Van Sant & Mewshaw Inc.

Registered Investment Advisor

Common Sense Advisor ©

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MARKET MANTRA

Analysis/Commentary

Investors have confronted a disturbing array of unwelcomed developments in recent months, causing some to wonder if the confluence of recent events is so worrisome that they should abandon a diversified investment approach and retreat to the safety of Treasury bills until the outlook appears more favorable. There is certainly no shortage of discouraging news events:

An unpopular war drags on as the President's approval ratings sink to new lows.

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Returns 2008

INDEX	YTD	1 YEAR
S&P 500	-12.80%	-15.80%
Dow Jones Industrial	-14.40%	-16.10%
Nasdaq	-13.50%	-12.90%
Russell 2000	-10.00%	-18.40%
Foreign Stocks	-12.70%	-10.61%
Enhanced Growth	-11.91%	-14.31%
Growth	-8.90%	-9.42%
Moderate Growth	-7.06%	-6.50%
Conservative Growth	-4.64%	-2.76%
1YR T Bill	+1.62%	+3.24%

NEWS AND UPDATES

401(k) Fees too High

Most employees are unaware of the fees, rebates and revenue-sharing agreements among employers, 401(k) administrators and mutual fund companies. More often than not, these fees are buried in the fine print or are not disclosed at all. Hidden fees of as little as one-percent can reduce the employee's 401(k) returns by fifteen-percent over a thirty year period. These are expenses which the employee never receives a bill for, they never write a check for and have no say about. If you are currently invested in a 401(k) set up through your employer with an insurance company or full commission brokerage firm we can help to significantly reduce the plan fees and expenses. For a free analysis of your present 401(k) plan call our office at (410)-825-8844.

Required by the SEC

Rule 206(4)-6 of the Investment Advisors Act requires all Investment Advisors to make available, to their clients, a copy of their proxy voting policies and procedures and a copy of the firm's code of ethical conduct. Please consider this our offer to provide, upon request, a copy of our proxy voting policies and procedures and code of ethical conduct.

Condolences and Deepest Sympathy

We at Van Sant & Mewshaw share in expressing our deep sorrow and sympathy to Alex Barron and his family on the recent unexpected passing of his mother Inge Falk Barron. A Woman of strong will and compassion with many diverse accomplishments. A trail blazer in her own regard, being one of the first female security analyst hired on Wall Street in the early 1950's. *"May her soul be bound in the bond of life"*.

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Rising prices are forcing consumers to cut back on their spending.

Auto sales sink lower for consecutive months.

Stock prices crumble on worries over inflation, economic stagnation, and financial distress due to excessive leverage in the financial markets.

The fifth largest brokerage firm in the country avoids total collapse only through a fire-sale merger with a stronger firm.

From the *New York Times*; ***"The unrelenting pressure of the worst bear market since the Depression has already driven a number of financial houses to the wall, and the Street is full of talk that other, far more serious problems are lurking just beneath the surface."***

A prominent Harvard economist suggest that the stock market collapse is an appropriate retribution for the nation's financial sins and further turmoil lie ahead; ***"We're bound to have a certain number of great bankruptcies among these jerry-built structures constructed of debt and romance. There will be bankruptcies in the weaker conglomerates and possibly in some of the stock market houses, and massive liquidations in mutual fund securities. The whole concept of glamour stocks is a perfect reproduction of 1929, and to an extraordinary extent the industries are the same."***

The chief economist for Manufacturers Hanover Trust has observed; ***"It is obvious to anyone close to business finance that corporate liquidity, however defined, is more seriously strained than at any other time since the Second World War."***

Indeed this is ominous news for stocks and distressing for investors. **EXCEPT**, all of the previously cited economic confluences and dire observations are from thirty-eight years ago. What we are reminding ourselves is that which market participants were worrying about in the early 1970s are similar issues that concern investors today. And we have no doubt that thirty-eight years ago we could have gone back to the early 1930s and found analogous events. The point of the exercise is that Bear Markets are a normal part of the market cycle, not the end of investing "as we know it". One of the major errors investors make in Bear and Bull markets is the assumption that the immediate past is predictive of the long-term future. To their determent, investors tend to overemphasize more recent data and ignore longer term results. This was most recently evident in the dotcom bubble of the late 1990s and later the real estate boom of the early 2000s. We don't know if business conditions will improve or deteriorate or if stock markets around the world will go up or down. What we do know, what is a fact, markets, all markets, are subject to mean reversion. That is to say those periods of good performance are followed by periods of bad performance. The reverse is also true. As an example; The Japanese market in 1996 and 1997 was down -15% and -24% respectively. The following year Japan was up 62%. Another example, in 1998 the MSCI Emerging Markets Index was down -25% the following year it soared 66%. Bear Markets themselves are not devastating to investor portfolios. The ultimate factor which will determine whether the investment program succeeds or fails in meeting the investor's goals is how the investor reacts to a Bear Market...not the Bear Market itself.

BEAR MARKET DECLINES ARE AN INEVITABLE PART OF INVESTING

Period	Number of Bear Markets	Average Frequency	Average Decline	Average Length	Annualized Return
1900 - Current	23	Every 2.1 Years	-36.80%	19.5 Months	10.40%*
1945 - Current	13	Every 2.1 Years	-29.50%	15.1 Months	11.80%
January 1973 - October 1974	1	NA	-48.00%	20.5 Months	11.00%**
October 09, 2007 - ?	?	NA	?	?	?

Chart information based on the broad S&P 500 Index. Source: Leuthold Weeden Institutional Research.
*-Annualized return for the S&P 500, period 1926 - 2007. **-Annualized return for the S&P 500, period 1973—2007.

Notable Quotes

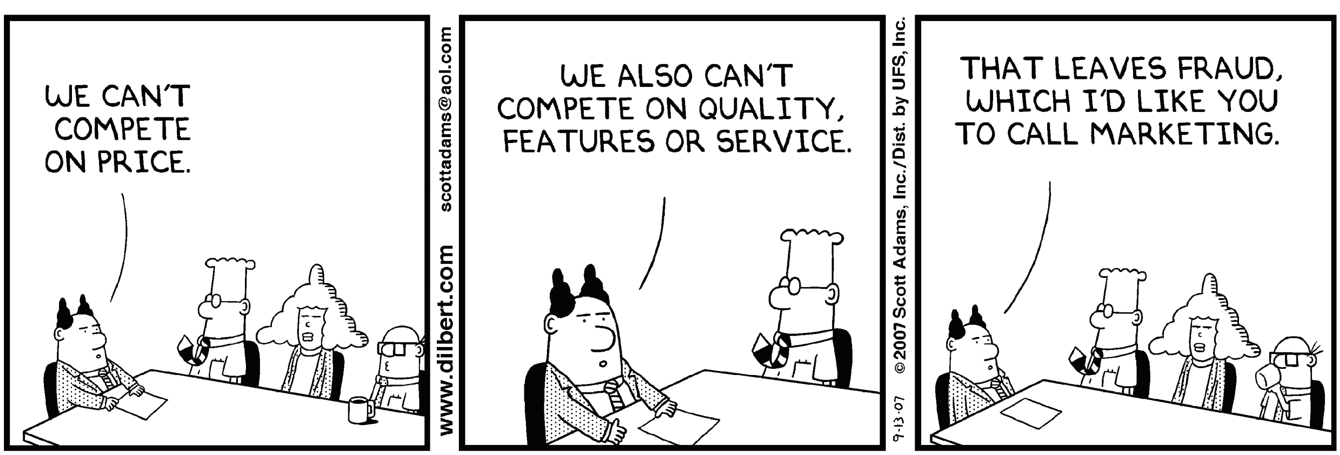
"When Citigroup Inc. was launching a pair of hedge funds last year, it didn't have to look far for investors. Brokers at the firm's Smith Barney unit drummed up hundreds of millions of dollars from retail clients, including some who were told the fixed-income funds were a safe place to stash money. Since then, the hedge funds, devastated by the credit crunch, have plunged by 75% or more in value….The mess is another black eye for the New York financial conglomerate, which has taken lumps during the past few years for falling short of its potential to cross-sell products to its huge customer base. The Smith Barney brokers had little trouble attracting retail's customers to the funds. Their pitch: The funds were ideal investments for conservative retirees." *(Inside Citi, a Hedge-Fund Push Blows Up, David Enrich, Wall Street Journal, 4/29/2008)*

"We're in the midst of the most politically significant shift in global capital flows since 1919, when New York emerged out of the ashes of the Great War to replace the City of London as the dominant global capital center. The significance of this shift, being dramatically accelerated by the ongoing crises of US banks and financial institutions and insurers as a consequence of the failed "securitizations revolution," is that it portends a de facto end of the American Century dominance of global geopolitics." *(Titanic Shift in Global Capital Market Power, William Engdahl, Geopolitics-Geoeconomics, 1/22/2008)*

"No modern government policy is so stupid that the Romans didn't think of it first. A visitor to the Eternal City, even if he has been many times before, feels his jaw drop and his pulse rise. The city is still a magnificent ruin a vast memento mori recalling every absurdity and corruption known to man. Here we begin ab ovo, the Romans use to say, with the egg. At the far end of the Largo di Torre Argentina, for example, is the spot where Julius Caesar's body was ventilated. Poor Julius. His wife warned him. His soothsayer warned him. Even his friends warned him that something was up. Still, the man who had conquered Gaul and brought Vercingetorix back to Rome in chains, and then triumphed in the civil war against one of Rome's greatest generals, Pompey, dismissed his guards and walked into a cheap ambush by politicians, one whom was probably his own son...But that is the amazing thing about the Romans and modern man too; even when the traps are as obvious as bailouts and Baghdad, they sashay right in." *(Eternal City, Chronic Trouble, Bill Bonner, The Daily Reckoning , 5/9/08)*

"Of all the enemies to public liberty, war is perhaps the most to be dreaded, because it comprises and develops the germ of every other. War is the parent of armies; from these proceed debts and taxes; and armies, debts and taxes are know instruments for bringing the many under the domination of the few...No nation could preserve its freedom in the midst of continual warfare." (*James Madison, Fourth President of the United States and Father of the Constitution.)*

DILBERT BY SCOTT ADAMS



Passive Portfolio Allocations
June 30, 2008

FUND	ENHANCED GROWTH	GROWTH	MODERATE GROWTH	CONSERVATIVE GROWTH	RETURN 2008
U.S. Stocks Large Cap	65.00%	50.00%	40.00%	30.00%	-11.96%
U.S. Stocks Small Cap	15.00%	10.00%	8.00%	5.00%	-8.22%
Foreign Stocks	20.00%	15.00%	12.00%	5.00%	-10.91%
U.S. Bonds	0.00%	25.00%	40.00%	60.00%	+1.07%
	—	—			
Return Thru 06/30/08	-11.91%	-8.90%	-7.06%	-4.64%	—

THE PURPOSE OF PASSIVE ALLOCATION

Passive Allocation reflects a logical, static, strategic asset allocation for a hypothetical long-term investor who is not using active asset allocation. It is based on our evaluation of the historical long-term risk and return relationships of the asset classes, and what we consider to be realistic and reasonable expectations going forward. It is the starting point for our active asset allocation process.

The passive allocation is the asset allocation that we will implement when our conviction level about any specific asset class is not high enough to justify changing the asset allocation mix. It gives us a sensible long-term allocation, based on sound research. It gives us a constant frame-of-reference against which to measure decisions. For example, if our research shows small cap growth stocks are at historically undervalued levels, we must decide what they will replace in the portfolio and how far from passive we will stray. This will be a function of our confidence and the impact on the portfolio's risk and return potential. The permanent frame-of-reference imposed by the passive allocation increases the odds that we will consistently apply our methodology. The passive allocation will serve as a benchmark against which to measure our value added.

Passive Portfolio Allocation Historical Risk/Return

PORTFOLIO TYPE	RISK LEVEL 12 MONTH LOSS THRESHOLD	TEN-YEAR AVERAGE RETURN	WORST 12 MONTH ROLLING RETURN 1996 THROUGH 2007
Enhanced Growth	-20%	5.94%	-27.11%
Growth	-15%	5.72%	-18.30%
Moderate Growth	-10%	5.51%	-12.88%
Conservative Growth	-5%	5.00%	-6.96%