

Campbell Capital Management

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Dear Money Management Client:

The worst two months in stock market history occurred in January and February. When the first week of March ended with a similar rate of decline, we estimated stock values would reach zero by September. Obviously that's ridiculous, but a trend is a trend until it ends. Our portfolios were insulated from the nearly 25% decline because of very limited equity exposure, but there was a point when we questioned any equity exposure at all. I admit to being so concerned that memories from my youth of running a tractor and picking tomatoes were gaining status as highly valued alternatives to money management.

Just when it felt like all was lost, the stock market abruptly reversed course and moved up six straight weeks. Most of the indexes are still negative on the year, but investors are doing their best to muster some optimism. Every bear market has many rallies followed by new lows until one lucky rally finally holds. This may be the lucky one, but only time will tell.

Stock prices typically bottom months before the news flow improves. Today's buyers are making their bet even though housing prices have not bottomed, home foreclosures are increasing, more jobs are being lost and retail sales are falling. The best news most can point to is that the rate of decline in economic statistics is less steep. Today's bulls are counting on the unprecedented massive government guarantees and cash infusions to bring about a recovery.

There is definitely a recovery in our future, it's the timing of which we're circumspect. And since we have little confidence in anyone's ability to actually time the market, we don't recommend trying. It's better to look for great companies led by great managers with sound finances and expanding opportunities that are selling at large discounts. In summary, we have no assurance the markets lows are in, but we are seeing many compelling opportunities. Until there is more confirmation, our approach is to maintain above average cash balances and fixed income positions while nibbling at deeply discounted equities. In light of current volatility, this opportunistic strategy will likely result in elevated trading, even though we prefer long term buy and holds.

We remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell