



September 29, 2008

Dear Valued Client,

As a result of the defeat by the House of Representatives of the bailout bill today, we at Claremont Financial Group, Inc. took decisive action with regards to your portfolio. Shortly after the defeat was made public, we exercised our limited discretionary authority and re-allocated your accounts to a more defensive position.

In this environment, we believe that it is crucial to implement an efficient and disciplined risk management strategy, with the preservation of capital remaining the key factor. However, we believe that a structured market analysis should be able to recognize trends even when the market is erratic and turbulent, and to look for investment opportunities within a reduced risk portfolio framework.

So where does it go from here?

The market usually does not bottom the day after it closes on its lows. Thus, it is highly unlikely that today was the low. While there are no guarantees, we expect lower levels. It seems quite likely that the current financial crises will persist and that central banks' strong liquidity injections may not be able to heal the global situation in the short to medium term; this also seems to be an opportunity to get rid of past and current imbalances/excesses in the capital markets.

It is my guess - and I strongly emphasize the word "guess" - that a near-term bottom is approaching in terms of *time*. In terms of *return*, I cannot say with any certainty. The near-term bottom may be 200 or 2000 points away. Hence today's re-allocation. My gut tells me that we are going to hit a bottom sometime in the 4th quarter, but that does not mean there will not be some acute pain before then. In a bear market the most important thing to do is to protect your capital. There will always be opportunities in the (not-too-distant) future because the lower this market goes, the higher the *future* returns can be. Every drop in the market decreases the value of stocks and increases the potential returns on investment.

As early as last week, we began working with Wilshire Associates to construct a defensive portfolio consisting of 75-80% U.S. Treasuries (Notes, Bills, Bonds and TIPs) with up to 25% in only the strongest Blue Chip Large Cap stocks with very little, if any, financial-stock exposure.

This portfolio will give us participation in a market rally should congress approve some future package, but it will also protect us from further precipitous declines, as a result of the heavy weighting in Treasuries, should they not approve a new plan or a future approved plan proves ineffective.

As volatility subsides down the road, we will discuss in your future quarterly reviews reallocating you into models with a higher emphasis on longer-term growth. But again, the most prudent thing to do right now is overweight U.S. Government Securities.

Should you have any questions please don't hesitate to contact our offices. I will get back to you as soon as time permits

Nick Scalzo

CEO-Claremont Financial Group, Inc.