

FROM THE ECA RESEARCH DESK . . .

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We are pleased to introduce *ECA Research Notes*, investment related information provided on a regular basis to clients and friends.

The inaugural Notes recount excerpts from Knott Capital's internal newsletters. Knott (one of ECA / Counsel Trust core managers) correctly identified the economic problems we are experiencing today. Given today's market malaise, it is timely to review their earlier forecasts in contrast with current thinking.

Prophetic Observations from Knott Capital:

Over a year ago – Knott's 2008 forecast:

"We expect the negative effects of the housing slump...to linger and intensify throughout '08. We believe the chances of a recession are at least 65%. We believe the downturn will be more austere and protracted."

"The liquidity and solvency concerns of Fannie Mae, Freddie Mac and Countrywide worry us. Job creation is likely to become job destruction by yearend."

"We don't see a recovery from the housing collapse until late 2009. There was a housing bubble, and its consequences are likely to be far-reaching, enduring and painful."

"Will the Fed be able to prevent a material or lingering recession? Probably not."

"The whiff of stagflation is now a definable odor and is threatening to become a lingering stench."

Here is what Knott has to say now (from February 2009 Commentary):

"There is little doubt the U.S. (and entire world) face difficult, complex and deeply rooted economic problems: sluggish consumer spending, falling home prices, a clogged and weak banking system, and growing unemployment."

However:

"This recession, like all others, will end...the market is likely to respond well in advance of the all clear signs."

"We think a contrary opinion is the correct response to today's pessimism...our conscientiously bullish stance is bolstered by:

Stock prices at extremely low valuations;

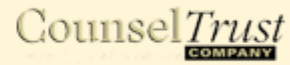
Investors turning to proven performers whose products, management and survivability are indisputable;

Investor emphasis on recessionary resistant sectors and companies whose balance sheets are solid with earnings outlook far above average;

"It's time to grit your teeth and buy equities...and be prepared to buy more if we head lower."



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