SUMMARY OF RELEVANT FACTS
City of Ormond Beach Police Officers' Pension Plan
As of June 30, 2010

Distribution of Assets:	
Equity	
Large Cap Value	$3,987,342
Large Cap Growth	$3,906,105
Small/Mid Cap Value	$975,676
Small/Mid Cap Growth	$953,823
International Value	$963,947
International Growth	$998,499
Total Equity	$11,785,392
Fixed Income	$6,449,120
Cash (R&D Account)	$123,085
Total Portfolio	$18,357,597

Distribution by Percentages:	Policy	Current
Equity		
Large Cap Value	22.5%	21.72%
Large Cap Growth	22.5%	21.28%
Small/Mid Cap Value	5.0%	5.31%
Small/Mid Cap Growth	5.0%	5.20%
International Value	5.0%	5.25%
International Growth	5.0%	5.44%
Total Equity	65.0%	64.20%
Fixed Income	35.0%	35.13%
Cash (R&D Account)		0.67%
Total	100.0%	100.00%

RECEIPTS & DISBURSEMENT	
Total Assets (Cash)	$123,085
Gain or (Loss)	$2

Other Important Facts:		
Total Portfolio		$18,357,597
Total Gain or (Loss) - Gross		($1,385,707)
Total Gain or (Loss) - Net		($1,408,399)
Total Fees		($22,692)
HGK (Large Cap Value)		
Total Assets	100.00%	$3,987,342
Equity	97.74%	$3,897,201
Cash	2.26%	$90,141
Fees		($4,288)
Gain or (Loss)		($526,649)
RENAISSANCE (Large Cap Growth)		
Total Assets	100.00%	$3,906,105
Equity	99.10%	$3,871,091
Cash	0.90%	$35,013
Fees		($6,169)
Gain or (Loss)		($523,469)
GW CAPITAL (Small/Mid Cap Value)		
Total Assets	100.00%	$975,676
Equity	96.26%	$939,229
Cash	3.74%	$36,448
Fees		($2,361)
Gain or (Loss)		($106,015)
PERIMETER (Small/Mid Cap Growth)		
Total Assets	100.00%	$953,823
Equity	95.83%	$914,049
Cash	4.17%	$39,775
Fees		($2,020)
Gain or (Loss)		($86,368)
DELAWARE (International Value)		
Total Assets	100.00%	$963,947
Equity	95.89%	$924,282
Cash	4.11%	$39,664
Fees		($2,080)
Gain or (Loss)		($146,247)
RENAISSANCE (International Growth)		
Total Assets	100.00%	$998,499
Equity	95.26%	$951,183
Cash	4.74%	$47,316
Fees		($1,829)
Gain or (Loss)		($139,173)
DAVIS HAMILTON JACKSON (Fixed Income)		
Total Assets	100.00%	$6,449,120
Fixed Income	98.14%	$6,329,436
Cash	1.86%	$119,684
Fees		($3,945)
Gain or (Loss)		$142,212

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

BREAKDOWN OF RETURNS
City of Ormond Beach Police Officers' Pension Plan
As of June 30, 2010

Actuarial Rate of Return = 8.00%

EQUITY HGK	Your Returns (Gross-of-Fees)	Your Returns (Net-of-Fees)	Russ 1000 Value	PSN Money Mgrs.	S&P 500
Quarter	(11.67)	(11.75)	(11.15)	(11.32)	(11.42)
Fiscal Year-to-Date	(5.43)	(5.71)	(1.11)	(1.16)	(1.02)
1 Year	8.42	8.04	16.93	15.14	14.43
Since 4/30/2009	14.06	13.72	19.61	NA	17.81
Renaissance			**Russ 1000 Growth**	**PSN Money Mgrs.**	**S&P 500**
Quarter	(11.82)	(11.95)	(11.74)	(11.47)	(11.42)
Fiscal Year-to-Date	(3.74)	(4.15)	(0.30)	(1.09)	(1.02)
1 Year	7.56	6.97	13.62	13.37	14.43
Since 7/31/2007	(9.44)	(9.93)	(6.60)	NA	(9.10)
GW Capital			**Russ 2500 Value**	**PSN Money Mgrs.**	
Quarter	(10.08)	(10.27)	(10.16)	(8.81)	
Fiscal Year-to-Date	7.46	6.83	3.01	4.57	
1 Year	22.11	21.17	26.47	28.60	
Since 10/31/2008	21.61	20.82	11.00	NA	
Perimeter			**Russ 2500 Growth**	**PSN Money Mgrs.**	
Quarter	(8.07)	(8.24)	(9.77)	(9.05)	
Fiscal Year-to-Date	2.59	2.01	3.64	2.59	
1 Year	18.55	17.75	21.44	20.78	
Since 4/30/2009	19.24	18.55	24.18	NA	
Delaware			**MSCI EAFE (Net)**	**MSCI EAFE Val**	
Quarter	(13.16)	(13.34)	(13.98)	(15.52)	
Fiscal Year-to-Date	(12.32)	(12.84)	(11.36)	(15.49)	
1 Year	3.49	2.70	5.90	3.22	
3 Year	(11.81)	(12.51)	(13.39)	(15.11)	
Since 7/31/2005	0.89	0.14	0.27	(0.60)	
Renaissance			**MSCI AC Wd x US**	**MSCI EAFE Grth**	
Quarter	(12.22)	(12.38)	(12.44)	(12.44)	
Fiscal Year-to-Date	(5.87)	(6.35)	(7.74)	(7.01)	
1 Year	9.88	9.21	10.43	8.59	
Since 4/30/2009	20.50	19.87	20.25	18.05	
FIXED INCOME **Davis Hamilton Jackson**			**BC Int. Govt/Credit**	**BC Int. Aggregate**	**90-Day T-Bill**
Quarter	2.25	2.19	2.97	2.92	0.04
Fiscal Year-to-Date	5.77	5.58	4.88	5.34	0.08
1 Year	12.06	11.79	8.29	8.72	0.12
3 Year	9.53	9.28	6.98	7.34	1.12
5 Year	6.87	6.57	5.26	5.57	2.50
Since 3/31/01	5.99	5.68	4.59	5.63	2.17
TOTAL RETURN **Combined Managers**			**Policy Index**	**Composite Index**	
Quarter	(6.98)	(7.09)	(6.51)	(6.61)	
Fiscal Year-to-Date	(0.70)	(1.04)	1.03	0.92	
1 Year	10.39	9.91	13.36	13.59	
3 Year	(3.96)	(4.36)	(3.64)	(2.31)	
5 Year	1.60	1.16	2.16	2.94	
Since 3/31/01	3.30	2.84	3.26	3.75	

Policy Index = 30% Russell 1000 Value + 30% Russell 1000 Growth + 20% BC Aggregate + 20% BC Intermediate Gov't/Credit Bonds for periods prior to June 30, 2005; 27.5% Russell 1000 Value + 27.5% Russell 1000 Growth + 10% MSCI EAFE (Net) + 17.5% BC Aggregate + 17.5% BC Intermediate Gov't/Credit Bonds for periods from June 30, 2005 to October 31, 2008; 25% Russell 1000 Value + 25% Russell 1000 Growth + 5% Russell 2500 Value + 10% MSCI EAFE (Net) + 17.5% BC Aggregate + 17.5 BC Intermediate Gov't/Credit Bonds for periods October 31, 2008 to April 30, 2009; & 22.5% Russell 1000 Value + 22.5% Russell 1000 Growth + 5% Russell 2500 Value + 5% Russell 2500 Growth + 5% MSCI EAFE (Net) + 5% MSCI AC World ex US + 35% BC Intermediate Gov't/Credit Bonds for periods since April 30, 2009

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INVESTMENT POLICY CHECKLIST

Ormond Beach Police Officers' Pension Fund ***As of June 30, 2010***

GUIDELINES	In Compliance
Equity Portfolio	
Listed on recognized exchange	Yes
Single issue not to exceed 7% at market value for each equity separately managed portfolio	Yes
Each equity portfolio < 70% & > 60% of total fund at market value	Yes
Fixed Income Portfolio	
U.S. Government / Agency or U.S. Corporations	Yes
Corporate Bonds rated "A" or better	Yes*
CMOs < 15% of fixed Income portfolio at market	Yes
Single corporate issuer not exceed 5% of bond portfolio	Yes
Single corporate issuer not exceed 5% of total fund	Yes

* There are multiple asset-backed notes that were inherited from AllianceBernstein with ratings below A which are still being worked out of the portfolio and good opportunities arise.

OBJECTIVES	Met
Total Portfolio	
Exceed Target Index - Since 3/31/2001	Yes
Exceed actuarial assumption (8%) - Since 3/31/2001	No
HGK	
Equities > Russell 1000 Value - Since 4/30/2009	No
Rank in the Top 50% - Since 4/30/2009	No
Renaissance	
Equities > Russell 1000 Growth - Since 7/31/2007	No
Rank in the Top 50% - Since 7/31/2007	No
GW Capital	
Equities > Russell 2500 Value - Since 10/31/2008	Yes
Rank in the Top 50% - Since 10/31/2008	Yes
Perimeter	
Equities > Russell 2500 Growth - Since 4/30/2009	No
Rank in the Top 50% - Since 10/31/2008	No
Delaware	
Equities > MSCI EAFE (Net) - Since 7/31/2005	Yes
Renaissance	
Equities > MSCI AC World ex US - Since 4/30/2009	Yes
Davis Hamilton Jackson & Associates	
Bonds > BC Intermediate Gov't/Credit - Since 3/31/2001	Yes

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Graystone Consulting

QUARTERLY PERFORMANCE EVALUATION

Prepared for:

City of Ormond
Police Officers' Pension Trust

As of March 31, 2010

Prepared by:
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INVESTMENT PRODUCTS: NOT FDIC INSURED *NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY *NO BANK GUARANTEE *MAY LOSE VALUE

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Table of Contents

- Capital Markets Overview — Tab 1
- Performance Reports — Tab 2
  - Total Fund Reports
  - HGK – Large Cap Value Equity Reports
  - Renaissance – Large Cap Growth Equity Reports
  - GW Capital – Small/Mid Cap Value Equity Reports
  - Perimeter – Small/Mid Cap Growth Equity Reports
  - Delaware – International Value Equity Reports
  - Renaissance – International Growth Equity Reports
  - Davis Hamilton Jackson – Fixed Income Reports

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A business of Morgan Stanley Smith Barney

Q2 2010

Capital Markets Overview

Introduction

- After starting the year off with generally rising prices, U.S. and global equity markets underwent a correction in the second quarter of 2010.
- During the quarter, the Dow Jones Industrial Average reached its highest point since September 2008, but finished down 1,083 points.
- The Standard & Poor's 500 index followed a similar trajectory to finish down 139 points.
- Indications of long-term strength in the domestic and global economies continued. Corporate profits were strong. The European Union responded effectively to the sovereign debt crisis. Inflation in developed countries remained under control. Emerging economies grew, as did the large developed economies of the U.S., Germany and China. The price-to-earnings ratio in both U.S. and global equities was favorable.
- Nevertheless, the Dow ended the period at a quarterly low of 9,774.02.
- Most commentators attribute the decline in stock prices to investor doubts about European sovereign debt, the sustainability of recovery, fiscal policy in Europe and China, and the consequences of the oil spill in the Gulf of Mexico. The May 6 "flash crash," when U.S. stock markets suddenly fell 700 points before rebounding, also alarmed investors.
- Despite the correction, the Dow finished the quarter 22.0% above its 52-week low and 49.3% above the low of March 2009.
- The S&P 500 Index finished at 1,031, up 17% from its 52-week low and 54.7% from March 2009.

Please refer to important information, disclosures and qualifications at the end of this material.

The U.S. Economy

- In its June 25 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 2.7% in the first quarter of 2010 in comparison with 5.6% in the fourth quarter of 2009. Morgan Stanley and Citi economists forecast that U.S. GDP will increase between 3.2% and 3.4% in 2010.
- Nonfarm employment fell by 125,000 in June as Census workers were laid off and private-sector hiring climbed more slowly after the initial phase of the recovery. However, private-sector employment continued to increase. Although unemployment remains high by historical standards, the seasonally adjusted unemployment rate declined for the quarter to 9.5%, from 9.7% in March.
- According to the most recent estimate from the Commerce Department, corporate profits remain high.
- Inflation remains tame in the U.S. According to the most recent estimate from the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index fell 0.2% in May. Partly because of “stable inflation expectations,” the Federal Reserve declared in its June 23 meeting that it would maintain the federal-funds rate at 0–0.25%.
- During the second quarter, the Census Bureau reported that single-family housing starts in the first quarter of 2010 rose 8.6% over the previous quarter. Month-over-month in the second quarter, all privately owned housing starts rose 5.8% in April but fell 10.0% in May. Compared with the same month of 2009, there were 40.9% more housing starts in April 2010 and 7.8% more in May.
- The Census Bureau also reported that seasonally adjusted retail and food services sales increased 0.6% between March and April but fell 1.2% between April and May. Still, retail sales in May rose 6.9% from a year earlier.
- In April the Institute for Supply Management’s manufacturing-sector index, the PMI, was 60.4, up 0.8 from March. May’s PMI was 59.7, and June’s was 56.2. The Institute’s index of nonmanufacturing business, the NMI, was level at 55.4 for March through May and 53.8 in June. Generally speaking, a PMI or NMI over 50 indicates that the sector is expanding.

The U.S. Equity Markets

- Stock market volatility increased on investor jitters in May before returning to more normal levels. The VIX volatility index peaked after the “flash crash” of May 6, reaching a high of 47.7, still well below the 57.4 peak of January 2009. The VIX never exceeded 37.4 in June.
- During the second quarter, all sectors of the S&P 500 reflected the overall correction in equity markets. The smallest declines were for utilities (3.7%), telecommunication services (4.2%) and consumer staples (8.1%). Greater declines occurred for consumer discretionary (10.89%), health care (11.79%), information technology (12.3%), industrials (12.3%), energy (12.8%) and financials (13.3%). The most severe decline came for materials (15.3%).
- Small- and mid-cap stocks weathered the correction best. The Russell 1000 Index, a large-cap index, fell 11.5% for the quarter but was still up 15.2% for the 12-month period ending June 30. In comparison, the Russell 2000 Index, a small-cap index, declined 9.9% for the quarter but rose 21.5% for the 12-month period while the Russell Midcap Index also lost 9.9% for the quarter but gained 25.1% for the 12-month period.
- Value slightly outperformed growth among large- and mid-cap stocks. The large-cap Russell 1000 Value Index was down 11.1% for the quarter and up 16.9% in the 12-month period while the Russell 1000 Growth Index fell 11.7% for the quarter and rose 13.6% for the 12-month period. The Russell Midcap Value Index fell 9.6% for the quarter and rose 28.9% for the 12-month period while the Russell Midcap Growth Index fell 10.2% for the quarter and rose 21.3% for the 12-month period. However, in small caps, the Russell 2000 Value Index was down 10.6% for the quarter and up 25.1% for the 12-month period while the Russell 2000 Growth Index fell only 9.2% for the quarter and rose 18.0% for the 12-month period.

Key U.S. Stock-Market Index Returns (%)

	Second Quarter	12 Months Ending 6/30	Past Five Years (Annualized)	Past Seven Years (Annualized)
S&P 500 index	(11.4)	14.4	(0.8)	2.8
Dow Jones	(9.4)	18.9	1.7	3.8
Russell 2000	(9.9)	21.5	0.4	5.8
Russell Midcap	(9.9)	25.1	1.2	7.0
Russell 1000	(11.5)	15.2	(0.6)	3.3

Source: Polaris

Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.

Global Equity Markets

- Equity markets abroad also underwent a quarterly correction in what appears to be a longer-term uptrend. In the second quarter, the Morgan Stanley Capital International Europe Australasia Far East Index ("EAFE"), a benchmark for developed markets, declined 10.9% in local terms and 13.8% for U.S. dollar-based investors. However, for the 12-month period ending June 30, the returns were up 10.4% in local terms and 6.4% in U.S. dollars.
- Developing markets fared better. For the quarter, the MSCI Emerging Markets Index was down 5.5% in local terms and 8.3% in U.S. dollars, but 12-month returns were up 20.2% in local terms and 23.5% in U.S. dollars.
- As investor concerns gathered steam, so did the correction, but after the initial downturn, returns stabilized. For April, the EAFE was down 1.2% in local terms and 1.7% in terms of the dollar. In May, the decline was 7.2 % in local terms or 11.2% in U.S. dollars. In June, the EAFE declined only 2.9% in local terms or 1.2% in U.S. dollars.
- Stocks in most of the world followed a similar pattern. In April the MSCI Far East Index rose 0.4% in local terms and declined 0.02% in U.S. dollars. In May the same index declined 10.4% in local terms and 8.0% in U.S. dollars. In June this index declined only 3.5% in local terms and 1.2% in terms of the dollar. The MSCI Europe Index declined 1.7% in local terms and 2.6% in U.S. dollars in April, 5.6% in local terms and 11.9% in U.S. dollars in May, and 3.5% in local terms or 1.2% in U.S. dollars in June. The MSCI The World Index rose 0.3% in local terms and 0.07% in U.S. dollars in April, fell 7.5% in local terms and 9.5% in U.S. dollars in May, and declined only 4.1% in local terms and 3.4% in U.S. dollars in June.

Key Global Equity-Market Indices Based on the U.S. Dollar (%)

	Second Quarter	12 Months Ending 6/30	Past Five Years (Annualized)	Past Seven Years (Annualized)
MSCI EAFE	(13.8)	6.4	1.4	7.2
MSCI EAFE Growth	(12.3)	9.0	2.0	6.6
MSCI EAFE Value	(15.2)	3.7	0.6	7.6
MSCI Europe	(14.8)	6.3	0.9	6.8
MSCI Japan	(10.1)	0.9	(0.04)	(5.4)
MSCI Emerging Markets	(8.3)	23.5	13.1	18.7

Source: Polaris

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The U.S. Bond Market

- Fixed-income markets reflected the same swings in investor sentiment. Toward the end of the quarter, the price of U.S. Treasuries rose and the yield declined as jumpy investors moved out of higher-yield but riskier investments. Ten-year Treasury yields began the quarter at 3.89% and ended at 2.97%. The Barclays Capital High Yield Index was down 0.1% for the quarter.
- Once seen as toxic, mortgage-backed securities were also in demand, especially when backed by loans from government-sponsored lenders like Freddie Mac and Fannie Mae. The Barclays Capital Mortgage Backed Securities Index was up 2.9% for the quarter.
- The U.S. municipal-bond market performed well because of strong investor demand for tax-exempt securities. The Barclays Capital Muni Index was up 2.0% for the quarter.

U.S. Bond-Market Index Returns (%)

	Second Quarter	12 Months Ending 6/30	Past Five Years (Annualized)	Past Seven Years (Annualized)
Barclays Capital Govt/Credit	3.9	9.7	5.3	4.7
Barclays Capital Intermediate Govt/Credit	3.0	8.3	5.3	4.4
Barclays Capital Long Govt/Credit	8.6	16.5	5.6	5.9
Barclays Capital Government	4.2	6.5	5.4	4.6
Barclays Capital Mortgage Backed Securities	2.9	7.5	6.3	5.7

Source: Polaris

Past performance is not a guarantee of future results. Investors cannot invest directly in an index. The performance of unmanaged indices reflects no deductions for fees, expenses or taxes that would affect the performance of actively managed assets.

INDEX DESCRIPTIONS:

DOW JONES INDUSTRIAL AVERAGE: The most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the *Wall Street Journal* (which is published by Dow Jones & Company), a practice that dates back to the beginning of the century. Charles Dow officially started the Dow in 1896, at which time it consisted of only 11 stocks. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system. Simply put, the editors at WSJ add up the prices of all the stocks and then divide by the number of stocks in the index. (In actuality, the divisor is much higher today in order to account for stock splits that have occurred in the past.) **S&P 500 INDEX:** Covers 400 industrial, 40 utility, 20 transportation and 40 financial companies in the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total-return basis with dividends reinvested. **RUSSELL 1000 INDEX:** Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 89% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $9.9 billion; the median market capitalization was approximately $3.7 billion. The smallest company in the index had an approximate market capitalization of $1,404.7 million. **RUSSELL 1000 GROWTH INDEX:** Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 1000 VALUE INDEX:** Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL 2000 INDEX:** Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 11% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $592.0 million; the median market capitalization was approximately $500.0 million. The largest company in the index had an approximate market capitalization of $1,402.7 million. **RUSSELL 2000 GROWTH INDEX:** Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 2000 VALUE INDEX:** Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL MIDCAP INDEX:** Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 35% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution, the average market capitalization was approximately $3.7 billion; the median market capitalization was approximately $2.9 billion. The largest company in the index had an approximate market capitalization of $10.3 billion. **RUSSELL MIDCAP GROWTH INDEX**: Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index. An investment cannot be made directly in a market index. **RUSSELL MIDCAP VALUE INDEX:** Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index. An investment cannot be made directly in a market index. **VIX INDEX:** (Chicago Board Options Exchange Volatility Index) Estimates volatility in the S&P 500 Index for the next 30 days using a weighted blend of prices for various options on the S&P 500 Index.

BARCLAYS CAPITAL GOVERNMENT INDEX: Barclays Capital Treasury bond and agency bond indices (all publicly issued debt of agencies of the U.S. government, quasi-federal corporations and corporate debt guaranteed by the U.S. government, but no mortgage-backed securities) are combined to form the government bond index. **BARCLAYS CAPITAL U.S. INTERMEDIATE GOVERNMENT/CREDIT BOND INDEX:** The Barclays Capital U.S. Intermediate Government/Credit Bond Index is a total return index consisting of investment-grade corporate debt issues as well as debt issues of U.S. government agencies and the U.S. Treasury. The debt issues all maintain maturities within a range of one to 10 years. An investment cannot be made directly in a market index. **BARCLAYS CAPITAL HIGH YIELD INDEX:** The Barclays Capital U.S. High Yield Index covers the universe of fixed rate, non-investment-grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. Liquidity Rules: All bonds included in the High Yield Index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least $150 million. Quality Rating Rules: Securities in the index must be rated Ba1 or lower. If both Moody's and S&P provide a rating for a security, the lower of the two ratings is used. A small number of unrated bonds is included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. Components: The index has several subcomponents. Intermediate indices include bonds with remaining maturities of less than 10 years; long indices include bonds with remaining maturities of 10 years or more. The index also has subdivisions by credit quality, and subindices are available that exclude securities in default**. BARCLAYS CAPITAL MUNI INDEX:** The composite measure of the total return performance of the muni-bond market. The muni market contains over 2 million bond issues. The market is divided into seven major sectors: state G.O. debt (31%), prerefunded bonds (7.7%); electric-utility revenue bonds (7.79%); hospital revenue bonds (3.4%); state-housing revenue bonds (3.4%); industrial-development and /pollution-control revenue bonds (1.8%); and transportation revenue bonds (7.1%). These weightings are reviewed annually. **BARCLAYS CAPITAL GOVT/CREDIT INDEX:** The U.S. Government/Credit Index is the nonsecuritized component of the U.S. Aggregate Index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit Index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational and local-authority debt) and U.S. dollar corporates. In order to qualify for inclusion in the U.S. Government/Credit Index, a bond or security must have at least one year to maturity; at least $250 million par amount outstanding; must be rated Baa3 by Moody's, BBB- by Standard & Poor's, and BBB- by Fitch Investor Service; must be fixed rate, although it can carry a coupon that steps up; and it must be U.S.-dollar denominated. **BARCLAYS CAPITAL LONG GOVERNMENT/CREDIT INDEX:** Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization. **BARCLAYS CAPITAL MORTGAGE BACKED SECURITIES INDEX:** All fixed securities issued and backed by mortgage pools of Ginnie Mae (GNMA), Fannie Mae (FNMA), Freddie Mac (FHLMC) and half-coupon securities. The index excludes buydowns, graduated equity mortgages (GEM), project loans, Nonagency (whole loans), jumbos, collateralized mortgage obligations (CMOs), graduated payment mortgages (GPMs), adjustable rate mortgages (ARMs), manufactured home mortgages, prepayment-penalty collateral. Formed by grouping the universes of over 1 million individual fixed rate MBS pools in to approximately 5,500 generic aggregates. Pool aggregates must be U.S.-dollar denominated, have at least $250 million current outstanding and average weighted life of at least one year.

MSCI EUROPE, AUSTRALASIA AND THE FAR EAST (EAFE) INDEX: A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. **MSCI EUROPE INDEX:** A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in Europe. As of June 2007, the index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits. **MSCI EAFE GROWTH INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Global Value and Growth Indices cover the full range of developed, emerging and All Country MSCI International Equity Indices across all size segmentations. MSCI Barra uses a two dimensional framework for style segmentation in which value and growth securities are categorized using a multifactor approach, which uses three variables to define the value investment-style characteristics and five variables to define the growth investment-style characteristics, including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Equity Index into respective value and growth indices, each targeting 50% of the free float-adjusted market capitalization of the underlying market index. **MSCI EAFE VALUE INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. The MSCI Value and Growth Indices cover the full range of developed, emerging and All Country MSCI Equity Indices. As of the close of May 30, 2003, MSCI implemented an enhanced methodology for the MSCI Global Value and Growth Indices, adopting a two dimensional framework for style segmentation in which value and growth securities are categorized using different attributes: three for value and five for growth including forward-looking variables. The objective of the index design is to divide constituents of an underlying MSCI Standard Country Index into a value index and a growth index, each targeting 50% of the free float-adjusted market capitalization of the underlying country index. Country Value/Growth indices are then aggregated into regional value/growth indices. Prior to May 30, 2003, the indices used price/book value (P/BV) ratios to divide the standard MSCI country indices into value and growth indices. All securities were classified as either "value" securities (low P/BV securities) or "growth" securities (high P/BV securities), relative to each MSCI country index. **MSCI FAR EAST INDEX:** A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in the Far East. As of March 2010, the index consists of the following three developed country indices: Japan, Hong Kong, and Singapore. **MSCI EMERGING MARKETS INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 27, 2010, the index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. **MSCI THE WORLD INDEX:** A free-float-adjusted market capitalization index that is designed to measure developed equity market performance worldwide. The MSCI The World index consisted of the following country 24 developed country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. **MSCI JAPAN INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Japan.

DISCLOSURES

Although the statements of fact and data in this report have been obtained from, and are based upon, sources the firm believes reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Past performance is not a guarantee of future results.

To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. These risks may be magnified in **emerging markets**. International investing may not be for everyone. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. With respect to fixed income securities, please note that, in general, as prevailing interest rates rise, fixed income securities prices will fall. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

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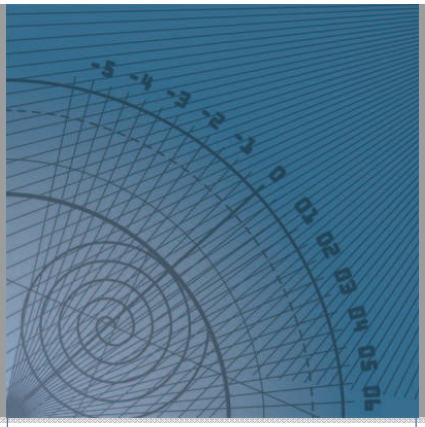


GRAYSTONE CONSULTING

Capital Markets Overview

SECOND QUARTER 2010

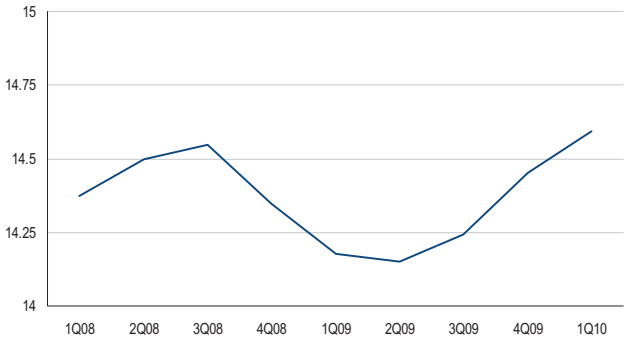
Introduction

- After starting the year off with generally rising prices, U.S. and global equity markets underwent a correction in the second quarter of 2010.
- During the quarter, the Dow Jones Industrial Average reached its highest point since September 2008, but finished down 1,083 points.
- The Standard & Poor's 500 Index followed a similar trajectory to finish down 139 points.
- Indications of long-term strength in the domestic and global economies continued. Corporate profits were strong. The European Union responded effectively to the sovereign debt crisis. Inflation in developed countries remained under control. Emerging economies grew, as did the large developed economies of the U.S., Germany and China. The price-to-earnings ratio in both U.S. and global equities was favorable.
- Nevertheless, the Dow ended the period at a quarterly low of 9,774.02.
- Most commentators attribute the decline in stock prices to investor doubts about European sovereign debt, the sustainability of recovery, fiscal policy in Europe and China, and the consequences of the oil spill in the Gulf of Mexico. The May 6 "flash crash," when U.S. stock markets suddenly fell 700 points before rebounding, also alarmed investors.
- Despite the correction, the Dow finished the quarter 22.0% above its 52-week low and 49.3% above the low of March 2009.
- The Standard & Poor's 500 Index finished at 1,031, up 17% from its 52-week low and 54.7% from March 2009.

The U.S. Economy

In its June 25 update, the Department of Commerce estimated that Gross Domestic Product grew at an annual rate of 2.7% in the first quarter of 2010 in comparison with 5.6% in the fourth quarter of 2009. Morgan Stanley and Citi economists forecast that U.S. GDP will increase between 3.2% and 3.4% in 2010.

U.S. Real GDP in $US Bn



Source: U.S. Dept. of Commerce, 25 June 2010

Nonfarm employment fell by 125,000 in June as Census workers were laid off and private-sector hiring climbed more slowly after the initial phase of the recovery. However, private-sector employment continued to increase. Although unemployment remains high by historical standards, the seasonally adjusted unemployment rate declined for the quarter to 9.5%, from 9.7% in March.

According to the most recent estimate from the Commerce Department, corporate profits remain high. First quarter corporate profits were up 8.0% over the fourth quarter of 2009. First quarter profits for 2010 were up 34.0% over the first quarter of 2009.

% Change in Productivity and Corporate Profits

Source: Bureau of Labor Statistics, 3 June 2010, and Dept. of Commerce, 25 June 2010

Inflation remains tame in the U.S. According to the most recent estimate from the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index fell 0.2% in May. Partly because of "stable inflation expectations," the Federal Reserve declared in its June 23 meeting that it would maintain the federal-funds rate at 0 to 0.25%.

During the second quarter, the Census Bureau reported that single-family housing starts in the first quarter of 2010 rose 8.6% over the previous quarter. Month-over-month in the second quarter, all privately owned housing starts rose 5.8% in April but fell 10.0% in May. Compared with the same month of 2009, there were 40.9% more housing starts in April 2010 and 7.8% more in May.

The Census Bureau also reported that seasonally adjusted retail and food services sales increased 0.6% between March and April but fell 1.2% between April and May. Still, retail sales in May rose 6.9% from a year earlier.

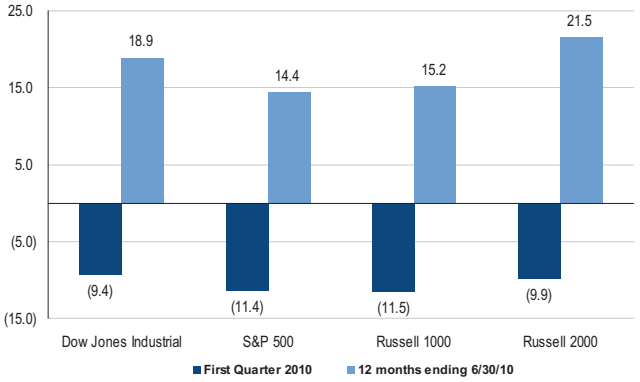
In April the Institute for Supply Management's manufacturing-sector index, the PMI, was 60.4, up 0.8 from March. May's PMI was 59.7, and June's was 56.2. The Institute's index of nonmanufacturing business, the NMI, was level at 55.4 for March through May and 53.8 in June. Generally speaking, a PMI or NMI over 50 indicates that the sector is expanding.

U.S. Equity Markets

Stock market volatility increased on investor jitters in May before returning to more normal levels. The VIX volatility index peaked after the "flash crash" of May 6, reaching a high of 47.7, still well below the 57.4 peak of January 2009. The VIX never exceeded 37.4 in June.

During the second quarter, all sectors of the S&P 500 reflected the overall correction in equity markets. The smallest declines were for utilities (3.7%), telecommunication services (4.2%) and consumer staples (8.1%). Greater declines occurred for consumer discretionary (10.89%), health care (11.79%), information technology (12.3%), industrials (12.3%), energy (12.8%) and financials (13.3%). The most severe decline came for materials (15.3%).

% Returns on Major U.S. Stock Market Indices



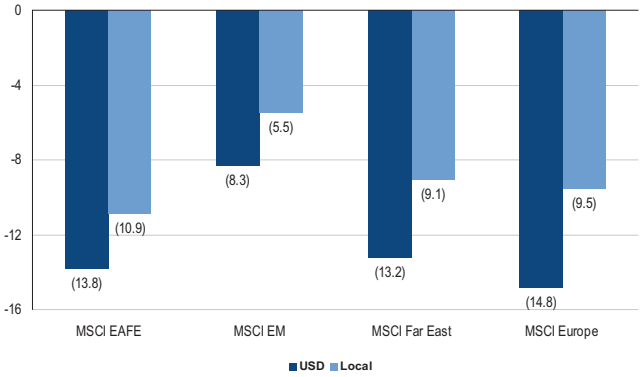
Source: Vestek

Small- and mid-cap stocks weathered the correction best. The Russell 1000 Index, a large-cap index, fell 11.5% for the quarter but was still up 15.2% for the 12-month period ending June 30. In comparison, the Russell 2000 Index, a small-cap index, declined 9.9% for the quarter but rose 21.5% for the 12-month period while the Russell Midcap Index also lost 9.9% for the quarter but gained 25.1% for the 12-month period.

Value slightly outperformed growth among large- and mid-cap stocks. The large-cap Russell 1000 Value Index was down 11.1% for the quarter and up 16.9% in the 12-month period while the Russell 1000 Growth Index fell 11.7% for the quarter and rose 13.6% for the 12-month period. The Russell Midcap Value Index fell 9.6% for the quarter and rose 28.9% for the 12-month period while the Russell Midcap Growth Index fell 10.2% for the quarter and rose 21.3% for the 12-month period. However, in small caps, the Russell 2000 Value Index was down 10.6% for the quarter and up 25.1% for the 12-month period while the Russell 2000 Growth Index fell only 9.2% for the quarter and rose 18.0% for the 12-month period.

Global Equity Markets

% Returns on Global Stock Market Indices



Source: Vestek

Equity markets abroad also underwent a quarterly correction in what appears to be a longer-term uptrend. In the second quarter, the Morgan Stanley Capital International Europe Australasia Far East Index ("EAFE"), a benchmark for developed markets, declined 10.9% in local terms and 13.8% for U.S. dollar-based investors. However, for the 12-month period ending June 30, the returns were up 10.4% in local terms and 6.4% in U.S. dollars.

Developing markets fared better. For the quarter, the MSCI Emerging Markets Index was down 5.5% in local terms and 8.3% in U.S. dollars, but 12-month returns were up 20.2% in local terms and 23.5% in U.S. dollars.

As investor concerns gathered steam, so did the correction, but after the initial downturn, returns stabilized. For April, the EAFE was down 1.2% in local terms and 1.7% in terms of the dollar. In May, the decline was 7.2 % in local terms or 11.2% in U.S. dollars. In June, the EAFE declined only 2.9% in local terms or 1.2% in U.S. dollars.

Stocks in most of the world followed a similar pattern. In April the MSCI Far East Index rose 0.4% in local terms and declined 0.02% in U.S. dollars. In May the same index declined 10.4% in local terms and 8.0% in U.S. dollars. In June this index declined only 3.5% in local terms and 1.2% in terms of the dollar. The MSCI Europe

Index declined 1.7% in local terms and 2.6% in U.S. dollars in April, 5.6% in local terms and 11.9% in U.S. dollars in May, and 3.5% in local terms or 1.2% in U.S. dollars in June. The MSCI The World Index rose 0.3% in local terms and 0.07% in U.S. dollars in April, fell 7.5% in local terms and 9.5% in U.S. dollars in May, and declined only 4.1% in local terms and 3.4% in U.S. dollars in June.

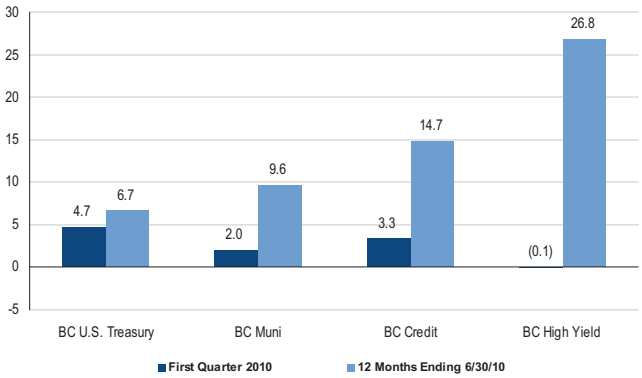
The U.S. Bond Market

Fixed-income markets reflected the same swings in investor sentiment. Toward the end of the quarter, the price of U.S. Treasuries rose and the yield declined as jumpy investors moved out of higher-yield but riskier investments. Ten-year Treasury yields began the quarter at 3.89% and ended at 2.97%. The Barclays Capital High Yield Index was down 0.1% for the quarter.

Once seen as toxic, mortgage-backed securities were also in demand, especially when backed by loans from government-sponsored lenders like Freddie Mac and Fannie Mae. The Barclays Capital Mortgage Backed Securities Index was up 2.9% for the quarter.

The U.S. municipal-bond market performed well because of strong investor demand for tax-exempt securities. The Barclays Capital Muni Index was up 2.0% for the quarter.

% Returns on Capital Markets Indices



Source: Vestek

U.S. Equity-Market % Returns (as of 30 June 2010)

	Second Quarter	12 Months Ending 6/30/10	Three Year (annualized)	Five Year (annualized)	Seven Year (annualized)
S&P 500 Index	(11.4)	14.4	(9.8)	(0.8)	2.8
Dow Jones Industrial Average	(9.4)	18.9	(7.4)	1.7	3.8
Russell 1000 Index	(11.5)	15.2	(9.6)	(0.6)	3.3
Russell 1000 Growth Index	(11.7)	13.6	(6.9)	0.4	2.9
Russell 1000 Value Index	(11.1)	16.9	(12.3)	(1.7)	3.5
Russell 3000 Index	(11.3)	15.7	(9.5)	(0.5)	3.5
Russell 3000 Growth Index	(11.6)	14.0	(7.0)	0.4	3.1
Russell 3000 Value Index	(11.1)	17.6	(12.1)	(1.6)	3.7
Russell Midcap Index	(9.9)	25.1	(8.2)	1.2	7.0
Russell Midcap Growth Index	(10.2)	21.3	(7.5)	1.4	6.1
Russell Midcap Value Index	(9.6)	28.9	(9.4)	0.7	7.4

Past performance is not a guarantee of future results. Indices are not available for direct investment.
Source: Vestek

S&P 500 Sector % Returns (as of 30 June 2010)

	Second Quarter
Utilities	(3.7)
Telecomm Service	(4.2)
Consumer Staples	(8.1)
Consumer Discretionary	(10.9)
Health Care	(11.8)
Information Technology	(12.3)
Industrials	(12.3)
Energy	(12.8)
Financials	(13.3)
Materials	(15.3)

Past performance is not a guarantee of future results. Indices are not available for direct investment.
Source: Vestek

Fixed Income % Returns (as of 30 June 2010)

	Second Quarter	12 Months Ending 6/30/10	Three Year (annualized)	Five Year (annualized)	10 Year (annualized)
U.S. Fixed Income					
90-Day Treasury Bill	0.04	0.12	1.12	2.50	2.26
Barclays Capital Aggregate	3.49	9.50	7.55	5.54	4.96
Barclays Capital Credit	3.27	14.68	7.40	5.31	4.94
Barclays Capital Govt/Credit	3.88	9.65	7.37	5.26	4.67
Barclays Capital Government	4.24	6.46	7.58	5.37	4.56
Barclays Capital High Yield	(0.11)	26.77	6.54	7.17	8.14
Barclays Capital Intermediate Govt/Credit	2.97	8.29	6.98	5.26	4.42
Barclays Capital Long Govt/Credit	8.56	16.49	9.43	5.57	5.88
Barclays Capital Mortgage Backed	2.87	7.47	8.23	6.25	5.65
Barclays Capital Municipal	2.03	9.61	5.50	4.40	4.41
Global Fixed Income					
Merrill Lynch Global High Yield (Hedged)	(0.48)	29.20	6.79	7.43	8.34
Barclays Global Treasury ex US	(1.00)	2.23	7.48	5.01	5.77
Barclays Capital Majors ex US	0.32	3.04	8.59	5.32	5.93

Past performance is not a guarantee of future results. Indices are not available for direct investment.
Source: Vestek

U.S. Treasury % Yields

	6/30/10	3/31/10	12/31/09	9/30/09	6/30/09
Three-Month Treasury Bills	0.12	0.15	0.05	0.12	0.18
Six-Month Treasury Bills	0.19	0.22	0.17	0.21	0.31
One-Year Treasury Bills	0.32	0.37	0.35	0.38	0.49
Two-Year Treasury Notes	0.72	0.96	0.87	0.96	1.18
Three-Year Treasury Notes	1.17	1.51	1.38	1.48	1.76
Five-Year Treasury Notes	2.00	2.43	2.34	2.37	2.71
Seven-Year Treasury Notes	2.66	3.16	3.07	3.02	3.37
Ten-Year Treasury Notes	3.20	3.73	3.59	3.40	3.72

Past performance is not a guarantee of future results.
Source: Federal Reserve, 12 July 2010

Developed Markets Equity % Returns (as of 30 June 2010)

	U.S. Dollar		Local Currency	
	Second Quarter	12 Months Ending 6/30/10	Second Quarter	12 Months Ending 6/30/10
Regional and Other Multi-Country Indices				
MSCI EAFE	(13.8)	6.4	(10.9)	10.4
MSCI Europe	(14.8)	6.3	(9.5)	17.3
MSCI Far East	(9.1)	(3.4)	(13.2)	(4.2)
MSCI Pacific ex. Japan	(14.22)	18.6	(9.3)	14.7
MSCI The World	(12.5)	10.8	(11.0)	12.1
MSCI World ex. U.S.	(13.4)	7.5	(10.4)	10.3
National Indices				
MSCI Hong Kong	(5.8)	14.3	(5.6)	14.9
MSCI Ireland	(19.8)	(7.0)	(11.4)	6.4
MSCI Japan	(10.1)	0.9	(14.8)	(7.5)
MSCI Singapore	0.02	29.4	(0.1)	24.8

Past performance is not a guarantee of future results. Indices are not available for direct investment.
Source: Vestek

Emerging Markets Equity Returns (as of 30 June 2010)

	U.S. Dollar		Local Currency	
	Second Quarter	12 Months Ending 6/30/10	Second Quarter	12 Months Ending 6/30/10
Regional and Other Multi-Country Indices				
MSCI EM	(8.3)	23.5	(5.5)	20.2
National Indices				
MSCI China	(4.5)	11.1	(4.2)	11.6
MSCI Malaysia	0.2	33.9	(0.5)	23.3
MSCI Taiwan	(9.3)	16.1	(8.2)	13.7
MSCI Thailand	(1.7)	35.1	(1.5)	28.4

Past performance is not a guarantee of future results. Indices are not available for direct investment.
Source: Vestek

INDEX DESCRIPTIONS: **DOW JONES INDUSTRIAL AVERAGE:** The most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials. The 30 stocks are chosen by the editors of *The Wall Street Journal* (published by Dow Jones & Company), a practice that dates back to the beginning of the century. Charles Dow officially started the Dow in 1896, at which time it consisted of only 11 stocks. The Dow is computed using a price-weighted indexing system, rather than the more common market-cap-weighted indexing system. Simply put, the editors at WSJ add up the prices of all the stocks and then divide by the number of stocks in the index. (In actuality, the divisor is much higher today in order to account for stock splits that have occurred in the past.) **Standard & Poor's 500 INDEX:** Covers 400 industrial, 40 utility, 20 transportation, and 40 financial companies in the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total return basis with dividends reinvested. **VIX INDEX:** (Chicago Board Options Exchange Volatility index) Estimates volatility in the S&P 500 index for the next 30 days using a weighted blend of prices for various options on the S&P. **RUSSELL 1000 INDEX:** Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 89% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $9.9 billion; the median market capitalization was approximately $3.7 billion. The smallest company in the index had an approximate market capitalization of $1,404.7 million. **RUSSELL 1000 GROWTH INDEX:** Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 1000 VALUE INDEX:** Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

RUSSELL 2000 INDEX: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 11% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $592.0 million; the median market capitalization was approximately $500.0 million. The largest company in the index had an approximate market capitalization of $1,402.7 million. **RUSSELL 2000 GROWTH INDEX:** Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. **RUSSELL 2000 VALUE INDEX:** Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. **RUSSELL MIDCAP INDEX:** Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 35% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution, the average market capitalization was approximately $3.7 billion; the median market capitalization was approximately $2.9 billion. The largest company in the index had an approximate market capitalization of $10.3 billion. **RUSSELL MIDCAP GROWTH INDEX:** Measures the performance of those Russell mid-cap companies with higher price-to-book ratios and higher forecasted growth rates. The stocks are also members of the Russell 1000 Growth Index. **RUSSELL MIDCAP VALUE INDEX:** Measures the performance of those Russell mid-cap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value Index.

RUSSELL 3000 INDEX: Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. **RUSSELL 3000 GROWTH INDEX:** Measures the performance of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth rates. The stocks are also members of the Russell 3000 Growth Index. **RUSSELL 3000 VALUE INDEX:** Measures the performance of those Russell mid-cap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 3000 Value Index.

N.B. All Lehman Brothers bond indices were converted to and renamed Barclays Capital indices on 3 November 2008.

BARCLAYS CAPITAL US TREASURY INDEX: Includes public obligations of the U.S. Treasury that have remaining maturities of one year or more. Treasury bills are excluded by the maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), U.S. Treasury TIPS, Bellwethers, and STRIPS are excluded. Ruses for inclusion: $250 million minimum par outstanding; must be rated investment grade, Baa3 by Moody's, BBB by Standard & Poor's, BBB by Fitch Investor Service; must be fixed rate coupon; step-up coupons are included; must be U.S. dollar denominated. Security types include public obligations of the U.S. Treasury, fixed-rate bullet, puttable, and callable; and soft bullets **BARCLAYS CAPITAL CREDIT INDEX:** All public, fixed-rate, nonconvertible investment grade domestic corporate debt. (collateralized mortgage obligations are not included). Only bonds rated at least baa by Moody's, BBB by Standard & Poor's, or BBB by Fitch Investor Service for nonrated bonds are included. **BARCLAYS CAPITAL GOVERNMENT INDEX:** The Treasury bond and agency bond indices (all publicly issued debt of agencies of the U.S. government, quasi-federal corporations and corporate debt guaranteed by the U.S. government, but not mortgage-backed securities.) are combined to form the government bond index. **BARCLAYS CAPITAL AGGREGATE INDEX:** Covers the dollar-denominated investment-grade fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS pass-through securities, asset-backed securities and commercial mortgage-based securities. These major sectors are subdivided into more specific sub-indices that are calculated and published on an ongoing basis. In order to qualify for inclusion in the U.S. Aggregate Index, a bond or security must meet certain criteria. **BARCLAYS CAPITAL GOVERNMENT/CREDIT INDEX:** The government, corporate and Yankee (all $US denominated, SEC registered, public nonconvertible debt issued or guaranteed by foreign sovereign governments, municipals, government agencies or international agencies) bond indices combine to form the Government/Corporate bond index. **BARCLAYS CAPITAL INTERMEDIATE GOVERNMENT CREDIT INDEX:** Mix of SLHGI 75% and SLHCI 25%. Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities between one and 9.99 years. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization. **BARCLAYS CAPITAL LONG GOVERNMENT/CREDIT INDEX:** Composed of all bonds covered by BARCLAYS CAPITAL GCB index with maturities of 10 years or greater. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indices are rebalanced monthly by market capitalization. **BARCLAYS CAPITAL MORTGAGE BACKED INDEX:** All fixed securities issued and backed by mortgage pools of GNMAs, FHLMCs, FNMAs, graduated payment mortgages (GPMs), but not graduated equity mortgages (GEMs). The minimum principal amount required is $50 million. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. The index is rebalanced monthly by market capitalization. **BARCLAYS CAPITAL HIGH YIELD INDEX:** Covers the universe of fixed rate, non-investment-grade debt. Pay-in-kind (PIK) bonds, Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Mexico, Venezuela, etc.) are excluded, but

Yankee and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes and step-up coupon structures are also included. Liquidity Rules: All bonds included in the High Yield Index must be dollar-denominated and nonconvertible and have at least one year remaining to maturity and an outstanding par value of at least $150 million. Quality Rating Rules: Securities in the index must be rated Ba1 or lower. If both Moody's and S&P provide a rating for a security, the lower of the two ratings is used. A small number of unrated bonds is included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. Components: The index has several subcomponents. Intermediate indices include bonds with remaining maturities of less than 10 years; long indices include bonds with remaining maturities of 10 years or more. The index also has subdivisions by credit quality, and subindices are available that exclude securities in default. **BARCLAYS CAPITAL MUNI INDEX:** The composite measure of the total return performance of the muni bond market. The muni mkt contains over 2 million different bond issues. the market is divided into 7 major sectors: state G.O. debt (31%), prerefunded bonds (7.7%); electric utility revenue bonds (7.79%); hospital revenue bonds (3.4%); state housing revenue bonds (3.4%); industrial development and pollution control revenue bonds (1.8%) and transportation revenue bonds (7.1%). These weightings are reviewed annually.

MERRILL LYNCH GLOBAL HIGH YIELD INDEX: Includes below investment-grade bonds of corporate issuers domiciled in countries having an investment-grade long-term debt rating. **BARCLAYS CAPITAL MAJORS EX-US INDEX:** An unhedged aggregate of the BC Global Treasury indices for Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Spain, Sweden and the United Kingdom. **BARCLAYS CAPITAL GLOBAL TREASURY EX-US INDEX:** Includes government bonds issued by investment-grade countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

MSCI EUROPE, AUSTRALASIA AND THE FAR EAST (EAFE) INDEX: A free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada. As of May 27, 2010, the index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. **MSCI EMERGING MARKETS INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 27, 2010, the index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. **MSCI FAR EAST INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the Far East. As of March 2010, the MSCI Far East Index consisted of the following country indices: Hong Kong, Japan, and Singapore. **MSCI EUROPE INDEX:** A free-float-adjusted market capitalization weighted index that is designed to measure developed market equity performance in Europe. As of June 2007, the index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits.

MSCI THE WORLD INDEX: A free-float-adjusted market capitalization index that is designed to measure developed equity market performance worldwide. The MSCI The World index consists of the following country 24 developed country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. **MSCI WORLD EX USA INDEX:** A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. As of May 27, 2010 the index consisted of the following 23 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. **MSCI PACIFIC EX JAPAN INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region, excluding Japan. As of June 2007, the index consisted of the following four Developed Market countries: Australia, Hong Kong, New Zealand and Singapore. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits.

MSCI HONG KONG INDEX: A free-float-adjusted market capitalization index that is designed to measure equity market performance in Hong Kong. **MSCI IRELAND INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Ireland. **MSCI JAPAN INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Japan. **MSCI SINGAPORE INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Singapore.

MSCI CHINA INDEX: A free-float-adjusted market capitalization index that is designed to measure equity market performance in China. **MSCI MALAYSIA INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Malaysia. **MSCI TAIWAN INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Taiwan. **MSCI THAILAND INDEX:** A free-float-adjusted market capitalization index that is designed to measure equity market performance in Thailand.

Indices are not available for direct investment. Index returns consist of income and capital appreciation (or depreciation) and do not take into account fees, taxes or other charges. Such fees and charges would reduce performance.

DISCLOSURES

Although the statements of fact and data in this report have been obtained from, and are based upon, sources the firm believes reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm's judgment as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. Past performance is not a guarantee of future results.

To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes and differences in financial and accounting standards. These risks may be magnified in **emerging markets**. International investing may not be for everyone. **Small- and mid-capitalization companies** may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of small-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Bonds** are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which allows the issuer to retain the right to redeem the debt, fully or partially, before the scheduled maturity date. Proceeds from sales prior to maturity may be more or less than originally invested due to changes in market conditions or changes in the credit quality of the issuer. With respect to fixed income securities, please note that, in general, as prevailing interest rates rise, fixed income securities prices will fall. **High yield bonds** are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues.

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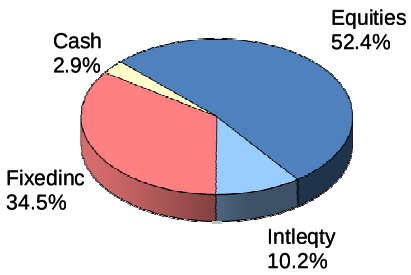
ASSET ALLOCATION ANALYSIS

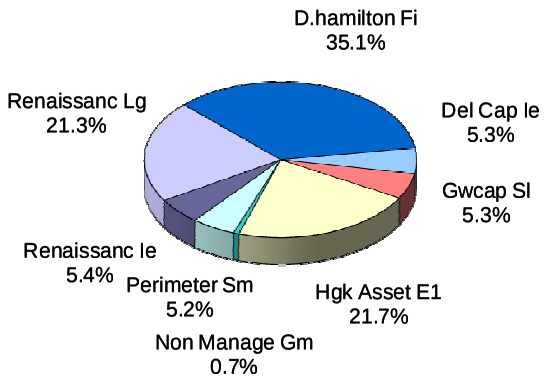
Ormond Beach Police Officers' Pension

AS OF 06/30/2010

ALLOCATION by ASSET CLASS



ALLOCATION by MANAGER & STYLE



Asset Allocation	*Lower Limit*	*Upper Limit*	*Strategic Allocation*	*Total Fund*	*Percentage Difference*	*Strategic Allocation($000)*	*Total Fund Allocation($000)*	*Difference($000)*
Total Equities - Domestic & Intl			**65.0%**	**64.2%**	**-0.8%**	**$11,932**	**$11,785**	**-$147**
Equity Investments			**55.0%**	**53.5%**	**-1.5%**	**$10,097**	**$9,823**	**-$274**
Us Large Value Equity - Hgk Asset	20.0%	25.0%	22.5%	21.7%	-0.8%	$4,130	$3,987	-$143
Us Large Growth Equity - Renaissanc	20.0%	25.0%	22.5%	21.3%	-1.2%	$4,130	$3,906	-$224
Us Small-mid Value Equity - Gwcap	2.5%	7.5%	5.0%	5.3%	0.3%	$918	$976	$58
Us Small-mid Growth Equity - Perimeter	2.5%	7.5%	5.0%	5.2%	0.2%	$918	$954	$36
International Equity								
International Equity - All Managers	5.0%	15.0%	10.0%	10.7%	0.7%	$1,836	$1,962	$127
Fixed Income Investments								
Fixed Income - D.hamilton	30.0%	40.0%	35.0%	35.1%	0.1%	$6,425	$6,449	$24
Cash & Equivalents								
Non-Managed	0.0%	0.0%	0.0%	0.7%	0.7%	$0	$123	$123
TOTAL ALLOCATION			**100.0%**	**100.0%**		**$18,358**	**$18,357**	

ESTMENT PRODUCTS: NOT FDIC INSURED · NO BANK GUARANTEE · MAY LOSE VALUE

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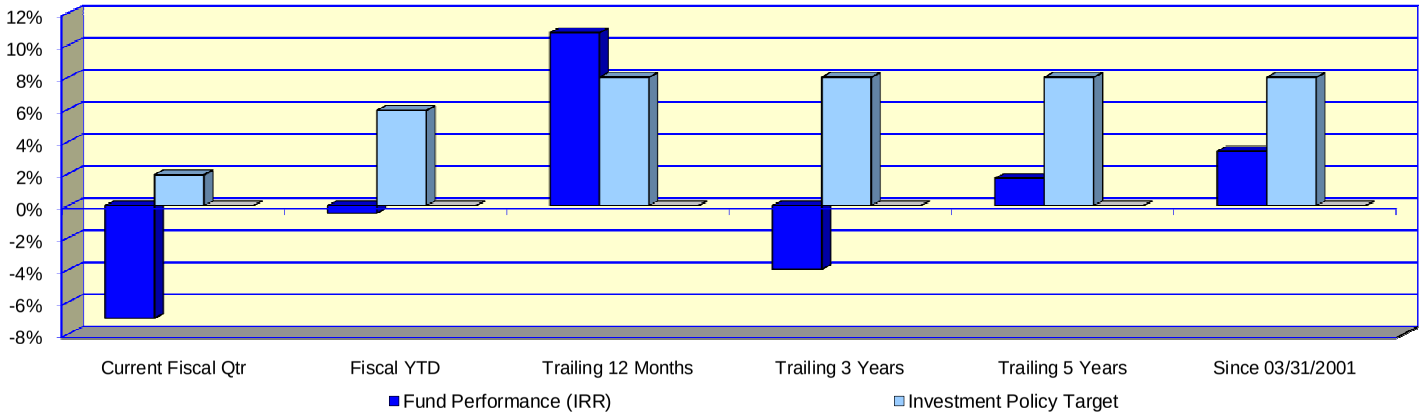
INVESTMENT POLICY MONITOR (DOLLAR WEIGHTED IRR)

Ormond Beach Police

AS OF 06/30/2010



Asset Class *Investment Manager*	*Current Fiscal Qtr*	*Fiscal YTD*	*Trailing 12 Months*	*Trailing 3 Years*	*Trailing 5 Years*	*Since 03/31/2001*
Fund Performance (IRR)	**-7.11**	**-0.81**	**10.27**	**-4.34**	**1.24**	**2.91**
Investment Policy Objectives						
Investment Policy Target	1.94	5.94	8.00	8.00	8.00	8.00

Investment Policy Objective

Primary investment emphasis must be placed upon the consistent protection of the funds and growth performance, i.e. the achievement of adequate investment growth must not be at the expense of the protection of the assets over the investment horizon.

An absolute annual total rate of return of 8.00%.

Return greater than inflation, as measured by the Consumer Price Index (CPI), by 4.00% per year.

Dollar–Weighted Returns

(Internal Rate of Return)

The investment policy monitor is calculated on a dollar-weighted basis, accounting for deposits and cash flows upon receipt. The dollar-weighted or "internal rate of return - IRR" is the actual rate earned by the Fund. The dollar–weighted return is the appropriate measurement to evaluate the fund's performance in relation to the statement of investment policy and guidelines.

Report Created: 8/5/2010

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INVESTMENT PERFORMANCE SUMMARY (TIME WEIGHTED)

Ormond Beach Police

AS OF 06/30/2010

Investment Returns are Annualized and Time Weighted (%)	Current Fiscal Qtr	Fiscal YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/2001	Since Inc Period End	Account Number
TOTAL FUND	***-6.98***	***-0.70***	***+10.39***	***-3.96***	***+1.60***	***+3.30***	***03/31/2001***	
Composite	-6.61	+0.92	+13.59	-2.31	+2.94	+3.75		
EQUITY INVESTMENTS								
HGK Asset management	-11.67	-5.43	8.42	N/A	N/A	14.06	04/30/2009	010-63119
Russ 1000 Value	-11.14	-1.11	16.93			19.62		
Renaissance Investment Management	-11.82	-3.74	7.56	N/A	N/A	-9.44	07/31/2007	010-53637
Russ 1000 Growth	-11.74	-0.30	13.62			-6.60		
G.W. Capital	-10.08	7.46	22.11	N/A	N/A	21.61	10/31/2008	010-60289
Russ 2500 Value	-10.16	3.01	26.47			11.00		
Perimeter - Small Cap Growth	-8.07	2.59	18.55	N/A	N/A	19.24	04/30/2009	010-63122
Russ 2500 Growth	-9.77	3.64	21.44			24.18		
INTERNATIONAL EQUITY								
Delaware Investments	-13.16	-12.32	3.49	-11.81	N/A	0.89	07/31/2005	010-40254
MSCI EAFE (net)	-13.98	-11.36	5.90	-13.39		0.27		
Renaissance Investment Management	-12.22	-5.87	9.88	N/A	N/A	20.50	04/30/2009	010-63125
MSCI AC Wd xUS (Net)	-12.44	-7.74	10.43			20.25		
FIXED INCOME INVESTMENTS								
Davis Hamilton Jackson & Assoc (Houston)	2.25	5.77	12.06	9.53	6.87	5.99	09/30/2003	010-29026
BC Int Gov/Credit	2.97	4.88	8.29	6.98	5.26	4.59		
CASH & CASH EQUIVALENTS								
Non-Managed Account	0.00	0.01	0.01	N/A	N/A	N/A	12/31/2008	010-62128
90-Day TB	0.04	0.08	0.12					

Report Created: 8/5/2010

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INVESTMENT PERFORMANCE SUMMARY (DOLLAR WEIGHTED)

Ormond Beach Police

AS OF 06/30/2010

Investment Returns are Annualized and Dollar Weighted (%)	Current Fiscal Qtr	Fiscal YTD	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/2001	Since Inc Period End	Account Number
Total Fund	***-7.11***	***-0.81***	***10.27***	***-4.34***	***1.24***	***2.91***	***03/31/2001***	
EQUITY INVESTMENTS								
HGK Asset management	-11.78	-5.51	8.50	N/A	N/A	14.19	04/30/2009	010-63119
Renaissance Investment Management	-11.92	-3.87	7.49	N/A	N/A	-10.47	07/31/2007	010-53637
G.W. Capital	-9.77	9.25	24.30	N/A	N/A	22.70	10/31/2008	010-60289
Perimeter - Small Cap Growth	-8.18	2.18	17.99	N/A	N/A	18.75	04/30/2009	010-63122
INTERNATIONAL EQUITY								
Delaware Investments	-13.37	-12.87	2.71	-15.65	N/A	0.73	07/31/2005	010-40254
Renaissance Investment Management	-12.41	-6.36	9.22	N/A	N/A	19.86	04/30/2009	010-63125
FIXED INCOME INVESTMENTS								
Davis Hamilton Jackson & Assoc (Houston)	2.20	5.59	11.79	9.28	6.84	5.95	09/30/2003	010-29026
CASH & CASH EQUIVALENTS								
Non-Managed Account	0.00	0.01	0.01	N/A	N/A	0.02	01/31/2009	010-62128

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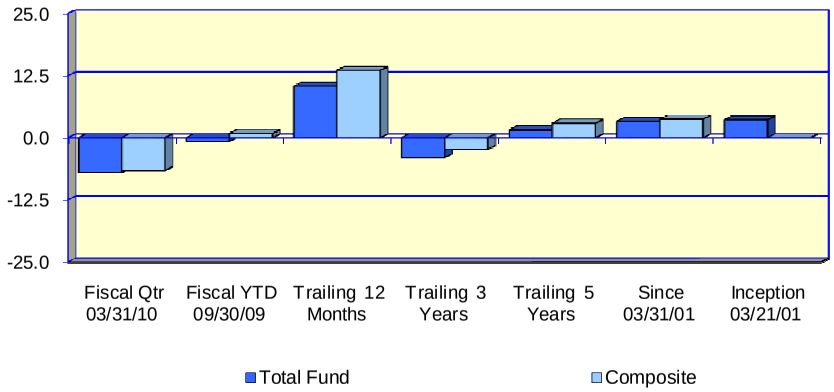
TOTAL FUND

Ormond Beach Police

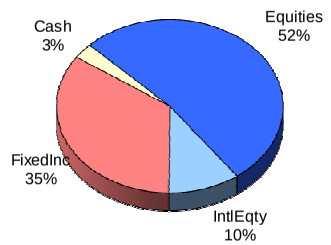
AS OF 06/30/2010

Portfolio Performance (%)

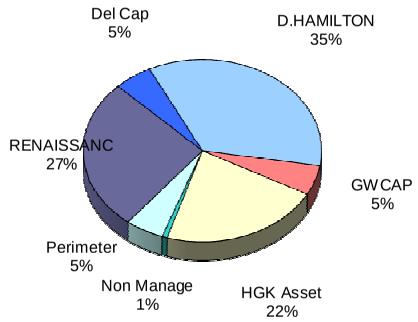


Asset Allocation ($000)

Equities	IntlEqty	FixedInc	Cash	Total
9,622	1,875	6,329	531	18,358

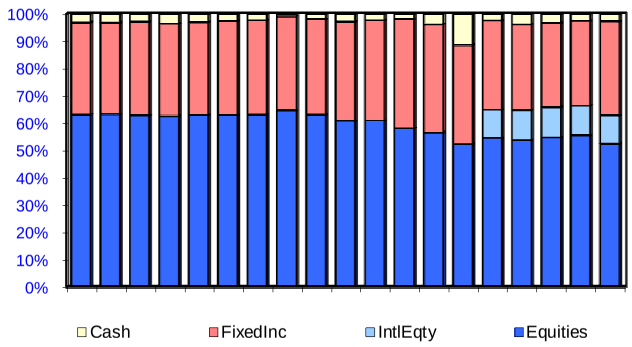


Asset Allocation By Manager



Investment Returns (%) Since:	Fiscal Qtr 03/31/10	Fiscal YTD 09/30/09	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 03/31/01	Inception 03/21/01
Total Fund	**-6.98**	**-0.70**	**10.39**	**-3.96**	**1.60**	**3.30**	**3.64**
Composite	-6.61	0.92	13.59	-2.31	2.94	3.75	N/A
Ormond Beach Total Index	-6.51	1.03	13.36	-3.64	2.16	3.26	N/A
010-63119 04/2009 HGK Asset	-11.67	-5.43	8.42	N/A	N/A	14.06	17.76
010-53637 07/2007 RENAISSANC	-11.82	-3.74	7.56	N/A	N/A	-9.44	-9.44
010-60289 10/2008 GWCAP	-10.08	7.46	22.11	N/A	N/A	21.61	21.58
010-63122 04/2009 Perimeter	-8.07	2.59	18.55	N/A	N/A	19.24	26.45
010-40254 07/2005 Del Cap	-13.16	-12.32	3.49	-11.81	N/A	0.89	0.93
010-63125 04/2009 RENAISSANC	-12.22	-5.87	9.88	N/A	N/A	20.50	25.70
010-29026 09/2003 D.HAMILTON	2.25	5.77	12.06	9.53	6.87	5.99	5.99
010-62128 12/2008 Non Manage	0.00	0.01	0.01	N/A	N/A	N/A	N/A

Allocation Over Time



Asset Growth ($000)							
Beginning Market Value	20,192	19,339	17,274	22,621	18,432	15,199	14,729
Net Contributions & Withdrawals	-448	-893	-765	-1,763	-1,677	-2,193	-2,193
Gain/Loss + Income	-1,386	-88	1,849	-2,500	1,603	5,352	5,822
Ending Market Value	18,358	18,358	18,358	18,358	18,358	18,358	18,358

Report Created: 8/5/2010

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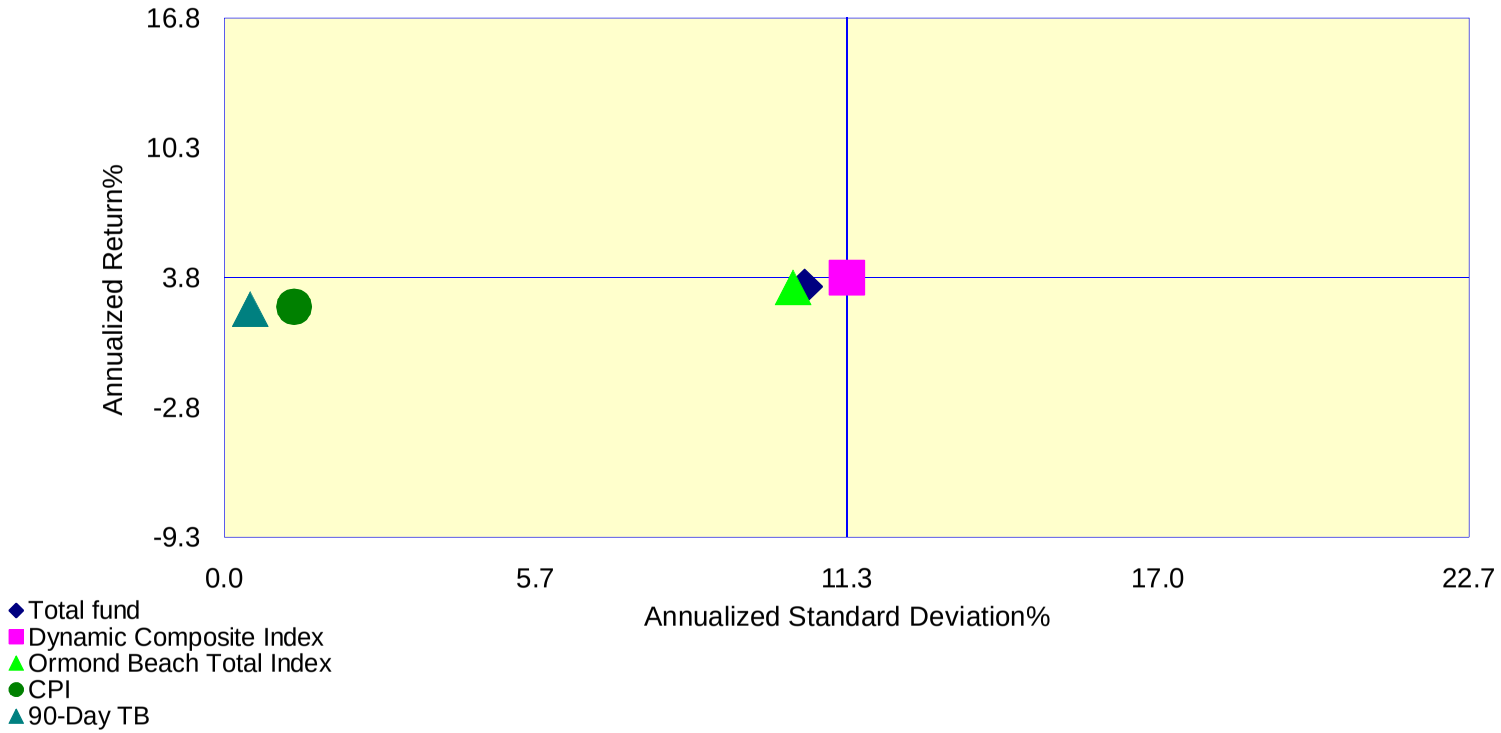
TOTAL FUND

Ormond Beach Police | As Of 06/30/2010

Risk Return Analysis Since 03/31/2001



Annualized %	*Return*	*Std. Dev.*
Total fund	*3.30*	*10.56*
Dynamic Composite Index	3.75	11.33
Ormond Beach Total Index	3.26	10.35
CPI	2.28	1.27
90-Day TB	2.17	0.47

Report Created: 8/5/2010

Please refer to the attached Disclosures for important information.

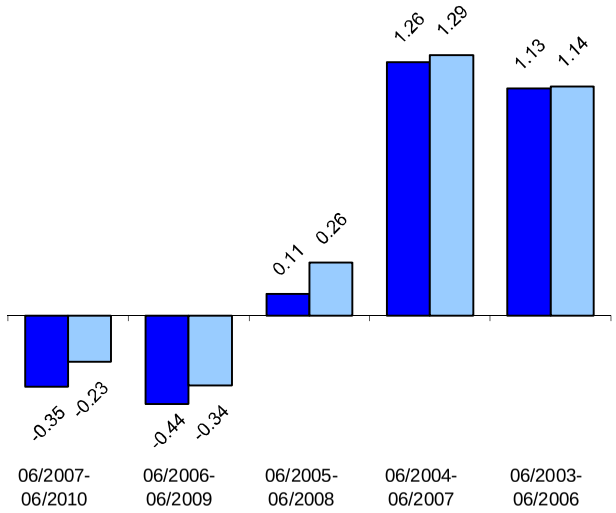
Graystone Consulting℠

TOTAL FUND RISK ANALYSIS

Ormond Beach Police

AS OF 06/30/2010

Sharpe Ratios 3-Year Rolling Periods



Ormond Beach Police

Composite Index

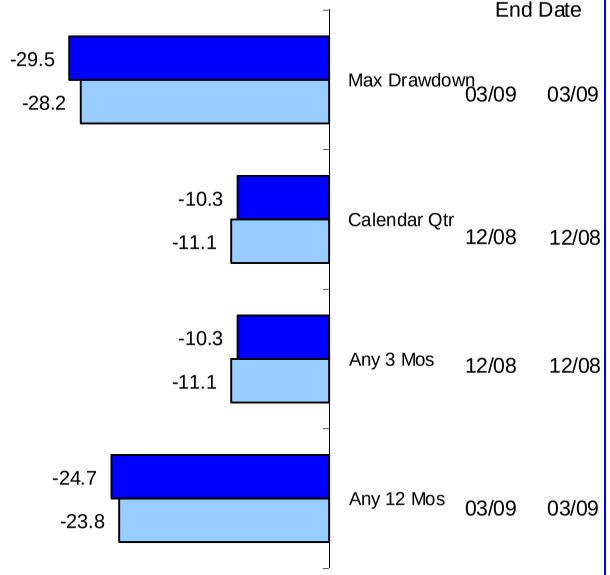
Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index.

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No presentation is made that these amounts represent maximum future loss.*

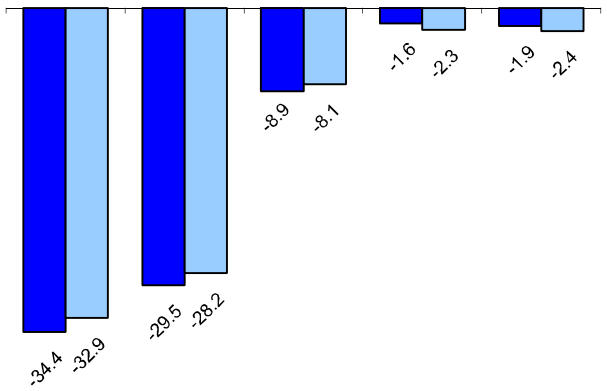
Down Capture is the measure of the fund`s total return whenever the index returns are negative.

Up Capture is the measure of the fund`s total return whenever the index returns are positive.

Loss in Varying Time Periods (%)



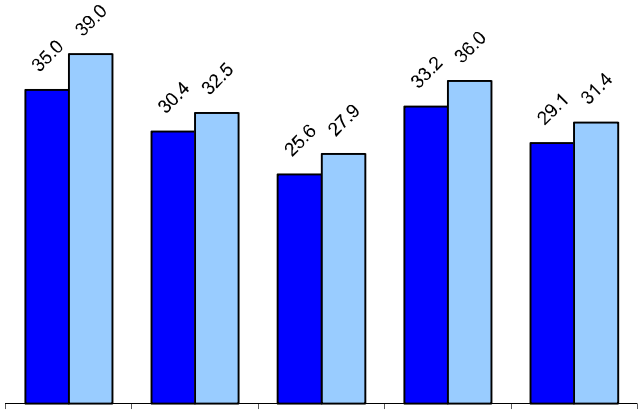
Down Capture Returns (%) 3-Year Rolling Periods



06/2007-06/2010	06/2006-06/2009	06/2005-06/2008	06/2004-06/2007	06/2003-06/2006
1.04	1.05	1.09	0.69	0.78

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



06/2007-06/2010	06/2006-06/2009	06/2005-06/2008	06/2004-06/2007	06/2003-06/2006
0.90	0.94	0.92	0.92	0.93

Up Capture Ratios

Report Created: 8/5/2010

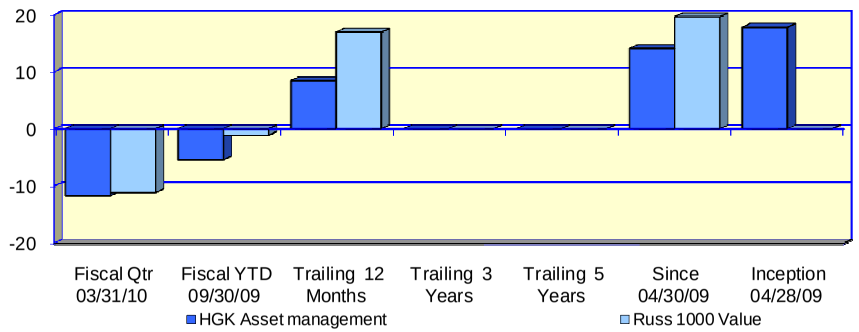
Please refer to the attached Disclosures for important information.

Graystone Consulting℠

EXECUTIVE SUMMARY

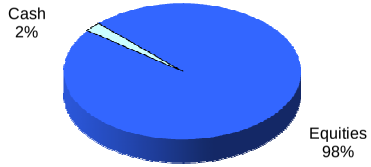
Ormond Beach Police HGK Asset management — AS OF 06/30/2010

Portfolio Performance(%)



Asset Allocation ($000)

Equities	Cash	Total
3,897	90	3,987

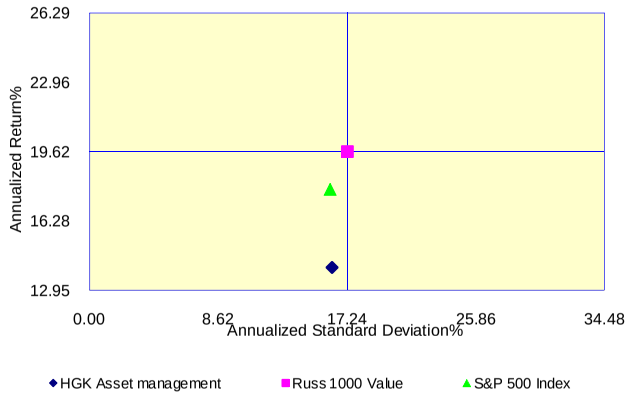


Investment Returns (%) Since:	Fiscal Qtr 03/31/10	Fiscal YTD 09/30/09	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 04/30/09	Inception 04/28/09
HGK Asset management	***-11.67***	***-5.43***	***8.42***	N/A	N/A	***14.06***	***17.76***
Russ 1000 Value	-11.15	-1.11	16.93			19.61	N/A
Asset Growth ($000)							
Beginning Market Value	4,519	4,445	3,880	N/A	N/A	3,603	0
Net Contributions & Withdrawals	-5	-230	-233	N/A	N/A	-228	3,284
Gain/Loss + Income	-527	-228	340	N/A	N/A	612	703
Ending Market Value	3,987	3,987	3,987	N/A	N/A	3,987	3,987

Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	0.85
Beta	0.92	Index Sharpe Ratio	1.13
Alpha	-3.40%		
R^2	95%		

Risk / Return Analysis Since 04/30/2009



Annualized %	Return	Std. Dev.
HGK Asset management	***14.06***	***16.23***
Russ 1000 Value	19.62	17.24
S&P 500 Index	17.81	16.10

Economic Sector Allocation

	% Equity	% R1000V
Energy	15.2	10.7
Materials	2.8	2.9
Industrials	9.0	8.8
Consumer Discretionary	10.3	7.4
Consumer Staples	9.3	10.6
Health Care	13.1	13.4
Financials	19.5	28.5
Information Technology	8.8	5.5
Telecommunication Services	4.4	4.9
Utilities	7.5	7.4

Top Equity Holdings

	% Equity
Chevron	2.7
Conocophillips	2.7
Travelers Companies	2.6
Entergy Corp	2.6
Danaher Corp	2.5
Exxon Mobil	2.5
Colgate Palmolive	2.5
Johnson & Johnson	2.5
Kimberly Clark	2.4
American Elec Power	2.4

Report Created: 8/5/2010

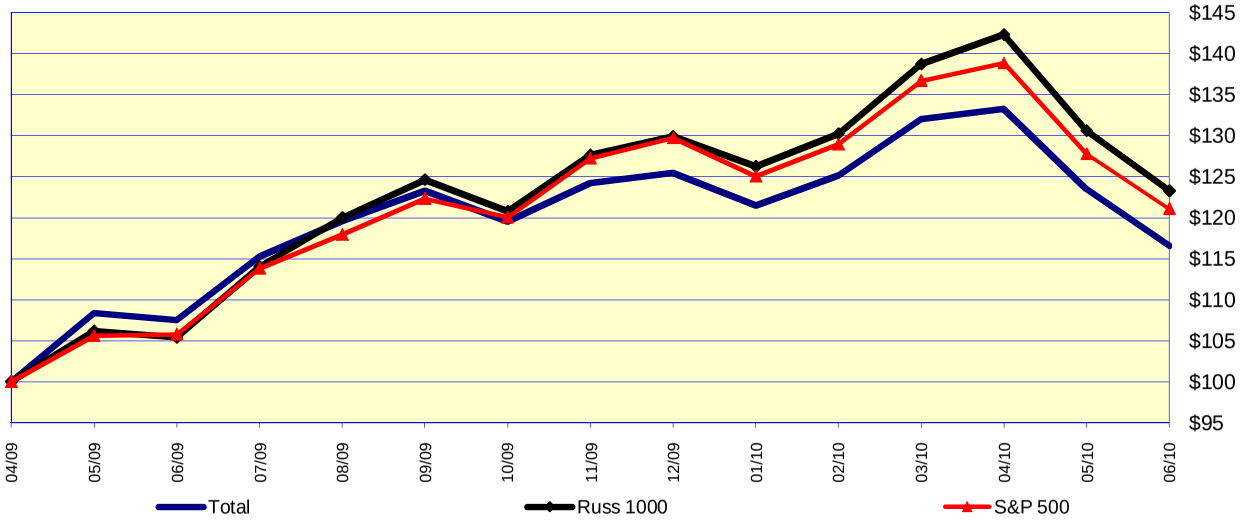
Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

Ormond Beach Police HGK Asset management | As Of 06/30/2010

Growth of $100 Graph

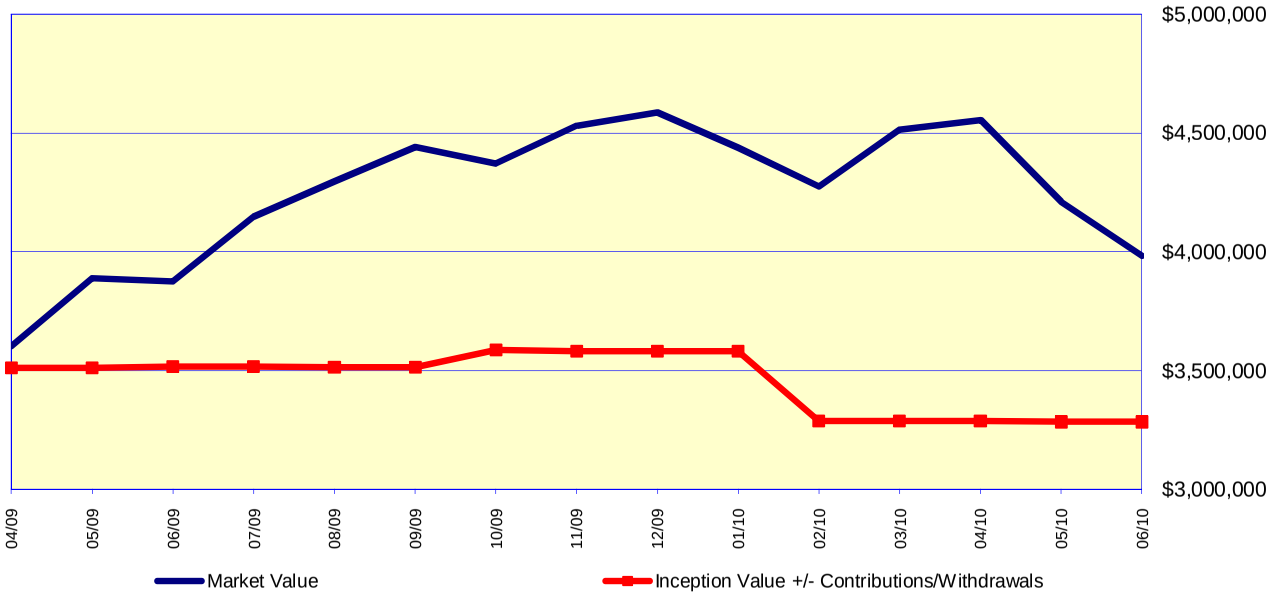
This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

One of the graph lines denotes the period-end market values of the portfolio over time. This is simply a visual representation of the ebb and flow of the portfolio's market value period-to-period. The other line represents the original dollars invested adjusted for contributions or withdrawals.

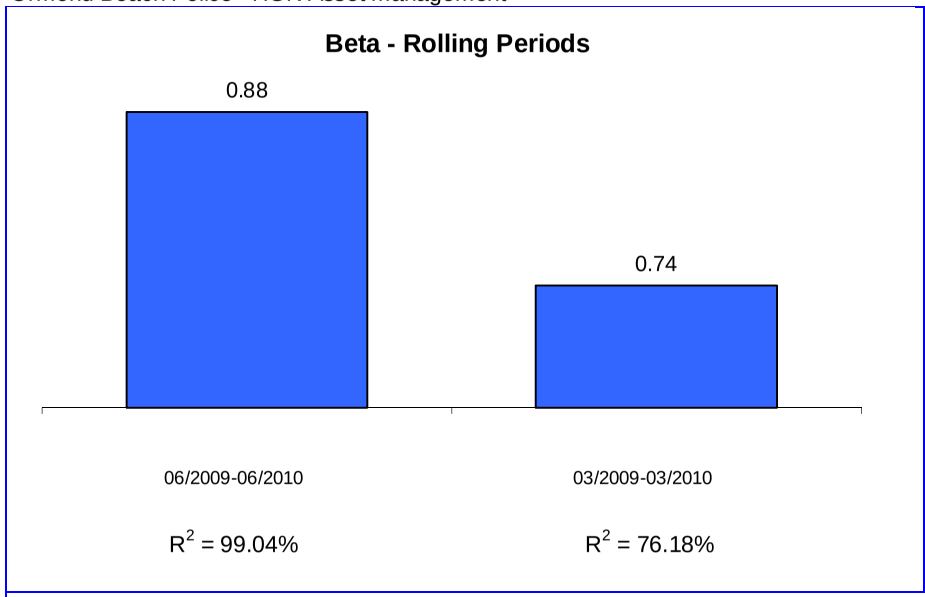


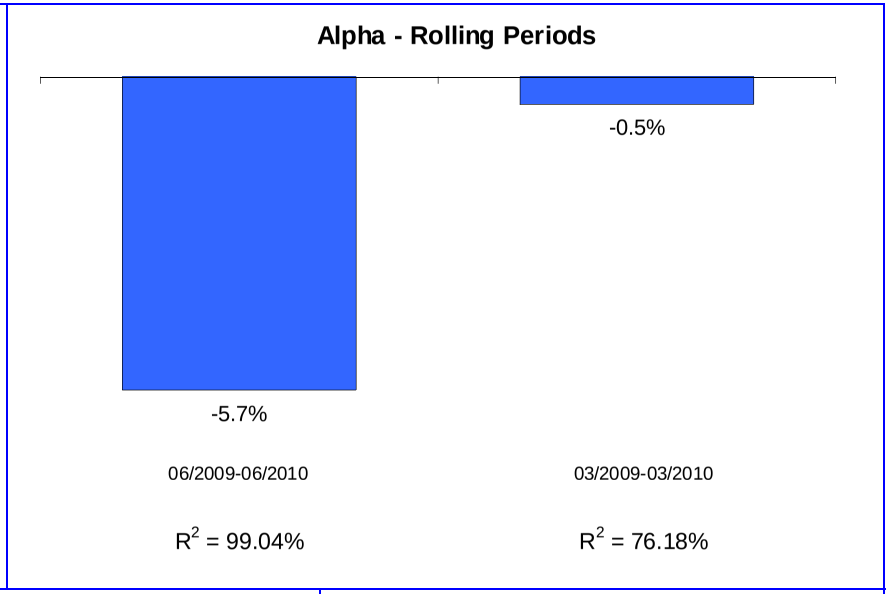
Report Created: 8/5/2010

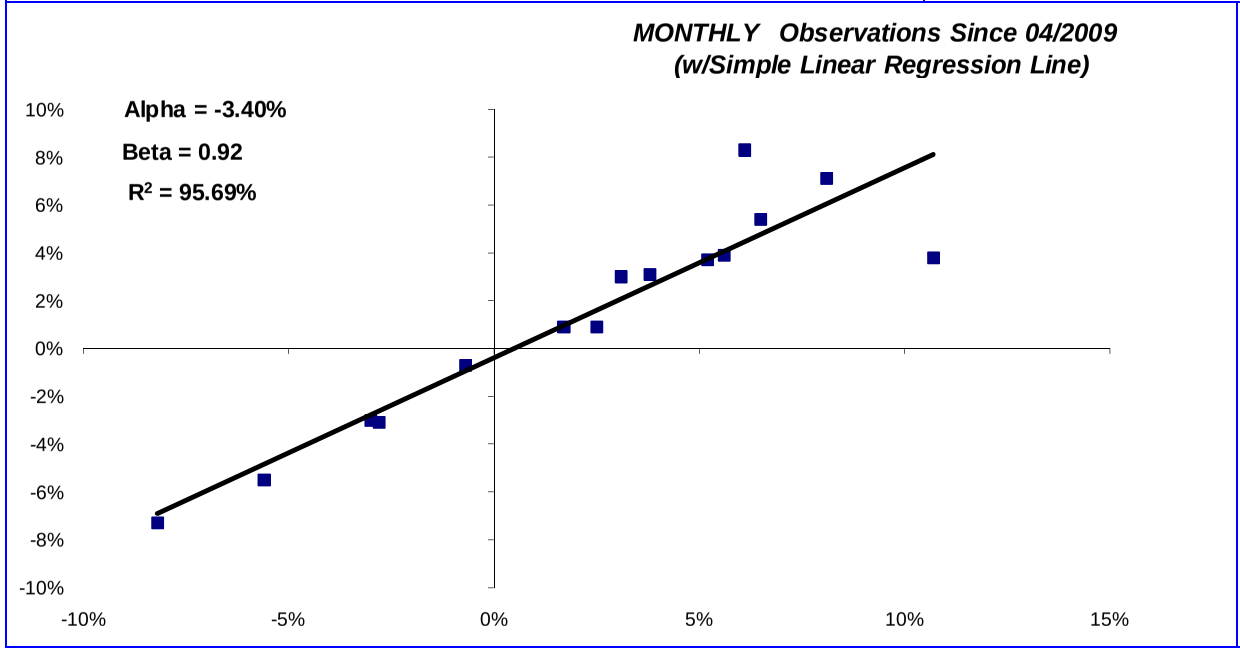
Graystone Consulting℠

MODERN PORTFOLIO THEORY

Ormond Beach Police HGK Asset management AS OF 06/30/2010







Modern Portfolio Theory seeks to quantify the relationship between risk and return and operates under the assumption that an investor must be compensated for assuming risk. **Alpha** is a measure of a portfolio's return in excess of the market return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rate of return against that of the market. A beta greater than 1.00 indicates volatility greater than the market. **R2** is a measure that indicates the extent to which fluctuations in portfolio returns are correlated with those of the general market. An R-squared of 0.80 implies that 80% of the fluctuation of a portfolio's return is explained by the fluctuation in the market.

Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 8/5/2010

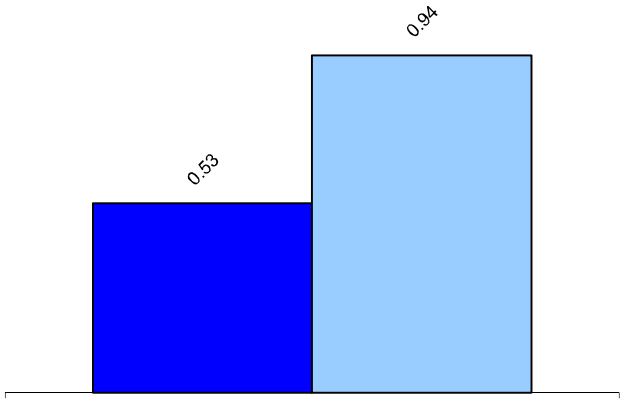
Graystone Consulting℠

MANAGER RISK ANALYSIS

Ormond Beach Police

AS OF 06/30/2010

Sharpe Ratios 1-Year Rolling Periods



06/2009-06/2010

HGK Asset management

Russ 1000 Value

Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

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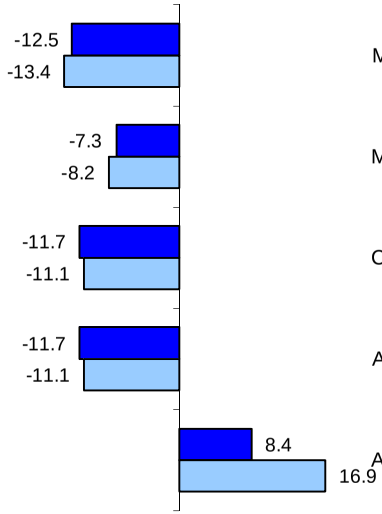
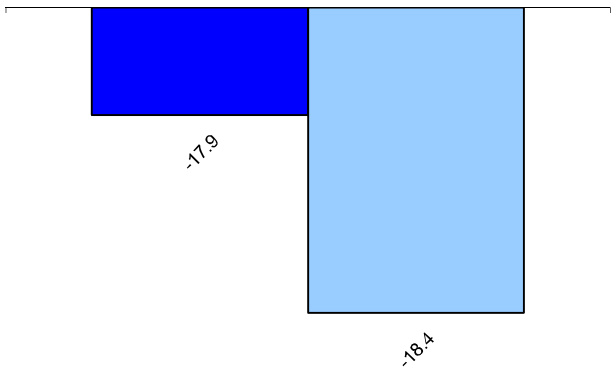
Loss in Varying Time Periods (%)



	Mgr. End Date	Index End Date
Max Drawdown	06/10	06/10
Month	05/10	05/10
Calendar Qtr	06/10	06/10
Any 3 Mos	06/10	06/10
Any 12 Mos	06/10	06/10

Down Capture Returns (%) 1-Year Rolling Periods

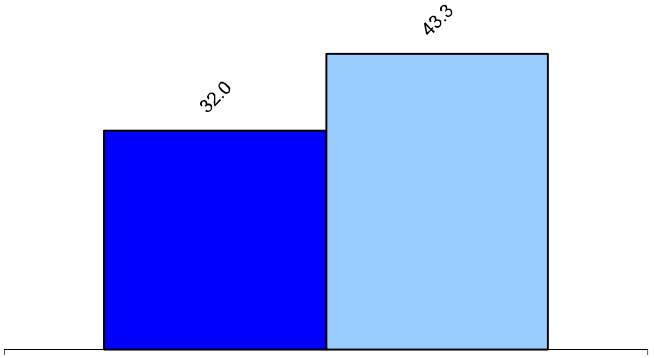


06/2009-06/2010

0.97

Down Capture Ratios

Up Capture Returns (%) 1-Year Rolling Periods



06/2009-06/2010

0.74

Up Capture Ratios

Report Created: 8/5/2010

VESTEK EQUITY PROFILE

Ormond Beach Police - HGK AS OF 6/30/2010

Valuation	Portfolio	Russell 1000 Value	S&P 500
Price/Book	2.35	1.79	3.01
P/E Ratio	12.86	15.85	16.14
Adjusted P/E Ratio	13.51	18.79	19.36
P/E Ratio (Year 1)	10.47	11.83	12.51
P/E Ratio (Year 2)	9.17	9.90	10.65
Yield (%)	2.64	2.51	2.20
Growth & Momentum			
% EPS Growth - Past 5 Years	4.17	0.07	5.73
% EPS Growth - Next 5 Years	11.75	12.15	14.74
Earnings Surprise	0.55	3.21	2.76
Earnings Surprise %-ile	43.91	48.26	50.06
Earnings Strength	26.59	36.23	35.99
Earnings Strength %-ile	46.40	47.43	52.62
Return on Equity	17.33	12.09	19.47

DISCLAIMER FOR VESTEK EQUITY ANALYTICS

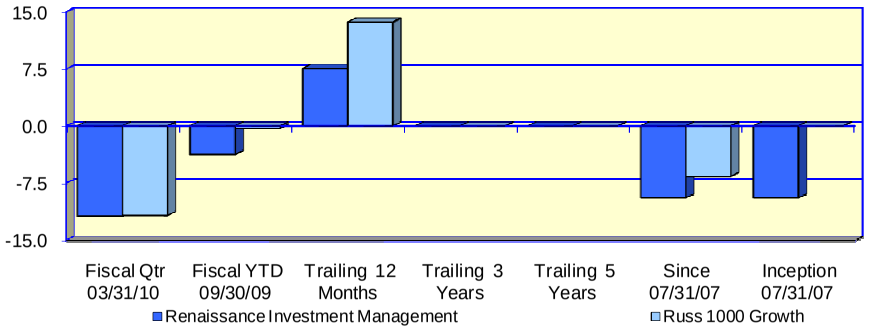
This analysis is based upon information supplied by the Client or its custodian and software developed by Vestek Systems. The underlying data is believed to be reliable but accuracy and completeness cannot be assured. While the characteristics described in this report are believed to accurately reflect the overall nature of the portfolio, all of the constituent securities may not have been considered. This evaluation is for informational purposes only and is not intended to be an offer, solicitation or recommendation with respect to the purchase or sale of any security or a recommendation of the services of any money management organization. Past results are not necessarily indicative of future performance.

Graystone Consulting℠

EXECUTIVE SUMMARY

Ormond Beach Police Renaissance Investment Management AS OF 06/30/2010

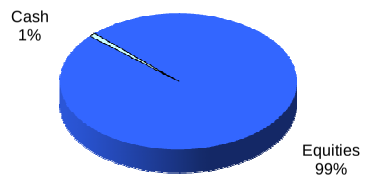
Portfolio Performance(%)



Investment Returns (%) Since:	Fiscal Qtr 03/31/10	Fiscal YTD 09/30/09	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 07/31/07	Inception 07/31/07
Renaissance Investment Managemen	**-11.82**	**-3.74**	**7.56**	N/A	N/A	**-9.44**	**-9.44**
Russ 1000 Growth	-11.74	-0.30	13.62			-6.60	N/A
Asset Growth ($000)							
Beginning Market Value	4,548	4,180	3,919	N/A	N/A	6,054	6,054
Net Contributions & Withdrawals	-119	-132	-315	N/A	N/A	-606	-606
Gain/Loss + Income	-523	-142	302	N/A	N/A	-1,542	-1,542
Ending Market Value	3,906	3,906	3,906	N/A	N/A	3,906	3,906

Asset Allocation ($000)

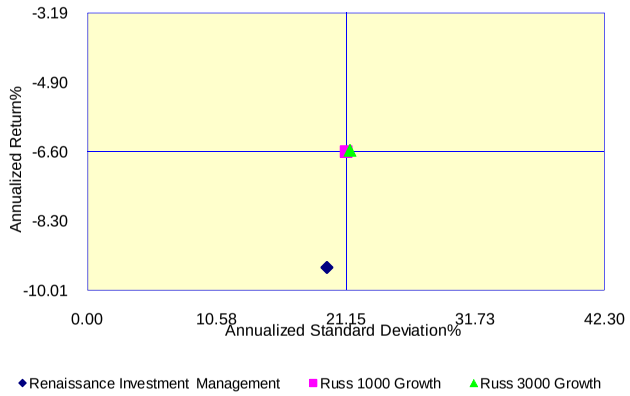
Equities	Cash	Total
3,871	35	3,906



Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	-0.53
Beta	0.90	Index Sharpe Ratio	-0.35
Alpha	-3.86%		
R^2	94%		

Risk / Return Analysis Since 07/31/2007



Annualized %	Return	Std. Dev.
Renaissance Investment Management	**-9.44**	**19.57**
Russ 1000 Growth	-6.60	21.15
Russ 3000 Growth	-6.56	21.47

Economic Sector Allocation

	% Equity	% R1000G
Energy	3.8	10.1
Materials	1.4	4.7
Industrials	22.2	13.0
Consumer Discretionary	25.8	14.1
Consumer Staples	1.9	10.1
Health Care	10.5	10.9
Financials	1.5	4.7
Information Technology	33.0	31.5
Telecommunication Services	0.0	0.9
Utilities	0.0	0.2

Top Equity Holdings

	% Equity
Mckesson	2.2
Autozone	2.2
Occidental Petro	2.2
Aeropostale	2.2
Broadcom	2.1
Altera Corp	2.1
3M Co	2.1
EMC Corp	2.1
Eaton	2.1
IBM	2.1

Report Created: 8/5/2010

Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

Ormond Beach Police Renaissance Investment Management

As Of 06/30/2010

Growth of $100 Graph

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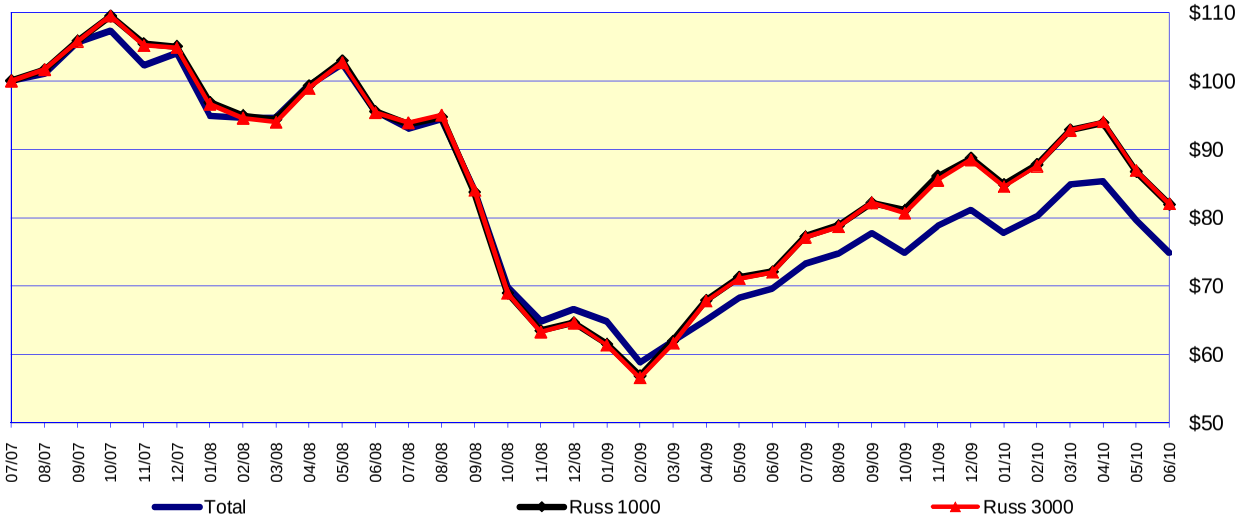

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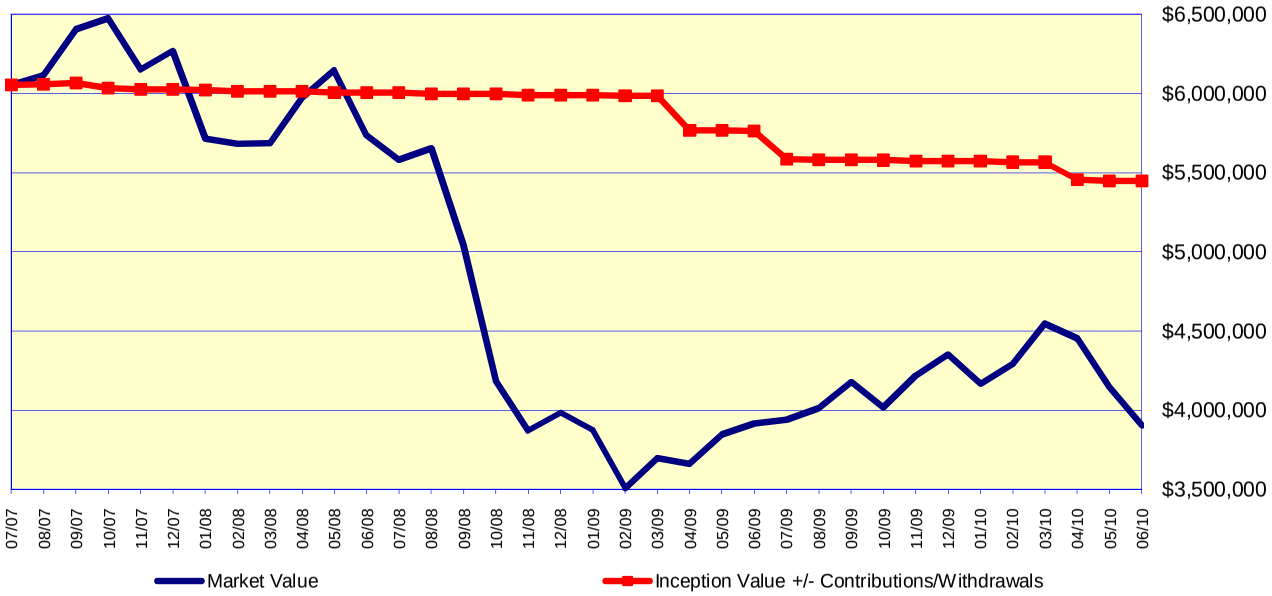

Report Created: 8/5/2010

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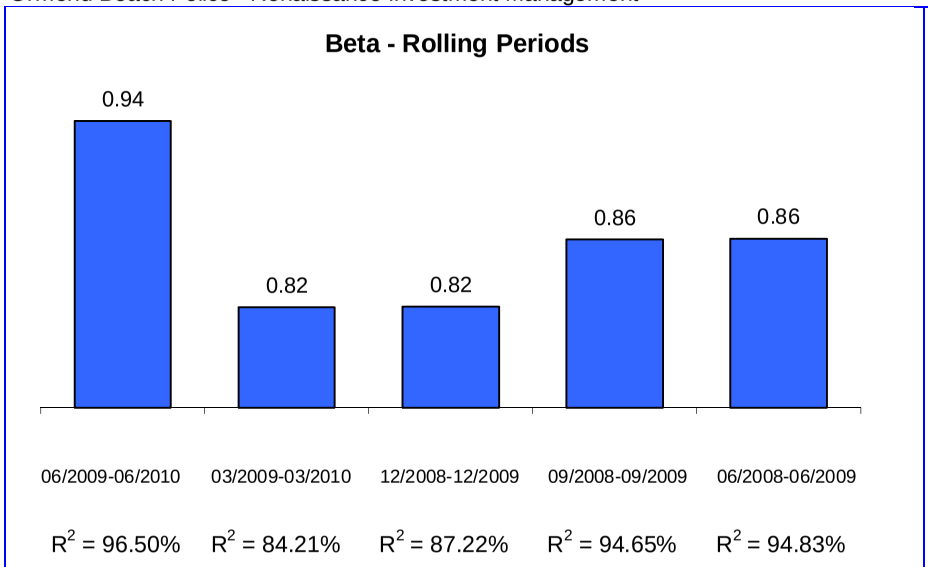
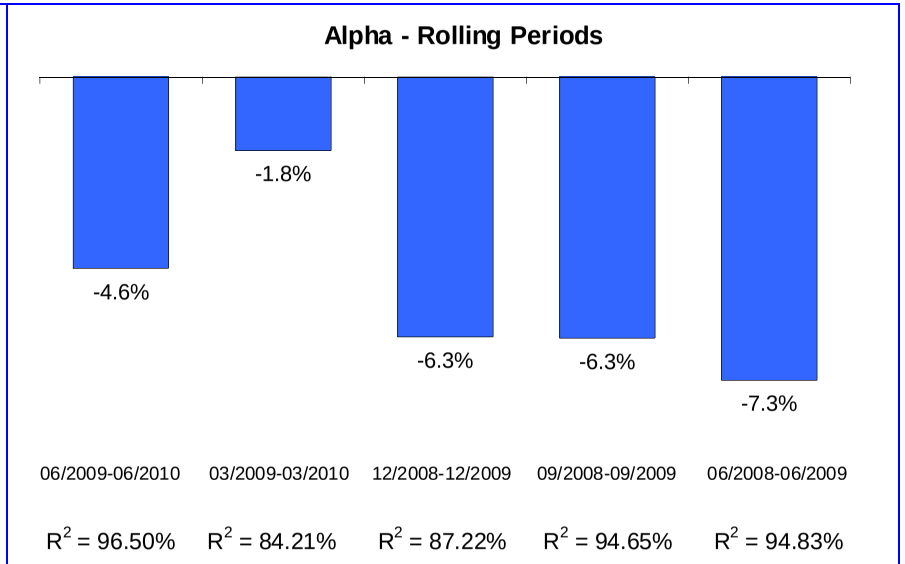
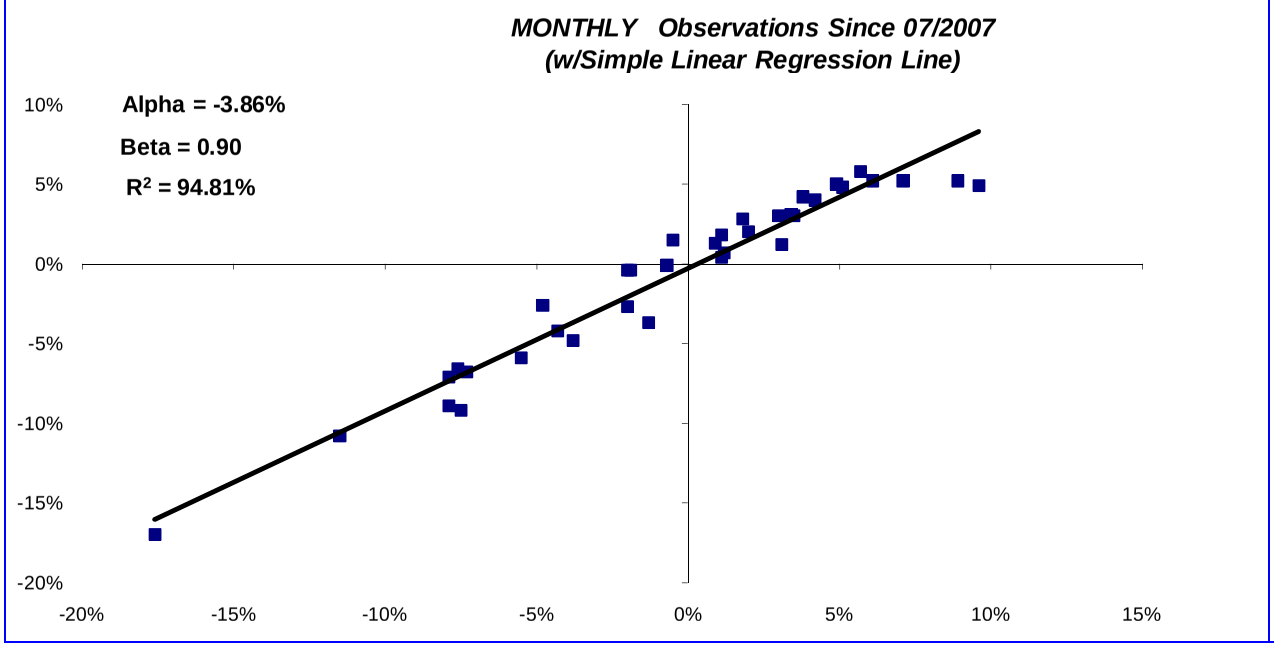
MODERN PORTFOLIO THEORY

Ormond Beach Police Renaissance Investment Management AS OF 06/30/2010







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Report Created: 8/5/2010

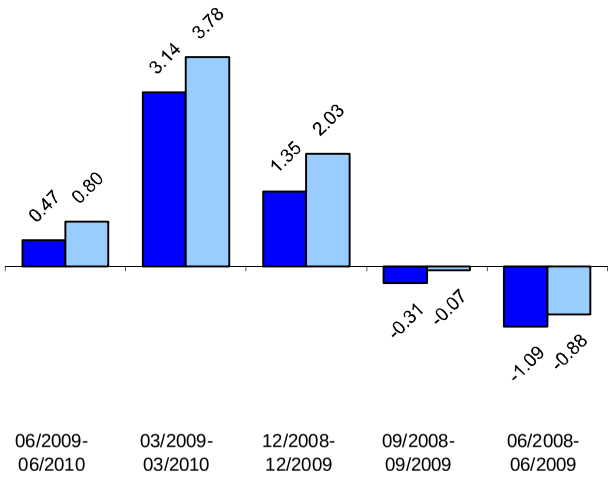
Graystone Consulting℠

MANAGER RISK ANALYSIS

Ormond Beach Police

AS OF 06/30/2010

Sharpe Ratios 1-Year Rolling Periods



Renaissance Investment

Russ 1000 Growth

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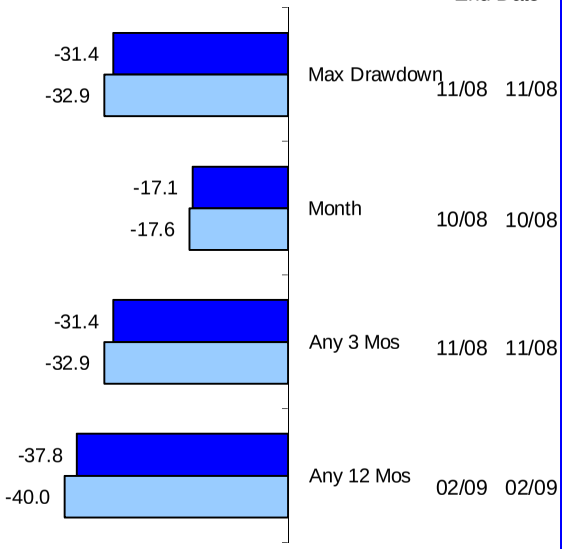
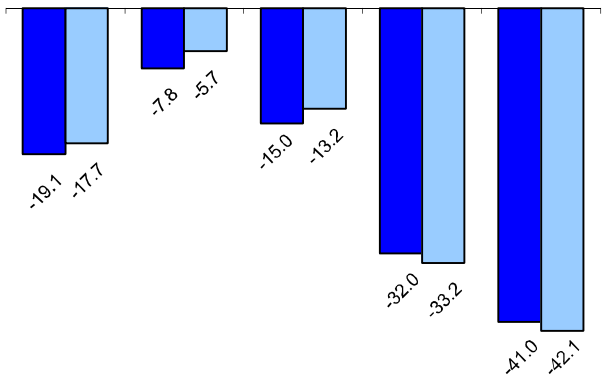
Loss in Varying Time Periods (%)



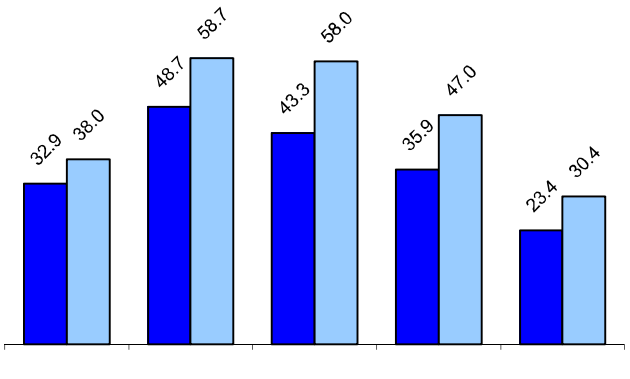
Down Capture Returns (%) 1-Year Rolling Periods



06/2009-06/2010	03/2009-03/2010	12/2008-12/2009	09/2008-09/2009	06/2008-06/2009
1.08	1.39	1.14	0.96	0.97

Down Capture Ratios

Up Capture Returns (%) 1-Year Rolling Periods



06/2009-06/2010	03/2009-03/2010	12/2008-12/2009	09/2008-09/2009	06/2008-06/2009
0.87	0.83	0.75	0.76	0.77

Up Capture Ratios

Report Created: 8/5/2010

VESTEK EQUITY PROFILE

Ormond Beach Police - Renaissance AS OF 6/30/2010

Valuation	Portfolio	Russell 1000 Growth
Price/Book	3.94	4.23
P/E Ratio	14.32	17.71
Adjusted P/E Ratio	17.27	21.61
P/E Ratio (Year 1)	11.69	13.80
P/E Ratio (Year 2)	10.50	11.86
Yield (%)	1.43	1.68
Growth & Momentum		
% EPS Growth - Past 5 Years	12.15	12.25
% EPS Growth - Next 5 Years	17.08	17.89
Earnings Surprise	4.42	1.85
Earnings Surprise %-ile	67.32	51.47
Earnings Strength	53.58	36.70
Earnings Strength %-ile	62.38	57.25
Return on Equity	28.42	23.85

DISCLAIMER FOR VESTEK EQUITY ANALYTICS

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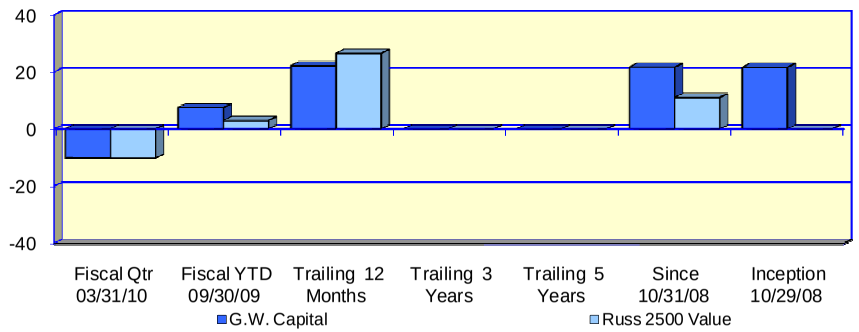
EXECUTIVE SUMMARY

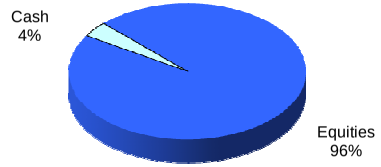
Ormond Beach Police G.W. Capital — AS OF 06/30/2010

Portfolio Performance(%)



Asset Allocation ($000)

Equities	Cash	Total
939	36	976

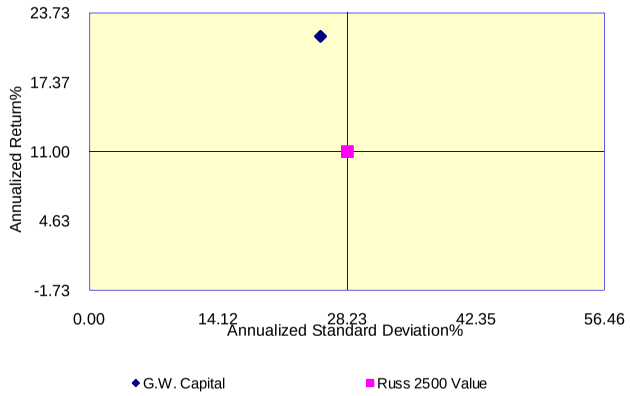


Investment Returns (%) Since:	Fiscal Qtr 03/31/10	Fiscal YTD 09/30/09	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 10/31/08	Inception 10/29/08
G.W. Capital	***-10.08***	***7.46***	***22.11***	N/A	N/A	***21.61***	***21.58***
Russ 2500 Value	-10.16	3.01	26.47			11.00	N/A
Asset Growth ($000)							
Beginning Market Value	1,259	1,058	933	N/A	N/A	825	825
Net Contributions & Withdrawals	-178	-182	-184	N/A	N/A	-187	-187
Gain/Loss + Income	-105	100	227	N/A	N/A	338	338
Ending Market Value	976	976	976	N/A	N/A	976	976

Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	0.84
Beta	0.83	Index Sharpe Ratio	0.38
Alpha	11.36%		
R^2	85%		

Risk / Return Analysis Since 10/31/2008



Annualized %	***Return***	***Std. Dev.***
G.W. Capital	***21.61***	***25.29***
Russ 2500 Value	11.00	28.23

Economic Sector Allocation

	% Equity	*% R2500V*
Energy	15.7	7.7
Materials	16.0	6.9
Industrials	12.8	11.3
Consumer Discretionary	2.9	9.8
Consumer Staples	5.1	4.0
Health Care	11.0	6.0
Financials	23.4	33.9
Information Technology	5.6	8.6
Telecommunication Services	3.3	0.9
Utilities	4.3	10.9

Top Equity Holdings

	% Equity
Perrigo	4.9
Oneok Inc	4.3
Omega Healthcare Invs	4.3
SLM Corp	3.9
Fifth Third Bancorp	3.9
Thomas & Betts	3.9
Crown Holdings	3.7
Yamaha Gold	3.7
Harris Corp Del	3.6
Brookdale Sr Living	3.4

Report Created: 8/5/2010

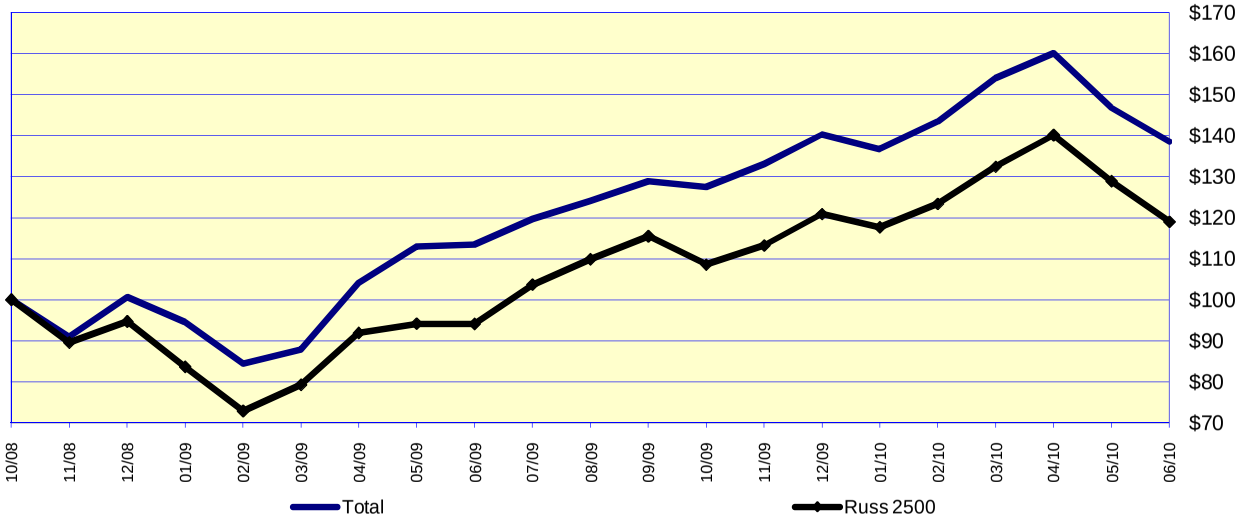
Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

Ormond Beach Police G.W. Capital | As Of 06/30/2010

Growth of $100 Graph

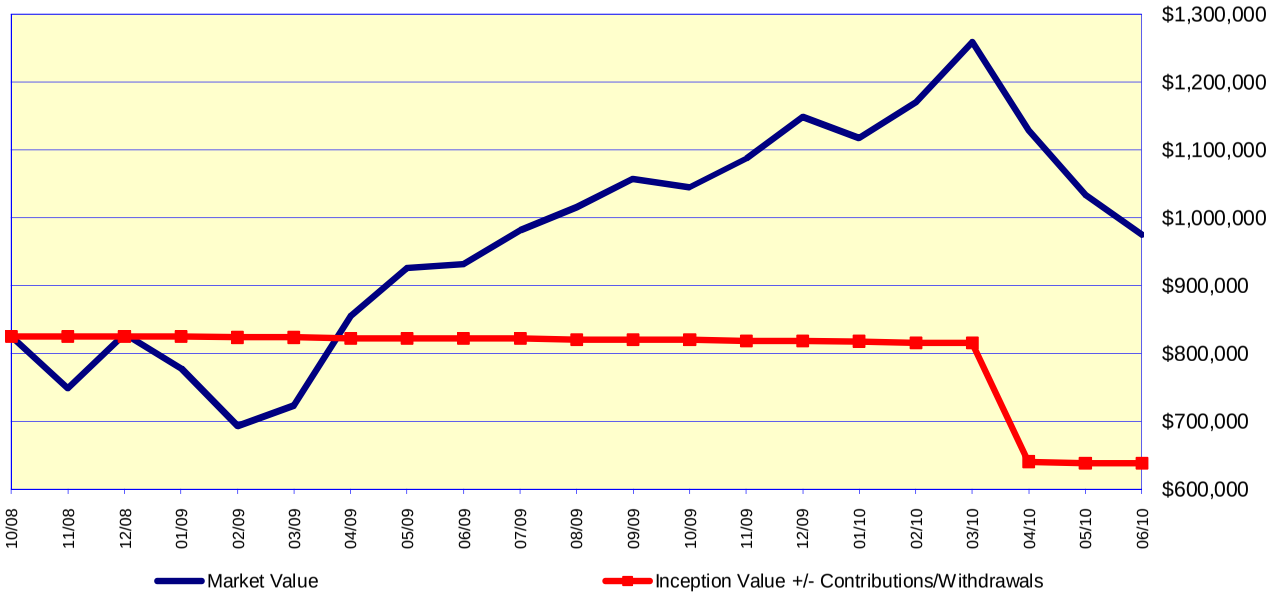
This graph depicts how **$100**, invested at the beginning of the time period, would have grown based on both the portfolio's performance and the index's.



Value Added Graph

This exhibit is useful in determining how the portfolio has been affected by the investment process.

One of the graph lines denotes the period-end market values of the portfolio over time. This is simply a visual representation of the ebb and flow of the portfolio's market value period-to-period. The other line represents the original dollars invested adjusted for contributions or withdrawals.



Report Created: 8/5/2010

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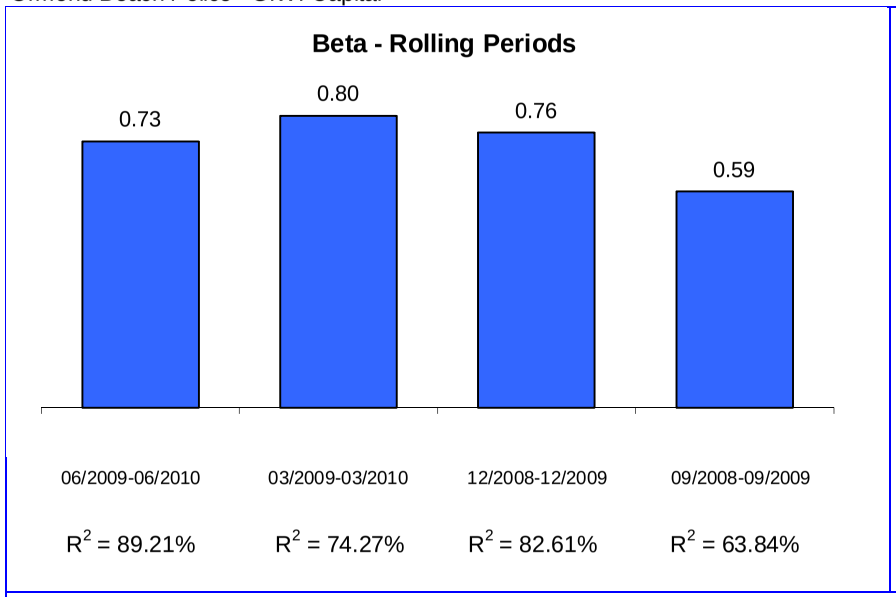
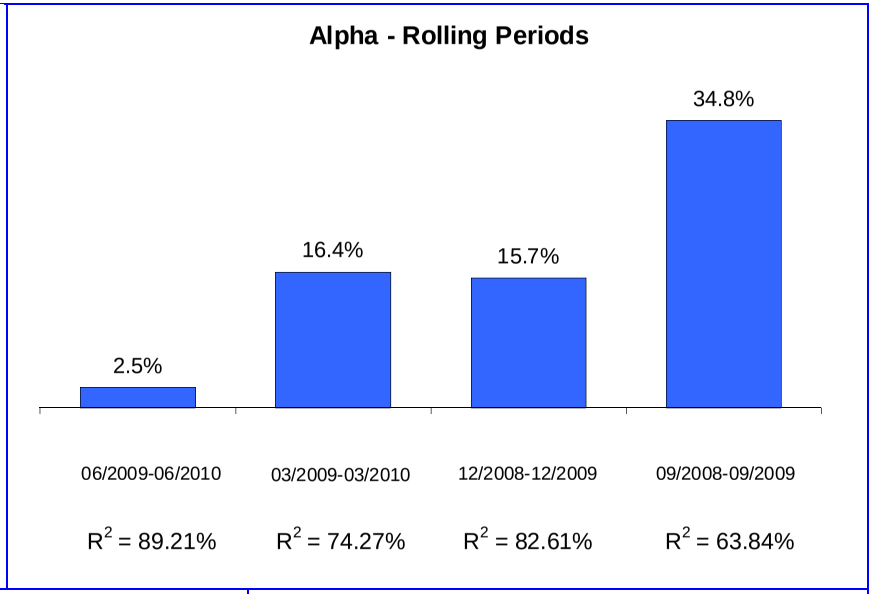
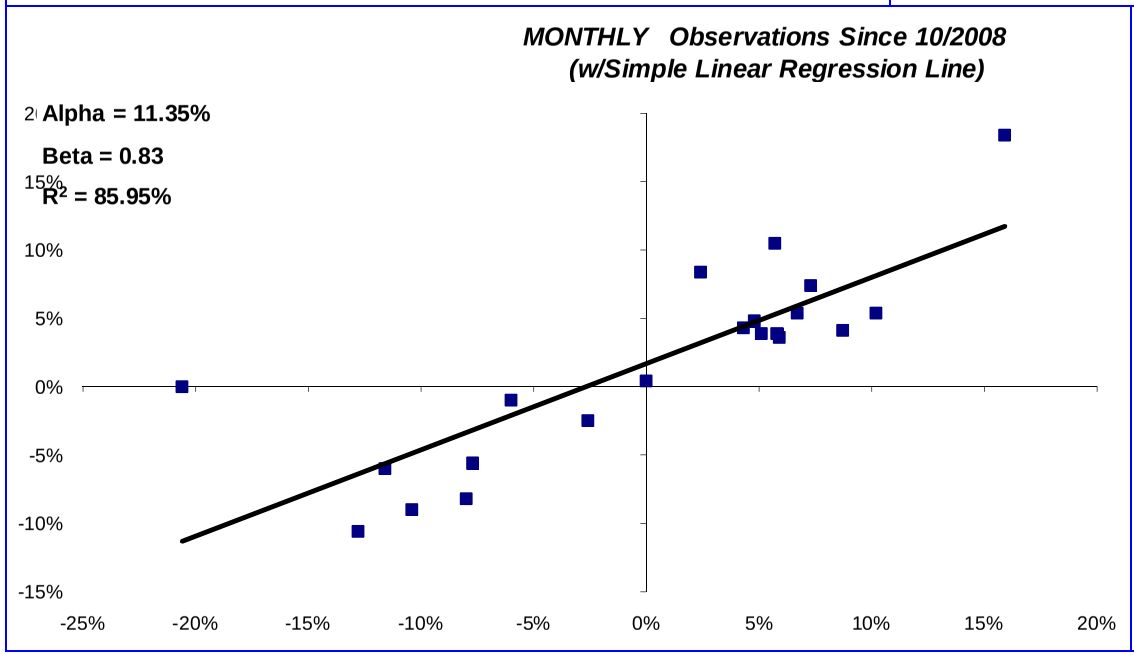
MODERN PORTFOLIO THEORY

Ormond Beach Police G.W. Capital AS OF 06/30/2010







Modern Portfolio Theory seeks to quantify the relationship between risk and return and operates under the assumption that an investor must be compensated for assuming risk. **Alpha** is a measure of a portfolio's return in excess of the market return, both adjusted for risk. A positive alpha indicates that the portfolio outperformed the market on a risk-adjusted basis, and a negative alpha indicates the portfolio did worse than the market. **Beta** is a measure of the sensitivity of a portfolio's rate of return against that of the market. A beta greater than 1.00 indicates volatility greater than the market. **R2** is a measure that indicates the extent to which fluctuations in portfolio returns are correlated with those of the general market. An R-squared of 0.80 implies that 80% of the fluctuation of a portfolio's return is explained by the fluctuation in the market.

Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 8/5/2010

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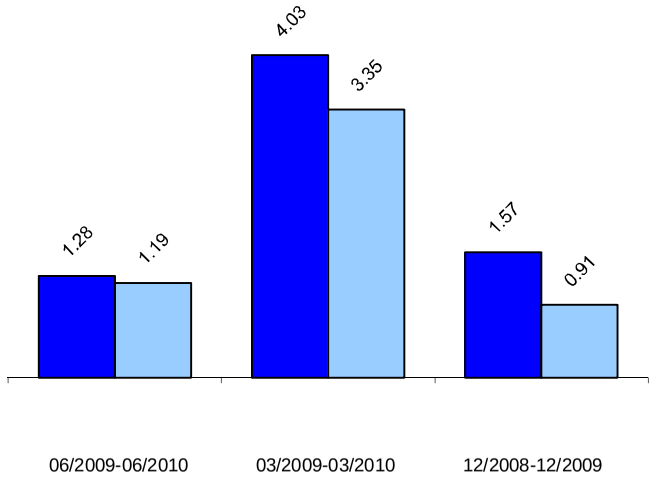
MANAGER RISK ANALYSIS

Ormond Beach Police

AS OF 06/30/2010

Sharpe Ratios 1-Year Rolling Periods



G.W. Capital

Russ 2500 Value

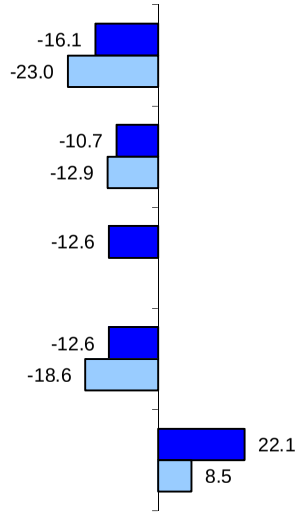
Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

Loss in Varying Time Periods measures the greatest loss experienced in each of five different historical time periods. Maximum Drawdown in the longest sustained loss since the inception of the account (The fund and index may have different begin and end dates.) *No representation is made that these amounts represent maximum future loss.*

Down Capture is the measure of the fund`s total return whenever the index returns are negative.

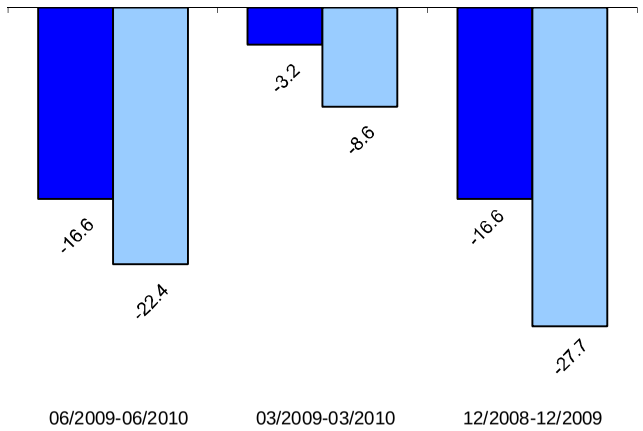
Up Capture is the measure of the fund`s total return whenever the index returns are positive.

Loss in Varying Time Periods (%)



	Mgr. End Date	Index End Date
Max Drawdown	02/09	02/09
Month	02/09	02/09
Calendar Qtr	03/09	N/A
Any 3 Mos	03/09	02/09
Any 12 Mos	06/10	10/09

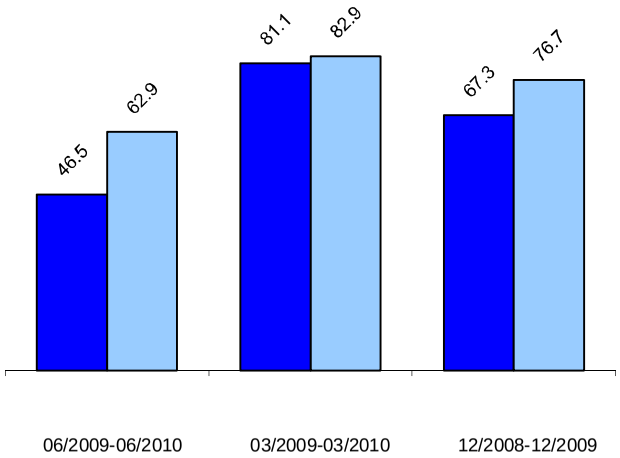
Down Capture Returns (%) 1-Year Rolling Periods



06/2009-06/2010	03/2009-03/2010	12/2008-12/2009
0.74	0.38	0.60

Down Capture Ratios

Up Capture Returns (%) 1-Year Rolling Periods



06/2009-06/2010	03/2009-03/2010	12/2008-12/2009
0.74	0.98	0.88

Up Capture Ratios

Report Created: 8/5/2010

VESTEK EQUITY PROFILE

Ormond Beach Police - GW Capital | AS OF 6/30/2010

Valuation	Portfolio	Russell 2500 Value
Price/Book	2.98	1.40
Adjusted P/E Ratio	26.69	24.17
P/E Ratio (Year 1)	14.17	15.30
P/E Ratio (Year 2)	11.54	11.56
Yield (%)	1.30	2.14
Growth & Momentum		
% EPS Growth - Past 5 Years	4.63	1.83
% EPS Growth - Next 5 Years	13.40	12.37
Earnings Surprise	2.89	0.55
Earnings Surprise %-ile	46.69	47.62
Earnings Strength	17.73	30.54
Earnings Strength %-ile	43.34	46.46
Return on Equity	45.15	4.48

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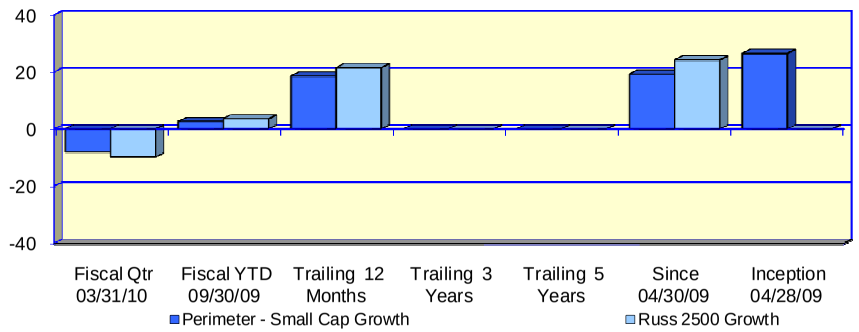
EXECUTIVE SUMMARY

Ormond Beach Police Perimeter - Small Cap Growth AS OF 06/30/2010

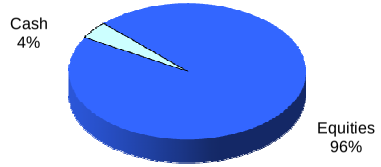
Portfolio Performance(%)



Investment Returns (%) Since:	Fiscal Qtr 03/31/10	Fiscal YTD 09/30/09	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 04/30/09	Inception 04/28/09
Perimeter - Small Cap Growth	***-8.07***	***2.59***	***18.55***	N/A	N/A	***19.24***	***26.45***
Russ 2500 Growth	-9.77	3.64	21.44			24.18	N/A
Asset Growth ($000)							
Beginning Market Value	1,092	984	853	N/A	N/A	822	0
Net Contributions & Withdrawals	-52	-57	-59	N/A	N/A	-57	727
Gain/Loss + Income	-86	27	160	N/A	N/A	189	227
Ending Market Value	954	954	954	N/A	N/A	954	954

Asset Allocation ($000)

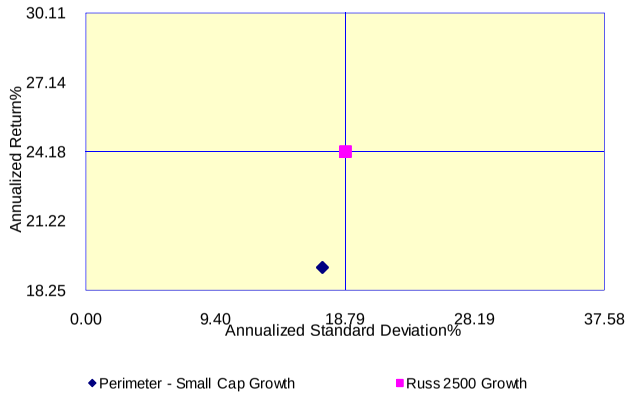
Equities	Cash	Total
914	40	954



Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	1.11
Beta	0.90	Index Sharpe Ratio	1.28
Alpha	-2.13%		
R^2	98%		

Risk / Return Analysis Since 04/30/2009



Annualized %	Return	Std. Dev.
Perimeter - Small Cap Growth	***19.24***	***17.15***
Russ 2500 Growth	24.18	18.79

Economic Sector Allocation

	% Equity	% R2500G
Energy	6.2	4.4
Materials	5.0	6.4
Industrials	16.3	17.4
Consumer Discretionary	21.9	19.3
Consumer Staples	2.8	2.9
Health Care	21.5	17.9
Financials	4.4	6.9
Information Technology	20.1	23.0
Telecommunication Services	1.8	1.6
Utilities	0.0	0.3

Top Equity Holdings

	% Equity
Akamai Technologies	1.2
Solera Holdings	1.1
Whole Foods	1.1
Syniverse Hldgs	1.1
Kansas City Southern	1.1
Impax Labs	1.1
Waste Connections	1.1
Monro Muffler Brake	1.1
Hub Group	1.1
Dollar Tree	1.1

Report Created: 8/5/2010

Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

Ormond Beach Police Perimeter - Small Cap Growth

As Of 06/30/2010

Growth of $100 Graph

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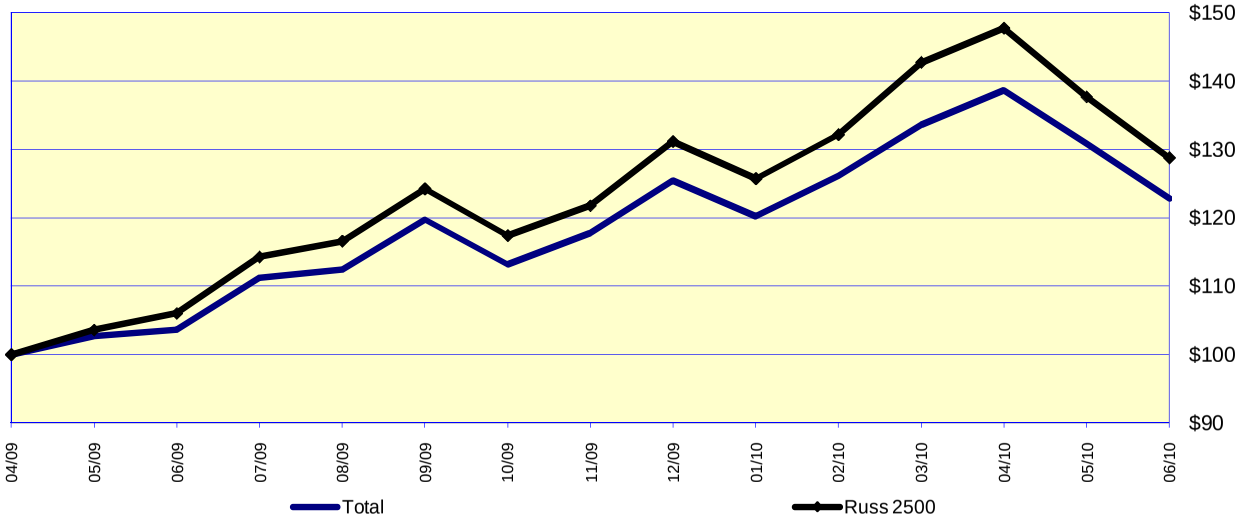

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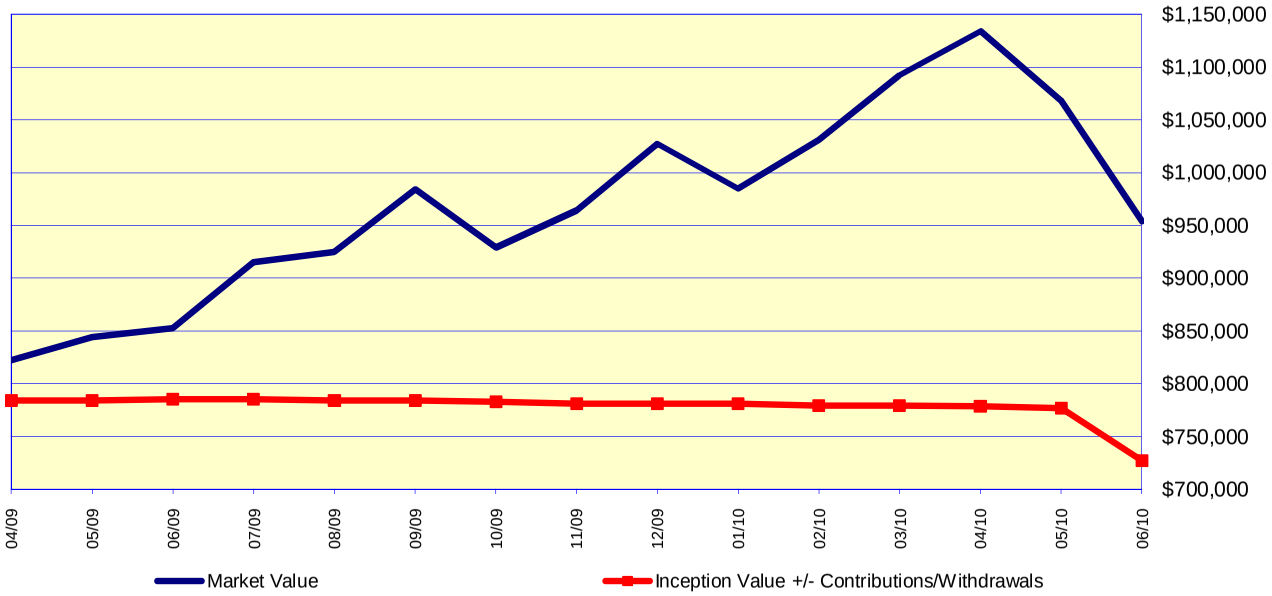

Report Created: 8/5/2010

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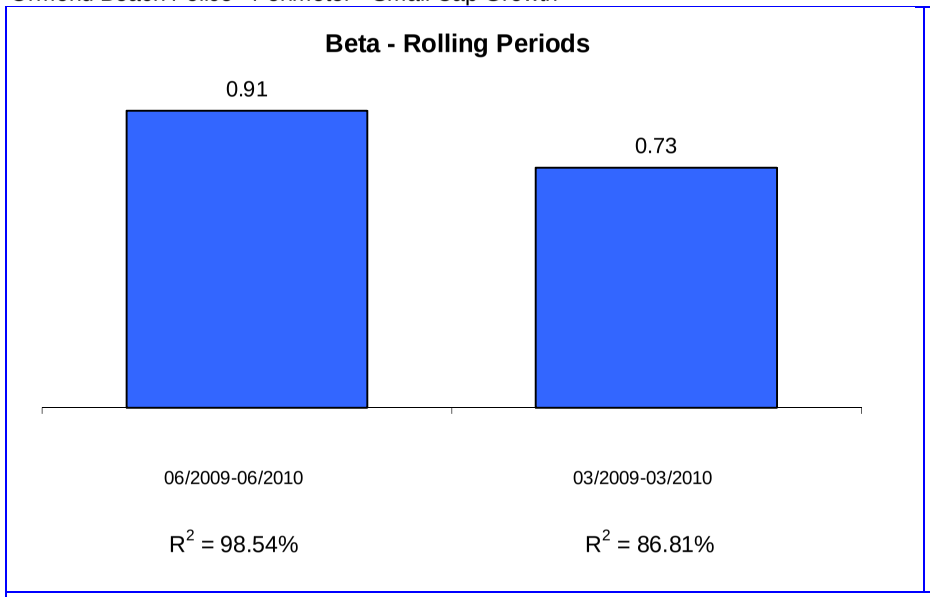
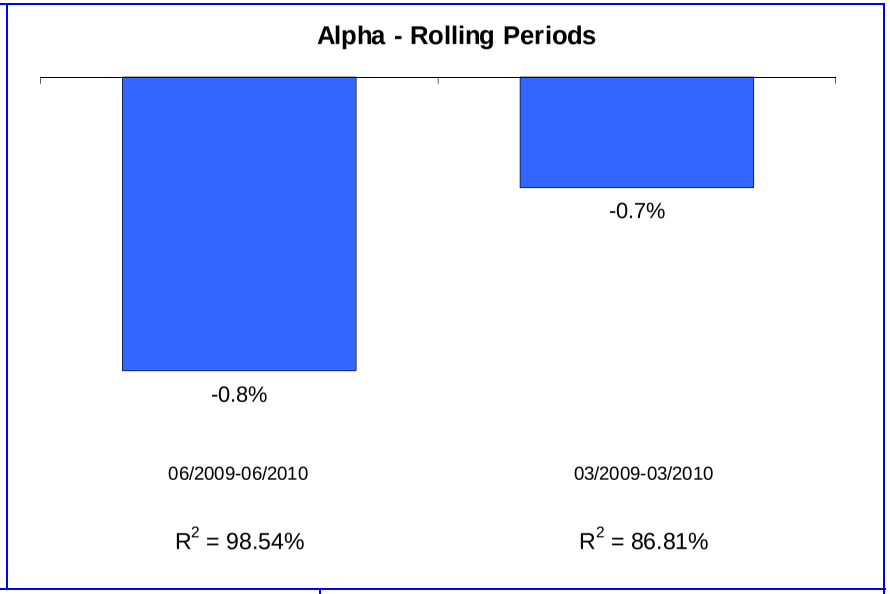
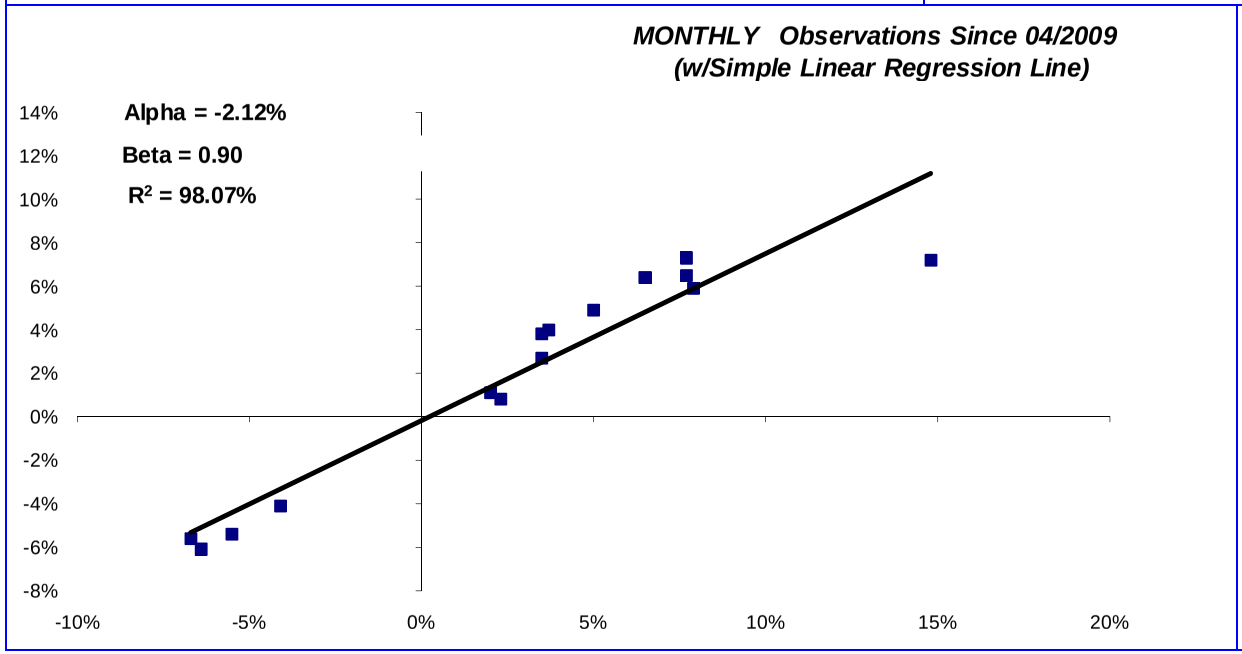
MODERN PORTFOLIO THEORY

Ormond Beach Police Perimeter - Small Cap Growth

AS OF 06/30/2010







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Graph Notes: The Index is represented on the horizontal (X) axis, and the Fund is represented on the vertical (Y) axis. Both the Index and Fund are adjusted by 90-day Treasury Bills.

Report Created: 8/5/2010

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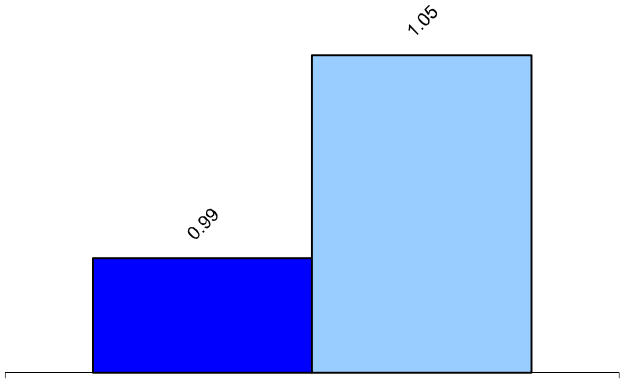
MANAGER RISK ANALYSIS

Ormond Beach Police

AS OF 06/30/2010

Sharpe Ratios 1-Year Rolling Periods



06/2009-06/2010

Perimeter - Small Cap Growth

Russ 2500 Growth

Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

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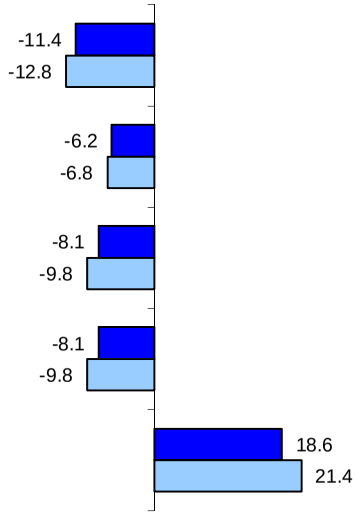
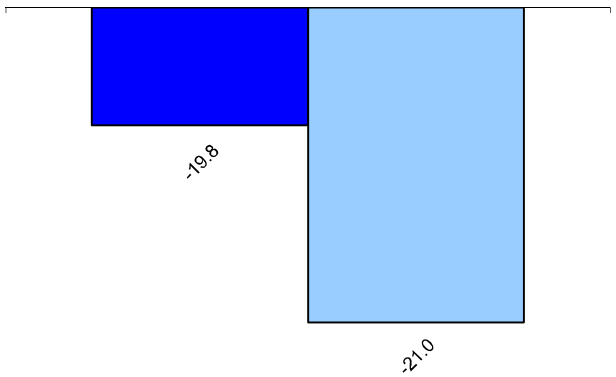
Loss in Varying Time Periods (%)



	Mgr. End Date	Index End Date
Max Drawdown	06/10	06/10
Month	06/10	05/10
Calendar Qtr	06/10	06/10
Any 3 Mos	06/10	06/10
Any 12 Mos	06/10	06/10

Down Capture Returns (%) 1-Year Rolling Periods

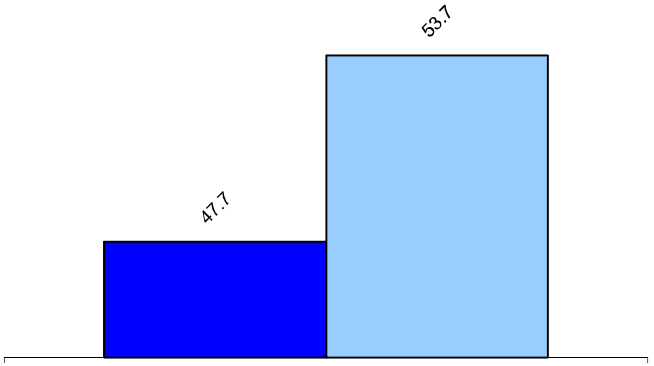


06/2009-06/2010

0.94

Down Capture Ratios

Up Capture Returns (%) 1-Year Rolling Periods



06/2009-06/2010

0.89

Up Capture Ratios

Report Created: 8/5/2010

VESTEK EQUITY PROFILE

Ormond Beach Police - Perimeter AS OF 6/30/2010

Valuation	Portfolio	Russell 2500 Growth
Price/Book	2.89	3.85
Adjusted P/E Ratio	25.50	31.49
P/E Ratio (Year 1)	14.81	16.37
P/E Ratio (Year 2)	12.55	13.36
Yield (%)	0.32	0.69
Growth & Momentum		
% EPS Growth - Past 5 Years	16.04	12.02
% EPS Growth - Next 5 Years	17.91	21.54
Earnings Surprise	4.91	3.90
Earnings Surprise %-ile	60.73	57.47
Earnings Strength	36.30	45.97
Earnings Strength %-ile	58.90	58.47
Return on Equity	11.38	11.14

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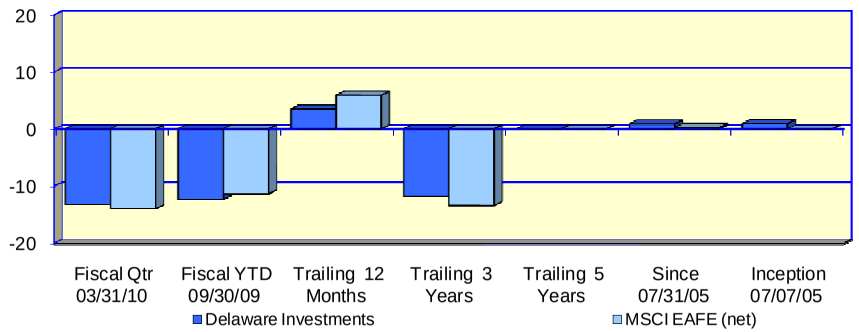
EXECUTIVE SUMMARY

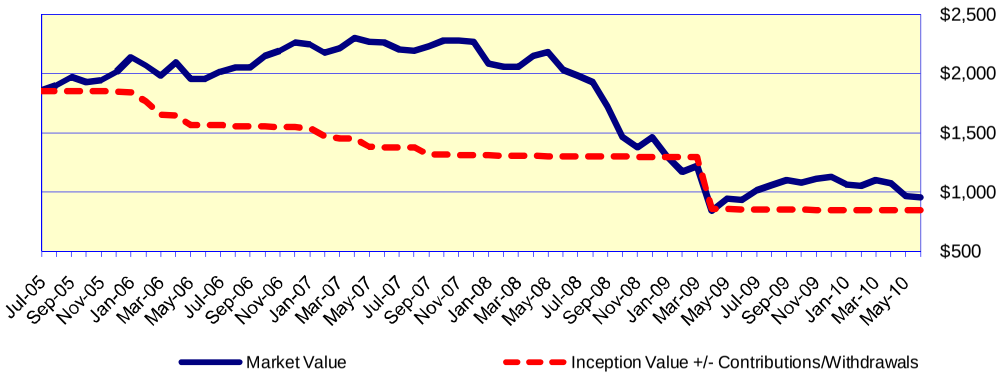
Ormond Beach Police Officers Delaware Investments AS OF 06/30/2010

Portfolio Performance(%)



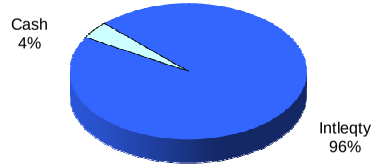
Investment Returns (%) Since:	Fiscal Qtr 03/31/10	Fiscal YTD 09/30/09	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 07/31/05	Inception 07/07/05
Delaware Investments	***-13.16***	***-12.32***	***3.49***	***-11.81***	N/A	***0.89***	***0.93***
MSCI EAFE (net)	-13.98	-11.36	5.90	-13.39		0.27	N/A
Asset Growth ($000)							
Beginning Market Value	1,112	1,106	939	2,263	N/A	1,859	1,830
Net Contributions & Withdrawals	-2	-7	-9	-533	N/A	-1,009	-983
Gain/Loss + Income	-146	-135	34	-766	N/A	114	117
Ending Market Value	964	964	964	964	N/A	964	964

Value-Added Analysis ($000)



Asset Allocation ($000)

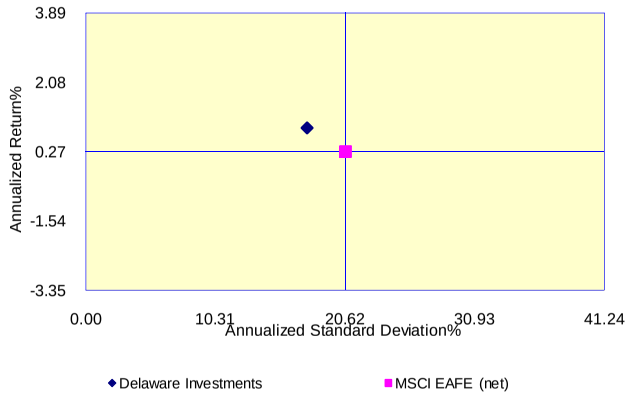
Intleqty	Cash	Total
924	40	964



Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	-0.09
Beta	0.82	Index Sharpe Ratio	-0.10
Alpha	0.01%		
R^2	93%		

Risk / Return Analysis Since 07/31/2005



Annualized %	Return	Std. Dev.
Delaware Investments	***0.89***	***17.60***
MSCI EAFE (net)	0.27	20.62

Report Created: 8/5/2010

Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

Ormond Beach Police Officers Delaware Investments

As Of 06/30/2010

Growth of $100 Graph

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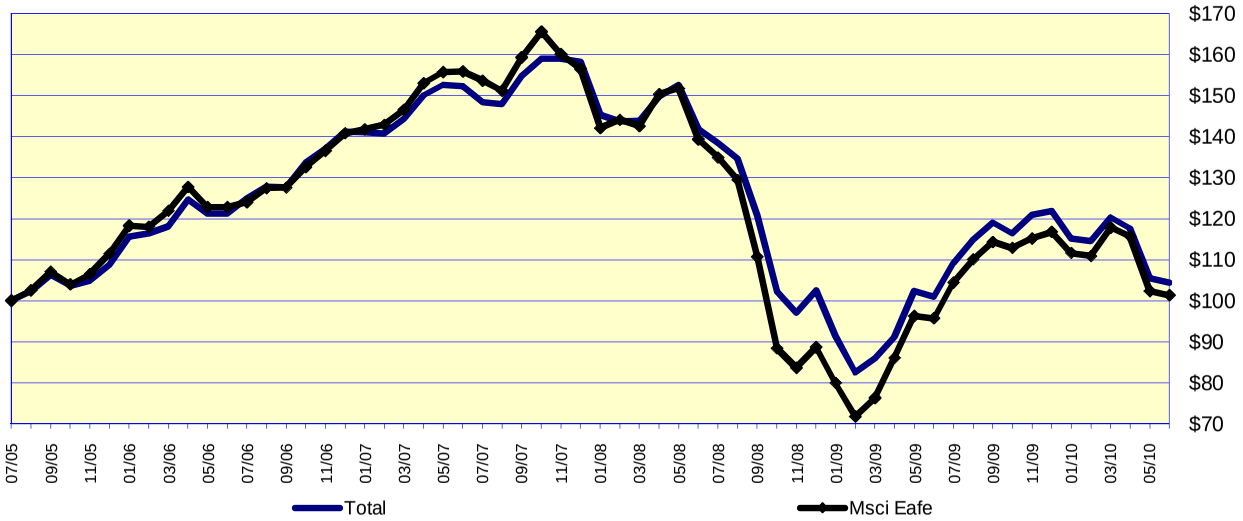

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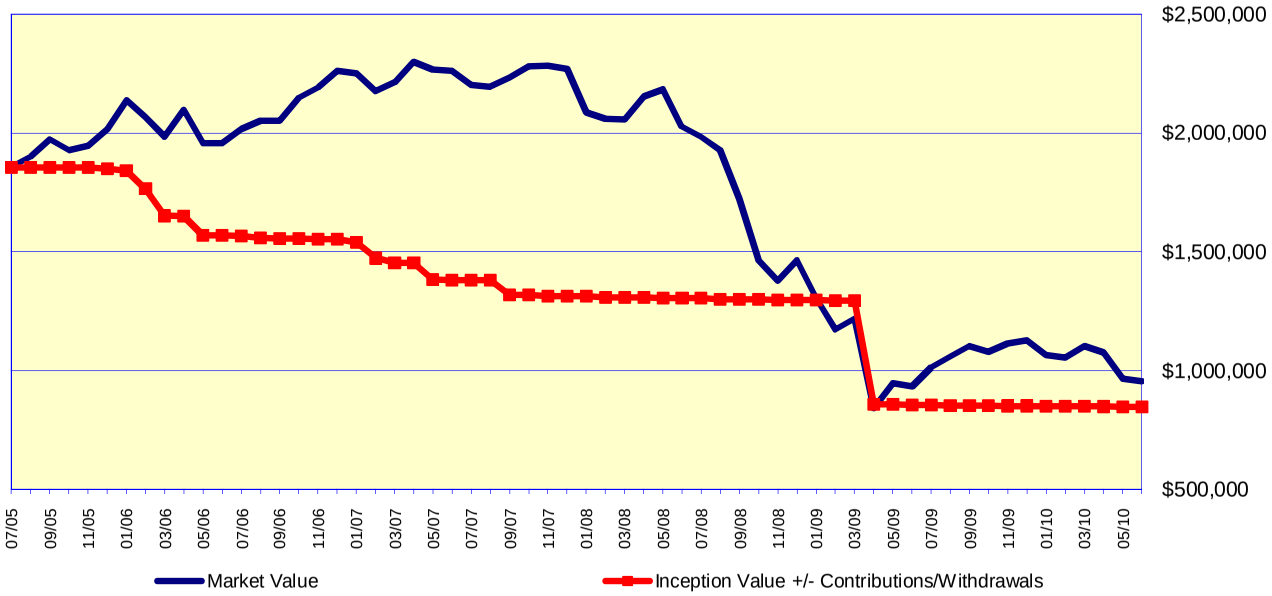
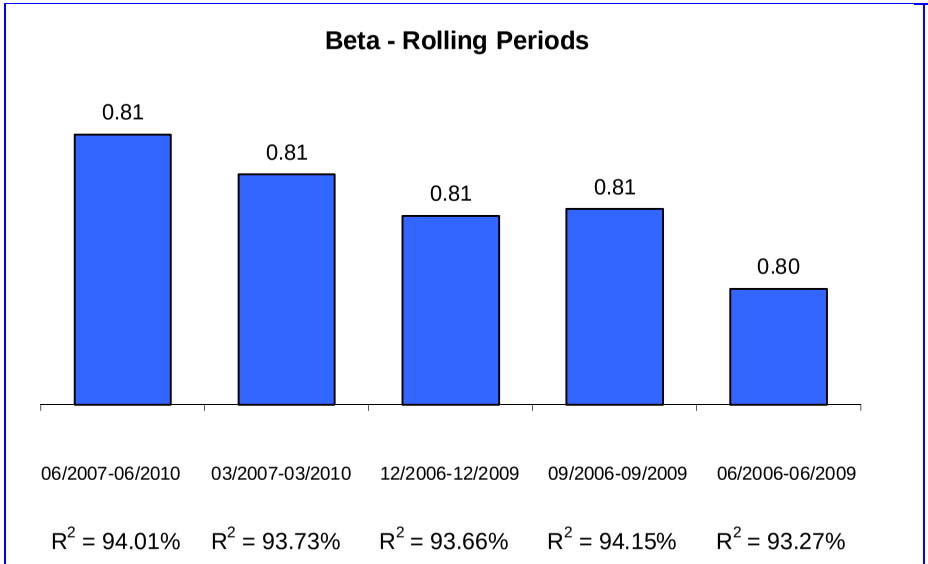


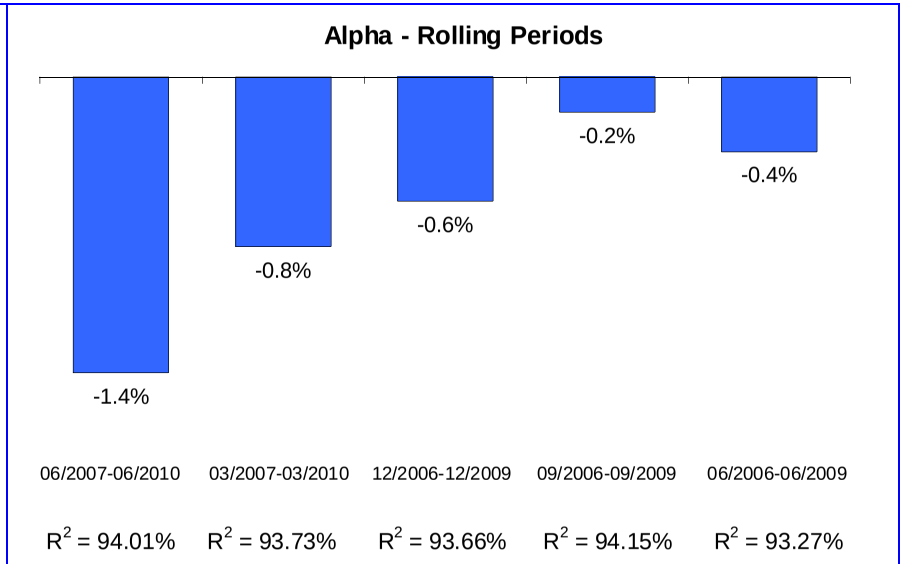
Report Created: 8/5/2010

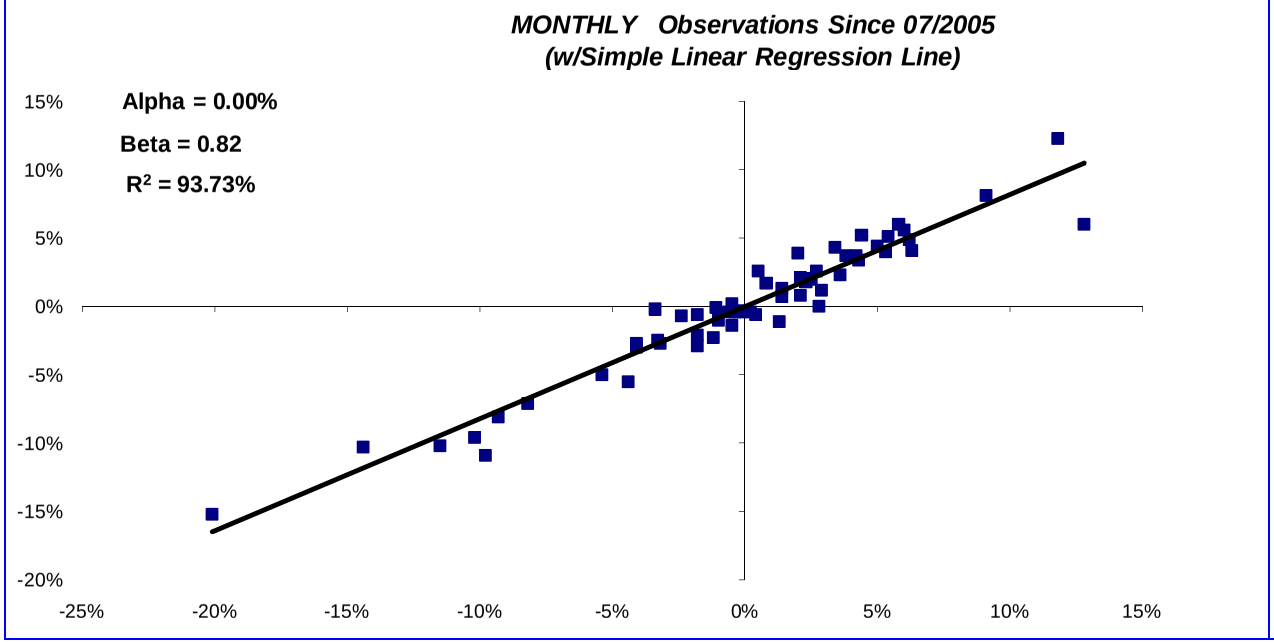
Graystone Consulting℠

MODERN PORTFOLIO THEORY

Ormond Beach Police Officers Delaware Investments AS OF 06/30/2010







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Report Created: 8/5/2010

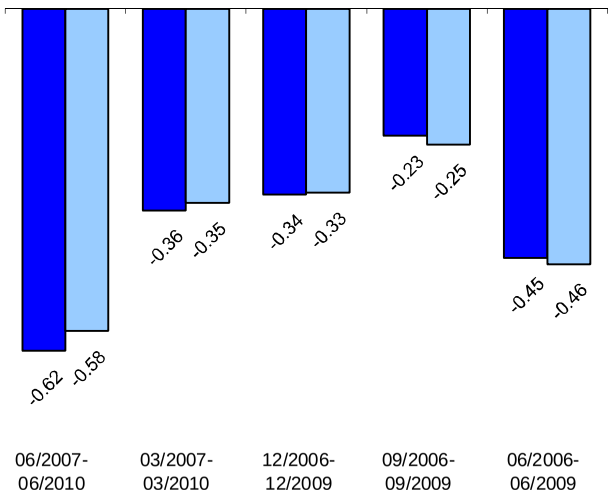
Graystone Consulting℠

MANAGER RISK ANALYSIS

Ormond Beach Police Officers

AS OF 06/30/2010

Sharpe Ratios 3-Year Rolling Periods



Delaware Investments

MSCI EAFE (net)

Sharpe Ratio divides excess return by standard deviation to arrive at a unified measure of risk adjusted return. In most cases where risk is a consideration, it is desirable to have a value higher than the index

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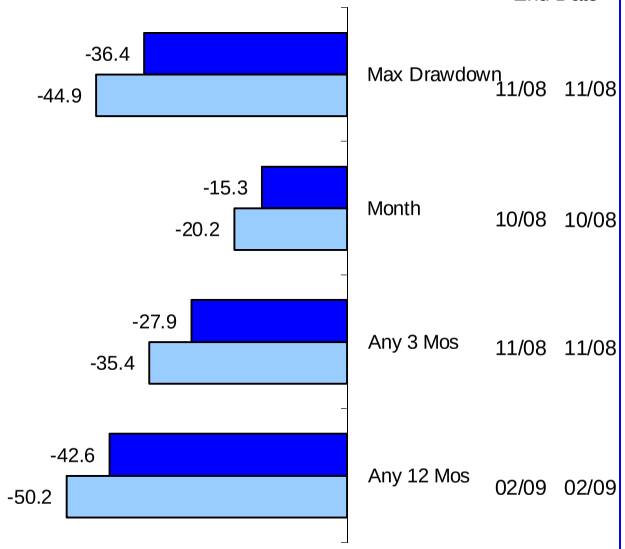
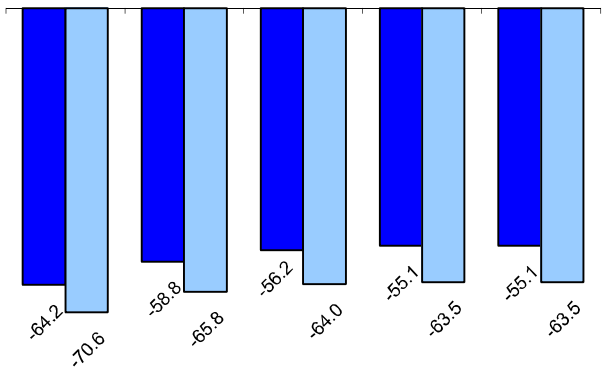


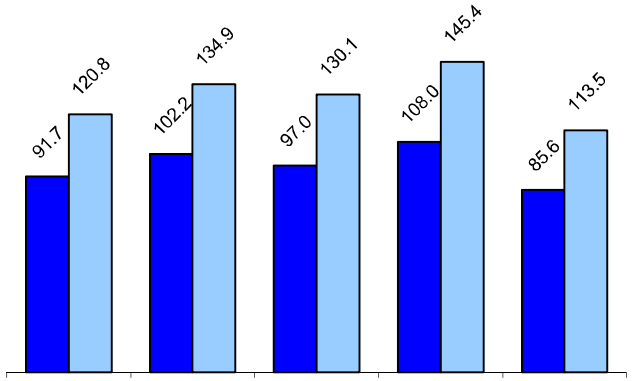
Down Capture Returns (%) 3-Year Rolling Periods



06/2007-06/2010	03/2007-03/2010	12/2006-12/2009	09/2006-09/2009	06/2006-06/2009
0.91	0.89	0.88	0.87	0.87

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



06/2007-06/2010	03/2007-03/2010	12/2006-12/2009	09/2006-09/2009	06/2006-06/2009
0.76	0.76	0.75	0.74	0.75

Up Capture Ratios

Report Created: 8/5/2010

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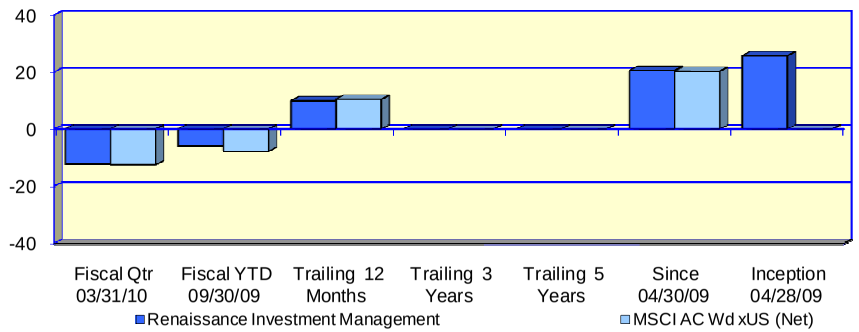
EXECUTIVE SUMMARY

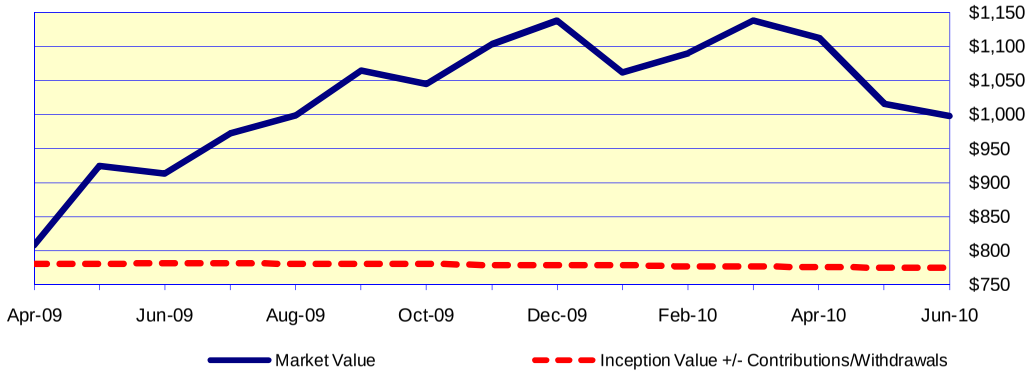
Ormond Beach Police Renaissance Investment Management AS OF 06/30/2010

Portfolio Performance(%)



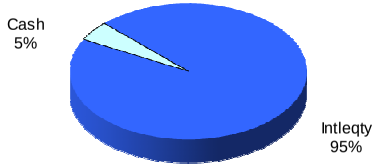
Investment Returns (%) Since:	Fiscal Qtr 03/31/10	Fiscal YTD 09/30/09	Trailing 12 Months	Trailing 3 Years	Trailing 5 Years	Since 04/30/09	Inception 04/28/09
Renaissance Investment Managemen	**-12.22**	**-5.87**	**9.88**	N/A	N/A	**20.50**	**25.70**
MSCI AC Wd xUS (Net)	-12.44	-7.74	10.43			20.25	N/A
Asset Growth ($000)							
Beginning Market Value	1,140	1,067	915	N/A	N/A	808	0
Net Contributions & Withdrawals	-2	-6	-7	N/A	N/A	-6	775
Gain/Loss + Income	-140	-63	90	N/A	N/A	196	223
Ending Market Value	998	998	998	N/A	N/A	998	998

Value-Added Analysis ($000)



Asset Allocation ($000)

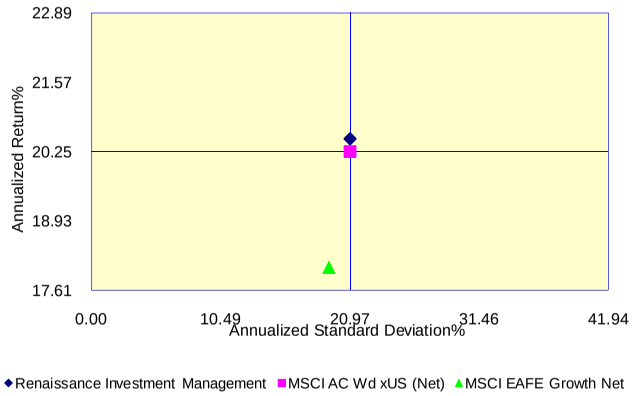
Intleqty	Cash	Total
951	47	998



Portfolio Characteristics

Yield	N/A	Account Sharpe Ratio	0.97
Beta	0.94	Index Sharpe Ratio	0.95
Alpha	1.25%		
R^2	89%		

Risk / Return Analysis Since 04/30/2009



Annualized %	Return	Std. Dev.
Renaissance Investment Management	**20.50**	**20.99**
MSCI AC Wd xUS (Net)	20.25	20.97
MSCI EAFE Growth Net	18.05	19.26

Report Created: 8/5/2010

Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

Ormond Beach Police Renaissance Investment Management

As Of 06/30/2010

Growth of $100 Graph

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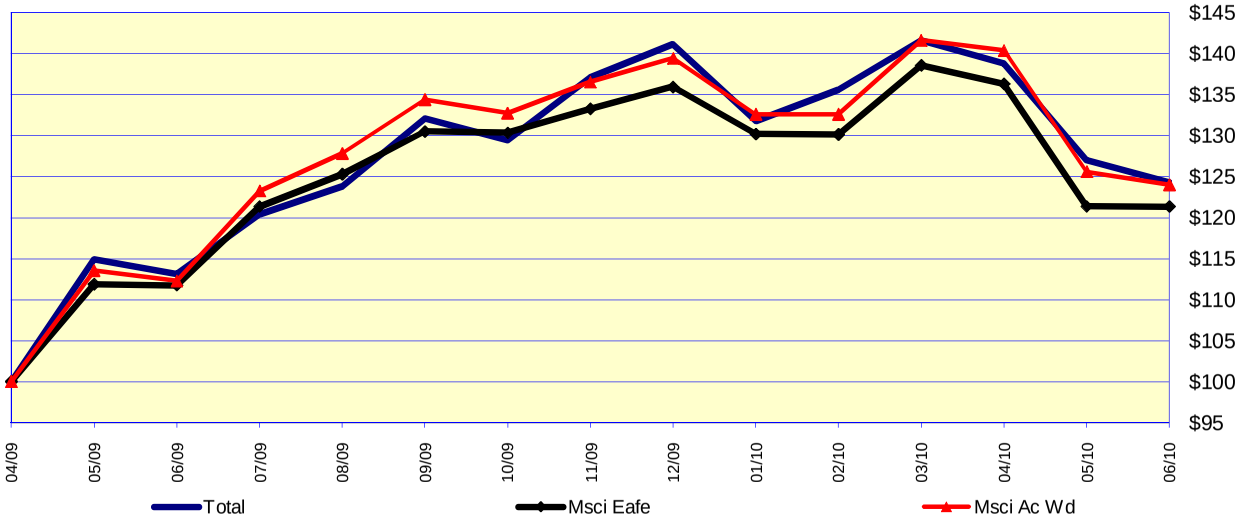

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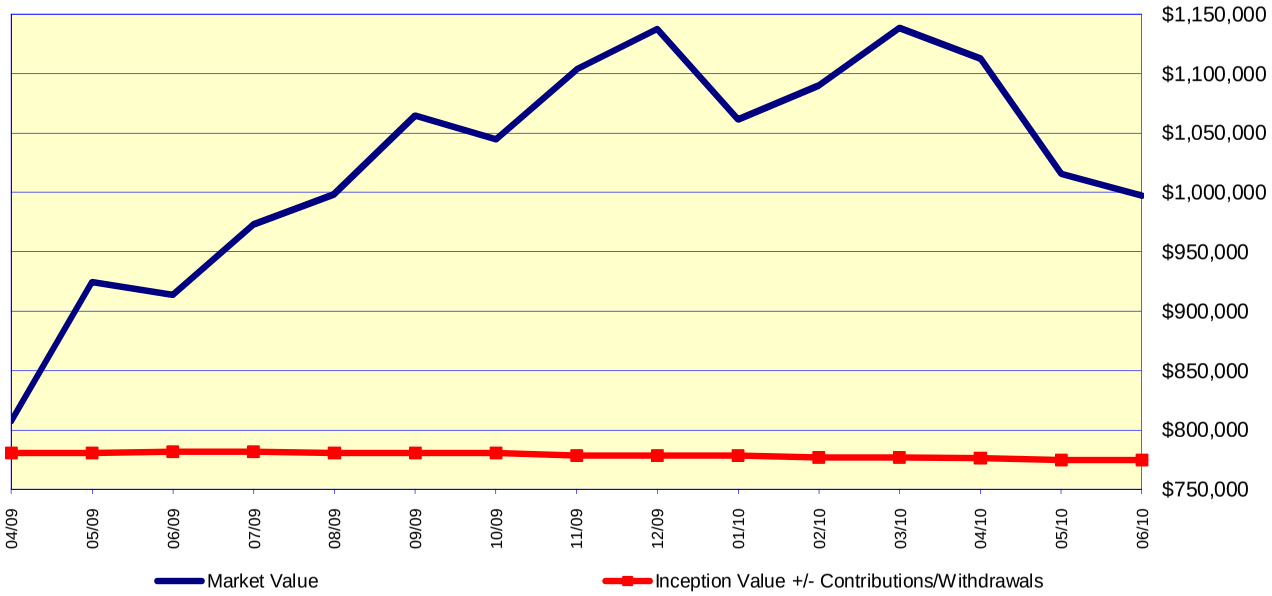

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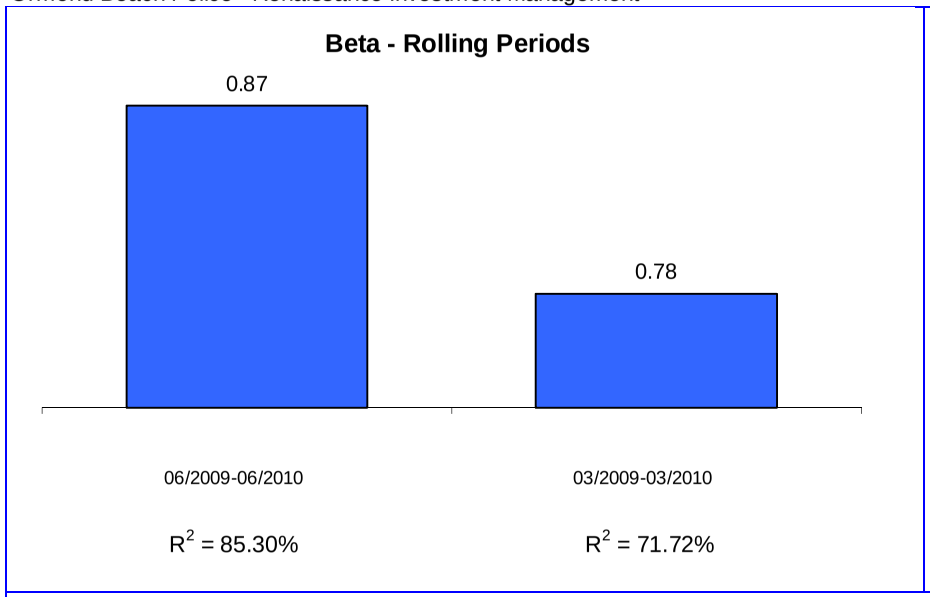
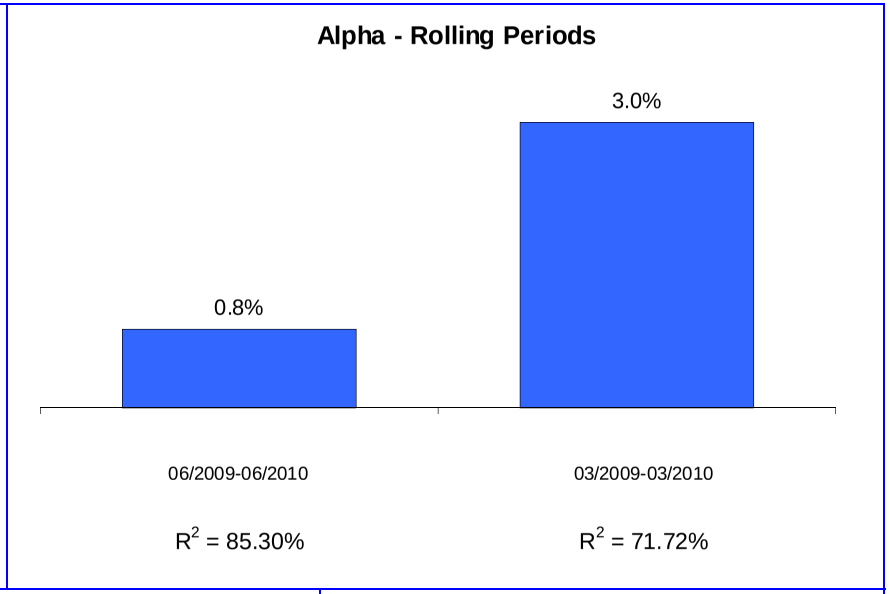
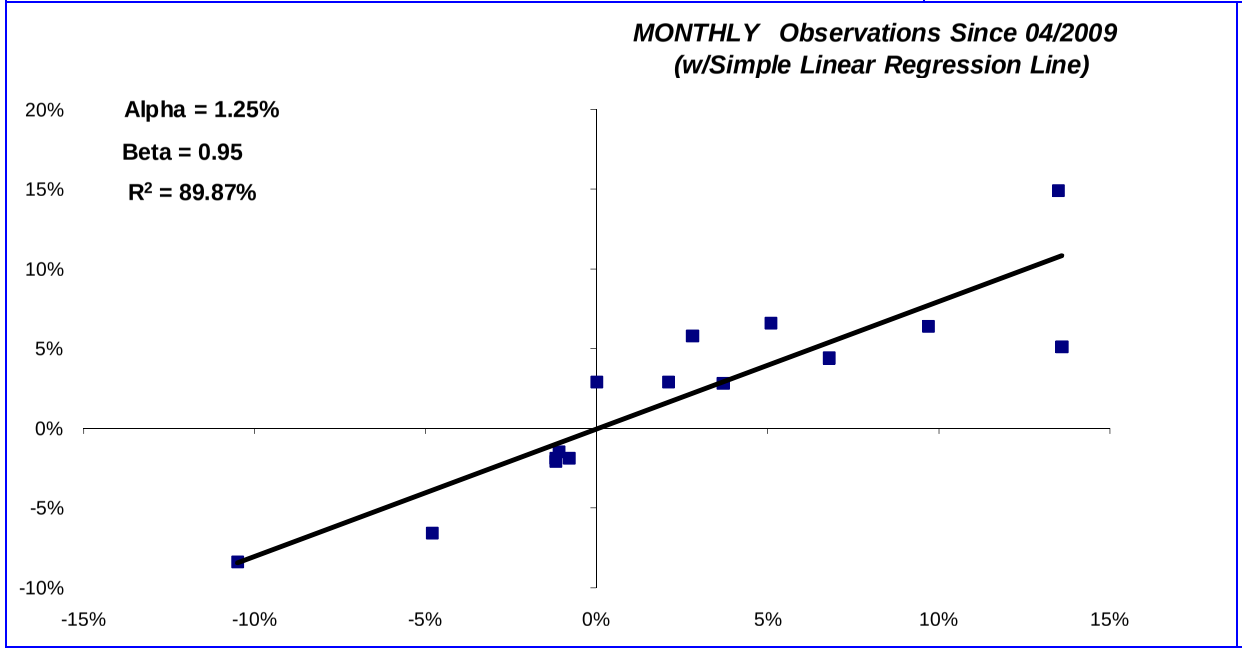
MODERN PORTFOLIO THEORY

Ormond Beach Police Renaissance Investment Management AS OF 06/30/2010







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Graystone Consulting℠

MANAGER RISK ANALYSIS

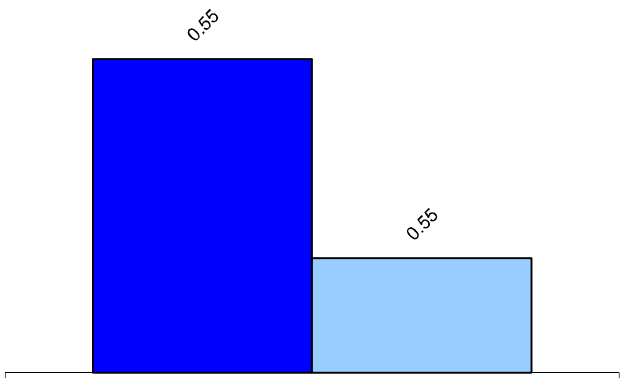
Ormond Beach Police

AS OF 06/30/2010

Renaissance Investment

MSCI AC Wd xUS (Net)

Sharpe Ratios 1-Year Rolling Periods



06/2009-06/2010

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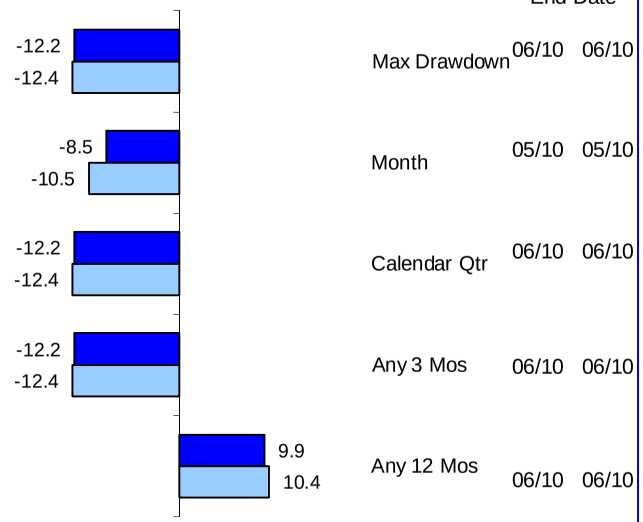

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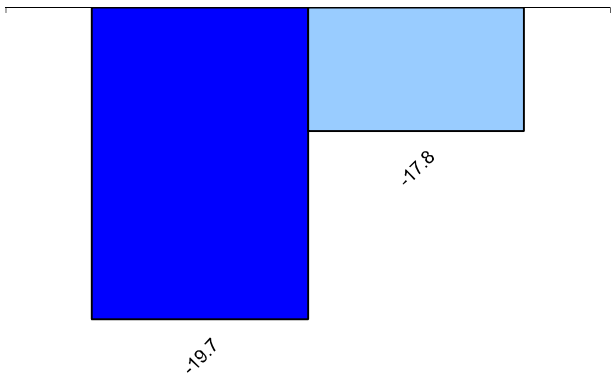

06/2009-06/2010

1.11

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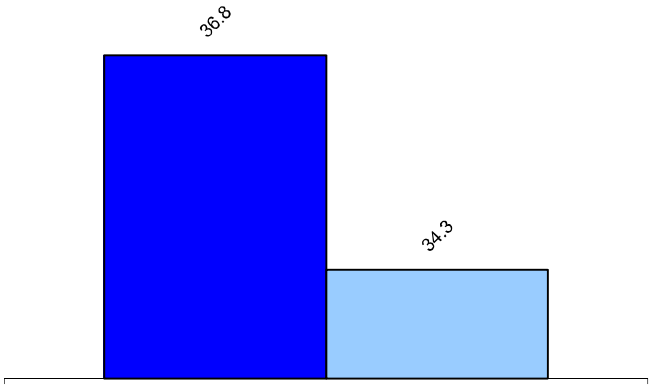
Up Capture Returns (%) 1-Year Rolling Periods



06/2009-06/2010

1.07

Up Capture Ratios

Report Created: 8/5/2010

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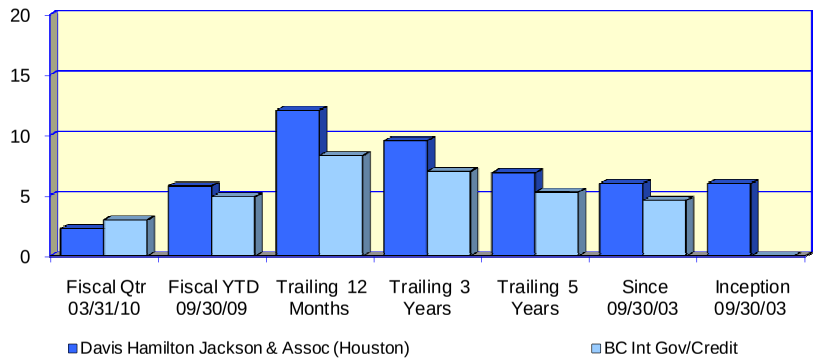
EXECUTIVE SUMMARY

Ormond Beach Police Officers Davis Hamilton Jackson & Assoc (Houston) AS OF 06/30/2010

Portfolio Performance (%)



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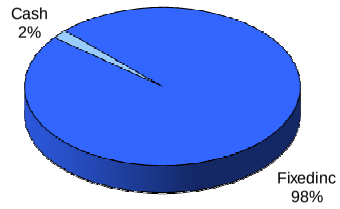
Davis Hamilton Jackson & Assoc (Ho	***2.25***	***5.77***	***12.06***	***9.53***	***6.87***	***5.99***	***5.99***
BC Int Gov/Credit	2.97	4.88	8.29	6.98	5.26	4.59	N/A

Asset Growth ($000)							
Beginning Market Value	6,312	6,108	5,768	4,010	3,695	3,193	0
Net Contributions & Withdrawals	-5	-11	-15	1,068	1,177	1,466	4,659
Gain/Loss + Income	142	352	696	1,371	1,577	1,790	1,790
Ending Market Value	6,449	6,449	6,449	6,449	6,449	6,449	6,449

Asset Allocation ($000)

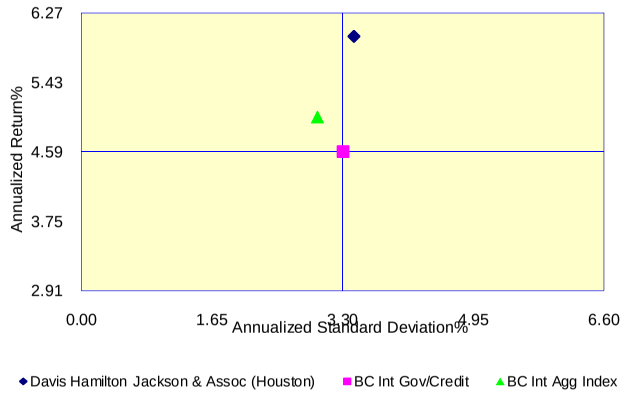
Fixedinc	Cash	Total
6,329	120	6,449



Portfolio Characteristics

	Portfolio	BC Int. G/C
Duration	3.27 years	3.92 years
Yield-to-Maturity	3.76%	2.10%

Risk / Return Analysis Since 09/30/2003



Annualized %	Return	Std. Dev.
Davis Hamilton Jackson & Assoc (Housto	***5.99***	***3.44***
BC Int Gov/Credit	4.59	3.30
BC Int Agg Index	5.01	2.98

Quality Ratings

	Portfolio	BC Int. G/C
AAA/Gov't/Agency	53%	75%
AA	12%	12%
A	31%	8%
BAA	5%	5%
Other	0%	0%

* There are some asset-backed notes that were inherited from AllianceBernstein which are still being worked out of the portfolio as good opportunities arise.

Asset Breakdown

	Portfolio	BC Int. G/C
U.S. Obligations	5%	54%
Government Agencies	20%	11%
Mortgages & Asset Backed	28%	0%
Corporates	47%	35%

Report Created: 8/5/2010

Graystone Consulting℠

MANAGER PERFORMANCE ANALYSIS

Ormond Beach Police Officers Davis Hamilton Jackson & Assoc (Houston) — As Of 06/30/2010

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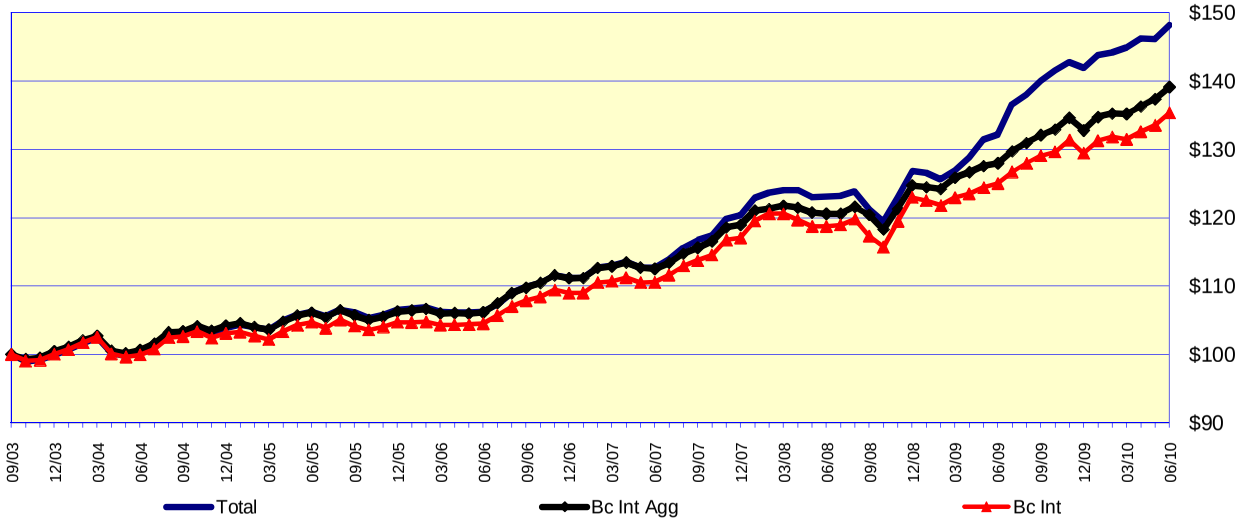

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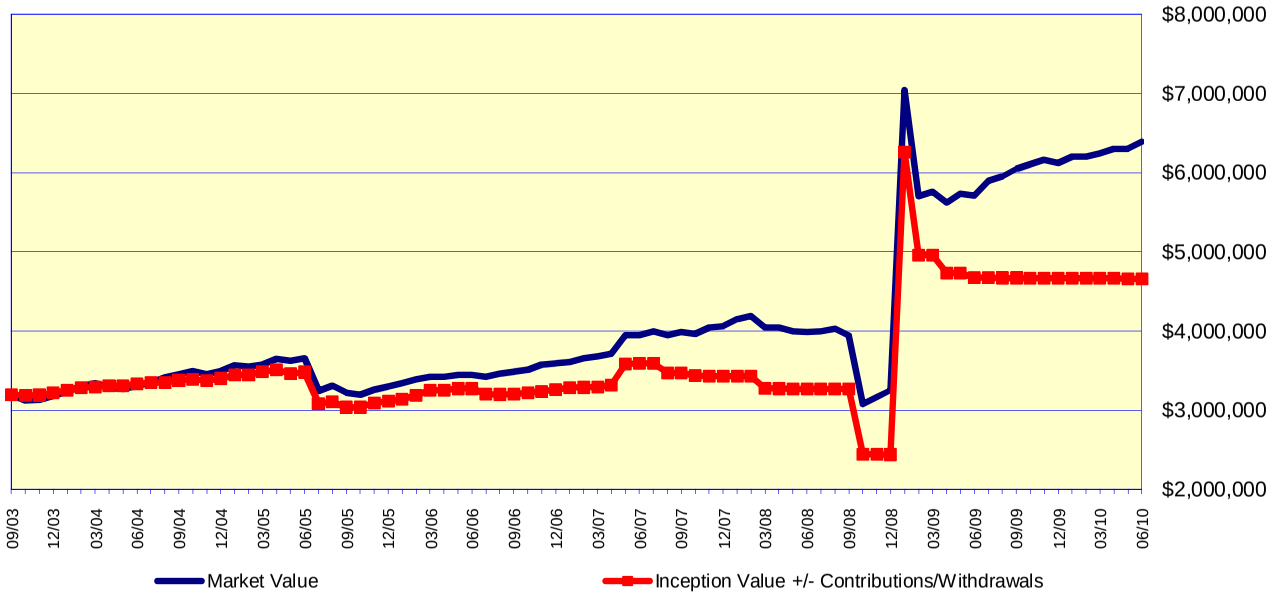

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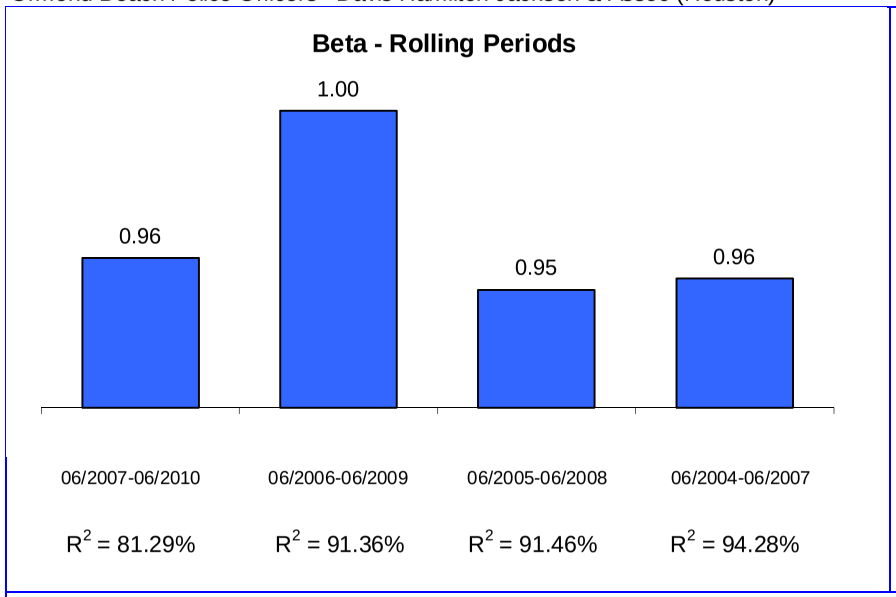
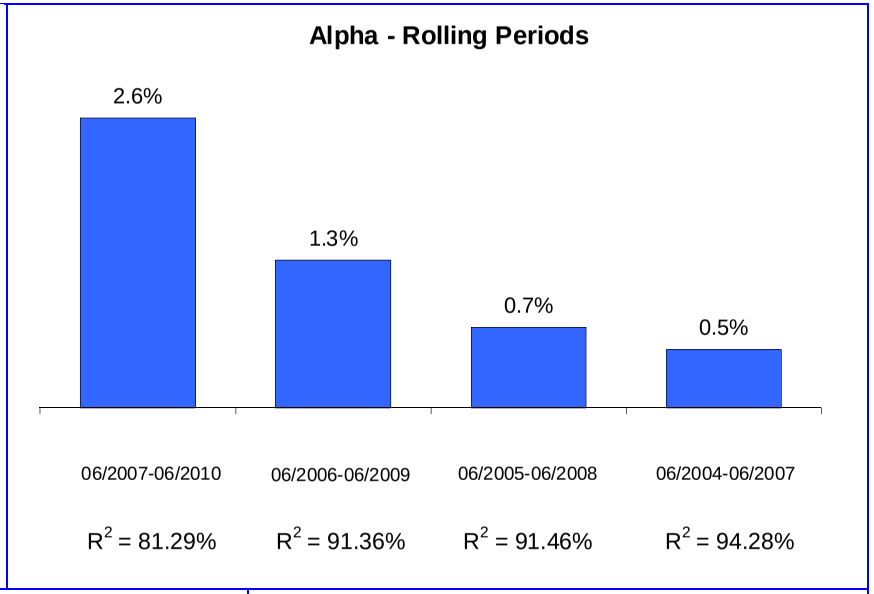
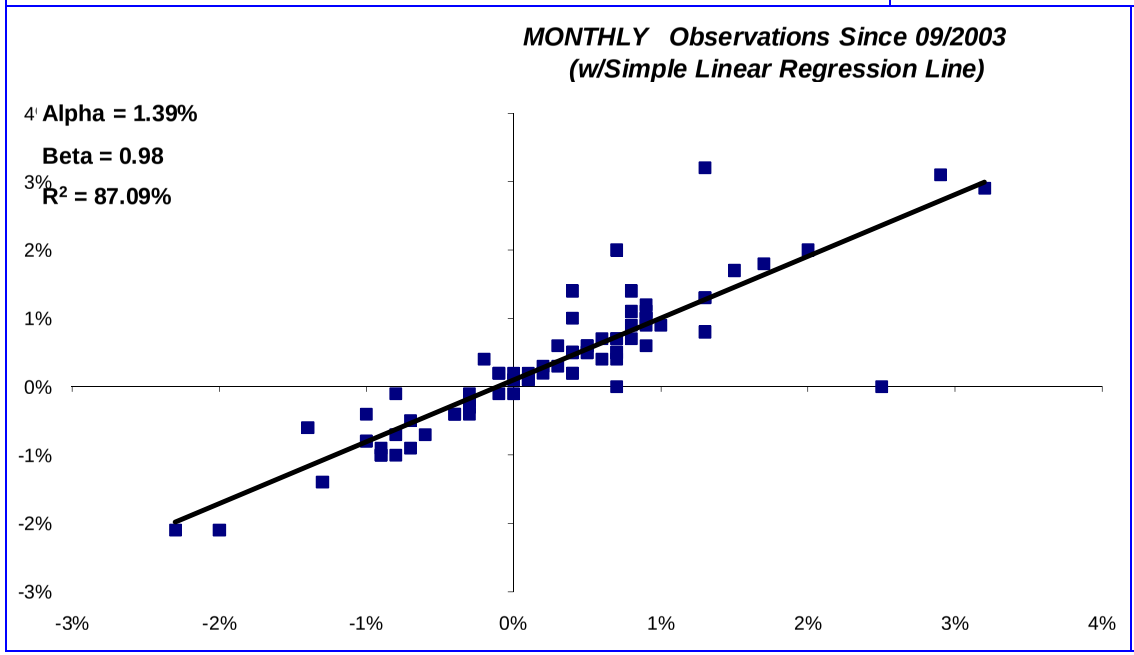
MODERN PORTFOLIO THEORY

Ormond Beach Police Officers Davis Hamilton Jackson & Assoc (Houston) AS OF 06/30/2010







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MANAGER RISK ANALYSIS

Ormond Beach Police Officers

AS OF 06/30/2010

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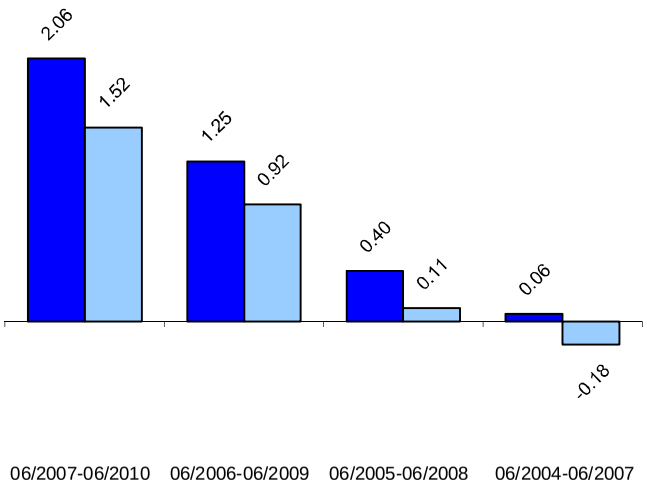

Davis Hamilton Jackson & Assoc

BC Int Gov/Credit

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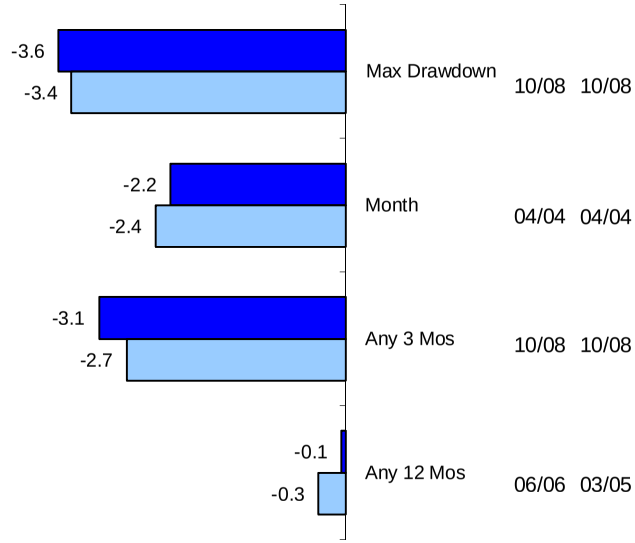

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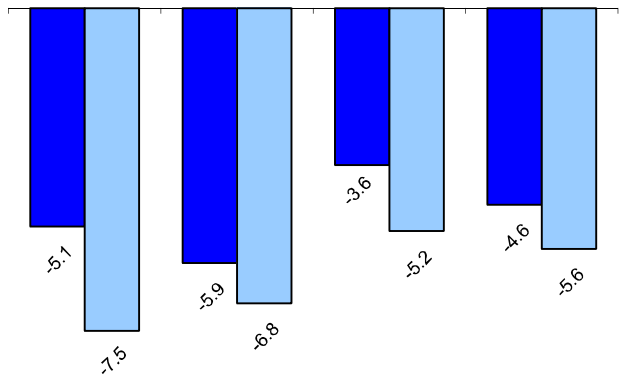
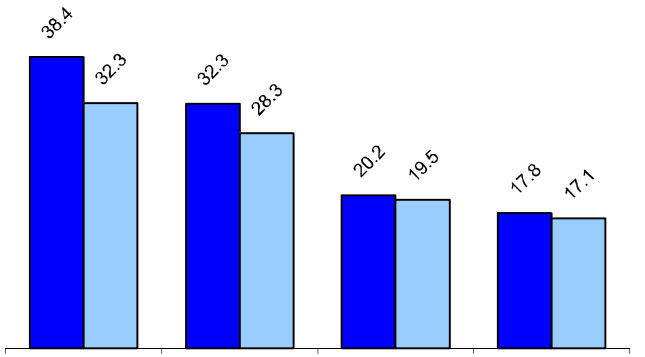


06/2007-06/2010	06/2006-06/2009	06/2005-06/2008	06/2004-06/2007
0.68	0.86	0.71	0.82

Down Capture Ratios

Up Capture Returns (%) 3-Year Rolling Periods



06/2007-06/2010	06/2006-06/2009	06/2005-06/2008	06/2004-06/2007
1.19	1.14	1.03	1.04

Up Capture Ratios

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Graystone Consulting℠

Information Disclosures

Please notify your Financial Advisor if you would like to impose any reasonable restrictions on the management of your account, or if there have been any changes in your financial situation, investment objectives, requested restrictions or other instructions which might affect the services to be provided to you or the manner in which your assets should be invested.

We have available at no cost an investment advisory services disclosure document which describes our investment advisory services and those of any investment advisors managing your account. If you would like a copy, please contact your Financial Advisor.

Sources and Intent

This investment evaluation is directed only to the client for whom the evaluation was performed. The underlying data has been obtained from sources the Firm believes to be reliable but we do not guarantee their accuracy, and any such information may be incomplete or condensed. This evaluation is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security or a recommendation of the services supplied by any money management organization. Past performance is not a guarantee of future results. Performance for periods greater than one year is annualized. The information contained herein was prepared by your Financial Advisor and does not represent an official statement of your account at the Firm (or other outside custodians, if applicable.) Please refer to your monthly statement for a complete record of your transactions, holdings and balances.

Gross Rates of Return

The investment results depicted herein represent historical Gross performance before the deduction of investment management fees and Select Retirement fees (if applicable). Valuation for periods prior to July 2004 is calculated based on settlement date accounting methods. As of July 1, 2004, trade date accounting methods are used. Annual, cumulative and annualized total returns are calculated assuming reinvestment of dividends and income plus capital appreciation. The client is referred to the Consulting Group Descriptive Brochure or Part II of the Firm's Form ADV and any applicable Select Retirement Prospectus and Contract. Actual returns will be reduced by expenses that may include management fees and cost of transactions. As fees are deducted quarterly, the compounding effect will be to increase the impact of the fees by an amount directly related to the gross account performance. For example, on an account with a 2% fee, if the gross performance is 10%, the compounding effect of the fees will result in a net performance of approximately 7.81%. This Report is for one-on-one client presentations only.

Advisory Notice

The Fiduciary Services-Affiliated Program and the Fiduciary Services-Unaffiliated Manager Program are separate and distinct advisory programs. Absent your written authorization, assets may only be transferred among managers within the particular program.

List of Composite Accounts

The Composite account presentation includes the following accounts: Total Fund, 010-29026, 010-40254, 010-53637, 010-60289, 010-62128, 010-63119, 010-63125, 010-63122.

Composite Index Definition

The Composite account's benchmark comprises the BC Intermediate Govt/Credit Index, MSCI EAFE (net), Russell 1000 Growth Index, Russell 2500 Value Index, 90-Day Treasury Bill Index, Russell 1000 Value Index, MSCI AC World Index Ex USA (Net), Russell 2500 Growth Index, indices in the same asset mix as your portfolio. The mix is adjusted monthly based on changes in your portfolio.

International History:
Until 4th quarter 1997, International equities were included within the Domestic equity category for performance presentation. For asset allocation purposes, they are reflected beginning Jan.1, 1998.

Bond Average
Please note that all averages calculated are weighted averages meaning that the calculation takes into account the par value of each position. CMO's and Asset Backed securities are excluded from the calculation. Any bonds that are non-rated by both Moody's and S&P are excluded from the average rating calculation.

Fiscal Year
Total Fund's fiscal year ends on 2010/09
Acct# 010-29026's fiscal year ends on 2010/09
Acct# 010-40254's fiscal year ends on 2010/09
Acct# 010-53637's fiscal year ends on 2010/09
Acct# 010-60289's fiscal year ends on 2010/09
Acct# 010-62128's fiscal year ends on 2010/09
Acct# 010-63119's fiscal year ends on 2010/09
Acct# 010-63125's fiscal year ends on 2010/09
Acct# 010-63122's fiscal year ends on 2010/09

International and Small Capitalization Securities
To the extent the investments depicted herein represent international securities, you should be aware that there may be additional risks associated with international investing involving foreign, economic, political, and/or legal factors. International investing may not be for everyone. In addition, small capitalization securities may be more volatile than those of larger companies, but these companies may present greater growth potential.

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