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Dear Hawk100 Member.

Please accept the fondest greetings from your wealth advisor at Hawk100. It is our pleasure to present your quarterly Wealth Alignment Report enclosed herein. If you would like to personally discuss your Wealth Alignment Report and Wealth Alignment Plan℠, please contact your wealth advisor, at 614.791.HAWK.

We provide the following insight into your portfolio and our thinking when advising your wealth. The story for the second quarter of 2010 falls squarely on increased volatility. Rather than touch on a number of issues that arose during the quarter, we thought it would be instructive to explain our risk management strategies employing options.

From time to time, based on the suitability of option strategies pursuant to your Wealth Alignment Plan, Hawk100 may trade in option contracts to refine your portfolio risk. Hawk100 reserves options-based risk management for HawkHunt members, like you. As a HawkHunt member, we strive to provide you with complimentary educational benefits such as this brief tour of options contract basics.

Certain features are consistent among all option contracts. Options are derivatives contracts that derive their value from the price of an underlying asset. Specifically stated options contract terms are the definition of the underlying asset, an expiration date, and strike price. Contracts grant to the buyer the right to discretionarily decide whether or not to exercise the options and assign to the seller an obligation to deliver the asset upon exercise. For that right, the buyer pays a premium to the seller at inception of the contract. Like all derivatives, options are "zero-sum" contracts whereby one party's profits exactly offset another party's losses and vice versa.

When exercising **calls** the owner has the right to **buy** the underlying asset at the strike price until the expiration date. If the underlying asset price exceeds the strike price, call options have intrinsic value because the owner can exercise the option to buy the asset at the lower strike price and simultaneously sell that asset at the higher, prevailing market price. In this case, the owner profits to the extent the asset price exceeds the strike price plus the premium paid to buy the call. However, if the asset price is below the strike price, calls have no intrinsic value and would expire worthless at expiration. In that case, the seller profits by the premium collected at inception. Remember, it's a zero-sum game so aggregate profit and loss for the buyer and seller equal zero.

When exercising **puts** the owner has the right to **sell** the underlying asset at the strike price until the expiration date. If the strike price exceeds the underlying asset price, put options have intrinsic value because the owner can exercise the option to sell the asset at the higher strike price and simultaneously buy that asset at the lower, prevailing market price. In this case, the owner profits to the extent the strike price less the premium paid to buy the put exceeds the asset price. However, if the asset price is above the strike price, puts have no intrinsic value and would expire worthless at expiration. In that case, the seller profits by the premium collected at inception. Again, profits plus losses sum to zero.

Option premium values derive from multiple factors. Primarily, the underlying asset price drives option premium values. As asset prices rise, calls rise and puts fall. Assumed interest rate is a secondary factor to option premium values. As rates rise, calls rise and puts fall. Finally puts and calls each vary proportionally with time to expiration and volatility of underlying asset prices. Volatility strongly influences the derived value of options. Higher volatility increases the likelihood that options expire profitably for the option holder, deeply in the money.

Our option strategies generally fit squarely on four considerations. One, buy options with intrinsic value and sell options with no intrinsic value, thereby increasing the likelihood that the options expire in our favor. Two, buy options with long time to expiration and sell near-term options. Three, buy options when volatility is expected to rise and sell when volatility is expected to fall. Four, most vitally, align option positions with your investment objective and strategy.

Because volatility is a key determinant of option premiums (prices), The Chicago Board of Options Exchange (CBOE) calculates a closely watched index of volatility. The CBOE Volatility Index (VIX) is commonly described as the "Investor Fear" index, because it typically rises when investors are increasingly concerned about financial markets. They communicate their fears by willingly paying higher premiums to buy puts designed to hedge price declines and they demand higher premiums to sell calls in case the underlying asset price rises swiftly. VIX measures the volatility implied by option premiums (prices) traded on the CBOE.

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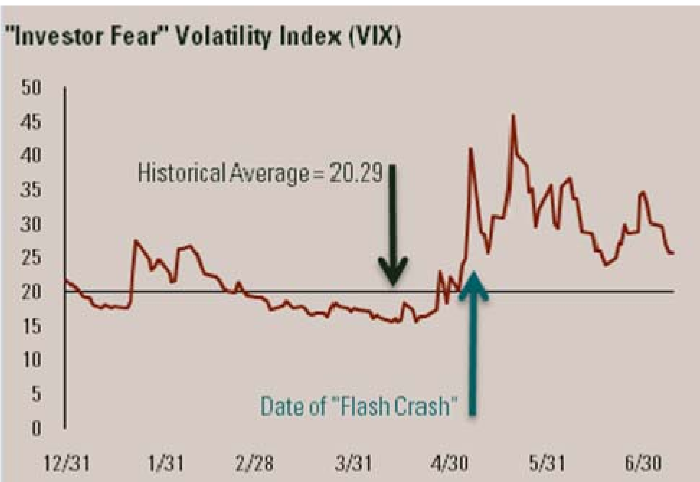
Your life.
Aligned.

The chart depicts rising volatility during the second quarter. Note that volatility is quite volatile in its own right. The index movement around May 6 reflects the "flash crash" and illustrates this point perfectly. Recall that for a brief period, about 2:40—3:00 pm ET, some stocks collapsed with wildly erratic price movements. Otherwise valuable positions sold for pennies catching traders in a tailspin. VIX spiked that day and again later in May as share prices suffered. During the quarter, your iPath S&P500 VIX Mid-Term Futures rose 45.5%.



Daily close since December 31, 2009. Data provided from Comstock, Inc.

Stable portfolio performance has been a premium to appreciate of late. For 2010 to date, sellers have punished stocks. This year, US stocks, international stocks, and commodities lost 6.7%, 13.2%, and 10.9%, respectively. Bonds benefited from increasing investor preference for quality. The 10-year treasury yield closed the quarter at 2.93%, its lowest since April 2009.

Evaluating the attributes of portfolio returns offers deeper insight into the factors contributing to performance. We investigate performance attributes of passively in benchmark indexes, our active decisions to allocate portfolios in different classes, and our active decisions to invest in select securities. Additionally, we evaluate and report to members how cash flows and fees have affected their returns. In all, we are pleased by recent results of our efforts to manage member portfolios' risk and hope that you share that sentiment.

The 2010 Clemens Cycle for Cancer was an incredible success. 150 cyclists and 36 volunteers helped raise $14,500, bringing the total gift amount to $51,700. I am grateful to those who rode, volunteered and donated to support research and education that advances treatment options for cancer patients and their families. Hawk100 is particularly grateful to you for your membership without which we would not be able to generously sponsor such charitable endeavors.

Thank you for entrusting your Wealth Alignment Plan with Hawk100.

Hawk100
Richard Clemens, CFA
President

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