LPL Financial

9785 Towne Centre Drive
San Diego, CA 92121-1968

One Beacon Street, 22nd Floor
Boston, MA 02108-3106

February 19, 2009

Dear Valued Investor:

Financial markets remain choppy and distressed as markets apparently view Treasury Secretary Geithner's rollout of the "Financial Stability Plan" as a disappointment. I certainly was underwhelmed by the plan and its lack of details.

As it stands, the plan outlines six big steps. The first is to "stress test" major banks, increase disclosure, and if needed inject more capital and encourage private investment. For me, despite my view that some of the big banks deserve a lot of the blame for the mess we're in, this idea falls in the "if I wasn't laughing so hard, I would cry" category. These banks are already totally stressed out and struggling to stay afloat. Another round of major regulatory reviews and disclosure requirements may not be the best use of anybody's time or money in the midst of this financial crisis.

Step 2 is to create a "Public-Private Investment Fund" to allow banks to sell troubled assets to others in the private sector. In my opinion, the misstep here is that the new plan wants the assets sold at market prices. Heck, the banks can do that already, but they think the bids are too low.

Step 3 is to have the Federal Reserve (the Fed) to fire up the Term Asset-Backed Securities Loan Facility (TALF), start buying consumer and business securitized loans, and then expand the program to commercial mortgage-backed securities and consider purchasing other assets as well. The plan calls for up to one trillion dollars in Fed lending. My concern here is that the size and flow of credit could become politicized. In any case, the Fed has been slow to get this program rolling.

Step 4 is a "Transparency and Accountability Agenda" which goes after banks requiring assistance; limiting dividends, compensation, lobbying and other restrictions. Some of the restrictions make sense; others, despite my anger over some of these institutions' behavior, seem draconian.

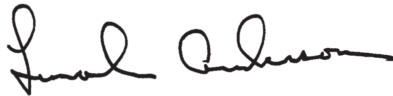
Step 5 is to spend money helping folks avoid foreclosure and support housing. My heart is okay with this, but my head says it is not likely to be very successful. It is hard to help out homeowners that are in way over their heads. Sometimes it is just best to move on and live in something you can afford. I guess it is worth a try, but I also wish I wasn't paying for it.

Finally there is a "small business and community lending initiative" that allows the Small Business Administration (SBA) to make more loans and increase their guarantees on loans. This program seems okay, but I worry about defaults.

As I said earlier, there are no details yet, and given the decidedly tepid response from the stock and bond markets, I suspect there may be some significant changes in the plan over coming weeks. I hope they go back and reconsider the model used to lift a lot of risk out of Citigroup and Bank of America late last year. That model was simple and uncomplicated. Although it seems to me that the government charged too high a price to guarantee the troubled assets, given those banks' languishing stock prices, it would be pretty easy to change the two-page term sheet used in those transactions to fine-tune the outcomes.

A lot of big numbers are being thrown around in all these discussions, and it is easy to lose perspective. Bear in mind that while total U.S. debt outstanding was about $52 trillion at the end of Q3 2008, total financial assets, after substantial write-downs and losses, were about $146 trillion. And remember that there still are a lot of companies in good financial shape. As always, please call your financial advisor with questions or concerns.

Best Regards,



Lincoln Anderson
Managing Director, Chief Investment Officer

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

This research material has been prepared by LPL Financial.

The LPL Financial family of affiliated companies includes LPL Financial, UVEST Financial Services Group, Inc., IFMG Securities, Inc., Mutual Service Corporation, Waterstone Financial Group, Inc., and Associated Securities Corp., each of which is a member of FINRA/SIPC.

Not FDIC/NCUA Insured | Not Bank/Credit Union Guaranteed | May Lose Value
Not Guaranteed by any Government Agency | Not a Bank/Credit Union Deposit