INVESTMENT POLICY

The MPLT trustees are collectively referred to as ***fiduciaries***, but what does this mean and what is their role in the investment process? The answer is as follows:

To provide the essential management of the investment process, without which the other components of the investment plan cannot be defined, implemented or evaluated.

The emphasis is on the fiduciary as the ***manager*** of the investment process - a role that does not require discretionary money management expertise. They are responsible for the ***general management*** of the assets.

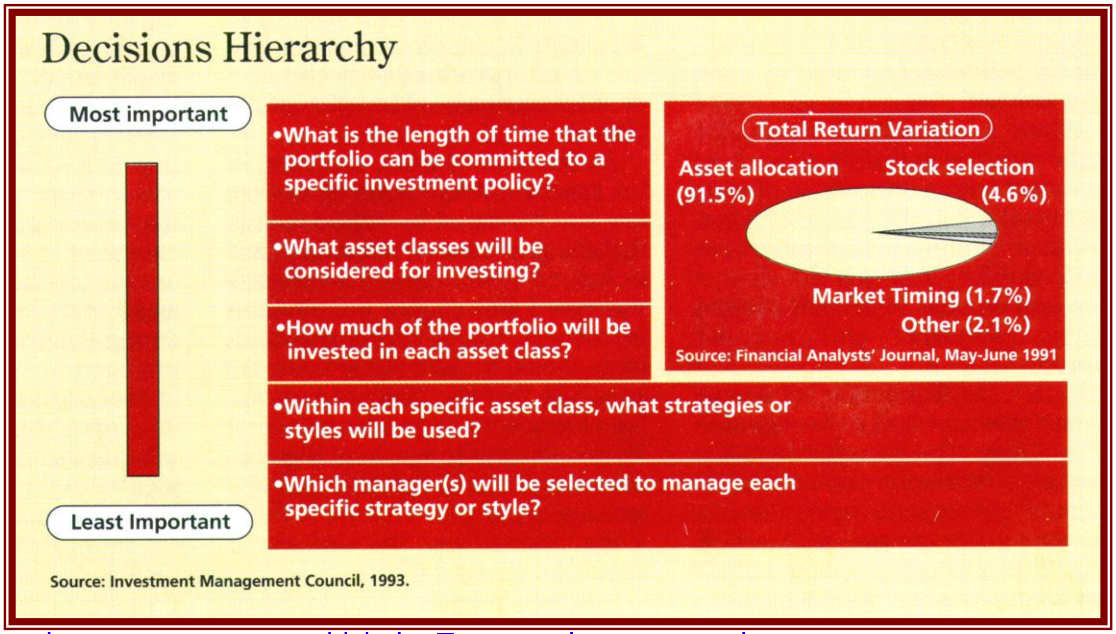
To accomplish these key tasks, the Trustees have worked with their staff and consultants to prepare an Investment Policy Statement (IPS); the purpose for which is to assist the Trustees in effectively supervising, monitoring and evaluating the Trust=s investment assets. The investment program is defined in the various sections of the IPS by:

FIDUCIARIES' KEY TASKS

- **Determining the portfolio=s mission and objectives;**
- **Choosing an appropriate asset allocation strategy;**
- **Establishing explicit written investment policies consistent with the objectives;**
- **Selecting investment managers to implement the investment policy; and**
- **Monitoring investment results.**

- Stating in a written document the Trustees= attitudes, expectations, objectives and guidelines for the investment of all Trust=s assets.
- Setting forth an investment structure for managing all Trust assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Trust assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Trustees, the investment consultant and the money managers.
- Establishing formalization criteria to monitor, evaluate, and compare the performance results achieved by the money managers on a regular basis.
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact trust assets.

The IPS was prepared based upon considerations by the Trustees of the financial implications of a wide range of policies and describes the prudent investment process which the Trustees deem appropriate.



Studies have been made of the factors or elements of the investment process which affect total return variation. Of these elements, the investment portfolio time horizon and the asset allocation are the most important and have the greatest affect on portfolio returns. The selection of money managers and their stock selections typically have the least impact on return variations. The following graphic illustrates this reality very well.

INDUSTRY BEST PRACTICE

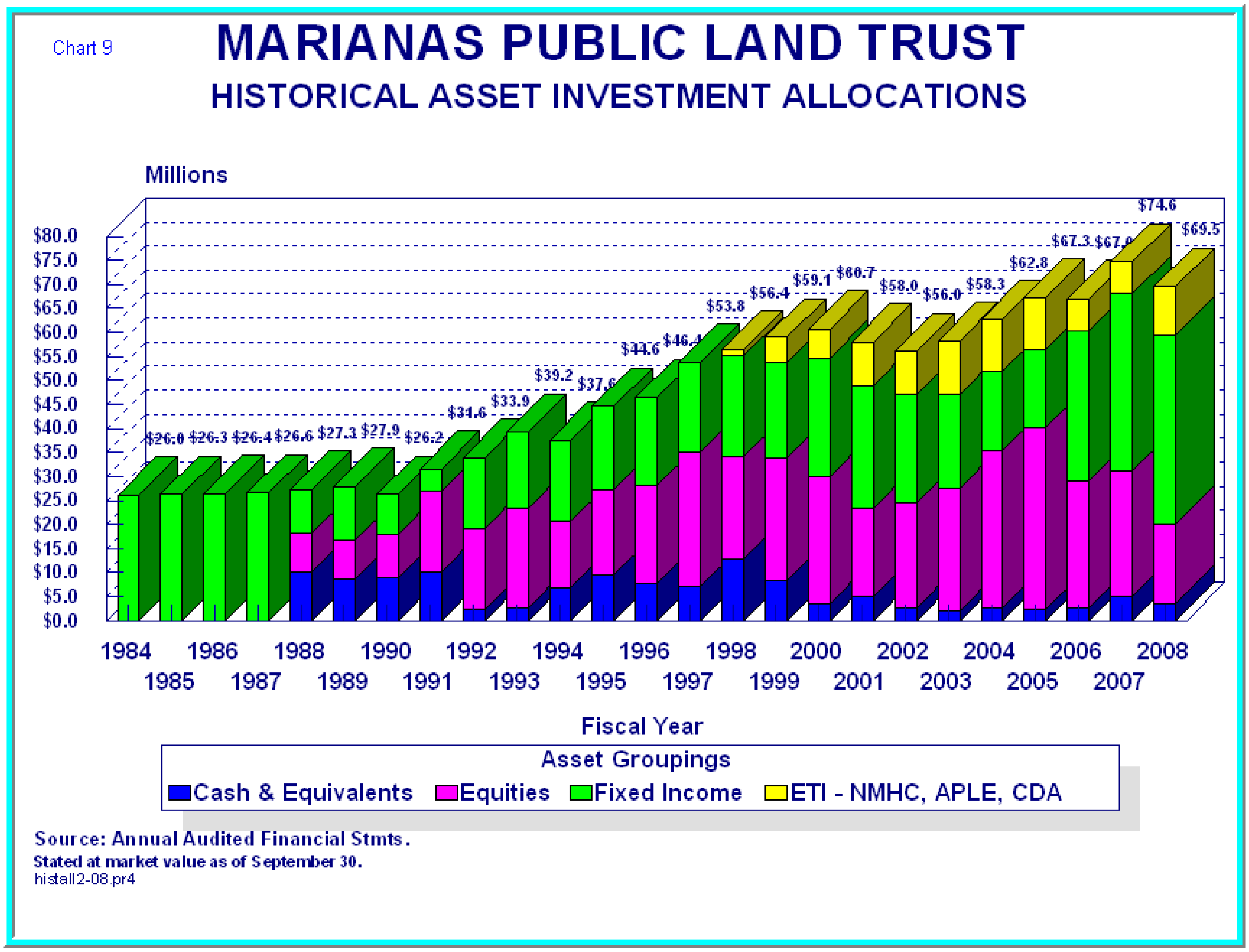
One of the most important decisions the fiduciary has to manage is the determination of the time horizon. Based on the time horizon, the fiduciary then can determine which asset classes can be appropriately considered; what the allocation should be between the selected asset classes; whether there should be an allocation made among sub-asset classes; and, finally, which money managers or mutual funds should be retained to manage each asset class.

Since 1988, the asset allocation strategy has changed slightly, but can best be described as a Abalanced@ investment focus.

During 2006 the asset allocation was amended slightly to shift from equities to fixed income. This was done by eliminating the 10% small/mid cap “core” allocation and decreasing the lg/cap domestic equities by 10%. Also, changed was the elimination of the lg/cap “value” and “growth” specialty managers, which were replaced with a single lg/cap “core” manager. This reduced the percentage allocation for this portion to 25%. The international equities remained at 10%. This made the overall equity allocation to be 35%. This overall 20% reduction in equities was added to fixed income allocation for a total of 65%, which is divided between “core” marketable securities of 50% and ETI’s or local investments of 15%.

The asset allocation for both the General Fund and Park Fund are the same. The General Fund is currently over-weighted by 6.7% in fixed-income with equities being under-weighted by the same amount. Basically, the General Fund is in-balance as of the end of 2008. Any new principal contributions will be put into fixed-income to maximize the annual income distribution to the Commonwealth General Fund. In the Park Fund, the fixed-income is over-weighted by 3.3%, but since the CDA/AMP loan debt service is being adequately met, there is no need to perform “rebalancing” at this time as it will take care of itself over time.

The following Chart 9 illustrates the asset allocation as reflected in the IPS. It also shows how the value of the investments has improved since 2002. This trend of increasing values was short-circuited in 2008 as a result of the credit failures and resulting loss of security values. But recovering of values did occur n 2009



In addition to the above discretionary money manager allocations, the Trust has setaside $10,000,000 as Economically Targeted Investments (ETI) for the local community. This investment program commenced in 1998 wherein $5,000,000 was loaned to the Northern Marianas Housing Corporation (NMHC) to provide short-term construction housing loans to persons of Northern Marianas descent. Upon completion of the homes, permanent mortgage financing would be obtained from local banks in order to finance and payoff the construction loan. In this manner, the loan fund could be revolving to provide new financing to applicants wishing to build homes.

CHANGES IN PRINCIPAL FUND BALANCES

Trust Principal	General Fund	Park Fund
MPLC distributions to MPLT	$ 26,192,602	$ 2,000,000
NMHC interest appropriated to principal	5,209,055	-
Net Increase (Decrease) in the Fair Value of Investments:		
FY 1988	145,026	(30,599)
FY 1989	(791,186)	256,014
FY 1990	(659,379)	66,172
FY 1991	1,099,866	193,433
FY 1992	3,323,619	564,709
FY 1993	2,036,236	245,330
FY 1994	1,422,710	427,715
FY 1995	4,729,962	1,040,133
FY 1996	3,583,364	514,162
FY 1997	7,008,118	996,123
FY 1998	1,764,253	219,979
FY 1999	2,155,083	339,314
FY 2000	1,054,744	143,615
FY 2001	(2,677,203)	(387,025)
FY 2002	(3,055,198)	(405,301)
FY 2003	2,955,539	357,106
FY 2004	3,396,385	347,774
FY 2005	4,156,017	408,370
FY 2006	(1,221,013)	244,267
FY 2007	4,742,997	513,978
FY 2008	(3,682,246)	(876,280)
Totals	$ 62,889,351	$ 7,178,988

Unfortunately, NMHC did not obtain the necessary loan commitments from local banks and as a result NMHC had to make the long-term mortgage loans themselves. This resulted in MPLT having to amend the short-term loan to a term loan of fifteen years at an annual interest rate of 82%.

Subsequently on October 19, 2000, P. L. 12-27 was enacted which gave to NMHC a ten year moratorium for repayment of this loan and appropriated the annual net income distribution, which MPLT makes to the Commonwealth General Fund, back to MPLT to pay-off this NMHC obligation. This legislation effectively will transfer NMHC=s debt obligation to the Commonwealth General Fund. As a part of this legislation, MPLT agreed to loan an additional $3.9 million to NMHC bringing the total loan to $10 million. These additional loan proceeds were aimed at benefiting Alow-income@ applicants. On March 13, 2007, the Governor signed into law the repeal of the provision relating to the NMHC moratorium. This resulted in NMHC being required to resume the loan payments per the original loan agreement commencing on April 1, 2007. NMHC defaulted on making such payments and MPLT negotiated a settlement of the note and obtained the collateralized NMHC loan portfolio plus enough cash to pay-off the accrued interest due. It is anticipated that MPLT will have a loss of an estimated $4 million due to the NMHC default. As such, a write-down of the value of this investment for this amount was made as of September 30, 2006 resulting in a net value for this investment of $4,996,623 plus $1,162,317 of accrued interest. The actual future loss from this investment is unknown at this time.

Additionally, the Trust has implemented a pilot program to test the concept of investing in a parent-student scholarship loan program. The initial program commenced on Rota with a loan being made to a local non-profit corporation, APLE 501, Inc. Under this program, APLE would receive a loan from MPLT to be secured by their loan portfolio. It is APLE’s responsibility to establish the lending criteria, award the loans and prepare the appropriate loan documentation, e.g., loan agreement, promissory note, guaranty first mortgage, etc., copies of which were to be provided to MPLT. MPLT’s loan agreement with APLE requires them to only make loans that are secured by a first mortgage on real estate having at least two times the appraised value of the loan amount. The terms of the loan to APLE require them to repay MPLT over a term of fifteen years at an interest rate of five percent (5%). The first advance on this loan arrangement was made on October 18, 2002 in the amount of $154,924. This loan is currently in default resulting in MPLT receiving a default judgment. The final loss from this loan is not known at this time.

The following is an overview of the Trust=s current investment policies and the respective money managers assigned to carry out the investment activity. There are no limitations on the amount of A*cash & equivalents*@ which may be held.

MONEY MANAGER	ASSET ALLOCATION (of principal resources)	
	GENERAL FUND	PARK FUND
Atalanta Sosnoff – large cap equity Acore@ money manager; objective is to manage domestic equity assets consistent with the Standard & Poors 500 Index and **Domestic Large Cap Manager Core Equity** peer group.	15% to 35%	15% to 35%
J.P. Morgan Asset Management – international equity (ADR) money manager; objective is to manage international equity assets consistent with the MSCI EAFE Index and **Foreign Large Cap Core Equity Manager** peer group.	5% to 15%	5% to 15%
Richmond Capital Management, Inc. – domestic fixed income Acore@ money manager; objective is to manage fixed income assets consistent with the Lehman Aggregate Bond Index.	40% to 60%	25% to 55%
Economically Targeted Investments.	10% to 20%	0% to 25%

FIDUCIARY DUTY and PRUDENT PROCESS

In recent years the question of what is ***fiduciary duty*** has become a topic of discussion; especially in regard to the Trust=s responsibilities for investment of their assets. While the Constitution expressly requires the Trustees to ***A...make reasonable, careful and prudent investments@*** **and holds them to *A...strict standards of fiduciary care@***, it does not state how the they will be measured in meeting these legal concepts. Accordingly, the Trustees rely on their attorneys, professional consultants and fiduciary training to provide guidance in such matters. As a fiduciary the Trustees have personal liability for their acts if they do not meet the concepts of the ***Prudent Process***. Fiduciary liability is not determined by investment performance, but rather by the failure to apply ***"prudent investment practices"***.

Safe Harbor Rules

1. Use prudent experts to make the investment decisions.
2. Demonstrate that the prudent expert was selected by following a due diligence process.
3. Give the prudent expert discretion over the assets.
4. Have the prudent expert acknowledge their co-fiduciary status.
5. Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.

Uniform Fiduciary Standards of Care

1. Know standards, laws, and trust provisions.
2. Diversify assets to specific risk/return profile.
3. Prepare investment policy statement.
4. Use "prudent experts" (money managers) and document due diligence.
5. Control and account for investment expenses.
6. Monitor the activities of "prudent experts".
7. Avoid conflicts of interest and prohibited transactions.

PRIMARY DUTY of the FIDUCIARY

To *manage* a prudent investment process, without which the components of an investment plan cannot be defined, implemented, or evaluated. Statutes, case law, and regulatory opinion letters dealing with investment fiduciary responsibility further reinforce this important concept.

Understanding and applying prudent investment practices will establish a disciplined process for making and managing investment decisions. It is through the study and application of these ***Practices*** that the MPLT Board of Trustees manages the investment decision-making for the Trust. Many of these ***"industry best practices"*** as identified in the ***Practices*** are also included in legislation dealing with the fiduciary aspects of investing. The following are the important legislative authorities, which overlap the ***"prudent investment practices"***:

INDUSTRY BEST PRACTICE

If a fiduciary even thinks he or she may have a conflict of interest – they probably do. The best advice is end it, or avoid it. It's that simple. An excellent question every fiduciary should ask before deciding or voting on an investment issue is: ***Who benefits from this decision?*** If the answer is any party other than the client, participant, and/or the beneficiary, the likelihood is the fiduciary is about to breach his or her duties.

- **ERISA** – Employee Retirement Income Security Act (impacts qualified retirement plans).
- **UPIA** – Uniform Prudent Investor Act (impacts private trusts, and may impact foundations and endowments).
- **MPERS** – Uniform Management of Public Employee Retirement Systems Act (impacts state, county, and municipal retirement plans).

INDUSTRY BEST PRACTICE

Simply stated, an investment strategy can fail by being too conservative or too aggressive. A fiduciary could adopt a very safe investment strategy by keeping a portfolio in cash, but then see the portfolio's purchasing power whither under inflation. Or, a fiduciary could implement a long-term growth strategy that overexposes a portfolio to equities, when a more conservative fixed-income strategy would have been sufficient to cover the identified goals and objectives.

What essentially is the ***Prudent Process***? This process can best be described through the ***Five Step Investment Management Process*** as shown in Chart 10. The ***Uniform Fiduciary Standards of Care*** are legislated standards (see preceding text box) that when applied with the Five Step Investment Management Process frames the ***Prudent Investment Process***.

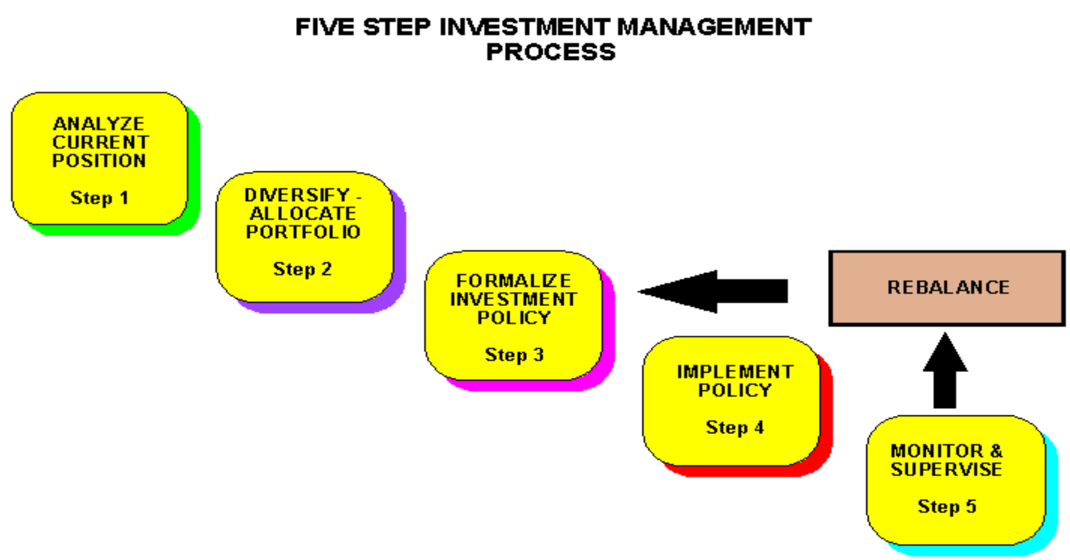


Chart 10

INDUSTRY BEST PRACTICE

The fiduciary is required to manage investment decisions with a reasonable level of detail. By reducing that detail to writing, preparing a written IPS, the fiduciary can: (1) avoid unnecessary differences of opinion and the resulting conflicts; (2) minimize the possibility of missteps due to a lack of clear guidelines; (3) establish a reasoned basis for measuring their compliance; and, (4) establish and communicate reasonable and clear expectations with participants, beneficiaries, and investors.

A further discussion of the ***Practices*** is as follows:

Step 1 - Analyze Current Position

- Investments are managed in accordance with applicable laws, trust documents, and written policy statements.
- Fiduciaries are aware of their duties and responsibilities.
- Fiduciaries and parties in interest are not involved in self-dealing.
- Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.
- There is documentation to show timing and distribution of cash flows and the payment of liabilities.
- Assets are within the jurisdiction of U.S. courts, and are protected from theft and embezzlement.

INDUSTRY BEST PRACTICE

The following documents, at a minimum, should be collected, reviewed, and analyzed:

- A copy of the Investment Policy Statement (IPS), written minutes, and/or files from investment committee meetings.
- Applicable trust documents.
- Custodial and brokerage agreements.
- Service agreements with investment management vendors.
- Information on retained money managers; specifically the ADV for each separate account manager and prospectus for each mutual fund.
- Investment performance reports from money managers, custodian, and/or consultant.

Step 2 – Diversity - Allocate Portfolio

- A risk level has been identified.
- An expected, modeled return to meet investment objectives has been identified.
- An investment time horizon has been identified.
- Selected asset classes are consistent with the identified risk, return, and time horizon.
- The number of asset classes is consistent with portfolio size.

Step 3 - Formalize Investment Policy

- There is detail to implement a specific investment strategy.
- The investment policy statement defines the duties and responsibilities of all parties involved.
- The investment policy statement defines diversification and rebalancing guidelines.
- The investment policy statement defines due diligence criteria for selecting investment options.
- The investment policy statement defines monitoring criteria for investment options and service vendors.
- The investment policy statement defines procedures for controlling and accounting for investment expenses.
- The investment policy statement defines appropriately

INDUSTRY BEST PRACTICE

The acronym **TREAT** helps define the key fiduciary inputs to the asset allocation strategy.

T Tax Status

R Risk Level

E Expected Return

A Asset Class Preference

T Time Horizon

structured, socially responsible investment strategies (when applicable).

Step 4 - Implement Policy

- The investment strategy is implemented in compliance with the required level of prudence.
- The fiduciary is following applicable “Safe Harbor” provisions (when elected).
- Investment vehicles are appropriate for the portfolio size.
- A due diligence process is followed in selecting service providers, including the custodian.

Step 5 - Monitor and Supervise

- Periodic reports compare investment performance against an appropriate index, peer group, and IPS objectives.
- Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.
- Control procedures are in place to periodically review policies for best execution, soft dollars, and proxy voting.
- Fees for investment management are consistent with agreements and with the law.
- “Finder’s fees,” 12b-1 fees, or other forms of compensation that have been paid for asset placements are appropriately applied, utilized, and documented.

INDUSTRY BEST PRACTICES

Rebalancing is inherent to the element of diversification, where the goal is to create a portfolio that balances appropriate levels of risk and return. That balance, once achieved, only can be maintained by periodically rebalancing the portfolio to maintain the appropriate diversification.

The rebalancing limits define the points when a portfolio should be reallocated to bring it back in line with the established asset allocation target. The discipline of rebalancing, in essence, controls risk and forces the portfolio to move along a predetermined course. It takes gains from stellar performers or favored asset classes, and reallocates them to lagging styles, without attempting to time the market.

We currently are performing step 5 of the investment process, and in particular, performing rebalancing. The process of rebalancing of the portfolio realigns it back to the strategic asset allocation formalized in the IPS. The asset mix will change as a result of rising values in the portfolio. Rebalancing controls risk and force the portfolio to move along a predetermined course. It is through this overall procedural process that the Trust maintains its financial integrity.

INDUSTRY BEST PRACTICE

The fiduciary should establish performance objectives for each investment decision-maker, and/or money manager, and record the same in the investment policy statement. Investment performance should be evaluated in terms of an appropriate market index, and the relevant peer group.

The investment policy statement also should describe the actions to be taken when an investment decision-maker fails to meet the established criteria. The fiduciary should acknowledge that fluctuating rates of return characterize the securities markets, and may cause variations in performance. The fiduciary should evaluate performance from a long-term perspective, ordinarily defined as two-to-three years.

There often will be times when a money manager is beginning to exhibit shortfalls in the defined performance objectives but, in the opinion of the fiduciary, does not warrant termination. In such situations, the fiduciary should establish in the investment policy statement specific ***Watch List*** procedures. The decision to retain or terminate a manager cannot be made by a formula. It is the fiduciary's confidence in the money manager's ability to perform in the future that ultimately determines the retention of a money manager.

Footnote

The References used in this section of the 2006 Annual Report were taken from Prudent Investment Practices, A Handbook for Investment Fiduciaries, written and published by the Foundation for Fiduciary Studies, www.cfstudies.com, © 2003 Foundation for Fiduciary Studies.

FINANCIAL BENEFITS

The financial benefits provided to the Commonwealth by the Trust generally consist of direct distributions of income and capital growth to its investment portfolio. The equity market for 2008 did not add value to the portfolio. Accordingly, the Trust lost $4,503,780 of its principal as a result.

MPLT=s 2008 General Fund distribution was in the amount of $2,219,596, which yields a total of $39,985,174 being given over to the Commonwealth General Fund since inception. Additionally, the Park Fund made distributions of $218,572 for the debt service on the CDA/AMP loan. This makes a total of $4,495,331, which has been distributed to fund projects.

American Memorial Park Development Projects	
1. Tennis Courts	**$242,770**
2. 400 Meter Track	**15,000**
3. Grandstand	**2,200**
4. Bike Path	**47,750**
5. American Memorial Pavilion	**603,362**
6. Park Maintenance	**1,289,154**
7. AMP World War II Memorial	**493,248**
8. Parking Lot and Paving	**165,601**
9. Concession Room and Other Facilities	**76,741**
10. AMP Underground Utilities	**142,927**
11. AMP Mall Landscaping	**139,068**
12. Engineering, Survey & Mapping Svcs.	**15,000**
13. Schematic Master Plan	**13,435**
14. Lighting Bike/Jogging Trail	**62,800**
15. A&E for the Cultural/Visitors Center & Memorial Gardens	**65,000**
16. Debt service on CDA/AMP loan for Cultural/Visitors Center & Memorial Gardens	**1,121,275**
Total	**$ 4,495,331**

GROSS PUBLIC LAND LEASE REVENUES FLOWCHART

<u>LEASE REVENUES</u>
(Received by MPLA; formerly MPLC)

<u>LESS EXPENSES of AMINISTRATION</u>
(general and administration, homestead program, and comprehensive master planning)

<u>EQUALS NET DISTRIBUTIONS to MPLT from M</u>PLC

$ 31,692,602

GENERAL FUND PRINCIPAL INVESTED ***$29,692,602***

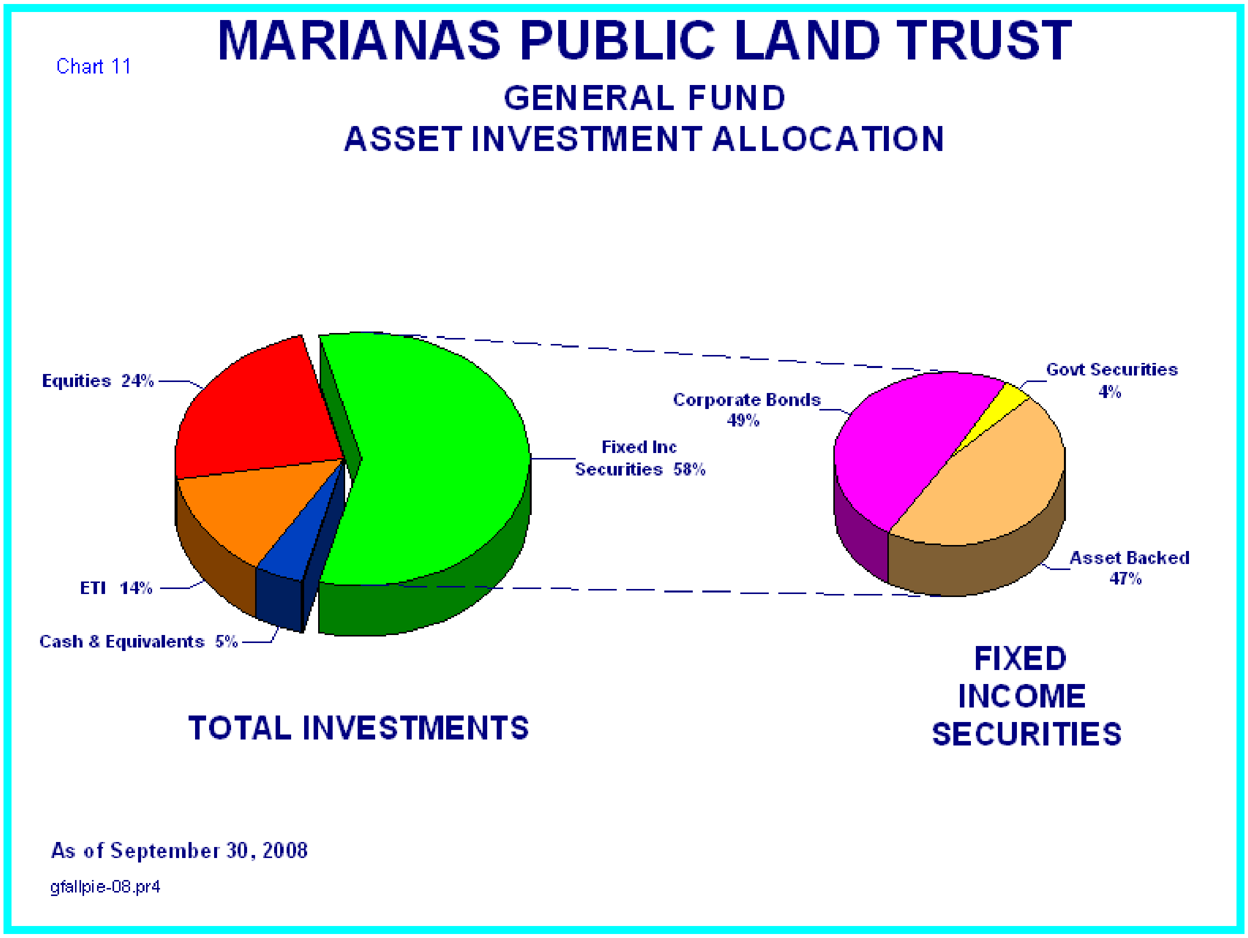
PARK FUND PRINCIPAL INVESTED ***$2,000,000***

<u>INVESTMENT INCOME</u>

<u>LESS EXPENSES OF ADMINISTRATION</u>
(money management fees, professional fees, contractual services, etc.)

Income Distributed to CNMI General Fund		Distributable Net Income	
			$4,670,893
FY 1984	$ 1,348,293		
FY 1985	2,495,638		
FY 1986	2,507,825		
FY 1987	2,543,529		
FY 1988	3,098,924		
FY 1989	1,349,138		
FY 1990	1,721,670		
FY 1991	1,032,690	FY 1991	$ 171,248
FY 1992	707,863	FY 1992	140,160
FY 1993	534,953	FY 1993	973,825
FY 1994	763,298	FY 1994	294,410
FY 1995	1,191,602	FY 1995	28,853
FY 1996	1,560,522	FY 1996	376,219
FY 1997	1,461,200	FY 1997	201,437
FY 1998	1,420,000	FY 1998	164,868
FY 1999	1,566,931	FY 1999	82,110
FY 2000	1,600,594	FY 2000	148,335
FY 2001	1,982,714	FY 2001	95,321
FY 2002	1,690,569	FY 2002	269,855
FY 2003	1,206,139	FY 2003	165,294
FY 2004	1,308,788	FY 2004	387,119
FY 2005	1,064,661	FY 2005	294,713
FY 2006	1,379,989	FY 2006	274,075
FY 2007	2,228,048	FY 2007	208,917
FY 2008	2,219,596	FY 2008	218,572
TOTAL	$ 39,985,174		$ 4,495,331
		Total Income Available for Future Distributions	$ 175,562

The Investment Policy Statement asset allocation has not changed since June 2006. The shift at this time was directed at providing more current income as opposed to growing the principal investment base. The current asset allocation is reflected in the following Chart 11 and reflects the move to a larger allocation for fixed income. Accordingly, equities are at 28.3% with fixed income at 57.9%. The remaining ETI allocation is 13.7% and cash & equivalents allocation is .1%.



The allocation within the fixed income securities is corporate bonds at 49%, government securities at 4%, and asset-backed securities at 47%. This fixed income allocation, as compared to the Lehman Aggregate Index, is weighted more heavily toward corporate bonds. The benchmark allocates 18% to corporate bonds with 36.5% to governmental securities and 45.5% to asset-backed securities. This tilt toward corporate bonds is aimed at increasing the fixed income yield.

The overall asset investment base for 2008 was $63,482,534, decreasing by $5,357,689 over the amount from 2007. It is anticipated that there will be a reversal in 2009 as the investment climate improves.

The following is an overview of the current asset allocation:

Asset Allocation	Strategic Allocation	Total Fund	Percentage Difference
Domestic Equity – Large Cap Core	**25%**	**20.8%**	**-4.2%**
Non-U.S. Equities	**10%**	**7.5%**	**-2.5%**
Domestic Fixed Income	**65%**	**71.7%**	**6.7%**
Core	50%	57.9%	7.9%
ETI – Local Loans	15%	13.8%	-1.2%
Total Allocation	**100%**	**100%**	**0%**

An overview of the General Fund=s investment return is as follows:

Investment earnings	$ 3,073,216
Realized capital gains	(1,629,582)
Unrealized capital gains	(5,552,663)
Total return	$ (4,109,029)
Return on investment	(6.15%)

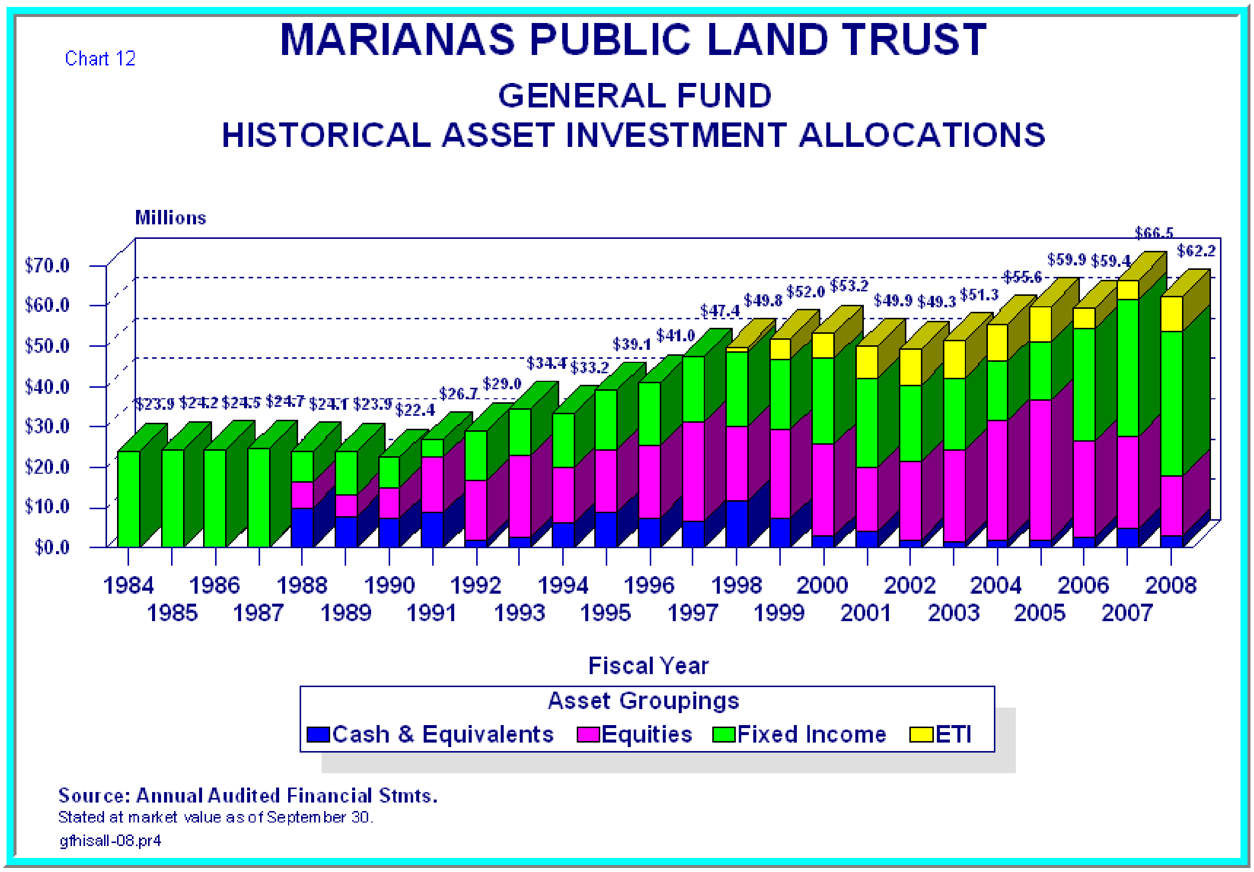


Chart 12
MARIANAS PUBLIC LAND TRUST
GENERAL FUND
HISTORICAL ASSET INVESTMENT ALLOCATIONS
Millions
$70.0
$60.0
$50.0
$40.0
$30.0
$20.0
$10.0
$0.0
$23.9 $24.2 $24.5 $24.7 $24.1 $23.9 $22.4 $26.7 $29.0 $34.4 $33.2 $39.1 $41.0 $47.4 $49.8 $52.0 $53.2 $49.9 $49.3 $51.3 $55.6 $59.9 $59.4 $66.5 $62.2
1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008
1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007
Fiscal Year
Asset Groupings
Cash & Equivalents
Equities
Fixed Income
ETI
Source: Annual Audited Financial Stmts.
Stated at market value as of September 30.
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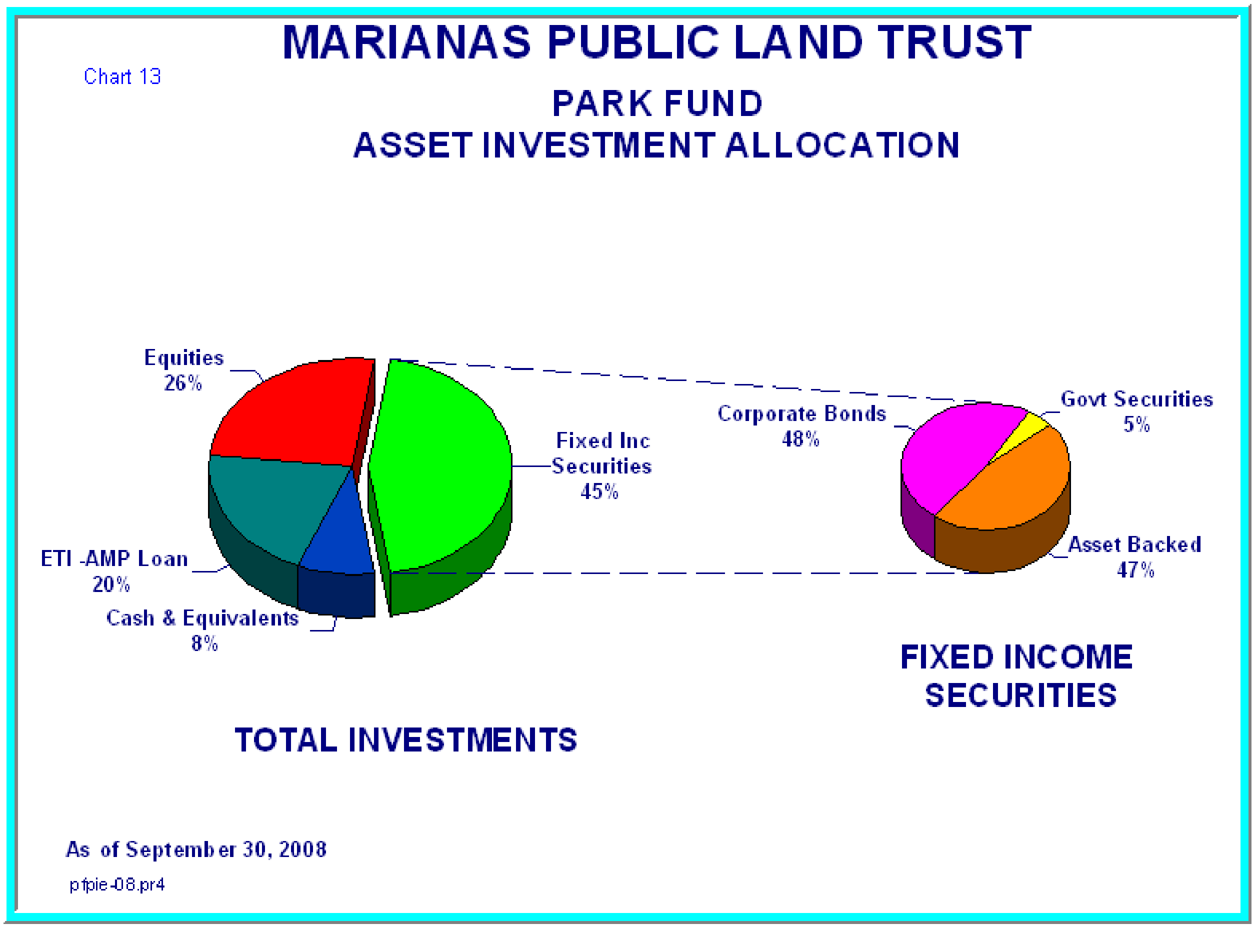
FY 2008 FINANCIAL SUMMARY

PARK FUND

The Investment Policy Statement asset allocation has not changed since June 2006. The shift at this time was directed at providing more current income as opposed to growing the principal investment base. The current asset allocation is reflected in the following Chart 13 and reflects the move to a larger allocation for fixed income. Accordingly, equities are at 267% with fixed income at 45%. The remaining ETI allocation is 20% and cash & equivalents allocation is 8%. The allocation within the fixed income securities is corporate bonds at 48%, government securities at 5%, and asset-backed securities at 47%. This fixed income allocation, as compared to the Lehman Aggregate Index, is weighted more heavily toward corporate bonds. The benchmark allocates 18% to corporate bonds with 36.5% to governmental securities and 45.5% to asset-backed securities. This tilt toward corporate bonds is aimed at increasing the fixed income yield.



The reasoning for this change for the Park Fund is not the same as for the General Fund. In the case of the Park Fund, it needed more current income to fund the CDA/AMP loan.

The historical income fund balance was being depleted by this shortfall. Since the Park Fund cannot distribute funds in excess of its net distributable income, the Board was forced to increase the investment base allocated to fixed-income in order to meet this deficiency. This CDA/AMP loan was made in order to be matched with federal CIP funds for the building of the Visitor/Cultural Center and Memorial Gardens at the American Memorial Park. The loan amount of $2,000,000 is to be repaid from future Park Fund investment revenues.

The overall asset investment base for 2008 was $7,424,681, decreasing by $758,257 over the amount from 2007. It is anticipated that there will be a reversal in 2009 as the investment climate improves.

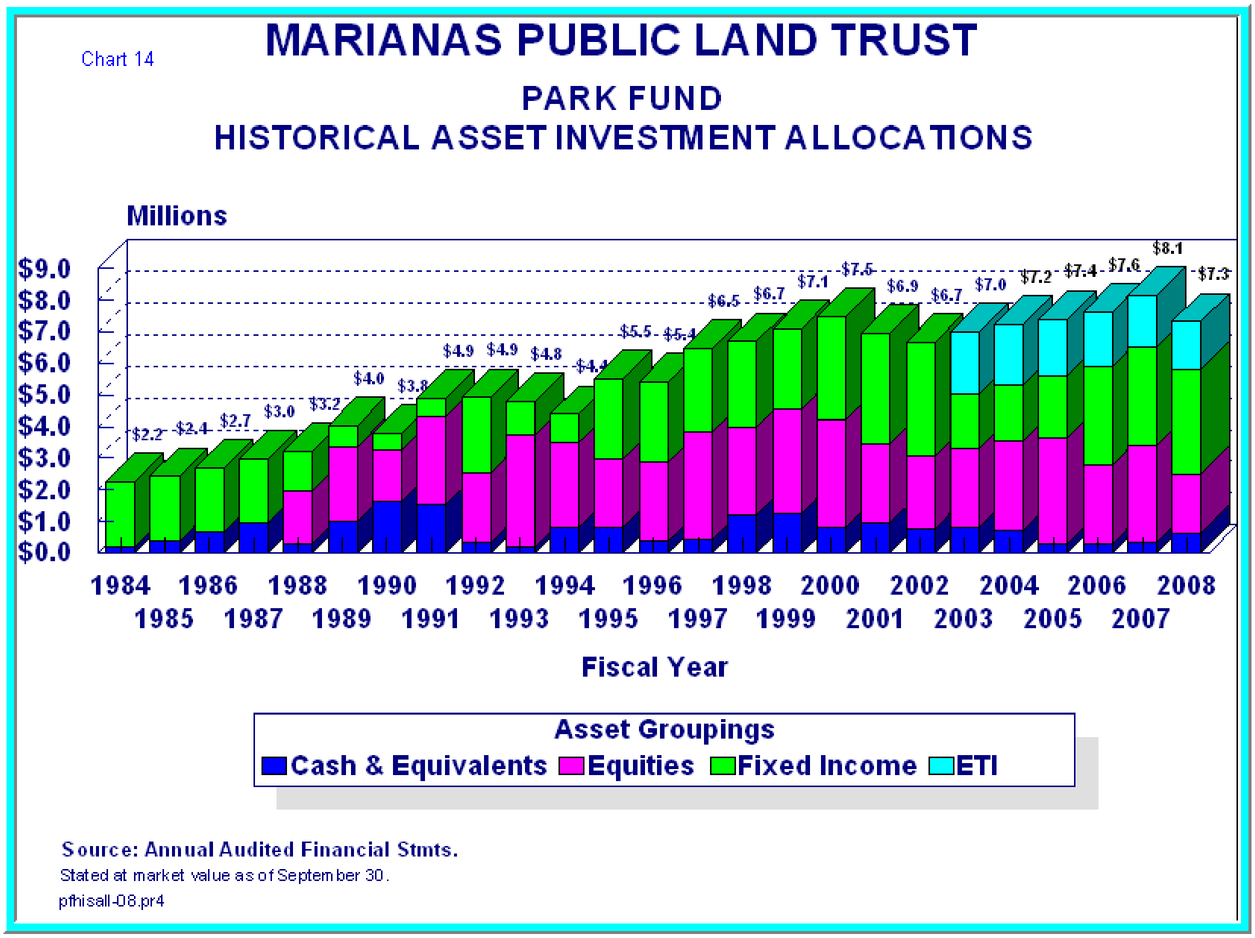
These changes in the asset allocation can be compared to our IPS strategic allocation as follows:

Asset Allocation	**Strategic Allocation**	**Total Fund**	**Percentage Difference**
Domestic Equity – Large Cap Core	**25%**	**25.6%**	**.6%**
Non U.S. Equities	**10%**	**6.1%**	**-3.9%**
Domestic Fixed Income	**65%**	**68.3%**	**3.3%**
Core	50%	46.5%	-3.5%
ETI – Loaned Funds	15%	21.7%	6.7%
Total Allocation	**100%**	**100%**	**0%**

The under-funding of the “core” fixed income is a result of the over-funding of the CDA/AMP loan in order to provide sufficient funds to make the improvements at the American Memorial Park, as previously described.

An overview of the Park Fund=s investment return is as follows:

Investment earnings	$ 348,910
Realized capital gains	(202,674)
Unrealized capital loss	(673,606)
Total return	$ (527,606)
Return on investment	(6.5%)



BOARD OF TRUSTEES

The following are the current trustees and their respective terms of office:

Alvaro A. Santos
Chairman
Saipan
Confirmed: 3/6/2006 Expires: 1/9/2012

John E. Untalan
Vice Chairman
Tinian
Confirmed: 3/6/2006 Expires: 1/9/2010

Norman T. Tenorio
Treasurer
Saipan
Confirmed: 4/4/2006 Expires: 1/9/2010

Gregoria Fitial-Omar
Carolinian/Women Representative
Saipan
Confirmed: 3/6/2006 Expired: 1/9/2012

Vianney B. Hocog
Trustee
Rota
Confirmed: 3/3/2004 Expires: 1/9/2010