

GH&A

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July 26, 2012

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 June 30, 2012. Relevant indices have been included for comparison purposes.

Economic improvement stalled during the quarter, with U.S., European, and Chinese data exhibiting marked weakness. Investors initially reacted to the prospect of lower earnings before shifting focus to the hopes of additional central bank liquidity. The domestic stock market, as measured by the S&P 500 Index, slipped just 2.8% including dividends for the quarter ending June 30.

The stock market's second quarter correction was as broad as had been the rally of the first quarter. All capitalization ranges and all major domestic indices posted low-single-digit declines. Sectors anticipated to hold up in a slower economic environment performed better, such as Consumer Staples. Sectors requiring a robust spending environment, Information Technology and Energy, fared worse.

Looking forward, equity markets might pause following nearly 10% gains in the first half of the year. Once earnings estimates have adjusted to slower economic activity, prices could move higher into year end. Constructive factors include an accommodative Federal Reserve, low inflation, improving housing, and shareholder friendly actions such as dividend increases and share repurchases.

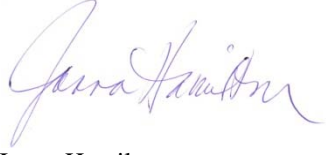
In the bond market, the modest economic reports drove yields lower. After touching a new record low of 1.44% on June 1st, the 10-year yield ended the month at 1.66% representing a decrease of 56 basis points over the previous quarter end. The 2-year Treasury yield fell 2 basis points to 0.31%, while the 30-year Treasury yield declined 58 basis points to 2.76%. These moves caused the 2-30 year yield spread to flatten to 245 basis points. With the decline in rates, the bond market delivered a positive performance for the quarter, with a return of 2.06% on the Barclays Capital Aggregate Index and a return of 1.48% on the Barclays Capital Intermediate Government/Credit Index. Spread product was mixed as asset backed securities provided the only positive excess return for the quarter with 26 basis points. Corporate bonds were hit the hardest with -127 basis points of excess return, while mortgage-backed securities and agencies delivered -59 basis points and -7 basis points of excess return, respectively.

In a challenging economic environment, companies able to generate internal revenue and earnings growth appear increasingly attractive. Large cap, high quality companies seem particularly well-positioned, combining the comfort of strong balance sheets and healthy cash flows with global operations able to exploit growth opportunities wherever they occur.

We expect the recovery to continue and believe Treasuries remain overvalued at these levels. Thus, we are maintaining the duration of the portfolio marginally shorter than the benchmark. Additionally, we remain overweighted in corporate bonds with an emphasis on financials. Given the current low level of rates, we believe that rates will rise from here and spreads will continue to contract.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Janna Hamilton". The signature is fluid and cursive, with the first name "Janna" being more prominent than the last name "Hamilton".

Janna Hamilton
Partner

JH/cfd
Enclosure