Capital Markets Commentary

2nd Quarter 2009

After a rough first quarter, not to mention an extremely difficult 2008, the stock market recovered with a nice rally in the second quarter of 2009. Double-digit gains were posted across the board, and small- and mid-cap stocks led the way with returns of approximately 20% for the quarter. Large cap stocks, as measured by the S&P 500 Index, returned more than 16%, the best calendar quarter return since 1998. In April, investors seized the opportunity to snap up stocks that were selling at depressed levels and appeared to be bargains. With record levels of cash on the sidelines, and with interest rates at historically low levels, capital was re-deployed into equities. The rally continued through May and into mid-June, bringing the S&P500 into positive territory on a year-to-date basis, but some profit-taking before quarter-end caused the index to fall back into the red on a year to date basis before climbing back at the very end of June. Only one major market index posted a loss for the second quarter: Barclays U.S. Treasury Long Index declined by 7.2%.

Two of the "big three" automakers filed for bankruptcy protection during the second quarter, as Chrysler and General Motors had become mere shadows of their former selves. These and other very large and well-known companies continued to experience large declines in sales, as consumers hoarded cash and were very reluctant to make major expenditures on durable goods, especially automobiles. Despite this bad news, already discounted by the market, stocks rallied on expectations of a recovery back to positive economic growth at the end of 2009 and into 2010.

As the chart to the right shows, the NASDAQ composite has recovered more quickly than the S&P 500. At June 30, 2009 the S&P 500 was up slightly for the year and the NASDAQ had clearly moved into positive ground for the year, posting a double-digit gain for the first half of 2009.

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Source: Bigcharts.com

Heffernan Financial Services 120 Howard Street, Suite 550 San Francisco, CA 94105
Office (800) 829-9996, Facsimile (415) 778-0301
Securities offered by NRP Financial, Inc. - Member SIPC

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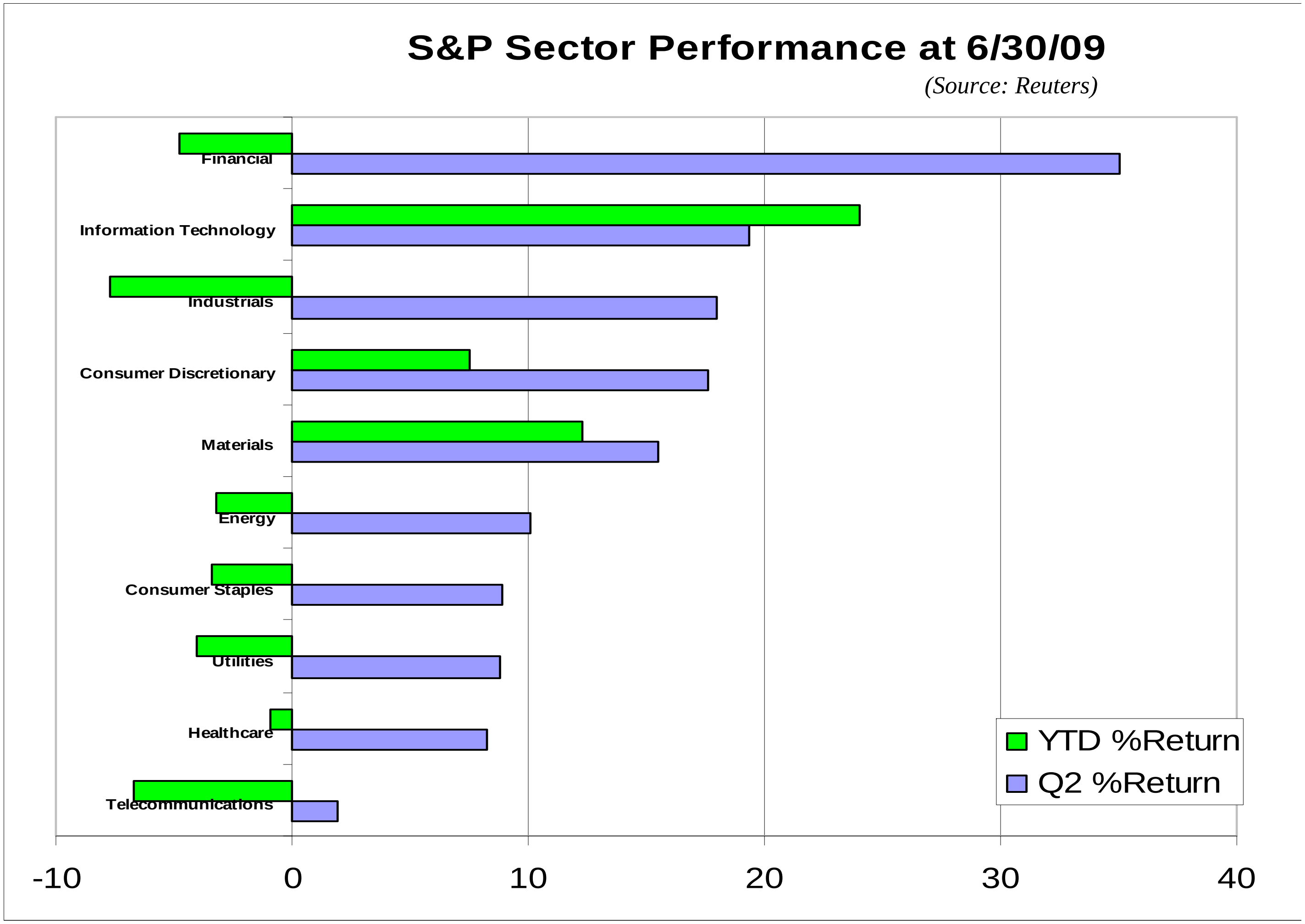
Stock Market Sector Performance

From a sector performance standpoint, All 10 of the S&P stock market sectors posted gains in the second quarter. The Financial sector was the second quarter's best performing sector, up more than 35% for Q2. However, this sector had been crushed over the prior few quarters and still was in negative territory, down 4.8% on a year-to-date basis at June 30, 2009.



The Technology sector has led the recovery on a YTD basis, up 19% in the second quarter and is up 24.1% year-to-date. Investors were attracted to technology companies' understandable business models, reasonable valuations, and the perception of vastly greater earnings visibility and balance sheet transparency. The only other two market sectors with positive YTD performance are the materials sector, posting a gain of 12.3 %, and consumer discretionary, up 7.5% through June 30, 2009. The three worst performing sectors on a YTD basis were industrials, down 7.5%, telecommunications, down 6.7% and the aforementioned financial sector, down 4.8%. Although seven of the 10 sectors are in negative territory for the year, the losses are in the single digit range, and two of the three positive sectors are each up more than 10% for the year.

Domestic Economy and Unemployment

Activity in the U.S. economy continued be sluggish in the second quarter of 2009. Unemployment continued to increase, as with June's monthly job report showing a dismal 467,000 jobs lost, on top of about 900,000 jobs lost in April and May. Since September 2008, the national rate of unemployment has ballooned from 6.1% to 9.5%. Many economists forecast the national unemployment rate to approach, or even exceed, 10%. In many places, it's already there: according to the U.S. Department of Labor's published statistics for May 2009, thirteen states and the District of Columbia each had more than 10% unemployment. Michigan had the highest reported rate, with 14.1% unemployment, or about one in seven people. The western states were also notable, as Oregon (12.4% unemployment), California (11.5%) and Nevada (11.3%) were among the states with double-digit unemployment rates. States with relatively lower unemployment rates of 6% or lower were Wyoming, Nebraska, Iowa, The Dakotas and Utah.

U.S. Fixed Income Markets

Yields in the U.S. Treasury fixed income market increased across intermediate- and long-term maturities during the second quarter of 2009. The yield on the two-year Treasury note increased slightly from 0.80% to 1.11%, while the yield on the 10-year Treasury increased from 2.73% to 3.53% in the second quarter as fear of inflation outweighed deflationary expectations. The yield curve steepened during the quarter, giving banks a better opportunity to profit by borrowing at lower rates and lending at relatively higher rates. The "long" end of the yield curve was down 7.2% in the quarter, based on performance of the Barclays U.S. Treasury Long Index, its second consecutive quarterly loss of more than five percent.

The U.S. high yield market demonstrated very strong performance in the second quarter, sprinting ahead 22.6%. This is the best performing segment of the fixed income market on a year-to-date basis as well, up 29.0%. Capital continued to flow into this area of the fixed income market, as investors perceived bargains in high yield debt because spreads are still well above their historical long-term average.

The Federal Reserve Board voted to keep the target Fed Funds Rate at zero to 1/4% and also stated its intent to keep rates there "for an extended period" of time to help spur the economy into recovery and because of its view that inflation will be "subdued for some time."

Russell Index Performance

In the second quarter, the difference in performance along the Value/Growth axis was most pronounced in the small cap area, as small growth stocks outperformed their value counterparts by more than 500 basis points. One feasible explanation is that technology companies, among the top performing sectors in the quarter, reside mostly in the growth-based indices, whereas many of the poor-performing financial companies are found in the value indices.

On a year-to-date basis the difference in performance of growth vs. value indices is much more evident, as there is nearly a 1,600 basis point difference between the performance of The Russell 2000 Value Index vs. The Russell 2000 Growth Index. The same YTD pattern holds for mid cap as well as large cap stocks, although the difference is less pronounced.

Q2 Russell U.S. Equity Returns (%)

	Value	Blend	Growth
Large Cap	16.7	16.5	16.3
Mid Cap	20.9	20.8	20.7
Small Cap	18.0	20.7	23.4

(source: Russell Investments)

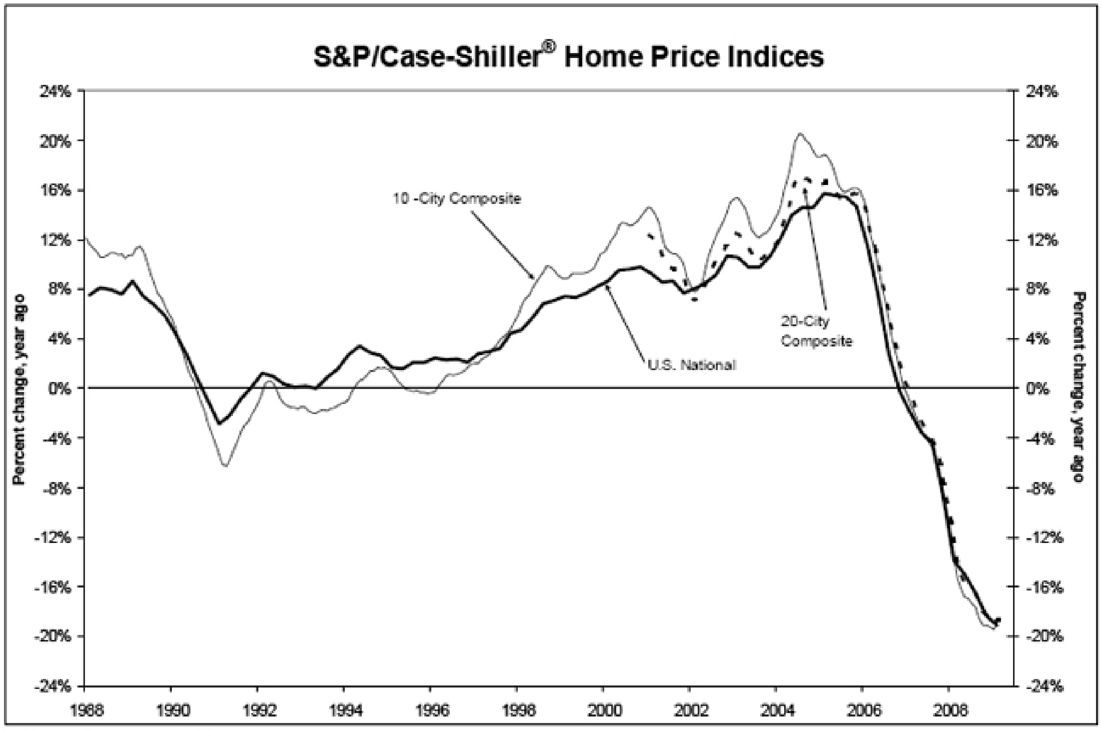
International Stock Markets

The rally in equities in the second quarter was definitely not limited to the United States, as the MSCI EAFE Index jumped by 25.6% in the second quarter, and the MSCI Emerging Markets Index sprinted ahead 34.8% in the quarter. Investors snapped up bargains overseas and U.S. dollar-based investors reaped the benefit of a generally weaker U.S. dollar. The strongest performance among European nations was exhibited in Denmark, Greece and Spain, each gaining more than 33% in the second quarter. Hong Kong and Singapore were the strongest gainers in the Asian region, up 34% and 43%, respectively, in U.S. dollar terms. On the other hand, Ireland was the only developed market showing a gain of less than 10% for the quarter, up 6.5% in the last three months.

Residential Real Estate

The U.S. real estate market continued to be challenged in the second quarter, although the rate of decline appears to be abating. The S&P/Case-Shiller 20-City Index of April 2009 home prices, released at the end of June, declined 18.1% from one year earlier, but this was below the consensus forecast of a decline of 18.6%. Eight of the 20 cities showed an increase from March 2009, led by a gain of 1.7% for Dallas. In the aggregate, the 20-city index is at levels last seen in mid-2003. Inventories remain high and foreclosures a keeping pressure on the level of prices.

On a year-over-year basis, the weakest three cities were Phoenix (down 35.3%), Las Vegas (-32.2%) and San Francisco (-28.0%). On the other hand, the three strongest cities were Denver, Dallas, and Boston, each down approximately six to seven percent over the last 12 months.



Source: Standard & Poor's and Fiserv

Oil and Commodities

Crude oil prices gained ground in the second quarter, beginning the quarter at approximately $52 per barrel and finishing near $70. The price peaked in early June near $75 per barrel before settling near $70 and the end of June. At the pump, the national average gasoline price was close to $3.00 per gallon at the end of the second quarter, up from the $2.00 level seen early in 2009. However, gasoline prices remain well below the high levels seen last summer, when a gallon of gas exceeded $4.00.

The price of gold briefly dipped below the $900 level early in the second quarter, then climbed above $950 in early June and finished the quarter relatively unchanged, as the likelihood of rampant inflation had diminished. General commodity prices, based on The CRB Index of 19 commodities, gained 8.1% during the second quarter and is now positive for the year, after losing 6.3% in first quarter. Still, the index is down nearly 50% from last summer.

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Index Returns Since 2000, Sorted From Best to Worst

INDEX	*ASSET CLASS*
Russell 1000 Value	Large Value
Russell 1000	Large Blend
Russell 1000 Growth	Large Growth
Russell Midcap Value	Mid Value
Russell Midcap	Mid Blend
Russell Midcap Growth	Mid Growth
Russell 2000 Value	Small Value
Russell 2000	Small Blend
Russell 2000 Growth	Small Growth
MSCI World Index	Global Equity
MSCI EAFE Index	Int'l Equity
Barclays Aggregate Bond Index	Intermed. Bond
Merrill Lynch High Yield Index	High Yield Bond
Balanced (60/40)-Rebal. Annually	Balanced
Citigroup 3-month T-bill	Cash Equiv.

2000	2001	2002	2003	2004	2005	2006	2007	2008	YTD
22.8%	14.0%	10.3%	48.5%	23.7%	14.0%	26.9%	11.8%	5.2%	29.0%
19.2%	8.4%	1.7%	47.3%	22.3%	12.7%	23.5%	11.6%	1.8%	16.6%
11.6%	4.5%	-1.9%	46.0%	20.7%	12.7%	22.3%	11.4%	-20.7%	11.5%
8.3%	4.1%	-9.2%	42.7%	20.2%	12.1%	20.7%	9.6%	-26.2%	11.4%
7.0%	2.5%	-9.6%	40.1%	18.3%	10.0%	20.2%	7.1%	-28.9%	10.0%
6.0%	2.3%	-11.4%	39.2%	16.5%	7.1%	18.4%	7.0%	-33.8%	8.4%
-1.2%	-3.7%	-15.5%	38.1%	15.5%	6.3%	15.5%	6.1%	-36.9%	6.8%
-3.0%	-5.6%	-15.7%	33.8%	15.3%	5.3%	15.3%	5.8%	-37.6%	4.3%
-5.1%	-5.6%	-16.2%	30.0%	14.3%	4.7%	13.4%	5.6%	-38.4%	3.7%
-7.8%	-9.2%	-19.5%	29.9%	11.4%	4.5%	11.8%	4.7%	-38.4%	3.2%
-11.8%	-12.5%	-20.5%	29.8%	10.9%	4.2%	11.2%	2.2%	-38.5%	2.6%
-12.9%	-16.5%	-21.7%	28.2%	8.3%	3.9%	10.7%	-0.2%	-40.3%	1.9%
-14.0%	-20.2%	-27.4%	19.3%	6.3%	3.0%	9.1%	-1.4%	-41.5%	0.1%
-22.4%	-20.4%	-27.9%	4.1%	4.3%	2.7%	4.8%	-1.6%	-43.1%	-2.9%
-22.4%	-21.2%	-30.3%	1.1%	1.2%	2.4%	4.3%	-9.8%	-44.3%	-5.2%

Returns assume reinvestment of dividends and income. This material is for informational purposes only. Not for public distribution. YTD (Year-To-Date) data as of 6/30/2009. Data source: Zephyr Associates. NRP Financial makes no guarantee as to the accuracy of third party information.

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Heffernan Financial Services 120 Howard Street, Suite 550 San Francisco, CA 94105
Office (800) 829-9996, Facsimile (415) 778-0301