

January 15, 2009

Client Name and Address

Dear Client:

Enclosed are performance reports for your investments at Charles Schwab as of December 31, 2008. The following reports, which we produce, along with the monthly statements you receive directly from Schwab, provide you with a great deal of information on your holdings, investment strategy and performance. Please review these reports and contact me at «Telephone» if you would like to discuss them.

REPORTS

- The **Schwab Investment Portfolio** reports the value of your investments as of December 31, 2008.
- The **Portfolio Performance Review** illustrates the performance of your portfolios for the year 2008. The performance of your portfolios is reported net of fees. Also illustrated is the performance of 5 major indexes and a portfolio benchmark for the same comparable periods.
- The **Position Performance Summary** illustrates the performance of your individual holdings for the year 2008, assuming your investments have been held at Schwab during that period.

MARKET PERFORMANCE AND VOLATILITY

United States markets declined significantly in 2008 with the fall and takeover of major financial institutions, however, international markets fared much worse. The developed foreign markets (MSCI EAFE) declined approximately 43%, as compared to the S&P 500 which was down 37%.

In addition to the magnitude of the decline, we were subject to extreme volatility in the markets during 2008. "The markets have become incredibly volatile, especially since Lehman Brothers sank into bankruptcy in September. Since then, the S&P has moved more than 5 percent in either direction on 18 days. There were only 17 such days in the previous 53 years according to calculations by Howard Silverblatt, an index analyst at S&P", as reported in *The New York Times*, January 1, 2009.

THE MADOFF SCANDAL: LESSONS LEARNED

Bernard Madoff made worldwide headlines in December when news broke about his \$50 billion Ponzi scheme. In our judgment, the real issue is that Madoff served as custodian, record-keeper and investment adviser to his clients.

Filomeno Wealth Management (FWM) is solely your investment adviser. FWM is registered with the Securities and Exchange Commission (SEC) as a Registered Investment Adviser and governed by their rules. Charles Schwab & Co. (Schwab) is the custodian of your assets and as a registered broker/ dealer is also regulated by the SEC and numerous other regulatory entities. These regulatory entities have established financial responsibility rules designed to help safeguard client assets. A further safeguard is that statements of your holdings are independently provided to you by Schwab on a monthly basis and you have direct online access to your accounts at any time.

For your reference, we have enclosed a copy of the Asset Protection brochure from Schwab Institutional. For more details, please refer to Asset Protection at Schwab Institutional at:

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<http://www.schwabinstitutional.com/public/backing/leading.shtml> , The Securities Investor Protection Corporation www.sipc.org and the Securities Exchange Commission at www.sec.gov.

LEGISLATIVE UPDATES

- The [Worker, Retiree, and Employer Recovery Act of 2008](#) *suspends the need to take required minimum distributions* from qualified defined contribution plans and IRA's for calendar year 2009 only. If this applies to you, we will be contacting you shortly.
- The [Emergency Economic Stabilization Act of 2008](#) (H.R.1424) allows individuals aged 70 1/2 and older *to donate up to \$100,000 from their individual retirement accounts* (IRAs) and Roth IRAs to public charities without having to count the distributions as taxable income.
- On the political front, expect a massive stimulus package to be one of the signature initiatives of President-elect Barack Obama's first days in office. But exactly what will be contained in the package, and how fast Congress can come to a consensus, is far from certain. Additionally, the Obama administration has given indications that it currently does not plan to increase tax rates for the wealthiest taxpayers prior to the current law expiring after 2010.

PERSONNEL DEVELOPMENT AT FWM

Despite the turmoil in the market we are committed to firm growth and the continued development of our team. We are very excited to announce that **Elizabeth DeBassio** recently earned the Personal Financial Specialist (PFS) designation. The PFS designation is awarded by the American Institute of Certified Public Accountants to certified public accountants who satisfy stringent criteria that include examinations, education and pertinent experience.

Elizabeth and Kathleen Christensen were also promoted to Manager last fall in recognition of their expertise and dedicated contribution to servicing our wealth management clients.

We are also pleased to announce that **Presley Rodricks** has joined our team as a Senior Investment and Tax Associate. Presley brings over ten years of financial services experience in investments, retirement services, banking, tax and accounting to this position. You can soon read more about Presley on our website at www.filomenowealth.com. We wish all of them continued success in their new roles.

THANK YOU

We continue to recognize that our success is directly attributable to how well we serve you through your continued business and referrals and we thank you for your trust and faith in our services. We value your thoughts and input and encourage you to call us anytime should you have any questions or suggestions.

Sincerely,

Author

Enclosures

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