

Memorandum

To: 401(k) Plan Sponsors and Committees
From: Michael J. Malone, MJM401k
Subject: 401(k) Plans and Market Volatility
Date: January 23, 2008

Dear Clients:

Since the beginning of the year there have been significant declines of between 10% and 15% in all of the major stock indices, both here in the United States and around the world. Moreover, it looks like this volatility may continue, at least for the near future. The markets in Asia closed up significantly overnight, following a previous day's trading where overall markets tumbled. However, while the many global markets reacted favorably to yesterday's Federal Reserve surprise rate cut, US markets have not followed suit today. As we near the close, we are seeing additional declines of over 2% in the Dow, NASDAQ and S&P 500 indices.

The tables below indicate where we've been so far in 2008.

2008 Year to Date Returns

<u>Index</u>	<u>12/31/2007</u>	<u>1/22/2008</u>	<u>Return</u>
Dow Jones Industrial Average	13,264.82	11,971.19	-9.75%
MSCI EAFE	2,253.36	1,935.75	-14.09%
S&P 500	1,468.36	1,310.50	-10.75%
Wilshire 5000	14,819.58	13,196.11	-10.95%
Russell 2000	766.03	671.57	-12.33%
NASDAQ Composite	2,652.28	2,292.27	-13.57%

Last Year's Market Peak to Current Date

<u>Index</u>	<u>Peak Date</u>	<u>Peak Value</u>	<u>1/22/2008</u>	<u>Return</u>
Dow Jones Industrial Average	10/9/2007	14,164.53	11,971.19	-15.48%
MSCI EAFE	10/31/2007	2,388.74	1,935.75	-18.96%
S&P 500	10/9/2007	1,565.15	1,310.50	-16.27%
Wilshire 5000	10/11/2007	15,819.00	13,196.11	-16.58%
Russell 2000	7/13/2007	855.77	671.57	-21.52%
NASDAQ Composite	10/31/2007	2,859.12	2,292.27	-19.83%

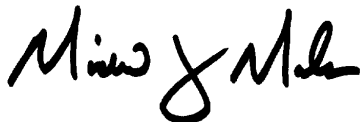
There are a number of factors cited by economists in explanation of the volatility in our capital markets. Some of these factors include:

- Write-offs at large financial organizations due to their exposure to the sub-prime mortgage market
- Continuing weakness in the US housing market, which is starting to affect the confidence of US consumers to continue spending
- Fears (both in the US and around the globe) that our country's economy has entered into a recession
- Recent earning reports by several large corporations which disappointed investors
- Tightening in the credit markets, which makes it more difficult for smaller businesses to borrow and thus create new jobs
- Energy prices reaching historical highs, which have an effect on both business and consumers alike

How does all of this capital market volatility affect 401(k) plans? First, while the factors noted above are all significant, there is nothing that we see that would suggest a change in strategy for our plan clients and their investments. All of the fundamental ERISA investment process steps remain sound and continue to be the basis for good plan governance. At the plan sponsor level, we continue to carefully monitor the qualitative and quantitative criteria used to evaluate the investment choices in your plans.

Secondly, at the plan participant level, we continue to encourage our clients to think in terms of structuring their plans so that participants can achieve and maintain long-term strategic asset allocation strategies that are appropriate for them. This is the best approach, as proven by over 75 years of capital market history, for 401(k) plan participants to reach their retirement savings goals. A disciplined asset allocation strategy will hopefully allow participants the strength to "stay the course" and not be tempted to time the market.

We are looking forward to meeting with you over the next several weeks. However, if you have any questions or concerns in the meantime, please feel free to call us.



Michael J. Malone