



MEMO

Date: September 16, 2008
From: Jonathan D. Weir, JD*
To: WFR Clients and Friends
Subject: Economic Update

The past several months, and in particular the past few days, have been witness to extraordinary economic activity involving companies previously viewed as financial stalwarts:

- Lehman Brothers filed for bankruptcy and likely will sell certain assets to Barclays PLC.
- Bank of America reached an agreement to acquire Merrill Lynch, the nation's most well-known and largest brokerage house.
- AIG apparently will avert a bankruptcy filing compliments of federal intervention in the form of an \$85 billion bridge loan.
- JP Morgan acquired Bear Stearns, averting an imminent bankruptcy filing

The stock market indices are down considerably for the year, with the Dow Jones Industrial Average (DJIA) dropping in excess of 500 points this past Monday. The financials sector, due in large part to the activity described above, has been particularly hard hit, down more than 28% this year. AIG alone has been responsible for 400 points of the decline of the DJIA this year. Given this recent turmoil, I wanted to take this opportunity to offer you some perspectives on recent events.

Over the past decades the investment markets have confronted numerous challenges that have tested investors' resiliency. The "crash" of 1987, the "dot-com" bust, and the September 11, 2001 terrorist attacks had similar effects on stock markets domestically and worldwide. While each of these events was accompanied by "the sky is falling" prognostications, the financial markets have been resilient, they have continued to function, and history has shown that the capital markets respond creatively.

In addition to the capital markets disruptions that have occurred over the years, numerous major firms have fallen or been acquired due to regulatory or financial dislocations during the same period. These firms included household names such as the venerable firms of Drexel Burnham, Salomon Brothers, E.F. Hutton, Barings Bank, and others. While there are no guarantees, in each case the financial world continued to operate and even prospered over time.

No one knows how the capital markets will respond to the current events. Because of the continued problems surrounding the subprime mortgage market, however, it is likely there will be continued uncertainty potentially accompanied by yet more consolidation of financial firms.

There may also be forthcoming regulatory changes as representatives of the Treasury Department, Federal Reserve, and Securities and Exchange Commission, to name a few, actively look to enhance investor protection going forward. It is likely that positive changes will result from the current challenges, but they may be difficult to appreciate in the short term. We believe that over time, stronger companies and better practices will emerge.

What should I do in response to all of this?

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No one knows what the Wall Street landscape will look like in one, five, or ten years, but experience has shown that those who remain calm and make rational decisions with an eye on the long term are those who will most likely weather the current uncertainty. If you believe your circumstances have changed, please call me and we will arrange a review and reassessment. In the meantime, do not let short term market difficulties undermine your long-term rational planning.

Please contact us with any questions you may have – 716.854.3343 or jweir@weirresources.com

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