

December 3, 2008

We want to let everyone know that Kathy Byer, our operations manager, has decided to leave the firm. Kathy will be moving from Florida to California this Saturday to be closer to her son and grandchild (due in January). While we will miss Kathy, I know she is excited to be near her son. I'm excited to announce that we have already filled the operations manager position. Lois Conger will be joining us on December 15th. Lois will bring to ARS considerable experience working in the financial services industry and I'm sure you will enjoy working with her.

As you will see from the data below, the markets continue to be very volatile. We are slowly, very slowly, attempting to put some of the cash to work. However, we are still very cautious and concerned about the US economy, the global economy and the current and proposed governmental policies proposed to "fix" the problems.

NOVEMBER 2008 Market Data – Another One For the Record Books:

- ❖ The Dow Jones Industrial Average:
 - Down -5.4% for the month of November.
 - Up +16.9% in the last five trading days of November (all five of which were up days). This was a historic short term gain not seen since the 1930's.
 - Down -33.4% year-to-date.
- ❖ The S&P 500:
 - Down -7.5% for the month of November.
 - Up +19.1% in the last five trading days of November.
 - Down -39.0% year-to-date.
- ❖ During November the price of oil fell to below \$50.00 per barrel down \$100 from almost \$150 per barrel this summer.
- ❖ From Election Day Tuesday, November 5th to the current market cycle low on November 20, the DJIA fell over 2,000 points or 21.5%.

NOVEMBER INVESTMENT ACTIVITY – What We are Doing and Why:

- ❖ For the most part we maintained the sizable cash levels that have been amassed over the last three months.
- ❖ We initiated a small position (2% to 3%) in Williams Pipeline Partners (WMZ) for many accounts where appropriate.
 - WMZ is a Master Limited Partnership (MLP) that has one asset, a 35% interest in the Northwest Pipeline, a natural gas pipeline connecting the Rockies to the Northwest (Seattle and Portland).
 - Unlike many MLP's WMZ has no debt and Northwest Pipeline is conservatively financed at a 36% debt to capitalization ratio.
 - Northwest Pipeline's customers pay to reserve space on the pipeline with long term contracts regardless of how much space they ultimately use.
 - The WMZ units yield about 9.0% and the distribution should grow over time.

CURRENT OPPORTUNITIES – Areas for Consideration:

The opportunities going forward have not changed much from what we discussed in the last letter. We continue to maintain a defensive posture overweighting cash and underweighting stock exposure.

- ❖ The global flight to safety (meaning the irrational Treasury yields we are experiencing) has created anomalies in the fixed income market. Thus we continue to look at opportunities in high quality senior debt as well as high yield.
- ❖ We'll look to average into the stock market gradually, over time, as the market continues to start its bottoming process.

As always, please don't hesitate to contact our office if you have any questions or items to discuss.

Sincerely,

Tony Anderson