

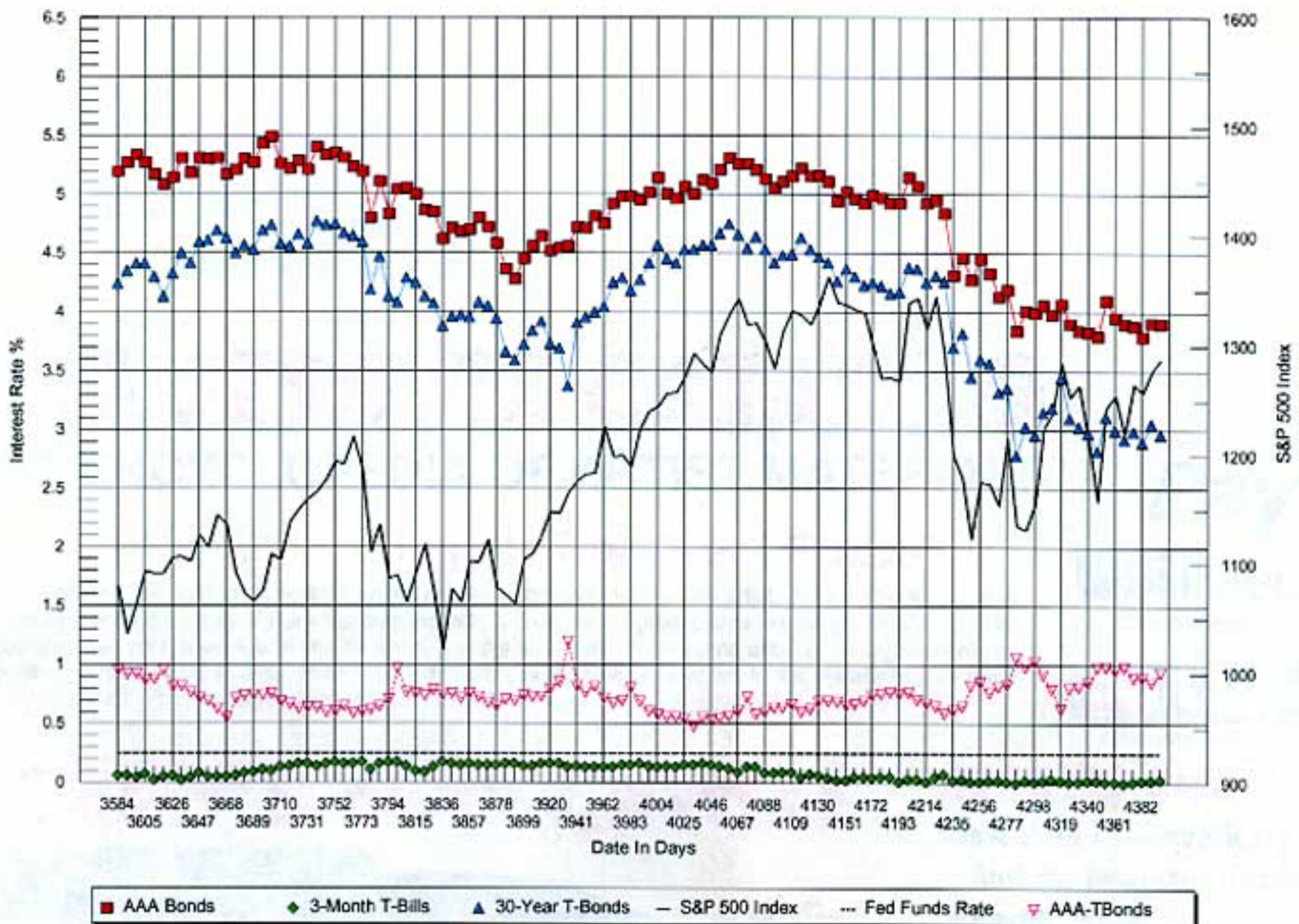
Agenda for RMC Financial Group

Session of January 17, 2012

- Current interest rates and yield curves for US Treasuries
- What does a bond trader do? Betsy Higgins will tell you!
- She plans to respond to questions from me and attendees
- Also discuss the size and scope of the fixed income market
- Total financial assets worldwide in 2010 and breakdown
- Discussion of Master Limited Partnerships and KMP
- Financial commentary on global outlook and events
- Update on actively managed model mutual fund portfolio
- Past year & projected performance for 30 DJIA stocks
- Study of S&P 500 performance for 2008 to 2011
- Hope to get Betsy's husband Wes at next session
- To talk about hedge fund & bank activities with fixed income
- Next meeting scheduled for February 21, 2012

Interest Rates & S&P 500 Index

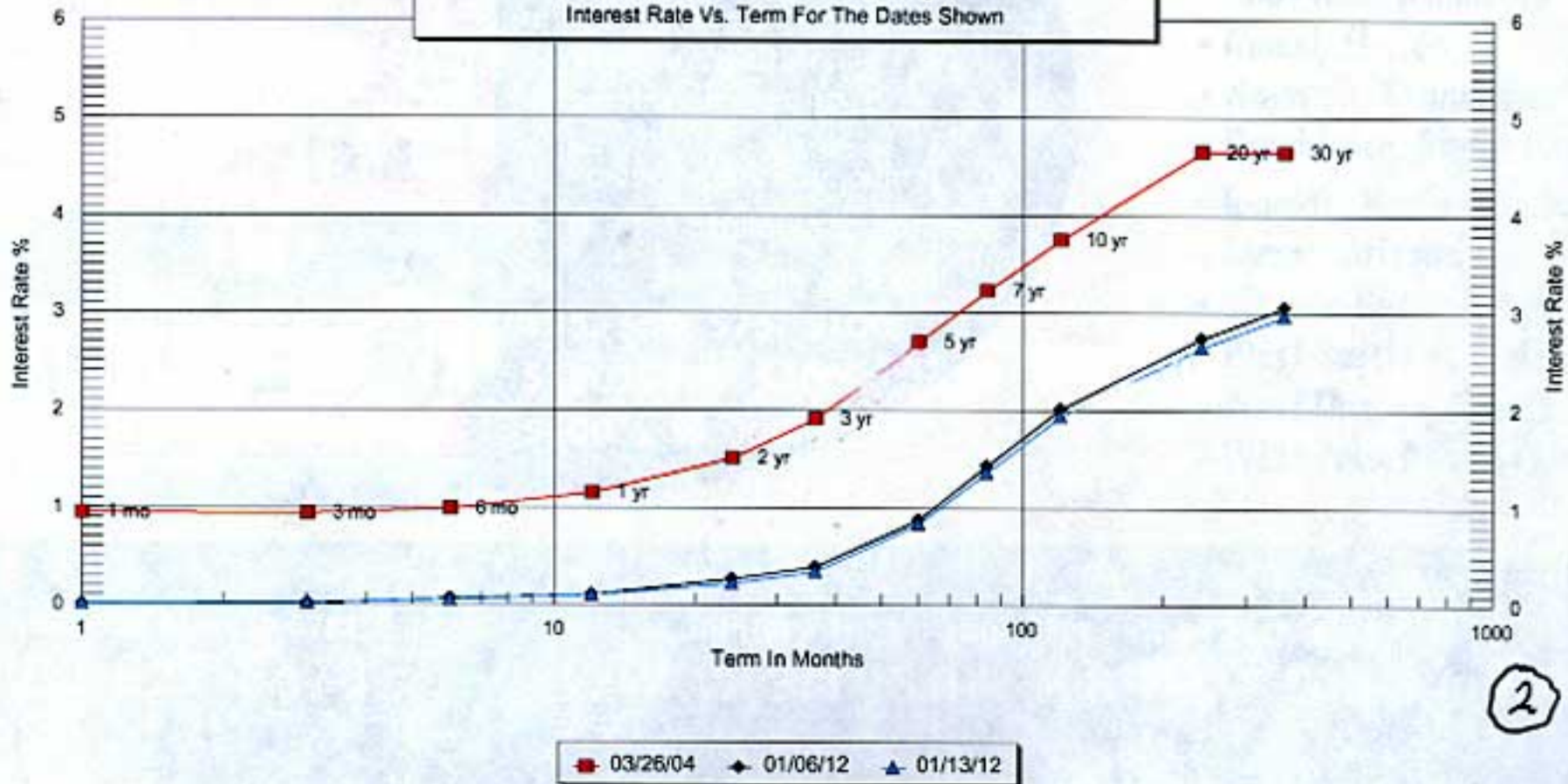
Start October 23, 2009 To The Present Time



Each vertical grid line on the X-axis represents four more weeks of data

Yield Curve For US Treasury Securities

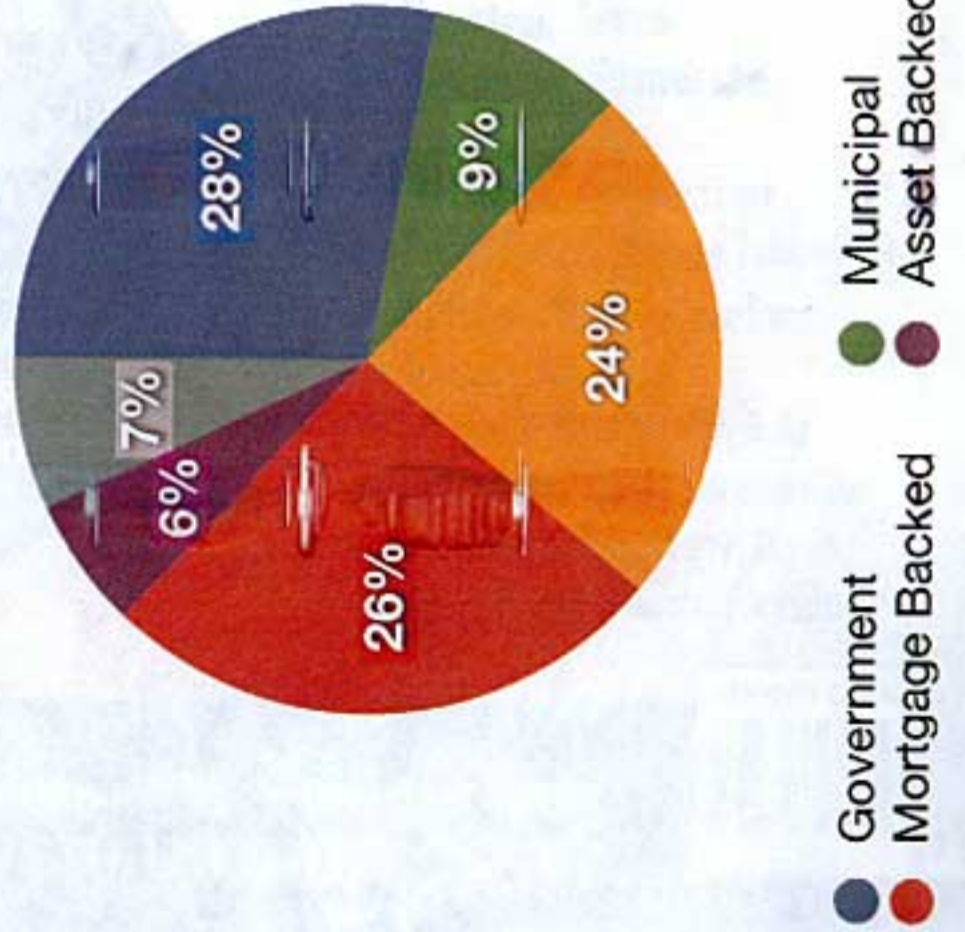
Interest Rate Vs. Term For The Dates Shown



United States Bond Market		\$ amount trillion	% of mkt
Government		\$9.20	28%
Municipal		\$7.90	9%
Corporate		\$7.70	24%
Mortgage Backed		\$8.30	26%
Asset Backed		\$1.90	6%
Agency		\$2.40	7%
		\$37.40	

Billions hv Government 28 Municipal 9 Corporate 24 Mortgage 26 Asset Backed 6 Agency 7

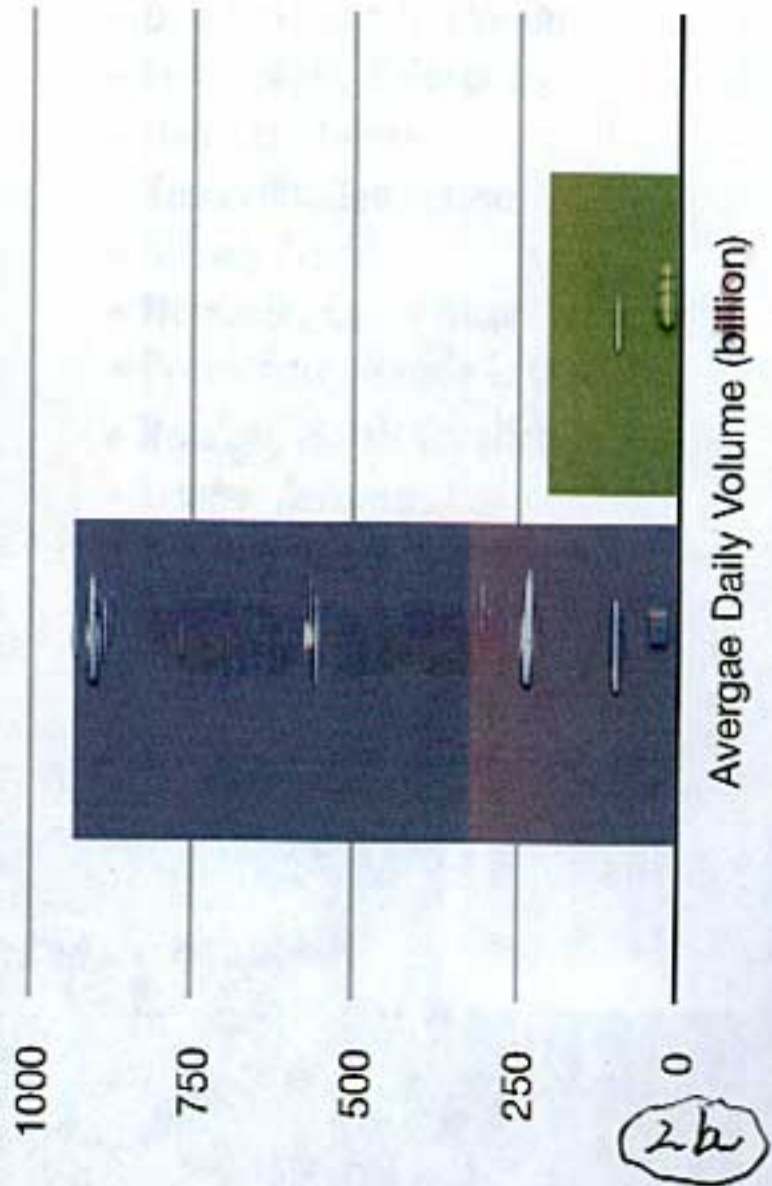
US Bond Market By Sector



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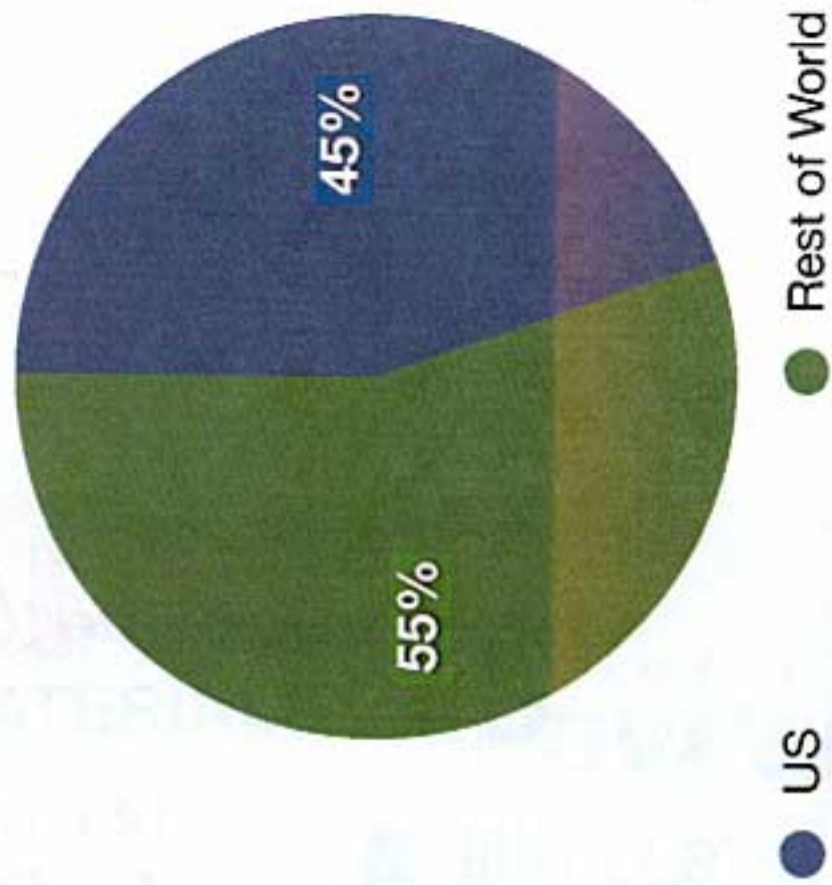
	Average Daily Volume (billion) T
US Bond Mkt	933.6
US Stock Mkts	205

■ US Bond Mkt ■ US Stock Mkts
Average Nominal Daily Activity



	US	Rest of World
Global Bond Market	37.2 billion T	46.2 billion T

Global Bond Market



Total Financial Assets Worldwide In 2010 In Trillions Of US Dollars

	Equities	Fixed Income	Cash & Deposits	Other	Category Amount
US Households & Pensions	39.1	25.0	15.0	4.2	83.20
Western Europe Households & Pensions	19.1	12.9	21.9	2.2	56.06
Sovereign Wealth Funds	4.4	2.5	1.3	0.3	8.52
Developed Asian Households 1	2.3	0.9	3.9	0.1	7.13
MENA Households	1.0	0.7	3.5	0.2	5.35
Latin American Households	1.0	1.7	3.7	0.6	6.93
Chinese Households	1.9	0.6	10.3	0.0	12.88
Emerging Asian Households	0.4	0.5	2.7	0.0	3.57
Emerging Market Central Banks	0.0	10.5	1.2	0.0	11.69
Total In Trillions Of Dollars	69.1	55.3	63.4	7.5	198.10
Per Cent Of Total Assets	35%	28%	32%	4%	100%

Category	Fraction Of Total	Fraction In Each Category		
		Equities	Fixed Income	Cash & Deposits
US Households & Pensions	0.42	0.47	0.30	0.18
Western Europe Households & Pensions	0.28	0.34	0.23	0.39
Sovereign Wealth Funds	0.04	0.52	0.29	0.15
Developed Asian Households	0.04	0.32	0.13	0.54
MENA Households	0.03	0.18	0.14	0.65
Latin American Households	0.04	0.14	0.24	0.54
Chinese Households	0.07	0.15	0.05	0.80
Emerging Asian Households	0.02	0.10	0.13	0.77
Emerging Market Central Banks	0.06	0.00	0.90	0.10



1 Includes Singapore, Hong Kong, Korea & Taiwan. Excludes Japan where households allocate 10% of their portfolio to equities.

Master Limited Partnerships

- Master Limited Partnerships (MLP) differ from traditional corporations
- Energy MLPS are limited to E&P, transportation, storage and processing
- Of natural resources and minerals and receive special tax treatment as a result
- Today there are 75 MLPs with roughly a \$75 billion of market capitalization
- They are subject to same reporting requirements as traditional C-corporations
- They are traded on the NYSE and NASDAQ but limited in number available
- With MLP you receive a distribution rather than a dividend so use Sch. K-1
- 70 to 100% of the distribution is a tax deferred ROC reflecting depreciation
- Pipelines and storage (energy infrastructure) operate on a toll-road model
- No title is taken to product passing through and revenues not tied to price of gas
- Revenues determined by amount of product passed and certain escalators
- FERC the regulator uses the PPI to determine the value of the escalator-1.3-2.65%
- On the volume passing through it has increased an average of one percent/year
- Cash flow is the key to what MLPs pay to investors-PE is not a relevant measure
- Invest directly in an MLP-gets tax efficiency and avoids a management fee
- When you sell or value goes to zero the accumulated deferred taxes are paid
- Secret is to have owner die before that happens so MLP assumes value at death
- KMP is a good example of a good MLP investment yielding about 5.5%/year
- For more details on this subject go to AAI Journal, November 2011 page 30
- http://www.dividendyieldhunter.com/Master_Limited_Partnerships.html
- <http://www.forbes.com/sites/baldwin/2010/12/02/tax-guide-to-master-limited-partnerships/10/>

Financial Commentary

On 01/14/2012 Dan Fuss and Peter Fisher were on WealthTrack to talk about bonds and the outlook for 2012. Fuss manages the Loomis Sayles Bond Fund and Fisher manages Blackrock's fixed income fund. They both expect a recession in the EU with GDP growth dropping to -1.5%. They expect continuing high volatility with EU bank assets continuing to shrink. This will result in the bond market no longer being an auction market due to the smaller size of the banks. EU earlier kept interest rates high to keep euro strong. Of late, easing has occurred and the euro has declined in value. Their projection of GDP growth in 2012 is 2.5% for the US, -1.5% for the EU and 5% for the Emerging Markets. Fuss favors buying US corporates- only those with strong market share and capable of self-financing. Both men see inflation coming late-no earlier than the end of 2013. Big concern is the number of countries that are undergoing presidential elections or equivalent in the world in 2012. Fuss sees banks and insurance companies in the US as places to buy bonds. However because of volatility (one-half a percentage point in a day for bonds) he suggests that you want to really like what you buy because you will end up holding it for a long time. They recommended purchase of the Eaton Vance Floating Rate Income (ETF), a closed end fund selling at a discount. Also recommended were B of A, Goldman Sachs and Morgan Stanley bonds and stocks. They expect GS and MS to eventually stop being banks and resume trading.

France and Austria were downgraded from AAA to AA+ and a number of other counties in the EU were downgraded as well. This general downgrading may also result in a downgrading of the EU rescue fund being downgraded from AAA making a potential bailout even more costly. These latest events have the world going back to "risk-on" after a "risk-off" period over the past seven weeks. EU leaders are meeting in order to reach an agreement among the 24 EU members for a treaty change to allow more centralized control of the activities that are needed to keep the EU together. This will probably not be completed until late April and no later than July.

Initial jobless claims dropped throughout December in the US and the unemployment rate has declined to 8.5%.

Oil prices have become very volatile due to the possibility of a serious supply shortage developing in the Middle East. About 20% of the world's oil supply passes through the Strait of Hormuz. With the effort by the US and others to discourage Iran from producing their own atomic bomb capability Iran has threatens to close the Straits. This would not be difficult for them to do. The big question is whether they would do it and if they did whether there would be sufficient oil from Russia and elsewhere to make up the shortage in supply. Southeast Asia (China) is a major buyer of the oil involved. They have not yet agreed to join the US and others in their efforts to disrupt the flow of oil revenues to Iran.

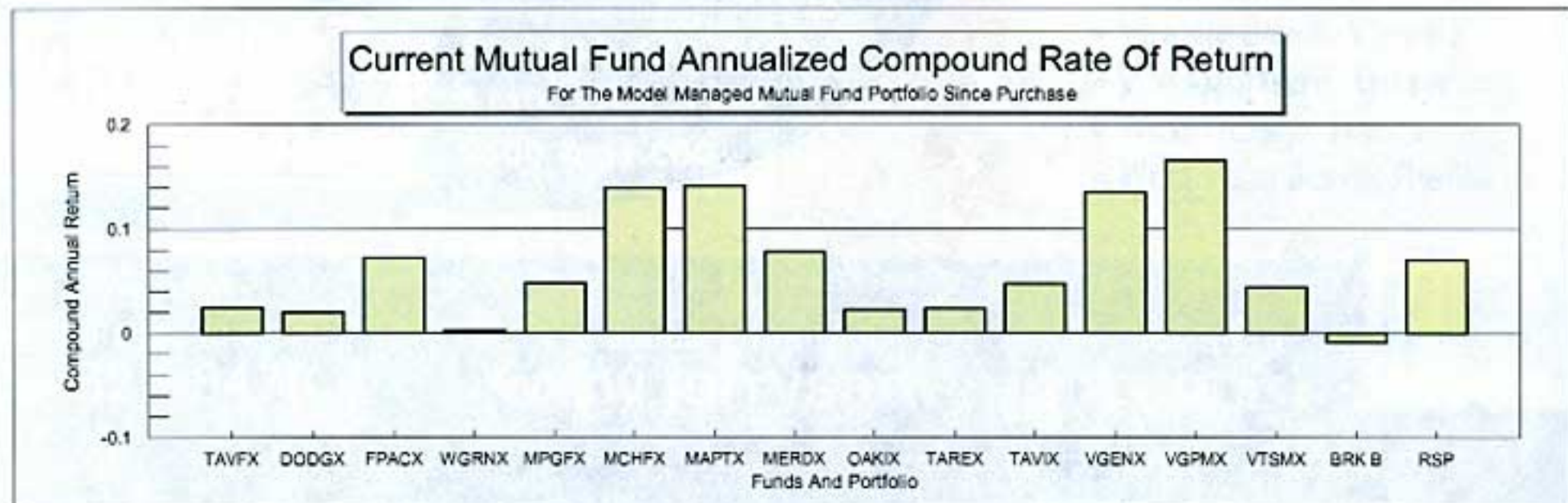
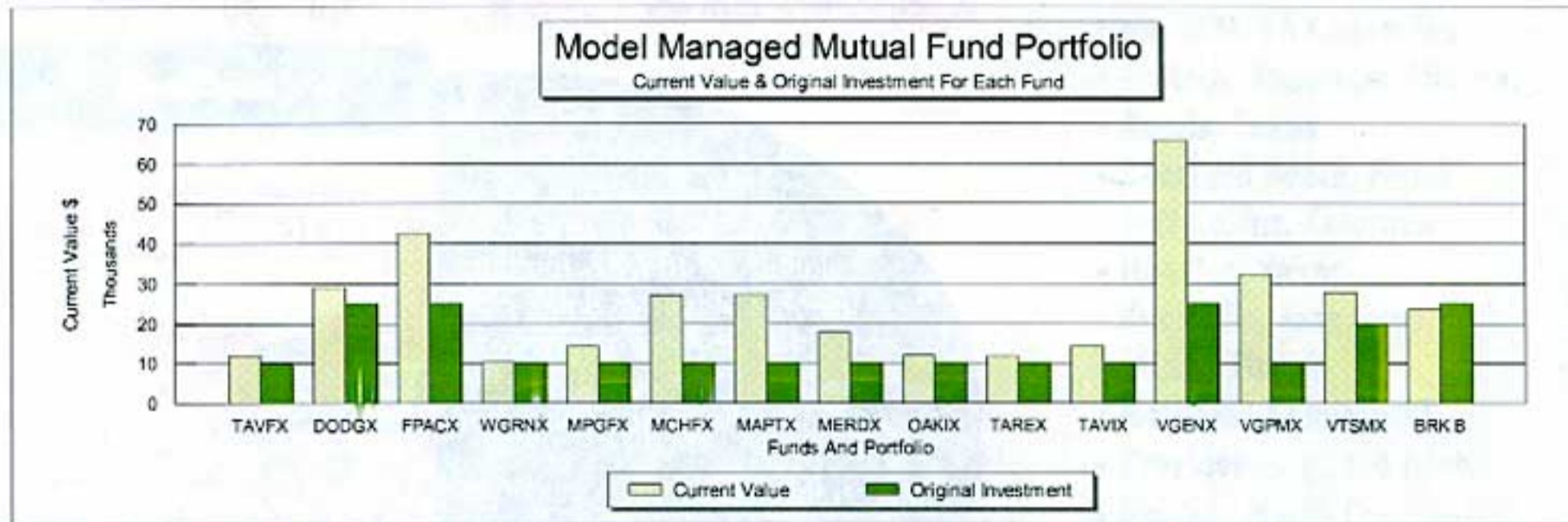
Goldman Sachs conducted a study of discretionary cash allocation over the past ten years and concluded the following. In 2000 72% of corporate capital was growth investment. By 2011 it fell to 39%. Buybacks and dividends have increased from 23% of cash outflows in 2000 to 55% in 2011. Payout ratios are at a 75 year low of 26%. A good example is Microsoft sitting on \$75 billion in cash.

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Model Portfolio Of Actively Managed Equity Mutual Funds

Mutual Fund	Ticker	Purchase Date	Current Number of Shares	Price/Share 01/13/12	Market Value 01/13/12	Original Purchase Cost	Cumulative Gain Or (Loss)	Annualized Internal Rate Of Return	Year To Date Return	2011 Int'l Rate Of Return
3 3rd Ave Value	TAVFX	06/15/04	286.949	\$41.90	\$12,023	\$10,000	\$2,023	2.5%	4.4%	-22.4%
3 D&C Stock**	DODGX	06/16/04	276.057	\$105.32	\$29,074	\$25,000	\$4,074	2.0%	3.6%	-4.1%
5 FPA Crescent	FPACX	06/03/04	1569.726	\$27.06	\$42,477	\$25,000	\$17,477	7.2%	1.0%	3.0%
2 Wintergreen	WGRNX	02/05/04	727.273	\$14.07	\$10,233	\$10,000	\$233	0.3%	-0.1%	0.6%
4 M&P Growth	MPGFX	06/01/04	194.143	\$73.56	\$14,281	\$10,000	\$4,281	4.8%	4.0%	1.0%
5 Matthews China	MCHFX	06/01/04	1219.495	\$22.10	\$26,951	\$10,000	\$16,951	13.9%	2.7%	-18.9%
4 Pacific Tiger	MAPTX	06/09/04	1302.818	\$20.81	\$27,112	\$10,000	\$17,112	14.0%	2.4%	-11.4%
4 Meridian Growth	MERDX	06/15/04	410.428	\$42.80	\$17,566	\$10,000	\$7,566	7.7%	2.8%	1.4%
Oakmark Intern'l***	OAKIX	02/05/04	711.997	\$16.79	\$11,954	\$10,000	\$1,954	2.3%	1.5%	-14.1%
4 3rd Ave RE	TAREX	11/19/04	559.229	\$21.08	\$11,789	\$10,000	\$1,789	2.3%	3.8%	-12.4%
3 3rd Ave Intn'l	TAVIX	06/08/04	973.674	\$14.57	\$14,186	\$10,000	\$4,186	4.7%	3.5%	-16.8%
4 Vang'd Energy	VGEXX	06/03/04	580.066	\$113.39	\$65,774	\$25,000	\$40,774	13.6%	0.7%	-1.7%
2 Vang'd PM&M	VGPMX	06/03/04	1547.084	\$20.78	\$32,148	\$10,000	\$22,148	16.6%	7.2%	-1.0%
3 Total Stck Mkt	VTSMX	06/30/04	861.901	\$32.18	\$27,736	\$20,000	\$7,736	4.4%	2.8%	1.1%
4 WVALX/BRK B*	BRK B	10/11/04	300.000	\$77.77	\$23,493	\$25,000	(\$1,507)	-0.9%	1.9%	-4.7%
3.6 Portfolio	RSP			167%	\$366,797	\$220,000	\$146,797	7.0%	3.1%	-8.1%
Delta Benchmark (Portfolio Return Minus Total Stock Market Return)								2.6%	0.3%	-9.2%

*WVALX redeemed on 03/03/08 & replaced by Berkshire Hathaway on 04/17/08 **Exchanged for D&C Balanced fund on 02/25/08.
 Replaced LLINX with OAKIX on 07/13/10. *Replaced LLPFX with WGRNX on 12/10/10.



PAST AND PROJECTED PERFORMANCE OF COMPANIES MAKING UP THE DOW JONES INDUSTRIAL AVERAGE

Information As Of: 01/14/2012

Company Name	Ticker	Current Price	Past 52 Week Earnings	Past 52 Week Dividends	Book Value	Earnings Yield	Dividend Yield	Payout Ratio	Price To Earnings	Price To Book	Operating Earnings Rate '12-'11	Trailing P/E To EGR	Justifiable DJIA*		Return Based On Past 52 Week Earnings		
													DJIA Divisor	23367		Sustainable Growth Rate	Projected Long Term Return
ALUM CO OF AMER	AA	9.79	0.85	0.12	13.26	8.7%	1.2%	14%	11.5	0.7	10.0%	1.1	6.4%	5.5%	6.8%	45%	6.7%
AMER. EXPRESS	AXP	49.69	3.85	0.72	13.56	7.7%	1.4%	19%	12.9	3.7	4.5%	2.8	28.4%	23.1%	24.9%	82%	24.5%
AT&T	T	30.02	3.43	1.71	18.89	11.4%	5.7%	50%	8.8	1.6	6.7%	1.3	18.2%	9.1%	15.3%	44%	14.8%
BANK OF AMERICA	BAC	6.59	-1.66	0.04	20.96	-25.2%	0.6%	NMF	NMF	0.3	-510.0%	0.0	-7.9%	-7.9%	-7.4%	NA	-7.5%
BOEING	BA	74.57	4.71	1.68	3.76	6.3%	2.3%	36%	15.8	19.8	23.4%	0.7	125.3%	80.6%	84.7%	32%	82.8%
CATERPILLAR	CAT	102.52	6.05	1.78	16.94	5.9%	1.7%	29%	16.9	6.1	32.8%	0.5	35.7%	25.2%	27.4%	25%	26.9%
CHEVRON	CVX	105.88	11.45	3.00	52.34	10.8%	2.8%	26%	9.2	2.0	-1.7%	-5.4	21.9%	16.1%	19.4%	NA	19.0%
CISCO SYSTEMS	CSCO	19.06	1.17	0.12	7.83	6.1%	0.6%	10%	16.3	2.4	11.0%	1.5	14.9%	13.4%	14.1%	59%	14.0%
COCA-COLA	KO	66.91	5.36	1.85	13.53	8.0%	2.8%	35%	12.5	4.9	10.9%	1.2	39.6%	25.9%	29.4%	46%	28.7%
DISNEY WALT	DIS	38.36	2.37	0.40	19.78	6.2%	1.0%	17%	16.2	1.9	16.2%	1.0	12.0%	10.0%	11.1%	44%	11.0%
DU PONT (E.I.)	DD	48.38	3.61	1.64	9.86	7.5%	3.4%	45%	13.4	4.9	14.0%	1.0	36.6%	20.0%	24.0%	41%	23.4%
EXXON MOBIL	XOM	84.78	7.61	1.82	29.49	9.0%	2.1%	24%	11.1	2.9	3.4%	3.3	25.8%	19.6%	22.2%	81%	21.8%
GEN'L ELECTRIC	GE	18.82	1.26	0.58	11.20	6.7%	3.1%	46%	14.9	1.7	18.8%	0.8	11.3%	6.1%	9.3%	36%	9.2%
HEWLETT PACKARD	HPQ	26.47	4.25	0.40	18.35	16.1%	1.5%	9%	6.2	1.4	-0.4%	-14.4	23.2%	21.0%	22.8%	NA	22.5%
HOME DEPOT	HD	43.51	2.23	0.99	11.64	5.1%	2.3%	44%	19.5	3.7	14.5%	1.3	19.2%	10.7%	13.2%	58%	12.9%
INTEL	INTC	25.19	2.21	0.73	8.97	8.8%	2.9%	33%	11.4	2.8	4.2%	2.7	24.6%	16.5%	19.9%	75%	19.4%
INT'L BUS MACH	IBM	179.12	12.30	2.80	18.77	6.9%	1.6%	23%	14.6	9.5	10.9%	1.3	65.5%	50.6%	53.0%	54%	52.2%
JOHNSON & JOHNSON	JNJ	65.20	4.18	2.22	20.66	6.4%	3.4%	53%	15.6	3.2	6.4%	2.4	20.2%	9.5%	13.2%	81%	12.9%
KRAFT FOODS	KFT	37.76	1.74	1.16	20.5	4.6%	3.1%	67%	21.7	1.8	11.0%	2.0	8.5%	2.8%	6.0%	79%	5.9%
MCDONALD'S CORP	MCD	100.21	4.95	2.44	13.89	4.9%	2.4%	49%	20.2	7.2	10.0%	2.0	35.6%	18.1%	20.9%	79%	20.5%
MERCK & CO.	MRK	38.34	0.93	1.52	17.64	2.4%	4.0%	163%	41.2	2.2	2.9%	14.0	5.3%	-3.3%	0.5%	319%	0.6%
MICROSOFT	MSFT	28.17	2.69	0.64	6.82	9.5%	2.3%	24%	10.5	4.1	7.5%	1.4	39.4%	30.1%	33.0%	50%	32.3%
MINNESOTA MING	MMM	83.59	5.90	2.18	22.00	7.1%	2.6%	37%	14.2	3.8	10.0%	1.4	26.8%	16.9%	20.0%	55%	19.5%
MORGAN JP	JPM	35.86	4.68	0.60	43.04	13.1%	1.7%	13%	7.7	0.8	11.6%	0.7	10.9%	9.5%	11.3%	27%	11.2%
PFIZER	PFE	21.79	1.08	0.78	10.95	5.0%	3.6%	72%	20.2	2.0	1.8%	11.4	9.9%	2.7%	6.4%	186%	6.3%
PROCTER&GAMBLE	PG	65.78	3.93	2.01	21.52	6.0%	3.1%	51%	16.7	3.1	10.5%	1.6	18.3%	8.9%	12.3%	63%	12.0%
TRAVELERS	TRV	59.39	5.10	1.54	54.19	8.6%	2.6%	30%	11.6	1.1	51.0%	0.2	9.4%	6.6%	9.3%	12%	9.2%
UNITED TECHNOL	UTX	76.00	5.17	1.81	23.21	6.8%	2.4%	35%	14.7	3.3	12.5%	1.2	22.3%	14.5%	17.2%	49%	16.9%
VERIZON	VZ	38.90	2.32	1.95	13.64	6.0%	5.0%	84%	16.8	2.9	16.1%	1.0	17.0%	2.7%	7.9%	46%	7.7%
WAL-MART	WMT	59.58	4.71	1.40	19.49	7.9%	2.3%	30%	12.6	3.1	9.2%	1.4	24.2%	17.0%	19.7%	53%	19.3%
Overall Dow Industrial Averages		12422.06	924.53	315.57	4145.91	7.4%	2.5%	34%	13.4	3.00	9.8%	1.4	22.3%	14.7%	17.6%	53%	17.2%

*Based upon the modified Graham relationship that the justifiable P/E is equal to $[8.5 + 2 \times \text{earning growth rate (\%)}]$ times $[4.4 / \text{AAA bond yield (\%)}]$. Use current year's earnings to get justifiable price of the index.

Comparison Of S&P 500 Performance For Period From 01/01/2008 To 12/15/2011 With A
Balanced Portfolio Of The Ten Major Asset Groups Of The S&P 500

Asset Description	Allocation	AAR	IRR	STD	CAR
1 Utilities	10%	-3.3%	-4.9%	19.3%	-4.9%
2 Consumer Staples	10%	2.9%	2.1%	13.8%	2.1%
3 Health Care	10%	-0.1%	-1.3%	17.6%	-1.3%
4 Consumer Disc.	10%	7.8%	3.7%	32.3%	3.7%
5 Info Technology	10%	6.2%	-0.6%	42.5%	-0.6%
6 Energy	10%	-2.4%	-4.9%	24.0%	-4.9%
7 Telecom Services	10%	-5.6%	-7.3%	19.8%	-7.3%
8 Industrials	10%	-1.7%	-5.6%	29.6%	-5.6%
9 Materials	10%	0.8%	-5.9%	40.3%	-6.1%
10 Financials	10%	-13.3%	-19.1%	33.4%	-19.1%
P Overall Portfolio	100.0%	-1.0%	-3.9%	25.7%	-3.9%
S&P S&P 500		-1.4%	-4.6%	27.1%	-4.6%

