

Taking a conservative Approach Benefits Investors and Raymond James

The recent announcements related to securities firm Bear Stearns have added further uncertainty to an already turbulent market. As you have probably heard, the Federal Reserve has taken unprecedented action to quell the financial markets' concerns that the firm's liquidity problems would trigger spiraling credit defaults. The Fed has now agreed to provide financing support for the purchase of the firm by JP Morgan Chase, further indicating its view of the potential impact of the situation on the broader markets.

These moves and a cut in the lending rate to financial institutions indicate just how seriously Federal Reserve and Treasury officials view the possibility of continuing credit defaults.

I know this news might have left you with questions regarding how Raymond James is positioned to withstand challenging economic and market conditions.

Aside from the general impact on securities prices and the markets that affects everyone in the financial services sector, Raymond James has limited exposure to the fundamental issues underlying the illiquidity crisis. In fact, the firm has continued to generate profits, even in the midst of these conditions.

Governed by our conservative and disciplined management, Raymond James has:

- Used very limited leverage as a part of its growth strategies. Leverage has primarily been used by the firm's bank, and even then, its usage has been directed by conservative principles and rules.
- Almost no direct exposure to the subprime business that has impacted the market and many other financial organizations over the past few months.
- Relatively limited exposure to proprietary securities positions that for some firms represent areas of uncertainty and significant risk.

It is also worth noting that if your cash awaiting investment sweeps to the firm's deposit alternatives – the Raymond James Client Interest Program (CIP) or the Raymond James Bank Deposit Program (RJBDP) – your money is free of the risks posed by subprime investments.

CIP is backed by Raymond James' financial strength. Further, each account custodied by Raymond James & Associates is protected for the net equity of the client's securities and cash positions through membership in the Securities Investor Protection Corporation (SIPC), which protects securities customers of its members up to \$500,000 (including \$100,000 for claims for cash awaiting reinvestment). An explanatory brochure is available upon request or at sipc.org or by calling 202-371-8300. Raymond James then provides additional protection (excess SIPC) through Customer Asset Protection Company, a licensed Vermont insurer rated A+ by Standard & Poor's. Of course, this

account protection applies when a SIPC-member firm fails financially and is unable to meet obligations to securities clients; it does not protect against market fluctuations.

Meanwhile, Raymond James Bank, FSB makes mortgage loans to qualified clients, but it holds only the highest-quality paper and does not engage in subprime lending. Deposits held in the Raymond James Bank Deposit Program are bank-held assets that are FDIC-insured up to a maximum of \$100,000 per depositor (\$250,000 for IRAs and certain other retirement accounts), including principal and accrued interest.

Finally, the money market funds provided by Raymond James are designed to target the safest possible investments that allow for a competitive yield. Specifically, Raymond James' money market options, Heritage Cash Trust and Heritage Cash Trust Municipal, are both conservatively managed and rated AAAm by Standard & Poor's – the highest rating assigned to money market mutual funds. This reflects the funds' credit quality and market price exposure, as well as management's investment practices and internal controls. As dictated by Raymond James' overall attitude toward helping mitigate risk as appropriate for investors, these funds do not include subprime investments.

While the uncertainty and declines associated with volatile markets can be unsettling, times like these also highlight the benefits of having a disciplined approach. Raymond James is a conservatively managed company that strongly believes – as do I – in the benefits of using an advisory process and the principles of financial planning to guide decisions.

I encourage you to maintain a long-term view, adhere to conservatism and discipline, and employ diversification to reach your financial goals. This is also the approach Raymond James will continue to embrace.

No one can predict how external factors will impact global markets in the coming months, but Raymond James is strongly positioned in each of its businesses, well-capitalized for growth, and ready and able to continue to support me as I work with you to meet your financial objectives.

If you have further questions about this issue – or would like to discuss your portfolio or current market conditions, please contact me.

Sincerely,

Steven Wilmarth, WMS
Vice President, Investments
Wealth Management Specialist
Investment Management Consultant

Investments in the Heritage money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to

lose money by investing in the funds. Investors should carefully consider the investment objectives, risks, charges and expenses of the Heritage money market funds before investing. The prospectus contains this and other information about the money market funds. The prospectus is available from my office and should be read carefully before investing.

Standard & Poor's, a widely recognized independent authority on credit quality, rates certain money market funds based on weekly analysis. When rating a money market fund, Standard & Poor's assesses the safety of principal. According to Standard & Poor's, a fund rated AAAm ("m" denotes money market fund) offers excellent safety features and has superior capacity to maintain principal value and limit exposure to loss. In evaluating safety, Standard & Poor's focuses on credit quality, liquidity, and management. The rating is subject to change and does not remove market risk.

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