

500 Fifth Avenue
Suite 2440
New York, NY 10110

SCHOLTZ
COMPANY
& LLC





Mission Statement

*Scholtz & Company Grows and
Safeguards Your Investments*

Wealth Management



BIOGRAPHY PETER D. SCHOLTZ

Peter graduated with a BS degree in economics from Ohio Wesleyan in 1974. That fall, he married and started at Bankers Trust Company of New York in a lending training program. After eighteen months, he switched to the trust department as an assistant to a portfolio manager in the pension area.

He left Bankers Trust to go to graduate school and earned a MBA in finance from Columbia Business School in May 1979.

Peter joined Smith Barney shortly thereafter as an equity salesman in Institutional Sales, selling research to professional money management firms. He managed a book of retail accounts in addition to his research duties and in 1986 joined Smith Barney's Capital Management Division to start a customized, individually managed high net worth product. This grew to seven portfolio managers that invested over one billion dollars.

While at Smith Barney, Peter developed some quantitative models in 1991 that represent the first investment quantitative work ever done at Smith Barney. These models focused on earnings estimate revisions, earnings surprise and stock relative strength.

In 1994, Peter left Smith Barney after fifteen years to start Scholtz & Company, an investment management firm based in New York. In 2001, a new set of quantitative models were developed focusing on earnings estimate revisions, surprises and relative value. These models have been put to use for over four years with good results. The style can be described as an optimal tradeoff between momentum and value.



**SCHOLTZ & COMPANY
PORTFOLIO MANAGEMENT SERVICE**



PORTFOLIO MANAGEMENT SERVICE

Why Choose Scholtz & Company as your portfolio management solution?

- Scholtz & Company provides personalized asset management service to high net worth individuals and pension funds.
- Portfolio managers are available for portfolio consultations in order to mold portfolios to our clients' specific investing goals and risk profiles.
- Our customized portfolio management can maximize tax efficiency.
- Scholtz & Company utilizes cutting-edge quantitative models to assist in security selection by narrowing down the stock universe to a small group of candidates for further analysis.

What products are offered at Scholtz & Company?

- We offer *Income*, *Balanced*, *All Cap Equity*, and *Large Cap Equity* strategies. The *Large Cap Equity* product was launched in October 2005.

How does Scholtz & Company select stocks for portfolios?

- We use a stock universe of over 7,500 US companies for which we have complete data.
- Sophisticated computer screens narrow down the entire stock market to a small group of potential purchases.
- Using this base of identified attractive equities, we perform extensive fundamental research to select appropriate securities for our clients.
- Stocks we select are expected to outperform the S&P 500 index.



What screening techniques are exclusively offered at Scholtz & Company?

- Scholtz & Company developed a highly sophisticated quantitative model that singles out stocks of **high value** and **earnings momentum**.
- The integration of our proprietary screening models with our time-tested, investment style provides the following benefits:
 - Allows more time for fundamental and qualitative research.
 - Creates a discipline that focuses on stocks with higher potential returns.
 - Identifies trends developing in indices, industries, and groups.
 - Monitors changes in attractiveness of current holdings.

How does Scholtz & Company manage stock risk in the accounts?

- Deterioration in our models provides sell candidates.
- Constant monitoring of your portfolio with our proprietary research.
- Diversification of accounts with many small holdings.
- Use of bonds to mitigate volatility.
- Selection of lower beta stocks.
- Selection of stocks with income.



PORTFOLIO MANAGEMENT STYLE SUMMARY

Objectives

- Preservation of Capital
- Portfolio volatility less than the S&P 500
- Above market growth potential
- Above market current yield

Asset Allocation

| | ALL CAP EQUITY | LARGE CAP EQUITY | BALANCED | INCOME |
|------------------|---------------------------|-----------------------------|-----------------|---------------|
| | % | % | % | % |
| Cash Equivalents | 0 - 30 | 0-5 | 0 -20 | 0-10 |
| Fixed Income | | | 25 -50 | 55-75 |
| Equity | 70 -100 | 95-100 | 30 -70 | 25-35 |

Stock Portfolio Characteristics

- Dividend yields greater than the S&P 500
- Companies with strong franchises or niches
- Companies with good relative earnings momentum and positive earnings estimates changes
- Stocks with strong relative price momentum
- Good relative values: low P/E, low price to cash flow, low price to book, high ROE, and high dividend yield

Sell Discipline

- Earnings estimate reductions
- Poor relative stock price performance
- Overvaluations as determined by evaluation models
- Negative earnings surprise



SCHOLTZ & COMPANY, LLC PORTFOLIO MANAGEMENT STYLE

PHILOSOPHY

At Scholtz & Company, our investment philosophy is to match proven, conservative security selection principles with a risk level appropriate to each client's needs. Preservation of capital is a cornerstone of our philosophy. We strive to purchase assets with favorable risk profiles over both short and long term horizons.

Overall, we expect to outperform the S&P 500 by owning stocks that meet some combination of the following three conditions: below-market risk, current dividend yields and expected growth in earnings per share exceeding that of the market. Over time, this powerful combination of current income, growth and relatively low risk should provide returns superior to that of the market.

STOCK SELECTION

Stock selection is a multi-step process that involves both qualitative and quantitative research. As the first step in the stock selection process, we utilize the quantitative model to screen our universe of 7,500 publicly traded companies for stocks whose composite model scores signal the potential for outperformance. This score is based primarily on the statistical factors laid out below. We then apply qualitative and macro analysis to the initial screen selection to arrive at our best ideas. Below is a more detailed explanation of the two main phases of our stock selection process.

Quantitative Model

The concept of quantitative models is relatively new. As such, only a few investment management firms thoroughly utilize models to facilitate stock research. Scholtz & Company has developed computerized quantitative formulas to explain the three main factors (earnings expectations, relative valuation, and investor sentiment) that drive a company's price performance. Using 15 years of monthly data on approximately 2,500 equities, our backtesting model has helped us identify certain characteristics that lead to consistent outperformance. In the future, we



expect computer models to have an even greater presence in stock selection and, as such, we consider this one of the most important tools undergoing constant improvement.

Our quantitative models help perform much of our analysis during an initial screen. Historic data as well as future earnings estimates allow us to project a company's potential for growth and for momentum of its growth. Our experience has shown that consensus earnings estimates and analyst revisions of those estimates are strong indicators in forecasting a company's performance. Companies that have recently beaten their quarterly consensus estimates by a wide margin tend to have considerable earnings momentum, which leads to upward estimate revisions and outperformance. The direction and magnitude of those revisions correlates directly with the future behavior of the stock. The long-term track record of a company's financial performance demonstrating better or worse results than the estimates also helps us form an educated opinion about a stock.

In addition, we analyze certain "value" ratios such as price-to-earnings multiple, EV (enterprise value) to EBITDA or cash flow to model the future cash flow of a company and estimate earnings. We also compare the price-to-book ratio with ROE. This combination of statistical data provides us with a solid basis for well-balanced judgments in defining the value of a company.

We also pay attention to trading behavior of informed investors regarding a stock, observed in certain patterns like the volume of "short" positions of the stock, or the insider's actions towards their stock. The disparity between market price and insider activity can lead to superior investment opportunities.

Fundamental Research

After a stock is singled out from the stock universe, Scholtz & Company collects fundamental information to determine whether a stock would make a profitable contribution to our clients' portfolios. Scholtz & Company has developed many sources of timely information on company, industry, economic and technical analysis. Diversification in our sources of information allows us to form a well-balanced opinion of an individual stock. For this reason, Scholtz & Company employs such databases as Zacks, Compustat, FirstCall, Market Profile Theorems and ValueLine, as well as relies on extensive data from Bloomberg.



Combined with statistical records from independent sources, we also speak daily to institutional equity brokers and analysts from respected brokerage firms regarding their latest ideas. These brokers also act as excellent networking sources because they inform Scholtz & Company of high profile meetings and industry seminars. The seminars give us the opportunity to hear senior management reflect on their company's performance and future plans. Perhaps more importantly, these seminars allow us to judge, first hand, the quality of senior management and their ability to implement their plans. At times when the executives of a company are interested in visiting New York City, we invite them to Scholtz & Company for a more personalized meeting. Our firm typically hosts about 40 of these personalized meetings a year.

BOND SELECTION

At Scholtz & Company, bonds represent a stable source of income for our conservative balanced and income portfolios. We, therefore, purchase only investment-grade bonds (i.e. rated at least BBB- by S&P or Baa3 by Moody's) or better. Our strategy is to exploit the direction of interest rates over an economic cycle. Additionally, we monitor government/corporate bond spreads in order to identify the best relative values. We also analyze the yield curves to target buy opportunities at points in the curve which will offer maximum short term returns in a stable interest rate environment.



PETER SCHOLTZ
PERFORMANCE 2003 - 2008



Equity Composite
Peter Scholtz
Gross of Fee Performance
January 1, 2003 through September 30, 2008

| <i>Year</i> | | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>YTD</i> <i>09/30/08</i> | <i>Total</i> <i>Return</i> <i>(2003-07)</i> | <i>Annualized</i> <i>Return</i> <i>(2003-07)</i> |
|---------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------------------------|---|--|
| <i>Equity Return (%)</i> | <i>Peter Scholtz</i> | 53.30 | 16.36 | 11.32 | 8.37 | 2.81 | -21.17 | 121.24 | 17.21 |
| <i>Benchmark</i> <i>Return (%)</i> | <i>S & P 500</i> | 28.69 | 10.87 | 4.91 | 15.80 | 5.49 | -19.28 | 82.85 | 12.83 |
| <i>Total Return (%)</i> | <i>Peter Scholtz</i> | 45.24 | 15.00 | 10.26 | 8.56 | 2.02 | -17.65 | 103.97 | 15.32 |

Balanced Composite
Peter Scholtz
Gross of Fee Performance
January 1, 2003 through September 30, 2008

| <i>Year</i> | | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>YTD</i> <i>09/30/08</i> | <i>Total</i> <i>Return</i> <i>(2003-07)</i> | <i>Annualized</i> <i>Return</i> <i>(2003-07)</i> |
|---------------------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------------------------|---|--|
| <i>Bond Return (%)</i> | <i>Peter Scholtz</i> | 7.11 | 4.16 | 1.28 | 4.44 | 4.76 | -5.92 | 23.64 | 4.34 |
| <i>Index Return (%)</i> | <i>Lehman Aggregate Bond</i> | 4.10 | 4.34 | 2.43 | 4.33 | 6.97 | 0.63 | 24.16 | 4.44 |
| <i>Equity Return (%)</i> | <i>Peter Scholtz</i> | 44.64 | 16.60 | 12.35 | 9.82 | 1.12 | -22.89 | 110.43 | 16.04 |
| <i>Index Return (%)</i> | <i>S & P 500</i> | 28.69 | 10.87 | 4.91 | 15.80 | 5.49 | -19.28 | 82.85 | 12.83 |
| <i>Total Return (%)</i> | <i>Peter Scholtz</i> | 29.71 | 12.08 | 7.56 | 8.59 | 0.85 | -14.15 | 71.30 | 11.37 |
| <i>Benchmark</i> <i>Return (%)</i> | <i>S&P500 / Lehman Ag.</i> <i>60 / 40</i> | 18.48 | 8.29 | 4.00 | 11.12 | 6.22 | -11.58 | 57.48 | 9.51 |



Balanced with Munis Composite
Peter Scholtz
Gross of Fee Performance
January 1, 2003 through September 30, 2008

| <i>Year</i> | | 2003 | 2004 | 2005 | 2006 | 2007 | <i>YTD</i> <i>09/30/08</i> | <i>Total</i> <i>Return</i> <i>(2003-07)</i> | <i>Annualized</i> <i>Return</i> <i>(2003-07)</i> |
|---------------------------------------|--|-------|-------|-------|-------|------|-------------------------------|---|--|
| <i>Bond Return (%)</i> | <i>Peter Scholtz</i> | 4.52 | 3.09 | 2.35 | 3.28 | 3.97 | -0.98 | 18.42 | 3.44 |
| <i>Index Return (%)</i> | <i>Lehman Bros.</i> <i>Muni Bond</i> | 5.31 | 4.47 | 3.53 | 3.84 | 3.36 | -3.19 | 22.25 | 4.10 |
| <i>Equity Return (%)</i> | <i>Peter Scholtz</i> | 51.12 | 14.45 | 13.33 | 8.30 | 1.89 | -20.95 | 116.28 | 16.68 |
| <i>Index Return (%)</i> | <i>S & P 500</i> | 28.69 | 10.87 | 4.91 | 15.80 | 5.49 | -19.28 | 82.85 | 12.83 |
| <i>Total Return (%)</i> | <i>Peter Scholtz</i> | 27.55 | 9.84 | 8.21 | 6.88 | 1.62 | -12.02 | 64.66 | 10.49 |
| <i>Benchmark</i> <i>Return (%)</i> | <i>S&P500 / Lehman</i> <i>Muni Bond</i> <i>60 / 40</i> | 19.03 | 8.35 | 4.45 | 10.91 | 4.76 | -13.03 | 56.52 | 9.37 |

Income Composite
Peter Scholtz
Gross of Fee Performance
January 1, 2003 through September 30, 2008

| <i>Year</i> | | 2003 | 2004 | 2005 | 2006 | 2007 | <i>YTD</i> <i>09/30/08</i> | <i>Total</i> <i>Return</i> <i>(2003-07)</i> | <i>Annualized</i> <i>Return</i> <i>(2003-07)</i> |
|---------------------------------------|--|-------|-------|-------|-------|-------|-------------------------------|---|--|
| <i>Bond Return (%)</i> | <i>Peter Scholtz</i> | 7.99 | 5.49 | 1.32 | 5.08 | 7.65 | -1.60 | 30.58 | 5.48 |
| <i>Index Return (%)</i> | <i>Lehman</i> <i>Aggregate Bond</i> | 4.10 | 4.34 | 2.43 | 4.33 | 6.97 | 0.63 | 24.16 | 4.44 |
| <i>Equity Return (%)</i> | <i>Peter Scholtz</i> | 36.11 | 22.65 | 12.24 | 19.53 | -0.50 | -12.73 | 122.84 | 17.38 |
| <i>Index Return (%)</i> | <i>S & P 500</i> | 28.69 | 10.87 | 4.91 | 15.80 | 5.49 | -19.28 | 82.85 | 12.83 |
| <i>Total Return (%)</i> | <i>Peter Scholtz</i> | 15.93 | 10.58 | 4.61 | 10.73 | 3.24 | -3.39 | 53.28 | 8.92 |
| <i>Benchmark</i> <i>Return (%)</i> | <i>S&P500 /</i> <i>Lehman Ag. 25 /</i> <i>75</i> | 9.96 | 6.00 | 3.12 | 7.21 | 6.70 | -4.54 | 37.38 | 6.56 |

1. The composite investment performance returns reflect the total return including gains, dividends, interest and other income items. Valuations and returns are computed and stated in U.S. Dollars. Trade-date accounting is used throughout. 2. The performance results are presented gross of management fees and custodial fees, but net of all trading commissions. These numbers are all weighted by account size (market value weighted). The client's annual return would be reduced by the percentage fee for each one year period reported. Investment Advisory fees are described in Part II of Scholtz & Company's Form ADV. 3. Scholtz & Company claims compliance with the AIMR Performance Presentation Standards (AIMR-PPS®) within the U.S. The CFA Institute has not been involved with or reviewed Scholtz & Company's claim of compliance. 4. Ten years of AIMR-compliant performance is available upon request.



**PETER SCHOLTZ
TOP HOLDINGS**



Scholtz & Company, LLC
STOCK PORTFOLIO
Master Portfolio
September 30, 2008

| <u>Security</u> | <u>Price</u> | <u>Assets</u> | <u>Yield</u> |
|--|--------------|---------------|--------------|
| COMMON STOCK | | | |
| HUDSON CITY BANCORP, INC. | 18.45 | 6.2 | 2.8 |
| THE DIRECTV GROUP I | 26.18 | 5.3 | 0.0 |
| AON CORP | 44.96 | 5.0 | 1.3 |
| BECTON DICKINSON CO | 80.26 | 4.8 | 1.4 |
| CHURCH & DWIGHT CO., INC. | 62.09 | 4.6 | 0.6 |
| ANSYS, INC | 37.87 | 4.6 | 0.0 |
| INTERNATIONAL BUS MACH COM | 116.96 | 4.4 | 1.7 |
| T J X COS INC | 30.52 | 4.4 | 1.4 |
| BAXTER INTL INC COM | 65.63 | 4.2 | 0.9 |
| HUGOTON RTY TR TEX UNIT BEN INT | 26.84 | 4.1 | 12.3 |
| ORACLE CORP COM | 20.31 | 4.0 | 0.0 |
| BIOMED RLTY TR INC | 26.45 | 3.6 | 4.4 |
| WAL MART STORES INC COM | 59.89 | 3.6 | 1.6 |
| UNION PACIFIC CORP | 71.16 | 3.5 | 1.5 |
| BIO IMAGING TECHNOLOGIES INC | 7.72 | 3.3 | 0.0 |
| ANNALY CAPITAL MANAG | 13.45 | 3.2 | 16.4 |
| TORTOISE CAPITAL RES | 8.90 | 3.0 | 11.9 |
| MINEFINDERS LTD | 7.55 | 2.3 | 0.0 |
| ECOLAB INC | 48.52 | 2.3 | 0.8 |
| GENZYME CORP COM GENL DIV | 80.89 | 2.1 | 0.0 |
| TOLL BROTHERS INC | 25.23 | 2.0 | 0.0 |
| VISA INC. | 61.39 | 2.0 | 0.7 |
| CARDICA INC | 8.14 | 1.7 | 0.0 |
| ICAD INC | 3.19 | 1.5 | 0.0 |
| AMER TOWER CP | 35.97 | 1.3 | 0.0 |
| CELGENE CORPORATION | 63.28 | 1.3 | 0.0 |
| ULTRA PETE CORP | 55.34 | 1.2 | 0.0 |
| ARBOR REALTY TRUST | 10.00 | 1.2 | 24.8 |
| DIGITAL ALLY INC | 6.87 | 1.2 | 0.0 |
| XTO ENERGY INC | 46.52 | 0.9 | 1.0 |
| JAVO BEVERAGE CO INC | 0.44 | 0.9 | 0.0 |
| ALCON INC | 161.51 | 0.8 | 1.6 |
| AGILENT TECHNOLOGIES COM | 29.66 | 0.6 | 0.0 |
| GILEAD SCIENCES | 45.63 | 0.6 | 0.0 |
| ENTERTAINMT PPTY SBI | 54.72 | 0.5 | 5.6 |
| WINDSTREAM CORP | 10.94 | 0.5 | 9.1 |
| CEDAR FAIR LP | 20.71 | 0.5 | 9.3 |
| RAYONIER INC | 47.35 | 0.4 | 4.0 |
| KINDER MORGAN ENERGY UT LTD PARTNER | 52.03 | 0.4 | 7.8 |
| COVER-ALL TECHS INC | 1.17 | 0.4 | 0.0 |
| NORTHERN TRUST BANK CORPORATION | 72.20 | 0.2 | 1.1 |