GEORGE R. PIERCE & ASSOCIATES, LLC

Investment Consultants

Second Quarter 2010 Client Commentary

June 30, 2010

"Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves" Peter Lynch, Legendary Investor and Author on the danger of trying to time the market.

The Rocky Road to Recovery: George Pierce, CFP®
Aftershocks from the market collapse in September 2008 continued to reverberate through the economy in the second quarter, as concerns arose that the end of further fiscal stimulus and business investment to replenish inventories was losing its momentum. In addition, as our elected officials grapple with how to keep the recovery on track while reducing the enormous deficits, uncertainty surrounds current and proposed federal legislation on the following topics and has contributed to the volatility:

1) Healthcare Reform
   - Rising taxes
   - More government involvement
2) Cap and Trade Legislation
   - Could reduce global competitiveness
   - Could discourage hiring
3) Tax Increases
   - Capital gains, dividends, marginal tax rates
   - Additional surtax, surcharges

Coupled with or contributing to these concerns was the slow pace of progress by the European Union to stabilize Greece and its fiscally irresponsible neighbors, as well as the weaker than expected economic growth in China. Domestically, the environmental and economic disaster in the Gulf, and higher than expected weakness in housing and job formation fed fears that we might be heading for a second recession, or worse, a "double dip" market decline. Before panicking and jumping ship, it is important to step back and look at some of the positives that seem to be hidden in the gloom and doom that dominates media coverage. Despite the many negative issues confronting our economy, we believe there are also many reasons for cautious optimism. They are as follows:

1) The US is in the midst of a strong cyclical recovery due to unprecedented stimulus levels, the replenishing of business inventories, a bounce from depression level spending, and historically low interest rates.
2) From an historic valuation perspective, US companies (as represented by the S&P 500) are very attractively valued at an estimated forward P/E (price to earnings multiple) of 11.7.
3) US and international multinationals are especially well positioned to take advantage of the demographic shift in demand from domestic consumption to the developing world.
4) Business productivity growth led to strong earnings surprises in the first quarter of 2010 which should be long lasting.
5) Due to the quick and decisive action by the US government versus its foreign counterparts after the collapse in the global financial system, it is better positioned for recovery.
6) Lastly, the transition to sustainable growth from recession has always been marked by much volatility as the baton of economic recovery initiated by government led stimulus and low interest rates is passed to consumers and private sector businesses. This time, though more tepid, will be no different.

Although we are not recommending substantive changes to client portfolios, our upcoming reviews will continue to assess your specific circumstances for possible changes that may be warranted for your portfolio. In the interim, please don't hesitate to contact myself or members of my team with any questions you may.

Discretion: Ross Snyer, CFP®

With the even more rapidly changing markets of the last few years and extreme volatility, we are constantly looking for ways to better manage our client's assets. We have historically consulted a client prior to making a buy or sell in their account, so we can explain the rational for a recommendation and to obtain the client's approval prior to enacting the transaction. One of the changes we have started making to accounts over the last year or so is to seriously consider the use of discretion in our accounts.

To use discretion, we have the client sign an agreement which allows your advisor to enact purchases and/or sells in an account without first discussing this with the client. One of the key benefits of this is if we see there is something that we need to move quickly on, we can do so immediately without the delay of contacting each applicable client. This allows us to be much more responsive to market situations if needed. As most of you know, we do not attempt to try to time the market, but we do want to move expediently when the need arises.

Technology: Elaina Moldskred, CFP®

In our last newsletter we discussed the various informative articles and commentary that we have been posting on our website. The following is an excerpt from LPL's most recent Current Conditions Index (CCI): "The CCI component that demonstrated the most deterioration during the week was the VIX, as the outlook for stock market volatility increased. On the positive side, Retail Sales and Mortgage Applications improved during the week." To view this article in its entirety and future weekly CCI updates please visit our website at www.georgerpierce.com. Once you are at the homepage, click on the "Learning Center" tab at the top of the page, then "Articles". We hope that you visit the site on a weekly basis to read the latest updates.

How to Raise a Money Smart Child: Elaina Moldskred, CFP®

Now that summer is here, kids are out of school and are ready to kick back and relax. As the Sublime (and Porgy and Bess) song goes, it's "Summertime – and the livin's easy". But do you really want your child to sit around all summer playing videogames and watching TV?

Chances are your kids will be doing odd jobs around the house, but probably not without some complaint. Your children have no idea how hard you have worked to get to where you are today. Kids seem to always want things "now", not understanding that someone needs to "work" for it. Summer is the perfect time to work with your children to help develop proper money handling concepts that will serve them well in the years ahead. We can even work with you to establish mutual fund accounts for your children to introduce them to the investment world.

There are several different books, articles, and websites offering tips on helping kids develop a sense of fiscal responsibility. Of course, the recommendations will very depending on the age of your child. JumpStart is a national coalition of organizations dedicated to improving financial literacy of today's youth. They have published a wonderful article entitled "How to Raise a Money Smart Child," which acts as a guide and includes articles on budgeting, allowances, savings accounts, etc. They also offer some family activity ideas that can further help engage the child. This guide can be found at http://www.jumpstart.org/assets/files/MoneySmart%20Child.pdf. Alternatively, you can call the office and request a copy be sent to you via email.

Office Manager Corner: Valerie Wilson

Recent security enhancements require clients who access LPL Account View to change their old passwords, effective June 24. If you have not logged in since then to create a new password, your old password will be expired and you need to follow the new, secure "forgot my password" procedure. With this new delivery system of temporary passwords via email, it is important that your current email address is accurate on the Account View system. You can update your email address by going to the My Profile tab located in the upper right-hand corner of LPL Account View.

I would also like to introduce our newest intern, Lexington Griffith who is a third year student at the University of Washington studying Economics and Business. Lexington is from Spokane, WA and has a strong interest in the financial markets and the effects of infrastructural projects. He enjoys rock climbing and landscape photography in his spare time.