



Dear Client:

October 5, 2010

3rd Quarter Recap

As we close the book on Q3, 2010, the markets continue to surprise. The S&P rallied 9% in September (YTD stands at +2.3%) boosting equity markets to their strongest month in 71 years! The 10 year Treasury note continues to hover in the 2.5%-2.7% range and there is no indication that this trend will reverse itself, even after the elections. Foreign and emerging markets have reversed from their Q2 downtrend and now many Wall Street economists have very bullish outlooks for 2011 (with the below caveat regarding PIIGS). We are also hearing good things about the outlook for Japan for the first time in over a decade.

Our client's portfolios performed well in the third quarter. The approved managers are performing within our guidelines and continue to be aligned with our internal investment management criteria.

Themes to consider going into Q4

- **Roth conversion**- You have until 12/31 to take advantage of converting your IRA to Roth IRA. We have spoken to most of you about this opportunity and are available to assist if you would like to revisit the issue.
- **Mid Term Elections less than one month away**- Stay tuned to the impact that the elections may have on Washington's ability to move their agenda forward if Republicans take control of the House and/or Senate (consensus is the House is more at risk then the Senate).
- **Tax Law Changes**- There is still no resolution to the Bush tax cuts and the Estate tax laws that are set expire on 12/31. We are prepared to react on your behalf to any significant changes that may occur.
- **Ongoing Monitoring of PIIGS**- Concerns remain with Portugal, Italy, Ireland, Greece and Spain. These struggling economies are impacting the EU and may cause additional stress on the global recovery.
- **Gold will remain elevated**- However, with limited utilitarian value, maintaining our strategic allocation to precious metals has proven to be prudent and is now endorsed by the majority of Wall Street.

Performance Reporting

Our newly redesigned performance reports are a work in progress and your feedback is essential. We are hopeful that the newly designed reports are useful.

We are changing our return calculation to Time Weighted Returns (TWR) from Internal Rate of Return (IRR). This change complies with Regulatory requirements.

Celebrating 2 years

We are honored to be your fiduciary partner and we thank you for your business and also for your referrals. Please remember to join us at our offices on November 3rd from 5:30PM- 7:30 PM to celebrate our two year anniversary.

Best personal regards,

Locust Capital Management, LLC