

MARIANAS PUBLIC LAND TRUST

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marianas Public Land Trust:

We have audited the accompanying statements of net assets of the Marianas Public Land Trust (MPLT), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), as of September 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of MPLT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MPLT's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Marianas Public Land Trust as of September 30, 2006 and 2005, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Marianas Public Land Trust's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Marianas Public Land Trust's basic financial statements. The accompanying combining information presented on pages 29 through 31 and schedules of investments and administrative expenses compared to budget presented on pages 32 through 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This combining information and schedules are the responsibility of the Marianas Public Land Trust's management. The combining information and schedules have been subjected to the auditing procedures applied by us in the audit of the 2006 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2007, on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLC

May 28, 2007

Management's Discussion and Analysis Year Ended September 30, 2006

As management of the Marianas Public Land Trust (MPLT), we offer readers of MPLT's financial statements this narrative overview and analysis of the financial activities of MPLT for the year ended September 30, 2006. This Management's Discussion and Analysis should be read in conjunction with the audited financial statements.

Implementing Authority

The origins of MPLT are found in both the Constitution of the Northern Mariana Islands and Public Law (P.L.) 94-241, Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America. Both of these documents came into full force and effect on January 9, 1978.

Article XI, Section 6 of the Constitution provides for the establishment of MPLT upon the effective date of the Constitution. Some excerpts pertaining to the operating requirements of MPLT are:

- "... The number of trustees appointed by the Governor with the advice and consent of the Senate shall be ...[five]. Three shall be from Saipan, one from Rota and one from Tinian. At least one trustee shall be a woman and at least one trustee shall be of Carolinian descent. The trustees shall serve for a term of six years ... [shall] be staggered."
- "... The trustees shall make reasonable, careful and prudent investments."
- "... The trustees shall ...[use] the interest on the amount received for the lease of property at Tanapag Harbor for the development and maintenance of a memorial park. The trustees shall transfer to the general revenues of the Commonwealth the remaining interest accrued ...[except] that the trustees may retain the amount necessary to meet reasonable expenses of administration."
- "... The trustees shall make an annual written report to the people of the Commonwealth accounting for the revenues received and expenses incurred by the Trust and describing the investments and other transactions authorized by the trustees."
- "... The trustees shall be held to strict standards of fiduciary care. Each trustee shall annually submit to the Governor and the presiding officers of the Legislature a report disclosing their financial affairs, as provided by law."

The Covenant contains key provisions, which are fundamental to MPLT's development. Article VIII, Section 802 requires that certain lands be made available to the United States Government by lease in order for it to carry out its defense responsibilities. These lands consist of 7,203 hectares on Tinian, 72 hectares at Tanapag Harbor in Saipan, and the entire island of Farallon de Medinilla.

Article VIII, Section 803 of the Covenant describes the lease terms for the above properties. The Commonwealth will lease the property to the United States for 50 years with the United States having the option of renewing the lease for all or part of the property for an additional term of 50 years. The United States will pay the Commonwealth, in full settlement of the two 50 year lease terms, the total sum of \$19,520,600 determined as follows:

- Tinian Island property - \$17.5 million;
- Saipan Island property located at Tanapag Harbor - \$2 million;
- Farallon de Medinilla Island - \$20,600.

The above sum will be adjusted by a percentage, which will be the same as the percentage change in the United States Department of Commerce composite price index from the date of signing the Covenant. Additional terms and conditions of this lease are found in the Technical Agreement Regarding Use of Land to Be Leased by the United States, which was executed simultaneously with the Covenant.

Furthermore, Section 803 provides for over 53 hectares of the leased property at Tanapag Harbor to be made available by the United States, at no cost to the Commonwealth, to establish an American Memorial Park to honor the American and Marianas dead in the World War II Marianas Campaign. The \$2 million received from the United States for the lease of this property would be placed into a trust fund with the "income" to be used for the development and maintenance of the park.

This was the initial source of the funding for MPLT, i.e., \$23,942,602 allocated to the MPLT General Fund and \$2,000,000 allocated to the MPLT Park Fund. In 1991, an additional \$1,000,000 distribution was received from the Marianas Public Land Corporation.

Financial Highlights

The following financial highlights are taken from the audited financial statements for the years ended September 30, 2006, 2005 and 2004.

- The assets of MPLT declined in 2006 by \$196,251 over the amount at 2005. While the marketable investments performed very well for the year, MPLT had to write-down the value of its loan to Northern Marianas Housing Corporation due to the passage of P.L. 15-48. This law repealed the moratorium allowing NMHC to defer making debt service payments and also repealed the appropriation allowing MPLT to apply its annual distribution to the CNMI General Fund. Since NMHC has indicated its inability to meet the current terms and conditions of the loan, it is being considered as high risk. Accordingly, MPLT has reduced the carrying value of the loan by \$4,000,000 resulting in a reduction of assets and principal.

The assets of MPLT grew during 2005 by \$4,874,954 over the amount at 2004. This growth was due to the continued stock market recovery that began in 2003, reversing the decline occurring in years 2002 and 2001.

- Total liabilities increased as of 2006 by \$81,806 due to payable to brokers for year-end trades and an increase of due to CNMI government for interest earned on a restricted TCD. The accounts payable and accrued expenses declined by a total of \$15,834.

Total liabilities decreased as of 2005 by \$324,341 due primarily to a reduction of the balance due to brokers of \$565,279 plus minor changes in accounts payable and the amount due to other funds. There was no other significant change or basis for the decrease in liabilities other than the timing of transactions.

- The above changes netted to result in a decrease of \$278,057 at 2006 in the total net assets and an increase of \$5,199,295 at 2005. The increase at 2004 was primarily in the principal fund balance due to the financial market recovery, which increased the value of the equity investments.
- The total revenues of MPLT are a combination of (1) the gains (losses) attributable to the valuation of investments plus (2) the income earned on such investments. The continued recovery of the equity markets during 2006 and strong investment earnings amounted to \$5,501,811 as compared to \$6,832,538 for 2005 and \$6,163,935 for 2004.
- The total performance of MPLT for 2006 before the NMHC loss was 8.3% resulting from a moderation of the equity market growth of the past three years, i.e., 2005 total return of 11.4%, 2004 of 10.4% and 2003 of 11.2%. But the actual rate of return after including the NMHC loss resulted in MPLT's performance being reduced to a rate of 2.2%. It is anticipated that there may be further realized losses from the NMHC loan in 2007.
- The overall administrative costs decreased in 2006 by 14% or \$148,065. This was due primarily to a new Board of Trustees reestablishing MPLT's primary mission to its traditional money management function. As a result significant cuts were made to legal fees, other professional services, travel, board expenses, and annual report preparation.

The overall administrative costs increased in 2005 by 12%. This was due primarily to increased costs for legal fees, salaries and personnel benefits, other professional services, office expenses, and annual report preparation. Salaries and benefits increase was due to merit pay raises. Board Expenses and Money Management Administration decreased by 26% and 5%, respectively.

MPLT General Fund Operations

The Board of Trustees modified its Investment Policy Statement to change the asset allocation in order to increase the portion to fixed income and correspondingly reduce the equity allocation. This was done for the purpose of benefiting its income beneficiary, the CNMI General Fund. Due to falling governmental revenues, the CNMI General Fund is suffering a severe cash flow problem and is experiencing difficulty meeting its financial obligations. In recognition of this situation, the MPLT Board made this reallocation decision in order to allow more investment income to be realized and thereby increase its annual distribution to the CNMI General Fund. As part of this plan, P.L.s 10-29 and 12-27 were repealed through the enactment of P.L. 15-48 on March 13, 2007, and more fully discussed in the review of the economically targeted investments (ETI) program.

The reallocation of the investment assets to favor fixed income resulted in an increase in investment income of \$198,212 for 2006 over the amount earned in 2005. This coupled with a decrease of \$117,116 for administration expenses allowed the 2006 distributable net income to increase by \$315,328 over the amount for 2005. The resulting amount of \$1,379,989 was appropriated back to MPLT per P.L.s 10-29 and 12-27. The cumulative amount distributed to the CNMI General Fund since inception in 1983 is \$35,537,530. This has occurred while growing the principal fund by \$35,635,997 for the same time-period.

The Board of Trustees has put a hold on any new “economically targeted investments” (ETI) in order to focus on recovering its loan for the Rota scholarship program. The borrower of these funds is currently in default and legal action has commenced. Additionally, the NMHC loan poses default issues.

The remaining ETI is a loan to the NMHC, which commenced in 1998, and is under review due to the repeal of portions of P. L. 10-29 and 12-27 per P.L. 15-48. As an inducement to make this loan, MPLT was allowed via these public laws to apply the interest earned to principal and make the debt service payment from the annual distribution to the CNMI General Fund. Also, NMHC was granted a ten-year moratorium from having to make any debt service payments. These provisions have been removed effective March 13, 2007. As a result, NMHC is no longer capable of making the required monthly loan payments. Due to the realization of uncertainty for this investment, a write-down of value amounting to \$4,000,000 was recognized by MPLT as of September 30, 2006. This has had a devastating effect on the General Fund’s performance reducing it by 6.1% to realize a rate of 2.2% for 2006.

The following is a summary of the interest earned on the NMHC loan and credited to principal per P. L. 10-29. There may be further loss of this principal if NMHC is unable to pay MPLT for the accrued interest owed, amounting to \$1,162,317 and \$1,012,880 as of September 30, 2006 and 2005, respectively.

Year	Amount
1998	\$ 15,146
1999	246,931
2000	426,094
2001	679,414
2002	795,669
2003	764,713
2004	766,808
2005	764,713
2006	764,713
	<hr/>
Total	<u>\$ 5,224,201</u>

It is because of the current status of the ETI program that no new ETI investments were made in 2006.

Condensed Financial Statement Summaries:

STATEMENT OF NET ASSETS

<u>Assets</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 2,615,647	\$ 2,385,049	\$ 3,069,473
Other assets, restricted	52,200,507	48,968,629	44,484,108
Notes receivable - noncurrent portion	4,996,623	8,996,623	9,129,755
Accrued income receivable - noncurrent portion	1,162,317	1,012,880	-
Capital assets	26,895	33,667	30,330
Total	<u>\$ 61,001,989</u>	<u>\$ 61,396,848</u>	<u>\$ 56,713,666</u>
<u>Liabilities and Net Assets</u>			
Current liabilities	\$ 423,390	\$ 361,950	\$ 599,498
Invested in capital assets	26,895	33,667	30,330
Restricted principal	60,551,704	61,001,231	56,083,838
Net assets	<u>60,578,599</u>	<u>61,034,898</u>	<u>56,114,168</u>
Total	<u>\$ 61,001,989</u>	<u>\$ 61,396,848</u>	<u>\$ 56,713,666</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 4,985,020	\$ 6,163,837	\$ 5,538,744
Operating expenses	(826,043)	(943,159)	(833,572)
Operating transfers	(4,615,276)	(299,948)	(541,980)
Change in assets	(456,299)	4,920,730	4,163,192
Beginning net assets	61,034,898	56,114,168	51,950,976
Ending net assets	<u>\$ 60,578,599</u>	<u>\$ 61,034,898</u>	<u>\$ 56,114,168</u>

Goals and Objectives:

It is the intent of MPLT to continue to monitor its investment portfolio to ensure an adequate risk-adjusted rate of return is achieved. This is the phase of the Five-Step Investment Management Process that MPLT is currently performing. This involves periodic rebalancing of the portfolio to comply with its asset allocation investment policy. Occasionally, the Board may find it necessary or desirable to add additional asset classes, which require amendment of its Investment Policy Statement. It is MPLT's fiduciary duty to continue to follow the well-established prudent investment management practices.

MPLT Park Fund Operations

The MPLT Park Fund is part of the overall trust fund but is separately managed and accounted for due to its funding source and a different beneficiary as compared to the MPLT General Fund. As a result the Park Fund's annual return for 2006 was 6.38% as it did not have a loss from ETIs. As stated previously, the Park Fund received its principal funding from the lease proceeds of a portion of the Tinian - Tanapag Harbor - Farallon de Medinilla land lease revenues. The \$2,000,000 for the Tanapag Harbor in Saipan was dedicated to the formation of the American Memorial Park. The income on this principal contribution can only be used for the maintenance and development of the American Memorial Park (AMP). Accordingly, this initial principal contribution has been prudently managed since 1983 and has grown to \$7,541,290. This has been accomplished while distributing \$4,067,842 for AMP maintenance and development.

As part of a plan to make some of the principal available for development of the AMP, MPLT entered into a loan arrangement with the Commonwealth Development Authority on November 30, 2001 to lend them \$2,000,000 to be used with CIP funding grants in order to make the following additions and upgrades to the Park:

1. American Memorial Park Visitor/Cultural Center	\$ 1,305,200
2. American Memorial Park Marianas Memorial Garden	514,000
3. Remodel and Upgrade Amphitheater	1,310,800
4. Exhibit Design and Construction of Visitor Center	<u>870,000</u>
Total	\$ <u>4,000,000</u>

This loan is to be repaid from future income realized on the Park Fund investments. As income is received, the principal portion of the payment will be taken from the income stream and transferred to principal and re-invested. The term of the loan is fifteen years at an annual rate of 6.5%. The monthly principal and interest payment will be \$17,422. It is through this mechanism that MPLT has been able to benefit the Park and sustain new development.

During 2006, the Board of Trustees also amended the Investment Policy Statement for the Park Fund in a manner similar to the General Fund by increasing the allocation to fixed income and reducing the allocation to equities. The reason for this change was also to grant more investment income and increase the annual available funds for maintenance and development of the American Memorial Park. Additional investment revenues were deemed necessary to support the debt service on the CDA/AMP loan as the income fund balance was getting low and MPLT is limited to distributing income only.

Condensed Financial Statement Summaries:

STATEMENT OF NET ASSETS

<u>Assets</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 437,890	\$ 472,879	\$ 846,291
Other assets, restricted	5,615,835	5,310,202	4,649,918
Notes receivable - noncurrent portion	<u>1,611,843</u>	<u>1,712,943</u>	<u>1,808,043</u>
Total	\$ <u>7,665,568</u>	\$ <u>7,496,024</u>	\$ <u>7,304,252</u>
<u>Liabilities and Net Assets</u>			
Current liabilities	<u>\$ 61,996</u>	<u>\$ 70,694</u>	<u>\$ 157,487</u>
Restricted principal	7,541,290	7,297,024	6,888,654
Restricted income	<u>62,282</u>	<u>128,306</u>	<u>258,111</u>
Net assets	<u>7,603,572</u>	<u>7,425,330</u>	<u>7,146,765</u>
Total	\$ <u>7,665,568</u>	\$ <u>7,496,024</u>	\$ <u>7,304,252</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 516,791	\$ 668,701	\$ 625,191
Operating expenses	(64,474)	(95,423)	(94,297)
Operating transfers	<u>(274,075)</u>	<u>(294,713)</u>	<u>(387,119)</u>
Change in assets	178,242	278,565	143,775
Beginning net assets	<u>7,425,330</u>	<u>7,146,765</u>	<u>7,002,990</u>
Ending net assets	\$ <u>7,603,572</u>	\$ <u>7,425,330</u>	\$ <u>7,146,765</u>

Goals and Objectives:

It is the intention of the Board of Trustees to continue to provide financial assistance to the American Memorial Park in accordance with the terms of the Constitution and Covenant. It has been through MPLT's stewardship of the Park Fund assets that the developments in the AMP have occurred. The Trustees plan to continue this past record of achievement and use it as a basis for further enhancements of a facility, which benefits the Commonwealth as a whole.

Contacting the MPLT's Financial Management

This report is designed to provide the branches of the Commonwealth Government and the public at large with a general overview of MPLT's finances and to show MPLT's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the MPLT office, P.O. Box 501089, Saipan, MP 96950 or phone at (670) 322-4401 or email mplt@pticom.com.

MARIANAS PUBLIC LAND TRUST

Statements of Net Assets
September 30, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 2,476,185	\$ 1,979,861
Receivables:		
Notes	101,100	95,100
Accrued income	431,415	222,948
Other	1,210	2,976
Due from CNMI Government	6,868	54,448
Due from brokers	-	158,242
Prepaid expense	-	6,530
Total current assets	<u>3,016,778</u>	<u>2,520,105</u>
Other assets, restricted:		
Cash and cash equivalents	-	272,000
Time certificate of deposit	279,226	-
Investments	<u>57,537,116</u>	<u>54,278,831</u>
Total other assets, restricted	<u>57,816,342</u>	<u>54,550,831</u>
Noncurrent assets:		
Notes receivable, net of current portion and allowance for doubtful accounts of \$4,143,156 and \$143,156 as of September 30, 2006 and 2005, respectively	6,608,466	10,709,566
Accrued income receivable, net of current portion	1,162,317	1,012,880
Capital assets (net of accumulated depreciation)	<u>26,895</u>	<u>33,667</u>
Total noncurrent assets	<u>7,797,678</u>	<u>11,756,113</u>
	<u>\$ 68,630,798</u>	<u>\$ 68,827,049</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 51,594	\$ 65,796
Payable to brokers	108,914	21,408
Due to CNMI Government	284,052	273,918
Accrued expenses	<u>4,067</u>	<u>5,699</u>
Total liabilities	<u>448,627</u>	<u>366,821</u>
Commitments		
Net assets:		
Investment in capital assets	26,895	33,667
Restricted:		
Principal	68,092,994	68,298,255
Income	<u>62,282</u>	<u>128,306</u>
Total net assets	<u>68,182,171</u>	<u>68,460,228</u>
	<u>\$ 68,630,798</u>	<u>\$ 68,827,049</u>

See accompanying notes to financial statements.

MARIANAS PUBLIC LAND TRUST

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Net increase in the fair value of investments	\$ 3,023,254	\$ 4,564,387
Interest income	2,018,976	1,801,232
Dividend income	<u>459,581</u>	<u>466,919</u>
Total operating revenues	<u>5,501,811</u>	<u>6,832,538</u>
Operating expenses:		
Money manager fees	207,424	195,222
Professional fees	149,066	202,329
Consultancy fees	120,884	116,199
Contract services	110,470	147,218
Salaries and benefits	94,988	74,866
Money management administration	70,816	125,188
Trustees' expenses	56,407	102,662
Office supplies	35,682	32,987
Rent and utilities	18,152	15,757
Annual report preparation	9,649	10,741
Audit	9,000	6,000
Depreciation	<u>7,979</u>	<u>9,413</u>
Total operating expenses	<u>890,517</u>	<u>1,038,582</u>
Operating income	<u>4,611,294</u>	<u>5,793,956</u>
Other nonoperating income (expenses):		
Provision for NMHC loans	(4,000,000)	-
Net contribution to the General Fund	<u>(889,351)</u>	<u>(594,661)</u>
Total nonoperating income (expenses), net	<u>(4,889,351)</u>	<u>(594,661)</u>
Change in net assets	(278,057)	5,199,295
Net assets at beginning of year	<u>68,460,228</u>	<u>63,260,933</u>
Net assets at end of year	<u>\$ 68,182,171</u>	<u>\$ 68,460,228</u>

See accompanying notes to financial statements.

MARIANAS PUBLIC LAND TRUST

Statements of Cash Flows
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from operations	\$ 1,687,581	\$ 1,672,100
Cash payments to suppliers for goods and services	(768,818)	(1,409,862)
Net cash provided by operating activities	<u>918,763</u>	<u>262,238</u>
Cash flows from noncapital financing activities:		
Net operating transfers out	(274,075)	(294,713)
Net cash used for noncapital financing activities	<u>(274,075)</u>	<u>(294,713)</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(1,207)	(12,750)
Net cash used for capital and related financing activities	<u>(1,207)</u>	<u>(12,750)</u>
Cash flows from investing activities:		
Net decrease in notes receivable	95,100	232,894
Net increase in restricted assets	(3,265,511)	(5,416,805)
Net increase in the fair value of investments	3,023,254	4,564,387
Net cash used for investing activities	<u>(147,157)</u>	<u>(619,524)</u>
Net increase (decrease) in cash and cash equivalents	496,324	(664,749)
Cash and cash equivalents at beginning of year	1,979,861	2,644,610
Cash and cash equivalents at end of year	<u>\$ 2,476,185</u>	<u>\$ 1,979,861</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,611,294	\$ 5,793,956
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net increase in fair value of investments	(3,023,254)	(4,564,387)
Depreciation	7,979	9,413
(Increase) decrease in assets:		
Receivable - accrued income	(973,180)	(744,252)
Due from CNMI Government	47,580	(47,255)
Due from brokers	158,242	(18,592)
Other receivable	1,766	136,890
Prepaid expense	6,530	(1,904)
Increase (decrease) in liabilities:		
Accounts payable	(14,202)	302
Due to CNMI Government	10,134	262,971
Payable to brokers	87,506	(565,279)
Accrued expenses	(1,632)	375
Net cash provided by operating activities	<u>\$ 918,763</u>	<u>\$ 262,238</u>

Supplemental schedule of noncash operating, financing and investing activities:

Pursuant to Public Law 12-27, MPLT applied the required income distribution to the CNMI General Fund of \$615,276 and \$299,948 for the years ended September 30, 2006 and 2005, respectively, as repayment of NMHC's loan.

Decrease in receivable - accrued income	\$ (615,276)	\$ (299,948)
Increase in operating transfers out	<u>615,276</u>	<u>299,948</u>
	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2006, MPLT recorded an allowance for doubtful accounts of \$4,000,000 to provide for NMHC's loan pursuant to the enactment of Public Law 15-48.

Increase in allowance for doubtful accounts	\$ (4,000,000)	\$ -
Increase in provision for NMHC loans	<u>4,000,000</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(1) Organization and Purpose

The Marianas Public Land Trust (MPLT), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), was formed on January 9, 1978, pursuant to the ratification and adoption of the Constitution of the CNMI, Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (the Covenant), and Technical Agreement Regarding Use of Land to be Leased by the United States in the Northern Mariana Islands.

MPLT did not become operational until May 17, 1983, when its Trustees were appointed by the Governor with confirmation by the Senate.

The purpose of MPLT is to manage all monies received by it from the Marianas Public Lands Authority (MPLA) for the use of public lands. MPLA has the responsibility to manage the public lands and distribute to MPLT all revenues net of reasonable expenses of administration.

MPLT's responsibility, with respect to monies received by it from MPLA, requires it to make reasonable, careful and prudent investments. The Trustees have taken the position that their duty to the beneficiaries is not only to provide income to the general fund of the CNMI but also to preserve the principal of MPLT. As such, MPLT is currently allocating capital gains and losses on equity investments to principal fund balance. These capital gains and losses are not considered to be available for distribution to the general fund of the CNMI. Other forms of income on investments, after deduction of amounts necessary to meet reasonable administrative expenses, are distributed to the general fund of the CNMI.

Additionally, MPLT is responsible for carrying out the intention of Article VIII, Section 803(e) of the Covenant, by establishing a separate trust fund for the development and maintenance of an American Memorial Park. The Trustees are allocating capital gains and losses on equity investments of this trust fund to the principal of the trust fund. Other forms of income on investments, after deduction of amounts necessary to meet reasonable administrative expenses, are to be used for the development and maintenance of the American Memorial Park.

(2) Summary of Significant Accounting Policies

The accounting policies of MPLT conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. MPLT has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statements of net assets. Proprietary fund operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net assets. The accrual basis of accounting is utilized for proprietary funds. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

Concentrations of Credit Risk

Financial instruments which potentially subject MPLT to concentrations of credit risk consist principally of cash demand deposits and investments.

At September 30, 2006 and 2005, MPLT has cash deposits and investments in bank accounts that exceed federal depository insurance limits. MPLT has not experienced any losses in such accounts.

Cash and Cash Equivalents and Time Certificate of Deposit

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by MPLT or its agent in MPLT's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in MPLT's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in MPLT's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, MPLT's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. MPLT does not have a deposit policy for custodial credit risk.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents and Time Certificate of Deposit, Continued

For purposes of the statements of net assets and cash flows, MPLT considers all cash held in demand accounts with initial maturities of ninety days or less, to be cash and cash equivalents. At September 30, 2006 and 2005, total cash and cash equivalents were \$2,476,185 and \$2,251,861, respectively, and the corresponding bank balances were \$410,080 and \$459,009, respectively. Of the bank balance amount, \$410,080 and \$459,009 are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance as of September 30, 2006 and 2005, respectively. Bank deposits in the amount of \$100,000 were FDIC insured as of September 30, 2006 and 2005.

At September 30, 2006 and 2005, unrestricted cash and cash equivalents consisted of the following:

	<u>2006</u>	<u>2005</u>
Custodian money market sweep deposits	\$ 2,011,849	\$ 1,739,168
Deposits with federally insured banks	<u>464,336</u>	<u>240,693</u>
	<u>\$ 2,476,185</u>	<u>\$ 1,979,861</u>

Restricted time certificate of deposit of \$279,226 as of September 30, 2006 and restricted cash and cash equivalents of \$272,000 as of September 30, 2005 represent funds specifically held for the Saipan Trust Fund, and accordingly, are classified as restricted in the accompanying financial statements.

CNMI law does not require component unit funds to be collateralized and thus MPLT's funds are uncollateralized. Accordingly, the deposits are exposed to custodial credit risk. The money market sweep account deposit is not federally insured.

Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by MPLT or its agent in MPLT's name;
- Category 2 Investments that are uninsured or unregistered for which the securities are held by the counterparty's trust department or agent in MPLT's name; or
- Category 3 Investments that are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in MPLT's name.

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks for investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial risk in GASB Statement No. 3.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, MPLT will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. MPLT's investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held by the broker or dealer, or by its trust department or agent but not in MPLT's name at September 30, 2006 and 2005.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for MPLT.

MPLT has selected a custodian for both funds who shall maintain custody of all cash, securities and other assets of MPLT and shall credit interest and dividends on said securities and credit principal paid on called or matured securities of MPLT. The custodian shall provide, on a timely basis, a monthly statement of all assets, to include an accounting of all activity during that month.

The Trustees may engage the services of an investment consultant after a competitive search process. The investment consultant chosen shall demonstrate professional experience of at least ten (10) years with exclusive focus on Institutional Management Consulting.

When evaluating potential Investment Management Consulting Firms, the Trustees will consider at a minimum the following criteria:

- Must be a Registered Investment Advisor with exclusive focus on providing objective investment management consulting at an institutional level, having the support of a staff and/or organization, focused and experienced in consulting only.
- The candidate should be objective, free of conflict of interest and free to secure services from leading third party providers that will best suit the interest of MPLT.
- Firms must demonstrate experience in the breadth and depth of its professional staff.
- Ability to provide unbiased fiduciary and financial advice to public trusts.
- Knowledge of legislative, operational and legal aspects of the local public trusts.
- Ownership or ready access to relevant and comprehensive performance databases with proven and verifiable process for the institutional client.
- Ability to provide quantitative analysis of manager and total fund performance. In particular, attribution analysis to maintain the interests of the management styles and strategic asset allocation.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

- Ability to provide on-going training.
- Firms must be recognized as having substantial experience in the institutional level investment management consulting field. Firms offering consulting as incidental to their securities business shall not be considered.
- Shall not be an investment manager with discretion over MPLT assets.

The Trustees have determined that the following investment policy will govern the investment of assets of MPLT.

- (i) The Trustees, with the assistance of the investment consultant, will select appropriate investment managers to manage MPLT assets. Investment managers must meet the following minimum criteria:
 1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940, and not providing any other services, normally provided by separate vendors, to MPLT.
 2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, reported gross of fees.
 3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of comparable investment style.
 4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
 5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
 6. Selected firms shall have no outstanding legal judgments or past judgments which may reflect negatively upon the firm.
- (ii) Every money manager selected to manage MPLT assets must adhere to the following guidelines.
 1. The following securities and transactions are not authorized unless receiving prior Trustees approval:
 - Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
 - Securities lending; pledging or hypothecating securities.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

- Investments in the equity securities of any company with a record of less than three years of continuous operation (including the operation of any predecessor) and investments for the purpose of exercising control of management are all restricted.
2. Domestic Equities:
- Equity holdings in any one company should not exceed more than 10% of the market value of MPLT's equity portfolio.
 - Investments in any one sector should not be excessive.
 - The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.
 - The manager shall emphasize quality in security selection of the specific style hired to manage and shall avoid risk of large loss through diversification within its mandated style.
 - The managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
 - Holdings of individual securities shall be large enough (round lots) for easy liquidation.
3. Domestic Fixed Income:
- All fixed-income securities held in the portfolio shall have a nationally recognized credit quality rating of no less than "BBB" from Moody's, Standard & Poor's and/or Fitch's. U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.
 - No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality, unless the manager has specific written authorization.
 - The exposure of the portfolio to any other issuer, other than securities of the U.S. government or agencies, shall not exceed 10% of the market value of the fixed income portfolio.
4. International Equities:
- Equity holdings in any one company shall not exceed more than 10% of the International Equity portfolio.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

4. International Equities, Continued:

- Investments in any one industry category should not be excessive.
- Allocations to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 40% of its mandated style in any one country.
- The manager may enter into foreign exchange contracts on currency, provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There shall be no direct foreign currency speculation or any related investment activity.

5. Cash/Cash Equivalents:

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.
- Idle cash not invested by the investment managers shall be invested daily through an automatic interest-bearing sweep vehicle selected by the manager available and/or managed by the custodian.

6. Economically Targeted Investments (ETIs):

ETIs refer to investment vehicles that are structured to produce corollary benefits, e.g. job creation or affordable housing, in addition to the main objective of a competitive risk-adjusted rate of return. Although MPLT's main beneficiaries are CNMI descendants and future Marianas descendants, ETIs are a controversial area for the Trustees. Detractors may argue that seeking corollary benefits may violate fiduciary duty. The Board of Trustees is charged with the responsibility of fulfilling MPLT's mission, yet ETIs may be an area of great exposure for MPLT Trustees from a fiduciary liability standpoint. Therefore, full and proper due diligence in both program development and on an investment-by-investment basis is necessary. The following guidelines are recommended:

- An opinion of legal counsel knowledgeable in standards of fiduciary care should be secured.
- Trustees should guarantee that they are acting on economic grounds, rather than being influenced by political or emotional factors, as well as the purpose for which MPLT was established.
- Written investment guidelines are necessary and should specifically address the characteristics an ETI should have, including the parameters on how the program will be administered, as well as the social and economic impact the intended beneficiaries will have on the CNMI as a whole while implementing programs for which MPLT was established.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

6. Economically Targeted Investments (ETIs), Continued:

- A thorough, written analysis of each proposed ETI should be undertaken, examining all economic, political and other factors, including potential conflicts of interest.
- Risk-adjusted, market rates of return should be the primary consideration; with special attention paid to whether the ETI involves significantly greater financial risk.
- Specific ETI proposals should be evaluated against investments of a similar asset class.
- An ETI should be an attractive investment on its own merits, and not be considered simply because MPLT has “available capital”.
- A viable ETI should be able to attract external financing: a proposed ETI funded entirely by MPLT should be limited in size and scope and subjected to close scrutiny.
- One way to ensure that investment opportunities are viewed objectively and selection is based upon viable economic criteria is to have Oversight Managers acting in a fiduciary capacity for particular ETI asset classes or strategies.
- Consideration should be given as to whether future Trustees will find the ETIs being considered and/or enacted acceptable.

The Trustees recognize the importance of establishing a competitive risk-adjusted rate of return policy as part of their due diligence in identifying and documenting ETI projects. Having a clear policy is fundamental in documenting and completing the preceding recommended guidelines. Accordingly, as part of the investment analysis, the identification of the source of repayment of a fixed-income security, e.g., promissory note, municipal bond, etc., is of primary consideration. Evaluation of the credit rating for such repayment source is fundamental to establishment of the risk-adjusted rate of return. Once the credit rating has been determined, then an appropriate pricing index, using a comparable maturity schedule, can be identified to establish a base interest rate to be charged. Additionally, since such investments are not marketable, than an “illiquidity premium” should be recognized and added to the base risk-adjusted rate. Also, to be considered, given that such ETIs are long-term in nature, is whether or not to have a fixed or floating rate. It is the Trustees’ opinion that the risk-adjusted rate should be floating to the appropriate pricing index and adjusted on at least a quarterly basis. Due to the fact that administration of an ETI program is much more time-consuming and costly than a managed portfolio, the assessment of a loan origination fee should be considered and applied in most situations. This would allow for the reimbursement of ongoing servicing costs, legal fees, consultancy, and travel costs.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

6. Economically Targeted Investments (ETIs), Continued:

This ETI policy applies only to the MPLT General Fund and does not relate to the American Memorial Park Fund. In the case of the American Memorial Park Fund, any ETIs are limited to directly benefiting the beneficiary, the American Memorial Park, by funding development projects.

(iii) Asset allocation of the two funds is as follows:

	<u>General Fund</u>			<u>Park Fund</u>		
	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
Domestic Equities:						
<i>Large Cap Core</i>	15%	25%	35%	15%	25%	35%
Non U.S. Equities:						
<i>Large Cap Core</i>	5%	10%	15%	5%	10%	15%
Domestic Fixed Income:						
<i>Core</i>	50%	65%	80%	40%	65%	85%
<i>ETI - Local Loans</i>	40%	50%	60%	40%	50%	60%
	10%	15%	20%	0%	15%	25%

Rebalancing of Strategic Allocation

The percentage allocation to each asset class may vary as much as approximately 10% depending upon the market conditions.

When necessary and/or available, cash flows will be distributed following the strategic asset allocation of MPLT. If there are no cash flows, the allocation of MPLT will be reviewed quarterly.

If the Trustees judge cash flows to be insufficient to bring MPLT within the strategic allocation ranges, the Trustees shall decide whether to effect transactions so that MPLT would fall within the allocated threshold ranges.

Frequency

In two instances, portfolio rebalancing will be necessary to remain within the target asset allocation ranges:

1. Cash Flow Requirements
2. Significant Market Action

Positive cash flows should be directed to the under-weighted asset class, while negative cash flows (disbursements) should be directed away from the over-weighted asset class. This procedure is likely to be fairly routine and predictable.

Significant Market Action requires immediate action to restore asset allocation. This is neither predictable nor routine.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Liquidity

The MPLT Executive Director shall prepare anticipated expenditure requirements for each disbursement period and communicate these disbursement requirements to all affected managers with as much advance notice as possible. It is anticipated that MPLT's fixed income manager will be the initial and main conduit for contributions and disbursements. It is further anticipated that most of all such disbursements will be made from "income" generated from each account.

MPLT values its investments at fair value in accordance with GASB Statement 31. MPLT's investments as of September 30, 2006 and 2005 (with combining information as of September 30, 2006) is as follows:

	<u>General Fund</u>	<u>Park Fund</u>	<u>2006</u>	<u>2005</u>
<u>Equities:</u>				
Common stock	\$ 23,963,556	\$ 2,477,501	\$ 26,441,057	\$ 37,830,530
<u>Fixed Income Securities:</u>				
Mortgage and asset backed securities	3,501,849	375,256	3,877,105	1,687,509
Corporate bonds	18,611,311	2,200,567	20,811,878	10,883,940
Government obligations	2,772,883	266,096	3,038,979	819,080
Government agencies	<u>3,071,682</u>	<u>296,415</u>	<u>3,368,097</u>	<u>3,057,772</u>
	<u>\$ 51,921,281</u>	<u>\$ 5,615,835</u>	<u>\$ 57,537,116</u>	<u>\$ 54,278,831</u>

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings. The following is a listing of MPLT's fixed income securities at September 30, 2006 and 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>2006</u> <u>Investment Maturities (In Years)</u>				<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Mortgage and asset backed securities	\$ 3,877,105	\$ -	\$ 39,804	\$ 2,095,170	\$ 1,742,131	AAA
Government obligations	3,038,979	-	-	1,400,186	1,638,793	AAA
Government agencies	3,368,097	-	2,342,913	858,472	166,712	AAA
Corporate bonds	970,030	-	338,307	504,040	127,683	AAA
Corporate bonds	5,800	-	5,800	-	-	AA+
Corporate bonds	959,363	-	112,173	776,965	70,225	AA
Corporate bonds	2,750,840	-	2,307,675	349,080	94,085	AA-
Corporate bonds	5,292,737	-	2,905,047	1,696,120	691,570	A-
Corporate bonds	7,426,147	379,725	3,743,143	1,675,141	1,628,138	A
Corporate bonds	2,094,172	-	1,469,889	234,774	389,509	A-
Corporate bonds	42,244	-	-	-	42,244	BBB-
Corporate bonds	<u>1,270,545</u>	<u>-</u>	<u>1,178,996</u>	<u>86,558</u>	<u>4,991</u>	<u>BBB</u>
	<u>\$ 31,096,059</u>	<u>\$ 379,725</u>	<u>\$ 14,443,747</u>	<u>\$ 9,676,506</u>	<u>\$ 6,596,081</u>	

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

<u>Investment Type</u>	<u>Fair Value</u>	2005				<u>Credit Rating</u>
		<u>Investment Maturities (In Years)</u>				
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Mortgage and asset backed securities	\$ 1,687,509	\$ -	\$ 930,324	\$ 202,926	\$ 554,259	AAA
Government obligations	819,080	74,195	496,545	-	248,340	AAA
Government agencies	3,057,772	1,040,108	1,037,723	979,941	-	AAA
Corporate bonds	299,716	-	-	168,252	131,464	AAA
Corporate bonds	6,009	-	-	6,009	-	AA+
Corporate bonds	328,720	-	114,720	140,290	73,710	AA
Corporate bonds	517,337	-	505,969	-	11,368	AA-
Corporate bonds	3,371,223	500,584	1,975,776	370,514	524,349	A+
Corporate bonds	3,936,152	361,410	1,659,190	761,868	1,153,684	A
Corporate bonds	1,022,097	228,628	607,486	31,223	154,760	A-
Corporate bonds	309,745	-	265,013	-	44,732	BBB+
Corporate bonds	<u>1,092,941</u>	<u>60,457</u>	<u>729,051</u>	<u>303,433</u>	<u>-</u>	BBB
	\$ <u>16,448,301</u>	\$ <u>2,265,382</u>	\$ <u>8,321,797</u>	\$ <u>2,964,456</u>	\$ <u>2,896,666</u>	

Notes Receivable and Allowance for Loan Losses

Notes receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for doubtful accounts charged to principal fund. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may be uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrowers' ability to pay.

Capital Assets

Capital assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets through use of the straight-line method and is charged as a reduction in the investment. Current policy is to capitalize items in excess of \$250.

Net Assets

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, has required MPLT to establish net asset categories as follows:

- Investment in capital assets: capital assets, net of accumulated depreciation.
- Restricted: net assets subject to externally imposed stipulations that can be fulfilled by actions pursuant to those stipulations or that expire by the passage of time. MPLT has net assets restricted for principal and income.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

Net Assets, Continued

- **Unrestricted:** net assets that are not subject to externally imposed stipulations. As MPLT considers all assets except investments in capital assets, to be restricted, MPLT does not have unrestricted net assets at September 30, 2006 and 2005.

New Accounting Standards

During fiscal year 2006, MPLT implemented the following pronouncements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets when its service utility has declined significantly and unexpectedly.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment to GASB Statement No. 34)*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets.
- GASB Statement No. 47, *Accounting for Termination Benefits*, which establishes guidance for state and local governmental employers on accounting and financial reporting for termination of benefits.
- GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*, which clarifies the requirements of GASB Statement Nos. 27 and 45 for recognition of pension and other postemployment benefit expenditures/expense and liabilities by cost-sharing employers.

The implementation of these pronouncements did not have a material impact on the accompanying 2006 financial statements.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MPLT.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment to NCGA Statement 1*. GASB Statement No. 44 improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MPLT.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MPLT.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this Statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this statement will have a material effect on the financial statements of MPLT.

Reclassification

Certain 2005 balances in the accompanying financial statements have been reclassified to conform to the 2006 presentation.

(3) Notes Receivable

	<u>2006</u>	<u>2005</u>
Note receivable from the Northern Marianas Housing Corporation (NMHC), bearing interest at 8.5%, due on March 1, 2016, collateralized by the full faith and credit of the CNMI Government and specifically pledged loans receivable of NMHC. CNMI Public Law 12-27 approved the repayment of this loan through legislative appropriation of operating transfers to the general fund of the CNMI Government from investment income of MPLT. Operating transfers in the general fund reduces the CNMI Government receivables from MPLT but recognizes a receivable from NMHC deferred for ten years. Interest amounting to \$1,162,317 as of September 30, 2006 has been accrued on the outstanding balance of this note and is classified as noncurrent.	\$ 8,996,623	\$ 8,996,623
Note receivable from Adelantun Publickun Luta Enteramente, Incorporated (APLE 501, Inc.), bearing interest at 5% per annum, due on October 18, 2017, with monthly principal and interest payments in the amount of \$1,225, collateralized by a loan portfolio. Proceeds are to be used to fund an independently administered individual or parent-student loan program.	143,156	143,156

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(3) Notes Receivable, Continued

	<u>2006</u>	<u>2005</u>
Note receivable from the Commonwealth Development Authority, bearing interest at 6.5% per annum, due on June 1, 2018, collateralized by future distributable net income for the maintenance and development of the American Memorial Park and is to be repaid from earnings of the investments pursuant to CNMI Public Law 11-72.	<u>1,712,943</u>	<u>1,808,043</u>
	10,852,722	10,947,822
Less allowance for loan losses	<u>(4,143,156)</u>	<u>(143,156)</u>
	<u>\$ 6,709,566</u>	<u>\$ 10,804,666</u>

At September 30, 2006, principal and interest repayments of the note receivable (excluding APLE 501, Inc.) for the following years ending September 30, are as follows:

<u>Year ending September 30,</u>	<u>Principal Amount</u>	<u>Interest</u>
2007	\$ 101,100	\$ 873,078
2008	107,400	866,326
2009	114,600	859,131
2010	122,100	851,466
2011	122,100	843,148
2012 - 2016	610,500	4,096,693
2017 - 2018	<u>9,531,766</u>	<u>804,478</u>
	<u>\$ 10,709,566</u>	<u>\$ 9,194,320</u>

(4) Capital Assets

A summary of capital assets as of September 30, 2006 and 2005, is as follows:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2006</u>
Furniture, fixtures and equipment	3 - 10 years	\$ 85,168	\$ 1,207	\$ -	\$ 86,375
Vehicle	3 - 10 years	<u>16,595</u>	<u>-</u>	<u>-</u>	<u>16,595</u>
		101,763	1,207	-	102,970
Less accumulated depreciation		<u>(68,096)</u>	<u>(7,979)</u>	<u>-</u>	<u>(76,075)</u>
		<u>\$ 33,667</u>	<u>\$ (6,772)</u>	<u>\$ -</u>	<u>\$ 26,895</u>

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(4) Capital Assets, Continued

	Estimated Useful Lives	Balance at October 1, 2004	Additions	Deletions	Balance at September 30, 2005
Furniture, fixtures and equipment	3 - 10 years	\$ 72,418	\$ 12,750	\$ -	\$ 85,168
Vehicle	3 - 10 years	<u>16,595</u>	<u>-</u>	<u>-</u>	<u>16,595</u>
		89,013	12,750	-	101,763
Less accumulated depreciation		<u>(58,683)</u>	<u>(9,413)</u>	<u>-</u>	<u>(68,096)</u>
		<u>\$ 30,330</u>	<u>\$ 3,337</u>	<u>\$ -</u>	<u>\$ 33,667</u>

(5) Net Assets

In accordance with MPLT's accounting policies, gains and losses on investments are allocated to principal. Additionally, a portion of transfers in from the CNMI government is specifically designated as an increase in principal. Movement in principal and interest accounts for the years ended September 30, 2006 and 2005, is summarized as follows:

	Principal	Income	2006	2005
<u>General Fund</u>				
Balance at beginning of year	\$ 61,001,231	\$ -	\$ 61,001,231	\$ 56,083,838
Net increase in the fair value of investments	2,778,988	-	2,778,988	4,156,017
Other operating net income (expenses), net	(3,993,228)	1,379,989	(2,613,239)	1,061,324
Transfers	<u>764,713</u>	<u>(1,379,989)</u>	<u>(615,276)</u>	<u>(299,948)</u>
Balance at end of year	<u>\$ 60,551,704</u>	<u>\$ -</u>	<u>\$ 60,551,704</u>	<u>\$ 61,001,231</u>
<u>Park Fund</u>				
Balance at beginning of year	\$ 7,297,024	\$ 128,306	\$ 7,425,330	\$ 7,146,765
Net increase in the fair value of investments	244,266	-	244,266	408,370
Other operating net income	-	208,051	208,051	164,908
Transfers	<u>-</u>	<u>(274,075)</u>	<u>(274,075)</u>	<u>(294,713)</u>
Balance at end of year	<u>\$ 7,541,290</u>	<u>\$ 62,282</u>	<u>\$ 7,603,572</u>	<u>\$ 7,425,330</u>

(6) Contributions To/From Primary Government

In accordance with Article XI of the Constitution of the CNMI, MPLT makes operating transfers out to the general fund of the CNMI government from investment income. During the years ended September 30, 2006 and 2005, MPLT recorded \$1,379,989 and \$1,064,661, respectively, for transfers out to the CNMI general fund.

In accordance with Public Law 10-29, MPLT is to retain all interest from loans to NMHC as an addition to principal. This is considered to be a transfer in from the CNMI government to principal. During the years ended September 30, 2006 and 2005, MPLT recorded \$764,713 for transfers in from the general fund of the CNMI.

In accordance with Article VIII, Section 803(e) of the Covenant, MPLT makes operating transfers out for the development and maintenance of the American Memorial Park. During the years ended September 30, 2006 and 2005, MPLT recorded \$274,075 and \$294,713, respectively, for transfers out for this purpose.

MARIANAS PUBLIC LAND TRUST

Notes to Financial Statements
September 30, 2006 and 2005

(7) Risk Management

MPLT is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MPLT has elected to purchase commercial insurance from independent third parties for the risks of losses to which it is exposed with respect to the use of motor vehicles. Settled claims have not exceeded this commercial insurance coverage.

(8) Commitments

In accordance with the addendum of memorandum of agreement between the CNMI and the U.S. Department of the Interior for development and management of the American Memorial Park, MPLT is obligated to contribute \$150,000, to the extent of available income, annually for development and maintenance of the American Memorial Park.

The Trustees have approved a loan of \$1,000,000 to APLE 501, Inc. The loan is for funding for an independently administered individual or parent-student loan program. As of September 30, 2006, \$150,924 has been disbursed of which \$143,156 has been provided for within the allowance for loan losses. Management of MPLT has taken the position that no additional loans will be made until the provisions of the loan agreement are complied with.

(9) Subsequent Event

On March 13, 2007, Public Law 15-48 was enacted to repeal and amend the restrictions and obligations imposed by Public Laws 10-29 and 12-27. Public Law 15-48 repeals the appropriation of MPLT's annual interest distribution to the CNMI against NMHC's loans with MPLT. In addition, Public Law 15-48 lifts the ten-year repayment moratorium on NMHC and requires NMHC to begin making loan payments to MPLT. As of September 30, 2006, the related notes and accrued interest receivable from NMHC is classified as noncurrent in the accompanying financial statements as MPLT and NMHC have yet to finalize an agreement on the execution of the provisions of Public Law 15-48.

MARIANAS PUBLIC LAND TRUST

Combining Statement of Net Assets
September 30, 2006

<u>ASSETS</u>	<u>General Fund</u>	<u>Park Fund</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 2,188,162	\$ 288,023	\$ -	\$ 2,476,185
Receivables:				
Notes	-	101,100	-	101,100
Accrued income	389,516	41,899	-	431,415
Other	1,210	-	-	1,210
Due from CNMI Government	-	6,868	-	6,868
Due from other funds	36,759	-	(36,759)	-
Total current assets	<u>2,615,647</u>	<u>437,890</u>	<u>(36,759)</u>	<u>3,016,778</u>
Other assets, restricted:				
Time certificate of deposit	279,226	-	-	279,226
Investments	51,921,281	5,615,835	-	57,537,116
Total other assets, restricted	<u>52,200,507</u>	<u>5,615,835</u>	<u>-</u>	<u>57,816,342</u>
Noncurrent assets:				
Notes receivable, net of current portion and allowance for doubtful accounts of \$4,143,156	4,996,623	1,611,843	-	6,608,466
Accrued income receivable, net of current portion	1,162,317	-	-	1,162,317
Capital assets (net of accumulated depreciation)	26,895	-	-	26,895
Total noncurrent assets	<u>6,185,835</u>	<u>1,611,843</u>	<u>-</u>	<u>7,797,678</u>
	<u>\$ 61,001,989</u>	<u>\$ 7,665,568</u>	<u>\$ (36,759)</u>	<u>\$ 68,630,798</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 49,607	\$ 1,987	\$ -	\$ 51,594
Due to other funds	-	36,759	(36,759)	-
Payable to brokers	85,664	23,250	-	108,914
Due to CNMI Government	284,052	-	-	284,052
Accrued expenses	4,067	-	-	4,067
Total liabilities	<u>423,390</u>	<u>61,996</u>	<u>(36,759)</u>	<u>448,627</u>
Net assets:				
Investment in capital assets	26,895	-	-	26,895
Restricted:				
Principal	60,551,704	7,541,290	-	68,092,994
Income	-	62,282	-	62,282
Total net assets	<u>60,578,599</u>	<u>7,603,572</u>	<u>-</u>	<u>68,182,171</u>
	<u>\$ 61,001,989</u>	<u>\$ 7,665,568</u>	<u>\$ (36,759)</u>	<u>\$ 68,630,798</u>

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Combining Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2006

	General Fund	Park Fund	Eliminations	Total
Operating revenues:				
Net increase in the fair value of investments	\$ 2,778,988	\$ 244,266	\$ -	\$ 3,023,254
Interest income	1,785,564	233,412	-	2,018,976
Dividend income	420,468	39,113	-	459,581
Total operating revenues	<u>4,985,020</u>	<u>516,791</u>	<u>-</u>	<u>5,501,811</u>
Operating expenses:				
Money manager fees	187,446	19,978	-	207,424
Professional fees	146,589	2,477	-	149,066
Consultancy fees	120,826	58	-	120,884
Contract services	98,318	12,152	-	110,470
Salaries and benefits	84,539	10,449	-	94,988
Money management administration	62,131	8,685	-	70,816
Trustees' expenses	53,655	2,752	-	56,407
Office supplies	31,807	3,875	-	35,682
Rent and utilities	16,155	1,997	-	18,152
Annual report preparation	8,588	1,061	-	9,649
Audit	8,010	990	-	9,000
Depreciation	7,979	-	-	7,979
Total operating expenses	<u>826,043</u>	<u>64,474</u>	<u>-</u>	<u>890,517</u>
Operating income	<u>4,158,977</u>	<u>452,317</u>	<u>-</u>	<u>4,611,294</u>
Other nonoperating income (expenses):				
Provision for NMHC loans	(4,000,000)	-	-	(4,000,000)
Net contribution to the General Fund	<u>(615,276)</u>	<u>(274,075)</u>	<u>-</u>	<u>(889,351)</u>
Total nonoperating income (expenses), net	<u>(4,615,276)</u>	<u>(274,075)</u>	<u>-</u>	<u>(4,889,351)</u>
Change in net assets	(456,299)	178,242	-	(278,057)
Net assets at beginning of year	<u>61,034,898</u>	<u>7,425,330</u>	<u>-</u>	<u>68,460,228</u>
Net assets at end of year	<u>\$ 60,578,599</u>	<u>\$ 7,603,572</u>	<u>\$ -</u>	<u>\$ 68,182,171</u>

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

Combining Statement of Cash Flows
Year Ended September 30, 2006

	General Fund	Park Fund	Eliminations	Total
Cash flows from operating activities:				
Cash received from operations	\$ 1,426,539	\$ 261,042	\$ -	\$ 1,687,581
Cash payments to suppliers for goods and services	(750,094)	(18,724)	-	(768,818)
Net cash provided by operating activities	676,445	242,318	-	918,763
Cash flows from noncapital financing activities:				
Net operating transfers out	-	(274,075)	-	(274,075)
Net cash used for noncapital financing activities	-	(274,075)	-	(274,075)
Cash flows from capital and related financing activities:				
Acquisition of property and equipment	(1,207)	-	-	(1,207)
Net cash used for capital and related financing activities	(1,207)	-	-	(1,207)
Cash flows from investing activities:				
Net decrease in notes receivable	-	95,100	-	95,100
Net increase in restricted assets	(2,959,878)	(305,633)	-	(3,265,511)
Net increase in the fair value of investments	2,778,988	244,266	-	3,023,254
Net cash (used for) provided by investing activities	(180,890)	33,733	-	(147,157)
Net increase in cash and cash equivalents	494,348	1,976	-	496,324
Cash and cash equivalents at beginning of year	1,693,814	286,047	-	1,979,861
Cash and cash equivalents at end of year	\$ 2,188,162	\$ 288,023	\$ -	\$ 2,476,185
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 4,158,977	\$ 452,317	\$ -	\$ 4,611,294
Adjustments to reconcile operating income to net cash provided by operating activities:				
Net increase in fair value of investments	(2,778,988)	(244,266)	-	(3,023,254)
Depreciation	7,979	-	-	7,979
(Increase) decrease in assets:				
Receivable - accrued income	(958,496)	(14,684)	-	(973,180)
Due from CNMI Government	-	47,580	-	47,580
Due from other funds	29,064	-	(29,064)	-
Due from brokers	148,196	10,046	-	158,242
Other receivable	1,743	23	-	1,766
Prepaid expense	6,530	-	-	6,530
Increase (decrease) in liabilities:				
Accounts payable	(12,499)	(1,703)	-	(14,202)
Due to other funds	-	(29,064)	29,064	-
Due to CNMI Government	10,134	-	-	10,134
Payable to brokers	65,437	22,069	-	87,506
Accrued expenses	(1,632)	-	-	(1,632)
Net cash provided by operating activities	\$ 676,445	\$ 242,318	\$ -	\$ 918,763
Supplemental schedule of noncash operating, financing and investing activities:				
Pursuant to Public Law 12-27, MPLT applied the required income distribution to the CNMI General Fund of \$615,276 for the year ended September 30, 2006 as repayment of NMHC's loan.				
Decrease in receivable - accrued income	\$ (615,276)	\$ -	\$ -	\$ (615,276)
Increase in operating transfers out	615,276	-	-	615,276
	\$ -	\$ -	\$ -	\$ -
At September 30, 2006, MPLT recorded an allowance for doubtful accounts of \$4,000,000 to provide for NMHC's loan, pursuant to the enactment of Public Law 15-48.				
Increase in allowance for doubtful accounts	\$ (4,000,000)	\$ -	\$ -	\$ (4,000,000)
Increase in provision for NMHC loans	4,000,000	-	-	4,000,000
	\$ -	\$ -	\$ -	\$ -

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1A

Schedule of Investments - General Fund
September 30, 2006

<u>Equities</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Common Stock</u>			
Ace Ltd	\$ 259,109	\$ 290,069	
Altria Group, Inc.	387,081	643,020	
American Express Company	200,595	392,560	
American Int's Group	553,536	583,088	
American Tower Corp	242,003	295,650	
Apple Computer Inc	626,914	697,824	
Boeing Co	605,072	575,605	
Caremark Rx Inc	354,062	425,025	
Celgene Corp	474,367	471,970	
Cisco Sys Inc.	557,033	625,056	
Comcast Corp	570,884	634,680	
Corning Inc	313,345	353,945	
Endo Pharmaceuticals Hldgs Inc	159,251	175,770	
Franklin Resources Inc	390,107	444,150	
Gilead Sciences Inc	441,794	529,529	
Goldman Sachs Group Inc	480,084	558,261	
Goodrich Corp	539,058	530,812	
Google Inc	448,572	682,828	
Hewlett Packard Co	474,367	513,660	
Hilton Hotels Corp	258,889	270,145	
Int'l Business Machines Corp	317,130	327,760	
Lehman Brothers Holdings Inc	488,576	576,108	
Lowe's Companies Inc	168,057	156,350	
Merrill Lynch & Co Inc	444,884	516,252	
Microsoft Corp	481,051	547,000	
Nyse Group Inc	235,862	284,050	
Pepsico Inc	426,777	450,294	
Praxair Inc	154,617	177,480	
Schlumberger Ltd	787,447	735,118	
Starwood Hotels & Resorts	262,131	257,355	
United Health Group Inc	635,465	683,880	
United Technologies Corp	550,340	570,150	
Vornado Realty	475,969	545,000	
Wellpoint Inc	542,799	585,580	
Subtotal - Atalanta Sosnoff	<u>14,307,228</u>	<u>16,106,024</u>	
Aeon Company Ltd.	73,293	110,340	
Air Liquide	79,316	103,133	
Altana AG	76,069	72,007	
Alcatel Sa	97,452	95,004	
Astrazeneca Plc Spon	83,290	118,750	
Bae Systems Plc Spon	62,698	118,128	
BASF Ag Spons	75,284	112,140	
Barclays Plc	89,418	111,694	
Bunge Limited	81,913	113,003	
Business Objects Sa	51,635	92,043	
Commerzbank A G Spon	110,679	101,544	
Deutsche Telekom Ag Sp	70,010	63,480	
Diageo Plc Spon	73,995	106,560	
EMF Group Plc Spons	72,925	96,389	
Enersis S.A. Sponsored	52,903	112,200	
HSBC Hldg Plc Sp	88,165	106,541	
Kao Corp-Jpy Spons	84,859	93,381	
Komatsu Ltd.	37,079	110,584	
L Oreal Co	99,838	115,670	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1A

Schedule of Investments - General Fund
September 30, 2006

<u>Equities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Common Stock, Continued</u>			
Marui Ltd.	68,548	79,080	
Matsushita Elec Indl	73,080	118,328	
Mitsubishi UFJ Financial Group Inc	82,147	114,009	
NTT Docomo Inc. Spons	63,334	50,853	
Nestle S A Sponsored	78,788	114,010	
Nokia Corp Sponsored	80,048	94,512	
Nortel Networks Corp	108,543	75,900	
Novartis Ag	84,834	93,504	
Orix Corp Spons	67,573	179,530	
Repsol S A Sponsored	73,764	107,388	
Royal Caribbean Cruises	110,106	93,144	
Royal Dutch Shell Plc	107,969	99,150	
Suez SA Spon	64,047	146,025	
Sumitomo Trust & Banking Co. Lt-Jpy Spons	82,198	125,628	
Tesco Plc Sponsored	101,944	133,148	
Toray Industries Inc.	76,593	128,007	
Total S.A. Spons	76,001	105,504	
Unilever Nv Ny Shs-New	102,335	105,522	
Vodafone Group Plc Sp	71,070	61,996	
Subtotal - Met West	<u>3,033,743</u>	<u>3,977,829</u>	
UBS Ag-Chf	66,545	116,841	
ABN Amro Hldg Nv Spon	53,137	74,365	
Adecco SA-Sponsored	38,703	49,021	
Axa S.A. Spons	45,283	81,940	
Banco Bilbao Vizcaya-Sp	75,852	86,622	
Bank Yokohama Ltd Japan	36,281	35,447	
BASF Ag Spons	23,594	35,244	
BG Group Plc Spon	35,890	68,287	
BNP Paribas Spons	60,336	106,140	
Barclays Plc	88,505	118,040	
BHP Billiton Ltd Spons	28,312	56,820	
British American Tobacco Plc	33,754	61,822	
Canon Inc.	68,634	115,300	
Companhia Vale Di Rio Doce	15,910	36,005	
ENI Spa Sponsored	86,143	122,710	
E Onag Spons	19,643	32,926	
Eisai Ltd. Spons	36,806	60,454	
Ericsson L M Tel Co.	45,841	54,807	
Fomento Economico Mexicano S A Spons	15,523	34,899	
Fortis NL Sponsored	38,192	71,366	
Glaxosmithkline Plc Sp	83,385	113,114	
HSBC Hldg Plc Sp	104,123	126,769	
Honda Motor Co. Ltd.	66,430	93,828	
Hoya Corp Sponsored	38,935	36,937	
Ing Groep NV Spons	37,977	70,148	
Ireland Bank Spons	40,377	59,479	
Kao Corp-Jpy Spons	25,324	27,747	
Kingfisher Plc Sponsored	40,611	35,365	
Koninklijke Philips Electroncis NS Spon	28,139	42,537	
Lafarge Spons Adr New Lafarge Coppee	82,228	125,980	
Mitsubishi Corp Spons	40,804	75,964	
Mitsubishi Est Co Ltd	39,501	44,797	
Mitsubishi UFJ Finanacial Group Inc	76,926	108,821	
National Grid Plc Gbp Spon	28,811	38,304	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1A

Schedule of Investments - General Fund
September 30, 2006

<u>Equities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Common Stock, Continued</u>			
Nestle S A Sponsored	61,603	89,893	
News Corp.	30,120	39,010	
Nidec Corporation Spon	51,578	56,685	
Nikko Cordial Corp.	38,628	51,522	
Nokia Corp Sponsored	39,754	58,775	
Novartis Ag	66,064	83,569	
Petrobras	15,487	14,251	
Reed Elsevier NV-NLG	37,839	47,471	
Roche Hldg Ltd. Spon	49,470	87,932	
Sanofi-Synthelabo Spons	57,814	54,920	
Sap Aklengesellschaft Spons	34,392	41,580	
Secom Ltd.	17,508	23,288	
Siemens A G Spons	42,909	55,309	
Smith & Nephew Plc Sp	45,441	42,851	
Sony Corp Spon	59,852	54,082	
Sumitomo Mitsui Finl Group Inc	73,567	74,624	
Taiwan Semiconductor Mfg. Co. Ltd.	6,966	9,907	
Tesco Plc Sponsored	72,079	89,673	
Total S.A. Sponsored	117,250	160,234	
Vodafone Group Plc Sp	106,964	94,595	
WPP Group Plc Spon	48,224	53,705	
Wolseley Plc Sponsored	50,865	66,606	
Wolters Kluwer N V Sp	32,108	49,117	
Zurich Fincl Svcs Spon	36,029	61,258	
Subtotal - JP Morgan	<u>2,838,966</u>	<u>3,879,703</u>	
Total Common Stock	<u>20,179,937</u>	<u>23,963,556</u>	
Total Equities	<u>20,179,937</u>	<u>23,963,556</u>	
<u>Fixed Income Securities</u>			
<u>Mortgage and Asset Backed Securities</u>			
FHLMC PL#E20222 @ 6.500%, due 02/01/11	14,222	14,339	AAA
FHLMC PL#G12213 @5.500% due 03/01/21	281,875	286,133	AAA
Bear Stears Commercial Mort SE @ 5.186%, due 09/11/13	186,047	173,836	AAA
FNMA PL#603265 @ 5.500%, due 09/01/16	29,878	29,702	AAA
FNMA PL#725414 @4.50% due 05/01/19	54,682	53,987	AAA
FNMA PL#739168 @ 5.500%, due 09/01/18	36,773	35,582	AAA
FNMA PL#743002 @ 5.500%, due 10/01/18	30,237	29,279	AAA
FNMA PL#745506 @5.663% due 02/01/16	471,216	488,699	AAA
Fdedral Home Loan @4.750% due 07/15/15	540,371	551,806	AAA
Federal Home Loan Mtg Corp @4.375% due 04/15/15	435,744	433,753	AAA
L-UBS Commercial Mtg Trust @ 5.594%, due 06/15/31	311,836	305,490	AAA
GS Mtg. Secs Corp. If Coml Mtg, @ 3.590%, due 01/10/40	311,911	313,750	AAA
Greenwich Cap Coml Fdg Corp @4.305% due 08/10/42	335,563	341,933	AAA
Wachovia Bank Comm Mort Trust @ 4.98%, due 10/15/12	189,688	197,324	AAA
Wachovia Bank Comm Mort Trust @ 4.748%, due 02/15/41	248,329	246,236	AAA
Total Mortgage and Asset Backed Securities - Richmond	<u>3,478,372</u>	<u>3,501,849</u>	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1A

Schedule of Investments - General Fund
September 30, 2006

<u>Fixed Income Securities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Government Obligations</u>			
U.S. Treasury Bonds @ 7.250% due 05/15/16	1,255,914	1,288,409	AAA
U.S. Treasury Bonds @ 6.625% due 02/15/27	455,973	485,728	AAA
U.S. Treasury Bonds @ 7.875%, due 02/15/21	954,274	998,746	AAA
Total Government Obligations - Richmond	2,666,161	2,772,883	
<u>Government Agencies</u>			
Federal National Mortgage Association @ 5.375%, due 11/15/11	141,153	127,695	AAA
Federal National Mortgage Association Global @ 4.375%, due 09/15/12	569,983	568,550	AAA
Federal National Mortgage Association Global @ 6.625%, due 11/15/10	188,146	186,102	AAA
Federal Natl Mtg Assn @ 4.125% due 04/15/14	45,912	47,407	AAA
Federal Home Loan Bank @ 5.125%, due 10/15/08	274,725	275,773	AAA
Federal Home Loan MTG Corp @ 6.000% due 06/15/11	215,544	219,451	AAA
Federal Home Loan MTG Corp @ 6.624% due 09/15/09	405,803	376,311	AAA
Federal Home Loan Bank @ 2.750%, due 03/14/08	58,941	58,125	AAA
Federal Home Loan Bank @ 3.875% due 01/15/10	116,669	116,475	AAA
Federal Home Loan Bank @ 3.625% due 11/14/08	252,765	252,930	AAA
Federal Home Loan MTG Corp @ 4.875% due 11/15/13	663,403	681,362	AAA
Federal Home Loan Mortgage Corp. Global @ 5.125%, due 07/15/12	167,380	161,501	AAA
Total Government Agencies - Richmond	3,100,424	3,071,682	
<u>Corporate Bonds</u>			
Alcoa Inc. @ 7.375%, due 08/01/10	183,137	182,517	A-
Aloca Inc @ 6.000% due 01/15/12	188,080	190,502	A-
Abbott Laboratories @ 5.875% due 05/15/16	154,479	160,572	AA
Aetna Inc @ 5.750% due 6/15/11	249,727	254,057	A-
Allstate Corp. @ 7.200%, due 12/01/09	143,514	158,976	A+
Allstate Corp. @ 5.000% due 08/15/14	211,293	213,877	A+
American Express @ 4.875%, due 07/15/13	141,134	141,328	A+
American Express @ 4.750% due 6/17/09	390,248	397,008	A+
American General Finance @ 5.375% due 10/01/12	221,850	224,253	A+
American Gen Fin Corp @ 5.400% due 12/1/15	19,755	19,801	A+
Anheuser Busch Cos Inc. @ 6.750%, due 12/15/27	99,105	112,415	A+
Archer Daniels Midland Co. @ 7.500%, due 03/15/27	110,706	120,471	A
Associates Corp. @ 6.250%, due 11/01/08	706,954	719,199	AA-
Banc One Corp. @ 7.600%, due 05/01/07	165,236	151,835	A
Bank of America Corp @ 7.800% due 02/15/10	269,868	269,910	A+
Bank of America Corp @ 5.125% due 11/15/14	127,759	133,414	AA-
Bank New York Co Inc @ 4.950% due 03/15/15	245,320	247,580	A
BB&T Corp @ 4.750% due 10/01/12	100,389	102,273	A
BB&T Corp @ 5.200% due 12/23/15	191,130	195,568	A
Becton Dickinson & Co. @ 7.000%, due 08/01/27	107,592	114,653	A+
BellSouth Telecommunication Global @ 5.200%, due 09/15/14	102,487	96,385	A
Bershire Hathaway Fin Corp. @ 4.850%, due 01/15/15	289,836	291,159	AAA
Bestfoods M/T/N @ 6.625%, due 04/15/28	143,609	158,730	A-
Boeing Co. Deb @ 7.250%, due 06/15/25	191,488	225,779	A
Bristol Myers Squibb Co. @ 6.800%, due 11/15/26	100,773	105,222	A+
Bristol Myers Squibb @ 5.750% due 10/1/11	140,431	142,608	A+
Campbell Soup Co. @ 8.875%, due 05/01/21	92,873	91,223	A
Carolina Power & Lt Co. @ 5.950%, due 03/01/09	175,332	193,103	BBB
Caterpillar Fin Svc Crp @ 4.625%, due 06/01/15	99,426	94,772	A
Caterpillar Inc @ 5.700% due 8/15/16	74,846	76,523	A
Chubb Corp. @ 6.800%, due 11/15/31	99,217	111,422	A
Cit Group Hldgs Inc. @ 7.750%, due 04/02/12	183,864	166,082	A
CitiGroup Inc @ 5.625% due 08/27/12	105,258	106,911	A-

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1A

Schedule of Investments - General Fund
September 30, 2006

<u>Fixed Income Securities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Corporate Bonds, Continued</u>			
Coca-Cola Enterprises Inc. @ 8.500%, due 02/01/22	207,147	223,671	A
Conoco Inc. @ 6.950%, due 04/15/29	181,127	184,522	A-
Consolidated Nat Gas @ 6.250% due 11/1/11	187,255	190,657	BBB
CSX Corporation @ 6.300%, due 03/15/12	220,703	218,902	BBB
Daimler Chrysler N.A. Hldgs @ 7.200%, due 09/01/09	174,811	182,341	BBB
Deere & Co. @ 8.100%, due 05/15/30	59,949	78,368	A-
Dover Corp. @ 6.500% due 12/15/11	384,191	392,595	A
Duke Energy Corp. @ 7.375%, due 03/01/10	195,332	191,500	BBB
Du Pont E I De Nemours & Co. @ 6.875%, due 10/15/09	96,161	104,999	A
Du Pont E I De Nemou @ 3.375% due 11/15/07	311,040	312,496	A
Eaton Corp. @ 7.650%, due 11/15/29	45,250	62,135	A
Emerson Elec. Co. @ 5.500%, due 09/15/08	134,882	140,851	A
Equitable Cos Inc. @ 7.000%, due 04/01/28	182,759	211,301	A
Federal Express Corp NT @ 9.650%, due 06/15/12	78,784	72,238	BBB
FPL Group Capital Inc. @ 7.375%, due 06/01/09	195,379	210,412	A-
General Elec Capital Copr @ 4.750% due 09/15/14	166,051	164,373	AAA
General Elec Cap Corp @ 4.875% due 10/21/10	59,832	59,458	AAA
General Elec Cap Corp @ 6.000% due 06/15/12	220,489	223,385	AAA
Genworth Financial Inc. @ 4.950%, due 10/01/15	318,632	326,393	A
Goldman Sachs Group @ 6.650%, due 05/15/09	184,829	202,186	A+
Goldman Sachs Group @ 6.600%, due 01/15/12	73,813	68,587	A+
Goldman Sachs Group @ 5.150% due 01/15/14	188,172	195,534	A+
Grand Met Invt Corp. @ 9.000%, due 08/15/11	124,570	115,514	A-
GTE Corp. Debs @ 7.510%, due 04/01/09	115,653	104,936	A
Hartford Finl Svcs Group @ 4.700% due 09/01/07	173,255	173,843	A
Hershey Co. @ 5.450% due 09/01/16	69,781	70,797	A+
Home Depot Inc Global @ 5.400% due 03/01/16	261,881	263,251	AA
Household Fin Corp. @ 6.500% due 11/15/08	543,587	548,429	AA-
Household Fin Corp. @ 8.000%, due 07/15/10	175,853	174,795	AA-
IBM Corp. M/T/N @ 5.400%, due 10/01/08	130,164	146,086	A+
IBM Corp. Debs-BK @ 7.000% due 10/30/25	65,626	67,800	A+
IBM Corp. @ 4.750% due 11/29/12	146,577	151,556	A+
Illinois Tool Works @ 5.750%, due 03/01/09	90,004	86,311	AA
Johnson & Johnson NT @ 6.730%, due 11/15/23	105,593	116,075	AAA
Key Bank N A DTD @ 5.700%, due 08/15/12	26,283	25,502	A-
Key Bank NA Book @ 4.950% due 09/15/15	205,942	210,817	A-
Kimberly Clark Corp @ 5.625 due 02/15/12	274,183	281,652	AA-
Lehman Bros Hldg. Inc. @ 5.500%, due 04/04/16	39,174	39,852	A+
Lehman Bros Hldg. @ 4.000%, due 01/22/08	188,138	182,051	A+
Lehman Brothers Hldgs @ 4.500% due 07/26/10	288,600	291,777	A+
Lincoln Natl Corp. Ind. @ 6.500%, due 03/15/08	84,076	91,444	A+
Lincoln Natl Corp. Dtd @ 6.200% due 12/15/11	316,057	321,250	A+
Marshall & Ilsley @ 3.800% due 02/08/08	194,606	196,132	A+
Marshall & Ilsley @ 4.375%, due 08/01/09	148,919	147,105	A
Marsh & McLennan Cos. Inc. @ 5.375%, due 07/15/14	79,912	76,940	BBB
Merrill Lynch & Co. @ 5.000%, due 02/03/14	121,326	117,014	A-
Metlife Inc. @ 5.500%, due 06/15/14	141,128	135,815	A
Metlife Inc. @ 6.125% due 12/01/11	188,937	191,938	A
Metlife Inc. @ 5.000% due 06/15/15	77,086	77,450	A
Michigan Bell Tel. Co. Debs @ 7.850%, due 01/15/22	104,479	93,936	A
Morgan J P & Co @ 6.000% due 01/15/09	425,880	426,191	A
Morgan Stanley Dean Witter @ 6.750%, due 04/15/11	110,545	100,438	A-
Morgan Stanley Global @ 4.750%, due 04/01/14	29,829	28,529	A
National City Corp. @ 3.125% due 04/30/09	529,313	538,247	A
Pepsi Bottling Group Inc. @ 7.000%, due 03/01/29	200,286	207,133	A

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1A

Schedule of Investments - General Fund
September 30, 2006

<u>Fixed Income Securities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Corporate Bonds, Continued</u>			
Pitney Bowes Inc. @ 3.875% due 06/15/13	240,670	247,936	A+
Phillips Pete Co. NT @ 9.375%, due 02/15/11	48,746	46,625	A-
Procter & Gamble @ 6.450% due 01/15/26	84,491	83,016	AA-
Salomon Smith Barney @ 6.500%, due 02/15/08	210,699	198,221	AA-
Sara Lee Corp @ 6.125%, due 11/01/32	42,454	37,550	BBB+
SLM Corp. @ 5.375%, due 05/15/14	83,581	79,380	A
Southwestern Bell Telephone Co. M/T/N @ 6.550%, due 10/07/08	103,592	101,892	A
St. Paul Companies Inc. M/T/N @ 8.125%, due 04/15/10	59,710	65,347	A-
Suntrust Banks Inc. @ 6.000% due 02/15/26	47,514	46,481	A
Sysco Corp. Deb @ 6.500%, due 08/01/28	64,026	71,541	A+
Texaco Capital Inc. @ 8.625%, due 04/01/32	44,594	56,180	AA
United Technologies Corp. @ 6.500%, due 06/01/09	209,842	231,966	A
Verizon New England Inc. @ 6.500%, due 09/15/11	106,375	97,456	A
Wachovia Corp. @ 6.250%, due 08/04/08	100,492	101,482	A
Wachovia Corp. @ 5.625%, due 12/15/08	95,082	110,931	A
Wachovia Corp. @ 4.875%, due 02/15/14	55,274	53,211	A
Wachovia Sub @ 6.375% due 02/01/09	204,294	204,490	A
Wachovia Corp. @ 6.605% due 10/1/25	67,642	66,583	A
Wal-Mart Stores Global @ 4.500%, due 07/01/15	275,968	274,250	AA
Walt Disney Co @ 5.875% due 12/15/17	90,566	92,510	A-
Walt Disney Co @ 6.375% due 03/01/12	92,880	94,529	A-
Wells Fargo Co. @ 6.375%, due 08/01/11	224,029	199,625	AA-
Wells Fargo Co @ 5.125% due 09/15/16	149,237	151,778	AA-
Wisconsin Pwr & Lt Co. @ 5.700%, due 10/15/08	97,335	110,693	A-
Total Corporate Bonds - Richmond	<u>18,269,640</u>	<u>18,611,311</u>	
Total Fixed Income Securities	<u>27,514,597</u>	<u>27,957,725</u>	
Total Equities and Fixed Income Securities	<u>\$ 47,694,534</u>	<u>\$ 51,921,281</u>	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1B

Schedule of Investments - Park Fund
September 30, 2006

<u>Equities</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Common Stock</u>			
Ace Ltd	\$ 29,333	\$ 32,838	
Altria Group Inc	47,908	72,723	
American Express Co	23,939	44,864	
American Intl Group Co	69,264	72,886	
American Tower Corp	29,877	36,500	
Apple Computer Inc	81,076	91,683	
Boeing Co	74,657	70,965	
Caremark Rx Inc	42,487	51,003	
Celgene Corp	56,563	56,290	
Cysco Sys Inc	65,401	73,536	
Comcast Corp	69,768	77,490	
Corning Inc	38,898	43,938	
Endo Pharmaceuticals Hldgs Inc	20,644	22,785	
Franklin Resources Inc	46,058	52,875	
Gilead Sciences Inc	51,259	61,893	
Goldman Sachs Group Inc	58,192	67,668	
Goodrich Corp	65,768	64,832	
Google Inc	51,568	81,184	
Hewlett Packard Co	57,617	62,373	
Hilton Hotels Corp	32,028	33,420	
Intl Business Machines Corp	39,539	40,970	
Lehman Brothers Holdings Inc	56,374	66,474	
Lowe's Companies Inc	20,315	18,912	
Merrill Lynch & Co Inc	53,925	62,576	
Microsoft Corp	60,243	68,375	
Nyse Group Inc	31,337	37,375	
Pepsico Inc	55,993	58,734	
Praxair Inc	20,616	23,664	
Schlumberger Ltd	94,052	88,331	
Starwood Hotels & Resorts	29,262	28,595	
United Technologies Corp	67,264	69,685	
Unitedhealth Group Inc	77,773	83,640	
Vornado Realty	57,116	65,400	
Wellpoint Inc	64,115	69,345	
Subtotal - Atalanta Sosnoff	<u>1,740,229</u>	<u>1,953,822</u>	
Bunge Limited	5,427	7,533	
Royal Caribbean Cruises	7,340	6,210	
Aeon Company Ltd	4,886	7,356	
Air Liquide	5,173	6,726	
Alcatel Sa	6,247	6,090	
Altana Ag	4,681	4,431	
Astrazeneca Plc Spon	5,257	7,500	
Bae Systems Plc Spon	5,486	10,336	
Basf Ag Spons	5,377	8,010	
Barclays Plc	6,097	7,615	
Business Objects Sa	3,825	6,818	
Commerzbank	7,379	6,770	
Deutsche Telekom	4,376	3,967	
Diageo Plc Spon	4,933	7,104	
EMI Group Plc Spon	4,511	5,962	
Enersis S.A. Sponsored	3,423	7,260	
HSBC Hldg Plc Sp	5,439	6,590	
Kao Corp - Jpy Spons	4,849	5,336	
Komatsu Ltd	2,317	6,912	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1B

Schedule of Investments - Park Fund
September 30, 2006

<u>Equities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Common Stock, Continued</u>			
L Oreal Co	6,656	7,711	
Marui Ltd	5,078	5,858	
Matsushita Elec Indl	4,568	7,396	
Mitsubishi UFJ Financial Group Inc	5,538	7,686	
NTT Docomo Inc	3,838	3,082	
Nestle S A Sponsored	4,848	7,016	
Nokia Corp Sponsored	5,003	5,907	
Nortel Networks Corp	7,277	5,060	
Novartis Ag	5,290	5,844	
Orix Corp Spons	4,678	12,429	
Repsol S A Sponsored	5,123	7,458	
Royal Dutch Shell Plc	7,198	6,610	
Suez Sa Spon	3,882	8,850	
Sumitomo Trust & Banking Co Lt - JPY Spons	5,480	8,375	
Tesco Plc Sponsored	6,924	9,078	
Toray Industries Inc	4,505	7,530	
Total S.A Spons	5,700	7,913	
Unilever Nv NY SHS	7,140	7,362	
Vodafone Group Plc Spons	4,586	4,001	
	<u>200,335</u>	<u>263,692</u>	
Subtotal - Met West			
UBS Ag (New)	4,388	7,710	
ABN Amro Hldg Nv Spon	3,533	4,967	
Adecco SA-Sponsored	2,586	3,329	
Axa S.A. Spons	3,017	5,536	
Banco Bilbao Vizcaya-Sp	5,068	5,782	
Bank Yokohama Ltd Japan	2,419	2,363	
BASF Ag Spons	1,597	2,403	
BG Group Plc Spon	2,388	4,573	
BNP Paribas Spons	3,959	6,986	
Barclays Plc	5,969	7,869	
BHP Billiton Ltd Spons	1,916	3,788	
British American Tobacco Plc	2,246	4,103	
Canon Inc.	4,596	7,843	
Companhia Vale Di Rio Adr Doce	1,033	2,372	
ENI Spa Sponsored	5,589	8,153	
E Onag Spons	1,303	2,182	
Eisai Ltd. Spons	2,497	4,111	
Ericsson L M Tel Co.	3,005	3,619	
Fomento Economico Mexicano S A Spons	1,080	2,424	
Fortis NL Sponsored	2,604	4,866	
Glaxosmithkline Plc Sp	5,674	7,718	
HSBC Hldg Plc Sp	7,187	8,695	
Honda Motor Co. Ltd.	4,450	6,390	
Hoya Corp Sponsored	2,582	2,450	
Ing Groep NV Spons	2,491	4,618	
Ireland Bank Spons	2,684	3,939	
Kao Corp-Jpy Spons	1,685	1,868	
Kingfisher Plc Sponsored	2,878	2,474	
Koninklijke Philips Electroncis NS Spon	1,834	2,801	
Lafarge Spons Adr New Lafarge Coppee	5,533	8,377	
Mitsubishi Corp Spons	2,835	5,265	
Mitsubishi Est Co. Ltd	2,504	2,841	
Mitsubishi UFJ Financial Group Inc	5,081	7,302	
National Grid Plc Gbp Spon	2,022	2,696	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1B

Schedule of Investments - Park Fund
September 30, 2006

<u>Equities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Common Stock, Continued</u>			
Nestle S A Sponsored	4,121	5,701	
News Corp.	2,074	2,683	
Nidec Corporation Spon	3,535	3,893	
Nikko Cordial Corp.	2,595	3,481	
Nokia Corp Sponsored	2,745	4,135	
Novartis Ag	4,393	5,552	
Petrobras	911	838	
Reed Elsevier NV-NLG	2,525	3,176	
Roche Hldg Ltd. Spon	3,371	6,035	
Sanofi-Synthelabo Spons	3,982	3,780	
Sap Aklengesellschaft Spons	2,226	2,723	
Secom Ltd.	1,118	1,486	
Siemens A G Spons	3,018	3,920	
Smith & Nephew Plc Sp	3,155	2,979	
Sony Corp Spn	4,020	3,632	
Sumitomo Mitsui Finl Group Inc	4,867	4,936	
Taiwan Semiconductor Mfg. Co. Ltd.	453	672	
Tesco Plc Sponsored	4,752	5,951	
Total S.A. Sponsored	7,700	10,550	
Vodafone Group Plc Sp	7,079	6,287	
WPP Group Plc Spon	3,068	3,395	
Wolseley Plc Sponsored	3,433	4,469	
Wolters Kluwer N V Sp	2,124	3,257	
Zurich Finel Svcs Spon	2,352	4,043	
Subtotal - JP Morgan	189,850	259,987	
Total Common Stock	2,130,414	2,477,501	
Total Equities	2,130,414	2,477,501	
<u>Fixed Income Securities</u>			
<u>Mortgage and Asset Backed Securities</u>			
Greenwich Cap Commercial Fund @ 4.533%, due 07/05/10	24,766	24,362	AAA
Greenwich Cap Com'l Fdg Corp @ 4.305%, due 08/10/42	28,762	29,309	AAA
FHLMC PL #E63380 @ 6.500%, due 03/01/11	1,094	1,103	AAA
Bear Stears Commercial Mort SE @ 5.186%, due 09/11/13	26,578	24,834	AAA
Federal Home Loan Mtg Corp @ 4.375% due 04/15/15	36,384	36,146	AAA
Federal Home Loan @ 4.750% due 07/15/15	72,049	73,574	AAA
FNMA PL # 603265 @ 5.500%, due 09/01/16	4,482	4,455	AAA
FNMA PL # 739168 @ 5.500%, due 09/01/18	6,129	5,930	AAA
FNMA PL # 743002 @ 5.500%, due 10/01/18	5,039	4,880	AAA
FNMA PL # 725414 @ 4.500%, due 05/01/19	30,759	30,367	AAA
FNMA PL # 745506 @ 5.663%, due 02/01/16	49,602	51,442	AAA
L-UBS Commercial Mtg Trust @ 5.594%, due 06/15/31	25,487	25,458	AAA
Wachovia Bk Com'l Mtg @ 4.980%, due 10/15/12	28,284	29,599	AAA
Wachovia Bank Comm Mort Trust @ 4.748%, due 02/15/41	32,793	33,797	AAA
Total Mortgage and Asset Backed Securities - Richmond	372,208	375,256	
<u>Government Obligations</u>			
U.S. Treasury Note @ 4.500%, due 11/15/15	9,900	9,903	AAA
U.S. Treasury Bonds @ 7.250%, due 05/15/16	99,604	101,874	AAA
U.S. Treasury Bond @ 7.875%, due 02/15/21	100,519	105,131	AAA
U.S. Treasury Bonds @ 6.625%, due 02/15/27	46,141	49,188	AAA
Total Government Obligations - Richmond	256,164	266,096	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1B

Schedule of Investments - Park Fund
September 30, 2006

<u>Fixed Income Securities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Government Agencies</u>			
Federal Home Loan Mortgage Corp. Global @ 5.125%, due 07/15/12	10,302	10,094	AAA
Federal Home Loan Mtg Corp @ 5.125%, due 10/15/08	94,905	95,267	AAA
Federal Home Loan Mtg Corp @ 4.875%, due 11/15/13	72,672	74,602	AAA
Federal Home Loan Bank @ 3.875%, due 01/15/10	29,167	29,119	AAA
Federal National Mortgage Association @ 4.125%, due 04/15/14	22,956	23,703	AAA
Federal National Mortgage Association @ 4.375%, due 09/15/12	58,540	58,313	AAA
Federal National Mortgage Association Global @ 6.625%, due 11/15/10	5,250	5,317	AAA
Total Government Agencies - Richmond	293,792	296,415	
<u>Corporate Bonds</u>			
Abbott Laboratories @ 5.875%, due 05/15/16	19,931	20,719	AA
Alcoa Inc. @ 7.375%, due 08/01/10	37,634	37,577	A-
Allstate Corp @ 5.000%, due 08/15/14	28,813	29,165	A+
American Express Co. @ 3.750%, due 11/20/07	9,914	9,838	A+
American Express @ 4.875%, due 07/15/13	9,733	9,747	A+
American Express @ 4.750%, due 06/17/09	43,903	44,663	A+
American Gen Fin corp @ 5.400%, due 12/01/15	4,939	4,950	A+
American General Finance @ 5.375%, due 10/01/12	24,650	24,917	A+
American General Finance @ 2.750%, due 06/15/08	19,222	19,202	A+
Anheuser Busch Cos. Inc. @ 6.750%, due 12/15/27	9,980	11,241	A+
Archer Daniels Midland Co. @ 7.500%, due 03/15/27	5,535	6,023	A
Associates Corp. @ 6.250%, due 11/01/08	30,344	30,604	AA-
Atlantic Richfield Co. @ 8.500%, due 04/01/12	6,317	5,800	AA+
Bank of America Corp. @ 5.125%, due 11/15/14	29,887	29,647	AA-
Bank New York Co Inc @ 4.950%, due 03/15/15	24,051	24,272	A
BB&T Corp. @ 5.200%, due 12/23/15	28,393	29,335	A
Becton Dickinson & Co. @ 7.000%, due 08/01/27	5,380	5,733	A+
Bell South Telecommunications @ 6.375%, due 06/01/28	9,113	9,787	A
Bershire Hathaway Fin Corp @ 4.850%, due 01/15/15	43,283	43,674	AAA
Bestfoods M/T/N @ 6.625%, due 04/15/28	20,271	21,894	A+
Boeing Co. Deb @ 7.250%, due 06/15/25	15,764	17,825	A
Boeing Capital Corp @ 7.375%, due 09/27/10	16,478	16,171	A
Bristol Myers Squibb Co. @ 6.800%, due 11/15/26	5,304	5,538	A+
Bristol Myers Squibb Co. @ 5.750%, due 10/01/11	30,092	30,559	A+
Campbell Soup Co. @ 8.875%, due 05/01/21	6,634	6,516	A
Carolina Power & Lt Co. @ 5.950%, due 03/01/09	23,070	25,408	BBB
Caterpillar Fin Svc @ 4.625%, due 06/01/15	14,914	14,216	A
Caterpillar Inc. @ 5.700%, due 08/15/16	9,979	10,203	A
Chase Manhattan Corp. @ 6.375%, due 02/15/08	28,703	30,412	A
Chubb Corp. @ 6.600%, due 08/15/18	5,081	5,361	A
Chubb Corp. @ 6.800%, due 11/15/31	4,961	5,571	A
Cit Group Hldgs Inc. @ 7.750%, due 04/02/12	22,619	22,144	A
Citigroup Inc. @ 5.625%, due 08/27/12	20,049	20,364	A+
Coca Cola Enterprises Inc. @ 8.500%, due 02/01/22	17,565	19,172	A
Coca Cola Enterprises Inc. @ 6.950%, due 11/15/26	5,732	5,664	A
Conoco Inc @ 6.950%, due 04/15/29	16,520	17,299	A-
Consolidated Nat Gas @ 6.250%, due 11-01/11	20,244	20,612	BBB
CSX Corporation @ 6.300%, due 03/15/12	20,989	20,848	BBB
Daimler Chrysler @ 7.200%, due 09/01/09	19,978	20,839	BBB
Deere & Co. @ 8.100%, due 05/15/30	4,996	6,531	A-
Dover Corp. @ 6.650%, due 06/01/28	5,188	5,559	A
Dover Corp. @ 6.500%, due 02/15/11	25,613	26,173	A
Duke Energy Corp. @ 7.375%, due 03/01/10	5,426	5,319	BBB
Du Pont E I De Nemours & Co. @ 6.875%, due 10/15/09	19,232	21,000	A
Du Pont E I De Nemou @ 3.375%, due 1/15/07	34,020	34,179	A

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1B

Schedule of Investments - Park Fund
September 30, 2006

<u>Fixed Income Securities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Corporate Bonds, Continued</u>			
Eaton Corp. @ 7.650%, due 11/15/29	9,050	12,427	A
Emerson Electric Co. @ 5.500%, due 09/15/08	37,187	35,213	A
Equitable Cos Inc. @ 7.000%, due 04/01/28	14,094	16,682	A
Federal Express Corp. NT @ 9.650%, due 06/15/12	13,131	12,040	BBB
General Elec Capital Corp @ 4.750%, due 09/15/14	4,884	4,834	AAA
General Elec Cap Corp @ 4.875%, due 10/21/10	34,902	34,684	AAA
General Elec Cap Corp @ 6.000%, due 06/15/12	20,511	20,780	AAA
Genworth Financial Inc. @ 4.950%, due 10/01/15	9,985	9,600	A
Goldman Sachs Group @ 6.650%, due 05/15/09	18,939	20,737	A+
Goldman Sachs Group @ 6.600%, due 01/15/12	5,678	5,276	A+
Goldman Sachs Group @ 5.150%, due 01/15/14	5,081	4,888	A+
Grand Met Invt Corp @ 9.000%, due 08/15/11	35,767	34,654	A-
Hartford Finl Svcs Group @ 4.700%, due 09/01/07	19,801	19,868	A
Heinz H J Co. @ 6.375%, due 07/15/28	5,157	4,991	BBB
Hershey Company @ 5.450%, due 09/01/16	34,971	35,398	A+
Home Depot Inc @ 5.400%, due 03/01/16	29,677	29,802	AA
Household Fin Corp. @ 6.500%, due 11/15/08	35,562	35,879	AA-
Household Fin Corp. @ 8.000%, due 07/15/10	21,982	21,849	AA-
IBM Corp @ 7.000%, due 10/30/25	11,581	11,300	A+
IBM Corp @ 4.750%, due 11/29/12	14,185	14,667	A+
Illinois Tool Works @ 5.750%, due 03/01/09	10,589	10,154	AA
Johnson & Johnson NT @ 6.730%, due 11/15/23	10,194	11,608	AAA
Key Bank N A @ 5.700%, due 08/15/12	5,256	5,100	A-
Key Bank NA @ 4.950%, due 09/15/15	23,402	23,957	A-
Kimberly Clark Corp @ 5.625%, due 02/15/12	24,926	25,605	AA-
Lehman Brothers Hldgs @ 4.500%, due 07/26/10	33,670	34,041	A+
Lehman Bros Hldg. @ 4.000%, due 01/22/08	15,254	14,761	A+
Lehman Brothers Hlgs Inc @ 5.500%, due 04/04/16	4,897	4,982	A+
Lincoln Natl Corp. Ind. @ 6.500%, due 03/15/08	14,013	15,241	A+
Lincoln Natl Corp @ 6.200%, due 12/15/11	35,684	36,270	A+
Marshall & Ilsley @ 4.375%, due 08/01/09	19,856	19,614	A
Marshall & Ilsley @ 3.800%, due 02/08/08	24,326	24,517	A+
Marsh & McLennan Cos. Inc. @ 5.375%, due 07/15/14	9,989	9,618	BBB
McDonalds Corp. @ 8.875%, due 04/01/11	31,281	28,422	A
Mellon Funding @ 5.000%, due 12/01/14	14,997	14,630	A
Merrill Lynch & Co. Inc. @ 5.450%, due 07/15/14	14,644	15,022	A+
Merrill Lynch & Co. Inc. @ 6.000%, due 02/17/09	10,995	10,166	A+
Merrill Lynch & Co. Inc. @ 5.000%, due 02/03/14	10,118	9,751	A+
Metlife Inc. @ 5.500%, due 06/15/14	15,681	15,091	A
Metlife Inc. @ 6.125%, due 12/01/11	20,426	20,750	A
Metlife Inc. @ 5.000%, due 06/15/15	9,636	9,681	A
Michigan Bell Tel. Co. Debs @ 7.850%, due 01/15/22	12,292	11,051	A
Morgan J P & Co @ 6.000%, due 01/15/09	50,700	50,737	A
Morgan Stanley Dean Witter @ 6.750%, due 04/15/11	11,636	10,572	A+
National City Corp. @ 3.125%, due 04/30/09	41,984	42,869	A
New York Telephone @ 6.000%, due 04/15/08	4,630	5,035	A
Pepsi Bottling Group Inc. @ 7.000%, due 03/01/29	22,254	23,015	A
Phillips Pete Co. NT @ 9.375%, due 02/15/11	12,187	11,656	A-
Pitney Bowes Credit Corp. @ 5.750%, due 08/15/08	42,800	40,387	A+
Pitney Bowes Inc @ 3.875%, due 06/15/13	13,371	13,774	A-
Procter & Gamble Co. @ 6.450%, due 01/15/26	8,442	11,069	AA-
Salomon Smith Barney @ 6.500%, due 02/15/08	53,999	50,826	AA-
Sara Lee Corp @ 6.125%, due 11/01/32	5,307	4,694	BBB-
SLM Corp. @ 5.375%, due 05/15/14	15,533	14,884	A
Suntrust Banks Inc @ 6.000%, due 02/15/26	10,559	10,329	A
Sysco Corp @ 6.500%, due 08/01/28	4,727	5,503	A-

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 1B

Schedule of Investments - Park Fund
September 30, 2006

<u>Fixed Income Securities, Continued</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>Corporate Bonds, Continued</u>			
Texaco Capital Inc. @ 8.625%, due 04/01/32	11,148	14,045	AA
Travelers Ppty Cas @ 3.750%, due 03/15/08	34,393	34,229	A-
Union Camp Corp. @ 6.500%, due 11/15/07	24,938	25,189	BBB
United Technologies Corp @ 8.875%, due 11/15/19	13,734	13,021	A
US Bank NA @ 6.375%, due 08/01/11	23,056	20,991	AA-
US Bank Natl Assn @ 4.950%, due 10/30/14	5,130	4,865	AA-
Verizon New England Inc. @ 6.500%, due 09/15/11	11,197	10,258	A
Wal-Mart Stores @ 6.875%, due 08/10/09	14,941	15,708	AA
Wal-Mart Stores Global @ 4.500%, due 07/01/15	28,379	28,371	AA
Walt Disney Co Ltd @ 5.875%, due 12/15/17	10,063	10,279	A-
Walt Disney Co Ltd @ 6.375%, due 03/01/12	15,480	15,755	A-
Wachovia Corp. New @ 5.625%, due 12/15/08	12,966	15,127	A
Wachovia Corp. @ 4.875%, due 02/15/14	19,474	19,350	A
Wachovia Sub @ 6.375%, due 02/01/09	25,537	25,561	A
Wells Fargo Co @ 5.125%, due 09/15/16	28,562	29,376	AA-
Wisconsin Pwr & Lt Co. @ 5.700%, due 10/15/08	30,970	35,220	A-
Total Corporate Bonds - Richmond	<u>2,172,792</u>	<u>2,200,567</u>	
Total Fixed Income Securities	<u>3,094,956</u>	<u>3,138,334</u>	
Total Equities and Fixed Income Securities	<u>\$ 5,225,370</u>	<u>\$ 5,615,835</u>	

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

SCHEDULE 2

Schedule of Administrative Expenses
 Compared to Budget
 Year Ended September 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Money manager fees	\$ 207,599	\$ 207,424	\$ 175
Professional fees	147,721	149,066	(1,345)
Consultancy fees	121,058	120,884	174
Contract services	110,761	110,470	291
Salaries and benefits	89,877	94,988	(5,111)
Money management administration	70,935	70,816	119
Trustees' expenses	53,929	56,407	(2,478)
Office supplies	33,574	35,682	(2,108)
Rent and utilities	18,111	18,152	(41)
Annual report preparation	9,662	9,649	13
Audit	9,000	9,000	-
Depreciation	8,000	7,979	21
	<u>\$ 880,227</u>	<u>\$ 890,517</u>	<u>\$ (10,290)</u>
Total	<u>\$ 880,227</u>	<u>\$ 890,517</u>	<u>\$ (10,290)</u>

See Accompanying Independent Auditors' Report.

MARIANAS PUBLIC LAND TRUST

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL AND ON COMPLIANCE**

YEAR ENDED SEPTEMBER 30, 2006

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Marianas Public Land Trust:

We have audited the financial statements of the Marianas Public Land Trust (MPLT) as of and for the year ended September 30, 2006, and have issued our report thereon dated May 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MPLT's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MPLT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLC

May 28, 2007

MARIANAS PUBLIC LAND TRUST

**Unresolved Prior Year Comments
Year Ended September 30, 2006**

There are no unresolved findings from prior year audits of MPLT.