



August 23, 2011

Mr. & Mrs. Client
1234 Road Ave
Houston, TX 77012

Dear Client –

By now you have likely received a stack of trade confirmations and prospectuses from Schwab for several new funds in your portfolio. As you know, we make changes to the individual fund managers in your account from time to time, and this latest round of changes was rather extensive. We've summarized the changes below, but if you would like to discuss the trades in more detail, please don't hesitate to contact us.

Within the Alternative Strategies category, three funds have been sold and two new funds have replaced them. We kept the overall weighting in the broad category of Alternative Strategies the same at 20% for all of our clients. This move really just represents a changing of the guard. When we first began using alternatives about a year ago, the number of portfolio managers who were available in a traditional mutual fund format was quite limited. The former representatives in this category (Rydex Managed Futures, JPMorgan Research Market Neutral, and ASG Diversifying Strategies) were the best available managers, in our opinion, at that time. As part of our ongoing due diligence, we have found that some of the recently-launched mutual funds in this area appear to be superior to our previous holdings.

The two new alternatives funds in your portfolio are Altegris Macro Strategy and Altegris Managed Futures Strategy. Amazingly, there are over 6,000 companies and individuals who offer alternative investment strategies. Altegris' expertise lies in selecting the very best investment professionals within the alternatives universe. Each fund currently utilizes five different investment firms (for a total of 10 subadvisors), providing a greater level of diversification within your alternatives category than we had been able to achieve before. Both funds are managed by a team of experts who have each been in the alternative investment industry for more than 20 years.

A second change which occurred in most of our client portfolios was the sale of T. Rowe Price International Discovery. *For our more conservatively positioned clients, this change is not applicable as it was not owned in those portfolios.* The reason for the sale was not style drift or unsatisfactory performance. On the contrary, the fund has contributed generously to our clients' bottom line over the last eight years. The reason for the sale is that Discovery's behavior has been increasingly similar to some of our other foreign stock holdings, such as our foreign small cap value fund, Oakmark International Small Cap, and our emerging markets equity fund, Lazard Emerging Markets Equity Blend. As you know, our goal is to combine

investments that don't walk in lock step, so we have decided to eliminate Discovery and funnel those proceeds equally to Oakmark and Lazard. This reduces the total number of positions and increases the weightings of Oakmark and Lazard, meaning that they will contribute more significantly to the performance of your account going forward.

Finally, many accounts required what would be considered maintenance rebalancing in addition to these fund swaps. As equity markets have recently declined in value, our stock funds have fallen below their target weight and our bond funds have increased above their target weight. As you know, rebalancing is a critical part of our strategy, trimming outperformers and adding to underperformers as opportunities present themselves. In this case, we trimmed the bonds and added to the stocks to bring both allocations back into their target ranges. As the old adage goes, "Buy low and sell high."

These latest changes serve as an example of the ongoing due diligence and management that occurs in your portfolio. We feel confident that the trades we have made are in line with our constant goal of improving the risk-adjusted returns in your account. Again, if you would like to visit in more detail about these changes, please don't hesitate to call.

Sincerely,



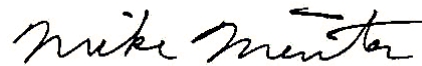
Michael Booker, CFP[®], ChFC, CFS



Bryan Zschiesche, CFP[®], MS, MBA



Heath V. Hightower, CFP[®]



Michael Minter, CFP[®], CFS