. MPEP may co-invest with private equity managers in transactions that are suitable for inclusion into a private equity partnership. Individual public or private securities received as distributions from funds and equitized liquidity funds are also permitted to be held in MPEP. Individual public securities received as distributions will be liquidated over a reasonable time period dependent on market conditions.

Strategies and Limitations: Private equity investments are typically classified as follows:

- **Buyout and Corporate:** Investments in leveraged buyouts, management buyouts, debt restructuring, or other acquisition strategies and financial restructuring strategies.
- **Venture Capital:** Investments in relatively small but rapidly growing private companies in various stages of development.
- **Distressed:** Either debt or equity securities in troubled companies are purchased and held while the investment manager negotiates with the bankruptcy court. As a workout plan is put into action, the value of the distressed securities appreciates and can be profitably liquidated.
- **Mezzanine:** Privately negotiated subordinated debt investments, usually with an equity warrant attached at a relatively low cost.
- **Special Situations:** Typically, specific industry strategies and unconventional investment opportunities are so classified
- **Secondary:** Purchase of private equity interests from the limited partners of private equity funds. Secondary funds will be classified based on underlying asset type.

MONTANA PRIVATE EQUITY POOL (MPEP)
INVESTMENT POLICY STATEMENT (Revised 08/12/10)

The following table provides a guideline range with respect to MPEP's strategy diversification. It is important to note that these ranges reference the sum of the total pool's net asset value and uncalled commitments.

<u>Strategy</u>	<u>Policy Range</u> ¹
Buyout and Corporate	40% - 75%
Venture Capital	10% - 50%
Distressed	0% - 40%
Mezzanine	0% - 20%
Special Situations	0% - 35%

¹Based on net asset value + uncalled committed capital.

No more than 7.5% of the aggregate of MPEP net asset value plus uncalled committed capital should be in a single Direct Limited Partnership. No more than 15% of the aggregate of MPEP net asset value plus uncalled committed capital should be placed with a single fund manager, except that up to 25% may be placed with a single manager of Fund-of-Funds or Secondary Funds.

Risk Considerations: Private Equity investments may involve the following risks:

- **Financial Risk:** These investments may employ financial leverage (debt) leading to a higher degree of volatility in investment returns. Buyout strategies are characterized by the use of significant levels of debt in their capital structures.
- **Operating and Business Risk:** These investments typically involve above average operating and business risk, due to risks associated with the development of new products, new business models, new markets or inexperienced management teams.
- **Valuation Risk:** Given the lack of public pricing of the underlying private equity investments, partnership reporting of asset valuations shall be evaluated to determine if an appropriate valuation discipline is being followed.
- **Structure Risk:** The funds involve extensive legal documentation which must be reviewed by legal counsel as part of the due diligence process.
- **Country Risk:** Investing in international alternative investments include all of the risks associated with this particular asset class along with political, economic, and currency risks associated with investing outside of the U.S.
- **Manager Risk:** Fund managers have significant discretion in investing partnership assets. This may lead to funds which are poorly diversified or which contain investments that had not been anticipated by investors. Private equity funds are often dependent on a few key investment staff, the loss of which may materially impact fund operations.
- **Industry Risk:** Private equity firms are permitted to invest in a wide variety of industries without many restrictions. Diversification across industries is the means by which this risk is controlled in a private equity portfolio.

MONTANA PRIVATE EQUITY POOL (MPEP)
INVESTMENT POLICY STATEMENT (Revised 08/12/10)

Evaluation Criteria:

- Managers shall demonstrate relevant experience in or directly applicable to the market in which they propose to invest
- Managers shall demonstrate that they are specifically qualified to pursue the proposed strategy in the market in which they propose to invest
- Managers shall demonstrate the requisite skills and experience necessary to execute successfully the proposed strategy, including evidence from similar endeavors of their ability to work successfully with Limited Partners
- Managers shall dedicate sufficient time and effort to the proposed opportunity and make, within the context of the particular investment, a meaningful personal financial commitment
- The Manager's proposed strategy and business plan shall be set forth in sufficient detail to permit substantive and meaningful review of the opportunity, verification of the investment concept, and of the risk factors
- The risk/reward trade-off in the particular market in which the Manager proposes to invest shall be attractive based on reasonable assumptions
- Uniqueness of the investment strategy relative to existing Managers
- Integrity and experience of the key principals, employees and the reputation of the firm
- Quality of the partnership corporate governance, including controls and reporting systems
- Relationships with other Limited Partners, particularly public investment boards.
- Past financial performance
- Appropriateness of terms and conditions and alignment of interests of the firm's principals with the Limited Partners
- Reasonable ratio of committed capital by the managing principals

Due Diligence: A due-diligence review by Staff and any external resources utilized by Staff shall include at least the following:

- Discussions with the managing principals of the Partnership under review for investment
- Review and analysis of all pertinent offering documents including: offering memorandum, subscription agreements, private placement memorandums and operative investment agreements
- Consideration of potential conflicts of interest, if any, posed by the proposed investment and prior investments and activities of the firm
- Review and analysis of the investment concept, including entry and exit strategies and terms including fees, principal participation and structure
- Review and analysis of the appropriateness of the proposed investment with the MPEP Strategy and Guidelines
- Review of news articles and public reports regarding the partnership and its managing principals, prior investments, and investment strategy
- Review and analysis of the partnership investment performance record including

MONTANA PRIVATE EQUITY POOL (MPEP)
INVESTMENT POLICY STATEMENT (Revised 08/12/10)

both prior and current investments

- Consideration of relative size of the proposed investment relative to the partnership's prior investment funds and distribution of investment responsibilities between managing principals.
- Investigation of special terms and conditions, management fees and legal "side letter" agreements with past and present investors
- Determining the ability and stability of the management team and the investment organization
- Review disclosure of any lawsuits, litigation involving the general partner, its principals, employees and prior funds

MONITORING AND REPORTING

Monitoring:

- Staff shall monitor both individual Managers within MPEP and overall performance of MPEP
- Staff shall assess the performance of Managers relative to the following criteria:
 1. Objectives established by the Managers or the principals managing the investment relative to their stated performance objectives
 2. Degree of risk undertaken
 3. Performance comparisons to other managers with similar investment styles and/or within the same vintage year
 4. The MPEP performance versus the selected benchmark

Reporting:

- Managers shall submit periodic reports to facilitate Staff's monitoring of the Managers' conformance to MPEP policy and performance objectives
- Staff shall provide quarterly and annual reports to the Board that include the results of such monitoring of Managers

OTHER CONSIDERATIONS

Liquidity: Private equity investments are extremely illiquid and participation in these investments is limited to the nine pension funds.

Time Horizon: Private equity investments are classified as long-term in nature. Private equity investment fund positions generally represent 7 to 12 year commitments usually characterized by capital calls occurring during years 1 through 5 with distributions of income or principal realizations during the latter years of the fund life. The final term of a partnership may sometimes be increased in one-year increments as needed to liquidate underlying assets.

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INVESTMENT POLICY STATEMENT (Revised 08/12/10)

Tax Considerations: Since the investments are made exclusively for the pension funds, there are no tax implications applicable to the MPEP. However, partnerships in which MPEP invests may be structured to minimize tax implications for private investors.

Legal: Legal constraints on the management of investment funds for the State of Montana are defined in MCA 17-6-201. Unified investment program - general provisions:

The unified investment program directed by Article VIII, section 13, of the Montana constitution to be provided for public funds must be administered by the Board of Investments in accordance with the prudent expert principle, which requires any investment manager to:

- (a) discharge his duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of like character with like aims;
- (b) diversify holdings of each fund to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly prudent not to do so, and;
- (c) discharge his duties solely in the interest of and for the benefit of the funds.

Client Preferences: MCA section 17-6-201 (3)(b) states...“The Board is urged under the prudent expert principle to invest up to three percent (3%) of retirement funds in Venture Capital companies. Whenever possible, preferences should be given to investments in those Venture Capital companies which demonstrate an interest in making investments in Montana.”

UPPER BLACKFOOT RESPONSE ACTION AND RESTORATION FUND (FUND 08227) INVESTMENT POLICY STATEMENT

INTRODUCTION

The purpose of this investment policy statement is to outline the account objectives, permissible investments, and constraints that will guide the management of the portfolio. The policy is designed to give the investment manager flexibility to achieve in a prudent manner the investment objectives of the clients, the Departments of Environmental Quality (DEQ) and Justice (DOJ) to implement the response action (“the Response”) on the Upper Blackfoot Mining Complex in accordance with the Asarco Bankruptcy Settlement (“Settlement Agreement Regarding the Upper Blackfoot Mining Complex Site”) between the United States, Atlantic Richfield Company, Asarco LLC and the State of Montana; the “Watershed Restoration Agreement between the State of Montana and the US Department of Agriculture Forest Service, Northern Region, for the Cleanup of the National Forest System Portion of the Upper Blackfoot Mining Complex Site” and the “Memorandum of Agreement Between the Montana Department of Environmental Quality and the Montana Department of Justice Regarding the Upper Blackfoot Mining Complex Restoration and Remediation” between the DEQ and DOJ, both agencies of the State of Montana.

BACKGROUND INFORMATION

In April 2008, a Settlement Agreement was entered between the State of Montana, the United States, Asarco, LLC (Asarco) and the Atlantic Richfield Company (ARCO), in order to settle certain bankruptcy and other claims and to provide for the funding of response and restoration actions at the Upper Blackfoot Mining Complex. The settlement involved, among other things, the cash payment by Asarco and ARCO of \$8 million dollars each shortly after the effective date of the Settlement Agreement. Pursuant to the Settlement Agreement, the State also received an allowed claim in the Bankruptcy of \$19,771,554 dollars, which with accrued interest was paid on the Effective Date of ASARCO’s plan of reorganization, December 9, 2009, in the amount of \$23,264,855. All these funds and the earnings from the investment of these funds are to be used by the State, as Lead Agency, in consultation with the United States Forest Service, for the purpose of conducting response and restoration activities within the UBMC Site. These actions include the removal of the Mike Horse Impoundment as provided in the USFS Action Memorandum dated July 23, 2007, and any amendments thereto. In addition, the State would perform additional remedial and restoration work outside the scope of the Action Memorandum, including the cleanup of tailings along the Upper Blackfoot River, Beartrap Creek, and Mike Horse Creek and restoration of those streams with the intention of restoring westslope cutthroat and bull trout to the area. The Work is expected to be performed over a period of at least seven years. Major construction is projected to begin in calendar year 2011 and end around calendar year 2016.

The project being financed through this fund is the removal and restoration of environmental contamination at the UBMC Site. The nature of construction/remediation work includes the potential for cost overruns and unexpected expenses. DEQ will use its best efforts to inform the Board of Investments of any expected overruns or changes in the cash draw schedule and will attempt to provide notice of such changes as much in advance as possible.

OBJECTIVES

Risk and Return:

Earnings alone will not be sufficient to fund expected expenditures nor will the principal provided by the settlement be sufficient. A combination of current income, total return, and use of principal will be necessary to fund the expected expenditures. It will require a return in excess of the assumed risk free rate to fund current projected expenditures, possible future cost overruns, and leave residual funds for future expenses such as operation and maintenance. This account has an average ability to assume interest rate risk. Some risk of loss of principal must be taken to provide a return sufficient to fund objectives. An allocation to the Trust Funds Investment Pool (TFIP) will be made to obtain exposure to a diversified fixed income portfolio return while reducing idiosyncratic risk. An allocation to U.S. Treasuries, U.S. Agencies and Corporate securities may be

**UPPER BLACKFOOT RESPONSE ACTION AND RESTORATION FUND (FUND 08227)
INVESTMENT POLICY STATEMENT**

made to provide a greater certainty of cash flows from maturities. Risk tolerance will decline if long-term investments have to be liquidated earlier than estimated to meet the cash draw down schedule.

The risk and return factors along with other considerations result in the expected asset allocation shown below.

ASSET ALLOCATION	
<u>FIXED INCOME</u>	<u>Range</u>
U.S. Treasury Bonds	0-40%
U.S. Agency Bonds	0-40%
Corporate Bonds	0-10%
Trust Funds Investment Pool	0-30%
Short-term Investment Pool	<u>10-50%</u>
Total Fixed Income	<u>100%</u>

OTHER CONSIDERATIONS

Liquidity Needs:

Material annual expenditures are projected in each year through 2016 in the initial cash draw down schedule provided by DEQ. The timing of expenditures within the calendar year will be somewhat uncertain, thus necessitating a significant cash balance be available to meet these needs without forcing an inordinate amount of TFIP sales in any one year. There will be significant seasonality in the pattern of expenditures. Liquidity needs will be met with a combination of cash on hand, earnings, maturities and sales of investments. The minimum Short Term Investment Pool (STIP) balance will be the expected next one year of expenditures less expected maturities of individual securities prior to any adjustment to reflect funding needs.

Maturity Horizon:

The maturity horizon of the investments utilized is designed to meet the liabilities of the client with income, maturities and a reasonable amount of sales of securities and TFIP units. The liabilities are the cash needs for remediation expenditures as provided by the DEQ at the outset of the account and as modifications are made in ensuing years. At this time expenditures are expected to occur commencing immediately and each year through 2016, with substantial expenditures each year from 2011 through 2015. Expenditures after 2016 will be based on subsequent planning that will depend on available funding at that time.

Investment Limits:

1. To reduce the risk of loss on individual corporate bonds, investment purchases in any one credit will be limited to 1% of the market value of the fund at the date of purchase or 2% of the lowest projected fund balance before the securities mature, which ever is lower.
2. Corporate bond sector (Industrial, Finance, and Utility) exposure shall be constrained to no more than a 4% exposure at the time of purchase, or 6% at any time over the future projected fund balance.
3. The quality rating of any corporate bond shall be in the top of the single-A rating classification or better at the time of purchase. (e.g., A1/A+ or higher), and have at least two ratings.
4. Exposure to the securities of any one U.S. Agency are limited to 5%, and in no event will an agency security be purchased if it carries a rating that is less than top-rated (AAA) at the time of purchase.

Legal Considerations:

This fund is governed by state regulations, specifically, the "prudent expert principle" which requires the Board of Investments to: (a) discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters

**UPPER BLACKFOOT RESPONSE ACTION AND RESTORATION FUND (FUND 08227)
INVESTMENT POLICY STATEMENT**

exercises in the conduct of an enterprise of a like character with like aims; (b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is solely prudent not to do so; and (c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

The Montana Constitution does not allow equity type investments in non-retirement funds.

DRAFT

[Return to Meeting Agenda](#)

Montana Loan Program

MEMORANDUM**Montana Board of Investments**

Department of Commerce
 2401 Colonial Drive, 3rd Floor
 Helena, MT 59601 (406) 444-0001

To: Board of Directors

From: Herb Kulow
Senior Portfolio Manager

Date: August 12, 2010

Subject: Commercial and Residential Loans

As of June 30, 2010, the commercial loan portfolio totaled \$183,828,052. Outstanding commitments totaled \$28,712,720 and reservations totaled \$25,002,450. The commercial portfolio yield was 5.53%. There were no commercial loans past more than 90 days and only one loan past due less than 90 days.

The following is a short summary of the balance of the commercial loan portfolio as of year-end 2006-2010.

<u>Date</u>	<u>Portfolio Balance</u>	<u>Portfolio Yield</u>	<u>Prime Rate</u>
6/30/2010	183,828,052	5.53%	3.25%
6/30/2009	192,386,795	5.37%	3.25%
6/30/2008	175,364,307	5.35%	5.00%
6/30/2007	192,959,611	5.40%	8.25%
6/30/2006	161,920,733	5.63%	8.25%

The decrease from 2007 to 2008 was reflected in the participations, -\$12,000,000 and guaranteed loans -\$5,000,000. The increase from 2008 to 2009 was reflected in guaranteed loans +\$16,500,000.

As of June 30, 2010, the residential loan portfolio totaled \$25,862,973. There were no outstanding residential reservations. The residential portfolio yield was 6.64%. There were 6 loans that were past due totaling \$548,513 of which 5 were guaranteed totaling \$387,924. The first table reflects all residential loans and the second table reflects only the non-guaranteed loan.

RESIDENTIAL FDIC 6/30/10

	<u>Past due 90 days + and non-accrual loans</u>	<u>Total residential loans</u>	<u>Past due %</u>	
BOI (\$ in 000's)	549	35,863	1.53%	June 30, 2010
Montana (\$ in 000's)	64,829	2,253,206	2.88%	March 31, 2010
National (\$ in 000's)	196,954,790	2,376,515,670	8.29%	March 31, 2010

	<u>Past due 90 days + and non-accrual loans</u>	<u>Total residential loans</u>	<u>Past due %</u>	
BOI (\$ in 000's)	160	35,863	0.45%	June 30, 2010
Montana (\$ in 000's)	64,829	2,253,206	2.88%	March 31, 2010
National (\$ in 000's)	196,954,790	2,376,515,670	8.29%	March 31, 2010

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Bond Program

INTERCAP Loan Program

Activity Summary

As of June 30, 2010

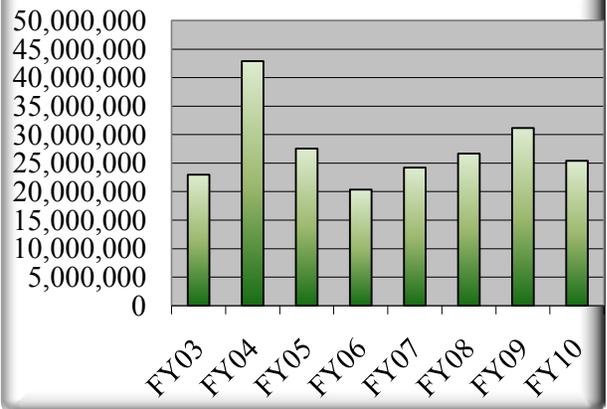
Since Inception 1987 - June 2010

Total Bonds Issued	136,000,000
Total Loan Commitments	346,971,133
Total Loans Funded	325,137,595
Total Bonds Outstanding	96,075,000
Total Loans Outstanding	79,423,267
Loan Commitments Pending	21,833,538

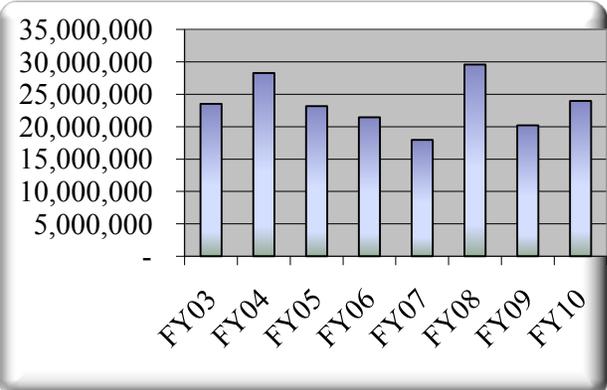
FY2010 To Date

Month	Commitments	Fundings
July-09	\$ 425,000	\$ 874,505
August	3,750,764	2,813,883
September	1,191,647	2,942,949
October	1,940,475	4,274,125
November	2,831,000	1,692,801
December	3,083,057	2,527,716
January	3,176,950	1,333,090
February	1,015,000	716,305
March	280,000	1,936,704
April	2,985,783	1,929,519
May	3,270,000	89,993
June-10	1,455,957	2,846,232
To Date	\$ 25,405,633	\$ 23,977,821

Commitments FY03-FY10



Fundings FY03-FY10



Note: Commitments include withdrawn and expired loans.

Variable Loan Rate History February 16, 2003 - February 15, 2011

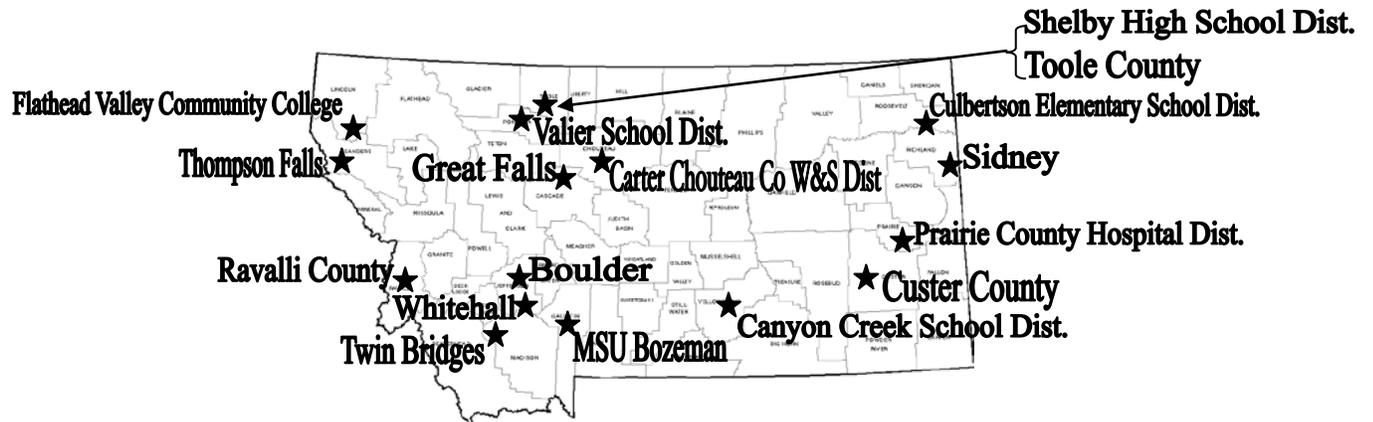
February 16, 2003 - February 15, 2004	<u>2.85%</u>	February 16, 2007 - February 15, 2008	<u>4.85%</u>
February 16, 2004 - February 15, 2005	<u>2.70%</u>	February 16, 2008 - February 15, 2009	<u>4.25%</u>
February 16, 2005 - February 15, 2006	<u>3.80%</u>	February 16, 2009 - February 15, 2010	<u>3.25%</u>
February 16, 2006 - February 15, 2007	<u>4.75%</u>	February 16, 2010 - February 15, 2011	<u>1.95%</u>

MEMORANDUM

**Montana Board of Investments
 Department of Commerce
 2401 Colonial Drive, 3rd Floor
 (406) 444-0001**

To: Members of the Board
From: Louise Welsh, Bond Program Officer
Date: August 12, 2010
Subject: INTERCAP Staff Approved Loans Committed

Staff approved the following loans – April 1, 2010 through June 30, 2010.



Borrower:	Town of Twin Bridges
Purpose:	Interim loan in anticipation of USDA RD long term financing for wastewater improvements
Staff Approval Date:	April 1, 2010
Board Loan Amount:	\$1,000,000
Other Funding Sources:	\$3,122,100
Total Project Cost:	\$4,122,100
Term:	2 years

Borrower:	City of Boulder
Purpose:	Wastewater project
Staff Approval Date:	April 6, 2010
Board Loan Amount:	\$ 50,000
Other Funding Sources:	\$141,728
Total Project Cost:	\$191,728
Term:	10 years

Borrower:	Prairie County Hospital District (Terry)
Purpose:	Replace hospital and clinic roofs
Staff Approval Date:	April 15, 2010
Board Loan Amount:	\$180,000
Other Funding Sources:	N/A
Total Project Cost:	\$180,000
Term:	15 years

Borrower:	Ravalli County
Purpose:	Purchase building for County Search & Rescue
Staff Approval Date:	April 23, 2010
Board Loan Amount:	\$425,000
Other Funding Sources:	\$175,000
Total Project Cost:	\$600,000
Term:	10 years

Borrower:	Culbertson Elementary School District
Purpose:	School remodel, repave parking lot, & replace kitchen equip.
Staff Approval Date:	April 29, 2010
Board Loan Amount:	\$800,000
Other Funding Sources:	N/A
Total Project Cost:	\$800,000
Term:	10 years

Borrower:	Canyon Creek School District (Billings)
Purpose:	Parking lot project
Staff Approval Date:	May 10, 2010
Board Loan Amount:	\$ 70,000
Other Funding Sources:	\$ 97,970
Total Project Cost:	\$167,970
Term:	10 years

Borrower:	City of Great Falls
Purpose:	Public Works building addition and remodel
Staff Approval Date:	May 12, 2010
Board Loan Amount:	\$ 600,000
Other Funding Sources:	\$ 467,270
Total Project Cost:	\$1,067,270
Term:	10 years

Borrower:	City of Sidney
Purpose:	Replace water treatment plant greensand pressure filters
Staff Approval Date:	May 26, 2010
Board Loan Amount:	\$1,000,000
Other Funding Sources:	\$ 200,000
Total Project Cost:	\$1,200,000
Term:	15 years

Borrower:	Valier School District
Purpose:	Swimming pool rehabilitation project
Staff Approval Date	May 26, 2010
Board Loan Amount:	\$300,000
Other Funding Sources:	N/A
Total Project Cost:	\$300,000
Term:	10 years

Borrower:	Custer County
Purpose:	Bridge/culvert project
Staff Approval Date	June 10, 2010
Board Loan Amount:	\$250,000
Other Funding Sources:	\$202,200
Total Project Cost:	\$452,200
Term:	10 years

Borrower:	Town of Whitehall
Purpose:	Assume debt to acquire sole ownership of municipal pool
Staff Approval Date:	June 11, 2010
Board Loan Amount:	\$99,894
Other Funding Sources:	N/A
Total Project Cost:	\$99,894
Term:	10 years

Borrower:	Shelby High School District
Purpose:	Renovate football field and track complex
Staff Approval Date:	June 11, 2010
Board Loan Amount:	\$100,000
Other Funding Sources:	N/A
Total Project Cost:	\$100,000
Term:	10 years

Borrower:	City of Thompson Falls
Purpose:	Purchase computer server & emergency backup generator
Staff Approval Date:	June 11, 2010
Board Loan Amount:	\$78,563
Other Funding Sources:	N/A
Total Project Cost:	\$78,563
Term:	5 years

Borrower:	Flathead Valley Community College (Kalispell)
Purpose:	Purchase 7.52 acres w/home, garage, & tennis court
Staff Approval Date:	June 14, 2010
Board Loan Amount:	\$495,000
Other Funding Sources:	\$195,000
Total Project Cost:	\$690,000
Term:	10 years

Borrower:	Carter Chouteau County Water & Sewer District (Carter)
Purpose:	Preliminary engineering report
Staff Approval Date:	June 23, 2010
Board Loan Amount:	\$ 7,500
Other Funding Sources:	\$ 7,500
Total Project Cost:	\$15,000
Term:	3 years

Borrower:	Toole County
Purpose:	Energy retrofit county buildings
Staff Approval Date:	June 24, 2010
Board Loan Amount:	\$ 425,000
Other Funding Sources:	\$1,947,888
Total Project Cost:	\$2,372,888
Term:	10 years

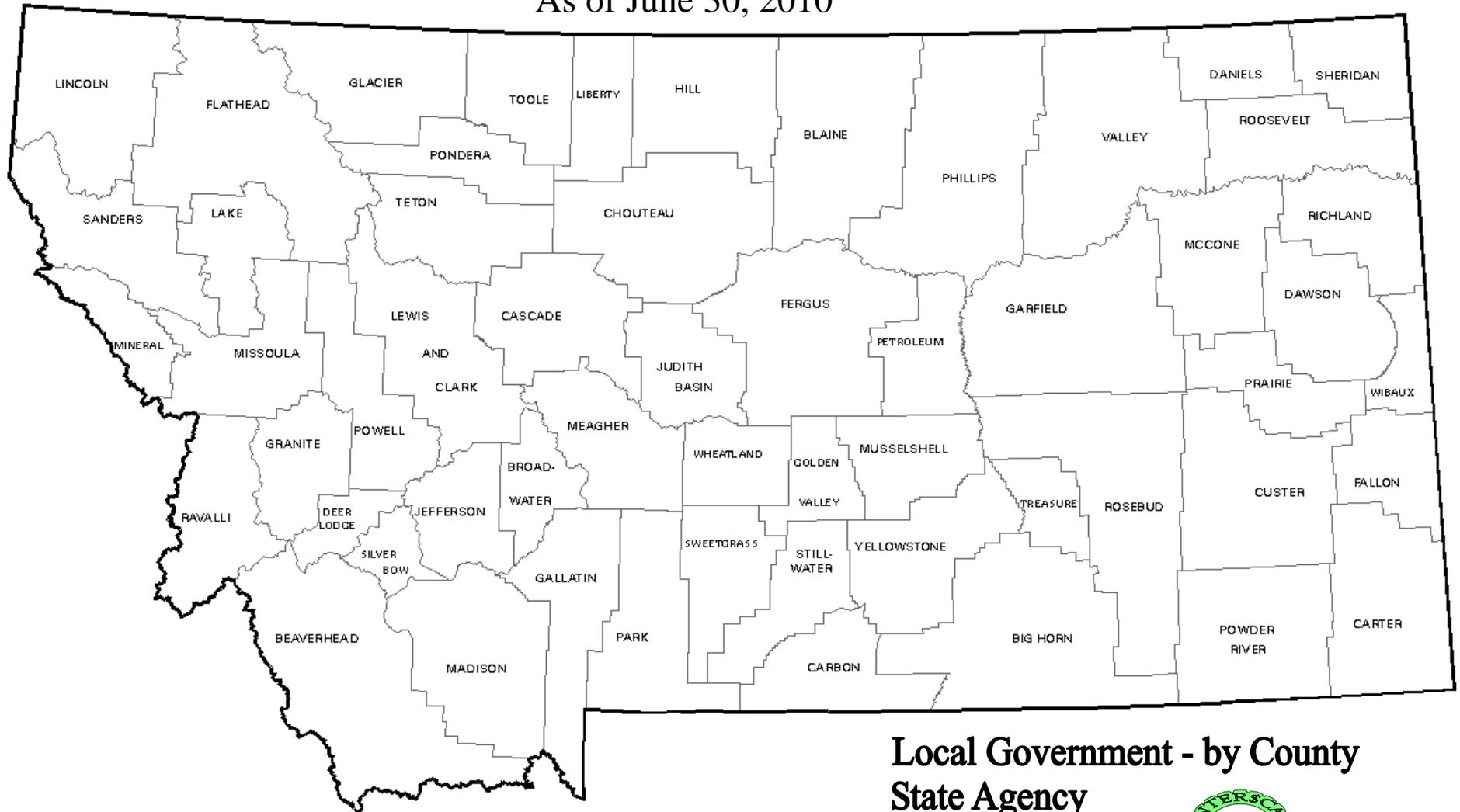


MONTANA UNIVERSITY SYSTEM

Borrower:	MSU-Bozeman
Purpose:	Football video server/software upgrade
Staff Approval Date:	April 26, 2010
Board Loan Amount:	\$80,783
Other Funding Sources:	N/A
Total Project Cost:	\$80,783
Term:	4 years

INTERCAP LOAN DETAIL REPORT

As of June 30, 2010



Local Government - by County
State Agency
University



Local Government INTERCAP loans* - by County

As of June 30, 2010

*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity	County Located
BEAVERHEAD COUNTY	Purchase of Building	10	07/25/02	200,000.00	08/30/02	200,000.00	-	55,702.95	08/15/12	BEAVERHEAD
BEAVERHEAD COUNTY	Fairgrounds Restroom facility	10	07/07/05	108,000.00	06/02/06	108,000.00	-	75,829.19	08/15/16	BEAVERHEAD
BEAVERHEAD COUNTY	land road easements	10	06/18/07	118,632.00	11/16/07	118,632.00	-	99,220.47	02/15/18	BEAVERHEAD
						426,632.00	-	230,752.61		BEAVERHEAD Total
HARLEM	Preliminary Engineering Report-wastewater	3	06/25/09	30,000.00	06/04/10	30,000.00	-	30,000.00	02/15/13	BLAINE
						30,000.00	-	30,000.00		BLAINE Total
RED LODGE	Fire Truck	10	02/06/03	250,000.00	08/08/03	250,000.00	-	95,673.91	08/15/13	CARBON
RED LODGE HIGH SCHOOL	Re-Roof and Insulate HS Bldg	10	10/17/00	68,000.00	10/27/00	68,000.00	-	4,239.21	02/15/11	CARBON
						318,000.00	-	99,913.12		CARBON Total
GREAT FALLS	Design & install. of city street lights-Meado	15	09/16/05	19,371.00	12/02/05	19,371.00	-	12,203.88	02/15/21	CASCADE
GREAT FALLS	Eagles Crossing Phase I street lights	15	11/30/05	56,000.00	01/20/06	56,000.00	-	34,984.01	02/15/21	CASCADE
GREAT FALLS	Meadowlark 4 street lights	10	08/22/06	23,000.00	03/16/07	23,000.00	-	13,846.87	02/15/22	CASCADE
GREAT FALLS	Eagles Crossing II & III design&install stree	15	12/12/07	46,149.73	03/28/08	46,149.73	-	37,322.31	02/15/23	CASCADE
GREAT FALLS	design&instll Meadowlark Add#5 str lights	15	01/02/08	29,324.84	05/30/08	29,324.84	-	27,152.65	08/15/23	CASCADE
GREAT FALLS	Bootlegger Phase 1 Street Lights	15	02/19/09	33,371.50	04/17/09	33,371.50	-	32,171.86	02/15/24	CASCADE
GREAT FALLS	Water Tower Addtm Lights	15	06/12/09	20,302.67	11/27/09	20,302.67	-	20,302.67	02/15/25	CASCADE
GREAT FALLS	Public Works Bldg Addtm/Remodel	10	05/12/10	600,000.00	no draw	0.00	600,000.00	0.00		CASCADE
CASCADE COUNTY	Whitetail Lane RID #11346	10	09/14/05	48,990.00	10/28/05	48,990.00	-	31,571.28	02/15/16	CASCADE
CASCADE COUNTY	Flood/Gannon RID No. 11347	10	09/23/05	269,342.00	10/28/05	269,342.00	-	173,575.65	02/15/16	CASCADE
CASCADE COUNTY	RID Bob Marshall Place	15	10/08/08	100,931.00	11/28/08	100,931.00	-	95,999.15	02/15/24	CASCADE
CASCADE COUNTY	Comp. Pub. Works Facility remod. camp	10	11/05/08	1,250,000.00	01/30/09	1,250,000.00	-	1,160,085.44	02/15/19	CASCADE
CASCADE COUNTY	Purch. motor graders/loader	7	11/05/08	750,000.00	11/21/08	750,000.00	-	654,723.59	02/15/16	CASCADE
						2,646,782.74	600,000.00	2,293,939.36		CASCADE Total
FORT BENTON	road material&patching machine	8	06/06/07	49,700.00	07/13/07	49,700.00	-	35,931.06	08/15/15	CHOUTEAU
FORT BENTON	Digital Radio Equip. for Police Dept.	5	07/31/08	45,349.81	01/09/09	45,349.81	-	35,800.39	08/15/13	CHOUTEAU
FORT BENTON	Purchase Pumper Truck	15	05/05/09	180,000.00	07/10/09	180,000.00	-	174,000.00	08/15/24	CHOUTEAU
MISSOURI RIVER MEDICAL C	Purchase Land/Bldg	10	03/31/03	50,000.00	04/18/03	50,000.00	-	19,134.79	08/15/13	CHOUTEAU
MISSOURI RIVER MEDICAL C	upgrade handicap entrance	5	11/09/05	55,000.00	05/26/06	55,000.00	-	13,253.91	02/15/11	CHOUTEAU
MISSOURI RIVER MEDICAL C	Purchase a Vitros 350 Chemistry Analyzer	5	01/02/07	27,500.00	02/16/07	27,500.00	-	11,774.05	02/15/12	CHOUTEAU
MISSOURI RIVER MEDICAL C	purchase property and improvement	10	05/07/07	38,000.00	06/15/07	38,000.00	-	30,464.26	08/15/17	CHOUTEAU
BIG SANDY ELEMENTARY DI	boiler&water heaters	5	08/17/07	103,233.59	09/07/07	103,233.59	-	51,502.21	08/15/12	CHOUTEAU
BIG SANDY HIGH SCHOOL DI	boiler&water heaters	5	08/17/07	132,091.03	09/07/07	132,091.03	-	62,868.76	08/15/12	CHOUTEAU
CARTER CHOUTEAU COUNT	preliminary engineering report, phase III wa	3	06/23/10	7,500.00	no draw	0.00	7,500.00	0.00		CHOUTEAU
						680,874.43	7,500.00	434,729.43		CHOUTEAU Total
CUSTER COUNTY	Rock crusher for road repair	10	09/04/07	50,000.00	10/19/07	50,000.00	-	41,818.59	02/15/18	CUSTER
CUSTER COUNTY	2009 Volvo G940 Motor Grader	5	04/09/09	110,000.00	05/01/09	110,000.00	-	99,795.31	08/15/14	CUSTER
CUSTER COUNTY	BRIDGE PROJECT	10	06/10/10	250,000.00	no draw	0.00	250,000.00	-		CUSTER
MILES COMMUNITY COLLEG	New Student Housing	10	10/18/02	300,000.00	05/23/03	300,000.00	-	114,725.81	08/15/13	CUSTER
						460,000.00	250,000.00	256,339.71		CUSTER Total
FLAXVILLE	Water System Improvements	10	07/13/04	39,313.43	09/03/04	39,313.43	-	18,305.93	08/15/14	DANIELS
						39,313.43	-	18,305.93		DANIELS Total
DAWSON COMMUNITY COLL	Phys Ed, Arts Ctr, Library Expansion	10	06/15/04	500,000.00	06/09/06	500,000.00	-	351,061.01	08/15/16	DAWSON
						500,000.00	-	351,061.01		DAWSON Total

Local Government INTERCAP loans* - by County

As of June 30, 2010

*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity	County Located
ANACONDA-DEER LODGE CC	Upgrade Historic Lighting System	10	06/08/99	425,480.32	08/18/00	425,480.32	-	26,022.80	08/15/10	DEER LODGE
ANACONDA-DEER LODGE CC	Elevator-Hearst Library	10	05/21/03	175,000.00	08/22/03	175,000.00	-	68,159.93	08/15/13	DEER LODGE
				600,480.32				94,182.73		DEER LODGE Total
BAKER	purchase John Deere Grader Patrol	7	11/30/06	118,000.00	12/29/06	118,000.00	-	71,294.69	02/15/14	FALLON
BAKER	purchase a new garbage truck and packer	7	11/30/06	92,157.00	02/16/07	92,157.00	-	52,665.00	02/15/14	FALLON
				210,157.00				123,959.69		FALLON Total
LEWISTOWN	SID-curb/gutter/sidewalkstreet	10	12/11/00	45,000.00	01/05/01	45,000.00	-	1,968.75	08/15/10	FERGUS
FERGUS COUNTY	improvements to the Co Fairgrounds	10	05/17/07	166,571.39	06/19/09	166,571.39	-	145,145.83	02/15/18	FERGUS
MOORE RURAL FIRE DIST	Construct a Building	10	11/17/00	65,000.00	12/22/00	65,000.00	-	7,288.48	02/15/11	FERGUS
MOORE ELEMENTARY SCHOOL	New roof on school	10	11/03/08	90,000.00	08/07/09	90,000.00	-	90,000.00	08/15/19	FERGUS
MOORE HIGH SCHOOL DIST #	Repair/replace roof & site Improvem	10	11/03/08	90,000.00	08/07/09	90,000.00	-	90,000.00	08/15/19	FERGUS
				456,571.39				334,403.06		FERGUS Total
KALISPELL	Heating/Air Cond/ Fire Safety	10	12/16/03	151,835.70	07/16/04	151,835.70	-	73,004.13	08/15/14	FLATHEAD
KALISPELL	2003 American La France Eagle Pumper	10	04/18/05	279,900.00	04/22/05	279,900.00	-	166,904.87	02/15/15	FLATHEAD
FLATHEAD COUNTY	Rural Impr Dist No.142 sew coll syst impr	10	04/18/07	186,665.73	07/20/07	186,665.73	-	151,893.73	08/15/17	FLATHEAD
SMITH VALLEY FIRE DIST	Fire Truck	10	01/12/01	65,000.00	02/23/01	65,000.00	-	7,847.37	02/15/11	FLATHEAD
BIGFORK FIRE DISTRICT	Fire Engine Truck	5	04/18/05	299,844.00	04/22/05	299,844.00	-	32,621.28	08/15/10	FLATHEAD
SMITH VALLEY FIRE DIST	new water tender	10	08/07/07	154,002.00	09/14/07	154,002.00	-	121,475.68	08/15/17	FLATHEAD
WEST VALLEY FIRE DISTRICT	Construct new fire hall	15	08/05/09	650,000.00	10/16/09	650,000.00	-	639,229.46	08/15/24	FLATHEAD
WEST HELENA VALLEY FIRE	Remodel and expansion of fire hall	7	08/06/09	300,000.00	01/22/10	250,000.00	50,000.00	250,000.00	08/15/16	FLATHEAD
WEST VALLEY FIRE DISTRICT	Purchase a new aerial ladder truck	10	11/23/09	600,000.00	12/11/09	600,000.00	-	600,000.00	02/15/20	FLATHEAD
FLATHEAD VALLEY COMMUNITY	Campus expansion	10	11/30/06	3,258,778.74	07/20/07	3,258,778.74	-	2,583,007.21	02/15/17	FLATHEAD
FLATHEAD VALLEY COMMUNITY	PROPERTY PURCHASE	10	06/14/10	495,000.00	no draw	0.00	495,000.00	0.00		FLATHEAD
SOMERS SCHOOL DISTRICT #	Heat System Replacement	10	07/11/02	147,000.00	11/08/02	147,000.00	-	43,000.72	08/15/12	FLATHEAD
SOMERS SCHOOL DISTRICT #	Renovate School	10	08/05/02	113,500.00	09/20/02	113,500.00	-	31,919.93	08/15/12	FLATHEAD
SOMERS SCHOOL DISTRICT #	School Renovations	10	06/02/04	200,000.00	07/30/04	200,000.00	-	101,380.96	08/15/14	FLATHEAD
SWAN RIVER ELEMENTARY SCHOOL	PAVE PARKING LOT	10	08/09/04	19,435.00	09/17/04	19,435.00	-	9,339.63	08/15/14	FLATHEAD
PLEASANT VALLEY SCHOOL	new manufactured home	5	12/28/05	36,890.66	02/24/06	36,890.66	-	11,797.82	08/15/11	FLATHEAD
SMITH LAKE VISTA CO W&S	Water System Improvements	10	08/14/03	15,400.00	09/05/03	15,400.00	-	5,000.00	08/15/13	FLATHEAD
WAPITI ACRES COUNTY WATER	PER for water system upgrades	6	10/24/07	11,000.00	06/06/08	11,000.00	-	8,505.64	08/15/14	FLATHEAD
FLATHEAD COUNTY WATER	USDA RD water improvements	2	12/29/09	700,000.00	no draw	0.00	700,000.00	0.00		FLATHEAD
				6,439,251.83			1,245,000.00	4,836,928.43		FLATHEAD Total
MANHATTAN	Rescue Truck	10	04/30/02	80,000.00	07/03/03	80,000.00	-	30,615.65	08/15/13	GALLATIN
THREE FORKS	Arena Lighting/Irrigation	10	03/27/03	30,000.00	06/20/03	30,000.00	-	6,738.44	08/15/13	GALLATIN
WEST YELLOWSTONE	Used dump truck & pickup	5	09/06/05	26,139.00	11/10/05	26,139.00	-	3,125.80	08/15/15	GALLATIN
WEST YELLOWSTONE	Purchase Caterpillar Wheel Loader	10	01/16/09	128,624.00	02/06/09	128,624.00	-	117,917.86	02/15/19	GALLATIN
BOZEMAN	Construct & Furnish Fire Station	10	02/05/09	890,000.00	08/28/09	890,000.00	-	851,071.45	08/15/19	GALLATIN
WEST YELLOWSTONE	911 Dispatch Center Remodel	10	04/23/09	422,499.95	05/29/09	422,499.95	-	415,831.07	08/15/19	GALLATIN
GALLATIN COUNTY	Purchase Building	10	02/03/04	999,000.00	02/27/04	999,000.00	-	431,757.12	02/15/14	GALLATIN
GALLATIN COUNTY	RE-ENTRY FACILITY	10	08/27/04	800,000.00	03/31/06	800,000.00	-	518,729.54	02/15/16	GALLATIN
GALLATIN COUNTY	Fairgrounds improvements	10	04/20/05	500,000.00	04/13/07	500,000.00	-	341,959.93	08/15/15	GALLATIN
GALLATIN COUNTY	Multiple city libraries improvements	10	04/20/05	999,000.00	06/17/05	999,000.00	-	598,985.64	08/15/15	GALLATIN
GALLATIN COUNTY	District Court Remodel	10	11/09/05	999,000.00	04/20/07	999,000.00	-	778,672.69	02/15/17	GALLATIN

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Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity	County Located
GALLATIN COUNTY	Courthouse Annex Building purch & moving	10	06/14/07	999,000.00	07/27/07	999,000.00	-	789,611.15	08/15/17	GALLATIN
GALLATIN COUNTY	Road/Bridge Shop Complex	10	03/28/08	1,300,000.00	06/06/08	1,300,000.00	-	1,138,227.88	08/15/18	GALLATIN
GALLATIN COUNTY	Construct and Equip 9-1-1 Center	10	02/10/09	1,000,000.00	03/27/09	1,000,000.00	-	910,246.03	02/15/19	GALLATIN
AMSTERDAM RURAL FIRE DI	Purchase Fire Truck	10	04/14/03	80,000.00	08/29/03	80,000.00	-	24,102.93	08/15/13	GALLATIN
FORT ELLIS FIRE SERVICE AF	new fire rescue vehicle	10	05/03/07	190,000.00	05/25/07	190,000.00	-	115,992.92	08/15/17	GALLATIN
THREE FORKS ELEMENTARY	utilities and roadway to school land	4	12/06/07	80,000.00	08/15/08	80,000.00	-	51,572.90	08/15/12	GALLATIN
THREE FORKS HIGH SCHOOL	utilities and roadway to school land	4	12/06/07	36,329.78	08/15/08	36,329.78	-	23,420.40	08/15/12	GALLATIN
LAMOTTE SCHOOL DISTRICT	Purchase & Install Modular	5	06/26/09	135,000.00	09/25/09	135,000.00	-	124,393.73	08/15/14	GALLATIN
GALLATIN COUNTY/GALLATI	Land Purchase - Logan	10	04/13/10	1,250,000.00	06/25/10	1,250,000.00	-	1,250,000.00	08/15/20	GALLATIN
						10,944,592.73	-	8,522,973.13		GALLATIN Total
GOLDEN VALLEY COUNTY	2008 Ford F250 Ambulance	10	05/14/09	44,000.00	06/12/09	44,000.00	-	42,126.37	08/15/19	GOLDEN VALLEY
						44,000.00	-	42,126.37		GOLDEN VALLEY Total
PHILIPSBURG SCHOOL DISTR	Biomass Heating System replacement	10	03/18/04	355,000.00	01/14/05	355,000.00	-	188,789.87	08/15/14	GRANITE
						355,000.00	-	188,789.87		GRANITE Total
HAVRE	Purchase Street Sweeper	7	12/19/03	89,000.00	03/05/04	89,000.00	-	13,627.18	02/15/11	HILL
HAVRE	Chiller & cooling Towner for Ice Dome	10	12/09/04	60,000.00	04/01/05	60,000.00	-	32,479.06	02/15/15	HILL
HAVRE	Change city hall (two bldgs) from flat to pit	15	05/15/07	280,000.00	08/03/07	280,000.00	-	245,573.46	08/15/22	HILL
HAVRE	Change city hall roof (two bldgs) from flat t	10	05/15/07	175,800.00	07/13/07	175,800.00	-	138,816.19	08/15/17	HILL
HAVRE	Purchase an asphalt reclaiming Mach.	10	01/22/10	86,950.00	02/24/10	86,950.00	-	86,950.00	02/15/20	HILL
HILL COUNTY	Wanke Bridge	10	05/19/04	136,389.81	12/23/04	136,389.81	-	72,143.04	02/15/15	HILL
						828,139.81	-	589,588.93		HILL Total
BOULDER	Preliminary Engineering Report - water	6	05/03/06	25,000.00	12/22/06	25,000.00	-	13,861.31	02/15/13	JEFFERSON
WHITEHALL	2008 Fire Engine	10	04/16/09	150,000.00	07/02/09	150,000.00	-	143,024.97	08/15/19	JEFFERSON
BOULDER	Unexpected costs of water proj.	10	04/06/10	50,000.00	04/30/10	50,000.00	-	50,000.00	08/15/20	JEFFERSON
WHITEHALL	assume municipal pool debt	10	06/11/10	99,894.00	07/23/10	0.00	99,894.00	0.00	08/15/20	JEFFERSON
JEFFERSON COUNTY	RID #2506 road improvements	15	08/15/08	75,376.23	09/19/08	75,376.23	-	70,323.64	08/15/23	JEFFERSON
JEFFERSON COUNTY	County Offices Remodel	10	04/21/09	300,000.00	05/15/09	163,627.82	136,372.18	158,009.99	08/15/19	JEFFERSON
JEFFERSON COUNTY	Martinez Gulch RID #2517 Rd. Improv.	15	08/11/09	271,333.00	11/20/09	172,374.81	98,958.19	172,374.81	08/15/24	JEFFERSON
JEFFERSON COUNTY	Moonlight Ridge RID #2511 road improven	15	09/04/09	249,999.00	12/24/09	226,345.93	23,653.07	226,345.93	02/15/25	JEFFERSON
BULL MOUNTAIN RURAL FIR	Refinance Water Tender	10	09/16/02	35,000.00	10/04/02	35,000.00	-	9,616.45	08/15/12	JEFFERSON
JEFFERSON CITY FIRE DISTRI	New Fire Hall	10	03/30/04	75,000.00	06/11/04	75,000.00	-	36,745.10	08/15/14	JEFFERSON
BULL MOUNTAIN RURAL FIR	Construct fire truck garage	10	11/21/08	49,837.00	12/12/08	49,837.00	-	47,280.38	02/15/19	JEFFERSON
JEFFERSON CITY FIRE DISTRI	Purchase fire pumper engine	7	09/03/09	100,000.00	10/09/09	11,500.00	88,500.00	10,707.06	08/15/16	JEFFERSON
CLANCY FIRE SERVICE AREA	Fire Station Addition	10	08/22/03	40,000.00	12/24/03	40,000.00	-	17,299.25	02/15/14	JEFFERSON
MONTANA CITY SCHOOL DIS	Payoff GAN file #1027	8	07/22/05	44,893.49	08/15/05	44,893.49	-	22,923.76	02/15/14	JEFFERSON
WHITEHALL ELEMENTARY S	new natural gas boiler	10	03/01/07	84,484.00	05/18/07	84,484.00	-	50,130.35	08/15/17	JEFFERSON
						1,203,439.28	447,377.44	1,028,643.00		JEFFERSON Total
HOBSON	chip sealing the streets	10	06/29/07	85,000.00	08/03/07	85,000.00	-	67,271.16	08/15/17	JUDITH BASIN
STANFORD SCHOOL DISTRIC	Gym repair; Storage shed construction	5	06/21/05	200,000.00	08/19/05	200,000.00	-	22,711.87	08/15/10	JUDITH BASIN
						285,000.00	-	89,983.03		JUDITH BASIN Total
RONAN	Preliminary Engineering Report-Storm wate	3	11/05/09	15,000.00	no draw	0.00	15,000.00	0.00		LAKE
UPPER WEST SHORE SCHOOL	classroom building unattached to main struc	5	11/02/05	50,000.00	03/10/06	50,000.00	-	10,695.58	02/15/11	LAKE
LAKE COUNTY/LAKE COUNT	Solid Waste Transfer Station	10	12/16/03	880,000.00	02/06/04	880,000.00	-	428,440.00	08/15/13	LAKE

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Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity	County Located
						930,000.00	15,000.00	439,135.58		LAKE Total
HELENA	Tower Truck/Station Remodel	10	11/02/01	1,081,115.85	11/08/02	1,081,115.85	-	364,781.48	02/15/13	VIS AND CLARK
HELENA	Mowers & Turf Sweeper	10	07/30/03	56,551.00	10/24/03	56,551.00	-	24,553.60	02/15/14	VIS AND CLARK
HELENA	Chambers Remodel	10	03/10/04	175,974.43	10/01/04	175,974.43	-	84,357.91	08/15/14	VIS AND CLARK
HELENA	GOLF POND IMPROVEMENTS	10	07/29/04	62,901.00	12/03/04	62,901.00	-	33,554.07	02/15/15	VIS AND CLARK
HELENA	SID No. 408 (Granite St.)	3	08/29/06	113,836.65	03/07/08	113,836.65	-	21,836.65	08/15/10	VIS AND CLARK
EAST HELENA	Construction of new shop building	10	05/11/07	177,208.00	06/22/07	177,208.00	-	140,584.48	08/15/17	VIS AND CLARK
HELENA	imprvm to City's golf course	10	10/30/07	207,000.00	09/25/09	207,000.00	-	197,429.75	08/15/19	VIS AND CLARK
EAST HELENA	Reconstruction of muni. swim. pool	10	08/07/08	692,958.00	09/19/08	692,958.00	-	605,865.05	08/15/18	VIS AND CLARK
HELENA	Sidewalk, curb, Gut., & driveway/alley appr	10	08/11/08	326,548.96	02/06/09	326,548.96	-	308,058.32	02/15/19	VIS AND CLARK
HELENA	Replace Sidewalks, curbs, gutters etc	10	09/30/09	150,000.00	no draw	0.00	150,000.00	0.00		LEWIS AND CLARK
LEWIS & CLARK COUNTY	Renovate Courthouse	10	12/14/98	289,000.00	05/12/00	289,000.00	-	18,574.89	08/15/10	VIS AND CLARK
LEWIS & CLARK COUNTY	Bridge Repair and Replacement	10	06/09/99	433,143.93	03/30/01	433,143.93	-	49,351.93	02/15/11	VIS AND CLARK
LEWIS & CLARK COUNTY	Remodel Augusta Senior Center	10	04/05/00	79,781.00	02/02/01	79,781.00	-	10,088.74	02/15/11	VIS AND CLARK
LEWIS & CLARK COUNTY	Gilbert RID	10	05/16/01	48,055.41	02/08/02	48,055.41	-	4,470.22	02/15/12	VIS AND CLARK
LEWIS & CLARK COUNTY	Bleachers- LandC Co. Fairgrounds	10	09/18/01	199,900.00	06/07/02	199,900.00	-	55,997.16	08/15/12	VIS AND CLARK
LEWIS & CLARK COUNTY	Remodel County Courthouse	10	03/14/03	450,000.00	05/21/04	450,000.00	-	217,503.35	08/15/14	VIS AND CLARK
LEWIS & CLARK COUNTY	Augusta RID	10	09/03/03	67,121.00	12/05/03	67,121.00	-	3,064.62	02/15/14	VIS AND CLARK
LEWIS & CLARK COUNTY	FAWN MEADOW RID	10	06/14/04	14,194.00	11/18/05	14,194.00	-	3,540.21	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Gable Estates RID	10	06/15/04	317,476.01	02/10/06	317,476.01	-	158,194.85	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	MUNGER RD RID	10	06/28/04	11,580.00	11/18/05	11,580.00	-	2,866.10	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Golden Estates RID 2001-1	10	05/06/05	28,754.00	11/18/05	28,754.00	-	18,530.32	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Oro Fino RID 1994-5	10	05/06/05	30,469.67	03/03/06	30,469.67	-	19,743.53	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Maynard Road RID 2005-1	10	05/06/05	8,679.68	03/03/06	8,679.68	-	5,577.06	02/16/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Applegate RID	7	05/25/05	43,005.71	03/03/06	43,005.71	-	27,633.01	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Lincoln Rd RID 2004-6	10	06/27/05	348,771.53	02/24/06	348,771.53	-	165,100.94	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Prickley Pear RID 1985-2	10	06/27/05	168,861.46	03/03/06	168,861.46	-	63,404.13	02/05/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Lambkin Road RID No 1989-1	10	10/24/05	29,351.85	03/03/06	29,351.85	-	18,859.82	02/15/16	VIS AND CLARK
LEWIS & CLARK COUNTY	Integrated Public Safety Radio System	7	01/31/06	750,000.00	02/17/06	750,000.00	-	345,529.68	02/15/13	VIS AND CLARK
LEWIS & CLARK COUNTY	Ten Mile Creek Estates RID 97-2 maintenar	7	08/14/06	23,683.92	01/26/07	23,683.92	-	14,406.72	02/15/14	VIS AND CLARK
LEWIS & CLARK COUNTY	Treasure State Acres RID 90-5 maintenance	7	08/14/06	194,066.46	01/26/07	194,066.46	-	118,048.86	02/15/14	VIS AND CLARK
LEWIS & CLARK COUNTY	Middlemas Road RID #1987-4 and 4C road	10	01/25/07	10,475.14	04/13/07	10,475.14	-	7,751.02	02/15/17	VIS AND CLARK
LEWIS & CLARK COUNTY	Town View Estates RID #1990-9 road impr	10	08/17/07	40,858.49	03/20/08	40,858.49	-	29,200.50	02/15/18	VIS AND CLARK
LEWIS & CLARK COUNTY	Riddock RID # 1985-1 road improvements	10	08/17/07	6,723.68	03/20/08	6,723.68	-	3,795.83	02/15/18	VIS AND CLARK
LEWIS & CLARK COUNTY	Green Acres RID #2001-8 Road Improveme	10	08/17/07	26,467.12	03/20/08	26,467.12	-	19,790.73	02/15/18	VIS AND CLARK
LEWIS & CLARK COUNTY	Bel Air Addition RID No. 2006-5	10	09/12/07	213,266.12	06/20/08	213,266.12	-	141,878.32	08/15/18	VIS AND CLARK
LEWIS & CLARK COUNTY	Bel Air Curb RID No. 2006-6	10	09/12/07	13,685.21	03/20/08	13,685.21	-	10,472.36	02/15/18	VIS AND CLARK
LEWIS & CLARK COUNTY	elevator, air end, upgds, roof rpr& remodel	10	11/23/07	1,000,000.00	03/14/08	977,748.29	22,251.71	843,966.33	02/15/18	VIS AND CLARK
LEWIS & CLARK COUNTY	County Landfill Scraper	15	12/24/08	649,900.00	01/23/09	649,900.00	-	606,574.00	02/15/24	VIS AND CLARK
LEWIS & CLARK COUNTY	Sky View RID #2008-9	10	02/26/09	52,995.71	03/19/10	52,995.71	-	52,995.71	02/15/20	VIS AND CLARK
LEWIS & CLARK COUNTY	Fox Crossing RID #2008-6 road imp	15	03/02/09	29,191.05	03/19/10	29,191.05	-	29,191.05	02/15/25	VIS AND CLARK
LEWIS & CLARK COUNTY	Autumn Wind Court RID road improv	15	08/27/09	44,431.00	no draw	0.00	44,431.00	0.00		LEWIS AND CLARK
LEWIS & CLARK COUNTY	Purchase 2005 Cat. 420D Backhoe	6	10/26/09	31,975.00	11/13/09	31,975.00	-	31,975.00	02/15/16	VIS AND CLARK

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LEWIS & CLARK COUNTY	Remodel City/County Admin. Bldg-2nd floc	10	11/17/09	505,000.00	06/25/10	505,000.00	-	505,000.00	08/15/20	VIS AND CLARK
EASTGATE VOLUNTEER FIRE	2000 Ford 550 CAFR attack eng	10	04/13/00	142,000.00	06/09/00	142,000.00	-	8,279.12	08/15/10	VIS AND CLARK
BAXENDALE FIRE DIST	Purchase Fire Truck	10	07/21/00	85,000.00	10/20/00	85,000.00	-	5,197.06	08/15/10	VIS AND CLARK
BAXENDALE FIRE DIST	Tanker Fire Truck	10	03/25/05	80,000.00	04/15/05	80,000.00	-	49,025.38	02/15/15	VIS AND CLARK
BAXENDALE FIRE DIST	constructing a fire hall addition	10	11/30/06	50,000.00	07/20/07	50,000.00	-	39,549.39	08/15/17	VIS AND CLARK
MONTANA CITY RURAL FIRE	new pumper truck	10	08/08/07	345,343.00	05/16/08	345,343.00	-	262,039.82	08/15/18	VIS AND CLARK
BIRDSEYE RURAL FIRE DIST	Purchase intl 4x4 structure engine	9	11/12/09	176,000.00	12/11/09	176,000.00	-	176,000.00	02/15/19	VIS AND CLARK
TRI-LAKES VOLUNTEER FIRE	Purchase 2 fire trucks 1996 intl 1970 intl	10	12/08/00	200,531.50	03/30/01	200,531.50	-	25,552.44	02/15/11	VIS AND CLARK
YORK FIRE SERVICE AREA	Water Tender Truck	10	01/26/01	28,000.00	02/16/01	28,000.00	-	3,533.86	02/15/11	VIS AND CLARK
AUGUSTA FIRE SERVICE ARE	New Fire Hall	10	02/22/04	69,676.47	02/13/04	69,676.47	-	25,376.07	02/15/14	VIS AND CLARK
YORK FIRE SERVICE AREA	constructing a fire station	10	05/07/07	70,000.00	11/09/07	70,000.00	-	60,939.44	02/15/18	VIS AND CLARK
WOLF CREEK/CRAIG FIRE SV	Build a 50' x 80' truck barn	15	08/06/09	150,000.00	10/02/09	139,798.20	10,201.80	138,210.17	08/15/24	VIS AND CLARK
TRI-LAKES VOLUNTEER FIRE	Purchase a Sutphen CAFS rescue pumper	10	11/17/09	175,000.00	12/24/09	175,000.00	-	175,000.00	02/15/20	VIS AND CLARK
WOLF CREEK WATER&SEWE	grant writing&adm start up costs	6	01/22/08	20,000.00	02/15/08	20,000.00	-	13,960.47	02/15/14	VIS AND CLARK
						10,569,624.50	226,884.51	6,366,761.52	LEWIS AND CLARK Total	
LIBBY	Anticip. of RD long term - wastewater	2	06/18/09	1,745,000.00	12/11/09	874,502.26	874,497.74	874,502.26	12/09/11	LINCOLN
LINCOLN COUNTY	Purchase Building	10	07/10/00	500,000.00	05/11/01	500,000.00	-	64,244.33	02/15/11	LINCOLN
LINCOLN COUNTY RFD	Water Tenders - 2 new	10	01/12/06	299,900.00	02/09/07	299,900.00	-	126,556.73	08/15/16	LINCOLN
TROY PUBLIC SCHOOLS DIST	Energy Cost Savings replace old boiler heat	10	10/27/06	59,000.00	11/24/06	59,000.00	-	44,104.55	02/15/17	LINCOLN
EUREKA ELEMENTARY SCHC	central wood-fired heating plant&dist lines	10	05/14/07	283,240.00	09/14/07	283,240.00	-	228,839.35	08/15/17	LINCOLN
LINCOLN HIGH SCHOOL	cent wood-fired heating plant&dist lines	10	05/14/07	283,240.00	09/14/07	283,240.00	-	228,839.35	08/15/17	LINCOLN
						2,299,882.26	870,497.74	1,567,086.57	LINCOLN Total	
SHERIDAN	Purchase land for Main St. parking	10	07/25/05	43,000.00	09/09/05	43,000.00	-	25,510.87	08/15/15	MADISON
SHERIDAN	Engineering Services-Wastewater	6	09/04/09	100,000.00	03/19/10	100,000.00	-	100,000.00	02/15/16	MADISON
SHERIDAN	Engineering Services-Water	6	09/04/09	75,000.00	03/19/10	34,674.15	40,325.85	34,674.15	02/15/16	MADISON
SHERIDAN	Anticip of RD loan - wastewater	2	02/03/10	815,000.00	no draw	0.00	815,000.00	0.00		MADISON
TWIN BRIDGES	Engineering services - water/wastewater	6	03/15/10	130,000.00	04/23/10	130,000.00	-	130,000.00	08/15/16	MADISON
TWIN BRIDGES	Antic. of RD long term financing - wastewat	2	04/01/10	1,000,000.00	no draw	0.00	1,000,000.00	0.00		MADISON
MADISON COUNTY	Anticip. of issuing RID 2009-01 Bond	2	10/07/09	268,500.00	no draw	0.00	268,500.00	0.00		MADISON
MADISON COUNTY	Anticip of RD long-term Finan. TRMCC	2	11/05/09	1,242,000.00	no draw	0.00	1,242,000.00	0.00		MADISON
						307,674.15	3,365,825.85	290,185.02	MADISON Total	
MCCONE COUNTY	McCone Co Courthouse Updates	10	12/23/03	190,000.00	02/13/04	190,000.00	-	86,060.95	02/15/14	MCCONE
MCCONE COUNTY	Purchase 2010 Ford F250 4x4 P.U.	5	09/29/09	26,148.32	10/23/09	26,148.32	-	26,148.32	02/15/15	MCCONE
						216,148.32	-	112,209.27	MCCONE Total	
ALBERTON	Skid-steer Loader with attachments	7	11/28/05	49,673.00	01/13/06	49,673.00	-	22,896.45	02/15/13	MINERAL
						49,673.00	-	22,896.45	MINERAL Total	
MISSOULA	Traffic Circles - SID # 527	7	01/16/04	22,400.00	02/13/04	22,400.00	-	3,200.00	08/15/10	MISSOULA
MISSOULA	Art Museum Remodel	10	06/15/04	300,000.00	07/09/04	300,000.00	-	159,062.59	08/15/14	MISSOULA
MISSOULA	CHRISTIAN DR. SID #530	10	08/12/04	6,706.45	01/13/06	6,706.45	-	4,026.45	02/15/16	MISSOULA
MISSOULA COUNTY	Western Montana Fair Equipment	10	04/12/04	158,623.00	04/30/04	158,623.00	-	76,675.69	08/15/14	MISSOULA
MISSOULA COUNTY	Missoula Aging Services (MAS) renovation	10	01/13/06	250,000.00	02/24/06	250,000.00	-	162,599.83	02/15/16	MISSOULA
MISSOULA COUNTY	Motor Pool vehicles and Central Services cc	4	03/13/06	173,077.50	10/27/06	173,077.50	-	47,506.54	02/15/11	MISSOULA
MISSOULA COUNTY	Grader/Motor Pool/Office Equip	4	04/07/09	995,280.80	05/08/09	995,280.80	-	877,444.34	08/15/13	MISSOULA

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Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity	County Located
MISSOULA COUNTY	Purchase Historical Building	10	04/27/09	430,000.00	05/15/09	430,000.00	-	411,689.56	08/15/19	MISSOULA
MISSOULA COUNTY	Williams Addtn RID -sewer system improve	15	11/04/09	73,000.00	05/07/10	73,000.00	-	73,000.00	08/15/25	MISSOULA
MISSOULA RURAL FIRE DIST	Pumper Fire Engine	10	08/05/02	206,112.13	09/13/02	206,112.13	-	60,565.29	08/15/12	MISSOULA
SEELEY LAKE RURAL FIRE D	Water Tender	7	06/09/04	40,000.00	07/02/04	40,000.00	-	9,067.77	08/15/11	MISSOULA
MISSOULA RURAL FIRE DIST	Purchase Intl 7200 Water Tender	10	01/30/09	199,962.16	03/20/09	199,962.16	-	188,869.76	02/15/19	MISSOULA
SEELEY LAKE RURAL FIRE D	Purchase land/building to house trucks and e	15	07/28/09	325,000.00	08/28/09	325,000.00	-	316,174.71	08/15/24	MISSOULA
						3,180,162.04	-	2,389,882.53		MISSOULA Total
MUSSELSHELL COUNTY	Ambulance Barn Construction	10	01/13/05	200,000.00	10/07/05	200,000.00	-	117,982.71	08/15/15	MUSSELSHELL
						200,000.00	-	117,982.71		MUSSELSHELL Total
LIVINGSTON	Automate Solid Waste System	10	11/07/02	250,000.00	05/30/03	250,000.00	-	87,481.60	08/15/13	PARK
LIVINGSTON	Replace Sewer Mains	10	06/22/09	141,743.00	10/23/09	141,743.00	-	141,743.00	02/15/20	PARK
LIVINGSTON	Replace Water Mains	10	06/22/09	152,941.00	10/23/09	152,941.00	-	152,941.00	02/15/20	PARK
PARK COUNTY	Gardiner Airport Easement	10	12/11/03	68,350.00	04/27/04	68,350.00	-	33,039.24	08/15/14	PARK
PARK COUNTY RURAL FIRE I	Fire Truck	5	11/03/00	200,000.00	12/29/00	200,000.00	-	23,942.42	02/15/11	PARK
PARK COUNTY RURAL FIRE I	Purchase Metal Building	10	07/29/02	90,000.00	10/04/02	90,000.00	-	24,728.00	08/15/12	PARK
GARDINER RURAL FIRE DIST	replacement fire engine	5	06/06/07	44,000.00	03/14/08	44,000.00	-	25,313.88	08/15/12	PARK
PARADISE VALLEY FIRE SER	Purchase (2) Fire Trucks	10	07/26/02	75,000.00	08/16/02	75,000.00	-	21,001.38	08/15/12	PARK
						1,022,034.00	-	510,190.52		PARK Total
PONDERA COUNTY	Upgrade 911 Equipment	10	02/06/03	333,095.79	03/07/03	333,095.79	-	114,652.70	02/15/13	PONDERA
PONDERA COUNTY	Heat-Vent-AC Sys Replacement	10	02/03/04	435,000.00	05/28/04	435,000.00	-	212,293.15	08/15/14	PONDERA
PONDERA COUNTY	Purchase Building for Senior Center	10	06/06/08	89,550.00	07/03/08	89,550.00	-	77,940.05	08/15/18	PONDERA
PONDERA COUNTY RURAL F	2009 Freightliner Pumper Truck	10	06/03/09	100,000.00	07/31/09	100,000.00	-	95,608.20	08/15/19	PONDERA
TRI-CITY INTERLOCAL EQUIP	Purchase sewer jet truck	7	08/19/09	244,000.00	03/12/10	244,000.00	-	244,000.00	02/15/17	PONDERA
VALIER ELEMENTARY SCHO	Boiler/Heating System	10	05/27/05	100,000.00	07/29/05	100,000.00	-	59,228.49	08/15/15	PONDERA
VALIER ELEMENTARY SCHO	Swimming Pool Rehab	10	05/26/10	150,000.00	no draw	0.00	150,000.00	0.00		PONDERA
VALIER HIGH SCHOOL DISTR	Swimming Pool Rehab	10	05/26/10	150,000.00	no draw	0.00	150,000.00	0.00		PONDERA
						1,301,645.79	300,000.00	803,722.59		PONDERA Total
POWDER RIVER COUNTY	New Sheriff Vehicle	6	10/07/04	30,000.00	10/29/04	30,000.00	-	5,339.62	02/15/11	POWDER RIVER
POWDER RIVER COUNTY/PO'	Expand landfill	10	09/15/05	220,000.00	11/18/05	220,000.00	-	132,000.00	02/15/16	POWDER RIVER
						250,000.00	-	137,339.62		POWDER RIVER Total
POWELL COUNTY	Memorial Hospital Renovation	10	06/15/04	421,131.87	02/11/05	421,131.87	-	154,872.24	02/15/15	POWELL
POWELL COUNTY	bridge maintenance/replacement	7	05/10/07	250,000.00	11/09/07	250,000.00	-	182,537.19	08/15/14	POWELL
GARRISON FIRE DISTRICT	Construct Fire Hall	10	04/29/05	107,000.00	08/19/05	107,000.00	-	63,852.62	08/15/15	POWELL
ELLISTON RURAL FIRE DISTR	Construct new fire hall	10	06/21/05	96,470.20	08/19/05	96,470.20	-	58,329.32	08/15/15	POWELL
DEER LODGE ELEMENTARY	Purch & Install Wood-Fired Heat Plant	10	11/18/08	335,000.00	01/16/09	335,000.00	-	286,880.53	02/15/19	POWELL
						1,209,602.07	-	746,471.90		POWELL Total
PRAIRIE COUNTY HOSPITAL	Replace hospital & clinic roof	15	04/15/10	180,000.00	no draw	0.00	180,000.00	0.00	08/15/25	PRAIRIE
						-	180,000.00	-		PRAIRIE Total
DARBY	Anticip. of RD long term financing	2	03/03/08	1,543,000.00	09/25/09	1,543,000.00	-	1,543,000.00	09/16/11	RAVALLI
RAVALLI COUNTY	Renovate Existing Courthouse	10	04/08/02	500,000.00	04/18/03	500,000.00	-	204,748.33	08/15/13	RAVALLI
RAVALLI COUNTY	Camera/Jail Ctrl Panel	10	06/16/03	64,257.19	07/16/04	64,257.19	-	30,895.50	08/15/14	RAVALLI
RAVALLI COUNTY	Aggregate Crushing Plant & Excavator	10	12/03/04	535,000.00	03/04/05	535,000.00	-	284,632.64	02/15/15	RAVALLI
RAVALLI COUNTY	Public Safety Vehicles	5	05/19/08	164,902.59	01/22/10	164,902.59	-	164,902.59	02/15/15	RAVALLI

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RAVALLI COUNTY	Roofing courthouse & related improv	10	11/07/08	196,364.00	11/28/08	196,364.00	-	180,229.08	02/15/19	RAVALLI
RAVALLI COUNTY	Purchase Building for Search & Rescue	10	04/23/10	425,000.00	07/23/10	0.00	425,000.00	0.00	08/15/20	RAVALLI
PAINTED ROCKS FIRE DISTRI	Construct Fire Station	10	04/11/03	100,000.00	10/10/03	100,000.00	-	42,944.22	08/15/13	RAVALLI
HAMILTON SCHOOL DISTRICT	BOILER REPLACEMENT	10	03/18/04	418,988.82	11/12/04	418,988.82	-	213,884.49	08/15/14	RAVALLI
VICTOR SCHOOL DISTRICT #	Retrofit Heating System	10	04/20/04	103,918.18	09/24/04	103,918.18	-	51,485.72	08/15/14	RAVALLI
VICTOR SCHOOL DISTRICT #	Insulation proj. remodel/renovate cafe.	10	09/10/09	150,000.00	12/04/09	75,000.00	75,000.00	75,000.00	02/15/20	RAVALLI
						3,701,430.78	500,000.00	2,791,722.57	RAVALLI Total	
SIDNEY	Water Meter Project	10	05/21/01	107,550.00	06/15/01	107,550.00	-	21,510.00	08/15/11	RICHLAND
SIDNEY	Replace Water Meters	10	05/21/01	107,550.00	06/18/01	107,550.00	-	21,510.00	08/15/11	RICHLAND
SIDNEY	Replace Wtr Treatment Plant Filters	15	05/26/10	1,000,000.00	no draw	0.00	1,000,000.00	0.00		RICHLAND
						215,100.00	1,000,000.00	43,020.00	RICHLAND Total	
POPLAR	Purchase Land	10	06/02/03	108,374.06	06/20/03	108,374.06	-	41,474.27	08/15/13	ROOSEVELT
CULBERTSON	New Refuse Truck	7	07/26/05	75,758.00	09/09/05	75,758.00	-	27,050.00	08/15/12	ROOSEVELT
WOLF POINT SCHOOL DISTRI	Boiler Replacement	10	03/17/04	357,045.10	06/18/04	357,045.10	-	170,827.53	08/15/14	ROOSEVELT
FRONTIER ELEMENTARY DIS	Building Addition	5	09/17/04	264,000.00	12/07/07	264,000.00	-	5,348.06	08/15/12	ROOSEVELT
CULBERTSON ELEMENTARY	Remodel/Repave & Replace Kitchen Equip.	10	04/29/10	800,000.00	no draw	0.00	800,000.00	0.00	02/15/20	ROOSEVELT
						805,177.16	800,000.00	244,699.86	ROOSEVELT Total	
FORSYTH	Refund Revenue Bond	10	08/17/01	262,698.00	01/25/02	262,698.00	-	52,538.00	02/15/12	ROSEBUD
COLSTRIP	Jet Vacuum Truck	10	03/17/03	100,000.00	04/04/03	100,000.00	-	32,567.95	02/15/13	ROSEBUD
LAME DEER ELEMENTARY S	remodeling projects	10	08/11/05	231,000.00	09/16/05	231,000.00	-	143,820.29	08/15/15	ROSEBUD
LAME DEER HIGH SCHOOL D	remodeling projects	10	08/11/05	269,000.00	09/16/05	269,000.00	-	170,933.11	08/15/15	ROSEBUD
						862,698.00	-	399,859.35	ROSEBUD Total	
THOMPSON FALLS	front end loader	10	10/19/07	82,997.00	03/20/08	82,997.00	-	68,715.88	02/15/18	SANDERS
THOMPSON FALLS	two police vehicle	5	10/19/07	37,998.00	12/21/07	37,998.00	-	23,576.05	02/15/13	SANDERS
THOMPSON FALLS	COMPUTER SERVER AND GENERATOI	5	06/11/10	78,563.00	06/25/10	78,563.00	-	78,563.00	08/15/15	SANDERS
SANDERS COUNTY	Fairground Improvements	10	03/21/02	139,241.12	05/03/02	139,241.12	-	39,063.38	08/15/12	SANDERS
SANDERS COUNTY	Arena/Holding Pens Upgrade	10	06/12/08	140,941.93	07/11/08	140,941.93	-	122,854.98	08/15/18	SANDERS
DIXON ELEMENTARY DISTRI	Remoldel Exist. Shop Building	10	07/31/02	40,000.00	09/27/02	40,000.00	-	11,245.93	08/15/12	SANDERS
PARADISE ELEMENTARY SCI	Storage Buildings	5	06/17/05	24,000.00	07/15/05	24,000.00	-	2,540.20	08/15/10	SANDERS
						543,741.05	-	346,559.42	SANDERS Total	
PLENTYWOOD	Bank Stabilization(Wastewater)	10	10/09/02	151,003.00	11/08/02	151,003.00	-	45,338.00	08/15/12	SHERIDAN
						151,003.00	-	45,338.00	SHERIDAN Total	
BUTTE-SILVER BOW	Caterpillar PM-201 Cold Planer	10	03/12/07	736,843.00	04/13/07	736,843.00	-	545,222.15	02/15/17	SILVER BOW
BUTTE-SILVER BOW	Two Pumper trucks	7	03/19/07	729,213.00	04/13/07	729,213.00	-	443,196.59	02/15/14	SILVER BOW
BUTTE-SILVER BOW	New 100' Super HD Aerial Ladder Truck	10	03/19/07	978,554.00	09/28/07	978,554.00	-	751,630.00	08/15/17	SILVER BOW
						2,444,610.00	-	1,740,048.74	SILVER BOW Total	
COLUMBUS	Construct a New Town Hall	10	03/06/00	409,395.02	10/06/00	409,395.02	-	17,625.72	08/15/10	STILLWATER
COLUMBUS	Storm Drain Sewer+street/curb reconstruct	10	02/15/07	1,147,220.34	11/16/07	1,147,220.34	-	979,808.14	02/15/18	STILLWATER
STILLWATER COUNTY	Building for co office space	10	03/08/06	125,000.00	03/24/06	125,000.00	-	72,212.91	02/15/16	STILLWATER
STILLWATER COUNTY	constructing a new dispatch center	10	03/30/07	130,500.00	04/27/07	130,500.00	-	96,620.97	08/15/17	STILLWATER
STILLWATER COUNTY	dispatch center equipment	6	04/02/07	83,500.00	10/19/07	83,500.00	-	51,377.99	08/15/13	STILLWATER
STILLWATER COUNTY	two motor graders&one loader	6	06/22/07	360,610.00	10/19/07	360,610.00	-	213,450.35	08/15/13	STILLWATER
PARK CITY RURAL FIRE DIST	Fire Truck	10	01/14/02	164,685.00	01/31/03	164,685.00	-	54,904.38	02/15/13	STILLWATER

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PARK CITY RURAL FIRE DIST	Bldg Demolition, Bldg Expansion	10	09/01/09	130,000.00	10/09/09	130,000.00	-	129,050.41	08/15/19	STILLWATER
STILLWATER COUNTY/STILL	BUILDING CONSTRUCTION	10	03/18/04	400,000.00	08/13/04	400,000.00	-	179,862.10	08/15/14	STILLWATER
						2,950,910.36	-	1,794,912.97		STILLWATER Total
SWEET GRASS COUNTY	Fire Truck	10	02/01/01	130,262.00	02/23/01	130,262.00	-	15,748.36	02/15/11	SWEET GRASS
SWEET GRASS COUNTY	Multi-Purpose Building	7	03/31/04	35,000.00	04/16/04	35,000.00	-	5,228.22	02/15/11	SWEET GRASS
SWEET GRASS COUNTY	Toshiba Telephone system	5	05/27/05	30,000.00	07/22/05	30,000.00	-	3,176.69	08/15/10	SWEET GRASS
SWEET GRASS COUNTY	Dynapac CA602D Roller & accessories	5	02/13/06	100,000.00	03/03/06	100,000.00	-	21,336.57	02/15/11	SWEET GRASS
SWEET GRASS COUNTY	Purchase road equipment	5	02/01/10	200,000.00	03/19/10	200,000.00	-	200,000.00	02/15/15	SWEET GRASS
						495,262.00	-	245,489.84		SWEET GRASS Total
CHOTEAU	Street Sweeper	10	04/27/01	39,000.00	05/18/01	39,000.00	-	7,084.91	08/15/11	TETON
TETON COUNTY	Law Enforcement Center	10	05/27/03	500,000.00	08/15/03	500,000.00	-	178,271.06	08/15/13	TETON
TETON COUNTY HOSPITAL D	Expand/Renovate Clinic Bldg	10	03/02/00	65,291.32	08/25/00	65,291.32	-	4,032.25	08/15/10	TETON
TETON COUNTY HOSPITAL D	Purchase/installation of fire alarm/nurse call	10	12/28/06	213,232.72	01/26/07	213,232.72	-	158,737.41	02/15/17	TETON
TETON COUNTY HOSPITAL D	Time and Attendance System/Medical Equi	5	12/28/06	64,991.00	01/26/07	64,991.00	-	28,076.79	02/15/12	TETON
POWER ELEMENTARY SCHO	Remodel/add on to existing gym locker room	10	03/14/08	127,500.00	06/19/09	127,500.00	-	121,088.16	02/15/19	TETON
POWER HIGH SCHOOL DISTR	Remodel/add on to existing locker rooms, of	10	03/14/08	122,500.00	02/20/09	122,500.00	-	111,609.98	02/15/19	TETON
						1,132,515.04	-	608,900.56		TETON Total
SHELBY	Equipment/Park Improvements	10	05/20/02	200,000.00	09/20/02	200,000.00	-	57,378.08	08/15/12	TOOLE
SUNBURST	Replace Gas Line	10	08/22/02	55,000.00	09/20/02	55,000.00	-	16,549.00	08/15/12	TOOLE
SHELBY	Vehicle/Equipment	10	10/21/04	550,878.00	01/21/05	550,878.00	-	301,628.12	02/15/15	TOOLE
SUNBURST	Refuse Truck Overhaul	5	07/19/05	14,474.47	09/09/05	14,474.47	-	1,530.95	08/15/10	TOOLE
SHELBY	Land Purchase-landfill	10	02/28/06	148,000.00	07/21/06	148,000.00	-	96,200.00	08/15/16	TOOLE
KEVIN	Purchase refuse truck & household cont	7	02/27/09	45,735.00	04/24/09	45,735.00	-	42,469.00	08/15/16	TOOLE
KEVIN	Design water system	9	03/09/09	57,434.00	no draw	0.00	57,434.00	0.00		TOOLE
TOOLE COUNTY	5 Different county projects..see notes	10	06/27/05	486,768.83	07/15/05	486,768.83	-	311,172.11	08/15/15	TOOLE
TOOLE COUNTY	Magnetic Resonance Imaging (MRI)	5	04/03/07	240,000.00	04/13/07	240,000.00	-	100,883.01	02/15/12	TOOLE
TOOLE COUNTY	New search and rescue boat	10	06/06/07	60,000.00	12/28/07	60,000.00	-	49,111.52	08/15/17	TOOLE
TOOLE COUNTY	ENERGY RETROFITTING COUNTY BUI	10	06/24/10	425,000.00	no draw	0.00	425,000.00	0.00	08/15/20	TOOLE
NORTHERN EXPRESS TRANS	purchase land	10	11/29/07	100,000.00	12/21/07	100,000.00	-	80,000.00	08/15/17	TOOLE
SHELBY HIGH SCHOOL DISTR	RENOVATE FOOTBALL FIELD AND TR	10	06/11/10	100,000.00	no draw	0.00	100,000.00	0.00		TOOLE
GALATA COUNTY WATER DI	Refund Revenue Bonds	10	08/15/01	70,000.00	09/14/01	70,000.00	-	7,686.19	08/15/11	TOOLE
						1,970,856.30	582,434.00	1,064,607.98		TOOLE Total
VALLEY COUNTY	Purchase D7 Dozer	10	09/19/02	155,000.00	10/18/02	155,000.00	-	51,675.50	02/15/13	VALLEY
						155,000.00	-	51,675.50		VALLEY Total
LAUREL	9-1-1 Equipment	5	02/28/06	85,000.00	05/19/06	85,000.00	-	27,639.45	08/15/11	YELLOWSTONE
LAUREL	new amb veh&used fire tnd-new vac tank	7	01/31/08	160,000.00	02/29/08	160,000.00	-	119,297.54	02/15/15	YELLOWSTONE
LAUREL	Purchase 2008 FL-106 Interface 1250CPumj	10	01/29/09	200,000.00	02/27/09	200,000.00	-	182,556.00	02/15/19	YELLOWSTONE
BILLINGS	Zimmerman SID sewer improvement	15	09/15/09	80,500.00	12/24/09	80,500.00	-	80,500.00	02/15/25	YELLOWSTONE
LOCKWOOD RURAL FIRE DIS	Purchase Land	10	04/25/03	195,000.00	05/23/03	195,000.00	-	74,625.65	08/15/13	YELLOWSTONE
HUNTLEY PROJECT SCHOOL	Construct Multipurpose Bldg.	10	09/20/02	300,000.00	02/21/03	300,000.00	-	104,184.43	02/15/13	YELLOWSTONE
BILLINGS ELEMENTARY SCH	Upgrade computer network infra & replace	7	04/17/06	516,278.00	06/23/06	516,278.00	-	259,758.34	08/15/13	YELLOWSTONE
BILLINGS HIGH SCHOOL DIST	Upgrade computer network infrastructure	7	04/17/06	254,286.00	06/23/06	254,286.00	-	127,940.55	08/15/13	YELLOWSTONE
LOCKWOOD SCHOOL DISTR	capitol imprvmts to the LockwSchCampus	3	07/03/07	540,000.00	08/24/07	540,000.00	-	180,000.00	08/15/10	YELLOWSTONE

Local Government INTERCAP loans* - by County

As of June 30, 2010

*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity	County Located
LAUREL HIGH SCHOOL DIST	Purchase & install stadium scoreboard	3	09/25/09	130,000.00	10/16/09	130,000.00	-	108,496.68	08/15/12	YELLOWSTONE
CANYON CREEK SCHOOL	Parking Lot Project	10	05/10/10	70,000.00	no draw	0.00	70,000.00	0.00		YELLOWSTONE
						2,461,064.00	70,000.00	1,264,998.64		YELLOWSTONE Total

State Agency INTERCAP Loans

As of June 30, 2010

*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity
DNRC	Anticip. of Coal Severence Tax Bonds-Tax Exe	2	08/19/09	1,625,000.00	09/16/09	1,556,000.00	69,000.00	1,556,000.00	09/18/11
DNRC	Anticip. of Coal Severence Tax Bonds-Taxable	2	08/19/09	410,000.00	09/16/09	388,000.00	22,000.00	388,000.00	09/18/11
DNRC Total						1,944,000.00	91,000.00	1,944,000.00	
JUSTICE	IT System/First Phase Titling System (MERLIN	15	08/20/01	4,500,000.00	09/14/01	4,500,000.00	-	1,810,638.00	06/15/16
JUSTICE	InfTechSys-2nd Phase Per HB 261	14	02/04/04	24,000,000.00	06/18/04	18,958,401.00	5,041,599.00	13,945,681.88	06/15/18
JUSTICE Total						23,458,401.00	5,041,599.00	15,756,319.88	
PETROLEUM TANK RELEASE C	Undergrd Storage Tank Cleanup	10	06/26/02	1,000,000.00	08/16/02	1,000,000.00	-	280,018.43	08/15/12
PETROLEUM TANK RELEASE C	Undergrd Storage Tank Cleanup	10	08/09/07	2,500,000.00	12/21/07	1,000,000.00	1,500,000.00	828,375.11	02/15/18
PETROLEUM TANK RELEASE COMP. Total						2,000,000.00	1,500,000.00	1,108,393.54	
TRANSPORTATION	Motor Pool - Vans	7	08/27/04	65,996.88	08/27/04	65,996.88	-	9,428.88	06/15/11
TRANSPORTATION	Motor Pool - Vans	7	01/20/05	405,738.00	01/28/05	405,738.00	-	57,960.00	06/15/11
TRANSPORTATION	Motor Pool - Trucks	6	06/27/05	94,940.00	07/08/05	94,940.00	-	14,553.60	06/15/11
TRANSPORTATION	Motor Pool - Vans	7	06/27/05	138,990.00	07/08/05	138,990.00	-	39,715.00	06/15/12
TRANSPORTATION	Motor Pool - Trucks	6	02/17/06	510,230.00	02/17/06	510,230.00	-	85,040.00	06/15/11
TRANSPORTATION	Motor Pool - Vans	7	02/17/06	233,619.30	02/17/06	233,619.30	-	66,749.30	06/15/12
TRANSPORTATION	Motor Pool - Sedans & Utilities	5	05/24/06	393,762.00	07/07/06	393,762.00	-	78,754.00	06/15/11
TRANSPORTATION	Motor Pool - Trucks	6	05/24/06	196,548.00	07/07/06	196,548.00	-	65,516.00	06/15/12
TRANSPORTATION	Motor Pool - Trucks	6	02/23/07	1,518,905.00	02/23/07	1,518,905.00	-	506,305.00	06/15/12
TRANSPORTATION	Motor Pool - Vans	7	02/23/07	933,264.35	02/23/07	933,264.35	-	399,972.35	06/15/13
TRANSPORTATION	Sedans&Sport Utilities	6	06/25/07	949,151.00	07/06/07	949,151.00	-	474,575.00	06/15/13
TRANSPORTATION	Pickup Trucks and Vans	7	06/25/07	57,342.44	07/06/07	57,342.44	-	32,766.44	06/15/14
TRANSPORTATION	Sedans and Utilities	6	02/04/08	1,112,314.00	02/29/08	1,112,314.00	-	556,156.00	06/15/13
TRANSPORTATION	Pickups and Vans	7	02/04/08	308,378.00	02/29/08	308,378.00	-	176,216.00	06/15/14
TRANSPORTATION	Motor Pool-Sedan	6	07/31/08	197,991.00	08/08/08	197,991.00	-	131,994.00	06/15/14
TRANSPORTATION	Motor Pool - all types	7	04/06/09	2,814,268.34	04/17/09	2,814,268.34	-	2,233,879.34	06/15/15
TRANSPORTATION	Purchase various vehicles for SMP	7	12/28/09	2,383,057.48	01/22/10	2,383,057.48	-	2,042,620.48	06/15/16
TRANSPORTATION Total						12,314,495.79	-	6,972,201.39	

University INTERCAP Loans

As of June 30, 2010

*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity
MSU-BILLINGS	Update Debit/Food Service Sys.	6	01/29/04	120,000.00	06/25/04	120,000.00	-	10,411.37	08/15/10
MSU-BILLINGS	Relocate College of Tech soccer field	10	06/18/08	725,000.00	06/20/08	725,000.00	-	629,863.96	08/15/18
MSU-BILLINGS	Replace indoor tennis bubble	6	03/30/10	150,000.00	04/30/10	148,740.00	1,260.00	148,740.00	08/15/16
MSU-BILLINGS Total						993,740.00	1,260.00	789,015.33	
MSU-BOZEMAN	Construct Weight Room	10	06/01/00	474,055.90	01/26/01	474,055.90	-	47,213.31	02/15/11
MSU-BOZEMAN	Leon Johnson Bldg Networking	10	12/23/03	85,000.00	12/31/03	85,000.00	-	36,548.99	02/15/14
MSU-BOZEMAN	Network Switches	7	02/18/04	33,655.00	02/27/04	33,655.00	-	5,182.11	02/15/11
MSU-BOZEMAN	COBLEIGH HALL WIRING PROJECT	10	02/25/04	117,536.00	03/12/04	117,536.00	-	50,624.71	02/15/14
MSU-BOZEMAN	Roberts Hall Networking	4	05/24/04	78,085.00	06/04/04	78,085.00	-	37,741.67	08/15/14
MSU-BOZEMAN	UPS and Scanner Loan	6	05/24/04	16,806.00	06/04/04	16,806.00	-	1,506.66	08/15/10
MSU-BOZEMAN	Reid Hall Networking	10	11/15/04	154,223.00	11/26/04	154,223.00	-	82,269.11	02/15/15
MSU-BOZEMAN	Gaines Hall Networking	10	04/01/05	117,020.00	04/15/05	117,020.00	-	63,142.90	02/15/15
MSU-BOZEMAN	IT Infra Replace-UPS Equip	6	07/12/05	23,764.00	07/22/05	23,764.00	-	6,387.18	08/15/11
MSU-BOZEMAN	IT Infra Replace - Elec Code Corr & Cable Rem	10	07/12/05	77,965.00	07/22/05	77,965.00	-	46,264.20	08/15/15
MSU-BOZEMAN	Design & construct animal containment building	10	01/04/06	39,523.00	02/24/06	39,523.00	-	26,965.13	02/15/16
MSU-BOZEMAN	IT Infra Replacement Program-Marsh Lab Netwo	10	03/09/06	36,285.00	03/24/06	36,285.00	-	23,566.58	02/15/16
MSU-BOZEMAN	EPS Bldg - Atrium Renovation	10	05/23/06	552,519.41	05/25/07	552,519.41	-	439,085.71	08/15/17
MSU-BOZEMAN	VMB Lab/Animal Containment Bldg	10	05/23/06	1,600,477.00	04/18/08	1,600,477.00	-	1,401,313.49	08/15/18
MSU-BOZEMAN	IT Infra Replace-New Init-Engineering Complex	4	08/11/06	27,094.00	08/25/06	27,094.00	-	3,634.87	08/15/10
MSU-BOZEMAN	IT Infra Replace-Engineering Study-Elec & AC s	6	08/11/06	20,000.00	08/25/06	20,000.00	-	8,995.67	08/15/12
MSU-BOZEMAN	IT Infra Replacement-Server Equip - Web A&B	4	08/11/06	32,975.00	08/25/06	32,975.00	-	4,423.84	08/15/10
MSU-BOZEMAN	IT Infra Replace-Network Equip-Replace/Supple	7	08/11/06	122,487.00	08/25/06	122,487.00	-	66,101.91	08/15/13
MSU-BOZEMAN	IT Infra Replace-Networking/Remove copper/ad	10	08/11/06	83,085.00	08/25/06	83,085.00	-	58,211.34	08/15/16
MSU-BOZEMAN	IT Infra Replace-Banner/Replace Atlas Cluster &	4	08/11/06	17,499.00	08/25/06	17,499.00	-	2,347.63	08/15/10
MSU-BOZEMAN	Telecom. Infra Replace - PBX Core, PBX Duel T	10	01/23/07	93,847.00	02/16/07	93,847.00	-	70,140.15	02/15/17
MSU-BOZEMAN	IT Infra Replace Program-Network-Fiber Optic C	7	01/24/07	33,772.00	02/16/07	33,772.00	-	20,637.12	02/15/14
MSU-BOZEMAN	ElecMedRec&LabInfSys software	10	10/24/07	152,330.00	02/01/08	152,330.00	-	129,962.39	02/15/18
MSU-BOZEMAN	recreational sports&fitness equip	7	12/18/07	125,000.00	02/15/08	125,000.00	-	93,826.39	02/15/15
MSU-BOZEMAN	IT Infra. replacement plan IDF Camp Network I	7	05/05/08	663,372.00	05/23/08	663,372.00	-	537,251.51	08/15/15
MSU-BOZEMAN	IT Infra Rep. Plan-Banner Sys	4	05/05/08	597,357.00	05/23/08	597,357.00	-	385,092.95	08/15/12
MSU-BOZEMAN	IT Infra Rep Plan Banner Sys.	4	05/06/08	62,544.00	05/23/08	62,544.00	-	40,319.70	08/15/12
MSU-BOZEMAN	IT Infra. Rep. Plan-IDF Upgrade	10	06/06/08	150,000.00	06/20/08	150,000.00	-	130,316.68	08/15/18
MSU-BOZEMAN	IT Infra, Repl, Plan Network Build. Wiring	10	06/09/08	163,000.00	06/20/08	163,000.00	-	141,610.79	08/15/18
MSU-BOZEMAN	Purchase motion based drive simul	10	09/18/08	280,000.00	10/10/08	280,000.00	-	252,828.65	08/15/18
MSU-BOZEMAN	IT Infra Repl Plan - Northern Tier Network	7	06/01/09	1,000,000.00	06/11/10	567,801.00	432,199.00	567,801.00	08/15/17
MSU-BOZEMAN	Football Video Server/Software Upgrade	4	04/26/10	80,783.00	06/25/10	80,783.00	-	80,783.00	08/15/14
MSU-BOZEMAN	Cooley Lab Renovation	5	05/05/10	1,300,000.00	no draw	0.00	1,300,000.00	0.00	E
MSU-BOZEMAN Total						6,679,860.31	1,732,199.00	4,862,097.34	
MSU-GREAT FALLS	Purchase Land	5	10/24/05	300,000.00	12/23/05	300,000.00	-	64,579.84	02/15/11
MSU-GREAT FALLS Total						300,000.00	-	64,579.84	
MSU-NORTHERN	Various Equip Purchase & Install including ATC	10	06/21/06	400,000.00	06/27/06	400,000.00	-	280,848.79	08/15/16
MSU-NORTHERN	Campus Improvements-pedestrian campus core r	10	06/28/06	440,000.00	11/10/06	440,000.00	-	352,465.98	02/15/19
MSU-NORTHERN Total						840,000.00	-	633,314.77	
UOFM-MISSOULA	Athletics Scoreboard/Equipment	10	08/26/99	475,000.00	10/29/99	475,000.00	-	1,664.01	08/15/10
UOFM-MISSOULA	Construct Research Lab Facility	10	02/10/04	1,000,000.00	06/11/04	1,000,000.00	-	482,672.67	08/15/14
UOFM-MISSOULA	Park-n-Ride Parking Facility	8	01/10/05	406,370.00	02/04/05	406,370.00	-	162,300.54	02/15/13
UOFM-MISSOULA	East Broadway Parking	10	06/16/05	288,722.91	04/21/06	288,722.91	-	202,718.72	08/15/16

University INTERCAP Loans

As of June 30, 2010

*only loans that have remaining commitment and/or outstanding

Borrower Name	Project Description	Term	CMT Date	Commitment	Fund Date	Draws to Date	CMT Remaining	Outstanding	Maturity
UOFM-MISSOULA	Buses	5	10/26/07	387,006.50	02/01/08	387,006.50	-	258,874.43	02/15/13
UOFM-MISSOULA	Replace Astro Turf @ Wash Grzz Stad	5	08/08/08	250,000.00	11/21/08	250,000.00	-	204,109.76	02/15/14
UOFM-MISSOULA	Purchase bus	5	02/09/09	276,603.00	02/20/09	276,603.00	-	224,661.44	02/15/14
UOFM-MISSOULA	Purchase Real Property @820 Arthur	15	10/05/09	640,000.00	10/16/09	640,000.00	-	619,828.65	08/15/24
UOFM-MISSOULA	Northern Tier Project	7	10/05/09	1,000,000.00	10/23/09	1,000,000.00	-	1,000,000.00	02/15/17
UOFM-MISSOULA	Addition to Bldg 24 for bus storage	10	01/05/10	350,000.00	04/16/10	250,000.00	100,000.00	250,000.00	02/15/20
UOFM-MISSOULA Total						4,973,702.41	100,000.00	3,406,830.22	
UOFM-MONTANA TECH	Microwave Network	7	05/24/04	70,185.78	07/02/04	70,185.78	-	15,910.75	08/15/11
UOFM-MONTANA TECH	IT Wiring and Fiber	4	05/23/05	186,112.35	06/09/06	186,112.35	-	25,247.20	08/15/10
UOFM-MONTANA TECH	Design, Renovate, expand HPER building	15	01/13/10	2,740,000.00	no draw	0.00	2,740,000.00	0.00	
UOFM-MONTANA TECH Total						256,298.13	2,740,000.00	41,157.95	
UOFM-WESTERN MT COLLEGE	Life Safety Improv. to the PE Complex	15	06/19/08	300,000.00	10/30/09	133,039.61	166,960.39	133,039.61	02/15/25
UOFM-WESTERN MT COLLEGE Total						133,039.61	166,960.39	133,039.61	