



Claremont Financial Group, Inc.
Registered Investment Adviser

Dear Valued Clients,

Time for an update.

The U.S. Treasury met last night with nine major banks and signed deals to get them the first wave of financing as part of the historic Troubled Asset Relief Program (TARP). The initial injection amounts to \$125B of the proposed \$700B. In addition, the Treasury is close to finalizing phase two of TARP which will provide another \$125B in balance sheet capital to the large regional bank sector. Lastly, the Feds today implemented their plan to participate directly in the commercial money markets by launching the Commercial Paper Funding Facility. This allows them, for example, to loan a company like General Electric money for a period of time less than one year.

As a result of these measures and others, the over night LIBOR rate dropped from 6.88% (at the beginning of October) to 1.27%. This makes it cheaper for banks to loan one another money, and ultimately, their customers. Regardless of the political ramifications of the government's actions, we do feel that these measures are beginning to show the desired effects of thawing the credit freeze. Consequently, we are turning more of our attention toward market fundamentals.

At CFG, we are not content to rest on our laurels. We are currently in deep discussion with each of our strategists (and a new candidate) to assess the potential for enhancements, modifications and techniques to the platform.

It is our position that we are not out of the woods just yet. However, we believe there is a healthy portion of the market that has been over sold and we envision looking back on today's levels and viewing them as significant bargains.

Gaetan and Nick Scalzo
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