Argus Financial Consultants

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Hello Everyone,

I know everyone is thinking of beaches and barbeque grills but take a few moments to read the Summer edition of our newsletter. If you are inspired to read more financial information, visit our Learning Center at www.EyeOnArgus.com.

Please feel free to suggest topics by sending your suggestion to Joy at joy@eyeonargus.com.

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ARGUS FINANCIAL CONSULTANTS

Excellence is Defined by the Success of Our Clients

Summer 2009

Belling the Cat

The mice in Aesop's fable voted unanimously, without demurral or even much discussion, that a bell should be tied around the neck of the local cat, so that they would always be warned of his approach. The meeting foundered, however, when the issue became exactly which mouse or mice were to be delegated to do the belling.

The moral of the fable is that any number of perfectly good ideas do not survive the issue of how they are to be carried out. Just such an idea surfaces after any deep and prolonged decline in the equity market. It is that the "buy-and-hold" approach to equity investing is now thoroughly discredited, and should be replaced with a more active approach to getting out of harm's way during market declines and re-entering the market during (or even in anticipation of) its advancing phases.

Perhaps we might call it "belling the bear."

It's onerous and even hateful to think that you have to ride out temporary declines o anything like the magnitude of the current bear market, in order to be sure of capturing the long-term returns of equities. There just has to be a better way. Granted, there's no way consistently to be sure markets are topping or bottoming as they do so. But there just has to be—doesn't there?—a signal, as a pullback begins to pick up steam, that we're in for a major decline.

Well, let's see. Suppose we said that, every time the market closes down 10% from a previous peak, we'd get out. This is clean, it's simple, it doesn't require a lot of agonizing analysis—and you're absolutely sure of never getting caught in a major break.

There are just a couple of things wrong with this approach. (1) Ten percent declines happen on an average of once a year, and don't go much further down, if at all. So, using this perfectly commonsense technique, you'll get stopped out at the bottom of a meaningless correction pretty much every year. There wouldn't need to be anything else wrong in order to disqualify this technique, but of course there is: (2) You still don't know where to get back in.

OK, then, suppose we make it 20%. Twenty percent down from a previous high, and you're gone. You can never get caught in a monster bear market like the recent unpleasantness.

Couple of things wrong here, too. (1) Even factoring in the current bear (down 57% peak to trough on a closing basis through the panic lows of March 9), the average post-WWII bear market only took the market down about 30%. So, on average, stopping yourself out at 20% didn't save you much. And—you guessed it: (2) You ***still*** didn't know where to get back in.

You can go on and on like this. Try as you will, you can't get any number—or combination of numbers—to tie a bell around that bear's neck. Nor to then make the bell stop ringing when the bear has finally shot his bolt. Like the mice deciding to bell Aesop's cat, getting opportunely in and out of the equity market is a really great idea…that can never work.

Winston Churchill famously said that democracy is the worst form of government ever practiced by man, except for all the others. In just that sense, buy-and-hold is simply the worst equity investment strategy ever concocted by man.

Except for all the others.

LPL Financial Stability

not be invested into directly.

The unprecedented events of 2008 and the ongoing market volatility of 2009 have raised serious questions about the stability of several well-known financial services organizations. At times like these, it is natural you might have concerns about the financial strength of the firm that supports our business, LPL Financial. Although this has been a difficult time for many in our industry, LPL Financial remains financially sound and continues to maintain the strongest commitment to providing resources and support that help LPL Financial advisors to serve the needs of our clients. To help address a few of the questions you may have, we would like to share with you some information about the firm's business model, its financial performance and liquidity position, the steps LPL Financial takes to help protect client accounts, how we are regulated, and how LPL Financial assesses risk from other parties with which it does business.

Business model

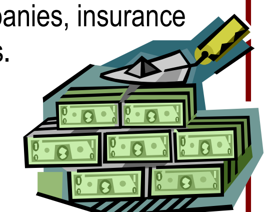
LPL Financial provides our practice with technology, brokerage, and investment advisory services. We are their customers, and we, in turn, serve you as our client. LPL Financial offers our practice access to a broad array of financial products and services to support us in providing financial advice and brokerage services to retail investors. Financial advisors and institutions are their only customers, and LPL Financial does not market directly to investors.

Unlike traditional brokerage firms, which combine product distribution and product manufacturing, LPL Financial operates on a conflict-free open architecture product platform with no proprietary investment products. Their research department provides financial advisors with objective analysis on financial products, asset allocation strategies, and economic conditions. As a result, we are able to recommend products selected on the basis of our clients' financial needs and objectives, without being influenced by any product manufacturing bias.

In addition, LPL Financial does not engage in the business practices of investment banks or provide other alternative financial services. LPL Financial does not engage in market-making activities trading out of its own inventory, which means the firm does not hold any securities on its balance sheet that are open to market risk. It does not have exposure to mortgage-related investments or securities, nor does it provide loans to hedge funds or other speculators.

Financial performance and liquidity position

Based in part on the scalability of the LPL Financial platform and the fact that the vast majority of the financial advisors supported by LPL Financial are independent contractors, a significant portion of their operating expense is directly tied to revenue performance. As a result, since 1990, LPL Financial has not posted a loss in earnings regardless of market conditions, remaining profitable since its formation 20 years ago. The firm's revenue is derived through over 7,000 business relationships, including relationships with financial advisors, banks, credit unions, investment companies, insurance carriers, and other financial institutions. No single business relationship accounts for more than 1.75% of LPL Financial revenue.



The Financial Industry Regulatory Authority (FINRA), our industry's regulatory body, mandates that all broker/dealers must maintain net capital equal to or in excess of the minimum regulatory requirement to provide a level of comfort in the firm's ability to meet its financial obligations and support its business. As of December 31, 2008, LPL Financial was required to have a minimum net capital of $10.6 mm. At year end, it had $108.7 mm in net capital, resulting in excess capital of $98.1 mm, or 10 times the requirement.

Like many financial services firms, LPL Financial carries debt on its balance sheet. LPL Financial is currently in

Be courageous. I have seen many depressions in business. Always America has emerged from these stronger and more prosperous. Be brave as your fathers before you. Have faith! Go forward!
—Thomas A Edison

compliance with all of its lender debt covenants. In addition, due to the growth of the firm and decline in its credit risk since incurring the debt, LPL Financial received two ratings upgrades in the last four months of 2008. Moody's upgraded the LPL Financial debt rating on September 5, and Standard and Poor's raised its rating on November 4.

LPL Financial has two operating lines of credit, which provide liquidity to the firm. This is in addition to cash assets held on the balance sheet. Therefore, LPL Financial believes the total liquidity of the firm is sufficient for its capital needs. As a result, LPL Financial has had no need for any capital infusions to maintain its business functions, and the firm has not participated in any federal relief programs related to recent financial events, including the Troubled Asset Relief Program (TARP).

Client account protection

LPL Financial is a member firm of the Securities Investor Protection Corporation (SIPC). Membership provides account protection up to a maximum of $500,000 per client, of which $100,000 may be in cash. For an explanatory brochure, please visit www.sipc.org. Additionally, through Lloyd's of London, LPL Financial accounts have additional securities coverage to cover the net equity of client accounts up to an overall aggregate firm limit of $750,000,000, subject to conditions and limitations. The account protection applies when a SIPC member firm fails financially and is unable to meet its obligations to securities clients, but it does not protect against losses from the rise and fall in the market value of investments. This extensive coverage reflects a strong commitment to serving your investment needs.

Regulation

The financial services industry is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges, as well as by non-government agencies, regulatory bodies, and securities exchanges. LPL Financial takes an active leadership role in the development of the rules and regulations that govern our industry. Given the recent turmoil in the financial services industry, we anticipate continued heightened scrutiny and significant modifications in these rules and regulations, and we expect LPL Financial to be at the forefront of this change. Throughout our history, LPL Financial has invested heavily, with the benefit of its scale, in compliance capabilities to monitor our compliance with the numerous legal and regulatory requirements applicable to our business.

Counter-party risk assessment

LPL Financial utilizes its enterprise risk management group to routinely examine the health of business partners with which LPL Financial has relationships in order to assess risk to both ourselves and our customers. This process includes reviewing forward-looking measures of counter-party risk. When necessary, steps are taken to limit potential risks.

We hope this information addresses any questions or concerns you may have about our organization. Thank you for the opportunity to serve your financial needs.

This letter was prepared by LPL Financial.

This statement includes certain forward-looking statements provided by LPL Financial with respect to the anticipated future performance of the Company. Such forward-looking statements reflect various assumptions of management concerning the future performance of the Company and are subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond the control of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. There can be no assurance that such forward-looking statements will be realized. The actual results

LPL Financial

Corporate Snapshop—Key Information
as of December 31, 2008

◇ Assets under management	$233.9 billion
◇ Annual revenue	$3.1 billion
◇ Client accounts	3.5 million
◇ Financial advisors supported	approx. 16,000
◇ Advisors licensed with LPL Financial & subsidiaries	11,920
◇ Financial institution partners	765
◇ Branch offices	approx. 7,000

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"All of our customers with money must someday put it to work into some revenue producing investment. Why not invest now, when securities are cheap? Some people say they want to wait for a clearer view of the future. But when the future is again clear the present bargains will have vanished. In fact, does anyone think that today's prices will prevail once full confidence has been restored? Let us face it—these bargains exist only because of terror and distress. And when the future is assured, the dollar will have long since lost its present buying power. It takes courage, of course, to be optimistic about our country's future when nearly everyone is pessimistic. But it is cowardly to assume that the future of the United States is in peril."

— Dean Witter, May 6, 1932

(The DJIA made its low for the Depression era on July 8, 1932.)