



Conference Call Summary 5/8/08

DOW 8800 BY OCTOBER 1, 2008

Market Concerns:

- **Consumers pulling back for the first time in the last 15 years**
- **Inflation.**
- **Weakening of GDP and earnings.**

Earnings Review: GE down 10%, Target missed earnings, Ford was terrible. Most alarming is Toyota down 28%.

Treasuries should touch 4.20% by June 24, 2008.

- Near Term Rally to 13,100 reached late last week, and will retest again near term. Next target 8800 by October 1, 2008. Market fairly resilient, giving an opportunity to sell during a rally.
- Student Loan Market is not a concern because of bailout by the Government.
- Municipal Auction Rate refinancing should be complete in 6-8 months, rates are settling between 200 and 550 bps over 10 year treasuries.
- Vallejo and Jefferson County municipal bankruptcy first casualties of municipal crisis, there will be more to come which will cause headline risk and push spreads wider to 300-600bps.
- Most positive earnings caused by capital appreciation or sale of a business, not organic.