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Generally speaking it was a very good year for energy, for international securities particularly from Brazil, Russia, India, China, and Canada, for agricultural commodities and gold, for companies whose profits can be traced to work outside our borders. But it was not an overall market rise; it was a market of sectors. Domestic housing and autos, and companies that in any way were tied into the sub prime financing business plummeted as did most debt instruments other than United States Treasuries. Certain investments sold off substantially whether their holdings were domestic or international. There is a special situation reviewed with the enclosures to this letter. Most forecasters are saying that 2008 will, at best, be a troublesome year.

We started publishing this newsletter quarterly with a special October edition shortly after 9/11/2001. At the time we suggested that there were completely new market dynamics operating, that a war had been started on the economy. By this we meant that Al Quaida, the terrorists, and our other international enemies recognized that they could not defeat this nation in a war on the battlefield, or a war of armaments but they could hope to successfully wage a war of attrition. Their focus would be focused on our economy and our national resolve. Some of the effects of what we have experienced resulted in the volatility and turbulence experienced by our markets this past year.

In quarterly newsletter after quarterly newsletter we suggested investment in technology for individual and business but particularly for defense—for surveillance and security. We suggested investment in the basic materials, in gold, copper, water, and food. Recently we suggested companies whose profits came from overseas, particularly from building overseas infrastructure. Our research was not limited to Raymond James but to publications of some significant variety.

This past year I was one of one hundred from throughout the country who were invited to the National Security Forum held at Maxwell Air Force Base, Alabama. What I learned at Maxwell was not pleasant but appeared to confirm the investment suggestions I have been making in this newsletter since 9/11. My mentors at Maxwell included a number of mid level officers who had been called from duty throughout the world and were completing a six month course at the War College.

Each morning we attended lectures focused on subjects including Africa, China, Israel, Iraq and Cyberspace. Then we repaired to late morning and afternoon to seminars where fifteen of the invitees would engage in very open discussion with fifteen of those about to graduate from the War College. We operated subject to a rule of non attribution. What was said in seminar not be attributed to a specific individual once we left the seminar room. Candor was the name of the day. Politicians were generally scored. There were

some strong condemnations heard of the present administration of Rumsfeld and of Congress, both Democrat and Republicans.

Since the men had all been recently deployed on various missions throughout the world, their perspectives of how this country was accounting itself was revealing, often frightening as to dangers revealed and, most often at sharp contrast with what was being present in the contemporary news. As you know, our fighting force is comprised of all volunteers. It is of a very high intellectual and moral character. The equipment, the planes and the armament with which our men fight is in sorry shape from wear, from sand getting into its mechanism from twenty years in the desert, from the lack of new equipment and of repair. We have allocated one of the smallest percentages of GDP in our national history to equipping our men. Of this allocation by far the greatest proportion goes to industry manufacturing our armament and equipment not to our men. There was universal candid outspoken recognition that the nation's defense must stand and compete in the feed line with each of the special interests competing for budgetary dollars and with the greed and corruption of our politicians. Consequently our national purpose is not clear, often appears in conflict, and is captive to bitter political infighting. Regardless of political party, the one thing these men desired most was to see this country elect as President a man who could unify and lead.. This will be a tall order with our press slanted BOTH WAYS so that the public most often operates in the absence of objective information.

My function with this newsletter is not to advise you as to your vote--- you wouldn't listen to me anyway. My function is to advise you as to the over riding importance of this election on the investment choices you make.

The tremendous market volatility you have experienced this past half year could possibly intensify in 2008. There are no safe harbors. The dollar should be assessed as to its purchasing power not as a unit of value in and of itself. The dollar plummeted as to most currencies last year. We partially reviewed on of the major reasons for this fall in our June-July newsletter. In an effort to protect millions of new homeowners from foreclosure on their step rate mortgages the federal reserve "injected huge amounts of liquidity" into our banking system. Thus, by reducing interest rates and issuing more dollar bills, the value of the dollar in international markets fell. One example of this can be seen in the oil, market where OPEC, reacting to the decrease in the dollar's value, raised oil prices very substantially. Another example can be seen on Raymond James screens as they reflect the value of recently purchased CD's: substantially less than their purchase price. Many, including myself, believe that well chosen stocks may be a better alternative than bonds.<sup>1</sup>

Economics is known as the dismal science. It is based on the principle of supply and demand. The principle operates for the nation just as it does for the individual. But what is the supply of the nation and what is the appropriate scope for its use. There are a number of demands: Defense of the country foreign and domestic; unionized or non unionized education of the young; health care whether provided by individuals or the

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<sup>1</sup> Of Course one should review their risk tolerance and suitability before investing.

government; retirement benefits; police and roads; welfare benefits for the unemployed and for non-citizens. Try to prioritize these and others that remain unnamed. Then remember that, even with the United States, the supply of wealth is limited. And what is the wealth of the nation—are you as a citizen to be equated with a subject. Is what you have accumulated, have earned, really the asset of the government to be utilized for whatever needs are determined presently by someone else. If so, what is the effect on those who exhibit industry, incentive, imagination and enterprise? Will the benefit they provide for others be sufficient motivation replacing what they have previously earned for themselves?

These issues are important to me as a Financial Advisor for I seek to advise you from a tax and investment perspective. Right now the basics are involved. Referring to the overall American economy last year United States industry profits were made overseas and not at home. Profits came from goods and services sold overseas, particularly from the infrastructure that was built elsewhere. Wouldn't it be nice to have that infrastructure in addition to schools built at home? How are the roads in your area—and don't mention the big dig Where are we putting our government money—and I don't just mean in politicians pockets. Determine your priorities. Then try to determine which of the candidates gives you the greatest confidence that your list may eventuate. If you are like me, no one candidate will represent all “your views”. But which represents the best compromise?

Obviously, government spending is a substantial force in determining the success or failure of business enterprise. But much more is now at stake. What you as citizens do about it presently will resonate in your investment success – or failure—now and for a long time to come.

As a student of American government, as an attorney, and, for the past thirty-five years as a financial advisor, I am concerned. When our Founding Fathers convened to make the great Compromise of 1787, their focus was on the conflicting authorities of the states and of the national government. The unfinished debate involved the role of the individual. The Bill of Rights provided a sufficient amendment to protect the individual and his property into the immediate future. But the intervening period has seen the development of new conflicts, demands for the state to assume new responsibilities for its citizens to be paid for from what has been viewed as individual citizens' estates. An instant example can be provided by the present mortgage= housing problem. Two or three years ago the step rate mortgage issuers were viewed as heroes as they allowed those who might otherwise be unable to acquire their new home to make the purchase and grow into the ability to pay. Now that the borrowers may default the issuers are seen as being at fault and the government will bear the financial responsibility. The political realities are such.

Similar to those mid grade officers at the National Security Forum, I hope that the new year brings us a Presidential leader who can withstand the political winds, who can unite the American people, whose administration can speak with a clear voice that can be respected both here and overseas. It should be a leader who understands the dismal

science. For we need to determine the province of the individual and his possessions within our form of government. What is the scope and authority of the government as respects its citizens and what are its responsibilities to the individual citizen. No longer should this be stated on a case by case basis so that governmental authority gradually expands. Rather we need to understand and perhaps state the functions and responsibilities of the federal government while at the same time determining what if any rights of private property remain to the individual. In so doing government needs acknowledge the principles of the dismal science. To so do would add essential stability to our system of governance.

Presently, I hope to be advising you not only as to what the law applying to a specific situation state but also what may occur with it in the near future. The goals and objectives for which we plan will remain similar. But the tools with which we plan will require additional flexibility. Presently my portfolio quest will be more and more for the stock of well financed and stable companies well managed yet having considerable flexibility if needed, operating with the necessities: food, water, energy, areas of technology, companies who look to make much of their money outside our borders, companies producing gold and certain metals, certain foreign companies, open and closed end funds, special situations. I look for volatility and turbulence but for opportunities where significant profit may be obtained.

Best regards,

William L. Haas

1. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material.
2. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.
3. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.
4. Any opinions are those of William Haas and Mike Kertyzak and not necessarily those of RJFS or Raymond James.
5. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.
6. Please note that international investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.
7. Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.
8. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulations and may not be suitable for all investors.

