

**DHJA**  
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April 23, 2010

Ms. Lois Towey  
City of Ormond Beach  
22 South Beach Street  
Ormond Beach, FL 32174

Dear Ms. Towey:

We have enclosed performance for your account for the period ending March 31, 2010. Relevant indices have been included for comparison purposes.

The accommodative policy of the Federal Reserve is reaping positive results as we continue to see economic growth with minimal inflation. In March, the Institute for Supply Management's Manufacturing Index, a bellwether measurement of economic activity, posted an expansionary reading of 59.6. This is the highest reading since 2004 and well above the cyclical low of 32.5 in December 2008. Additionally, inflation remains subdued as core CPI was only 1.3% in March on a year-over-year basis. Given the relatively tame inflation numbers, we expect Fed policy to remain accommodative for some time.

In the Treasury market, we saw lower front end rates and a steeper curve. The yield on the 2-year Treasury declined 12 basis points to 1.02% and the yield on the 30-year Treasury rose by 8 basis points to 4.71%. Thus, the 2-30 yield spread steepened to 369 basis points.

The bond market moved higher in the first quarter as the Barclays Capital Aggregate Index returned 1.78% and the Barclays Capital Intermediate Government/Credit Index returned 1.54%. Spread product remained strong as all four sectors returned positive excess returns for the quarter. Asset-backed securities led the way with 133 basis points followed by corporates with 114 basis points of excess return. Mortgage-backed securities and agencies posted 69 basis points and 32 basis points of excess return, respectively.

As corporate bond spreads have tightened this year, we have selectively reduced our exposure to the sector. In addition, we believe the yield curve will flatten as rates on shorter maturities rise. In anticipation of a flatter curve, we have begun the process of "barbelling" our portfolios.

Please do not hesitate to contact us if you have any questions or comments.

Sincerely,

Janna Hamilton  
Partner

JH/kp  
Enclosure