



NCM Client Notification

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To our clients:

My wife has told me to quit yelling at the television. The source of my frustration stems from the nonsensical exchanges occurring between Ben Bernanke and members of The House Financial Services Committee.

Led by Chairman Barney Frank, this group is now grilling – more like venting - at Ben Bernanke and Hank Paulson about their request to push through a critical and necessary rescue program.

The irony is most of their comments relate to the failures in the financial system, as if they were the fault of the Bush Administration and Federal Reserve. To be sure, both of those entities share the responsibility....but by definition the United States House Committee on Financial Services (or House Banking Committee) oversees the entire financial services industry, including the securities, insurance, banking, and housing industries. The Committee also oversees the work of the Federal Reserve, the United States Department of the Treasury, the U.S. Securities and Exchange Commission, and other financial services regulators.

So correct me if I am wrong, but isn't it the failures of the House Financial Services Committee, which has all of these entities under their umbrella, we should be talking about. It is almost comical!

Even funnier is listening to them misstate relevant facts over and over....all the while jeopardizing the financial health of the nation.

It is time for you as an investor to act. You cannot passively sit by as these clowns pontificate while not accomplishing anything.

We first want to educate you on the inaccuracies of their comments and clarify what exactly is being asked for.

Inaccurate Statement 1: This bill will cost American taxpayers \$700 billion dollars. **WRONG** you idiots.

What the Treasury is proposing is the ability to enter into auctions for toxic bank assets. They may not even win the auction, as the asset goes to the highest bidder. So lets assume the Treasury wins the auction and they now become the owner of a pool of mortgages.

If your contention is this bill will cost American taxpayers \$700 billion dollars, then you must also assume every one of those mortgages will default **AND** every one of the homes that secure the mortgages are worth absolutely nothing. No value.....and as you can see, that is ludicrous.

The Bill will either result in a small loss or gain for US taxpayers. It could be a gain because the Treasury will be buying the assets at a discount. For instance, they may purchase a \$200,000 home loan for \$160,000. If the loan does not default, they book a gain of \$40,000.

Everybody get it.....this bill will **NOT** cost the American taxpayers \$700 billion!

Inaccurate Statement 2: This bill does nothing to help average Americans. Really?

Let's begin with the stock market. "Average Americans" have 401(k) plans that have been pummeled as a result of the financial crisis. Inaction now will result in even more damage and perhaps for many years.

If the toxic debt is not bought out of the financial system lending will suffer. Banks will not have the capacity to lend because the toxic debt is illiquid. They cannot raise cash to lend. Therefore, everything from mortgages to boat loans will be harder to come by and the interest rates will be much higher than if there was competitive lending.

This contraction of credit will result in an economic slowdown. This will cause thousands of "average Americans" to lose their jobs.

I could go on, but it should be pretty obvious at this stage – this bill is ALL about average Americans!

Inaccurate Statement 3: We are rushing to bailout companies whose leaders got rich gambling with other people's money. I would have to say this is partially true. But there is no way to weed out the good, the bad and the ugly. Many local and regional banks have been jeopardized by this phenomena although they had little to do with its creation. So do we punitively allow the system to grind to a halt in order to punish a few big fish...who are wealthy beyond belief (meaning it will not hurt them)....and in doing so detrimentally impact all other Americans...who it will hurt. Seems a little short-sited!

I could go on, but in the interests of having you read the full text of the letter I will stop here and make a plea.

I am requesting all of our clients contact their representatives in Congress urgently pressing them to complete the Bill.

We are also asking you to contact members of the House Financial Services Committee and Joint Economic Committee to do the same. Below are names, e-mail addresses and websites.

House Financial Services Committee - <http://financialservices.house.gov/who.html>

Joint Economic Committee - <http://jec.senate.gov/index.cfm?FuseAction=About.SenateMembers>

Senator Dodd said "There is no second act to this," - "It is critically important that we get this right."

I say...just make certain the patient is not dead by the time you concoct the drug.

Jim et al, Northern Capital Management, Inc.

Investment Committee