

GREY INVESTMENTS FAMILY FIDUCIARY SERVICES, INC.

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Interim Communication, October 2, 2008
Investment Update

Third Quarter, 2008

As we discussed in our email of September 13, we had recommended raising cash in your portfolio (by selling foreign equities, commodities and real estate) given the once-in-a-lifetime financial crisis which was sweeping the world. Stock markets crashed by perhaps 30% since then, which includes a rebound of 10% last week. Our Investment Committee met on an unscheduled basis this past Thursday to review the economy and various asset classes and their outlook. The following is a brief synopsis of our thoughts:

1. The recession in the U. S. will be shallow and not deep. Negative GDP may approach -2%, but should not get much worse than that;
2. U. S. unemployment will rise from 6 to 8+% sometime during late 2009, early 2010;
3. Inflation remains a larger long-term threat than deflation;
4. U. S. markets should perform better than developed foreign markets, with emerging markets outperforming both;
5. Commercial real estate, particularly office, retail and apartment sectors face an extended workout phase;
6. Forced hedge fund deleveraging has created rare value in municipal bonds and investment grade corporate bonds, providing yields which approach long-term equity returns;
7. Concern regarding deflation has created good value in U. S. Treasury Inflation Protected Securities.

You have all received your third quarter letters which provided your asset allocation as of October 15. It is our recommendation you put your cash position to work, keeping in mind the themes detailed above.

David L. Grey
President & Chief Investment Officer