

YOLLES-SAMRAH WEALTH MANAGEMENT, LLC

October 8, 2008

Re: Perspective on Challenging Times

Dear Valued Client:

Global financial markets have come under considerable stress since our 8/19/08 report with the S&P500 falling almost 22% from 1,274 to 996 (10/7/08). The deleveraging process has accelerated in recent weeks despite numerous Federal Reserve and U.S. Treasury initiatives to keep banks lending and investors buying. Numerous high profile failures have created F.E.A.R. (Fully Emotional Active Response) among investors globally which is feeding on itself as rational investment principles give way to sell at any price and hoard cash. While the technical details are more complicated, our basic conclusion is that rationality will return to bond and stock markets. Asset pricing has become very uncertain in recent days as likely outcomes based on fundamentals (fair value measures) and relative values between asset-class have given way to possible outcomes related to fear. In the below table 1 we summarize the current price and respective price trend of key asset classes relative to fair value. Note that three of the five classes are currently moving in the wrong direction.

We cannot predict when the panic will subside, and therefore recommend regular communication to discuss portfolio concerns and cash flow requirements. We will continue to reach out by phone and email to expedite this process while working to develop a more complete analysis of the likely economic environment facing investors. Please call us at any time. Emotions are running very high as sellers continue to win and buyers (investors) continue to lose. Flight is a very natural response and we acknowledge the unrelenting pressure to sell at any price to prevent further losses. We see little logic to engage in emotional selling at depressed prices.

History offers abundant evidence that markets and economies are resilient and a disciplined long-term approach is the best way to participate in economic growth. It's important to stick with a sound disciplined plan in both good and bad markets but difficult to have a long term perspective when prices are falling sharply. Many remember clearly the October 1987 market drop of 23% on a single day but 21 years later that drop barely registers on a long term stock chart.

It will take time for investor confidence to recover and likely even longer to understand the economic ramifications of unprecedented government intervention. Stressful periods like these reinforce the need to plan and maintain a diversified portfolio to defend against inflation or deflation. Investors will live to see another day if they avoid big bets and shifts in allocation in response to relative price change. For example, moving into a single asset class, even cash, is almost always a bad strategy especially if everyone else is making the same trade. Herd trades are great in the short-run but tend to underperform in time and often result in significant net worth destruction.

The challenge is to remain calm, well diversified and methodically focused on reaching your goals. We are confident that in time fear will subside and capital markets will once again compensate stock and bond investors appropriately for taking risk. Risk taking is about balance and balance will return as this painful process generates a sustainable equilibrium for home prices, stock prices, bond credit spreads and other risk assets relative to the income generating capabilities of our society.

We appreciate your continued confidence and are happy to speak with you at any time.

Sincerely,

Yolles-Samrah Wealth Management, LLC

Table 1: Analysis of Fair Value and Relative Pricing			
Asset Class	Price Relative to Fair Value	Price Trend	Trade
Treasury Bond Yields	Low	Increasing	Sell
Corporate Bond Spreads	High	Declining	Buy
Stock Prices	Low	Declining	Buy
Commodity Prices	High	Declining	Sell
Residential Property Values	High	Declining	Neutral