MARKET COMMENTARY – MARCH 2009

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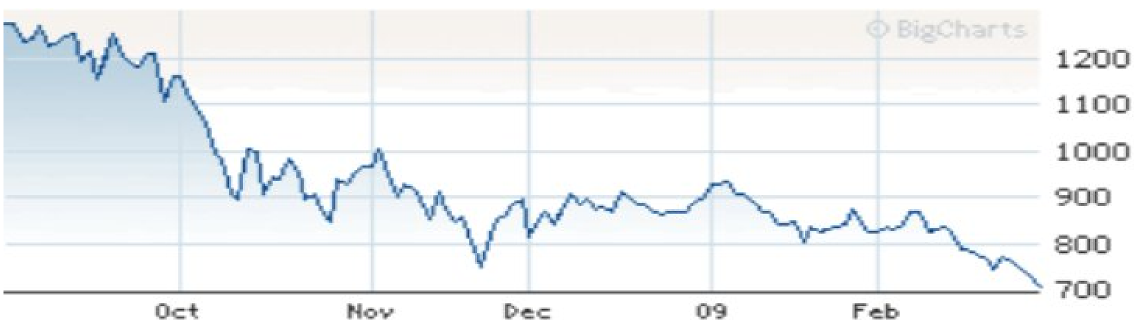
Dear Clients,

Unfortunately, the Dow Industrials Average and S&P 500 index have fallen to new lows over the past few weeks, with the Dow now below 7,000 and the S&P 500 close to 700. (See the S&P 500 chart below).

These milestones are below the previous lows established in November 2008, which many in the market, including me, considered a potential market bottom. My hope and expectation was that we would trade in a range near the bottom until confidence returned to the economy and markets. From November to early January, the stock market actually recovered by as much as 20%, but these gains slowly but steadily evaporated in late January and February as fears and uncertainties about the economy continued to linger on top of depressing economic news. The overall stock market is again trading at 50% or more below the previous highs established in October 2007.

Like all of you, I am devastated by the ongoing financial crisis, the depth of this recession, and by the near complete sense of despair in the markets. In my opinion, the traders are running the stock market right now, like the "inmates running the asylum", with the sellers and short-sellers in charge. Unfortunately, most of the buyers and long term investors are holding their positions or sitting on the sidelines because of fear, uncertainty and doubt.



Like most financial advisors, including Warren Buffett, I continue to be optimistic about the long term prospects for the economy and the stock market. The level of uncertainty makes it very difficult to perform any fundamental analysis of stock prices, but it is hard to believe that the long term value of our productive assets and businesses is less than 1/2 of what it was a year ago. I believe there are long term bargains to be found in the stock market. And I believe that aggressive government action will ultimately help to ease the crisis and restore economic growth. These policies include:

- aggressive actions by the Federal Reserve to increase the money supply and lower interest rates,
- $700B in TARP funding to inject capital into the banking system and prevent systemic collapse,
- $1,000B in TALF (Term Asset Backed Loan Facility) funding by the Fed to buy asset-backed securities, including mortgages and other debt, to lower interest rates and restore lending to consumers,
- $787B Federal stimulus package to increase spending and create jobs,
- $300B Federal Hope for Homeowners program to help prevent mortgage foreclosures, and
- $1,000B promised by Treasury Secretary Geithner in a public-private partnership to purchase bad bank assets.

The details and extent of many of these programs are still not completely clear, which is part of the uncertainty gripping the financial markets. But the relative size and scale of these efforts has not been seen since the Great Depression. And this list does not include similar efforts being implemented by governments around the world.

So what do we do now? Although I may sound like a broken record, my recommendations are as follows:

- In the short term, we need to manage our cash as conservatively as we can. Make sure you have enough in cash reserves to get you through this economic crisis and deal with any emergencies that may affect you personally. And like most American consumers we all need to be more prudent about our spending - now and in the future. Our goal should be to spend less and save more. For example, my wife and I are seriously considering moving to a smaller house to reduce our mortgage debt, decrease expenses, and conserve cash.

- For your long term investments (5 -10 years or more), avoid the temptation to sell at or near the bottom of the market, locking in your paper losses by realizing them when market psychology and the news is at its worse. Maintain your current long term asset allocation so that you are positioned to capture the offsetting gains when the market ultimately recovers.

- If you have any excess cash or bonds in your long term portfolio, I recommend that you wait until the market stabilizes and begins to recover before making any additional equity investments. The current uncertainty about the economy, banking crisis, and government policy makes it very difficult to predict when the market will bottom out and begin to recover. I don't recommend adding to your risky investments at this point in time, unless you are very, very brave.

- For those of you who have lost confidence in the US economy and/or Federal government and can't sleep at night unless you reduce your exposure to stocks, please let me know. I will work with you to reduce your risky assets with a plan to get back into the market if and when the market begins to recover. But keep in mind that it will be very difficult to time the recovery and there is a good chance you will miss the initial market rebound or buy back stocks at a temporary peak or during a temporary rebound.

As always, feel free to call me if you would like to discuss your personal financial situation or your specific investment portfolio.