



Paul T. Remack
Senior Managing Director

Harold K. Porter
Managing Director

RE: 2007 THIRD QUARTER SUMMARY & COMMENTARY

Executive Summary

Despite market turbulence total returns for stocks in Q3 2007 were generally positive. However, the quarter-end relief rally may be short-lived or tempered by systemic issues.

At long last, middle America seems to be slowing its spending activity. In fact, there is evidence to suggest that the American consumer is being fractionalized – wealthy Americans spending because they can, poor Americans spending because they have to, and middle Americans taking a back seat. We think that middle-class Americans hold the answer to additional portfolio gains.

High quality investments appear to be the best going-forward candidates for profits. Growth has surpassed value as the style class to follow. International equity prospects look to be more favorable than domestic holdings. Liquid assets can now generate reasonable returns and municipal bonds look to be positively priced.

We think that we have entered a new environment, where additional caution makes sense.

Q3 2007 markets were open for regular trading on 63 days for 6.5 hours per day. In slightly more than 400 hours, we experienced a rollercoaster ride of volatility, anxiety, and relief that takes investors back to 2001-2003. Why is this calculation important? It is important because most investors, ourselves included, lose sight of the bigger picture in the heat of the moment.

Q3 saw the following events: Dow Jones Industrial Average reaching 14,000, the sub-prime mortgage and real estate meltdown, the first broad market correction in over four years, an extraordinary and aggressive response from the Federal Reserve Board to calm the financial markets, and a market recovery to within slightly more 100 points of the all-time high by quarter end. All these events were compressed in the past 90 day, 400 hour trading period. However, in a year or two, when we review Q3 2007, what we will see in compressed financial reportings is a quarter that showed gains over Q2 2007.

At RG Financial Partners, we constantly encourage clients to take the long view - to make sure that their goals and objectives are reflected in their investment allocations; that their expectations are reasonable; and that they are challenging their assumptions about the world around them. Today, we

believe that it is time to re-emphasize the long view, despite the recent relief rally after the Fed action.

We think that we are entering into a new economic phase more quickly than people may realize. If we are correct, it may be time for you and us to change our points of view. Before examining actual market returns, consider the following. More than half of stocks in the S&P 500 are negative year-to-date. Growth positions are quickly outstripping value holdings. Small and mid cap positions are lagging large cap positions for the first time in several years. As late as two weeks ago there was little market appetite for municipal bonds, high-yield bonds, or quality corporate bonds. Private offerings are being scuttled or delayed. In other words, many of the mainstay positions of the past several years are lagging; in our opinion there has been a change in market leadership. Add to this the fact that cash accounts can now deliver returns in excess of 5%. If we were to compare today's environment to that of a year ago, what a change we would see!

Beyond these considerations are broader economic issues. Job reports are falling short of expectations and revisions are on the downside. This suggests that employment may be slowing. Consumer spending is showing troubling signs; recent studies imply that spending patterns among Americans are becoming divided. Lower end wage-earners are spending what they have out of necessity and getting less for it. Upper end wage-earners are spending because they can. However, wage-earners in the middle are becoming more conscious and careful in their spending patterns. Since the consumer represents 2/3 of the American economic engine, we think that this slow-down is noteworthy. Obviously new home sales and resales are both lagging recent historical norms. Moreover, there are a large number of recent variable mortgages that have yet to be recast to reflect higher rates. Finally, general economic growth in the US for the remainder of 2007 and early 2008 is forecast at 2.5%, while international economic development is forecast at 4.5%. Needless to say, the trends appear to be weaker, at least by comparison to our recent economic experience.

How do we think that this will manifest itself in the last part of 2007? We think that at least for a while and maybe through the end of the year, the relief rally brought about by the Federal Reserve Board rate reduction will continue. However, we also think that the current trends will continue to amplify themselves – cash will provide a healthy no-risk return; municipal bonds look to be inexpensive and beneficial even to some lower rate taxpayers; large-cap growth stocks appear to be defensively postured for an economic slowing; and finally quality international equity holdings suggest continued potential economic benefit. Essentially, it seems that the sweet part of the market has become high-quality domestic and international equities with a bias towards growth. We also see continued opportunities in the Emerging Markets. For conservative holdings, cash and municipal bonds offer seemingly good value. We think that these observations are borne out by year-to-date results.

Index	Q3 Performance	Description
Dow Jones Industrials	4.2	Large Cap Stocks
S&P 500 Index	2.0	Large Cap Stocks
NASDAQ Composite	3.8	Large Cap Tech Stocks
Russell 1000 Growth	4.2	Large Cap Growth Stocks
Russell 1000 Value	-0.2	Large Cap Value Stocks
Russell 2000 Growth	0.0	Small Cap Growth Stocks
Russell 2000 Value	-3.1	Small Cap Value Stocks
MSCI EAFE	2.2	Europe/ Australasia/ Far East
Lehman Aggregate	2.8	US Government Bonds

In closing, we think that more than autumn is in the air. We think that there are some economic changes that will impact investment results into and maybe through the next year. While our analysis may be too conservative, we think that there is merit in caution, particularly as directed towards domestic positions.

Thank you, as always, for your trust and confidence. We appreciate the opportunity to share our thoughts and expertise with you. Please contact us with any questions or comments.

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.

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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.

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

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