

**Annual Report
Fiscal Year 2006**



State of Rhode Island and Providence Plantations
Office of the General Treasurer
Room 102 State House
Providence, Rhode Island 02903

Frank T. Caprio
General Treasurer

February 08

To The Honorable General Assembly and the People of Rhode Island:

I am pleased to submit to you the annual report of the Office of the General Treasurer for fiscal year ending June 30, 2006 pursuant to Section 42-10-17 of the General Laws of Rhode Island.

The report summarizes revenues and expenditures, cash investments, activity involving the state and municipal retirement funds, as well as debt issues and payments.

I want to thank the board and commission members with whom I serve and the staff of the Treasury Department. Without them we would not be able to achieve our common goal of efficient management of state finances in the best interests of all Rhode Islanders.

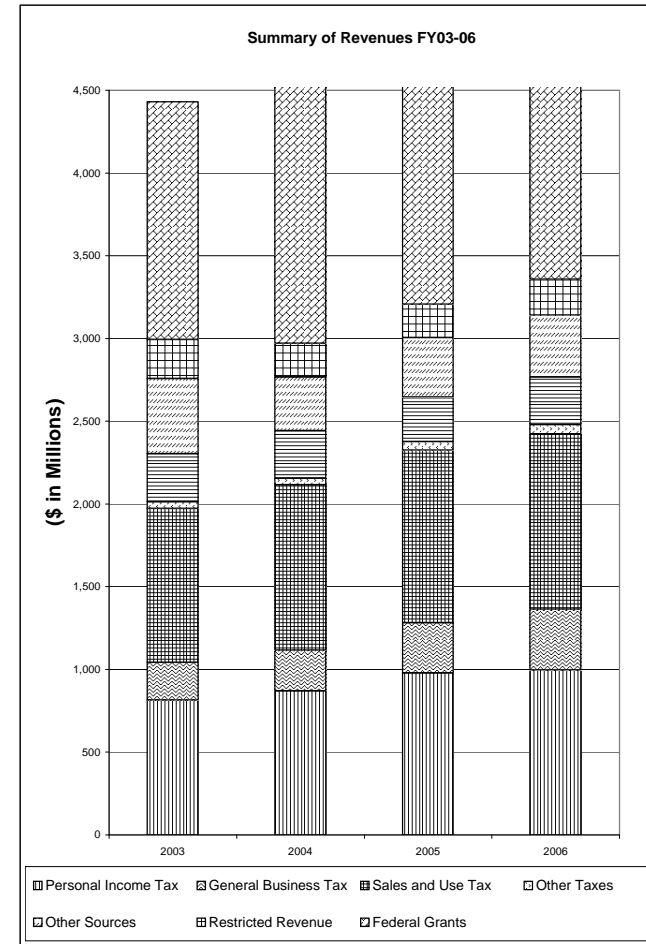
Sincerely,

Frank T. Caprio
General Treasurer

REVENUES AND EXPENDITURES

State of Rhode Island and Providence Plantations-Summary of Revenues
June 30,2006

	\$ 38,898.00	\$ 38,533.00	\$ 38,168.00	\$ 37,802.00
PERSONAL INCOME TAX	\$ 996,792,000.00	\$ 979,082,000.00	\$ 870,203,000.00	\$ 813,341,000.00
GENERAL BUSINESS TAXES:				
Business Corporations	\$ 165,054,000.00	\$ 116,026,000.00	\$ 75,972,000.00	\$ 56,416,000.00
Franchise			\$ 24,000.00	\$ 6,402,000.00
Gross Earnings Tax-Public Utilities	\$ 96,027,000.00	\$ 86,358,000.00	\$ 92,210,000.00	\$ 76,134,000.00
Income Tax-Financial Institutions	\$ 3,989,000.00	\$ (1,480,000.00)	\$ (7,296,000.00)	\$ 9,804,000.00
Tax on Insurance Companies	\$ 52,878,000.00	\$ 53,333,000.00	\$ 43,419,000.00	\$ 51,288,000.00
Tax on Deposits-Banking Institutions	\$ 1,494,000.00	\$ 1,524,000.00	\$ 1,580,000.00	\$ 1,698,000.00
Health Care Provider Assessment	\$ 47,002,000.00	\$ 46,827,000.00	\$ 40,317,000.00	\$ 28,141,000.00
SALES AND USE TAXES:				
Sales and Use Tax	\$ 869,163,000.00	\$ 847,727,000.00	\$ 822,855,000.00	\$ 777,365,000.00
Motor Vehicle Tax	\$ 52,626,000.00	\$ 47,137,000.00	\$ 47,356,000.00	\$ 47,251,000.00
Gasoline Tax	\$ 31,000.00	\$ 1,961,000.00	\$ 860,000.00	\$ 1,022,000.00
Cigarette Tax	\$ 126,341,000.00	\$ 136,342,000.00	\$ 117,263,000.00	\$ 94,379,000.00
Alcohol	\$ 10,870,000.00	\$ 10,537,000.00	\$ 10,342,000.00	\$ 10,059,000.00
Controlled Substances	\$ -	\$ -	\$ -	\$ -
OTHER TAXES:				
Inheritance and Gift	\$ 39,204,000.00	\$ 32,981,000.00	\$ 23,905,000.00	\$ 24,352,000.00
Racing and Athletics	\$ 3,490,000.00	\$ 3,991,000.00	\$ 4,587,000.00	\$ 4,939,000.00
Realty Transfer Tax	\$ 14,592,000.00	\$ 14,423,000.00	\$ 13,037,000.00	\$ 9,781,000.00
TOTAL TAXES	\$ 2,479,553,000.00	\$ 2,376,769,000.00	\$ 2,156,634,000.00	\$ 2,012,372,000.00
DEPARTMENTAL RECEIPTS				
Licenses and Fees	\$ 287,315,000.00	\$ 267,953,000.00	\$ 285,005,000.00	\$ 290,255,000.00
Fines and Penalties				
Sales and Services				
Miscellaneous				
Total Departmental Receipts	\$ 287,315,000.00	\$ 267,953,000.00	\$ 285,005,000.00	\$ 290,255,000.00
Total Taxes and Departmentals	\$ 2,766,868,000.00	\$ 2,644,721,000.00	\$ 2,441,639,000.00	\$ 2,302,627,000.00
OTHER SOURCES				
Gas Tax Transfer	\$ 4,322,000.00	\$ 9,023,000.00	\$ 7,760,000.00	\$ 25,506,000.00
Other Miscellaneous	\$ 31,163,000.00	\$ 28,197,000.00	\$ 19,706,000.00	\$ 184,087,000.00
Lottery	\$ 323,899,000.00	\$ 307,550,000.00	\$ 281,142,000.00	\$ 236,540,000.00
Unclaimed Property	\$ 14,243,000.00	\$ 15,618,000.00	\$ 17,042,000.00	\$ 8,458,000.00
Total Other Sources	\$ 373,627,000.00	\$ 360,388,000.00	\$ 325,650,000.00	\$ 454,591,000.00
Total General Revenues	\$ 3,140,495,000.00	\$ 3,005,109,000.00	\$ 2,767,289,000.00	\$ 2,757,218,000.00
Restricted Revenue/Other	\$ 216,018,000.00	\$ 200,547,000.00	\$ 202,861,000.00	\$ 235,860,000.00
Federal Grants	\$ 1,713,287,000.00	\$ 1,655,563,000.00	\$ 1,664,496,000.00	\$ 1,437,560,000.00
TOTAL	\$ 5,069,800,000.00	\$ 4,861,219,000.00	\$ 4,634,646,000.00	\$ 4,430,638,000.00



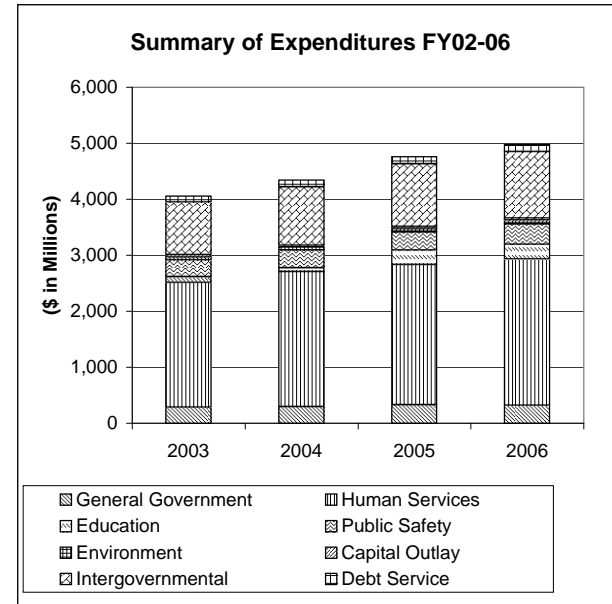
Source Data:

This data is sourced from the Comprehensive Annual Financial Report prepared by the office of Accounts and Controls, available at <http://controller.admin.ri.gov/Financial Reports/index.php>

State of Rhode Island and Providence Plantations-Summary of Expenditures
June 30,2006

**Summary of Expenditures FY02-06
by Functional Unit of Government**

	2006	2005	2004	2003
General Government	\$ 318,675,000.00	\$ 329,197,000.00	\$ 297,662,000.00	\$ 283,618,000.00
Human Services	\$ 2,614,712,000.00	\$ 2,504,107,000.00	\$ 2,409,512,000.00	\$ 2,232,252,000.00
Education	\$ 263,735,000.00	\$ 255,762,000.00	\$ 71,990,000.00	\$ 101,270,000.00
Public Safety	\$ 361,567,000.00	\$ 328,824,000.00	\$ 311,642,000.00	\$ 297,070,000.00
Environment	\$ 69,538,000.00	\$ 62,338,000.00	\$ 57,916,000.00	\$ 53,170,000.00
Capital Outlay	\$ 35,479,000.00	\$ 33,105,000.00	\$ 27,696,000.00	\$ 42,999,000.00
Intergovernmental	\$ 1,186,887,000.00	\$ 1,121,818,000.00	\$ 1,046,510,000.00	\$ 937,237,000.00
Debt Service	\$ 125,081,000.00	\$ 125,141,000.00	\$ 119,040,000.00	\$ 111,159,000.00
Total Expenditures	\$ 4,975,674,000.00	\$ 4,760,292,000.00	\$ 4,341,968,000.00	\$ 4,058,775,000.00



Source Data: This data is sourced from the Comprehensive Annual Financial Report prepared by the office of Accounts and Controls, available at <http://controller.admin.ri.gov/FinancialReports/index.php>

SHORT TERM CASH AND INVESTMENTS

State of Rhode Island
Office of the General Treasurer
Cash Management - Short Term Investments

Investment Purchase Analysis By Fund - FY06

<u>Fund</u>	<u>Type</u>	<u>Quantity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>% Total Investments</u>	<u>Average Interest % Rate</u>	<u>Average Maturity (Days)**</u>
General Fund	PIP	26 \$	216,105,054 \$	660,996 \$	216,766,050	2.21	3.97	
	CP	107 \$	1,124,487,611 \$	712,389 \$	1,125,200,000	11.51	4.14	5.50
	Repo	23 \$	307,000,000 \$	172,970 \$	307,172,970	3.14	3.61	5.61
	MM	58 \$	480,339,489 \$	1,491,294 \$	481,830,784	4.92	3.92	
	Agency	215 \$	2,575,410,376 \$	1,452,096 \$	2,576,862,472	26.35	4.18	1.93
	Total	429 \$	4,703,342,530 \$	4,489,746 \$	4,707,832,276	48.13	3.99491	3.21
Pension C	CP	25 \$	23,285,639 \$	4,361 \$	23,290,000	0.24	4.32	1.23
	Repo	11 \$	8,350,000 \$	1,378 \$	8,351,378	0.09	4.89	1.47
	Agency	129 \$	137,034,905 \$	25,095 \$	137,060,000	1.40	4.00	1.65
	Total	165 \$	168,670,545 \$	30,834 \$	168,701,378	1.73	2.82	1.64
Payroll A	CP	35 \$	30,843,824 \$	6,176 \$	30,850,000	0.32	4.24	1.70
	Repo	12 \$	11,700,000 \$	2,310 \$	11,702,310	0.12	3.87	3.13
	Agency	175 \$	173,081,338 \$	38,662 \$	173,120,000	1.77	4.06	1.98
	Total	222 \$	215,625,163 \$	47,147 \$	215,672,310	2.21	4.05	1.94
General Fund HAVA	PIP	11 \$	44,000 \$	44,000 \$	88,000	0.00	3.70	
	MM	11 \$	257,015 \$	257,015 \$	514,030	0.00	4.01	
	Total	22 \$	301,015 \$	301,015 \$	602,030	0.00	3.96	
Historic Preservation (General Fund)	CD	7 \$	3,287,258 \$	18,895 \$	3,306,152	0.03	4.14	25.80
	Total	7 \$	3,287,258 \$	18,895 \$	3,306,152	0.03	4.14	25.80
Health Insurance Fund	PIP	18 \$	67,242,100 \$	272,715 \$	67,514,816	0.69	1.46	
	CD	13 \$	63,500,000 \$	63,905 \$	63,563,905	0.65	4.46	8.12
	Agency	4 \$	36,284,624 \$	15,376 \$	36,300,000	0.37	4.32	3.53
	CP	22 \$	116,387,227 \$	212,773 \$	116,600,000	1.19	4.78	13.78
	Total	57 \$	283,413,951 \$	564,770 \$	283,978,721	2.90	4.53	13.09

CD = Certificate of Deposit
 PIP = Premium Investment Product
 CP = Commercial Paper
 Repo = Repurchase Agreements
 MM = Money Market Accounts
 Agency = Agency Paper (Federal)

Source Data: This data is pulled from the State's investment software system: si50. This spreadsheet discloses the Investment **Purchase** activity for FY06 stratified by Fund and by Type of Investment Instrument.

**** Please note that MM and PIP investments are not included in Maturity calculations as they do not have a fixed duration.**

State of Rhode Island
Office of the General Treasurer
Cash Management - Short Term Investments

Investment Purchase Analysis By Fund - FY06

<u>Fund</u>	<u>Type</u>	<u>Quantity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>% Total Investments</u>	<u>Average Interest % Rate</u>	<u>Average Maturity (Days)**</u>
Highway/ISTEA	CD	2 \$	12,000,000 \$	9,469 \$	12,009,469	0.12	5.82	7.00
	PIP	24 \$	48,039,077 \$	45,478 \$	48,084,555	0.49	4.05	
	CP	30 \$	92,573,193 \$	26,246 \$	92,599,439	0.95	4.11	2.48
	Repo	10 \$	23,800,000 \$	6,248 \$	23,806,248	0.24	3.58	2.64
	MM	13 \$	12,005,310 \$	5,310 \$	12,010,620	0.12	4.18	
	Agency	132 \$	479,918,800 \$	81,200 \$	480,000,000	4.91	3.98	1.29
	Total	211 \$	668,336,381 \$	173,950 \$	668,510,331	6.84	4.02	1.83
University College	CD	18 \$	76,354,798 \$	72,410 \$	76,427,208	0.78	3.47	9.83
	CP	30 \$	73,866,675 \$	33,325 \$	73,900,000	0.76	3.69	4.40
	Repo	11 \$	24,800,000 \$	10,960 \$	24,810,960	0.25	3.59	4.43
	Agency	122 \$	325,685,711 \$	64,289 \$	325,750,000	3.33	3.77	1.88
	Total	181 \$	500,707,184 \$	180,984 \$	500,888,168	5.12	3.62	3.59
Auto Equipment	PIP	16 \$	3,517,321 \$	19,445 \$	3,536,767	0.04	4.23	
	CD	5 \$	2,504,240 \$	2,316 \$	2,506,555	0.03	4.38	7.60
	Total	16 \$	6,021,561 \$	21,761 \$	6,043,322	0.06	4.27	7.60
TDI Reserve	CD	15 \$	43,000,000 \$	98,393 \$	43,098,393	0.44	4.14	19.91
	PIP	17 \$	53,285,917 \$	857,578 \$	54,143,495	0.55	4.32	
	CP	82 \$	196,059,896 \$	440,104 \$	196,500,000	2.01	3.95	20.48
	Repo	10 \$	16,800,000 \$	4,202 \$	16,804,202	0.17	3.60	2.50
	MM	14 \$	51,760,083 \$	1,099,560 \$	52,859,643	0.53	4.16	
	Agency	166 \$	357,197,772 \$	527,228 \$	357,725,000	3.66	3.94	13.48
	Total	304 \$	718,103,668 \$	3,027,065 \$	721,130,733	7.35	4.06	23.81
Permanent School Fund	CD	26 \$	18,790,823 \$	30,517 \$	18,821,339	0.19	4.16	14.05
	Total	26 \$	18,790,823 \$	30,517 \$	18,821,339	0.19	3.92	6.97
Employees Retirement	CD	76 \$	195,403,621 \$	421,476 \$	195,825,097	2.00	4.31	7.42
	PIP	30 \$	53,026,395 \$	83,544 \$	53,109,939	0.54	5.99	
	CP	34 \$	113,178,511 \$	221,489 \$	113,400,000	1.16	4.22	16.69
	Repo	0 \$	- \$	- \$	-	0.00		
	Agency	11 \$	37,402,354 \$	47,646 \$	37,450,000	0.38	1.78	12.61
	Total	151 \$	399,010,880 \$	774,155 \$	399,785,035	4.08	4.23	2.23

State of Rhode Island
Office of the General Treasurer
Cash Management - Short Term Investments

Investment Purchase Analysis By Fund - FY06

<u>Fund</u>	<u>Type</u>	<u>Quantity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>% Total Investments</u>	<u>Average Interest % Rate</u>	<u>Average Maturity (Days)**</u>
<u>Mun Employees Retirement</u>	CD	38 \$	22,301,100 \$	41,096 \$	22,342,196	0.23	4.11	16.14
	PIP	19 \$	4,617,817 \$	22,505 \$	4,640,322	0.05	4.48	
	CP	10 \$	6,340,741 \$	9,259 \$	6,350,000	0.06	4.06	12.94
	Repo	0 \$	- \$	- \$	-	0.00		
	Agency	5 \$	5,840,327 \$	9,673 \$	5,850,000	0.06	0.77	7.42
	Total	72 \$	39,099,985 \$	82,532 \$	39,182,518	0.40	3.35	14.07
<u>RI Clean Water</u>	CD	2 \$	4,001,956 \$	4,402 \$	4,006,358	0.04	4.40	
	PIP	13 \$	3,454,288 \$	68,020 \$	3,522,308	0.04	4.55	
	Total	15 \$	7,456,244 \$	72,422 \$	7,528,666	0.08	3.30	
<u>Bond Capital</u>	CD	31 \$	86,910,434 \$	79,041 \$	86,989,475	0.89	3.23	8.86
	PIP	24 \$	27,359,324 \$	116,652 \$	27,475,976	0.28	3.83	
	CP	10 \$	18,273,893 \$	26,107 \$	18,300,000	0.19	3.79	13.56
	Repo	0 \$	- \$	- \$	-	0.00		
	Agency	12 \$	27,591,384 \$	8,616 \$	27,600,000	0.28	3.36	3.35
	Total	77 \$	160,135,035 \$	230,416 \$	160,365,451	1.64	3.76	8.36
<u>Lottery Fund</u>	CD	14 \$	36,500,000 \$	50,977 \$	36,550,977	0.37	3.25	15.47
	CP	103 \$	579,038,242 \$	761,758 \$	579,800,000	5.93	4.25	11.14
	Repo	15 \$	65,100,000 \$	28,148 \$	65,128,148	0.67	3.57	4.36
	Agency	214 \$	941,518,670 \$	381,330 \$	941,900,000	9.63	4.06	3.60
	Total	346 \$	1,622,156,912 \$	1,222,213 \$	1,623,379,125	16.60	3.62	6.58
<u>Industrial Building & Mtg</u>	CD	0 \$	- \$	- \$	-	0.00		
	PIP	11 \$	63,358 \$	63,358 \$	126,717	0.00	3.86	
	Total	11 \$	63,358 \$	63,358 \$	126,717	0.00	2.62	

State of Rhode Island
Office of the General Treasurer
Cash Management - Short Term Investments

Investment Purchase Analysis By Fund - FY06

<u>Fund</u>	<u>Type</u>	<u>Quantity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>% Total Investments</u>	<u>Average Interest % Rate</u>	<u>Average Maturity (Days)**</u>
<u>Sweep Investments</u>		Sweep Repo						
Employees Retirement		\$	109,047,169	\$ 15,758	\$ 109,062,927		3.76	
RI Clean Water		\$	62,682,857	\$ 9,501	\$ 62,692,358		3.76	
Permanent School		\$	41,777,871	\$ 6,140	\$ 41,784,011		3.76	
Industrial Facilities		\$	69,935,214	\$ 10,253	\$ 69,945,467		3.76	
Municipal Employees Retirement		\$	64,978,524	\$ 9,635	\$ 64,988,159		3.76	
Judicial Retirement		\$	23,427,624	\$ 3,658	\$ 23,431,282		3.76	
State Police Retirement		\$	31,935,125	\$ 4,976	\$ 31,940,100		3.76	
Auto Equipment		\$	94,512,688	\$ 13,749	\$ 94,526,437		3.76	
Correctional Industries		\$	261,866,939	\$ 37,432	\$ 261,904,371		3.76	
Bond Capital		\$	114,614,985	\$ 15,415	\$ 114,630,401		3.76	
ISTEA		\$	329,254,544	\$ 46,705	\$ 329,301,249		3.76	
Child Support		\$	766,681,807	\$ 110,771	\$ 766,792,578		3.76	
Tax Refund		\$	300,936,902	\$ 48,112	\$ 300,985,013		3.76	
Merchant Std		\$	641,486,746	\$ 89,886	\$ 641,576,632		3.76	
Rite Care		\$	92,570,648	\$ 13,659	\$ 92,584,307		3.76	
Total Sweep Investment		\$	3,005,709,643	\$ 435,650	\$ 3,006,145,293		3.76	
<u>Total Short-Term YTD</u>								
	CD	198	\$ 448,914,236	\$ 612,410	\$ 449,526,646	4.59	4.11	17.61
	PIP	207	\$ 479,775,670	\$ 2,276,828	\$ 482,052,499	4.91	4.02	
	CP	306	\$ 1,470,590,764	\$ 1,698,675	\$ 1,472,289,439	15.05	3.92	10.62
	Repo	92	\$ 460,350,000	\$ 226,561	\$ 460,576,561	4.71	3.61	4.91
	MM	102	\$ 541,948,681	\$ 3,347,972	\$ 545,296,653	5.55	4.06	
	Agency	893	\$ 3,365,291,139	\$ 1,403,861	\$ 3,366,695,000	34.44	3.86	3.89
	Sweep Repo		\$ 3,005,709,643	\$ 435,650	\$ 3,006,145,293	30.76	3.76	
	Total	1,798	\$ 9,772,580,133	\$ 10,001,957	\$ 9,782,582,090	100.00	4.07	8.20

State of Rhode Island and Providence Plantations
Office of the General Treasurer

Short Term Investments Portfolio by Fund

As of June 30, 2006

	Investment		Total
	Principal + Sweeps	Cash Balance	
GENERAL FUND	\$ 164,598,366	\$ 22,647,686	\$ 187,246,052
PENSION C	\$ -	\$ 4,531,869	\$ 4,531,869
PAYROLL A	\$ -	\$ 3,697,028	\$ 3,697,028
GENERAL FUND H.A.V.A.	\$ 2,453,276	\$ -	\$ 2,453,276
GENERAL FUND (HIST PRES)	\$ 478,428	\$ -	\$ 478,428
HEALTH INSURANCE FUND	\$ 31,212,731	\$ 2,209,433	\$ 33,422,165
HIGHWAY FUND	\$ 3,341,801	\$ 1,377,616	\$ 4,719,418
UNIVERSITY COLLEGE	\$ -	\$ 3,249,750	\$ 3,249,750
PROV. RIVER RELOCATION	\$ -	\$ -	\$ -
AUTO EQUIPMENT SERVICE	\$ 658,728	\$ (125,421)	\$ 533,307
T.D.I. RESERVE (DET)	\$ 96,177,390	\$ 1,399,853	\$ 97,577,243
JOB DEVELOPMENT (DET)	\$ -	\$ -	\$ -
E.T. TARDY (DET)	\$ -	\$ -	\$ -
E.T. INTEREST (DET)	\$ -	\$ -	\$ -
PERMANENT SCHOOL FUND	\$ 986,734	\$ -	\$ 986,734
EMP RETIREMENT FUND	\$ 20,293,788	\$ 232,862	\$ 20,526,650
MUN EMP RETIREMENT FUND	\$ 1,001,572	\$ 301,429	\$ 1,303,001
R.I. CLEAN WATER ACT	\$ 4,067,242	\$ -	\$ 4,067,242
BOND CAPITAL FUND	\$ 10,067,902	\$ -	\$ 10,067,902
R.I. HIGHER EDUCATION	\$ -	\$ 348,549	\$ 348,549
STATE LOTTERY FUND	\$ 7,984,382	\$ -	\$ 7,984,382
INDUS. BLDG. & MTG. INS.	\$ 1,230,986	\$ 27,172	\$ 1,258,158
SINKING FUND	\$ -	\$ -	\$ -
JUDICIAL RETIREMENT	\$ 225,073	\$ -	\$ 225,073
STATE POLICE RETIREMENT	\$ 313,820	\$ -	\$ 313,820
RI CORRECTIONAL INDUSTRIES	\$ 2,758,723	\$ -	\$ 2,758,723
CHILD SUPPORT	\$ 5,942,435	\$ 172,627	\$ 6,115,062
TAX REFUND	\$ 1,610,051	\$ 28,234	\$ 1,638,285
MERCHANT STD DEPOSIT ACCT	\$ 2,786,432	\$ 81,214	\$ 2,867,646
RITE SHARE	\$ 365,375	\$ 14,239	\$ 379,614
DET BENEFIT	\$ -	\$ 2,708,696	\$ 2,708,696
CENTRAL SERVICES	\$ -	\$ 281,941	\$ 281,941
WORKERS COMPENSATION	\$ -	\$ 5,280,872	\$ 5,280,872
RECREATIONAL AREA	\$ -	\$ 973,832	\$ 973,832
DBR REAL ESTATE ESCROW	\$ -	\$ 413,486	\$ 413,486
COMBINED TAX ACCOUNT	\$ -	\$ 141,131	\$ 141,131
ET CLEARANCE	\$ -	\$ 78,096	\$ 78,096
EMPLOYEE DIRECT DEPOSIT	\$ -	\$ 2,895	\$ 2,895
GENERAL PUBLIC ASSISTANCE	\$ -	\$ 8,518	\$ 8,518
RECORD CENTER	\$ -	\$ 308,718	\$ 308,718
STATE OF RI PARKING CO	\$ -	\$ 51,045	\$ 51,045
SUPPORTIVE SERVICES PAYROLL	\$ -	\$ 8,691	\$ 8,691
DHS PAYROLL	\$ -	\$ 592,544	\$ 592,544
PENSION DIRECT DEPOSIT	\$ -	\$ 10,733	\$ 10,733
RI PUBLIC TELECOM	\$ -	\$ 678,187	\$ 678,187
RI SPECIAL PAYROLL	\$ -	\$ 76,277	\$ 76,277
Subtotal	\$ 358,555,236	\$ 51,809,804	\$ 410,365,039
* Includes Sweep Investment Balance as of June 30, 2006			
Source Data: Investment Principal and Sweeps are sourced from the State Investment System: si50 and the Citizens Bank GPS system, respectively. The Cash Balance information is sourced from Account Reconciliation data from the Treasury's business office.			

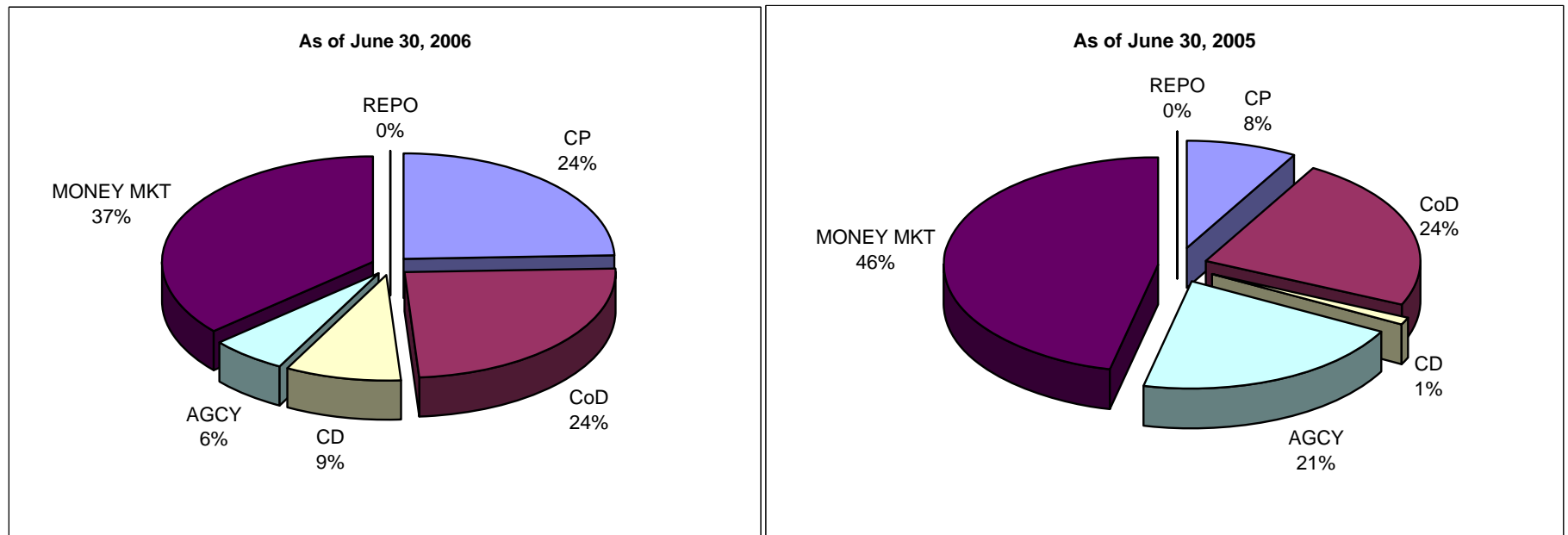
State of Rhode Island and Providence Plantations
Office of the General Treasurer

Short Term Investments Portfolio by Fund

As of June 30, 2006

	Investment Principal + Sweeps	Cash Balance	Total
CLEAN WATER 1993 SER. A	\$ 3,465,050	\$	3,465,050
CLEAN WATER 1991 SERIES A	\$ 707	\$	707
CLEAN WATER 96 SERIES A	\$ 162,939	\$	162,939
CLEAN WATER CCDL 1994 (A)	\$ 12,544	\$	12,544
CAP DEV. OF 1997 SERIES A	\$ 13,276	\$	13,276
CLEAN WATER CCDL 2002 A	\$ 19,466	\$	19,466
CLEAN WATER 2004 SERIES A	\$ 342,341	\$	342,341
CLN WATER CCDL 2005 SER E	\$ 721,678	\$	721,678
CAP DEV. OF 1997 SERIES A	\$ 882,001	\$	882,001
RI POLLUT. CONT 94 SER. A	\$ 37,481	\$	37,481
CCDL99A 1999A	\$ 6,361	\$	6,361
BOND 2001	\$ -	\$	-
POLLUTION CNTRL 2002 A	\$ 348,565	\$	348,565
POLL.CONTRL 2004 SERIES A	\$ 45,530	\$	45,530
POLLUTION CON 2005 SER C	\$ 947,039	\$	947,039
POLUTION CTRL CCDL 2005 E	\$ 88,397	\$	88,397
G.O. NOTE 1991 SER. B	\$ 8,500,000	\$	8,500,000
BOND CCDL 1993 SERIES A	\$ 3,799	\$	3,799
BOND CCDL 1994 SERIES A	\$ 169,579	\$	169,579
BOND CCBL96A	\$ 841,979	\$	841,979
CAP DEV OF 1997 SERIES A	\$ 1,415,514	\$	1,415,514
CCDL 1998B	\$ 959,114	\$	959,114
CCDL99A 1999A	\$ 2,264,661	\$	2,264,661
MMG099 1999	\$ 1,325,199	\$	1,325,199
BOND CAPITAL CCDL2000A	\$ 2,851	\$	2,851
MULTI-MODAL GEN OBL 2000	\$ 1,666,692	\$	1,666,692
BOND 2001	\$ 2,823	\$	2,823
BOND CCDL 2002 SERIES A	\$ -	\$	-
CCDL 2004 SERIES A	\$ 2,410	\$	2,410
BOND CCDL 2005 SERIES C	\$ 16,061,081	\$	16,061,081
BOND CCDL 2005 SERIES E	\$ 29,501,318	\$	29,501,318
Subtotal Bond Proceed Accounts	\$ 69,810,393	\$	69,810,393
Total Short Term Portfolio	\$ 428,365,629	\$	428,365,629

Short Term Cash Investments



Maximum Exposure Guidelines: Repo - 100%, Agency - 75%, MM - 50%, CD - 25%, CP - 25%, CoD - 25%

Commentary: FY2006 saw a marked shift in allocation by instrument in order to take advantage of the best yield opportunities. Compliance with statutory requirements for allocation by instrument was maintained.

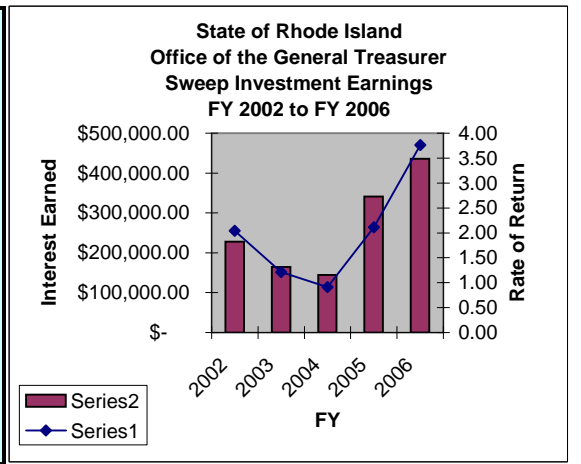
State of Rhode Island
Office of the General Treasurer
Sweep Earnings FY2002-2006

Sweep Investments

	2002 Sweep Investments				2003 Sweep Investments				2004 Sweep Investments			
	Principal	Interest	Total	Rate	Principal	Interest	Total	Rate	Principal	Interest	Total	Rate
Employees Retirement	\$ 112,444,635	\$ 8,495	\$ 112,453,130	2.04	\$ 91,557,590	\$ 4,679	\$ 91,562,270	1.21	\$ 130,810,741	\$ 4,897	\$ 130,815,638	0.91
RI Clean Water	\$ 41,907,216	\$ 3,284	\$ 41,910,499	2.04	\$ 49,855,400	\$ 2,745	\$ 49,858,145	1.21	\$ 58,888,102	\$ 2,080	\$ 58,890,182	0.91
Permanent School	\$ 33,341,436	\$ 2,709	\$ 33,344,145	2.04	\$ 41,418,305	\$ 2,049	\$ 41,420,354	1.21	\$ 51,343,657	\$ 1,896	\$ 51,345,554	0.91
Industrial Facilities	\$ 39,527,561	\$ 3,126	\$ 39,530,687	2.04	\$ 46,912,741	\$ 2,341	\$ 46,915,082	1.21	\$ 58,155,491	\$ 2,114	\$ 58,157,605	0.91
Municipal Employees Retirement	\$ 40,096,762	\$ 3,141	\$ 40,099,903	2.04	\$ 55,815,309	\$ 2,758	\$ 55,818,067	1.21	\$ 67,065,941	\$ 2,486	\$ 67,068,427	0.91
Judicial Retirement	\$ 15,418,908	\$ 1,358	\$ 15,420,266	2.04	\$ 20,270,109	\$ 1,044	\$ 20,271,153	1.21	\$ 25,339,221	\$ 1,009	\$ 25,340,230	0.91
State Police Retirement	\$ 21,483,379	\$ 1,892	\$ 21,485,271	2.04	\$ 37,456,417	\$ 2,004	\$ 37,458,421	1.21	\$ 32,697,541	\$ 1,303	\$ 32,698,844	0.91
Auto Equipment	\$ 56,050,427	\$ 5,452	\$ 56,055,879	2.55	\$ 228,310,061	\$ 11,463	\$ 228,321,524	1.21	\$ 131,631,647	\$ 4,894	\$ 131,636,541	0.91
Correctional Industries	\$ 55,071,190	\$ 5,111	\$ 55,076,301	2.04	\$ 84,189,220	\$ 4,753	\$ 84,193,973	1.21	\$ 265,469,626	\$ 9,644	\$ 265,479,270	0.91
Bond Capital	\$ 95,335,241	\$ 10,282	\$ 95,345,523	2.04	\$ 166,726,547	\$ 8,191	\$ 166,734,738	1.21	\$ 141,499,173	\$ 5,280	\$ 141,504,453	0.91
ISTEA	\$ 131,204,138	\$ 11,111	\$ 131,215,249	2.04	\$ 363,696,694	\$ 18,040	\$ 363,714,734	1.21	\$ 401,260,949	\$ 13,038	\$ 401,273,987	0.91
Child Support	\$ 401,211,030	\$ 35,374	\$ 401,246,404	2.04	\$ 1,445,264,761	\$ 72,075	\$ 1,445,336,836	1.21	\$ 1,619,935,173	\$ 59,766	\$ 1,619,994,940	0.91
Tax Refund	\$ 1,478,699,016	\$ 112,609	\$ 1,478,811,625	2.04	\$ 540,718,977	\$ 26,087	\$ 540,745,064	1.21	\$ 595,130,631	\$ 22,559	\$ 595,153,190	0.91
Merchant Std	\$ 291,803,221	\$ 23,119	\$ 291,826,339	2.04	\$ 5,081,246	\$ 198	\$ 5,081,444	1.21	\$ 72,713,949	\$ 2,796	\$ 72,716,745	0.91
Rite Care	\$ 17,818,598	\$ 1,136	\$ 17,819,734	2.04	\$ 119,688,414	\$ 5,804	\$ 119,694,218	1.21	\$ 277,927,183	\$ 10,654	\$ 277,937,838	0.91
Disbursement Account***												
Total Sweep Investment	\$ 2,831,412,757	\$ 228,199	\$ 2,831,640,956	2.04	\$ 3,296,961,790	\$ 164,231	\$ 3,297,126,022	1.21	\$ 3,929,869,024	\$ 144,418	\$ 3,930,013,443	0.91

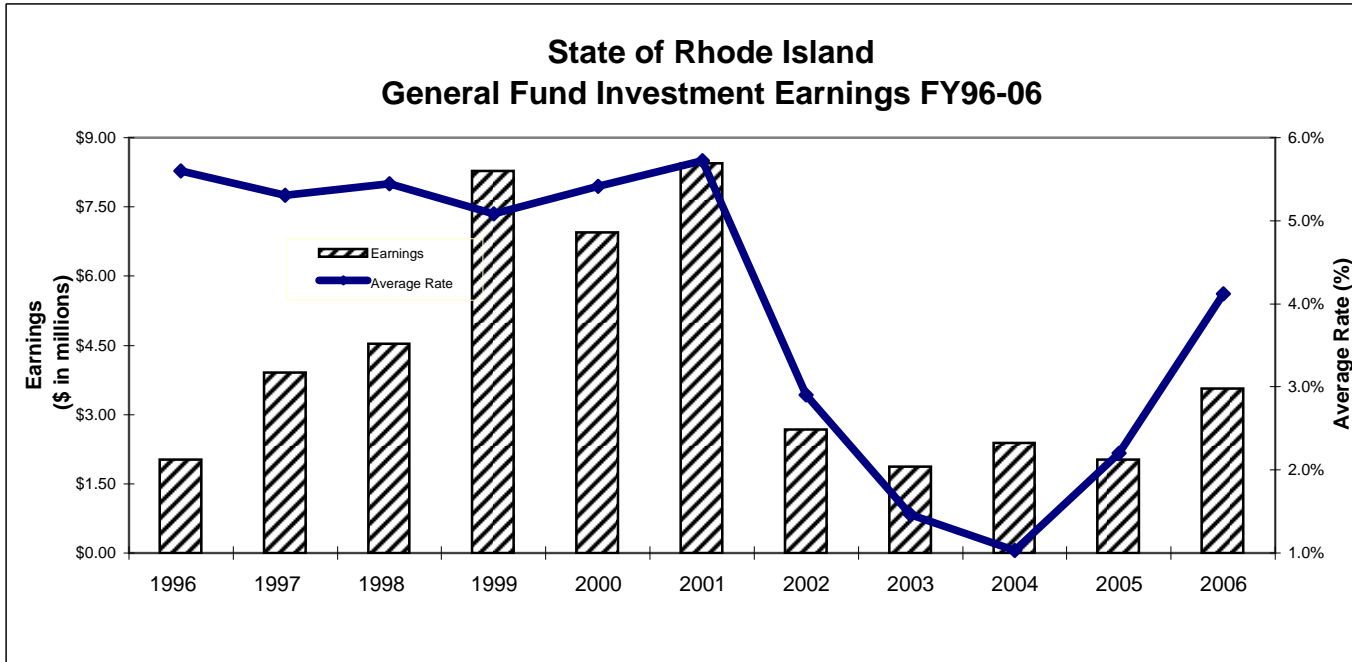
Sweep Investments

	2005 Sweep Investments				2006 Sweep Investments			
	Principal	Interest	Total	Rate	Principal	Interest	Total	Rate
Employees Retirement	\$ 210,357,872	\$ 16,369	\$ 210,374,242	2.11	\$ 109,047,169	\$ 15,758	\$ 109,062,927	3.76
RI Clean Water	\$ 78,458,511	\$ 7,214	\$ 78,465,726	2.11	\$ 62,682,857	\$ 9,501	\$ 62,692,358	3.76
Permanent School	\$ 59,911,135	\$ 4,923	\$ 59,916,058	2.11	\$ 41,777,871	\$ 6,140	\$ 41,784,011	3.76
Industrial Facilities	\$ 66,076,627	\$ 5,700	\$ 66,082,327	2.11	\$ 69,935,214	\$ 10,253	\$ 69,945,467	3.76
Municipal Employees Retirement	\$ 88,472,895	\$ 7,305	\$ 88,480,200	2.11	\$ 64,978,524	\$ 9,635	\$ 64,988,159	3.76
Judicial Retirement	\$ 26,489,562	\$ 2,374	\$ 26,491,937	2.11	\$ 23,427,624	\$ 3,658	\$ 23,431,282	3.76
State Police Retirement	\$ 36,177,087	\$ 3,270	\$ 36,180,357	2.11	\$ 31,935,125	\$ 4,976	\$ 31,940,100	3.76
Auto Equipment	\$ 150,309,354	\$ 12,605	\$ 150,321,959	2.11	\$ 94,512,688	\$ 13,749	\$ 94,526,437	3.76
Correctional Industries	\$ 243,958,871	\$ 21,851	\$ 243,980,722	2.11	\$ 261,866,939	\$ 37,432	\$ 261,904,371	3.76
Bond Capital	\$ 98,874,952	\$ 7,767	\$ 98,882,719	2.11	\$ 114,614,985	\$ 15,415	\$ 114,630,401	3.76
ISTEA	\$ 469,243,937	\$ 36,383	\$ 469,280,320	2.11	\$ 329,254,544	\$ 46,705	\$ 329,301,249	3.76
Child Support	\$ 1,159,309,353	\$ 96,911	\$ 1,159,406,265	2.11	\$ 766,681,807	\$ 110,771	\$ 766,792,578	3.76
Tax Refund	\$ 528,689,344	\$ 46,968	\$ 528,736,312	2.11	\$ 300,936,902	\$ 48,112	\$ 300,985,013	3.76
Merchant Std	\$ 713,071,757	\$ 59,831	\$ 713,131,587	2.11	\$ 641,486,746	\$ 89,886	\$ 641,576,632	3.76
Rite Care	\$ 151,850,089	\$ 11,625	\$ 151,861,714	2.11	\$ 92,570,648	\$ 13,659	\$ 92,584,307	3.76
Disbursement Account***								
Total Sweep Investment	\$ 4,081,251,347	\$ 341,097	\$ 4,081,592,445	2.11	\$ 3,005,709,643	\$ 435,650	\$ 3,006,145,293	3.76



Source Data: This data is derived from daily operations and reconciled against monthly bank statements.

Commentary: The increase in earnings is strongly correlated to the increase in rates.



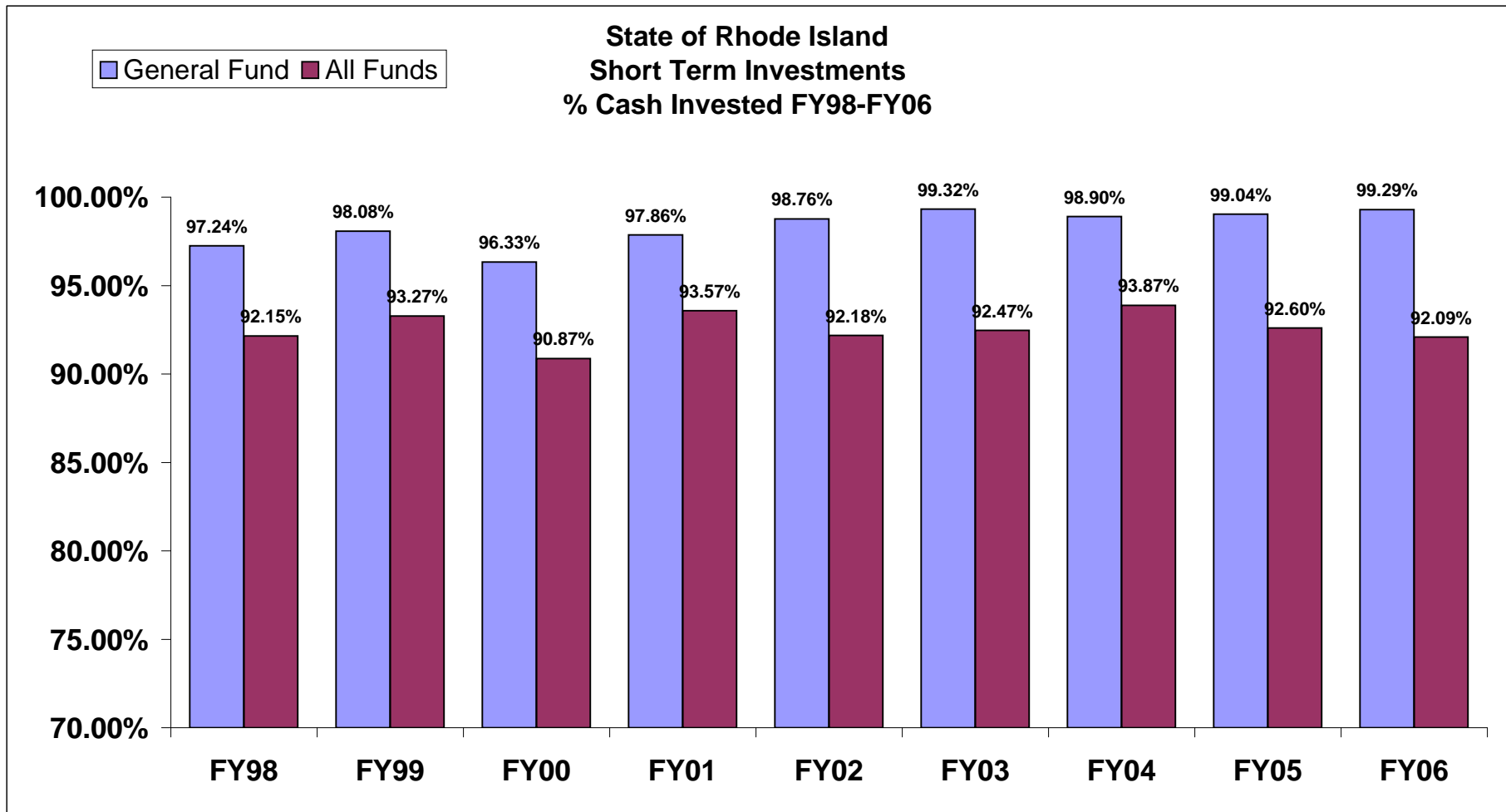
Source Data: Investment Earnings information and Average Rate information is obtained from the State Investment Software: si50. The Average Rate is the Weighted Average interest rate for an entire fiscal year's short-term investments.

Commentary: Earnings are correlated to the weighted average rate.

State of Rhode Island
Office of the General Treasurer
Schedule of Interest Earned
FY 2006

Fund	Count	Amt. Matured	Interest Earned	(W)Avg Interest Rate	(W)Avg Duration
GeneralFund	380	\$ 4,030,401,987.49	\$ 3,567,816.46	4.12	3.77
Pension C	166	\$ 171,970,306.17	\$ 31,071.85	4.05	1.62
Payroll A	222	\$ 215,625,162.50	\$ 47,147.34	4.05	1.94
Health Insurance Fund	53	\$ 260,443,319.67	\$ 521,881.32	3.71	10.09
GeneralFund HAVA	22	\$ 280,662.70	\$ 301,014.89	3.96	
General Fund Historic Preservation	7	\$ 3,269,857.20	\$ 17,400.68	3.79	49.91
Highway/ISTEA	211	\$ 667,837,129.32	\$ 173,201.95	4.06	1.82
University College	184	\$ 507,205,669.85	\$ 183,727.29	3.71	3.61
Auto Equipment	21	\$ 6,021,561.06	\$ 21,761.25	4.29	7.60
TDI Reserve	308	\$ 749,481,172.22	\$ 3,150,498.94	4.03	17.35
Permanent School Fund	26	\$ 18,760,921.58	\$ 29,901.03	4.06	14.05
Employees Retirement	150	\$ 390,510,880.16	\$ 737,045.59	4.43	16.64
Municipal Employees Retirement	72	\$ 36,404,971.98	\$ 77,545.67	4.17	15.27
RI Clean Water	15	\$ 7,456,243.62	\$ 72,422.16	4.47	9.00
Bond Capital	76	\$ 151,635,035.22	\$ 222,035.97	3.55	8.45
RI State Lottery	346	\$ 1,626,571,959.23	\$ 1,216,872.73	4.20	6.50
Industrial Bldg. and Mortgage Ins	11	\$ 60,381.82	\$ 63,358.27	3.86	
Total Short Term Investments	2270	\$ 8,843,937,221.79	\$ 10,434,703.39	4.09	6.08

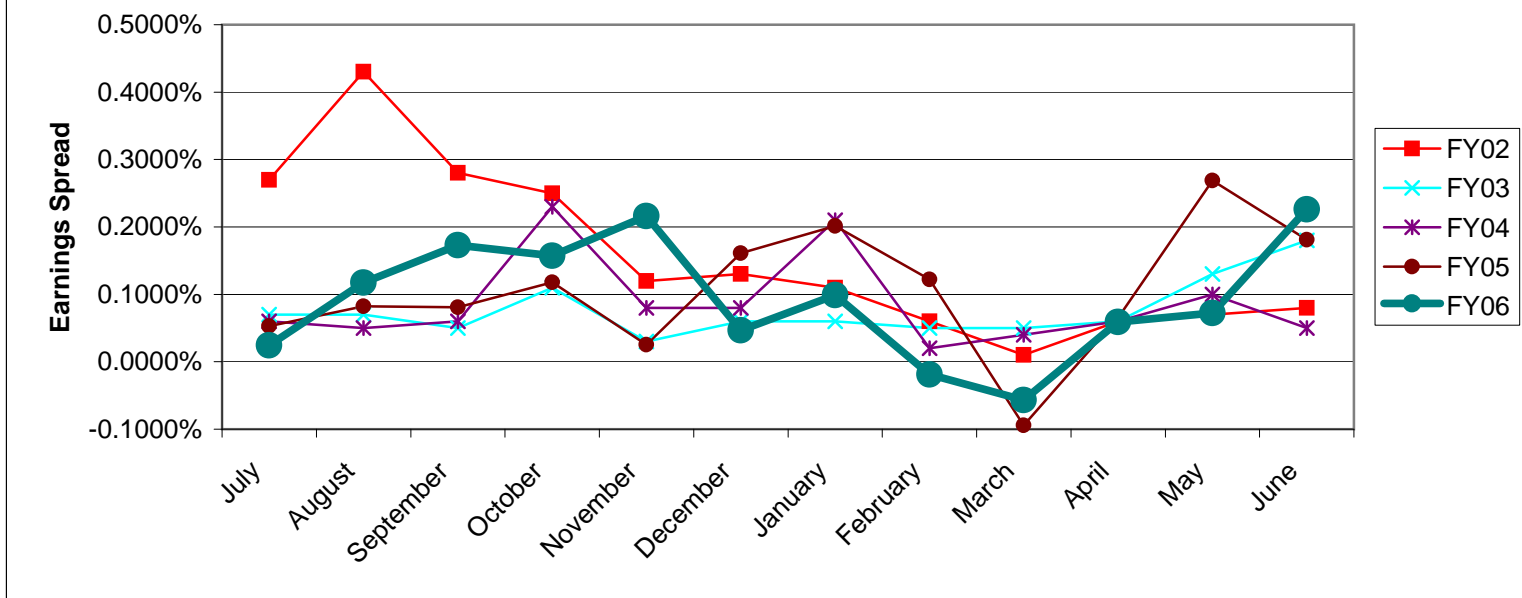
Source Data: Information obtained from the State Investment Software: si50. This data set includes Short Term Investments *matured* in FY2006. Calculations for *(W)Avg Duration* exclude PIP and MM investments as they do not have a fixed duration.



Source Data: This data is derived by calculating the ratio of Invested Balances to Invested Balances + Cash Balances (obtained from reconciliation data from the Business Office).

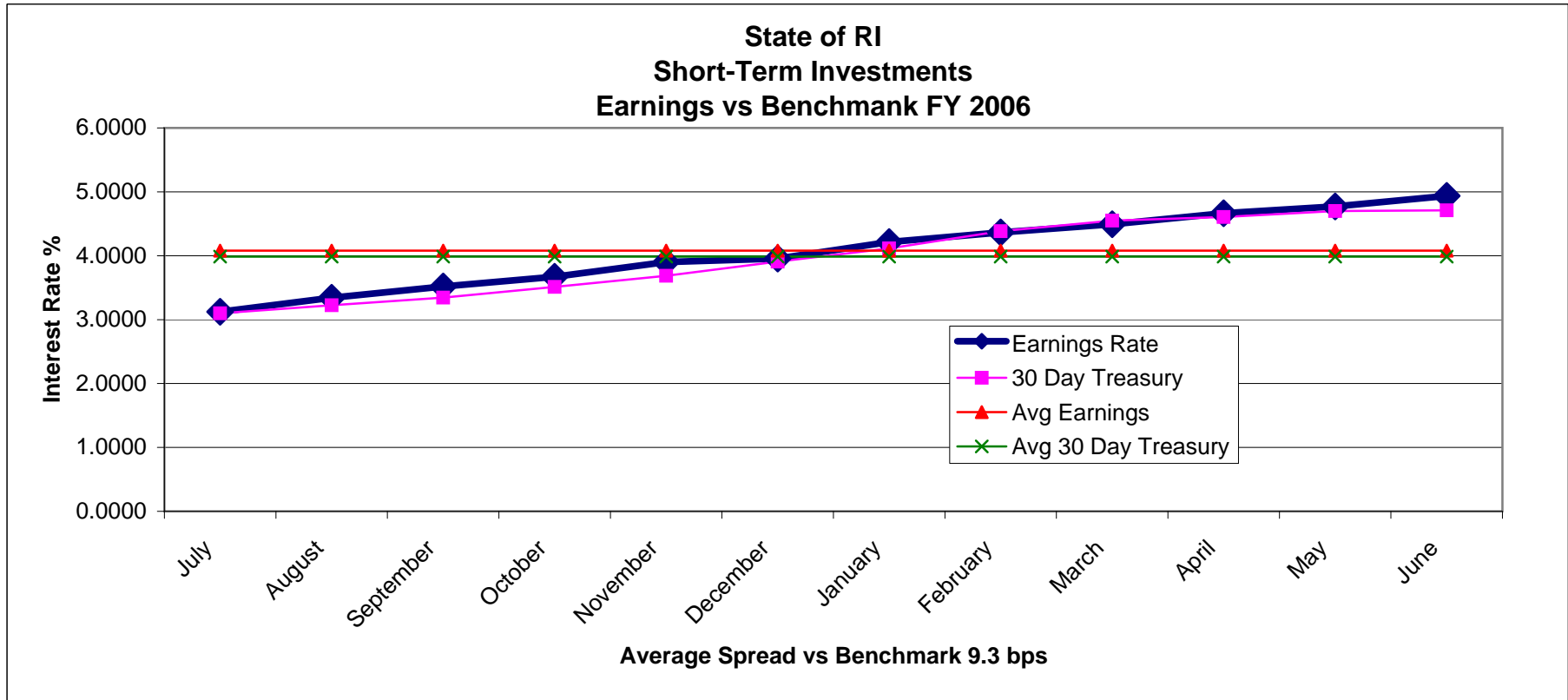
Commentary: The ratio of General Fund Cash Invested for FY 2006 was bested only by performance in FY2003, and only by .03%. The ratio of All Funds Cash Invested for FY2006 was at its lowest point since FY01. However, the gap in performance between the General Fund ratio vs. the All Funds ratio is largely the result of statutory prohibitions on the investment of certain funds. For example, certain allocations of Federal funds are prohibited from being invested by Cash Management. Therefore, All Funds Cash Invested cannot be regarded as a performance metric, but is presented only for illustrative purposes.

State of RI Short-Term Investments Earnings Spread History



Source Data: This information is derived from the State Investment System: si50 and prior FY annual reports.

Commentary: The State's Short-Term Investments earnings spread of 9.3 basis points, though lower than FY05 by 1.2 basis points, was higher than both FY03 and FY04.



Source Data: This Avg Earnings and Earnings Rate are derived from the State Investment System: si50. The Benchmark is the 30 Day Treasury Bill. The Benchmark data is derived from the Federal Reserve Board Statistical release, H15

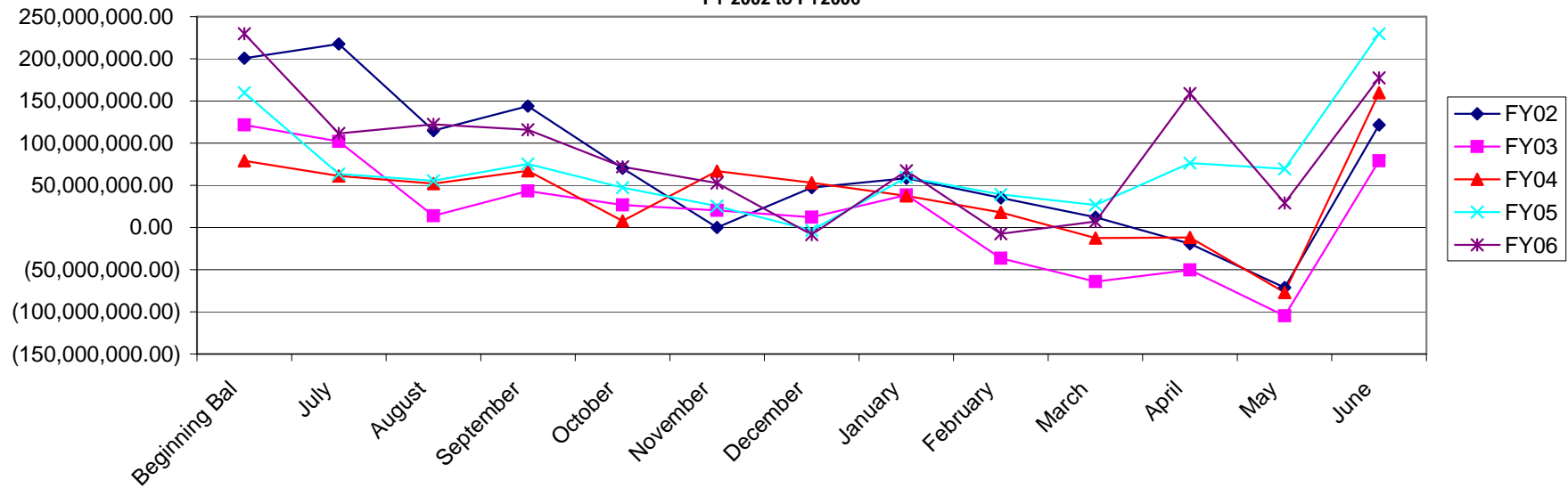
Commentary: The State's Short-Term Investments outperformed their benchmark, the 30-Day T-Bill, in 10 out of 12 months for FY2006, with an average spread over the benchmark of 9.3 basis points.

State of Rhode Island
Office of the General Treasurer
Cash Flow Analysis Summary
FISCAL 2006

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	TOTAL 2006
Estimated Beginning Balance	\$ 228,257,960	\$ 111,329,180	\$ 122,419,247	\$ 115,886,602	\$ 72,065,077	\$ 52,565,102	\$ 11,650,186	\$ 87,201,092	\$ 12,494,779	\$ 27,184,217	\$ 178,818,904	\$ 49,183,944	\$ 228,257,960
Receipts:													
Taxation / DMV	\$ 193,834,502	\$ 188,786,854	\$ 250,009,397	\$ 189,823,838	\$ 174,794,459	\$ 212,646,594	\$ 257,803,677	\$ 179,085,590	\$ 313,419,105	\$ 319,383,662	\$ 213,599,933	\$ 363,714,358	\$2,856,901,970
Federal Grants	\$ 124,519,709	\$ 114,178,869	\$ 136,414,517	\$ 131,584,745	\$ 116,947,103	\$ 240,360,523	\$ 114,087,597	\$ 141,944,735	\$ 146,283,111	\$ 143,622,235	\$ 134,597,307	\$ 194,298,700	\$1,738,839,151
Departmental Receipts	\$ 24,024,823	\$ 18,991,098	\$ 33,065,356	\$ 25,252,371	\$ 25,224,846	\$ 20,040,985	\$ 27,590,799	\$ 25,137,516	\$ 51,767,988	\$ 20,390,434	\$ 23,814,544	\$ 29,794,316	\$ 325,095,075
Lottery Transfers	\$ -	\$ 26,900,000	\$ 25,600,000	\$ 24,800,000	\$ 29,400,000	\$ 28,149,646	\$ 25,200,000	\$ 27,700,000	\$ 28,900,000	\$ 28,800,000	\$ 28,100,000	\$ 50,971,442	\$ 324,521,088
Other receipts	\$ 90,982,265	\$ 53,470,138	\$ 50,811,474	\$ 72,619,089	\$ 82,833,361	\$ 139,703,117	\$ 85,385,625	\$ 63,397,824	\$ 81,170,795	\$ 72,160,117	\$ 62,737,869	\$ 99,192,795	\$ 954,464,469
TANS Drawdown / Interfund Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000,000
Total Cash Available	\$ 661,619,260	\$ 513,656,138	\$ 618,319,992	\$ 559,966,645	\$ 501,264,846	\$ 713,465,966	\$ 521,717,884	\$ 524,466,757	\$ 634,035,777	\$ 611,540,665	\$ 641,668,556	\$ 787,155,555	\$6,448,079,712
Disbursements:													
Social Programs	\$ 157,590,543	\$ 105,078,597	\$ 192,143,466	\$ 151,496,427	\$ 121,794,063	\$ 304,857,833	\$ 116,475,377	\$ 146,889,243	\$ 191,756,325	\$ 151,032,158	\$ 124,974,812	\$ 209,798,145	\$1,973,886,991
Payroll / Pension	\$ 134,333,808	\$ 116,045,442	\$ 103,675,137	\$ 107,992,928	\$ 103,169,885	\$ 171,922,460	\$ 123,587,803	\$ 109,721,627	\$ 110,904,377	\$ 111,270,664	\$ 106,477,206	\$ 147,088,242	\$1,446,189,578
Transfers to other Funds	\$ 40,530,645	\$ 38,072,667	\$ 51,070,230	\$ 30,370,488	\$ 21,577,121	\$ 31,125,328	\$ 33,607,707	\$ 30,644,161	\$ 24,419,035	\$ 30,161,363	\$ 23,157,135	\$ 62,023,175	\$ 416,759,055
Municipal Payments	\$ 99,421,399	\$ 50,271,015	\$ 99,866,633	\$ 117,254,462	\$ 114,089,907	\$ 110,259,314	\$ 88,370,107	\$ 119,434,956	\$ 168,196,610	\$ 38,087,552	\$ 219,679,312	\$ 95,062,272	\$1,319,993,538
Debt Service	\$ 16,165,846	\$ 29,166,723	\$ 5,832,362	\$ 19,076,062	\$ 13,152,860	\$ 8,584,851	\$ 3,617,880	\$ 24,155,305	\$ 3,577,618	\$ 6,454,455	\$ 19,923,793	\$ 8,856,820	\$ 158,564,573
Check Clearing / Disbursement	\$ 67,541,610	\$ 41,605,933	\$ 39,187,437	\$ 49,137,964	\$ 53,444,146	\$ 58,633,996	\$ 58,093,639	\$ 42,192,054	\$ 54,427,471	\$ 43,773,511	\$ 54,865,052	\$ 44,088,729	\$ 606,991,543
TANS / TDI Repayment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,442,653
Tax Refund	\$ 6,909,971	\$ 5,410,611	\$ 3,674,089	\$ 3,719,256	\$ 14,226,054	\$ 8,448,694	\$ 928,701	\$ 29,031,691	\$ 48,084,760	\$ 45,187,703	\$ 35,415,795	\$ 13,544,773	\$ 214,582,098
Other	\$ 27,796,258	\$ 5,585,903	\$ 6,984,036	\$ 8,853,981	\$ 7,245,707	\$ 7,983,305	\$ 9,835,578	\$ 9,902,940	\$ 5,485,365	\$ 6,754,355	\$ 7,991,508	\$ 8,834,723	\$ 113,253,659
Total Disbursements	\$ 550,290,080	\$ 391,236,891	\$ 502,433,391	\$ 487,901,567	\$ 448,699,744	\$ 701,815,780	\$ 434,516,792	\$ 511,971,978	\$ 606,851,560	\$ 432,721,761	\$ 592,484,613	\$ 609,739,532	\$6,270,663,689
Month Ending Cash Position	\$ 111,329,180	\$ 122,419,247	\$ 115,886,602	\$ 72,065,077	\$ 52,565,102	\$ 11,650,186	\$ 87,201,092	\$ 12,494,779	\$ 27,184,217	\$ 178,818,904	\$ 49,183,944	\$ 177,416,023	\$ 177,416,023

Source Data: This data is derived from actual daily Cash Flow figures for daily operations maintained by Treasury Cash Management.

State of Rhode Island
Office of the General Treasurer
General Fund Cash Flow
FY 2002 to FY2006



Note: FY02 Through FY06 figures are net of TANS.

Source Data: Actual Cash Flow figures from daily Treasury operations. The Beginning Balance represents the Cash Balance at July 1st of each Fiscal Year; all other figures represent the balance at month-end.

Commentary: Though there is some variance, this chart demonstrates the very cyclical nature of the State's cashflow. Any proceeds from TANS have been removed from the data set to produce a more accurate history of cash flow as a function of revenue and expenditures.

Cash Management Summary All Funds Prior 4 Fiscal Years

	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY2004</u>	<u>FY2003</u>
Average Daily Cash Position	\$ 218,317,939	\$ 234,995,189	\$ 317,341,000	\$ 286,962,340
Average Daily Bank Balance	\$ 18,740,977	\$ 18,786,029	\$ 20,710,948	\$ 23,374,938
Percent of Cash Invested	92.09%	92.60%	93.87%	92.47%
Percent of GF Cash Invested	99.29%	99.04%	98.90%	99.32%
Average Maturity of Portfolio	5.61 Days	6.36 Days	4.18 Days	6.45 Days
Spread to Benchmark	9 Basis Points	11 Basis Points	9 Basis Points	8 Basis Points
Average Rate of Return	4.08%	2.11%	1.04%	1.45%

SPECIAL FUNDS

<u>FUND NAME</u>	<u>6/30/2006</u> <u>MARKET VALUE</u>	<u>6/30/2005</u> <u>MARKET VALUE</u>
Abraham Touro Fund (Fidelity Balanced Fund)	\$ 2,154,904	\$ 2,009,916
Total Special Funds	\$ 2,154,904	\$ 2,009,916

Source Data: Bank Account Statement for Period Ending June 30, 2006 and June 30, 2005 respectively.

ACCOUNTS RECEIVABLE

State of Rhode Island and Providence Plantations
Municipal Pension Contribution Delinquency as of July 15, 2006, 2005, 2004, 2003

	July, 2006 Total Arrears	Last Payroll Date Received	July, 2005 Total Arrears*	Last Payroll Ending Date Received	July, 2004 Total Arrears	Last Payroll Ending Date Received	July, 2003 Total Arrears	Last Payroll Ending Date Received
Teachers								
Barrington								
Burrillville								
Chariho Regional								
Coventry								
Foster								
Glocester								
Jamestown								
Johnston								
Lincoln**					\$ 658,226.00		\$ 1,715,629.48	
Little Compton								
N Providence								
N Smithfield								
Providence (long term subs)	\$ 259,018.46							
Smithfield								
South Kingstown								
Southern RI Collaborative								
Urban Collaborative								
West Bay Collaborative								
Westerly								
Subtotal Teachers	\$ 259,018.46				\$ 658,226.00		\$ 1,715,629.48	

Source Data: ERSRI Delinquency Statistics.

DEBT SERVICE

**State of Rhode Island - Office of the General Treasurer
Debt Service Inventory by Maturity Date as of 6/30/06**

Amount of Original Issue	Description of Issue	Year	Series	Maturity Date	Principal Paid in FY 06	(Actual)	Principal Outstanding 6/30/2006	(Projected)
						Interest Paid in FY 06		Interest Outstanding 6/30/2006
\$ 69,455,000.00	G.O. CCDL of 1994, Series A	1994	A	7/15/2005	\$ 3,395,000.00	\$ 88,270.00	\$ -	\$ -
\$ 33,745,000.00	G.O. CCDL of 1995, Series A	1995	A	8/1/2006	\$ -	\$ 93,860.00	\$ 1,805,000.00	\$ 46,930.00
\$ 39,805,000.00	G.O. CCDL of 2002, Refunding Series A	2002	Refunding Series A	12/1/2006	\$ 6,260,000.00	\$ 189,800.00	\$ 1,615,000.00	\$ 32,300.00
\$ 15,925,000.00	G.O. CCDL of 1995, Series B	1995	B	8/1/2007	\$ 805,000.00	\$ 116,732.50	\$ 1,750,000.00	\$ 97,200.00
\$ 57,835,000.00	G.O. CCDL of 1996, Series A	1996	A	8/1/2007	\$ -	\$ 161,650.00	\$ 3,050,000.00	\$ 242,475.00
\$ 81,040,000.00	G.O. CCDL of 1996, Refunding Series	1996	Refunding	8/1/2008	\$ 10,996,921.00	\$ 1,510,635.73	\$ 21,024,135.00	\$ 1,508,362.53
\$ 75,775,000.00	G.O. CCDL of 1997, Series A	1997	A	8/1/2008	\$ -	\$ 197,715.00	\$ 4,035,000.00	\$ 494,287.50
\$ 67,625,000.00	Refunding Bond Authority State Public Projects, 2003 Series A	2003	Refunding Series A	10/1/2008	\$ 7,650,000.00	\$ 1,986,025.00	\$ 36,135,000.00	\$ 2,596,375.00
\$ 647,490.20	G.O. CCDL of 1993 Refunding Series (CAB's)	1993	Refunding	6/15/2009	\$ 305,825.40	\$ 6,084,174.60	\$ 303,963.25	\$ 8,651,036.75
\$ 35,990,000.00	G.O. CCDL of 1997, Refunding Series	1997	Refunding	8/1/2009	\$ 3,926,500.00	\$ 575,077.50	\$ 9,538,300.00	\$ 1,085,057.50
\$ 28,185,000.00	LPC, Correctional Facilities - 1997 Refunding (Intake Center)	1997	Refunding	10/1/2009	\$ 2,370,000.00	\$ 630,618.76	\$ 10,655,000.00	\$ 1,140,178.14
\$ 39,875,000.00	Refunding Bond Authority State Public Projects, 1998 Series A	1998	Refunding Series A	2/1/2010	\$ 6,645,000.00	\$ 1,576,181.26	\$ 24,185,000.00	\$ 3,289,650.02
\$ 63,120,000.00	G.O. CCDL of 1999, Series A	1999	A	9/1/2010	\$ -	\$ 141,250.00	\$ 2,825,000.00	\$ 635,625.00
\$ 6,950,000.00	LPC, State Vehicles Project - 2005 Series C	2005	C	4/1/2012	\$ 1,260,000.00	\$ 195,744.79	\$ 5,690,000.00	\$ 637,537.50
\$ 3,890,000.00	C.O.P. in L.P.A. (State Vehicles Projects), 2002 Series A	2002	A	12/15/2012	\$ 665,000.00	\$ 75,480.00	\$ 1,890,000.00	\$ 254,745.00
\$ 6,000,000.00	LPC, State Vehicles Project - 2006 Series A	2006	A	4/15/2013	\$ -	\$ -	\$ 6,000,000.00	\$ 686,136.00
\$ 62,765,000.00	G.O. CCDL of 2002, Refunding Series C	2002	Refunding Series C	11/1/2013	\$ 4,900,000.00	\$ 2,772,000.00	\$ 52,075,000.00	\$ 11,039,250.00
\$ 63,005,000.00	G.O. CCDL of 2001, Refunding Series B	2001	Refunding Series B	6/1/2014	\$ -	\$ 526,000.00	\$ 10,200,000.00	\$ 3,536,000.00
\$ 82,470,000.00	G.O. CCDL of 1998, Refunding Series A	1998	Refunding Series A	7/15/2014	\$ 6,950,000.00	\$ 3,822,193.78	\$ 72,730,000.00	\$ 14,966,153.33
\$ 8,360,000.00	G.O. CCDL of 2005, Refunding Series B	2005	Refunding Series B	8/1/2014	\$ 160,000.00	\$ 233,947.47	\$ 8,200,000.00	\$ 1,808,965.70
\$ 55,990,000.00	G.O. CCDL of 2001, Refunding Series A	2001	Refunding Series A	8/1/2015	\$ 55,000.00	\$ 2,532,452.50	\$ 49,230,000.00	\$ 16,559,261.25
\$ 65,830,000.00	G.O. CCDL of 2004, Refunding Series B	2004	Refunding Series B	8/1/2015	\$ 360,000.00	\$ 2,934,098.76	\$ 64,775,000.00	\$ 18,663,525.66
\$ 4,500,000.00	Certificates of Participation, Series 1995 - Attorney General	1995	1995	10/1/2015	\$ -	\$ 147,740.00	\$ 2,795,000.00	\$ 812,775.00
\$ 24,000,000.00	LPC, Howard Center Improvements - 1997 Series	1997	1997	10/1/2016	\$ 1,125,000.00	\$ 938,398.76	\$ 17,150,000.00	\$ 5,533,143.18
\$ 33,335,000.00	LPC, Shepard's Building - 1997 Refunding Series A	1997	Refunding Series A	6/1/2017	\$ 1,425,000.00	\$ 1,268,735.00	\$ 23,655,000.00	\$ 7,897,197.50
\$ 65,720,000.00	G.O. CCDL of 1998, Series A	1998	A	9/1/2017	\$ -	\$ 276,062.50	\$ 5,690,000.00	\$ 2,248,718.75
\$ 56,315,000.00	G.O. CCDL of 2005, Refunding Series D	2005	Refunding Series D	7/15/2018	\$ 850,000.00	\$ 1,829,652.78	\$ 55,465,000.00	\$ 21,001,900.00
\$ 52,335,000.00	G.O. CCDL of 2005, Refunding Series A	2005	Refunding Series A	8/1/2018	\$ 710,000.00	\$ 1,890,480.64	\$ 51,625,000.00	\$ 27,152,614.50
\$ 57,230,000.00	G.O. CCDL of 2000, Series A	2000	A	7/15/2019	\$ -	\$ 380,750.00	\$ 7,390,000.00	\$ 3,984,125.00
\$ 135,400,000.00	G.O. CCDL of 2001, Series C	2001	C	9/1/2020	\$ -	\$ 4,266,700.00	\$ 80,395,000.00	\$ 45,834,500.00
\$ 28,180,000.00	LPC, Central Power Plant Project - 2000 Series C	2000	C	10/1/2020	\$ -	\$ 1,198,160.00	\$ 23,440,000.00	\$ 10,391,526.28
\$ 77,140,000.00	G.O. CCDL of 2002, Series B	2002	B	11/1/2022	\$ 3,145,000.00	\$ 3,592,550.00	\$ 68,075,000.00	\$ 32,751,812.50
\$ 79,770,000.00	G.O. CCDL of 2004, Series A	2004	A	2/1/2023	\$ 3,080,000.00	\$ 3,186,250.00	\$ 73,460,000.00	\$ 33,007,150.00
\$ 58,910,000.00	LPC, Kent County Courthouse Project - 2004 Series A	2004	A	10/1/2023	\$ 2,225,000.00	\$ 2,392,727.50	\$ 56,685,000.00	\$ 26,446,041.25
\$ 87,095,000.00	G.O. CCDL of 2005, Series C	2005	C	2/15/2024	\$ 2,855,000.00	\$ 3,100,241.67	\$ 84,240,000.00	\$ 43,647,962.50
\$ 51,985,000.00	LPC, Training School Project - 2005 Series A	2005	A	10/1/2024	\$ -	\$ 1,870,012.08	\$ 51,985,000.00	\$ 28,081,025.00
\$ 21,565,000.00	LPC, Traffic Tribunal Project - 2005 Series B	2005	B	10/1/2024	\$ -	\$ 674,152.65	\$ 21,565,000.00	\$ 10,291,238.85
\$ 93,385,000.00	G.O. CCDL of 2005, Series E	2005	E	11/1/2025	\$ -	\$ 2,169,785.63	\$ 93,385,000.00	\$ 50,071,343.31
				Subtotal from the DBC system.	\$ 72,119,246.40	\$ 55,626,306.86	\$ 1,104,711,398.25	\$ 437,124,125.50
\$ 31,365,000.00	Multi - Modal G.O. Bonds CCDL of 2000, Series B	2000	Multi-Modal Ser. B	8/1/2010	\$ 3,000,000.00	\$ 597,828.72	\$ 19,665,000.00	\$ 626,907.00
				Subtotal including variable rate issue from the Excel worksheets.	\$ 75,119,246.40	\$ 56,224,135.58	\$ 1,124,376,398.25	\$ 437,751,032.50
				Total outstanding debt @ 6/30/06				<u>\$1,124,376,398.25</u>
								<u>\$1,562,127,430.75</u>
\$ 11,825,000.00	R.I.E.D.C. McCoy Stadium Issue, Series 1998	1998	McCoy Stadium	12/1/2010	\$ 935,000.00	\$ 192,670.28	\$ 5,245,000.00	\$ 337,813.00
					\$ 76,054,246.40	\$ 56,416,805.86		
					\$ 56,416,805.86			
				Total FY 06 debt service payments made by Treasury including McCoy Stadium from the Excel cumulative worksheets	<u>\$132,471,052.26</u>			

Source Data: DBC Debt Management Software. Data as of 06/30/2006

State of Rhode Island
Office of the General Treasurer
Debt Service System Inventory of Matured or Retired Issues
Fiscal Year 2006

File #	Amount of Original Issue	Description of Issue	Paying Agent	Year	Series	Type	Bond Use	Specific Use	Mat or Ret Date
4	\$ 69,455,000.00	G.O. CCDL of 1994, Series A	U.S. Bank	1994	A	CCDL Direct		General Obligation	7/15/2005

Source Data: DBC Debt Management Software. Data as of 06/30/2006

State of Rhode Island
Office of the General Treasurer
FY 2006 Annual Report

**Summary - All Outstanding and Projected Debt Service Payments
(Including Performance Based Agreements)**

Fiscal Year	Principal	Interest	Total Gross Debt Service	Less: Offsets & Self Supporting	Excess Two Cents of Gas Tax held by Trustee(2)	Net Debt Service Payable
2005	\$ 90,519,714	\$ 69,487,697	\$ 160,007,411	\$ (15,842,918)	\$ 2,890,864	\$ 147,055,357
2006	\$ 97,500,970	\$ 82,522,141	\$ 180,023,112	\$ (18,888,562)	\$ 3,033,863	\$ 164,168,413
2007	\$ 109,114,739	\$ 82,709,870	\$ 191,824,609	\$ (17,822,744)	\$ 2,418,675	\$ 176,600,915
2008	\$ 102,599,420	\$ 80,374,248	\$ 182,973,668	\$ (15,230,037)	\$ 2,413,026	\$ 170,337,032
2009	\$ 109,653,690	\$ 77,598,193	\$ 187,251,883	\$ (14,787,361)	\$ 597,430	\$ 173,367,950
2010	\$ 104,843,088	\$ 75,892,621	\$ 180,735,709	\$ (16,268,603)	\$ 887,171	\$ 165,660,275
2011	\$ 99,834,193	\$ 74,708,654	\$ 174,542,847	\$ (14,412,587)	\$ 378,772	\$ 160,815,029
2012	\$ 111,984,218	\$ 73,505,648	\$ 185,489,867	\$ (14,399,694)	\$ 390,722	\$ 171,786,892
2013	\$ 120,666,454	\$ 71,346,264	\$ 192,012,718	\$ (12,735,412)	\$ 376,091	\$ 179,959,394
2014	\$ 117,899,630	\$ 69,161,759	\$ 187,061,389	\$ (11,998,780)	\$ 377,778	\$ 175,746,385
2015	\$ 118,667,196	\$ 67,028,457	\$ 185,695,653	\$ (12,002,636)	\$ 376,009	\$ 174,375,024
2016	\$ 118,452,574	\$ 64,919,507	\$ 183,372,081	\$ (12,177,502)	\$ 581,408	\$ 172,081,984
2017	\$ 122,224,627	\$ 62,669,914	\$ 184,894,541	\$ (13,028,455)	\$ 1,135,978	\$ 173,308,062
2018	\$ 114,638,702	\$ 60,356,630	\$ 174,995,332	\$ (11,932,609)	\$ 1,143,548	\$ 164,512,269
2019	\$ 119,325,080	\$ 58,324,431	\$ 177,649,511	\$ (11,936,664)	\$ 1,140,561	\$ 167,159,405
2020	\$ 116,429,761	\$ 56,094,367	\$ 172,524,128	\$ (10,517,936)	\$ 1,884,436	\$ 164,196,626
2021	\$ 117,941,635	\$ 54,135,745	\$ 172,077,380	\$ (7,808,413)	\$ 1,887,110	\$ 166,462,075
2022	\$ 109,333,941	\$ 52,370,208	\$ 161,704,149	\$ (7,809,275)	\$ 2,392,936	\$ 156,593,808
2023	\$ 118,357,355	\$ 50,739,888	\$ 169,097,243	\$ (21,436,631)	\$ 4,282,628	\$ 152,249,238
2024	\$ 94,791,799	\$ 48,815,841	\$ 143,607,640	\$ (8,783,585)	\$ (5,895,407)	\$ 129,234,645
2025	\$ 97,072,154	\$ 48,028,145	\$ 145,100,299	\$ (11,049,082)	\$ (8,150,094)	\$ 130,716,494
2026	\$ 87,809,178	\$ 46,999,720	\$ 134,808,898	\$ (8,714,246)	\$ (2,200,098)	\$ 123,894,555
2027	\$ 86,464,792	\$ 46,432,723	\$ 132,897,516	\$ (10,298,964)	\$ (629,820)	\$ 121,968,733
	\$ 2,486,124,910	\$ 1,474,222,671	\$ 3,960,347,584	\$ (299,882,696)	\$ 11,713,587	\$ 3,682,250,560

(1) Reflects amounts payable on net tax supported debt, excluding master lease payments which are budgeted within the individual agencies rather than the debt service program within the Department of Administration.

(2) Budget reflects dedication of two cent of gas tax to trustee for motor fuel bonds issued in FY2004.

Two later series in FY2006 and FY2008 are also to be funded from this gas tax dedication. Amount shown is amount payable on bonds, but bond documents covenant full two cents flows to Trustee for coverage purposes. For simplicity's sake, this assumes two cents yields \$9,370,000 .

Source Data: Page 31 of Appendix C of the 2006 Capital Budget

RI EMPLOYEES RETIREMENT SYSTEM

**State of Rhode Island
Office of the General Treasurer**

**ASSET ALLOCATION REPORT
JUNE 30th, 2006**

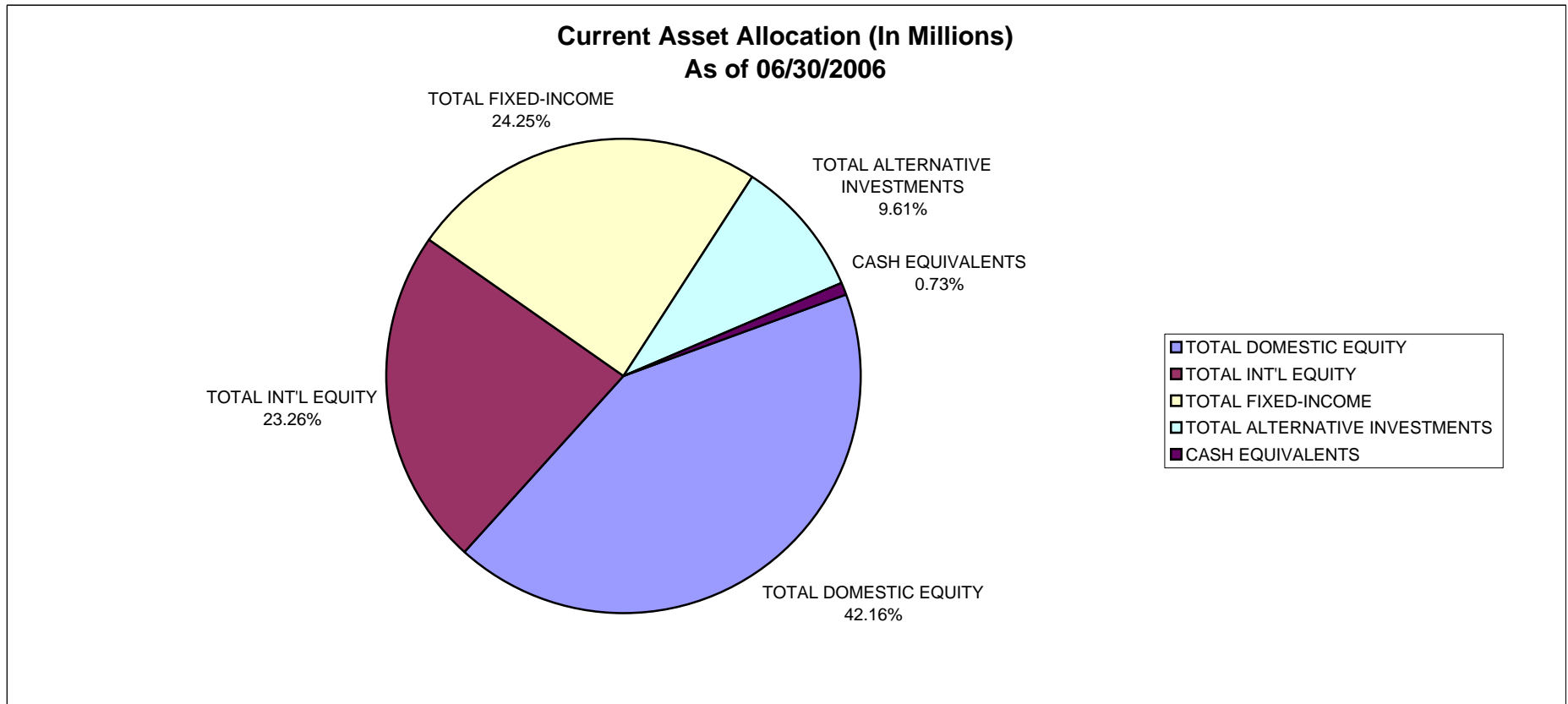
	Style Mandate	Actual (Millions \$)		Target (Millions \$)		Difference (Millions \$)
Domestic Equity						
SSgA Russell 1000	Passive	\$ 1,296.87	17.7%	\$ 1,480.27	20.25%	\$ (183.40)
SSgA Core	Active core	\$ 328.62	4.5%	\$ 328.95	4.50%	\$ (0.33)
PIMCO	Enhanced Equity	\$ 485.12	6.6%	\$ 493.42	6.75%	\$ (8.31)
NorthPointe Capital	Small Cap Value	\$ 369.36	5.1%	\$ 365.50	5.00%	\$ 3.86
Wellington Mgmt	Small Cap Core	\$ 400.43	5.5%	\$ 402.05	5.50%	\$ (1.62)
Wasatch Advisors	Small Cap Growth	\$ 199.02	2.7%	\$ 219.30	3.00%	\$ (20.28)
TOTAL DOMESTIC EQUITY		\$ 3,083.13	42.2%	\$ 3,289.48	45.00%	\$ (206.36)
International Equity						
Boston Company	MSCI ACWI	\$ 573.96	7.9%	\$ 548.25	7.50%	\$ 25.71
Goldman Sachs	MSCI ACWI	\$ 565.91	7.7%	\$ 548.25	7.50%	\$ 17.66
Mondrian	MSCI ACWI	\$ 561.10	7.7%	\$ 548.25	7.50%	\$ 12.85
Transition Account		\$ 0.07	0.0%	\$ -	0.00%	\$ 0.07
TOTAL INT'L EQUITY		\$ 1,701.05	23.3%	\$ 1,644.74	22.50%	\$ 56.30
Domestic Fixed Income						
Fidelity Management & Research	Mortgages	\$ 464.57	6.4%	\$ 456.87	6.25%	\$ 7.70
Brown Brothers, Harriman	Opportunistic Core	\$ 280.00	3.8%	\$ 274.12	3.75%	\$ 5.88
Taplin, Canida & Habacht	Corporates	\$ 278.82	3.8%	\$ 274.12	3.75%	\$ 4.69
Mackay Shields	High yield	\$ 121.24	1.7%	\$ 137.06	1.88%	\$ (15.82)
Shenkman Capital Mgmt	High yield	\$ 122.78	1.7%	\$ 137.06	1.88%	\$ (14.29)
Brown Brothers, Harriman TIPS	TIPS	\$ 505.73	6.9%	\$ 548.25	7.50%	\$ (42.51)
Transition Account		\$ 0.58	0.0%	\$ -	0.00%	\$ 0.58
TOTAL FIXED-INCOME		\$ 1,773.71	24.3%	\$ 1,827.49	25.00%	\$ (53.78)
Alternative Investments						
Real Estate	Real Estate	\$ 214.43	2.9%			
Shott Capital Mgmt	Alternative Distribution	\$ 3.72	0.0%			
Pacific Corp Group	Private Equity	\$ 463.09	6.3%			
In-State Fixed Income	Short/Int Govt	\$ 21.31	0.3%		0.00%	\$ 21.31
TOTAL ALTERNATIVE INVESTMENTS		\$ 702.56	9.6%	\$ 548.25	7.50%	\$ 154.31
CASH EQUIVALENTS	STIF, Yield+	\$ 53.24	0.7%	\$ -	0.00%	\$ 53.24
TOTAL ASSETS		\$ 7,313.68	100.0%	\$ 7,309.96	100.00%	\$ (0.00)

ALLOCATION BY MANAGEMENT STYLE

Domestic Equity						
Core		\$ 328.62	4.5%	\$ 328.95	4.50%	\$ (0.33)
Index		\$ 1,296.87	17.7%	\$ 1,480.27	20.25%	\$ (183.40)
Enhanced Equity		\$ 485.12	6.6%	\$ 493.42	6.75%	\$ (8.31)
Active Small Cap		\$ 968.80	13.3%	\$ 986.85	13.50%	\$ (18.04)
TOTAL DOMESTIC EQUITY		\$ 3,083.13	42.2%	\$ 3,289.48	45.00%	\$ (210.08)
International Equity						
Active		\$ 1,701.05	23.3%	\$ 1,644.74	22.50%	\$ 56.30
TOTAL INT'L EQUITY		\$ 1,701.05	23.3%	\$ 1,644.74	22.50%	\$ 56.30
Domestic Fixed Income						
Mortgage		\$ 464.57	6.2%	\$ 456.87	6.25%	\$ 7.70
Core		\$ 280.00	4.0%	\$ 274.12	3.75%	\$ 5.88
Corporates		\$ 278.82	3.9%	\$ 274.12	3.75%	\$ 4.69
High Yield		\$ 244.59	3.8%	\$ 274.12	3.75%	\$ (29.54)
TIPS		\$ 505.73	7.1%	\$ 548.25	7.50%	\$ (42.51)
TOTAL FIXED-INCOME		\$ 1,773.71	24.3%	\$ 1,827.49	25.00%	\$ (53.78)
Alternative Investments						
Real Estate		\$ 214.43	2.9%			
Other Alternative Investments		\$ 488.13	6.7%	\$ 548.25		
TOTAL ALTERNATIVE INVESTMENTS		\$ 702.56	9.6%	\$ 548.25	7.50%	\$ 150.59
CASH EQUIVALENTS	STIF, Yield+	\$ 53.24	0.7%	\$ -	0.00%	\$ 53.24
TOTAL ASSETS		\$ 7,313.69	100.0%	\$ 7,309.96	100.00%	\$ (0.00)

Source Data: State Street Monthly Reports.

State of Rhode Island
Office of the General Treasurer

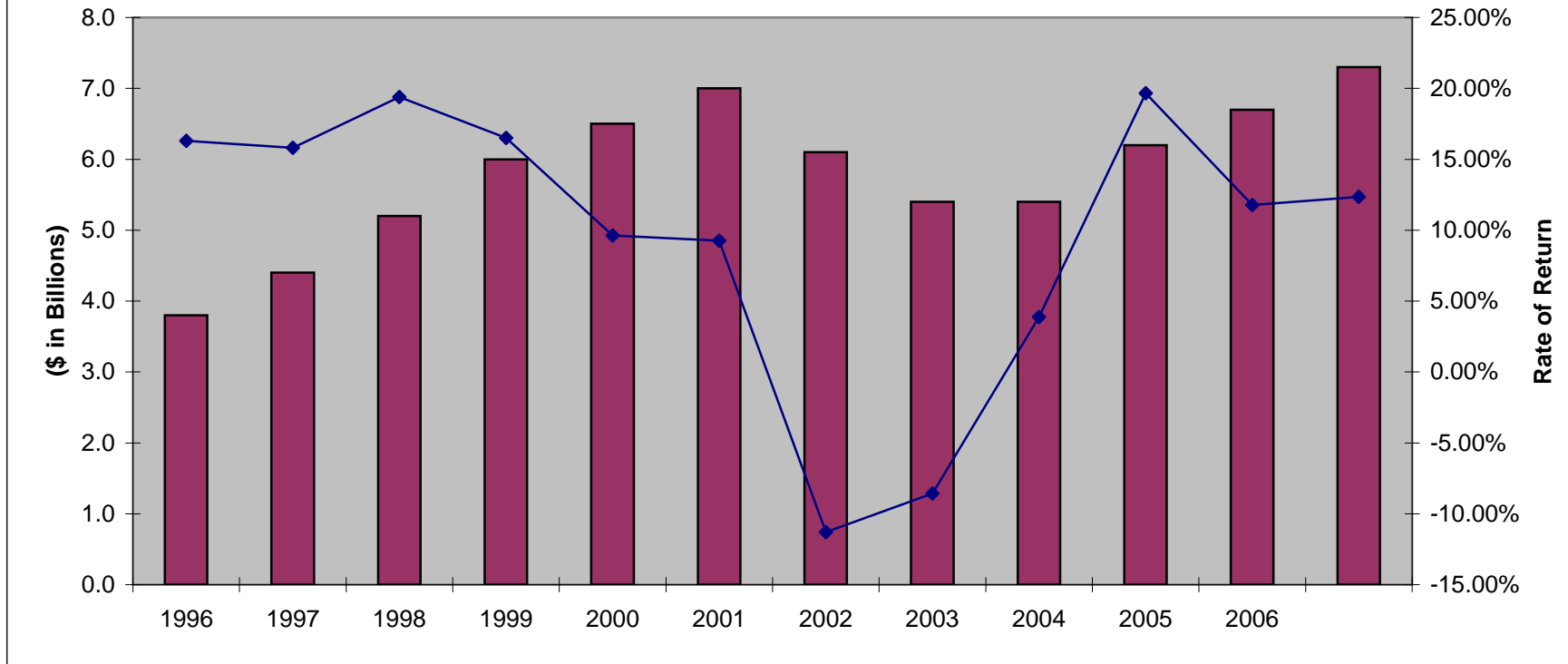


Asset Class	Asset Value as of 06/30/2006	
TOTAL DOMESTIC EQUITY	\$	3,083.13
TOTAL INT'L EQUITY	\$	1,701.05
TOTAL FIXED-INCOME	\$	1,773.71
TOTAL ALTERNATIVE INVESTMENTS	\$	702.56
CASH EQUIVALENTS	\$	53.24
TOTAL	\$	7,313.68

Source Data: State Street Analytics Data as of 06/30/2007

**State of Rhode Island
Employees Retirement System
Market Valuation and Rates of Return
FY96-06**

Valuation 3.8
Rate of Return



Source Data: State Street Annual Report

State of Rhode Island
Office of the General Treasurer
Private Equity Investment Summary
FY 2006

Investment	Inception Date	Commitment	Funding Through		Market Value at
			June 30, 2006	Unfunded Balance	June 30, 2006
ABS Capital Partners 2	July, 1996	\$ 5,000,000	\$ 4,761,393	\$ 238,607	\$ 627,451
Alta BioPharma Partners	April, 1998	\$ 10,000,000	\$ 10,000,000	\$ -	\$ 865,816
Alta BioPharma Partners 3	November, 2003	\$ 15,000,000	\$ 9,000,000	\$ 6,000,000	\$ 8,011,469
Alta California Partners 2	December, 1998	\$ 10,000,000	\$ 10,000,000	\$ -	\$ 3,907,093
Alta California Partners 3	March, 2001	\$ 15,000,000	\$ 13,500,000	\$ 1,500,000	\$ 9,992,422
Alta Partners 8	November, 2006	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
Apollo Investment Fund 4	June, 1998	\$ 15,000,000	\$ 15,090,395	\$ (90,395)	\$ 9,881,873
Apollo Investment Fund 6	May, 2006	\$ 20,000,000	\$ 150,046	\$ 19,849,954	\$ 55,450
Aurora Equity Partners 2	May, 1998	\$ 15,000,000	\$ 16,659,385	\$ (1,659,385)	\$ 14,118,451
Aurora Equity Partners 3	November, 2004	\$ 15,000,000	\$ 5,791,781	\$ 9,208,219	\$ 4,466,855
Avenue Special Situations Fund 3	March, 2006	\$ 20,000,000	\$ 20,000,000	\$ -	\$ 5,253,629
Avenue Special Situations Fund 4	January, 2003	\$ 15,000,000	\$ 11,129,214	\$ 3,870,786	\$ 12,142,015
Birch Hill Equity Partners (US) 3	December, 2005	\$ 15,064,022	\$ 2,223,884	\$ 12,840,138	\$ 2,136,480
Blackstone Capital Partners 3 Merchant Banking Fund	November, 1997	\$ 20,000,000	\$ 21,617,799	\$ (1,617,799)	\$ 9,001,973
Blackstone Capital Partners 4	January, 2003	\$ 25,000,000	\$ 23,499,780	\$ 1,500,220	\$ 23,960,340
Blackstone Capital Partners 5	January, 2006	\$ 20,000,000	\$ 2,299,995	\$ 17,700,005	\$ 1,983,506
Boston Ventures 5	November, 1996	\$ 5,000,000	\$ 5,745,426	\$ (745,426)	\$ 2,158,270
Castile Ventures 3	December, 2006	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
Catterton Partners 5	October, 2003	\$ 15,000,000	\$ 11,095,415	\$ 3,904,585	\$ 9,650,667
Catterton Partners 6	December, 2006	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
Centerbridge Capital Partners	August, 2006	\$ 15,000,000	\$ 0	\$ 15,000,000	\$ -
Charterhouse Capital Partners 7	January, 2003	\$ 15,397,500	\$ 15,302,254	\$ 95,246	\$ 15,447,331
Charterhouse Capital Partners 8	April, 2006	\$ 17,829,000	\$ 92,497	\$ 17,736,503	\$ 85,200
Coller International Partners 4	November, 2002	\$ 15,000,000	\$ 10,410,000	\$ 4,590,000	\$ 8,030,235
Coller International Partners 5	December, 2006	\$ 15,000,000	\$ 0	\$ 15,000,000	\$ -
Crossroads Providence	December, 1988	\$ 45,000,000	\$ 45,000,000	\$ -	\$ 927,457
CVC European Equity Partners 2	July, 1998	\$ 15,000,000	\$ 17,207,361	\$ (2,207,361)	\$ 6,538,927
CVC European Equity Partners 3	September, 2001	\$ 20,000,000	\$ 22,345,747	\$ (2,345,747)	\$ 20,123,761
CVC European Equity Partners 4	August, 2005	\$ 20,012,850	\$ 6,247,064	\$ 13,765,786	\$ 5,557,192
Doughty Hanson Fund 2	March, 1996	\$ 5,300,000	\$ 4,616,921	\$ 683,079	\$ 859,240
Doughty Hanson Fund 3	November, 1997	\$ 15,000,000	\$ 14,766,991	\$ 233,009	\$ 6,677,997
Fenway Partners Capital Fund 2	September, 1998	\$ 15,000,000	\$ 17,782,218	\$ (2,782,218)	\$ 14,141,127
First Reserve Fund 10	April, 2001	\$ 20,000,000	\$ 16,744,978	\$ 3,255,022	\$ 14,440,000
First Reserve Fund 11	April, 1998	\$ 15,000,000	\$ 14,494,872	\$ 505,128	\$ -
First Reserve Fund 8	October, 2004	\$ 20,000,000	\$ 18,420,088	\$ 1,579,912	\$ 9,718,000
First Reserve Fund 9	June, 2006	\$ 20,000,000	\$ 1,674,396	\$ 18,325,604	\$ 14,625,000
Focus Ventures 3	August, 2006	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
Granite Global Ventures 2	November, 2004	\$ 15,000,000	\$ 8,108,185	\$ 6,891,815	\$ 8,738,258
Granite Global Ventures 3	November, 2006	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
Green Equity Investors 4	September, 2003	\$ 15,000,000	\$ 8,812,933	\$ 6,187,067	\$ 7,777,062
Green Equity Investors 5	March, 2007	\$ 20,000,000	\$ 0	\$ 20,000,000	\$ -
Harvest Partners 3	December, 1997	\$ 15,000,000	\$ 14,457,086	\$ 542,914	\$ 3,868,314
Harvest Partners 4	November, 2001	\$ 15,000,000	\$ 12,162,239	\$ 2,837,761	\$ 18,378,331
Heritage Fund 2	August, 1997	\$ 5,000,000	\$ 4,987,144	\$ 12,856	\$ 508,611
Kayne Anderson Energy Fund 3	April, 2005	\$ 15,000,000	\$ 2,853,200	\$ 12,146,800	\$ 2,918,870
Kayne Anderson Energy Fund 4	July, 2007	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
Leapfrog Ventures 2	March, 2005	\$ 10,000,000	\$ 2,370,000	\$ 7,630,000	\$ 2,344,402
Leeds Weld Equity Partners 4	November, 2004	\$ 10,000,000	\$ 5,573,118	\$ 4,426,882	\$ 4,726,033
Lehman Brothers Merchant Banking Partners 4	January, 1900	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
Lighthouse Capital Partners 5	December, 2003	\$ 11,250,000	\$ 9,450,000	\$ 1,800,000	\$ 9,105,361
Lighthouse Capital Partners 6	March, 2007	\$ 15,000,000	\$ 0	\$ 15,000,000	\$ -
LNK Partners	April, 2006	\$ 12,500,000	\$ 139,624	\$ 12,360,376	\$ -
MatlinPatterson Global Opportunities Partners	January, 2002	\$ 15,000,000	\$ 15,088,828	\$ (88,828)	\$ 8,088,542
MHR Institutional Partners 3	October, 2006	\$ 20,000,000	\$ -	\$ 20,000,000	\$ -
Narragansett Capital Partners-B	March, 1987	\$ 3,000,000	\$ 3,915,985	\$ (915,985)	\$ -
Narragansett First Fund	December, 1982	\$ 1,000,000	\$ 969,411	\$ 30,589	\$ -
Nautic Partners 5	April, 2001	\$ 20,000,000	\$ 18,397,204	\$ 1,602,796	\$ 15,727,886
Nautic Partners 6	May, 2007	\$ 20,000,000	\$ 0	\$ 20,000,000	\$ -

State of Rhode Island
Office of the General Treasurer
Private Equity Investment Summary
FY 2006

Investment	Inception Date	Commitment	Funding Through		Market Value at June 30, 2006
			June 30, 2006	Unfunded Balance	
ABS Capital Partners 2	July, 1996	\$ 5,000,000	\$ 4,761,393	\$ 238,607	\$ 627,451
Nordic Capital Fund 3	February, 1998	\$ 10,000,000	\$ 10,017,368	\$ (17,368)	\$ 6,003,014
Nordic Capital Fund 5	August, 2003	\$ 15,021,862	\$ 18,244,103	\$ (3,222,241)	\$ 18,977,011
Nordic Capital Fund 6	May, 2006	\$ 18,061,500	\$ 181,989	\$ 17,879,511	\$ -
OCM Opportunities Fund	January, 1996	\$ 8,000,000	\$ 8,000,000	\$ -	\$ 1,221,879
OCM Opportunities Fund 2	October, 1997	\$ 12,000,000	\$ 12,000,000	\$ -	\$ 1,388,804
OCM Principal Opportunities Fund	November, 1996	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 1,207,436
Parthenon Investors	February, 1999	\$ 15,000,000	\$ 17,489,082	\$ (2,489,082)	\$ 9,602,097
Parthenon Investors 2	January, 2001	\$ 20,000,000	\$ 18,723,794	\$ 1,276,206	\$ 9,373,412
Providence Equity Partners	December, 1996	\$ 10,000,000	\$ 14,675,142	\$ (4,675,142)	\$ 749,900
Providence Equity Partners 3	January, 1999	\$ 15,000,000	\$ 16,490,503	\$ (1,490,503)	\$ 573,654
Providence Equity Partners 4	November, 2000	\$ 25,000,000	\$ 33,399,515	\$ (8,399,515)	\$ 30,649,900
Providence Equity Partners 5	April, 2005	\$ 25,000,000	\$ 17,243,906	\$ 7,756,094	\$ 14,691,028
Providence Equity Partners 6	March, 2007	\$ 25,000,000	\$ -	\$ 25,000,000	\$ -
SKM Equity Fund 2	March, 1997	\$ 10,000,000	\$ 9,185,577	\$ 814,423	\$ 1,000,439
Thomas H. Lee Equity Fund 4	April, 1998	\$ 9,000,000	\$ 8,668,964	\$ 331,036	\$ 2,056,118
Thomas, McNerney & Partners	October, 2002	\$ 15,000,000	\$ 8,100,000	\$ 6,900,000	\$ 7,247,095
Thomas, McNerney & Partners 2	November, 2006	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
TPG Partners 2	June, 1997	\$ 10,000,000	\$ 10,741,756	\$ (741,756)	\$ 6,138,802
TPG Partners 4	February, 2004	\$ 15,000,000	\$ 11,392,963	\$ 3,607,037	\$ 11,238,146
TPG Partners 5	June, 2006	\$ 20,000,000	\$ 175,317	\$ 19,824,683	\$ 175,316
VS&A Communications Partners 3	December, 1998	\$ 15,000,000	\$ 13,991,749	\$ 1,008,251	\$ 5,546,335
W Capital Partners	March, 2004	\$ 15,000,000	\$ 5,907,000	\$ 9,093,000	\$ 4,341,130
Washington & Congress Capital Partners, L.P. (fka Trium)	February, 1998	\$ 15,000,000	\$ 14,929,587	\$ 70,413	\$ 2,936,698
Wellspring Capital Partners 2	February, 1998	\$ 15,000,000	\$ 15,359,102	\$ (359,102)	\$ 477,548
Wellspring Capital Partners 3	December, 2002	\$ 20,000,000	\$ 20,349,518	\$ (349,518)	\$ 14,234,213
Wellspring Capital Partners 4	June, 2006	\$ 20,000,000	\$ 1,459,218	\$ 18,540,782	\$ 1,420,871
Welsh, Carson, Anderson & Stowe 7	December, 1995	\$ 15,000,000	\$ 15,000,000	\$ -	\$ 3,521,484
Willis Stein & Partners	June, 1996	\$ 5,000,000	\$ 5,006,918	\$ (6,918)	\$ 1,238,122

State of Rhode Island
Office of the General Treasurer
Real Estate

Manager	Inception Date	Partnership Commitment	Prior Funding Thru June 2006	Unfunded Balance	Market Values at June 30,2006
Capmark II	November 2005	\$ 15,000,000.00	\$ 6,546,313.00	\$ 8,453,687.00	\$ 7,529,306.00
Fillmore East	June 2005	\$ 20,000,000.00	\$ 12,236,898.00	\$ 7,763,102.00	\$ 2,252,331.00
Freemont Strategic Property Partners II L.P.	Aug 2004	\$ 15,000,000.00	\$ 3,522,546.00	\$ 11,477,454.00	\$ 3,024,188.00
Heitman Fund IV	March 1989	\$ 45,000,000.00	\$ 45,000,000.00	\$ -	\$ 14,121.00
JP Morgan Fleming Strategic Property Fund	Jan 2005	\$ 50,000,000.00	\$ 50,000,000.00	\$ -	\$ 53,371,181.00
JPMorgan Alt. Property Fund	November 2005	\$ 20,000,000.00	\$ 13,458,256.00	\$ 6,541,744.00	\$ 13,961,507.00
LaSalle Income & Growth IV	March 2005	\$ 15,000,000.00	\$ 4,958,778.00	\$ 10,041,222.00	\$ 4,935,772.00
Morgan Stanley Prime Property Fund	April 2005	\$ 35,000,000.00	\$ 36,194,114.00	\$ -	\$ 40,554,221.00
Prudential Real Estate Investors	Jan 2005	\$ 50,000,000.00	\$ 50,000,000.00	\$ -	\$ 55,702,933.00
RREEF America REIT II	June 2005	\$ 35,000,000.00	\$ 23,867,742.00	\$ -	\$ 38,019,582.00
Starwood	Sept 2005	\$ 20,000,000.00	\$ 20,000,000.00	\$ -	\$ 2,558,070.00
TriContinental Capital VII. L.P.	March 2005	\$ 15,000,000.00	\$ 7,367,623.00	\$ 7,632,377.00	\$ 8,097,540.00
Totals:		\$ 335,000,000.00	\$ 273,152,270.00	\$ 51,909,586.00	\$ 230,020,752.00

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Regular Meeting August 24, 2005

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, August 24, 2005. The Treasurer called the meeting to order at 9:03 a.m.

Membership Roll Call. Present were: Mr. Michael Costello, Ms. Rosemary Booth Gallogly, Mr. James E. Thorsen, Mr. John Treat, and General Treasurer Paul J. Tavares. Also present were: Mr. William Bensus and Mr. Kevin Lavelle of Wilshire Associates Incorporated, Consultant to the Commission, Ms. Tara Blackburn and Ms. Michelle Davidson of Pacific Corporate Group, Alternative Investments Consultant to the Commission, Mr. Frank Blaschka and Mr. Anthony Frammartino of The Townsend Group, Real Estate Consultant to the Commission, Jayne Donegan, Esq. of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Kerry Walsh, Esq., Chief Legal Counsel, and other members of the Treasurer's Staff. Ms. Marcia Reback and Dr. Robert J. McKenna were absent.

State Investment Commission Minutes. Mr. Costello moved, Mr. Thorsen seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Mr. Thorsen, Mr. Treat and Treasurer Tavares.

VOTED: To approve the Minutes of the June 22, 2005 regular meeting.

Proposed Investment in Avenue Special Situations Fund IV, L.P. ("Avenue IV"). Ms. Tara Blackburn of Pacific Corporate Group gave a brief overview of Avenue IV noting that the fund is being formed primarily to make non-controlling investments in debt, equity securities or other obligations of companies in financial distress.

Ms. Julie Baumann, Portfolio Manager and Mr. Alexander Wolfman, Director of Business Development represented Avenue IV. Mr. Wolfman noted that Avenue Capital Partners is a global investment firm with approximately \$7 billion of assets under management. Avenue IV is a US focused distressed investment fund. It has a unique structure designed to take advantage of the cyclical nature of distressed investing. Up to 20% of the fund may be invested in European investment opportunities. Some industries to be invested in are airlines, auto parts, independent power producers, drug retailers, paper and packaging, specialty chemicals, lodging and gaming, and health care.

Ms. Baumann noted that Avenue IV will continue to utilize the top-down, value investing approach employed through their three prior distressed funds. The fund will invest in companies in which a turnaround is anticipated, companies trading below liquidation value, or companies that are undervalued because of discrete extraordinary events. Target fund size is approximately \$1 billion. Avenue III returned gross IRR of 23.5%. Avenue IV believes that current market dynamics are setting up an ideal environment for distressed investing.

Mr. Thorsen moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Mr. Thorsen, Mr. Treat and Treasurer Tavares.

VOTED: To invest up to \$20 million in Avenue Special Situations Fund IV, L.P., contingent upon satisfactory review and negotiation of investment and other legal documents.

The Townsend Group (“Townsend”) - Real Estate Consultant - Portfolio Overview. Mr. Frank Blaschka and Mr. Anthony Frammartino represented The Townsend Group. Mr. Frammartino noted that the allocation to real estate is targeted at 5% or \$340 million based on the plan assets of \$6.8 billion. Approximately \$105 million remains to be committed for investment at this time. The allocation target for the core portfolio is 65%, or approximately \$221 million of the total real estate allocation of \$340 million. Four commitments have been made to the core portfolio totaling \$170 million, leaving approximately \$51 million for new or additional stable return funds in order to reach the target set forth in the Investment Policy Statement.

He noted that approximately \$65 million has been committed to non-core investments. The non-core investments are part of the 35% targeted allocation (currently \$119 million). If approved, the \$35 million commitment to the two funds brought before the Commission today will leave approximately \$19 million to commit to future investments.

Proposed Investment in JP Morgan Alternative Property Fund (“APF”). Mr. Frammartino gave a brief overview of APF, which is an open-end fund that invests in alternative property types. APF has established diversification limitations to ensure a somewhat broader level of diversification than most close end funds. Exposure limitations include 35% in hospitality properties, 20% in condos and for-sale housing, 30% in non-income producing investments in development and or redevelopment, and up to 15% in both core and alternative investments in Canada and Mexico.

Mr. David J. Gilbert, Portfolio Manager, Mr. George Ochs, Portfolio Manager, and Mr. John T. O’Shea, Client Advisor represented APF. Mr. Ochs gave an overview of JP Morgan Asset Management and its investment philosophy. Mr. Gilbert stated that most institutional investors focus on four main property types: office, industrial, retail and multi-family. He noted that there is a substantial universe of alternatives which are institutional quality real estate, and income producing. They include: senior living, hospitality, condominium/residential development, medical office, self-storage, student housing, parking, manufactured housing, and land/single family development.

Mr. Gilbert noted that approximately one-third of the wealth in the US real estate markets is in alternatives. APF is classified by Townsend as an enhanced return or value-added fund that is targeting 12-15% gross returns utilizing up to 60% leverage. Alternatives have offered investors the opportunity to raise risk-adjusted returns versus a pure core portfolio. APF expects to exploit emerging demographic trends, seeking value-added opportunities. The target fund size is approximately \$500 million.

Ms. Gallogly moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Mr. Thorsen, Mr. Treat and Treasurer Tavares.

VOTED: To invest up to \$20 million in JP Morgan Alternative Property Fund, contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in Westbrook Real Estate Fund VI (“Westbrook”). Mr. Frammartino gave a brief overview of Westbrook noting that it is a global high return fund that will pursue opportunistic real estate investing within the following areas: undervalued assets and portfolios; corporate and government divestitures; urgent recapitalizations; dysfunctional ownership; non-performing loans, and single family residential development. Up to 45% of the fund may be invested in Europe and Asia and 55% in the United States.

Mr. Jeffrey M. Kaplan, Managing Principal and Mr. Paul D. Kazilionis, Managing Principal and CEO represented Westbrook. Mr. Kazilionis noted that Westbrook Partners was founded in 1994 and through its past six funds has invested \$4.8 billion of equity (185 investments) in more than \$20.7 billion of real estate transactions. All 185 investments are projected to achieve an IRR of 35.6%. Of those, 111 investments have been realized producing an IRR of 45.9%. The target fund size was originally \$750 million, but will be increased to approximately \$850-\$875 million because of demand.

Mr. Kaplan stated that Westbrook is a value buyer focusing on high quality, well-located and liquid assets. Westbrook follows a historically successful investment philosophy that consists of a set of guiding principles that define attractive qualities of a transaction without regard to market, asset class or economic cycle. The Westbrook funds are known for their early return of capital to investors. Westbrook will concentrate on major gateway cities where they have offices: New York, London, Paris and Tokyo.

Ms. Gallogly moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Mr. Thorsen, Mr. Treat and Treasurer Tavares.

VOTED: To invest up to \$15 million in Westbrook Real Estate Fund VI, contingent upon satisfactory review and negotiation of investment and other legal documents.

Investment Manager Review - Mondrian Investment Partners Ltd. (“Mondrian”). Mr. Bensur of Wilshire Associates Incorporated (“Wilshire”) gave a brief overview noting that Mondrian was retained in April 2004 to provide a long-term, strategic allocation to the non-US equity market (all country world ex-US market). Market value at 6/30/05 was \$509.7 million representing 33.5% of the Non-US equity composite and 7.6% of the total fund. Investment performance, net of fees, for one year is 3.95% ahead of the benchmark.

Ms. Laura A. Conlon, Senior Vice President, Ms. Fiona Barwick, Director of Regional Research (London Office) represented Mondrian. Ms. Conlon introduced Mr. John C. E. Campbell, President of Global Institutional Services at Delaware International Investments (“Delaware”). She noted that Mondrian went through a management buyout last year and became independent from Delaware. However, the emerging markets portfolio remained with Delaware and Mondrian was retained as sub-advisor for that portfolio.

Ms. Barwick stated that Mondrian is an owner-operated business with \$35 billion of assets under management: approximately \$31 billion in various equity products and approximately \$4 billion in fixed income. Mondrian is a value-oriented defensive manager investing in stocks where rigorous dividend discount analysis isolates value in terms of the long-term flow of dividends. Dividend yield and future real growth play a central role in its decision making process and over time the dividend component will be a meaningful portion of expected total return.

Ms. Barwick noted that Mondrian uses a top-down and bottom-up process. She also noted that the currency contribution has had a big impact on performance this year. The largest contributor being a partial hedge on sterling along with an underweighting to Japan. Stock selection had a positive effect on the portfolio.

Wilshire Associates Incorporated - Capital Market Review. Mr. Bensus noted that economic growth continues but that inflation is rising. The unemployment rate is down 5% and new and existing home sales rose in June. The S&P is up 1.5% year-to-date (8/23/05) and the Wilshire 5000 is up 2.3%. Non-US equities have continued to outperform US equities. Fixed income is up 2% year-to-date. Mr. Bensus also noted that the fund is 1.35% ahead of the benchmark for calendar year-to-date.

Legal Counsel Report - Brown Rudnick Berlack Israels, LLP ("Brown Rudnick"). Ms. Donegan updated the Commission on the Gateway Eight bankruptcy. She noted that on August 17th a hearing was held to consider the Disclosure Statement and Auction and Bidding Procedures which were proposed for the sale of the Gateway property. Capital Properties, the ground lessor, made one objection to the Disclosure Statement. They requested that the Judge modify the Disclosure Statement to avoid giving the potential purchaser of the building the right to seek recharacterization of the ground lease as a loan secured by a first priority lien on the land.

Judge Hillman denied this motion, saying that this issue is a matter of state law and a purchaser would be free to attempt to recharacterize the lease in state court. Ultimately the amended Disclosure Statement and Auction and Bidding Procedures were approved and the auction was scheduled for September 27, 2005. The voting package for the Plan will be sent out on August 25, 2005 with objections to the Plan confirmation and votes on the Plan being due by September 20, 2005.

Treasurer Tavares noted that the auction has been advertised and interested parties have responded and been qualified. A confidentiality agreement has been signed by all interested parties. The minimum bid allowable is \$17.9 million.

Treasurer's Report. Treasurer Tavares noted that the Separation of Powers legislation has made no further progress leaving nothing significant to report.

Mr. Costello moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Mr. Thorsen, Mr. Treat and Treasurer Tavares.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 11:10 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Regular Meeting September 28, 2005

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, September 28, 2005. The Treasurer called the meeting to order at 9:05 a.m.

Membership Roll Call. Present were: Mr. Michael Costello, Ms. Rosemary Booth Gallogly, Ms. Marcia Reback, Mr. James E. Thorsen, Mr. John Treat, and General Treasurer Paul J. Tavares. Also present were: Ms. Joan M. Caine, Deputy Treasurer for Finance, Mr. William Bensur of Wilshire Associates Incorporated, Consultant to the Commission, Jayne Donegan, Esq., Legal Counsel to the Commission, and other members of the Treasurer's Staff. Dr. Robert J. McKenna was absent.

State Investment Commission Minutes. Ms Gallogly moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Thorsen, Mr. Treat and Treasurer Tavares.

VOTED: To approve the Minutes of the August 24, 2005 regular meeting.

Mr. Costello moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Thorsen, Mr. Treat, and Treasurer Tavares.

VOTED: Pursuant to R.I.G.L. § 42-46-5(2) and R.I.G.L. § 42-46-5(7) the Commission votes to close the meeting to the public to discuss the litigation regarding the Gateway Eight mortgage; and to discuss the investment of public funds regarding the Gateway Eight mortgage.

The Commission went into Executive Session at 9:07 a.m.

Open Session. Ms. Reback moved, Mr. Thorsen seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Thorsen, Mr. Treat, and Treasurer Tavares.

VOTED: To reconvene the meeting into Open Session.

The Commission reconvened into Open Session at 9:40 a.m. There were no votes taken while the Commission was in Executive Session.

Mr. Thorsen moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Thorsen, Mr. Treat, and Treasurer Tavares.

VOTED: To seal the Minutes of the Executive Session held today, September 28, 2005.

Investment Manager Review - Goldman Sachs (“Goldman”). Mr. Bensur of Wilshire Associates Incorporated (“Wilshire”) gave a brief overview noting that Goldman was retained in 2004 to provide a long-term, strategic allocation to the non-US equity market. Market value at 6/30/05 was \$516.9 million representing 33.9% of the non-US equity composite and 7.75% of the total fund. Net of fees, the portfolio was up 2.10% year-to-date (versus the benchmark 0.32%).

Mr. Michael Ray, Client Service Manager, Mr. Len Ioffe, Portfolio Manager and Mr. Yoel Lax, Portfolio Manager represented Goldman. Mr. Ioffe noted that the portfolio has assets of \$549 million as of 8/31/05. He also noted that there are 207 positions in the portfolio which is below the number dictated by the guidelines. While this variance is currently acceptable to the Commission, Treasurer Tavares requested that in the future Goldman should inform Ms. Caine of any variances from the guidelines, and whether such deviations are temporary or if modifications to the guidelines should be considered.

Mr. Lax noted that the top contributors in the developed country equities were Austria, Norway and Belgium. The bottom contributors were Canada, UK and Australia. In the emerging markets equities the top contributors were Brazil, Korea and Columbia. The bottom contributors in the emerging markets equities were South Africa, Russia and Mexico. The top contributors in the developed currencies were the Japanese yen, Norwegian krone and the New Zealand dollar. The bottom contributors were the UK pound sterling, Swiss franc and the Canadian dollar.

Mr. Lax noted that there are 26 countries in the emerging markets and the portfolio is slightly overweighted in Brazil and Korea and slightly underweighted in Mexico, China and Malaysia. The largest sector exposure is to financials, followed by energy, consumer discretionary, industrials, and health care.

Note: Mr. Treat left the meeting at 10:00 a.m.

Investment Manager Review - Pacific Investment Management Company (“PIMCO”). Mr. Bensur gave a brief overview noting that PIMCO was retained in 2000 to provide a strategic allocation to the domestic equity market in the form of an enhanced index portfolio. Market value at 6/30/05 was \$450.1 million representing 14.9% of the US equity composite and 6.7% of the total fund. Performance, net of fees, for one year was 6.60% - outperforming the benchmark by 30 basis points.

Mr. Thomas J. Otterbein, Executive Vice President and Ms. Melody Rollins, Vice President represented PIMCO. Mr. Otterbein noted that equity indexes have been flat to slightly negative and that portfolio diversification helped offset the negative impact of rising US short-term rates. Ms. Rollins stated that as short-term rates increased, longer rates fell due to subdued inflation and strong demand. She noted that front-end duration exposure and a strategy designed to benefit from curve steepening detracted from returns. European rates fell amid expectations of slower growth which resulted in enhanced returns and provided the StocksPLUS portfolio with important diversification.

Ms. Rollins reported that the broad market mortgage yield spreads increased and that holdings of select lower coupon issues added value. TIPS underperformed as inflation expectations fell and detracted from performance. PIMCO expects to retain positions in mortgages and corporates and look to add value through emerging markets by owning issues with attractive yields and solid credit fundamentals.

Proposed investment in Wellspring Capital Partners IV, L.P. (“Wellspring”). Ms. Michelle Davidson of Pacific Corporate Group gave a brief overview of Wellspring noting that the fund is being formed to make value-oriented, control equity investments between \$25 million to \$150 million in middle market special situations and restructurings with enterprise values ranging from \$100 million to \$500 million, principally in North America. The target fund size is \$750 million with a cap of \$1 billion.

Mr. William Dawson, Partner in Wellspring Capital Partners (“WCP”), represented Wellspring. Mr. Dawson noted that WCP was founded in 1995 and has had a consistent focus on value-oriented, control middle-market investments. He noted that realized investments have returned a gross IRR of 50% and that unrealized investments have returned a gross IRR of 34%. Wellspring will target undermanaged or underperforming companies with strong core franchises and solid fundamentals. Wellspring will focus on basic industries such as consumer products, business and consumer services, manufacturing, retail and distribution.

Mr. Dawson also noted that Wellspring avoids industries such as technology/internet, real estate, media and telecom. Wellspring creates value through their deal sourcing, due diligence/structuring and hands-on involvement post-investment. Wellspring Fund II returned 37.9% and Fund III returned 23.5% through 7-15-05.

Mr. Thorsen moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Thorsen, and Treasurer Tavares. (Note: Mr. Treat was not present for this vote.)

VOTED: To invest up to \$20 million in Wellspring Capital Partners IV, L.P., contingent upon satisfactory review and negotiation of investment and other legal documents.

Wilshire Associates Incorporated - Capital Market Review. Mr. Bensur noted that presently the US equity market is not offering significant returns. Small and mid cap stocks continue to outperform large stocks. He stated that Non-US equities have outperformed US equities consistently over the last 4-5 years. Emerging markets continue their outperformance. The S&P 500 is up approximately 1.5% on a year-to-date basis. Small stocks are up 3-4% and fixed income is up 2%. The total portfolio is up approximately 5.5% for the calendar year-to-date.

Deputy Treasurer for Finance Report. Ms. Caine reported that the audited numbers for the fiscal year showed the fund up 11.8%. She noted that the only public funds that reported higher returns were those with long-term real estate exposure. REITs were very high performers. She also noted that with regard to private equity, ERSRI is foregoing several re-up opportunities with four existing relationships in order to comply with allocation guidelines. Ms. Caine noted that Shenkman Capital is struggling but is up 2.2% year-to-date and their benchmark is 2.7%. She stated that Shenkman is being watched closely.

Ms. Caine formally welcomed Vincent Izzo to the Treasury team as he was promoted to replace George Crepeau. She noted that the scope of the position was broadened in order to cover the cash management and debt management areas as well as the pension fund. These changes will facilitate cross-training and succession planning.

Ms. Reback moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Thorsen, and Treasurer Tavares. (Note: Mr. Treat was not present for this vote.)

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 11:05 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Regular Meeting October 26, 2005

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, October 26, 2005. The Treasurer called the meeting to order at 9:10 a.m.

Treasurer Tavares welcomed and introduced new Commission member Jeffrey Britt to the State Investment Commission. Mr. Britt was appointed by Governor Carcieri and succeeds Mr. James E. Thorsen.

Membership Roll Call. Present were: Mr. Jeffrey Britt, Mr. Michael Costello, Ms. Rosemary Booth Gallogly, Ms. Marcia Reback, Mr. John Treat, and General Treasurer Paul J. Tavares. Also present were: Ms. Joan M. Caine, Deputy Treasurer for Finance, Mr. David Lindberg of Wilshire Associates Incorporated, Consultant to the Commission, Jayne Donegan, Esq., of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Ms. Tara Blackburn of Pacific Corporate Group, Alternative Investments Consultant to the Commission and other members of the Treasurer's Staff. Dr. Robert J. McKenna joined the meeting at 9:25 a.m.

State Investment Commission Minutes. Ms Gallogly moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat and Treasurer Tavares. (Note: Dr. McKenna was not present for this vote.)

VOTED: To approve the Minutes of the September 28, 2005 regular meeting and the Minutes of the September 28, 2005 Executive Session.

Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares. (Note: Dr. McKenna was not present for this vote.)

VOTED: Pursuant to R.I.G.L. § 42-46-5(2) and R.I.G.L. § 42-46-5(7) the Commission votes to close the meeting to the public to discuss the litigation regarding the Gateway Eight mortgage; and to discuss the investment of public funds regarding the Gateway Eight mortgage.

The Commission went into Executive Session at 9:12 a.m.

Open Session. Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To reconvene the meeting into Open Session.

The Commission reconvened into Open Session at 9:40 a.m. There were no votes taken while the Commission was in Executive Session.

Ms. Reback moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To seal the Minutes of the Executive Session held today, October 26, 2005.

Ms. Gallogly moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: That the General Treasurer be authorized to negotiate and enter into a lease with Fidelity Investments pursuant to which Fidelity Investments would lease the Gateway building, contingent upon satisfactory review and negotiation of a lease and other legal documents.

Investment Manager Review - State Street Global Advisors ("SSgA") - Core-Oriented US Equity Portfolio. Mr. Lindberg gave a brief overview noting that SSgA was retained in 1998 to provide a strategic core-oriented allocation to the overall US equity market. As of 9/30/05 the portfolio represents approximately 10.2% of the US equity composite and 4.6% of the total fund. He also noted that SSgA was again retained in 2003 to provide a long-term strategic allocation to a passively managed representation of the large and mid capitalization segments of the US equity market. As of 9/30/05 the portfolio represents approximately 44.3% of the US equity composite and 20.1% of the total fund.

Ms. Donna Watkins, Principal/Client Service Officer, Mr. Michael J. Feehily, CFA, Principal and Mr. Michael Arone, CFA, Principal represented SSgA. Ms. Watkins noted that SSgA has \$1.4 trillion in assets under management. She stated that upon the death of SSgA's former president Mr. Timothy Harbert, Mr. William Hunt has been named President and Chief Executive Officer. She also noted that Christopher Pope, head of US Sales and Client Service has recently left SSgA. As of 9/30/05 the active US large cap core account SSgA manages for RIERS was valued at \$310.8 million and the Russell 1000 Index fund was \$1.4 billion for a total of \$1.7 billion of assets with SSgA.

Mr. Feehily noted that approximately 80% of SSgA's new business comes from existing clients. He noted that 94% of the Russell 1000 Index strategy's cash flows are traded at low or no cost because they are traded in-house. Only 6% of trades flow through the open market. He stated that the transactions over the past year for this portfolio have cost less than one basis point which is a savings of approximately \$250,000. All cap styles performed well, with mid-caps leading in the third quarter and year-to-date.

Mr. Arone stated that the core portfolio's universe is the 1000 largest securities by market cap, which includes all S&P 500 securities. He noted that April to August 2004 was a difficult performance period with the spread between volatility and correlations at unprecedented levels. More recently this spread has narrowed and since August of 2004 the fund has outperformed by 4.1%, with an absolute return of 19.8%. The portfolio's sector weights have no significant variations from the benchmark. The overweight in energy proved to contribute to the portfolio as did the underweight in financials.

Proposed Investment in Blackstone Capital Partners V, L.P. ("BCP V"). Ms. Tara Blackburn of Pacific Corporate Group ("PCG") gave a brief overview of BCP V. She noted that the fund is being formed to pursue a broad range of equity and equity-related investments,

primarily in large cap companies in the US and Western Europe. BCP V will continue the strategy implemented in the four previous funds targeting aggregate capital commitments of \$12.5 billion. BCP V will be the largest buyout fund ever raised.

Mr. Kenneth C. Whitney, Senior Managing Director represented BCP V. Mr. Whitney noted that Blackstone has demonstrated its ability to generate top quartile returns across different sectors and varying economic cycles. Blackstone's strong reputation and broad scope of relationships within the private equity space drive deal flow and provide the opportunity to appraise most deals requiring equity investments greater than \$500 million. Over a span of 17 years, Blackstone's investments have generated an overall gross IRR of 31% and an overall net IRR of 22%. BCP IV has generated an overall gross IRR of 92% and a net IRR of 71%.

Mr. Whitney noted that there are advantages in large deals as they offer very attractive risk-adjusted returns. There are fewer competing bidders, more efficient financing, more negotiated deals, more corporate partnerships available and lower relative transaction costs. Approximately 50% of transactions in BCP V will be corporate partnerships. He expects approximately \$11 billion of the fund will come from existing relationships and the other \$1.5 billion from new investors.

Mr. Costello moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares. Ms. Gallogly recused herself from this vote.

VOTED: To invest up to \$20 million in Blackstone Capital Partners V, L.P., contingent upon satisfactory review and negotiation of investment and other legal documents.

Ms. Blackburn reported that the private equity portfolio has returned well over a 40% IRR for the last twelve months.

Brown Rudnick Berlack Israels, LLP ("Brown Rudnick") Contract. Treasurer Tavares reported that the contract with Brown Rudnick for general representation is expiring shortly. He and staff recommend renewal for one year under the current terms and conditions.

Ms. Reback moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve the engagement of Brown Rudnick Berlack Israels to serve as General Counsel to the State Investment Commission for a period of one year ending October 31, 2006 under the same terms and conditions of the existing contract.

Wilshire Associates Incorporated - Capital Market Review. Mr. David Lindberg stated that negative impacts on the market have been rising oil prices and the impact of hurricanes and concerns about inflation. Third quarter earnings are up 13% from the same time period last year. Unemployment rates have been low and job growth has been high. The Fed continues to raise rates at a quarter of a percent at each meeting. Overall inflation on an annualized basis has been approximately 4.25% this year. The S&P 500 is down 1.3% year-to-date as of 10/21/05 and small stocks were down 2%. International stocks have performed better with MSCI EAFE up 4% and MSCI ACWI up 6%.

Deputy Treasurer for Finance Report. Ms. Caine noted that the fund size is nearly \$7 billion as of 9/30/05 which is close to the all time high back in 2000. The international markets have performed very well. The pension fund continues to fund benefits by requesting drawdowns from the international managers. She noted that funds continue to be withdrawn from managers who have performed well to bring them back to allocation targets. Managers are notified of the withdrawals with enough time so that there are no market disruptions as staff continues to rebalance the portfolio. The fund is up 4.4% for fiscal year-to-date 9/30/05. International stocks have performed well on an absolute basis and the fixed income managers have also outperformed their benchmarks.

Ms. Caine noted that the securities lending program was re-established in 2000 and informed the Commission that she visited State Street's offices yesterday. She expects to recommend a change in the reinvestment pool in which the cash collateral is invested. The securities lending program generates approximately \$2 million per year. She explained that the portfolio's securities are lent out to primarily short-sellers who pay the fund a fee for lending those assets and that they are also required to put up some cash collateral. That cash collateral is then reinvested into a short-term sweep type investment. There are two collateral pools to invest in and the plan may benefit by investing in a different collateral pool. Ms. Caine stated that staff will meet with Wilshire and State Street to evaluate both pools and bring a recommendation to the Commission soon.

General Treasurer's Report. Treasurer Tavares publicly thanked and acknowledged State Investment Commission members for their support and guidance as it relates to the Gateway Eight matter. He also thanked staff for their due diligence as well.

New Business. Ms. Reback moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: That Treasurer Tavares will write to Mr. James E. Thorsen on behalf of the State Investment Commission to thank him for his long and valued service to the Commission.

Ms. Gallogly moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:45 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Regular Meeting December 7, 2005

A State Investment Commission ("SIC") meeting was held in Room 203, State House, Providence, Rhode Island on Wednesday, December 7, 2005. The Treasurer called the meeting to order at 9:10 a.m.

Membership Roll Call. Present were: Mr. Jeffrey Britt, Mr. Michael Costello, Mr. George Welly, Designee of Rosemary Booth Gallogly, Ms. Marcia Reback, Mr. John Treat, and General Treasurer Paul J. Tavares. Dr. Robert J. McKenna joined the meeting at 9:11 a.m. Also present were: Mr. George Carvalho, Chief of Staff, Ms. Joan M. Caine, Deputy Treasurer for Finance, Mr. William G. Bensusan and Mr. David Lindberg of Wilshire Associates Incorporated, Consultant to the Commission, Kevin Nulton, Esq. and Jayne Donegan, Esq., of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Ms. Michelle Davidson of Pacific Corporate Group, Alternative Investments Consultant to the Commission, Mr. Frank Blaschka of The Townsend Group, Real Estate Consultant to the Commission and other members of the Treasurer's Staff.

Treasurer Tavares explained to the Commission the status of the Separation of Powers legislation as it relates to Mr. Britt's appointment to the Commission. Mr. Britt is an appointee of the Governor. After Mr. Britt's appointment, the Senate President sent a letter to the Governor stating that Mr. Britt had not received the advice and consent of the Senate as required by Article IX, Section 5 of the Constitution. The Senate President noted that any gubernatorial appointment to any office, board, or commission without the advice and consent of the Senate, is, in their view, unconstitutional. The Governor disagrees. Treasurer Tavares requested that the Attorney General issue an opinion on the matter and that opinion has not yet been received. Meanwhile, he asked the Commission to be aware that Mr. Britt's vote on any matter could be challenged at some point, but that if there were still 5 prevailing votes on any issue, the issue would stand.

State Investment Commission Minutes. Ms Reback moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat and Treasurer Tavares.

VOTED: To approve the Minutes of the October 26, 2005 regular meeting.

Mr. Costello moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat and Treasurer Tavares.

VOTED: To approve and seal the Minutes of the October 26, 2005 Executive Session.

Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: Pursuant to R.I.G.L. § 42-46-5(2) and R.I.G.L. § 42-46-5(7) the Commission votes to close the meeting to the public to discuss the litigation regarding the Gateway Eight mortgage; and to discuss the investment of public funds regarding the Gateway Eight mortgage.

The Commission went into Executive Session at 9:15 a.m.

Open Session. Ms. Reback moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To reconvene the meeting into Open Session.

The Commission reconvened into Open Session at 9:35 a.m. There were no votes taken while the Commission was in Executive Session.

Mr. Costello moved, Mr. Welly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To seal the Minutes of the Executive Session held today, December 7, 2005.

Proposed Investment in Nordic Capital Fund VI, L.P. (“Nordic VI”). Ms. Michelle Davidson of Pacific Corporate Group (“PCG”) gave a brief overview of Nordic VI. She noted that the Employees’ Retirement System of RI (“ERSRI”) is a limited partner in Nordic III and Nordic V. Nordic VI is being formed to make control investments in companies primarily located in Denmark, Finland, Norway and Sweden. Nordic VI will continue the investment strategy pursued in the previous funds and will target middle-market control buyout opportunities. Equity investments will typically range from €50 million to €250 million.

Mr. Ulf Rosberg, Partner, and Mr. Joakim Karlsson, Partner, represented Nordic VI. Mr. Rosberg explained that Nordic does not have a particular industry focus, but historically has invested in the pharmaceuticals, health care, materials, automobile, capital goods, and food and beverage industries, among others. The fund is targeting €1.7 billion in commitments.

Mr. Karlsson reported on Nordic’s investment track record. He noted that the first two Nordic funds have gross IRRs on realized and unrealized investments of 76% and 105% respectively. Fund III is approximately 70% realized and gross IRR on realized investments is 60%. Fund IV is approximately 67% realized and gross IRR on realized investments is 40%. There have been no distributions as yet in Fund V.

Mr. Costello moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$20 million in Nordic Capital Fund VI, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in GMAC Commercial Realty Partners II, L.P. ("GMAC II"). Mr. Frank Blaschka of The Townsend Group ("Townsend") gave a brief overview of GMAC II. He noted that GMAC II is the seventh non-core investment and is an enhanced return closed-end fund targeting 15% gross returns (13% net) utilizing up to 65% leverage. The Fund will invest primarily in office, retail, mixed use, multifamily and industrial properties on a national basis. GMAC will co-invest in the fund.

Mr. Paul Dilinoy, Executive Vice President and Managing Director, Mr. Robert Fabiszewski, Executive Vice President and Managing Director, and Mr. William F. Martin, Senior Vice President and Fund II Portfolio Manager represented GMAC II. Mr. Dilinoy explained that GMAC Commercial Mortgage is the number one commercial mortgage investment banker in the United States. There are 40 production offices which provide extensive local market knowledge and industry contacts as well as proprietary access to investment opportunities. He stated that GMAC will be investing \$100 million of their own capital in Fund II. In 2004 GMAC closed \$22.5 billion of investment transactions and a total of \$136 billion in transactions since 1995.

Mr. Fabiszewski noted that as of September 30, 2005, 254 properties have been acquired for a total of \$6 billion. Ninety-one properties have been sold for an average net IRR of 27.1%. Year-to-date GMAC reviewed 199 deals and participated in 29 for a total of \$1.4 billion. Their large deal flow provides alternatives which allows them a strategic and competitive advantage for the fund.

Mr. Martin explained that Fund I was a \$190 million fund invested in 21 assets. Fund II will target \$500 million diversified among 40-50 assets. Fund I partners received \$71.3 million in distributions from return of capital and preferred returns. The target yield for Fund II is 12% to 14% IRR, net of fees. GMAC will seed this fund with a pool of 12 properties totaling approximately \$163 million in net asset value and \$741 million in gross asset value. The properties were purchased in the spring and summer of 2005 with the intention to be contributed into Fund II. The current pool of assets is 42% office, 39% retail, 11% multifamily and 8% mixed-use, with properties located throughout the United States.

Ms. Reback moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$15 million in GMAC Commercial Realty Partners II, contingent upon satisfactory review and negotiation of investment and other legal documents.

Wilshire Associates Incorporated - Capital Market Review. Mr. David Lindberg stated that retail spending remains strong and interest rates are rising moderately. Oil continues to trade at nearly \$60 per barrel. The S&P 500 is up 6% year-to-date as of December 2, 2005. The Nasdaq is up 4.6%. Small stocks are up 7%, international stocks are up 10.8%. Emerging markets have been very strong, up 29.1%.

Mr. Bensus gave an overview of performance for the third quarter of 2005. He noted that October was a challenging month. The pension fund is up 4.7% through the end of October. He noted that the fund is very close to target allocations. Total assets at September 30th were \$6.8 billion. In the third quarter the fund generated \$297 million in investment gains. Realized and

unrealized investment gains for 2005 year-to-date are \$430 million. There were gains of \$799 million in 2004.

Mr. Bensur discussed the performance of the fund's investment managers and noted that Wasatch Advisors and The Boston Company are the only managers currently underperforming their benchmarks. He stated that he will present his Manager Continuation Policy at the February, 2006 Commission meeting.

Deputy Treasurer for Finance Report. Ms. Caine distributed a 2006 State Investment Commission meeting schedule to Commission members.

General Treasurer's Report. Treasurer Tavares thanked Commission members for their diligence and hard work in 2005 and wished everyone a happy holiday season.

Dr. McKenna moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Regular meeting February 22, 2006

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, February 22, 2006. The Treasurer called the meeting to order at 9:05 a.m.

Membership Roll Call. Present were: Mr. Jeffrey Britt, Mr. George Welly, Designee of Ms. Rosemary Booth Gallogly, Ms. Marcia Reback, Mr. John Treat, and General Treasurer Paul J. Tavares. Mr. J. Michael Costello joined the meeting at 9:40 a.m. Also present were: Ms. Joan M. Caine, Deputy Treasurer for Finance, Mr. William G. Bensus of Wilshire Associates Incorporated, Consultant to the Commission, Jayne Donegan, Esq., of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Ms. Tara Blackburn of Pacific Corporate Group, Alternative Investments Consultant to the Commission, Mr. Frank Blaschka and Mr. Anthony Frammartino of The Townsend Group, Real Estate Consultant to the Commission and other members of the Treasurer's Staff.

Treasurer Tavares reported that Commission Member Dr. Robert McKenna has been seriously ill and hospitalized recently. He is now in therapy and recuperating at home but is unable to attend meetings. He will be celebrating his 75th birthday tomorrow. The Treasurer noted that the Separation of Powers legislation has not been passed and is still pending which is continuing to cause quorum problems.

State Investment Commission Minutes. Mr. Treat moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares. (Note: Mr. Costello was not present for this vote).

VOTED: To approve the Minutes of the December 7, 2005 Regular meeting and to approve and seal the Minutes of the December 7, 2005 Executive Session.

Proposed Investment in Charterhouse Capital Partners VIII, L.P. ("CCP VIII"). Ms. Tara Blackburn of Pacific Corporate Group ("PCG") gave a brief overview of CCP VIII. She noted that the Employees' Retirement System of Rhode Island ("ERSRI") is a limited partner in Charterhouse VII. She noted that Charterhouse is a European group heavily focused on large cap investing in the UK and France.

Mr. Geoffrey Arbuthnott, Partner, represented CCP VIII. He noted that CCP VIII seeks to raise €3.5 billion in total commitments and has set a hard cap of €4.0 billion. Mr. Arbuthnott stressed that Charterhouse has a distinctive philosophy whereby they concentrate on one fund at a time taking up to 4-5 years to fully invest. They have a strong, stable, experienced investment team with a good track record and are backers of incumbent management. Of twenty professionals, sixteen are based in London and four are based in Paris. The CCP VIII team has committed 1% to the fund.

Charterhouse intends to continue the investment strategy employed in its prior fund, which is to pursue large company buy-outs in Western Europe. They anticipate a relatively

concentrated portfolio of ten to twelve investments. The fund would be classified as an international investment in the corporate finance category of ERSRI's sector target allocation.

Ms. Reback moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares. (Note: Mr. Costello was not present for this vote).

VOTED: To invest up to 15 million Euros in Charterhouse Capital Partners VIII, L.P., contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in Focus Ventures III, L.P. ("Focus III"). Ms. Blackburn gave a brief overview of Focus III noting that a commitment to this fund would be to the venture capital sub-sector. Focus III will invest exclusively in expansion and later-stage technology companies with a demonstrated revenue stream.

Mr. Kevin J. McQuillan, General Partner and Mr. Steven P. Bird, General Partner represented the fund. Mr. Bird noted that Focus III will target companies backed by top tier early stage firms. The two previous funds combined total \$570 million in assets under management. They have produced an aggregate net IRR of 102% for the past eight years. Target fund size is \$200 million with a cap of \$250 million.

Focus III will invest in five sub-sectors: access equipment, consumer video, security, wireless technology, and next generation internet services. They actively identify and partner with technology companies through both its deep network of leading early-stage venture capital firms and the team's proprietary top-down company sourcing effort. They monitor and track up to 1,500 venture backed companies until they identify 300 companies as likely candidates for an investment. Once narrowed to 50 to 100 target companies, Focus meets personally with management teams. Their proven selection process includes analyzing the tech sectors to determine the best opportunities, to monitor those companies and then to select the leaders for investment.

Mr. Treat moved, Mr. Welly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$15 million in Focus Ventures III, L.P., contingent upon satisfactory review and negotiation of investment and other legal documents.

Ms. Caine noted that approval process of alternative investments has been taking an enormous amount of the Commission's time. That combined with the approval process of the real estate investments has made it burdensome to the Commission. She and PCG have been working on streamlining the process to make it more efficient and to make Rhode Island an attractive investor.

Ms. Caine and Ms. Blackburn suggested the possibility that fund groups that already have an established relationship with ERSRI such as "re-ups" be waived from presenting before the Commission provided the fund meets certain performance guidelines. Any new relationships would still be required to come before the Commission. Ms. Caine expects to bring a proposal to streamline the approval process to the March meeting. Ms. Blackburn noted that many clients

have moved to similar approval processes for long-standing relationships where the manager has been performing well to expedite the process of approval.

Treasurer Tavares explained to Commission members that in the previous administration alternative investments were presented to a sub-committee and then brought before the Commission for final approval. He stated that the Commission would not be relinquishing any control over approval of investments. He noted that alternative investments comprise only 7.5% of the portfolio and real estate investments comprise 5% of the portfolio and they have been taking an inordinate amount of the Commission's time.

The Townsend Group ("Townsend") - Amended Real Estate Investment Policy and Benchmark. Ms. Caine noted that the real estate target is 5% of the fund which today equates to approximately \$285 million. Of the 5% target allocation, 2.5% has been temporarily allocated to international equities and 2.5% to domestic equities. Townsend is here today to present two proposals: 1) to amend the target allocation to the non core portfolio; and 2) to amend ERSRI's Investment Policy benchmark to include the NCREIF index. Mr. Frank Blaschka and Mr. Anthony Frammartino represented Townsend.

Amended Investment Policy. Mr. Blaschka noted that one of the critical risk management policies is the allocation of capital between the core and non-core portfolio. The core portfolio target is 65% and the non-core portfolio target is 35%. He noted that it is typical in the early periods of building a non-core portfolio to over-commit to the target allocation. As of September 30, 2005, ERSRI has made \$115 million in commitments to these two sectors of which less than \$10 million has actually been funded. The amended Policy makes only one change: it permits ERSRI to make an over-commitment of up to 25% of the target allocation to the non-core portfolio in order to facilitate portfolio construction and achieve a funded status that is closer to the permitted allocation under the Policy.

Mr. Blaschka explained that although the core portfolio still needs to be fully committed and funded (\$170 million in commitments have been made as of September 30, 2005, but only \$58 million has been funded), technically the portfolio is overallocated on a commitment basis to the non-core portfolio at the present time. Townsend surveyed its public pension fund clients and the vast majority permit over-commitment to the non-core sector. The amount of over-commitment ranges from 10% to 50%. Townsend proposes the amendment to permit the over-commitment to the non-core portfolio of up to 25% which falls within the mid-range of the practice of Townsend's pension and institutional client base.

Ms. Reback moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To amend the Employees' Retirement System of Rhode Island's real estate Investment Policy to permit up to a 25% over-commitment to the non-core portfolio.

Amended Policy Benchmark. Mr. Blaschka explained that up to this point, the formal ERSRI total plan level benchmark has not included any weight to real estate as the portfolio was in the early stages of construction. The real estate program's investment objective is to surpass the NCREIF Property Index ("NPI") plus 100 basis points, measured over rolling three-year periods. The active level of commitments since inception and increased funding towards the

target allocation of 5% suggests that real estate no longer needs to be excluded from the total plan benchmark.

Townsend recommends that as of January 1, 2006, the overall ERSRI total plan level benchmark be revised to include the NPI at a weight of 5% of total plan assets, with the real estate portfolio benchmark lagged one quarter. In order to add the NPI, the prior benchmark weights to domestic and international equities will each be reduced by 2.5%. The lag is necessary to account for the extended timing requirements as they relate to reporting from the closed-end real estate funds.

Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: Effective January 1, 2006, to amend the Employees' Retirement System of Rhode Island's Investment Policy Benchmark to include the NCREIF Property Index ("NPI") at a weight of 5% with the NPI Benchmark lagged one quarter. Prior benchmark weights to domestic and international equities will simultaneously be reduced by 2.5%.

Third Quarter Review. Mr. Frammartino noted that to date ERSRI has committed \$285 million to 12 commingled fund investments. Approximately \$61 million remains to be committed to future commingled fund investments in the stable return and likely the enhanced return sectors. The investing of capital from prior commitments has picked up considerably with 23% of prior commitments having been invested as of the third quarter 2005.

He noted that the stable return investments outperformed the NPI for the third quarter by 110 basis points. The enhanced and high return investments are lagging due to the effects of the "j curve" whereby fees on committed capital mitigate distributions to ERSRI due to minimal invested capital and the early stages of the value-added process. When fully funded the portfolio will consist of the following property types: approximately 30% in office, 18% in industrial, 20% in apartments, 21% in retail, and 1% in hotels.

Gateway Eight Update. Ms. Caine reported that Fidelity Investments has entered into a lease dated January 19, 2006 with respect to the Gateway Eight building and she thanked Townsend for their help in securing Great Point Investors ("Great Point") as a property manager which was instrumental in the culmination of the bankruptcy process and execution of Fidelity's lease. Treasurer Tavares also thanked Ms. Caine for her hard work and diligence in this difficult matter.

Ms. Caine reported on some of the key lease terms and conditions. The lease will generate \$2.04 million of revenue per year or approximately \$170,000 per month. Fidelity has agreed to pay all the operating expenses and utilities, except for the ground lease. The cost of the ground lease is approximately \$18,000 per month. The term is for three years with an option to renew for an additional three years. This equates to approximately \$18 per square foot of office space.

Fidelity will also pay for some deferred maintenance repairs to the building such as fixing the cooling tower, cracks in the first floor slab, repair concrete, steel and the ventilation system in the 150-car parking garage. For this ERSRI will credit Fidelity up to \$460,000 (approximately 3

months' rent). The repairs are expected to be completed by May 2006 and Fidelity plans to move into the building in June 2006.

Ms. Caine also noted that simultaneously with the lease negotiations, Great Point interviewed four real estate brokers to market/sell the building. They were: CB Richard Ellis, Cushman Wakefield, Keystone Realty and Meredith and Grew. CB Richard Ellis ("CBRE") was chosen as the real estate broker. CBRE has distributed a packet of information electronically to thousands of real estate funds and investment managers including ERSRI's own investment managers. Approximately sixty-eight of those entities have signed confidentiality agreements in order to receive a more comprehensive package of information on the building.

Mr. Blaschka noted that he was surprised at the level of interest in the building. He expects approximately one third of those entities to make an offer on the building which would greatly help in maximizing the value of the building. He also noted that Fidelity is an excellent tenant which will help in marketing the building.

Securities Lending Program - State Street Corp. ("State Street"). By way of history, Ms. Caine stated that in 1994-95 ERSRI had pulled out of the securities lending program. In 2000 Wilshire recommended issuance of a Request for Proposals ("RFP") for a new custodial bank. State Street was ultimately selected and they offered additional products and a new team. Wilshire then recommended that we would benefit from the fee structure if the securities lending program was re-established. She noted that the risk parameters of the securities lending program are much more stringent now and there is the opportunity to earn an additional \$2 million per year by participating in the program.

Ms. Caine explained that there were two investment vehicles that the Commission could have invested in when the program was re-established in 1999. The more conservative option, "Quality A" investment pool was the one chosen for ERSRI. At this point, it makes sense to move the collateral investment option to the "Quality D" investment pool. Mr. Bensur noted that the major difference between the pools is the ability for Quality D to use securities with longer maturities and higher exposure to floating rate instruments.

Mr. Henry Disano, Vice President and Mr. Glenn Horner, Vice President represented State Street Securities Finance. Mr. Disano reported that in 2005, \$2.5 million of revenue was generated for ERSRI in the securities lending program with a 75/25 split of revenue. Ms. Caine noted that State Street's custody fees had previously been over \$1 million per year, but that with the new fee structure and the re-establishment of the securities lending program State Street's fees are now less than half that, closer to \$300,000 per year.

Mr. Disano noted that State Street is the most experienced and largest securities lending agent in the world with \$2.5 trillion in lendable assets. Currently \$410 billion of assets are on loan in over 35 markets globally. State Street has 300 employees worldwide dedicated to securities lending. He noted that no investment in the cash collateral accounts has ever missed a payment and there have been no losses due to counterparty default in the history of the State Street program.

Mr. Horner, who heads up the risk management team noted that the average historic return relative to Fed Funds since 1998 was 31 basis point for Quality D and 23 basis points for Quality A. Quality D has outperformed Quality A on a spread return basis in 95 of the last 96 months. Quality D has never had a negative spread to the risk free rate during this period, as

compared to 5 occurrences for Quality A. State Street estimates that ERSRI would have earned an additional \$2.2 million since 2001 if it had been invested in Quality D.

Mr. Britt moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve State Street's "Quality D" collateral pool as the investment vehicle for the Employees' Retirement System of Rhode Island's securities lending collateral.

Investment Manager Review - MacKay Shields ("MacKay"). Ms. Caine reported that MacKay's lead portfolio manager for the high yield portfolio, Mr. Donald Morgan, has resigned from the firm which causes concern going forward despite strong historical performance. Therefore, MacKay was invited today to explain how the firm will handle his departure. Mr. Bensur gave a brief overview of MacKay Shields which was retained in 2002 to provide a long-term strategic exposure to the high yield segment of the US fixed income market. Market value of the portfolio as of 12-31-05 was \$127 million. MacKay comprises approximately 7.5% of the fixed income composite and approximately 1.7% of the total fund composite.

Mr. Kirk Kashevaroff, Director of Institutional Business Development and Mr. Mathew Philo, Senior Managing Director and Co-Head of Fixed Income, High Yield Division represented MacKay. Mr. Kashevaroff explained that Matt Philo and Don Morgan had taken over the high yield portfolios in January 2000 from Steve Tannenbaum upon his departure from the firm. So Mr. Morgan's departure had not dramatically affected the portfolio as Mr. Philo is completely comfortable with continuing to manage the portfolio. Mr. Kashevaroff explained that Mr. Morgan had resigned to start his own firm and that a senior analyst had also resigned. He noted that an additional two senior analysts will be added to the MacKay team.

Mr. Philo stated that there will be no changes in the management of the portfolio because of Mr. Morgan's departure. He noted that Mr. Morgan's non-compete agreement will most likely expire at the end of 2006. After lengthy questioning, Mr. Philo indicated he had no intentions to leave MacKay, but that he could not guarantee his tenure at MacKay.

Legal Counsel Report. Ms. Donegan explained a need to ratify a previous vote taken by the Commission regarding an investment in Nordic Capital Fund VI, L.P. to have the investment in Euros rather than dollars.

Ms. Reback moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To ratify approve and confirm the execution by the Treasurer of legal documents subscribing to an investment of up to 15 million Euros in Nordic Capital Fund VI, L.P.

Treasurer's Report. Treasurer Tavares noted that he and Ms. Caine have recently met with Wasatch Advisors, Inc. ("Wasatch") because of performance concerns. Ms. Caine noted that Wasatch has returned 21% over the last three years, but that return is approximately 200 basis points behind its benchmark. She mentioned concern with Wasatch's rapid growth. When Wasatch was hired in 2002, it had approximately \$1 billion of assets under management and has

now nearly tripled in size. Mr. Bensus noted that Wasatch has good people, good products, a clear philosophy and great process. However, their rapid growth has taken its toll on implementation of their strategy. Ms. Caine explained performance over the last few years had been adversely affected by lack of coverage and exposure to the energy industry and a few concentrated portfolio companies' involvement in fraudulent accounting activity.

Ms. Caine stated that Mr. Bensus will present his Manager Continuation Policy at the March meeting of the Commission which will include recommendations regarding all managers.

Deputy Treasurer for Finance Report. Ms. Caine distributed an article and commended the Commission members for their part in the fund's 9.4% return for 2005, beating the benchmark's 7.8% return. She noted that US equities were up 6.4%, international equities were up 16.4%, fixed income was up 3.2%, while private equity generated an IRR of 41%. On a total return basis, private equity was up 35.6%.

Ms. Caine also noted that the fund's performance compared favorably to other public pension funds, foundations, and endowments as measured by the Trust Universe Comparison Survey ("TUCS"). According to TUCS, foundations and endowments returned an average of 8.7%, corporate funds returned 7.6%, and public funds returned 7.5%, all well below ERSRI's 9.4%.

Treasurer Tavares thanked the Commission for their indulgence in such a full meeting as January's meeting had been canceled.

Mr. Costello moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Mr. Welly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To adjourn the meeting.

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

Respectfully submitted,

Paul J. Tavares
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Regular Meeting March 22, 2006

A State Investment Commission (“SIC”) meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, March 22, 2006. The Treasurer called the meeting to order at 9:10 a.m.

Membership Roll Call. Present were: Mr. Jeffrey Britt, Mr. J. Michael Costello, Ms. Rosemary Booth Gallogly, Ms. Marcia Reback, Mr. John Treat and General Treasurer Paul J. Tavares. Also present were: Ms. Joan M. Caine, Deputy Treasurer for Finance, Mr. William G. Bensur of Wilshire Associates Incorporated, Consultant to the Commission, Jayne Donegan, Esq. of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Ms. Tara Blackburn of Pacific Corporate Group, Alternative Investments Consultant to the Commission, and other members of the Treasurer’s Staff. Dr. Robert J. McKenna was absent.

State Investment Commission Minutes. Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve the Minutes of the February 22, 2006 Regular Meeting.

Proposed Investment in LNK Partners, L.P. (“LNK”). Ms. Tara Blackburn of Pacific Corporate Group (“PCG”) gave a brief overview of LNK. She noted that LNK is being formed to pursue equity and equity related investments in the consumer/retail sector. The fund expects to make growth capital, recapitalization and buyout investments in established, growth-oriented companies in which it secures a controlling interest or meaningful minority position.

Mr. David Landau, Founding Partner and Mr. Henry Nasella, Founding Partner represented the fund. Mr. Landau noted that the fund will focus on middle-market, later-stage growth capital and buyouts exclusively in the consumer and retail sector. He also noted that LNK will back successful companies with proven management and growth opportunities. Mr. Landau stated that LNK has deep industry relationships and expertise. At Apax Partners his portfolio’s lowest IRR was 28% and the highest IRR was 63% proving superior, consistent investment performance.

Mr. Nasella stated that LNK expects to invest between \$10 million and \$75 million in equity per transaction and to acquire a portfolio of approximately six to eight companies. The target fund size is \$275 million with a hard cap of \$425 million. Ms. Blackburn noted that LNK is a first time fund, but that as the ERSRI portfolio is becoming mature, it is a good time to bring in a new up and coming fund that is much sought after.

Ms. Reback moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$12.5 million in LNK Partners, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in MHR Institutional Partners III, L.P. (“MHR”). Ms. Blackburn gave a brief overview of MHR noting that the fund is being formed to make investments in securities of distressed and undervalued middle-market companies. MHR uses a control strategy, as used in prior funds. The target fund size is \$2 billion with a cap of \$2.5 billion. Their concentration is in the satellite, communications, media, energy, and biotech industries. MHR expects to hold approximately twenty companies in the portfolio.

Ms. Emily Fine, Principal and Mr. Hal Goldstein, Managing Principal represented MHR. Mr. Goldstein noted that MHR seeks to acquire either a control or blocking position in the distressed and undervalued middle-market in order to gain control or exercise significant influence on its portfolio companies. MHR will focus on individual investments that have a high degree of asset/collateral coverage. He stated that MHR Fund I was a \$217 million fund formed in 1998 and had a gross annualized IRR of 17%. MHR Fund II was a \$856 million fund formed in 2002 and had a gross annualized IRR of 60.3%.

Ms. Fine noted that MHR typically invests in senior unsecured and subordinated debt but will invest throughout the capital structure on an opportunistic basis. MHR believes its investment strategy and the types of securities it purchases helps to mitigate downside risk. MHR also believes that the market environment for distressed investing is expected to improve due to dramatic deterioration of credit standards over the last few years.

Mr. Britt moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$20 million in MHR Institutional Partners III, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in TPG Partners IV, L.P. (“TPG IV”). Ms. Blackburn gave a brief overview noting that ERSRI is a limited partner in TPG II and TPG IV. She noted that TPG V is being formed to pursue a broad range of equity and equity-related investments, primarily in large cap companies in North America, Europe and Asia through acquisitions and restructurings. TPG V is targeting aggregate capital commitments in excess of \$10 billion, and expects to deploy approximately \$2 billion per year over the six-year investment period.

Mr. Peter McMillan represented TPG V. He noted that the fund will follow the same investment strategy of the prior funds, seeking to invest in a geographically diverse portfolio of companies across fourteen different sectors of the economy. TPG generally focuses on industries undergoing change due to secular or cyclical forces and typically rotates out of industry areas when investments become more expensive. Based on its top-down thematic research approach, TPG has identified the automobile (manufacturing), pharma/bio (restructuring), housing, and media (distribution and content) industries as potential sector candidates for TPG V.

Mr. McMillan noted that TPG V will seek investment opportunities requiring between \$100 million and \$500 million of equity capital in companies with market valuations of \$300 million or more. He also noted that TPG Fund II had a gross IRR of 9% and TPG Fund IV had a gross IRR of 63%.

Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$20 million in TPG Partners V, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Annual Strategy Review - 2006 - Pacific Corporate Group. Ms. Blackburn stated that the portfolio is moving ahead on a disciplined basis. The ERSRI portfolio is nearing its allocation and reaching a mature status. She noted that she expects annual commitments of \$150-\$175 million in 2006; annual commitments of \$125 million in 2007-2009, annual commitments of \$150 million in 2010-2012; and annual commitments of \$175 million in 2013-2015. It is expected that the private equity allocation will reach the 7.5% target allocation in 2009. She noted that the focus for 2006 is on existing relationships coming back to market.

Pacific Corporate Group - Contract/Fee Schedule. Ms. Caine reported that a year ago Mr. Peter Martenson of PCG had approached her regarding a fee increase. At the time PCG was experiencing some staff changes and reorganizational issues and Ms. Caine had some concerns regarding PCG's stability. Since then PCG has reorganized, brought in several senior-level staff, and bifurcated their two businesses.

Ms. Caine noted that it was difficult to compare ERSRI's situation to other states as the levels of service vary greatly in each case; however, a comparison of fee schedules of other PCG clients indicates Rhode Island is paying the lowest fees. In 1997 when PCG had their last increase, there were only nine private equity funds and the size of the portfolio was \$63 million. Today, we have 67 funds and the fund has grown to \$382 million. The present PCG fee is \$275,000 annually. The request is for \$375,000 annually. Ms. Blackburn noted that the private equity portfolio has generated returns of approximately 15% since inception and created value of over \$325 million. The Treasurer noted that ERSRI is paying PCG below market rates. Both the Treasurer and Ms. Caine recommended that the Commission approve the fee increase.

Mr. Costello moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve Pacific Corporate Group's proposed fee schedule increase, as outlined in their letter dated March 14, 2006.

Pacific Corporate Group - Investment Policy Guidelines. Ms. Caine reported that she, Ms. Donegan and Ms. Blackburn have been working together to consider ways in which they can streamline the approval process for private equity funds and eliminate some time constraints presently facing the Commission. She recommended that the Commission consider waiving a formal presentation by the general partners or sponsors of a fund if there is already an existing relationship with that group and they meet certain criteria with regard to size of the commitment and performance. She included definitions regarding performance assessment.

A discussion followed and the Treasurer explained that the Commission would not be giving up any authority to approve a proposed investment and that groups would still be required to come before the Commission every other time a request was made. The Treasurer asked Commission members to review the proposed amendment to PCG's policies and procedures.

State Street Corporation (“State Street”) - Custodial Update. Ms. Caine gave a brief overview of the types of services that State Street provides as ERSRI’s custodian and reminded Commission members that when ERSRI issued an RFP for custodial services in 2000, State Street was selected. As part of the contract negotiations, State Street agreed to reduce the fee schedule saving over \$1 million annually and provided several premium products at no charge to the system. She then introduced Mr. Lee Jones, Director of Public Fund Services and Ms. Lisa Tyrrell, RI Client Service Manager who represented State Street. Mr. Jones noted that State Street Corporation was founded in 1792 and has two lines of business: investment servicing and investment management. State Street has \$10.2 trillion of assets under custody with offices in 26 countries. He also noted that State Street spends approximately 20% to 25% of its operating expense budget on technology and manages the world’s largest pool of institutional assets.

Mr. Jones noted that State Street formed a unique commitment to the public fund marketplace in 1987 with a dedicated business focus on public fund customers. State Street provides a highly tailored service and technical solutions versus the standardized approach by others. Of the \$10.2 trillion of total assets under custody, approximately \$1.2 trillion of that is in public fund assets.

Ms. Tyrrell noted that State Street and ERSRI have an eighteen year relationship. She stated that State Street in its role as custodian since 1988 provides the following products and services: custody and accounting, performance measurement, investment compliance, securities lending, transition management and investment management. She noted that many of the services provided are behind the scenes and on a day-to-day basis. They include the following: trade processing, security safekeeping, income collection, corporate actions, class actions, pricing, accounting, plan accounting, performance measurement, securities lending, technology integration, and legal support.

Ms. Caine noted that State Street has been extremely responsive to the needs of ERSRI and have worked very closely with Wilshire Associates and ERSRI’s auditors, which has been very helpful.

Wilshire Associates Incorporated - Manager Continuation Policy Analysis. Mr. Bensur briefly reviewed the investment managers noting that it is Wilshire’s recommendation to continue to retain all of the following US Equity Managers for their current assignments: NorthPointe Capital, PIMCO StocksPlus, State Street Global Advisors, and Wellington Management Co. Wilshire recommends closely monitoring the performance of Wasatch Advisors, Inc. Wilshire also recommends continuing to retain The Boston Company Asset Management, Goldman Sachs Asset Management and Mondrian Investment Partners Ltd. for their Non-US Equity assignments.

Of the five fixed income managers, Wilshire recommends continuing to retain the following: Brown Brothers Harriman & Co., Fidelity Management Trust Co., and Taplin, Canida & Habacht. With regard to MacKay Shields, LLC, it is Wilshire’s recommendation to monitor them regarding their personnel developments. With regard to Shenkman Capital Management, Ms. Caine requested that Wilshire amend its recommendation to continue to monitor their performance because they are officially on the “Watch List” based on the portfolio’s underperformance. It was decided to retain Shenkman Capital on the “Watch List”.

Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. (Note: Ms. Reback was not present for this vote)

VOTED: To accept Wilshire Associates' recommendations in the Manager Continuation Policy presented at the March 22, 2006 meeting as amended to retain Shenkman Capital Management on the "Watch List".

Wilshire Associates Incorporated - Capital Market Review. Mr. Bensus noted that interest rates are beginning to rise. The S&P 500 is up 5%, the DJ Wilshire 5000 is up 5.5%. The non-US equity markets are up 8.5% as of 3/21/06 and emerging markets are up 10% as of 3/21/06.

CollegeBoundfund Report ("CBf"). Treasurer Tavares reported that a national website, Savingforcollege.com, that rates 529 programs has recently come out with a rating on portfolio performance and Rhode Island's CollegeBoundfund was ranked Number One. State plan composite rankings were derived using the plans' relevant portfolio performance in six unique asset allocation categories. The asset allocation categories used were: 100% equity, mostly equity, balanced, mostly fixed, 100% fixed, and 100% short-term. The plan composite ranking is calculated by taking the weighted average of each plan's performance in the six categories. The CBf plan assets are at \$6.7 billion with approximately \$160 million in Rhode Island. Treasurer Tavares noted that when he took office there was only \$4 million in Rhode Island.

Deputy Treasurer for Finance Report. Ms. Caine updated the Commission on the Gateway building. Fidelity's Personal Net Worth Division will be housed in the building and she recently learned that Fidelity is putting \$14 million worth of tenant improvements into the building. The lease is for three years with an option to renew for an additional three years which looks likely at this point.

Ms. Caine informed the Commission that CB Richard Ellis had been hired to market the property for sale. To date, 163 institutional real estate investors have signed confidentiality agreements to receive a detailed due diligence package in order to bid on the building. Initial bids are due on Friday, April 7, 2006. Typically an additional week is needed for further negotiations for a best and final offer. She expects to know the outcome by Friday, April 14, 2006.

A discussion followed regarding authorizing the Treasurer to act on behalf of the State Investment Commission to accept a purchase offer to acquire the Gateway building, provided that such offer would result in proceeds sufficient to repay the principal balance, plus accrued interest and all expenses incurred in connection with the indebtedness formerly secured by the Gateway building. Commission members decided to move up the April Commission meeting from Wednesday, April 26th to Wednesday, April 19th, 2006.

Mr. Britt moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. (Note: Ms. Reback was not present for this vote).

VOTED: To change the date of the April State Investment Commission meeting from Wednesday, April 26, 2006 to Wednesday, April 19, 2006 at 9:00 a.m.

Ms. Caine reported that the fund is up 10.8% for the eight months ended fiscal year-to-date which is approximately 16 basis points above the benchmark. The international stocks have been the best performers.

Mr. Costello moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Mr. Treat, and Treasurer Tavares. (Note: Ms. Reback was not present for this vote)

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer

State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION

Regular Meeting April 19, 2006

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, April 19, 2006. The Treasurer called the meeting to order at 9:00 a.m.

Membership Roll Call. Present were: Mr. Jeffrey Britt, Ms. Rosemary Booth Gallogly, Ms. Marcia Reback, Mr. John Treat and General Treasurer Paul J. Tavares. Also present were: George Carvalho, Esq., Chief of Staff, Kerry Walsh, Esq., Legal Counsel, Ms. Joan M. Caine, Deputy Treasurer for Finance, Mr. Kevin Lavelle of Wilshire Associates Incorporated, Consultant to the Commission, Ms. Tara Blackburn of Pacific Corporate Group, Alternative Investments Consultant to the Commission, Mr. Frank Blaschka of The Townsend Group, Real Estate Consultant to the Commission, and other members of the Treasurer's Staff. Mr. Michael Costello and Dr. Robert J. McKenna were absent.

State Investment Commission Minutes. Mr. Treat moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve the Minutes of the March 22, 2006 Regular Meeting.

Proposed Investment in Alta Partners VIII, L.P. ("Alta VIII"). Ms. Tara Blackburn of Pacific Corporate Group ("PCG") gave a brief overview of Alta. She noted that Alta is being formed to make life sciences investments. The fund will make investments in early- to late-stage private companies as well as public entities with promising product pipelines that are in need of development capital. The Employees' Retirement System of Rhode Island ("ERSRI") has invested in four prior funds: Alta BioPharma Partners, L.P., Alta BioPharma Partners III, L.P., Alta California Partners II, L.P., and Alta California Partners III, L.P.

Mr. Daniel S. Janney, Managing Director and Dr. David H. Mack, Director represented Alta VIII. Mr. Janney noted that Alta Partners was founded in 1996 and currently has \$1.5 billion of assets under management. The target size of Alta VIII is \$425 million with a \$500 million cap. Alta Partners has invested in life sciences companies over its seven prior funds and intends to maintain its focus on high growth sectors within the life sciences industry. Alta VIII will focus on the following four areas: biopharmaceutical products, drug discovery platforms, medical technology, and specialty pharmaceuticals.

Mr. Janney stated that investment size will be approximately \$12-\$20 million and estimates a total of 30 to 35 portfolio companies will make up Alta VIII's portfolio. Dr. Mack noted that the Alta funds have focused on the following therapeutic areas: oncology, pain management, cardiovascular disease, infectious disease, metabolic disease, inflammatory disease, ophthalmology and drug discovery.

Mr. Britt moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$15 million in Alta Partners VIII, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in Catterton Partners VI, L.P. (“Catterton VI”). Ms. Blackburn gave a brief overview of Catterton. She noted that Catterton VI is being formed to pursue investments in the consumer products and services sector using a broad range of transaction structures including buyouts, recapitalizations, restructurings, and growth equity investments. The fund size is expected to be \$900 million. Catterton VIII will target investments in 15 to 18 portfolio companies principally in North America, with an average equity investment between \$25 and \$85 million.

Mr. Michael Farello, Partner and Mr. Mark Sirinyan, Client Service Representative represented Catterton VI. Mr. Farello stated that Catterton VI will invest in the following segments of the consumer sector: retail and restaurants, marketing services, food and beverage, and consumer branded products. He noted that Catterton has a clearly defined investment strategy and focus with a systematic and proactive targeting to identify proprietary opportunities. They have a disciplined and time-tested due diligence and investment underwriting process.

Mr. Farello explained that approximately 80% of Catterton VIII will be in buyout investments with the following attributes which produce superior returns with lower variability. Catterton’s strategy emphasizes a value discipline, a highly specific business plan with a lower degree of execution difficulty, and control of strategy, management and exit. He stated that approximately 20% of Catterton VIII will be invested in later stage growth investments with the following attributes which produce strong risk adjusted returns: proven business models with no concept risk, stronger management teams, along with investments where Catterton is able to exercise a high degree of control.

Ms. Gallogly moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$15 million in Catterton Partners VI, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in Walton Street Real Estate Fund V, L.P. (“Walton V”). Mr. Frank Blaschka of The Townsend Group (“Townsend”) gave a brief overview of Walton V which is being formed to raise \$1.5 billion of equity. It is a high return non-core fund. Walton V intends to invest in single asset property portfolios with an emphasis on well located institutional quality assets that can be improved by redevelopment, repositioning, recapitalization or restructuring.

Mr. Eric C. Mogentale, Principal represented Walton V. He explained that Walton Street Capital is privately owned, 100% exclusively by the principals with no parent company and no affiliation with any investment banks or insurance companies. There are twenty owners of the company and there will be a direct investment by the principals of at least \$45 million. The five owners who founded the company have worked together for 18 years, each overseeing a different area within the firm. Unanimous consent is required to make an investment or exit an investment. The principals have acquired, managed and sold over \$30 billion in real estate.

Mr. Mogentale noted that targeted investments will be focused on suburban office, upscale retail, high residential and upper scale hotels. It is Walton Street’s primary focus to

invest in the US with only 8% allotted to international investments. He reviewed the realized gross IRR of the previous four funds which averaged 25%.

Mr. Treat moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$20 million in Walton Street Real Estate Fund V, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Ms. Reback moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: Pursuant to R.I.G.L. § 42-46-5(5) and R.I.G.L. § 42-46-5(7), the Commission votes to close the meeting to the public to discuss the disposition of publicly held property wherein advanced public information would be detrimental to the interest of the public and to discuss the question of the investment of public funds where premature disclosure would adversely affect the public interest regarding the Gateway Eight building.

The Commission went into Executive Session at 10:10 a.m.

Open Session. Ms. Gallogly moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To reconvene the meeting into Open Session.

The Commission reconvened into Open Session at 10:38 a.m. There were no votes taken while the Commission was in Executive Session.

Mr. Treat moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To seal the Minutes of the Executive Session held today, April 19, 2006.

Ms. Reback moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To authorize the General Treasurer to negotiate the offers to acquire the Gateway Eight building received from the top bidders after the national marketing campaign, as discussed by the Commission in its April 19, 2006 Executive Session, and to authorize the General Treasurer, in his sole discretion, to accept an offer from any such bidder to purchase the Gateway Eight building, provided that the Treasurer determines such offer to be the highest and best offer available.

Mr. Treat moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To authorize the General Treasurer to execute, acknowledge and deliver any agreements, certificates, deeds and other documents which he deems appropriate to effect the purposes of the foregoing resolution and consummate the sale of the Gateway Eight building.

Note: Mr. Britt left the meeting at 10:45 a.m.

Investment Manager Review - Wasatch Advisors (“Wasatch”). Mr. Kevin Lavelle from Wilshire Associates Incorporated gave a brief overview of Wasatch which was retained in 2002 to provide a long-term, strategic allocation to the small stock/growth-oriented segment of the US equity market. The market value of the ERSRI portfolio at 12/31/05 was \$197.3 million which comprises approximately 6.3% of the US equity composite and approximately 2.8% of the total fund. He noted that Wasatch has failed to meet their objectives but that Wilshire has faith in the firm, its process and philosophy.

Mr. Shane Calhoun, Client Service Representative and Mr. J.B. Taylor, Portfolio Manager represented Wasatch. Mr. Calhoun stated that Wasatch had \$10.7 billion of assets under management as of 3/31/06 with \$2.9 billion in the small cap core growth product. He noted that one international portfolio manager had left the firm and there have been several people promoted to portfolio manager within the firm on the international team and the global science and technology team. He also noted that Roger Edgley was named Director of International Research.

Mr. Taylor explained that the portfolio is comprised of 50-80 core stocks and Wasatch’s style has not changed in twenty years. Wasatch’s style is to own the highest quality, small cap companies in the small cap universe. The companies must have a sustainable competitive advantage, be well run by top tier management with long track records of successful results, and have demonstrated better than average financial models with higher returns on capital than their competitors. He noted that performance has been disappointing due to market conditions that are not in Wasatch’s favor, but that Wasatch is still on track for 2006. Ms. Caine expressed concern that the small cap core growth product has doubled in size from \$1.5 billion to \$2.9 billion today since hiring Wasatch in 2002 and noted that the market cap of the portfolio was \$2.9 million, more than two times the market cap of the Russell 2000 growth benchmark’s \$1.37 million.

Investment Manager Review - NorthPointe Capital (“NorthPointe”). Mr. Lavelle gave a brief overview of NorthPointe which was retained in 2002 to provide a long-term, strategic allocation to the small stock/value-oriented segment of the US equity market. The market value of the portfolio at 12/31/05 was \$349.1 million which comprises approximately 11.1% of the US equity composite and approximately 5.0% of the total fund.

Ms. Mary Champagne, Portfolio Manager represented NorthPointe. She noted that NorthPointe has approximately \$1.2 billion in assets under management. Small cap growth has continued to be ahead of large cap growth and value stocks have outperformed growth stocks over time. NorthPointe was up 14.18% for the first quarter of 2006, up 27.14% for one year, and up 31.31% for three years. Performance has been strong due to across the board stock picking and a well diversified portfolio.

Ms. Champagne noted that 28.1% of the portfolio is invested in financials, 17% in industrial, 12% in consumer discretionary, 13% in information technology, 9% in materials, and 6.2% in energy. She does not expect weightings to change considerably.

Deputy Treasurer for Finance Report. Ms. Caine noted that the pension fund is up 12.4% for the nine months ended 3/31/06 which is approximately 40 basis points ahead of the benchmark. She also noted that the pension fund has achieved an all time high of \$7.4 billion during the first quarter and is now at \$7.3 billion as of 3/31/06.

Ms. Caine reported that since MacKay Shields presented at the February SIC meeting and reported that Mr. Donald Morgan, Lead Portfolio Manager had left the firm, they have since hired three seasoned professionals. Michael Snyder came from Alliance Bernstein, James Wolfe came from First Albany, and Greg Spencer who came from Merrill Lynch.

Ms. Caine reminded Commission members that back in 2003, the Securities and Exchange Commission (“SEC”) launched an investigation into the consultant industry because of concerns of a conflict of interests which has since been completed. She noted that Wilshire, along with several other firms, never got a clean, written letter from the SEC saying that there will be no action or that the firm had been cleared of any wrong doing. Since then, the Department of Labor has launched an investigation and Wilshire has received a subpoena for certain documents relating to some congressional delegates’ concern over a conflict of interest regarding certain pension plans, particularly those of defaulted airline companies that are now under the control of the PBGC.

Mr. Lavelle stated that the subpoena was received last week requesting certain documents which Wilshire is in the process of providing. Wilshire will keep the Commission members informed of any new developments. Mr. Lavelle then distributed his Capital Market Review.

General Treasurer’s Report. Treasurer Tavares told Commission members that legislation has been submitted in both the House and the Senate to have the state divest its investments in Sudan. He noted that, while sympathetic to the human atrocities occurring in Sudan, the legislation as presented would seriously hurt the pension fund far greater than it would hurt the political activities in Sudan. He has spoken to the sponsors in the Senate and has a meeting set up with sponsors in the House to inform them that he would be opposed to that legislation.

Ms. Caine noted that several large pension funds have written letters to the U.S. State Department to have them provide guidance with regard to investments in Sudan. The federal government does have some sanctions in place regarding those investments.

Ms. Gallogly moved, Mr. Treat seconded and the following motion was passed unanimously. The following members voted in favor: Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares. (Note: Mr. Britt was not present for this vote).

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 11:45 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Regular Meeting May 24, 2006

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, May 24, 2006. The Treasurer called the meeting to order at 9:05 a.m.

Membership Roll Call. Present were: Mr. Michael Costello, Ms. Rosemary Booth Gallogly, Dr. Robert McKenna, Ms. Marcia Reback, Mr. John Treat, and General Treasurer Paul J. Tavares. Also present were: Ms. Joan M. Caine, Deputy Treasurer for Finance, Jayne Donegan, Esq., of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Mr. William G. Bensur of Wilshire Associates Incorporated, Consultant to the Commission, Ms. Tara Blackburn of Pacific Corporate Group, Alternative Investments Consultant to the Commission, and other members of the Treasurer's Staff. Mr. Jeffrey Britt was absent.

State Investment Commission Minutes. Ms. Reback moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve the Minutes of the April 19, 2006 Regular Meeting and to approve and seal the Minutes of the April 19, 2006 Executive Session.

Proposed Investment in Centerbridge Partners, L.P. ("Centerbridge"). Ms. Tara Blackburn of Pacific Corporate Group ("PCG") gave a brief overview of Centerbridge. She noted that Centerbridge is being formed to make both private equity and distressed debt investments. This is the first fund for Centerbridge which was formed by Mark Gallogly, former Senior Managing Director and the Head of Private Equity at The Blackstone Group, and Jeffrey Aronson, former Partner at Angelo, Gordon & Co. Target size of the fund is \$3 billion.

Mr. Aronson noted that Centerbridge will pursue a multi-stage strategy making private equity investments in leveraged buyouts, corporate partnerships, build-ups, or other opportunities using a value investment strategy. The fund will also pursue distressed debt investments in situations where Centerbridge believes it can influence the reorganization process and ultimately own the company. Centerbridge intends to make investments of \$50 million to \$300 million per portfolio company, investing primarily in North America. The general partner has made a minimum commitment of \$50 million.

Centerbridge believes that there will be significant distressed investment opportunities as default rates climb from historically low levels and revert to historical averages. Centerbridge will invest in private companies and privately held instruments, the shares of which are not publicly traded.

Mr. Costello moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares. NOTE: Ms. Gallogly recused herself from this vote.

VOTED: To invest up to \$15 million in Centerbridge Partners, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Investment Manager Review - Wellington Management Co. (“Wellington”). Mr. Bensur from Wilshire Associates Incorporated gave a brief overview of Wellington, which was retained in 2002 to provide a long-term, strategic exposure to the small stock, core-oriented segment of the US equity market. The market value of this portfolio as of March 31, 2006 was \$436.1 million and comprises approximately 13.1% of the US equity composite and approximately 6.0% of the total fund.

Ms. Elizabeth O’Hara, Vice President and Relationship Manager and Mr. Kenneth Abrams, Senior Vice President and Portfolio Manager represented Wellington. Ms. O’Hara noted that there have been no material changes to the firm. Mr. Abrams noted that Wellington uses the Russell 2000 Index as a benchmark. Although markets have been volatile, Wellington’s year-to-date performance through May 19, 2006 was 8.1% versus the benchmark’s 7.7%.

Wellington’s sector weights are as follows: 19.6% in information technology; 16.8% in consumer discretionary; 16.4% in healthcare; 14.5 % in financials; 14% in industrials; and 5.8% in energy. Wellington pursues a bottom-up, research intensive investment process with an opportunistic approach to style and sectors. Mr. Abrams also noted that Wellington has had seven years of outperformance. Wellington clients have received 17.6% annualized for seven years and the S&P has returned just 1.8%. Ms. Caine noted that while the total domestic equity portfolio was on target, Wellington’s portfolio was approximately \$25 million over-allocated at the end of May which will be drawn down to rebalance to target.

Mr. Abrams reported that one way to buy portfolio “insurance” is to sell calls on our more volatile stocks. It is not a derivative because Wellington has the underlying collateral. He noted that the portfolio could pick up 100 to 150 basis points and that the process is within their guidelines. He has not sold calls yet as he wanted the opportunity to explain the process and obtain permission to do so. There were no objections.

Investment Manager Review - The Boston Company Asset Management (“TBC”). Mr. Bensur gave a brief overview of TBC noting that it was retained in 2004 to provide a long-term, strategic exposure to the non-US, or international equity market. As of March 31, 2006 the portfolio’s market value was \$569.1 million, and comprises 33.6% of the non-US equity composite and 7.9% of the total fund.

Mr. Joseph P. Gennaco, Director of Client Services and Mr. Kirk Henry, Director of International Value Equity and Portfolio Manager represented TBC. Mr. Gennaco noted that TBC has \$64.2 billion of assets under management. He stated that Mr. David Cameron has recently become the new Chief Investment Officer at TBC. First quarter 2006, TBC returned 9.0%, slightly behind the MSCI ACWI ex-US benchmark at 9.8%. As of May 23, 2006, TBC is slightly ahead of the benchmark.

Mr. Henry noted that TBC has a bottom-up, value oriented, stock-picking process. The portfolio is well diversified by country and sector and has a fundamental, research driven process. TBC invests in a minimum of twelve countries with a maximum of 30% per economic sector, and normally has 120-160 holdings. Approximately 15% of the portfolio is in emerging markets. Sector weights are as follows: 24.8% in financials; 12.3% in consumer discretionary; 10.8% in materials; and 10.4% in consumer staples. The largest holdings in the portfolio are in France, United Kingdom, Japan, Singapore and Ireland.

Mr. Henry noted that the stocks that performed the best in 2004 were also the best performers in 2005 which is unusual. TBC will be selling those international stocks that

outperformed as they get more expensive and will buy stocks that are lagging as they are the least expensive. The emerging markets have done well but the market has driven the large cap stocks up which is starting to make a correction. Therefore, TBC is shifting more holdings to the mid-cap sector because of better valuations and that will provide protection in the decline. He noted that the hardest hit emerging markets lately were Russia, Turkey and Brazil. The markets holding up are Malaysia and Thailand. He noted that in the long-term they are positive regarding China even though the market growth has slowed.

457 Plan - VALIC Fund Options. Ms. Caine reported that the 457 (Deferred Compensation) Plan has three providers: Fidelity, Aetna (ING), and VALIC. Each of those providers offers twenty options for a total of 60 options for participants. She noted that one of VALIC's options - the SunAmerica Core Bond Fund - will be closing on May 31, 2006 affecting approximately 131 plan participants representing approximately \$46.5 million. The two replacement options provided by VALIC from which to choose are the PIMCO Total Return Fund and the Franklin Templeton Total Return Fund. Both funds have been top quartile performers and either one will be a better option for participants than the SunAmerica fund.

Ms. Caine noted that both proposed funds are rated three star funds by Morningstar. She noted that PIMCO has 85% of its assets under management in fixed income while Franklin Templeton has only 24% of its assets in fixed income, making the PIMCO fund more comparable to the fund which is closing. The majority of Franklin's assets are in international and domestic equities. PIMCO is an institutional, high-quality firm with an emphasis on fixed income and a firm with which the SIC already has a relationship. Ms. Caine recommended choosing the PIMCO fund to replace the SunAmerica fund that is closing.

Mr. Bensur also recommended the PIMCO fund noting that PIMCO also manages the StocksPlus program for the pension fund. He also noted that PIMCO is a much larger institution than Franklin Templeton.

Mr. Costello moved, Ms. Gallogly seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve the PIMCO Total Return Fund as the replacement for the SunAmerica Core Bond Fund as part of the 457 Deferred Compensation Plan that VALIC manages for the State.

457 Deferred Compensation Plan. Treasurer Tavares requested that the Minutes reflect the following concerns he has regarding the State's 457 Deferred Compensation Plan. He noted that the 457 Plan is offered to all state employees and is administered by the Department of Administration ("DOA"). By statute the SIC is responsible for selecting the investments offered in the deferred compensation plan. The SIC is also responsible for monitoring performance. Each of the three firms - Aetna (ING), Fidelity and VALIC offer 20 options each for a total of 60 options offered to employees.

Treasurer Tavares noted that the General Treasurer's Office does not have enough staff to professionally monitor 60 funds. He also expressed concerns that state employees may not be receiving appropriate advice and consultation with regard to these services/funds. He noted that the Investments Department headed by Joan Caine is funded by the retirement system and investment proceeds, and that the expenses of monitoring the 457 Plan legally cannot be borne by the SIC. The Treasurer reported that he has written letters to both Governor Carcieri and his

predecessor Governor Almond expressing his concerns and recommending that the DOA hire a consultant solely for the monitoring of the 457 Plan. His letters noted that he felt there are exposures in this area that need to be addressed. He has also brought this issue to the attention of the respective Directors of Administration under the two governors.

Note: Dr. McKenna left the meeting at 10:25 a.m.

Ms. Caine reported that most state 457 Plans are employing a consultant. Mr. Bensus noted that Wilshire Associates Incorporated does have the capability to serve as a 457 Plan consultant. Ms. Caine noted that the levels of service from the three providers vary. Fidelity is highly automated with online services and toll free telephone numbers. Aetna (ING) is similar to Fidelity and VALIC operates on a more face-to-face basis with participants. VALIC regularly solicits new participants by attending the state's open enrollments.

Ms. Caine suggested that she conduct a survey amongst other Chief Investment Officers nationwide to see what other states do. Ms. Caine also noted that most participants use only one provider and that each provider is well diversified in their fund offerings. Ms. Caine also noted that VALIC's parent, AIG, has been in litigation with regulators since June, 2005 and is now in settlement discussions regarding misstatement of financial results. A settlement has been reached with three regulators: the Securities and Exchange Commission, the New York Attorney General's Office, and the New York Insurance Commissioner whereby AIG is providing \$300 million to a trust to make restitution to various entities.

She explained that prior to the establishment of Beacon Mutual and between 1985 to 1991, anyone who provided workers' compensation insurance in Rhode Island had to deposit a portion of the premiums into a residual market pool. AIG had misclassified its workers' compensation premiums in Rhode Island and did not put enough money in the pool. Ms. Caine has spoken to the Attorney General's office and the Insurance Commissioner at the Department of Regulation ("DBR"), Joseph Torti, who is spearheading the state's effort to seek restitution. Approximately \$100 million of that \$300 million is coming to Rhode Island and will go to those insurers who overpaid into the residual pool. Mr. Torti indicated that DBR is in discussions with AIG for additional restitution for the state and that while AIG has been cooperating, he expects it will take a long time to reach an agreement.

Wilshire Associates Incorporated - Capital Market Review. Mr. Bensus noted that small stocks rallied to start the year outperforming large cap stocks. Emerging markets continue to outperform. Through May 22, 2006, the S&P 500 is up 1.4%, small cap stocks are up 5% and the total market is up 1.8%. The non-US equity market is up 9.8% and emerging markets were up 22.5% and are now up 8%. The market has fallen off quite a bit in just the last ten days.

Deputy Treasurer for Finance Report. Ms. Caine reported that as of April 30, 2006 the fund was up 14.3% which was 40 basis points ahead of the benchmark. She also reported that a Purchase and Sales Agreement has been signed on the Gateway Eight building. The due diligence period will end on June 2nd and she expects to close by June 28th. Ms. Caine noted that the Commission members will be kept up-to-date on this matter.

General Treasurer's Report. The Treasurer distributed copies of an article from The Providence Journal regarding legislation in both the House and Senate concerning divestiture of holdings of companies who do business in Sudan. The movement in Rhode Island is being led by and he has met with a Brown University group called Students Taking Action Now. He noted that although he is extremely sympathetic and the situation in Sudan is horrific, he has concerns

with the legislation as presented. There was a hearing at the State House regarding the proposed legislation.

He reported to Commission members that prior to his term as Treasurer, legislation was passed regarding divestiture of holdings in South Africa which was very successful. That legislation employed the "Sullivan Principles" where the US State Department spelled out how divestment should occur. There was a four year period in which to divest and there was a "hold harmless" clause where no one was required to sell any security at a loss. The legislation today is very different. The US State Department has not created an official list of holdings for divestiture. Representative Langevin has written to Secretary of State Condoleeza Rice to ask that the State Dept. prepare an official list of companies whose holdings should be divested.

The legislation before the House and Senate now is unique in that it is mandating that groups hire a private vendor to supply the list of companies to divest from and is also suggesting certain vendors to use. Also the legislation designates the divestiture period to be 50% of the portfolio within six months and 100% within twelve months. Based on an unofficial list obtained, the Treasurer believes the pension fund has approximately \$44 million in targeted companies.

Treasurer Tavares reported that the California State Treasurer has asked that CALSTERS develop a policy that would be consistent with the ultimate goal. The Treasurer suggested to the sponsors of the legislation that rather than manage the situation by legislation, that perhaps a resolution would be appropriate requesting that the SIC research the matter and take appropriate action.

That was not acceptable to the Brown student group as they did not trust the SIC to do the right thing and wanted it mandated. The Treasurer noted that this is an extremely emotional issue, and he is very sympathetic to Sudan's situation. However, he has informed the legislators that the proposed legislation is not prudent and is not in the best interests of the pension plan recipients.

Ms. Caine stated that a review of the pension fund portfolio indicates holdings in three companies known to do business in Sudan - Siemens, Total SA and Royal Dutch Shell. She noted that those positions are in separately managed accounts and the commingled funds do not include any of those investments. She expressed concerns related to the private equity portfolio where assets are illiquid and a forced liquidation would result in substantial losses. Divestiture would also diminish the fund's ability to continue to broadly participate in the private equity marketplace in the future.

Mr. Bensur stated that he would present the Asset Liability Study at the June 28th meeting.

Mr. Treat moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Costello, Ms. Gallogly, Ms. Reback, Mr. Treat, and Treasurer Tavares. (Note: Dr. McKenna was not present for this vote.)

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 10:50 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer

**State of Rhode Island and Providence Plantations
STATE INVESTMENT COMMISSION**

Regular Meeting June 28, 2006

A State Investment Commission ("SIC") meeting was held in Room 135, State House, Providence, Rhode Island on Wednesday, June 28, 2006. The Treasurer called the meeting to order at 9:05 a.m.

Membership Roll Call. Present were: Mr. Jeffrey Britt, Mr. Michael Costello, Ms. Rosemary Booth Gallogly, Dr. Robert McKenna, Ms. Marcia Reback, Mr. John Treat, and General Treasurer Paul J. Tavares. Also present were: Mr. George Carvalho, Chief of Staff, Ms. Joan M. Caine, Deputy Treasurer for Finance, Jayne Donegan, Esq., of Brown Rudnick Berlack Israels, Legal Counsel to the Commission, Ms. Michelle Davidson of Pacific Corporate Group, Alternative Investments Consultant to the Commission, Mr. Frank Blaschka of The Townsend Group, Real Estate Consultant to the Commission, and other members of the Treasurer's Staff.

State Investment Commission Minutes. Mr. Treat moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To approve the Minutes of the May 24, 2006 regular meeting.

Proposed Investment in Thomas, McNerney & Partners II, L.P. ("TMP II"). Ms. Michelle Davidson of Pacific Corporate Group ("PCG") gave a brief overview of TMP II. She noted that TMP II is being formed to make venture capital investments at all stages of development and across all sectors of the life sciences and medical technology industry. The Employees' Retirement System of RI ("ERSRI") previously invested \$15 million in TMP's first fund. Fund I has achieved top quartile returns, however it is largely unrealized.

Mr. Peter McNerney, Co-Founder and Partner represented TMP II. He stated that TMP II will focus on specific areas of sector emphasis which will include biotechnology, medical devices, pharmaceuticals, and other forms of medical product innovation. Fund I is invested in eleven companies, soon to be thirteen companies and is approximately 80% allocated. TMP II will build a portfolio of approximately 20 companies investing in four to five companies per year with an average investment size of \$15 million.

Mr. McNerney noted that Fund I has a gross IRR of 25 %. In prior funds during the time period of 1998 - 2000, returns were 73.9%; during 1994 - 1998 returns were 32.7% and pre-1994 returns were 29.9%. TPM II's current sector diversification is approximately 45% medical devices and approximately 55% biotech/pharmaceuticals. The three sectors are concentrated fairly heavily in three parts of the country: the northeast, the upper midwest and the west coast.

Ms. Gallogly, moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$15 million in Thomas, McNerney & Partners II, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in First Reserve Fund XI, L.P. ("FR XI"). Ms. Davidson gave a brief overview of FR XI. She noted that ERSRI is invested in three prior First Reserve Funds - VIII, IX and X. FR XI is being formed to employ a top down, bottom up strategy, similar to prior funds focusing on energy infrastructure services. First Reserve has been employing the same strategy for approximately 14 years through five prior funds generating a net return of 27%.

Ms. Cathleen Ellsworth, Managing Director represented FR XI. She noted that Fund X is 95% committed and Fund XI will close in July. First Reserve has focused solely on energy for the last 25 years in all kinds of markets. She stated that First Reserve has a strong deal flow through strategic relationships, noting that 80% of current holdings are from proprietary sources. She stated that First Reserve is the largest and most well-known participant in the industry. Gross performance figures through 3/31/06 reveal that Funds VI, VII, VIII and IX have realized IRRs of 32%, 17%, 25%, and 89% respectively.

Ms. Ellsworth noted that energy is a global industry with more than 75% of the market outside the United States. She noted that natural gas and coal is becoming increasingly important and that 52% of the energy in the United States is produced by coal. There is an increasing demand for oilfield service and equipment and for manufacturing and service companies. There is also an increasing demand for ancillary businesses such as LNG, shipping and pipelines.

Ms. Reback moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$20 million in First Reserve Fund XI, L.P. contingent upon satisfactory review and negotiation of investment and other legal documents.

Proposed Investment in TA Associates Realty Fund VIII ("TA VIII"). Mr. Frank Blaschka of The Townsend Group gave a brief overview of TA VIII noting that it is a valued added fund in the enhanced return sector of the portfolio. TA Realty was formed in 1982 by Mike Ruane and Arthur Segal and currently manages \$8.6 billion in real estate assets, including \$4.9 billion in value added funds. TA VIII will continue the same strategy as in their six previous funds.

Mr. Michael Ruane, Managing Partner, Mr. Scott Van Houten, Partner/Acquisitions, and Mr. Reid Parker, Partner represented TA VIII. Mr. Ruane noted that TA VIII will have a strong emphasis on finding properties in major markets, particularly along the coastal regions and will not invest in specialized property types. He noted that TA Associates has been able to maintain targeted returns in a lower return environment not by taking on more leasing risk or life cycle risk, but by employing more leverage. It will likely have a floor of 50% loan to value over the life of the fund, with initial periods being 100% leveraged as they finance the first half of the portfolio before calling equity, and using shorter holding periods of underlying investments. He also noted that TA Associates always completes investments in one fund before starting another.

Mr. Parker reviewed statistics regarding the prior four funds stressing that the average size of an investment is approximately \$20 million. He noted that the investments are well diversified in the four major property types throughout the US. The last four funds are invested

as follows: approximately 46% in industrial space, 44% in office space, 8% in the multi-family space, and 2% in retail space. The four property types are concentrated fairly heavily in the west coast, the east coast and southwest. Mr. Van Houten reviewed some representative transactions.

Ms. Reback moved, Mr. Britt seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To invest up to \$15 million in TA Realty Fund VIII contingent upon satisfactory review and negotiation of investment and other legal documents.

Real Estate Consultant - The Townsend Group - 1st Quarter Performance Report. Mr. Blaschka stated that ERSRI has committed \$305 million to 13 commingled fund investments. This is broken down as follows: 71% of the capital targeted for stable return investments has been committed; 65 % of the capital targeted to enhanced return investments has been committed; and all of the capital targeted for high return has been committed. Approximately \$94 million remains to be committed to future commingled fund investments in the stable return and likely enhanced return sectors.

Mr. Blaschka noted that the real estate portfolio is benchmarked to the NCREIF Property Index (“NPI”). The stable return investments outperformed the NPI for the first quarter by 130 basis points on a gross basis. The enhanced and high return investments are lagging due to the effects of the “J-curve” whereby fees on committed capital exceed distributions due to minimal invested capital and the early stages of the value-added process in the underlying investments.

Mr. Blaschka stated that gross return for the one year period ending 3/31/06 was 23.5% versus the benchmark’s 20.2%. The portfolio outperformed the NPI over the past year by 330 basis points on a gross basis; it was 170 basis points below the NPI on a net of fee basis, with the high fee load attributed to the J-curve effect. Townsend anticipates the spread between the gross and net return will narrow as the portfolio matures.

Investment Manager Review - Fidelity Management Trust Co. (“Fidelity”). Ms. Caine gave a brief overview of Fidelity noting that they were retained in 1989 to provide a long-term, strategic allocation to the mortgage-oriented sector of the fixed income market. The market value of the portfolio at March 31, 2006 was \$415.8 million. The portfolio comprises 24.8% of the fixed income composite and 5.8% of the total fund composite. She noted that the portfolio has met their objective of returning 20 basis points over the Lehman Mortgage Index on the one-year, three-year, five-year, and since inception time periods.

Mr. Arthur Greenwood, Senior Vice President and Relationship Manager and Mr. William Irving, Portfolio Manager represented Fidelity. Mr. Greenwood noted that Fidelity has recently separated its institutional business from the retail mutual fund business, but that will not affect the ERSRI portfolio in any way. Mr. Irving noted that the portfolio is comprised of 57% in 30-year fixed rate mortgages, 14% in 15-20 year mortgages, 7% in commercial mortgage-backed securities, 18% in collateralized mortgage obligations, and 3% in asset-backed securities. He noted that the Fed has steadily raised short-term rates while long-term rates are more stable. Mortgage rate volatility was low and prepayments were stable.

Mr. Irving reported that California, Florida and the Northeast have had very strong home-price appreciation, and that Texas and Ohio have had much more subdued growth. High home prices together with higher interest rates have put strains on affordability. The housing market

is slowing in those regions and the number of months the housing supply is on the market is the highest it has been in several years. He also noted that the subprime market has grown considerably and has performed well.

Dr. McKenna moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: Pursuant to R.I.G.L. § 42-46-5(5) and R.I.G.L. § 42-46-5(7), the Commission votes to close the meeting to the public to discuss the disposition of publicly held property wherein advanced public information would be detrimental to the interest of the public and to discuss the question of the investment of public funds where premature disclosure would adversely affect the public interest regarding the Gateway Eight building.

The Commission went into Executive Session at 10:47 a.m.

Open Session. Mr. Britt moved, Mr. Costello seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To reconvene the meeting into Open Session.

The Commission reconvened into Open Session at 11:15 a.m. There were no votes taken while the Commission was in Executive Session.

Mr. Treat moved, Ms. Reback seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To seal the Minutes of the Executive Session held today, June 28, 2006.

Ms. Reback moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To authorize the General Treasurer to negotiate the offers to acquire the Gateway Eight building received from the top bidders after the national marketing campaign, as discussed by the Commission in its June 28, 2006 Executive Session, and to authorize the General Treasurer, in his sole discretion, to accept an offer from any such bidder to purchase the Gateway Eight building, provided that the Treasurer determines such offer to be the highest and best offer available.

Mr. Treat moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To authorize the General Treasurer to execute, acknowledge and deliver any agreements, certificates, deeds and other documents which he deems appropriate to effect the purposes of the foregoing resolution and consummate the sale of the Gateway Eight building.

Deputy Treasurer for Finance Report. Ms. Caine distributed Wilshire's Capital Market Review. She noted that the pension fund was up 14% at the end of April and 11.3% at the end of May. She stated that the pension fund's hurdle rate is 8.25%. The capital markets so far in June don't appear to be as volatile as in May and she expects the plan to meet the hurdle rate by the end of June. She noted that the international markets have outperformed all other markets again for the fourth year in a row. The international portfolio was up 26%, the domestic equity portfolio was up 10.4 % and the fixed income portfolio was essentially flat.

Ms. Caine informed the Commission that there was a change in the policy index to better reflect the asset allocations. Historically the private equity portfolio and the real estate portfolio were folded into the Wilshire 5000 Index, a measure of the broad equity market. Since ERSRI now has significant investments in these assets, the real estate portfolio is now benchmarked to the NCREIF property benchmark and the private equity portfolio has been benchmarked to the S&P 500 plus 300 basis points.

Ms. Reback requested that the actuary be invited to a State Investment Commission meeting for a presentation regarding the hurdle rates.

Ms. Caine asked Commission members if they wished to have a July meeting or as has been past practice to cancel the July meeting.

Mr. Britt moved, Dr. McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To cancel the July 26, 2006 meeting of the State Investment Commission.

Mr. Britt moved, Dr. Mc McKenna seconded and the following motion was passed unanimously. The following members voted in favor: Mr. Britt, Mr. Costello, Ms. Gallogly, Dr. McKenna, Ms. Reback, Mr. Treat, and Treasurer Tavares.

VOTED: To adjourn the meeting.

There being no further business, the meeting was adjourned at 11:23 a.m.

Respectfully submitted,

Paul J. Tavares
General Treasurer