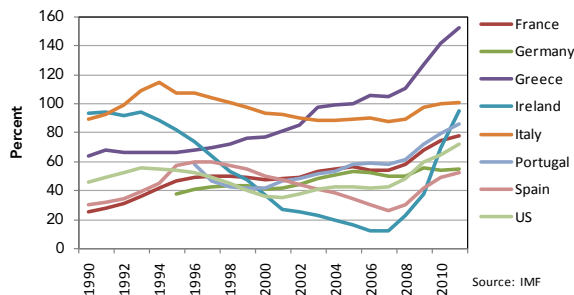


Economic Review

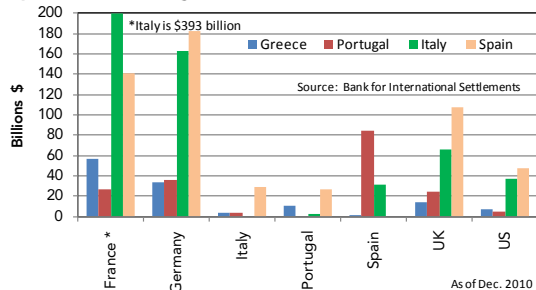
Gasoline prices finally eased downward in June as demand remained stagnant and oil prices fell. As oil prices neared \$90/barrel, the International Energy Agency approved the release of 60 million barrels over a one month period. The move followed contentious OPEC meetings that resulted in no consensus to increase production. Iran held to the line of keeping oil prices as high as possible, while Saudi Arabia pledged to increase production. The US Senate voted to roll back an ethanol producer tax credit of \$0.45/gallon and eliminate an import tariff of \$0.54/gallon. The House has not taken up the measure to date. The Supreme Court ended its session by dismissing a suit brought against power producers. The ruling dismissed global warming claims against the companies, stating that it is the EPA's jurisdiction to regulate pollution. A class action suit against WalMart was dismissed on the vagaries of evidence used to justify the case. The plaintiffs used statistics and extrapolation to claim over one million women were discriminated against in employment decisions. The ruling will affect the types of class action suits brought forward in the future, essentially limiting them to plaintiffs who suffered actual, and not theoretical, damages. As parts of the Dodd-Frank financial reform bill take effect, credit default swaps will have to be registered with the SEC beginning in July.

Debt as a Percentage of GDP



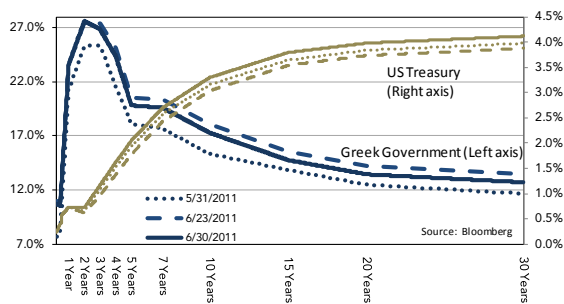
Worries over Greece's ability to repay its debts sent stock markets tumbling around the world through most of June. Greece faced a debt payment in July that it would be unable to meet without foreign assistance. Greece failed to meet the requirements agreed to a year ago to curb spending and increase tax collections as conditions for the initial bailout. Faced with a domino effect of defaults if Greece's debt obligations were not paid, France and Germany pushed for a new bailout package. The measure would provide immediate assistance while extending existing debt terms out to thirty years. The new bailout includes higher demands for collateral and sets out new austerity terms, prompting Greek officials to cut \$40 billion in spending over five years. Rioters again took to the streets to protest the perceived loss of Greek sovereignty to foreign investors.

Exposure to Foreign Debts



French President Sarkozy pushed his country's banks to provide loans to Greece, as well as prepare to write off nearly 30% of the value of the loans made in 2010. The situation left little room for compromise due to the interconnectedness of European debt ownership. At the end of 2010, France and Germany held a combined 62% of Greece's public and private debt. Portugal held 7% of that debt, a loss of which would trigger financial distress in that country. If Portugal were unable to meet its debt payments, Spain, which holds 42% of Portugal's debt, would fall into financial trouble. France, Germany, and the UK hold 60% of Spain's debt, or \$430 billion. The potential for financial calamity triggered investors to further scrutinize portfolios that hold European debt.

Greek and US Bond Yields



Congress made little progress on the upcoming deadline to raise the debt ceiling or implement major spending cuts. With an August deadline looming, bond investors showed little signs of worry over domestic issues, reflected by the 10-year Treasury yield, which flirted with 3% during June. As past negotiations have gone, the belief is that the debt ceiling will be raised, \$1 to \$2 trillion in spending will be cut over the next decade, and non-binding promises will be made to make further cuts and eliminate waste, fraud, and abuse.

Market Returns

As of June 30, 2011

	June	3 Months	YTD
S&P 500	-1.7%	0.1%	6.0%
Russell 1000 Value	-2.1%	-0.5%	5.9%
Russell 1000 Growth	-1.4%	0.8%	6.8%
Russell 2000	-2.3%	-1.6%	6.2%
MSCI EAFE	-1.3%	1.6%	5.0%
Emerging Markets	-1.5%	-1.0%	1.0%
Barclays Agg	-0.3%	2.3%	2.7%
3-Month T-Bills	0.0%	0.0%	0.1%

California became the seventh state to require out of state vendors to charge sales tax on internet purchases. The move prompted web giant Amazon to end its affiliation with 25,000 vendors in the state. The laws have largely been supported by large retail chains that sell electronics and household goods, as they claim they are disadvantaged by out of state competition. Because the issue deals with interstate commerce, Congress or the Supreme Court will eventually decide the fate of these taxes.