BRIAN D. LOWDER, INC.

QUARTERLY NEWSLETTER

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FINANCIAL MARKET OVERVIEW

The 2008 second quarter stock market performance, as measured by the Dow Jones Industrial Average, was a mirror image of the dismal results during the first quarter of 2008 – down 7%. Through June 30th, the Dow Jones Industrial Average is now down 14.4%. From the highest point in October 2007 through the first week of July, the Dow has declined over 20%, which qualifies for the widely accepted definition of a bear market – a 20% drop from the highs.

Most stock categories suffered much smaller losses than the Dow Jones Industrial Average. The broad U.S. stock market as measured by the Wilshire 5000 was down only 1.5% during the second quarter. Global, international and emerging market stocks also suffered modest declines of 1% to 2% during the second quarter while a few stock categories and country-specific stock funds posted gains.

For the year, foreign stocks that investors have been flocking to lost nearly as much as U.S. equities. The EAFE foreign stock index, which is analogous to our S&P 500 index, was down nearly 13% year-to-date and emerging (foreign) markets were down 16%. China is down 43% since October 2007 compared to 20% for U.S stocks. Even faster-growing countries are experiencing a return back to normal valuations.

Among the only positive performing categories were gold (+3.4%), mid-cap U.S stocks (+3.5%), small-company growth (+3.6%), utility stocks (+6.4%), natural resource (+24%) and Latin America stocks (+10%). Alternative asset categories such as commodities and managed futures also posted gains. The following chart displays sample returns of various asset categories during the second quarter and 2008 calendar year through June 30th:

2008 2nd Qtr	Year-To-Date '08	Index Return (*includes dividends reinvested*)
(7.0%)	(14.4%)	**Dow Jones Industrial Average**
(2.7%)	(12.8%)	**Standard & Poor's 500 Index**
(1.5%)	(11.8%)	**DJ Wilshire 5000 (Broad Market)**
+ 1.6%	(12.0%)	**Large-company stock-Growth**
(3.9%)	(14.1%)	**Large-company stock-Value**
+ 5.0%	(12.0%)	**Mid-Size Stocks – Growth**
(0.0%)	(11.8%)	**Mid-Size Stocks – Value**
+ 3.6%	(14.8%)	**Small-company stock- Growth**
(1.8%)	(11.5%)	**Small-company stock- Value**
(1.8%)	(12.8%)	**International (excludes U.S.)**
(1.1%)	(16.1%)	**Emerging Markets**
(5.1%)	(6.2%)	**Real Estate Investment Trusts**
		Fixed Income
(0.6%)	+ 0.8%	**Short-term U.S. Treasury** *(includes appreciation)*
+ 0.3%	+ 1.5%	**Intermediate U.S. Treasury** *(includes appreciation)*
		Alternative Investment Category
+ 3.4%	+ 5.3%	**Gold**
+ 2.3%	+12.1%	**Commodities**
(1.6%)	+ 5.0%	**Declining U.S. Dollar**
+ 1.6%	+ 7.2%	**Managed Futures**

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Future Economic Outlook

Our forecast of a downward adjustment in stock prices has finally arrived. Over the past eight months, U.S. stock prices are down 17% to 21% depending upon which stock index is used for evaluation. The financial press is in full pursuit of doom and gloom forecasts of what could happen. Less than six months ago, the $100 per barrel oil price seemed astonishing.

The current price of oil seems economically irrational to us, but less than 10 years ago technology/internet stocks, real estate and more recently gold stocks and commodity prices have blown right through the threshold of rational pricing. Speculators are in control and they are driving up the price of these sectors beyond rational expectations.

We don't believe the surge will last, although $200 per barrel of oil will someday be a reality. The jump in market prices of oil, natural resources and commodities, the downward adjustment in real estate values and the repercussions of too much debt are finally upon us. It is going to take time, patience and a focus on minimizing mistakes rather than pursuing abnormal returns over the short-term.

Emphasizing caution, investing in alternative asset classes and using tactical adjustments (buying low and reducing exposure at highs) is not our approach to achieving target rates of return for our clients over the long-term. However, we believe tactical adjustments are appropriate given the current economic circumstances. Avoiding market return losses (i.e. 20% decline in stock prices over the past eight months) during downward adjustments is equally as valuable as achieving market and above-average returns during favorable economic cycles.

Our previous newsletters over the last three years have clearly outlined our forecasts and expectations. Now, the financial press, financial markets and our forecasts are in sync. The long-overdue adjustment is underway and the desired recovery will not likely occur quickly. We expect small stock market rallies to occur within a range of 8% to 10% followed by retreats to current levels (thus the reasoning for making tactical adjustments). The good news is the bad news is necessary before the financial markets can resume delivering normal performance.

We don't have prescient forecasts of how long it will take for depressed stock prices to resume providing normal investment returns. We suspect the recovery will be deferred into later this year or 2009 partially due to election year politics and uncertainty. Therefore, we will remain in a defensive mode and make tactical purchases or sales when we believe it is appropriate to do so.

Expect Higher Income Taxes in 2009

Politics will have an impact on the financial markets over the next eight months. McCain's and Obama's tax ideas diverge greatly. Regardless of who wins the election, Congress will be decidedly Democrat and therefore an increase in income taxes will be a reality. Aside from various tax credits for middle and low-income Americans, Obama's plan is to increase taxes for high-income taxpayers. If elected, the top marginal income tax rate will likely increase to 39.5% and the capital gains tax rate (tax assessed on most investment assets held for more than one year) will increase from 15% to 20% or more. The income tax assessed on dividends will increase from 15% to whatever your marginal income tax rate is (up to 39.5%). New energy taxes are likely as well. Middle and lower-income taxpayers will pay lower taxes and small owner-

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operated businesses and "first-time" farmers will also receive tax credits.

In addition, estate tax (death tax) reform will definitely occur and the current estate tax laws implemented by the Congress during the Bush presidency will be replaced. McCain, Obama and Congress oppose keeping the current estate tax law under which the estate tax ends (goes away for all estates no matter how large or small) for one year in 2010 – and then reverts back to the previous and much harsher tax laws thereafter. The only real argument is how large of an estate will be exempt from estate tax. The current amount is $2.0 million and increases to $3.5 million in 2009. The current maximum estate tax rate is 45%.

Obama wants the exempt amount (no taxes due) to stay at $3.5 million – McCain favors $5 million. The biggest difference is the tax rate. Obama favors 45% and McCain wants a reduction to 15%. In any event, changes are in the making – expect it. The financial markets will adjust accordingly.

INCOME TAX RETURNS

Our investment decisions and income tax management strategies are greatly improved when we have copies of your income tax returns. For those clients who have filed an extension for their 2007 income tax returns, please request your tax preparer to send duplicate copies or computer file copies of your tax returns upon completion.

COMPANY ANNOUNCEMENTS

We are pleased to announce that Brian D. Lowder, Inc. has been chosen as one of the Ten Most Dependable Wealth Managers in Southern California. The featured list will appear in the mid-July issue of Forbes Magazine and will be mailed to clients later this month. We thank our clients and colleagues for their assessments and trust in our services. We will work hard to maintain that trust and confidence in the future.

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Best regards

Brian Lowder   Clinton Winey   Michael Kinnear   Remette Martinson   Pam Priest