



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
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Dear ,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

The story started with our country's enthusiasm to own our homes. We encouraged people who could not afford homes to buy them. To make it affordable in the short run, we sold Adjustable Rate Mortgages. Adjustable Rate Mortgages have artificially low interest rates for the first couple of years but their rates increase rapidly thereafter. We also allowed buyers to borrow the full value of their new homes, increasing the likelihood that buyers would default if the value of their home declined. Finally, we did not require any documentation from many buyers proving they had enough income to pay the mortgage. As a result many people bought houses they could not afford and they have defaulted on their loans.

Historically these buyers would not have been able to buy their houses because a bank never would have held such a risky loan. However, our financial markets created a way to break the link between the borrower and lender using derivatives. These risky loans were pooled together, broken into different types of derivatives, and then sold to investors hungry to collect the interest payments on the mortgages. With the link broken between lender and borrower, the investor had to rely upon the credit rating agencies and the investment bankers (who created these new securities) to tell them how risky the derivatives were. Unfortunately they were very wrong.

When the housing market weakened, many of the derivatives became worthless, and the investors (investment banks, commercial banks, hedge funds and others) who had purchased huge quantities of these derivatives, lost their money. Some investors have gone bankrupt. As the magnitude of the problem was recognized, the stock and bond markets dropped quickly, wiping out a large portion of people's investment savings. This loss, along with the decline in housing prices, caused a large drop in consumer wealth. In response, consumers have reduced their consumption. Unfortunately, consumption accounts for over two thirds of our country's GDP. Its drop has caused a recession.

In 2007 and 2008 there was an unprecedented collapse in sections of the credit markets. Because of the huge losses in the housing derivatives, some companies became insolvent. Unfortunately, healthy companies could not identify who would go bankrupt so they chose not to lend to anyone. Healthy companies that needed to borrow money were unable to do so, weakening them. To combat the "credit freeze," the Federal Reserve acted aggressively to support the loan

market, making federal loans available to more companies and guaranteeing the short term loans of others. It also lowered the Federal Funds Rate to less than 1% to encourage borrowing. Its

actions, and time, have begun to ease the credit crisis. Some healthy companies are able to borrow the money they need, albeit at a higher cost than before the “credit freeze.”

Our government has taken other actions as well. It has spent over \$350 billion to support the financial markets and intends to spend another \$350 billion. It made direct investments in several troubled companies, including GM and Chrysler, hoping to give them time to restructure and become profitable again. It passed a \$800 billion spending package to prop up the economy. Ironically, it is also trying to support the housing market by offering short term incentives to buy houses (isn't this what started this mess?). There is great debate as to whether these actions are helpful. They may cause high inflation, leading to higher interest rates, and slowing future growth. Only time will tell. We are sure that all their talk about this “crisis” or “catastrophe,” and comparisons to the Depression, emphasized daily by the media, scares the consumer and hurts our economy.

The recession began in December 2007. Unfortunately, it is likely to continue into late 2009. To date, this recession is not unusual in its depth. Unemployment is currently 7.6% and will get worse. For comparison, the unemployment rate was 7.5% in 1992, 9.7% in 1982, 8.5% in 1975, but it was 24.9% in 1933. We read every day about the “crisis” and how this recession is similar to the Depression. It is not.

What is remarkable about this recession is the speed at which it has deepened over the past five months. If you project this rate of decay forward for the rest of the year, it would be a severe recession. We do not believe it will continue to decline at this rate. First, as mentioned above, the Federal Reserve created tremendous liquidity to stimulate the economy. Second, housing prices have fallen, causing high rates of foreclosure and losses for investors, but making owning a home more affordable for new buyers. Third, the economic data show the decline may be slowing, for example the rate of new foreclosures dropped last month and January retail sales actually rose. Finally, we have a bright new president with tremendous popular support and hope he can lead us to a brighter future.

Going forward we need our government to stop making exaggerated statements of doom and gloom in a political effort to pass the stimulus bill. It needs to project a sense of calm leadership, soothing the consumer's frayed nerves. More importantly, we need to update our regulation of the financial markets. In particular we need to carefully regulate the derivatives markets which expanded dramatically over the past decade. Second, if a company is “too big to fail” we need to break it up. Additionally, we need to restore some of the good legislation, such as the Glass Steagall Act, that was eliminated over the past few years in the name of “free market capitalism.” We believe in what economists mean by free markets, but that requires open competition and perfect information for all participants. The mortgage backed derivative collapse is a great example of what happens when there isn't perfect information: the derivatives were so obscure that investors did not know how to evaluate them and the market failed.

The stock market is down over 50% from its high in 2007. It is painful and scary to watch your investments drop significantly, but remember, most underlying companies still have productive workers, desirable products and established markets. Our job is to find strong companies that will survive hard times, to buy them when we believe their prices are low compared to future prospects and to sell them when their price is too high. We complete extensive analysis of at least 20 years of historical data on every company we invest in, seeing how they have performed in good times and bad. We avoid companies with high debt levels, improving the odds they will

survive a depression. However, even with careful research and analysis, some of our investments fail. We expect this and protect you against it by diversifying, by investing in companies with many different business models. We think stocks at these levels are a tremendous buy. If you walked in our door today with cash we would be thrilled to buy these stocks for you at these levels.

As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 11.14% over the past year, by 0.76% per year over the past 5 years, and by 3.98% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



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Jay and Laurie Allen
1 Old Farm Road
Dover, Massachusetts 02030

February 20, 2009

Dear Jay and Laurie,

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Sincerely,

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Mrs. Emily W. Rankin
9 Schuyler Lane
Bloomfield, Connecticut 06002

February 20, 2009

Dear Emily,

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Wendy K. Wrean
27 Bradford Road
Weston, Massachusetts 02493

February 20, 2009

Dear Wendy,

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 9.09% over the past year. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Mr. Robert W. Danforth
c/o General Delivery
Sea Island, Georgia 31561

February 20, 2009

Dear Bob,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

The story started with our country's enthusiasm to own our homes. We encouraged people who could not afford homes to buy them. To make it affordable in the short run, we sold Adjustable Rate Mortgages. Adjustable Rate Mortgages have artificially low interest rates for the first couple of years but their rates increase rapidly thereafter. We also allowed buyers to borrow the full value of their new homes, increasing the likelihood that buyers would default if the value of their home declined. Finally, we did not require any documentation from many buyers proving they had enough income to pay the mortgage. As a result many people bought houses they could not afford and they have defaulted on their loans.

Historically these buyers would not have been able to buy their houses because a bank never would have held such a risky loan. However, our financial markets created a way to break the link between the borrower and lender using derivatives. These risky loans were pooled together, broken into different types of derivatives, and then sold to investors hungry to collect the interest payments on the mortgages. With the link broken between lender and borrower, the investor had to rely upon the credit rating agencies and the investment bankers (who created these new securities) to tell them how risky the derivatives were. Unfortunately they were very wrong.

When the housing market weakened, many of the derivatives became worthless, and the investors (investment banks, commercial banks, hedge funds and others) who had purchased huge quantities of these derivatives, lost their money. Some investors have gone bankrupt. As the magnitude of the problem was recognized, the stock and bond markets dropped quickly, wiping out a large portion of people's investment savings. This loss, along with the decline in housing prices, caused a large drop in consumer wealth. In response, consumers have reduced their consumption. Unfortunately, consumption accounts for over two thirds of our country's GDP. Its drop has caused a recession.

In 2007 and 2008 there was an unprecedented collapse in sections of the credit markets. Because of the huge losses in the housing derivatives, some companies became insolvent. Unfortunately, healthy companies could not identify who would go bankrupt so they chose not to lend to anyone. Healthy companies that needed to borrow money were unable to do so, weakening them. To combat the "credit freeze," the Federal Reserve acted aggressively to support the loan

market, making federal loans available to more companies and guaranteeing the short term loans of others. It also lowered the Federal Funds Rate to less than 1% to encourage borrowing. Its actions, and time, have begun to ease the credit crisis. Some healthy companies are able to borrow the money they need, albeit at a higher cost than before the “credit freeze.”

Our government has taken other actions as well. It has spent over \$350 billion to support the financial markets and intends to spend another \$350 billion. It made direct investments in several troubled companies, including GM and Chrysler, hoping to give them time to restructure and become profitable again. It passed a \$800 billion spending package to prop up the economy. Ironically, it is also trying to support the housing market by offering short term incentives to buy houses (isn't this what started this mess?). There is great debate as to whether these actions are helpful. They may cause high inflation, leading to higher interest rates, and slowing future growth. Only time will tell. We are sure that all their talk about this “crisis” or “catastrophe,” and comparisons to the Depression, emphasized daily by the media, scares the consumer and hurts our economy.

The recession began in December 2007. Unfortunately, it is likely to continue into late 2009. To date, this recession is not unusual in its depth. Unemployment is currently 7.6% and will get worse, For comparison, the unemployment rate was 7.5% in 1992, 9.7% in 1982, 8.5% in 1975, but it was 24.9% in 1933. We read every day about the “crisis” and how this recession is similar to the Depression. It is not.

What is remarkable about this recession is the speed at which it has deepened over the past five months. If you project this rate of decay forward for the rest of the year, it would be a severe recession. We do not believe it will continue to decline at this rate. First, as mentioned above, the Federal Reserve created tremendous liquidity to stimulate the economy. Second, housing prices have fallen, causing high rates of foreclosure and losses for investors, but making owning a home more affordable for new buyers. Third, the economic data show the decline may be slowing, for example the rate of new foreclosures dropped last month and January retail sales actually rose. Finally, we have a bright new president with tremendous popular support and hope he can lead us to a brighter future.

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 11.28% over the past year, by 0.89% per year over the past 5 years, and by 3.98% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



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Economic & Financial Research

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William H. Wrean, Ph.D.
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Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Dr. and Mrs. Ralph Earle, Jr.
44 Ripley Lane
Weston, Massachusetts 02493

February 20, 2009

Dear Skip and Shirley,

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 14.09% over the past year, by 2.06% per year over the past 5 years, and by 4.33% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



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Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Richard and Joanne Flathers
3 Overlook Drive
Southborough, Massachusetts 01772

February 20, 2009

Dear Joanne and Rich,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

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Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

William H. Wrean
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482

February 20, 2009

Dear Bill,

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 10.00% over the past year, and by 0.37% per year over the past 5 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Alan F. Hockstader
81 Soundview Avenue
White Plains, New York 10606

February 20, 2009

Dear Alan,

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Going forward we need our government to stop making exaggerated statements of doom and gloom in a political effort to pass the stimulus bill. It needs to project a sense of calm leadership, soothing the consumer's frayed nerves. More importantly, we need to update our regulation of the financial markets. In particular we need to carefully regulate the derivatives markets which expanded dramatically over the past decade. Second, if a company is “too big to fail” we need to break it up. Additionally, we need to restore some of the good legislation, such as the Glass Steagall Act, that was eliminated over the past few years in the name of “free market capitalism.” We believe in what economists mean by free markets, but that requires open competition and perfect information for all participants. The mortgage backed derivative collapse is a great example of what happens when there isn't perfect information: the derivatives were so obscure that investors did not know how to evaluate them and the market failed.

The stock market is down over 50% from its high in 2007. It is painful and scary to watch your investments drop significantly, but remember, most underlying companies still have productive workers, desirable products and established markets. Our job is to find strong companies that will survive hard times, to buy them when we believe their prices are low compared to future

prospects and to sell them when their price is too high. We complete extensive analysis of at least 20 years of historical data on every company we invest in, seeing how they have performed in good times and bad. We avoid companies with high debt levels, improving the odds they will survive a depression. However, even with careful research and analysis, some of our investments fail. We expect this and protect you against it by diversifying, by investing in companies with many different business models. We think stocks at these levels are a tremendous buy. If you walked in our door today with cash we would be thrilled to buy these stocks for you at these levels.

As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 11.38% over the past year, and by 0.49% per year over the past 5 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Reverends Harry H. and Judy L. Hoehler
February 20, 2009
332 Hemlock Circle
Lincoln, Massachusetts 01773

Dear Harry and Judy,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

The story started with our country's enthusiasm to own our homes. We encouraged people who could not afford homes to buy them. To make it affordable in the short run, we sold Adjustable Rate Mortgages. Adjustable Rate Mortgages have artificially low interest rates for the first couple of years but their rates increase rapidly thereafter. We also allowed buyers to borrow the full value of their new homes, increasing the likelihood that buyers would default if the value of their home declined. Finally, we did not require any documentation from many buyers proving they had enough income to pay the mortgage. As a result many people bought houses they could not afford and they have defaulted on their loans.

Historically these buyers would not have been able to buy their houses because a bank never would have held such a risky loan. However, our financial markets created a way to break the link between the borrower and lender using derivatives. These risky loans were pooled together, broken into different types of derivatives, and then sold to investors hungry to collect the interest payments on the mortgages. With the link broken between lender and borrower, the investor had to rely upon the credit rating agencies and the investment bankers (who created these new securities) to tell them how risky the derivatives were. Unfortunately they were very wrong.

When the housing market weakened, many of the derivatives became worthless, and the investors (investment banks, commercial banks, hedge funds and others) who had purchased huge quantities of these derivatives, lost their money. Some investors have gone bankrupt. As the magnitude of the problem was recognized, the stock and bond markets dropped quickly, wiping out a large portion of people's investment savings. This loss, along with the decline in housing prices, caused a large drop in consumer wealth. In response, consumers have reduced their consumption. Unfortunately, consumption accounts for over two thirds of our country's GDP. Its drop has caused a recession.

In 2007 and 2008 there was an unprecedented collapse in sections of the credit markets. Because of the huge losses in the housing derivatives, some companies became insolvent. Unfortunately, healthy companies could not identify who would go bankrupt so they chose not to lend to anyone. Healthy companies that needed to borrow money were unable to do so, weakening them. To combat the "credit freeze," the Federal Reserve acted aggressively to support the loan

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Our government has taken other actions as well. It has spent over \$350 billion to support the financial markets and intends to spend another \$350 billion. It made direct investments in several troubled companies, including GM and Chrysler, hoping to give them time to restructure and become profitable again. It passed a \$800 billion spending package to prop up the economy. Ironically, it is also trying to support the housing market by offering short term incentives to buy houses (isn't this what started this mess?). There is great debate as to whether these actions are helpful. They may cause high inflation, leading to higher interest rates, and slowing future growth. Only time will tell. We are sure that all their talk about this “crisis” or “catastrophe,” and comparisons to the Depression, emphasized daily by the media, scares the consumer and hurts our economy.

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 11.95% over the past year, by 0.94% per year over the past 5 years, and by 4.15% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
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William H. Wrean Jr., M.A.
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148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Mr. and Mrs. Sheldon J. Jacobson
20, 2009
63 Radcliffe Road
Weston, Massachusetts 02493

February

Dear Shel and Harriet,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

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Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Mr. and Mrs. Justin E. Kerwin
20, 2009
25 Hallett Hill Road
Weston, Massachusetts 02493

February

Dear Marilyn and Jake,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

The story started with our country's enthusiasm to own our homes. We encouraged people who could not afford homes to buy them. To make it affordable in the short run, we sold Adjustable Rate Mortgages. Adjustable Rate Mortgages have artificially low interest rates for the first couple of years but their rates increase rapidly thereafter. We also allowed buyers to borrow the full value of their new homes, increasing the likelihood that buyers would default if the value of their home declined. Finally, we did not require any documentation from many buyers proving they had enough income to pay the mortgage. As a result many people bought houses they could not afford and they have defaulted on their loans.

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 9.86% over the past year, by 0.34% per year over the past 5 years, and by 3.73% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Mr. and Mrs Carl J. Mellea
28 Hillcrest Road
Medfield, Massachusetts 02052-2123

February 20, 2009

Dear Carl and Frances,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

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Sincerely,

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Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Dr. Henning Pontoppidan
97 Spruce Hill Road
Weston, Massachusetts 02493

February 20, 2009

Dear Henning,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

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Our government has taken other actions as well. It has spent over \$350 billion to support the financial markets and intends to spend another \$350 billion. It made direct investments in several troubled companies, including GM and Chrysler, hoping to give them time to restructure and become profitable again. It passed a \$800 billion spending package to prop up the economy. Ironically, it is also trying to support the housing market by offering short term incentives to buy houses (isn't this what started this mess?). There is great debate as to whether these actions are helpful. They may cause high inflation, leading to higher interest rates, and slowing future growth. Only time will tell. We are sure that all their talk about this “crisis” or “catastrophe,” and comparisons to the Depression, emphasized daily by the media, scares the consumer and hurts our economy.

The recession began in December 2007. Unfortunately, it is likely to continue into late 2009. To date, this recession is not unusual in its depth. Unemployment is currently 7.6% and will get worse, For comparison, the unemployment rate was 7.5% in 1992, 9.7% in 1982, 8.5% in 1975, but it was 24.9% in 1933. We read every day about the “crisis” and how this recession is similar to the Depression. It is not.

What is remarkable about this recession is the speed at which it has deepened over the past five months. If you project this rate of decay forward for the rest of the year, it would be a severe recession. We do not believe it will continue to decline at this rate. First, as mentioned above, the Federal Reserve created tremendous liquidity to stimulate the economy. Second, housing prices have fallen, causing high rates of foreclosure and losses for investors, but making owning a home more affordable for new buyers. Third, the economic data show the decline may be slowing, for example the rate of new foreclosures dropped last month and January retail sales actually rose. Finally, we have a bright new president with tremendous popular support and hope he can lead us to a brighter future.

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The stock market is down over 50% from its high in 2007. It is painful and scary to watch your investments drop significantly, but remember, most underlying companies still have productive workers, desirable products and established markets. Our job is to find strong companies that will survive hard times, to buy them when we believe their prices are low compared to future

prospects and to sell them when their price is too high. We complete extensive analysis of at least 20 years of historical data on every company we invest in, seeing how they have performed in good times and bad. We avoid companies with high debt levels, improving the odds they will survive a depression. However, even with careful research and analysis, some of our investments fail. We expect this and protect you against it by diversifying, by investing in companies with many different business models. We think stocks at these levels are a tremendous buy. If you walked in our door today with cash we would be thrilled to buy these stocks for you at these levels.

As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 9.75% over the past year, by 0.43% per year over the past 5 years, and by 3.81% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Dr. Edward J. Robinson
114 Elm Street
Marblehead, Massachusetts 01945

February 20, 2009

Dear Ed,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

The story started with our country's enthusiasm to own our homes. We encouraged people who could not afford homes to buy them. To make it affordable in the short run, we sold Adjustable Rate Mortgages. Adjustable Rate Mortgages have artificially low interest rates for the first couple of years but their rates increase rapidly thereafter. We also allowed buyers to borrow the full value of their new homes, increasing the likelihood that buyers would default if the value of their home declined. Finally, we did not require any documentation from many buyers proving they had enough income to pay the mortgage. As a result many people bought houses they could not afford and they have defaulted on their loans.

Historically these buyers would not have been able to buy their houses because a bank never would have held such a risky loan. However, our financial markets created a way to break the link between the borrower and lender using derivatives. These risky loans were pooled together, broken into different types of derivatives, and then sold to investors hungry to collect the interest payments on the mortgages. With the link broken between lender and borrower, the investor had to rely upon the credit rating agencies and the investment bankers (who created these new securities) to tell them how risky the derivatives were. Unfortunately they were very wrong.

When the housing market weakened, many of the derivatives became worthless, and the investors (investment banks, commercial banks, hedge funds and others) who had purchased huge quantities of these derivatives, lost their money. Some investors have gone bankrupt. As the magnitude of the problem was recognized, the stock and bond markets dropped quickly, wiping out a large portion of people's investment savings. This loss, along with the decline in housing prices, caused a large drop in consumer wealth. In response, consumers have reduced their consumption. Unfortunately, consumption accounts for over two thirds of our country's GDP. Its drop has caused a recession.

In 2007 and 2008 there was an unprecedented collapse in sections of the credit markets. Because of the huge losses in the housing derivatives, some companies became insolvent. Unfortunately, healthy companies could not identify who would go bankrupt so they chose not to lend to anyone. Healthy companies that needed to borrow money were unable to do so, weakening them. To combat the "credit freeze," the Federal Reserve acted aggressively to support the loan

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 6.13% over the past year. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

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Telephone 781-237-9290

Dr. C. John Snyder
4420 Glen Falls Lane
Vail, Colorado 81657

February 20, 2009

Dear John,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 10.1% over the past year, and by 1.84% per year over the past 5 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Ms. Joyce L. Young
12 Robin Road
Weston, Massachusetts 02493

February 20, 2009

Dear Joyce,

It has been nine years since we last wrote, in February 2000, warning of an overheated stock market. Unfortunately, we are in extreme times once again and we want to share some of our views on the economy, our government, and the financial markets.

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As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 10.11% over the past year, by 0.36% per year over the past 5 years, and by 3.69% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482-7904
Telephone 781-237-9290

Sacajawea Charitable Foundation
148 Linden Street, Suite 204
Wellesley, Massachusetts 02482

February 20, 2009

Dear Will,

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Sincerely,

William H. Wrean Jr



SACAJAWEA & COMPANY, LLP
Economic & Financial Research

William H. Wrean Jr., M.A.
William H. Wrean, Ph.D.
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Wellesley, Massachusetts 02482-7904
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Sacajawea Fund
148 Linden Street, Suite 204
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February 20, 2009

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The story started with our country's enthusiasm to own our homes. We encouraged people who could not afford homes to buy them. To make it affordable in the short run, we sold Adjustable Rate Mortgages. Adjustable Rate Mortgages have artificially low interest rates for the first couple of years but their rates increase rapidly thereafter. We also allowed buyers to borrow the full value of their new homes, increasing the likelihood that buyers would default if the value of their home declined. Finally, we did not require any documentation from many buyers proving they had enough income to pay the mortgage. As a result many people bought houses they could not afford and they have defaulted on their loans.

Historically these buyers would not have been able to buy their houses because a bank never would have held such a risky loan. However, our financial markets created a way to break the link between the borrower and lender using derivatives. These risky loans were pooled together, broken into different types of derivatives, and then sold to investors hungry to collect the interest payments on the mortgages. With the link broken between lender and borrower, the investor had to rely upon the credit rating agencies and the investment bankers (who created these new securities) to tell them how risky the derivatives were. Unfortunately they were very wrong.

When the housing market weakened, many of the derivatives became worthless, and the investors (investment banks, commercial banks, hedge funds and others) who had purchased huge quantities of these derivatives, lost their money. Some investors have gone bankrupt. As the magnitude of the problem was recognized, the stock and bond markets dropped quickly, wiping out a large portion of people's investment savings. This loss, along with the decline in housing prices, caused a large drop in consumer wealth. In response, consumers have reduced their consumption. Unfortunately, consumption accounts for over two thirds of our country's GDP. Its drop has caused a recession.

In 2007 and 2008 there was an unprecedented collapse in sections of the credit markets. Because of the huge losses in the housing derivatives, some companies became insolvent. Unfortunately, healthy companies could not identify who would go bankrupt so they chose not to lend to anyone. Healthy companies that needed to borrow money were unable to do so, weakening them. To combat the "credit freeze," the Federal Reserve acted aggressively to support the loan

market, making federal loans available to more companies and guaranteeing the short term loans of others. It also lowered the Federal Funds Rate to less than 1% to encourage borrowing. Its actions, and time, have begun to ease the credit crisis. Some healthy companies are able to borrow the money they need, albeit at a higher cost than before the “credit freeze.”

Our government has taken other actions as well. It has spent over \$350 billion to support the financial markets and intends to spend another \$350 billion. It made direct investments in several troubled companies, including GM and Chrysler, hoping to give them time to restructure and become profitable again. It passed a \$800 billion spending package to prop up the economy. Ironically, it is also trying to support the housing market by offering short term incentives to buy houses (isn't this what started this mess?). There is great debate as to whether these actions are helpful. They may cause high inflation, leading to higher interest rates, and slowing future growth. Only time will tell. We are sure that all their talk about this “crisis” or “catastrophe,” and comparisons to the Depression, emphasized daily by the media, scares the consumer and hurts our economy.

The recession began in December 2007. Unfortunately, it is likely to continue into late 2009. To date, this recession is not unusual in its depth. Unemployment is currently 7.6% and will get worse, For comparison, the unemployment rate was 7.5% in 1992, 9.7% in 1982, 8.5% in 1975, but it was 24.9% in 1933. We read every day about the “crisis” and how this recession is similar to the Depression. It is not.

What is remarkable about this recession is the speed at which it has deepened over the past five months. If you project this rate of decay forward for the rest of the year, it would be a severe recession. We do not believe it will continue to decline at this rate. First, as mentioned above, the Federal Reserve created tremendous liquidity to stimulate the economy. Second, housing prices have fallen, causing high rates of foreclosure and losses for investors, but making owning a home more affordable for new buyers. Third, the economic data show the decline may be slowing, for example the rate of new foreclosures dropped last month and January retail sales actually rose. Finally, we have a bright new president with tremendous popular support and hope he can lead us to a brighter future.

Going forward we need our government to stop making exaggerated statements of doom and gloom in a political effort to pass the stimulus bill. It needs to project a sense of calm leadership, soothing the consumer's frayed nerves. More importantly, we need to update our regulation of the financial markets. In particular we need to carefully regulate the derivatives markets which expanded dramatically over the past decade. Second, if a company is “too big to fail” we need to break it up. Additionally, we need to restore some of the good legislation, such as the Glass Steagall Act, that was eliminated over the past few years in the name of “free market capitalism.” We believe in what economists mean by free markets, but that requires open competition and perfect information for all participants. The mortgage backed derivative collapse is a great example of what happens when there isn't perfect information: the derivatives were so obscure that investors did not know how to evaluate them and the market failed.

The stock market is down over 50% from its high in 2007. It is painful and scary to watch your investments drop significantly, but remember, most underlying companies still have productive workers, desirable products and established markets. Our job is to find strong companies that will survive hard times, to buy them when we believe their prices are low compared to future

prospects and to sell them when their price is too high. We complete extensive analysis of at least 20 years of historical data on every company we invest in, seeing how they have performed in good times and bad. We avoid companies with high debt levels, improving the odds they will survive a depression. However, even with careful research and analysis, some of our investments fail. We expect this and protect you against it by diversifying, by investing in companies with many different business models. We think stocks at these levels are a tremendous buy. If you walked in our door today with cash we would be thrilled to buy these stocks for you at these levels.

As painful as it has been recently, your portfolio has done relatively well. Your portfolio outperformed the S&P 500 by 10.81% over the past year, by 1.08% per year over the past 5 years, and by 4.29% per year over the past 10 years. We look forward to better returns in the future. Remember there is a business cycle and we are probably near the low point of this one.

Sincerely,

William H. Wrean Jr.