GH&A
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November 15, 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 September 30, 2010. Relevant indices have been included for comparison purposes.

On September 19th, the National Bureau of Economic Research announced that the worst recession since the Great Depression ended in June of 2009, taking the idea of a "double-dip" off the table. However concerns over the slow pace of growth are still widely held. Commodities have risen significantly with gold touching a record high of over $1,300 per ounce, and light sweet crude spot prices ending the month at $85 per barrel, while currencies have generally been on the decline. Although historically a very poor month for equity markets, stocks had the best September since 1939 with a gain in the S&P 500 of 8.9%, resulting in a gain of 11.3% for the quarter. With continued uncertainty regarding the economic recovery, a second round of quantitative easing, or "QE2" has been increasingly discussed if the Federal Reserve deems it necessary to spur economic growth.

The continued flight to safety caused the yield on the 10-year Treasury to remain below 3% and finish the quarter 44 basis points lower at 2.51%. The yield on the 2-year Treasury fell 20 basis points to 0.42%, and the yield on the 30-year Treasury fell 22 basis points to 3.69%. Thus, the 2-30 yield spread ended the quarter slightly flatter at 327 basis points.

With the decline in rates, the bond market experienced positive performance as the Barclays Capital Aggregate Index returned 2.48% and the Barclays Capital Intermediate Government/Credit Index returned 2.76% this quarter. Spread product had a stronger third quarter with positive excess return in three out of four sectors. The corporate sector was the leader, exhibiting positive excess return of 144 basis points. Asset-backed securities and agencies followed with 63 and 32 basis points of excess return, respectively. Mortgage-backed securities underperformed with a negative excess return of 31 basis points. Thus, the Aggregate Index, representative of the broad bond market, ended the quarter with an excess return of 36 basis points.

We believe that at current levels treasuries are overvalued, and there is more opportunity in spread product. As such, we are staying fully invested in spread product and remain underweighted in treasuries. Over the next 12 months, we expect the yield curve to flatten as rates on shorter maturities rise.

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

Sincerely,

Janna Hamilton
Partner

JH/kr
Enclosure