Sokolowski Investment Advisors

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Special points of interest:

- We will be moving into our new offices at the end of July.
- Please continue to use our old address and contact numbers for now. We'll contact you when we have moved.
- Our new phone number will be 802-985-8400.

New Office Location

77 Falls Road, Shelburne, Vermont

You have already noticed that this quarter's "Market Talk" looks a little different than usual and that's to emphasize that Sokolowski Investment Advisors will be looking a little different in the future as well. While we usually don't dwell on the business side of "SIA" to focus rather on your side of the ledger, we have a lot of good news to share with you about changes here.

It's hard for us to believe , but Sokolowski Investment Advisors will celebrate its tenth anniversary next February . We have experienced nearly a decade of steady growth with great thanks to you, our clients, who entrust us with managing, preserving and planning for your wealth and futures and recommend us to your friends and family. We have grown steadily and purposefully with your help at a pace that has allowed us to give our full focus to not only those of you with us from the start but for our newer clients as well. The process of expanding our practice and our services led both Pat and me to realize over the last year or so that we had reached the proverbial fork in the road with SIA and, to quote my favorite Zen philosopher Yogi Berra, we took it.

Over twenty years ago, long before it was a popular notion, I advocated the idea that to be done properly, financial management should flow from the needs, goals and risk parameters that are discovered through the financial planning process. As we have grown, we have realized even more that management and planning (even rudimentary planning) are complimentary functions—two sides of the same coin, and we have worked to expand our knowledge and capabilities accordingly through the years.

While I may have "buried the lead" a little, let me outline below our plans to more fully realize our vision and serve to better.

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Second Quarter 2007 Market Wrap

Market Indexes	% Change from 3/31/07
S&P 500	5.8%
DJIA	8.5%
NASDAQ Comp	7.5%
MSCI EAFE	5.3%
KLD Domini 400	0.7%

Mutual Fund Yardsticks	% Change in Q2
Equity Income	+5.7%
Large Cap Growth	+6.6%
Balanced	+3.7%
Gen US Taxable	-0.2%
Intermediate Bond	-0.8%

Long-Term Direction

We believe that by early fall this year SIA will be aligned along two complimentary services—wealth management on my side and financial planning on Pat's side. Even our new office space, pictured on the front page, is neatly bisected and lends itself to management on the North side and planning on the South. I am not only excited about this overall direction, but I am happy that I will be able to focus my efforts exclusively on asset management and client service and communications. Pat and I will still be able to back each other up during times away from the office or an emergency.

Ultimately, as I hinted at earlier, we would like to further our depth by adding additional staff. We have space immediately for 3 more associates which we currently envision as an additional planner, a second investment manager, and an administrative assistant. We would very much like to provide for more depth in the firm as well as succession planning for the distant future.

Two last thoughts. First, as our plans proceed, I will not sacrifice the quality or the integrity of our service to you for our expansion plans, or for the expediency of "filling a seat" quickly. I would rather take our time to find the best, most talented and most trustworthy professionals available to help serve your interests than to simply fill up space.

Second, I sincerely thank each and every one of you, our clients , that put your faith and trust in us, pay our bills, and graciously refer others to our practice. We derive a great deal of personal satisfaction from our service to you and we can't do it without you. Pat and I hope and believe that our growth will help us to serve you better in the future.

New office cont. from page 1

"We reached the proverbial fork in the road and took it."

New Office and New Technology

We have begun to lease an office suite in the historic district of Shelburne Vermont. The space is in a beautiful 1820's brick building that was once part of the underground railway. The suite nearly doubles the square footage of our present space and we have an option with our landlord to double it again in the future. Not only will this give us a larger presence in the community but it is much more convenient for most of our Vermont clients and more viable for the new staff we would like to hire. We hope to be moved in by the end of July.

To make all of this work and come together we have also instituted a major upgrade in the power and speed of our computer systems as well as upgrading our telecom system to outfit our new space.

Expansion of Planning Services

Since joining SIA in April 1998, Pat has been an integral and growing part of our success, starting in the operations side of the business and gradually becoming my behind the scenes assistant in the planning side of the business. Her growing experience with financial planning confirmed her interests and talent in that area and for the past several years she has been studying for a Certified Financial Planner (CFP) designation. Pat will sit for her exam later this summer and will make her expertise official. (Incidentally, Pat has also passed her Series 65 exam this spring and we have added her as an Investment Advisor Representative for our firm, providing some operational backup for the management side of the business as well).

We have also recently replaced our old software and installed and begun to work with a powerful, state of the art financial planning software package called NaviPlan that has greatly expanded the depth and flexibility of our planning capabilities. Together our nearly 30 years of combined experience and the addition of our new software allows us to provide "best in business" planning and consulting capabilities.

MARKET TALK

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Market Notes

As the graph below illustrates ("A Bumpy Ride") the major stock market indexes had a solid but unsettled rise for Q2. Once again, the short-term tops occurred mid-quarter which, on a personal note, is extremely frustrating to those of us who have to publish results at quarter end! The Dow Industrials was the standout index this quarter which I think accurately reflects the big company/industrial/multinati0nal mood of the equities market. In contrast, the S&P 500 which is the broader, more growth oriented index representing the full breadth of corporate America was the worst performing major market at plus 5.8%. Though a decidedly good showing, I think the contrast of the Dow's performance to the S&P's is interesting and illuminating.

Rising worldwide interest rates, rising oil prices and concerns about the sub prime mortgage mess meant losses for bonds as interest rates rose which decreased the market value of bond holdings. General US Taxables declined .2% in Q2 while Intermediates decreased .8% in value.

Balanced portfolios experienced returns as one would expect given the positive stock markets versus the negative bond market scenario. The Lipper Balanced Index (generally considered to be approximately a 60% stock/40% bond allocation) rose by 3.7% for the quarter. Again, a pretty respectable number in both absolute and historical terms as +3.7% would annualize at 14.8% on a yearly basis (just to put it in perspective **__if__** it were to continue at that clip).

Movement of the Markets