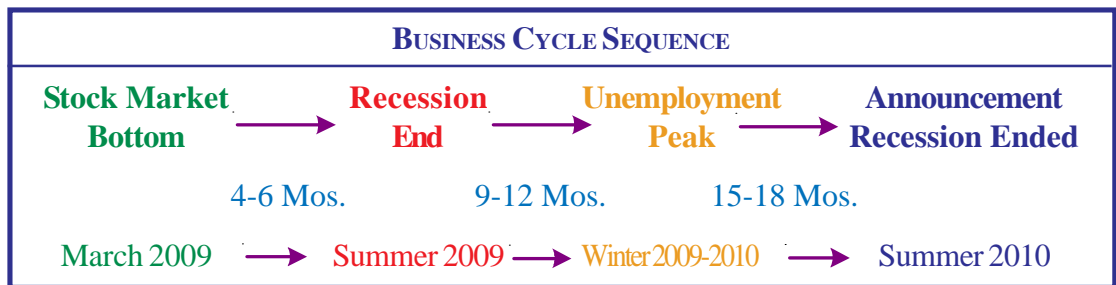


THE RECESSION IS OVER – STRONGER THAN EXPECTED RECOVERY UNDERWAY!

Your third quarter portfolio gains were outstanding and added to the previous quarter’s growth. You have traveled a long, long way from the March low point and are now within close range of reaching all-time highs in portfolio values. Economic indicators continue to strengthen and as predicted in our April quarterly newsletter, we believe the recession ended this summer and the economy will continue to recover.

The improving economy gives the stock market a green light to continue moving ahead into 2010. However, after six months of a powerful advance without as much as a 10% correction, we now anticipate a short-lived stock market decline. We will make appropriate adjustments to your portfolio to prepare for a temporary decline and best take advantage of the next stage of the stock market advance. **But it is most important to keep in mind the major trend for the market is still up.**



TYPICAL BUSINESS CYCLE SEQUENCE USING PAST 50 YEARS OF HISTORY SUGGESTS THE ABOVE TIMELINE.

CLIENT FORUM

In discussions with a number of clients, several common questions keep coming up. We thought it timely to take this opportunity to use a question and answer format to address foremost concerns we have heard from you.

Q: My concern is that the economy is fragile, unemployment is still rising and we could easily slip back into recession. It does not feel like a recovery, are you being too optimistic in stating that the recession is over?

A: The short answer is we see no danger of the economy slipping back into recession. As discussed in recent newsletters, strengthening economic indicators give us confidence in our upbeat outlook. **In fact, leading indicators are surging to their highest growth rates in decades, indicating stronger growth than generally expected!** Strength in our indicators virtually guarantees there is no chance of an economic relapse anytime soon. We are carefully monitoring the data for any changes to that outlook. As the timeline in our chart illustrates, the sequence of business cycles is unemployment will only improve many months *after* the economy

bottoms. Using history as a guide, we expect the job market will just begin to improve by spring 2010. By this time next year, the unemployment rate will be falling, the official announcement that the recession is over will have been announced, and it will start to actually *feel* like a recovery to everyone.

Q: I am concerned that government's reckless spending and mounting debt levels are going to result in runaway inflation. What is your opinion?

A: We understand your concerns but studies of past runaway inflationary periods do not support that outcome *at this point*. The case for spiraling inflation lacks a number of key components. Today, we have record idle factory use, double-digit unemployment rates, and consumers intent on paying down debt and increasing savings. These factors offset rising government spending and debt levels and argue against a spiraling inflation at this time. We are alert for possible changes to the inflation outlook that could become problematic a few years down the road.

Q: Given all the financial turmoil, how is my account performing?

A: We are pleased to report that typical Pring Turner Capital clients experienced positive returns for the past 12 months and have made back most of the decline wreaked by the 2007-2009 global financial panic and collapse. The most recent quarter performance was the best for our clients since 1987 and the last two quarters are the best back-to-back quarters since 1982!

This decade included two of the deepest back-to-back bear markets in history (50%+ declines each). Your portfolio not only held its own but, adjusted for any withdrawals, is within 10% of hitting an all-time high. On the other hand, the S&P 500 price needs to advance 40% to do the same! **Our combination of effective tactical asset allocation decisions (less exposure to stocks at tops, and more emphasis near bottoms), and attention to quality, value, and income enabled us to deliver solid returns for you in the most difficult of circumstances.**

Q: What do you see as the biggest risk facing investors today?

A: Oddly enough, it is the impatient and worried investors' search for safety and income. Investors are stampeding into the apparent safety of government bonds and are buying bond funds in record amounts *despite historic low interest rate levels*. It is our observation that many of these investors don't understand that bond prices move inversely to interest rates and just how volatile bonds can be. **These investors, with a false sense of security, are unknowingly jumping from the frying pan and into the fire.**

We view today's low level of interest rates as only a temporary condition of this business cycle. Interest rates will move up offering patient investors a better opportunity to receive higher levels of income as the economy picks up steam. Our business cycle research indicates it is very late and too risky to be pouring money into bonds. Potential losses in principal value will quickly swamp any income received as interest rates inevitably move up and bond prices decline.

Q: Have you made any changes in your disciplines to reduce portfolio risk and temper the volatility I experienced last year?

A: In spite of our profitable 1, 3, 5 and 10-year performance history, we continuously review and assess our performance. Our long-standing conservative risk management disciplines, including emphasis on quality, value, income and tactical asset allocation have successfully served our clients well. We still ask ourselves how can we do our job even better? **In response, we have thoroughly reviewed our decision-making disciplines and have added new layers of risk control to do an even better job of protecting your wealth through volatile times.**

Q: How did Charles Schwab do during the financial crisis and is it a safe place to keep my money?

A: Charles Schwab is a steady performer, earning money in every single quarter of this recession and throughout the global financial meltdown. The reason we selected Schwab as primary custodian for your assets is their conservative and defensive philosophy match our own. Schwab's financial strength is rock solid making this market leader a prudent choice as custodian for your money.

Q: How is Pring Turner Capital doing?

A: **As a result of this extraordinarily difficult decade there is an army of disillusioned, confused, and much poorer investors who would gladly exchange their last ten-year portfolio results with your performance!** Our strong track record and conservative style is drawing more attention to the firm. Every aspect of the firm -- the conservative philosophy, team experience, knowledge of business cycle behavior, highly personalized service -- and our mission to protect our clients' valuable assets makes us a compelling choice for many wealthy families.

THE PRING TURNER MISSION ... PROTECTING YOUR VALUABLE ASSETS

	1 Year	3 Year	5 Year	10 Year
Pring Turner Performance (Net of Fees)	+2.1%	+1.3%	+24.0%	+66.6%
S&P 500 (Including Dividends)	-6.9%	-15.4%	+5.2%	- 1.5%

As of 09/30/2009

**See Performance Disclosure Below*

The most important lesson of the last "Lost Decade", understanding and incorporating the rhythm of business cycles (boom and bust periods), is more important than ever for investment success. We look forward to applying our knowledge and expertise to generate more profitable returns and investment success for you in the years ahead.

We take this opportunity to welcome new clients to Pring Turner Capital. As always, thank you for your continued confidence and please feel free to contact us with any questions regarding your portfolio.

Special Message

Jim Kopas (Tom's son), a recent Santa Clara University graduate with a Finance degree has joined the Pring Turner Capital team. In addition to being deeply involved with research, Jim brings a high level of enthusiasm and technological skill to the firm. He is simultaneously pursuing the prestigious Chartered Financial Analyst (CFA) designation and has successfully completed the first year of three challenging levels. Welcome aboard Jim.

**Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisers Act of 1940, we advise all readers that they should not assume that all recommendations made in the future will equal that referred to in this material. Investing in securities involves risks, including the possibility of loss. Performance numbers include all IRA and profit-sharing accounts. Performance includes total return (capital growth and dividends, net of fees.)*

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