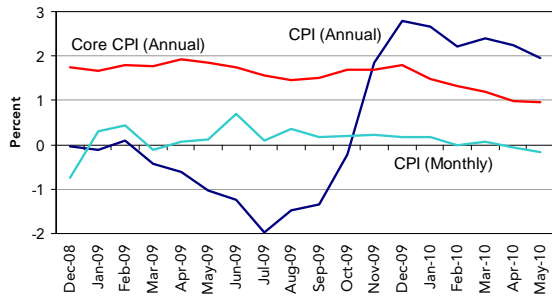


Economic Review

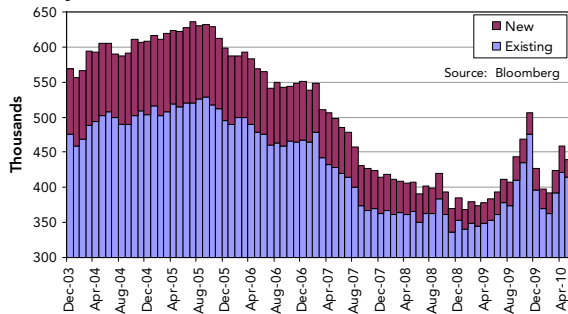
Fears of a global economic slowdown gained traction in June. As the G-20 nations met in Toronto, President Obama urged the nations to continue government stimulus and even expand their reach, citing the decline of economies in the 1930s amidst rollbacks of Keynesian stimulus spending. He was met with near unanimous rejection of spending increases as world leaders outwardly displayed their anguish over new debt while current debt is already at troublesome levels. Greek bonds were downgraded to junk status by Moody's, as higher tax rates and decreased government spending were likely to diminish growth prospects and the likelihood of full debt repayment. England raised its value-added tax rate from 17.5% to 20% while leaders pledged to slow spending. Equity markets rallied for several hours after China announced a revaluation of its currency. Markets later retreated as details showed that the ascension of China's currency would be slow and measured, taking place over several years. Long-time Senator Robert Byrd (D-W.Va.) died, leaving Senate Democrats two votes short of a filibuster-proof majority.

Consumer Price Index



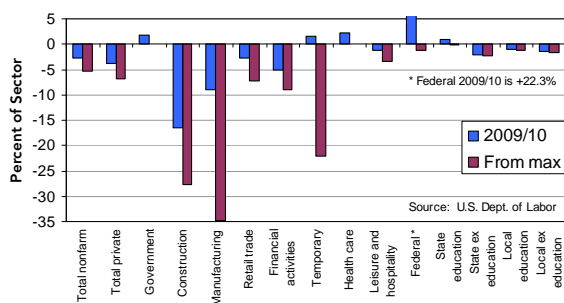
The financial reform bill edged closer to passage as the House and Senate worked on reconciling differences. The bill would be the most wide-reaching financial regulation bill since the 1930s, and would affect businesses from the biggest banks down to local payday loan stores and credit card usage. The largest banks would be limited to investing 3% of their Tier-1 capital in hedge funds, private equity, and real estate (the Volcker rule). Banks would be required to trade many derivatives on a national exchange, and customized swaps would be regulated through a clearinghouse, intended to lessen the impact of counterparty risk. Swap trading would also be segregated and banks would be required to provide separate capital backing those operations. However, the majority of swaps that banks use, including currency, interest rate, and gold swaps, would not be segregated.

Monthly Home Sales



The reform bill will create a consumer financial protection bureau, under the oversight of the Federal Reserve. The bureau would regulate areas such as credit cards and non-bank financial companies. Mortgage rules would require first-time homebuyers to verify income, employment status, and credit history, and prohibits mortgage agents from receiving compensation for pushing higher-priced loans.

Job Sector Changes



Hedge funds and private equity firms, with assets above certain levels, would have to register with the SEC and provide trading information. Broker-dealers would be subject to more stringent fiduciary requirements if they give investment advice, similar to those in place for investment advisors and financial planners. Entities that securitize loans would be required to retain 5% of the securities, while bond-rating agencies would be subject to enhanced scrutiny from private investors, stemming from the default of many AAA-rated mortgage securities.

Treasury yields fell sharply at month-end as consumer confidence registered well below expectations. A falling stock market and an expected wave of state and local layoffs, coupled with tax increases, made consumers increasingly cautious. Federal income tax increases for most brackets gained more traction as leading Congressmen proposed letting most of the 2001/2003 tax cuts expire, as opposed to raising just the top two income brackets.

Market Returns

	As of June 30, 2010		
	June	3 Months	YTD
S&P 500	-5.2%	-11.4%	-6.7%
Russell 1000 Value	-5.6%	-11.2%	-5.1%
Russell 1000 Growth	-5.5%	-11.8%	-7.7%
Russell 2000	-7.8%	-9.9%	-2.0%
MSCI EAFE	-1.0%	-14.0%	-13.2%
Emerging Markets	-0.7%	-8.3%	-6.0%
Barclays Agg	1.6%	3.5%	5.3%
3-Month T-Bills	0.0%	0.0%	0.0%

As the second round of home purchase tax refunds expired, home sales fell sharply, leaving little doubt that the housing market is far from healed. New-home sales bore the brunt of the decrease, which will translate into lower GDP, as housing construction is an important component.

After census hiring boomed in May, many of the temporary workers' jobs ended in June. The bubble of census hiring lifted the federal payroll 22.3% over December 2008 levels. Government payrolls are at their highest levels ever, while manufacturing and construction sectors shrank the most. The education sector is expecting a wave of layoffs as the school year ends and state budgets are nearly \$180 billion short for FY 2011.