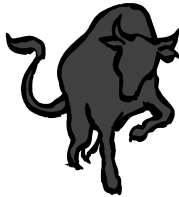


Index	Quarter Return	YTD Return
DJIA	-3.7	-18.2
S & P 500	-8.4	-20.7
NASDAQ	-9.2	-21.5
Russell 2000	-1.1	-11.3
MSCI EAFE	-20.6	-31.1
Lehman Bros. Aggregate Bond	-0.5	0.8
Consumer Price Index	0.0	4.2



Third Quarter Investment Commentary

Third quarter returns were poor for all investments, public and private. Even the blue chip Dow stocks fell 3.7%. Foreign stocks fell 20.6% and were particularly hard hit as investors realized, as we have been suggesting, that a U.S. recession would severely impact foreign economies as well, including China and India. There had been a prevailing theory that foreign economies were so strong in their own right that they were “decoupled” from the U.S. economy. Foreign economies also suffered from a stronger dollar that weakens returns to U.S. shareholders.

Fixed income declined with strength only in U.S. Treasuries which benefited greatly from the concern with investments and thus, a flight to quality on a worldwide basis. U.S. Treasuries, at one point, actually traded above their redemption price which means that investors were so concerned with losing money that they actually were willing to pay to hold Treasuries.

In actuality, there was no way to earn positive returns as real estate, private equities, and hedge funds all suffered dramatic declines.

Current Views

We have enclosed a copy of an email we sent out the week of October 14th that covers our thoughts regarding the economy and the investment environment. (By the way, it is important that you keep us updated on any changes in your email address as we will be using emails to communicate more frequently in the future.)

Things have been changing so rapidly it is hard to write a market commentary without it being outdated. Suffice it to say, the period we are going through is the most difficult since the 1930s, as we are dealing with a global credit crisis that is leading to a global recession. Financial institutions, hedge funds, and households are being forced to reduce debt (deleverage) at the

same time. This is not only resulting in forced sales of investment assets, but also reducing the amount of capital available to the credit markets. This credit freeze is more alarming than anything we've experienced in our lengthy investment careers. The credit (lending) markets have been dysfunctional for months, but the risks to the broader economy significantly increased in September as credit markets came close to a standstill, and this threatens to severely damage the economy. It appears that confidence is returning to the credit markets, but will likely come back only gradually. The second unknown, the shape and depth of the recession, is now being felt in the markets on a worldwide basis. While impossible to precisely predict, we believe the odds of a severe recession over the next year are high. We believe that investments today provide reasonable to excellent long-term value, as fears regarding the long-term prosperity of the nation's many sound companies are unfounded. Equities will almost certainly outperform cash from here over the next decade, probably by a substantial degree.

Our clients hold record levels (for us) of cash, treasuries and high quality bonds and have seen declines substantially lower than commonly accepted measures. We have been comfortable with this as we have chosen to give more, rather than less, downside protection in this most unusual environment. We know, however, that markets improve well before the economy turns up. This is impossible to time, so we will move back into the markets in steps as we gain confidence in our understanding of the credit and economic environment.

In the meantime, please feel free to call us. Times of stress provide a true measure not only of our investment acumen and discipline, but also of our client relationships.