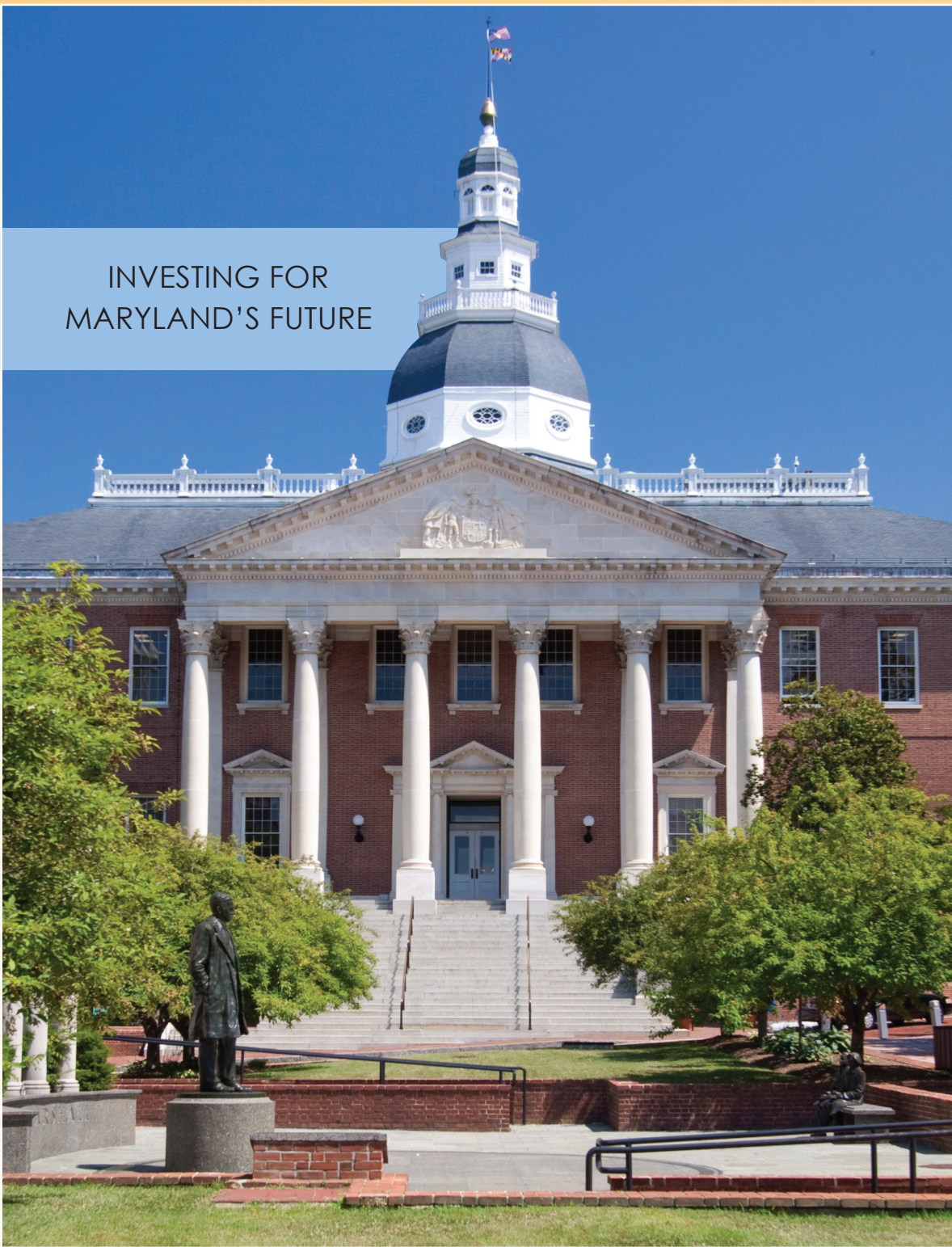


INVESTING FOR
MARYLAND'S FUTURE



Maryland
STATE TREASURER'S
2012 ANNUAL REPORT



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Biography of the Honorable Nancy K. Kopp



Nancy K. Kopp,
State Treasurer

Elected in February 2002, and re-elected to full four-year terms in 2003, 2007 and 2011, Nancy K. Kopp is the 23rd Maryland State Treasurer since the adoption of the Constitution of 1851. She is the second woman ever to serve as Maryland's State Treasurer and is the only woman serving Maryland in a Constitutional Office.

In addition to her responsibilities for managing the Office of State Treasurer, as a Constitutional Officer and a representative of the General Assembly, the Treasurer serves on a number of key State boards and financial planning committees.

Treasurer Kopp chairs both the Capital Debt Affordability Committee and the Commission on State Debt, and is a member of Maryland's Board of Revenue Estimates. She is the chief representative of the State dealing with financial rating agencies and investment banking firms. The Treasurer also serves as Chair of the Board of Trustees of the Maryland State Retirement and Pension Systems, as Chair of the College Savings Plans of Maryland and as a member of the Maryland Supplemental Retirement Board, the Maryland Health and Higher Education Financing Authority, the Maryland Agricultural Land Preservation Foundation Board, the Small Business Development Financing Authority and the Hall of Records Commission. Unique among the Treasurer's responsibilities is her position on the Board of Public Works with the Governor and the Comptroller of the State. This Board oversees a substantial portion of the procurements and contracts of the State ranging from wetlands licenses to construction projects.

Treasurer Kopp represented the Bethesda, Maryland area in the Maryland House of Delegates for 27 years prior to her election as Treasurer. As a member of the House of Delegates, Treasurer Kopp chaired the Joint Committee on Spending Affordability, as well

as the Appropriations Subcommittee on Education and Economic Development. She also served on the Capital Budget Subcommittee, Subcommittee on Pensions, and Joint Committee on Budget and Audits, and, at various times, as Deputy Majority Leader and Speaker Pro Tem. During her legislative career, Treasurer Kopp was named by her colleagues as the most effective woman legislator and one of the 10 most effective members of the House.

Treasurer Kopp has been active in numerous national, regional and state organizations and boards over the years, primarily focused on finance, budgeting and education. Appointed by President Clinton to the National Assessment Governing Board, which oversees the National Assessment of Educational Progress (the "Nation's Report Card"), Treasurer Kopp also served as Treasurer of the Southern Regional Education Board and chaired its Commission on Educational Quality. She served on the Executive Committee of the National Conference of State Legislatures and chaired its Assembly on Legislative Issues, and Committees on Federal Budget Issues, State Fiscal Issues, and Capital Budgeting Procedures. Treasurer Kopp also was Vice-Chair of the National Commission on State and Local Budget and Finance Procedures. Currently, she is a member of the National Association of State Treasurers and chairs its Legislative Committee. She also served a one year term as President of the National Association of State Auditors, Comptrollers and Treasurers.

A graduate of Wellesley College, Treasurer Kopp holds a master's degree in Government from the University of Chicago. She also has received honorary doctorate degrees from Goucher College, Hood College, the University of Maryland at Baltimore, the University of Maryland University College and Towson University. She is an honorary Alumna of the University of Maryland, College Park. In March 2012, Treasurer Kopp was inducted into the Maryland Women's Hall of Fame. Treasurer Kopp and her husband, Robert Kopp, live in Bethesda and have two adult children and two grandchildren.

Historical Review

During the exploration and settlement period of North America (1492-1607), European powers competed to settle the New World. England laid claim to large tracts of land along the East Coast and successfully colonized the Chesapeake Bay area. England's first official colony, settled in Jamestown, Virginia, in 1607 (the Jamestown Colony), included what we now know as Maryland. In 1632, King Charles I of England granted the Charter of Maryland to Cecil Calvert. Calvert was granted extensive autocratic powers over the Maryland colony. Among those powers was the right to appoint government officials.

Soon after his appointment as Governor of Maryland, Sir Francis Nickelson appointed Maryland's first two State Treasurers in 1694. At that time, there were two Treasurers appointed for the State – a Treasurer for the Eastern Shore and a Treasurer for the Western Shore. Maryland's first Treasurers were Colonel William Whittington (Eastern Shore) and Captain Thomas Tasker (Western Shore). The primary duty of the State Treasurers at that time was to manage and disburse State funds. The Governor held the task of appointing State Treasurers throughout the 18th century. This responsibility was ultimately transferred to the Legislature with the adoption of the Maryland Constitution in 1776.

In 1843, the two-Treasurer system was abolished with the duties of the Eastern Shore Treasurer being assumed by the Treasurer of the Western Shore. The Maryland Constitution of 1851 finally established

a single office of Treasurer for the entire State to be elected by joint ballot of both houses of the General Assembly. Historically, the Treasurer's position was appointed for a term of two years as a part-time position. In 1922, the Treasurer's term was extended from two years to four years and became a full-time position in 1973.

In addition to having authority over custody, safeguarding, investment and disbursement of State funds, the Maryland State Treasurer is considered among the most powerful treasurers in the country due to membership on the Board of Public Works, which reviews and approves all major State procurements. It is the Treasurer's job to brief members of the General Assembly on issues regarding the financial operation and condition of the State.

The Treasurer maintains the State's ongoing relationship with financial rating agencies and conducts outreach with State agencies and other appropriate offices. The Treasurer also produces this annual report in keeping with her statutory responsibility to provide the General Assembly with current information regarding the State's financial condition.



Black-eyed Susan, the State Flower

Treasurers of the Past

Treasurers of the Eastern Shore

1694-1695.....	Col. William Whittington	1778-1779.....	Edward Hindman
1695-1714.....	Maj. Thomas Smithson	1779-1789.....	Henry Dickinson
1714-1727.....	Robert Ungle	1789-1802.....	William Richardson
1727-1747.....	Col. James Hollyday	1802-1813.....	William Chambers
1747-1766.....	Col. Edward Lloyd	1813-1825.....	William Richardson
1766.....	John Leeds	1825-1826.....	John K.B. Emory
1766-1769.....	Bedingfield Hands	1826-1840.....	William K. Lambdin
1769-1775.....	William Hemsley, Jr.	1840-1841.....	Perry Robinson
1775-1777.....	William Hindman	1841-1842.....	John H. Harris
1777-1778.....	James Hindman	1842-1843.....	Perry Robinson

Treasurers of the Western Shore

1694-1695.....	Capt. Thomas Tasker	1775-1804.....	Thomas Harwood, Jr.
1695-1698.....	Robert Mason	1804-1826.....	Benjamin Harwood
1699-1700.....	Robert Mason	1826-1843.....	George MacKubin
1700-1736.....	Col. Samuel Young	1843-1844.....	James Owens
1736-1772.....	Col. Charles Hammond	1844-1852.....	Dennis Claude
1772-1775.....	Col. William Fitzhugh		

Maryland State Treasurers (Beginning of Single-Treasurer System)

1852-1854.....	James Owens	1900-1916.....	Murray Vandiver
1854-1860.....	Dennis Claude	1916-1918.....	John M. Dennis
1860-1862.....	Sprigg Harwood	1918-1920.....	William P. Jackson
1862-1870.....	Robert Fowler	1920-1935.....	John M. Dennis
1870-1872.....	John Merryman	1935-1963.....	Hooper S. Miles
1872-1874.....	John W. Davis	1963-1973.....	John A. Luetkemeyer
1874-1885.....	Barnes Compton	1973-1975.....	J. Millard Tawes
1885-1886.....	John Gittings	1975-1987.....	William S. James
1886-1890.....	Stevenson Archer	1987-1996.....	Lucille D. Maurer
1890-1892.....	Edwin Brown	1996-2002.....	Richard N. Dixon
1892-1896.....	Spencer C. Jones	2002-Present	Nancy K. Kopp
1896-1900.....	Thomas J. Shryock		

Maryland's Board of Public Works

As the State's ultimate policy-making and oversight board for State procurements, expenditures of capital appropriations, and the acquisition, use and transfer of State assets, the Maryland Board of Public Works is an entity with wide-ranging jurisdiction over many facets of State government. It is composed of the Governor, the State Treasurer and the Comptroller.

Created by the Constitutional Convention of 1864 based on predecessor boards dating back to 1825, the Board of Public Works is the only constitutionally mandated government body of its type in the nation. Over the years, the General Assembly has increased this body's responsibilities and autonomy. Therefore, in a State with a strong Governor who proposes the budget and therefore sets policy priorities, and a legislature that can only cut, not increase the budget, the Board of Public Works provides a valuable check on executive actions. The Board has a unique insight into the operations of State government and ensures that final decisions on procurements provide accountability and are transparent and open to public discussion.

Recognizing that the Treasurer is elected by joint ballot of both houses of the General Assembly, the Treasurer's participation on the Board provides the legislature with a voice throughout the year in the post-appropriations management of public funds. As an adjunct to this role, the Treasurer's Office provides outreach to legislators, informing them of upcoming Board items that pertain to their districts and providing a mechanism for feedback from legislators on particular projects.

The breadth of items to come before the Board of Public Works is vast. The powers and duties of the Board are set forth in the State Constitution and State statute and include:

- Certification of the State property tax rate necessary to meet the debt services requirement during the next taxable year on all State bonds anticipated to be outstanding during the year;

- Approval of the expenditure of any General Obligation Bond proceeds;
- Approval of the allocation of funds to each county for school construction;
- Issuance of licenses to dredge and fill wetlands;
- Approval of the acquisition of land and easements in support of Program Open Space, the Conservation Reserve Enhancement Program, the Rural Legacy Program and the Agricultural Land Preservation Program; and
- Approval of most State agency procurement contracts for goods and services in excess of \$200,000.

During fiscal year 2012 (July 1, 2011 through June 30, 2012), the following items are worthy of note among those that came before the Board of Public Works:

- Approval of a tenant lease between the State of Maryland, for use by the Department of Health and Mental Hygiene, and Maryland Economic Development Corporation ("MEDCO") that will facilitate the sale of MEDCO tax-exempt bonds to fund MEDCO's construction of a **Public Health Laboratory** to be located in East Baltimore as part of the Science and Technology Park at Johns Hopkins;
- Approval of \$349.2 million in **public school construction** funding, consistent with the recommendations of the Interagency Committee on School Construction Program for fiscal year 2012, in order to fund local priorities plus projects addressing mandates of the Bridge to Excellence in Education Act, such as full-day kindergarten and pre-K services for disadvantaged 4-year olds. Specific priorities of funding approval included \$2.8 million for a project at the Maryland School for the Blind and the reservation of \$25 million for projects that enhance the energy efficiency of schools;

- Approval of individual **public school improvement projects** that meet a school or community need. Each of the 23 counties and Baltimore City were allocated a portion of a \$47.5 million FY 2012 **supplementary appropriation** dedicated to school construction projects derived from an increase in the **sales and use tax on alcoholic beverages**. The following requests were approved:
 - Anne Arundel County Public Schools: \$5 million – one project;
 - Baltimore City Public Schools: \$9 million – 20 projects;
 - Baltimore County Public Schools: \$7 million – eight projects;
 - Howard County Public Schools: \$4 million – four projects;
 - Montgomery County Public Schools: \$9 million – four projects;
 - Prince George’s County Public Schools: \$9 million – eight projects;
 - Northeast Region: \$1.25 million:
 - Harford County Public Schools: \$833,750 – two projects; and
 - Cecil County Public Schools: \$416,250 – five projects;
 - Eastern Shore Region: \$1.25 million:
 - Caroline County Public Schools: \$148,737 – three projects;
 - Dorchester County Public Schools: \$137,109 – two projects;
 - Kent County Public Schools: \$104,177 – one project;
 - Queen Anne’s County Public Schools: \$179,000 – one project;
 - Talbot County Public Schools: \$135,198 – one project;
 - Somerset County Public Schools: \$114,027 – one project;
 - Wicomico County Public Schools: \$267,221 – one project; and
 - Worcester County Public Schools: \$164,535 – four projects;
 - Western Maryland Region: \$750,000:
 - Allegany County Public Schools: \$124,125 – one project;
 - Carroll County Public Schools: \$174,225 – two projects;
 - Frederick County Public Schools: \$231,750 – one project;
 - Garrett County Public Schools: \$48,675 – one project;
 - Washington County Public Schools: \$171,225 – one project; and
 - Southern Maryland Region: \$1.25 million:
 - Calvert County Public Schools: \$410,000 – four projects;
 - Charles County Public Schools: \$550,000 – one project; and
 - St. Mary’s County Public Schools: \$290,000 – multiple secondary school projects.
- Approval of a contract to provide comprehensive **call center/help desk services** for **University of Maryland, University College** (“UMUC”) in a facility located in Prince George’s County that will provide a marketing tool for student attraction and retention at UMUC;
- Approval of a contract to provide enterprise-wide **eGovernment services** that are available for all State agencies, boards and commissions, thus providing an enhanced web-based electronic procurement system for the State;
- Approval of a contract to provide Google-based **cloud messaging** and collaboration services so that State email users may be consolidated into a single platform for electronic messaging services and collaborative tools and support;
- Approval of a Master Contract for purchasing, installing, maintaining and servicing fiber optic cable throughout the State and of a single permit wetlands license for the installation of fiber optic cable at 20 specifically identified locations throughout the State in furtherance of the **One Maryland Broadband Project**;

- Approval of the second phase – Eastern Shore infrastructure build out (\$32.7 million) – of a \$345 million integrated statewide **public safety wireless communication system** for broadcast interoperability among the State’s first responders. Authorization was also given for the expenditure of \$23 million by State agencies for subscriber equipment through the end of FY 2013;
- Approval of a contract modification for the configuration of all new **medevac helicopters** to reflect changes to the searchlight and medical interior initially proposed in the original contract. Authorization was also given to purchase helicopters 7 - 9 during FY 2012 (funds distributed during FY 2013) and to purchase helicopter 10 during FY 2013 (funds distributed during FY 2014);
- Approval of a \$10 million 3-year comprehensive on-call interior/exterior construction contract at **BWI Thurgood Marshall Airport**. Work to be performed under this contract includes **construction of a new security checkpoint at lower level Concourse A** to facilitate the merger between Southwest and AirTran Airlines by adding screening capacity and efficiency and increasing the throughput of passengers through security in an effort to accommodate increased passenger traffic resulting from the airline merger;
- Approval for a \$100M contract as an **expedited procurement** in order to implement a phased construction schedule for improvements at **BWI Thurgood Marshall Airport** to facilitate the **merger between Southwest and AirTran Airlines**. Improvements will include the expansion of the existing terminal between Concourses B and C creating a continuous airside connect for Concourses A, B, and C;
- Approval of the expedited procurement contract to implement Phase I improvements at **BWI Thurgood Marshall Airport** in the furtherance of the **Southwest and AirTran Airlines merger**. Work to be performed under the contract includes **construction of a new nine lane passenger security checkpoint and of an airside passenger connector between Concourses B and C**;
- Approval of a contract with BWI Taxi Management, Inc. for the exclusive right to operate and manage the airport **taxicab ground transportation concession service at BWI Thurgood Marshall Airport**;
- Approval of a lease of approximately 2 acres of land at Eastern Correctional Institute (“ECI”) to ECOCORP, Inc. for the purpose of construction and operation of a 1MW **Anaerobic Digester Facility**, a renewable energy source, that will “digest” chicken manure and produce methane gas that will be used to produce electricity to meet a portion of the electricity needs of ECI. Approval was also given to a 20-year power purchase agreement between ECOCORP and the Maryland Environmental Service, the agency undertaking this initiative;
- Approval of a **Public Private Partnership (P3) Lease and Concession Agreement** between the Maryland Transportation Authority and Areas USA MDTP, LLC for the refurbishment and operation of the **I-95 Travel Plazas** (Maryland House and Chesapeake House);
- Granting of a request for a **Land Patent** to the Baltimore Area Council, Boy Scouts of America for 19 +/- acres of land in Harford County that were determined not to have been granted to anyone by either Lord Baltimore or the State. Land that has never been granted is considered vacant, and the discoverer may purchase the land from the State if the State does not reserve it for public purposes;
- Approval for the Maryland State Lottery Commission to **lease 4719 video lottery terminals** (“VLTs”) for the Anne Arundel County slots facility at a cost of \$168 million;
- Approval of the **transfer of ownership of Rocky Gap Hotel/Conference Center** to Evitts Resort, LLC as a part of Evitts’ proposal for a **video lottery terminal** facility adjacent to the Rocky Gap Resort. In order to effect this change of ownership, approval was also given for MEDCO to assign to Evitts the ground lease through which the Department of Natural Resources leases 260 acres in Rocky Gap State Park to MEDCO;

- Approval of the procurement of **EZ Pass transponders** through an intergovernmental cooperative purchasing agreement that will enhance an interstate interoperability toll program;
- Approval of a contract to implement **cell phone managed access services at the Department of Corrections' MD Transition Center** to eliminate illegal cell phone use;
- Approval of a 5-year, \$2.43 billion contract with Express Scripts, Inc. to provide **pharmacy benefits management and prescription coverage** for State employees and retirees;
- Action was taken on three health care contracts for **inmate health services**:
 - Approval of a 5-year contract with Wexford Health Sources, Inc. for **inmate medical care and utilization management services**;
 - Approval of a 5-year contract with MHM Correctional Service of MD, Inc. for **inmate mental health services**; and
 - Consideration of a new **inmate pharmacy program** contract with Diamond Pharmacy Services, with final action being not to approve the contract in the face of an appeal and to extend the existing pharmacy program contract with Correct Rx Pharmacy Services for six months pending determination of an appeal at the Maryland State Board of Contract Appeals;
- **Energy Performance Contracts** and the related lease-financing agreements to fund energy conservation measures at Maryland Port Administration facilities, including the World Trade Center;
- Approval of the award of the following **Capital Equipment Lease-Purchase Financing**:
 - **December 2011** Tax-Exempt Equipment Lease-Purchase Agreement for financing the acquisition of approximately **\$1.76 million of capital equipment** for the Department of Public Safety and Correctional Services, Maryland Department of the Environment, and Maryland Department of Health and Mental Hygiene;
 - **April 2012** Tax-Exempt Equipment Lease-Purchase Agreement for financing the acquisition of approximately **\$1.67 million of capital equipment** for the Department of Public Safety and Correctional Services and Maryland Department of Health and Mental Hygiene; and
 - **June 2012** Tax-Exempt Equipment Lease-Purchase Agreement for financing the acquisition of approximately **\$1.17 million of capital equipment** for the Department of Public Safety and Correctional Services, Maryland Department of the Environment, Maryland Department of Health and Mental Hygiene, Department of Information Technology, and Maryland Public Television.
- Authorization for the **Maryland Stadium Authority** to issue debt on two separate occasions:
 - Issue up to **\$105.2 million in lease revenue refunding bonds (Series 2011A and Series 2011B)** with the proceeds to be used to refund \$82 million in variable rate debt (Series 1998A taxable bonds and Series 1999 tax exempt bonds) and to terminate an interest rate swap agreement with AIG; and
 - Issue new debt, **\$14.05 million in tax supported Lease Revenue Bonds** (Series 2012 Taxable Lease Revenue Bonds), with \$13.66 million of the proceeds to be used to redeem the outstanding balance of the Series 2002 Hippodrome Performing Arts Center Taxable Lease Revenue Bonds.
- Maintaining the **State tax rate on real property** at \$0.280 per \$100 of the full assessed value for real property of public utilities and \$0.0112 per \$100 of the full assessed value for all other real property subject to the tax.

Schedule of Selected Financial Data

Collateral Balances as of June 30, 2012

Bank.....	\$464,404,525
Insurance.....	\$111,078,958

Total Investment Portfolio Composition as of June 30, 2012

Repurchase Agreements.....	\$2,463,019,253
U.S. Treasuries.....	\$895,000
U.S. Government Agencies.....	\$2,357,385,000
Other Investments.....	\$241,636,830
Total Portfolio.....	\$5,062,936,083

**Securities Lending Program Activity
for the 2012 Fiscal Year**

Gross Income.....	\$609,435
Net Income.....	\$457,076

General Obligation Debt Activity for the 2012 Fiscal Year

Tax Exempt General Obligation Bond Issuances.....	\$1,505,695,000
Interest Payments.....	\$328,339,897
Principal Payments.....	\$549,869,269

Local Government Invest Pool Fund

Balance as of June 30, 2012.....	\$2,478,730,050
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State Insurance Trust Fund Balance as of June 30, 2012

Beginning Balance.....	\$29,675,441
Transfers In.....	\$15,424,821
Transfers Out.....	(\$19,442,357)
Less Operating Transfer to General Fund.....	(\$2,000,000)
Ending Balance.....	\$23,657,905

Executive Division

Bernadette T. Benik

Chief Deputy Treasurer

Susanne Brogan

Deputy Treasurer for Public Policy

The Executive Division provides direct support to the Treasurer in the execution of her wide-ranging Constitutional responsibilities. The State Treasurer is responsible for receiving, depositing, investing and distributing State funds, anticipating the monetary needs of the State and, on behalf of the Board of Public Works, conducting bond sales several times a year to ensure the State's financial ability to meet its fiscal obligations. The State Treasurer also provides lease-purchase financing of capital equipment for State agencies and handles insurance needs for State government.

The Executive Division coordinates legislation within the Maryland State Treasurer's Office, reviewing bills, preparing fiscal notes and written testimony and following the course of bills through the legislative process. The Division is responsible for coordinating any draft legislation to be introduced to the General Assembly with the Legal and Division Directors of the State Treasurer's Office. Each proposed bill requires extensive preparation including a determination of the fiscal and economic impact to the Office, the State and private industry.

Chief Deputy Treasurer

The Chief Deputy Treasurer coordinates and leads the operations of the State Treasurer's Office, including the Banking Services, Debt Management, Insurance, Investment, Information Technology and Administration Divisions. The Chief Deputy Treasurer advises the Treasurer on matters regarding legislative policy, planning, new technologies and long-term operational challenges, opportunities and strategies. Coordination of the State Treasurer's

operational functions with other agencies, such as the Comptroller and the Department of Budget and Management, is another responsibility of the Chief Deputy Treasurer.

The Chief Deputy Treasurer works closely with members of the General Assembly and its Standing Committees such as the Senate Budget & Taxation and House Appropriations Committees regarding the Office's budget. The Chief Deputy Treasurer also prepares reports and updates of the Office's progress throughout the year for the Statutory Committees of the House and Senate. These Committees include Spending Affordability, Joint Committee on the Management of Public Funds, Legislative Policy Committee and the Joint Audit Committee; as well as serving as the Treasurer's designee on task forces, commissions and other committees of the General Assembly, as required.

The Chief Deputy Treasurer, in coordination with the Deputy Treasurer for Public Policy, supports the Treasurer in her service on State boards and commissions, such as the Supplemental Retirement Plan Board and the Maryland College Savings Plan Board and its various committees, as well as in her participation in the National Association of State Treasurers.

Deputy Treasurer for Public Policy

The Deputy Treasurer for Public Policy serves as the Treasurer's primary liaison/advisor to the Board of Public Works ("BPW"), conducting extensive research (including site visits), preparing detailed analyses for the Treasurer for the bi-weekly meetings, and working closely with the Treasurer's counsel, representatives of the Governor's, Comptroller's and the Board of Public Works' offices and State agency secretaries and contacts. As part of the BPW preparation process, the Deputy Treasurer for Public Policy serves as the primary liaison with members of the Maryland General Assembly informing legislators of upcoming Board agenda items that affect their districts, as well as the final decisions on those items.

The Deputy Treasurer for Public Policy represents the Treasurer as a voting designee on the Procurement Advisory Council, the State Retirement and Pension Systems' Administrative Committee, the Maryland Agricultural Land Preservation Foundation's Board of Trustees, the Hall of Records Commission, and the Maryland Small Business Development Financing Authority.

The Deputy Treasurer for Public Policy, in coordination with the Chief Deputy Treasurer, supports the Treasurer in her service on State boards and commissions, such as the State Retirement and Pension System Board and the Maryland College Savings Plan Board and its various committees, as well as in her participation in the National Association of State Treasurers.

Also, the Deputy Treasurer for Public Policy represents the Treasurer on the Maryland Higher Education Committee when it prepares its State Plan for Higher Education every four years. This position also entails participation on legislative task forces related to procurement, such as the Task Force to Study the Procurement of Health, Education and Social Services.

Additional duties include: serving as the Office's public information officer; preparing news releases; responding to media inquiries; responding to queries sent to the Office's website; writing speeches; serving as the Treasurer's designee on task forces, commissions and other committees of the General Assembly, as required, in coordination with the Chief Deputy Treasurer; monitoring various legislative committees, including the Spending Affordability Committee and the Joint Committee on Pensions; and representing the Treasurer at public events, as required.

Deputy Treasurer for Financial Policy

The Deputy Treasurer for Financial Policy provides analysis and advice to the Treasurer in the areas of economics and finance, including the development of best practices in retirement and other benefit financing, business development and analysis of

regional and macroeconomic trends in financial markets. Analyses of investment portfolio holdings are completed regularly. The Deputy Treasurer for Financial Policy also analyzes and advises on emerging financial issues, such as clean energy investing, regional economics and macroeconomics, short- and long-term development in the financial markets and financial literacy and access.

Internal Audit

The Internal Auditor plans, controls, directs and implements a comprehensive annual audit designed to evaluate internal controls, add value, improve operations and minimize risk at the State Treasurer's Office. The Auditor reviews programs, operations, and conducts special projects in accordance with generally accepted auditing standards and all legal statutory requirements. The Auditor helps safeguard assets by ensuring that the mission, objectives, and key goals of the Office are carried out. The Auditor directs systematic, periodic examinations of the accounts and records of the State Treasurer's Office to provide assurance that appropriate policies and procedures are in place and functioning as intended.

The Internal Auditor also serves as the focal point for all financial, productivity, and compliance audit activities and is the liaison between the State Treasurer's Office and the external auditors, legislative auditors, and federal auditors. The Internal Auditor is responsible for coordinating the response to all audit findings. The Auditor evaluates and monitors the corrective action plans taken to ensure that they are sufficient to resolve the findings. The Internal Auditor also reviews potential problem areas to prevent future audit deficiencies.

Administration Division

Budget Management and Accounting

As part of the Administration Division, the Budget Management and Accounting Unit strives to provide efficient daily operational and support service to the State Treasurer's Office. This Unit's focus is to provide essential accounting support for the many varied activities of the State Treasurer's Office.

The Unit is responsible for developing and implementing the annual budget for the State Treasurer's Office, which in fiscal year 2012 was \$36.2 million.

Within the Administration Division, this Unit works closely with the Human Resources and Personnel Management Unit to prepare the biweekly payroll, and also provide monthly vendor activity reports for review and analysis by the Procurement Unit.

In fiscal year 2012 this Unit processed State Debt and Sinking Fund payments totaling \$879 million, and Master Lease program payments and agency recoveries of \$41 million for the Debt Management Division. Working with the Banking Division, the Unit processed over 1,900 requests for stop payments, reissue and recoveries from the Undeliverable and Unpresented Check Funds, as well as invoiced and processed recoveries from State agencies for services provided by contract through our Banking Division such as FDGS and VLink. Collaborating with the Information Technology Division, this Unit became 'greener' in fiscal year 2012 by leaving behind paper archive transmittals for most invoice payment processing in favor of providing the information electronically. Working with the Insurance Division, Accounting prepared the annual SITF premium calculation, and processed all SITF claim payment requests and agency reimbursement requests. On behalf of the Insurance Division, the Unit processed SITF premium recoveries of \$14.3 million and Commercial Premium payments and recoveries in excess of \$10.5 million.

In addition, Budget Management and Accounting processed the annual premiums for the Injured Workers' Insurance Fund (IWIF) totaling almost \$65 million and related transfers of these assessments from over 150 State agencies and departments.

This Unit provides general accounting services for the State Treasurer's Office in the form of fund balance reconciliations, preparation of year-end closing records, maintenance of all financial records, and the development and implementation of all accounting controls and procedures. Centralized ordering and tracking of office supplies to ensure cost effective purchasing is provided.

Human Resources and Personnel Management

The Office of Human Resources (HR) and Personnel Management assume a leadership role in providing services that support the mission and goals set forth by the Treasurer. The Unit, which is a vital component of the Agency in performing administrative functions, is responsible for a comprehensive human resource program, including: recruitment of qualified applicants and retention of valuable employees; employment and orientation services; retirement services; administration of employee benefits; policy development, implementation and enforcement; employee relations; maintenance of personnel records and the administration of the State's performance evaluation program, all while ensuring compliance with Federal and State laws and guidelines.

HR Departments nationwide are facing workforce shortfalls due to the retirement of Baby Boomers and an increasing number of new generation employees who tend to change employers every three to five years. In fiscal year 2012 the State Treasurer's Office was no exception. With tenacity and ingenuity, we were successful in recruiting nearly 18% of our total workforce during the fiscal year. Furthermore, in an effort to retain the remaining employees and



Aerial view of Inner Harbor, Baltimore, Maryland

preserve efficiency, the HR Unit continued to encourage recognition, regular communication and constant feedback. Additionally, HR realized the importance of having a proper balance between the needs of the employees and the needs of the Agency, and worked closely with management to maintain a high level of employee morale, even under these adverse conditions. The Office fosters a team-oriented environment by supporting equality, accountability and respect amongst all employees. While teamwork has always been an important element in the State Treasurer's Office, it became an invaluable asset as we persevered with an exceptionally lean staff for much of the fiscal year.

It is without doubt that an agency's most important responsibilities are to protect the integrity of the State and to represent the State in the highest regard possible. HR is at the core of strategically building a

workforce worthy of accepting those responsibilities. The Office of Human Resources and Personnel Management shall continue to uphold the reputation that we have endeavored to achieve and will do so with impartiality, accountability and confidentiality.

As of July 1, 2012, The State Treasurer's Office was assigned 57 positions as follows:

- Executive Division – 7
- Administration Division – 7
- Banking Services Division – 14
- Debt Management Division – 3
- Information Technology Division – 7
- Insurance Division – 13
- Investment Division – 2
- Legal Division – 4

Procurement

Section 12-107(b)(1) of the State Finance and Procurement Article, Annotated Code of Maryland, designates the Treasurer as the primary procurement authority for all banking and financial services, insurance and insurance services. A wide range of financial services are procured for the Office, as well as for State agencies, including banking services, financial advisors, underwriters, arbitrage rebate compliance consultants, lease financing firms, and broker services for insurance coverages.

In July 2011, the Office awarded three banking services contracts to provide the following services:

- Depository services in statewide agency specific accounts, that is then concentrated daily to the State's main depository account;
- General, Income Tax Refund, and Payroll Disbursement Services, which also include disbursement services for the pension systems benefits; and
- Lockbox services associated with the receipt and deposit of payments made to the State of Maryland.

Also in July was the award of a contract to provide custodial services for the State's investment securities.

The Treasurer's Office, on behalf of the Maryland Department of Transportation (MDOT), awarded two contracts for financial advisors to assist MDOT in developing financial strategies to meet its capital

needs; assist in the technical aspects of designing financial arrangements and instruments to include Consolidated Transportation Bonds, County Transportation Revenue Bonds, and other innovative debt financings.

In January 2012, a firm was selected to serve as senior financial advisor to the Treasurer's Office to provide advisory services related to the sale, issuance and refunding of General Obligation Bonds. In addition, three firms were awarded contracts to serve as part of a pool to provide advisory services for the sale of Certificates of Participation and for a broad range of issues in the area of public finance.

Rather than utilize a long-term Master Lease, the Office continues to periodically solicit new equipment lease financing bids which are based on actual equipment lease financing needs by State agencies. During the fiscal year four equipment lease financing were awarded in September and December of 2011, and April and June of 2012. In addition to the equipment financings, an energy lease financing of certain energy systems or equipment under energy performance contracts was awarded in November 2011.

Banking Services Division

Article VI, Section 3 of the State Constitution and Titles 6 and 7 of the State Finance and Procurement Article of the Annotated Code of Maryland outline the Treasurer's authority as the Constitutional Officer responsible for the deposit and disbursement of State funds.

The overall mission of the Banking Services Division (BSD) is to provide efficient, accurate, and timely banking services and information to all State agencies and external customers. This is achieved by managing and controlling relationships with financial vendors providing the primary banking services for the State of Maryland. The Division further attempts to anticipate agency banking requirements and provide timely responses to agency requests.

The Division is directly responsible for procuring and managing the banking services needed for all agencies of the State of Maryland. This includes:

- Agency-specific depository accounts – Individual depository accounts are maintained for all State agencies, and balances are consolidated at the end of each day into the State's main depository account. This allows for accurate agency-level transaction reporting with automatic concentration of funds for cash management effectiveness;
- Disbursement accounts – Disbursement accounts are maintained for vendor payments, payroll, and income tax refunds;
- Lockbox account services;
- Merchant account services (credit and debit card receipts);
- Agency working fund, trust, and escrow accounts; and
- All other agency banking needs.

Two primary responsibilities of the Banking Services Division are the accurate and timely recordation of State funds and the reconciliation of the State's bank accounts to the State's R*STARS general ledger accounting system. The Division must account for the receipt of all warranted deposits and the disbursement of all warranted payments. To meet these responsibilities, the Division performs a comprehensive daily cash reconciliation which allows the Treasurer's Office to be proactive in identifying and solving agency banking issues. Even as the volume of transactions has increased, the processes and controls developed by Banking Services continue to result in a timely, accurate, and completely documented reconciliation of the State's cash accounts. Maintaining pace with changes in the banking and financial environment also necessitates continual refinement of the reconciliation processes and ensures maximum efficiency in the balancing of bank information to the R*STARS accounting system.

For fiscal year 2012, total cash receipts and disbursements each exceeded \$154 billion. The State's bank accounts are reconciled daily to the State's general ledger. Once again, there were no un-reconciled differences.



Great Blue Heron

Total Receipts and Disbursements Fiscal Year 2012

Beginning Cash Balance of Fiscal Year 2012.....		1,954,368,989.02	
Receipts:		Disbursements:	
July-11.....	\$11,922,245,717.53	July-11.....	\$(12,283,018,039.10)
August-11.....	\$13,308,643,948.54	August-11.....	\$(12,123,008,668.06)
September-11.....	\$13,115,314,339.69	September-11.....	\$(15,533,831,346.80)
October-11.....	\$15,980,450,046.04	October-11.....	\$(14,033,679,816.83)
November-11.....	\$11,213,762,213.77	November-11.....	\$(13,523,506,384.69)
December-11.....	\$14,572,695,464.19	December-11.....	\$(12,621,307,164.89)
January-12.....	\$13,414,215,788.98	January-12.....	\$(13,643,791,388.48)
February-12.....	\$13,807,664,305.80	February-12.....	\$(12,993,394,749.52)
March-12.....	\$10,816,975,436.08	March-12.....	\$(11,542,371,578.47)
April-12.....	\$10,937,647,070.96	April-12.....	\$(9,840,015,996.03)
May-12.....	\$10,844,401,746.15	May-12.....	\$(12,804,573,691.14)
June-12.....	\$13,885,039,296.19	June-12.....	\$(13,793,834,918.05)
Total Receipts Fiscal Year 2012.....	\$153,819,055,373.92	Total Disbursements Fiscal Year 2012 ..	\$(154,736,333,742.06)
Ending Cash Balance of Fiscal Year 2012.....		\$(2,871,647,357.16)	

On behalf of State agencies, the Banking Services Division performs daily operations' functions that are critical to the movement of funds into and out of the State's bank accounts and to the accurate recordation of these transactions in R*STARS. These include:

- Processing the drawdown of funds from federal programs and grants;
- Initiating Fed Wire payments;
- Managing foreign currency transactions;
- Processing check stop payments, cancellations and reissues, as well as requests for photocopies of paid checks;
- Initiating replacement checks for failed ACH payments;
- Providing transaction research assistance to State agencies;
- Managing the Unpresented Check Fund and the Undeliverable Check Fund;
- Reconciliation of all agency cash deposits between the bank and R*STARS;

- Recordation in R*STARS of all bank adjustments and corrections; and
- Maintenance of tables to allow for accurate posting of all electronic receipts.

Section 6-209 of the State Finance and Procurement Article of the Annotated Code of Maryland requires that State money on deposit with financial institutions must have collateral pledged to the State that equals or exceeds the amount on deposit not covered by the Federal Deposit Insurance Corporation. The collateral must be held by a third party custodian and be of the types enumerated in §6-202 of the State Finance and Procurement Article. The Banking Services Division monitors collateral for almost 2,000 depository, disbursement, and registered agency working fund accounts, many of which are used for trust and escrow account services. Account balance and collateral data is submitted monthly by financial institutions and collateral custodians and is cross checked to account information maintained in the Treasurer's Bank Account Information System (TBAIS). The data

is analyzed to ensure that the pledged collateral is sufficient to cover the applicable bank balances. If the collateral is insufficient, the financial institution is required to increase the collateral. The collateral reported by the financial institution is also compared to the collateral reported by the independent third party custodian to ensure accuracy. The collateral balance held for all State bank accounts at June 30, 2012, was \$464,404,525.

Banking Services Division serves as the State's authority for the development, control, and maintenance of statewide policies and procedures for banking products and services. The Division continually strives to stay at the forefront of changes in banking products and services offered in the financial industry. The Division continues to explore new financial products and improved data delivery methods that will increase its ability to provide efficient cost-saving banking services to the Maryland State agencies. In addition, the Division

continuously monitors the financial health and safety of all financial services providers. Banking Services strives to enhance its ability to respond in the event a change in banks is required by market conditions or the procurement process. The Division must anticipate future banking service evolution and the growing diverse needs of the State while containing costs of complex banking transactions.

Banking Services actively works with agencies to develop and strengthen their internal financial and accounting processes and discern efficient banking services necessary for efficient agency business processes. Furthermore, Banking Services works with State agencies to improve their reconciliation practices and procedures. As always, the Banking Services Division works tirelessly to increase efficiency, productivity and reduce costs for posting all financial transactions.

Thomas Point Shoal Lighthouse, a National Historic Landmark



Debt Management Division

As a member of the Board of Public Works, the Treasurer has the lead role in the Board's activity relating to the issuance and oversight of State debt and under Article VI, Section 3, of the State Constitution, the Treasurer is responsible for arranging for the payment of principal and interest on State debt.

General Obligation Bonds

General Obligation debt, which has the pledge of the full faith and credit of the State, finances State-owned capital improvements, such as prisons and colleges, and various State capital grants to local governments and private non-profit organizations. Projects funded include local public schools, local jails, water treatment facilities, museums, rehabilitation of historic structures, and private

treatment centers for the developmentally and physically disabled.

The State's General Obligation Bonds have been assigned the highest credit rating by Moody's Investors Service, Inc. (AAA), Standard and Poor's (AAA) and Fitch Ratings, Inc. (AAA). One of only eight states in the nation to hold a Triple-A credit rating from all three major credit rating agencies, Maryland's low interest rates are attributable to these superior ratings.

The Treasurer recommends the size, timing, and terms of sale for the General Obligation Bonds. This entails periodic analysis and surveys to determine the monthly cash balances of bond proceeds and project anticipated cash needs of State agencies and grantees for authorized capital projects. In recent years, the State has held sales semi-annually although if there

Summary of Fiscal Year 2012 General Obligation Bond Issues

Series	Date of Sales	Tax-Exempt Competitive	Tax-Exempt Negotiated	Taxable Direct Federal Subsidy	Tax-Exempt Refunding	Overall Tax-Exempt TIC
(\$ in millions)						
2011 Second Series A	7/25/11		\$71.7			2.98%
2011 Second Series B	7/27/11	\$418.3				
2011 Second Series C QZAB	7/27/11			\$15.9		.07% (a)
2011 Second Series D QECCB	7/27/11			\$6.5		.62% (a)
2011 Second Series E	9/13/11				\$254.9	1.20%
2012 First Series A	3/2/12		\$56.1			2.40%
2012 First Series B	3/7/12	\$543.9				
2012 First Series C	3/7/12				\$138.4	1.69%

(a) The 2011 Qualified Zone Academy Bonds (QZABs) and the 2011 Qualified Energy Conservation Bonds (QECCBs) are special, federally-authorized taxable direct subsidy bonds where the subsidy payment is equal to the lesser of the tax credit rate as determined by the U.S. Treasury or the taxable interest rate on the bonds as established at the time of the sale. The State will receive 100% of the interest as a direct subsidy for the 2011 Second Series C QZAB and 70% of the interest as a direct subsidy for the 2011 Second QECCB

are opportune market conditions, the State may issue more frequently. The Debt Management Division, in conjunction with the State's financial advisor, the Treasurer's principal counsel, and the State's bond counsel, coordinates the sale and all activities prior to the actual sale, including liaison with the bond rating agencies, the preparation and publication of statutorily required notices and advertisements, and the preparation and distribution of Official Statements. The preparation of Official Statements is primarily performed in-house, resulting in substantial savings to the State.

The State Treasurer's Office monitors market conditions and arranges the details of the actual sale including the selection of the method of sale. In competitive sales which are done at a Board of Public Works meeting, bids are transmitted electronically by underwriting syndicates, verified by the STO and the winning bid is then ratified at the meeting. In negotiated sales, underwriters, who are selected in a competitive procurement process, negotiate bond prices with the Treasurer's Office. Final pricing is incorporated in the Bond Purchase Agreement which must also be approved at a Board of Public Works meeting.

Finally, the State Treasurer's Office supervises all activities of post-sale settlement, the investment

of the bond proceeds, compliance with Internal Revenue Service requirements for tax-exempt bonds, continuing disclosure and payment of debt service.

General Obligation Bond Issues in Fiscal Year 2012

There were three General Obligation Bond Sales in fiscal year 2012 totaling \$1,505.7 million. The table on the previous page summarizes the issues.

Of particular note in fiscal year 2012 was the issuance of bonds authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). By using the ARRA authorizations for QZABs and QECCBs, the State realized \$8.1 million in present value debt service savings compared to traditional tax-exempt bonds.

Market conditions were very favorable for high quality and highly rated bonds like Maryland General Obligation Bonds throughout fiscal year 2012. The True Interest Costs (TICs) in fiscal year 2012 were among the lowest on new money issues in the past twenty years. The State took advantage of historically low interest rates and refunded prior series of bonds in order to realize \$21.3 million in present value debt service savings in fiscal year 2012.

Burnside Bridge at Antietam National Battlefield, Sharpsburg, Maryland



The history of General Obligation bond issuance and debt service for the last ten years is depicted in the following charts.

- Debt Service on General Obligation Bonds
- Issuances of General Obligation Bonds

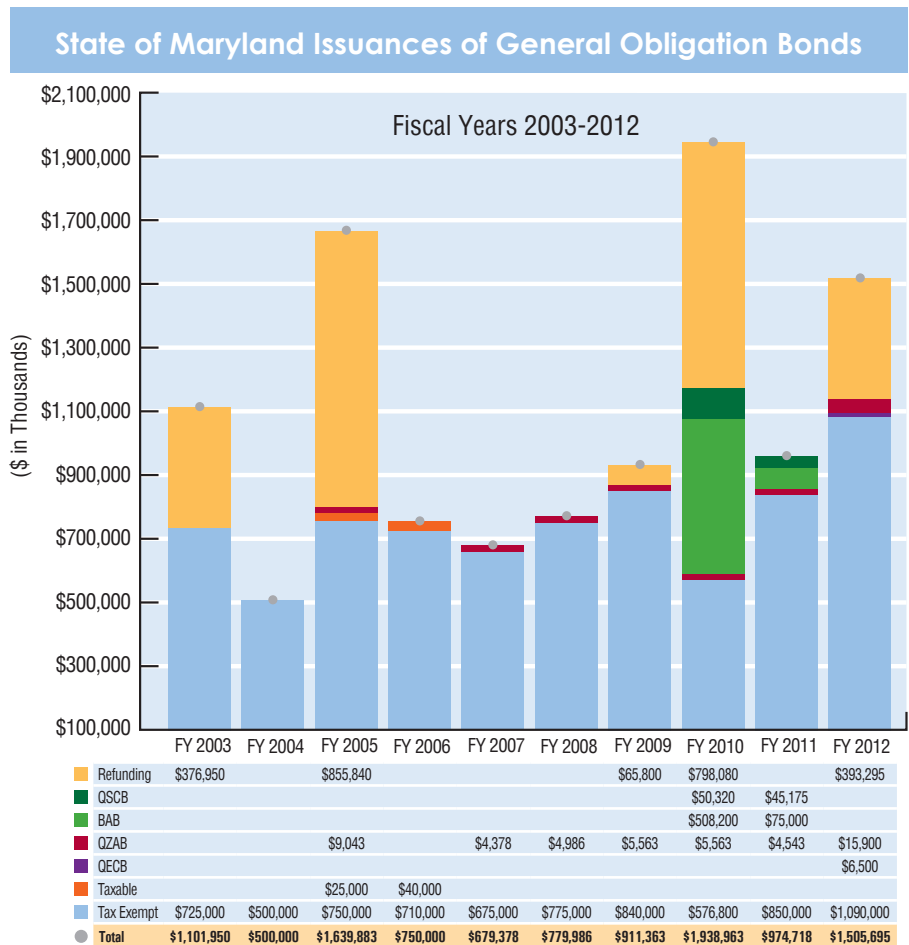
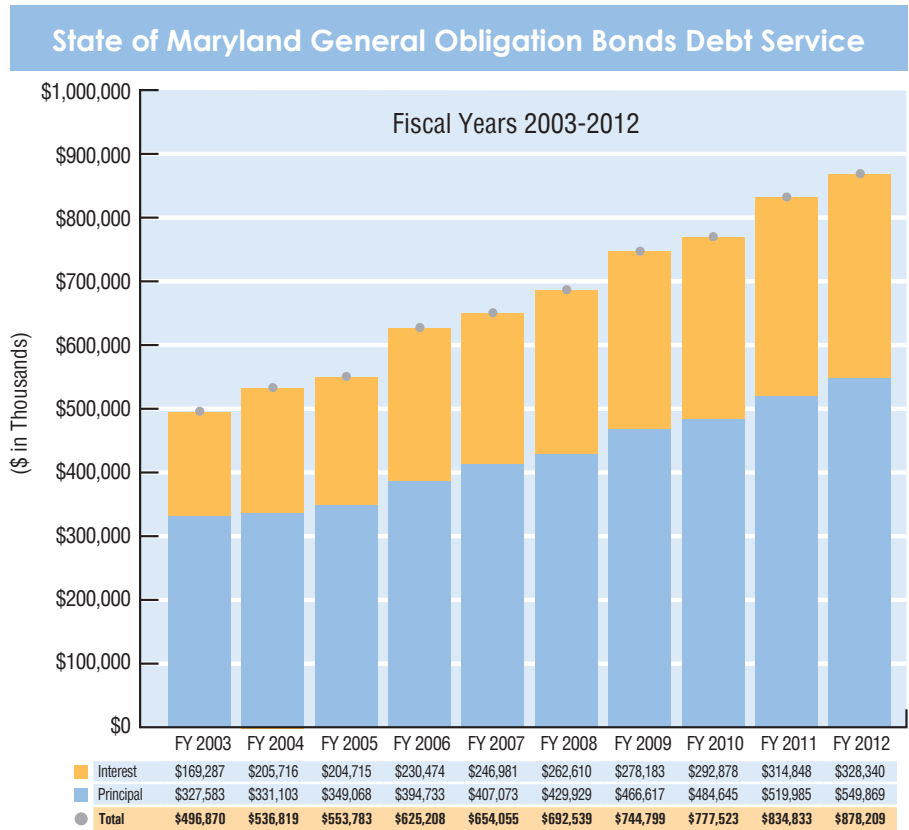
Capital Lease Financing

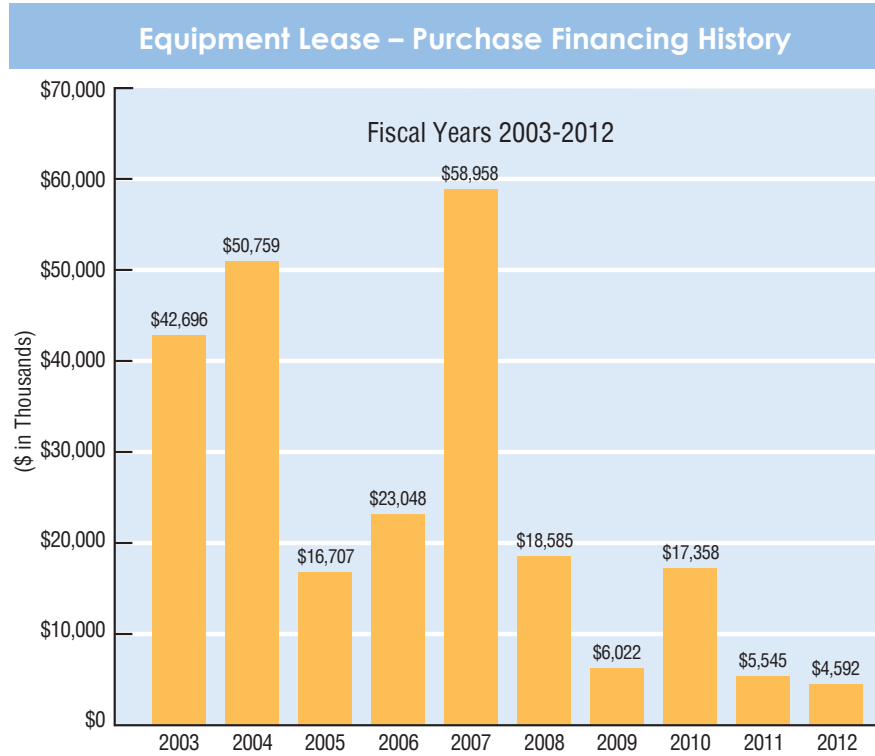
Equipment Leases

The State Treasurer's Office provides financing for equipment, generally for terms of three or five years, for State agencies and Higher Education Institutions using the Capital Lease-Purchase Program. Periodically the State Treasurer's Office procures a Lessor, who finances equipment that meets the Lease Purchase Financing Guidelines established by the Office. The Lessor is paid semi-annually (January 1 and July 1) from funds transferred at the beginning of each fiscal year from the using agencies.

During fiscal year 2012, State agencies financed \$4.6 million of equipment under various Lease-Purchase Agreements (See the charts on the following page.)

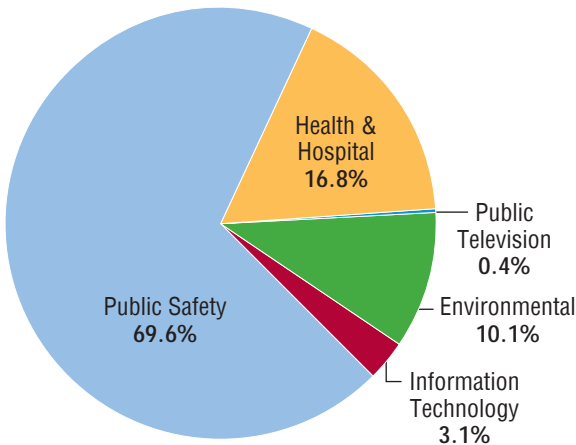
- Equipment Lease -Purchase Financing History Fiscal Years 2003 - 2012
- Governmental Use - Fiscal year 2012
- Equipment Classification - Fiscal Year 2012





Government Use

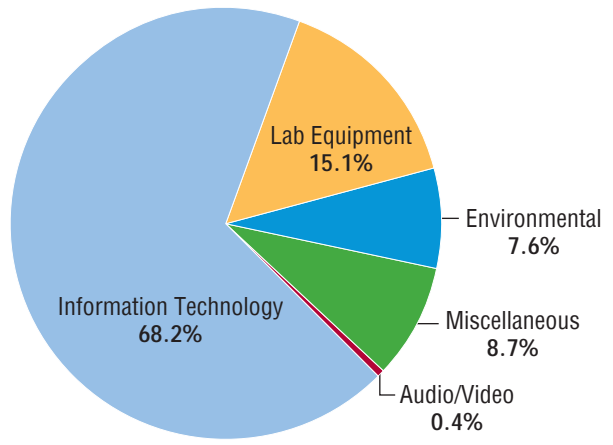
Fiscal Year 2012
Equipment Lease - Purchase Financings



Public Safety	3,197,866	69.6%
Health & Hospital	771,648	16.8%
Public Television	17,557	0.4%
Environmental	464,996	10.1%
Information Technology	139,999	3.1%
Total	4,592,066	100%

Equipment Classification

Fiscal Year 2012
Equipment Lease - Purchase Financings



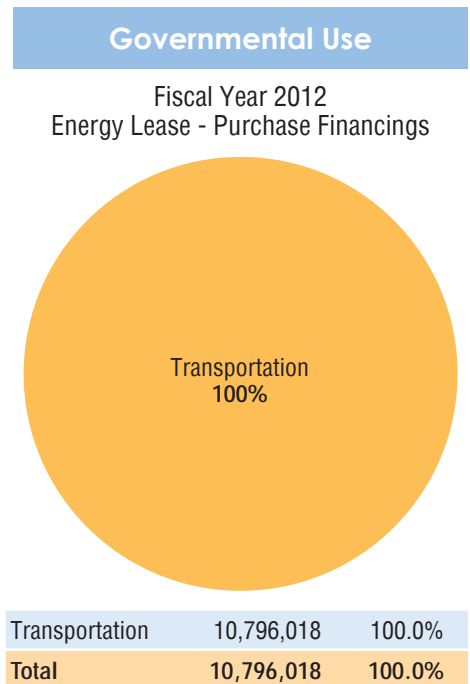
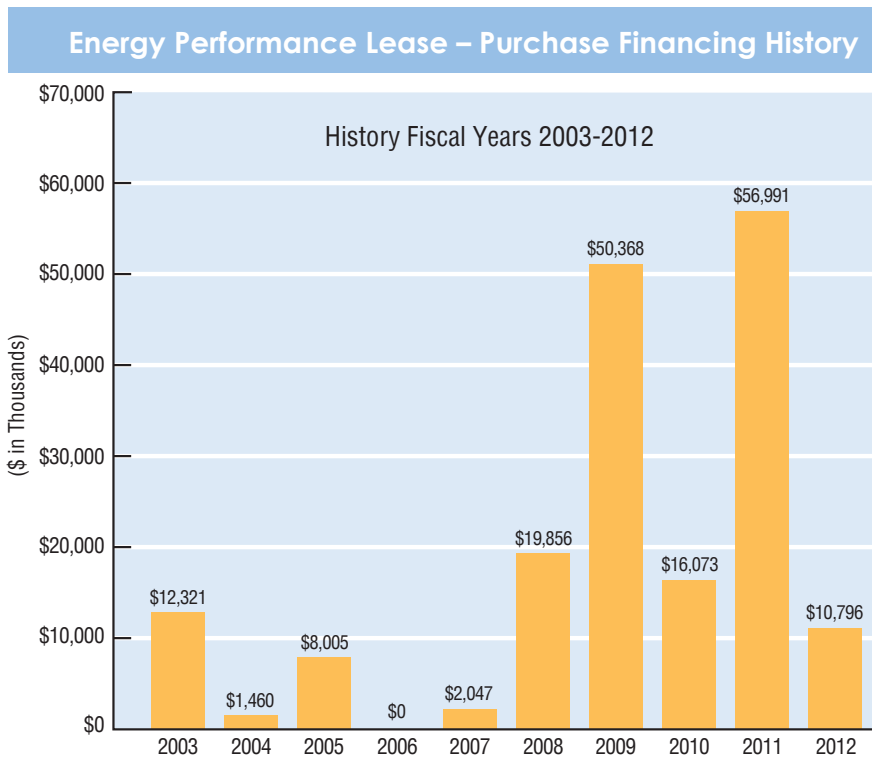
Information Technology	3,133,186	68.2%
Lab Equipment	693,426	15.1%
Environmental	349,100	7.6%
Miscellaneous	398,798	8.7%
Audio/Video	17,557	0.4%
Total	4,592,067	100.0%

Energy Leases

The State Treasurer's Office provides financing for energy efficiencies, generally for terms of 13, 14 or 15 years, for State agencies and Higher Education Institutions. Using the Energy Performance Lease-Purchase Program, the Treasurer's Office procures a lessor, who is paid semi-annually (January 1 and July 1) from funds transferred at the beginning of each fiscal year from the using agencies. The savings from the Energy Performance Contracts are used to make the lease payments.

During fiscal year 2012, State agencies financed \$10.8 million of energy improvements. The history of the Energy Lease-Purchase Program for the last ten years is depicted in the following chart.

- Equipment Lease -Purchase Financing History Fiscal Years 2003 - 2012
- Governmental Use - Fiscal Year 2012



Information Technology Division

The Information Technology (IT) Division plans, builds, programs, manages and supports all of the technology platforms that are used by the Maryland State Treasurer's Office. These systems run programs developed in-house in tandem with commercially developed software, providing the agency with highly customized applications that address our specific needs.

The Division supports the Maryland State Treasurer's Office disbursement, receipts and reconciliation of moneys of the State, as defined in Article VI, Section 3, of the State Constitution.

Services provided to State agencies include electronic funds transfer, check printing, positive pay and account reconciliation process services for the Comptroller's General Accounting Division (GAD), Revenue Administrative Division (RAD) and Central Payroll Bureau (CPB), the State Retirement System (SRA), as well as the Department of Human Resources' (DHR) Child Support and CARES.

The Office works closely with all State agencies to streamline their disbursement, receipt and reconciliation processes. The IT Division already offers all agencies the option of receiving a fax or file of their current day deposits and adjustments. To better serve the State agencies, we are currently expanding our list of transmission options to include: secure email, Open SSH and Secure FTP. These new alternatives will satisfy agency requests for such options, and will now give many of the State agencies the option of receiving files that can serve as input to an automated reconciliation process, regardless of their hardware platform.

The IT Division continues to assist RAD and CPB with their check reconciliation process by granting these agencies access to the Treasurer's Check Status System. The system provides check data that is one day newer than the R*STARS status. The IT Division is currently testing same day processing of the paid check file versus the current nightly batch method.

This change will update the paid check data one day sooner, which will benefit everyone's reconciliation and offer even better protection against fraudulent checks.

The IT Division continued to enhance and support the Banking Services Division's Treasury Bank Account Information System (TBAIS). The TBAIS system tracks account approval requests, routes them to GAD and Banking Services for approval, and generates up to date reporting and management of agency bank accounts. Recent enhancements include conversion and upload of agency collateral data, upload of new agency survey data, creation of a TBAIS Snapshot Report of current account statistics, ability to enter or change notes linked to the account, and the development of a new program to allow global changes to bank name and account when bank mergers occur. Additional features and functions will continue to be added over the next year.

The IT Division provides system enhancements to the Office. We recently completed an Investment Division request to add R*STARS agency codes to the Monthly Investment Balance reporting. A new Automated Loss Report was designed for the Budget Management and Accounting Division and we are in the final testing phase of new programming that will link the new check numbers issued from the Unpresented and Undeliverable Funds to the original check numbers. This new data will be present in R*STARS and will save the Budget Management and Accounting Division a great deal of research time. Since the data will be in R*STARS, agencies will have the ability to lookup the checks status themselves and not have to contact STO directly, as they do now.

The IT Division provides all these services on an IBM i5 midrange platform that is utilized by the Administration, Accounting, Banking, Insurance and Investment Divisions. The IT Division also supports network-based database applications in the Office.

Industry standard hardware and software is provided to the agency staff. The platforms and services provided to all Divisions in the Office include, but are not limited to local area networking, internet access, email, application development, website management, software evaluation, data communications, training, technical assistance and other technology services.

Check Payment Processing

The IT Division services include the electronic retrieval of warranted check disbursement files that feed a high speed customized check printing process for the Comptroller's GAD, as well as for Retirement, DHR's Child Support and CARES. The IT Division provides for a unique agency check design, signature, MICR encoding and the delivery of an electronic positive pay file to the State disbursement bank.

The State Treasurer's main processing system is an IBM i5 eServer midrange computer, which uses advanced function printing to create each printed document. Therefore, the Office has developed a payment processing system that is flexible enough to allow the Office to print checks using MICR encoding, signatures and agency or bank logos on secure paper check stock. The checks are protected with several security features to detect and eliminate forgery or fraud. The checks are printed in presorted zip code order to comply with the State's presort vendor requirements that lower postage expense. Control transfer reporting is in place with the GAD's mailroom service group, who cut and insert the checks into envelopes prior to pickup by the State's presort vendor.

Electronic Funds Transfer (EFT)

The State Treasurer's Office, like many agencies in the State, has recognized the need to support, where possible, movement away from paper checks over to electronic funds transfer (EFT). The State Treasurer, however, is ultimately responsible for all disbursements made by the State and must transmit these EFT's in a standard format. Electronic payments and direct deposits are run through a conversion program that transforms the agency's payment information into a CCD+, CTX or Electronic Data

Interchange format (EDI). Payments are sent in these formats to the State's disbursement bank, which then forwards them to the Federal Reserve's Automated Clearing House. The payments can then be deposited to any payee's bank account in the United States. The IT Division, along with the Banking Services Division, encourages the use of the more detailed Electronic Data Interchange payment method and has supported the growth of this method of payment. The Office includes a message on the GAD check advices identifying where vendors can call to get signed up for payments via EFT.

Receipt Processing

The Office's receipt processing system complements the payment processing system by allowing any State agency to receive electronic payments from taxpayers, credit card processors and federal programs. Currently, many of the taxes collected by the State, are credit card receipts, lockbox (used for high-volume, mail-in collections) and all federal funds come in through the "Depository Plus" process.

The IT Division continues to work with the Banking Services Division to enhance the automated posting of ACH deposits. The process ensures that overrides are checked before using default settings, and where appropriate, pre-populating agency data to save keystrokes.

The process makes use of tiered logic to match the incoming deposit to the appropriate financial or batch agency. The IT Division added new programming to record the last used date for each rule in the agency validation table. This change helps the Banking Division know where and when to make adjustments to the validation table logic, which improves the accuracy of the matching process. The resulting matched deposits are summarized on a report for each agency and automatically faxed or transmitted as a custom file to the agencies. All of the deposits are transmitted from the Office to the State's accounting system each night for processing and posting to the agency's account. The automated fax report or custom file from the Office gives the agency a one day advance notice of the incoming deposit.

Bank Reconciliation

The Information Technology Division continues to enhance the banking reconciliation system. Programming has focused upon streamlining ACH processing, wires, charge backs and data quality controls on vendor, tax and the State's general ledger source files.

The IT Division continued its partnership with both the Banking Services Division and the State's depository bank to accommodate improved transaction processing at a more sophisticated level and accurate settlement date reporting of ACH Deposits. The efforts made by the Office's Banking Services Division in coordination with the IT Division continue to provide the State of Maryland with an even more timely and accurate balance of State funds held at the bank.

Automation Initiatives and Technology Support

Treasury Bank Account Information System

The IT Division will continue to expand the TBAIS System by adding a Collateral Tracking module. All modules are to include new reporting, data exports and automated inputs.

Contingency Planning

The IT Division has a nightly synchronization and lockdown of data and programs from our Production System to our Development System. This effort provides the State Treasurer's Office with a significantly shorter recovery time should the production system experience a hardware failure. The IT Division has hardware in place to serve as a contingent platform for the State Treasurer's Office at an off-site location.

The IT Division conducted an off-site Disaster Recovery (DR) test on March 21st of this year. The test included a secured data transmission, processing of GAD ACH files into the ACH format for the State's disbursement bank, and printing of GAD and Child Support checks. The DR Test was a complete success and helped the Office to identify additional data to include in our DR Plan.

Secure File Transmissions

Our file transmission software enables the IT Division to transmit and receive production data files from the State's mainframe as well as the State's disbursement and depository banks. The IT Division is currently working on adding additional secure file protocols such as Open SSH and Secure FTP.

STO Website

The IT Division continued to expand the State Treasurer's web site as an electronic resource for reporting. Some examples include CDAC Reports, State Portfolio Investment Holdings, Anticipated Debt Report, Annual SITF Report, Bond Sale Updates, IWIF Assessments and all STO Procurements, both current and award history. The website also includes procedures for TBAIS, Capital Leases, and Insurance Claim filing.

Server Management

The IT Division has continued to enhance and maintain its server hardware, network switches, firewall and remote network access. The installation of a new battery backup has improved power protection, reliability, and uptime of core network equipment. The IT Division continues to upgrade and support the current releases of server operating systems, applications, virus and spam protection and server management utilities. This has allowed for better control over network resources, greater uptime for users and has enhanced the fault tolerance and dependability of the entire network. The IT Division continued to maintain excellent uptime despite several hardware failures.

Staff Support

The IT Division deployed new scanner hardware, and worked with STO's Budget Management and Accounting Division to develop a streamlined paperless process for GAD batch submittal. The IT Division also supported three bond sales during the fiscal year including updates to the BuyMarylandBonds.com.

Insurance Division

The Insurance Division is responsible for administering the State's Insurance Program which is comprised of both commercial and self-insurance. Commercial insurance policies are procured to cover catastrophic property and liability losses, and other obligations derived from State contracts, statutes and regulations. Among the several exposures covered by commercial policies are State maintained toll bridges and tunnels, rail operations, assorted professional liability exposures and student athlete accidents. The State also self-insures a significant portion of its exposures and maintains the State Insurance Trust Fund to pay claims and the costs associated with handling those claims. Self-insurance coverage includes State owned real and personal property, vehicles, and liability claims covered under the Maryland Tort Claims Act.

The Insurance Division is comprised of four Units: Underwriting, Loss Prevention, Claims, and Litigation Management. The Division's goal is to provide statewide risk management through loss protection (Underwriting), loss control (Loss Prevention), and loss restoration (Claims and Litigation Management).

Division Outreach

Over 130 State employees attended the Insurance Division's three workshops held on November 2-4, 2011, in the Treasury Building's Assembly Room. The 2-1/2 hour workshops were designed to educate State personnel on the State Insurance Program and its benefits.

The Division's management team presented an overview of the functions of the Insurance Program and provided information on how agencies could take advantage of the benefits and services each unit offered. Other workshop presenters included representatives from the State's accident management vendor, PHH, and the State's boiler and machinery insurer, Zurich Insurance.

Feedback from the participants on the workshop's content and presenters was overwhelmingly positive.

Many participants requested that the Division hold workshops more frequently. Some participants requested customized workshops for their agencies with a focus on areas of particular interest. In response to the feedback, Division managers have provided follow-on "mini" workshops which were geared to specific areas of interest.

Underwriting

The mission of the Underwriting Unit is to manage the insurance needs of the State with self-insurance or through the procurement of commercial insurance. Commercial insurance protects the State Insurance Trust Fund (SITF) from catastrophic losses and fulfills certain statutory requirements and agency contractual agreements. The Unit analyzes commercial coverage offerings, prices, limits and deductibles and then recommends to the Treasurer the combination that best protects the State of Maryland's assets. The Underwriting Unit continues to serve as a resource for all State agencies for their insurance questions or concerns.

Maryland Aviation Administration (MAA) airport liability renewal effective August 15, 2011 for Baltimore Washington International Thurgood Marshall (BWI) and Martin Airports was very good again this year. BWI exposures increased by 3%, yet their losses remain very low. The incumbent insurance carrier, Ace, reduced the expiring premium from \$372,171 to \$290,000 in consideration of stiff competition and the excellent loss experience. The coverage remained the same, and the carrier also continued to offer a plan that may return some premium to MAA after expiration, if the losses remain low. This renewal represents an upfront savings to MAA of \$82,171.

Maryland Transportation Authority (MDTA) renewal effective December 1, 2011 for the toll bridges and tunnels property insurance was revised significantly. MDTA expressed a need to add "non-major structures" valued at approximately \$1.8 billion such as bridge approaches, that if damaged would compromise the revenue flow to

the corresponding toll facilities. The carrier provided multiple quotes so we could evaluate the impact on the premium. In all, five of the non-major structures were added; we increased the time deductible for the loss of revenue coverage to 10 days, and increased the maximum combined deductible to \$15 million. The added protection to property and revenue increased the premium from approximately \$3.8 million to \$4.3 million, including the broker fee.

Maryland Port Administration (MPA) renewal for owned cranes effective November 25, 2011 was based on values that were up 3%. The broker approached 14 markets for coverage and received two quotes. The coverage was renewed with Ace with an 8% rate reduction, broader coverage than the incumbent's offer, saving MPA \$7,809.

Maryland Port Administration (MPA) liability renewal effective January 31, 2012 followed a large loss payment of approximately \$400,000 by the incumbent carrier, Allianz, which occurred during the 2009/10 policy term. The broker approached several markets for coverage but only received quotes from the incumbent and one other carrier who excluded all coverage for the MPA-owned World Trade Center. Coverage was renewed with the incumbent carrier who included the World Trade Center, reduced the premium from the expiring \$695,572 to \$660,812, saving MPA \$34,760.

The renewal for the Maryland Transit Administration (MTA) rail car property insurance effective July 1, 2011 was marketed, and the broker received quotes from three carriers. The highest quote was \$1,132,548, and the lowest quote was from our incumbent carrier, Ace, at \$575,356. The expiring premium was \$577,687, so with values down slightly, MTA saved \$2,331.

As part of its mission of managing the State's insurance needs, the Underwriting Unit conducts an annual insurance survey to gather data on State exposures. The insurance survey data is used to purchase commercial insurance policies and as a component for setting self-insurance premiums.

Claims

Severe weather events

Fiscal year 2012's relatively mild winter and spring was book-ended by severe summer weather events. In August, 2011, the State experienced an earthquake followed a short time later by Hurricane Irene and Tropical Storm Lee. On June 29, 2012, one of the most destructive thunderstorms in memory known as a "derecho", swept through Maryland bringing with it wind gusts of 60-80 mph. Good fortune along with effective mitigation efforts prevented state-owned property from suffering potential devastation.

New Accident Management and Maintenance Vendor

Since the inception of the State's accident management program, the Division has partnered with the Department of Budget and Management (DBM) to procure services for the motor vehicle maintenance management services. The Treasurer's Office was instrumental in drafting the scope of services for the accident management component of the Request for Proposal and was invited to participate on the technical evaluation committee. After months of diligent and collaborative effort, the committee's work culminated in August, 2011, with the selection of PHH, based in Sparks, Maryland.

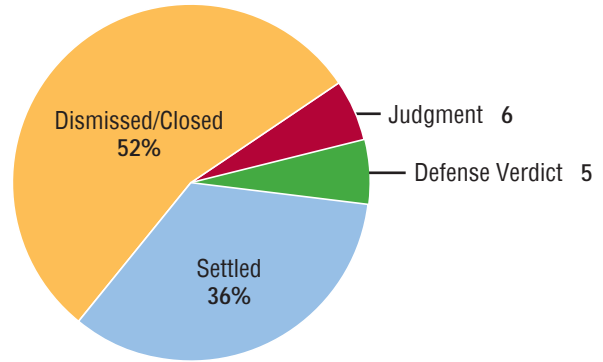
In April, 2012, PHH conducted a survey of the State agencies enrolled in the program to measure customer satisfaction during the critical transition phase from the previous vendor. State personnel were surveyed on the level of satisfaction in a number of areas. PHH officials provided the Office with the results of the survey. The majority of the respondents were "Very satisfied" or "Completely satisfied" with the PHH accident management program.

Tort Litigation Unit

Since its inception in 2006, the Tort Litigation Unit has managed a steadily increasing number of lawsuits arising from tort claims filed with the Treasurer's Office. In fiscal year 2012, 79 new cases were received by the Tort Litigation Unit. Eighty-one cases were resolved. Of the 81 cases, 29 cases were settled before judgment, 42 were dismissed, 5 resulted in judgment against the State, and 5 resulted in a defendant's (State) verdict.

Litigation Management is responsible for developing and implementing a comprehensive litigation plan for all tort claims in litigation and reviewing settlement requests from the assistant attorneys general. Litigation Management works proactively to resolve matters by investigating and evaluating cases and providing settlement authority or, when necessary, briefing the Treasurer's Insurance Review Committee on high dollar value settlements. The Unit represents the Office at court ordered mediations and pre-trial settlement conferences. Feedback is provided to the claim adjusters during the course of discovery and upon resolution of the case. The adjusters use this information to improve upon pre-litigation strategies in claims with similar facts.

Tort Litigation Cases Resolved in FY 2012



Settled	29	36%
Dismissed/Closed	42	52%
Judgment	5	6%
Defense Verdict	5	6%
Total	81	100%

Loss Prevention

The aim of loss prevention is to help State agencies develop specific action plans and safety practices to mitigate or eliminate State agencies' most frequent or severe sources of preventable losses.

Annually, the Loss Prevention Unit conducts a comprehensive review of numerous State agencies' loss histories to identify problem areas and to help agencies with high severity claims and/or frequency take corrective measures. These efforts are expected to significantly reduce loss frequency and the severity of damage sustained to State-owned buildings and contents.

Investment Division

The Fiscal Year 2012

Standard & Poor's (S&P) downgraded the U.S. credit rating for the first time, dealing a symbolic blow to the world's economic superpower in what was a sharply worded critique of the American political system. The credit rating company said "political brinkmanship" in the debate over the debt had made the U.S. government's ability to manage its finances "less stable and less predictable." S&P further stated that the bipartisan agreement reached to find at least \$2.1 trillion in budget savings "fell short" of what was necessary to tame the nation's debt over time and predicted that leaders would be unlikely to achieve more savings in the future. The downgrade to AA+ pushed the global financial markets into uncharted territory, while they were already reeling from a worsening debt crisis in Europe and a faltering economy in the U.S.

"Occupy Wall Street" was the movement that exemplified the general mood for fiscal year 2012. This was a protest movement that began September 17, 2011 in Zuccotti Park located in New York City's

Wall Street Financial District and quickly spread to Occupy protests and movements around the world. The main issues were social and economic inequality, greed, corruption and the perceived undue influence of corporations on government, especially from the financial services sector. The Occupy slogan was: "We are the 99%." This slogan addressed the growing income inequality and wealth distribution between the wealthiest 1% and the rest of the population. The thrust of their argument was that large corporations and the global financial system control the world in a way that disproportionately benefits a minority, undermines democracy and is unstable. The goal was to make the economic structure and power relations in society more just. This was the ongoing response to the severe worldwide economic downturn, high unemployment and severe financial distress. The movement spread rapidly through social networks throughout the world.

October 2011 brought the loss of Steve Jobs who had revolutionized worldwide communication and business practices through his brilliant innovations. He held 241 patents registered in his name or as

Cannon at Monocacy National Battlefield, Frederick, Maryland



co-inventor. Not since Edison has an American inventor so widely and profoundly influenced lives with his innovations. Arguably, the Occupy Wall Street Movement would have been impossible without social networking made possible by Steve Jobs' creation of "iPhones" and "iPads" and their dissemination around the world. Daniel Gross wrote, "Jobs' greatest and most useful example was not what his company Apple did for shareholders, but in what it did for other industries, companies, and individuals. In a period of great (and largely merited) doubt about America's economic capabilities, Apple provided an example of how a company can come back from significant blows, add significantly to people's quality of life, make a lot of people rich, and encourage others to innovate. Beyond a personal triumph, the story of Steve Jobs and Apple is a metaphor for the ability of a U.S. company (and perhaps the U.S. economy) to regenerate, innovate, and lead."

The U.S. Military ended its mission in Iraq December 15, 2011, marking the end of a nine year war. Although the war ended, violence and disruption intensified throughout the Middle East. North Korean leader Kim Jong II died December 18, 2011 which increased uncertainty in Asia. The world worried

as a young and unproven leader took the helm of a nuclear nation. An international oil embargo was placed against Iran in January. Queen Elizabeth II celebrated her Diamond Jubilee on February 6, 2012. Vladimir Putin was reelected as Russia's President in March. March also brought the end of 244 years of the printed edition of the Encyclopedia Britannica. In April the new leader of North Korea decided to launch a satellite despite worldwide objections. The satellite exploded soon after launch. The European Union continued to have crisis after crisis as countries struggled under austerity measures imposed in hopes of solving their debt issues. At the same time millions were being spent in the United States in campaign advertising. The Dow Jones Industrial Average began the year at 12,582; ended the year at 12,880; got as high as 13,279 on May 1st; but was as low as 10,655 on October 3rd. The unemployment rate was 9.1 in July and down to 8.2 by June. All this is to say that the world in fiscal year 2012 continued to be a very unsettled place. The more turmoil in the world the more investors sought out the U.S. for safety and liquidity. The ongoing turbulence confounded the best efforts of the Federal Reserve to get the U.S. economy jumpstarted and heaved the rest of the world economies into grave financial turmoil.

Fort McHenry National Monument and Historic Shrine



Through it all the Investment Division of the State Treasurer's Office continued to invest in accordance with established laws, policies and procedures. Section 6-222 of the State Finance and Procurement Article governs the investment of the State's unexpended or surplus money. Furthermore, the State Treasurer's Investment Policy provides additional guidance for investments. The conservative stance of the Office may have limited interest earnings but it insured safety of principal invested.

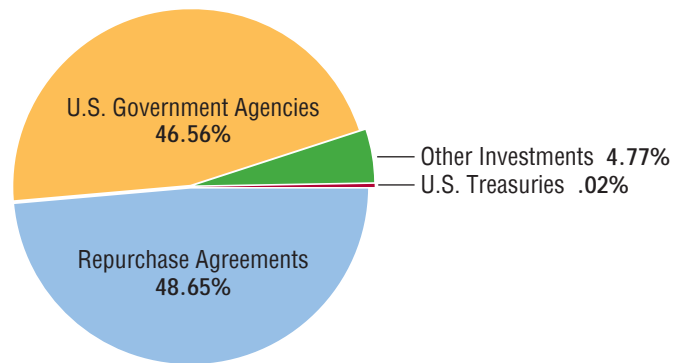
The Investment Division of the State Treasurer's Office primarily invests the cash balances that are temporarily idle between the time revenue is collected and the time budgeted amounts are disbursed. The Division is also responsible for a number of longer-term investment activities associated with the purchase of 20-year development easements on agricultural land and the payment of lottery prizes over 19-year periods. The Division manages the investment of General Obligation Bond proceeds and also directs the short-term and long-term investments of a number of trustee accounts under State agency revenue bond indentures.

The Investment Division is not responsible for the investment and management of all funds. Other State agencies are responsible for specific funds. The Maryland State Retirement & Pension Systems, the Maryland Automobile Insurance Fund, the Injured Workers Insurance Fund, the Maryland College Savings Program and certain endowment funds at public colleges and universities are managed independently.

Interest earnings on investments under the stewardship of the State Treasurer accrue to the General Fund unless State law or regulation directs that the interest should accrue to a specific fund. During the 1990 session, the General Assembly enacted legislation to allow all operating funds invested by the Treasurer to be invested in a common pool. Interest earned from this pool is allocated to the various State agencies and to the General Fund on a pro-rata basis. This legislation was updated during the 2010 session in recognition of the fact that many of the individual funds were already receiving support from the General Fund.

Portfolio Composition at June 30, 2012

Investment Type	Dollar Amount	Percentage
Repurchase Agreements	2,463,019,253	48.65%
U.S. Treasuries	895,000	.02%
U.S. Government Agencies	2,357,385,000	46.56%
Other Investments	241,636,830	4.77%
Total Portfolio	5,062,936,083	100.00%



Under State law, investments by the State Treasurer's Office are limited to secured bank accounts, full faith and credit obligations of the federal government, obligations of certain federal agencies or instrumentalities, repurchase agreements collateralized by those securities, certain money market mutual funds and limited amounts of highest rated commercial paper.

U.S. government agency investment securities are procured competitively through approved brokerage firms. To be approved, a firm (1) must be a primary dealer reporting to the Federal Reserve or a registered member of the New York Stock Exchange, or (2) file financial statements exhibiting financial resources considered adequate by the Investment Division and approved by the Treasurer, and (3) provide competitive bids to the Investment Division on a regular basis.

The Treasurer's policy is to make sure that local, regional and minority firms have an opportunity to bid on a portion of the State's investable funds. Please be advised that this is a highly competitive process. The fiduciary responsibility to Maryland residents requires scrupulously seeking the best prices for all investments. Inclusion on the list of approved broker dealers grants the privilege of submitting bids and offers but does not guarantee a transaction.

The investment portfolio is designed to meet the cash flow needs of the State (i.e., have funds available to cover disbursements). During fiscal year 2012, the Investment Division invested in repurchase agreements with maturities of 90 days or less. These repurchase agreements were collateralized 102% by U.S. Treasuries and federal agency securities. The collateral provided safety, and the repurchase agreements had short duration and rates of return that were generally higher than individual Treasury and agency securities with comparable maturity dates. Treasury and federal agency securities with a maturity of up to five years were also purchased in order to provide portfolio diversification, liquidity and a higher rate of return. This maturity extension was well within the guidelines of prudent portfolio management. For a complete list of the June 30, 2012 investment portfolio, please see appendix A.

On June 30, 2012, the total of all portfolios under the active management of the State Treasurer's Office was \$5,062,936,083. The General Fund portfolio was \$4,788,811,949.

Portfolio Balances

Fiscal Year	General Fund	Total Portfolio
2000	4,043,592,678	4,341,640,537
2001	4,734,087,661	4,983,070,473
2002	4,007,351,370	4,338,575,761
2003	3,393,570,110	3,582,550,645
2004	4,212,322,055	4,469,538,542
2005	5,403,757,921	5,685,280,744
2006	6,480,959,704	6,867,711,888
2007	6,719,444,969	7,116,500,896
2008	6,455,858,210	6,557,395,702
2009	4,909,433,669	5,088,853,273
2010	4,770,485,256	5,111,305,375
2011	5,092,307,428	5,322,943,280
2012	4,788,811,949	5,062,936,083

The average rate of return on the General Fund was 1.10%. The State Treasurer's investment program surpassed the benchmark three-month Constant Maturity Treasury Bill, which averaged 0.05% for the same time period.

Average Annual Interest Rates

Fiscal Year	General Fund	3 Month Treasury Bill Rate
2000	5.61%	5.38%
2001	5.93%	5.27%
2002	2.92%	2.18%
2003	1.94%	1.32%
2004	1.28%	0.97%
2005	2.26%	2.26%
2006	4.06%	4.17%
2007	5.16%	4.74%
2008	4.89%	1.89%
2009	3.39%	0.56%
2010	2.07%	0.12%
2011	2.00%	0.11%
2012	1.10%	0.05%

Due to the extremely volatile and historically unprecedented low interest rate environment, the return on the portfolio decreased over \$69 million for the fiscal year 2012.

Total Interest Earned

Fiscal Year	Net General Fund	Allocated to State Agencies	Total
2000	121,951,720	103,173,287	225,125,007
2001	136,981,074	144,249,899	281,230,973
2002	82,641,807	66,399,769	149,041,576
2003	37,205,637	42,240,523	79,446,160
2004	25,037,345	29,053,449	54,090,794
2005	52,886,074	54,538,463	107,424,537
2006	149,613,238	109,222,108	258,835,346
2007	150,798,001	205,589,917	356,387,918
2008	155,170,184	207,179,098	362,349,282
2009	102,768,740	142,619,087	245,387,827
2010	44,190,425	87,921,654	132,112,079
2011	53,178,733	87,900,159	141,078,892
2012	23,207,535	48,647,954	71,855,489

Securities Lending

Most portfolios containing a large number of quality securities engage in a securities lending program. The State is no exception. In this program, the State contracts with a third party securities lender which arranges to have specific securities in the portfolio loaned to brokers and dealers who need those securities for a short period of time. In return for borrowing the security, the broker or dealer posts cash collateral equal to 102% of the market value of the borrowed security. The securities lender invests the cash collateral for the period of the loan. At maturity, the State's securities are returned and the interest earned is allocated between the State and the securities lender.

The restructuring of balance sheets by the Prime Broker Dealers during these volatile economic times increased the need for securities lending during fiscal year 2012. Therefore, the securities lending program earned almost 52% more than the return of the previous fiscal year.

Securities Lending Earnings

Fiscal Year	Earnings	% Change
2005	424,158	—
2006	463,384	9.20%
2007	568,770	22.79%
2008	1,926,722	238.75%
2009	380,301	-80.26%
2010	151,266	-60.22%
2011	300,802	98.86%
2012	457,076	51.95%

Local Government Investment Pool

Section 22G of Article 95 of the Annotated Code of Maryland establishes the Maryland Local Government Investment Pool (LGIP) and assigns to the State Treasurer's Office the responsibility for administering the Pool. The actual management of the Pool has been contracted out to The PNC Financial Services Group, Inc.

The Treasurer has encouraged local governments and eligible authorities to participate in the Pool, a Standard and Poor's "AAAm" rated money market account. At the end of fiscal year 2012, there were 300 participants. The fund balance as of June 30, 2012, was \$2,478,730,050. The actual yield for fiscal year 2012 was .10% as compared to the benchmark S&P LGIP Index of .09%.

To ensure that the Pool is responsive to the needs of the participants, the Treasurer created an Advisory Board consisting of representatives of the Pool's members. The Board meets semi-annually, reviews the fund's activities and makes recommendations to the Pool's administrator. The Pool administrator produces a quarterly newsletter to keep participants informed about the MLGIP. This newsletter acts as an effective marketing tool for potential participants and a valuable update for members.

Local Government Investment Pool Fund Balance

Fiscal Year	Fund Balance as of June 30	Number of Participants	Actual Yield Prev. 12 Months	\$ Inc (Dec) Prev. Year
2000	813,759,289	252	5.73%	2.07%
2001	1,141,544,255	270	5.69%	40.28%
2002	1,422,684,869	276	2.53%	24.62%
2003	1,674,169,653	282	1.45%	17.67%
2004	1,797,814,980	285	1.03%	7.38%
2005	1,951,361,257	287	2.15%	8.50%
2006	1,900,127,809	289	4.19%	(2.69%)
2007	2,100,327,613	292	5.30%	10.54%
2008	2,420,372,782	294	4.04%	15.24%
2009	2,759,769,583	298	1.41%	14.02%
2010	2,795,956,544	300	0.21%	1.31%
2011	2,739,057,335	300	0.09%	(2.07%)
2012	2,478,730,050	300	0.10%	(9.50%)

Legal Division

While the entire Office of the Attorney General (OAG) serves as a resource to the Treasurer, three assistant attorneys general have been assigned to the State Treasurer's Office to provide direct, full-time legal support on a full range of services including:

- Legal advice and opinions
- Contract preparation and review
- Preparing and editing rules, regulations, and policies
- Drafting and review of legislation
- Overseeing and coordinating the State's legal representation under the Maryland Tort Claims Act (MTCA)
- Representation in various types of litigation, administrative and regulatory proceedings
- Responding to citizen inquiries, and
- Provide legal training to the staff as appropriate.

Division Director

- Advises the Treasurer and Office staff on a variety of issues affecting the Office and its interaction with federal, State and local government agencies, contractors and the public;
- Serves as in-house counsel for the issuance of General Obligation Bonds, frequent capital equipment lease financings, and Qualified Zone Academy Bonds;
- Acts as a legal resource for other State agencies regarding their proposed uses of tax-exempt bond money for capital projects;
- At the request of the Treasurer, provides advice, counsel and legal analysis of the Treasurer's constitutional and statutory powers and responsibilities;
- Provides advice, counsel and legal analysis on matters before various boards and commissions on which the Treasurer serves, principally the Board of Public Works.

Principal Counsel

- Serves as counsel regarding administration, procurement, and personnel matters in the State Treasurer's Office;
- Provides advice and assistance on the procurement and administration of a wide variety of financial service contracts for the Office, as well as for other State agencies, including banking, finance, investment and related information technology services;
- Provides analysis and advice to the Insurance Division on procurement and administration of commercial insurance policies and on general insurance issues;
- Provides advice and counsel to the Treasurer and Office management on personnel matters, including disciplinary matters, and represents the Office in personnel proceedings.

Supervisor, Tort Claims Litigation Unit

The Supervisor of the Tort Claims Litigation Unit (TCLU) oversees and coordinates with assistant attorneys general in other agencies the State's legal representation under the Maryland Tort Claims Act (MTCA). The goal of the TCLU is to bring consistency to the defense and resolution of cases brought against the State and its agencies under the MTCA by employing effective defense strategies, controlling State risk and containing litigation costs.

Primary Functions of the OAG

General Legal Advice

The OAG serves as counsel to the Treasurer and Office staff on many varied issues affecting the State Treasurer's Office including legislative, administration, litigation, and personnel matters.

Finance/Debt Management

In fiscal year 2012, the OAG participated in the issuance of over \$1.5 billion in tax-exempt General Obligation Bonds and the financing of \$15.4 million in Capital Equipment and Energy Performance Leases.

The OAG's involvement with bond sales begins with review and comment to both the Department of Budget and Management and to the staff of the General Assembly on annual enabling legislation and individual bond bills. The OAG participates in the preparation and review of official statements and other offering documents, including authorizing resolutions of the Board of Public Works. For all loans authorized since 1989, the Director researches and writes bond counsel opinions for joint signature with the Attorney General.

Ongoing legal advice is provided, as needed, to various State agencies that receive General Obligation Bond funding concerning federal tax code restrictions on use of bond proceeds. Of particular concern are changes in use, and private business use of facilities that have been financed with the proceeds of tax-exempt bonds.

Two law firms are under contract with the Attorney General to provide bond counsel services for the State Treasurer's Office: Ballard Spahr LLP and Kutak Rock, LLP.

Board of Public Works

At the request of the Treasurer, the OAG attorneys review all agenda items that come before the Board of Public Works, including proposed legal settlements and insurance matters, provide suggested questions and comments to a Deputy Treasurer concerning legal, procurement and funding issues, and attend Board of Public Works meetings to be available to the Treasurer for legal advice.

Procurement

As a Primary Procurement Unit, the State Treasurer's Office is generally responsible for the procurement of all State banking, finance and insurance contracts.

The Treasurer's Office is responsible for contract administration of its own contracts and agreements for banking, finance, investments, insurance and information technology, as well as for banking and finance contracts for other agencies. The OAG is engaged in all contract and procurement issues, including Requests for Proposals, Invitations for Bids, contract formations and modifications, claims, protests and appeals.

Tort Claims

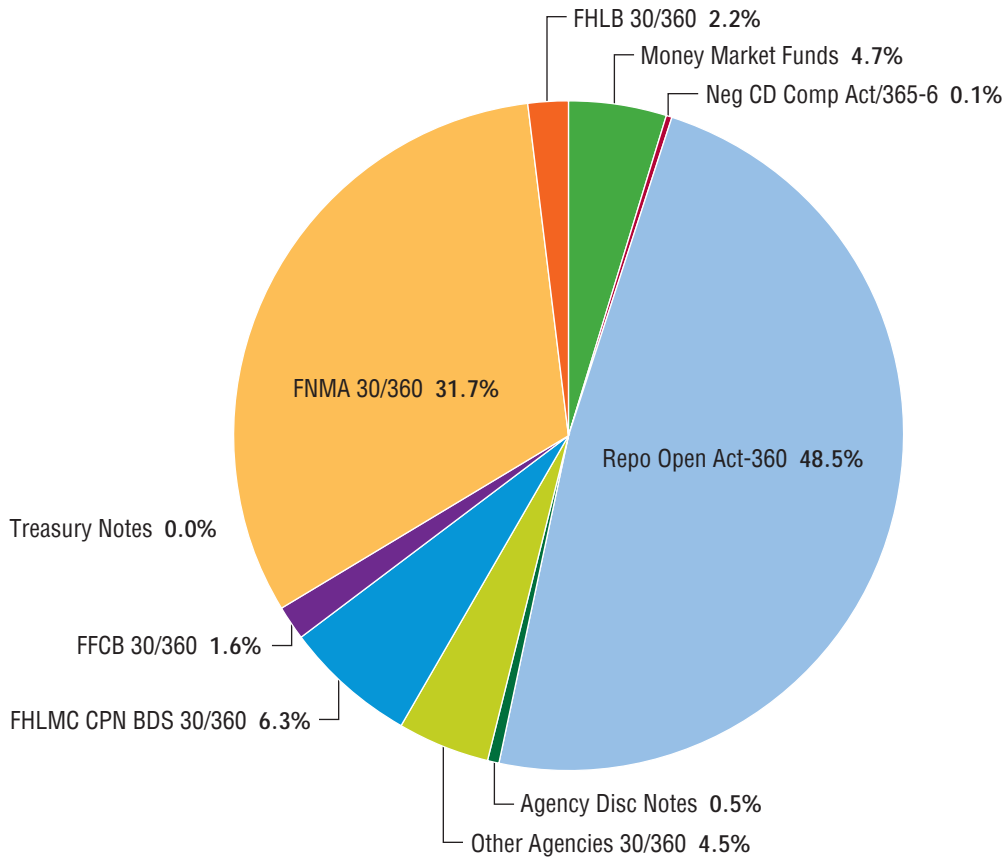
The Supervisor of the Tort Claims Litigation Unit:

- Drafts and reviews MTCA-related legislation and regulations;
- Advises the Treasurer's Office Insurance Division on many of the approximately 4,000 tort and auto claims filed each year under the MTCA;
- Provides legal representation to the State, its agencies and employees in Federal and State Courts in the defense of select cases brought under the MTCA; and
- Provides litigation support to the Assistant Attorneys General throughout State agencies who also defend cases brought under the MTCA, including:
 - Training attorneys and serving as a resource for developing trial strategies,
 - Recommending and approving the use of expert witnesses,
 - Writing and reviewing briefs, memoranda, and motions, and
 - Reviewing and advising on the litigation and settlement of these cases.
- Participates in appellate litigation of cases involving the MTCA.

Appendix A

Market Value Summary Report

As of June 30, 2012



12	Treasury Notes	1,370K	0.0%
32	FHLB 30/360	110,159K	2.2%
34	FNMA 30/360	1,611,920K	31.7%
36	FFCB 30/360	80,225K	1.6%
37	FHLMC CPN BDS 30/360	320,590K	6.3%
39	Other Agencies 30/360	226,333K	4.5%
50	Agency Disc Notes	25,000K	0.5%
60	Repo Open Act-360	2,463,019K	48.5%
75	Neg CD Comp Act/365-6	3,979K	0.1%
98	Money Market Funds	237,658K	4.7%
Total		5,080,254K	100.0%

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 Investment Outstanding as of 06/30/2012

Investment Inventory with Market Value

Inv. No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
152	Treasury Note 8.5	912810EE4	03/19/1990	1	100	634	8.5000	540,000.00	827,712.00	17,275.55	290,074.50
			02/15/2020	17	AVAILABL	12	8.5395	537,637.50	153,280,000	SUNGARD	0.00
153	Treasury Note 7.25	912810EM6	08/25/1992	1	100	634	7.2500	355,000.00	542,440.00	9,686.92	194,429.01
			08/15/2022	1	AVAILABL	12	7.4142	348,010.99	152,800,000	SUNGARD	0.00
Inv Type 12	TREASURY NOTES	Count 2					8.0042	895,000.00	1,370,152.00	26,962.47	484,503.51
							8.0973	885,648.49	153,089,609		0.00
13681	FHLB	313371AN6	10/19/2010	31	200	2	1.0000	50,000,000.00	50,015,625.00	100,000.00	40,625.00
			10/19/2015	8	AVAILABL	32	1.0146	49,975,000.00	100,031,250	SUNGARD	0.00
14737	OZAB 2010 SPECIAL ACCT - FHLB	313376L86	12/01/2011	31	200	2011	0.1250	300,000.00	300,000.00	32.29	173.10
			11/30/2012	80	AVAILABL	32	0.1829	299,826.90	100,000,000	SUNGARD	0.00
14866	FHLB	313376TF2	02/07/2012	31	200	2	1.2000	10,000,000.00	10,000,000.00	18,000.00	1,000.00
			11/07/2016	37	AVAILABL	32	1.2023	9,999,000.00	100,000,000	SUNGARD	0.00
15127	FHLB	313379RL5	06/27/2012	31	200	2	1.2500	50,000,000.00	49,843,750.00	6,944.44	0.00
			06/27/2017	71	AVAILABL	32	1.2500	50,000,000.00	99,687,500	SUNGARD	-156,250.00
Inv Type 32	FHLB 30/360	Count 4					1.1291	110,300,000.00	110,159,375.00	124,976.73	41,798.10
							1.1361	110,273,826.90	99,872,507		-156,250.00
13603	FNMA	31398A3T7	09/21/2010	31	200	2	2.0000	38,850,000.00	40,586,109.38	215,833.33	1,745,821.88
			09/21/2015	71	AVAILABL	34	2.0053	38,840,287.50	104,468,750	SUNGARD	0.00
14618	FNMA	3136FTEH8	11/02/2011	31	200	2	1.6500	50,000,000.00	50,171,875.00	135,208.33	176,875.00
			11/02/2016	78	AVAILABL	34	1.6521	49,995,000.00	100,343,750	SUNGARD	0.00
14619	FNMA	3136FTEH8	11/02/2011	31	200	2	1.6500	50,000,000.00	50,171,875.00	135,208.33	176,875.00
			11/02/2016	71	AVAILABL	34	1.6521	49,995,000.00	100,343,750	SUNGARD	0.00
14620	FNMA	3136FTEH8	11/02/2011	31	200	2	1.6500	50,000,000.00	50,171,875.00	135,208.33	176,875.00
			11/02/2016	70	AVAILABL	34	1.6521	49,995,000.00	100,343,750	SUNGARD	0.00
14622	FNMA	3136FTEH8	10/26/2011	31	200	2	1.0000	21,000,000.00	21,045,937.50	37,916.67	45,937.50
			10/26/2016	71	AVAILABL	34	1.0000	21,000,000.00	100,218,750	SUNGARD	0.00
14759	FNMA	3136FTUK3	12/28/2011	31	200	2	1.6250	50,000,000.00	50,265,625.00	6,770.83	278,125.00
			12/28/2016	53	AVAILABL	34	1.6302	49,987,500.00	100,531,250	SUNGARD	0.00
14765	FNMA	3136FTVX4	01/11/2012	31	200	2	1.6500	50,000,000.00	50,015,625.00	389,583.33	15,625.00
			01/11/2017	76	AVAILABL	34	1.6500	50,000,000.00	100,031,250	SUNGARD	0.00
14768	FNMA	3136FTWJ4	01/13/2012	31	200	2	1.6500	50,000,000.00	50,015,625.00	385,000.00	15,625.00
			01/13/2017	81	AVAILABL	34	1.6500	50,000,000.00	100,031,250	SUNGARD	0.00
14808	FNMA	3136FTXQ7	01/20/2012	31	200	2	1.5500	50,000,000.00	50,031,250.00	346,597.22	31,250.00
			01/20/2017	76	AVAILABL	34	1.5500	50,000,000.00	100,062,500	SUNGARD	0.00
14835	FNMA	3136FTZW2	02/08/2012	31	200	2	1.4000	50,000,000.00	50,250,000.00	278,055.56	252,500.00
			02/08/2017	81	AVAILABL	34	1.4010	49,997,500.00	100,500,000	SUNGARD	0.00

continued

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Investment Outstanding as of 06/30/2012

Investment Inventory with Market Value

Inv. No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
14848	FNMA	3136FTZR3	02/15/2012	31	200	2	1.3750	38,925,000.00	39,083,132.81	224,494.53	165,917.81
			01/30/2017	87	AVAILABLE	34	1.3791	38,917,215.00	100.406250	SUNGARD	0.00
14849	FNMA	3136FTF46	02/15/2012	31	200	2	1.3500	50,000,000.00	50,203,125.00	255,000.00	208,125.00
			02/15/2017	78	AVAILABLE	34	1.3621	49,995,000.00	100.406250	SUNGARD	0.00
14850	FNMA	3136FTF46	02/15/2012	31	200	2	1.3500	50,000,000.00	50,203,125.00	255,000.00	208,125.00
			02/15/2017	53	AVAILABLE	34	1.3621	49,995,000.00	100.406250	SUNGARD	0.00
14851	FNMA	3136FTH28	02/15/2012	31	200	2	1.3750	50,000,000.00	50,250,000.00	259,722.22	250,000.00
			02/15/2017	93	AVAILABLE	34	1.3750	50,000,000.00	100.500000	SUNGARD	0.00
14855	FNMA	3136FTH69	02/15/2012	31	200	2	1.3750	50,000,000.00	50,250,000.00	259,722.22	255,000.00
			02/15/2017	92	AVAILABLE	34	1.3771	49,995,000.00	100.500000	SUNGARD	0.00
14856	FNMA	3136FTH77	02/17/2012	31	200	2	1.3750	50,000,000.00	50,265,625.00	255,902.78	268,125.00
			02/15/2017	71	AVAILABLE	34	1.3760	49,997,500.00	100.531250	SUNGARD	0.00
14861	FNMA	3136FTL49	02/22/2012	31	200	2	1.4000	50,000,000.00	50,281,250.00	250,833.33	281,250.00
			02/22/2017	76	AVAILABLE	34	1.4000	50,000,000.00	100.562500	SUNGARD	0.00
14862	FNMA	3136FTF61	02/15/2012	31	200	2	1.3500	14,000,000.00	14,070,000.00	71,400.00	71,400.00
			02/15/2017	92	AVAILABLE	34	1.3621	13,998,600.00	100.500000	SUNGARD	0.00
14863	FNMA	3136FTK73	02/22/2012	31	200	2	1.3750	41,950,000.00	42,199,078.13	206,691.15	249,078.13
			02/22/2017	53	AVAILABLE	34	1.3750	41,950,000.00	100.593750	SUNGARD	0.00
14872	FNMA	3136FTL98	02/22/2012	31	200	2	1.2000	26,050,000.00	26,172,109.38	112,015.00	122,109.38
			02/22/2017	80	AVAILABLE	34	1.2000	26,050,000.00	100.468750	SUNGARD	0.00
14883	FNMA	3136FTM71	02/22/2012	31	200	2	1.1500	16,500,000.00	16,567,031.25	67,993.75	71,156.25
			02/22/2017	81	AVAILABLE	34	1.1552	16,495,875.00	100.406250	SUNGARD	0.00
14891	FNMA	3135G0HM8	03/08/2012	31	200	2	1.2000	50,000,000.00	50,187,500.00	188,333.33	250,000.00
			03/08/2017	71	AVAILABLE	34	1.2259	49,937,500.00	100.375000	SUNGARD	0.00
14907	FNMA	3136FTV97	03/08/2012	31	200	2	1.3000	50,000,000.00	50,250,000.00	204,027.78	250,000.00
			03/08/2017	65	AVAILABLE	34	1.3000	50,000,000.00	100.500000	SUNGARD	0.00
14923	FNMA	3135G0HV8	03/06/2012	31	200	2	1.2000	50,000,000.00	50,406,250.00	191,666.67	468,750.00
			03/06/2017	52	AVAILABLE	34	1.2259	49,937,500.00	100.812500	SUNGARD	0.00
14925	FNMA	3136FTY86	03/15/2012	31	200	2	1.3500	50,000,000.00	50,312,500.00	198,750.00	337,500.00
			03/15/2017	71	AVAILABLE	34	1.3604	49,975,000.00	100.625000	SUNGARD	0.00
14926	FNMA	3136FTY78	03/15/2012	31	200	2	1.4000	50,000,000.00	50,312,500.00	206,111.11	312,500.00
			03/15/2017	65	AVAILABLE	34	1.4000	50,000,000.00	100.625000	SUNGARD	0.00
14930	FNMA	3136FTZ28	03/15/2012	31	200	2	1.4000	50,000,000.00	50,312,500.00	206,111.11	312,500.00
			03/15/2017	93	AVAILABLE	34	1.4000	50,000,000.00	100.625000	SUNGARD	0.00
14935	FNMA	3136FT2F5	03/22/2012	31	200	2	1.4000	50,000,000.00	50,281,250.00	192,500.00	283,750.00
			03/22/2017	53	AVAILABLE	34	1.4010	49,997,500.00	100.562500	SUNGARD	0.00

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14938	FNMA	3136FT2H1	03/21/2012	31	200	2	1.4500	50,000,000.00	50,109,375.00	201,388.89	111,875.00
			03/21/2017	81	AVAILABL	34	1.4510	49,997,500.00	100,218750	SUNGARD	0.00
14950	FNMA	3136FT3A5	03/21/2012	31	200	2	1.4000	35,000,000.00	35,065,625.00	136,111.11	74,375.00
			03/21/2017	53	AVAILABL	34	1.4052	34,991,250.00	100,187500	SUNGARD	0.00
14954	FNMA	3136FT3A5	03/21/2012	31	200	2	1.4000	25,000,000.00	25,046,875.00	97,222.22	48,125.00
			03/21/2017	53	AVAILABL	34	1.4010	24,998,750.00	100,187500	SUNGARD	0.00
14958	FNMA	3136FT2R9	03/14/2012	31	200	2	1.3500	15,000,000.00	15,023,437.50	60,187.50	27,937.50
			03/14/2017	78	AVAILABL	34	1.3562	14,995,500.00	100,156250	SUNGARD	0.00
14963	FNMA	3136FT3Y3	03/28/2012	31	200	2	1.3500	18,500,000.00	18,540,468.75	64,518.75	40,468.75
			03/28/2017	53	AVAILABL	34	1.3500	18,500,000.00	100,218750	SUNGARD	0.00
14976	FNMA	3136FT6M6	04/12/2012	31	200	2	1.4500	50,000,000.00	50,109,375.00	159,097.22	111,875.00
			04/12/2017	53	AVAILABL	34	1.4510	49,997,500.00	100,218750	SUNGARD	0.00
14977	FNMA	3136FT6K0	04/12/2012	31	200	2	1.4500	50,000,000.00	50,140,625.00	159,097.22	145,625.00
			04/12/2017	71	AVAILABL	34	1.4521	49,995,000.00	100,281250	SUNGARD	0.00
14995	FNMA	3136G0AF8	04/17/2012	31	200	2	1.6500	50,000,000.00	50,187,500.00	169,583.33	187,500.00
			04/17/2017	58	AVAILABL	34	1.6500	50,000,000.00	100,375000	SUNGARD	0.00
15004	FNMA	3136G0AC5	04/17/2012	31	200	2	1.5500	15,450,000.00	15,503,109.38	49,225.42	65,469.38
			04/17/2017	68	AVAILABL	34	1.5667	15,437,640.00	100,343750	SUNGARD	0.00
15088	FNMA	3136G0HX2	06/06/2012	31	200	2	1.0000	25,000,000.00	25,078,125.00	17,361.11	78,125.00
			06/06/2017	58	AVAILABL	34	1.0000	25,000,000.00	100,312500	SUNGARD	0.00
15124	FNMA	3136G0MM0	06/05/2012	31	200	2	1.2200	22,740,000.00	22,782,637.50	23,889.64	46,048.50
			05/30/2017	92	AVAILABL	34	1.2231	22,736,589.00	100,187500	SUNGARD	0.00
Inv Type	34 FNMA 30/360	Count 39					1.4339	1,603,965,000.00	1,611,919,926.58	6,809,339.32	8,218,220.08
							1.4373	1,603,701,706.50	100,495954		0.00
7604	FFCB - WQFA	31331SGL1	09/29/2004	31	200	74	4.4500	1,000,000.00	1,000,000.00	18,541.67	0.00
			02/01/2014	50	AVAILABL	36	4.4500	1,000,000.00	100,000000	BOOK	0.00
8019	FFCB - WQFA	31331STW3	04/08/2005	31	200	74	4.9400	2,000,000.00	2,000,000.00	41,166.67	0.00
			02/01/2015	50	AVAILABL	36	4.9400	2,000,000.00	100,000000	BOOK	0.00
8716	FFCB - WQFA	31331VRP3	02/21/2006	31	200	74	5.1710	1,000,000.00	1,000,000.00	21,545.83	0.00
			02/01/2016	50	AVAILABL	36	5.1710	1,000,000.00	100,000000	BOOK	0.00
9403	FFCB - WQFA	31331XCV2	11/01/2006	31	200	74	5.1880	3,000,000.00	3,000,000.00	64,850.00	0.00
			02/01/2016	50	AVAILABL	36	5.1880	3,000,000.00	100,000000	BOOK	0.00
11344	FFCB - WQFA	31331GBA6	09/09/2008	31	200	74	4.7820	3,500,000.00	3,500,000.00	69,737.50	0.00
			02/01/2018	50	AVAILABL	36	4.7820	3,500,000.00	100,000000	BOOK	0.00
14405	FFCB	31331KRN2	07/18/2011	31	200	2	2.0900	20,370,000.00	20,389,096.88	192,762.44	29,281.88
			07/18/2016	53	AVAILABL	36	2.1006	20,359,815.00	100,093750	SUNGARD	0.00

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15104	FFCB	3133EAGN1	06/04/2012	31	200	2	1.1400	49,290,000.00	49,336,209.38	71,799.10	125,073.38
			05/15/2017	71	AVAILABL	36	1.1734	49,211,136.00	100.093750	SUNGARD	0.00
	Inv Type 36 FFCB 30/360	Count 7					1.8783	80,160,000.00	80,225,306.26	480,403.21	154,355.26
							1.9022	80,070,951.00	100.081470		0.00
14550	FHLMC	3134G2P30	09/28/2011	31	200	2	1.0500	50,000,000.00	50,062,500.00	135,625.00	62,500.00
			09/28/2015	80	AVAILABL	37	1.0500	50,000,000.00	100.125000	SUNGARD	0.00
14721	FHLMC	3134G3CR9	12/21/2011	31	200	2	1.7000	50,000,000.00	50,234,375.00	23,611.11	239,375.00
			12/21/2016	71	AVAILABL	37	1.7021	49,995,000.00	100.468750	SUNGARD	0.00
14806	FHLMC	3134G3GN4	01/18/2012	31	200	2	1.5000	21,000,000.00	21,098,437.50	142,625.00	100,537.50
			01/18/2017	53	AVAILABL	37	1.5021	20,997,900.00	100.468750	SUNGARD	0.00
14807	FHLMC	3134G3HB9	01/25/2012	31	200	2	1.5500	50,000,000.00	50,281,250.00	335,833.33	291,250.00
			01/25/2017	81	AVAILABL	37	1.5542	49,990,000.00	100.562500	SUNGARD	0.00
14831	FHLMC	3134G3GN4	01/18/2012	31	200	2	1.5000	56,000,000.00	56,262,500.00	380,333.33	279,300.00
			01/18/2017	92	AVAILABL	37	1.5063	55,983,200.00	100.468750	SUNGARD	0.00
14832	FHLMC	3134G3GN4	01/18/2012	31	200	2	1.5000	10,710,000.00	10,760,203.13	72,738.75	51,274.13
			01/18/2017	9	AVAILABL	37	1.5021	10,708,929.00	100.468750	SUNGARD	0.00
14879	FHLMC	3134G3NN6	02/27/2012	31	200	2	1.0000	12,550,000.00	12,589,218.75	43,227.78	42,356.25
			02/27/2017	71	AVAILABL	37	1.0051	12,546,862.50	100.312500	SUNGARD	0.00
14880	FHLMC	3134G3NT3	02/27/2012	31	200	2	1.0000	50,000,000.00	50,437,500.00	172,222.22	450,000.00
			02/27/2017	71	AVAILABL	37	1.0051	49,987,500.00	100.875000	SUNGARD	0.00
14924	FHLMC	3134G3NT3	02/27/2012	31	200	2	1.0000	18,700,000.00	18,863,625.00	64,411.11	257,125.00
			02/27/2017	71	AVAILABL	37	1.1031	18,606,500.00	100.875000	SUNGARD	0.00
	Inv Type 37 FHLMC CPN BDS 30/360	Count 9					1.3413	318,960,000.00	320,589,609.38	1,370,627.63	1,773,717.88
							1.3507	318,815,891.50	100.510913		0.00
11756	FAMCA	31315PCX5	01/22/2009	31	200	2	3.0000	100,000,000.00	103,343,750.00	1,325,000.00	3,343,750.00
			01/22/2014	69	AVAILABL	39	3.0000	100,000,000.00	103.343750	SUNGARD	0.00
12352	FAMCA	31315PKR9	08/04/2009	31	200	2	3.0500	12,000,000.00	12,663,750.00	149,450.00	666,750.00
			08/04/2014	53	AVAILABL	39	3.0554	11,997,000.00	105.531250	SUNGARD	0.00
12881	FAMCA	31315PFS3	01/26/2010	31	200	2	3.0100	15,000,000.00	15,965,625.00	194,395.83	969,375.00
			01/26/2015	53	AVAILABL	39	3.0154	14,996,250.00	106.437500	SUNGARD	0.00
13631	FAMCA	31315PGT0	09/15/2010	31	200	2	2.1250	45,000,000.00	46,743,750.00	281,562.50	1,828,800.00
			09/15/2015	42	AVAILABL	39	2.1651	44,914,950.00	103.875000	SUNGARD	0.00
14493	FAMCA	31315PQ88	09/01/2011	31	200	2	1.5000	22,000,000.00	22,453,750.00	110,000.00	464,750.00
			09/01/2016	53	AVAILABL	39	1.5104	21,989,000.00	102.062500	SUNGARD	0.00
14544	FAMCA	31315PRV3	09/21/2011	31	200	2	1.4000	10,000,000.00	10,106,250.00	38,888.89	108,750.00
			09/21/2016	53	AVAILABL	39	1.4052	9,997,500.00	101.062500	SUNGARD	0.00

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14617	FAMCA	31315PSV2	10/12/2011	31	200	2	1.7000	15,000,000.00	15,056,250.00	55,958.33	60,000.00
			10/12/2016	53	AVAILABL	39	1.7052	14,996,250.00	100.375000	SUNGARD	0.00
							2.5108	219,000,000.00	226,333,125.00	2,155,255.55	7,442,175.00
							2.5216	218,890,950.00	103.348459		0.00
14733	AGENCY DISCOUNT NOTES	31315KA42	12/01/2011	31	200	2	0.1119	22,498,000.00	22,498,000.00	14,642.45	2,131.06
			08/01/2012	80	AVAILABL	50	0.1101	22,481,228.49	100.000000	SUNGARD	0.00
14735	AGENCY DISCOUNT NOTES	31315KA42	12/01/2011	31	200	2010	0.1119	2,502,000.00	2,502,000.00	1,628.39	236.99
			08/01/2012	80	AVAILABL	50	0.1101	2,500,134.62	100.000000	SUNGARD	0.00
							0.1119	25,000,000.00	25,000,000.00	16,270.84	2,368.05
							0.1101	24,981,361.11	100.000000		0.00
15134	REPO QZAB Bond 2004 3rd		06/07/2012	31	200	2049	0.2600	728,980.00	728,980.00	126.36	0.00
			07/10/2012	53	AVAILABL	60	0.2600	728,980.00	100.000000	BOOK	0.00
15135	REPO QZAB BOND 2006 3RD		06/07/2012	31	200	2059	0.2600	397,243.00	397,243.00	68.86	0.00
			07/10/2012	53	AVAILABL	60	0.2600	397,243.00	100.000000	BOOK	0.00
15136	REPO QZAB BOND 2007 3RD		06/07/2012	31	200	2064	0.2600	425,588.00	425,588.00	73.77	0.00
			07/10/2012	53	AVAILABL	60	0.2600	425,588.00	100.000000	BOOK	0.00
15137	REPO QZAB BOND 2009 4TH		06/07/2012	31	200	2084	0.2600	750,906.00	750,906.00	130.16	0.00
			07/10/2012	53	AVAILABL	60	0.2600	750,906.00	100.000000	BOOK	0.00
15138	REPO QZAB 2010 BOND		06/07/2012	31	200	2089	0.2600	1,133,783.00	1,133,783.00	196.52	0.00
			07/10/2012	53	AVAILABL	60	0.2600	1,133,783.00	100.000000	BOOK	0.00
15139	REPO QSCB BOND 2009		06/07/2012	31	200	2081	0.2600	3,990,445.00	3,990,445.00	691.68	0.00
			07/10/2012	53	AVAILABL	60	0.2600	3,990,445.00	100.000000	BOOK	0.00
15140	REPO QSCB BOND 2010 2ND SERIES		06/07/2012	31	200	2085	0.2600	7,889,431.00	7,889,431.00	1,367.50	0.00
			07/10/2012	53	AVAILABL	60	0.2600	7,889,431.00	100.000000	BOOK	0.00
15141	REPO QZAB BOND 2011-C 3RD		06/07/2012	31	200	2093	0.2600	14,769,178.00	14,769,178.00	2,559.99	0.00
			07/10/2012	53	AVAILABL	60	0.2600	14,769,178.00	100.000000	BOOK	0.00
15142	REPO 2012 1ST B SERIES BOND		06/07/2012	31	200	2095	0.2600	209,652,699.00	209,652,699.00	36,339.80	0.00
			07/10/2012	53	AVAILABL	60	0.2600	209,652,699.00	100.000000	BOOK	0.00
15147	REPO		06/08/2012	31	200	2	0.2700	150,000,000.00	150,000,000.00	25,875.00	0.00
			07/06/2012	65	AVAILABL	60	0.2700	150,000,000.00	100.000000	BOOK	0.00
15150	REPO		06/12/2012	31	200	2	0.2700	100,000,000.00	100,000,000.00	14,250.00	0.00
			07/03/2012	53	AVAILABL	60	0.2700	100,000,000.00	100.000000	BOOK	0.00
15154	REPO		06/14/2012	31	200	2	0.3000	150,000,000.00	150,000,000.00	21,250.00	0.00
			07/13/2012	53	AVAILABL	60	0.3000	150,000,000.00	100.000000	BOOK	0.00
15160	REPO III		06/15/2012	31	200	2	0.3100	200,000,000.00	200,000,000.00	27,555.56	0.00
			07/02/2012	65	AVAILABL	60	0.3100	200,000,000.00	100.000000	BOOK	0.00

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15170	REPO		06/22/2012	31	200	2	0.3300	300,000,000.00	300,000,000.00	24,750.00	0.00
			07/13/2012	65	AVAILABLE	60	0.3300	300,000,000.00	100,000,000.00	BOOK	0.00
15178	REPO		06/28/2012	31	200	2	0.2500	200,000,000.00	200,000,000.00	4,166.67	0.00
			07/18/2012	91	AVAILABLE	60	0.2500	200,000,000.00	100,000,000.00	BOOK	0.00
15180	REPO		06/28/2012	31	200	2	0.2600	200,000,000.00	200,000,000.00	4,333.33	0.00
			07/20/2012	62	AVAILABLE	60	0.2600	200,000,000.00	100,000,000.00	BOOK	0.00
15181	OVERNIGHT		06/29/2012	31	200	2	0.3000	173,281,000.00	173,281,000.00	2,888.02	0.00
			07/02/2012	2	AVAILABLE	60	0.3000	173,281,000.00	100,000,000.00	BOOK	0.00
15182	REPO		06/29/2012	31	200	2	0.2700	150,000,000.00	150,000,000.00	2,250.00	0.00
			07/25/2012	53	AVAILABLE	60	0.2700	150,000,000.00	100,000,000.00	BOOK	0.00
15183	REPO		06/29/2012	31	200	2	0.3800	600,000,000.00	600,000,000.00	12,666.67	0.00
			07/02/2012	2	AVAILABLE	60	0.3800	600,000,000.00	100,000,000.00	BOOK	0.00
Inv Type 60 REPO OPEN ACT-360							0.3079	2,463,019,253.00	2,463,019,253.00	181,539.89	0.00
							0.3079	2,463,019,253.00	100,000,000.00		0.00
12258	LD-00401		06/10/2009	31	200	69	0.2500	498,385.43	498,385.43	2.37	0.00
			06/10/2019	77	AVAILABLE	75	0.2500	498,385.43	100,000,000.00	BOOK	0.00
12259	LD-00402		06/10/2009	31	200	69	0.2500	286,229.21	286,229.21	1.96	0.00
			06/10/2019	77	AVAILABLE	75	0.2500	286,229.21	100,000,000.00	BOOK	0.00
12260	LD-00403		06/10/2009	31	200	69	0.2500	112,571.84	112,571.84	0.00	0.00
			06/10/2019	77	AVAILABLE	75	0.2500	112,571.84	100,000,000.00	BOOK	0.00
12866	LD-00791		01/05/2010	31	200	69	0.6500	22,061.93	22,061.93	-41.77	0.00
			01/05/2015	77	AVAILABLE	75	0.6500	22,061.93	100,000,000.00	BOOK	0.00
12867	LD-00521		12/07/2009	31	200	69	0.3100	557,201.62	557,201.62	3.30	0.00
			12/07/2019	77	AVAILABLE	75	0.3100	557,201.62	100,000,000.00	BOOK	0.00
13122	LD-00821		02/19/2010	31	200	69	0.4800	916,831.23	916,831.23	6.99	0.00
			02/19/2020	77	AVAILABLE	75	0.4800	916,831.23	100,000,000.00	BOOK	0.00
13123	LD-00792		02/26/2010	31	200	69	0.3000	212,642.38	212,642.38	-106.14	0.00
			02/26/2020	77	AVAILABLE	75	0.3000	212,642.38	100,000,000.00	BOOK	0.00
13471	LD-00741		07/29/2010	31	200	69	0.5100	119,595.61	119,595.61	-53.73	0.00
			07/13/2015	77	AVAILABLE	75	0.5100	119,595.61	100,000,000.00	BOOK	0.00
13912	LD-0122-1		12/06/2010	31	200	69	0.2500	115,650.68	115,650.68	-74.89	0.00
			09/17/2020	77	AVAILABLE	75	0.2500	115,650.68	100,000,000.00	BOOK	0.00
14478	LD 14901		08/15/2011	31	200	69	0.2500	909,864.12	909,864.12	-383.75	0.00
			05/23/2021	77	AVAILABLE	75	0.2500	909,864.12	100,000,000.00	BOOK	0.00
14480	LD 15201		08/15/2011	31	200	69	0.2500	48,628.03	48,628.03	-24.06	0.00
			05/25/2014	77	AVAILABLE	75	0.2500	48,628.03	100,000,000.00	BOOK	0.00

continued

Run Date: 07/10/2012 1:55:57PM
 Investment Outstanding as of 06/30/2012

Investment Inventory with Market Value

Inv. No.	Description	CUSIP	Purchase Maturity	Bank Brok	Safe Purp	Fund Iccode	Coupon YTM TR	Sched. Par/Shares Scheduled Book	Market Value Market Price	Curr Accr Int Price Source	Unrealized Gain Unrealized Loss
14864	LD-0162		01/26/2012	31	200	69	0.2500	132,764.18	132,764.18	-29.01	0.00
			01/26/2017	77	AVAILABL	75	0.2500	132,764.18	100.000000	BOOK	0.00
14999	LD-00163		03/23/2012	31	200	69	0.2500	46,612.26	46,612.26	0.00	0.00
			01/27/2017	77	AVAILABL	75	0.2500	46,612.26	100.000000	BOOK	0.00
		Inv Type 75 NEG GD COMP ACT/365-6	Count 13				0.3241	3,979,038.52	3,979,038.52	-698.73	0.00
							0.3241	3,979,038.52	100.000000		0.00
11456	LGIP		06/30/2008	3	100	2	0.1415	221,447,948.83	221,447,948.83	1,847.07	0.00
			07/01/2012	25	AVAILABL	98	0.1415	221,447,948.83	100.000000	BOOK	0.00
11457	Balt C BP 2004 Debt		06/30/2008	31	100	11	0.0098	22.48	22.48	134.46	0.00
			07/01/2012	23	AVAILABL	98	0.0098	22.48	100.000000	BOOK	0.00
11458	Balt C BP 2004 Reserve		06/30/2008	31	100	11	0.0131	2,752,013.65	2,752,013.65	697.19	0.00
			07/01/2012	23	AVAILABL	98	0.0131	2,752,013.65	100.000000	BOOK	0.00
11461	CTRB 2007 Reserve		06/30/2008	31	100	11	0.0032	148.52	148.52	-5.72	0.00
			07/01/2012	23	AVAILABL	98	0.0032	148.52	100.000000	BOOK	0.00
11462	CTRB 2007 Debt Service		06/30/2008	31	100	11	0.0131	2,774,754.98	2,774,754.98	-7.02	0.00
			07/01/2012	23	AVAILABL	98	0.0131	2,774,754.98	100.000000	BOOK	0.00
12197	CTRB 2009 Proceeds		06/05/2009	31	200	11	0.0117	6,498,474.64	6,498,474.64	-306.76	0.00
			07/01/2012	23	AVAILABL	98	0.0117	6,498,474.64	100.000000	BOOK	0.00
12228	CTRB 2009 Debt Serv		06/19/2009	31	200	8	0.0100	252.49	252.49	0.00	0.00
			07/01/2012	23	AVAILABL	98	0.0100	252.49	100.000000	BOOK	0.00
12229	CTRB 2009 Reserve		06/19/2009	31	200	8	0.0131	4,184,175.84	4,184,175.84	-3.24	0.00
			07/01/2012	23	AVAILABL	98	0.0131	4,184,175.84	100.000000	BOOK	0.00
		Inv Type 98 MONEY MARKET FUNDS	Count 8				0.1327	237,657,791.43	237,657,791.43	2,355.98	0.00
							0.1327	237,657,791.43	100.000000		0.00
	Grand Total	Count 110						5,062,936,082.95	5,080,253,577.17	11,167,032.89	18,117,137.88
								5,062,276,418.45	100.342044		-156,250.00

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