Kofi Bofah, Founder and Chairman
111 West Jackson Boulevard – Suite 1504J
Chicago, Illinois 60604
Office: (312) 212-1360
Mobile: (773) 350-1796
danryan@94onyx.com

CRUEL SUMMER 08

DAN RYAN

COMFORT	**716,238 MILES**
GOAL	**999,716,238 MILES**

INVESTOR MEETING: Saturday – July 19, 2008, 7 p.m. at 111 West Jackson – Suite 1108

I'll Be Watching You

Every breath you take
Every move you make
Every bond you break, every step you take
I'll be watching you

Every single day
Every word you say
Every game you play, every night you stay
I'll be watching you

Oh, can't you see
You belong to me
How my poor heart aches
With every step you take
Every move you make
Every vow you break
Every smile you fake, every claim you stake
I'll be watching you

Since you've gone I've been lost without a trace
I dream at night. I can only see your face
I look around, but it's you I can't replace
I feel so cold, and I long for your embrace
I keep crying baby, baby please

Oh, can't you see
You belong to me
How my poor heart aches
With every step you take
Every move you make
Every vow you break
Every smile you fake, every claim you stake
I'll be watching you
Every move you make, every step you take
I'll be watching you

I'll be watching you

---Sting & Police

PLAYLIST

CRUEL SUMMER 1

THE PAYBACK 8

C.R.E.A.M 22

THANK YOU 28

1: Cruel Summer

Hot summer streets
And the pavements are burning
I sit around
Trying to smile
But the air is so heavy and dry
Strange voices are saying
What did they say?
Things I can't understand
It's too close for comfort
This heat has got right out of hand

It's a cruel, cruel summer
Leaving me here on my own
It's a cruel, cruel summer
Now you've gone

The city is crowded
My friends are away
And I'm on my own
It's too hot to handle
So I got to get up and go

You're not the only one

---Bananarama

June 30, 2008

Reader:

It's a cruel summer.

2008 has emerged as a new era paradigm of economic malaise. The perfect storm confluence of such damaging economic indicators has not been experienced since The Great Depression. In order to mitigate any charges of sensationalism and outright irrational fear, we must advise the reader that the overall magnitude and duration of today's economic slowdown cannot rival that of The Great Depression. Our intent is to highlight the junction of events that will stymie development and financial growth over the next decade. Readers must take heed and operate accordingly.

Common sense and the comings of goings of life reveal inflationary trends, the absolute collapse of real estate, layoffs, and plunging equity markets. Although the National Bureau of Economic Research has yet to apply the official 'recession' label to today's period, obviously an economic slowdown is well underway. Lawmakers, investors, and business operatives appear embarrassingly off beat and out of touch with the demands of the era. The commentary mirrors the popular culture of the 1980's and the measures that will prove mandatory may facilitate outcomes reminiscent of the era.

Although I have acknowledged The Great Depression, I have selected the particular *popular culture* of a decade with which I am familiar to draw parallels.

The 80s began as a period of economic uncertainty, raging inflation, and the ever-present Soviet Threat. The American city was to become decimated by the crack cocaine epidemic and numbing levels of violent crime. Contrary to the realities of the period, we must acknowledge the innocent optimism of the era that was to be manifested into the musicianship and mainstream culture of the time frame. This quirky behavior, indifferent to the challenges of one's environment may best be described as 'corny.'

Celebrities, socialites, and trendsetters gallivanted throughout the landscape sporting big hair, pastel colored pants, excessive makeup, and sport coat / tee-shirt combinations. Total flamboyance was the order of the day. Pat Riley, Gordon Gekko, and Don Johnson, once the epitome of what passed as cool have morphed into the lasting caricatures of this time frame. In spite of The Cold War effectively checking American power, raging inflation, and crumbling real property values exhibitionism and flair defined the 1980's.

Let us forward to the present and borrow from Phil Collins and his Miami Vice theme. We must note that the commercial environment of 2008 should have been anticipated and

that we have foreshadowed these issues coming ‘in the air tonight’ long ago. The inevitable boom and bust composition of capitalism will marches on relentlessly.

Similar to the fifteen minutes of fame to flameout pattern of ‘80s celebrity, the records of several one-time rock star executives, government officials, and market watchers have been tainted. The inevitable markings of time have marred the legacy of these leaders more than any dated, embarrassing 1982 photo.

Jim Cramer advised viewers of his *Mad Money* program to purchase Bear Stearns stock amidst the complete meltdown of the institution. Alan ‘The Maestro’ Greenspan, once credited as the architect of the 1990s boom has been vilified and denounced as the chief instigator of today’s real estate bust and credit crisis. The Federal National Mortgage Association once regarded as critical to homeownership and the well being of U.S. finance has been exposed as an unwieldy organization of mismanagement and largesse that is arguably a potential menace to the system. The creditability of The Bush-Clinton political era lay in shambles.

Nothing is sacred, yet all idols remained eerily optimistic as they were tossed from high above. While the positive banter continues, the only means with which to commence a return to normalcy and reality will prove to be the ultimate and complete destruction of particular ideals. The idols must not be merely discarded; the idols must be obliterated and smashed into pieces. Strong, visionary leadership is the solution to restore confidence, yet shock the status quo with an outlook that is based upon reality. The table has been set for a charismatic consensus builder to emerge as President.

Irrespective of party lines, the vibe surrounding Barack Obama matches that of Ronald Reagan. Both gentlemen initiated campaigns set out to galvanize the tattered psyche of America with bombast and rhetoric. Both candidates have risen to prominence into the vacuum of leadership that has occurred in direct response to Carter and Bush administrations largely perceived to be inept. Both gentlemen enter the void of U.S. confidence that has been decimated by sputtering economics and international strife. Soviet Power, Japan, the emerging Brazil, Russia, India, and China [BRICS], and The Middle East have challenged the U.S. model; and political legacies will be cemented by one’s entry into the fray at these inflection points.

The times will require courage and progressive statesmanship that may run contrary to the mindset of the masses. Leadership must maintain stern conviction, adhering to one’s principals in the face of popular opposition.

The conversation is not political. The conversation is commercial.

Let us define the aura of cool. Being cool is the ability to remain comfortable with self, marching to the rhythms of one’s personal drum. There is often a callous disregard, if not utter disdain for the socialized mainstream. Generally, an idea or style is initiated within a small set of the population and is adopted strategically by various centers of influence and trendsetters. The masses, seeking approval and accepting cues from this leadership

begin to follow the idea and accept the concept as law. Mass marketing and mainstream acceptance of the concept degrade that activity that what was at once edgy and biting into the waters of the lame.

Of course, I could feel it coming in the air tonight.

The West had taken upon an air of entitlement. Benign inflation, asset appreciation, and low unemployment had become fully embraced ideals of the general population. The machine of capitalism could not be stopped as Cuba and North Korea remained the only withering bastions of central planning. Sophisticated, individual stock ownership and real estate speculation that had been the hallmarks of the elite merged into lifestyle principles of the masses. Homeownership at any cost, day-trading, and private equity dealings were to become unquestioned, acclaimed generators of wealth at the height of American economic arrogance.

Any investment theory that diffuses into the mainstream realm of general moneymaking law becomes lame, dead money. The landscape is littered with the shards of 'can't miss' investment idols: real estate, modern portfolio theory, program trading, day trading, technology stocks, rose petals, China, Fidelity Magellan, and Long Term Capital Management.

The real estate market was doomed and relegated to failure the moment that hoards of lawyers, educators, service workers, and fire fighters began quitting salaried occupations to forge careers as real estate speculators without inspiring dubious looks and rounds of laughter from all onlookers. The masses were convinced that real estate presented a viable investment that would continue to appreciate at the very same moment that the rich, cool kids were liquidating and snickering in the hallways.

'Real Estate' was the automatic solution to wealth, prestige, retirement, and comfort at the very moment that the asset class symbolized the destruction of value in actuality. Real Estate is merely the latest example of an investment maxim that had been awarded ironclad, viable allocation status by general consensus to be torpedoed by reality.

I see little difference between a jheri curled, leather pants 80s hipster and the dawdling, sheep-like investment community. Most will remain garish and out of place, due to the shortcomings of the human psyche. Human nature and the fight or-flight arrangement of humanity are not conducive to moneymaking. There is no solution to the boom and bust pattern of capitalism. One may only read and react to The Game:

A select few locate an underappreciated asset and begin to invest on the cheap, with intentions of profit. The cheap asset begins to generate profits and attract the attention of rainmakers that also seek to invest, increasing the value of the original investment. Dynamic competition then enhances the profitability of the investment.

Uncle Harry, Joe Six Pack, the media, and all persons maintaining a pulse soon agree that this asset is a boon to civilization and will continue to produce enormous profits at no risk

into perpetuity. The masses rush into the arena, bidding up prices to unsustainable levels to capture these returns. The investment has become an outright speculation and a game of chance that is doomed to fail. The originators recognize and sell out.

Profits disappear, as the cost of entry and investment do not correlate to any measures of positive cash flow. Value disintegrates and the pricing collapses. The asset class becomes a bust as the masses reject the investment and accept the doctrine of liquidation, selling out at any price.

Take that to the Bridge.

Study the history of the crowd, or raging mob and one will note the disheartening propensity of man's moral code to vanish within the spirit of the collective. From birth, society conditions the individual to be controlled by fear, greed, and the overall approval of his peer group. Although these implicit directives are essential to the functioning of mankind, these directives also lead mankind towards collective mob-like extremities and cannot be ignored. The mob is a powerful, often times violent enterprise as the individual submits to groupthink.

The crowd is privy to gamesmanship by ranking governing officials, media outlets, and the savvy investor. 2008 is the crossroads. 2008 marks the arrival of a synthesis of powder keg events that may be logically diffused through intelligent policy; or further exacerbated by playing upon the fears of the mob.

Lawmakers and the uninitiated continue to feed the public a steady stream of generally useless propaganda. ExxonMobil, commodity speculators, OPEC, ratings agencies, financial intermediaries, George W. Bush, Countrywide, and The Federal Reserve Bank continue to rotate as convenient proxies and agents of destruction in today's march towards populism. The mob cannot recognize the obvious that amounts to the most elementary of any rap lyric: speculators will speculate.

I have already addressed the principals of asset pricing location, inflation, and destruction. These cycles are inevitable outcomes arising from the socialization of the individual. Speculators will continue to locate avenues from which to speculate and the masses will continue to fall in line with the group, perpetuating this boom and bust.

Sweet dreams are made of these. Who are we to disagree?

We shall seek to better our present condition through investment. The majority seeks comfort within the group and often achieves greater solace in failing with the pack, than succeeding as an individual. Speculation, inflation, expansion, and outright collapse are the inevitable consequences of a capitalist system that is based upon the output of fallible man. Any enterprise engineered to rely upon the graces of mankind will remain far from perfect, due to the imperfections of human thought.

Ronald Reagan, military spending, free trade, supply side economics, and the reduction of top line tax rates hastened the inevitable demise of The Soviet Union and central planning. Washington gambled that the communist infrastructure would be unable to match the monetary requirements of a U.S. military buildup and eventually crumble from within. Perhaps Mikhail Gorbachev acknowledged the writing upon the wall and launched Perestroika, reforms shifting the centrally planned regime towards free markets.

The fall of The Berlin Wall, originally constructed to restrain East Germans from fleeing the stranglehold of communism and marching into the West, marked the ultimate failure of government control and launched the worldwide embrace of unfettered capitalism.

No laboratory could have produced a more effective case study than post war Berlin. The Western half controlled by France, The United Kingdom, and The United States was to embrace capitalism and rise from ruin into a vibrant city center. East Berlin, occupied by Soviet power fell into communism and apparently remained mired in economic and social rubble until reunification. The fall of The Berlin Wall lifted the veil over the city, and revealed an enclave that featured higher levels of wretched destitution than the staunchest critics of communism could have ever prognosticated.

Eastern European labor flooded the market, competing for jobs internationally and pressuring wages. The fall of communism and the ensuing globalization of trade undergirded the Nirvana of steady growth and low inflation. Eastern Europe, China, and India introduced voracious, untapped markets for finished goods while supplying an infinite supply of ready labor.

The inability of Western labor to demand wage increases due to international emerging market job placement competition dismantled any inflation expectations and led to artificially low global interest rates. (Market interest rates rise in anticipation of future inflation to compensate investors for risking purchasing power tied to fixed investments.) These favorable interest rates led to the irrational exuberance of rampant stock market and real estate speculation. The possibility of any outright bust was dismissed at the time.

The waltz towards the right wing commenced full bore, without any regard to the ultimate consequences. The worldwide axis of power came to be dominated by Reaganomics, Margaret Thatcher, John Major, and the Bush – Clinton regimes. Yes, readers may pause at the association of the Clinton name with this group.

In terms of economic policy, what is to separate Bill Clinton from the commercial conservatism of this era?

The tremendous productivity gains courtesy of The Computing Revolution and the vast technology spending build out predicated upon an illusory Y2K doomsday was the principal driver delivering The Clinton Administration up onto the liberal pedestal. Sadly, Al Gore did not invent the Internet.

Capitalism, free markets, tax cuts, and globalization became the catchall solution to all sovereign obstacles beginning in the 80s. The collapse of Soviet power and ending of The Cold War further ignited the embrace of Adam Smith, laissez-faire, invisible hand unbridled capitalism.

The technology bust, real estate rout, recession, commodity inflation, and increasing wage gap margins has exposed the damaging implications of pure, unchecked capitalism. The present slowdown in economic activity has promoted a gradual shift towards Keynesian economics; i.e. the responsibility of government to coral the unbridled chaos of free markets.

The political environment is calling for increased taxation, regulation, and barriers to international trade. The theory is that these measures will check income inequality, curb speculation, and protect domestic jobs from global competition. The Republican Party is in shambles, exchanging the principals that have carried the party from Grant to Reagan for whatever votes may be claimed in these upcoming elections that should result in a rout. Entrenched G.O.P. decision makers are competing with one another to embrace liberalism (compassionate conservatism), exemplified by John McCain, the one-time Republican maverick that has now risen to the forefront of the right.

The intensity of the political debate along the respective presidential campaigning trails has exposed the reactionary tendency of human nature. All camps have both initiated and retrenched upon economic and foreign policy that panders to their particular voter base. The misplaced optimism resulting from the over arching solutions addressing the nation's ills is synonymous with Bananarama's *Cruel Summer*.

The music video features the bubbly group singing a composition of abandonment while toiling as gas station attendants. Business is at a standstill due to the towering $1.83 price of fuel that is driving away customers. The tone is curiously upbeat, given the subject matter. In the spirit of 1980s randomness, the performers quit the service station, hop into a Mack truck and flee the area as the targets of a high-speed police chase. The party eventually emerges atop a rooftop and begins to cavort and dance with the very same law enforcement that was at once in hot pursuit of the group.

Today's constituents are also shimmying to the percussion of political rhetoric, oblivious to the status quo. The storyline is often irrational, uncoordinated and even nonsensical.

Offshore drilling along the continental shelf will not drive down the price of oil and gasoline overnight. Windfall profit taxes upon oil companies have already proven to be useless during the Carter Administration. The housing bust will not evaporate with any special voucher, nor will the credit markets be rehabilitated in short order with any Federal Reserve term structured lending facility. Speeches will not cease Iranian aggression.

There is no silver bullet solution to this cruel summer.

2: The Payback

The Big Pay Back. Revenge. I’m Mad.

---James Brown

'As long as the music is playing, you've got to get up and dance.' ---Charles Prince

The capitalization of ONYX INVESTMENTS, INCORPORATED at June 29, 2007:

Shares	Description	Value
1250	ExxonMobil Corporation (XOM)	$110,162.50
7	Berkshire Hathaway Class B (BRK.B)	28,084.00
300	United Technologies Corporation (UTX)	18,510.00
300	Nike, Incorporated Class B (NKE)	17,883.00
300	Philip Morris International (PM)	14,817.00
250	Coca Cola Company (KO)	12,995.00
315	Best Buy Corporation (BBY)	12,474.00
60	Goldman Sachs Group (GS)	10,494.00
400	Altria Group (MO)	8,224.00
16	Apache Corporation (APA)	2,224.00
25	BHP Biliton LTD ADR (BHP)	2,129.75
	Total Equities	237,997.25
	Cash, Cash Equivalents Available for Withdrawal	45,763.00
	CAPITALIZATION$_{ONYX}$	**$283,760.25**

The only equity position outside of this company titled under my own name 'Kofi Bofah,' remains ExxonMobil Corporation. The capitalization does not include any outside, separate accounts managed by ONYX INVESTMENTS, INC. Fixed assets such as furnishings and computing equipment also remain outside of the tally.

We must continue to purchase shares of strong business enterprises at reasonable prices in order to mitigate the downside risks of stock ownership. Equity investment remains the most suitable option with which to create wealth. This is the only Payback.

Ironically, we introduce our positions with the language of Charles Prince, former Chairman of Citigroup and lasting casualty of today's credit crisis. We remain undeterred by reactionary bear market fear. We will continue to dance and to seek value, regardless of overall investor sentiment. The stock market cabaret features infinite numbers of disc jockeys spinning varying themes. Our goal is to exit the room or particular asset class before the party becomes too crowded.

There is little choice but to boogie—the stock market representing the least of all evils. Interest rates are miserably low in comparison to the commodity inflation that is beginning to raise the price levels of all goods. The purchasing power of all cash holdings will be destroyed by inflation.

The bond market remains hostage to credit, inflationary, and interest rate risk. As the economy deteriorates, corporate borrowers will generate minimal profits, increasing the

possibility of default. Bonds, which disburse fixed, interest payments to investors and lenders over select time periods are sensitive to inflation by definition.

Ex: Mr. Lender purchases a $1,000 ten-year bond issued by Acme Corporation, yielding 5%. Mr. Lender is agreeing to loan Acme $1,000 for ten years, in exchange for 5% interest (coupon) payments annually. Mr. Lender will receive his original $1,000 investment at expiration of the ten-year period. Mr. Lender will be unable to achieve a higher rate of return than the fixed 5% if he holds the bond through duration.

Mr. Lender wishes to tie up capital for ten years in order to earn a measly 5%.

Remember, inflation is the product of an overabundant money supply competing for limited amounts of goods. Inflation is also the consequence of investors being enticed to risk capital due to irrationally low interest rates.

What if inflation were to surge upwards to 10% per annum?

First, the purchasing power of this gentleman's interest income and principal investment would be decimated. Next, the Federal Reserve Bank will undertake a program of monetary tightening, or raising interest rates to limit the money supply and combat inflation. Newer bonds will be issued onto the market carrying higher interest rates that will reduce the value of Mr. Lender's 5% bond. Mr. Lender will be unable to fetch $1,000 for his 5% coupon original investment as Acme issues newer bonds yielding 15%. Mr. Lender must either liquidate at a loss, or continue to allow his measly 5% interest rate return to be destroyed by inflation.

What if Acme Corporation were to enter a period of lagging profitability due to unfavorable macroeconomic conditions and the viability of the enterprise is in doubt?

Acme Corporation defaults on its debt and ceases executing any interest payments applicable to Mr. Lender. The value of Mr. Lender's bond is obliterated and he will be unable to claim his original $1,000 loan. Mr. Lender may sell his 5% bond to a purchaser of distressed debt at a huge loss, or he may hold his nearly worthless position and endure the Acme bankruptcy process. Perhaps Acme will liquidate assets and return $300 of the original $1,000 loan; or perhaps Acme will sell itself to a savvy private equity buyer for thirty-five cents on the dollar.

What if Mr. Lender's investment proves prescient and Acme Corporation establishes itself as the world's largest manufacturer of widgets?

The stock appreciates by 500% over ten years, while Mr. Lender bristles at his slight 5% bond return. Mr. Lender was able to purchase 200 gallons of Exxon Regular 87 Octane gasoline at the beginning of 2008. Although Mr. Lender dutifully reinvested his interest income over the lifetime of the bond, Mr. Lender is still able to purchase 200 gallons of Exxon Regular 87 Octane gasoline in 2018.

May we liberally apply the term 'madness,' or 'plum crazy' to describe long-term bond market exposure at these pathetic rates while inflation expectations are on the uptick? Indeed, it is a cruel summer. Pick your poison.

Cash holdings will trend towards worthless due to inflation. Bonds are subject to credit, interest rate, and inflationary risk; while stock market returns that are driven by corporate earnings will stall during recessionary periods.

We have combated the conundrum by purchasing the stock of established enterprises, seeking dividend income, and building cash positions amidst illusory periods of stock market appreciation. Our method is far from reactionary, as we began to gird the portfolio for recession last summer, near the absolute peak of The Dow Jones Industrial Average. We have actually increased exposure to stocks during this bear market.

Intelligent observation will note the listing of issues long since discarded: Electronic Arts, Fannie Mae, United Postal Service, Danaher Corporation, 3M, Burlington Northern, and Starbucks. Our intention was to harvest cash, mitigate the risk of economic fallout, and to brace for ballooning energy costs. Although these positions were never essential components to our integrated business mix, we must respect our victory by omission, in sidestepping the total wreckage of Starbucks and Fannie Mae shareholder value.

Casual observation will note the dominating position of ExxonMobil. Our capitalization expresses little confidence pertaining to 2008 equity markets. Rather than any particular endorsement of investment merit, numerous, slight positions within our portfolio represent commodity hedges and are in place merely to counteract the possibility of a complete collapse in oil-market pricing.

Of course, the dividend is all-important.

XOM—ExxonMobil Corporation—Irving, Texas

$110,162.50 (1250 Shares @ $88.13)
Price to Earnings: 11.46
Earnings Yield: 8.73%
Dividend Yield: 1.82%

Our approach to portfolio allocation turns the idea of modern portfolio theory upside down. Rather than discarding the principles in the garbage, perhaps we shall break dance upon them. Modern portfolio theory is a concept that is turned upside down daily, as textbook strategies become irrelevant in real time.

The fundamental precepts of modern portfolio theory state that all assets are perfectly priced due to the infinite amount of participants and transactions occurring within financial markets. Hence, all relevant information has been priced into investable assets and every valuation is logical. Attempting to outperform the Standard and Poors 500 equity index is futile, due to the sheer competition. Under modern portfolio theory (MPT), the only appropriate means with which to invest is to invest across all asset

classes, systematically calculating historical average rates of return and standard deviations to arrive at an 'optimal' portfolio mix that maximizes the expected capital appreciation and minimizes statistical variance, or risks.

The only realistic means with which to construct this optimal portfolio would be to invest in a collection of index funds representing large, medium, and small capitalization U.S. stocks; treasury securities, junk bonds, currency, international equities, commodities, real estate, and international bonds. Locating individual stocks as viable investment options remains contrary to the theory as every respective share of a business carries specific risk particular to that enterprise that would short circuit the overarching MPT figures.

The stock market collapsed by 23% on October 19, 1987 for no apparent reason. With such Black Swan events dotting the landscape, agreeing that all relevant information is rationally valued within the marketplace must be folly. Over the long run, free markets prove to be a reliable pricing mechanism; however human nature will always create small pockets of opportunity that may be gamed intermittently.

Diversification for the sake of diversification would have torpedoed this portfolio. The only consistent outperformers during this decade have been energy and basic material stocks. Recently, the raging bear market has crushed nearly all asset classes. In spite of the far reaching business malaise, the success of the commodities boom has continued to march upward.

Exxon emerged as such a large weighting of our capitalization due to attrition, rather than any love affair over the company. Throughout the past year, retail stocks have stood on the precipice of a consumer spending meltdown; pharmaceutical companies remain besieged by generic competition and the machinations of The Federal Drug Administration; financial intermediaries were aggressively manufacturing garbage securities; international stocks were overvalued; and the minimal yields upon fixed income have rendered the bond market effectively useless in terms of wealth creation.

Over the past decade, no asset class has effectively combined the intriguing opportunity for capital appreciation coupled with reasonably priced securities in the fashion of commodity stocks. The only suitable strategy over this period has been to allocate money towards raw materials, while hedging against the unlikely event of steep declines in commodity pricing.

The commercial action over the past year has vindicated this stance. Real estate has been thoroughly brutalized, financial intermediaries have been decimated by a credit crisis, international stocks have plunged, and the bond market was routed earlier this year. Meanwhile, the price of crude oil has rocketed by over 80% over the past twelve months.

ExxonMobil's longstanding reign over this portfolio is another indicator of my recent bearishness towards stocks and the overall economy. I would much rather prefer that financial, consumer discretionary, and cyclical industrial outfits lead market indices.

Leadership in these areas signals economic expansion; and generate higher levels of investment returns in the aggregate.

High energy costs strangle the economy by handicapping productivity, and igniting inflation. Although I am pleased with the performance of this stock, I am hopeful that long-term appreciation will eventually arrive courtesy of areas outside of oil. Recognize that the hefty XOM weighting has been a matter of necessity, rather than any predetermined ideal preference.

Traditionally, commodities and materials operations have been the Rodney Dangerfield the investment universe: no respect. The price of oil last peaked in 1983; and has required another twenty-five years to overtake this prior advance when adjusted for inflation. Contrary to the recent, historical run-up *any* investment outside of a pure disaster would have fared better than direct exposure to crude oil over the past quarter century. The commodity complex including gold, aluminum, palladium, and cotton has demonstrated similar results.

The shares of materials stocks rarely outperform for extended periods of time. I am unable to present any leading commodity producing enterprise that may be described as a 'story stock.' The long-term records of the Exxons, Alcoas, U.S. Steels, International Papers, and Freeport-McMoRans of the world appear paltry in comparison to the Nikes, Apples, Microsofts, Dells, Starbucks, and Best Buys.

Although crude oil has elevated into the $140 range over the past year, XOM stock has barely budged over the 52-week period. The stock is trading at a paltry 11 times earnings, which is impossibly cheap for an enterprise that has doubled earnings per share amounts over the past four year period. Due to heightened profitability and aggressive share buybacks, XOM has grown earnings by 10% and 16% annually over the prior two years. If ExxonMobil were in the business of building computers as opposed to oil platforms, I am confident that this stock would be nearing $300; rather than this year's $80-$95.

This phenomenon is due to the impossibility of branding related to any commodity, which is homogenous by definition. Consumers may acknowledge differences separating Nike from Addidas, Coach from Wal*Mart, or a McIntosh computer from a PC and spend accordingly. In the aggregate, there is no difference in terms of quality or cache between Chevron gasoline and Exxon gasoline, or Alcoa aluminum and Kaiser aluminum. Businesses related to commodities must compete in terms of pricing and overall business efficiency. There is no pricing power here, as logical consumers will patronize the businesses that serve goods featuring the lowest prices—quality being a constant throughout a raw material industry.

The lack of branding that defines a commodity, which leads to ruthless competition and thus smallish profit margins, equates to an investment class that typically lags the overall market. ExxonMobil's track record of market outperformance is due to intelligent, conservative management. Any rhetoric to the contrary defies logic.

Let us continue to expose any talk of 'price gouging' and windfall taxes as hollow.

In terms of profitability, ExxonMobil 2007 operating margins stand at 16%. Coach 2007 operating margins were 24.4%. The gross margins for the luxury goods maker stood at a gaudy 77%.

In spite of the historically elevated crude oil prices, Exxon profit margin statistics barely match the percentages of the standard American business. However, Coach is able to manufacture leather bags on the cheap in China, slap a 'C' on the article, and inflate the price to thirsty consumers; yet Exxon is despised as the evil price gouger.

What are the criteria behind identifying a 'windfall?' What are the criteria behind identifying who shall be taxed for this 'windfall?'

Perhaps every homeowner that sold his home prior to today's real estate bust should have been subject to this windfall tax. Certainly, property returns were higher for real estate investors than that of ExxonMobil during the housing bubble. These tax receipts could have been applied towards affordable housing, managed to keep housing prices aligned with reality, and mitigated the economic fallout that is courtesy of any bust.

The talk surrounding this windfall tax proposal is that tax revenues will be directed towards alternative energy research and somehow ease the price of crude oil and refined petroleum products. The proposition demonstrates as much logic as a 1980s music video featuring a *Eurythmics - Sweet Dreams* band member that happens to be a cow, or a *A-ha's Take on Me* woman that is able to teleport from reality and into a sketch drawing.

First, any tax that applied to a business will be passed directly onto consumers. Next, investors and entrepreneurs will then begin to shun the area due to the threat of any government-imposed cap upon profitability. Eventually, domestic oil companies will demonstrate reluctance towards transacting business within The United States of America. International producers will step into the void, further exacerbating American dependence upon foreign oil and negating any remaining shred of energy security. Lastly, alternative energy resources are uneconomical. Renewable energy is far from matching any fossil fuel in terms of cost.

Jimmy Carter has already proven that any windfall profit tax upon Big Oil is useless.

BRK.B—Berkshire Hathaway, Incorporated Class B—Omaha, Nebraska

$28,084.00 (7 Shares @ $4,012)
Price to Earnings: 16.43
Earnings Yield: 6.09%
Dividend Yield: Nil

All seems quiet along the Berkshire front. Warren Buffett has made little noise other than his Anheuser Busch investment, entry into the bond insurance market, and his accumulation of railroad stock. These transactions represent meager allocations in

comparison to the enormous levels of cash and profits that the Berkshire conglomerate generates. The billionaire Berkshire Hathaway manager is expressing difficulty in regards to discovering suitable investment opportunities for the organization.

Still, the stock has performed relatively well over the past year as investors have reacquainted themselves with the principals of Warren Buffett and conservative investing. The portfolios of Berkshire Hathaway, Fidelity's Contrafund, and ONYX INVESTMENTS have demonstrated strong overlap over the past few years. The overlap is strictly coincidental.

In addition to committing substantial resources towards the energy sector; Burlington Northern Santa Fe, Danaher, Nike, Coca Cola, and of course, Berkshire Hathaway, have been duplicated among the three financial intermediaries at particular junctions in time. I do not attempt to mimic another investor. I may only proceed with my own personal logic as an investment compass.

Railroad Burlington Northern Santa Fe was actually liquidated from this portfolio upon news that Berkshire Hathaway had begun purchasing the stock. I was not eager to entertain the idea of chasing a stock that had been driven up by the sharp elbows of Warren Buffett and his clan of followers. We will allow Mr. Buffett to execute the heavy lifting and gain exposure to the railroad through our Berkshire Hathaway investment vehicle exposure.

Mr. Buffett continues to stockpile cash. The company has become too unwieldy for the Oracle of Omaha to locate investment bargains without executing absolute buyouts, or massive disruptions. Due to the size of the enterprise, buyouts of smaller or medium scale businesses would barely budge the needle. Berkshire has become a victim of its own success and continued, exceptional outperformance will mandate large deals that are few and far in between.

Warren Buffett has been trading rankings with Mexico's Carlos Slim and Microsoft's William Gates for the crown as the world's richest man over the past several years. Moneymakers everywhere should serve notice and respect his investment principals. The bedrock of Buffett's success remains long term, fundamental value investing.

His stable of equity investments within the Berkshire conglomerate equate to a Who's Who of economic Americana. These names include Coca Cola, The Washington Post, American Express, Wal*Mart, Proctor & Gamble, and Wells Fargo. Notable wholly owned subsidiaries that have come into the fold are listed as Fruit of the Loom, Russell, McLane, GEICO, and NetJets.

Berkshire Hathaway is an economic juggernaut of a conglomerate comprised by its select business units, stocks, derivatives, and debt instruments. Investment activity is financed via insurance operations that provide cheap 'float' that is readily leveraged by investment genius, Warren Buffett. The model is almost unfair.

UTX—United Technologies—Hartford, Connecticut

$18,510.00 (300 Shares @ $61.70)
Price to Earnings: 13.77
Earnings Yield: 7.26%
Dividend Yield: 2.07%

Characterized by stable cash flow, healthy dividends, and adequate growth, the strong industrial is essential. Economically sensitive, these stocks may move in tandem with the general outlook. Superior enterprises continue to generate growth amongst periods of economic contraction and recession.

We must introduce the world's largest engineering, aerospace and defense conglomerate as our leading industrial. The outfit is comprised of six major business units: Carrier, Hamilton Sundstrand, Otis, Pratt & Whitney, Sikorsky, and UTC Fire & Security (includes Chubb and Kidde). The Connecticut manufacturer has established dominant positions in air conditioning, aerospace, elevators, defense, and fire detection.
The company is noted for its efficiency and organizational expertise, recognized by *Forbes* designation of the UTX conglomerate as the 'Best Managed Big Company in America.'

On April 9, 2008, legendary chief executive officer George David relinquished the role and the company introduced Louis Chenevert as his successor. Chenevert, groomed for the position has operated as a loyal understudy to George David and I am doubtful that the new leadership will implement any large-scale shifts in strategy. Under the fourteen-year stewardship of Mr. David, revenues have increased by 150%, and profits have ratcheted upward by over 600%, from $585 million in 1994 to $4.2 billion in 2007. The stock appreciated by 800% in 14 years, quadrupling the benchmark Standard and Poors 500 index. Investors have reaped the benefits of David management and the leader's mantle is littered with numerous CEO of the year awards. George David is expected to remain with the company, serving as chairman of the board.

The Dow Jones Industrial component is making an unsolicited $2.63 billion bid to acquire Diebold, the controversial manufacturer of voting and automated teller machines.

The company earns a large share of total sales and profits internationally. Results have benefitted from a weak dollar that enables U.S. goods to be priced competitively abroad and boost earnings upon the repatriation of profits. Strong growth has been demonstrated broadly across the six UTX units. Weakness in the U.S. housing sector will eventually translate to lesser demand for the group's Carrier and Fire & Security business. These troublesome segments account for 10% of the company's revenue overall.

We are pleased with our prior decision to exchange 3M stock for this United Technologies investment. UTX has outperformed the St. Paul, MN manufacturer by a wide margin since the transaction.

Although a global slowdown will adversely affect UTX share performance, we remain comfortable with the enterprise as a long-term core holding.

NKE—Nike Corporation—Beaverton, Oregon

$17,883.00 (300 Shares @ $59.61)
Price to Earnings: 15.94
Earnings Yield: 6.27%
Dividend Yield: 1.54%

The revered brand is the world's leading designer and producer of athletic footwear and equipment. Subsidiaries include Converse, Cole Haan, Hurley International, and Umbro. The Starter brand was sold for $60 million in cash considerations during fiscal 2008 for a gain of $29 million. The Nike Bauer Hockey division was also shed this year for $189 million, resulting in a gain of $32 million.

Revenues have grown by 14 percent over the past year and net income has also risen by an impressive 26 percent. Although the company continues to execute exceptionally by all measures, stock performance has recently been discounted by the threat of a consumer slowdown, particularly affecting the U.S. market.

The United States is a mature market for NKE and the company derives the bulk of its sales growth overseas. For example, fiscal year pre-tax income has increased by 22% in Europe (Middle East / Europe / Africa), 36% in Asia, and 24% in Latin America. Countering this explosion of international growth is the United States, where Nike has grown pre-tax income by a scant 2% over the past fiscal year.

Nike derives approximately 60% of overall profits internationally. Our weakening dollar has enhanced results—currency effects having increased revenue growth by 5% over the full year. Another direct consequence of increased international commerce is the reduction of taxes upon earnings. The effective tax rate has been reduced from 32.2% to 24.8% courtesy of these measures.

The Beijing Olympics are emerging as yet another battle in the Shoe War that rages on between Nike and Adidas AG. Adidas has recently opened a 34,100 square foot shop in the heart of Beijing's entertainment district. Adidas has also purchased the rights to serve as the official sportswear provider of The Beijing Games, at an estimated cost of $100 million. The sportswear giant is seeking to use China as a platform to overtake Nike.

In spite of these efforts, the majority of Chinese consumers identify the Olympics with Nike. With 2008 sales of $1.1 billion, China is Nike's largest market outside of the United States. NKE will also sponsor 22 of 28 Chinese federations for the Olympics. Management appears unconcerned as to any legitimate Adidas threat. According to Chief Executive Mark Parker:

'Nike is the strongest, most relevant, most sought-after sports brand in China.'

I am also dubious to the idea of Adidas being able to surpass Nike in terms of execution, style, marketing, and general cache. Nike is iconic.

PM—Philip Morris International (MO: Altria Spinoff)—New York, NY

$14,817.00 PM (300 Shares @ $49.39)
Price to Earnings: Annual Earnings Undefined
Earnings Yield: Annual Earnings Undefined
Dividend Yield: 3.73%

The stock arrives here due to the ongoing and now complete breakup of The Altria Group. Altria at one point served as the holding company for Kraft Foods, Philip Morris U.S.A, Philip Morris International, and Miller Bear. Altria spun off Philip Morris International on March 19, 2008 to investors. The transaction was slightly irregular as the 'spinoff' of Philip Morris International actually accounted for 60.5% of the break up.

We are unable to present summary earnings statistics because the entity has only operated as a stand-alone company for one quarter.

The original purchase of Altria was strictly a dividend play. Altria is now yielding an impressive 5.64% on dividends. The total return of a stock is calculated by the sum of its capital appreciation and dividend yield. Compare a stock to a real estate investment. Dividends are synonymous with rental income. Capital gains are synonymous with the profit that as made at the closing of the house sale.

The appearance of Altria on the balance sheet last year was another sign of my initial and ongoing bearishness towards equities. Dividends are critical amidst periods of stalling financial markets. MO is another example of attrition, rather than absolute endearment within our capitalization.

We are seeking to protect principal and earn a return above inflation during an impending market rout. Cash will be ravaged by inflation. Bonds will be crushed by inflation and falling credit quality. Lastly, economic retrenchment will decimate the valuations of economically sensitive stocks. The goal emerges to locate a business that is indifferent to the overall economy and returns sufficient capital to shareholders in the form of dividends. We define 'sufficient' as a dividend yield that is comparable or higher than the prevailing interest rates of ten year U.S. Treasuries.

The 10 Year Treasury is the benchmark because if we are investing for income, the dividend must exceed the yield on guaranteed risk-free government debt as adequate compensation for the downside risk of investing in any stock. We will approve of a stock featuring a current dividend yield approaching the 10 Year rate as efficient businesses regularly increase dividends that boost the effective yield on the original investment dramatically. The 10 Year rate has oscillated between 4-5% over the past year.

For example, the current yield on our ExxonMobil stock is 1.82%. The $88.13 per share investment will distribute $1.60 worth of dividends (rental income) annually. $1.60 divided by $88.13 equals a dividend yield of 1.82%. Of course, Exxon shares bought at $40 a few years ago are still entitled to these $1.60 dividend payments. The effective dividend yield on these earlier purchases is now a respectable 4%. Due to the

compounding of earnings and dividend increases, the effective yield will soon top 10% and replace the entire cost of the original investment over time.

Real Estate Investment Trusts (REITS), utilities, and banks generally carry high dividends. REITS were dismissed due to my general disdain towards the real estate market. Dividends are not guaranteed and I reasoned that a property market slowdown would force the hand of the REIT sector to begin slashing dividend payouts.

Utilities, though boasting inelastic demand that is unrelated to economic cycles are typically burdened with large amounts of debt and offer little chance of price appreciation. Utilities often trade in tandem with the bond market. Interest rates rise and utility stocks fall due to the higher costs of the underlying debt service and the fact that fixed income investors chasing yield will dump utility stock for freshly issued bonds carrying higher interest rates.

Bank stock dividends have remained under siege due to the credit debacle. The action is characterized by Citigroup, which cut its once formidable dividend payout in order to preserve capital. Enormous dividend yields are often a sign of trouble. The stock valuation may simply have been blitzed since the time of its last dividend announcement, and the payout is in jeopardy.

Enter Altria.

Altria is a stock that I have monitored since the late 90's. I can recall dividend yields that have shifted between the 5-15% range. Demand for the product is inelastic, meaning there is no correlation between this company and any whims of the economy. Importantly, the stock has consistently increased dividend payouts throughout its history.

As an added bonus, the stock has appreciated sharply over the past twenty years. The most notable declines were in 1999 and 2003. Intelligent investors will note that 1999 was a year of frenzied stock market speculation and 2003 was a year of sharp equity appreciation from the bottoms of the 2000-2002 tech bust and September 11th disaster.

Altria, similar to Berkshire Hathaway is a stock that investors abandon during periods of euphoria. I am doubtful that upside mania will return to the stock market in the near term. If so, we will patiently collect these healthy dividend payouts while the remainder of our portfolio is swept upward by the rising tide.

Backup Singers and Dancers

We itemize the smaller, complimentary selections of our capitalization. These bit players may perform in the background, but each one capable of landing a big break. The positions support the superior talent already occupying center stage. The time has not yet arrived for these issues to achieve stardom and shine:

Shares	Symbol	Description	Headquarters	P/E	Div. Yld.	Market
250	KO	Coca Cola	Atlanta, GA	19.47	2.92%	$12,995.00
315	BBY	Best Buy	Richfield, MN	12.61	1.41%	$12,474.00
60	GS	Goldman Sachs	New York, NY	8.31	.80%	$10,494.00
400	MO	Altria	New York, NY	4.75	5.64%	$8,224.00
16	APA	Apache	Houston, TX	13.97	.43%	$2,224.00
25	BHP	BHP Billiton	London - Melbourne	18.97	1.35%	$2,129.75

The portfolio remains in flux, as we approach an inflection point. Our transaction history up to this point signals a stance predicated upon a recessionary outlook and the unlocked value of commodity related investments. Our top holdings emerged as ExxonMobil, Berkshire Hathaway, and the Altria / Philip Morris International combination. Big Oil, a conservative investment vehicle, and tobacco came to dominate our portfolio as we braced for impending doom.

The riskiest of our investments were sold off last summer and we did not return to any regular pattern of buying until January of this year. Starbucks, Electronic Arts, Danaher, and Fannie Mae were also dismissed from the portfolio before the Dow Jones Industrial Average began to crash and burn.

Starbucks stock has been absolutely decimated over the past year. The idea was clearly a disaster from the beginning and our only saving grace is that the position remained minimal, never elevating beyond the very basement our investment allocation. ONYX INVESTMENTS is a collection of rough and tumble, rugged commercial regimes: Big Oil, Big Mining, High Finance, jet engines, flat panel televisions, and The Marlboro Man.

SBUX has no business here.

Coca Cola and Best Buy have both turned in mixed performances. Each stock has outperformed at particular points—Coca Cola due to its positioning as a consumer staple and worthy international player; Best Buy due to flat screen and Web 2.0 demand. The valuations of both companies have fallen recently along with the overall market.

Goldman Sachs was purchased amidst the credit crisis that reached its nadir earlier this year. We were bloodied, yet unbowed during the Bear Stearns debacle and actually increased our GS stake at the time. We have capitalized upon the opportunity to purchase the battered shares of the world's preeminent investment bank. The troubles of the

financial sector have been well documented, yet Goldman has been a leading performer within this portfolio since our initial purchase.

Apache is a high-octane version of ExxonMobil. The company specializes in upstream production—the location of crude oil and natural gas. Exploration and production is a high risk, high return area of the oil chain. Refining crude oil into finished petroleum products such as gasoline, asphalt, heating oil, and jet fuel is subject to the price movements of the refined products and is traditionally a business characterized by enormous fixed costs and minimal profits.

The refining industry is under pressure by the upward march of crude oil and the inability of gasoline prices to maintain this torrid pace. The 'crack spread,' the margin separating crude oil cost-inputs from finished product revenue-outputs has been squeezed and profits are minimal. Downstream retailing of gasoline has become a losing proposition as credit card fees owed to the banks for plastic transactions are eradicating service station net income.

ExxonMobil has been touched by these trends. Poor refining margins represent a present a persistent specter haunting the quarterly reports of Big Oil. Exxon has recently announced its intention to exit the service station business—franchising these enterprises strictly to independent owner-operators.

Apache, unhindered by the intricacies and nuisances of the vertically integrated oil company has rocketed upward throughout the oil boom and its performance has trounced the already impressive returns of Chevron, British Petroleum, Total, and Exxon since their emergence from 2003 lows at the commencement of The Iraq War. APA has doubled in one year, while the integrated oils remained flat in the aggregate over 52 weeks. BP and Total shares have actually *declined* over the 52-week period, behaving in stark contrast to $140 crude.

BHP Billiton is the world's largest mining company and is a play on the commodity boom. The American Depository Receipts may be purchased on The New York Stock Exchange for the international company that is dual listed in London and Melbourne, Australia.

The smallish allocations of BHP and Apache within our balance sheet indicate that these stocks are on the verge of absolute liquidation, rather than accumulation. These enterprises are both superior players inside of the commodity sphere, but we are doubtful that such outperformance may continue. Fundamentally, these stocks will always remain prone to the vicissitudes of a ramshackle raw materials market, regardless of operational excellence.

We will begin sorting through the muck, assuming a collapse in commodity prices. The battleship must be turned around. Economic recovery is inevitable and our focus will gradually shift towards financial, retail, and consumer discretionary stocks. As disc jockey, I will begin playing records that are slightly more upbeat.

3: C.R.E.A.M.

Cash Rules Everything Around Me.

--*Wu Tang Clan*

We opened this work with the lyrics of Sting's *I'll be Watching You,* to establish the idea that constant vigilance and awareness is mandatory for successful investment. We followed these verses with our title track, *Cruel Summer*. Bananarama's 80s melody establishes today's investment background—a hodge-podge of unrelated vocals and rhetoric that has proven to be slightly more optimistic than the situation has warranted. Our transition into James Brown, the hardest-working man in show business was a call to the grueling endeavor that is manufacturing investment profits amidst an unfavorable macroeconomic environment. The investor must remain committed and exemplify a steely resolve towards his particular principals in order to wrestle with this bear market. Essentially, he must have Soul.

We conclude with *C.R.E.A.M – Cash Rules Everything Around Me*, a gritty composition from The Wu Tang Clan. Our intent with this final stanza is to provide real talk, avoiding the innuendos and subtleties that mark the bulk of financial writings.

The Gold Coast Florida retirement of shuffleboard and golf is unrealistic and will prove to be an impossible achievement for most. There is no financial plan that will save the hoards of baby boomers that are set to leave the retirement party with a gold watch and a shortfall of retirement savings. The financial plan at retirement for thousands of baby boomer shall unfortunately be summarized in three words: Get a Job.

Americans simply do not save enough. The reasons are several: overwhelming ignorance of the financial system, rampant consumerism, and the implicit safety net that has materialized courtesy of the ongoing strength and flexibility of The United States Government. The facts become even more troubling as we consider the low-return environment that will continue to frustrate savers and the consequences of a Social Security and Medicare system that is teetering upon the brink of collapse.

Although the university system within this country is unrivaled, our methods related to secondary education are abhorrent. Schools remain overcrowded and underfunded. Students are unable to identify the capital of Montana, let alone the capital reserve ratio of Bank of America. For those that are fortunate to reach the pinnacle of a doctorate, the individual may very well undertake two decades of schooling without any lesson concerning basic financial literacy.

The individual enters the job market stymied by burdensome college loans. These loans are a function of the inability of personal wages to maintain sufficient pace with the costs of education and the unwillingness of prior generations of family members to save aggressively.

Our college-educated specimen has been socialized to fall in line with his peer group and critical capital is spent to preserve a particular image, contrary to prevailing financial

logic. The person is inundated with specialized marketing tactics that promote pure consumerism. Visceral wants become mistaken for absolute necessities.

Entitlement has become the calling card.

Mr. Worker is responsible for his own retirement through a defined contribution, or 401(k) plan. The investment gaffes of General Motors, the airline industry, and Stodgy Corporation X have destroyed the sanctity of the old-line defined benefit / pension plan. This responsibility has been shirked by the corporation and foist upon the employee.

How is Mr. Worker to complete this intimidating paperwork without any basic knowledge of the strengths and weaknesses of various investment classes?

The situation is not helped by the 401(k) GIGO: Garbage In. Garbage Out.

The majority of 401(k) investment options are worthless. Mr. Worker may select a lifestyle fund marketing gimmick, stable value fund, company stock, or exhibit A: the mutual fund that drowns investors with fees and never matches the S&P 500. Worse yet, Mr. Worker kicks back and allows the company to select the 'suitable' allocation.

The company, left to its own devices will decide upon a mix of the most conservative of funds for Mr. Worker. The company wishes to avoid any possibility of a lawsuit, rather than actually engineering competitive returns for the employee. Mr. Worker's pretax 401(k) income will be evenly divided into a money market and bond fund for the next thirty years. The set-up will barely match inflation.

Congratulations, Mister!

Lifecycle funds charge high fees in exchange for the ongoing retooling of the portfolio as the investor approaches retirement. The worker selects a target date of retirement and the fund automatically adjust the allocation through the time frame. Voila! The unassuming worker will be set into his Golden Years.

The caveat lies in the fact that numerous funds of the same target date all present varying allocations. The marketing gimmick contradicts its own self. There is no 'automatic' allocation for all individuals that retire at the same date. There are simply too many variables to check off any investment option and go, as if the prospective retiree were speeding through a tollbooth with EZ Pass.

Stable value funds are anything but. These money market funds will be ravaged by inflation over the course of the 401(k) investment. Bond funds that retain the flexibility to rotate into debt instruments featuring higher rates of interest would be a better option for the conservative saver.

Perhaps Mr. Worker will utilize his 401(k) as a vehicle to purchase company stock. Perhaps he feels that as an employee, he possesses an obvious measure of insider

knowledge. Maybe the decision is an expression of the company man, toeing the company line. For whatever reason, the transaction violates all principles of basic diversification.

Mr. Worker is now relying upon Corporation X for both a paycheck and a retirement. Let us imagine that Corporation X begins to falter economically. Corporation X announces a round of layoffs at the very moment that the stock tanks. Mr. Worker now commiserates with Mr. Enron, Mr. WorldCom, and Mr. Global Crossing. He is out of work and out of savings.

In spite of its inherent shortcomings, the 401(k) plan is essential due to the employer match. This 'free money' shall never be ignored. As Charles Prince would state, the music is playing and workers have no choice but to dance.

Certainly, 401(k) savings have been ravaged by the nature of the beast. Mutual funds carrying hundreds of stocks are unable to sidestep the dire machinations of any bear market. I fear that the confidence applied towards the financial industry will be further compromised as misinformed, frustrated savers cope with stalled retirement savings and become the easy prey of charlatans dispensing promises of easy money.

Our white collar, college educated employee is already doomed to underachieve financially. Fortunately for this gentleman, the consequences are far from dire. The sophistication of the U.S. banking system enables Mr. Worker to leverage his earnings into borrowing power, or Mr. Worker can simply scale down his lifestyle.

We must also address the plight of the entry-level, wage-earning employee. Globalization and the collapse of central planning have unleashed a flood of competitive Eastern European and Asian labor into the marketplace that will suppress working-class wages. Crumbling American secondary schools have left working-class citizens unable to compete with our foreign counterparts and the pressure will be felt.

Surging energy, food, and health care costs will continue to decimate the personal balance sheets of this group that rarely participates in any asset boom due to a lack of free capital. Essentially, income gaps will enlarge dramatically, reaching the point of destabilization.

Flash points have already emerged from Cleveland to Zimbabwe. Crime is on the uptick inside the city limits of The American Metropolis. Gentrification and rehabilitation projects that were touted amidst the real estate boom remain unfinished and swaths of land lay fallow. Predatory lending combined with the fiscal ignorance that is a staple of our original thesis has led to the foreclosure epidemic that is decimating neighborhoods. Further economic deterioration will drag the American city towards a culture of lawlessness not seen since the 1980s.

Zimbabwe is a disaster. The country is an extreme example of the dangers of unchecked, unmitigated power of a particular class over another and the ensuing fallout. The property

of wealthy white landowners was seized and distributed to the general populace. Production and the Zimbabwe economy ground to a halt as the historically disenfranchised citizenry lacked the expertise to exploit the newfound bounty. Zimbabwe government turned to the printing press and simply manufactured money to provide services and remit payments. Inflation is now an unfathomable 1,000,000%.

The strife has come to a head with the violence, corruption, and reign of terror that have surrounded the sham re-election of Robert Mugabe.

Perhaps the international community would blink if Zimbabwe lorded over billions of barrels in proven oil reserves. Perhaps the ongoing Iraq War has exhausted the military and political will of the West. I fear that the muted responses to Darfur, Tibet, Burma, and Zimbabwe upheaval are the signal that the U.S. is entering another era of isolationism. Sadly, the perfect vortex exists for the continuation of abject misery that seems to always mar the developing world.

Contrary to this tough talk, I remain fully convinced that The United States of America will maintain its dominant position as the world's sole super power well into the foreseeable future. The embarrassingly low savings rates and towering debt levels are actually an endorsement of the sophistication and stability of The U.S. Government and its formidable banking system. Americans are positioned to leverage debt and risk capital as a direct consequence of our established financial markets, insurance community, and protection of property rights.

Resource rich Russia, Latin America, Africa, and The Middle East are all prone to 'Dutch Disease,' or the propensity of a large commodity discovery to sabotage the progressiveness of a political state. 1960's Natural gas discoveries within The Netherlands proved to be a setback, as the nation relied upon commodity flows to fund its coffers. The build-out of natural gas infrastructure came at the expense of any commitment to outside diversified industry. Outside of natural gas, the export economy was compromised due to the artificial support of the home currency granted by resource demand abroad. Strong currency damages the profitability of finished goods for export by offering the international consumer unacceptably high price levels that will be refused. The discovery of the commodity began to elevate a select few into the aristocracy. Inevitably prices collapsed, devastating the economy and social fabric of the nation.

I have already introduced the dangers of commodity investment. The homogenous unit lacks pricing power. Hence, market share is perpetually under attack. The idea also applies to sovereign nations that will compete for global market share.

The stability of these areas will always be challenged by gross income inequality and the possibility of a commodity bust. The vast chasm of prestige separating the ruling elite and oligarch business class from the masses frequently leads to excessive trade protectionism as patricians savagely guard their respective empires. The pattern ignites internal unrest and the ultimate erosion of individual freedoms.

Mikhail Khodorkovski, founder of Yukos Oil and once Russia's richest man was found guilty of tax evasion and securities fraud. The gentleman has been jailed—shipped to Siberia for nine years in what has become a mockery of justice. Khodorkovski's political ambitions were a threat to The Kremlin and the gentleman was unduly targeted. Of course, Yukos was eventually seized and 'sold' to the state controlled Gazprom at fire sale prices.

The examples of corruption, instability, and violations of basic individual rights are far too common in resource rich Latin America, Africa, Russia, and The Middle East. The devastating effects of slavery, colonialism, imperialism, and mercantilism have established the pattern. The borders of these areas and the former Soviet satellites were sketched without any regard to the demographics of the indigenous population. Lisbon, Madrid, London, Brussels, and Paris imperialism established political boundaries in these regions with the sole intention of exploiting materials. The discovery of vast amounts of natural resources within a particular region is often more of a curse than it is a blessing.

Chinese and Indian commerce still remain privy to strong state control. Indian business is shackled by the propensity of every discernable marketable activity to require a permit from the government. Japanese interpretation of capitalism calls for a level of consensus that impedes the destruction of waste that is necessary for the functioning of the system. The reluctance to shut down weak firms and the taboo of agitating for corporate change locked Japan into a deflationary economic period lasting 20 years. European capitalism also lacks dynamism, with the overzealous protection of labor from layoffs, heavy scheduling, and wage cuts.

Carl Icahn, the billionaire investor that has terrorized the boards of Motorola, Time Warner, and Yahoo is unwelcome in Japan and Western Europe. The eccentric gentleman would be the epitome of the socially awkward American blowhard. Picture Mr. Icahn appearing all too frequently on television to snipe at media, initiating irate phone calls to management, and embarking upon systematic letter writing campaigns demanding restructurings that will unlock the value of his investment.

Carl Icahn is essential to American Business. The free market competition, emergence of entrepreneurs and capital investment shoring up weaknesses in the marketplace, and the ongoing destruction of weak firms that may appear chaotic are in actuality the perfect syncopation of business, political, and social rhythms. The liberalism of The American Dream is the basis of our ultimate protection and ironclad position as the world's leading superpower.

Puff Daddy would exclaim:

We won't stop. Because we can't stop.

4: Thank You

Exhibit A – Performance

We present our performance in comparison to the broader market Standard and Poors 500 Index. Energy remains the key component. Of course past returns are no indicator of the future and we may not telegraph future movements. Perhaps the only information which truly matters:

Year	ONYX INVESTMENTS	S&P 500 Index
2004	41.000%	9.000%
2005	19.858	3.000
2006	15.976	13.600
2007	22.959	3.500
2008	7.054	-7.380

Exhibit B – Favorite Musicianship

My writing style is similar to a sober Charlie Parker on the alto saxophone. This jazz legend exploded with ideas and his music plays as if he were attempting to compress an infinite amount of ideas into a single bar. Of course, the jazz player improvises and selects his spots to perform within the layered composition of his band mates. I approach the computer terminal with no outline. I merely begin to type. Writer's block is evasive, and the difficulty lies in transmitting my ideas onto paper before they vanish into my subconscious.

Investing is jazz, funk, rap, and rock and roll. The shrewd moneymaker improvises throughout the musical selection that is the economy. He must remain aware of the rhythms that undergird market sentiment and financial cycles. Of course, any activity centering upon a profit motive is gritty and raw.

I probably listen to rap music 90% of the time. I prefer the releases from the mid-nineties of this genre. I target the tracks where the *accumulation* of money and the struggles of the overall mission is the focus. I could do without the commercialism that touts the *spending* of money, objectification of women, and the elementary school rhymes that passes for artistry these days. I am not overly critical of these newer artists. There must be a market as *somebody* is buying the music. Critics often mislabel hip-hop as a menace to society. It is society that shapes the art. Music does not shape society.

Rap music parallels economics and investing. The novice is unable to differentiate Goldman Sachs stock from Bear Stearns or Jay-Z from Nelly. There is also a small sampling of transcendent lyrical artistry among a sea of worthless drivel within the Rap Game. Of course, there are millions of different stock, bond, and mutual fund offerings—the majority of which offer little rationale for investment. Lastly, any rap song that is repeatedly played on the radio has already become out-of-fashion. Investment maxims appearing on the front pages of newspapers and CNBC programming are similarly tired.

My environment has molded my taste in music. 111 West Jackson is my studio. I often return to the office late at night to 'put beats on wax,' (write); or simply 'rock out,' or executing and relaxing.

My list follows. I am a bit one-dimensional; I must be in a special mood to voluntarily hear anything besides rap. I want my music to bang and I am at my best while moving with a controlled rage. I cannot afford to be lulled to sleep by soft, Secretary Rock.

Exhibit B – Favorite Musicianship Continued

The debut album is typically the most remarkable effort for the musician. The performer arrives on the scene with an edginess that is fueled with the anger, struggle, and dedication that is necessary to perfect one's craft without any recognition. I wish to capture this fire and never lose sight of the urgency.

Many entertainers fall victim to their own fame and self-destruct—unable to handle the newly bestowed acclaim. I respect the multi-millionaire that continues to perform as if he were a starving, desperate artist. 50 Cent and Puff Daddy are not lauded as exceptionally skilled lyricists or musicians, yet the business savvy of these gentlemen matches that of any chief executive officer.

With entertainment empires that include record labels, clothing lines, restaurants, and sporting franchises; Puff Daddy, 50 Cent, and Jay-Z are all worth well over $300 Million. Jay-Z should top $1 Billion shortly.

Genre / Artist	Description
AZ	*DOE or DIE.*
'80s Music	The sweet memories of being young and innocent.
Go-Go	Underground, percussion music native to Washington, D.C.
Miles Davis	Unmatched style and flair. Improvisation = Investing.
Isley Brothers	Greatest Hits album is always in reach.
Jay-Z	Wore out *Reasonable Doubt* well before you heard the name 'Jay-Z.'
Jay-Z, P. Diddy, 50 Cent	Irrespective of musicianship, the shrewdest businessmen.
LL Cool J	Longevity Defined: *Momma Said Knock You Out.*
Nas	Never able to duplicate initial *Illmatic* album.
Geto Boys / UGK / OutKast	Legitimized the South in the Rap Game.
Tupac / Notorious B.I.G.	The Greatest of All Time.
Wu Tang Clan	The Goldman Sachs of rap. The influence of the group is far-reaching.
Eric Clapton / Phil Collins	Do not Laugh.

Exhibit C – Where are They Now?

As stock pickers, we must acknowledge the errors of commission and omission. 'Ghost' Stocks have been bought and sold, or represent shares which we have seriously contemplated purchasing. Our top gaffe has emerged as our dismissal of The Wrigley Company. The stock should have been bought in favor of Coca Cola. The strong brand, sales growth, and stable management initially piqued our interest. The approved Mars combination has lifted the stock from $45 to $78 over the recent two-year period.

Although Google has become a story stock, we have not descended into any form of abject misery due to its omission. Technology investing is not our forte and analysis of GOOG's pricing places the stock outside of our parameters. The stock is richly valued and pays no dividends. The company provides no earnings guidance and shares remain prone to wide swings upon every quarterly release.

The investments that we have foregone are equally as important as our actual positions. The following list is a monument to stock market carnage. Starbucks, Fannie Mae, Sears Holdings, UPS, Coach, and 3M are stocks that have been thoroughly trounced following their expulsion from this portfolio. I have attempted to outline my broader reasoning with the following chart.

Specifically, SBUX was a concession of defeat. I came to the realization that Starbucks was a growth trap—a former highflyer that appears to be a bargain. Starbucks has been hemmed in by its own success.

Stores that are located at every corner, at every block, at every city only cannibalize each other. McDonalds and Dunkin Donuts have also entered the fray and represent formidable challengers to the coffee maker.

As I have remained skittish towards real estate throughout, Fannie shares were dumped quickly following an illogical spike in FNM shares.

Sears was dismissed the moment that media pundits crowned Chairman Edward Lampert the second coming of Warren Buffett. I originally made the bet upon the obvious activity that flowed between Sears and K-Mart, which signaled the imminent merger. I reasoned that Sears Holdings possessed valuable real estate at the height of the boom and that Lampert would begin liquidating stores and property to allocate towards intelligent stock market investment. The stock spiked upon the speculation of my prior rationale as investors concluded that Sears = Berkshire Hathaway.

Eddie Lampert is no Warren Buffett. Lampert curiously held onto the real estate; and his attempts to transform Sears into a legitimate retailer are baffling to any visitor of a Sears store. I unceremoniously dumped the stock upon witnessing Edward Lampert on the front page of a major financial magazine.

Financials were also listed as 'Ghost Stocks' at this point last year. We acknowledged that banking, insurance, and brokerage stocks were critical components of any appreciating market. However, we had yet to invest within this segment due to our concerns regarding the credit and real estate sectors. Our beliefs were validated earlier this year, and we exploited the implosion of financial stocks to select Goldman from the rubble.

Stock	Description
AIG	Stock has been cut in half; Greenberg shadow plagues firm.
Caterpillar	CAT nirvana continues: stock rides commodity, construction boom.
Coach	Shares bought and sold. Stock has been trounced since, on recession fears.
Fannie Mae	Sold at the first signs of disaster.
General Motors	Strong '06 performance. Decimated from $40 to $9 since.
Google	Excellent business. Terrible price.
K-Mart / Sears	Shares bought as K-Mart, merged with Sears. Stock collapsed after sell order.
Kraft Foods	Altria spin-off dumped for cash. Stock is relatively flat.
3M	Stock dumped in favor of UTX. UTX has outperformed.
McDonalds	Steady Growth.
Pepsi	Pepsi and Coke stock interchangeable over 3 years. KO higher dividend.
Starbucks	Conceded defeat and liquidated. Stock continues to be obliterated.
United Parcel Service	Bought as oil hedge. Liquidated well before the stock fell victim to $100 oil.
Valero Energy	Surged from $10 - $80; but has fallen back to $33 due to poor refining margins.
Whole Foods	Disastrous plunge from $80 to $20.
Wrigley	From $45 to $80 on Mars buyout. A glaring omission.
Whole Foods	Disastrous plunge from $80 to $20.

Exhibit E – June 30, 2007 Positions

Shares	Description	Value
700	ExxonMobil Corporation (XOM)	$58,716.00
4	Berkshire Hathaway Class B (BRK.B)	14,420.00
285	Best Buy Company, Incorporated (BBY)	13,300.95
187	United Technologies (UTX)	13,263.91
190	Federal National Mortgage Assn. (FNM)	12,412.70
210	Nike Incorporated Class B (NKE)	12,240.90
108	Burlington Northern Santa Fe (BNI)	9,195.12
120	Altria Group (MO)	8,416.80
155	Coca Cola Company (KO)	8,108.05
100	Danaher Corporation (DHR)	7,807.80
165	Electronic Arts (ERTS)	7,550.00
141	Starbucks Corporation (SBUX)	3,699.84
	Total Equities	169,132.07
	Cash, Cash Equivalents Available for Withdrawal	17,931.00
	CAPITALIZATIONONYX	**$187,063.07**

Exhibit F – June 30, 2006 Positions

Shares	Description	Value
600	ExxonMobil Corporation (XOM)	$36,810.00
250	Best Buy Company, Incorporated (BBY)	13,710.00
132	Minnesota Mining and Manufacturing (MMM)	10,661.64
3	Berkshire Hathaway Class B (BRK.B)	9,129.00
100	United Parcel Service, Inc. Class B (UPS)	8,233.00
120	Federal National Mortgage Assn. (FNM)	5,772.00
125	Coca Cola Company (KO)	5,377.50
124	Nike Incorporated Class B (NKE)	5,022.00
100	Electronic Arts (ERTS)	4,304.00
65	Danaher Corporation (DHR)	4,180.80
100	Starbucks Corporation (SBUX)	3,776.00
	Total Equities	106,975.94
	Cash, Cash Equivalents Available for Withdrawal	22,504.00
	CAPITALIZATIONONYX	**$129,479.94**

*Reflects 2:1 NKE split.

1,000,000 Miles

Kofi Bofah, Chairman