

Your Personal Money Manager

Pearson

INVESTMENT LETTER

Published Monthly Since 1982
www.pearsoncapitalinc.com

FEATURED STOCKS - AUGUST 2008

CVS Caremark
GameStop Corp
IBM Corp
ION Geophysical

Noble Corp
Penn National
Quicksilver
Weatherford

General Electric
Pfizer Inc

VALUE FACTS

Sometimes maintaining the discipline necessary to be successful can be difficult. Holding on to quality companies as they retreat in today's market, or remaining in your home as its value declines can be stressful. It really tests our long range commitments. Our homes may be the single largest asset we have, and our stock portfolios may be our road to retirement and prosperity. If you thought, as many did, that your home was your soundest investment, you may have to rethink this. In different areas throughout our country within the last two years home values have dropped 30% or more, and in many areas are still falling. Buyers have left the area, and haven't said if or when they'd be returning - but they will!

The stock market since last October has also dropped 30%, and some investors have also left thinking this might be the right thing to do. If you really are an investor and not a gambler, similar to the housing market, a reduced stock price can present substantial value. Once you identify one of these opportunities you might want to re-examine your portfolio and find room for just such an applicant. Similar to your home the stock you purchase may not increase for months or years, but if you have a solid company that passes the test of being a

great value, so what. The wait will be worth it.

We bought CHNG a year ago just over \$3.00 and watched it climb significantly and retreat back to \$5.00. We believe strongly this will accelerate in the coming years with growth that'll far exceed the market average based upon the evaluation we've placed on this investment. Similar to home buying, when I bought a home for myself I thought the same appreciation would occur. I've seen homes here in this area climb considerably and then fall back near their original selling price. Many blue chip companies with strong bottom lines, superior management, and products that are leaders in their fields fall back in the same manner.

Being a Monday morning quarterback is definitely the easiest route, but as far as I know we have no all-stars on this team. If we continuously re-evaluate our situation, we can and will continue to make more right than wrong decisions with all our investments. Although our GDP grows at barely more than 1%, companies that will lead our turnaround have been aggressively cutting costs, holding wages in place, while boosting productivity growth. Some believe banks and financials may be at or near their bottom, but Merrill Lynch is in the news again today with another significant write-down

of debt, again displaying they remain on a slippery slope. Multinational companies that export, and companies that produce drilling or exploratory equipment in energy production or agriculture, appear to be the best place to shop today.

Not yet in the news I might suggest water as another area to focus on. Water for years has been taken for granted, similar to oil. It's there when we need it, and there appears to be plenty to be had. Although not yet in short supply, the cost of water is rising. As we continue to focus more on commodities, it should be noted that spending on water continues to grow annually about 6%. As our world continues to rely on each other, as emerging countries continue to grow, China and many other countries are beginning to prioritize their investment into water. If one believes the focus should be on utilities, or water treatment companies, individual stocks might be considered. I believe an ETF focusing on the entire sector would be the better route. Knowing that only 3% of the world's water is drinkable should make this a value investment to consider adding to our portfolios for long range.

By Donald Pearson



Walter D. Pearson
Chairman



Donald E. Pearson
President



Sandra Alberti
Publishing President

Investment Letters are complimentary to our clients with managed accounts!

HURRICANE

Many investors tend to get jittery during bad market periods. There will be periods when the market goes down just as there will be periods when the market rises. The thing to remember is that on a long term basis the market NEVER goes down. Through the years the market rises and rises. Remember inflation and the good part. Inflation means that companies will have increasing earnings as time goes on unless they are totally incompetent, and it also means that as the value of the dollar decreases market prices will increase.

I have lived through many market declines, and the comical thing about each one is that when looking at a long term chart of stock market prices each one of these major declines looks like a minor blip. Today we are faced with a situation which we have never faced before. As an investor it is important to evaluate the situation and make a decision as to which is the proper direction in which to proceed. In order to do the job right it is necessary to understand where we are and where we are going.

Some number of years ago I watched in wonder as the government of England gave away almost everything it owned and went from a #1 power in

the world to become an also ran. Today I see the present government doing the same thing to the U S A. Inasmuch as I see no way to put a stop to the problem, I strongly advise putting up fences on our individual properties. The fact of the matter is that our management is moving us down and improving other countries. This will make it more difficult to get a job in this country, but for the investor it means that things will be better elsewhere. While we are being pushed down, other countries are being pushed up.

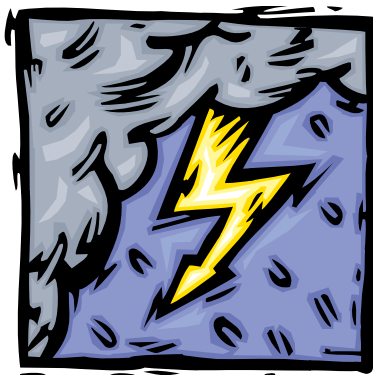
It is for the above reasons that we are exploring ways and means of investing elsewhere. This does not mean that there are no more good situations in this country, but it does mean that we shall be finding more and more issues outside of the United States of America. As I see it the outlook for this country is not good. I expect costs to continue to rise and also expect to see the dollar decrease in value when compared to other currencies. This means that your investments in foreign counties should increase even at a better rate as they will be denominated in foreign currencies.

A very important thing to remember is

that when the market is down there are better buys available. I don't believe in trying to time the market. It is my opinion that there are always buys around regardless of where the averages are, but it is a fact that when the general market prices are down there will always be some outstanding bargains. We have recently found the ETF market and this makes it OH SO simple. With one throw you can capture the best of Brazil, or China, or Japan, or whatever. In this manner you should become a winner.

As I see it we are being double crossed by our leaders and we still have to do the best we can for ourselves for the foreseeable future. For those of us who have money I still maintain that it must be invested. Watch the price of gas as a single denominator. Gas is not going up, the dollar is coming down. Invest for growth and safety. China, Brazil, and other countries as well, look to have the growth potential that the USA once had.

When being hit by a hurricane there is nothing one can do but look for the best available shelter.



By Walter Pearson

Copyright © 2007 Pearson Capital, Inc. - All Rights Reserved - Sources: Pearson Capital, Inc. research, various publications and the Internet

Source Rating Key for PCI's featured stocks: Pearson Investment Growth Rating measures long-term past and future growth.

Pearson Value Rating measures current value in terms of potential for the dollar. Investors Business Daily measures growth and relative price strength.

S&P measures financial quality and growth potential. Value Line measures timeliness, value and safety.

Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.

He is the author of the book, "Investing for the Millions" and Publisher Emeritus for the Pearson Investment Letter.

At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.

He is a contributing columnist for various publications and is listed in Who's Who in America.

"Remember the Lord your God, for it is He who gives you the ability to produce wealth. Deut. 8:18"

PEARSON CAPITAL'S RECOMMENDED STOCKS FOR AUGUST 2008

www.pearsoncapitalinc.com

CVS CAREMARK, CORPORATION (CVS) NYSE PRICE: \$36.50

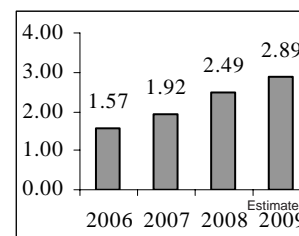
CVS is a provider of prescriptions and related healthcare services in the U.S. The Company fills or manages more than one billion prescriptions annually. As a fully integrated pharmacy services company, CVS drives value for its customers by managing pharmaceutical costs and improving healthcare outcomes through its approximately 6,200 CVS/pharmacy retail stores; CVS Caremark's pharmacy benefit management, mail order and specialty pharmacy division, Caremark Pharmacy Services; its retail-based health clinic subsidiary, MinuteClinic, and the Company's online pharmacy, CVS.com. Effective 03/22/07, the Company closed its merger with Caremark Rx, Inc. Following the Caremark Merger, the Company changed its name to CVS Caremark Corp. CVS Caremark operates two business segments: Retail Pharmacy and Pharmacy Services.

Type: Growth
Sector: Services

Institutional Holdings: 799
Industry: Drug Stores

Ratings & Recommendations Earnings per share

Current P/E Ratio: **18.5**
Annual Yield: **0.70%**
Annual Dividend: **\$0.28**
Investor's Business Daily: **C+**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Standard&Poor Rating: **A**
Value Line Rating: **B**



GAMESTOP CORPORATION (GME) NYSE PRICE: \$40.51

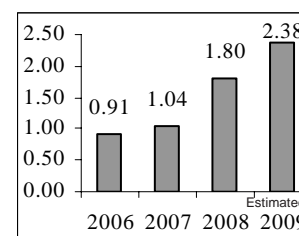
GME is a retailer of video game products and personal computer (PC) entertainment software. It sells new and used video game hardware, video game software and accessories. As of 02/02/08, it operated 5,264 stores in the U.S., Australia, Canada and Europe, primarily under the names GameStop and EB Games. GameStop also operates the electronic commerce Websites www.gamestop.com and www.ebgames.com, and publish Game Informer, a multi-platform video game magazine in the U.S. based on circulation, with approximately 2.9 million subscribers. During the fiscal year ended 02/02/08, GameStop operated its business in four segments: U.S., Canada, Australia and Europe. Of its 5,264 stores, 4,061 stores are included in the U.S. segment and 287, 280 and 636 stores are included in the Canadian, Australian and European segments, respectively.

Type: Emerging Growth
Sector: Services

Institutional Holdings: 546
Industry: Electronic Stores

Ratings & Recommendations Earnings per share

Current P/E Ratio: **20.7**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **C+**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Standard&Poor Rating: **B**
Value Line Rating: **B**



INTERNATIONAL BUSINESS MACHINES CORPORATION (IBM) NYSE PRICE: \$127.98

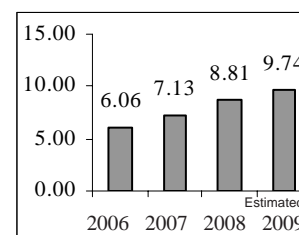
IBM is an information technology (IT) company. The Company's major operations include a Global Technology Services (GTS) segment, a Global Business Services (GBS) segment, a Systems and Technology segment, a Software segment and a Global Financing segment. In February 2008, the Company acquired Arsenal Digital Solutions and Net Integration Technologies Inc. In January 2008, IBM announced that it has completed its acquisition of Cognos Incorporated. In January 2008, IBM acquired XIV, a privately held storage technology company based in Tel Aviv, Israel. In September 2007, IBM completed the acquisition of DataMirror Corporation. In August 2007, IBM acquired WebDialogs, Inc. In April 2008, the Company completed the acquisition of Telelogic AB, Diligent Technologies, FilesX and InfoDyne Corporation. In July 2008, the Company acquired Platform Solutions, Inc.

Type: Growth
Sector: Technology

Institutional Holdings: n/a
Industry: Computer Systems

Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.8**
Annual Yield: **1.60%**
Annual Dividend: **\$2.00**
Investor's Business Daily: **A+**
Pearson Growth & Value: **A+**
Morningstar Rating: **C**
Standard&Poor Rating: **A**
Value Line Rating: **A**



ION GEOPHYSICAL CORPORATION (IO) NYSE PRICE: \$15.97

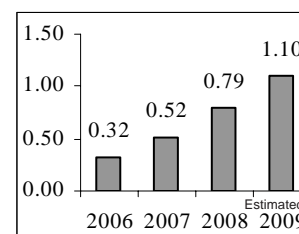
ION formerly Input/Output, Inc., is a technology-focused seismic solutions company that provides acquisition equipment, software, and planning and seismic processing and interpretation services to the global energy industry. Its products, technologies and services are used by oil and gas exploration and production companies and seismic acquisition contractors to generate high-resolution images of the subsurface during exploration, exploitation, and production operations. The Company's products and services include land and marine seismic data acquisition equipment, navigation and data management software products. ION operates through four business segments. Three of these segments, Land Imaging Syst., Marine Imaging Syst. and Data Management Solutions, make up its ION Systems division. The fourth segment is the Company's ION Solutions division.

Type: Growth
Sector: Technology

Institutional Holdings: 224
Industry: Sci-Tech Instr.

Ratings & Recommendations Earnings per share

Current P/E Ratio: **33.3**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A+**
Pearson Growth & Value: **B**
Morningstar Rating: **C**
Standard&Poor Rating: **N/R**
Value Line Rating: **B**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR AUGUST 2008
www.pearsoncapitalinc.com

NOBLE CORPORATION (NE)

NYSE PRICE: \$51.87

NE is engaged in contract drilling services worldwide. It performs contract drilling services with its fleet of 62 offshore drilling units located worldwide. This fleet consists of 13 semi-submersibles, three drillships, 43 jackups and three submersibles. The fleet count includes two F&G JU-2000E jackups and three deepwater dynamically positioned semisubmersibles under construction. As of December 31, 2007, approximately 85% of its fleet was deployed internationally. Its operations are conducted principally in the Middle East, India, U. S., Gulf of Mexico, Mexico, the North Sea, Brazil, West Africa and Canada. During the year ended 12/31/07, Noble completed the rationalization of its technology services division with the sale of the rotary steerable system assets of its Noble Downhole Technology Ltd. subsidiary.

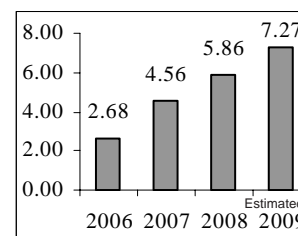
Type: Growth
Sector: Basic Materials

Institutional Holdings: 459
Industry: Oil & Gas

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **9.8**
Annual Yield: **0.16%**
Annual Dividend: **\$0.30**
Investor's Business Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **C**
Standard&Poor Rating: **B**
Value Line Rating: **N/R**



PENN NATIONAL GAMING, INC (PENN) NASDAQ PRICE: \$28.53

PENN is a diversified, multi-jurisdictional owner and operator of gaming properties, as well as horse racetracks and associated off-track wagering facilities. It owns or operates 19 gaming properties located in CO, FL, IL, IN, IA, LA, ME, MS, MO, NJ, NM, OH, PA, West Virginia, and Ontario. The Company has its owned gaming properties, which includes Charles Town Entertainment Complex, Argosy Casino Lawrenceburg, Hollywood Casino Aurora, Empress Casino Hotel, Argosy Casino Riverside, Hollywood Casino Baton Rouge, Argosy Casino Alton, Hollywood Casino Tunica, Hollywood Casino Bay St. Louis, Argosy Casino Sioux City, Boomtown Biloxi, Hollywood Slots at Bangor, Bullwhackers and Black Gold Casino at Zia Park. Operating gaming property includes Casino Rama, which is the only property.

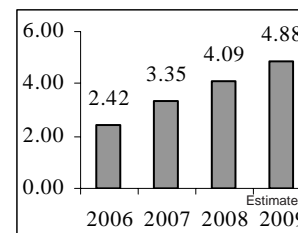
Type: Growth
Sector: Services

Institutional Holdings: 112
Industry: Resorts & Casinos

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **16.2**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **D**
Pearson Growth & Value: **B-**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



QUICKSILVER RESOURCES, INC (KWK) NYSE PRICE: \$26.16

KWK is an independent oil and gas company. The Company is primarily engaged in the development, exploitation, exploration, acquisition and production and sale of natural gas, natural gas liquids (NGLs) and crude oil. Quicksilver owns natural gas and oil properties in the United States, principally in Texas, Wyoming and Montana, and in Canada, principally in Alberta. As of December 31, 2007, the Company had total proved reserves of approximately 1.5 trillion cubic feet of natural gas equivalents (Tcfe). It owns approximately 73% of Quicksilver Gas Services LP, a midstream master limited partnership. The Company also owns approximately 32% of the limited partner units of BreitBurn Energy Partners L.P. The Company previously held properties in Michigan, Indiana and Kentucky (Northeast Operations), which were divested to BreitBurn on November 1, 2007.

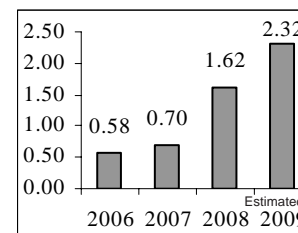
Type: Growth
Sector: Basic Materials

Institutional Holdings: 231
Industry: Oil & Gas

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **8.8**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A+**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Standard&Poor Rating: **N/R**
Value Line Rating: **D**



WEATHERFORD INTERNATIONAL LTD. (WFT) NYSE PRICE: \$37.73

Weatherford International Ltd. is a provider of equipment and services used for the drilling, evaluation, completion, production and intervention of oil and natural gas wells. The Company operates in approximately 100 countries through approximately 800 service, sales and manufacturing locations, which are located in nearly all of the oil and natural gas producing regions in the world. The Company's product offerings can be grouped into 10 service lines: artificial lift systems, drilling services, well construction, drilling tools, completion systems, wireline and evaluation services, re-entry and fishing, stimulation and chemicals, integrated drilling, and pipeline and specialty services. In July 2008, the Company acquired a 69.96% stake in Atlas G.I.P., a Romanian architecture and engineering company.

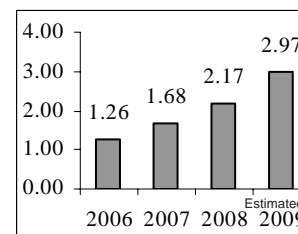
Type: Growth
Sector: Basic Materials

Institutional Holdings: 553
Industry: Oil & Gas

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **20.9**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A+**
Pearson Growth & Value: **C+**
Morningstar Rating: **C**
Standard&Poor Rating: **C**
Value Line Rating: **N/R**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR AUGUST 2008

www.pearsoncapitalinc.com

GENERAL ELECTRIC COMPANY (GE) NYSE PRICE: \$28.29

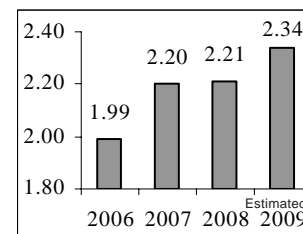
General Electric Company (GE) is a diversified technology, media and financial services company. With products and services ranging from aircraft engines, power generation, water processing and security technology to medical imaging, business and consumer financing, media content and industrial products, it serves customers in more than 100 countries. In July 2008, the Company announced the organization of its business into four segments: GE Technology Infrastructure, GE energy infrastructure, GE Capital and Corporate Treasury and NBC Universal. In April 2008, GE Healthcare completed the acquisition of Whatman plc.

Type: Growth
Sector: Conglomerates

Institutional Holdings: N/A
Industry: Conglomerates

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.2**
Annual Yield: **4.40%**
Annual Dividend: **\$1.24**
Investor's Business Daily: **B-**
Pearson Growth & Value: **A-**
Morningstar Rating: **A**
Standard&Poor Rating: **B**
Value Line Rating: **C**



PFIZER, INC (PFE) NYSE PRICE: \$18.67

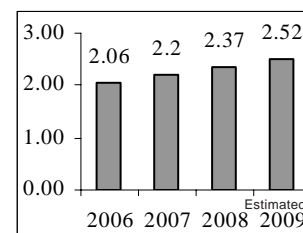
PFE is a research-based, global pharmaceutical company. The Company discovers, develops, manufactures and markets prescription medicines for humans and animals. It operates in two business segments: Pharmaceutical and Animal Health. PFE also operates several other businesses, including the manufacture of gelatin capsules and contract manufacturing. In 01/20/08, the Company completed the acquisition of Coley Pharm.Group, Inc., a company whose area of capability is immunotherapy with emphasis on Toll-like receptor research and development. In January 2008, it completed the acquisition of CovX Research LLC. In June 2008, Pfizer completed the acquisition of all remaining outstanding shares of common stock of Encysive Pharm., Inc. through a merger of Pfizer's wholly owned subsidiary, Explorer Acquisition Corp., with and into Encysive.

Type: Growth
Sector: Healthcare

Institutional Holdings: 952
Industry: Drug Manufact.

Ratings & Recommendations Earnings per share

Current P/E Ratio: **14.0**
Annual Yield: **6.90%**
Annual Dividend: **\$1.28**
Investor's Business Daily: **C+**
Pearson Growth & Value: **B**
Morningstar Rating: **A**
Standard&Poor Rating: **C**
Value Line Rating: **C**



LOOKING AHEAD

In today's ever-changing world alternative energies will be the next sector generating a wave of investing, as the Internet was in the nineties. Oil today, alternatives tomorrow. Wind, electric, coal, natural gas, nuclear, and other commodities are now being researched for short and long range alternatives. We are also busy at work researching where we believe the focus should be today, tomorrow, and in the years ahead. The right choices could reward all of us as investors. Within the last six months a new discovery of natural gas was discovered in western Louisiana. This was the forth largest find discovered in the world and now provides our country with enough natural gas to last over one hundred years. Soon we will have thousands of wells on location producing for many years. Our immediate challenge today is learning how to heat homes, and convert into our cars quickly and efficiently. Today 20% of our buses here in the United States run on this fuel.

Another option worth consideration is electrical cars, scooters, motorcycles, watercrafts, and other such alternatives. Zap since 1994 has delivered over one hundred thousand vehicles in seventy-five different countries. Zap Co., headquartered in California, has partnered with Detroit Electric, planning and developing a freeway-capable electric vehicle with Youngman Automotive Group. Plans are being considered today for expansion into Italy with a distribution facility as gas prices climb over ten dollars a gallon. ZAAP stock price climbed 30% on July 31, and closed at eighty one cents.

By Donald Pearson

WALL STREET INDEXES

Indexes	2002	2003	2004	2005	2006	2007	YTD
S&P 500	(23.4%)	26.4%	9.0%	3.0%	13.6%	3.6%	(13.7%)
Dow Jones	(16.8%)	25.3%	3.2%	(0.6%)	16.3%	6.4%	(14.2%)
Nasdaq	(31.5%)	50.0%	8.6%	1.4%	9.5%	9.8%	(12.3%)
Russell 2000	(21.6%)	45.4%	17.0%	3.3%	17.0%	(2.8%)	(6.7%)
Market Average	(23.3%)	36.8%	9.4%	1.8%	14.1%	5.6%	(11.7%)



MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic flows: The Fed, the Bush administration, and Congress all ran



to the aid of Fannie Mae and Freddy Mac after they reported horrible earnings. Many people believe that this is a capitulation stage for the banks, and they are buying here. However, do not expect the good old days for the banks, as a bailout will incur steep regulations. The financial industry will have tight restrictions from now on. Opportunity presents itself for those banks least exposed or newly capitalized to start taking over other ones. The government is finally cracking down on "naked" short selling. It is illegal but has not been enforced. In order to protect Fannie and Freddy, the government is now making people follow the rules. In turn, a wave of massive short covering and subsequent rallying has ensued, causing the market to move up very quickly. It is unknown if banks will continue to rally or drift back downward during the next months of summer after earnings season.

Key point: *Even though the financial sector will survive, the good times will not roll again for quite some time.*

Earnings flows: While the banks are being bailed out, other companies, such as technology stocks like Apple and Google, are coming out with market-beating earnings, but they are lowering future expectations, indicating a slower rest of the year. Certain consumer-orientated sectors, such as retail and technology, may drift lower during the slow summer doldrums.

Key point: *This summer we will see a very volatile market.*

Cash flows: America is on sale, with companies such as Anheuser Busch and Genentech being bought by foreign companies. According to S&P, 421 million dollars worth of assets were bought this year alone. The overvalued euro and the weak dollar are a spring board for the Europeans to get into the American markets. As dollars flow back into assets, the dollar will strengthen and eventually give way to a better consumer economy and begin a new bull market.

Key point: *A strengthening dollar will start a new strengthening economy.*

Additional note:

Energy and commodity companies can still keep growing over the long term in spite of the strengthening dollar. The rest of the world still needs natural resources, and as long as these sectors continue to put up good earnings they will be a buy. However, I would wait for a pullback before they continue.

Pearson Capital, Inc.

P.O. Box 3739
Apollo Beach, Florida 33572
 Tel: (813) 641 - 7575
 Fax: (813) 641 - 7755
Toll Free: (800) 510-0329
www.pearsoncapitalinc.com

1628 White Arrow Drive
 Dover, Florida 33527
 Tel: (813) 659 - 2560

Chairman Of The Board
 Head Of Investment Research
Walter D. Pearson
 E-mail: PearsonCap@aol.com

President
Donald E. Pearson
 E-mail: PearsonCapital@aol.com

Stock Analyst
Chris Carothers
PearsonCapital2@yahoo.com

Account Manager
Ann Hathaway
PearsonCapital7@gmail.com

The Pearson Investment Letter
 published monthly since 1982

Publishing President
Sandra Alberti
PearsonCapital@aol.com

Editor
Roberta Wilde

Services Provided

Managed Accounts:
 Individual - Joint - Custodial
 Corporate - Partnership - Trust
 IRA's; Roth - Trad - College - SEP
 401(k) & 403(b) Rollovers - Transfers

Management fee of 1% annually
 for accounts of \$25,000 or more
 (2% for smaller accounts)

Free consultation
No hidden fees

Privacy Policy

Table of Contents

Walter's Wisdom:	2
Featured Stocks:	3
Featured Stocks:	4
Featured Stocks:	5
Market Outlook:	6