

A Greek Tragedy

Some of you may be familiar with the story of the Icarus from Greek Mythology. Icarus, while trying to escape from exile on a pair of wax wings fashioned by his father, Daedalus, ignored warnings not to fly too close to the sun. When he did, Icarus' wings melted and he fell to the sea and perished. It appears Lehman Brothers, and some would say the entire financial system, flew too close to the sun by taking unnecessary and outsized risk over the past several years. The bankruptcy filing of Lehman Brothers, a financial institution over 150 years old, which survived the Great Depression and two World Wars, turned what would otherwise have been just another fall weekend filled with College Football, into something the history books of American Finance will write about for decades to come. It is very likely that these events will result in long-lasting changes to the financial system in the United States and around the world.

Personally, having been a former employee with many friends still there, I view the downfall of Lehman with much sadness. Professionally, I believe this was probably a very painful, but necessary step on the road to recovery in this credit crisis that started over one year ago. I heard a quote last week which said that the United States financial system is capitalism on the way up and communism on the way down. That is certainly a valid assessment given the events of 2008; however, despite what will surely be called unfair treatment given the "bailout" of Bear Stearns, the Federal government cannot continuously intervene in these situations. While these events seem unprecedented at the time they occur, markets have and will work through them over time. No doubt, in the short-term, fear will be the rule of the day, but keeping perspective is important in times like these.

While we do not have any direct exposure to Lehman Brothers, the impact of this situation on the broader market will certainly impact our holdings. Again, we know the headlines are disconcerting this morning. However, keep in mind that interest rates are falling as result of this situation and oil is down over \$5 as this is being written. So there are some positives to take away this morning. Remember, that uncertainty creates opportunity in the markets and we will be watching closely the reaction to these events.

As always, I and the rest of the Greenwood Capital Investment Committee are here to answer any questions or concerns that you may have about the current economic and market environment or specifically about your account. We appreciate your continued confidence in Greenwood Capital Associates.

Sincerely,

Walter B. Todd, III
Principal, Greenwood Capital