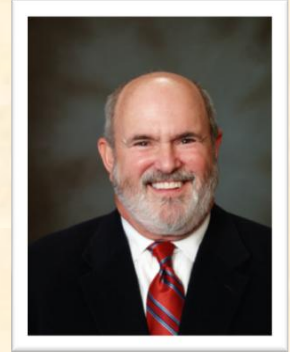




KRASNEY FINANCIAL PRESENTS:

FINANCIAL ARTICLE FOR THE MONTH OF SEPTEMBER 2008



SALE OF COMMODITIES, FANNIE, FREDDIE & THE MARKET? OUR REASONING AND THOUGHTS

INTRODUCTION

It has been a very difficult market environment since the onset of the housing meltdown and ensuing credit crunch more than a year ago. The overall stock market is down sharply from its October '07 highs, but the degree of damage has varied widely across the markets. This has created a lot of pain, but it is also creating opportunities. These are coming in a number of forms. At the individual stock level many managers we talk to are reporting finding exceptional opportunities—in some cases as good as they've ever seen. At the asset class level, we are seeing some areas getting more attractive on a relative basis, and are keeping a close eye on these. This letter summarizes a few of the major items on our investment radar, and explains our recent sales of Commodity Futures.

SALE OF COMMODITIES

Recently, we eliminated our allocation to commodities. We initiated the allocation back in 2005 and our portfolios have benefited greatly from the appreciation of commodity prices as well as the diversification benefits that this asset class typically provides. After the last surge in commodity prices during the 2nd quarter, we became increasingly concerned about valuations for this asset class. After commodity futures began to sell off last month, we decided to sell our positions from portfolios. We believed the risks outweighed the expected returns and diversification benefits. Looking longer term, research shows that in most environments commodities are likely to add value in balanced portfolios, and so when circumstances dictate, we may well reintroduce them to our portfolios.

The proceeds from these sales (roughly 2% - 3% of portfolios) are currently invested in money market funds for now. We are carefully monitoring several, potential fat-pitch opportunities (see below), and will use this cash when we are ready to act.

ASSET CLASSES

REITs— we continue to evaluate REITs for determining when we may take a tactical position. We believe REITs are currently fairly valued and priced to generate returns in the mid to upper single-digit range. We are not currently investing in REITs, but believe an investment opportunity is likely during this market cycle.

High-Yield—we think of high-yield bonds as comparable to a mix of stocks and bonds. Right now, high-yield potential returns look fairly attractive versus a stock-bond mix on a pretax basis. This is looking out over a number of years, while the near-term risks remain significant. Ideally, we'd want to invest at the point where the default cycle is close to a peak. The best absolute returns have been

We appreciate the opportunity to talk with "Friends & Family" who can benefit from our services. If you know someone going through a "life event" i.e. the sale of a business or home, retiring, or has received an inheritance, we appreciate the opportunity to service them. If you provide their contact information, we will gladly reach out to them, without cost or obligation. Thank you so very much for keeping us in mind.

These views are those of Krasney Financial LLC and should not be construed as investment advice. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy.

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earned when that is the starting point historically. On the other hand, we aren't going to just wait until we believe we are close to the peak in the default cycle and then invest. One reason is that there is no guarantee we can time the peak in defaults. Beyond that, we can look at valuations and return potential (based on a combination of spreads, estimated default rates, and recovery rates) and determine the point at which we believe longer-term (three- to five-year) return opportunities are compelling. That is something we can analyze with more confidence, and would be the basis for determining when we might "pull the trigger". In the meantime, we continue to watch the asset class closely, as it is possible that an opportunity could be created quickly. We are also evaluating what vehicles we might use to take advantage of a tactical opportunity in high-yield.

US Stocks — if stocks fall further, we may increase our allocation to large cap domestic stocks. The key factor is "does the potential return of US stocks rise enough to justify the short-term risks?" We are also looking at relative valuations between growth and value, and the larger cap and smaller cap segments of the US stock market. At this time, no action is warranted. We continue to favor larger cap over small, and are neutral on value vs. growth.

UPDATE ON FANNIE MAE & FREDDIE MAC BONDS

The government has moved aggressively to forestall a further deterioration in the mortgage market. On September 7, 2008, the US Treasury decided to take control of Fannie Mae and Freddie Mac through a Conservatorship effectively wiping out the value of the common and preferred shares.

Clients who hold Fannie Mae and Freddie Mac bonds may see an increase in value as spreads on these agencies' notes narrow relative to Treasuries. Fannie Mae and Freddie Mac bonds have long had an implicit backing of the US government. The US government is now officially "backing" these bonds, making an implicit guarantee and explicit one. We don't want to say "I told you so", but.....

Krasney Financial Research Team (9/8/2008)

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