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Dear Client:

I'll start out the report this week with a client question because I think it's a good lead into what I want to focus on: the fundamentals. The question was basically what I thought about Jim Cramer's prediction on CNBC that the Dow would drop another 2000 points if GM wasn't bailed out and his recommendation to sit on the sidelines and/or sell ahead of the news.

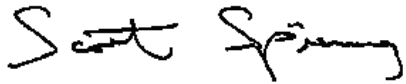
First of all Cramer's prediction is just that; a prediction with a bit of doomsday fear thrown into it. Hey, it makes for a nice headline and gets people talking. Personally, I rarely watch him. The bottom line is that nobody knows what will happen with GM, Ford or Chrysler. Democrats are in favor of some kind of a bailout as many agree they're "too big to fail", with a GM bankruptcy leading to a major domino effect of unemployment. On the other hand, there are those that would like to see the capitalist system take care of it, rather than prolonging inevitable pain.

If GM isn't bailed out, could the Dow plunge another 2000 points? Sure, that could happen but I have to trade what I see right now. As always I'm going to rely on the fundamental picture provided by our research to tell me how to get positioned and right now it's telling me to add some long exposure. Is fundamental analysis absolute? Of course not, the analysis provides insight into the fundamentals. The action this week indicates that there is now a greater probability of the market rising from current levels than dropping another few thousand points. While I won't yet call this "THE" bottom, it's important to remember that markets rally when the economy looks awful just as when tops are put in when everyone is getting rich. Remember Warren Buffet's phrase "when there's blood on the sidewalk it's time to buy" I believe the setup is in place for a decent rally. I'm certainly not getting overly aggressive here, but with 3 successful tests and recoveries from correction lows it's time to put some money to work. My sentiment shifted from neutral two months ago to somewhat bullish last month to bullish heading into this week.

Leadership has been virtually nonexistent in recent months, which has reiterated the importance of remaining focused on the long term. Financial stocks continued to lead the market lower, best evidenced when shares of Citigroup Inc. (C -26.41%) nose-dived and closed below the \$5 threshold, which classifies it as a "penny stock". Many large institutional investors are prohibited from buying stocks that trade under \$5 due to liquidity issues, let alone the notion of buying it on margin. Sellers have pounded nearly every major industry group this year. Investors withdrew \$40 billion from hedge funds last month amid the stock market's declines. Coupled with \$115 billion in losses, the hedge fund industry assets fell by the biggest one-month amount on record. The number of funds is expected to be nearly halved before the dust settles. What does this have to do with you? The huge drop in hedge funds' assets follows a \$210 billion decline in the last quarter. Year end redemption requests from investors and funds unwinding positions amid the increased difficulty in borrowing money have been among the reasons cited for the stock market's swoon over the past two months. Hedge funds, mutual funds and pensions are notorious for leveraging (borrowing on their stocks). When the stock market declines they receive a margin call, which forces these various funds to sell stocks in a declining market, which in turn causes the market to fall even farther. In summary it's easy to stay invested when your account balance is growing. It's a fact, however, that the market will suffer severe dips sometimes, and as a result, investments will go down. At those times, it's important to maintain your long-term perspective.

I want to thank you for your continued support and patience; I know it can't be easy in times like these. Please continue to be patient as I promise we will get through these rough times as the economy begins to heal. Finally, if you have any money hiding under the mattress now is a good time to put it to work. While in that spirit, should you know of anyone who could use our services we would appreciate the referral.

Warm regards,

A handwritten signature in black ink that reads "Scott Spiering". The signature is written in a cursive, flowing style.

Scott Spiering
President