

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

**2401 Colonial Drive, 3rd Floor
Helena, Montana**

AGENDA for Thursday, September 20, 2001

I. CALL TO ORDER 1:00 p.m.

- A. Roll Call
- B. Approval of the August 16 & 17, 2001 Regular Meeting Minutes

II. EXECUTIVE DIRECTOR REPORTS - Carroll South 1:15 p.m.

- A. Various updates
- B. Out-of-State Travel Requests

III. BOND PROGRAM - Geri Burton 1:45 p.m.

- A. INTERCAP
 - 1. Activity Report
 - 2. Staff Approved Loans Report
 - 3. Loan Requests

IV. CHIEF INVESTMENT OFFICER REPORTS - Jim Penner, CFA 2:15 p.m.

- A. Economic Overview - Newsletter
- B. Asset Allocation

V. MONTANA LOAN PROGRAM - Delrene Rasmussen 2:45 p.m.

- A. Consider Commercial/Multi-Family Loans
 - 1. Great Falls Clinic Realty Partnership, LLP/Great Falls Clinic LLP
 - 2. Garden City Plumbing & Heating
 - 3. KBA Leasing, LLC.
 - 4. Zoot Enterprises, Inc./Zoot Properties, LLC.
 - 5. Zoot Properties LLC., Infrastructure Loan Request
 - 6. Big Sky Brewing Construction Loan - Value-added Loan
 - 7. Sato Travel, Infrastructure Loan Request
- B. Coal Tax Loan Activity Report - July
- C. Coal Tax Loan Delinquency Report - June 30, 2001
- D. Mortgage Program Activity Report - July
- E. Residential Loan Program Delinquency Report - June 30, 2001
- F. CMB announcement

VI. INVESTMENT ACTIVITY 3:15 p.m.

- A. Domestic Equities (Montcomp) - Rande Muffick, CFA
 - 1. Transactions - July
 - 2. Holdings Report
 - 3. Strategy
 - 4. Portfolio Additions
 - a. Reebok Int'l
 - b. Biomet
- B. International Equities (MTIP) - David Ewer
 - 1. Europe and Americas
 - a. Internal Transactions - July
 - b. Internal International Holdings Report

c. Strategy

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

Friday, September 21, 2001

AGENDA

VI. INVESTMENT ACTIVITY - continued 8:30 a.m.

C. Private Equities - Ed Kelly

1. Transactions - July
2. Venture Capital Update

D. Fixed Income - Bob Bugni, CFA

1. Transactions - July
2. Strategy
3. Investment Policy Statements
 - a. Resource Indemnity Trust Fund
 - b. Trust and Legacy Fund

E. Security Lending - Rich Cooley, CFA

F. STIP and Treasurer's Funds - Rich Cooley, CFA

1. STIP Transactions - July
2. STIP Holdings Report
3. Treasurer's Fund Transactions - July
4. Treasurer's Fund Holdings Report
5. Strategy

VII. ADJOURNMENT 11:30 a.m.

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

**MONTANA BOARD OF INVESTMENTS
DEPARTMENT OF COMMERCE**

**2401 Colonial Drive, 3rd Floor
Helena, Montana
September 20 & 21, 2001**

MINUTES

BOARD MEMBERS PRESENT:

Dick Anderson, Chairman
Douglas Bardwell
Dennis Beams
Maureen Fleming
Jay Klawon
Joel Long

F. Lee Robinson
Tim Ryan

BOARD MEMBERS ABSENT:

Calvin Wilson

STAFF PRESENT:

Peter S. Blouke, Deputy Director
Robert T. Bugni, CFA, Assistant Investment Officer
Geri Burton, Bond Program Officer
Richard Cooley, CFA, Assistant Investment Officer
Kimberly Dallas, Program Assistant
David Ewer, Senior Portfolio Manager
Edward Kelly, Assistant Investment Officer
Herbert Kulow, Senior Portfolio Manager
Rande Muffick, CFA, Assistant Investment Officer
James R. Penner, CFA, Chief Investment Officer
Delrene Rasmussen, Assistant Investment Officer
Carroll V. South, Executive Director
Louise Welsh, Bond Program Assistant

GUESTS:

Mr. Wayne Nelson, President, Stockman Bank of Billings
Mr. Chris Nelson, President Zoot Enterprises, Inc.
Mr. Bill Hangan, CFO, Zoot Enterprises, Inc.
Mr. Tom Livers, Dept. of Environmental Quality
Mr. Mark Hines, Dept. of Environmental Quality

CALL TO ORDER

Chairman Anderson called the regular meeting of the Board of Investments (Board) to order at 1:00 p.m. in the conference room at 2401 Colonial Drive, 3rd Floor, Helena, Montana. As noted above, the meeting convened with seven members of the Board present. Members Long and Wilson were absent.

Member Klawon motioned for approval of the August 16 & 17, 2001 minutes; Member Bardwell seconded the motion and the motion was passed 7-0.

LOAN PROGRAMS

Consideration of Commercial Loan Participation - Permanent Coal Trust Fund

Mr. Herb Kulow presented staff's recommendation to participate in the following loan requests (Member Long arrived at this time):

Borrower: Zoot Enterprises, Inc./Zoot Properties, LLC.

Lender: Stockman Bank, Billings

Purpose of Loan: To finance the construction of a new facility to house Zoot Enterprises, Inc.

Amount of Loan: \$10,000,000

Board Loan Amount: \$7,000,000
Board Participation: 70%
Term of Loan: 20 Years
Interest Rate: 7.55% + .60% LSF
Recommendation: Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation: No recommendation made.

Borrower: Gallatin County Infrastructure Loan Request
User Business: Zoot Properties, LLC.
Lender: Montana Board of Investments
Purpose of Loan: The purpose of the loan is to finance the following: § Parking facility § Water, sewer & utilities § Site improvements & roads § Infrastructure design & engineering
Amount of Loan: \$4,000,000
Term of Loan: 25 Years
Interest Rate: 7.55 %
Recommendation: Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation: No recommendation made.

There was no Loan Committee Recommendation made. Member Fleming requested that staff add, "If an IPO is originated by the User Businesses, the User Businesses agree to pay the infrastructure loan off" to the terms and conditions in Schedule A. Member Fleming then moved for approval of staff recommendation; Member Beams seconded the motion and the motion was passed 6-0. Member Anderson and Member Ryan abstained.

Ms. Delrene Rasmussen and Mr. Herb Kulow presented staff recommendations to participate in the following loan requests

Borrower: Butte/Silver Bow Infrastructure Loan Request
User Business: Sato Travel
Lender: Montana Board of Investments
Purpose of Loan: To renovate 25,000 square feet of the former Sears building, which will be used as the Sato Travel call center.
Amount of Loan: \$3,800,000
Term of Loan: 15 Years
Interest Rate: 7.50%
Recommendation: Approval, subject to Sato Travel finalizing plans to locate in Butte.
Loan Committee Recommendation: Approve

Borrower: Great Falls Clinic Realty Partnership, LLP/Great Falls Clinic LLP.
Lender: Wells Fargo Bank Montana, Great Falls
Purpose of Loan: To provide permanent financing for a new medical-office facility in Helena and financing for an office condominium unit.
Amount of Loan: \$2,080,000
Board Loan Amount: \$1,664,000
Board Participation: 80%
Term of Loan: 20 Years
Interest Rate: 7.75% + .15% LSF
Recommendation: Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation: Approve

Borrower: Garden City Plumbing & Heating, Inc.
Lender: Mountain West Bank, Missoula
Purpose of Loan: To provide long-term financing for existing debt.
Amount of Loan: \$561,952
Board Loan Amount: \$449,562

Board Participation: 80%
Term of Loan: 14 Years
Interest Rate: 7.50% + .75% LSF
Recommendation: Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation: Approve

Borrower: KBA Leasing, LLC.
Lender: Mountain West Bank, Missoula
Purpose of Loan: To refinance existing debt.
Amount of Loan: \$555,345
Board Loan Amount: \$444,276
Board Participation: 80%
Term of Loan: 14 Years
Interest Rate: 7.50% + .75% LSF
Recommendation: Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation: Approve

Consideration of Value Added Loan Program - Coal Tax Trust Fund

Mr. Herb Kulow presented a loan request to participate in the following loan:

Borrower: Big Sky Brewing Company
Lender: First National Bank, Missoula
Purpose of Loan: To provide construction financing to build a production plant and to purchase bottling equipment.
Total Amount of Loan: \$1,981,500
Board Loan Amount: Up to \$500,000
Recommendation: Approval, subject to the terms and conditions in Schedule A.
Loan Committee Recommendation: Approve

Member Fleming moved for ratification of loan committee recommendations; Member Long seconded the motion and the motion was passed 8-0.

Coal Tax Loan Activity

Ms. Delrene Rasmussen presented and the Board reviewed this report for July.

Coal Tax Loan Delinquency Report

Ms. Delrene Rasmussen presented and the Board reviewed this report for fiscal year ending June 30, 2001.

Staff Approved Loans Committed

The Board reviewed this report for July.

Mortgage Program Activity Review

The Board reviewed this report for July.

Mortgage Program Delinquency Report

Ms. Delrene Rasmussen presented and the Board reviewed this report for fiscal year ending June 30, 2001.

CMB Announcement

Ms. Delrene Rasmussen announced that Ms. Sandra Conrady, ARU, had recently completed and passed her CMB Written and Oral Interview. Ms. Conrady is one of two people in Montana that has accomplished receiving this very

impressive designation. Congratulations Sandi!

BOND PROGRAM

INTERCAP

Ms. Geri Burton presented staff's recommendation that the Board authorize staff to proceed with processing and closing the following loan using the Board's standard Bond Program Office procedures:

Kalispell School District

\$2,170,861

10 Years

To finance a major energy retrofit within several of the District's school buildings.

Member Ryan moved for approval of this recommendation; Member Beams seconded the motion and the motion was passed 8-0.

Activity Report

The Board reviewed this report for the period ending September 7, 2001.

Staff Approved Loans Report

Ms. Geri Burton reported that:

Borrower: Galata County Water District

Purpose: To refund two existing revenue bonds and to finance costs associated with drilling a new well and connecting to the water system.

Staff Approval Date August 15, 2001

Board Loan Amount: \$125,000

Term: 10 Years

Borrower: Park County Rural Fire District

Purpose: To finance a water tender and to construct a metal building to be used as a fire station.

Staff Approval Date August 22, 2001

Board Loan Amount: \$75,000

Term: 5 Years

Borrower: Big Timber Grade School

Purpose: To finance the construction of an administrative office.

Staff Approval Date August 22, 2001

Board Loan Amount: \$29,456

Term: 3 Years

Borrower: City of Bozeman

Purpose: To finance costs associated with sidewalk installation, sidewalk repairs and pedestrian ramp installations.

Staff Approval Date August 23, 2001

Board Loan Amount: \$106,000

Term: 5 Years

Borrower: West Helena Valley Fire Department

Purpose: To finance the purchase of a pumper truck.

Staff Approval Date August 30, 2001

Board Loan Amount: \$125,000

Term: 5 Years

Borrower: East Helena School District #9

Purpose: To finance the purchase of a new telephone system for the central office.

Staff Approval Date September 6, 2001

Board Loan Amount: \$35,000

Term: 5 Years

Borrower: Lewis & Clark Bicentennial Commission

Purpose: Senate Bill 393 intentions are to allow the Commission to design and sell a Montana bicentennial license plate for the purpose of raising funds to support the Lewis and Clark bicentennial in Montana.

Staff Approval Date September 7, 2001

Board Loan Amount: \$200,000

Term: 3 Years

has been approved by staff.

EXECUTIVE DIRECTOR REPORTS

Out-of-State Travel

Executive Director Carroll South, presented travel recommendations for Delrene Rasmussen to attend the Commercial Real Estate Underwriters class, Sept. 29 - Oct. 3, 2001 in College Park, MD; Sandi Conrady to travel to Toronto to attend the CMB Designation Convention, October 13 - 18, 2001; Jim Penner to attend NASIO Conference, October 20 - 25, 2001 in New Mexico. Member Beams moved for approval of this recommendation; Member Long seconded the motion and the motion was passed 8-0.

CHIEF INVESTMENT OFFICER REPORTS

Chief Investment Officer, James Penner, recapped the preceding reports and presentations.

Asset Allocation Report

Mr. Jim Penner, Chief Investment Officer, presented staff recommendation for the following Asset Allocation purchases for:

October Proposed Transactions -

\$25 million S&P 500 Index Fund

\$15-25 million Montana Stock Pool

\$2.5 million Schroders Asset Management

\$2.5 million SG Pacific Asset Management

\$5.0 million Pырford International

November Proposed Transactions -

\$25 million S&P 500 Index Fund

\$15-25 million Montana Stock Pool

\$2.5 million Schroders Asset Management

\$0-10 million Internal International Pool

Mr. Penner also requested the Asset Allocation Committee have wide latitude with investments made because of the unsettled status of the markets in the immediate future. Member Long moved to give the Asset Allocation Committee broad authority to invest beyond the transactions proposed and ratification would be given at the November meeting; Member Ryan seconded the motion and the motion was passed 8-0.

INVESTMENT ACTIVITY

Montcomp

Mr. Rande Muffick presented July transactions, the holdings report as of July 31, 2001 and the current investment strategy. Member Bardwell moved for approval of the Montcomp strategy as presented; Member Long seconded the motion and the motion was passed 8-0.

In addition, Mr. Muffick presented Reebok International and Biomet as August Portfolio Additions.

International Investment

Mr. David Ewer presented July transactions, the holdings report as of July 31, 2001 and the current investment strategy.

Private Equities

Mr. Ed Kelly presented July transactions. In addition, Mr. Kelly presented the Venture Capital Update and the Leveraged Buyout Update.

Fixed Income

Mr. Robert Bugni presented July transactions, and the current investment strategy. Member Bardwell moved for approval of the Fixed Income strategy as presented; Member Klawon seconded the motion and the motion was passed 8-0.

In addition, Mr. Bugni presented the Investment Policy Statements for Trust and Legacy Fund and Resource Indemnity Trust Fund. Member Fleming moved for approval of the Investment Policy Statements as presented; Member Bardwell seconded the motion and the motion was passed 8-0.

Security Lending

Mr. Richard Cooley presented this report for July.

Treasurer's and STIP Funds

Mr. Cooley also presented July STIP transactions the STIP holdings report as of August 31, 2001, the July Treasure's Fund transactions, the Treasurer's Fund holdings report as of July 31, 2001 and the current investment strategy for both of these funds. Member Beams moved for approval of the STIP Fund and Treasurer's Fund strategy as presented; Member Fleming seconded the motion and the motion was passed 8-0.

Next Meeting

The next regularly scheduled meeting of the Board will be November 1 & 2, 2001.

ADJOURNMENT

There being no further business, the Regular Meeting of the Board was adjourned at 4:30 p.m.

BOARD OF INVESTMENTS

APPROVE:

Dick Anderson, Chairman

ATTEST:

Carroll South, Executive Director

DATE: