

NATURAL RESOURCES COMMISSION

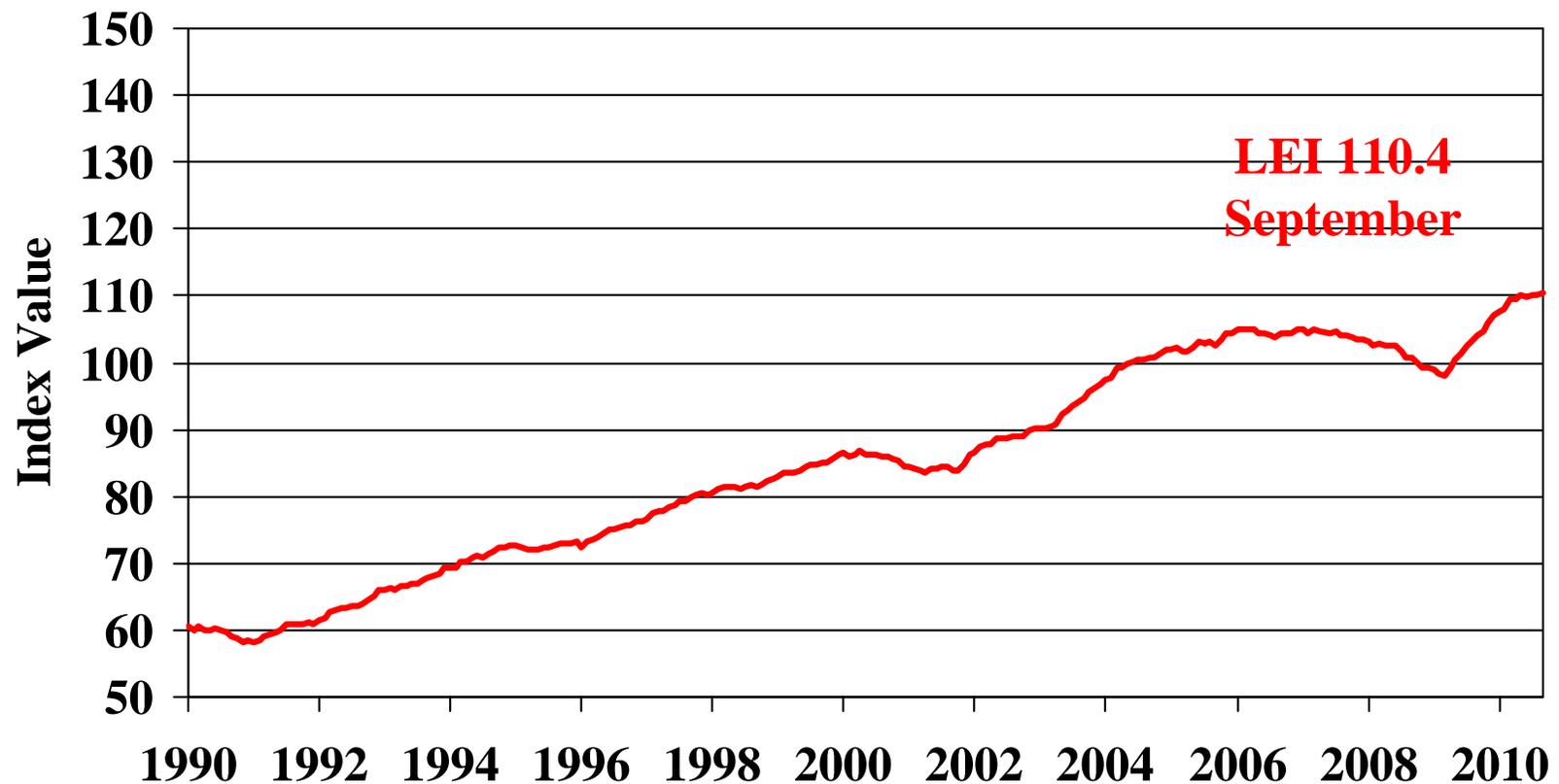
2010/2011 Review and Outlook



Economic Outlook Summary

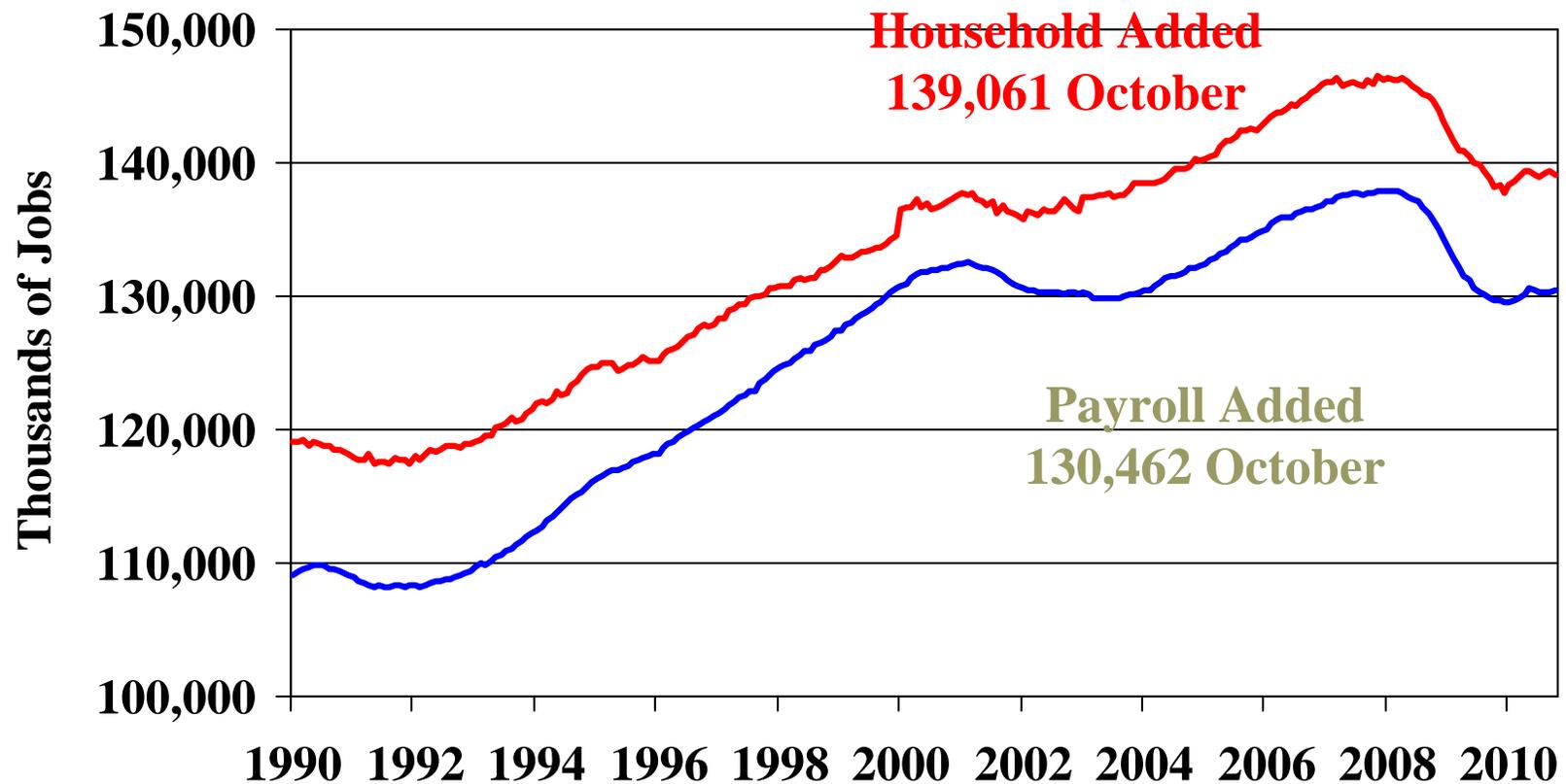
- GDP growth is expected to slightly diminish in the second half of 2010, with slower growth forecasted until picking up in the second half of 2011.
- Consumers still faced with weak labor markets, tighter credit, and economic uncertainty.
- Households continue to deleverage, with low inflation expected to support any real gain in personal incomes.

U.S. Leading Economic Indicators Slow Road To Recovery



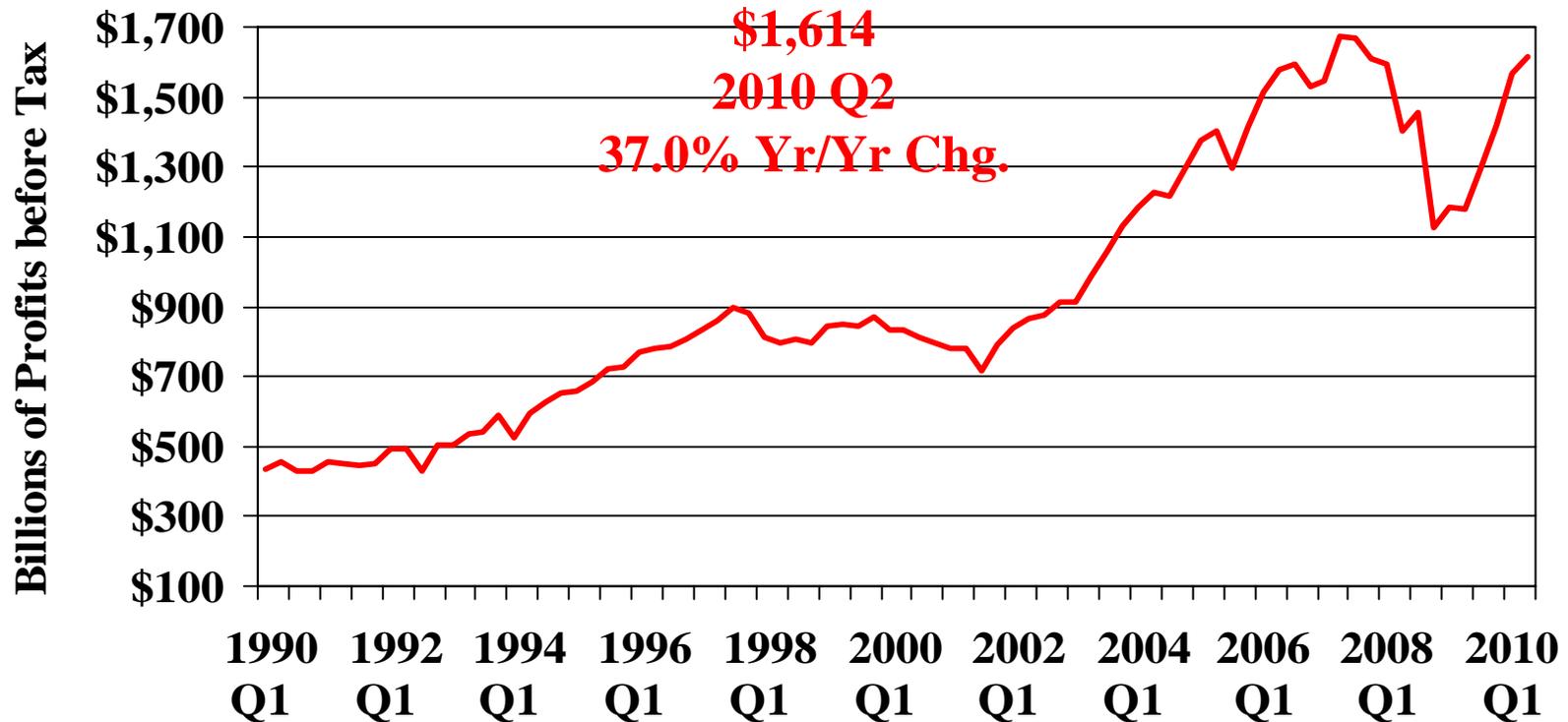
Source: Bloomberg

Job Market Growth Remains Tepid



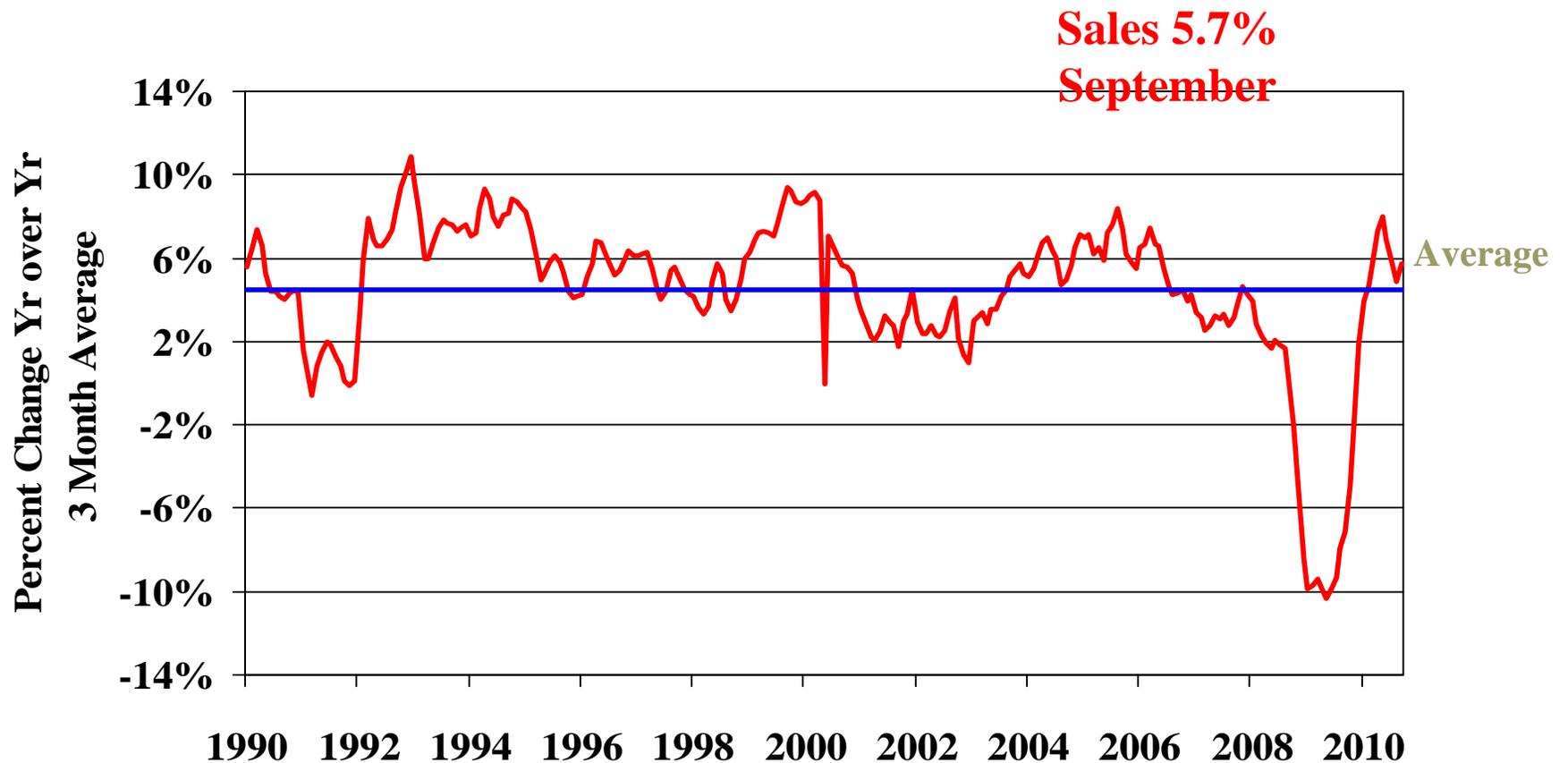
Source: U.S. Department of Labor, Bureau of Labor Statistics

Corporate Profits Improving



Source: U.S. Department of Commerce, Bureau of Economic Analysis

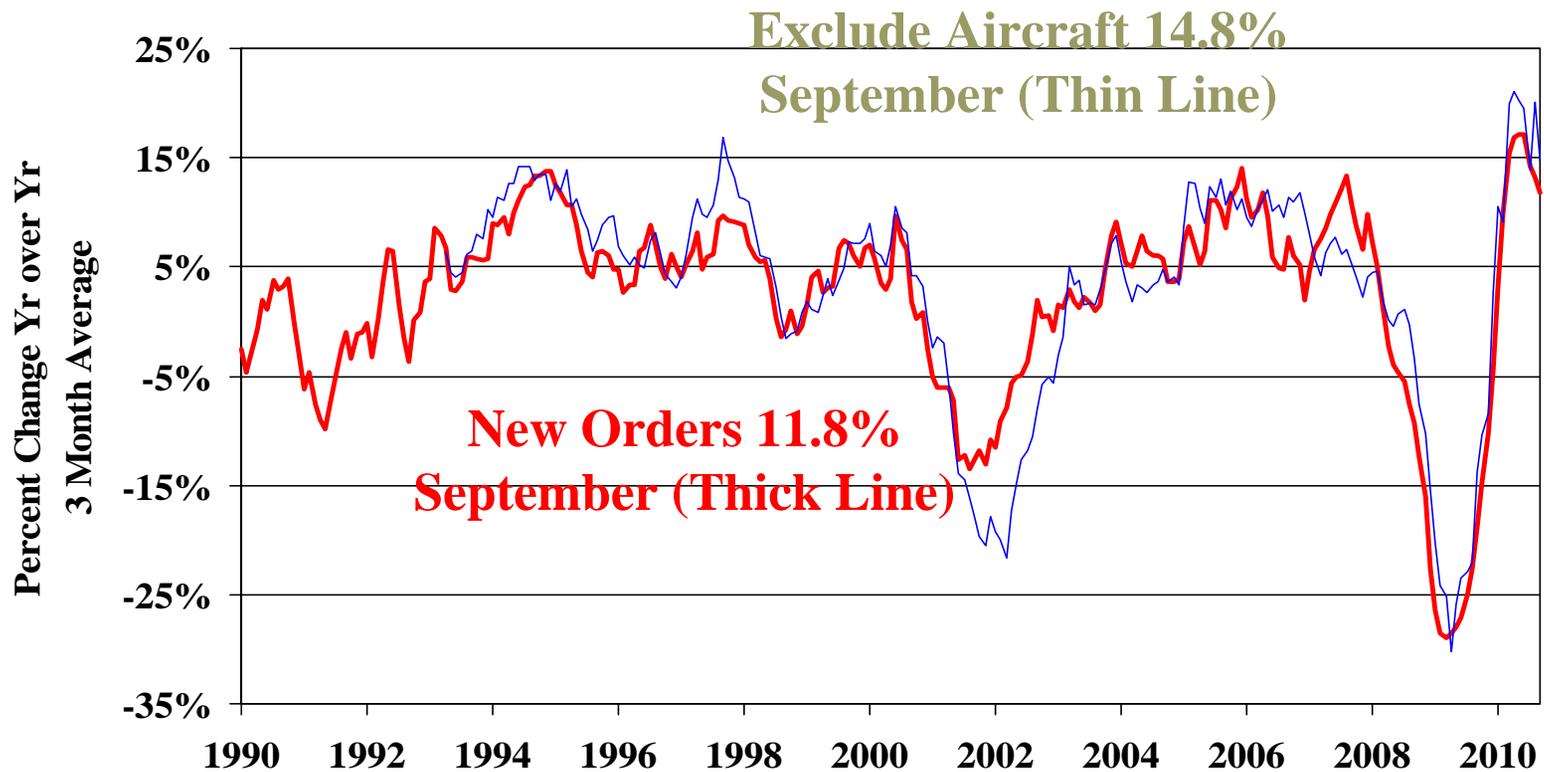
Retail Sales Slightly Improving Still Just Above Average



Source: U.S. Department of Commerce, Bureau of Economic Analysis

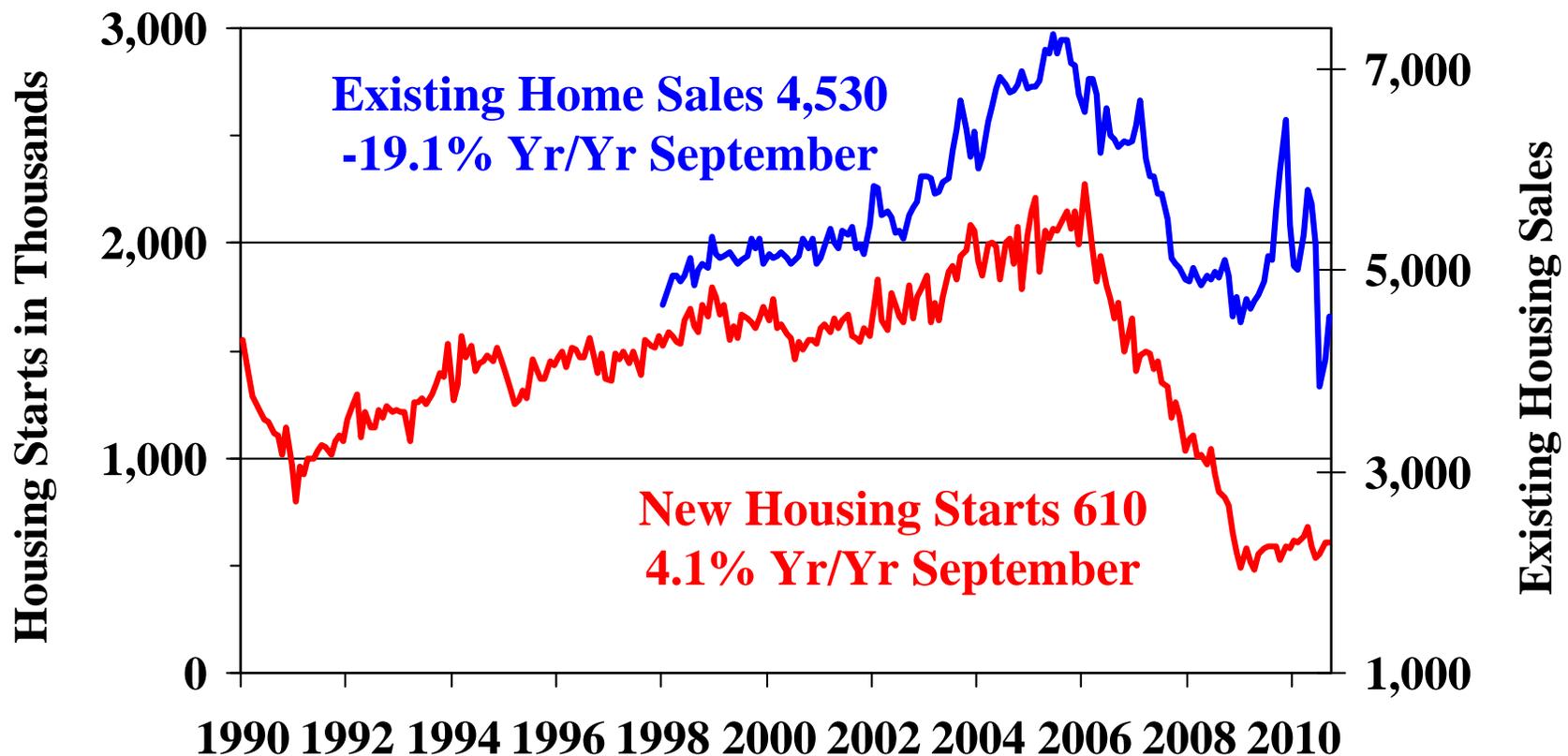
Capital Spending Modest

New Orders for Durable Goods (Excluding Aircraft and Defense)



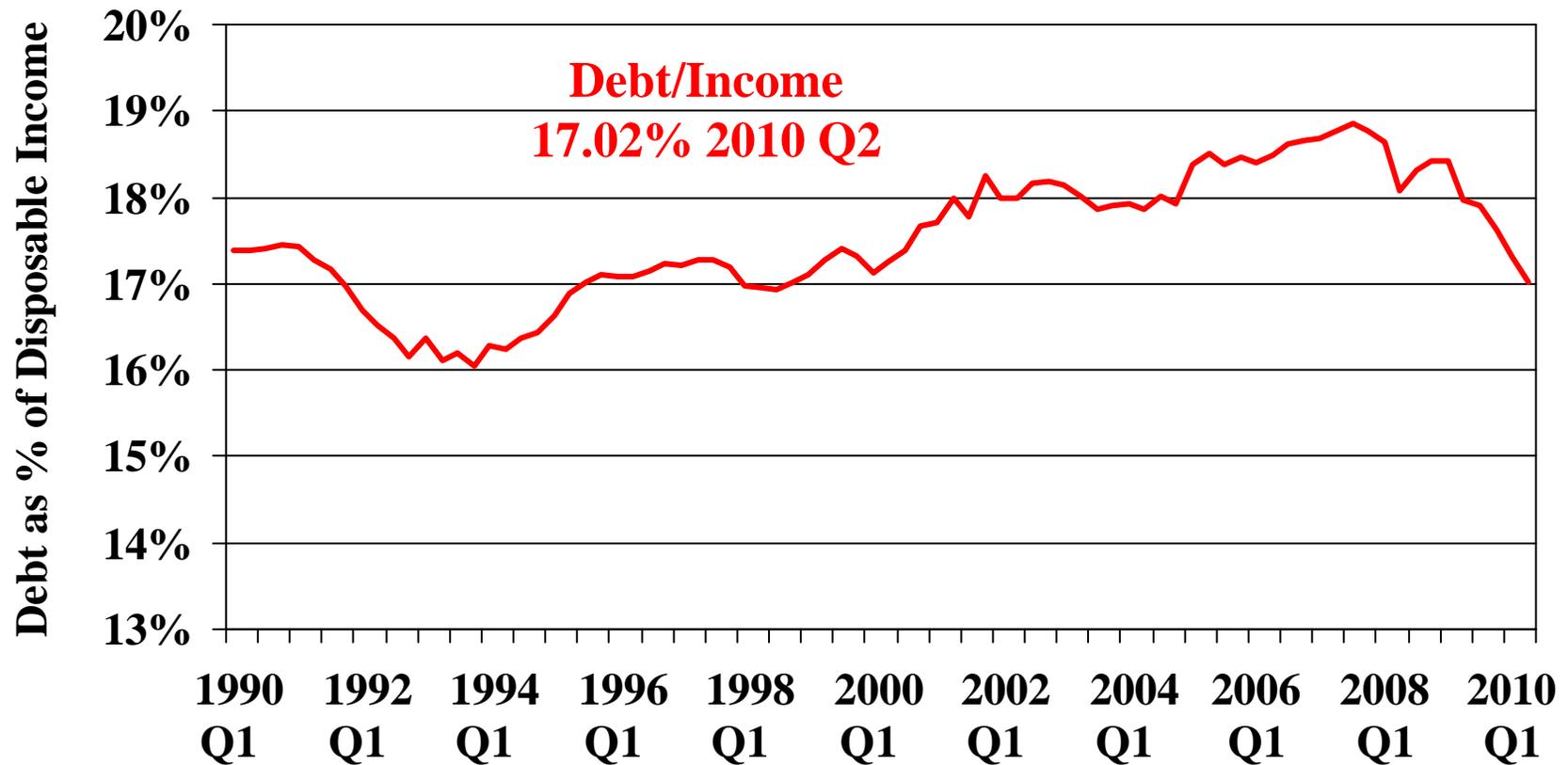
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Existing Home Sales and Housing Starts Gradually Improving



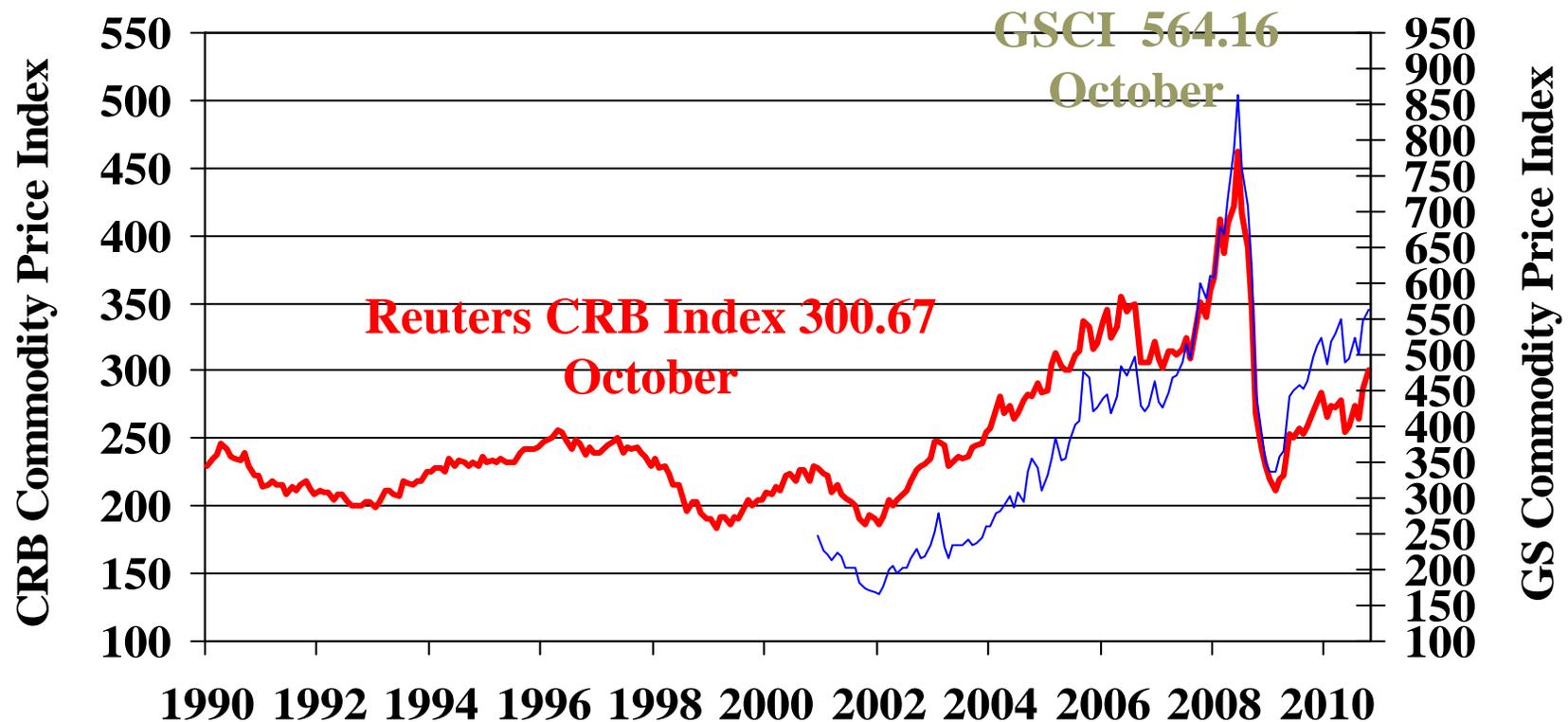
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Consumers Remain Focused On Paying Off Debt



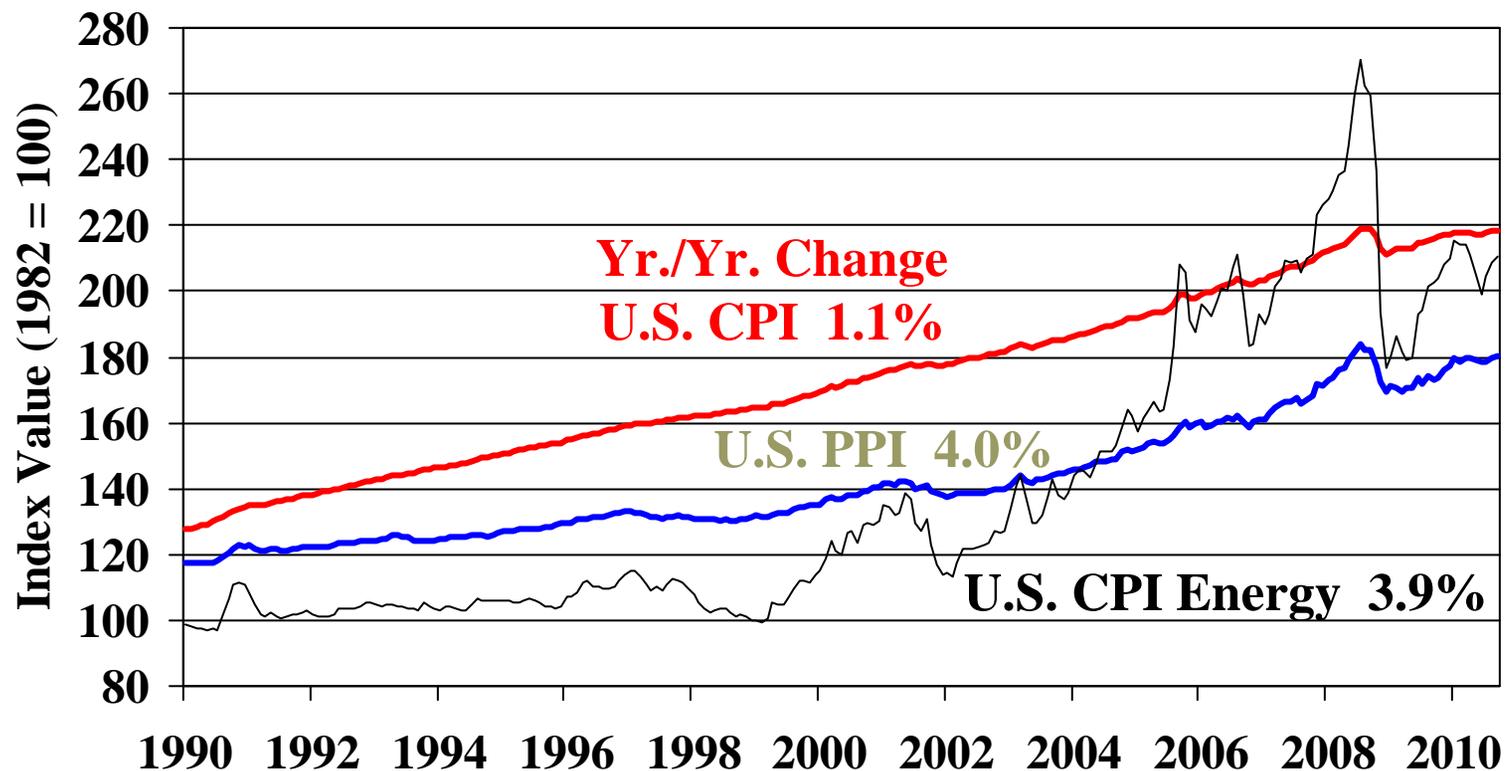
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Commodity & Energy Prices Increasing



Sources: Reuters, Goldman Sachs

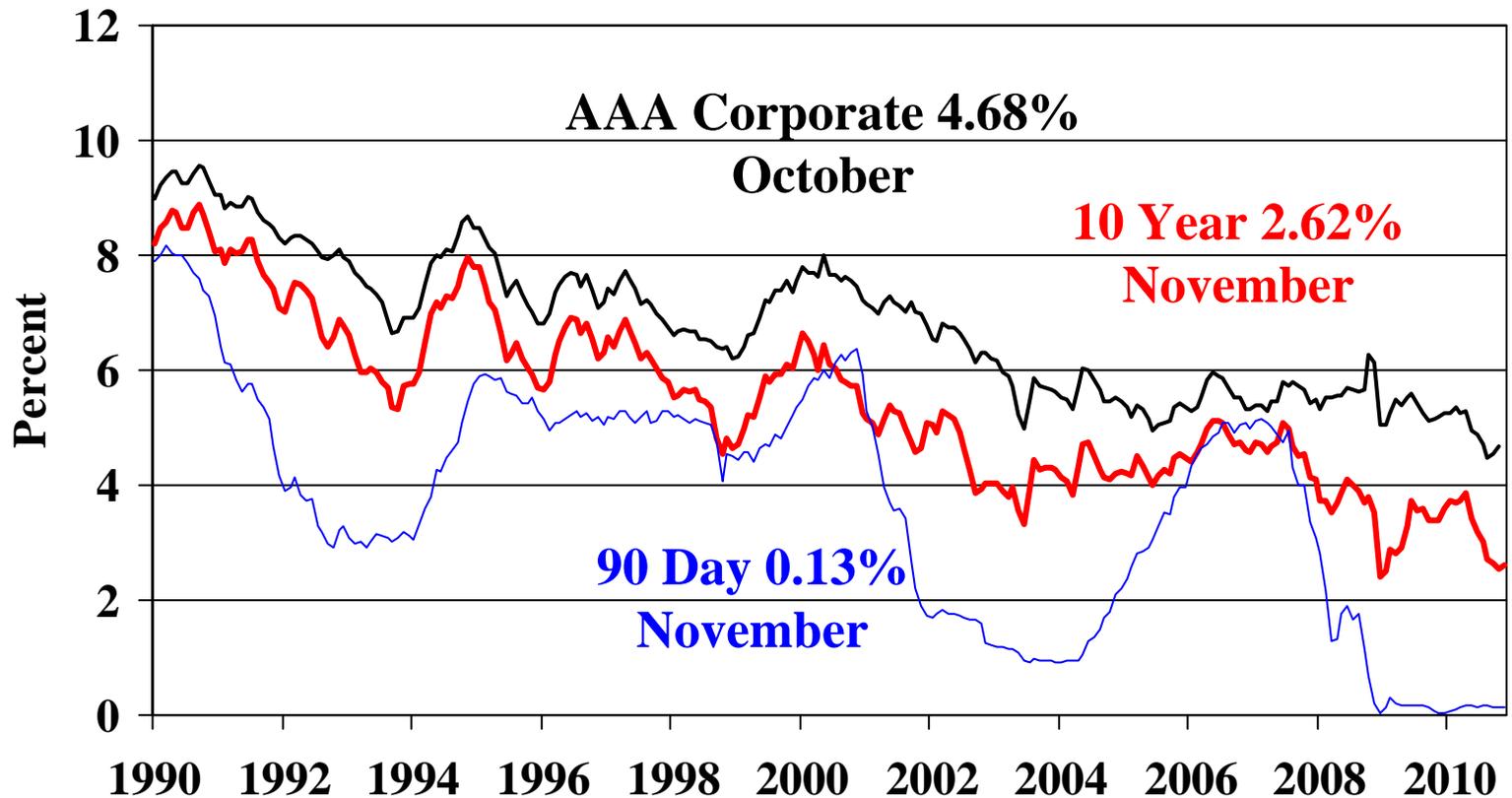
Consumer & Producer Prices Increasing



Note: Rates are year over year for latest month, seasonally adjusted.

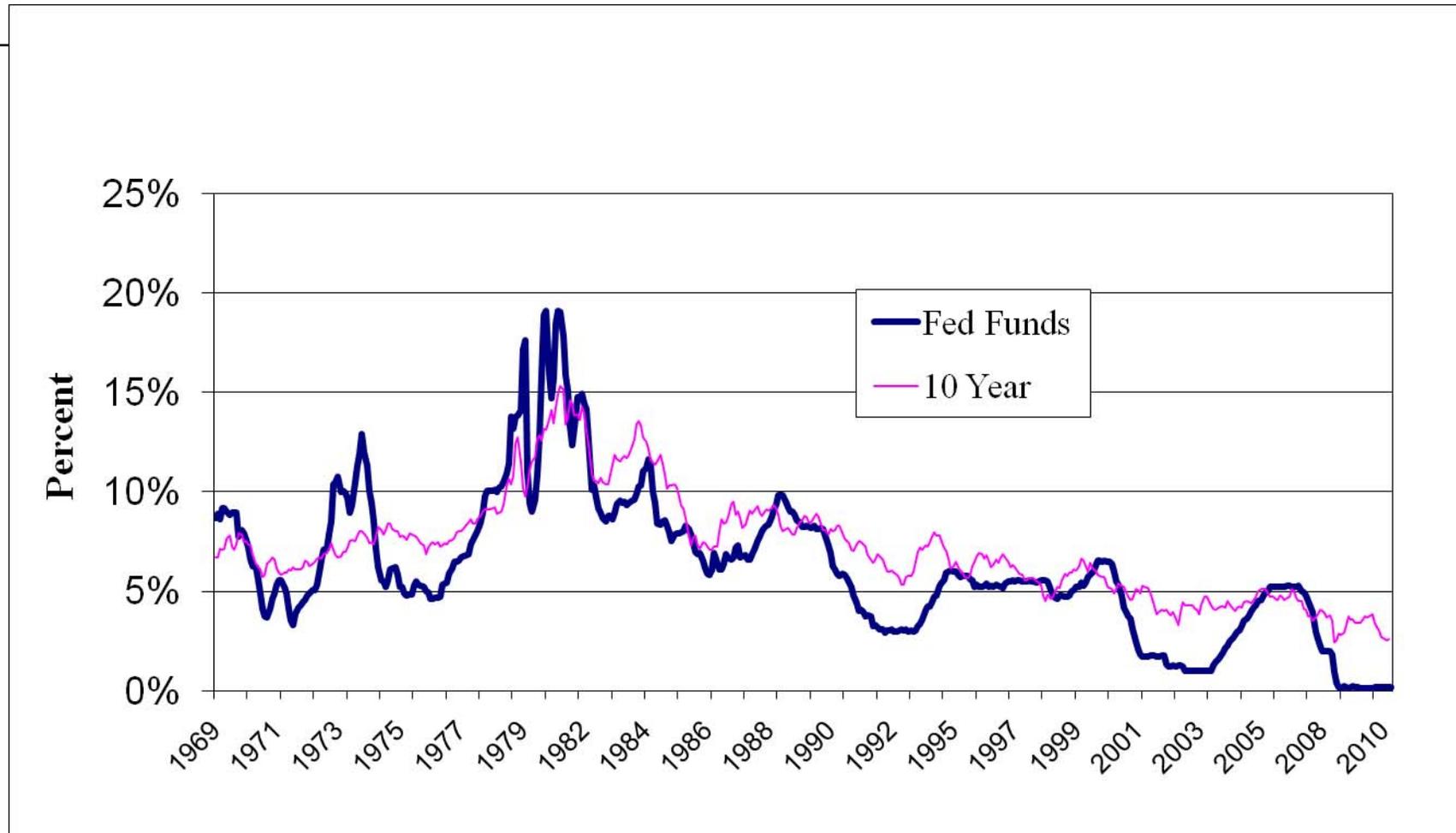
Source: U.S. Department of Labor, Bureau of Labor Statistics

Credit Spreads Have Narrowed



Source: Federal Reserve Board

Interest Rates Remain Low



Source: Federal Reserve Board, National Bureau of Economic Research

Equities Continue to Rebound





U.S. Economic Forecast Comparisons

<u>Real GDP Growth</u>	<u>2010</u>	<u>2011</u>
Univ. of Michigan	2.6%	2.1%
Blue Chip	2.7%	2.5%
Global Insight	2.7%	2.2%



Long-Term Risk/Return Assumptions

<u>Asset Class</u>	<u>Return</u>	<u>Risk/Standard Deviation</u>
Cash	3.00%	2.50%
Bonds	5.00%	5.00%
Equity/S&P 500	8.00%	17.50%

Current market yields:

3 Month US T-Bill:	0.16%
Barclays Aggregate Bond Index:	2.30%

*Assumptions Provided by RV Kuhns and utilized by SMRS



Upside Risks To the Forecast

- Credit conditions improve quickly.
- Job growth.
- Stronger export growth.



Downside Risks To the Forecast

- ❑ Significant job loss/high unemployment.
- ❑ Continued credit market events.
- ❑ Housing market downturn.
- ❑ Sovereign Credit Default Concerns (PIIGS).