3RD QUARTER 2012

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Wealth Management

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Market Update

(all values as of September 28, 2012)

Stock Indices:

Dow Jones	13,437
S&P 500	1,441
Nasdaq	3,116

Bond Sector Yields:

2 Yr Treasury	0.24%
10 Yr Treasury	1.64%
10 Yr Municipal	2.02%
High Yield	6.51%

YTD Market Returns:

Dow Jones	10.01%
S&P 500	14.60%
Nasdaq	19.62%
MSCI-EAFE	6.95%
MSCI-Europe	8.00%
MSCI-BRIC	4.52%

Commodity Prices:

Gold	1,776
Silver	34.56
Oil (WTI)	92.48

Current Environment - Macro Overview

The markets reacted to the announcement of a third quantitative easing program by the Federal Reserve. This round of easing is different from the prior two (QE1 & QE2) since this is the first time that the Federal Reserve tied monetary policy to specific economic development, being employment. The Fed hopes to alleviate the nation's unemployment by facilitating an ultra low rate environment through mid 2015. The Fed announcement was met with mixed reaction from other world central banks, prompting concerns over a devaluing dollar and thus leading to potential inflationary pressures.

Attention in Europe shifted to Spain, where the country announced plans to borrow 207 billion euros in order to counter slowing economic conditions, and the results of a poor bank stress test. Spain's situation, becoming more similar to other euro members, is one where it continues to bear the costs of its failing nation's banks and excessive debt levels.

The lingering Fiscal Cliff continued to hinder the market with uncertainty, as governmental indecision may further complicate year end decision making, affecting equity sales, real estate sales, retirement contributions, and estate planning.

The U.S. Dept. of Commerce reported second quarter GDP growth at 1.3%, less than anticipated by the markets, and durable goods orders falling 13% in August from July. Durable goods are those products whose useful life is long, such as cars, refrigerators, and sporting goods.

On September 5th, the U.S. Bureau of Labor Statistics reported that U.S. labor productivity increased to an annual rate of 2.2% during the second quarter of 2012. Labor productivity essentially measures the output per worker in the labor force, thus any increases are perceived by the market as positive.

The value of Americans' real-estate holdings increased by about $400 billion, or 2.1%, to $19.1 trillion, in the second quarter, the Federal Reserve reported on September 20th, the highest level since the 4th quarter of 2008. Homeowner equity also increased to levels not seen since the same period in 2008.

For the third quarter ending September 30th, equity markets outperformed fixed income markets, with the Dow Index up 4.3% and the S&P 500 gaining 5.8%. A broad measure of the fixed income market, the Barclays US Aggregate Bond Index, was up 1.58% for the quarter.

Sources: Federal Reserve, U.S. Census Bureau, CBO

Equity Update - Equity Markets

Performance in the equity markets was mixed as selectivity of sectors and industries became more prominent. With continued uncertainty surrounding tax implications on capital gains and dividends, market accommodations remained conservative.

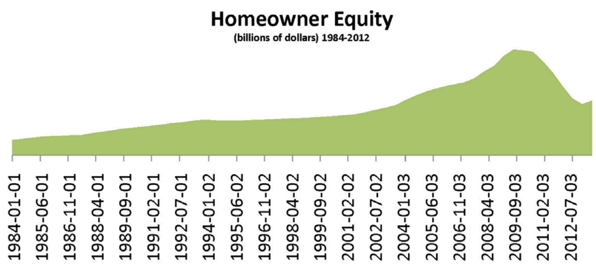
For the period ending September 28th, all of the sectors comprising the S&P 500 were positive on a year to date basis. Of the sectors, telecom, technology, financials, and consumer discretionary were the four best performers. Volatility was less apparent the month of September relative to the elevated volatility experienced in August. The VIX , an index measuring stock market volatility, was being closely watched by the markets the final week of September as some uneasiness returned to certain sectors.

A slowing global environment pressured the materials, industrials, and energy sectors, with a sustained low rate environment fostering demand for dividend paying telecom positions.

Sources: S&P, Bloomberg

Homeowner Equity - Market Fact

Each quarter, the Federal Reserve reports on the value of real estate holdings nationwide. The most recent data released was for the second quarter, which showed that real estate holdings increased by over $400 billion, or by 2.1% in the quarter alone. Of more importance to homeowners, is that overall equity valuations increased to levels not seen since late 2008.



Data for homeowner equity ranging from 1984 through the second quarter 2012 reveals a dramatic increase, followed by a dramatic decrease in homeowner equity in the past ten years. The collapse of the housing "bubble" decimated the balance sheets of Americans nationwide, which have just started to improve only recently.

Optimistically, as the value of homeowner equity improves, so does the health of household balance sheets. As the balance sheets of Americans improve, consumers' potential to increase their borrowing and spending ability also increases, thus eventually leading to better economic conditions.

Source: Federal Reserve

Fixed Income Overview - Fixed Income / Interest Rate Update

As the Federal Reserve announced its QE3 program, it detailed how it would extend an already low interest rate environment.

The Fed outlined its plan to buy $40 billion worth of mortgages per month until the job market picks up, thus creating an attractive environment for mortgage backed securities, as supply shrinks, and demand increases due to buying by the Fed.

The Fed plans to extend this low rate environment through at least mid 2015, saying it would pursue "accommodative policy" for a considerable time, even after the economy strengthens.

Quantitative easing has been of concern with the rating agencies, when once again Moody's warned that it could downgrade U.S. government debt in 2013 if large scale measures are not taken to offset the nation's rising debt.

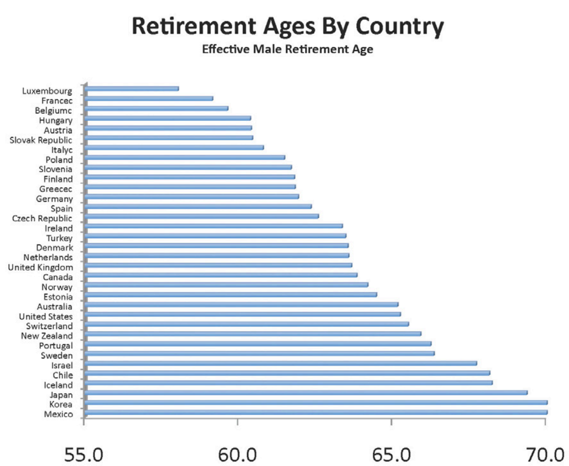
The fed's latest market injection of liquidity, renewed fears surrounding inflation once again. On September 16th, another rating agency, Egan Jones, cut its credit rating on U.S. government debt to AA- from AA, noting the detrimental effects of QE3 on the dollar and consumer purchasing power as well as upward price pressures on commodities. Since the majority of commodities worldwide are traded in the US dollar, any devaluation of the dollar would lead to inflationary pressures with commodities prices.

U.S. Treasury prices did not appreciate as much as expected with the QE3 announcement, since U.S. Treasuries were not part of the buy back program, but mortgage backed securities were.

Sources: Ferderal Reserve Board, Bloomberg

International Update - International Markets

Anxieties over the euro-zone debt crisis erupted once again with Spanish citizens protesting against anticipated spend-



ing cuts and tax hikes in the 2013 budget. Spain also announced that it will borrow 207 billion euros in 2013, to offset slowing economic conditions, failing banks, and excessive debt. Spain, like many other European countries, has accumulated sizeable debt levels due to growing pension obligations.

Austerity measures help alleviate such issues, by reducing current and future pension obligations by increasing retirement ages. According to the Organization for Economic Co-operation and Development (OECD), the official retirement age in Spain is 65, but the actual effective retirement age is 62. The effective age is the age as which a worker has the ability to start receiving pension benefits, and takes them, as opposed to waiting until reaching the official retirement age.

Such a dynamic is occurring with more frequency not only throughout Europe, but throughout the rest of the developed world, as the working population ages.

In addition to providing data on retirement ages worldwide, the OECD promotes policies that improve the economic and social well-being of people around the world.

As a comparison, Luxemburg has one of the youngest effective retirement ages at 58 with a 65 official retirement age, while Mexico has one of the oldest effective retirement ages at 71.5 with an official retirement age of 65. In the United States, the official retirement age is 65.8, while the effective retirement age is 65.2.

Sources: EuroStat, OECD