

**FOR IMMEDIATE RELEASE**

## **ALASKA TRUST COMPANY PRESIDENT SAYS UNBIASED PRIVATE INVESTMENT COMPANIES PROVIDE BETTER OPTIONS**

**Anchorage, Alaska (Sept 19, 2008)** –As long as the large, publicly traded investment companies are focused on earnings per share and how to elevate their stock prices, their investors' money will always be less secure, according to [Alaska Trust Company](#) president Douglas Blattmachr, who has 30 years of experience in financial management.

“When the primary focus of senior management is quarterly earnings and they have to take risky investments to look good, then the customer's best interest will never be served,” said Blattmachr.

In the wake of yet another financial institution's demise, private investment companies such as Alaska Trust Company are seeing an influx of phone calls from worried investors.

“Frightened consumers are looking for other alternatives but they don't fully understand the advantages of investing their money with a private company,” explained Blattmachr. “We assure them that we have no proprietary products nor do we take unnecessary risks with their money to make shareholders happy. The bottom line is that if their investments don't succeed, we don't succeed.”

Blattmachr added that the advantages of a private firm also allow the management to have more of a long term focus. “We can focus on the future and spend money today to make sure that we are stronger tomorrow.”

As for the frightened investor, Blattmachr gives the following short term advice. Look at what you are invested in and how your assets are being invested. Then ask yourself if you can live with the potential loss that approach gives you.

In response to a tumultuous market, Alaska Trust Company put its money market accounts into Treasury only funds. “The bottom line is that the risk was too great out there for our customer's money,” said Blattmachr. “We are fortunate that this was a decision we could make because we don't have a proprietary product to worry about investing back into.”

As for long term goals, Blattmachr suggests that consumers don't worry about today. “Ask yourself if you think the market will be better in five to 10 years and talk to an institution that will look at your objectives, completely unbiased.”

Alaska Trust Company provides wealth management solutions for more than 1,000 clients who have entrusted the company with more than \$4 billion in assets. The state of Alaska's unique trust laws allow the company to provide better asset preservation and estate planning solutions to its customers, in addition to no state income tax on investment income and trusts in perpetuity and much more. For more about the many unrivaled benefits of Alaska Trust Company, go to [www.alaskatrust.com](http://www.alaskatrust.com).

### **About Alaska Trust Company**

The Alaska Trust Company was created to leverage the pioneering laws of the progressive state of Alaska. With the goal of making Alaska the best jurisdiction for establishing and administering trusts, brothers and nationally recognized financial experts Jonathan and Douglas Blattmachr conceived and drafted the Alaska Trust Act, which passed the state legislature in 1997. Today, the hands-on involvement of these same experts allows the company to provide unrivaled wealth management and innovative trust series. For more information about Alaska Trust Company, visit [www.alaskatrust.com](http://www.alaskatrust.com).

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# MONEY & INVESTING

## Demand for Short-Term Treasury Debt Puts a Crimp in World-Wide Supply

BY LIZ RAPPAPORT

**A**S WASHINGTON wrangled over the proposed bailout of the financial system, investors around the world grew increasingly nervous and stormed into the safest investment around—short-term obligations of the U.S.

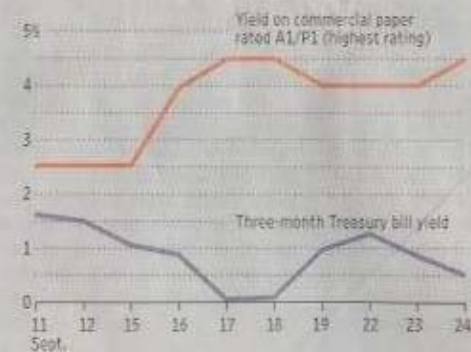
The yield on the three-month Treasury bill fell Wednesday to

**CREDIT MARKETS** 0.5%. High demand for the T-bills pumped up their prices, which pulled down yields substantially. This rush into Treasuries comes despite action by central banks world-wide to improve the flow of money and is making impossible for many companies and individuals to borrow money. If the situation doesn't improve soon, it could worsen and prolong the economic slowdown.

There is so much demand for U.S. Treasury debt that participants in the Treasury repurchase, or repo, market—where investors borrow money overnight in exchange for Treasury bonds that they often then lend out to a third party—are failing to deliver the bonds they had promised because

### Investors Surge Into Treasuries

Treasury yields fall and commercial-paper yields rise as investors look for safety

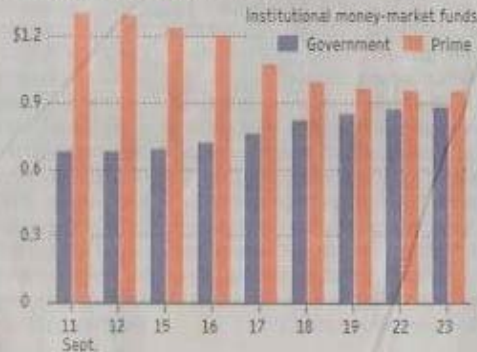


Note: Prime money funds invest largely in corporate commercial paper.

Sources: Thomson Reuters (bid yield on CP); Ryan ALM (T-bill yield); Money Fund Analyzer, a service of iMoneyNet

Big money-market fund investors are fleeing from commercial to government paper

Money-market assets, in trillions



they can't obtain them. The penalty for not delivering isn't particularly high because the interest rates they are paying in the repo market are very low, under 1%.

Also contributing to a shortage of Treasury supply are foreign central banks. Describing short-term money markets as "gridlock," a person familiar with the matter said some foreign central-bank of-

ficials have been perplexed by events in the U.S. and are therefore reluctant to lend out their safest collateral—U.S. Treasuries.

The rush into safe securities was quite a turnaround from last Friday, when the yield climbed back to 1% from 0% midweek last week after U.S. policy makers announced their plan to buy back illiquid securities from banks and

other financial institutions.

Meanwhile, the yield on the one-month T-bill hit 0.01% early Wednesday morning, and ended the day at 0.2%. The situation also is roiling money-market funds. Some that invest only in government debt, including funds run by **BlackRock Inc.**, **Wachovia Corp.**'s Evergreen In-

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# Investors Rush Into Short-Term Treasurys Market

Continued from the prior page  
 vestments and Wells Fargo & Co., have closed their doors to new investors or limited inflows because they're flooded with so much cash they can't find enough Treasury bonds to buy. Many say they would be diluting the value of their shareholders too drastically to accept more cash. The spread between yields on asset-backed commercial paper—used to fund credit-card operations and auto lending, among other types of consumer loans—and Treasurys also widened.

The resurgence of credit-market angst came as some lawmakers attempt to restrict efforts by U.S. Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke to obtain approval of their plan to spend at least \$700 billion to purchase hard-to-value assets from financial institutions, a move the policy makers say will help the nation sidestep a crippling recession.

"Stabilization of our financial system is an essential precondition for economic recovery," said Mr. Bernanke in a congressional hearing. Mr. Paulson told lawmakers that the entire plan needs to be approved to restore confidence in the markets.

Investors aren't sure that Congress will pass the plan, nor are they convinced that if it does go through, banks' selling of illiquid assets at low prices wouldn't hurt them even more, forcing them to take losses and curtailing companies' access to funds. Any more limited access to capital would only deepen what many corporate executives now believe will be a

prolonged economic downturn. "It is always the cash flow that causes recessions. It is always that that drives companies out of business," Coca-Cola Co. Chairman Nevill Isdell said Wednesday.

"It's not just the known unknowns," disrupting the market, said Lou Crandall, chief economist at Wrightson ICAP. "It's the unknown unknowns, of which there seem to be a lot."

Other indicators of stress are visible in the short-term money markets, where companies seek a little yield on their cash between payroll cycles or banks capture a bit of interest on their loans to other banks. Yields on some of these short-term interest rates have remained elevated despite central banks' persistent injections of liquidity.

European banks in particular have found it difficult to get access to dollars overnight from U.S. banks reluctant to part with the cash, according to a person familiar with the matter. Last week from Monday through Friday, banks held on average \$90 billion of capital in excess of their legal requirements, estimates Mr. Crandall. In normal times, banks may hold excess reserves of \$2 billion, he says. Likewise, many money-market funds have limited their investments to only overnight debt.

Three-month Libor, or the London interbank offered rate, which reflects what banks charge to lend to each other for three months, crept back up to 3.5% by Wednesday morning, from 2.8% a couple of weeks ago as banks remain concerned about the financial health of their trading partners. The difference between the rate banks

borrow from each other and the rate the U.S. government pays to borrow money has gone beyond three percentage points—an unprecedented high. That spread is 0.7 percentage point in normal times, said Michael Darda, chief economist at MKM Partners.

Investors are once again becoming worried about the solvency of the nation's financial institutions. The price to insure against default on Morgan Stanley's debt soared back to over \$700,000 annually for five years of protection. That had fallen to \$375,000 Monday after the firm announced it would become a Federal Reserve-regulated bank, according to Phoenix Partners Group.

Meanwhile, investors favored money-market funds dedicated to risk-free government debt at the expense of those focusing on higher-yielding corporate debt. Anchorage, Alaska-based private wealth-management firm Alaska Trust Co. decided in recent weeks to put more than \$100 million of its assets into money funds that invest only in Treasury bonds, because the risks of exposure to corporate debt seemed too high, said Douglas Blattmachr, president and chief executive of the firm.

"Most people would rather have a lower yield than lose their money," says Mr. Blattmachr.

He's not alone. After the once-\$62 billion Reserve Primary Fund last week broke the buck, or let the value of each share fall below \$1, based on its investment in Lehman Brothers' commercial paper, investors shoveled as much as \$60 billion daily out of similar funds into funds that buy only Treas-

ury securities, according to researcher iMoneyNet Inc. On Tuesday alone, investors withdrew \$9.1 billion from prime funds and put \$24 billion into government money funds.

Evergreen Investments closed its \$1.6 billion Evergreen Institutional 100% Treasury Money Market fund to all new purchases on Friday.

—Diya Gullapalli and Jon Hilsenrath contributed to this article.

## Treasury to Sell Bills

WASHINGTON—The Treasury says it plans to sell about \$40 billion in 34-day cash-management bills Thursday.

The offering will mature Oct. 30, 2008.

The Cusip number for the bills is 912795H46. Noncompetitive tenders for the bills, available in minimum \$100 denominations, must be received by 11 a.m. EDT Thursday, and competitive tenders by 11:30 a.m.

## AUCTION RESULTS

Here are the results of Wednesday's Treasury auctions. All bills are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

SEVEN-DAY CASH-MANAGEMENT BILLS	
Applications	\$101,783,222,000
Accepted bids	\$40,000,145,400
Accepted noncompetitively	\$72,222,000
Foreign noncompetitively	\$0
Auction price (rate)	99.99928 (0.00071)
Coupon equivalent	0.051%
Bids at market-clearing yield accepted	82.27%
Cusip number	912795G88

The bills are dated Sept. 25, 2008, and mature Oct. 7, 2008.

TWO-YEAR NOTES	
Applications	\$75,242,957,300
Accepted bids	\$34,000,073,300
Accepted noncompetitively	\$45,328,300
Foreign noncompetitively	\$25,000,000
Auction price (rate)	99.77564 (2.1151%)
Coupon equivalent	2.000%
Bids at market-clearing yield accepted	15.68%
Cusip number	912820A5

The bills are dated Sept. 30, 2008, and mature Sept. 30, 2010.