



FINANCIAL
SERVICES

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September 12, 2001

Dear Valued Client:

September 11, 2001, will be marked as a somber day for the United States and for civilized society around the world. The hijackings of four airliners and the crashing of two of them into the World Trade Center in New York and one into the Pentagon will rank as one of the worst terrorist attacks in history. We have no idea yet how many people were killed or injured in these attacks, but casualties may be high. Our prayers are for the victims and their families.

While we can only speculate, this attack appears to have been very carefully planned and skillfully executed by a well-organized violent group with extensive financial, material, and personal resources. Well-trained terrorist pilots willing to die were very likely at the controls of these planes. The incubation, planning and training for this act likely took place in one or another of the rogue nations.

What does this mean to us? First, you should expect some serious changes in U.S. military, intelligence and diplomatic missions. I do not think the U.S. government will find the current world disorder acceptable. Nations that have sponsored terrorism may no longer be tolerated. Intelligence activities inside the U.S. and overseas will be stepped up sharply. Diplomacy is likely to be much more hard-nosed. I do not think the American people will settle for less.

U.S. financial markets will likely suffer. U.S. Markets did not open on Tuesday morning, but European markets were already open and traded down 6 to 8% on the news from the U.S. When U.S. financial markets reopen, it is likely that they will trade down as well. However, keep in mind that you will likely be unable to execute trades for a while. The destruction of the World Trade Center and the devastation in lower Manhattan may disrupt trading for days. When markets open, orders may well be mostly one-sided. In other words, lots of sellers and few buyers until the markets find a new equilibrium. We are very much in uncharted waters; never in the history of the country have we experienced such a major terrorist attack.

While this is a horrific act that has struck at the symbols of American military and financial might, it is still only a pinprick on American power. The American economy is still the strongest in the world and American financial markets are deep and well capitalized with excellent systems and backups. Panic selling under crisis circumstances has often been a mistake. I expect that the U.S. government will, as it has done before, take steps to insure orderly markets and an orderly banking system. While the circumstances are different, we did come through the October 1987 market crash and the 1998 Asia Financial Crisis with our markets intact.

We will undoubtedly have to suffer from much stiffer security. All U.S. air travel and much public transportation has been halted today and may reopen gradually as security precautions are put into place. We do not yet know how these terrorists managed to so deeply penetrate our airport security and avoid U.S. intelligence. In terms of impact on the economy, these measures should not be too harmful. The clear danger is what the physiological impact of this act on consumers and business. We are in a precarious position with the economy flat and unemployment rising. Further damage to consumer and business confidence would hurt. I still hope and expect further interest rate cuts and strong support for the banking system from the Federal Reserve as we go forward.

However, make no mistake, Tuesday's events are without precedent and leave all of us filled with fear, uncertainty and anger. I firmly trust that the American public will turn these emotions into resolve to deal with this crisis and continue to make the world a better place. I will do my best to monitor financial markets and the economy as this crisis works itself out. I understand your concerns and am here to answer any questions you might have. Thank you for your trust.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lincoln Anderson', written in a cursive style.

Lincoln Anderson
Managing Director, Chief Investment Officer