



Stephen Rhea

Dear Clients & Friends:

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Alex Thompson

Normally our letters inform you of what happened in the investment world during the most recent quarter. However, during the last few days of September and so far in October, shock waves have been sent through the financial markets. In the span of a month, we have had major U.S. financial institution bankruptcies, bail-outs, mergers, take-overs, take-unders, and even a “conservatorship”. All of these events occurred in a backdrop of one of the most important Presidential elections in a generation.

Lance Hollingsworth

John Laughlin

Sarah Haizlip

Amery Staub

These actions have resulted in rarely seen volatility throughout world markets. Private investors, investment professionals and financial commentators have gathered to assess the reasons for the economic chaos and potential remedies. We are in the midst of them.

Rest assured, we have our money invested alongside yours, and just like you, we have endured uneasiness and concern in these turbulent times. In the midst of this emotional roller coaster we have also had our share of worries. However, these worries have been tempered by our work to understand events as they unfold. As always, our goal is to protect your assets and make the best possible decisions concerning your portfolios. Below is a summary of what we have learned over the last few months.

During the first ten days in October, the U.S. stock market lost 22% of its value. While a decline of this magnitude in such a short period of time is huge, it is not unprecedented. The market was reacting to the freezing of credit (lending) markets, inspired in large part by the bankruptcy of Lehman Brothers. Most categories of lending, with the exception of U.S. Treasuries, experienced little or no activity. Large redemptions from mutual funds, hedge funds and continued de-leveraging of investment banks resulted in broad selling in markets with almost no buyers. The magnitude of intraday swings, from high to low, has been extraordinary. Although the Dow finally recovered 11% on October 13th, the volatility continues.

To combat the troubles of the banking system and minimize the resulting effects on the global economy, U.S. Fed Chairman, Ben Bernanke, is leading Central Banks around the world in a coordinated effort. As if watching an approaching storm, we have seen the “lightning” of global government intervention. Now, we are beginning to hear the “thunder” of results that should follow.

While the media wants to push the idea of a second Great Depression, we believe that is folly. The U.S. financial system is the most sophisticated in the world. It is flexible and resilient. Mr. Bernanke is also a renowned scholar in the governmental mistakes that caused the Great Depression and is determined to avoid similar actions. As a result, other than after 9/11, this is the first time that every major Central Bank is solely focused on the same crisis and synchronizing their policies to insure a positive outcome.

Returning to normalcy will not happen quickly, and the stock market may test October lows again for a brief period. However, there is much evidence to suggest we are in a bottoming process.

To put your investment performance in context, here is how the major indexes performed through September 30, 2008.

	<u>3Q</u>	<u>YTD 9/30</u>
Dow Jones Industrial Average	(3.7%)	(16.6%)
S&P 500 Index	(8.4%)	(19.3%)
NASDAQ Composite	(9.2%)	(21.5%)
Barclays Aggregate Bond Index	(0.5%)	+0.6%

Your Investment Strategy

Knowing that your investment plan was crafted to endure difficult markets can provide a measure of comfort in uncertain times. Each client has an investment strategy for the future that takes into account your financial goals, time horizon, risk tolerance and payout expectations. Your plan is designed to get you through times like this. Our recommendation is to *stick with your plan*.

Bear markets are common, and a natural element of investing. A look back at history shows bear markets to be temporary interruptions in an uptrend of increasing stock values. As serious as this bear market seems now, we do not believe that American companies will permanently shut down or that stock markets will close. No one likes extreme volatility to the downside, but the selling in October offers our managers opportunities to invest in companies whose stock prices seem to be down much more than their financial fundamentals.

Our Commitments to You:

- We are talking regularly with our stock and bond managers about market conditions.
- The Summit investment committee is meeting regularly to discuss investment opportunities.
- We are managing your portfolios in a tax-efficient manner, harvesting losses to offset capital gains taken earlier in the year.
- We are being deliberate in our portfolio adjustments; the investment landscape is changing so rapidly.
- If you receive regular distributions, we are making certain that you have several years of cushion in the form of stable-value fixed income and money market funds available. We do not want to sell equities in this environment.
- We are discussing retirement issues with clients who are within five years of their expected retirement date.
- We are monitoring the custody and money market fund risks on the part of Charles Schwab & Company.

For our newer clients, we are continuing to focus on the following:

- The phasing in of new cash into the markets as planned.
- Tax-efficiently transitioning stocks and mutual funds into Summit-selected investments.

Note: Actions are taken in selected accounts as needed.

We monitor market conditions on a daily basis. During the worst days, our observations were passed along to clients and other interested parties in the form of email bulletins. Although we have most of your email addresses, we don't have all. If you would like to receive future bulletins or to make sure we have your correct address, please email your financial advisor or info@summitassetmanagement.com.

Summit is moving to Clark Centre at 5100 Wheelis Drive in early November

During the past several years, Summit has hired additional staff to accommodate our growing client base. We have been literally "stuffed" in our current offices. In early November, Summit will relocate to 5100 Wheelis Drive, Clark Centre, Suite 107. Clark Centre is situated between Sanderlin Center and Clark Tower. Look for the fountain in front of the building. Our new offices are just minutes from the old and more centrally located. Clients will also continue to experience the "park in front" convenience with our ground floor office, just inside the door. Details will follow.

We value you and your continued confidence in us. Please don't fail to call if you have questions or concerns. We are here for you when you want to discuss how this impacts you.



Alex Steve Lance John