ALTER ASSET MANAGEMENT, INC.

September 15, 2008

Dear Friends of AAM,

There is plenty of reason to be in a negative frame of mind. Everything from real estate to global equities is in the midst of a significant bear market. Up until recently, food, energy, and other things we need on a daily basis experienced unprecedented price spikes. We are also in the heart of the political silly season where both parties attempt to make each other appear incompetent, which diminishes our confidence in the sacred institution of Government.

A constant stream of bad news and outcomes is emotional torture, and our subconscious response is to work to minimize the near-term pain — often at the expense of our long-term needs, hopes, and dreams. The purpose of the 2008 midyear letter is to provide context for near-term challenges and to articulate an investment plan. In addition, we are proud to unveil Roundview Capital, LLC which has been formed with the idea that all employees of our firm should have an ownership stake in our company. Value-driven investment management continues to be our focus. The name reflects our vision of also serving as a well-rounded family CFO for client families.

Year	FDIC Bank Closings & Assistance
1980	22
1981	40
1982	119
1983	99
1984	106
1985	180
1986	204
1987	262
1988	470
1989	534
1990	382
1991	271
1992	181
1993	50
1994	15
1995	8
1996	6
1997	1
1998	3
1999	8
2000	7
2001	4
2002	11
2003	3
2004	4
2005	0
2006	0
2007	3
2008	11

Table 1 - Source: FDIC

<u>THE BAD OLD DAYS</u>

In our 2007 year-end letter, we observed that residential real estate prices were likely going to be under pressure for an extended period of time because of issues with valuation, demographics (supply & demand), and taxes (the carrying cost of a home). If only the problem was simply concentrated in real estate. The collapse of Lehman Brothers and the dramatic federal government interventions required to support firms like AIG, Bear Stearns, Fannie Mae, and Freddie Mac reflect deep-rooted credit problems. As investor Jeremy Grantham noted, "How did the guys who put some dead rats in the pot end up eating some of their own stew?" The vulnerabilities being exposed in our financial system has increased systematic risk throughout the economic system.

We know what can go wrong, what can go right?

When your Advisor opened shop in the early 1990s, the economy was in a deep recession. Commercial real estate was in the midst of a slowdown, and we had recently entered into the first Gulf War. As seen in Table 1, more that one bank a day was failing and requiring emergency assistance from the Federal Deposit Insurance Corporation (FDIC). If we listened to the advice of well-intentioned interested parties who were afraid to invest in common stocks during this period of tremendous uncertainty, we would have missed one of the great investment opportunities of the 20th century. It was early on in our investment careers when we saw the benefit of a long-term thought process and learned that the key to successful investing was the ability to commit capital when news was bad and the average investor was fearful.

Flash forward seventeen years and the economic news mirrors that of the early 1990's. In fact, a simple Google search of "negative economic news" and "positive economic news" generates a 3 to 1 victory for the former.

Interpreting news is a subjective undertaking dirtied by what psychologists have coined "recent event bias" or our sense that the future will look and feel like the recent past. Recent event bias is a materially significant phenomenon that results in the unprofitable circumstance of buying high (when the news is good) and selling low (when the news is bad).

At a certain point, the negative news and resultant selling of shares leads to prices that offer a meaningful discount to long-term value. Simply put, all of the bad news, and then some, is reflected in the current value of businesses with excellent long-term futures. U.S. common stocks appear to be at one of those inflection points today.

Unfortunately, there is no bell that goes off, no newspaper headline that indicates a market bottom. In fact, the end of a bear market often comes in the darkness of night when the average investor is too weary to pay attention or has given up.

Over the long run, common stocks when properly selected are the asset class of choice for long-term investment, and they have proven themselves to be a good inflation hedge over time.

But investing in common stocks today feels like crossing a busy highway on foot with a blindfold on. Why not simply wait until there are clear signs that the market has turned for the better, until we can see the future clearly, until the congestion of negatively subsides?

The answer resides in how equity markets make their gains. According to FactSet Research, over a ten-year period, if a stock investor simply misses the 10 best trading days their returns would be reduced in half. If the 20 best days are missed in a decade, returns would fall by 75%. It is very easy to miss the best performing days. Accordingly, we do not try to time the markets since doing so is next to impossible.

WHERE WE STAND

In the current environment, we are diligently monitoring this fluid situation. Bullish indicators include favorable valuations and widespread fear among market participants. On the flipside, the ongoing turmoil in the financial sector is indicative of heightened systematic risk. It is during times of elevated near-term fear when your Advisor believes that it is important to revisit the fundamentals of a successful long-term investment program:

1) Understand your goals and develop a suitable investment strategy. As they say, "If you don't know where you're going, you won't know when you get there."

2) Live within your means and avoid excessive leverage. At this year's Berkshire Hathaway meeting, a shareholder asked Warren Buffett what to tell his kids so they do not feel like they need to "Keep up with the Joneses." The answer from the multi-billionaire Buffett who still drives a used car and lives in the same Omaha house he bought in 1958 — "Tell them to keep up with the Buffetts!"

3) On the investment front, make sure your assets are reasonable diversified. Don't be afraid to hold cash in the absence of reasonable investment opportunities.

4) Make sure you have a holistic financial plan that integrates estate, risk, and cash flow planning. Too often, your Advisors see the worries that money can cause. Instead, use your assets as a tool to make your life and those around you less stressful and more enjoyable.

HOUSEKEEPING ITEMS

We have changed the format of the mid-year report. First and foremost, all clients now receive regular printed statements and/or online updates from Charles Schwab. Second, many of our clients have asked for the relevant facts and find the amount of information we send out in paper form to be excessive as a twice a year initiative. Thirdly, we are striving to be a more green enterprise. Accordingly, we are reducing the amount of paper we consume and will endeavor to use recycled products as much as possible.

We will continue to provide you with an annual report each March that looks very similar to books you have received in the past.

ROUNDVIEW CAPITAL, LLC

Howard started Alter Asset Management sixteen years ago. Our ability to provide quality service is highly reflective of our team and the client families we have come to know. Over the next sixteen years we want to:

1) Continue finding ways to add value to your financial life.
2) Attract and retain the best people.
3) Create a firm where every employee has ownership in the company.

We are pleased to announce that Roundview Capital, LLC has been formed to achieve these objectives. You can learn more about Roundview at www.roundviewcapital.com.

Howard and Steve have worked closely for over a decade and will serve as the managing partners of this new entity. The managing partners and employee owners of Roundview will continue to dedicate their time and energy to the vision of serving as your family CFO. Although we receive offers from time-to-time to sell out to other financial services companies, this is not our vision. 100% of Roundview Capital will be owned by the employees of the Firm.

We look forward to the future, the opportunities that financial markets are providing today to allocate capital, and the privilege to serve your family as employee owners for many years to come.

Sincerely,

Howard T. Alter　　　Stephen K. Shueh