

September 13, 2001

Dear

Like most people throughout the world we are shocked and saddened by the tragic events that transpired Tuesday. We are very fortunate that no one from our own immediate families was a victim of the attacks. For this we are blessed. We hope that the news relative to you and your loved ones is also good. We are keeping our fellow Americans in New York and Washington, especially all the victims and their families, in our thoughts and prayers.

As I write, the stock market is closed and is slated to reopen Monday (although it may be able to reopen on Friday). We know that it will take time to open up lower Manhattan so Wall Street employees can return to their jobs. We know that many investment firms were located in the World Trade Center, as well as traders from the New York Stock Exchange and several major import-export banks. We do not know how to accurately predict what's going to happen once trading resumes, but history tells us (the Kennedy assassination, the Cuban Missile crisis, the Oklahoma City bombing, and other tragic events) that we can likely expect a quick recovery from any immediate drop in U.S. markets. Asian and European markets have remained open, and though there was a sharp setback initially, as of this morning those foreign markets have stabilized. Nevertheless, the magnitude of this tragedy is overwhelming and will have a near term impact on economic activity.

No matter what happens, **I cannot emphasize enough the importance of staying calm and not selling any of your stock holdings.** On an intermediate term basis, the markets will once again reflect overall U.S. and global economic events. Federal Reserve Chairman Greenspan's actions, along with other world monetary authorities, have been and will continue to be positive for the financial markets. Our financial system has weathered tragic events in the past, and it will do so again now.

The goodness of our society will exemplify itself during this national tragedy.

Meanwhile, our investment strategy has not changed and neither has my advice to you. We will continue to monitor and manage your portfolios through

this difficult time. You can be sure that I will be monitoring the markets very closely in the coming days and weeks to see how things play out, and it is quite likely I will add small amounts to your stock holdings. Remembering that the "buy low and sell high" rule of investing still applies even now will serve us well in the months and years to come. You should recall that we are invested in very diversified portfolios. No single sector of the market (e.g., insurance companies or defense contractors) should have any undue influence on our performance, whatever the market's immediate reaction to this crisis is.

The bottom line is that the American spirit burns brightest during times of adversity. The U.S. stock market was floundering, searching for a bottom when the week began. Despite the arrival (finally!) of some positive economic news in the past couple of weeks, investors continued to remain very pessimistic. Did you know that rising unemployment is a so-called "lagging indicator" of the economy and usually appears at the end of a bear market? Did you know that a rising stock market is a "leading indicator" and generally occurs during a recession? Since our economy dropped from a 5%-plus growth rate two years ago to 0.2% in the just-ended second quarter, that drop of almost 5% in the level of economic growth is greater than what was experienced in most prior recessions. My belief is that *we've actually been in a recession* for the past quarter or two, even if technically we haven't experienced negative growth. So, I believe that since this international tragedy will cause markets to initially drop rather sharply when they first open, a "final capitulation" (or exclamation point! to this bear market) may be expected to have occurred. My best guess is that the next several weeks will be rocky but ultimately the stock markets may finally begin to recover in the fourth quarter of this year.

Even if we get a global recession from this tragedy, unless it is extremely prolonged (i.e. throughout 2002) the stock markets may also anticipate the economic rebound that will follow. You will hear many market watchers calling for just such a global recession, so do not be alarmed. I may be wrong, but from the top of the government to the smallest business, I think the American people will ultimately buckle down to show that this country can not be stopped by a small group of radicals with an evil agenda. So consumer spending, which has managed to hold up an otherwise weak economy, may not drop as sharply as may now be predicted. A wake-up call has arrived. The Fed already said the discount window is open wide for any bank that needs to borrow. Interest rates will likely be cut even lower than Mr. Greenspan had planned. Investors may just begin to focus on strengthening corporate activity even as consumers pull back from their furious spending ways.

Early last spring, I wrote you a lengthy letter detailing the market turmoil at that time, the "test" that we as investors were undergoing, and it continues today. I wrote at that time that we were likely at or near a "bottom" in the markets and that has remained true until now, when we will likely set "new lows" before September ends. The five conclusions I reached at the beginning of that letter either remain true or sufficient time has not passed to judge their ultimate truth. However, let us again review some basic investment caveats that you and *Main Street Advisors* follow, and that have caused us to do much better than most investors:

1. We develop and set a personalized asset allocation policy that diversifies you across several asset classes and within proven management styles. These include money markets (cash), bonds, large U.S. growth stocks, large U.S. value stocks, small U.S. growth and value stocks, and foreign stocks (core and emerging). Your money will never achieve the *highest* returns you hear about, however it will never submerge to the *lowest* depths you hear about either. One of my roles is determining the proper mix of growth to fixed income investments, and applying mild adjustments along the way. You will grow or better maintain your wealth in this manner and not by "betting" on the stock market, as some of your friends and family undoubtedly do.
2. We avoid individual stocks and instead utilize some great investment companies (mutual funds), allowing proven stock and bond pickers to select what individual companies to own and when. So you don't see "Microsoft", "Merck" or "Bank of America" individually listed on your statements, yet you own them in sensible allocations. I am *highly selective* of the mutual funds we use at SEI Trust and Schwab Institutional; they are monitored against their "benchmark" to ensure they are doing a solid job.
3. We don't trade (buy and sell) very often, and have largely avoided "buying on the dips" like so many other investors did. If you have a well-thought strategy of diversification, it should have you owning a little of everything such that the trading of one holding for another is not usually attractive. We have been in *our* stocks (via the mutual funds) for a long, long time and have made a lot of money, so sharp drops in price do not always interest us right away.
4. Your investment portfolio is monitored on a continual basis. Each asset class is researched and followed, as are the money managers we've hired to work in these different areas. So I always know what your account performance is and why it's where it is.

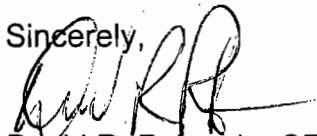
A quick look at the market indexes reveals the following:

	YTD			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Cumulative</u>
Standard & Poor's 500	21.1%	-10.1%	-17.3%	-10.0%
Dow Jones Industrial Avg.	21.2%	-6.2%	-10.9%	+1.3%
NASDAQ	85.4%	-39.3%	-31.4%	-22.8%
MSCI - EAFE (foreign stocks)	27.3%	-14.2%	-24.7%	-17.8%

The most important factor to watch in coming weeks is whether Americans sharply pull back their spending and investment during this most difficult time. I have thought through this type of occurrence for many years now, how to manage my clients and myself through market panics. We do not have that situation now, and let me reassure you that I will keep a close eye on the markets and our companies. Bear markets are usually followed by exceptionally strong rallies. Our buy/sell tactic is therefore simple: wait this out however long it takes.

In conclusion, I am here and ready to talk with you to help you get through this. You are doing the right thing and you are going about it the right way.

Sincerely,



David R. Peloquin, CFP  
President