

CALDWELL TRUST COMPANY

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PERSONAL • TRADITIONAL • INDEPENDENT

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What's With This Market?

Negative news pours in from every media outlet about banks, real estate, auto sales, unemployment, high oil and gold prices, weakening foreign markets—and the list goes on. With media regularly forecasting a stock market collapse, the average person might be puzzled that stock prices appear to be holding up. Reality has a way of explaining the unexplainable, though, and in this message we will examine some possible reasons for this seeming paradox. First, however, it is important that serious long-term investors remain aware of some developments that could affect the value of their holdings.

Shifting political climate

Perhaps the most important of these developments is the shift in America's political climate that has occurred in just a few short months, and its potential to result in changes in fiscal policies at the federal level. Since 1980, these policies have been generally conservative, favoring lower taxation aimed at inducing economic expansion and encouraging investment. Tax rate reductions for capital gains and qualified dividends have been centerpieces of these policies. President Bush has made repeated attempts to persuade Congress to make these and a whole range of other tax cuts permanent, but to date his appeals have failed. Now, with his term ending in less than a year, it seems unlikely that anything will happen on this score.

Declining dollar

Another concern is the U.S. dollar's continuing decline in value relative to gold, commodities, oil and other leading currencies. Classically, inflation is defined as too many dollars chasing too few goods. While "too many dollars" is most certainly true now, there is really no noticeable scarcity of goods except for the natural resources that are in heavy demand by developing nations. The increasing price of natural resources is being passed off in America as primarily a result of a growing economy, not as a currency weakness issue. While it would be nice to believe that, two factors suggest otherwise.

First, the dollar's relentless fall relative to other major currencies means there is more at stake here than higher prices for natural resources. All economies need these basic raw materials, so they are purchased using many different currencies. The second factor is that gold, long an indicator of the soundness of any given currency, is rising slower in terms of other currencies than it is for the dollar. All this is just another way of saying that those who have too many paper dollars are now increasingly eager to exchange them for something they perceive to be of greater tangible value.

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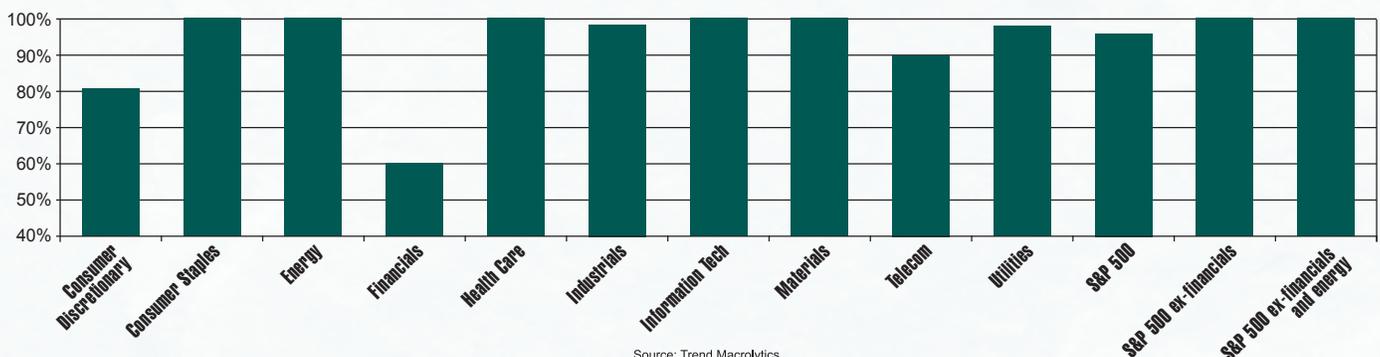
Parenthetically, the stimulus package Congress recently passed into law, while possibly good politics, most certainly is bad economics. It pumps an additional \$150 billion into our system, increasing the federal deficit and throwing that many more dollars into an already glutted position. At the same time, the Fed is injecting more dollars into a precarious banking system. This is hardly the way to build confidence in our currency.

Who will own American corporations?

A world reaction to this dollar glut is evidenced by the so-called Sovereign Wealth Funds (SWFs) that China and many other U.S. trading party countries have formed and funded with trillions of dollars. In brief, SWFs are giant funds established as a way to recycle back to America these countries' excess U.S. dollars, accumulated over the years through selling their products to us. Owned by nations, not individuals, these funds are now investing in shares—ownership—of major U.S. companies.

Continued on page 2

Forward earnings as percent of all-time high



Caldwell News and Notes

The Florida Center for Child and Family Development chooses Jan Miller to chair board of its foundation



Jan Miller, vice president and trust officer, has been elected to chair the board of The Fund for The Florida Center for Child and Family Development. She replaces State Senator Michael Bennett, who remains on the Fund's seven-member board.

The Florida Center, a not-for-profit organization based in Sarasota and Venice, provides early childhood education and developmental services (speech, occupational, and physical therapy), mental health services for young children and families, fetal alcohol diagnosis and intervention services, prevention and parent education services.

Miller has been involved with The Florida Center since 2003, when it was formed through the merger of two community agencies, Child Development Center and Family Counseling Center, where she had been a director. She has served The Florida Center as a member of both its operating board—where she is immediate past chair—and the Fund Board.

The Fund is a permanent endowment to provide long-term financial security as well as ongoing operating support for The Florida Center's many programs. "I know how valuable these programs are to the children and families that we serve," Miller says. "It's important to endow them so they can continue. I am pleased to help."

Sonya Kristie finishes ABA's Florida Graduate Trust School



Trust assistant Sonya Kristie has completed a three-year course of studies with the Florida Graduate Trust School, conducted by the Florida Bankers Association. The curriculum covers administration of estates and trusts, including specialized topics on issues affecting the trust industry, according to the ABA.

The Graduate Trust School provides an approved wealth management training program that prepares its graduates for careers in the industry. It also imparts educational principles necessary to obtain such certifications as Certified Trust Financial Adviser (CTFA) and Certified Financial Planner (CFP).

"Now I plan to start preparing for the CTFA test," says Kristie, a three-year employee of Caldwell Trust Company based in the Sarasota office. The Venice native graduated from the University of South Florida in Sarasota with a major in finance.

Some share prices still hold up *Continued from page 1*

The possibility that ownership or effective voting control of many of America's finest corporate enterprises could become the province of politicians of foreign governments is now a major topic of worry at the highest levels in Washington.

Share prices continue to hold up

In spite of all these woes, why are share prices of leading public companies in America continuing to hold up? The graph indicates the reality: that company earnings continue to hold stock prices in check against the tide of bad news. Trend Macrolytics, a research provider to Caldwell Trust Company, shared their chart with us (page 1), indicating the forward earnings of the S&P 500 companies as a whole. It shows that seven of the 10 major sectors have forecasted earnings at a 95% or higher level of their all-time record earnings. If you remove the hardest-hit sector (financials) and the highest sector (energy), the remaining companies on average expect their highest forecasted earnings ever. In fact, 5 of the 10 sectors are forecasting record earnings.

CONCLUSION: Forecasted earnings support stocks

Unlike the tech bubble that burst in 2000/2001 because those companies did not have earnings to support their prices, stocks today are being supported by the actual earnings being forecasted. This reality will at some point have to be reflected in stock prices, and an investor who sells today could be leaving something on the table.

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Comprehensive, Family-Oriented Trust and Financial Management Services • Personal Attention to Family Needs and Goals • Employee Retirement Services for Companies with 401k and 403b Plans and Pension Plans

FOUNDING PRINCIPLES

- To provide our clients with highly personalized, one-on-one attention and care.
- To satisfy and retain clients, building loyalties and gaining word-of-mouth referrals that attract new clients.
- To provide better service for less by using the latest electronic technology to implement our functions internally.
- To fill our staff with skilled, experienced trust professionals and to help them to become part-owners, thus nurturing loyalty and eagerness to serve.

Wendy Fishman finds joy in learning, serving, planning



“I learn something new every day,” says Wendy Fishman, vice president and trust officer. “At Caldwell, we don’t say, ‘This is the way it’s always been done.’ We work to find the way that best serves each individual client. We’ve carved out our niche here, and it’s defined in our slogan: ‘Personal, Traditional, Independent.’”

Wendy brings Caldwell a quarter-century of broad-based banking experience. “When you’ve been in the industry as

long as I have, you touch on many facets of the trust industry,” she says. “I guess I’m a Jill-of-all-trades.”

She joined Caldwell Trust Company in April 2007. In her previous position, she had been responsible for all aspects of fiduciary administration for over \$18 billion in assets, serving clients from Manatee County to Naples. “I wanted a place that was smaller, more personal and locally owned,” she says. She views Caldwell, with \$420 million in assets, as ideal.

“One of the truly exciting advantages of Caldwell Trust Company is being able to service my clients at the level they deserve,” she says. “We can make decisions here immediately, and we can do things ‘outside-the-box’ when that provides the best solution for a client. The large banks have to impose quite a lot of procedures just to oversee their hundreds of employees. We are much more flexible here.”

She also welcomes a change from the insistence on “efficiencies ratios” at large banks. “Their goal was to serve the shareholders. At Caldwell, we serve our clients, knowing our results will please our shareholders.”

Caldwell in the Community

SCOPE focuses on the future with Wendy Fishman’s guidance

Sarasota County Openly Plans for Excellence—SCOPE—is a not-for-profit organization with a forthright mission: to connect and inspire citizens to create a better community. Members of this community-based organization have chosen Wendy Fishman to guide them. She began service as SCOPE’s board chair on July 1.

SCOPE was founded in 2001 with Timothy Dutton as its executive director. Wendy joined the fledging organization in 2003 and co-chaired its Family Violence Study Group in 2004. A member of the board of directors since 2005, she respects SCOPE’s past and is excited about its future.

“SCOPE is a catalyst for change,” she says. “It provides a forum where all voices are heard, where people come to discuss issues that will impact our community.”

Fishman says SCOPE has had a significant impact in many areas, but asks, “How can you measure how much our quality of life has been improved?” Yet funding is based on quantifiable results, and the search for underwriters is ongoing. Donors have included key foundations and businesses as well as individual contributors. The organization is currently raising gifts from new and corporate donors in order to qualify for a matching grant from the William G. Selby and Marie Selby Foundation.

“Wendy is a tremendous asset,” says R. G. “Kelly” Caldwell, Jr. “Her special strengths are in tax regulations, especially for estate planning, and trust administration and operations—but her true expertise is in personal relationships with clients.”

Community service

Fishman doesn’t abandon her commitment when the workday ends. Her passion extends beyond individual clients, to her community. Caldwell Trust Company has offices in Venice, Sarasota and Punta Gorda, and she is an active volunteer in these areas. She has been an executive on the board of directors of the South County Family YMCA since 2001 and was a mentor for Take Stock in Children of Sarasota from 2003-2005. In addition, she has worked with SCOPE since 2003. (See SCOPE article below.)

She’s not impressed with her community service, however. She feels it pales in comparison with that of her spouse, C.J. Fishman, owner of Fishman & Associates. “My husband is one of the most community-minded individuals I know,” she says. “He truly dedicates 10 to 15 hours every week and has won numerous awards over the last 20 years.” She’s equally proud of their daughter Kati, who travels the country as a buyer for Stein Mart’s boutique line.

Fishman holds a B.S. in business administration from Ohio Northern University. She graduated with honors from the ABA National Graduate Trust School at Northwestern University and is a Certified Trust and Financial Advisor (CTFA).

To learn more about the services Wendy can provide, please contact her at 941.493.3600, 800.338.9476 or Wendy@ctrust.com.

“We just conducted our first summit on environmental action this year. It was a huge success,” Wendy says, “and SCOPE has also been preparing an annual community report card for the past five years.” Among SCOPE’s other initiatives: studies on school drop-outs, mental illness, affordable housing, traffic studies and race relations.

SCOPE, “Our Community Focused on Our Future,” doesn’t stand still. Its website (www.scopexcel.org) presents long lists of accomplishments and initiatives—and there are more to come. “We started an initiative on ‘Aging: The Possibilities’ in 2004,” Fishman says. “With Sarasota County having one of the oldest populations in the U.S., there’s a great need for study and services. Our next big project, if we can arrange funding, is to establish the Sarasota Institute for the Ages. We’re looking forward to the challenge.”



Profile

Director Tramm Hudson: family man, banker, world traveler



Tramm Hudson's resume outlines an illustrious career in banking, U.S. Army service that took him to the rank of Lieutenant Colonel, positions on the boards of many prestigious companies—including Caldwell Trust Company and Trust Companies of America—three-term chairmanship of the Republican Party in Sarasota County, past membership of the White House Conference on Small Business, three-time delegate to the Republican National Convention and 2006 candidate for the

13th Congressional District. With such a background, he could have given several answers to the question, "What's new and exciting in your life?" His unexpected response: "Our trip around the world."

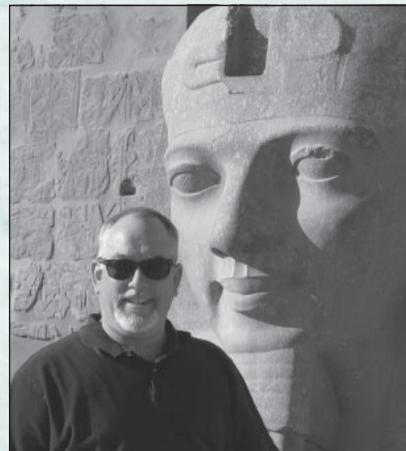
The Congressional election kept him away from his family—wife Sarah and three children—a good bit. "I told Sarah, 'win, lose or draw, we're going on a cruise when the election is over. If I win, it will be a short cruise; if I lose, it will be a long one,'" he says. The outcome allowed them to spend over three months on the maiden voyage of Cunard's Queen Victoria, sister ship of the Queen Elizabeth 2 and Queen Mary 2. His brother and Sarah's sister joined them in what became "a wonderful chance to reconnect."

Family is important to Tramm. He grew up in a banking family in Montgomery, Alabama. "My father was a banker for 47 years. Like father, like son," he says. First, though, he went into the Army, initially to Germany as a Cavalry officer. He retired from the Army Reserve in 1996.

The young George Trammel Hudson left Vanderbilt University in 1975 as a distinguished military graduate and later earned an M.B.A. from

Emory University. He began his banking career in 1981 with North Carolina National Bank (later NationsBank/Bank of America) in Charlotte, NC, where he met fellow employee and future wife Sarah Thompson.

Hudson had five NCNB transfers in seven years, arriving in Sarasota in 1986 with Sarah, their daughters Glenn and Molly and son Harris. In 1988 he became a founding director and organizer of Enterprise National Bank of Sarasota, the first nationally chartered community bank in Sarasota in over 20 years. He oversaw its sale to Provident Bank, became Provident's executive director and guided its expansion to a 13-branch network with over \$850 million in assets. Hudson engineered its sale to the North Carolina-based RBC Centura Bank, the U.S. Subsidiary of Royal Bank of Canada, and remained there until his retirement in 2006. Since then, he has been a sought-after consultant, notably for orchestrating the acquisition of the \$800 million Coast Bank of Florida.



Tramm Hudson meets an Egyptian Sphinx during his world tour.

Tramm was named to Caldwell's board in late 2007. "I have known Caldwell since its inception," he says. "I have always respected the family and what they stand for. I'm very proud to be of service to Caldwell and its very special kind of clientele."

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LOCATIONS

201 Center Road, Suite 2, Venice, FL 34285
941.493.3600 • Toll Free: 800.338.9476

8592 Potter Park Drive, Suite 150, Sarasota, FL 34238
941.926.9336 • Toll Free: 877.926.9336

133 West Marion Ave., Punta Gorda, FL 33950
941.505.8500

www.ctrust.com • info@ctrust.com

CONTACTS

R. G. "Kelly" Caldwell, Jr., kelly@ctrust.com

Andy DeVries, thacker@ctrust.com

Wendy Fishman, wendy@ctrust.com

Jan Miller, jan@ctrust.com

H. Lee Thacker, Jr., thacker@ctrust.com

John Tufaro, john@ctrust.com

Easter Seals selects CTC for its 403(b)

Easter Seals Southwest Florida has selected Caldwell Trust Company to manage its 403(b), a new retirement program for its employees, according to John Tufaro, CTC's retirement plan specialist. Since 1946, the not-for-profit organization has offered a variety of services on Florida's Suncoast to help people with disabilities address life's challenges and achieve personal goals.

"Easter Seals had a retirement program before, but not one with the employer matching contributions," says CPA William Laddison Waldo, the CFO for Easter Seals. "We are embarking on a new way to improve employee benefits."

Waldo says Easter Seals "went through due diligence with three firms, evaluating which was the best program and which gave the best level of service, since the individual accounts belong to our employees. Some companies presented us with an overwhelming variety of options. We found that Caldwell's program is more straightforward, with manageable options."

Tufaro is conducting a series of group and individual meetings with Easter Seals employees to provide advice and explain the program, which takes effect on September 1.

"We feel that Caldwell provides the best program and the best service," Waldo says. "It gets to the core of where employees want to put their money."