

Paul T. Remack
Senior Managing Director
Registered Principal, FSC Securities Corporation

Harold K. Porter
Managing Director

2008 2ND QUARTER SUMMARY & COMMENTARY

In investing as in life, it is necessary to separate the truth from the facts. In the first six months of 2008, perception has proven to be more important than reality. Throughout the world there is the general perception that matters are getting out of hand. While as Americans we tend to think about our part of the world, our circumstances are mirrored in other economies. With energy and food prices escalating, with home values falling and money tight, and with employment prospects becoming problematic, it is not difficult to understand how American consumer confidence could have plunged in May to its lowest level in 28 years and to its fifth lowest reading ever. Interestingly, these attitudes are shared by citizens in Euroland and the Far East as well. With this negativity, it should be no surprise that the second quarter of 2008 followed on the heels of the first with losses in most indexes.

Index	Q2 Performance %	Year to Date	Description
Dow Jones Industrials	-7.44	-14.44	Large Cap Stocks
S&P 500 Index	-2.73	-11.91	Large Cap Stocks
NASDAQ Composite	0.61	-13.55	Large Cap Tech Stocks
Russell 1000 Growth	1.25	- 9.06	Large Cap Growth Stocks
Russell 1000 Value	-5.31	-13.57	Large Cap Value Stocks
Russell 2000	0.58	-9.37	Small Cap Growth Stocks
Russell 3000	-1.69	-11.05	Small Cap Value Stocks
MSCI EAFE	-1.93	-10.58	Europe/ Australasia/ Far East
MSCI Emerging Markets Equity	-0.80	-11.64	Emerging Markets
90-Day Treasury Bill	0.43	0.86	Short-Term Bonds
Lehman Aggregate	-1.02	1.13	US Government Bonds

After March investors hoped that the credit crunch had ended and that energy prices would stabilize, if not decrease. In both cases, these hopes were dashed. It is clear that the credit crunch continues to be a threat. There is little question that energy prices seem to not have reached their top. These circumstances have been impacted by rising food and commodity prices across the globe. What has begun to compound the issue further has been a growing disconnect between the policies of the Federal Reserve Board, which is willing to accept inflation to get the markets moving, and the European Central Bank, which has taken a hard-line approach towards inflation. Since this disconnect might result in an even weaker US dollar against foreign currencies, it could take even more time to lower the markets' anxiety.

This confluence of issues has led to the potential for a world-wide recession, despite the fact that at least according to most current data, the United States has not yet formally entered a recession. This circumstance leads us back to separating the truth from the facts. While the US economy grew in Q1, its growth was largely based on the strength of American companies deriving overseas profits. The domestic profit picture was much less buoyant. Now, with the prospect of international revenues and profits

decreasing as a result of less discretionary foreign income, the recession that we avoided might be around the corner. However, as opposed to a US-driven recession, it might become a world-wide recession.

What Do We Do with This Information?

For the past several years we have been encouraging clients to embrace more responsive, less traditional asset allocations. In the current market where investors own stocks and bonds, they are subject to market returns. To date, those market returns would have been decidedly negative. By contrast, we have been suggesting more fluid and dynamic portfolio allocations where managers could sell against the market, invest in soft and hard commodities, and generally take advantage of market opportunities.

When confronted by the current markets, we believe that investors should identify their appetite for risk (in this case, defined as the potential for loss). By having access to different asset classes and strategies, we think that there is an increased likelihood of avoiding some of the downside and thus positioning yourself better for market recovery.

Relative to the second half of the year, we think that there is still more immediate risk than reward. As a result, we encourage clients to confirm their tolerance for risk and to consult with us to make sure that individual portfolios meet their needs. While matters are worrisome, there will be an end to the declines. When that happens we want to be positioned to take advantage of market rebounds.

Our commitment and mission statement remains the same – **help successful families transfer their value and values over generations**. This can only occur when your investment policy and your investments coincide.

As always, please call us with any questions or comments. We stand ready to assist you in all your financial endeavors.

Best Wishes!

Index Descriptions

S&P 500 Index - A well-known gauge of U.S. large company stock market performance computed by Standard & Poor's Corporation. This stock index includes 400 leading industrial companies, 20 transportation companies, 40 utilities and 40 finance companies. The index does not equally weight each company selected; rather it weights each company according to total market size.

Russell 2000 Index - The Russell 2000 is a popular measure of the stock market performance of smaller companies. The index includes companies with an average market capitalization of \$275 million. Small-cap companies tend to experience greater volatility than large-cap issues.

MSCI EAFE Index (Europe, Australia & Far East) - The EAFE index is a benchmark for measuring international stock performance. The EAFE index is an aggregate of 15 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the United States. International investment are subject to special risks, such as political unrest, economic instability and currency fluctuations.

Lehman Brothers Corporate Aggregate Bond Index - This index reflects total return (price appreciation/depreciation on bond investments plus any income earned) as a percentage of the initial investment. An index used by bond funds as a benchmark to measure their relative performance. The index comprises government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturity of the bonds in the index are over one year.

Lehman Brothers Municipal Bond Index - This index reflects total return on approximately 15,000 bonds. All bonds included have a credit rating of at least BAA.

Indexes are unmanaged. Performance of indexes is not indicative of any particular investment. Individuals cannot invest directly in any indexes. Past performance does not guarantee future results.

Investments in securities involve risk, including the loss of principle invested.

Investment concentrated in a specific industry or sector may be subject to a higher degree of market risk than funds whose investment are diversified.

International investing involves special risks not present with U.S. investments due to factors such as increased volatility, currency fluctuations, and differences in auditing and other financial standards.

Lower rated bonds involve a higher degree of risk than investment grade bonds in return for higher yield potential. Securities rated below investment grade generally entail greater market, credit and liquidity than investment grade securities.

Small cap stocks may be less liquid and subject to greater price volatility than large cap stocks. Smaller capitalization companies involve more risks than larger more established companies.

No investment strategy, such as asset allocation, can guarantee a profit or protect against in periods of declining values.

The views expressed are not necessarily the opinion of FSC Securities Corporation, and should not be construed directly or indirectly, as an offer to buy or sell any securities mentioned herein.

The declaration and payment of dividends is subject to the discretion of a organization's Board of Directors and depends on various factors, including the organization's net income, financial condition, cash requirements, future prospects and other factors deemed relevant by the organization. The ability to pay dividends on common stock will depend upon, among other things, the organization's level of indebtedness at the time of the proposed dividend and whether the organization is in compliance with its then existing credit facilities.