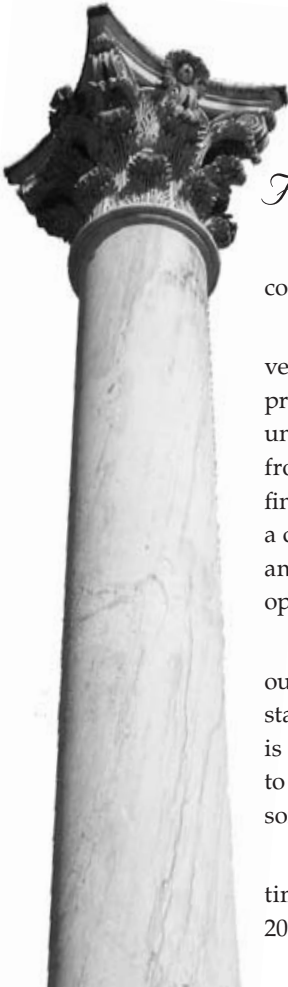


SUMMER 2008

The Community Lender

from FOSTRIAN | Business Capital Corporation

Fostrian Business Capital is a commercial lender specializing in working capital loans to emerging companies through the factoring of their accounts receivable.



From Jeff:

I hope all is well with my friends out there in the financial community!

You know, we're going through an interesting time... a very challenging time economically. With the decline in real estate prices, mortgage defaults sky high, banks tightening up their underwriting criteria, commodity prices rising, strong competition from China, India and others, and the sudden vulnerability of the financial services industry... our public policymakers have quite a challenge on their hands. Hopefully they're up to the challenge, and better yet, hopefully they see our current state of affairs as an opportunity for the U.S. to emerge stronger and better than ever.

While pondering all this I've wondered what some of our financial titans from the past would think about the current state of affairs, and what policies they might recommend. This is a question I can't answer, but thought it might be worthwhile to dedicate this issue of Fostrian's newsletter to a brief account of some of these notable men of history.

I hope you all are enjoying the summer. Hopefully by the time we put out the fall newsletter I'll be able to comment on the 2008 Cubs – White Sox World Series!

With the Cubs having won in seven!!

WHAT WOULD THEY HAVE DONE?

Alexander Hamilton, J.P. Morgan, Andrew Mellon and Milton Friedman are considered by history to have been big time players in the economic realms of their times. Through their work, each had a pronounced influence on the economies of the periods during which they lived. While it would be interesting to know what they'd think and/or do about our current economic state, that's something we'll never know. But a quick sketch of each is doable, and is what follows.

Alexander Hamilton (1755 – 1804)

A Renaissance Man of the American Revolution, among his many accomplishments Alexander Hamilton is probably best known for his work and influence as the nation's first Secretary of the Treasury....the original architect of our financial system. Specifically Hamilton was responsible for establishing the U.S. Mint, advocating for and creating a strong central bank that resulted in the First Bank of the United States, economic theories and policies that were pro-industry and were instrumental in fostering our commercial and industrial growth, and the first revenue system based on customs duties and excise taxes. At a time when the states and central government had run up large debts as a result of the Revolutionary War, our embryonic nation's credit standing was in the balance. Hamilton put in place a policy that had the federal government assume and make good the states' debts, and thus establish the credit of and confidence in the new nation.

J.P. Morgan (1837 – 1913)

Up until 1913 the United States had no Federal Reserve System to hand hold the financial system during times of trouble. Though J.P. Morgan was an investment banker working in the private sector in the late 19th and early 20th centuries, he in effect became our de facto Central Banker. In the depths of the Panic of 1893, Morgan played the role of Central Banker by selling government bonds for gold, protecting the government's gold reserve and helping to stabilize the situation. Again being called on to act as the United States' de facto Central Banker, Morgan is credited with solving the Panic of 1907....his greatest achievement.

On his "own time" J.P. Morgan was probably the most influential investment banker the private sector has ever seen. He consolidated troubled railroads and other troubled companies (they called this "Morganization"), put together an amalgamation of steel companies that became United States Steel, and in a period of prodigious economic growth and massive capital needs, he linked those companies that needed capital with those who had it to invest. In this period of revolutionary economic growth, J.P. Morgan was one of a select group of vital catalysts that made it all happen.

Andrew Mellon (1855 – 1937)

As a banker Andrew Mellon was an important player in the financial and industrial development of the United States. He created a banking empire based in Pittsburgh and was a key founder and force behind the development of Alcoa, Gulf Oil and many other companies.



But Mellon is best known for his tenure as Secretary of the Treasury (1921 – 1932). In this role he is credited with being a force behind the economic boom of the 1920s. As Secretary he advocated for and implemented a more responsible and conservative direction in fiscal policy - tax cuts, more disciplined spending, a balanced budget, a reduction in the nation's debt and a renegotiation, based on a realistic ability to pay, of the WWI debt owed by Europe to the United States.

Although Mellon has incurred severe criticism for the depression which came about on his watch, history is coming to recognize his many significant contributions to our nation.

Milton Friedman (1912 – 2006)

An economist out of the University of Chicago, Milton Friedman pushed for more free enterprise, less government involvement in the world's economies, and monetarism (heavier reliance on monetary policy vs. fiscal policy as a tool used to optimize economic output). At a time when his views were very much in the minority of the world's economists, Friedman pushed for a more pure capitalism that he opined would result in a combination of more prosperity with more personal liberty. His ideas greatly influenced Ronald Reagan's administration and Margaret Thatcher's in the United Kingdom. He is given credit for an even more direct influence on the economic emergences of Chile, Iceland and Estonia.

A quote by Alan Greenspan probably best summarizes the influence this economist had on the world: *"There are very few people over the generations who have ideas that are sufficiently original to materially alter the direction of civilization. Milton Friedman is one of those very few people."*

We're now in the midst of tough and fluid economic times. Hopefully our leaders will have the vision and implement policies that will not only help us through these times, but make us stronger for when we emerge. It might mean we have to take some strong medicine, but so be it. For a leader with courage, there's now an opportunity to be positioned by history with the above four men, and others, as one of our nation's financial titans.

Jeff Jentgen
President

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