



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL AUDIT

## *Board of Investments*

*For the Two Fiscal Years Ended  
June 30, 2009*

NOVEMBER 2009

LEGISLATIVE AUDIT  
DIVISION

08-04B

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**FINANCIAL AUDITS**

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2007, was issued January 23, 2008. The Single Audit Report for the two fiscal years ended June 30, 2009, will be issued by March 31, 2010. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
Room 277, State Capitol  
P.O. Box 200802  
Helena, MT 59620-0802

Legislative Audit Division  
Room 160, State Capitol  
P.O. Box 201705  
Helena, MT 59620-1705

Direct comments or inquiries to:  
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Room 160, State Capitol  
P.O. Box 201705  
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# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

November 2009

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial audit report on the Board of Investments (Board) for the two fiscal years ended June 30, 2009. We performed this audit of the Board in compliance with Article VIII, Section 13 of the Montana Constitution, and §17-6-321, MCA. The objectives of our financial audit included determining whether the Board's financial statements presented fairly its financial position and results of operations at and for the periods ended June 30, 2009, and 2008 and the Board's compliance with laws and regulations that have a direct and material impact on the financial statements.

The Board, created in 1971, is attached to the Department of Commerce for administrative purposes. The Board employs an executive director and chief investment officer who in turn hire and manage staff. The staff members advise the Board, implement its decisions, and perform daily investment, economic development, and record keeping functions. Included in this report is a list of the members of the Board of Investments and its Administrative Officials (page i).

This report contains unqualified Independent Auditor's Reports for the Board's Consolidated Unified Investment Program and Enterprise Fund. The Independent Auditor's Reports cover two fiscal years because the Board presents two fiscal years in the financial statements for comparative purposes. The Board's response to this report is on page B-1.

This report does not contain any recommendations to the Board. The prior financial-compliance audit report, issued for the two fiscal years ended June 30, 2008, contained two recommendations to the Board. The Board implemented one recommendation and partially implemented the other. The recommendation partially implemented is related to the Board's involvement in the construction of the Montana State Fund Building. The Board is still involved in the construction of the building and plans to remain involved until construction is complete. As a result, we will follow up on this again during our next audit. We make no further recommendation at this time.

We thank the members of the Board of Investments and their staff for their cooperation and assistance during the audit.

Respectfully submitted,

*/s/ Tori Hunthausen*  
Tori Hunthausen, CPA  
Legislative Auditor



## APPOINTED AND ADMINISTRATIVE OFFICIALS

			<u>Term Expires</u>
<b>Montana Board of Investments</b>	Terry Moore, Chairman	Billings	1/2011
	Elouise Cobell	Browning	1/2013
	Teresa Cohea	Helena	1/2013
	Karl Englund	Missoula	1/2011
	Maureen Fleming	Missoula	1/2011
	Patrick McKittrick	Great Falls	1/2013
	Jack Prothero	Great Falls	1/2013
	Jon Satre	Helena	1/2011
	Jim Turcotte	Helena	1/2013
	Greg Barkus	Senate Liaison	
	Brady Wiseman	House of Representatives Liaison	

### **Administrative Officials**

Carroll South, Executive Director

Geri Burton, Deputy Director

Cliff Sheets, Chief Investment Officer

Gayle L. Moon, Accounting Fiscal Manager

For additional information concerning the Montana Board of Investments, contact:

Carroll South, Executive Director  
P.O. Box 200126  
Helena, MT 59620-0126  
(406) 444-0001  
e-mail: csouth@mt.gov

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Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Statement of Net Asset Value/Investments Managed of the Montana Board of Investments, Consolidated Unified Investment Program as of June 30, 2009, and 2008, and the related Statement of Changes in Net Asset Value/Investments Managed, and Statement of Investment Income and Distribution, for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the Montana Board of Investments, Consolidated Unified Investment Program as of June 30, 2009, and 2008, and its changes in net asset value/investments managed and investment income and distribution for each of the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

*/s/ James Gillett*

James Gillett, CPA  
Deputy Legislative Auditor

October 27, 2009



**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**STATEMENT OF NET ASSET VALUE/INVESTMENTS MANAGED JUNE 30, 2009 AND 2008**

	<u><b>2009</b></u>	<u><b>2008</b></u>
<b>Assets</b>		
Cash	\$ 9,230,879	\$ 17,266,879
Security lending cash collateral (Note 5)	1,200,731,501	836,203,843
Broker receivable for securities sold but not settled (Note 2A)	69,143,177	33,967,399
Dividend and interest receivable (Note 2E)	54,603,280	68,543,146
STIP investment portfolio at amortized cost (Note 2B)	2,301,281,468	2,322,008,128
Investment portfolios at fair value (Note 2B)	<u>8,823,470,364</u>	<u>10,473,336,072</u>
<b>Total assets (Note 2B)</b>	<b>\$ <u>12,458,460,669</u></b>	<b>\$ <u>13,751,325,467</u></b>
<b>Liabilities</b>		
Income due participants (Notes 2E)	\$ 23,811,192	\$ 31,121,618
Broker payable for securities purchased but not settled (Note 2A)	43,878,167	99,374,745
Security lending obligations (Note 5)	1,200,731,501	836,203,843
Security lending expense payable	404,942	1,587,852
Unrealized foreign exchange market gain (loss)	133,099	249,585
Other payables	2,799,578	206,737
Administrative fee payable	2,716,909	4,238,184
STIP reserve (Note 7)	<u>1,427,621</u>	<u>4,352,667</u>
<b>Total liabilities (Note 2B)</b>	<b><u>1,275,903,009</u></b>	<b><u>977,335,231</u></b>
<b>Net asset value/investments managed (Note 2B, 2C)</b>	<b>\$ <u>11,182,557,660</u></b>	<b>\$ <u>12,773,990,236</u></b>
Pool Units Outstanding (Note 2B, 2C)	2,374,560,621	2,390,312,896

**STATEMENT OF CHANGES IN NET ASSET VALUE/INVESTMENTS MANAGED  
FOR FISCAL YEARS ENDING JUNE 30, 2009 AND 2008**

Net asset value/investments, beginning of year	\$ 12,773,990,236	\$ 13,469,961,763
Value of pool units/investments purchased (Note 2D)	13,196,815,945	13,874,166,338
Value of pool units/investments sold/matured (Note 2D)	(13,034,950,059)	(13,979,187,863)
Increase (decrease) in AOF interest receivable	(2,066,822)	(531,143)
Increase (decrease) in AOF broker receivable	70,376	(78,728)
(Increase) decrease in AOF accounts payable	(6,097)	33,207
(Increase) decrease in AOF security lending expense payable	317,686	741,098
Changes in current value of investments managed (Note 2D)	<u>(1,751,613,605)</u>	<u>(591,114,436)</u>
<b>Net asset value/investments managed, end of year</b>	<b>\$ <u>11,182,557,660</u></b>	<b>\$ <u>12,773,990,236</u></b>

**STATEMENT OF INVESTMENT INCOME and DISTRIBUTION FOR FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

Net realized gain (loss) (Note 2E)	\$ (16,324,497)	\$ 26,598,055
Dividend/interest income (Note 2E)	332,619,985	380,536,951
Amortization/accretion (Note 2E)	30,860,796	73,207,790
Security lending income (Note 5)	23,851,652	42,135,165
Security lending expense (Note 5)	(9,949,320)	(34,612,280)
Administrative expenses (Note 2F)	(37,373,150)	(41,612,233)
Other expenses	(204,871)	(841,495)
STIP reserve expense (Note 7)	(9,242,500)	(4,346,500)
Income due participants, beginning of year	<u>31,121,618</u>	<u>34,290,689</u>
Income available for distribution (Note 2E)	345,359,713	475,356,142
Distribution (Note 2E)	<u>321,548,521</u>	<u>444,234,524</u>
Income due participants, end of year (Note 2E)	<b>\$ <u>23,811,192</u></b>	<b>\$ <u>31,121,618</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**1. HISTORY AND ORGANIZATION**

The Board was created by the Legislature to manage the Unified Investment Program established by the state Constitution. The Investment Program is comprised of all state funds, including pensions, trusts, insurance, and cash. Local government entities may only invest in the Short Term Investment Pool portion of the Program. The Board manages the Investment Program pursuant to the “Prudent Expert Principle” mandated by state law, which requires an investment manager 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 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 clearly 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.

Currently, only the nine retirement funds and the Montana State Fund (Workers’ Compensation) may invest in stock. All other state funds must be invested in fixed-income type investments. Neither state law nor the state Constitution place restrictions on retirement fund investments. The funds are invested solely at the discretion of the Board pursuant to the “Prudent Expert Principle.”

To facilitate management of the Investment Program, the Board created seven investment pools (Pools) that operate similar to mutual funds. All state agencies and many local government entities participate in one or more Pools. By investing in large Pools with other participants the smaller participants are provided broad diversification not otherwise possible. Some Pools are dedicated solely to the state’s nine retirement funds, while others are open to other state and local government funds. State agencies, ineligible to participate in a long term investment pool, have direct fixed income, equity, real estate, loan and mortgage investments. These investments are combined and reported as All Other Funds (AOF) Investments Managed. The Pools, AOF Investments Managed, Pool creation date and eligible participants are shown below.

<u>Pool/Investments Managed Name</u>	<u>Creation Date</u>	<u>Eligible Participants</u>
Retirement Funds Bond Pool (RFBP)	04/01/95	Nine Retirement Funds Only
Trust Funds Bond Pool (TFBP)	10/01/95	Various State Trust Funds
Montana Domestic Equity Pool (MDEP)	07/01/80	Nine Retirement Funds/Small Trusts
Montana International Equity Pool (MTIP)	06/01/96	Nine Retirement Funds Only
Montana Private Equity Pool (MPEP)	05/01/02	Nine Retirement Funds Only
Montana Real Estate Pool (MTRP)	06/01/06	Nine Retirement Funds Only
Short Term Investment Pool (STIP)	07/01/74	All State Funds and Local Governments
All Other Funds (AOF) Investments Managed	NA	Non-Pool State Agency Investments

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Valuation and Timing** – The value of stocks and bonds are recorded at both “book” and “fair” value. The book or carrying value of a stock is the average cost of the shares held. If the same stock has been purchased several times, the average of the purchase prices is the book value. The book value of bonds is the “amortized” cost, which represents the original cost, adjusted for premium and discount amortization where applicable. If bonds are purchased at more than the par value, the difference is called a premium. If they are purchased for less than par value, the difference is called discount. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life, or maturity date of the securities. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most recent external managers’ valuation reports. The book or carrying value of these private investments is the capital invested less capital returned. Except for STIP, all investment portfolios presented in the Statement of Net Asset Value are at “fair” value.

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

Accounting for stock and bond securities is based on the “trade date”, which means the sale or purchase of a security is recorded on the trade date, rather than the “settlement” date. This generally accepted practice results in a purchased security included in the investment portfolio on the trade date even though payment will not occur until the settlement date. Conversely, a sold security will be eliminated from the investment portfolio on the trade date even though the sale proceeds will not be received until the settlement date. This delayed timing requires that “receivables” and “payables” for securities sold/purchased but not yet settled must be reported in the financial statement and calculated in the Net Asset Value. Private equity and real estate investments are included in the portfolio when funds are wired.

Currency exposures may be hedged, partially or fully, at the discretion of the manager to preserve the U.S. dollar value of investments made. Currency speculation, such as over-hedging, reverse hedging or other trading activity not specifically aimed at preserving the U.S. dollar value of investments is not authorized.

**B. Pool Net Asset Value/Investments Managed** – The Pool Net Asset Value (NAV) must be calculated accurately to ensure participants are paying or receiving a “fair” price when units are purchased and sold. The NAV must include not only the fair value of the investment portfolio (except for STIP at book value) but any liabilities payable by the Pool and receivables due the Pool on the NAV calculation date. Investment accounting uses the “accrual” basis, which means bond interest due is recorded when earned, rather than when cash is received. Interest “due” is recorded as a receivable (asset) and included in the NAV on the date of the calculation. Dividends are recorded as of “ex-dividend date.” Income due to Pool participants is recorded on the date due to the participants, rather than on actual distribution date. Income Due Participants is a payable (liability) and included in the NAV on the calculation date. The effect of assets and liabilities on the Pool NAV is depicted in the table below. The difference between Pool investment portfolios at fair value and the NAV is the net of other assets and liabilities. The STIP portfolio is shown in the Statement of Net Asset Value at amortized cost or “book” value. The All Other Funds (AOF) Investments Managed (IM) represent direct investments by approximately 20 state agencies in fixed income securities, an equity index fund, real estate buildings, commercial loans and residential mortgages. These state agencies do not buy or sell participant units based on a NAV calculation for their AOF Investments Managed. The book value, fair value, Pool NAV and AOF Investments Managed (IM) are shown in the table on the next page.

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**June 30, 2009 Investment Portfolios and Net Asset Value (NAV)/Investments Managed (IM)**

<b><u>Pool</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value *</u></b>	<b><u>NAV/IM</u></b>
Retirement Funds Bond Pool (RFBP)	1,758,946,863	1,707,369,797	1,736,529,044
Trust Funds Bond Pool (TFBP)	1,646,130,686	1,633,759,215	1,640,908,965
Montana Domestic Equity Pool (MDEP)	2,529,966,617	2,117,338,971	2,120,395,971
Montana International Equity Pool (MTIP)	1,059,445,808	973,481,473	978,855,571
Montana Private Equity Pool (MPEP)	774,019,696	671,456,150	670,867,274
Montana Real Estate Pool (MTRP)	389,576,100	287,943,521	287,866,728
Short Term Investment Pool (STIP)*	2,301,281,468	2,301,281,468	2,301,489,605
All Other Funds (AOF) Investments Managed	<u>1,431,182,507</u>	<u>1,432,121,237</u>	<u>1,445,644,502</u>
<b>Total</b>	<b><u>11,890,549,745</u></b>	<b><u>11,124,751,832</u></b>	<b><u>11,182,557,660</u></b>

**June 30, 2008 Investment Portfolios and Net Asset Value (NAV)/Investments Managed (IM)**

<b><u>Pool</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value *</u></b>	<b><u>NAV/IM</u></b>
Retirement Funds Bond Pool (RFBP)	1,995,227,873	1,991,701,315	1,966,209,536
Trust Funds Bond Pool (TFBP)	1,543,685,172	1,545,945,703	1,525,195,966
Montana Domestic Equity Pool (MDEP)	2,949,750,890	2,965,611,148	2,972,686,616
Montana International Equity Pool (MTIP)	1,320,309,704	1,437,640,868	1,446,301,196
Montana Private Equity Pool (MPEP)	640,012,167	744,098,947	744,061,238
Montana Real Estate Pool (MTRP)	319,436,934	329,186,301	326,540,885
Short Term Investment Pool (STIP)*	2,322,008,128	2,322,008,128	2,318,634,887
All Other Funds (AOF) Investments Managed	<u>1,444,468,005</u>	<u>1,459,151,790</u>	<u>1,474,359,912</u>
<b>Total</b>	<b><u>12,534,898,874</u></b>	<b><u>12,795,344,200</u></b>	<b><u>12,773,990,236</u></b>

**\* The STIP portfolio is recorded at amortized cost in the Fair Value column.**

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

The table below shows the individual Pool and AOF assets, liabilities, and NAV/Investments Managed. Included in the Pool and Investments Managed assets are the value of the investment portfolios, cash, receivables for securities sold but not yet settled, and dividend/interest receivables. Included in the liabilities are payables for securities purchased but not yet settled, income due participants, and other miscellaneous payables. The “securities lending” asset/liability shown in the Statement of Net Asset Value/ Investments Managed nets to zero and has no “net” effect on the Pool NAV and AOF Investments Managed.

**2009 Assets, Liabilities and Net Asset Value (NAV)/Investments Managed (IM)**

<u><b>Pool</b></u>	<u><b>Assets</b></u>	<u><b>Liabilities</b></u>	<u><b>NAV/IM</b></u>
Retirement Funds Bond Pool (RFBP)	2,085,682,263	349,153,219	1,736,529,044
Trust Funds Bond Pool (TFBP)	1,948,176,454	307,267,489	1,640,908,965
Montana Domestic Equity Pool (MDEP)	2,301,364,588	180,968,617	2,120,395,971
Montana International Equity Pool (MTIP)	1,053,008,013	74,152,442	978,855,571
Montana Private Equity Pool (MPEP)	671,456,150	588,876	670,867,274
Montana Real Estate Pool (MTRP)	287,947,713	80,985	287,866,728
Short Term Investment Pool (STIP)	2,455,844,596	154,354,991	2,301,489,605
All Other Funds (AOF) Investments Managed	<u>1,654,980,892</u>	<u>209,336,390</u>	<u>1,445,644,502</u>
<b>Total</b>	<b><u>12,458,460,669</u></b>	<b><u>1,275,903,009</u></b>	<b><u>11,182,557,660</u></b>

**2008 Assets, Liabilities and Net Asset Value (NAV)/Investments Managed (IM)**

<u><b>Pool</b></u>	<u><b>Assets</b></u>	<u><b>Liabilities</b></u>	<u><b>NAV/IM</b></u>
Retirement Funds Bond Pool (RFBP)	2,114,919,548	148,710,012	1,966,209,536
Trust Funds Bond Pool (TFBP)	1,650,953,561	125,757,595	1,525,195,966
Montana Domestic Equity Pool (MDEP)	3,277,358,234	304,671,618	2,972,686,616
Montana International Equity Pool (MTIP)	1,541,240,521	94,939,325	1,446,301,196
Montana Private Equity Pool (MPEP)	744,098,947	37,709	744,061,238
Montana Real Estate Pool (MTRP)	329,201,987	2,661,102	326,540,885
Short Term Investment Pool (STIP)	2,429,451,415	110,816,528	2,318,634,887
All Other Funds (AOF) Investments Managed	<u>1,664,101,254</u>	<u>189,741,342</u>	<u>1,474,359,912</u>
<b>Total</b>	<b><u>13,751,325,467</u></b>	<b><u>977,335,231</u></b>	<b><u>12,773,990,236</u></b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**C. Pool Participant Units** – Pool units are purchased and sold similar to individuals investing in mutual funds. The STIP participants purchase and sell units, at \$1 per unit, at their discretion. All non-STIP Pool units and AOF direct investments are purchased and sold at the discretion of Board investment staff based on asset allocations approved by the Board. For non-STIP Pool participants to purchase and sell units, the units must be “priced.” Once the Pool NAV is calculated, the unit value is priced by dividing the NAV by the number of outstanding units. The unit value is then used when units are purchased or sold. Like securities, Pool units also have a “book” value, which is the price of the unit when it was purchased. The book value does not change unless the participant purchased additional units at different prices. Because the AOF Investments Managed (IM) is not an investment pool, there are no Units Outstanding or a Pool Unit Value. The calculations for Pool unit values are shown below:

**2009 NAV/IM - Units Outstanding - Unit Value**

<u><b>Pool Name</b></u>	<u><b>NAV/IM</b></u>	<u><b>Units Outstanding</b></u>	<u><b>Unit Value</b></u>
Retirement Funds Bond Pool (RFBP)	1,736,529,044	17,652,501	98.37
Trust Funds Bond Pool (TFBP)	1,640,908,965	17,101,938	95.95
Montana Domestic Equity Pool (MDEP)	2,120,395,971	20,811,325	101.89
Montana International Equity Pool (MTIP)	978,855,571	8,766,849	111.65
Montana Private Equity Pool (MPEP)	670,867,274	4,882,666	137.40
Montana Real Estate Pool (MTRP)	287,866,728	3,855,737	74.66
Short Term Investment Pool (STIP)	2,301,489,605	2,301,489,605	1.00
All Other Funds (AOF) Investments Managed	<u>1,445,644,502</u>	<u>NA</u>	<u>NA</u>
<b>Total</b>	<u><b>11,182,557,660</b></u>	<u><b>2,374,560,621</b></u>	<u><b>NA</b></u>

**2008 NAV/IM - Units Outstanding - Unit Value**

<u><b>Pool Name</b></u>	<u><b>NAV/IM</b></u>	<u><b>Units Outstanding</b></u>	<u><b>Unit Value</b></u>
Retirement Funds Bond Pool (RFBP)	1,966,209,536	19,563,664	100.50
Trust Funds Bond Pool (TFBP)	1,525,195,966	15,723,233	97.00
Montana Domestic Equity Pool (MDEP)	2,972,686,616	20,972,463	141.74
Montana International Equity Pool (MTIP)	1,446,301,196	8,223,227	175.88
Montana Private Equity Pool (MPEP)	744,061,238	4,085,576	182.12
Montana Real Estate Pool (MTRP)	326,540,885	3,109,846	105.00
Short Term Investment Pool (STIP)	2,318,634,887	2,318,634,887	1.00
All Other Funds (AOF) Investments Managed	<u>1,474,359,912</u>	<u>NA</u>	<u>NA</u>
<b>Total</b>	<u><b>12,773,990,236</b></u>	<u><b>2,390,312,896</b></u>	<u><b>NA</b></u>

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**D. Changes in Net Asset Value/Investments Managed** – This table depicts the change in NAV/IM from the previous year to the current year. There are three components contributing to the changes: 1) the value of Pool participant units and AOF investments purchased; 2) the value of Pool participant units and AOF investments sold; and 3) the change in the value of investments managed. The change in NAV for each Pool and AOF Investments Managed is shown in the table below.

**2009 Pool Unit/AOF Investment Activity and Change in Value of Investments**

<b><u>Pool</u></b>	<b><u>Value of Units/ Investments Purchased</u></b>	<b><u>Value of Units/ Investments Sold</u></b>	<b><u>Change in Value of Investments</u></b>
Retirement Funds Bond Pool (RFBP)	1,400,000	(195,866,968)	(35,213,524)
Trust Funds Bond Pool (TFBP)	157,204,824	(27,240,483)	(14,251,342)
Montana Domestic Equity Pool (MDEP)	8,690,000	(16,163,780)	(844,816,865)
Montana International Equity Pool (MTIP)	56,905,000	(2,447,065)	(521,903,560)
Montana Private Equity Pool (MPEP)	138,530,000	-	(211,723,964)
Montana Real Estate Pool (MTRP)	72,930,000	-	(111,604,157)
Short Term Investment Pool (STIP)	8,030,240,358	(8,047,385,640)	-
All Other Funds (AOF) Investments Managed	<u>4,730,915,763</u>	<u>(4,745,846,123)</u>	<u>(12,100,193)</u>
<b>Total</b>	<b><u>13,196,815,945</u></b>	<b><u>(13,034,950,059)</u></b>	<b><u>(1,751,613,605)</u></b>

**2008 Pool Unit/AOF Investment Activity and Change in Value of Investments**

<b><u>Pool</u></b>	<b><u>Value of Units/ Investments Purchased</u></b>	<b><u>Value of Units/ Investments Sold</u></b>	<b><u>Change in Value of Investments</u></b>
Retirement Funds Bond Pool (RFBP)	2,800,000	(6,958,243)	643,439
Trust Funds Bond Pool (TFBP)	138,167,302	-	5,215,885
Montana Domestic Equity Pool (MDEP)	6,190,000	(14,934,944)	(484,916,424)
Montana International Equity Pool (MTIP)	5,255,000	(136,765)	(174,413,721)
Montana Private Equity Pool (MPEP)	63,120,000	-	59,444,093
Montana Real Estate Pool (MTRP)	161,500,000	-	7,539,883
Short Term Investment Pool (STIP)	7,460,338,229	(7,934,240,967)	-
All Other Funds (AOF) Investments Managed	<u>6,036,795,807</u>	<u>(6,022,916,944)</u>	<u>(4,627,591)</u>
<b>Total</b>	<b><u>13,874,166,338</u></b>	<b><u>(13,979,187,863)</u></b>	<b><u>(591,114,436)</u></b>

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**E. Distributable Income** – Bond Pool and AOF distributable income reported in the Statement of Investment Income and Distribution includes accrued interest, miscellaneous income, amortization/accretion of discount/premium, and realized gains (losses) on sales. STIP income is comprised of accrued interest and amortization of discount. Public equity, private equity, and private real estate Pools distributable income consists primarily of dividends. Realized capital gains in the MPEP and MTRP are not distributed unless the gains are needed to pay management fees. Income Due Participants is distributed monthly on the first calendar day of each month. Realized Bond Pool and AOF portfolio gains/losses are distributed monthly.

In fiscal year 2009, the sale of pool units from the Retirement Funds Bond Pool, Montana Domestic Equity Pool (MDEP), Trust Funds Bond Pool (TFBP), and the Montana International Equity Pool (MTIP) generated a net loss to participants of \$4,303,432. In fiscal year 2008, the sale of pool units from the Montana Domestic Equity Pool (MDEP), Montana International Equity Pool (MTIP), and Retirement Fund Bond Pool (RFBP) generated a net gain to participants of \$20,420,061. These gains were recorded as AOF activity. The major distributable income for each Pool and the AOF is shown below.

**2009 Major Sources of Distributable Income**

<u><b>Pool</b></u>	<u><b>Gain (Loss)</b></u>	<u><b>Dividend\ Interest</b></u>	<u><b>Amortization\ Accretion</b></u>
Retirement Funds Bond Pool (RFBP)	(63,964)	88,473,972	661,798
Trust Funds Bond Pool (TFBP)	(6,919,879)	81,666,966	3,566,638
Montana Domestic Equity Pool (MDEP)	-	32,536,045	-
Montana International Equity Pool (MTIP)	-	22,145,326	-
Montana Private Equity Pool (MPEP)	8,899,848	6,203,082	-
Montana Real Estate Pool (MTRP)	311,758	12,188,033	-
Short Term Investment Pool (STIP)	-	21,007,551	24,987,498
All Other Funds (AOF) Investments Managed	<u>(18,552,260)</u>	<u>68,399,011</u>	<u>1,644,862</u>
<b>Total</b>	<u><b>(16,324,497)</b></u>	<u><b>332,619,986</b></u>	<u><b>30,860,796</b></u>

**2008 Major Sources of Distributable Income**

<u><b>Pool</b></u>	<u><b>Gain (Loss)</b></u>	<u><b>Dividend\ Interest</b></u>	<u><b>Amortization\ Accretion</b></u>
Retirement Funds Bond Pool (RFBP)	801,665	106,519,052	5,892,443
Trust Funds Bond Pool (TFBP)	46,769	78,164,854	4,795,586
Montana Domestic Equity Pool (MDEP)	-	30,657,473	-
Montana International Equity Pool (MTIP)	-	30,475,684	-
Montana Private Equity Pool (MPEP)	4,650,076	11,120,564	-
Montana Real Estate Pool (MTRP)	-	11,057,248	-
Short Term Investment Pool (STIP)	-	43,512,626	60,575,090
All Other Funds (AOF) Investments Managed	<u>21,099,545</u>	<u>69,029,450</u>	<u>1,944,671</u>
<b>Total</b>	<u><b>26,598,055</b></u>	<u><b>380,536,951</b></u>	<u><b>73,207,790</b></u>

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**Distributable income for the fiscal year may not be distributed by June 30. Any undistributed amount is recorded as a payable against the NAV of the Pool at year-end. The distributable and undistributed income is shown below.**

**2009 Distributable and Undistributed Income**

<b><u>Pool Name</u></b>	<b><u>Distributable</u></b>	<b><u>Distributed</u></b>	<b><u>Undistributed</u></b>
Retirement Funds Bond Pool (RFBP)	101,262,029	92,360,540	8,901,489
Trust Funds Bond Pool (TFBP)	88,216,641	79,135,296	9,081,345
Montana Domestic Equity Pool (MDEP)	28,621,988	26,812,182	1,809,806
Montana International Equity Pool (MTIP)	20,871,513	19,307,633	1,563,880
Montana Private Equity Pool (MPEP)	2,570,541	1,981,665	588,876
Montana Real Estate Pool (MTRP)	7,485,470	7,404,485	80,985
Short Term Investment Pool (STIP)	43,544,455	41,759,644	1,784,811
All Other Funds (AOF) Investments Managed	<u>52,787,076</u>	<u>52,787,076</u>	<u>0</u>
<b>Total</b>	<b><u>345,359,713</u></b>	<b><u>321,548,521</u></b>	<b><u>23,811,192</u></b>

**2008 Distributable and Undistributed Income**

<b><u>Pool Name</u></b>	<b><u>Distributable</u></b>	<b><u>Distributed</u></b>	<b><u>Undistributed</u></b>
Retirement Funds Bond Pool (RFBP)	123,139,399	112,860,568	10,278,831
Trust Funds Bond Pool (TFBP)	90,747,626	82,700,924	8,046,702
Montana Domestic Equity Pool (MDEP)	23,799,314	20,847,818	2,951,496
Montana International Equity Pool (MTIP)	25,686,193	23,069,221	2,616,972
Montana Private Equity Pool (MPEP)	1,813,803	1,776,094	37,709
Montana Real Estate Pool (MTRP)	5,593,848	2,932,746	2,661,102
Short Term Investment Pool (STIP)	112,122,210	107,593,404	4,528,806
All Other Funds (AOF) Investments Managed	<u>92,453,749</u>	<u>92,453,749</u>	<u>0</u>
<b>Total</b>	<b><u>475,356,142</u></b>	<b><u>444,234,524</u></b>	<b><u>31,121,618</u></b>

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**F. Investment Management Fees** – The Legislature sets the maximum management fee the Board may charge the accounts it manages. The maximum fee is set at the aggregate level and at the beginning of each fiscal year. The Board allocates the aggregate fees across the Pools and AOF investments managed outside the Pools. Custodial bank fees are paid by a statutory appropriation from the state general fund. The Board allocates custodial bank fees across the Pools and accounts invested outside the Pools and deposits the proceeds in the general fund. The State Treasurer then pays the monthly custodial bank fees from the general fund. External manager fees are paid directly from the accounts they manage. Investment management fees charged each Pool and the AOF investments are shown below.

**Fiscal 2009 Management Fees**

<u><b>Pool</b></u>	<u><b>Board</b></u>	<u><b>Custodial Bank</b></u>	<u><b>External Managers</b></u>	<u><b>Total</b></u>
Retirement Funds Bond Pool (RFBP)	541,428	146,928	270,357	958,713
Trust Funds Bond Pool (TFBP)	473,556	119,412	-	592,968
Montana Domestic Equity Pool (MDEP)	666,312	521,316	7,647,925	8,835,553
Montana International Equity Pool (MTIP)	652,584	218,497	4,220,452	5,091,533
Montana Private Equity Pool (MPEP)	528,360	74,982	11,763,522	12,366,864
Montana Real Estate Pool (MTRP)	505,608	30,570	7,137,608	7,673,786
Short Term Investment Pool (STIP)	472,740	288,860	-	761,600
All Other Funds (AOF) Investments Managed	873,157	155,520	63,456	1,092,133
<b>Total</b>	<b>4,713,745</b>	<b>1,556,085</b>	<b>31,103,320</b>	<b>37,373,150</b>

**Fiscal 2008 Management Fees**

<u><b>Pool</b></u>	<u><b>Board</b></u>	<u><b>Custodial Bank</b></u>	<u><b>External Managers</b></u>	<u><b>Total</b></u>
Retirement Funds Bond Pool (RFBP)	419,493	107,484	-	526,977
Trust Funds Bond Pool (TFBP)	399,237	85,596	-	484,833
Montana Domestic Equity Pool (MDEP)	763,959	268,504	9,451,735	10,484,198
Montana International Equity Pool (MTIP)	635,222	401,789	6,795,462	7,832,473
Montana Private Equity Pool (MPEP)	501,500	78,320	13,422,569	14,002,389
Montana Real Estate Pool (MTRP)	536,133	28,032	5,944,802	6,508,967
Short Term Investment Pool (STIP)	462,467	248,408	-	710,875
All Other Funds (AOF) Investments Managed	878,289	119,596	63,636	1,061,521
<b>Total</b>	<b>4,596,300</b>	<b>1,337,729</b>	<b>35,678,204</b>	<b>41,612,233</b>

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**3. INVESTMENT COMMITMENTS**

Investments in private equity and private real estate are usually made via Limited Partnership Agreements that involve many limited partners and a General Partner who is responsible for all investment decisions. The Limited Partners make an original commitment, after which capital is called as needed by the General Partner to make investments. These Agreements will usually last for a minimum of 10 years. The table below shows the remaining Board commitments to private equity funds.

**MPEP Commitments as of June 30, 2009**

<u>Fund Manager Name</u>	<u>Original Commitment</u>	<u>Commitment Remaining</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Adams Street	\$ 284,954,433	\$ 37,655,391	\$ 186,510,950	\$ 161,260,747
Affinity Equity Partners	15,000,000	11,158,726	3,075,440	1,386,599
ArcLight	50,000,000	6,278,158	33,953,117	33,423,928
Avenue Capital	35,000,000	5,845,689	27,943,678	19,512,819
Buerk Dale Victor	15,000,000	8,493,750	6,600,000	5,617,062
Carlyle Partners	60,000,000	13,333,398	42,563,474	38,164,593
CCMP Capital Advisors	30,000,000	21,078,371	7,944,068	6,565,542
First Reserve Corporation	55,000,000	24,949,862	29,611,426	25,652,600
HarbourVest Partners	61,823,772	51,217,597	10,578,431	8,338,314
Hellman & Friedman	40,000,000	24,349,118	15,363,776	13,342,072
Highway 12 Investors	10,000,000	5,982,483	3,428,226	2,966,993
Industry Ventures	10,000,000	16,346	7,758,929	7,365,001
J.C. Flowers & Co	25,000,000	565,404	22,876,213	7,121,684
JLL Partners	25,000,000	3,045,166	18,832,481	17,566,411
Lexington Capital Partners	140,000,000	51,143,061	39,841,724	47,109,359
Madison Dearborn	75,000,000	27,057,671	40,516,906	36,856,052
MatlinPatterson Global Advisers	30,000,000	11,970,000	17,285,321	9,934,444
MHR Institutional Investors	25,000,000	9,500,000	14,438,692	11,632,330
NB Co-investment Partners	35,000,000	11,115,775	17,796,240	14,404,170
Oak Hill Capital Partners	45,000,000	16,057,287	26,847,714	27,942,306
Oaktree	35,000,000	8,750,000	25,749,460	22,576,225
Odyssey	45,000,000	20,919,488	17,342,172	18,139,341
Performance Equity Management	25,000,000	23,667,548	1,133,000	1,060,352
Portfolio Advisors	55,000,000	27,736,893	25,042,564	22,356,655
Quintana Energy Partners	15,000,000	4,588,772	9,946,620	8,477,435
Siguler Guff	25,000,000	14,256,129	10,550,520	9,482,206
TA Associates	10,000,000	10,000,000	0	0
Terra Firma Capital Partners	25,432,997	9,940,268	13,886,770	4,056,428
Trilantic Capital Partners	11,098,351	7,111,275	3,471,692	3,276,999
Welsh Carson	<u>75,000,000</u>	<u>14,041,026</u>	<u>43,292,320</u>	<u>49,058,142</u>
<b>Total MPEP Commitments</b>	<b>\$ <u>1,388,309,553</u></b>	<b>\$ <u>481,824,652</u></b>	<b>\$ <u>724,181,924</u></b>	<b>\$ <u>634,646,809</u></b>

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The table below shows the remaining Board commitments to private real estate funds.

**MTRP Commitments as of June 30, 2009**

<b><u>Fund Manager Name</u></b>	<b><u>Original Commitment</u></b>	<b><u>Commitment Remaining</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>
ABR Chesapeake	\$ 20,000,000	\$ 2,000,000	\$ 17,770,784	\$ 18,109,958
AG (Angelo Gordon) Realty	40,000,000	27,100,000	12,576,366	10,607,192
Apollo Real Estate Finance Corp.	20,000,000	10,921,000	9,079,000	9,081,470
Beacon Capital Partners	25,000,000	8,437,500	16,562,500	7,250,218
Carlyle Europe Real Estate Partners	29,920,000	21,796,895	8,844,179	5,768,448
CIM	25,000,000	23,503,568	1,496,432	271,332
DRA Advisors	35,000,000	18,960,405	13,261,356	11,758,089
Liquid Realty	30,000,000	11,390,823	15,535,698	11,603,582
Macquarie Global Property	30,000,000	17,626,226	12,529,074	3,619,286
O'Connor North American Property Partners	15,000,000	6,355,503	8,245,199	3,148,058
Rothschild: Five Arrows Realty Securities	30,000,000	26,418,769	3,208,215	3,450,932
Strategic Partners Value Enhancement	19,200,000	1,714,481	16,765,519	18,727,286
TA Associates Realty	15,000,000	15,000,000	-	-
JER Real Estate Partners	20,000,000	4,688,122	15,311,878	8,240,899
<b>Total MTRP Commitments</b>	<b>\$ 354,120,000</b>	<b>\$ 195,913,292</b>	<b>\$ 151,186,200</b>	<b>\$ 111,636,750</b>

#### 4. TYPES OF INVESTMENTS

**Bond Pools and AOF Investments** – The RFBP, TFBP and AOF fixed income portfolios include corporate and foreign government bonds; U.S. government direct obligations and U.S. government agency securities; and cash equivalents. U.S. government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. government. U.S. government agency securities include U.S. government agency and mortgage-backed securities. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages.

The bond Pools also include structured financial instruments known as REMIC securities (Real Estate Mortgage Investment Conduits). These investments are pass-through vehicles for multi class mortgage-backed securities and some may be interest-only strips (IO). These investments represent the separate purchase of the principal and interest cash flows of a mortgage security and receive cash flows from the interest payment component on underlying mortgage loans. These securities are identified and reported as U.S. government agency in the investment risk and portfolio disclosures.

**Public Equity Pools** -The public equity Pools may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR), equity derivatives, and commingled funds. Common stock represents ownership units (shares) of a public corporation. Common stock owners may vote on director selection and other important matters and receive dividends if the company pays dividends. Equity index investments are comprised of shares in institutional commingled funds with equity portfolios that match a broad based index or specific industry composite. Preferred stocks pay dividends at a specified rate and have preference in the payment of dividends and liquidation of assets. Preferred stock holders do not usually have voting rights.

Convertible securities permit the holder to exchange, or “convert” the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer’s common stock. ADR investments are receipts issued by a U.S. depository bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depository bank. Equity derivatives, such as futures and options, “derive” their value from underlying equity instruments. An institutional commingled fund combines assets from several institutional investors that are blended or pooled together, to reduce management and administration costs. The investor buys shares in the fund.

The MDEP portfolio is limited to domestic stock or ADR investments, while the MTIP portfolio may include holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. The MTIP portfolio invests in both developed and emerging markets.

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**Alternative Investment Pools** - The Montana Private Equity Pool (MPEP) may include venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. These investments are made via Limited Partnership Agreements in which the Board and other institutional investors invest as Limited Partners in funds managed by a General Partner. These investments are riskier with higher potential return than public equity investments and are less liquid because the funds are usually committed for at least 10 years. Because of the risk and illiquidity, these investments are limited to sophisticated investors only. The MPEP invests its cash in the State Street SPIFF (Stock Performance Index Futures Fund).

The Montana Real Estate Pool (MTRP) includes investments in private core, value-added, and opportunistic real estate. Core investments are the least risky with the lowest return and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through Limited Partnership Agreements. The MTRP invests its cash in STIP.

**STIP** - This Pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days. Although it is not registered with the Securities and Exchange Commission (SEC) as an investment company, STIP is managed consistent with the SEC rule 2a7 of the Investment Company Act of 1940. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net assets. The portfolio may include asset-backed securities, commercial paper, corporate, U.S. government direct obligations, U.S. government agency securities, repurchase agreements, institutional money market funds, certificates of deposit and variable-rate (floating-rate) instruments. Investments must have a maximum maturity of 397 days or less unless they have rate reset dates. The portfolio is carried at amortized cost or book value with a constant unit value of \$1.00.

Asset-backed securities are debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. Commercial paper issued at a discount, direct or by brokers, is backed by bank credit lines. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities. Repurchase agreements (REPO) represent an agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable-rate (floating-rate) securities pay a variable rate of interest until maturity. The STIP portfolio's variable-rate securities float with LIBOR (London Interbank Offered Rate).

**AOF** - In addition to fixed income investments, the AOF portfolio includes an equity index fund, real estate buildings, commercial loans and residential mortgages. Equity index investments are investments in institutional commingled funds whose equity portfolios match a broad based index or composite.

The AOF Montana mortgages and loans receivable represent residential mortgages and commercial loans funded by the Public Employees' and Teachers' pension funds and the Coal Severance Tax Trust fund. The Coal Severance Tax Trust loan portfolio includes loans made by the Montana Science and Technology Alliance (MSTA) Board. The MSTa Board was abolished on July 1, 1999 and the MSTa portfolio was assigned to the Board. (See Note 10) for the Montana mortgages and loans portfolio). There are no uncollectible account balances for Montana mortgages and loans receivable as of June 30, 2009 and 2008.

## **5. SECURITIES LENDING**

The Board is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust "the Bank", to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The Board and the bank split the earnings on security lending activities.

During fiscal years 2009 and 2008, the custodial bank lent Board public securities and received U.S. dollar and foreign currency cash, securities issued or guaranteed by the U.S. government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The custodial bank cannot pledge or sell collateral securities unless the borrower defaults. The Board imposed no restrictions on the amount of securities available to lend during fiscal years 2009 and 2008. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of Default of the Borrower (other than the default by Lehman Brothers Inc. which occurred in September 2008 and the Board was made whole in the process). There were no losses resulting from a borrower default.

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During fiscal years 2009 and 2008, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust had an average duration of 43 and 41 days, respectively, as of June 30, 2009 and 2008. The Quality D Trust had an average duration of 31 and 42 days, respectively, as of June 30, 2009 and 2008. Because the loans were terminable at will, their duration generally did not match the duration of the investments made with cash collateral. At year-end 2009 and 2008, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed. The private equity and real estate Pools do not participate in securities lending. The Pool and AOF securities on loan, at fair value, and the collateral pledged are shown below.

<u>Pool/AOF</u>	June 30, 2009			
	<u>Fair Value On Loan</u>	<u>Collateral Cash</u>	<u>Collateral Securities</u>	<u>Collateral Total</u>
Retirement Funds Bond Pool (RFBP)	\$ 599,522,116	\$ 313,453,011	\$ 299,510,661	\$ 612,963,672
Trust Funds Bond Pool (TFBP)	571,971,070	296,273,391	288,554,755	584,828,146
Montana Domestic Equity Pool (MDEP)	166,222,056	167,431,181	3,863,114	171,294,295
Montana International Equity Pool (MTIP)	65,213,389	63,303,243	5,881,313	69,184,556
Short Term Investment Pool (STIP)	694,243,673	151,016,485	557,737,295	708,753,780
AOF Investments Managed	383,273,644	209,254,190	181,932,110	391,186,300
<b>Total</b>	<b>\$ 2,480,445,948</b>	<b>\$ 1,200,731,501</b>	<b>\$ 1,337,479,248</b>	<b>\$ 2,538,210,749</b>

<u>Pool/AOF</u>	June 30, 2008			
	<u>Fair Value On Loan</u>	<u>Collateral Cash</u>	<u>Collateral Securities</u>	<u>Collateral Total</u>
Retirement Funds Bond Pool (RFBP)	\$ 757,648,616	\$ 100,299,351	\$ 673,980,520	\$ 774,279,871
Trust Funds Bond Pool (TFBP)	523,354,390	86,356,146	448,208,570	534,564,716
Montana Domestic Equity Pool (MDEP)	297,267,013	281,984,538	23,804,824	305,789,362
Montana International Equity Pool (MTIP)	121,418,250	76,460,958	50,812,599	127,273,557
Short Term Investment Pool (STIP)	389,544,349	101,755,298	295,637,500	397,392,798
AOF Investments Managed	446,160,367	189,347,552	265,784,180	455,131,732
<b>Total</b>	<b>\$ 2,535,392,985</b>	<b>\$ 836,203,843</b>	<b>\$ 1,758,228,193</b>	<b>\$ 2,594,432,036</b>

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Securities lending income and expenses are shown below.

<u>Pool/AOF</u>	<b>Fiscal Year 2009</b>		
	<u>Gross Income</u>	<u>Expenses</u>	<u>Net Income</u>
Retirement Funds Bond Pool (RFBP)	\$ 4,978,874	\$ 2,108,769	\$ 2,870,105
Trust Funds Bond Pool (TFBP)	4,173,161	1,723,979	2,449,182
Montana Domestic Equity Pool (MDEP)	4,136,857	2,166,856	1,970,001
Montana International Equity Pool (MTIP)	1,723,900	523,151	1,200,749
Short Term Investment Pool (STIP)	4,555,947	1,531,248	3,024,699
AOF Investments Managed	4,282,913	1,895,317	2,387,596
<b>Total</b>	<b>\$ 23,851,652</b>	<b>\$ 9,949,320</b>	<b>\$ 13,902,332</b>

<u>Pool/AOF</u>	<b>Fiscal Year 2008</b>		
	<u>Gross Income</u>	<u>Expenses</u>	<u>Net Income</u>
Retirement Funds Bond Pool (RFBP)	\$ 5,591,740	\$ 4,349,359	\$ 1,242,381
Trust Funds Bond Pool (TFBP)	4,682,296	3,704,509	977,787
Montana Domestic Equity Pool (MDEP)	13,405,691	11,571,573	1,834,118
Montana International Equity Pool (MTIP)	5,207,845	3,873,964	1,333,881
Short Term Investment Pool (STIP)	3,187,854	2,494,740	693,114
AOF Investments Managed	10,059,739	8,618,135	1,441,604
<b>Total</b>	<b>\$ 42,135,165</b>	<b>\$ 34,612,280</b>	<b>\$ 7,522,885</b>

## 6. INVESTMENT RISK DISCLOSURES

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

**Credit Risk** - Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the RFBP, TFBP and AOF fixed income instruments have credit risk as measured by major credit rating services. This risk is that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investments' policy requires RFBP, TFBP and AOF fixed income investments, at the time of purchase, to be rated an investment grade as defined by Moody's or by Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the tables below are provided by the S&P rating services. If an S&P rating is not available, a Moody's rating has been used.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2009 and 2008, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank. The Equity Index, US Bank repurchase agreement, Real Estate, Mortgage and Loan investments were purchased and recorded in the Board's name. Commingled fund investments are registered in the name of the Montana Board of Investments.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement.

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Although the RFBP Investment Policy does not address concentration of credit risk, the TFBP Investment Policy states: “with the exception of U.S. government/agency securities, additional purchases will not be made in a credit if the credit risk exceeds 2 percent of the portfolio at the time of purchase”. The RFBP had concentration of credit risk exposure to the Federal National Mortgage Association (Fannie Mae) of 16.06% as of June 30, 2009 and 9.62% as of June 30, 2008, while the TFBP had concentration of credit risk exposure to the same issuer of 22.63% as of June 30, 2009 and 12.96% as of June 30, 2008. The RFBP had concentration of credit risk exposure to the Federal Home Loan Mortgage Corp. (Freddie Mac) of 13.44% as of June 30, 2009 and 23.01% as of June 30, 2008, while the TFBP had concentration of credit risk exposure to the same issuer of 13.60% as of June 30, 2009 and 22.79% as of June 30, 2008.

With the exception of one fund, the 19 investment policy statements for various AOF state agencies do not address concentration of credit risk. One fund requires credit risk to be limited to 3 percent in any one name except AAA rated issues will be limited to 6%. This fund also has specific client preferences. Investments by various state agencies, pooled as the All Other Funds, are excluded from the concentration of credit risk requirement.

**MDEP** - As of June 30, 2009 and 2008, there were no single issuer investments that exceeded 5% of the MDEP portfolio.

**STIP** - The STIP had concentration of credit risk exposure to the Federal Home Loan Bank of 10.04%, Federal National Mortgage Association (Fannie Mae) of 8.67 % and the Federal Home Loan Mortgage Corp. (Freddie Mac) of 8.69% as of June 30, 2009. The STIP had concentration of credit risk exposure to the Federal Home Loan Bank of 6.86%, Federal National Mortgage Association (Fannie Mae) of 7.55 % and the Federal Home Loan Mortgage Corp. (Freddie Mac) of 5.71% as of June 30, 2008.

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**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of the June 30, 2009 exchange date, the MPEP, MTRP and MTIP U.S. dollar equivalent cash and equity positions, by currency, are reported in the tables below.

**MPEP and MTRP Investment by Foreign Currency**

<u>Currency</u>	<u>Fund Manager Name</u>	<u>2009</u>		<u>2008</u>	
		<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
EURO	Terra Firma Fund III	\$ 13,886,770	4,056,428	\$ 12,173,472	13,310,847
EURO	HarbourVest Intl Private Equity Fund VI	187,381	142,142	-	-
EURO	Carlyle Europe Real Estate Partners III	<u>8,844,179</u>	<u>5,768,448</u>	<u>6,343,764</u>	<u>6,093,311</u>
<b>Total MPEP and MTRP</b>		<b><u>\$ 22,918,330</u></b>	<b><u>9,967,018</u></b>	<b><u>\$ 18,517,236</u></b>	<b><u>19,404,158</u></b>

**MTIP Cash by Currency**

<u>Cash</u>	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Australian Dollar	\$ 480,564	\$ 483,283	\$ 388,969	\$ 392,722
Brazilian Real	39,031	38,924	18,417	18,974
Canadian Dollar	104,992	104,101	729,945	732,038
Danish Krone	35,639	35,544	64,175	66,795
Hong Kong Dollar	232,036	232,037	1,278,638	1,280,107
Indonesian Rupiah	-	-	697	701
Hungarian Forint	224	176	-	-
Euro	2,006,216	2,007,550	2,529,837	2,565,670
Israeli Shekel	629	631	17,983	18,058
Japanese Yen	1,002,547	995,437	1,814,509	1,829,773
South Korean Won	12,222	12,353	8,686	8,651
Malaysian Ringgit	65,941	66,269	13,344	13,381
Mexican Peso	37,585	37,820	69,810	70,029
New Zealand Dollar	5,816	6,783	7,480	7,075
Norwegian Krone	92,283	91,305	495,854	503,343
Philippine Peso	21,355	21,022	638	636
Polish Zloty	-	-	477	489
Singapore Dollar	74,424	74,866	471,294	475,107
South African Rand	16,854	17,043	-	-
Swedish Krona	92,988	93,486	863,157	883,046
Swiss Franc	258,450	258,297	47,494	49,286
New Taiwan Dollar	1,039,862	1,042,486	73,658	73,838
Thailand Baht	21,545	21,524	6,001	5,997
Turkish Lira	819	829	288	290
UK Pound Sterling	86,390	86,284	464,024	468,669
US Dollar	-	-	3,937	3,937
<b>Total Cash</b>	<b><u>\$ 5,728,412</u></b>	<b><u>\$ 5,728,050</u></b>	<b><u>\$ 9,369,313</u></b>	<b><u>\$ 9,468,612</u></b>

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**MTIP Equities by Currency**

<u>Securities</u>	2009		2008	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Australian Dollar	30,260,841	32,903,810	35,668,174	47,035,005
Brazilian Real	4,628,122	5,251,484	6,283,707	6,965,888
Canadian Dollar	31,433,124	32,034,694	41,840,802	49,716,338
Czech Koruna	214,664	201,470	418,951	769,564
Danish Krone	3,866,154	4,577,923	8,647,759	12,176,042
Euro-Austria	2,580,038	1,655,778	12,591,907	13,804,890
Euro-Belgium	5,046,800	4,782,666	12,405,503	8,427,354
Euro-Finland	3,413,508	2,624,201	15,820,495	15,418,566
Euro-France	53,382,050	45,184,925	73,476,141	67,502,708
Euro-Germany	40,116,313	33,401,278	71,763,475	78,858,322
Euro-Greece	2,269,731	1,872,287	6,809,661	6,768,565
Euro-Ireland	1,192,290	1,116,947	591,692	629,007
Euro-Italy	13,990,529	12,035,287	40,017,833	36,404,573
Euro-Netherlands	26,702,968	22,729,981	34,642,646	35,886,023
Euro-Portugal	1,281,398	1,162,378	2,510,681	2,616,331
Euro-Spain	20,592,370	20,969,426	34,179,576	34,032,983
<b>Euro-Subtotal</b>	<b>170,567,996</b>	<b>147,535,153</b>	<b>304,809,610</b>	<b>300,349,321</b>
Hong Kong Dollar	36,060,481	39,976,913	44,311,905	44,072,366
Indonesian Rupiah	932,591	991,352	1,462,993	1,404,300
Hungarian Forint	1,167,430	846,555	-	-
Israeli Shekel	458,194	478,830	1,322,599	1,972,933
Japanese Yen	124,323,207	111,939,135	175,132,645	168,174,661
South Korean Won	13,108,496	13,388,723	17,699,117	18,269,893
Malaysian Ringgit	2,127,041	2,306,644	1,922,403	1,857,066
Mexican Peso	1,113,465	1,028,059	5,722,857	5,914,973
New Zealand Dollar	-	-	344,101	244,630
Norwegian Krone	6,199,345	5,253,753	10,467,297	13,130,710
Philippine Peso	256,703	306,009	1,108,064	1,099,907
Polish Zloty	1,686,632	975,614	924,737	997,288
Singapore Dollar	7,482,675	8,205,570	11,685,220	13,421,869
South African Rand	3,357,737	3,561,828	4,466,878	4,657,980
Swedish Krona	9,103,044	8,897,260	9,726,554	8,781,470
Swiss Franc	38,689,550	34,738,384	40,893,896	42,437,671
New Taiwan Dollar	9,612,517	9,423,341	8,325,947	8,560,020
Thailand Baht	2,324,852	3,075,413	2,096,267	2,082,642
Turkish Lira	1,331,487	1,403,368	1,403,549	1,744,517
UK Pound Sterling	93,001,078	85,236,377	135,918,845	129,715,160
<b>Total Equity</b>	<b>593,307,425</b>	<b>554,537,663</b>	<b>872,604,876</b>	<b>885,552,215</b>

**Interest Rate Risk** - Bond Pool and AOF interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The AOFs' investment policies do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board utilizes the effective duration method to disclose interest rate risk for the Bond Pool and AOF portfolios. This method provided by the custodial bank and analytic software is "An option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates. Duration is calculated as the average percentage change in a bond's price for a given change in interest rates. Prices move inversely to interest rates. The effective duration method incorporates the effect of the embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-through securities, CMO, and ARM securities)."

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Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

As reported in the U.S. government agency category, the RFBP portfolio held REMIC securities totaling \$215,648 and \$249,844 at amortized cost, respectively, as of June 30, 2009 and June 30, 2008, while the TFBP portfolio held REMIC securities totaling \$34,264 and \$46,806 at amortized cost respectively. REMICs (Real Estate Mortgage Investment Conduits) are pass-through vehicles for multiclass mortgage-backed securities. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages.

The Bond Pools and AOF portfolio fixed income securities pay a fixed rate of interest until maturity while the variable rate (floating rate) securities pay a variable rate of interest until maturity. As of June 30, 2009 and 2008, these portfolios held certain variable rate issues. These securities float with LIBOR (London Interbank Offered Rate). See Note 14 for the Year End Portfolios.

As of June 30, 2009 and 2008, the Bond Pools and AOF portfolio held five Collateralized Debt Obligations (CDO). A CDO is security backed by a pool of bonds, loans and other assets. CDOs do not specialize in one type of debt but are often non-mortgage loans or bonds. These CDO positions, totaling \$135 million par, are categorized as rated corporate debt in the three portfolios.

Bond Pool and AOF investments are categorized below to disclose credit and interest rate risk as of June 30, 2009 and June 30, 2008. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). The credit quality ratings have been calculated excluding non-rated cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

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**RFBP Credit Quality Rating and Effective Duration as of June 30, 2009**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 801,929,008	A-	4.29
Corporate Bonds (Unrated)	17,277	NR	1.39
U.S. Government Direct Obligations	252,322,011	AAA	5.99
U.S. Government Agency	569,776,106	AAA	3.05
U.S. Government Agency (Unrated)	35,919,192	NR	7.63
State Street Short Term Investment Fund (STIF)	44,565,804	NR	0.15
State Street Repurchase Agreement*	2,721,652	AA-	0.00
Short Term Investment Pool (STIP)	<u>118,747</u>	<u>NR</u>	<u>0.13</u>
Total Fixed Income Investments	<u>\$ 1,707,369,797</u>	<u>AA-</u>	<u>4.08</u>
Securities Lending Collateral Investment Pool	<u>\$ 313,453,011</u>	NR	<u>0.08</u>

\*At June 30, 2009, the State Street Bank repurchase agreement, per contract, was collateralized at 102% for \$2,778,649 by a U.S. Treasury bill maturing October 1, 2009. This security carries a AAA credit rating.

**RFBP Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 996,726,110	A	4.77
Corporate Bonds (Unrated)	13,016,381	NR	6.43
U.S. Government Direct Obligations	127,133,284	AAA	5.23
U.S. Government Agency	783,061,173	AAA	4.33
Short Term Investment Pool (STIP)	<u>71,764,367</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	<u>\$ 1,991,701,315</u>	<u>AA</u>	<u>4.63</u>
Securities Lending Collateral Investment Pool	<u>\$ 100,299,351</u>	NR	<u>0.12</u>

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**TFBP Credit Quality Rating and Effective Duration as of June 30, 2009**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 654,270,846	A	3.93
Municipal Government Bonds (Rated)	1,109,845	AA	1.62
Municipal Government Bonds (Unrated)	880,150	NR	4.31
U.S. Government Direct Obligations	304,797,214	AAA	6.53
U.S. Government Agency	614,932,590	AAA	3.24
U.S. Government Agency (Unrated)	31,301,892	NR	6.47
Short Term Investment Pool (STIP)	<u>\$ 26,466,678</u>	<u>NR</u>	<u>0.13</u>
<b>Total Investments</b>	<b><u>\$ 1,633,759,215</u></b>	<b><u>AA</u></b>	<b><u>4.14</u></b>
Securities Lending Collateral Investment Pool	<u>296,273,391</u>	NR	<u>0.12</u>

**TFBP Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 747,118,821	A+	4.39
Corporate Bonds (Unrated)	5,390,715	NR	5.58
Municipal Government Bonds (Rated)	1,125,555	AA	7.92
Municipal Government Bonds (Unrated)	1,508,366	NR	4.94
U.S. Government Direct Obligations	113,103,058	AAA	6.72
U.S. Government Agency	632,681,246	AAA	4.60
Short Term Investment Pool (STIP)	<u>\$ 45,017,942</u>	<u>NR</u>	<u>N/A</u>
<b>Total Investments</b>	<b><u>\$ 1,545,945,703</u></b>	<b><u>AA</u></b>	<b><u>4.66</u></b>
Securities Lending Collateral Investment Pool	<u>\$ 86,356,146</u>	NR	<u>0.11</u>

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**AOF Credit Quality Rating and Effective Duration as of June 30, 2009**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 537,914,438	A	3.64
Corporate Bonds (Unrated)	3,000,000	NR	(2.20)
U.S. Government Direct Obligations	120,977,683	AAA	6.20
U.S. Government Agency	398,775,241	AAA	3.32
US Bank Sweep Repurchase Agreement*	<u>15,845,774</u>	<u>NR</u>	<u>0</u>
Total Fixed Income Investments	<u>\$ 1,076,513,136</u>	<u>AA</u>	<u>3.74</u>
<u>Direct Investments</u>			
Equity Index Fund	\$ 81,742,906		
Real Estate	17,294,299		
MT Mortgages and Loans	<u>256,570,896</u>		
Total Direct Investments	<u>\$ 355,608,101</u>		
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 1,432,121,237</b></u>		
Securities Lending Collateral Investment Pool	<u>\$ 209,254,190</u>	<u>NR</u>	<u>0.12</u>

\*At June 30, 2009, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$16,162,802 by two Federal Home Loan Mortgage Corporation Gold securities maturing July 1, 2018 and November 1, 2035. These securities carry AAA credit quality.

**AOF Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 499,796,852	A+	3.68
U.S. Government Direct Obligations	63,654,728	AAA	5.56
U.S. Government Agency	524,206,909	AAA	3.03
US Bank Sweep Repurchase Agreement*	<u>12,123,446</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	<u>\$ 1,099,781,935</u>	<u>AA</u>	<u>3.06</u>
<u>Direct Investments</u>			
Equity Index Fund	\$ 87,443,325		
Real Estate	17,282,489		
MT Mortgages and Loans	<u>254,644,041</u>		
Total Direct Investments	<u>\$ 359,369,855</u>		
<b>TOTAL INVESTMENTS</b>	<u><b>\$ 1,459,151,790</b></u>		
Securities Lending Collateral Investment Pool	<u>\$ 189,347,553</u>	<u>NR</u>	<u>0.11</u>

\*At June 30, 2008, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$12,368,170 by a Federal National Mortgage FNCI maturing September 1, 2018. This security carries a AAA credit quality rating.

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STIP investments are categorized below to disclose credit risk as of June 30, 2009 and June 30, 2008. Credit risk reflects the security quality rating by investment type, as of the June 30 report date. If a security investment type is unrated, the quality type is indicated by NR (not rated). Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

STIP interest rate risk is determined using the weighted average maturity (WAM) method. The WAM measure expresses investment time horizons – the time when investments are due and payable in days, months or years – weighted to reflect the dollar size of the individual investments within an investment type. The WAM, calculated in days, for the STIP portfolio is disclosed below. The June 30, 2008 WAM, previously stated in months, has been restated in days. The WAM is not available for the SIV securities.

**STIP Credit Quality Ratings and Weighted Average Maturity as of June 30, 2009**

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>WAM in Days</u>
Asset Backed Commercial Paper	\$ 299,326,610	A1	23
Corporate Commercial Paper	164,976,250	A1	16
Corporate Fixed	36,474,136	A3	196
Corporate Variable-Rate	364,248,333	A3	67
Certificates of Deposit Fixed	25,000,000	A1+	360
Certificates of Deposit Variable-Rate	105,000,000	A1	62
U.S. Government Agency Fixed	140,672,204	A1+	73
U.S. Government Agency Variable -Rate	750,530,748	A1+	45
Money Market Funds (Unrated)	121,427,621	NR	1
Money Market Funds (Rated)	180,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>113,625,566</u>	<u>D</u>	<u>NA</u>
Total Investments	\$ <u>2,301,281,468</u>	A1	<u>46</u>
Securities Lending Collateral Investment Pool	\$ <u>151,016,485</u>	NR	<u>43</u>

**STIP Credit Quality Ratings and Weighted Average Maturity as of June 30, 2008**

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>WAM in Days</u>
Commercial Paper	\$ 1,278,677,750	A1+	28
Corporate Variable-Rate	179,971,989	A1	48
Certificates of Deposit	79,997,934	A1+	98
U.S. Government Agency	439,007,788	A1+	107
Money Market Funds (Unrated)	149,352,667	NR	1
Money Market Funds (Rated)	55,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>140,000,000</u>	<u>D</u>	<u>NA</u>
Total Investments	\$ <u>2,322,008,128</u>	<u>A1</u>	<u>46</u>
Securities Lending Collateral Investment Pool	\$ <u>101,755,297</u>	NR	<u>41</u>

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**Legal and Credit Risk**

**STIP** - In January 2007, the Board purchased a \$25 million par issue of Orion Finance USA. In April 2007, the Board purchased two issues of Axon Financial Funding totaling \$90 million par and another \$25 million par issue of Orion Finance USA. As of June 30, 2007, these Structured Investment Vehicle (SIV) securities held in the STIP portfolio carried a combined amortized cost of \$139,991,131 representing 5.02% of the total portfolio. At the time of purchase and as of June 30, 2007, these four issues received the highest investment grade rating of AAA by Standard & Poors and Aaa by Moody's. As of June 30, 2009 and 2008, these issues carried a D rating by Standard & Poors. On November 20, 2007, an insolvency event was declared by Axon Finance USA. Orion Financial Funding declared an insolvency event on January 14, 2008. On the January and April 2008 maturity dates, these securities matured at their amortized cost of \$140 million. The Board has determined that it is currently in the best interest of the STIP to continue to hold these securities in the investment portfolio. These SIV securities are currently generating cash to be applied to the securities.

Of the \$5,687,990 Interest Receivable total as of June 30, 2008, \$2,729,889 is attributable to the above securities for interest accrued to their respective maturity dates. While payment of the Orion Finance USA interest receivable of \$903,922 remains unknown as of June 30, 2009, the Board received 100% payment of \$1,825,967 on the Axon Financial Funding interest receivable on November 14, 2008. Refer to Note 13 – Subsequent Events for additional information.

In fiscal year 2009, the Board also received Axon Financial Funding payments on principal of \$12,374,434 and interest compensation of \$1,807,998 in excess of the accrued interest receivable. Axon Financial Funding payments totaled \$16,008,399 for fiscal year 2009. In June 2009, the Board applied \$14 million from the STIP reserve to the outstanding principal for the Axon Financial Funding and Orion Finance USA securities. As of June 30, 2009, the Axon Financial Funding and Orion Finance USA outstanding balances are \$68,625,566 and \$45 million, respectively, for a combined SIV total of \$113,625,566. Refer to Note 13 – Subsequent Events for additional information.

On September 16, 2008, the U.S. Government acquired 80% of AIG stock and extended \$85 billion in financing to the company. The loan will be repaid by the sale of AIG assets. The loan is collateralized by all the company's assets, valued at \$1.05 trillion as of June 30, 2008. The two STIP AIG securities matured on July 21, 2008 and July 30, 2008.

**STIP, Bond Pool and AOF** - The Federal National Mortgage Association and Federal Home Loan Mortgage Corp. were put into conservatorship on September 7, 2008.

**Bond Pool and AOF** - On September 14, 2008, Lehman Brothers filed for Chapter 11 bankruptcy. The Bond Pool and AOF portfolios held a \$15 million position in Lehman Brothers Holdings, Inc., 2.778%, 05/25/2010. The AOF portfolio also includes a \$5 million position in Lehman Brothers Holdings, Inc., 5%, 01/14/2011. As of September 30, 2008, the book value of these bond positions was written down to 80% of par. On October 30, 2008, the book value of these bonds was further written down to 65% of par. Four additional write downs occurred during fiscal year 2009. As of June 30, 2009, the book value of these bonds represents 20% of par.

On September 26, 2008, Washington Mutual filed for Chapter 11 bankruptcy. The bonds are now in default following the seizure of the bank by the Office of Thrift Supervision on September 25, 2008. The Bond Pool and AOF portfolios held a \$20 million position in Washington Mutual, Inc. 4.2%, 01/15/2010. On September 26, 2008, the Board sold \$10 million par, at a price of \$38, with an October 1, 2008 settlement date. This sale generated a loss of \$6.2 million. As of September 30, 2008, the book value of the remaining \$10 million bond position was written down to 85% of par. On October 20, 2008, the remaining \$10 million position was sold for a realized loss of \$1,684,700.

On October 30, 2008, the book value of the Galena CDO bonds was written down to 70% of par. The Bond Pool and AOF portfolios hold a \$25 million position in this security. Due to several defaults and credit enhancement deterioration, four additional write downs occurred during fiscal year 2009. As of June 30, 2009, the book value of these bonds represents 10% of par.

**Bond Pool** - On January 29, 2009, the book value of the Kellwood Inc., 7.625%, 10/15/2017 was written down to 50% of par due to impairment and industry weakness. The RFBP internal bond pool and the TFBP held \$18.55 million par in this security. Two additional write downs occurred in fiscal year 2009 with a June 30, 2009 book value of the bonds at 10% of par as of June 30, 2009. On July 23, 2009, the Board sold \$10 million par at a price of \$19 and the remaining \$8.55 million at a price of \$19.375 with a July 23, 2009 settlement date. This sale generated a combined gain of \$1.7 million.

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**AOF** – As of June 30, 2008, the Board was not aware of any legal risks regarding any AOF investments.

**7. STIP RESERVE**

The STIP Reserve account was established in November 2007. Income is distributed to STIP participants based on accrued interest and discount amortization. To avoid distributing cash to participants based on accrued interest on certain SIVs that may be uncollectible; the accrued interest amount was deposited in this account. Additional accrued income was deposited in the account to pay for any incidental direct expenses incurred as a part of any SIV restructuring activity not to be paid from SIV assets. Accrued income was also deposited in the account to offset any potential principal loss on these securities in the future.

**8. COAL TAX LOAN AND MORTGAGE COMMITMENTS**

The Board makes firm commitments to fund loans from the Coal Severance Tax Trust fund. These commitments have expiration dates and may be extended according to the Board's policies. As of June 30, 2009, the Board had committed but not yet purchased \$22,760,363 in loans from Montana lenders, compared to \$26,138,839 as of June 30, 2008. In addition to the above commitments, lenders had reserved \$26,207,197 for loans as of June 30, 2009, compared to \$7,474,356 on the same date in 2008.

The Board makes reservations to fund mortgages from the Public Employees' and Teachers' retirement funds. As of June 30, 2009, mortgage reservations totaled \$214,625. As of June 30, 2008, mortgage reservations totaled \$394,947. Effective December 1, 2005, all Board residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

**9. PENSION FUND REAL ESTATE INVESTMENTS**

**100 North Park Building**

In January 1996, the Board, purchased for the Public Employees' and Teachers' Retirement funds portfolios, the 100 North Park Avenue Building in Helena, Montana as a real estate investment. Acquired for a cost of \$4,864,326, the building carries a fair value of \$6,584,252 as of June 30, 2009. During fiscal year 2009, building improvements for build-outs, heating/cooling, and lease changes totaling \$1,392 were added to the cost of the building. Building improvements for build-outs, HVAC improvements, and leasing fees totaling \$81,989 were included in the cost of the building in fiscal year 2008. The three-story building provides office space for six tenants.

**2401 Colonial Drive Building**

In August 1997, the Board authorized the construction of an office building as a real estate investment in the Public Employees' and Teachers' Retirement funds portfolios. Construction costs, including interest capitalization, totaled \$6,481,741 as of June 30, 2000. For fiscal year 2009, \$14,638 was capitalized for Cupola updates and heating/cooling system improvements. In fiscal year 2008, sprinkler system and heating/cooling system improvements of \$51,992 were added to the building cost. The three-story building, providing office space for three tenants, was occupied in November 1999. As of June 30, 2009, the building carries a cost and fair value of \$7,250,580 and \$7,785,377, respectively.

**2273 Boot Hill Court Building**

In August 1999, the Board authorized the purchase of a new office building in Bozeman, Montana. Upon building completion, the Board purchased the building for the Public Employees' and Teachers' Retirement funds portfolios in March 2004, for \$2,051,032. In fiscal years 2009 and 2008, there were no improvements made to this building. The building, located on state school trust land, is occupied by four state agencies. As of June 30, 2009, the building carries a fair value of \$2,123,654.

**1712 Ninth Avenue Building**

In November 2000, the Land Board authorized the transfer of the Public Employees' Retirement Administration (PERA) office building, located at 1712 Ninth Avenue, Helena, to the Board. By issuance of a corrective deed, the Board was named owner and building manager for the use and benefit of the PERA. In fiscal year 2009, there were no improvements made to this building. In fiscal year 2008, \$180 was capitalized for space pre-design. As of June 30, 2009, the building, occupied by one tenant, is valued at \$579,626.

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The schedule below details the minimum future rentals for the above buildings with non-cancelable operating leases as of June 30, 2009 and 2008:

**Minimum future rentals for the year ending June 30, 2009:**

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015+</u>	<u>Total</u>
\$403,482	\$285,905	\$258,743	\$219,189	0	0	\$1,167,319

**Minimum future rentals for the year ending June 30, 2008:**

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014+</u>	<u>Total</u>
\$827,768	\$510,068	\$416,432	\$258,743	\$219,189	0	\$2,232,198

**California Street Property**

In December 1998, the Board acquired a parcel of land adjacent to the Colonial Drive building for the Public Employees' and Teachers' Retirement funds portfolios to provide for additional parking. This land was purchased for \$204,835. For fiscal years 2008 and 2009, there were no improvements made to this property. As of June 30, 2009 the property carries a fair value of \$221,390.

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**10. MONTANA MORTGAGES AND LOANS**

The Montana mortgages and loans portfolio is shown below.

<u>Montana Mortgages and Loans</u>	<u>2009 Book Value</u>	<u>2008 Book Value</u>
<b>Residential Mortgages</b>	<b>\$ 45,270,143</b>	<b>59,702,382</b>
Science and Technology Alliance <sup>(1)</sup>	3,812,268	4,217,637
Montana University System	8,640,027	8,722,199
Department of Justice	373,010	2,547,000
Montana Facility Finance	6,821,687	4,878,661
Local Government Infrastructure	20,591,953	19,951,844
Value-added Loans	13,538,774	14,305,523
Commercial Loans	<u>158,245,959</u>	<u>141,063,339</u>
<b>Permanent Coal Trust Loans</b>	<b>212,023,678</b>	<b>195,686,203</b>
<b>Total Montana Mortgages and Loans</b>	<b>\$ <u>257,293,821</u></b>	<b><u>255,388,585</u></b>

(1) The Montana Science and Technology Alliance (MSTA) loans include funding for research and development, mezzanine and seed capital loans.

**11. LOAN GUARANTEES**

As of June 30, 2009, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$198,465,022. Board exposure to bond issues of the Enterprise Fund is \$88,920,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$109,545,022.

As of June 30, 2008, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$182,393,408. Board exposure to bond issues of the Enterprise Fund is \$98,390,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$84,003,408.

**12. POOL RESTRUCTURE**

On May 14, 2008, the Board approved a staff recommendation to create a structure for the Retirement Funds Bond Pool for both internal and external asset management. In July 2008, four new managers were hired. The managers named include Reams Asset Management, Artio Global Management, Lehman Brothers Asset Management and Post Advisory Group. On October 1, 2008, Reams Asset Management was funded approximately \$200 million in cash and securities. In May and August 2009, Post Advisory Group and Artio Global Management were funded \$50.7 million and \$100.5 million in cash and securities, respectively.

In February 2008, the three MDEP long/short (130/30) investment managers of Analytic Investors, JP Morgan and Martingale Asset Management were funded approximately \$400 million. On September 1, 2009, JP Morgan was funded an additional \$75 million.

On May 12, 2009, the Board approved a staff recommendation to diversify income sources within the Trust Funds Bond Pool and change the pool name to the Trust Funds Investment Pool effective July 1, 2009. This Board action resulted in a \$30 million purchase of the Post Traditional High Yield Fund on September 1, 2009.

In early September 2009, the Board completed a restructure of the Montana International Equity Pool (MTIP) by funding the Barclays Global Investors ACWI ex US Index Superfund A approximately \$295 million in cash and securities by terminating two external managers, closing one fund and downsizing three external managers.

Also in September 2009, the Board transitioned approximately \$135 million in cash and securities to the State Street SPIFF (Stock Performance Index Futures Fund), T. Rowe Price, Artisan Partners, TimesSquare Capital Management and Vaughan Nelson Investment Management by closing a commingled account and reducing the portfolios for two existing managers.

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**13. SUBSEQUENT EVENTS**

On August 28, 2009, the Board received an Axon Financial Funding payment of \$4,086,193 representing \$3,893,968 in principal and interest compensation of \$192,225. An additional interest compensation payment of \$153,270 from Axon Financial Funding was received on October 1, 2009.

On October 14, 2009, the Board received its initial payment from Orion Finance USA totaling \$12,490,293. This payment applied \$9,867,165 to principal, \$903,922 to the accrued interest receivable as of the January 16, 2008 and April 21, 2008 maturity dates and \$1,719,206 to interest compensation.

Refer to Note 6 – Investment Risk Disclosures, page B-25 for additional information.

**14. YEAR END PORTFOLIOS**

The June 30, 2009 portfolios of the Pools and AOF are listed on the following pages. The security type percentage is based on the fair value or the amortized cost ratio of the specific security investment type to the total portfolio.

**RETIREMENT FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
SHORT TERM INVESTMENT POOL	NA	NA	118,747	118,747	118,747	0.01%
STATE STREET REPO	0.01	7/1/2009	2,721,652	2,721,652	2,721,652	0.16%
STATE STREET BANK + TRUST CO	NA	NA	44,565,804	44,565,804	44,565,804	2.61%
<b>Cash Equivalents</b>	<b>3 Issue(s)</b>		<b>47,406,203</b>	<b>47,406,203</b>	<b>47,406,203</b>	<b>2.78%</b>
AA / FT WORTH HQ FIN TR	5.50	10/5/2010	2,098,895	2,084,062	2,076,374	0.12%
AES EASTN ENERGY LP	9.00	1/2/2017	545,400	561,333	507,222	0.03%
AFLAC INC	8.50	5/15/2019	1,475,000	1,529,035	1,573,891	0.09%
AIG SUNAMERICA GLOBAL FING VI	6.30	5/10/2011	820,000	740,854	766,952	0.04%
AMB PPTY L P MEDIUM TERM NTS	6.30	6/1/2013	1,200,000	1,168,882	1,116,000	0.07%
AMC ENTERTAINMENT INC	8.75	6/1/2019	500,000	487,983	470,000	0.03%
AOL TIME WARNER INC	6.75	4/15/2011	4,000,000	4,066,455	4,179,386	0.24%
AOL TIME WARNER INC	7.70	5/1/2032	1,000,000	886,730	982,555	0.06%
AERO 1 HQ FIN TR	4.64	7/7/2010	5,745,000	5,745,000	5,564,377	0.33%
ALCOA INC	5.90	2/1/2027	660,000	452,960	468,600	0.03%
ALCOA INC	5.95	2/1/2037	560,000	370,303	375,200	0.02%
ALCOA INC	6.75	7/15/2018	1,595,000	1,244,522	1,371,700	0.08%
ALLSTATE CORP	7.45	5/16/2019	1,375,000	1,379,551	1,482,034	0.09%
AMERICA WEST AIRLS TR	7.93	1/2/2019	3,687,096	3,687,096	3,014,201	0.18%
AMERICAN ACHIEVEMENT CORP	8.25	4/1/2012	200,000	187,026	187,000	0.01%
AMER AIRLN PT TRST 09 1A	10.38	7/2/2019	1,170,000	1,170,000	1,178,775	0.07%
AMERICAN EXPRESS BK FSB	0.44	5/29/2012	5,000,000	4,203,689	4,608,078	0.27%
AMERICAN EXPRESS BK	6.00	9/13/2017	5,000,000	4,989,953	4,596,610	0.27%
AMERICAN EXPRESS CO	8.13	5/20/2019	1,965,000	1,980,275	2,053,018	0.12%
AMERICAN EXPRESS CR CORP	0.50	12/2/2010	5,000,000	4,516,049	4,776,453	0.28%
AMERICAN GEN FIN CORP MTN	5.38	10/1/2012	350,000	192,592	201,250	0.01%
AMERICAN GEN FIN CORP MTN	5.90	9/15/2012	5,125,000	4,761,867	2,946,875	0.17%
AMERICAN GEN FIN CORP	6.90	12/15/2017	1,840,000	813,558	978,480	0.06%
AMERICAN PRESIDENT COS LTD	8.00	1/15/2024	5,000,000	4,805,201	3,512,500	0.21%
AMERICAN REAL ESTATE PARTNERS	8.13	6/1/2012	550,000	501,811	506,000	0.03%

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ANGIOTECH PHARMACEUTICALS INC	4.42	12/1/2013	850,000	637,468	641,750	0.04%
ANHEUSER BUSCH COS INC	5.60	3/1/2017	3,000,000	3,008,766	2,904,677	0.17%
APRIA HEALTHCARE GROUP	11.25	11/1/2014	1,000,000	974,213	965,000	0.06%
ARIA CDO II JERSEY NO 1 LTD	2.13	10/10/2012	25,000,000	25,000,000	7,500,000	0.44%
ASIF GLOBAL FINANCNG XIX	4.90	1/17/2013	160,000	116,289	133,633	0.01%
AXCAN INTERMEDIATE HOLD	9.25	3/1/2015	500,000	504,945	502,500	0.03%
BB+T CORPORATION	6.85	4/30/2019	1,480,000	1,457,181	1,541,698	0.09%
BACM09 RR A4	5.62	7/6/2039	1,865,000	1,509,339	1,509,339	0.09%
BANC AMER COML MTG INC COML	5.38	1/15/2049	15,000,000	15,038,381	14,000,853	0.82%
BANC AMER COML MTG TR	5.89	7/10/2044	1,475,000	1,297,003	1,141,457	0.07%
BANC AMER COML MTG TR	5.36	7/10/2046	2,159,570	2,161,711	2,175,785	0.13%
BANC AMER COML MTG TR	5.19	9/10/2047	7,162,908	7,165,698	7,218,308	0.42%
BANC AMER COML MTG TR	5.41	9/10/2047	1,720,000	1,416,953	1,382,916	0.08%
BANC AMER COML MTG TR 2007 2	5.63	4/10/2049	9,000,000	9,025,624	8,360,882	0.49%
BANC AMER COML MTG TR	5.84	6/10/2049	16,440,000	16,287,997	15,342,367	0.90%
BANC AMER COML MTG TR	5.55	2/10/2051	15,000,000	15,044,003	13,837,014	0.81%
BANK AMER CORP	5.42	3/15/2017	1,630,000	1,311,612	1,364,466	0.08%
BANK AMER FDG CORP	5.65	5/1/2018	2,650,000	2,336,701	2,333,397	0.14%
BARCLAYS BANK PLC	6.75	5/22/2019	1,770,000	1,766,236	1,754,266	0.10%
BARCLAYS BK PLC	6.05	12/4/2017	1,950,000	1,562,361	1,654,105	0.10%
BEAR STEARNS COML MTG SECS TR	5.59	6/11/2040	7,962,358	7,969,977	8,116,034	0.48%
BELLSOUTH TELECOMM INC	6.30	12/15/2015	9,336,600	9,850,519	9,315,123	0.55%
BERRY PLATICS CORP	5.88	2/15/2015	500,000	428,509	441,250	0.03%
BIO RAD LABS	8.00	9/15/2016	450,000	443,711	445,500	0.03%
BISHOPSGATE CDO LTD	5.18	6/30/2010	25,000,000	25,000,000	20,000,000	1.17%
BORGER ENERGY ASSOCS L P CORP	7.26	12/31/2022	1,677,751	1,565,961	1,442,866	0.08%
BOSTON SCIENTIFIC CORP	5.45	6/15/2014	500,000	449,668	460,000	0.03%
BRITISH TELECOMMUNICATIONS PLC	5.95	1/15/2018	1,940,000	1,670,344	1,733,213	0.10%
CITIGROUP/DEUTSCHE BK COMM MOR	5.54	1/15/2046	1,075,000	777,887	877,871	0.05%
CIT GROUP INC	1.31	11/3/2010	510,000	375,744	382,500	0.02%
CIT GROUP INC REORGANIZED AS	7.63	11/30/2012	990,000	787,614	688,050	0.04%
CIT GROUP INC	5.80	7/28/2011	3,500,000	2,342,451	2,625,000	0.15%
CIT GROUP INC	1.17	2/13/2012	100,000	64,161	58,500	0.00%
CIT GROUP INC MEDIUM TERM	1.01	12/21/2012	140,000	84,662	77,700	0.00%
CSC HLDGS INC	8.50	6/15/2015	700,000	693,095	686,000	0.04%
CVS CAREMARK CORP	6.94	1/10/2030	92,305	73,209	85,075	0.00%
CVS CAREMARK CORP	2.15	9/10/2010	2,500,000	2,346,448	2,493,100	0.15%
CWHEQ HOME EQUITY LN TR	5.76	6/25/2035	891,462	363,202	188,319	0.01%
CWHEQ INC	6.09	7/25/2027	1,430,992	266,779	242,367	0.01%
CALPINE CONSTRUCTION FIN	8.00	6/1/2016	500,000	477,755	480,000	0.03%
CANADIAN PAC LTD	9.45	8/1/2021	5,000,000	5,099,472	5,548,566	0.32%
CAPITAL ONE FINL CORP	6.75	9/15/2017	5,000,000	5,000,450	4,721,742	0.28%

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CATERPILLAR FINL SVCS	1.35	6/24/2011	10,000,000	9,048,788	9,795,471	0.57%
CD MTG TR	5.62	10/15/2048	1,110,000	883,255	896,312	0.05%
CELESTICA INC	7.88	7/1/2011	500,000	499,403	500,000	0.03%
CENTENNIAL COMMUNICATIONS CORP	8.13	2/1/2014	1,000,000	1,025,713	1,025,000	0.06%
CHRYSLER LLC	1.00	8/3/2013	2,081,647	958,894	22,128	0.00%
CINEMARK USA INC	8.63	6/15/2019	200,000	195,123	197,500	0.01%
CITIGROUP INC	6.13	5/15/2018	2,165,000	1,836,280	1,888,653	0.11%
CITIGROUP INC	8.50	5/22/2019	3,500,000	3,597,233	3,552,226	0.21%
COMCAST CORP	7.05	3/15/2033	2,000,000	2,161,297	2,078,867	0.12%
COMM MTG TR	5.54	6/10/2046	2,920,113	2,919,822	2,931,453	0.17%
COMMUNICATIONS + PWR INDS INC	8.00	2/1/2012	525,000	500,014	506,625	0.03%
CONTINENTAL AIRLS	5.98	4/19/2022	2,020,000	1,488,659	1,696,800	0.10%
CONTINENTAL AIRLS PASS THRU TR	6.55	8/2/2020	5,790,479	5,790,479	5,327,240	0.31%
CORPORATE PPTY INVS	7.88	3/15/2016	12,000,000	11,930,856	12,447,738	0.73%
CORRECTIONS CORP AMER NEW	7.50	5/1/2011	500,000	500,000	496,875	0.03%
CORRECTIONS CORP AMER NEW	6.25	3/15/2013	125,000	119,469	118,125	0.01%
CORRECTIONS CORP OF AMER	7.75	6/1/2017	350,000	340,003	343,000	0.02%
CREDIT SUISSE N Y	6.00	2/15/2018	2,200,000	1,799,225	2,196,312	0.13%
CRICKET COMMUNICATIONS I	7.75	5/15/2016	500,000	480,868	481,250	0.03%
CYPRESSTREE SYNTHETIC CDO LTD	2.65	12/30/2010	25,000,000	25,000,000	10,000,000	0.59%
DAVITA INC	6.63	3/15/2013	250,000	238,930	234,063	0.01%
DAVITA INC	7.25	3/15/2015	150,000	144,790	140,625	0.01%
DEERE JOHN CAP CORP MTN BK ENT	1.11	2/26/2010	1,950,000	1,930,820	1,939,939	0.11%
DEERE JOHN CAP CORP MTN BK ENT	1.40	6/10/2011	2,150,000	2,067,849	2,133,862	0.12%
DELTA AIR LINES INC DEL	7.92	5/18/2012	400,000	368,801	368,000	0.02%
DELTA AIR LINES INC DEL PASS T	6.72	7/2/2024	4,198,303	2,731,683	3,190,710	0.19%
DEUTSCHE TELEKOM INT FIN	6.00	7/8/2019	3,090,000	3,064,814	3,095,805	0.18%
DIRECT HOLDINGS	7.63	5/15/2016	550,000	532,336	535,563	0.03%
DONNELLEY R R + SONS	4.95	4/1/2014	5,000,000	4,799,856	4,350,000	0.25%
ERAC USA FIN CO	6.38	10/15/2017	2,760,000	2,221,044	2,393,694	0.14%
ERAC USA FIN CO	7.00	10/15/2037	615,000	395,142	469,405	0.03%
ESI TRACTEBEL ACQUISITION CORP	7.99	12/30/2011	314,000	306,856	305,758	0.02%
EASTERN ENERGY LTD	7.25	12/1/2016	5,000,000	4,966,647	5,064,454	0.30%
EHOSTAR DBS CORP	6.63	10/1/2014	200,000	184,050	185,500	0.01%
EHOSTAR DBS CORP	7.75	5/31/2015	500,000	476,575	476,250	0.03%
EL PASO NAT GAS CO	8.63	1/15/2022	5,000,000	5,145,910	5,445,782	0.32%
ELAN FIN PLC	7.75	11/15/2011	850,000	799,196	785,188	0.05%
ENTERGY ARK INC	4.50	6/1/2010	5,000,000	4,995,941	4,951,252	0.29%
ENTERGY LA LLC	5.50	4/1/2019	140,000	135,423	131,229	0.01%
FPL ENERGY NATL WIND LLC	5.61	3/10/2024	2,320,440	2,320,440	1,922,873	0.11%
FARMERS EXCHANGE CAP	7.05	7/15/2028	1,255,000	770,907	868,804	0.05%
FEDERAL EXPRESS CORP PSTHR TR	7.52	1/15/2018	4,440,042	4,429,121	4,251,518	0.25%

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FERRELLGAS L P FERRELLGAS FIN	6.75	5/1/2014	350,000	308,048	304,500	0.02%
FIRST UN CORP	7.50	4/15/2035	1,305,000	1,118,869	1,295,351	0.08%
FLORIDA GAS TRANSMISSION CO	9.19	11/1/2024	8,000,000	8,026,168	8,587,142	0.50%
FORD MTR CR CO	7.38	10/28/2009	8,650,000	8,639,604	8,477,000	0.50%
FORD MTR CR CO	8.00	12/15/2016	2,740,000	1,673,429	2,096,100	0.12%
FORD MTR CR CO	7.80	6/1/2012	570,000	345,461	487,350	0.03%
FORTUNE BRANDS INC	5.38	1/15/2016	3,000,000	2,987,655	2,736,711	0.16%
GATX CORP	8.75	5/15/2014	10,000,000	9,987,883	10,499,999	0.61%
GE COML MTG CORP TR	5.42	12/10/2049	15,000,000	15,040,008	13,012,246	0.76%
GMAC LLC	6.75	12/1/2014	1,152,000	846,847	921,600	0.05%
GSPA MONETIZATION TR	6.42	10/9/2029	12,941,847	13,045,350	10,839,573	0.63%
GALENA CDO I CAYMAN IS NO 1LTD	5.06	1/11/2013	12,000,000	1,200,000	1,200,000	0.07%
GAZPROM INTL S A	7.20	2/1/2020	2,253,166	2,282,113	2,117,976	0.12%
GENERAL CABLE CORP	3.58	4/1/2015	300,000	248,367	243,000	0.01%
GENERAL ELEC CAP CORP	5.55	5/4/2020	3,000,000	2,477,549	2,775,133	0.16%
GENERAL ELEC CAP CORP	1.36	1/8/2016	5,000,000	3,885,158	3,999,147	0.23%
GENERAL MTRS ACCEP CORP	6.75	12/1/2014	1,710,000	1,093,025	1,368,000	0.08%
GENWORTH FINL INC	5.65	6/15/2012	2,400,000	2,399,618	1,920,000	0.11%
GENWORTH GLOBAL FDG TRS	5.75	5/15/2013	105,000	81,641	96,600	0.01%
GENWORTH LIFE INST FUND	5.88	5/3/2013	1,510,000	1,206,367	1,151,375	0.07%
GEORGIA PWR CO	5.25	12/15/2015	3,000,000	3,000,116	3,103,721	0.18%
GMACM HOME EQUITY LN TR	6.32	5/25/2036	970,000	479,736	263,822	0.02%
GMAC MTG CORP LN TR	5.81	10/25/2036	1,105,000	610,906	220,646	0.01%
GOLDMAN SACHS GROUP INC	1.64	1/12/2015	5,000,000	3,787,028	4,318,750	0.25%
GOLDMAN SACHS GROUP INC	1.06	3/22/2016	4,000,000	2,925,205	3,370,000	0.20%
GOLDMAN SACHS GROUP	5.30	2/14/2012	2,000,000	1,998,867	2,075,718	0.12%
GREAT ATLANTIC + PAC TEA	5.13	6/15/2011	550,000	399,074	401,500	0.02%
GREAT RIV ENERGY	7.23	7/1/2038	135,000	148,030	127,913	0.01%
GREIF INC	6.75	2/1/2017	525,000	491,059	481,688	0.03%
HCA INC	8.50	4/15/2019	550,000	540,455	539,000	0.03%
HSBC FIN CORP	5.50	1/19/2016	4,000,000	3,988,193	3,733,825	0.22%
HARRAHS OPERATING ESCROW	11.25	6/1/2017	350,000	339,141	329,000	0.02%
HARTFORD FINL SVCS GROUP INC	6.10	10/1/2041	280,000	143,472	176,400	0.01%
HARTFORD FINL SVCS GROUP INC	5.95	10/15/2036	330,000	190,003	214,500	0.01%
HARTFORD FINL SVCS GROUP INC	5.38	3/15/2017	1,010,000	700,907	797,900	0.05%
HARTFORD FINL SVCS GROUP INC	6.30	3/15/2018	920,000	653,850	736,000	0.04%
HARTFORD LIFE GLOBAL FDG TRS	0.73	3/15/2011	200,000	170,892	177,073	0.01%
HAWAIIAN ELEC INDS INC MEDIUM	6.14	8/15/2011	3,000,000	3,040,361	3,194,086	0.19%
HEALTH CARE PPTY INVS INC	7.07	6/8/2015	1,200,000	1,083,900	1,095,384	0.06%
HERTZ VEH FING LLC	0.56	11/25/2011	660,000	598,074	609,110	0.04%
HERTZ VEH FING LLC	5.08	11/25/2011	1,340,000	1,199,284	1,298,059	0.08%
HOMER CITY FDG LLC	8.14	10/1/2019	330,600	339,994	289,275	0.02%

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HUNTSMAN LLC	11.63	10/15/2010	550,000	555,923	564,438	0.03%
ING SEC LIFE INSTL FDG	4.25	1/15/2010	7,000,000	6,973,561	6,841,814	0.40%
INERGY L P + INERGY FIN CORP	6.88	12/15/2014	500,000	461,692	455,000	0.03%
INTELSAT JACKSON HLDGS LTD	9.50	6/15/2016	250,000	255,568	250,625	0.01%
INTELSAT SUBSIDIARY HLDG CO LT	8.88	1/15/2015	750,000	740,762	720,000	0.04%
INTERNATIONAL LEASE FIN CORP	4.75	1/13/2012	405,000	257,640	319,950	0.02%
INTL LEASE FIN CORP MTN	5.63	9/20/2013	2,145,000	1,428,764	1,630,200	0.10%
INTL LEASE FIN CORP MTN	5.35	3/1/2012	1,070,000	812,570	856,000	0.05%
INTL LEASE FIN CORP MTN	5.63	9/15/2010	500,000	456,511	460,000	0.03%
INTL LEASE FIN CORP MTN	4.55	10/15/2009	2,000,000	2,000,457	1,920,000	0.11%
INTERPUBLIC GROUP COS	10.00	7/15/2017	525,000	517,322	534,188	0.03%
IRON MNT INC PA	8.63	4/1/2013	500,000	500,612	498,750	0.03%
JPMORGAN CHASE + CO FORMERLY	6.00	1/15/2018	2,885,000	2,856,235	2,880,343	0.17%
JPMORGAN CHASE + CO	6.30	4/23/2019	11,215,000	11,198,233	11,300,192	0.66%
J P MORGAN CHASE COML MTG	4.56	6/12/2041	6,071,115	6,071,062	6,055,936	0.35%
J P MORGAN CHASE COML MTG	3.05	1/15/2038	357,408	350,454	355,340	0.02%
JARDEN CORP	8.00	5/1/2016	550,000	535,049	532,125	0.03%
JERSEY CENT PWR + LT CO	5.65	6/1/2017	4,000,000	3,988,950	3,906,670	0.23%
JOHNSON CTLS INC	5.25	1/15/2011	1,000,000	997,031	994,607	0.06%
KCT INTERMODAL TRANSN CORP	6.88	8/1/2018	2,784,533	2,784,533	2,914,977	0.17%
KELLWOOD CO	7.63	10/15/2017	10,550,000	1,055,381	1,582,500	0.09%
KERR MCGEE CORP	7.13	10/15/2027	7,000,000	7,067,185	5,271,701	0.31%
KEYBANK NATL ASSN CLEVELAND OH	5.50	9/17/2012	5,000,000	4,945,339	4,950,000	0.29%
KEYBANK NATL ASSN MTN	5.45	3/3/2016	10,000,000	9,535,951	8,572,872	0.50%
KIOWA PWR PARTNERS LLC	4.81	12/30/2013	60,334	60,186	58,644	0.00%
KNOWLEDGE LEARNING CORP	7.75	2/1/2015	500,000	458,157	465,625	0.03%
LB COML MTG TR	6.15	7/15/2044	840,000	622,384	651,440	0.04%
LB UBS COML MTG	5.42	2/15/2040	1,227,000	871,922	899,737	0.05%
LB UBS	5.37	9/15/2039	1,950,000	1,575,350	1,616,626	0.09%
LB UBS COML MTG TR	5.43	2/15/2040	1,775,000	1,392,140	1,279,854	0.07%
LB UBS COML MTG TR	5.16	2/15/2031	3,455,000	3,044,677	2,938,075	0.17%
LEUCADIA NATL CORP	7.13	3/15/2017	550,000	425,471	446,875	0.03%
LEVEL 3 FING INC	12.25	3/15/2013	500,000	472,601	475,000	0.03%
LIBERTY MUT INS CO	8.50	5/15/2025	165,000	126,359	132,083	0.01%
LIBERTY PPTY LTD PARTNERSHIP	6.63	10/1/2017	1,275,000	1,117,278	1,058,250	0.06%
LINCOLN NATL CORP IN	8.75	7/1/2019	3,295,000	3,281,898	3,400,015	0.20%
LINN ENERGY LLC	11.75	5/15/2017	350,000	338,649	340,375	0.02%
LOCAL INSIGHT REGATTA HLDGS IN	11.00	12/1/2017	500,000	130,601	130,000	0.01%
M + I MARSHALL + ILSLEY BK	0.92	12/4/2012	3,390,000	2,811,156	2,356,830	0.14%
MGM MIRAGE	13.00	11/15/2013	500,000	551,533	553,750	0.03%
ML CFC COML MTG TR	5.55	6/12/2050	6,947,507	6,951,738	7,043,468	0.41%
MACKINAW PWR LLC	6.30	10/31/2023	603,834	495,357	537,860	0.03%

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MACMILLAN BLOEDEL LTD	7.70	2/15/2026	9,000,000	8,884,947	7,311,321	0.43%
MANUFACTURERS + TRADERS TR CO	2.71	4/1/2013	1,425,000	1,230,780	1,120,031	0.07%
MANUFACTURERS + TRADERS TR CO	5.63	12/1/2021	790,000	561,690	592,860	0.03%
MARKWEST ENERGY PART/FIN	6.88	11/1/2014	725,000	577,490	601,750	0.04%
MEAD CORP	7.35	3/1/2017	11,000,000	10,858,369	9,460,000	0.55%
MED MAP L L C	7.06	6/1/2024	8,595,000	8,595,000	8,462,207	0.50%
MED MAP L L C COLO REV	7.00	6/1/2024	5,730,000	5,730,000	5,610,415	0.33%
MERRILL LYNCH + CO INC	0.87	6/5/2012	5,000,000	4,393,785	4,438,409	0.26%
MERRILL LYNCH + CO INC	6.88	4/25/2018	5,000,000	4,320,698	4,582,042	0.27%
METLIFE INC	5.00	11/24/2013	5,000,000	4,978,862	4,901,580	0.29%
METLIFE INC	6.82	8/15/2018	1,330,000	1,135,413	1,338,197	0.08%
METLIFE INC	6.75	6/1/2016	5,000,000	4,988,303	5,081,949	0.30%
MET LIFE GLOB FUNDING I	5.13	6/10/2014	2,055,000	2,052,611	2,100,222	0.12%
MIDAMERICAN ENERGY HLDGS CO N	6.13	4/1/2036	5,000,000	4,437,614	4,941,676	0.29%
MIRANT MID ATLANTIC LLC	8.63	6/30/2012	173,727	172,863	171,990	0.01%
MIRANT AMERICAS GENERATION LLC	8.30	5/1/2011	250,000	250,000	249,375	0.01%
ML CFC COML MTG TR	5.59	9/12/2049	15,000,000	15,053,516	13,055,250	0.76%
MONUMENTAL GLOBAL FDG III	5.25	1/15/2014	415,000	382,122	390,505	0.02%
MONUMENTAL GLOBAL FDG III	1.26	1/25/2013	675,000	513,908	579,481	0.03%
MONUMENTAL GLOBAL FDS III	5.50	4/22/2013	780,000	748,225	750,085	0.04%
MORGAN STANLEY GROUP INC	5.55	4/27/2017	2,490,000	1,702,435	2,342,990	0.14%
NRG ENERGY INC	8.50	6/15/2019	800,000	786,878	775,000	0.05%
NATIONAL CITY BK CLEVELAND OH	5.80	6/7/2017	5,000,000	4,878,785	4,669,720	0.27%
NATIONSBANK CORP	7.25	10/15/2025	1,532,000	1,046,412	1,387,668	0.08%
NATIONWIDE LIFE GLOBAL FDG	1.20	10/9/2009	165,000	158,939	163,952	0.01%
NATIONWIDE LIFE GLOBAL FDG	5.45	10/2/2012	490,000	468,496	466,646	0.03%
NATIONWIDE MUT INS CO	8.25	12/1/2031	225,000	144,618	180,239	0.01%
NATIONWIDE MUT INS CO	7.88	4/1/2033	430,000	284,638	327,526	0.02%
NATIONWIDE MUT INS CO	6.60	4/15/2034	195,000	113,648	124,453	0.01%
NEWMARKET CORP	7.13	12/15/2016	500,000	450,191	448,750	0.03%
NEWS AMER INC	6.15	3/1/2037	6,000,000	6,064,631	5,051,533	0.30%
NORTHWEST AIRLS PASS THRU TRS	7.03	11/1/2019	2,995,591	1,960,557	2,306,605	0.14%
OMNICARE INC	6.75	12/15/2013	600,000	551,396	545,250	0.03%
ONEOK PARTERS LP	6.85	10/15/2037	3,000,000	3,090,836	2,834,142	0.17%
ORBIMAGE HLDGS INC	12.50	7/1/2012	350,000	358,070	356,125	0.02%
OWENS BROCKWAY	7.38	5/15/2016	350,000	342,650	338,625	0.02%
PNC FDG CORP	6.70	6/10/2019	965,000	962,995	995,015	0.06%
PPL ELEC UTILS CORP	6.45	8/15/2037	2,000,000	1,999,494	2,077,252	0.12%
PPL MONT LLC	8.90	7/2/2020	16,263,683	16,310,439	17,863,584	1.05%
PACIFIC BELL	7.25	11/1/2027	6,000,000	5,969,068	5,380,717	0.32%
PANAMERICAN BEVERAGES INC	7.25	7/1/2009	8,000,000	8,000,000	8,000,000	0.47%
PENNSYLVANIA ELEC CO	6.05	9/1/2017	3,000,000	2,992,726	2,910,746	0.17%

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PREMIUM ASSET TR	0.83	9/28/2010	4,000,000	3,640,396	3,640,000	0.21%
PRICOA GLOBAL FDG I	5.40	10/18/2012	880,000	853,806	853,750	0.05%
PRIDE INTERNATIONAL INC	8.50	6/15/2019	125,000	124,555	123,438	0.01%
PRICOA GLOBAL FUNDING I	5.45	6/11/2014	1,495,000	1,490,593	1,492,415	0.09%
PROLOGIS	6.63	5/15/2018	575,000	507,559	448,500	0.03%
PROTECTIVE LIFE SECD TRS SECD	5.45	9/28/2012	5,300,000	5,276,680	5,273,623	0.31%
PRUDENTIAL FINL INC	5.50	3/15/2016	8,000,000	7,889,991	7,256,368	0.43%
PRUDENTIAL FINL INC	6.10	6/15/2017	625,000	385,141	575,923	0.03%
PRUDENTIAL FINL INC MED TERM	6.00	12/1/2017	1,180,000	906,222	1,076,122	0.06%
PRUDENTIAL FINANCIAL INC	7.38	6/15/2019	490,000	489,985	481,545	0.03%
PUBLIC SVC CO COLO	6.25	9/1/2037	5,000,000	5,111,061	5,446,799	0.32%
PUGET SOUND PWR + LT CO	5.20	10/1/2015	6,000,000	5,846,427	5,898,300	0.35%
QUEBECOR MEDIA INC	7.75	3/15/2016	650,000	583,108	585,000	0.03%
QWEST CORP	3.88	6/15/2013	500,000	455,795	447,500	0.03%
RALI TR	5.75	12/25/2021	3,070,327	2,545,956	2,560,904	0.15%
RAS LAFFAN LIQUEFIED NAT GAS	5.30	9/30/2020	9,000,000	8,576,093	8,055,000	0.47%
RAS LAFFAN LIQUEFIED NAT GAS	6.33	9/30/2027	6,000,000	5,888,713	5,130,000	0.30%
REGENCY CTRS L P	5.88	6/15/2017	975,000	698,746	760,500	0.04%
REGENCY ENERGY PARTNERS	9.38	6/1/2016	975,000	926,315	950,625	0.06%
REGIONS BK BIRMINGHAM ALA	7.50	5/15/2018	1,040,000	882,634	915,623	0.05%
REMINGTON ARMS INC NEW	10.50	2/1/2011	350,000	346,650	352,625	0.02%
RESIDENTIAL FUNDING MRTG SEC	5.31	2/25/2036	1,668,521	679,132	538,511	0.03%
RITE AID CORP	8.63	3/1/2015	500,000	307,655	332,500	0.02%
RITE AID CORP	9.75	6/12/2016	100,000	98,209	100,000	0.01%
RYERSON INC	8.40	11/1/2014	375,000	270,269	272,813	0.02%
SLM CORP	5.13	8/27/2012	4,000,000	3,731,147	3,460,000	0.20%
SLM CORP	5.38	1/15/2013	4,000,000	3,997,589	3,380,000	0.20%
SEALED AIR CORP	7.88	6/15/2017	300,000	293,540	268,151	0.02%
SEALY CORPORATION	10.88	4/15/2016	350,000	341,177	366,625	0.02%
SECURITY CAP GROUP INC	7.70	6/15/2028	3,000,000	3,416,966	2,692,793	0.16%
SEMPRA ENERGY	6.15	6/15/2018	5,000,000	4,881,068	4,974,708	0.29%
SERVICE CORP INTL	7.88	2/1/2013	350,000	326,972	336,875	0.02%
SIMON PPTY GROUP L P	5.10	6/15/2015	745,000	665,228	685,204	0.04%
SMITHFIELD FOODS INC	10.00	7/15/2014	250,000	240,503	246,875	0.01%
SOURCE GAS LLC	5.90	4/1/2017	190,000	161,494	143,917	0.01%
SOUTHERN POWERCO	6.38	11/15/2036	3,000,000	2,532,425	2,390,126	0.14%
SOUTHERN UN CO NEW	7.60	2/1/2024	6,000,000	5,899,026	5,407,777	0.32%
SOUTHWESTERN BELL TEL CO	7.00	11/15/2027	3,000,000	2,997,465	2,633,070	0.15%
SPRINT CAP CORP	7.63	1/30/2011	500,000	491,723	495,000	0.03%
SUBURBAN PROPANE PARTNERS LP	6.88	12/15/2013	500,000	465,129	460,000	0.03%
SUNCOR ENERGY INC	6.50	6/15/2038	3,000,000	3,008,369	2,809,854	0.16%
SUNGUARD DATA SYS INC	9.13	8/15/2013	550,000	519,850	519,750	0.03%

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**RETIREMENT FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
SUPERVALVE INC	8.00	5/1/2016	375,000	367,586	370,313	0.02%
TRW AUTOMOTIVE INC	7.25	3/15/2017	450,000	318,394	292,500	0.02%
TENNESSEE GAS PIPELINE CO	7.50	4/1/2017	550,000	548,501	578,758	0.03%
TERREMARK WORLDWIDE INC	12.00	6/15/2017	325,000	309,224	312,000	0.02%
TEXAS GAS TRANSMISSION CORP	7.25	7/15/2027	3,000,000	2,819,510	2,581,297	0.15%
TIME WARNER COS INC	9.15	2/1/2023	185,000	189,133	196,647	0.01%
TIME WARNER INC	6.63	5/15/2029	6,000,000	6,174,117	5,312,748	0.31%
TORCHMARK INC	9.25	6/15/2019	1,225,000	1,225,000	1,243,025	0.07%
TRANSCANADA PIPELINES LTD	7.63	1/15/2039	1,000,000	999,734	1,152,121	0.07%
TRANSCONTINENTAL GAS PIPE LINE	7.25	12/1/2026	3,000,000	2,998,703	3,007,213	0.18%
TRISTATE GEN + TRANS ASSN	6.04	1/31/2018	6,096,960	6,136,533	5,951,426	0.35%
TYCO ELECTRONICS GROUP S A	5.95	1/15/2014	1,045,000	1,034,921	977,075	0.06%
USG CORP	9.25	1/15/2018	525,000	430,416	446,250	0.03%
US ONCOLOGY INC	9.13	8/15/2017	875,000	859,036	868,438	0.05%
ULTRAMAR DIAMOND SHAMROCK CORP	7.20	10/15/2017	3,000,000	2,991,114	3,007,406	0.18%
UNION PAC CORP	4.88	1/15/2015	2,000,000	1,941,346	1,957,366	0.11%
UNION PAC CORP	6.15	5/1/2037	2,000,000	1,883,454	1,919,144	0.11%
UNITED AIR LINES	6.64	1/2/2024	2,537,058	1,662,196	1,902,794	0.11%
UNITED STATES STL CORP	7.00	2/1/2018	230,000	168,984	201,250	0.01%
UNITED STS STL CORP NEW	5.65	6/1/2013	1,005,000	935,693	904,524	0.05%
UNITED STS STL CORP NEW	6.05	6/1/2017	295,000	210,131	251,604	0.01%
U S WEST COMMUNICATIONS INC	7.13	11/15/2043	1,520,000	1,008,798	1,048,800	0.06%
UNITEDHEALTH GROUP INC	4.88	4/1/2013	3,000,000	2,908,703	2,956,039	0.17%
ASIF I	1.24	7/26/2010	135,000	116,154	112,288	0.01%
VALERO ENERGY CORP	6.63	6/15/2037	1,475,000	1,202,063	1,262,105	0.07%
VERIZON COMMUNICATIONS INC	6.40	2/15/2038	2,000,000	1,906,141	1,970,373	0.12%
VIACOM INC	6.25	4/30/2016	1,290,000	1,149,742	1,263,689	0.07%
VIDEOTRON LTEE	6.88	1/15/2014	625,000	591,110	578,125	0.03%
WMG ACQUISITION CORP	9.50	6/15/2016	600,000	583,930	597,000	0.03%
WACHOVIA BK COML MTG TR	5.42	1/15/2045	525,000	384,403	406,975	0.02%
WACHOVIA BK COML MTG TR	5.56	3/15/2045	1,410,000	1,153,219	1,111,955	0.07%
WASHOVIA BK NATL ASSN	5.60	3/15/2016	9,000,000	8,991,685	8,345,534	0.49%
WACHOVIA BK COML MTG TR	5.42	4/15/2047	450,000	413,645	414,770	0.02%
WELLPOINT INC	5.88	6/15/2017	5,550,000	5,518,360	5,379,061	0.32%
WELLS FARGO + CO NEW	1.19	1/24/2012	4,500,000	4,139,242	4,247,181	0.25%
WELLS FARGO + CO NEW	5.63	12/11/2017	2,430,000	2,321,102	2,390,073	0.14%
WELLS FARGO MTG BACKED SECS	5.50	3/25/2036	1,012,390	864,849	712,883	0.04%
WENDYS ARBYS GROUP INC	10.00	7/15/2016	425,000	414,548	419,687	0.02%
WESTVACO CORP	7.65	3/15/2027	8,113,000	7,952,580	6,896,050	0.40%
WEYERHAEUSER CO	8.50	1/15/2025	6,000,000	6,187,375	5,165,380	0.30%
WINDSOR FING LLC	5.88	7/15/2017	641,400	583,590	564,239	0.03%
WYNDHAM WORLDWIDE CORP	6.00	12/1/2016	5,000,000	4,982,956	3,725,000	0.22%

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**RETIREMENT FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
XM SATELLITE RADIO INC	11.25	6/15/2013	500,000	475,482	496,250	0.03%
XANTERRA SOUTH RIM LLC	5.69	12/15/2011	10,000,000	10,000,000	9,813,300	0.57%
ZIONS BANCORPORATION	5.65	5/15/2014	2,000,000	1,982,478	1,449,887	0.08%
<b>Corporate Bonds (Rated)</b>	<b>322 Issue(s)</b>		<b>927,449,360</b>	<b>862,470,688</b>	<b>801,929,008</b>	<b>46.97%</b>
MERIDIAN TRAILER TRAIN	9.85	1/29/2010	16,404	16,404	17,277	0.00%
<b>Corporate Bonds (Unrated)</b>	<b>1 Issue(s)</b>		<b>16,404</b>	<b>16,404</b>	<b>17,277</b>	<b>0.00%</b>
FNMATBA AUG 30 SINGLE FAM	4.50	12/1/2099	3,610,000	3,559,234	3,587,579	0.21%
FED HM LN PC POOL G11670	4.00	3/1/2015	12,974,810	12,852,527	13,101,477	0.77%
FED HM LN PC POOL G30006	7.00	7/1/2013	109,492	109,780	114,691	0.01%
FED HM LN PC POOL E99081	4.50	9/1/2018	11,681,588	11,635,185	12,119,215	0.71%
FED HM LN PC POOL G02070	5.50	3/1/2036	19,221,658	18,841,123	19,859,387	1.16%
FED HM LN PC POOL G03037	5.50	7/1/2037	22,366,257	22,273,493	23,097,384	1.35%
FED HM LN PC POOL G03150	5.50	8/1/2037	12,185,181	11,822,992	12,583,501	0.74%
FED HM LN PC POOL G03458	5.50	11/1/2037	22,418,040	22,504,384	23,150,860	1.36%
FED HM LN PC POOL G03511	6.00	10/1/2037	11,861,335	11,954,792	12,384,453	0.73%
FED HM LN PC POOL G08269	5.50	5/1/2038	11,933,677	11,763,146	12,321,337	0.72%
FED HM LN PC POOL C90973	6.00	6/1/2026	13,993,794	13,891,525	14,705,353	0.86%
FREDDIE MAC	2.50	4/8/2013	10,000,000	10,000,000	9,921,237	0.58%
FED HM LN PC POOL C01523	5.00	3/1/2033	6,394,741	6,350,506	6,540,311	0.38%
FED HM LN PC POOL A85005	4.50	3/1/2039	13,938,976	14,189,791	13,905,149	0.81%
FED HM LN PC POOL E00659	6.00	4/1/2014	196,703	196,636	208,807	0.01%
FED HM LN PC POOL E01425	4.50	8/1/2018	12,527,351	12,505,821	12,996,663	0.76%
FED HM LN PC POOL A36931	5.50	8/1/2035	20,886,935	21,395,166	21,631,733	1.27%
FEDERAL FARM CR BKS CONS	3.88	10/7/2013	30,000,000	31,562,997	31,463,670	1.84%
FED HM LN PC POOL G11812	5.00	12/1/2020	19,927,943	19,709,307	20,763,425	1.22%
FEDERAL HOME LN BKS	7.45	2/3/2020	5,000,000	5,021,659	6,438,541	0.38%
FEDERAL HOME LN BKS	4.50	11/14/2014	3,000,000	3,205,110	3,156,034	0.18%
FEDERAL HOME LOAN BANK	4.88	5/17/2017	20,000,000	19,791,723	21,536,434	1.26%
FEDERAL HOME LN MTG PC GTD	9.30	11/15/2020	45,828	45,011	48,338	0.00%
FEDERAL NATL MTG ASSN	0.00	10/9/2019	30,000,000	18,558,731	15,158,316	0.89%
FEDERAL NATL MTG ASSN	5.38	4/11/2022	6,000,000	6,166,469	6,111,585	0.36%
FEDERAL NATL MTG ASSN REMIC	9.50	3/25/2020	174,603	170,638	196,168	0.01%
FNMA POOL 256083	6.00	1/1/2026	14,146,439	14,101,831	14,866,572	0.87%
FNMA POOL 256714	5.50	5/1/2027	10,656,731	10,609,139	11,064,231	0.65%
FNMA POOL 256895	5.50	9/1/2037	6,131,746	6,088,894	6,332,015	0.37%
FNMA POOL 257160	5.00	4/1/2038	8,905,154	8,471,793	9,080,611	0.53%
FNMA POOL 303125	7.50	1/1/2010	7,300	7,298	7,376	0.00%
FNMA POOL 303202	6.50	5/1/2014	239,480	238,536	250,680	0.01%
FNMA POOL 303590	7.00	11/1/2010	47,910	47,910	49,184	0.00%
FNMA POOL 313999	6.00	2/1/2013	218,975	218,581	232,327	0.01%
FNMA POOL 572220	6.00	3/1/2016	302,495	302,052	322,434	0.02%
FNMA POOL 592327	5.50	6/1/2016	529,144	522,713	557,214	0.03%

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**RETIREMENT FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
FNMA POOL 725425	5.50	4/1/2034	21,404,468	20,866,075	22,182,246	1.30%
FNMA POOL 735578	5.00	6/1/2035	9,532,922	9,050,348	9,742,474	0.57%
FNMA POOL 745250	5.00	1/1/2021	17,077,282	17,019,497	17,794,850	1.04%
FNMA POOL 745275	5.00	2/1/2036	22,296,028	21,004,572	22,786,138	1.33%
FNMA POOL 745327	6.00	3/1/2036	13,223,291	13,280,291	13,856,462	0.81%
FNMA POOL 745515	5.00	5/1/2036	16,191,272	15,407,333	16,547,187	0.97%
FNMA POOL 780956	4.50	5/1/2019	9,761,870	9,759,940	10,098,198	0.59%
FNMA POOL 899502	5.00	5/1/2037	9,098,774	9,096,065	9,278,124	0.54%
FNMA POOL 929842	6.00	8/1/2038	19,945,312	20,245,559	20,844,715	1.22%
FNMA POOL 941028	6.50	7/1/2037	9,850,769	10,145,386	10,500,360	0.62%
FNMA POOL 962533	5.50	4/1/2038	4,408,381	4,535,841	4,552,082	0.27%
FNMA POOL 972399	6.00	2/1/2038	15,827,392	16,518,547	16,541,104	0.97%
FNMA POOL 982043	6.00	5/1/2038	18,384,382	18,434,416	19,213,398	1.13%
FNMA POOL 985121	6.00	7/1/2038	12,159,729	12,136,714	12,708,053	0.74%
FNMA POOL 995118	6.50	7/1/2048	3,083,291	3,207,581	3,266,421	0.19%
<b>U.S. Government Agency</b>	<b>51 Issue(s)</b>		<b>563,879,444</b>	<b>551,394,660</b>	<b>569,776,106</b>	<b>33.37%</b>
DOT HEADQUARTERS II LEASE MTG	6.00	12/7/2021	30,000,000	30,000,000	23,632,200	1.38%
U S ARMY HOSPITALTY CASH MGT FD	7.47	5/1/2032	13,760,000	13,760,000	12,286,992	0.72%
<b>U.S. Government Agency (Unrated)</b>	<b>2 Issue(s)</b>		<b>43,760,000</b>	<b>43,760,000</b>	<b>35,919,192</b>	<b>2.10%</b>
GNMA II POOL 001254	9.50	9/20/2019	16,422	16,374	18,577	0.00%
GNMA POOL 046249	10.00	12/15/2010	1,552	1,558	1,631	0.00%
GNMA POOL 135544	10.00	1/15/2016	22,978	22,920	25,730	0.00%
GNMA POOL 688143	6.00	12/15/2038	6,751,090	7,027,721	7,033,064	0.41%
GNMA POOL 697855	5.50	2/15/2039	23,553,122	24,540,202	24,376,888	1.43%
GNMA POOL 701864	5.00	4/15/2039	11,471,539	11,910,741	11,729,767	0.69%
GLOBAL INDS LTD	7.71	2/15/2025	6,400,000	6,400,000	6,453,248	0.38%
UNITED STATES TREAS BILLS	0.29	12/3/2009	2,205,000	2,202,252	2,202,252	0.13%
UNITED STATES TREAS BILLS	0.33	12/24/2009	10,500,000	10,483,653	10,483,653	0.61%
UNITED STATES TREAS BDS	5.25	2/15/2029	7,000,000	7,540,043	7,873,880	0.46%
US TREASURY BDS	4.50	2/15/2036	10,000,000	9,947,218	10,301,599	0.60%
UNITED STATES TREAS BDS	4.50	5/15/2038	245,000	302,456	252,909	0.01%
UNITED STATES TREAS BDS	3.50	2/15/2039	15,000,000	14,402,788	12,968,250	0.76%
US TREASURY NTS	4.38	8/15/2012	4,000,000	4,341,897	4,330,960	0.25%
US TREASURY NTS	4.25	8/15/2015	10,000,000	10,573,000	10,725,600	0.63%
UNITED STATES TREAS NTS	4.63	2/15/2017	10,000,000	10,720,818	10,879,701	0.64%
UNITED STATES TREAS NTS	4.75	8/15/2017	22,000,000	23,527,940	24,120,140	1.41%
UNITED STATES TREAS NTS	3.13	4/30/2013	10,000,000	10,468,688	10,395,000	0.61%
UNITED STATES TREAS NTS	3.38	6/30/2013	12,000,000	12,424,784	12,570,960	0.74%
US TREASURY NOTE	1.50	12/31/2013	6,000,000	5,999,149	5,779,320	0.34%
UNITED STATES TREAS NTS	2.13	1/15/2019	5,357,931	5,502,171	5,538,761	0.32%
UNITED STATES TREAS NTS	2.75	2/15/2019	15,000,000	14,685,695	14,048,100	0.82%
UNITED STATE TREAS NTS	2.63	2/29/2016	15,000,000	15,003,438	14,563,800	0.85%

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**RETIREMENT FUNDS BOND POOL**

<b><u>Security Name</u></b>	<b><u>Coupon</u></b>	<b><u>Maturity</u></b>	<b><u>Par</u></b>	<b><u>Amortized Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
UNITED STATES TREAS NTS	2.38	3/31/2016	15,000,000	14,887,099	14,294,100	0.84%
WI TREASURY SEC	0.88	5/31/2011	12,130,000	12,054,641	12,086,453	0.71%
WI TREASURY N/B	1.13	6/30/2011	12,240,000	12,226,672	12,241,469	0.72%
UNITED STATES TRES SC STRP INT	0.00	8/15/2018	10,000,000	6,684,990	7,026,200	0.41%
<b>U.S. Government Direct Obligations</b>	<b>27 Issue(s)</b>		<b>251,894,633</b>	<b>253,898,907</b>	<b>252,322,011</b>	<b>14.78%</b>
<b>RFBP Total</b>	<b>406 Issue(s)</b>		<b>1,834,406,044</b>	<b>1,758,946,862</b>	<b>1,707,369,797</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS**  
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**TRUST FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
SHORT TERM INVESTMENT POOL	N/A	N/A	26,466,678	26,466,678	26,466,678	1.62%
<b>Cash Equivalents</b>	<b>1 Issue(s)</b>		<b>26,466,678</b>	<b>26,466,678</b>	<b>26,466,678</b>	<b>1.62%</b>
AA / FT WORTH HQ FIN TR	5.500	10/05/10	2,728,564	2,728,564	2,699,286	0.17%
AOL TIME WARNER INC	6.750	04/15/11	5,000,000	5,083,069	5,224,233	0.32%
AERO 1 HQ FIN TR	4.640	07/07/10	9,255,000	9,255,000	8,964,023	0.55%
AMERICA WEST AIRLS TR	7.930	01/02/19	2,458,064	2,458,064	2,009,467	0.12%
AMERICAN EXPRESS BK	6.000	09/13/17	4,000,000	3,991,963	3,677,288	0.23%
AMERICAN EXPRESS CO	7.250	05/20/14	2,000,000	1,996,916	2,077,895	0.13%
AMERICAN EXPRESS CENTURION BK	4.375	07/30/09	2,000,000	1,998,656	2,000,757	0.12%
AMERICAN EXPRESS CR CORP	0.000	12/02/10	5,000,000	4,516,049	4,776,453	0.29%
AMERICAN GEN FIN CORP MTN	5.900	09/15/12	4,000,000	3,994,862	2,300,000	0.14%
ANHEUSER BUSCH COS INC	5.600	03/01/17	2,000,000	2,005,844	1,936,451	0.12%
BANC AMER COML MTG INC COML	5.381	01/15/49	10,000,000	10,025,587	9,333,902	0.57%
BANC AMER COML MTG TR	5.363	07/10/46	1,619,677	1,621,284	1,631,839	0.10%
BANC AMER COML MTG TR	5.185	09/10/47	4,297,745	4,299,419	4,330,985	0.27%
BANC AMER COML MTG TR 2007 2	5.634	04/10/49	6,000,000	6,017,083	5,573,922	0.34%
BANC AMER COML MTG TR	5.837	06/10/49	10,000,000	9,998,061	9,332,340	0.57%
BANC AMER COML MTG TR	5.546	09/10/12	5,000,000	5,014,668	4,612,338	0.28%
BANK AMER CORP	5.375	09/11/12	5,000,000	4,729,193	5,000,760	0.31%
BANK OF NEW YORK MELLON	4.300	05/15/14	3,000,000	2,999,066	3,018,377	0.18%
BEAR STEARNS TR	5.540	09/11/41	8,385,000	5,973,853	7,342,930	0.45%
BEAR STEARNS COML MTG SECS TR	5.593	06/11/40	3,981,179	3,984,988	4,058,017	0.25%
BELLSOUTH TELECOMM INC	6.300	12/15/15	7,002,450	7,387,889	6,986,342	0.43%
BISHOPSGATE CDO LTD	5.180	06/30/10	10,000,000	10,000,000	8,000,000	0.49%
BURLINGTON NORTHN SANTA FE RY	7.160	01/02/20	10,432,649	10,432,649	11,400,120	0.70%
CIT GROUP EQUIP FING INC	6.490	01/05/21	7,942,500	7,942,500	4,030,819	0.25%
CSX CORP	5.750	03/15/13	6,000,000	5,989,571	6,037,387	0.37%
CVS CAREMARK CORP	5.750	06/01/17	4,000,000	3,893,482	4,031,633	0.25%
CVS CAREMARK CORP	2.150	09/10/10	2,500,000	2,346,448	2,493,100	0.15%
CAPITAL ONE FINL CORP	6.750	09/15/17	4,000,000	4,000,360	3,777,393	0.23%
CATERPILLAR FINL SVCS	1.354	06/24/11	10,000,000	9,048,788	9,795,471	0.60%
CITIGROUP INC	5.500	04/11/13	5,000,000	5,014,050	4,674,263	0.29%
COMCAST CORP	7.050	03/15/33	2,000,000	2,161,297	2,078,867	0.13%
COMM MTG TR	5.540	06/10/46	1,825,071	1,824,889	1,832,158	0.11%
CONTINENTAL AIRLS PASS THRU TR	6.545	02/02/19	5,066,669	5,066,669	4,661,335	0.29%
CORPORATE PPTY INVS	7.875	03/15/16	3,000,000	2,996,495	3,111,935	0.19%
CYPRESSTREE SYNTHETIC CDO LTD	2.648	12/30/10	15,000,000	15,000,000	6,000,000	0.37%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,799,856	4,350,000	0.27%
DUN + BRADSTREET CORP DEL NEW	5.500	03/15/11	5,000,000	5,000,885	5,112,278	0.31%
EASTERN ENERGY LTD	7.250	12/01/16	10,000,000	9,933,294	10,128,908	0.62%
ENTERGY ARK INC	4.500	06/01/10	5,000,000	4,995,941	4,951,252	0.30%
FEDERAL EXPRESS CORP PSTHR TR	7.520	01/15/18	4,385,677	4,374,899	4,199,461	0.26%
FLORIDA GAS TRANSMISSION CO	9.190	11/01/24	4,000,000	4,000,000	4,293,571	0.26%

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FLORIDA GAS TRANSMISSION CO	7.000	07/17/12	3,000,000	2,998,676	3,076,136	0.19%
FORD MTR CR CO	7.375	10/28/09	7,000,000	7,000,372	6,860,000	0.42%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,987,655	2,736,711	0.17%
GATX CORP	8.750	05/15/14	10,000,000	9,987,888	10,499,999	0.64%
GE COML MTG CORP TR	5.417	12/10/49	10,000,000	10,026,672	8,674,831	0.53%
GS MTG SECS CORP II	4.751	07/10/39	10,000,000	7,825,288	8,579,508	0.53%
GSPA MONETIZATION TR	6.422	10/09/29	11,946,320	12,041,862	10,005,760	0.61%
GALENA CDO I CAYMAN IS NO ILTD	5.060	01/11/13	9,000,000	900,000	900,000	0.06%
GAZPROM INTL S A	7.201	02/01/20	1,502,111	1,521,408	1,411,984	0.09%
GENERAL ELEC CAP CORP	1.156	05/11/16	5,000,000	3,787,345	3,980,770	0.24%
GENERAL ELEC CAP CORP	0.000	09/15/14	5,000,000	4,035,408	4,236,668	0.26%
GENERAL ELEC CAP CORP	5.000	01/08/16	2,000,000	1,991,492	1,927,365	0.12%
GENERAL ELEC CAP CORP	5.875	02/15/12	5,000,000	5,004,593	5,235,133	0.32%
GENWORTH GLOBAL FDG TRS SECD	5.125	03/15/11	3,000,000	2,997,100	2,928,520	0.18%
GEORGIA PWR CO	5.250	12/15/15	2,000,000	2,000,077	2,069,147	0.13%
GOLDMAN SACHS GROUP INC	1.059	03/22/16	6,000,000	4,387,808	5,055,000	0.31%
GOLDMAN SACHS GROUP	5.300	02/14/12	2,000,000	1,998,867	2,075,718	0.13%
GOODRICH CORP	6.125	03/01/19	4,050,000	3,991,835	4,079,189	0.25%
HSBC FIN CORP	0.000	09/14/12	4,000,000	3,468,832	3,490,875	0.21%
HSBC FIN CORP	5.500	01/19/16	5,000,000	4,985,241	4,667,281	0.29%
HSBC FIN CORP	5.900	06/19/12	5,000,000	4,995,936	5,038,071	0.31%
HAWAIIAN ELEC INDS INC MEDIUM	6.141	08/15/11	4,000,000	4,000,000	4,258,782	0.26%
ING SEC LIFE INSTL FDG	4.250	01/15/10	5,000,000	4,998,815	4,887,010	0.30%
INTL LEASE FIN CORP MTN	4.550	10/15/09	3,000,000	3,000,685	2,880,000	0.18%
JPMORGAN CHASE + CO	6.300	04/23/19	10,000,000	9,986,363	10,075,963	0.62%
JPMORGAN CHASE + CO	4.650	06/01/14	5,000,000	4,989,946	4,976,064	0.30%
J P MORGAN CHASE COML MTG	4.555	06/12/41	4,047,410	4,047,375	4,037,291	0.25%
J P MORGAN CHASE COML MTG	3.053	01/15/38	1,072,224	1,052,005	1,066,019	0.07%
J P MORGAN CHASE COML MTG SECS	5.336	05/15/47	10,000,000	7,466,347	7,113,485	0.44%
JP MORGAN CHASE	5.279	12/12/43	7,111,848	7,115,794	7,190,949	0.44%
JERSEY CENT PWR + LT CO	5.650	06/01/17	4,000,000	3,988,950	3,906,670	0.24%
KCT INTERMODAL TRANSN CORP	6.884	08/01/18	1,392,267	1,392,267	1,457,489	0.09%
KELLWOOD CO	7.625	10/15/17	8,000,000	800,000	1,200,000	0.07%
KERR MCGEE CORP	7.125	10/15/27	3,000,000	3,028,794	2,259,301	0.14%
KEYBANK NATL ASSN CLEVELAND OH	5.500	09/17/12	5,000,000	4,999,552	4,950,000	0.30%
KEYBANK NATL ASSN MTN	5.450	03/03/16	5,000,000	4,999,199	4,286,436	0.26%
LB UBS COML MTG TR	5.661	03/15/39	10,000,000	7,705,139	8,482,617	0.52%
LB UBS COML MTG TR	5.858	07/15/40	10,000,000	7,124,077	7,761,806	0.48%
LEHMAN BROTHERS HLDGS INC	5.500	05/25/10	5,000,000	1,000,000	737,500	0.05%
LOCKHEED MARTIN CORP	4.121	03/14/13	10,000,000	9,874,812	10,123,679	0.62%
ML CFC COML MTG TR	5.549	06/12/50	3,473,753	3,475,869	3,521,734	0.22%
MACMILLAN BLOEDEL LTD	7.700	02/15/26	5,000,000	4,917,761	4,061,845	0.25%
MEAD CORP	7.350	03/01/17	4,000,000	3,998,288	3,440,000	0.21%
MED MAP L L C	7.060	06/01/24	4,005,000	4,005,000	3,943,123	0.24%

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MED MAP L L C COLO REV	7.000	06/01/24	4,405,000	4,405,000	4,313,068	0.26%
MELLON FDG CORP	1.033	05/15/14	5,000,000	5,000,000	4,609,429	0.28%
MERRILL LYNCH + CO INC	0.000	06/05/12	5,000,000	4,393,785	4,438,409	0.27%
MERRILL LYNCH + CO INC	6.875	04/25/18	10,000,000	8,899,580	9,164,083	0.56%
METLIFE INC	5.000	11/24/13	5,000,000	4,978,862	4,901,580	0.30%
METLIFE INC	6.750	06/01/16	5,000,000	4,988,303	5,081,949	0.31%
METROPOLITAN LIFE GOLBAL MTN	4.250	07/30/09	2,000,000	1,999,984	2,001,819	0.12%
METROPOLITAN LIFE GLOBAL FDG I	1.358	06/25/10	1,000,000	947,264	996,631	0.06%
MORGAN STANLEY	1.449	01/09/14	5,000,000	3,735,595	4,456,250	0.27%
NEWS AMER INC	6.150	03/01/37	3,000,000	3,032,315	2,525,766	0.15%
ONEOK PARTERS LP	6.850	10/15/37	2,000,000	2,060,557	1,889,428	0.12%
PPL ELEC UTILS CORP	6.450	08/15/37	2,000,000	1,999,494	2,077,252	0.13%
PPL MONT LLC	8.903	07/02/20	16,263,683	16,310,439	17,863,584	1.09%
PACIFIC BELL	7.250	11/01/27	4,000,000	3,979,379	3,587,145	0.22%
PACIFIC LIFE GLOBAL FDG	5.150	04/15/13	3,000,000	2,998,909	2,909,096	0.18%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	8,000,000	8,000,000	8,000,000	0.49%
PENNSYLVANIA ELEC CO	6.050	09/01/17	2,000,000	1,995,150	1,940,498	0.12%
POTASH CORP SASKATCHEWAN	6.500	05/15/19	2,000,000	1,998,348	2,151,485	0.13%
PREMIUM ASSET TR	0.000	09/28/10	2,000,000	1,820,000	1,820,000	0.11%
PROTECTIVE LIFE SECD TRS SECD	5.450	09/28/12	4,000,000	3,995,615	3,980,093	0.24%
PRUDENTIAL FINL INC	5.500	03/15/16	5,000,000	4,931,244	4,535,230	0.28%
PUBLIC SVC CO COLO	6.250	09/01/37	4,000,000	4,088,848	4,357,440	0.27%
PUGET SOUND PWR + LT CO	5.197	10/01/15	6,000,000	5,914,135	5,898,300	0.36%
RAS LAFFAN LIQUEFIED NAT GAS	5.298	09/30/20	6,000,000	5,717,395	5,370,000	0.33%
RAS LAFFAN LIQUEFIED NAT GAS	6.332	09/30/27	4,000,000	3,925,841	3,420,000	0.21%
SLM CORP	5.125	08/27/12	2,000,000	1,865,573	1,730,000	0.11%
SLM CORP	5.375	01/15/13	3,000,000	2,998,192	2,535,000	0.16%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	3,000,000	3,139,551	3,168,863	0.19%
SAN DIEGO GAS + ELEC CO	6.125	09/15/37	1,000,000	997,065	1,071,810	0.07%
SEARIVER MARITIME FINL HLDGS	0.000	09/01/12	20,000,000	17,330,840	18,105,840	1.11%
SECURITY CAP GROUP INC	7.700	06/15/28	2,000,000	2,277,977	1,795,195	0.11%
SEMPRA ENERGY	6.150	06/15/18	5,000,000	4,881,068	4,974,708	0.30%
SOUTHERN POWERCO	6.375	11/15/36	2,000,000	1,688,283	1,593,417	0.10%
SOUTHERN UN CO NEW	7.600	02/01/24	8,000,000	7,572,810	7,210,370	0.44%
SOUTHWESTERN BELL TEL CO	7.000	11/15/27	2,000,000	1,998,310	1,755,380	0.11%
SUNCOR ENERGY INC	6.500	06/15/38	2,000,000	2,005,579	1,873,236	0.11%
TTX CO MEDIUM TERM NTS BOOK	6.050	06/15/16	5,000,000	4,993,173	4,681,350	0.29%
TEXAS GAS TRANSMISSION CORP	7.250	07/15/27	2,000,000	1,879,673	1,720,865	0.11%
TIME WARNER INC	6.625	05/15/29	3,000,000	3,087,058	2,656,374	0.16%
TRANSCANADA PIPELINES LTD	7.625	01/15/39	3,000,000	2,999,203	3,456,362	0.21%
TRANSCONTINENTAL GAS PIPE LINE	7.250	12/01/26	2,000,000	2,001,360	2,004,809	0.12%
TRAVELERS LIFE ANNUITY GLOBAL	4.250	10/01/10	10,000,000	10,022,187	9,645,820	0.59%
TRISTATE GEN + TRANS ASSN	6.040	01/31/18	5,334,840	5,361,222	5,207,497	0.32%
USX MARATHON GROUP	9.375	02/15/12	5,000,000	5,369,122	5,713,616	0.35%

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ULTRAMAR DIAMOND SHAMROCK CORP	7.200	10/15/17	2,000,000	1,992,339	2,004,937	0.12%
UNION PAC CORP	6.150	05/01/37	2,000,000	1,883,454	1,919,144	0.12%
UNION PAC RES GROUP INC	7.050	05/15/18	6,000,000	5,962,141	6,174,460	0.38%
UNITEDHEALTH GROUP INC	4.875	04/01/13	2,000,000	1,939,136	1,970,692	0.12%
VERIZON COMMUNICATIONS INC	6.400	02/15/38	2,000,000	1,906,141	1,970,373	0.12%
VERIZON NORTH INC	5.634	01/01/21	3,000,000	2,907,797	2,594,610	0.16%
VIRGINIA ELEC + PWR CO	5.400	01/15/16	5,000,000	4,978,880	5,159,768	0.32%
WASHOVIA BK NATL ASSN	5.600	03/15/16	5,000,000	4,995,381	4,636,409	0.28%
WELLPOINT INC	5.875	06/15/17	3,000,000	2,982,897	2,907,601	0.18%
WELLS FARGO + CO NEW	1.189	01/24/12	4,500,000	4,139,242	4,247,181	0.26%
WESTVACO CORP	7.650	03/15/27	5,400,000	5,383,617	4,590,000	0.28%
WEYERHAEUSER CO	8.500	01/15/25	8,000,000	8,941,463	6,887,173	0.42%
XANTERRA SOUTH RIM LLC	5.690	12/15/11	8,000,000	8,000,000	7,850,640	0.48%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,973,717	2,174,831	0.13%
<b>Corporate Bonds (Rated)</b>	<b>143 Issue(s)</b>		<b>723,384,700</b>	<b>679,374,039</b>	<b>654,270,846</b>	<b>40.05%</b>
CRP	21 Issue(s)		880,150	880,150	880,150	0.05%
<b>Municipal Bonds (Unrated)</b>	<b>21 Issue(s)</b>		<b>880,150</b>	<b>880,150</b>	<b>880,150</b>	<b>0.05%</b>
MONTANA ST BRD HSG	8.450	08/01/39	1,110,000	1,110,000	1,109,845	0.07%
<b>Municipal Government Bonds</b>	<b>1 Issue(s)</b>		<b>1,110,000</b>	<b>1,110,000</b>	<b>1,109,845</b>	<b>0.07%</b>
FED HM LN PC POOL G10814	5.500	05/01/13	166,572	166,524	175,197	0.01%
FED HM LN PC POOL G11670	4.000	03/01/15	5,560,633	5,508,226	5,614,919	0.34%
FED HM LN PC POOL G30006	7.000	07/01/13	86,029	86,029	90,114	0.01%
FED HM LN PC POOL E99081	4.500	09/01/18	9,178,391	9,141,931	9,522,241	0.58%
FED HM LN PC POOL A77211	6.000	05/01/38	12,970,140	13,581,294	13,537,942	0.83%
FED HM LN PC POOL G02070	5.500	03/01/36	12,814,439	12,560,749	13,239,592	0.81%
FED HM LN PC POOL G03229	7.500	08/01/37	6,003,399	6,557,633	6,497,053	0.40%
FED HM LN PC POOL G03037	5.500	07/01/37	14,910,838	14,848,995	15,398,256	0.94%
FED HM LN PC POOL G03458	5.500	11/01/37	14,945,360	15,002,922	15,433,907	0.94%
FED HM LN PC POOL G04332	5.000	03/01/38	13,514,709	12,848,892	13,765,850	0.84%
FED HM LN PC POOL G08269	5.500	05/01/38	7,955,785	7,842,097	8,214,225	0.50%
FED HM LN PC POOL C90973	6.000	06/01/26	13,993,794	13,891,525	14,705,353	0.90%
FED HM LN PC POOL J08376	5.500	07/01/23	6,819,663	7,145,836	7,125,237	0.44%
FEDERAL HOME LN MTG CORP	5.300	05/12/20	3,000,000	2,891,262	2,935,675	0.18%
FEDERAL HOME LN MTG CORP	0.000	07/13/37	100,000,000	14,540,805	14,068,000	0.86%
FEDERAL HOME LN MTG PC GTD	9.150	10/15/20	34,529	34,264	38,023	0.00%
FED HM LN PC POOL A82927	5.500	11/01/38	19,275,412	19,742,206	19,901,565	1.22%
FED HM LN PC POOL C01523	5.000	03/01/33	4,263,161	4,233,670	4,360,207	0.27%
FED HM LN PC POOL A85005	4.500	03/01/39	13,938,976	14,189,791	13,905,149	0.85%
FED HM LN PC POOL E00659	6.000	04/01/14	275,385	275,291	292,330	0.02%
FED HM LN PC POOL E01425	4.500	08/01/18	8,351,567	8,337,214	8,664,442	0.53%
FEDERAL FARM CR BKS CONS	3.875	10/07/13	20,000,000	21,041,998	20,975,780	1.28%
FEDERAL FARM CR BKS CONS	5.450	04/21/20	3,000,000	2,944,470	3,005,003	0.18%
FED HM LN PC POOL G11812	5.000	12/01/20	8,540,547	8,446,846	8,898,611	0.54%

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FEDERAL HOME LN BKS	4.500	11/14/14	3,000,000	3,205,110	3,156,034	0.19%
FEDERAL HOME LOAN BANK	4.875	05/17/17	15,000,000	14,797,563	16,152,326	0.99%
FEDERAL HOME LN MTG CORP	8.250	06/01/26	5,000,000	5,081,373	6,667,450	0.41%
FEDERAL NATL MTG ASSN	0.000	10/09/19	20,000,000	12,373,722	10,105,544	0.62%
FEDERAL NATL MTG ASSN	5.375	04/11/22	4,000,000	4,110,979	4,074,390	0.25%
FEDERAL NATL MTG ASSN	5.000	04/26/17	10,000,000	9,765,419	10,150,403	0.62%
FNMA POOL 190353	5.000	08/01/34	17,386,559	17,989,084	17,778,852	1.09%
FNMA POOL 190375	5.500	11/01/36	6,597,534	6,605,595	6,816,791	0.42%
FEDERAL NATL MTG ASSOC	0.000	07/30/37	100,000,000	14,489,056	14,059,700	0.86%
FNMA POOL 254233	5.000	03/01/17	2,905,537	2,851,083	3,030,809	0.19%
FNMA POOL 254476	5.500	09/01/32	9,387,558	9,776,434	9,724,989	0.60%
FNMA POOL 254631	5.000	02/01/18	3,714,870	3,692,648	3,890,489	0.24%
FNMA POOL 256600	5.500	02/01/27	13,480,774	13,490,706	13,996,262	0.86%
FNMA POOL 255731	5.000	06/01/25	1,752,279	1,793,207	1,797,640	0.11%
FNMA POOL 256083	6.000	01/01/26	14,146,439	14,101,832	14,866,572	0.91%
FNMA POOL 256714	5.500	05/01/27	14,208,974	14,146,510	14,752,308	0.90%
FNMA POOL 256895	5.500	09/01/37	3,284,865	3,261,908	3,392,152	0.21%
FNMA POOL 303202	6.500	05/01/14	359,219	357,798	376,019	0.02%
FNMA POOL 313999	6.000	02/01/13	109,487	109,290	116,163	0.01%
FNMA POOL 572220	6.000	03/01/16	302,495	302,052	322,434	0.02%
FNMA POOL 592327	5.500	06/01/16	407,034	402,087	428,626	0.03%
FNMA POOL 646203	6.500	07/01/32	2,012,269	2,169,104	2,162,720	0.13%
FNMA POOL 723551	4.500	08/01/23	580,067	587,392	584,021	0.04%
FNMA POOL 725232	5.000	03/01/34	25,400,194	24,145,512	25,987,810	1.59%
FNMA POOL 725946	5.500	11/01/34	1,516,957	1,560,948	1,571,539	0.10%
FNMA POOL 735141	5.500	01/01/35	8,030,170	8,265,550	8,319,108	0.51%
FNMA POOL 735989	5.500	02/01/35	17,165,495	17,105,681	17,789,240	1.09%
FNMA POOL 745250	5.000	01/01/21	11,384,855	11,346,331	11,863,233	0.73%
FNMA POOL 745515	5.000	05/01/36	14,286,355	13,594,647	14,600,396	0.89%
FNMA POOL 780956	4.500	05/01/19	4,880,935	4,880,084	5,049,099	0.31%
FNMA POOL 899502	5.000	05/01/37	7,516,379	7,514,141	7,664,538	0.47%
FNMA POOL 929842	6.000	08/01/38	17,343,749	17,599,560	18,125,839	1.11%
FNMA POOL 933853	6.000	05/01/38	14,022,743	14,069,387	14,655,078	0.90%
FNMA POOL 936499	6.000	06/01/37	16,387,071	16,643,434	17,141,951	1.05%
FNMA POOL 944622	5.500	07/01/37	11,465,730	11,809,553	11,840,212	0.72%
FNMA POOL 954878	6.500	11/01/37	20,947,182	22,256,601	22,328,508	1.37%
FNMA POOL 962533	5.500	04/01/38	4,408,381	4,535,841	4,552,082	0.28%
FNMA POOL 968044	6.500	02/01/38	4,092,281	4,206,100	4,361,359	0.27%
FNMA POOL 972562	6.000	03/01/38	17,380,275	17,998,326	18,164,012	1.11%
FNMA POOL 985023	5.500	06/01/38	9,937,939	10,249,879	10,261,890	0.63%
FNMA POOL 990939	6.500	09/01/38	5,337,161	5,603,743	5,688,094	0.35%
FNMA POOL 995118	6.500	07/01/48	9,658,966	10,048,327	10,232,655	0.62%
SMALL BUSINESS ADMIN	6.220	12/01/28	2,934,115	2,934,115	3,170,941	0.19%
TENNESSEE VALLEY AUTH FBE STRP	0.000	01/15/27	7,125,000	3,062,161	2,797,641	0.17%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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**TRUST FUNDS BOND POOL**

<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>%</b>
<b>U.S. Government Agency</b>	<b>68 Issue(s)</b>		<b>778,457,214</b>	<b>600,750,346</b>	<b>614,932,590</b>	<b>37.63%</b>
DOT HEADQUARTERS II LEASE MTG	6.001	12/07/21	20,000,000	20,000,000	15,754,800	0.97%
FHR 3546 NB	4.000	06/15/24	8,111,111	7,355,902	7,355,764	0.45%
U S ARMY HOSP TLTY CASH MGT FD	7.467	05/01/32	9,173,333	9,173,333	8,191,328	0.50%
<b>U.S. Government Agency (Unrated)</b>	<b>3 Issue(s)</b>		<b>37,284,444</b>	<b>36,529,235</b>	<b>31,301,892</b>	<b>1.92%</b>
GNMA POOL 038164	10.000	01/15/10	2,644	2,643	2,694	0.00%
GNMA POOL 039321	10.000	12/15/09	1,565	1,564	1,588	0.00%
GNMA POOL 568140	5.500	01/15/39	2,217,007	2,298,657	2,294,546	0.14%
GNMA POOL 281467	9.000	09/15/19	6,036	6,020	6,736	0.00%
GNMA POOL 673009	6.000	08/15/38	11,966,058	12,084,776	12,465,846	0.76%
GNMA POOL 688143	6.000	12/15/38	18,565,497	19,326,233	19,340,925	1.18%
GNMA POOL 697855	5.500	02/15/39	23,553,122	24,540,202	24,376,888	1.49%
GNMA POOL 701864	5.000	04/15/39	13,466,589	13,982,174	13,769,726	0.84%
GLOBAL INDS LTD	7.710	02/15/25	6,400,000	6,400,000	6,453,248	0.39%
REINAUER MARITIME CO LLC	6.500	06/30/28	15,656,000	15,656,000	16,466,824	1.01%
T T BARGE SERVICES	6.450	12/16/12	713,300	713,300	756,719	0.05%
UNITED STATES TREAS BDS	5.250	02/15/29	7,000,000	7,538,809	7,873,880	0.48%
US TREASURY BDS	4.500	02/15/36	10,000,000	9,830,054	10,301,599	0.63%
UNITED STATES TREAS BDS	3.500	02/15/39	15,000,000	14,253,128	12,968,250	0.79%
US TREASURY NTS	4.375	08/15/12	4,000,000	4,210,447	4,330,960	0.27%
US TREASURY NTS	4.250	08/15/15	10,000,000	10,374,089	10,725,600	0.66%
UNITED STATES TREAS NTS	4.625	02/15/17	10,000,000	10,563,032	10,879,701	0.67%
UNITED STATES TREAS NTS	4.750	08/15/17	38,000,000	40,629,883	41,662,060	2.55%
UNITED STATES TREAS NTS	3.125	04/30/13	10,000,000	10,016,179	10,395,000	0.64%
UNITED STATES TREAS NTS	3.375	06/30/13	12,000,000	11,879,292	12,570,960	0.77%
US TREASURY N/B	3.375	07/31/13	15,000,000	15,345,471	15,719,852	0.96%
US TREASURY NOTE	1.500	12/31/13	6,000,000	5,885,245	5,779,320	0.35%
UNITED STATES TREAS NTS	2.750	02/15/19	15,000,000	14,718,102	14,048,100	0.86%
UNITED STATE TREAS NTS	2.625	02/29/16	15,000,000	14,932,079	14,563,800	0.89%
UNITED STATES TREAS NTS	2.375	03/31/16	15,000,000	14,556,477	14,294,100	0.87%
UNITED STATES TRES SC STRP INT	0.000	08/15/18	10,000,000	6,804,381	7,026,200	0.43%
VESSEL MGMT SVCS INC	6.080	05/20/24	14,472,000	14,472,000	15,722,091	0.96%
<b>U.S. Government Direct Obligations</b>	<b>27 Issue(s)</b>		<b>299,019,818</b>	<b>301,020,238</b>	<b>304,797,214</b>	<b>18.66%</b>
<b>TFBP Total</b>	<b>264 Issue(s)</b>		<b>1,866,603,004</b>	<b>1,646,130,686</b>	<b>1,633,759,215</b>	<b>100.00%</b>

**STATE OF MONTANA BOARD OF INVESTMENTS  
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**MONTANA DOMESTIC EQUITY POOL( MDEP) BY MANAGER**

<b><u>Manager</u></b>	<b><u>Shares</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
BGI EQUITY INDEX FUND	1,967,009	591,551,226	538,484,994	25.43%
BGI MIDCAP EQUITY INDEX FUND	1,021,487	17,955,912	15,548,391	0.73%
DIMENSIONAL FUND ADVISORS INC	52,280	35,190,238	41,413,149	1.96%
GOLDMAN SACHS ENHANCED LARGE	9,330,103	125,956,387	93,207,726	4.40%
STATE STREET SPIF ALT INV	28,712	3,395,598	3,664,672	0.17%
WESTERN ASSET US INDX PLUS LLC	13,632,891	206,937,301	93,508,002	4.42%
<b>Total Commingled Accounts</b>	<b>26,032,482</b>	<b>980,986,662</b>	<b>785,826,934</b>	<b>37.11%</b>
JP MORGAN INVESTMENTS - 248 Issues	5,054,651	166,292,261	153,394,659	7.24%
T ROWE PRICE - 304 Issues	5,971,998	174,472,838	147,209,455	6.95%
BARROW HANLEY MEWHINNEY - 91 Issues	6,930,267	192,398,921	136,409,835	6.44%
INTECH - 434 Issues	5,599,602	146,859,848	131,280,908	6.20%
RENAISSANCE INVESTMENTS - 56 Issues	3,804,595	115,313,652	103,759,459	4.90%
RAINIER INVESTMENTS - 76 Issues	4,009,725	108,637,629	99,654,292	4.71%
COLUMBUS CIRCLE - 53 Issues	6,324,530	103,630,746	98,429,699	4.65%
QUANTITATIVE MANAGEMENT - 145 Issues	4,435,866	134,342,838	86,885,727	4.10%
ANALYTICS INVESTMENTS - 392 Issues	3,604,860	84,213,105	80,925,561	3.82%
MARTINGALE - 155 Issues	3,595,045	73,333,062	69,239,941	3.27%
TIMESSQUARE - 71 Issues	4,045,701	67,909,722	59,807,035	2.82%
MARTINGALE INVESTMENTS - 281 Issues	2,177,042	60,039,995	53,061,445	2.51%
ARTISAN - 57 Issues	4,118,193	57,935,745	48,469,300	2.29%
VAUGHAN NELSON - 68 Issues	2,732,920	35,562,574	35,707,458	1.69%
NORTHPOINTE - 77 Issues	<u>3,278,347</u>	<u>28,037,019</u>	<u>27,277,260</u>	<u>1.29%</u>
<b>Total Manager Accounts</b>	<b>65,683,342</b>	<b>1,548,979,955</b>	<b>1,331,512,034</b>	<b>62.89%</b>
<b>MDEP TOTAL - 2514 Issues</b>	<b><u>91,715,824</u></b>	<b><u>2,529,966,617</u></b>	<b><u>2,117,338,968</u></b>	<b><u>100.00%</u></b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**MONTANA INTERNATIONAL EQUITY POOL(MTIP) BY MANAGER**

<b><u>Manager</u></b>	<b><u>Shares</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
BGI ACWI EX US SUPERFUND A	4,105,385	60,000,587	59,582,815	6.12%
BGI MSCI EQUITY INDEX FD EUROP	10,300,478	93,208,727	102,239,711	10.50%
BGI GLOBAL EX US ALPHA TILT FD	5,048,801	101,210,818	79,828,258	8.20%
AXA ROSENBERG INTL SMALL CAP	2,564,175	46,908,465	30,055,820	3.09%
DFA INTL SMALL CO PORTFOLIO	3,352,447	50,564,305	39,793,549	4.09%
EAFE STOCK PERFORMANCE INDEX	711,371	13,604,025	13,927,219	1.43%
<b>Total Commingled Accounts</b>	<b>26,082,657</b>	<b>365,496,927</b>	<b>325,427,372</b>	<b>33.43%</b>
BATTERYMARCH - 205 Issues	17,900,340	116,485,174	111,198,353	11.42%
ARTIO GLOBAL - 299 Issues	8,497,510	114,946,599	111,228,699	11.43%
ACADIAN - 307 Issues	35,274,736	87,312,680	79,612,513	8.18%
BERNSTEIN - 123 Issues	8,566,213	109,013,836	84,651,921	8.70%
MARTIN CURRIE - 55 Issues	8,128,425	74,637,948	77,981,184	8.01%
HANSBERGER - 68 Issues	8,939,201	86,210,995	79,712,890	8.19%
PRINCIPAL - 206 Issues	4,699,770	40,033,266	38,785,989	3.98%
NOMURA - 212 Issues	22,066,964	65,308,383	64,882,552	6.67%
<b>Total Manager Accounts</b>	<b>114,073,159</b>	<b>693,948,881</b>	<b>648,054,101</b>	<b>66.57%</b>
<b>MTIP Total - 1481 Issues</b>	<b>140,155,816</b>	<b>1,059,445,808</b>	<b>973,481,473</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**MONTANA PRIVATE EQUITY POOL (MPEP) BY MANAGER**

<b><u>Fund Manager Name</u></b>	<b><u>Shares</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
ADAMS STREET	199,338,369	199,541,305	172,621,630	25.71%
WELSH CARSON	43,292,320	43,292,320	49,058,142	7.31%
LEXINGTON CAPITAL PARTNERS	39,841,724	39,841,724	47,109,359	7.02%
CARLYLE PARTNERS	42,563,474	42,563,474	38,164,593	5.68%
MADISON DEARBORN	40,516,906	40,516,906	36,856,052	5.49%
ARCLIGHT	33,953,117	33,953,117	33,423,928	4.98%
OAK HILL CAPITAL PARTNERS	26,847,715	26,847,714	27,942,306	4.16%
FIRST RESERVE CORPORATION	29,611,426	29,611,426	25,652,600	3.82%
OAKTREE	25,749,461	25,749,461	22,831,732	3.40%
PORTFOLIO ADVISORS	25,042,564	25,042,564	22,356,655	3.33%
KKR	31,328,674	31,328,674	19,682,054	2.93%
AVENUE CAPITAL	27,943,678	27,943,678	19,512,819	2.91%
ODYSSEY	17,342,172	17,342,172	18,139,341	2.70%
JLL PARTNERS	18,832,481	18,832,481	17,566,411	2.62%
NB CO-INVESTMENT PARTNERS	17,796,240	17,796,240	14,404,170	2.15%
HELLMAN & FRIEDMAN	15,363,776	15,363,776	13,342,072	1.99%
MHR INSTITUTIONAL INVESTORS	14,438,692	14,438,692	11,632,330	1.73%
MATLINPATTERSON GLOBAL ADVISORS	17,285,321	17,285,321	9,934,444	1.48%
SIGULER GUFF	10,550,520	10,550,520	9,482,206	1.41%
QUINTANA ENERGY PARTNERS	9,946,620	9,946,620	8,477,435	1.26%
HARBOURVEST PARTNERS	10,536,306	10,578,431	8,338,314	1.24%
INDUSTRY VENTURES	7,758,929	7,758,929	7,365,001	1.10%
J.C. FLOWERS & CO.	22,876,213	22,876,213	7,121,684	1.06%
CCMP CAPITAL ADVISORS	7,944,068	7,944,068	6,565,542	0.98%
BUERK DALE VICTOR	6,600,000	6,600,000	5,617,062	0.84%
STATE STREET SPIFF	43,177	5,478,742	5,510,897	0.82%
TERRA FIRMA CAPITAL PARTNERS	9,864,022	13,886,770	4,056,428	0.60%
TRILANTIC CAPITAL PARTNERS	3,471,692	3,471,692	3,276,999	0.49%
HIGHWAY 12 INVESTORS	3,428,226	3,428,226	2,966,993	0.44%
AFFINITY EQUITY PARTNERS	3,075,440	3,075,440	1,386,599	0.21%
PERFORMANCE EQUITY MANAGEMENT	1,133,000	1,133,000	1,060,352	0.16%
<b>MPEP Total</b>	<b>764,316,323</b>	<b>774,019,696</b>	<b>671,456,150</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
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**REAL ESTATE POOL (MTRP) BY MANAGER**

<b><u>Fund Manager Name</u></b>	<b><u>Shares</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
JP MORGAN CHASE BANK STRATEGIC PROPERTIES	37,804	71,383,708	53,054,243	18.43%
INVESCO CORE REAL ESTATE	309	45,000,000	38,137,553	13.24%
CLARION LION PROPERTIES	31,957	45,000,000	32,738,588	11.37%
HUDSON REALTY CAPITAL	25,000,000	25,000,000	22,056,950	7.66%
STRATEGIC PARTNERS VALUE ENHANCEMENT	16,765,519	16,765,519	18,727,286	6.50%
TA ASSOCIATES REALTY	20,000,000	20,000,000	18,153,620	6.30%
ABR CHESAPEAKE	17,770,784	17,770,784	18,109,957	6.29%
DRA ADVISORS	13,261,356	13,261,356	11,758,088	4.08%
LIQUID REALTY	15,535,697	15,535,698	11,603,582	4.03%
AG (ANGELO GORDON) REALTY	12,576,366	12,576,366	10,607,192	3.68%
APOLLO REAL ESTATE FINANCE CORP.	9,079	9,079,000	9,081,470	3.15%
JER REAL ESTATE PARTNERS	15,311,878	15,311,878	8,240,899	2.86%
MORGAN STANLEY REAL ESTATE	27,536,302	27,536,302	7,695,928	2.67%
BEACON CAPITAL PARTNERS	16,562,500	16,562,500	7,250,218	2.52%
CARLYLE EUROPE REAL ESTATE PARTNERS	5,686,485	8,844,179	5,768,448	2.00%
SHORT TERM INVESTMENT POOL	4,469,890	4,469,890	4,469,890	1.55%
MACQUARIE GLOBAL PROPERTY	12,529,074	12,529,074	3,619,286	1.26%
ROTHSCHILD: FIVE ARROWS REALTY SECURITIES	3,208,215	3,208,215	3,450,933	1.20%
O'CONNOR NORTH AMERICAN PROPERTY PARTNERS	8,245,199	8,245,199	3,148,058	1.09%
CIM	1,496,432	1,496,432	271,332	0.09%
<b>MTRP TOTAL</b>	<b>216,034,846</b>	<b>389,576,100</b>	<b>287,943,521</b>	<b>100.00%</b>

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**SHORT TERM INVESTMENT POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>%</u>
APRECO LLC	0.250	07/01/09	10,000,000	10,000,000	0.43%
BUNGE ASSET FDG. COR	1.200	07/14/09	15,000,000	14,993,500	0.65%
CHARTA LLC	0.280	07/28/09	20,000,000	19,995,800	0.87%
CIESCO LLC	0.280	07/24/09	20,000,000	19,996,422	0.87%
CIESCO LLC	0.350	08/17/09	15,000,000	14,993,146	0.65%
ENTERPRISE FDG CO LLC	0.300	07/08/09	21,002,000	21,000,775	0.91%
FORRESTAL CERT FDG T	1.050	08/11/09	20,000,000	19,976,083	0.87%
FORRESTAL CERT FDG T	1.050	08/17/09	20,000,000	19,972,583	0.87%
GOLDEN FUNDING CORP	1.000	07/09/09	19,426,000	19,421,683	0.84%
GOLDEN FUNDING CORP	1.000	07/15/09	10,000,000	9,996,111	0.43%
GOTHAM FDG CORP	0.300	07/29/09	20,000,000	19,995,333	0.87%
JUPITER SECT CO LLC	0.270	07/30/09	30,000,000	29,993,475	1.30%
MARKET ST FNDG CORP	0.650	07/01/09	15,000,000	15,000,000	0.65%
STRAIGHT A FDG LLC	0.270	07/13/09	15,000,000	14,998,650	0.65%
VICTORY RECEIVABLES	0.280	07/02/09	15,000,000	14,999,883	0.65%
VICTORY RECEIVABLES	0.290	07/10/09	15,000,000	14,998,913	0.65%
YORKTOWN CAPITAL LL	0.330	08/03/09	19,000,000	18,994,253	0.83%
<b>Asset Backed Commercial Paper</b>	<b>17 Issues</b>		<b>299,428,000</b>	<b>299,326,610</b>	<b>13.01%</b>
ORION FIN USA LLC	N/A	N/A	22,500,000	22,500,000	0.98%
ORION FIN USA LLC	N/A	N/A	22,500,000	22,500,000	0.98%
AXON FINL FDG LTD / LLC	N/A	N/A	30,772,873	30,772,873	1.34%
AXON FINL FDG LTD / LLC	N/A	N/A	37,852,693	37,852,693	1.64%
<b>Structured Investment Vehicles</b>	<b>4 Issue(s)</b>		<b>113,625,566</b>	<b>113,625,566</b>	<b>4.94%</b>
ALLIANCEBERNSTEIN	0.600	07/15/09	10,000,000	9,997,667	0.43%
ALLIANCEBERNSTEIN	0.430	07/22/09	10,000,000	9,997,492	0.43%
CALYON NORTH AMERICA I	0.250	07/02/09	15,000,000	14,999,896	0.65%
DANSKE CORP.	0.300	07/27/09	25,000,000	24,994,583	1.09%
LLOYDS BANK PLC	0.450	07/27/09	15,000,000	14,995,125	0.65%
MITSUBISHI INT'L CO	0.300	07/07/09	20,000,000	19,999,000	0.87%
MITSUBISHI INT'L CO	0.330	07/17/09	15,000,000	14,997,800	0.65%
SOCIETE GEN NO AMER	0.240	07/31/09	20,000,000	19,996,000	0.87%
WAL-MART FUNDING COR	0.270	07/06/09	35,000,000	34,998,688	1.52%
<b>Corporate Commercial Paper</b>	<b>9 Issues</b>		<b>165,000,000</b>	<b>164,976,250</b>	<b>7.17%</b>
BANK OF AMERICA	7.800	02/15/10	16,016,000	16,517,513	0.72%
GENERAL ELEC CAP CORP	3.750	12/15/09	20,000,000	19,956,623	0.87%
<b>Corporate Fixed</b>	<b>2 Issues</b>		<b>36,016,000</b>	<b>36,474,136</b>	<b>1.58%</b>
AMERICAN HONDA FIN CORP MTN	0.763	09/18/09	40,000,000	40,000,000	1.74%
BB + T BRH BKG + TR CO GLOBAL	1.033	09/09/09	40,000,000	40,000,000	1.74%
BEAR STEARNS CO INC	0.751	02/23/10	25,000,000	24,968,911	1.09%
BEAR STEARNS COS INC MTN	0.903	09/09/09	20,000,000	19,995,514	0.87%
CITIGROUP INC	0.631	12/28/09	25,000,000	24,531,110	1.07%
CREDIT SUISSE FIRST BOSTON USA	1.371	01/15/10	16,862,000	16,521,851	0.72%
CREDIT SUISSE USA INC	0.865	11/20/09	20,000,000	19,721,445	0.86%
GENERAL ELEC CAP CORP	0.709	06/06/11	25,000,000	24,039,364	1.04%
ING BK NV LONDON BRH	0.924	09/16/09	40,000,000	40,000,000	1.74%
PROCTER + GAMBLE CO	0.663	09/09/09	45,000,000	44,986,290	1.95%
TOYOTA MTR CR CORP MTN BK ENT	1.650	12/03/09	25,000,000	24,998,965	1.09%
WELLS FARGO + CO NEW	0.672	03/23/10	25,130,000	24,661,005	1.07%
WELLS FARGO CO NEW	1.484	01/29/10	20,000,000	19,823,879	0.86%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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**SHORT TERM INVESTMENT POOL**

<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Amortized Cost</b>	<b>%</b>
<b>Corporate Variable Rate</b>	<b>13 Issues</b>		<b>366,992,000</b>	<b>364,248,333</b>	<b>15.83%</b>
BARCLAYS BANK PLC	1.550	06/25/10	25,000,000	25,000,000	1.09%
<b>Certificates of Deposit Fixed</b>	<b>1 Issues</b>		<b>25,000,000</b>	<b>25,000,000</b>	<b>1.09%</b>
ABBNEY NAT'L TREASURY	1.270	08/13/09	40,000,000	40,000,000	1.74%
CALYON NY BRANCH	1.053	12/20/10	25,000,000	25,000,000	1.09%
RABOBANK NEDERLAND N Y	0.607	06/07/10	40,000,000	40,000,000	1.74%
<b>Certificates of Deposit Variable Rate</b>	<b>3 Issues</b>		<b>105,000,000</b>	<b>105,000,000</b>	<b>4.56%</b>
FEDERAL HOME LN BK CONS DSC NT	0.180	07/15/09	25,000,000	24,998,250	1.09%
FEDERAL HOME LN BK CONS DSC NT	2.920	08/10/09	25,000,000	24,918,889	1.08%
FEDERAL HOME LOAN BANKS	3.875	02/12/10	15,900,000	16,184,148	0.70%
FEDERAL HOME LN MTG DISC NTS	3.020	07/20/09	25,000,000	24,960,153	1.08%
FEDERAL NATL MTG ASSN DISC NTS	2.950	10/01/09	25,000,000	24,811,528	1.08%
FEDERAL NATL MTG ASSN DISC NTS	2.950	10/07/09	25,000,000	24,799,236	1.08%
<b>U. S. Government Agency Fixed Rate</b>	<b>6 Issues</b>		<b>140,900,000</b>	<b>140,672,204</b>	<b>6.11%</b>
BANK OF AMERICA NA FDIC GTD	0.659	09/13/10	40,000,000	40,000,000	1.74%
CITIGROUP FUNDING INC FDIC GTD	1.139	07/30/10	25,000,000	25,000,000	1.09%
CITIGROUP FUNDING INC FDIC GTD	0.596	06/03/11	25,000,000	25,000,000	1.09%
CITIGROUP FUNDING INC FDIC GTD	0.936	05/05/11	20,000,000	20,000,000	0.87%
CITIGROUP FUNDING INC FDIC GTD	1.183	12/09/10	35,000,000	35,322,746	1.53%
FANNIE MAE	0.800	05/13/11	75,000,000	75,000,000	3.26%
FEDERAL HOME LOAN BANKS	1.166	11/05/09	40,000,000	40,000,000	1.74%
FEDERAL HOME LOAN BANKS	0.839	01/13/10	50,000,000	50,000,000	2.17%
FEDERAL HOME LN MTG CORP	0.580	09/24/10	25,000,000	24,993,852	1.09%
FEDERAL HOME LN MTG CORP	1.089	01/28/11	25,000,000	25,000,000	1.09%
FEDERAL HOME LOAN BANKS	0.404	12/17/09	25,000,000	24,959,968	1.08%
FEDERAL HOME LOAN BANKS	0.635	11/19/10	50,000,000	49,986,150	2.17%
FEDERAL HOME NTG CORP	1.039	07/12/10	50,000,000	50,000,000	2.17%
FEDERAL NATL MTG ASSN	1.192	10/27/09	25,000,000	25,000,000	1.09%
FEDERAL NATL MTG ASSN	0.883	02/12/10	50,000,000	49,912,256	2.17%
FREDDIE MAC	0.888	02/01/11	25,000,000	25,000,000	1.09%
FREDDIE MAC	0.926	05/04/11	25,000,000	25,044,397	1.09%
FREDDIE MAC	0.896	05/05/11	25,000,000	24,989,859	1.09%
GENERAL ELEC CAP CORP FDIC GTD	1.207	07/08/10	25,000,000	25,000,000	1.09%
GOLDMAN SACHS GROUP INC FDIC GTD	1.150	12/03/10	50,000,000	50,321,521	2.19%
GOLDMAN SACHS GROUP INC FDIC GTD	0.709	03/15/11	25,000,000	25,000,000	1.09%
JPMORGAN CHASE + CO FDIC GTD	0.741	02/23/11	8,000,000	8,000,000	0.35%
UNION BANK NA FDIC GTD	0.704	03/16/11	7,000,000	7,000,000	0.30%
<b>U. S. Government Agency Variable Rate</b>	<b>23 Issues</b>		<b>750,000,000</b>	<b>750,530,748</b>	<b>32.61%</b>
BGI INSTITUTIONAL MMF	0.360	N/A	10,000,000	10,000,000	0.43%
FIDELITY INSTL MONEY MARKET	0.740	N/A	110,000,000	110,000,000	4.78%
STATE STREET BANK + TRUST CO	0.417	N/A	1,427,621	1,427,621	0.06%
<b>Money Market Funds (Unrated)</b>	<b>3 Issues</b>		<b>121,427,621</b>	<b>121,427,621</b>	<b>5.28%</b>
BLACKROCK MONEY MARKET	0.451	N/A	80,000,000	80,000,000	3.48%
STATE STR INSTL LIQUID RESERVES	0.398	N/A	100,000,000	100,000,000	4.35%
<b>Money Market Funds (Rated)</b>	<b>2 Issues</b>		<b>180,000,000</b>	<b>180,000,000</b>	<b>7.82%</b>
<b>STIP Total</b>	<b>83 Issue(s)</b>		<b>2,303,389,187</b>	<b>2,301,281,468</b>	<b>100.00%</b>

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**ALL OTHER FUNDS**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
US BANK SWEEP REPO	0.250	07/01/09	15,845,774	15,845,774	15,845,774	1.11%
<b>Cash Equivalents</b>			<b>15,845,774</b>	<b>15,845,774</b>	<b>15,845,774</b>	<b>1.11%</b>
ARIA CDO II JERSEY NO 1 LTD	2.130	10/10/12	10,000,000	10,000,000	3,000,000	0.21%
<b>Corporate Bonds (Unrated)</b>			<b>10,000,000</b>	<b>10,000,000</b>	<b>3,000,000</b>	<b>0.21%</b>
AA / FT WORTH HQ FIN TR	5.500	10/05/10	2,770,542	2,770,542	2,740,814	0.19%
AT+T INC	5.800	02/15/19	5,000,000	4,985,078	5,082,859	0.35%
ABBOTT LABS	5.125	04/01/19	5,000,000	4,974,320	5,134,944	0.36%
ALCOA INC	6.500	06/01/11	3,000,000	2,937,990	3,045,000	0.21%
ALLSTATE LIFE GBL FDG SECD	5.375	04/30/13	5,000,000	4,996,169	5,141,636	0.36%
ALTRIA GROUP INC	9.700	11/10/18	5,000,000	5,013,537	5,720,713	0.40%
AMERICAN EXPRESS CO	5.500	09/12/16	5,000,000	4,981,677	4,574,654	0.32%
AMERICAN EXPRESS CO	7.000	03/19/18	3,000,000	2,989,986	2,928,322	0.20%
AMERICAN EXPRESS CR CORP	7.300	08/20/13	5,000,000	5,002,731	5,195,820	0.36%
AMERICAN GEN FIN CORP MTN	4.875	05/15/10	5,000,000	4,999,878	4,208,187	0.29%
AMERICAN GEN FIN CORP MTN	5.900	09/15/12	5,000,000	4,981,430	2,875,000	0.20%
B J SERVICES	5.750	06/01/11	5,000,000	4,997,479	5,111,585	0.36%
BANC AMER COML MTG INC COML	5.381	01/15/49	5,000,000	5,012,794	4,666,951	0.33%
BANC AMER COML MTG TR 2007 2	5.634	04/10/49	5,000,000	5,014,236	4,644,935	0.32%
BANC AMER COML MTG TR	5.837	06/10/49	5,000,000	4,999,031	4,666,170	0.33%
BANC AMER COML MTG TR	5.546	02/10/51	5,000,000	5,014,668	4,612,338	0.32%
BANC AMER COML MTG TR	5.434	12/10/12	10,000,000	10,038,002	9,084,145	0.63%
BANK AMER CORP	5.375	06/15/14	5,000,000	4,977,319	4,752,828	0.33%
BANK AMER CORP MEDIUM TERM	2.100	04/30/12	17,000,000	16,988,361	17,062,426	1.19%
BANK OF AMERICA NA FDIC GTD	1.700	12/23/10	750,000	750,643	758,529	0.05%
BUNGE NA FINANCE LP	5.900	04/01/17	5,000,000	4,995,595	4,583,907	0.32%
BURLINGTON NORTHN SANTA FE RY	7.160	01/02/20	3,477,550	3,477,550	3,800,040	0.27%
BURLINGTON NORTHN SANTA FE	7.000	02/01/14	3,000,000	2,999,547	3,260,950	0.23%
CIT GROUP EQUIP FING INC	6.490	01/05/21	5,295,000	5,295,000	2,687,213	0.19%
CSX CORP	5.750	03/15/13	5,000,000	4,991,309	5,031,156	0.35%
CVS CAREMARK CORP	5.750	06/01/17	5,000,000	4,844,115	5,039,542	0.35%
CAPITAL ONE FINL CORP	6.750	09/15/17	5,000,000	4,977,826	4,721,742	0.33%
CATERPILLAR INC	7.000	12/15/13	2,000,000	1,999,574	2,211,778	0.15%
CITIGROUP INC	6.000	02/21/12	5,000,000	4,999,511	4,896,484	0.34%
CITIGROUP INC	5.500	08/27/12	5,000,000	5,006,816	4,808,529	0.34%
COMCAST CORP NEW	5.450	11/15/10	5,000,000	5,002,922	5,196,293	0.36%
COMM MTG TR	5.540	06/10/46	4,380,170	4,379,732	4,397,180	0.31%
CONOCOPHILLIPS	5.750	02/01/19	5,000,000	4,996,144	5,253,790	0.37%
CONOCOPHILLIPS CDA FDG CO I	5.625	10/15/16	6,000,000	5,999,650	6,254,498	0.44%
CONTINENTAL AIRLS	6.563	08/15/13	5,000,000	5,007,417	4,518,750	0.32%
CREDIT SUISSE NEW YORK	3.450	07/02/12	5,000,000	4,993,500	5,018,727	0.35%
DETROIT EDISON CO	5.200	10/15/12	5,000,000	4,977,201	5,237,489	0.37%
DONNELLEY R R + SONS	4.950	04/01/14	5,000,000	4,900,783	4,350,000	0.30%
DU PONT E I DE NEMOURS + CO	5.875	01/15/14	7,000,000	6,970,718	7,582,330	0.53%
ENTERGY ARK INC	4.500	06/01/10	3,000,000	2,997,564	2,970,751	0.21%
FIFTH THIRD BANCORP	5.450	01/15/17	5,000,000	4,986,895	3,787,748	0.26%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,986,910	2,736,711	0.19%

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GATX CORP	8.750	05/15/14	5,000,000	4,998,788	5,250,000	0.37%
GE COML MTG CORP TR	5.417	12/10/49	10,000,000	10,026,672	8,674,831	0.61%
GALENA CDO I CAYMAN IS NO 1LTD	5.060	01/11/13	4,000,000	400,000	400,000	0.03%
GENERAL ELEC CO	5.250	12/06/17	5,000,000	5,010,218	4,908,447	0.34%
GENERAL ELEC CAP CORP	5.000	04/10/12	4,950,000	4,935,384	5,063,228	0.35%
GENERAL ELEC CAP CORP	0.953	08/15/11	1,500,000	1,347,488	1,419,461	0.10%
GENERAL ELEC CAP CORP	4.375	11/21/11	10,000,000	9,879,021	10,159,747	0.71%
GENERAL ELEC CAP CORP FDIC GTD	3.000	12/09/11	5,000,000	4,988,323	5,155,539	0.36%
GENWORTH FINL INC	5.650	06/15/12	5,000,000	4,993,508	4,000,000	0.28%
GOLDMAN SACHS GROUP INC	5.350	01/15/16	5,000,000	4,962,487	4,885,760	0.34%
GOLDMAN SACHS GROUP	5.300	02/14/12	4,750,000	4,747,932	4,929,829	0.34%
HSBC FIN CORP	5.500	01/19/16	5,000,000	5,005,915	4,667,281	0.33%
HSBC FIN CORP	5.900	06/19/12	5,000,000	4,992,643	5,038,071	0.35%
HARTFORD FINL SVCS GROUP INC	5.375	03/15/17	5,000,000	4,989,656	3,950,000	0.28%
HARTFORD FINL SVCS GROUP INC	6.300	03/15/18	5,000,000	5,004,603	4,000,000	0.28%
HERSHEY FOODS CORP	5.300	09/01/11	1,000,000	999,152	1,059,336	0.07%
ING SEC LIFE INSTL FDG	4.250	01/15/10	3,000,000	2,999,289	2,932,206	0.20%
INTERNATIONAL LEASE FIN CORP	5.125	11/01/10	5,000,000	4,994,722	4,600,000	0.32%
INTL LEASE FIN CORP MTN	4.550	10/15/09	5,000,000	5,007,584	4,800,000	0.34%
JPMORGAN CHASE + CO	4.750	05/01/13	5,000,000	4,987,868	5,068,098	0.35%
J P MORGAN CHASE COML MTG SECS	4.200	07/12/35	8,432,930	8,466,593	8,406,714	0.59%
J P MORGAN CHASE COML MTG	3.053	01/15/38	357,408	350,670	355,340	0.02%
JP MORGAN CHASE	5.279	12/12/43	3,555,924	3,557,897	3,595,474	0.25%
JERSEY CENT PWR + LT CO	5.650	06/01/17	3,000,000	2,991,712	2,930,002	0.20%
JPMORGAN CHASE+CO FDIC GTD TLG	3.125	12/01/11	1,255,000	1,290,507	1,298,319	0.09%
JPMORGAN CHASE+CO FDIC GTD TLG	2.625	12/01/10	750,000	760,937	768,043	0.05%
JPMORGAN CHASE + CO FDIC	1.650	02/23/11	2,000,000	1,999,357	2,018,037	0.14%
JPMORGAN CHASE + CO FDIC	2.200	06/15/12	7,000,000	6,996,120	7,040,265	0.49%
KCT INTERMODAL TRANSN CORP	6.884	08/01/18	2,784,533	2,784,533	2,914,977	0.20%
KEYBANK NATL ASSN CLEVELAND OH	5.500	09/17/12	5,000,000	4,999,552	4,950,000	0.35%
KEYBANK NATL ASSN MTN	5.450	03/03/16	5,000,000	4,999,199	4,286,436	0.30%
KRAFT FOODS INC	5.625	11/01/11	5,000,000	5,206,164	5,285,435	0.37%
LEHMAN BROTHERS HLDGS INC	5.500	05/25/10	5,000,000	1,000,000	737,500	0.05%
LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	5,000,000	977,700	737,500	0.05%
LILLY ELI + CO	3.550	03/06/12	1,000,000	999,089	1,029,217	0.07%
LILLY ELI + CO	4.200	03/06/14	2,000,000	1,999,158	2,054,765	0.14%
LOCKHEED MARTIN CORP	4.121	03/14/13	2,000,000	1,974,962	2,024,736	0.14%
MARATHON OIL CORP	5.900	03/15/18	5,000,000	4,985,712	4,957,950	0.35%
MASSMUTUAL GLOBAL FUNDING	3.625	07/16/12	2,000,000	1,998,440	2,001,010	0.14%
MCKESSON CORP NEW	5.250	03/01/13	3,000,000	2,992,289	3,008,819	0.21%
MERCK + CO INC	5.000	06/30/19	2,000,000	1,987,401	2,030,802	0.14%
MERRILL LYNCH + CO INC	6.400	08/28/17	5,000,000	4,994,045	4,505,895	0.31%
METLIFE INC	5.000	11/24/13	5,000,000	4,978,862	4,901,580	0.34%
ML CFC COML MTG TR	5.590	09/12/49	10,000,000	10,035,678	8,703,500	0.61%
MORGAN STANLEY	4.000	01/15/10	5,000,000	4,995,652	5,032,467	0.35%
MORGAN STANLEY	5.050	01/21/11	4,750,000	4,746,209	4,851,818	0.34%
MORGAN STANLEY FDIC GTD TLGP	2.900	12/01/10	500,000	509,460	513,971	0.04%
NATNL CITY BK CLEVELAND OH	5.250	12/15/16	5,000,000	4,996,535	4,491,776	0.31%

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NATIONWIDE FINANCIAL SER	6.250	11/15/11	5,000,000	5,097,510	4,700,000	0.33%
NORFOLK SOUTHN CORP	5.750	01/15/16	2,000,000	1,991,719	2,046,481	0.14%
NORTHWESTERN CORP	6.340	04/01/19	5,000,000	4,996,739	5,114,594	0.36%
NOVARTIS SECS INVT LTD	5.125	02/10/19	5,000,000	4,991,444	5,075,949	0.35%
OCCIDENTAL PETE CORP	7.000	11/01/13	5,000,000	4,983,496	5,684,998	0.40%
PPL MONT LLC	8.903	07/02/20	3,252,737	3,252,737	3,572,717	0.25%
PPL ENERGY SUPPLY LLC	6.500	05/01/18	3,000,000	2,991,133	3,014,852	0.21%
PACCAR FINL CORP MTN BK ENT	4.639	01/12/11	5,000,000	5,000,000	4,989,620	0.35%
PACCAR INC	6.375	02/15/12	1,000,000	999,056	1,063,203	0.07%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	3,000,000	3,000,000	3,000,000	0.21%
PRINCIPAL LIFE GLOBAL FDG MTN	5.125	10/15/13	5,000,000	4,996,847	4,749,558	0.33%
PROTECTIVE LIFE SECD TRS SECD	5.450	09/28/12	7,000,000	6,989,586	6,965,162	0.49%
PRUDENTIAL FINL INC	5.500	03/15/16	5,000,000	4,931,244	4,535,230	0.32%
REGIONS BANK FDIC GTD TLGP	2.750	12/10/10	750,000	762,023	769,626	0.05%
ROCHE HLDGS INC	4.500	03/01/12	1,000,000	995,307	1,041,591	0.07%
SBC COMMUNICATIONS INC	5.300	11/15/10	5,000,000	4,997,017	5,179,369	0.36%
SLM CORP	4.500	07/26/10	5,000,000	4,997,011	4,775,000	0.33%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	5,000,000	4,987,733	5,281,439	0.37%
SCHERING PLOUGH CORP	6.000	09/15/17	5,000,000	4,979,923	5,324,431	0.37%
SEARIVER MARITIME FINL HLDGS	0.000	09/01/12	1,450,000	1,327,993	1,312,673	0.09%
SOUTHWEST GAS CORP	8.375	02/15/11	4,000,000	3,999,007	4,242,116	0.30%
TRANSCANADA PIPELINES LTD	7.125	01/15/19	5,000,000	5,054,244	5,626,731	0.39%
UNION BK CALIF	5.950	05/11/16	5,000,000	5,002,932	4,842,802	0.34%
UNION PAC CORP	4.875	01/15/15	7,000,000	6,794,018	6,850,780	0.48%
UNITED PARCEL SVC INC	5.500	01/15/18	5,000,000	4,991,544	5,287,947	0.37%
VERIZON COMMUNICATIONS INC	5.550	02/15/16	5,000,000	4,973,461	5,160,503	0.36%
VERIZON NEW JERSEY INC	5.875	01/17/12	5,000,000	5,104,462	5,309,547	0.37%
WACHOVIA CORP NEW	5.625	10/15/16	5,000,000	4,986,005	4,632,532	0.32%
WAL MART STORES INC	4.250	04/15/13	1,000,000	1,049,136	1,033,219	0.07%
WELLPOINT INC	5.875	06/15/17	5,000,000	4,938,001	4,846,001	0.34%
WELLS FARGO + CO NEW	4.625	04/15/14	5,000,000	4,896,910	5,035,186	0.35%
WELLS FARGO CO NEW	5.300	08/26/11	10,000,000	9,994,327	10,450,294	0.73%
WILMINGTON TR CORP	8.500	04/02/18	2,000,000	2,000,000	2,103,658	0.15%
WYETH	5.500	02/01/14	5,000,000	4,995,560	5,374,157	0.38%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,998,103	2,174,831	0.15%
<b>Corporate Bonds Rated</b>			<b>563,711,793</b>	<b>551,104,065</b>	<b>537,914,438</b>	<b>37.56%</b>
BGI EQUITY INDEX FUND B	NA	NA	606,661	84,406,677	81,742,906	5.71%
<b>Equity Index Fund</b>			<b>606,661</b>	<b>84,406,677</b>	<b>81,742,906</b>	<b>5.71%</b>
MONTANA RESIDENTIAL MORTGAGES	NA	NA	45,270,143	45,270,143	44,547,218	3.11%
MONTANA COAL TAX TRUST LOANS	NA	NA	212,023,678	212,023,678	212,023,678	14.81%
<b>Loans/Mortgages</b>			<b>257,293,821</b>	<b>257,293,821</b>	<b>256,570,896</b>	<b>17.92%</b>
2273 BOOT HILL COURT, BOZEMAN MT	NA	NA	2,073,887	2,073,887	2,123,654	0.15%
CALIFORNIA STREET, HELENA MT	NA	NA	205,591	205,591	221,390	0.02%
2401 COLONIAL DRIVE, HELENA MT	NA	NA	7,250,580	7,250,580	7,785,377	0.54%
1712 NINTH AVENENUE, HELENA MT	NA	NA	514,749	514,749	579,626	0.04%
100 NORTH PARK AVENUE, HELENA MT	NA	NA	6,935,776	6,935,776	6,584,252	0.46%
<b>Real Estate</b>			<b>16,980,583</b>	<b>16,980,583</b>	<b>17,294,299</b>	<b>1.21%</b>

**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**ALL OTHER FUNDS**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
FED HM LN PC POOL G10814	5.500	05/01/13	666,288	666,095	700,786	0.05%
FED HM LN PC POOL G12310	5.500	08/01/21	5,251,330	5,255,923	5,487,650	0.38%
FED HM LN PC POOL G13081	5.000	04/01/23	7,620,895	7,620,895	7,886,662	0.55%
FED HM LN PC POOL G18244	4.500	02/01/23	7,503,598	7,369,194	7,671,184	0.54%
FED HM LN PC POOL J08160	5.000	12/01/22	7,950,076	7,940,628	8,232,552	0.57%
FEDERAL HOME LN MTG CORP	5.050	01/26/15	10,000,000	9,982,275	10,751,311	0.75%
FREDDIE MAC	2.500	04/08/13	5,000,000	5,000,000	4,960,619	0.35%
FED HM LN PC POOL E00540	6.000	03/01/13	407,706	407,223	432,340	0.03%
FED HM LN PC POOL E00659	6.000	04/01/14	511,429	511,255	542,898	0.04%
FEDERAL FARM CR BKS	2.125	06/18/12	2,000,000	2,000,178	2,011,283	0.14%
FEDERAL FARM CR BKS	4.450	09/23/13	7,000,000	6,858,802	7,484,935	0.52%
FEDERAL FARM CR BKS CONS SYSTE	4.000	09/24/10	2,000,000	2,004,727	2,082,111	0.15%
EDERAL FARM CR BKS	5.100	04/12/17	20,000,000	19,780,738	21,774,586	1.52%
FEDERAL FARM CREDIT BANK	3.400	02/07/13	19,000,000	19,000,000	19,524,978	1.36%
FEDERAL FARM CREDIT BANK	4.950	03/12/18	5,000,000	4,995,651	5,015,322	0.35%
FEDERAL HOME LN BKS	4.125	08/13/10	10,000,000	9,997,990	10,377,494	0.72%
FEDERAL HOME LN BKS	4.750	09/11/15	10,000,000	9,808,804	10,450,588	0.73%
FEDERAL HOME LOAN BANK	4.875	11/18/11	1,900,000	1,898,114	2,047,779	0.14%
FEDERAL HOME LN BANKS	4.750	12/16/16	15,000,000	14,888,608	16,055,595	1.12%
FEDERAL HOME LN BKS	5.125	03/10/17	10,000,000	10,074,026	10,611,026	0.74%
FEDERAL HOME LOAN BKS	4.875	06/08/12	4,900,000	4,873,383	5,226,095	0.36%
FEDERAL HOME LN BK	4.500	10/09/09	1,500,000	1,502,987	1,517,355	0.11%
FEDERAL HOME LOAN BANK	4.875	10/30/17	4,000,000	4,243,782	4,177,669	0.29%
FEDERAL HOME LOAN BANK	3.000	12/10/10	7,000,000	6,981,575	7,195,113	0.50%
FEDERAL HOME LN BKS	3.125	06/10/11	5,000,000	4,913,842	5,169,626	0.36%
FEDERAL HOME LN BKS	3.500	07/16/10	5,000,000	5,030,102	5,146,255	0.36%
FEDERAL HOME LN BKS	3.625	09/16/11	10,000,000	9,987,841	10,474,477	0.73%
FEDERAL HOME LN BKS	3.000	12/30/13	10,000,000	10,000,000	9,809,752	0.68%
FEDERAL HOME LN BKS	2.500	02/19/13	5,000,000	5,000,000	5,024,840	0.35%
FEDERAL HOME LN BKS	3.000	03/04/13	2,935,000	2,935,000	2,943,716	0.21%
FEDERAL HOME LN MTG CORP	5.625	03/15/11	10,000,000	10,015,851	10,748,772	0.75%
FEDERAL HOME LN MTG CORP	6.000	06/15/11	15,000,000	14,997,401	16,359,894	1.14%
FEDERAL NATL MTG ASSN DEB STRP	0.000	11/15/11	1,000,000	950,760	953,015	0.07%
FEDERAL NATL MTG ASSN DEB STRP	0.000	11/15/12	271,000	247,398	243,204	0.02%
FEDERAL NATL MTG ASSN DEB STRP	0.000	11/15/13	1,000,000	892,694	866,824	0.06%
FEDERAL NATL MTG ASSN	5.550	02/16/17	20,000,000	20,032,899	20,461,130	1.43%
FEDERAL NATL MTG ASSN	5.000	04/26/17	5,000,000	4,882,709	5,075,202	0.35%
FEDERAL NATL MTG ASSN	0.000	06/01/17	14,600,000	8,901,856	10,386,631	0.73%
FEDERAL NATL MTG ASSN	6.625	11/15/10	10,000,000	10,059,752	10,795,011	0.75%
FEDERAL NATL MTG ASSN	4.375	07/17/13	20,000,000	19,682,400	21,207,502	1.48%
FEDERAL NATL MTG ASSN	4.125	04/15/14	10,000,000	9,690,357	10,586,065	0.74%
FEDERAL NATL MTG ASSN	4.625	10/15/14	10,000,000	10,079,835	10,800,063	0.75%
FEDERAL NATL MTG ASSN	4.250	08/15/10	5,000,000	5,074,276	5,196,483	0.36%
FEDERAL HOME LN MTG CORP	0.000	01/15/13	1,000,000	927,454	889,688	0.06%
FEDERAL NATL MTG ASSN DEB	0.000	07/15/14	1,000,000	873,100	835,249	0.06%
FNMA POOL 190985	7.500	08/01/09	4,895	4,895	4,963	0.00%
FNMA POOL 254140	5.500	01/01/17	3,486,707	3,478,541	3,671,670	0.26%
FNMA POOL 254233	5.000	03/01/17	2,905,536	2,851,078	3,030,808	0.21%

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**ALL OTHER FUNDS**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
FNMA POOL 254631	5.000	02/01/18	2,476,578	2,461,695	2,593,657	0.18%
FNMA POOL 303590	7.000	11/01/10	71,864	71,864	73,776	0.01%
FNMA POOL 313999	6.000	02/01/13	218,975	218,581	232,327	0.02%
FEDERAL HOME LN MTG CORP	5.000	02/16/17	10,000,000	9,910,379	10,902,970	0.76%
FEDERAL HOME LN MTG CORP	1.500	01/07/11	10,000,000	10,000,000	10,072,575	0.70%
FNMA POOL 572220	6.000	03/01/16	151,248	151,026	161,217	0.01%
FNMA POOL 592327	5.500	06/01/16	284,924	281,461	300,038	0.02%
FEDERAL NATL MTG ASSN	3.875	07/12/13	10,000,000	9,874,428	10,546,868	0.74%
FEDERAL NATL MTG ASSN	2.000	03/02/11	3,000,000	3,000,000	3,018,665	0.21%
FNMA POOL 844915	4.500	11/01/20	5,484,417	5,454,981	5,652,579	0.39%
FNMA POOL 888932	4.500	11/01/22	3,756,671	3,756,671	3,871,858	0.27%
FNMA POOL 962078	4.500	03/01/23	8,264,729	8,219,971	8,449,940	0.59%
<b>U.S. Government Agency</b>			<b>386,123,865</b>	<b>378,573,953</b>	<b>398,775,241</b>	<b>27.85%</b>
ENSCO OFFSHORE CO	6.360	12/01/15	6,500,448	6,500,448	7,122,346	0.50%
GLOBAL INDS LTD	7.710	02/15/25	3,200,000	3,200,000	3,226,624	0.23%
ROWAN COS INC	5.880	03/15/12	6,815,000	6,815,000	7,104,024	0.50%
UNITED STATES TREAS NTS	4.000	02/15/15	20,000,000	19,192,938	21,256,599	1.48%
UNITED STATES TREAS NTS	4.250	11/15/17	15,000,000	15,152,931	15,913,950	1.11%
UNITED STATES TREAS NTS	3.875	05/15/18	15,000,000	15,040,746	15,456,900	1.08%
UNITED STATES TREAS NTS	4.000	08/15/18	10,000,000	10,069,431	10,373,200	0.72%
UNITED STATES TREAS NTS	2.750	02/15/19	10,000,000	9,896,713	9,365,400	0.65%
US TREASURY T/B	1.375	05/15/12	3,000,000	2,969,726	2,983,590	0.21%
WI TREASURY SEC	2.625	04/30/16	10,000,000	9,824,458	9,670,300	0.68%
UNITED STATE TREAS NTS	2.625	02/29/16	5,000,000	5,009,362	4,854,600	0.34%
WI TREASURY SEC	3.250	05/31/16	5,000,000	4,887,609	5,021,000	0.35%
UNITED STATES TRES SC STRP INT	0.000	05/15/12	3,000,000	2,872,621	2,876,190	0.20%
UNITED STATES TRES SC STRP INT	0.000	08/15/17	1,590,000	1,278,622	1,174,120	0.08%
UNITED STATES TRES SC STRP INT	0.000	11/15/17	6,300,000	4,267,029	4,578,840	0.32%
<b>U.S. Government Direct Obligations</b>			<b>120,405,448</b>	<b>116,977,634</b>	<b>120,977,683</b>	<b>8.45%</b>
<b>AOF Total</b>			<b>1,370,967,945</b>	<b>1,431,182,507</b>	<b>1,432,121,237</b>	<b>100.00%</b>

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Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Statement of Net Assets of the Enterprise Fund of the Montana Board of Investments as of June 30, 2009, and 2008, and the related Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund of the Montana Board of Investments as of June 30, 2009, and 2008, and its changes in net assets and cash flows for each of the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

*/s/ James Gillett*

James Gillett, CPA  
Deputy Legislative Auditor

October 27, 2009



**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF NET ASSETS AS OF JUNE 30, 2009 AND 2008**

**Assets**

	<u>2009</u>	<u>2008</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 1)	\$ 9,450,048	\$ 9,230,138
Interest receivable	612,231	878,280
Notes/loans receivable (Note 1)	7,305,015	9,779,321
Interfund notes/loans and interest receivable (Note 1)	3,914,397	4,133,105
Component Unit notes/loans and interest receivable (Note 1)	1,902,780	1,856,884
Short-term investments at fair value (Notes 1 and 2)	1,735,074	9,907,678
Security lending cash collateral (Note 3)	<u>7,985</u>	<u>1,370</u>
<b>Total current assets</b>	<b><u>24,927,530</u></b>	<b><u>35,786,776</u></b>
<b>Noncurrent assets:</b>		
Restricted investments at fair value (Notes 1 and 2)	3,065,218	3,920,255
Long-term investments at fair value (Notes 1 and 2)	10,124	2,914
Notes/loans receivable (Note 1)	35,021,551	34,841,007
Interfund notes/loans and interest receivable (Note 1)	24,102,946	21,577,526
Component Unit notes/loans receivable (Note 1)	7,548,335	8,260,506
Capitalized cost of issue (Note 1)	1,315,245	1,419,379
Equipment	6,090	6,090
Accumulated depreciation	<u>(3,758)</u>	<u>(2,977)</u>
<b>Total noncurrent assets</b>	<b><u>71,065,751</u></b>	<b><u>70,024,700</u></b>
<b>Total assets</b>	<b>\$ <u>95,993,281</u></b>	<b>\$ <u>105,811,476</u></b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Due to other funds	1,926	2,434
Accrued expenses	12,090	13,873
Accrued interest payable	689,258	1,146,090
Security lending obligations (Note 3)	7,985	1,370
Arbitrage rebate tax payable	19,454	25,370
Compensated absences	12,424	12,385
Current bonds/notes payable (Note 4)	<u>88,956,456</u>	<u>98,462,463</u>
<b>Total current liabilities</b>	<b><u>89,699,593</u></b>	<b><u>99,663,985</u></b>
<b>Noncurrent liabilities</b>		
Bonds/notes payable (Note 4 )	843,694	1,435,903
Compensated absences	14,902	40,684
Arbitrage rebate tax payable		14,426
OPEB implicit rate subsidy (Note 10)	<u>29,408</u>	<u>14,910</u>
<b>Total noncurrent liabilities</b>	<b><u>888,004</u></b>	<b><u>1,505,923</u></b>
<b>Total liabilities</b>	<b>\$ <u>90,587,597</u></b>	<b>\$ <u>101,169,908</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 2,332	\$ 3,113
Restricted (Note 1)	1,936,397	3,132,940
Unrestricted	<u>3,466,955</u>	<u>1,505,515</u>
<b>Total net assets (Note 7)</b>	<b>\$ <u>5,405,684</u></b>	<b>\$ <u>4,641,568</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>95,993,281</u></b>	<b>\$ <u>105,811,476</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

<b>Operating revenue</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Reimbursements	\$ 25,927	\$ 33,321
Investment income	403,540	1,043,973
Security lending income	559	321
Financing income	<u>3,132,033</u>	<u>3,425,902</u>
<b>Total operating revenue</b>	<b><u>3,562,059</u></b>	<b><u>4,503,517</u></b>
<b>Operating expenses</b>		
Personal services	195,598	297,247
Contracted services	18,611	32,163
Supplies and materials	3,296	5,419
Communications	12,793	6,830
Travel	3,257	2,132
Rent	43,916	42,893
Repair and maintenance	315	300
Indirect and other costs	36,778	44,603
OPEB (Note 10)	14,498	14,910
Depreciation expense	781	47
Arbitrage rebate tax expense (Note 9)	(20,343)	23,580
Security lending expense	188	251
Debt service		
Interest expense	2,855,503	3,729,900
Trustee fee expense	66,055	66,473
Bond issuance cost amortization expense	104,134	106,752
Other debt service expense	<u>187,563</u>	<u>179,280</u>
<b>Total operating expenses</b>	<b><u>3,522,943</u></b>	<b><u>4,552,780</u></b>
<b>Operating income (loss)</b>	<b><u>39,116</u></b>	<b><u>(49,263)</u></b>
<b>Nonoperating income:</b>		
Transfers from other funds (Note 8)	<u>725,000</u>	<u>0</u>
<b>Change in net assets</b>	<b>764,116</b>	<b>(49,263)</b>
<b>Beginning net assets</b>	<b><u>4,641,568</u></b>	<b><u>4,690,831</u></b>
<b>Ending net assets (Note 7)</b>	<b>\$ <u>5,405,684</u></b>	<b>\$ <u>4,641,568</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Receipts for sales and services	\$ 25,927	\$ 33,321
Payments to suppliers for goods and services	(117,651)	(142,063)
Payments to employees	(222,986)	(296,865)
<b>Net cash (used for) operating activities</b>	<u>(314,710)</u>	<u>(405,607)</u>
<b>Cash flows from non-capital financing activities:</b>		
Payment of principal and interest on bonds and notes	(13,664,170)	(5,840,364)
Proceeds from issuance of bonds and notes	0	429,549
Transfers from other funds (Note 8)	<u>725,000</u>	<u>0</u>
<b>Net cash provided by (used for) non-capital financing activities</b>	<u>(12,939,170)</u>	<u>(5,410,815)</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of fixed assets	<u>0</u>	<u>(3,100)</u>
<b>Net cash (used for) capital and related financing activities</b>	<u>0</u>	<u>(3,100)</u>
<b>Cash flows from investing activities:</b>		
Collections for principal and interest on loans	26,933,904	23,480,099
Cash payments for loans	(22,949,550)	(30,025,737)
Purchase of investments	(816,761)	(10,043,998)
Proceeds from security lending	559	321
Security lending costs	(188)	(251)
Proceeds from sales or maturities of investments	9,835,095	1,076,000
Interest on investments	470,731	893,515
(Payment for) refund from arbitrage rebate tax	<u>0</u>	<u>(43,105)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>13,473,790</u>	<u>(14,663,156)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	219,910	(20,482,678)
<b>Cash and cash equivalents, July 1</b>	<u>9,230,138</u>	<u>29,712,816</u>
<b>Cash and cash equivalents, June 30</b>	<u>9,450,048</u>	<u>9,230,138</u>
<b>Reconciliation of net income to net cash (used for) operating activities:</b>		
Net operating (loss) income	39,116	(49,263)
<b>Adjustments to reconcile net income to net cash (used for) operating activities</b>		
Depreciation	781	47
Interest on investments	(403,540)	(1,043,973)
Financing income	(3,132,033)	(3,425,902)
Interest expense	3,213,257	4,082,405
Security lending income	(559)	(321)
Security lending expense	188	251
Arbitrage rebate tax expense (Note 9)	(20,343)	23,580
<b>Change in assets and liabilities:</b>		
(Increase) decrease in other assets	1,959	(4,995)
Increase (decrease) in other payables	(1,783)	(7,358)
Increase (decrease) in due to other funds	(508)	(2,846)
Increase (decrease) in compensated absences payable	(25,743)	7,858
Increase (decrease) in OPEB payables (Note 10)	<u>14,498</u>	<u>14,910</u>
<b>Total adjustments</b>	<u>(353,826)</u>	<u>(356,344)</u>
<b>Net cash (used for) operating activities</b>	\$ <u>(314,710)</u>	\$ <u>(405,607)</u>
<b>Schedule of noncash transactions:</b>		
Increase/(decrease) in fair value of investments	\$ <u>21,613</u>	\$ <u>(147,098)</u>
<b>Total noncash transactions</b>	\$ <u>21,613</u>	\$ <u>(147,098)</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The Board uses the accrual basis of accounting for the Enterprise Fund. Under the accrual basis of accounting, expenses are recorded when incurred and revenues are recorded when earned. The financial statements are prepared from the Statewide Accounting, Budgeting, and Human Resource System (SABHRS) and information contained in the bond trustee statements. The statements include the financial activity administered by the Board in the Enterprise Fund.

b. Presentation of Programs

The Board uses the Enterprise Fund to account for its programs created under the Economic Development Bond Act and the Municipal Finance Consolidation Act.

Economic Development Bond Act programs include:

- The Stand Alone Economic Development Bond Program provides access to limited economic development projects through the issuance of conduit debt.
- The Conservation Reserve Enhancement Program (CRP), created in 1990 by issuing bonds, allows farmers to receive a lump sum payment by assigning their federal CRP contract to the Board. The farmers under contract must comply with seeding and other requirements. The Conservation Reserve Enhancement Program is currently funded by the Montana Trust Funds Bond Pool.

Municipal Finance Consolidation Act programs include:

- The INTERCAP loan program provides funds to eligible Montana governments to finance capital expenditures for up to fifteen years.
- The Irrigation District Pooled Loan Program provided funds for the Board to purchase the refunding bonds from participating irrigation districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans.

c. Fixed Asset Depreciation

The equipment fixed assets recorded in the Enterprise Fund are depreciated on a straight-line basis value, in accordance with state policy.

d. Receivables

The Enterprise Fund notes/loans receivables of \$79,435,279 as of June 30, 2009 and \$80,024,100 as of June 30, 2008, represent loans made to Montana businesses, state and local governments. The Enterprise Fund notes/loans are classified in three categories as follows:

- 1) Notes/loans receivable from local governments and Montana businesses
- 2) Interfund notes/loans receivable from state agency governments
- 3) Component Unit notes/loans receivable from certain state agencies and university units for which the State is financially accountable.

The InterFund notes/loans receivable as of June 30, 2009 and 2008 includes \$356,710 and \$419,254, respectively, in interest accruals from state agencies and university units.

e. Capitalized Cost of Issue

The Enterprise Fund capitalized cost of issue asset of \$1,315,245 and \$1,419,379 as of June 30, 2009 and June 30, 2008, respectively, represents paid bond issuance costs which have been capitalized and are being amortized, using the straight-line method over the life of the bonds.

**f. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents, as identified in the Statement of Net Assets, are as follows:

		<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash in treasury	\$	737,826	\$ 13,244
Cash with fiscal agent		414,589	1
Short Term Investment Pool (STIP)		111,563	28,307
First American Treasury Obligation Fund		<u>8,186,070</u>	<u>9,188,586</u>
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b><u>9,450,048</u></b>	<b><u>\$ 9,230,138</u></b>

The Enterprise Fund invests its operational cash in the Board's Short Term Investment Pool (STIP), an external investment pool. An external investment pool commingles the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. STIP participants include both state agencies and local governments. By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values.

**g. Restricted Net Assets**

The Statement of Net Assets for the Enterprise Fund reports restricted assets. Net assets are reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

The net assets of all Enterprise Fund programs with the exception of MEDB (Montana Economic Development Bonds) Guarantee Fund Account, MEDB Guarantee CRP Note Reserve, MEDB Contingency Account and CRP are restricted under bond indentures governing the use of these funds.

**h. Investments**

Investments are presented in the Statement of Net Assets at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the Board's trustee. Amortized cost, or carrying value, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line method to the maturity date of the securities.

**2. INVESTMENT RISK DISCLOSURES**

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

The Enterprise Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. Deposits and investments must be made with Montana banks or in the Short Term Investment Pool (STIP) administered by the Board.

**Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Enterprise Fund's U.S. government direct-backed securities, consisting of U.S. Treasury notes and bills, are guaranteed directly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the table below are provided by S&P's rating services.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2009 and 2008, Enterprise Fund securities were recorded in book entry form in the name of U.S. Bank National Association as Trustee for the Montana Board of Investments by specific account.

As of June 30, 2009 and 2008, the Enterprise Fund had \$3,240,541 and \$10,041,084, respectively, in Certificates of Deposits (CDs), of which \$250,000 and \$100,000, respectively, are covered by FDIC (Federal Deposit Insurance Corporation) insurance. The remaining balances of \$2,990,541 and \$9,941,084, respectively, are not covered by deposit insurance but are collateralized by securities held by U.S. Bank's Trust Department. The securities used as collateral are held by U.S. Bank's Trust Department at 100% of the Certificate of Deposit amount in a pool for multiple depositors.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Enterprise Fund investments include investments directly issued or explicitly guaranteed by the U.S. government, and investments in mutual funds. These investments are excluded from the concentration of credit risk requirement. The Enterprise Fund also invests in US Bank Certificates of Deposit. As of June 30, 2009 and 2008 these CDs represent 24.7% and 43.6% of the investment portfolio, respectively.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Enterprise Funds' bond indentures do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board has selected the duration method to disclose interest rate risk.

State of Montana Enterprise Fund investments are categorized below to disclose credit and interest rate risk as of June 30, 2009 and June 30, 2008. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using duration as calculated by Board staff. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

#### **Credit Quality Rating and Effective Duration as of June 30, 2009**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 8,186,070	AAA	NA
Short Term Investment Pool (STIP)	121,687	NR	0.13
U.S. Government Direct Obligations	1,559,751	AAA	1.00
Certificates of Deposit	<u>3,240,541</u>	<u>A+</u>	<u>2.32</u>
Total Investments	\$ <u>13,108,049</u>	<u>AA+</u>	<u>1.85</u>
Securities Lending Collateral Investment Pool	\$ <u>7,985</u>	NR	NA

#### **Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 9,188,586	AAA	NA
Short Term Investment Pool (STIP)	31,221	NR	NA
U.S. Government Direct Obligations	3,786,848	AAA	1.17
Certificates of Deposit	<u>10,041,084</u>	<u>AA</u>	<u>1.21</u>
Total Investments	\$ <u>23,047,739</u>	<u>AA+</u>	<u>1.20</u>
Securities Lending Collateral Investment Pool	\$ <u>1,370</u>	NR	NA

There were no derivative transactions during the above fiscal years for investments held by the trustee.

### **3. SECURITY LENDING**

The Enterprise Fund is a participant in the Board's Short Term Investment Pool (STIP). In fiscal years 2009 and 2008, security lending transactions were recorded for STIP.

The Board is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust “the Bank”, to lend the Board’s securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The Board and the Bank split the earnings on security lending activities.

During fiscal years 2009 and 2008, the Bank lent Board public securities and received U.S. dollar and foreign currency cash, securities issued or guaranteed by the U.S. government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The Bank cannot pledge or sell collateral securities unless the borrower defaults. The Board imposed no restrictions on the amount of securities available to lend during fiscal years 2009 and 2008. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of Default of the Borrower (other than the default by Lehman Brothers Inc. which occurred in September, 2008 and the Board of Investments was made whole in connection with this). Also, there were no losses resulting from a borrower default.

During fiscal years 2009 and 2008, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust had an average duration of 31 and 41 days, respectively, as of June 30, 2009 and 2008. The Quality D Trust had an average duration of 43 and 42 days, respectively, as of June 30, 2009 and 2008. Because the loans were terminable at will, their duration generally did not match the duration of the investments made with cash collateral. At year-end 2009 and 2008, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed.

#### 4. BONDS PAYABLE

##### Long-Term Bonds Payable

##### Economic Development Bonds (EDB) and Municipal Finance Consolidation Act Bonds (MFCAB)

These bonds are issued under the Economic Development Bond Act, and the Municipal Finance Consolidation Act, for the purpose of assisting Montana's small businesses and local governments in obtaining low cost financing. Outstanding obligations are listed as follows (in thousands):

##### Bonds Payable as of June 30, 2009

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range %</u>	<u>Principal Payments FY 2010</u>	<u>@ Maturity</u>	<u>Balance June 30, 2009</u>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 50	70 (2014)	\$ 300
Conservation Reserve Enhancement Program (CRP Bonds) (2)		880	6.00-7.40	286	108(2013)	880
Total Bonds Payable		<u>\$ 5,856</u>		<u>\$ 336</u>		<u>\$ 1,180</u>
Less Current Portion (FY2009 Principal Payments)						(336)
Total Long-Term Bonds Payable						<u>\$ 844</u>

##### Bonds Payable as of June 30, 2008

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range %</u>	<u>Principal Payments FY 2009</u>	<u>@ Maturity</u>	<u>Balance June 30, 2008</u>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 45	70 (2014)	\$ 345
Conservation Reserve Enhancement Program (CRP Bonds) (2)		1,508	6.00-7.50	372	98(2014)	1,508
Total Bonds Payable		<u>\$ 6,484</u>		<u>\$ 417</u>		<u>\$ 1,853</u>
Less Current Portion (FY2008 Principal Payments)						(417)
Total Long-Term Bonds Payable						<u>\$ 1,436</u>

(1) The Board issued these bonds to provide funds to purchase the Refunding Bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are payable solely from the collection of a special tax or assessment which is a lien against real property in the Irrigation District. While the Irrigation Bonds are not obligations of the State of Montana, the bonds are limited obligations of the Board due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The Indenture does not permit the issuance of additional bonds.

(2) The Conservation Reserve Enhancement Program is funded by the Montana Trust Funds Bond Pool.

**Future debt service as of June 30, 2009 is listed below (in thousands):**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Principal	\$ 336	\$ 296	\$ 305	\$ 173	\$ 70	\$ -	\$ 1,180
Interest	\$ 80	\$ 56	\$ 36	\$ 15	\$ 3	\$ -	\$ 190
Total	<u>\$ 416</u>	<u>\$ 352</u>	<u>\$ 341</u>	<u>\$ 188</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 1,370</u>

**Future debt service as of June 30, 2008 is listed below (in thousands):**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Principal	\$ 417	\$ 347	\$ 307	\$ 329	\$ 285	\$ 168	\$ 1,853
Interest	\$ 125	\$ 96	\$ 73	\$ 52	\$ 29	\$ 9	\$ 384
Total	<u>\$ 542</u>	<u>\$ 443</u>	<u>\$ 380</u>	<u>\$ 381</u>	<u>\$ 314</u>	<u>\$ 177</u>	<u>\$ 2,237</u>

**Current Bonds Payable**

The Enterprise Fund is authorized to issue INTERCAP bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than \$190 million as amended by the 2007 Legislature. The INTERCAP bonds provide funds for the Board to make loans to eligible government units. The bonds are not a debt or liability of the State of Montana. The bonds are limited obligations of the Board payable solely from: a) repayments of principal and interest on loans made by the Board to participating eligible Montana governments; b) investment income under the indenture; and c) an irrevocable pledge by the Board. The Board has no taxing power. These bonds may be redeemed, at the bondholder's option, any March 1, prior to maturity. The Board did not enter into an arms-length financing agreement to convert the bonds "put", or tender, but not resold into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are recorded as current liabilities of the Enterprise Fund.

The INTERCAP obligations at June 30, 2009 and June 30, 2008, are listed below (in thousands):

<u>Series</u>	<u>Amount</u>	<u>Interest</u>	<u>Maturity</u>	<u>Balance</u>	<u>Balance</u>
	<u>Issued</u>	<u>Range</u>		<u>June 30, 2009</u>	<u>June 30, 2008</u>
1994	\$ 7,500	Variable	2009	\$ -	\$ 6,685
1995	7,500	Variable	2010	4,295	6,875
1997	10,000	Variable	2017	9,415	9,520
1998	12,500	Variable	2018	12,055	12,110
2000	15,000	Variable	2025	14,750	14,750
2003	15,000	Variable	2028	14,735	14,735
2004	18,500	Variable	2029	18,370	18,370
2007	<u>15,000</u>	Variable	2032	<u>15,000</u>	<u>15,000</u>
Total INTERCAP Debt	<u>\$ 101,000</u>			<u>88,620</u>	<u>98,045</u>
Current Portion of Long-Term Bonds Payable				<u>336</u>	<u>417</u>
Current Bonds Payable				<u>\$ 88,956</u>	<u>\$ 98,462</u>

## 5. OTHER DEBT

### Conduit Debt

In this program, the Board is authorized to issue stand-alone industrial revenue bonds, under the Economic Development Act, as conduit (no commitment) debt. Assets and revenues of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Balance June 30, 2009</u>	<u>Balance June 30, 2008</u>
Colstrip	October 1989	12/30/15	\$ 60,800	\$ 42,300	\$ 45,300
Yellowstone Energy (BGI)	July 1993	12/31/19	118,345	104,600	110,145
Stillwater Mining	July 2000	07/01/20	30,000	30,000	30,000
Gainey Foundation	October 2002	09/01/14	<u>6,000</u>	<u>3,290</u>	<u>3,775</u>
Total conduit debt			<u>\$ 215,145</u>	<u>\$ 180,190</u>	<u>\$ 189,220</u>

### QZAB Debt

In this program, the Board is authorized to issue Qualified Zone Academy Bonds (QZAB), under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues, and in some cases the taxing power, of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as QZAB conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Balance June 30, 2009</u>	<u>Balance June 30, 2008</u>
Huntley Project K-12 Schools	December 2000	07/01/13	\$ 750	\$ 750	\$ 750
Bozeman Public Schools	November 2003	11/25/12	1,586	1,586	1,586
Philipsburg Schools	December 2003	12/10/17	2,000	2,000	2,000
Cut Bank Elementary	August 2005	08/18/21	825	825	825
Cut Bank High School	August 2005	08/18/21	625	625	625
Bozeman Public Schools	December 2006	12/19/15	1,459	1,459	1,459
Billings School	December 2008	06/15/18	773	773	0
Lewistown Elementary School	June 2009	06/15/17	<u>2,087</u>	<u>2,087</u>	<u>0</u>
Total QZAB conduit debt			<u>\$ 10,105</u>	<u>\$ 10,105</u>	<u>\$ 7,245</u>

## 6. INTERCAP PROGRAM LOAN COMMITMENTS

The Board makes firm commitments to fund loans from the INTERCAP loan program. As of June 30, 2009 and 2008, respectively, the Board committed to make loans to eligible Montana governments totaling \$29,249,486 and \$30,926,556.

## 7. NET ASSETS

Net Assets represents the accumulated net profits of the Enterprise Fund programs. The Net Assets for fiscal years ended June 30, 2009 and June 30, 2008 include \$61,256 and \$82,869, respectively, in unrealized appreciation (depreciation) in reporting the fair value of the Enterprise Fund investments.

## 8. TRANSFERS FROM OTHER FUNDS

In fiscal year 2009, the Board of Investments' Investment account transferred \$725,000 to the Enterprise Fund. This transfer was a partial repayment of transfers to the Board of Investments' Investment accounts made in fiscal years 2007 and 2003 for \$900,074 and \$297,266. No transfers were made in fiscal year 2008.

## 9. ARBITRAGE

The fiscal year 2009 Arbitrage Rebate Tax Expense represents an over accrual of estimated arbitrage liability as calculated by a contracted vendor.

#### **10. OPEB – OTHER POST EMPLOYMENT BENEFITS**

Refer to the State of Montana Comprehensive Annual Financial Report (CAFR) Note 7. The State of Montana CAFR is available at the Department of Administration, Administrative and Financial Service Division's website at <http://afsd.mt.gov/cafr/cafr.asp>.

#### **11. SUBSEQUENT EVENT**

On July 1, 2009, U.S. Bank established a mandatory 100% redemption of the conduit debt bonds for The Gainey Foundation for \$3,290,000. The bonds were redeemed in accordance with the loan agreement which requires a renewed or substitute letter of credit be presented to the Bank 45 days prior to the expiration or termination of the current letter of credit.

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# MONTANA BOARD OF INVESTMENTS

Department of Commerce

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Helena, MT 59601

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October 30, 2009

Ms. Tori Hunthausen, Legislative Auditor  
Legislative Audit Division  
Room 135, State Capitol  
Helena MT 59620-1705

**RECEIVED**

NOV 02 2009

**LEGISLATIVE AUDIT DIV.**

Dear Ms. Hunthausen:

The Board of Investments appreciates the services your staff provide in reviewing the Board's procedures, internal controls, accounting practices, and the accuracy of the financial statements. Your employees are always very considerate during the audit and maintained an excellent working relationship with Board staff.

Sincerely yours,

A handwritten signature in ink, appearing to read "Carroll South", written over a horizontal line.

Mr. Carroll South, Executive Director  
Montana Board of Investments