Spring Mountain Capital

StarVest Partners, L.P.

2010 Annual Meeting

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Harvard Club of New York City
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2010 Predictions[1]

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S&P Earnings: S&P 500 Index Growth

Interest Rates: U.S. Treasury Bill (2-year)

Interest Rates: U.S. Treasury Bill (30-year)

Market: Dow Jones Industrial Average

Emerging Markets: MSCI Emerging Markets Index

Health Care: Dow Jones U.S. Healthcare Sector Index Fund

Utilities: Vanguard Utilities ETF

Energy: Vanguard Energy ETF

Water: Guggenheim S&P Global Water ETF

	Full Year 2010 Predictions	YTD 2010 Actual[2]	Full Year 2011 Predictions
Economy (GDP)[3]	+2.0%	+2.3%	+1.8%
S&P Earnings	+15.0%	+47.0%[4]	+10.0%
Interest Rates (2-yr)	+0.5%	+0.3%	+0.5%
Interest Rates (30-yr)	+4.0%	+3.9%	+4.3%
Market (DJIA)	8,800-11,500	9,596-11,309	12,500
Dollar ($/€)	1.35-1.60	1.19-1.45	1.25-1.40
Emerging Markets	Overweight	+11.3%	Overweight
Health Care	Overweight	+2.1%	Overweight
Utilities	Equal Weight	+4.6%	Equal Weight
Energy	Overweight	+4.3%	Overweight
Water	Overweight	+3.8%	Overweight
Gold	3-5% Weighting	+22.7%	5% Weighting
S&P 500 Total Return	-	+7.4%	-

[1] **Past performance is not necessarily indicative of future performance.** This presentation is not, and may not be used as, an offer to purchase or a solicitation of an offer to purchase, or a recommendation of any investment class or particular investment or security listed herein. The predictions expressed in the table above are those of John L. ("Launny") Steffens (and do not necessarily represent the views of Spring Mountain Capital, LP), are accurate as of the date of this presentation and are subject to change without notice.

[2] Performance figures shown for year to date 2010 are through October 20, 2010.

[3] GDP figure shown for year to date 2010 reflects the actual GDP growth for Q1 2010 and Q2 2010, and estimated growth for Q3 2010.

[4] S&P Earnings figure shown for year to date 2010 reflects the actual earnings growth for Q1 2010 and Q2 2010, and estimated growth for Q3 2010 and Q4 2010.

A Complex World

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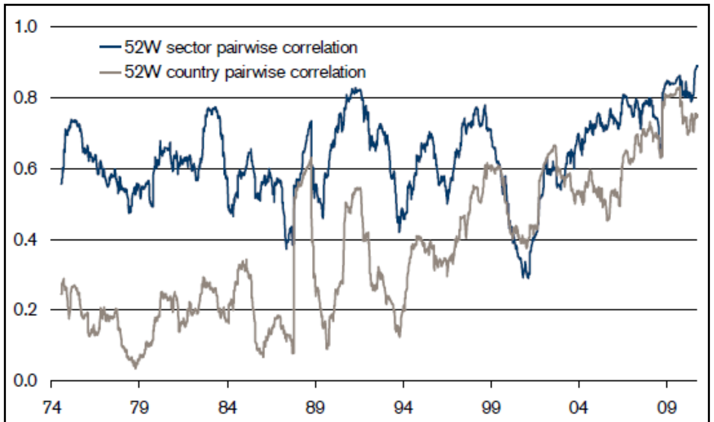
Asset allocation provides necessary shape to portfolio strategy

Correlations among sectors and countries has risen over the past decade

Investing is not an armchair activity

- **Investment success requires a dynamic mindset**
  - The old recipe for success won't work, passive "buy-and-hold" mentality outdated
  - Asset allocation as an overriding framework
    - Provides shape to portfolios and helps rationalize each investment
  - Risk must be an equal consideration to reward
- **Crisis of 2008 underscored long-term trend of higher correlations**
  - Global lens critical, geographic and asset interdependency has become pronounced over time
  - Macro-driven market environment with elevated correlations among sectors and countries likely to persist



Source: Credit Suisse, Datastream International Limited

- **Investors should consider:**
  - Important new asset classes, geographies, investment instruments
  - Investment cycles more compressed due to the speed of information
  - Volatility remains high & liquidity still central to markets
  - Radar screens must expand exponentially and dynamically

The Multiplier Effect

The number of complicating variables which influence the macro environment are increasing exponentially

Bubbles, once infrequent, now seem to occur every few years

Late 1980's/ Early 1990's

- S&L Crisis
- The Gulf War
- Currency Challenges
- Real Estate Bubble
- Adaptation to Technology
- Adulation of Japan

Mid 1990's/ 2000's

- Latin American Bubble
- Asian Contagion
- Brick & Mortar vs. Internet
- Tech Bubble
- Y2K
- Geopolitical Events/Risk
- Iraq/Afghanistan War
- Corporate Malfeasance
- Consumer Credit Bubble Building
- Hurricane Katrina

Late 2000's: 2010

- Credit Bubble
- U.S. Economy (Double Dip?)
  - Employment
  - Housing
- Federal/State Deficits
- Consumer Debt
- Commercial Real Estate
- Competition (China)
- Euro – Continue?
- Fannie Mae/Freddie Mac
- Banking regulation
- Oil/Energy
- Health Care
- Education
- Climate
- Cyber Security, Cyber Privacy
- Demographics
- "Flash Crash" (Dow -1000, 5/6/2010)
- Immigration
- BP - Gulf
- Sovereign Contagion Risk (Greece, Portugal, Italy, Spain, Ireland, etc.)
- Percolating Hot Zones
  - Taliban/Insurgents
  - North Korea
  - Pakistan/India/Iran
  - Middle East

Portfolio Considerations: The Forest and the Trees

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Past decade of asset class performance captures why dynamic rebalancing is key

- **The Forest:**
  - Portfolio construction should reflect full palette of asset classes
  - Active allocation to specific assets…with dynamic rebalancing
    - Performance results over the past decade reflect pronounced rotation[1]

	Past 10 yrs 2000-2009 (Cumulative)	Year to Date 2010 (Sep. 30)
Equities	-9%	+4%
Large Cap Average	-3%	+4%
Small Cap Average	+54%	28%
Government Bonds	+82%	+9%
Municipal Bonds	+75%	+7%
High Yield Bonds	+88%	+12%
EM Debt	+208%	+15%
Cash	+32%	0%
Gold	+281%	+19%
Oil	+210%	+1%
Real Estate (Residential)[2]	+59%	+3%
Hedge Fund[2]	+89%	+2%
Private Equity[3]	+7%	n/a

- **The Trees:**
  - U.S. Treasuries
  - EM exposure (use of ETFs provide liquidity and broad choices)
  - Options (may dampen volatility)
  - Hedge funds
  - Private equity (sector or strategy focused)
  - Gold (743 years of value endurance!)

[1] **Past performance is not necessarily indicative of future performance.** This presentation is not, and may not be used as, an offer to purchase or a solicitation of an offer to purchase, or a recommendation of any investment class or particular investment or security listed herein. See Appendix 1 for data sources and definitions of each asset class listed above.

[2] Performance returns shown for 'Real Estate' year to date 2010 are through July 31, 2010, returns shown for 'Hedge Fund' are through August 31, 2010.

[3] Performance return shown for 'Private Equity' for the past 10 years is expressed in annualized terms. A year to date 2010 figure is not available.

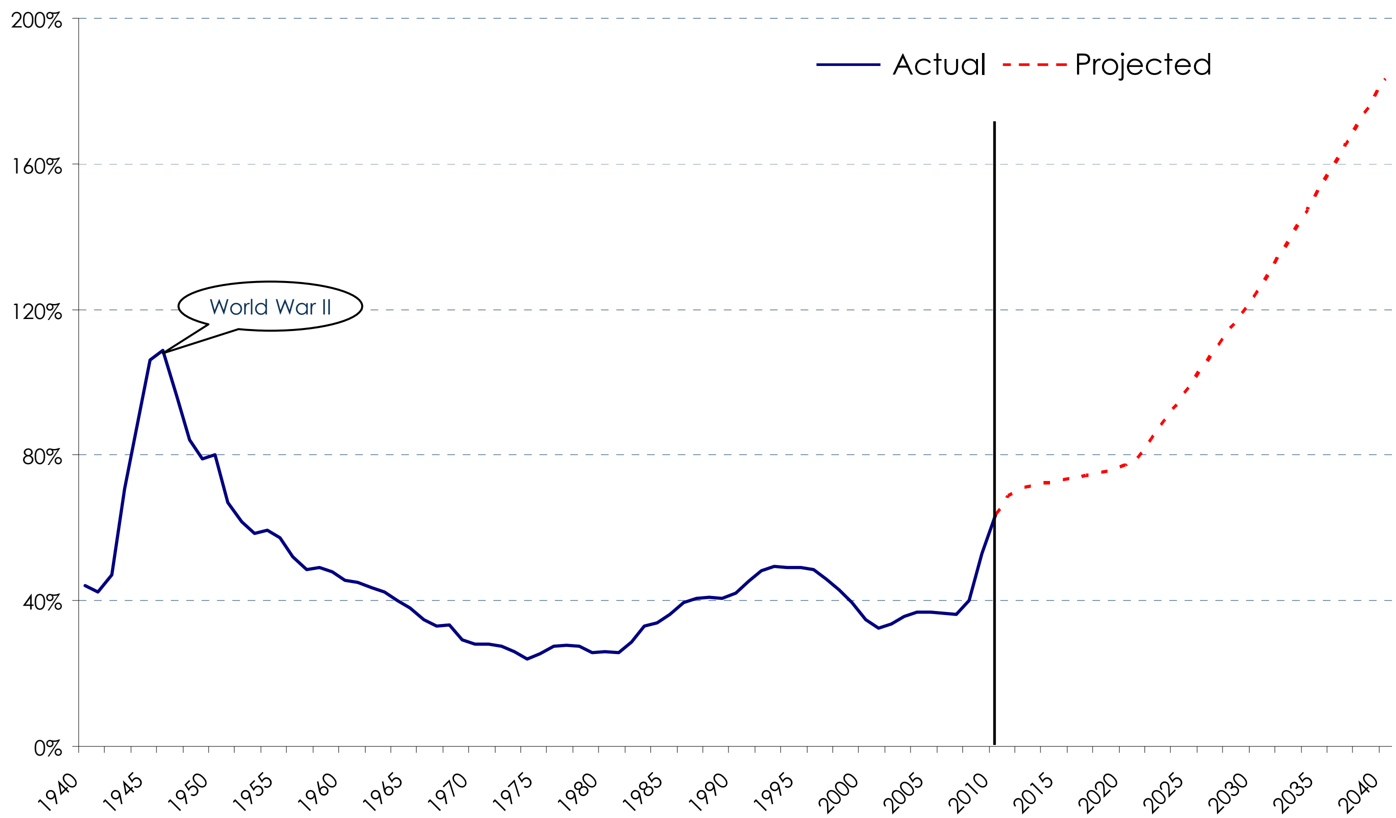
Source: Cambridge Associates LLC.

The Elephant in the Room: Federal Debt Projections

U.S. government debt doubled over the past decade – and could triple in this decade

Could reach 90% of GDP by 2020

Projections might be educated guesswork from Washington, but painful choices seem likely to avoid our own "Greece"



Source: U.S. Office of Management and Budget

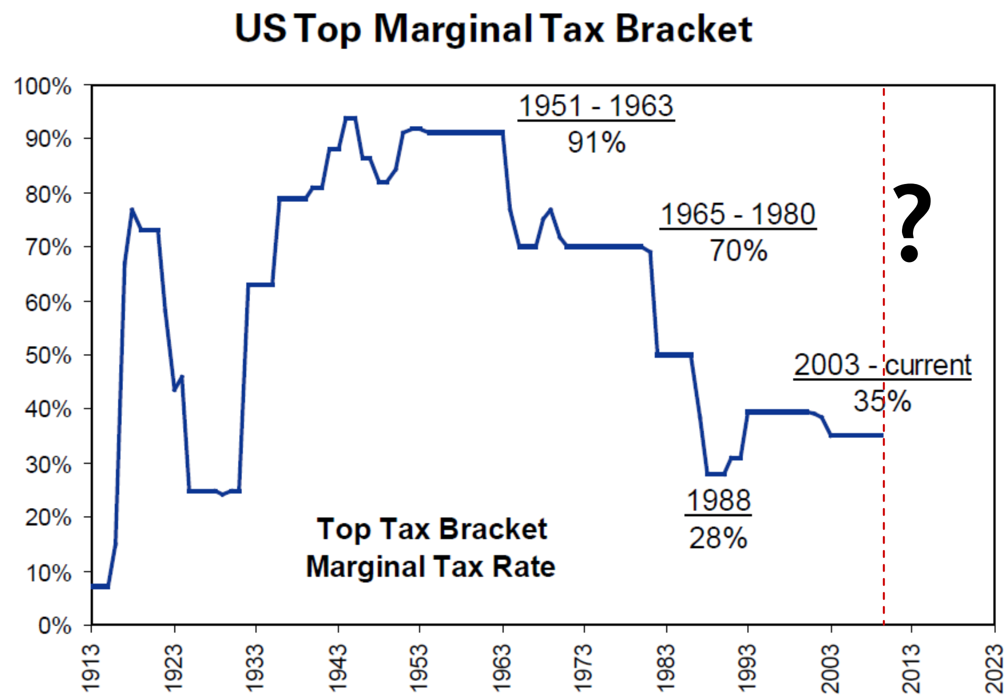
	U.S. Federal Debt	% GDP	Federal Deficit as % GDP
2000	$3.4 trillion	35%	Surplus (one of only 4 in past 60 years)
2009	$7.5 trillion	53%	13% (Stimulus Package)
2020 (projected)	$20.3 trillion	90%	6%

A Brief Look at an Unpopular Topic…Taxes

Federal and state taxes are going up….

Relative benefit to owning munis may increase

Tax implications must be embedded in investment decisions



Source: ERWIN, Haver Analytics and Goldman Sachs Global ECS Research.

- **High probability taxes will rise**
- **Capital gains tax likely to increase from 15% to 25% (+66%)**
- **Dividends tax expected to grow from 15% to 36% (+140%)**
- **Increases may be segmented by a "millionaire" bracket**
- **The relative tax benefit to municipals expected to increase by approximately 33%**

Gold - Interesting Facts

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Gold has retained a certain value over the millennia and through many crises

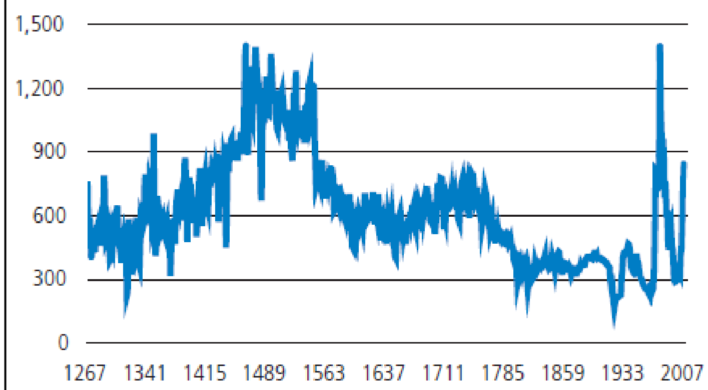
Gold supply is largely inelastic

Current output is still negligible compared to quantities in individual possession

From "bling" to an investment staple

Gold has retained its value

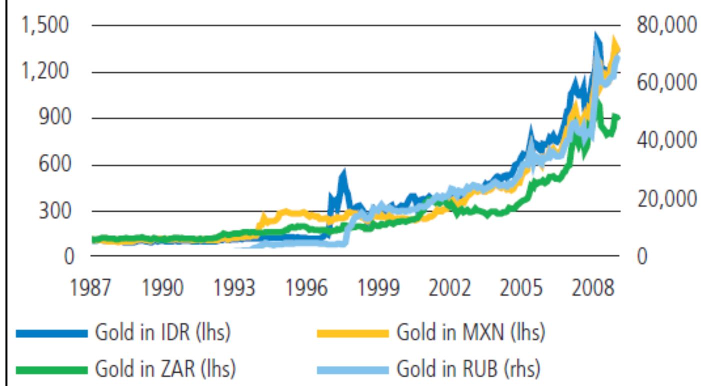
Gold price in British pound inflation-adjusted (1267–2009)



Source: Measuring Worth, UBS WMR, as of May 2010

Gold prices offer good protections against event risk

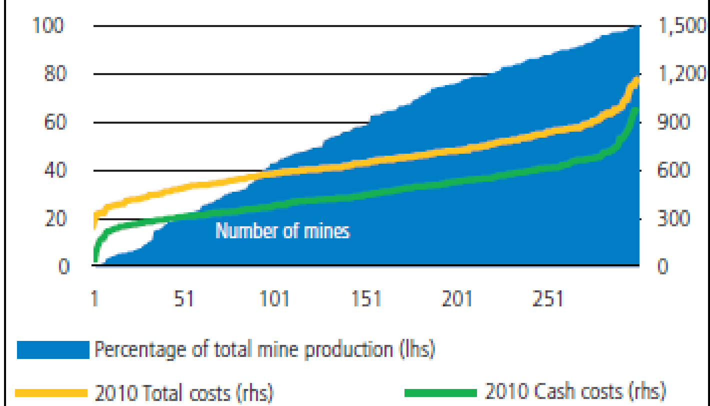
Gold price denominated in Ruble, Peso, Rand and Indonesian rupiah (rebased to 100)



Source: Reuters EcoWin, UBS WMR, as of May 2010

Production costs justify the rise in the gold price

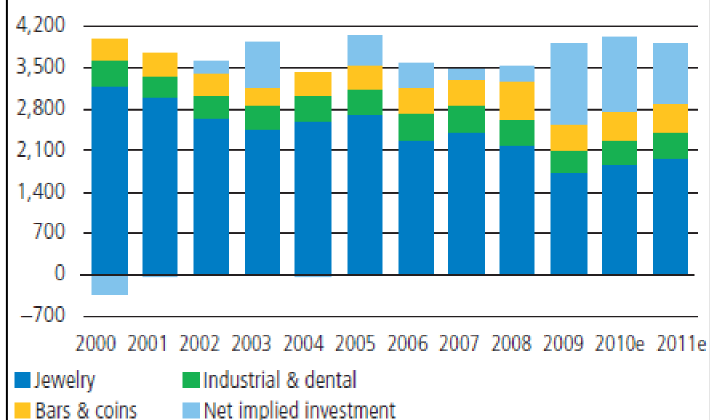
Total mine production (100%) equals to 2000 tons (lhs); In USD (rhs)



Source: Brook Hunt, UBS WMR, as of May 2010

Investment demand – a new rival for jewelry

Values in tons



Source: World Gold Council, UBS WMR, as of May 2010 e= estimate

Past performance is not necessarily indicative of future performance.

Gold Relative to the S&P 500 (1928-2008) and Oil (1900-2008)

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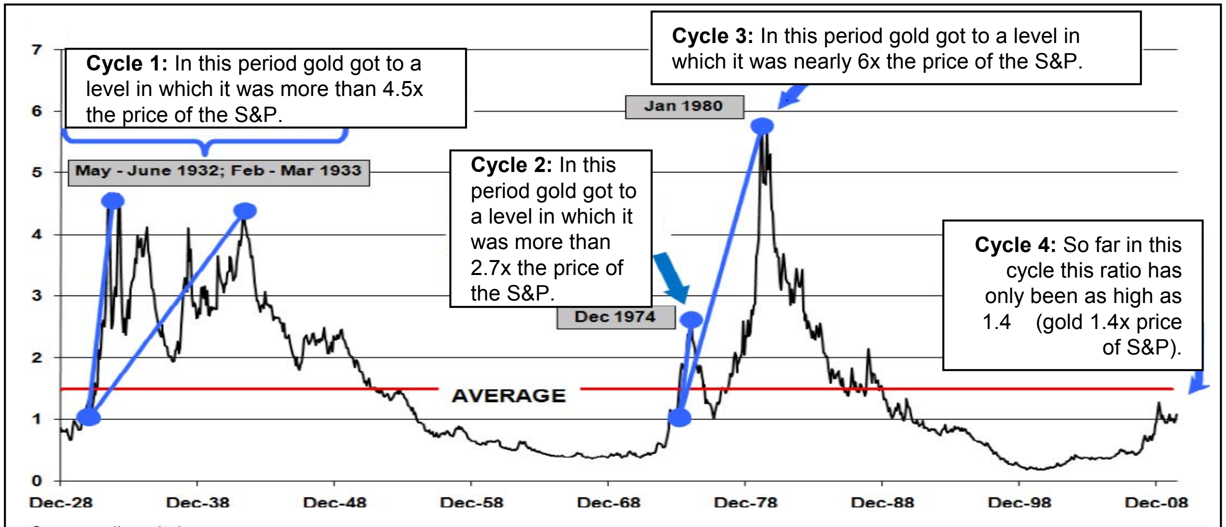
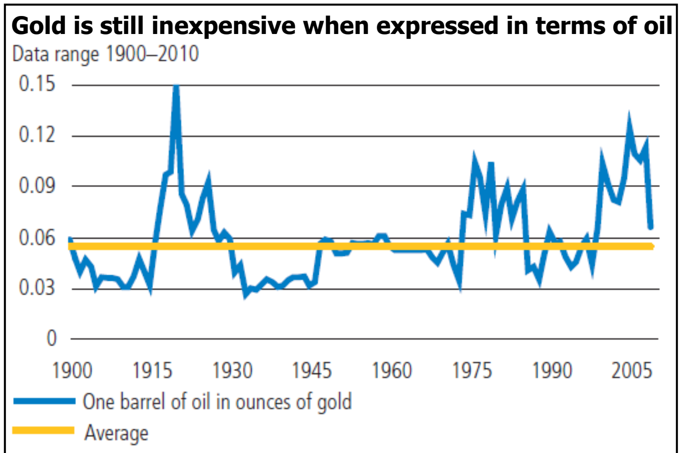
Lagging the historical average of 1.5x



Source: wjbcapital.com

While gold still undervalued relative to oil, oil consumption could account for this



Source: Reuters EcoWin, UBS WMR, as of May 2010

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Emerging Markets…The New Engine

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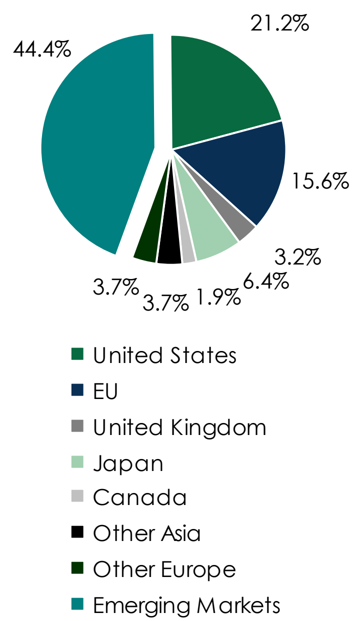
Capture the Growth of Today and Tomorrow

Contribution to World GDP



Source: Merrill Lynch

- **Reordering of Economic Power**
- **Represents Dominant Economic Growth Engine To The World**
  - GDP growth in emerging market countries is expected to be more vigorous than G7 countries

Real GDP, % chg yoy	2008	2009	2010	2011
G7	0.2%	-3.4%	2.2%	2.3%
Emerging Markets	6.5%	2.9%	7.7%	7.4%

Source: Goldman Sachs

- **Largest Contributor To The Global Economy**
  - Contribution to global GDP: 45% (exceeds the combined total of U.S. of 21% and EU of 16%)
  - Population mix (global): 82%
  - Trade flows: 38%
  - Proven & probable oil reserves: 84%
  - Natural gas: 91%
  - Copper reserves: 84%
- **Stronger-For-Longer Market Theme Remains Compelling**
  - Although emerging economies account for 45% GDP, the market cap of 11% is still low…
  - Supports thesis of longer term fund flow to EM markets
- **Global Economic Linkages Have Created Closer Correlation in Major Worldwide Markets**
  - Warrants a more progressive mindset from investors
  - Concerns about negative spillover, the markets reacted accordingly
  - Dubai's sovereign debt restructuring (November 2009)
  - Risk of sovereign contagion illustrated recently by PIGS (Portugal, Italy, Greece, Spain)

Emerging Markets: E7 Surpasses G7

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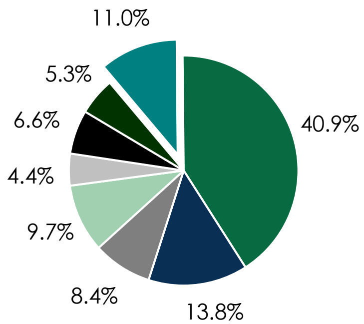
Reordering of Economic Power

Contribution to Global Stock Market Capitalization



Source: Merrill Lynch

- **Recent Study Predicts That G7 and E7 GDP Will Reach Parity in 2019**[1]
  - E7 includes China, India, Brazil, Russia, Mexico, Indonesia, and Turkey
  - E7 expected to surpass G7 by 2020
  - E7 forecasted to be 30% higher than G7 by 2030
- **Gap Narrowing Quickly**
  - Global economic crisis expedited the convergence of G7 and E7 economies
  - Gap expected to shrink this year to 35%, down from 60% three years ago
- **Reordering of Economic Power**
  - China expected to be world's largest economy by 2020
  - Global top ten GDP projections by 2030

1. China	6. Russia
2. U.S.	7. Germany
3. India	8. Mexico
4. Japan	9. France
5. Brazil	10. UK

[1] Source: PricewaterhouseCoopers study, 2009.

Emerging Markets: Shift in Center of Gravity

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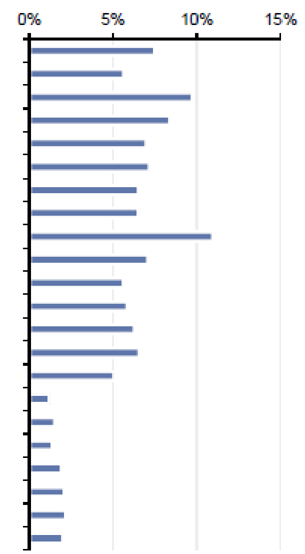
Major opportunity for multinationals

Growth landscape should change over the next few decades

- **Key growth tailwind over the coming decades? The "Expanding Middle"**
- **Twin forces of growth:**
  - Growth shifting to emerging middle-income economies
  - Number of middle-income people increasing within these countries
- **Growth in consumption should affect many industries, particularly:**
  - Infrastructure, commodities, consumer (packaged goods), agriculture
  - Also: financial services/banking, technology, media, telecom, and pharma/healthcare

Wealth level	Country	Population	Median age	Labor force	GDP per capita	GDP growth
		Total, mn 2009	Years	Total, mn 2009	Real US$ 2009	CAGR 09-20E
Under US$2k	Bangladesh	164	23.3	76	512	7.5%
	Pakistan	170	20.8	59	948	5.6%
	Vietnam	90	27.4	44	969	9.7%
	India	1,203	25.3	457	1,083	8.4%
	Nigeria	155	19.0	47	1,228	7.0%
	Philippines	91	22.5	38	1,805	7.2%
	Egypt	78	24.8	25	1,850	6.5%
US$2-5k	Indonesia	237	27.6	106	2,081	6.5%
	China	1,344	34.1	731	3,117	11.0%
US$5-10k	Iran	73	27.0	29	4,800	7.1%
	Brazil	197	28.6	93	7,427	5.6%
US$10-20k	Mexico	109	26.3	43	9,280	5.8%
	Turkey	77	27.7	24	9,869	6.3%
	Russia	141	38.4	63	10,575	6.5%
	Korea	49	37.3	21	22,631	5.1%
Over US$20k	Japan	128	44.2	49	34,564	1.2%
	Italy	59	43.3	19	36,781	1.5%
	Germany	82	43.8	32	41,739	1.4%
	France	62	39.4	23	42,631	1.9%
	Canada	33	40.4	16	45,011	2.1%
	United States	312	36.7	139	46,626	2.2%
	United Kingdom	61	40.2	26	47,164	2.0%



Social and economic measures, grouped by current wealth bands.

Sources: World Bank, UN Population Division, CIA World Factbook, GS SUSTAIN.

Themes: Change & Complexity Creates Opportunity

Change in technology and consumer behavior are creating unique opportunities in media and related sectors

Gold's status as a safe haven is now more broadly accepted

- **Media/Technology**
  - Shift from physical to digital still far from over (music, books, video)
  - Social media is redefining traditional landscape (retailing, advertising, branding)
  - Moving from "downloading" to "streaming," fat core/thin edge
- **Misunderstood Securities**
  - Neglected investments (due to complexity, illiquidity, and ambiguity), specific expertise may unlock value
- **Energy Efficient Commercial A/C**
  - Tailwinds include: developing middle class in EM, rising energy prices, regulatory pressure
- **Gold**
  - Speculative view is outdated, gold is more than a commodity – has monetary function
  - An antidote for event risk
- **Agriculture**
  - Economic and demographic changes will have major impact
    - Population, infrastructure, and prosperity drive global consumption changes, from carbs to protein
- **Natural Resources**
  - Water remains a key theme - still thirsty for practical investments
  - Peak energy? The depletion debate continues
    - Untapped sources often come with complicated production and distribution issues
- **Municipal Bonds**
  - No longer the "sleepy" investment, current complexity and granularity require a skilled approach
  - Changing tax environment highlights this investment category

2010: Winners & Losers

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Winners include high quality stocks, munis, and certain areas of the tech/media sector

Losers include taxes, inflation, and potentially segments of the consumer markets

Winners	Losers
• **Equities** – High quality, dividend paying stocks	• **Taxes** – Direction is up (Fed & State)
• **Mergers & Acquisitions** – Interest rates remain low, large cash balances – Strategic hunting	• **Consumer** – Consumption/household buying power[1] improving very slowly – Unemployment major challenge – Housing woes for some
• **Municipals** – No longer the "sleepy" investment	• **Inflation** – Low to none
• **Infrastructure** – Upgrade in developing – "Expanding Middle" in emerging	• **Commercial Real Estate** – Debt cycles in 2011-2013 could be trouble – Great for cash-rich buyers & lease-rich buildings
• **Agriculture** – Global demographics & population growth – "Expanding Middle"	
• **Pharma/Orthopedics** – Aging population consumes more pharma – Generation "Ouch" (Hips, knees, spine, etc.)	
• **Technology/Media** – Big secular shifts – Physical to digital, download to streaming, DVD to Flash/USB – High broadband penetration and low costs driving	
• **Emerging Markets** – Expect 6-8% growth – Over 50% of global GDP	
• **Housing** – Improving slowly, floor on housing inventories? – Homebuyer tax credit may nudge Q3 results into growth territory	

[1] Formula includes personal income less interest, mortgage and tax liabilities, other credit/debt, home equity.

APPENDIX

Appendix 1: Asset Class Returns (1995-2010)[1]

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Equity	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD 2010	Cum.[2]
Large Cap Average	37.77%	22.38%	32.84%	27.17%	20.26%	-7.71%	-13.01%	-21.70%	29.89%	11.40%	6.16%	15.66%	5.82%	-37.65%	28.45%	4.43%	229.80%
S&P 500 Total Return Index	37.58%	22.96%	33.36%	28.58%	21.04%	-9.11%	-11.88%	-22.10%	28.69%	10.88%	4.91%	15.79%	5.49%	-37.00%	26.46%	3.89%	231.54%
Mid-Cap Average	34.46%	18.87%	28.46%	11.47%	25.59%	3.72%	-8.91%	-18.53%	40.39%	19.60%	12.38%	15.44%	5.01%	-41.38%	40.25%	11.00%	344.99%
Small-Cap Average	28.40%	16.32%	22.37%	-2.61%	20.80%	0.20%	2.40%	-20.85%	47.29%	18.28%	4.43%	18.42%	-1.37%	-33.73%	27.53%	27.53%	235.94%
International	11.55%	6.36%	2.06%	20.33%	27.30%	-13.96%	-21.21%	-15.66%	39.17%	20.70%	14.02%	26.86%	11.63%	-43.06%	32.46%	1.46%	120.11%

Fixed Income	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD 2010	Cum.[2]
Emerging Markets Debt	26.77%	39.31%	13.02%	-14.35%	25.97%	15.66%	-0.79%	14.24%	28.82%	11.77%	11.86%	10.49%	6.45%	-9.70%	37.49%	14.63%	661.05%
Corporate Bonds	21.55%	3.39%	10.39%	8.72%	-1.89%	9.13%	10.70%	10.17%	8.31%	5.41%	1.97%	4.38%	4.64%	-6.82%	19.76%	12.64%	214.84%
High Yield Bonds	20.46%	11.27%	13.27%	2.95%	2.51%	-5.12%	4.48%	-1.89%	28.15%	10.87%	2.74%	11.77%	2.19%	-26.39%	57.51%	11.76%	236.66%
World Gov't Bonds	19.04%	3.62%	0.23%	15.30%	-4.27%	1.59%	-0.99%	19.49%	14.91%	10.35%	-6.88%	6.12%	10.95%	10.89%	2.55%	5.74%	174.18%
Multi-Sector Fixed Income	18.47%	3.63%	9.65%	8.69%	-0.82%	11.63%	8.44%	10.26%	4.10%	4.34%	2.43%	4.33%	6.97%	5.24%	5.93%	7.94%	189.39%
Government Bonds	18.33%	2.77%	9.58%	9.85%	-2.25%	13.23%	7.24%	11.50%	2.36%	3.48%	2.65%	3.48%	8.66%	12.39%	-2.20%	8.95%	183.64%
Municipal Bonds	17.45%	4.43%	9.19%	6.48%	-2.06%	11.68%	5.13%	9.60%	5.31%	4.48%	3.51%	4.84%	3.36%	-2.47%	12.91%	6.83%	160.93%
Mortgage Bonds	16.80%	5.35%	9.49%	6.96%	1.86%	11.16%	8.22%	8.75%	3.07%	4.70%	2.61%	5.22%	6.90%	8.34%	5.89%	5.11%	188.40%

Real Asset	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD 2010	Cum.[2]
Cash	5.75%	5.25%	5.25%	5.06%	4.74%	5.96%	4.09%	1.70%	1.07%	1.24%	3.00%	4.76%	4.74%	1.80%	0.16%	0.12%	70.71%
Gold	1.02%	-5.01%	-21.39%	-0.28%	-0.09%	-5.47%	2.46%	24.77%	19.37%	5.54%	17.92%	23.15%	30.98%	5.77%	24.36%	19.27%	241.42%
Real Estate (Res)[3]	-0.40%	1.88%	5.36%	9.12%	10.79%	14.12%	8.88%	15.00%	13.43%	18.70%	15.93%	0.22%	-9.77%	-19.23%	-2.42%	2.60%	110.79%
Oil	10.08%	32.58%	-31.94%	-31.69%	112.45%	4.69%	-25.97%	57.26%	4.23%	33.61%	40.48%	0.02%	57.22%	-53.53%	77.94%	0.77%	350.29%

[1] Source: Legg Mason, Inc., Bloomberg Finance, LP, and Spring Mountain Capital, LP. Performance returns shown for "YTD 2010" are through September 30, 2010, except where noted. **Past performance is not necessarily indicative of future performance.** This presentation is not, and may not be used as, an offer to purchase or a solicitation of an offer to purchase, or a recommendation of any investment class or particular investment or security listed herein.

[2] "Cum." refers to the cumulative returns for the time period shown.

[3] YTD 2010 figure shown for Real Estate (Res.) is through July 31, 2010.

Please refer to the following page for a definition of each asset class listed above.

Appendix 1: Definition of Asset Classes

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Large Cap Average	Large Cap Average is the average performance of Large Cap Value and Large Cap Growth. Large-Cap Value is represented by the Russell 1000 Value Index, which measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. These stocks are selected from the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. Large-Cap Growth is represented by the Russell 1000 Growth Index, which measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. These stocks are selected from the 1,000 largest companies in the Russell 3000 index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.
S&P 500 Total Return Index	S&P 500 Index is a capitalization-weighted, composite index of 500 stocks designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
Mid-Cap Average	Mid-Cap Average is the average performance of Mid-Cap Value and Mid-Cap Growth. Mid-Cap Value is represented by the Russell Mid-Cap Value Index. The Russell Mid-Cap Value Index measures the performance of those Russell Mid-Cap companies with lower price-to-book ratios and lower forecasted growth values. Mid-Cap Growth is represented by the Russell Mid-Cap Growth Index. The Russell Mid-Cap Growth Index measures the performance of those Russell Mid-Cap companies with higher price-to-book ratios and higher forecasted growth values.
Small-Cap Average	Small-Cap Average is the average performance of Small-Cap Value and Small-Cap Growth. Small-Cap Growth is represented by the Russell 2000 Growth Index, which measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. These stocks are selected from the 2,000 smallest companies in the Russell 2000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
International	International stocks are represented by the Morgan Stanley Capital International EAFE Index. The MSCI EAFE Index is an unmanaged index of common stocks of companies located in Europe, Australasia and the Far East.
Cash	Cash is represented by the Citigroup U.S. Domestic 90-day T-Bill. This index represents the monthly return equivalents of yield averages, which are not marked to market; this index is an average of the last three-month U.S. Treasury bill issues.
Emerging Markets Debt	Emerging Markets Debt is represented by the J.P Morgan Emerging Markets Bond Index, a total return index that tracks the traded market for U.S. dollar-denominated Brady bonds and other similar sovereign restructured bonds traded in the emerging markets.
Corporate Bonds	Corporate Bonds are represented by the BofA Merrill Lynch U.S. Corporate Index, which tracks publicly issued U.S. corporate bonds that meet the specified maturity, liquidity, and quality requirements to be considered investment-grade.
High Yield Bonds	High Yield is represented by the Merrill Lynch (ML) High Yield Master II Index, which is a market capitalization-weighted index of all domestic and Yankee High Yield Bonds. Issues included in the index have maturities of at least one year and have a credit rating lower than "BBB"-"Baa3," but are not in default. High-yield bonds are subject to more risks than investment-grade bonds, such as greater liquidity and credit risk and increased risk of default due to the lower credit quality of the issues.
World Gov't Bonds	World Government Bonds are represented by the Citigroup World Government Bond Index, a market-capitalization weighted benchmark that tracks the performance of the government bond markets of 14 countries.
Multi-Sector Fixed Income	Multi-Sector Fixed Income is represented by the Barclays Capital U.S. Aggregate Index, a broad-based bond index composed of government, corporate, mortgage and asset-backed issues rated investment grade or higher and having at least one year to maturity.
Government Bonds	Government Bonds are represented by the Barclays Capital Government Bond Index, which is a broad-based index of all public debt obligations of the U.S. government and its agencies that have an average maturity of approximately nine years.
Municipal Bonds	Municipal Bonds are represented by the Barclays Capital Municipal Bond Index, a market value-weighted index of investment-grade municipal bonds with maturities of one year or more.
Mortgage Bonds	Mortgage Bonds are represented by the Barclays Capital Mortgage-Backed Securities Index, which is composed of about 600 15-year to 30-year fixed-rate mortgage-backed pools of Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Corporation loans.
Real Estate (Residential)	The S&P/Case-Shiller Home Price Indices measures the residential housing market, tracking changes in the value of the residential real estate market in 10 metropolitan regions across the United States.

Appendix 2: Capturing Returns Through Asset Allocation

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U.S. Treasuries: Merrill Lynch US Treasury Current 30 Year Index

U.S. Equities: S&P 500 Total Return

U.S. Distressed Debt: HFRI Distressed/Restructuring Index

Europe: MSCI Europe

Emerging Markets Equities: MSCI Emerging Markets Index

Emerging Markets Debt: J.P. Morgan Emerging Markets Bond Index

Hedge Funds: Credit Suisse Tremont Hedge Fund Index

Real Estate (Residential): S&P/Case-Shiller Index

- **Tactical asset allocation ("TAA") very different than diversification**
  - TAA concentrates or overweights certain assets because they are expected to outperform
  - Actively assesses if it is prudent to take risk, and if it is, what type of risk
- **Distinctive shifts in asset class performance has been a given for many years (see Appendix 1)**

	Expected Returns (Next 5-10 yrs)	Actual Annualized Returns (Last 10 yrs)
U.S. Treasuries	3-5%	+8%
U.S. Equities	7-9%	-1%
U.S. Distressed Debt	10-12%	+9%
European Equities	5-7%	-2%
Emerging Markets Equities	10-12%	+10%
Emerging Markets Debt	12-14%	+12%
Hedge Funds	8-10%	+7%
Private Equity	10-12%	+7%[1]
Gold	8-10%	+16%
Real Estate (Residential)	3-5%	+4%

[1] Source: Cambridge Associates LLC.

Appendix 3: Are State Tax Increases Behind Us? Maybe Not.

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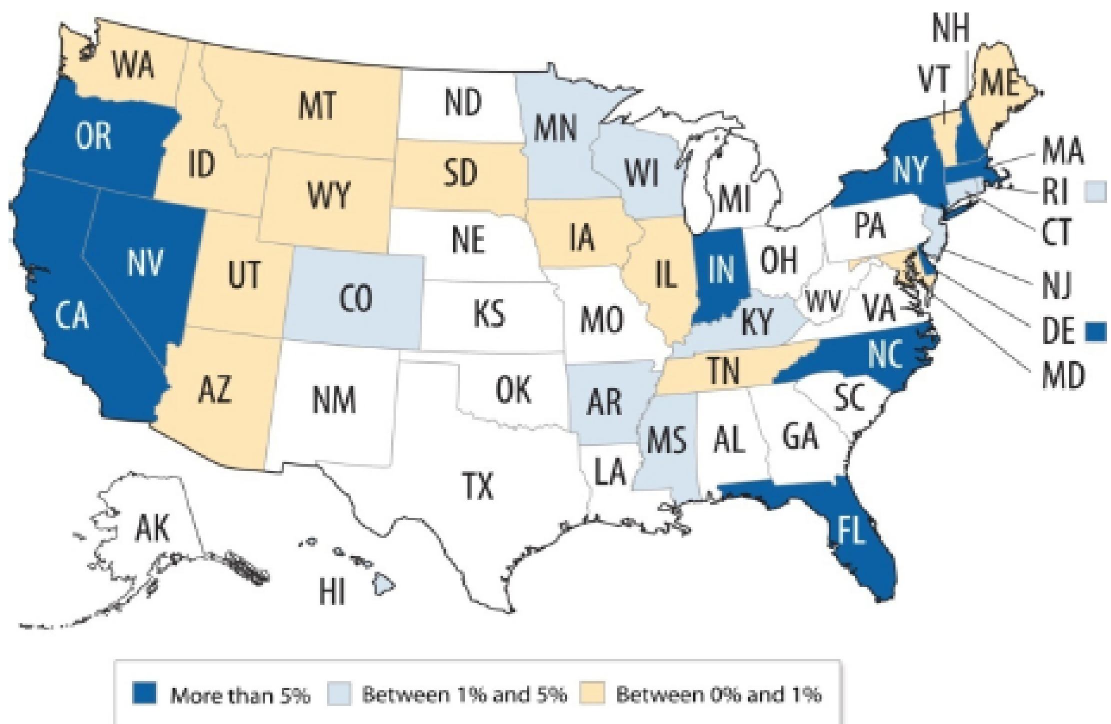
Significant state tax hikes have occurred or are planned in virtually all regions of the country

State tax actions over past 2 years have exceeded those taken in 2001 recession

33 states have raised taxes, so far…but may have to do more



Note: Includes some tax-like fees
Source: CBPP calculations of data from Census Bureau, state fiscal offices, and National Conference of State Legislatures

- **Largest personal income tax increases by state?**
  - California, Connecticut, Delaware, New Jersey, New York, Oregon, and Wisconsin

Appendix 4: Funding the State Gap

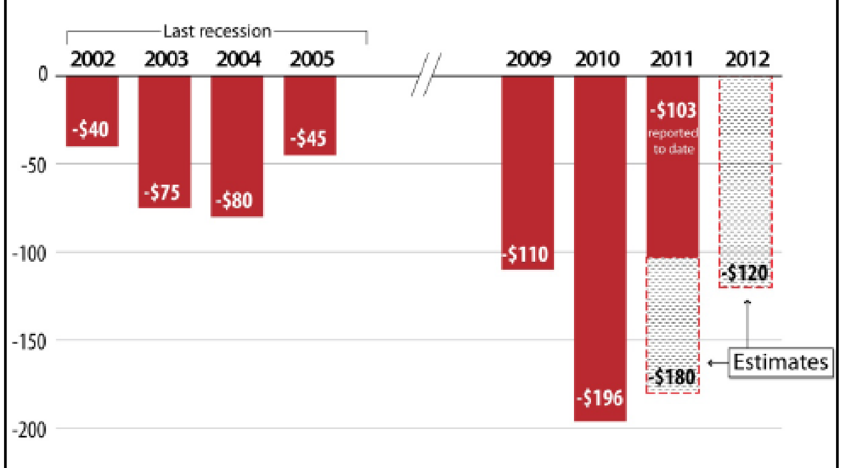
The state tax situation is particularly troubling

- **State and local government hit hard by recession**
  - Near term and longer term challenges to continue
- **Near term challenges:**
  - Recession affecting revenue and spending
    - Lost jobs, reduced wages & lower economic activity all have adverse impact

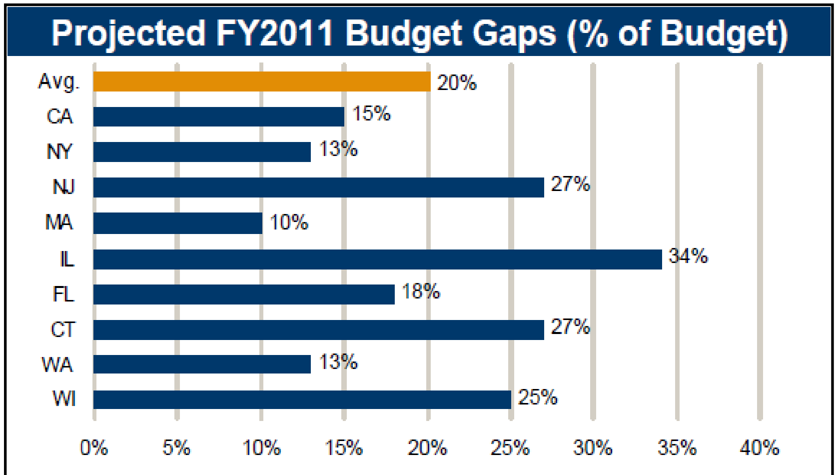
Average state tax revenue is falling at record levels

  - Tax revenue is dropping
    - Down 11% in the 12 month period ending in September 2009 over the prior year period…the steepest drop on record
  - Federal stimulus aid expires at year end 2010, immense pressure on 2011 budgets

Investor should examine ways to mitigate hikes



Source: CBPP Survey.



Source: Center on Budget and Policy Priorities, January 28, 2010.

Appendix 5: Debt Rankings Around the World

Rank	Country	Net Debt % of GDP	Rank	Country	Net Debt % of GDP
1	Japan	156%	20	Philippines	25%
2	Italy	108%	21	Mexico	23%
3	Greece	107%	22	Brazil	19%
4	Belgium	91%	23	Denmark	26%
5	France	72%	24	Indonesia	11%
6	Germany	70%	25	New Zealand	7%
7	Canada	63%	26	Australia	7%
8	Netherlands	55%	27	Switzerland	2%
9	United States	52%	28	Malaysia	-12%
10	United Kingdom	51%	29	South Korea	-14%
11	Spain	48%	30	Thailand	-19%
12	Egypt	44%	31	Chile	-27%
13	Israel	40%	32	Russia	-52%
14	India	35%	33	Norway	-58%
15	Argentina	34%	34	China	-62%
16	Turkey	32%	35	Taiwan	-77%
17	Ireland	32%	36	Hong Kong	-172%
18	Colombia	29%	37	Luxembourg	-176%
19	Sweden	26%	38	Singapore	-188%

Sources: IMF, CIA, Belstar Group, April 2010

Appendix 6: Historical Market Bubbles[1]

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Most Expensive Words in the English Language?

"It's different this time"

	% Rise in Bull Phase	% Decline Peak-Trough
Tulips (1634-1637)	+5900%	-93%
Mississippi Share (1719-1721)	+6200%	-99%
South Sea Shares (1719-1721)	+1000%	-84%
American Stocks (1923-1932)	+345%	-87%
Silver (1979-1982)	+710%	-88%
Gulf Stocks (1978-1986)	+7000%	-98%
Hong Kong Stocks (1970-1974)	+1200%	-92%
Taiwan Stocks (1986-1990)	+1168%	-80%
Tech/New Economy Stocks (1995-2000)	+575%	-76%
Housing Bubble (2003-2007)	+73%	-50%

1 Source: Internal presentation, September 2003, author: Lucianne Painter.

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