



Newsletter

October 7, 2008

Dear Clients,

As mentioned in our first quarter letter, the “Perfect Storm” is at its’ full fury. Its’ gale force winds have created more damage than anyone would have ventured to foresee six months ago and the scope of this storm now extends globally. Not unlike hurricane Ike or Katrina, the aftermath will bring many new challenges for the world economy. The news media is now having a field day, and that will mean a quicker end to this storm.

Quarter Ending September 30, 2008		
Year to Date Performance	YTD	Last Full Quarter
Dow Jones Industrial Averages	(16.58%)	(3.71%)
NASDAQ Composite Price	(21.94%)	(9.19%)
Standard & Poor’s Averages	(19.27%)	(8.36%)
Lehman Brothers Muni Bond Index	(3.21%)	(3.21%)
Lehman Brothers Bond Index	(0.68%)	(1.64%)
EAFE	(28.91%)	(20.50%)

Having been in this business since 1972, I’ve had a lot of people ask if this bear market is as bad as ’73-’74, which really extended to ’82. My response is there are a few similarities, but today’s issues are substantially different. Similar perhaps is the extent of the decline, yet different in that so much damage back then took years, now takes just months. Today the flow of information is almost instantaneous making our markets far more volatile. Back in 70’s, hedge funds didn’t exist like they do today, also adding to volatility.

Today deflation is the concern, not inflation. Interest rates and tax rates were significantly higher back in the early 70’s than they are today along with inflation. Also, the Federal Reserve, and most countries are focused on today’s issues not so back then. Today the Fed announced that it has entered the commercial paper market, the mortgage business, and is becoming an equity owner too, which will eventually stabilize our markets.

My guess going forward is that we will see the rate cut we didn’t get last quarter, which should also help. The current zero earnings rate on short term treasuries will become painful, and money will flow back into the system seeking some return on investment.

To quote Warren Buffet from a PBS station talk show recently, “This is an economic Pearl Harbor”, that needs an immediate counter attack. The Fed and our Government are being proactive so far. Note too, Mr. Buffet has started to invest some of his cash at Berkshire Hathaway...always the value investor.

I feel the pain and misery these events have caused investors. Trying to make the pain go away is not an easy task. We have lived through many recessions and bear markets, and this one will eventually pass too. I do know that it is nearly impossible to get totally out of the market, and expect to get back in successfully. So patience is required to ride out his storm.

Please feel free to call with any questions, if I haven't called you first.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*