



United States Department of the Interior

OFFICE OF THE SPECIAL TRUSTEE FOR AMERICAN INDIANS

Washington, D.C. 20240

September 26, 2008

Dear Tribal Leader:

The Advisory Board to the Special Trustee was established by statute with the American Indian Trust Fund Management Reform Act. The members of the Advisory Board have helped guide the progress of this unique trust.

Chickasaw Nation Governor Bill Anoatubby has been a valued member of the Advisory Board for five years. His workload precludes him from continuing in this position. I extend my thanks to him for his input on issues that have been critical to improving the Indian trust. His thoughtful participation in meetings and his leadership have been greatly appreciated. Thank you, Governor Anoatubby.

I asked Ron His Horse Is Thunder, Chairman of the Standing Rock Sioux Tribe, to fill the vacancy on the Advisory Board and he has accepted. Chairman His Horse Is Thunder will attend his first Advisory Board meeting when we convene in January 2009. I look forward to the opportunity to work with the Chairman as the latest member of the Board.

As the members of the Advisory Board know, a fiduciary responsibility of a trustee is to invest prudently. There have been, and continue to be, significant concerns about our national financial markets and their potential impact on investments of Indian trust funds.

On Sunday, September 7, 2008 the U.S. Government took control of Fannie Mae (Fannie) and Freddie Mac (Freddie), which together insure more than half of all U.S. mortgages. Their government regulator, the Federal Housing Finance Agency (FHFA), placed both companies in "conservatorship," giving management control of both companies to the FHFA.

One of the reasons the government stepped in was a concern about the financial health of Fannie and Freddie and an adverse impact on the availability of mortgages. The companies are such a critical part of the mortgage market that it was important for the government to assure their continued ability to support the housing market.

Fannie and Freddie are "Government Sponsored Enterprises" (GSE's). Because they are chartered by the U.S. Government, their financial backing by the government is *implied*, but not guaranteed as Treasury securities are. By taking control of Fannie and Freddie, the government strengthened its implied financial backing of the two companies, and reduced concerns that the companies might fail.

The implied financial backing of the U.S. Government allows OST to invest trust funds in Fannie and Freddie fixed income securities (bonds), which offer higher income than comparable Treasury securities with almost the same safety of principal. As the result of the government take-over, the fixed income securities (bonds) of the two companies, in

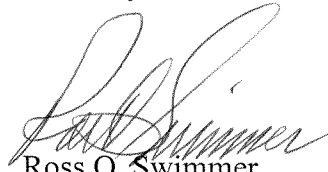
which OST invests, rose in price because of increased confidence in the government's demonstrated willingness to back them. However, the value of the common stock of Fannie and Freddie—in which OST does not invest—declined significantly.

Fannie and Freddie will continue to insure mortgages and issue fixed-income debt securities. The difference is that the U.S. Treasury has promised to provide funding to both companies as needed, and their operations will be more closely controlled and regulated. Longer-term, the government will review options for restructuring the two companies to better serve the mortgage markets.

OST will continue to seek investment opportunities in securities that provide safety of principal and prudent returns for our trust accounts. Chuck Evans, Chief of OST's Division of Trust Funds Investments, is the person to contact if you would like more information. Chuck can be reached at 1-505-816-1100.

As always, there are many issues in Indian Country that demand attention. Trust reform is one of those. Employees with OST recognize the importance of the work they are doing and how their efforts will benefit current and future generations. I welcome your calls to me at 1-202-208-4866 to address any issues that affect the Indian trust.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ross O. Swimmer".

Ross O. Swimmer
Special Trustee for American Indians