PERSONAL INVESTMENT MANAGEMENT, INC.

INTERIM NEWS RELEASE

August 10, 2011 (425) 883-7990

The purpose of this Interim News Release is to explain what we're doing right now and why, to provide market commentary and to discuss the importance of asset allocation.

Portfolio Management Strategy:

Our strategy over the past month has been to observe, monitor and analyze the market seeking concrete data points on which to base any decision to modify our asset allocation models. Through this process we maintain our objectivity and avoid the temptation to join the "irrational exuberance" of rallies which don't make sense or become anxiety-stricken over equally irrational panic selling.

What we have determined is that a paring back of our equity exposure for the intermediate term is appropriate. More specifically, we are reducing equities by trimming our positions in the domestic large cap exchange traded fund SCHX for those with investment portfolios at Charles Schwab & Co. and CREF Stock, a broad based equity fund, for those with investment portfolios at TIAA CREF. This is not an "across the board" modification to our asset allocation models. Rather, this is a repositioning of equities to cash to reduce current levels of risk during a period if unstable market conditions.

The stock market has a long history of retesting panic prices to reaffirm that stocks are cheap enough to buy and hold for the longer term (note the large intra-day and day-to-day swings of the past several days). Through this process, we may likely continue to reduce equity exposure as selling opportunities materialize. As political and economic fundamentals develop, we will provide further commentary and continue to adjust portfolio allocations as appropriate.

Politics and Market Dynamics

The recent budget and debt ceiling debate was a political standoff, plain and simple. While this is not the first time in our country's history that opposing parties entrenched themselves and demonstrated unyielding "commitment" to their so-called principles, it is the first time that the debt ceiling and the federal budget have been part of the same fierce debate. The result was a deal that nobody seems particularly pleased with. But it's a starting point, and some deal is better than no deal. The issue, for our purpose today is that by refusing to cooperate when time was on their side and waiting until the last minute to emerge "heroes" and "save us" from a possible default on our sovereign debt, they all ended up looking foolish and promoted fear and uncertainty throughout the financial markets.

A new jobs report was released late last week that while not spectacular exceeded expectations. This should have been viewed as generally positive. But leading up to the report, financial commentators observed, paraphrasing here, that the jobs report would certainly be negative, a reflection of further deterioration in the economy and that if the report is anything other than negative, it is certain to be erroneous. How's that for expert insight? The report was better than anticipated, and nobody today is questioning its authenticity. The market didn't know what to do with the information, as evidenced by the intra-day trading range of more than 500 points on Friday August 5th.

American investors went into the weekend uncertain of whether the jobs report would be enough to quell the fears of a double-dip recession and stop the bleeding.

Uncertainty persisted when, to the rescue came rating agency Standard & Poor's with a downgrade of America's sovereign debt from 'AAA' to 'AA+'. Remember, these are the same people who gave investment grade ratings to billions of dollars worth of toxic mortgage-backed securities and when questioned by Congress, simply replied: "we only state our opinion".

It may be useful to point out that normally a rating on a debt security is a reflection of the issuer's ability to pay. Regardless of how unsavory the options may appear, the United States has the ability to tax its citizens and print money. The US has no inability to meet its obligations. What S&P seems to be saying is that the inability of lawmakers to come to consensus is tantamount to a lack of

willingness to meet US debt obligations. In itself, this appears very close to being the truth. Elected officials of any stripe seem to have lost sight of the fact that they are public servants and that serving the electorate requires compromise rather than entrenchment.

In summary, what we appear to have experienced over the past few weeks is a market that, 1) some might say was due for a reasonable correction anyway, since it had been a year since the last correction of greater than 10%, 2) is concerned about the budget, debt ceiling and the ability of the Federal Government to devise appropriate plans, 3) is concerned about global economic fundamentals, 4) is uncertain whether or not recent domestic economic data might be signaling a double-dip recession, and 5) was conveniently provided an additional reason to run for the hills by S&P (but interestingly, by neither of the other rating agencies).

Efficient Markets proponents believe that the market is rational. The Dow Jones Industrial Average lost 634 points one day, and gained back 429 points the next. Does this make the jobs report any more or less valid? Does this signal that the market has chosen to ignore Standard & Poor's downgrade of US sovereign debt? Does this one-day bounce-back mean that the US economy is on stronger footing than previously assumed? All of this will be determined over time. What we feel comfortable suggesting is that the market is trading on panic and opportunism rather than sound fundamentals and reason, and is anything but rational.

What remains to be seen is whether or not we've achieved sustainable support levels from which to resume steady growth. Because we don't know, and because nobody knows until after the fact, we turn our attention to asset allocation.

Asset Allocation

From July 22nd until August 8th, 12 trading days, the S&P 500 lost 16.7% of its value, down 225 points. For the year, the S&P 500 is down 12%, Another of the benchmarks that we track carefully, the Russell 3000, is down 13% for the year.

Described as simply as possible, asset allocation is an approach to investing that calls for ownership of several asset classes concurrently such that portfolio risk is spread among different types of investments that respond differently to market and economic conditions, most of the time. The recession and global credit crisis that began in the Spring of 2008 and bottomed out in the Spring of 2009 was an exception. The value of nearly all asset classes went down together. Still, historically, asset allocation has been a prudent approach.

Your specific exposure to stocks and bonds is a reflection of your "Investment Objective" with PIM. Generally we construct and maintain investment portfolios based on 4 models: aggressive, growth, moderate and conservative. The investment portfolio of each and every PIM client falls into one of these categories. In order to express in real terms the difference between how these portfolios perform in adverse, even extreme market conditions, we illustrate here actual portfolio performance figures for an actual PIM client in each of the four asset allocation categories. The date range is January 3rd, 2011 through August 8th, 2011. Note: accounts were selected at random, generally, but we looked for situations with no ongoing or large, one-off contributions or withdrawals – in other words, relatively static so as to best illustrate internal rate of return.

Aggressive: - 9.87 %
Growth: - 7.26 %
Moderate: - 4.99 %
Conservative: - 1.45 %

As can be seen, the more aggressive the portfolio, the greater the deviation in investment performance. While all are in negative territory, performance ranges from modestly down to down something a bit more noticeable. Lest the more conservative among us become arrogant, let's not forget that during periods of strong market performance, a more aggressive portfolio will most often outperform the rest. Worth noting, all examples are outperforming the S&P500 for the year, after fees.

This brings us, finally, to the point. If recent market volatility is causing you to lose sleep, then we need to discuss the appropriateness of your investment objective. Markets fluctuate. Can't stop it, and can't predict it. We can't guarantee the market will gain back its losses, but we know that it has every other time in history. The key is having a portfolio that appropriately reflects and balances your expectations for investment returns with your ability to tolerate volatility from time to time. Please call your PIM representative should you like to review your portfolio and investment objective.

Thank You

As always, we are sincerely appreciative that you have placed your trust in PIM. Should you have any questions about this News Release, please contact your PIM representative.