GS INVESTMENTS, INC.

# MarketView

*Fourth Quarter 2006*

## GSI Tenets

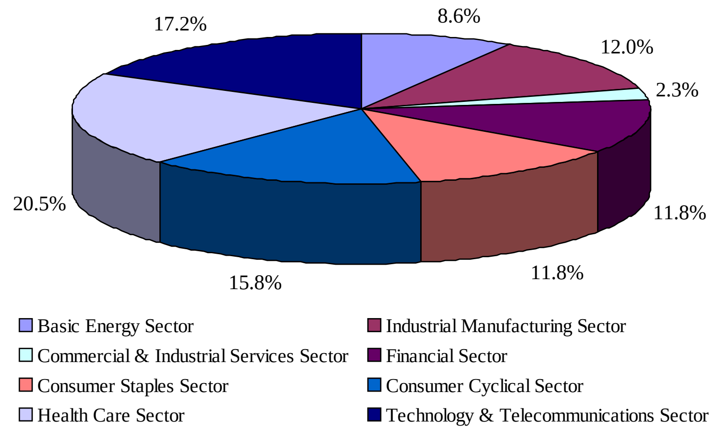
GS Investments, Inc. represents a logical choice for investment management for the following reasons:

1. A commitment to high-quality, personalized, client service.
2. Utilization of individual securities.
3. Balanced account manager utilizing bonds and stocks, their mix based on account objectives.
4. Use of large-cap growth stocks, adding a mid/small-cap "twist" for superior investment performance.
5. Extensive experience in the management of both individual and institutional investment accounts.
6. A competitive fee schedule.
7. Confidential environment.

## Investment Strategy

1. Invest for the long-term.
2. Diversify investments.
3. Use fixed income securities for portfolio risk control and income.
4. Use equities to maximize portfolio return and offset inflation.
5. Manage portfolios according to each owner's risk parameters

## Sector Breakdown—September 30, 2006




## Top Ten Holdings (as a percent of Equities)

| | |
|---|---|
| Ishares Trust MSCI EAFE Index Fund | 2.26% |
| Wells Fargo Company | 2.18% |
| Cisco Systems | 1.91% |
| Microsoft Incorporated | 1.86% |
| PepsiCo Incorporated | 1.77% |
| American International Group | 1.72% |
| General Electric Company | 1.72% |
| ExxonMobil Corporation | 1.70% |
| Apple Computer Corporation | 1.70% |
| Proctor and Gamble Corporation | 1.67% |
| Amgen Incorporated | 1.66% |

## Market Summary

As we approach the conclusion of 2006 and look to 2007, Glenn and I find ourselves "guardedly optimistic." Those who know us understand that we are, by nature, positive people, positioning client accounts for the long-term. This year, however, we have proceeded with caution, carrying larger than normal cash balances, investing in a more "defensive" fashion. Spikes in energy prices, a vigilant Federal Reserve and heightened tensions in the Middle-east have provided the ambiguity that has previously clouded our 1 to 2 year outlook. As we transcend into 2007 however, we are gaining a better sense of clarity as it relates to the economy and the corresponding investment of client assets. Specifically:

**The Economy**

- Gross Domestic Product (GDP) was revised to a 2.6% increase for the second quarter of 2006, down from the 2.9% increase that had been previously reported. We view this as an encouraging sign as it serves to reduce the inflation concern of the Federal Reserve.

- Existing homes sales declined, but new home sales increased in September. This suggests that fears of a housing market "bubble" and subsequent crash, might be overblown.

- The Federal Reserve has remained "on the sidelines" for the past two meetings, suggesting that the current 5.25% Federal Funds rate may mark the high of the current cycle. The previous cycle high was 6.50%. Some in our business suggest the possibility for a rate cut in 2007.

## Market Summary (Cont)

### The Economy (continued)

- Consumer confidence jumped over 5% in September, overcoming a sharp decrease in August.

- Core inflation at the Wholesale level is declining as manufacturers are finding it difficult to push prices through to the customer. The Consumer Price Index (CPI), could decline in the next few months to a rate of roughly 3%. This contrasts with the 4.70% increase that we experienced in in the 12 months ending 9/30/05.

- Some in our business seemed convinced that $100/barrel of oil was likely. Since trading north of $77/barrel, crude is now below $58/barrel. Glenn and I have felt all along that there was a "speculation premium" of roughly $15-$20/barrel in the price of crude. Much of this speculation has been siphoned out of the sector, at least for the near-term. In addition natural gas prices have dropped precipitously.

- Columbia University economist Edmund Phelps was recently awarded the Nobel Prize in Economics for relating inflation to unemployment. Federal Reserve Chairman Bernanke is a follower of Phelps' thinking that inflationary expectations of consumers may be controlled by interest rates. This could be key to future interest rate changes by the Fed.

### Corporate Fundamentals (S&P 500)

- Corporate earnings growth, albeit slower, is still strong.
  - ◊ 2005 14.23%
  - ◊ 2006 13.11%
  - ◊ 2007(E) 10.00%
- Corporate balance sheets still strong with limited long-term debt outstanding.
- Corporations are flush with cash, giving them the options of dividend payout, or share buy-backs.

### Market Implications

- Lower inflation expectations, moderated interest rate expectations, continued strong (but slowing) earnings growth and lower energy prices could benefit stock prices. The DJIA recently reached historic highs.

- There has been a shift to favoring large-capitalization growth stocks after a long period of

### Market Implications (continued)

their underperformance. This could be the result of the uncertain economic environment we are facing causing investors to favor high quality securities. The current bull market is now roughly 48 months old (the average duration is 25 months). This market run however, has been characterized by a more gradual advance and a greater degree of "churn" than the typical advance.

- Glenn and I feel that there is a strong possibility of a soft economic landing and the likelihood the stock market will continue its upward move.

- 7 times out of every 10 years since 1945, the stock market has posted a positive return. To maintain this record, the S&P 500 would have to produce a positive return each year through 2009.

### The Clear and present dangers

- *The mid-term elections*
  - ◊ The all-important mid-term elections show the Republicans trailing in many key elections. The 33% approval rating of the current administration seems to be playing a major role here.
  - ◊ There is concern in the marketplace that a change in control in Congress could lead to overturning the Bush tax cuts on capital gains and dividend income.

- *Reinvigorated tensions abroad.*
  - ◊ Of course, heightened tensions in the middle-east or an escalation of nuclear ambitions of Iran or North Korea may reverse the recent downward trends in energy prices.

We are committed to providing our clients with high-quality service and superior performance over the long-term.

***Glenn & John Steinke***