

October 1, 2008

Dear *New MexiGROW* LGIP Participant;

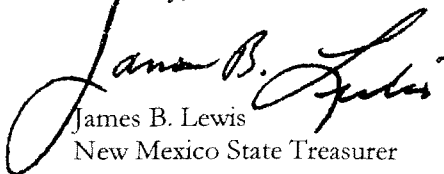
Recent market events have caused significant concern for public-funds investors. Events such as the conservatorship of Fannie Mae and Freddie Mac; the failures of IndyMac and Washington Mutual banks; the last-minute buyouts of Merrill Lynch and Wachovia Bank; the Lehman Brothers bankruptcy; and the multitude of billion-dollar 'Band-Aids' extended by the Federal Reserve Board, the FDIC and the U.S. Treasury have proven the fragility of a market still reeling in the aftermath of the sub-prime mortgage crisis. As State Treasurer, I am duly concerned about the impact these financial market events may have on New Mexico and its economy, local communities, and citizens. As my staff and I learned this month, even AAA rated liquidity investments such as money market funds, which were previously considered safe, are vulnerable to market risks and even more so to sudden investor reaction. Because the *New MexiGROW* LGIP is a money market fund that we manage for you, I want to give you an update on the status of the fund.

The *New MexiGROW* LGIP continues to be rated 'AAAm' by Standard & Poor's. In order to maintain the rating and prove compliance to the rating criteria, the Treasurer's Office submits detailed weekly portfolio inventory reports to S&P. The *New MexiGROW* LGIP is assigned a 'principal stability fund rating', which signifies that the pool seeks to provide a stable net asset value (NAV) of \$1.00 per share and that investment management guidelines are consistent with that objective. The 'AAAm' rating further signifies an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. Safety of capital is the primary objective of all Treasurer's Office investments. Investment management is mandated by the State Treasurer's Investment Policy and by state statutes, specifically NMSA 1978, Section 6-10-10. The New Mexico State Board of Finance also provides oversight for the pool portfolio as well as all other funds under the management of the Treasurer's Office.

During the week of September 15, 2008, the majority of AAA rated Prime institutional money market fund and U.S. Agency discount note holdings were liquidated from the LGIP portfolio. The purpose of this action was to provide liquidity in the event that market conditions might cause participants to withdraw funds. The cash proceeds have been placed in an interest-bearing bank account and in government-security money market funds, which earn lower yields but are safer, fully-collateralized or full-faith-and-credit investments.

You may notice that the yield on your account statement for September is lower than previous months; this is reflective of the liquidation and subsequent investment in safer securities. Current portfolio holdings include approximately \$747 million (53%) in an interest-bearing bank account which is 100% collateralized; \$405 million (29%) in AAA rated institutional U.S. Government security money market funds; \$160 million (11%) in U.S. Agency discount notes and bonds; and \$100 million (7%) in A-1/P1/F1 rated commercial paper. The weighted average maturity (WAM) of the portfolio is 19 days and the current net yield of the pool is approximately 2.0%. Risks that should be considered with investment in the *New MexiGROW* LGIP include *market risk, liquidity risk and credit, or financial, risk*. Please contact the Treasurer's Office with any questions.

Sincerely,



James B. Lewis  
New Mexico State Treasurer



Joelle Mevi  
Chief Investment Officer



2019 Galisteo Street, Building K  
PO Box 608  
Santa Fe NM 87504-0608  
www.stonm.org (505) 955-1125