

Prepared by North Dakota Retirement and Investment Office (03/11/2009)

The North Dakota State Investment Board (SIB) has effectively terminated its investment management relationship with Westridge Capital Management and its affiliated broker/dealer, WG Trading, as the result of a recently announced investigation into alleged fraudulent activities. SIB entered into an investment agreement with this firm in 2000, following a due diligence process that included a report from consultant Callan Associates which observed: “The significant regulatory oversight of WG Trading, however, provides comfort that there is very little probability of large losses resulting from fraud or malfeasance.”

Relative to regulatory oversight, the same Callan report said: “As a broker dealer trading in futures and stocks on all of the major exchanges, WG Trading is subject to the regulatory oversight of the following organizations: The Securities and Exchange Commission; The National Association of Securities Dealers; The New York Stock Exchange; The American Stock Exchange; The Philadelphia Stock Exchange; The Pacific Stock Exchange; The Commodities Futures Trading Commission; and the National Futures Association. As a registered Investment Advisor, and fiduciary for ERISA assets, Westridge is subject to regulatory oversight by the Securities and Exchange Commission as well as, ultimately, the Department of Labor. All leveraged transactions used in the arbitrage strategy are subject to nightly review by the lending organizations providing the financing.”

Westridge has been in business since 1983, and has met performance expectations over a nine year relationship period. Our due diligence process revealed that Westridge serves many large and well-known institutional funds including the Iowa Public Employees Retirement System (IPERS), Carnegie Mellon University, University of Pittsburgh, San Diego County Employee Retirement Association and Sacramento County Employees' Retirement System, as well as many high profile corporations and foundations. Westridge had been reviewed by a variety of consultants during this investment period. Unfortunately, fraud is often difficult, if not impossible, to detect.

Westridge Capital Management, a registered investment adviser, completes transactions through WG Trading, a registered investment broker-dealer. The National Futures Association (NFA), an organization that regulates its own members, recently suspended the trading capabilities of two individuals who are principals in both WG Trading and Westridge Capital Management.

According to the NFA action, the principals have not provided documents requested by the NFA. The U.S. Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission, regulatory agencies of the federal government, are now investigating WG Trading. These agencies cannot release information during an active investigation. Their involvement provides SIB added protection as the commissions have the authority to act in ways that will protect investors.

SIB quickly took the following actions to protect its assets:

- Effectively terminated Westridge Capital Management’s contract.
- Demanded the return of all SIB assets.
- Began aiding the Commodity Futures Trading Commission in their investigations.
- Quickly notified the Office of North Dakota Attorney General of situation.

These developments do not affect the invested pension plans’ ability to pay benefits, nor do they affect SIB’s other investments. The SIB and staff continue to follow developments and will take further action, including legal action, if necessary to protect assets. Please be aware that investigations are still underway, and there have been no findings against the company or its affiliates. In any case, we intend to work vigorously to recover any potential losses.

Informational Update (3/03/2009)

The identities of more victims of the alleged Westridge / WG Trading fraud are emerging, notably, as reported by Bloomberg news service, Viacom / CBS and Wells Fargo. They join the list of several public funds and universities already in news sources. For those interested in the plethora of information available in national news stories, search engine access using Westridge Capital or WG Trading as keywords will reveal many links. At this time, given the regulatory freeze on assets, very little information relating to the ultimate valuation and disposition of assets is available. We will continue to update our web posting as appropriate.

Informational Update (3/11/2009)

The original posting of March 2, 2009 has been augmented to include additional due diligence observations. Please refer to the referenced posting above for additional information.

Informational Update (3/19/2009)

Bowling Green State University and Ohio Northern University have joined the list of names of funds allegedly defrauded by the Westridge / WG situation. It seems likely that other names of victims of this alleged fraud have yet to be disclosed.

As of this date, there is still no publicly disclosed information of significance added to the initial NFA report as the result of ongoing investigation. We remain in close contact with this situation and will add any new notes of value as we receive them.

Informational Update (4/3/2009)

The NDSIB staff has been in contact with the court appointed receiver, Ryan Evans LLC, whose charge is to forensically reconstruct the alleged fraud and determine what recoverable assets exist. As of today, they believe that they will have some concrete information relating to asset amounts and recover schedule by the time the State Investment Board meets next on April 24. Hopefully, we will have reliable information by that time to report.

Informational Update (5/4/2009)

As of last week, the Court appointed receiver, Robb Evans LLC, was expected to post the first report on the findings of their investigation of Westridge / WG Trading. However, the Commodity Futures Trading Commission requested, and the court granted, a request to extend the reporting deadline until the end of May. For that reason, there is no additional documented information to report. We have, however, been verbally informed by the receiver that there have been substantial asset recoveries and that early press reports of little-to-no recovery are far from accurate. We will continue to keep you posted on relevant information as it is presented.

Informational Update (5/29/2009)

Court appointed temporary receiver, Robb Evans & Associates, LLC, has posted its first Report to the Court on the progress of the receivership. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing progress of the receivership. It may be viewed at: <http://www.robbevans.com/pdf/wgtradingreport01.pdf>.

At this time, a number of attorney firms representing the many investor groups are working to prepare arguments which may eventually be heard in court. At this point ultimate recovery from WG Trading estimates remain very speculative. The receiver's report does estimate a net realizable value of assets of approximately \$893 million. This is approximately \$600 million less than the preliminary estimate of \$1.5 billion in claims from investors.

Informational Update (10/29/2009)

It has been several months since we last provided an update on this situation. The reason is simple: very little of consequence has occurred. As you can imagine, with about 35 institutional investors with varied interests in the case, and multiple defendants, the past several months have just been a time period of legal maneuvering and minutiae. We expect this to last for some time to come. As soon as we have new concrete information, it will be posted as an update.