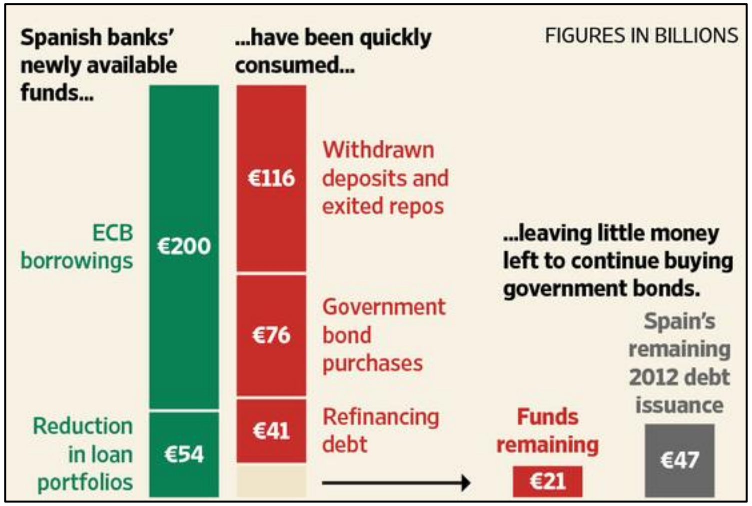
Market Recap

Spanish Banks' Government Bond Purchases



Source: UBS as seen in WSJ

Federal Estate and Gift Tax Rates

Federal Exemptions and Rates	2012	2013
Estate Tax Exemption Amount / Top Tax Rate	$5.12MM / 35%	$1MM / 55%**
Gift Tax Exemption Amount / Top Tax Rate	$5.12MM / 35%	$1MM / 55%
GST Tax Exemption Amount / Top Tax Rate	$5.12MM / 35%	$1.36MM* / 55%

* Estimated based on projected inflation adjustment.

** A 5% Federal surtax, in addition to the 55% rate, applies to assets within the estate between $10MM and $17.184MM.

Source: Harbour Capital Advisors

Investor fears as to whether Europe has sufficiently addressed the sovereign-debt crisis, thus returning the region to health, have once again resurfaced. The latest concerns center on Spain; specifically, liquidity in and the solvency of the banking sector. According to the Bank of Spain, the percentage of bad loans on Spanish banks' balance sheets rose to 8.16% in February, the highest level since 1994. This is compounded by the Spanish banks' use of funding from the European Central Bank, partially intended to stimulate lending, to purchase Spain's government bonds. After months of using ECB borrowings to buy their government's debt, banks have little left with which to continue these bond purchases and/or to jumpstart the local economy through lending. To continue its recovery process, Spain will need to issue a significant amount of new debt this year, and, with recent increases in interest rates coupled with these banking sector headwinds, sales of this debt may face an uphill battle.

2010 saw the introduction of a 35% estate, gift, and GST tax rate for 2011 and 2012 and a $5.12MM exemption for 2012 (increased from $5MM in 2011). The still-new provisions expire at the end of 2012, with transfer tax rates set to increase in 2013 and exemptions set to decrease. Although significant planning opportunities exist through 2012, many taxpayers have been left to wonder about those opportunities in 2013. Most prognosticators agree that much will depend on the presidential election. If the incumbent wins, he has vowed to insist on a plan that combines spending cuts with higher taxes for the affluent. Since policymakers might not work out the details until early 2013 and Republicans may be unwilling to compromise, further gridlock may ensue. If the challenger wins, a lame duck session deal late in 2012 may be unlikely and retroactive handling of these tax issues may need to wait until early 2013. In any event, a lack of closure prior to 2013 may be inevitable, and the high rates and low exemptions (with slight adjustments) that existed prior to 2001 may again become temporary law in 2013.

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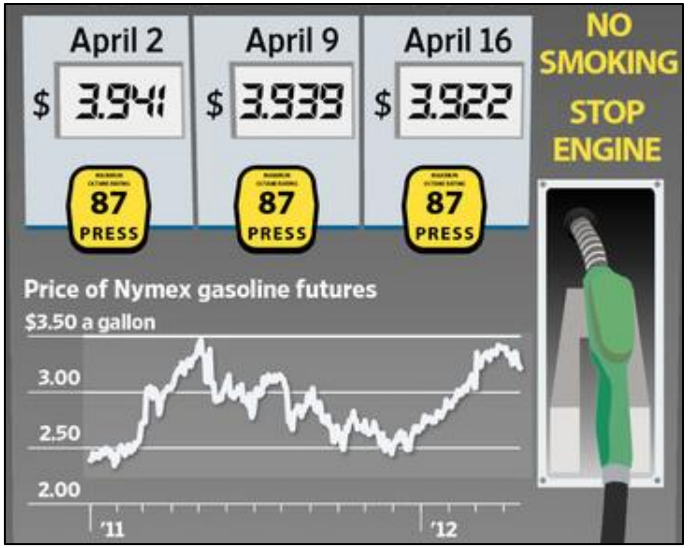
U.S. Average Price of Gasoline



Source: U.S. Energy Information Administration

Value of Olympic Gold Medal

Source: The Economist; International Olympic Committee

At the start of the year, talk of $5 per gallon gas prices caused drivers to rein in their driving habits, in turn resulting in a drag on the economy. For the past month, gasoline futures prices have been falling, raising the prospect that gas prices at the pump might also be headed lower. Influenced primarily by easing tensions over Iran, gasoline futures are now $3.2027 a gallon, 6.3% lower than their high on March 26. Prices at the pump are already reflecting some of this decline, with the average cost of a gallon of gas nationwide falling for two straight weeks. The average retail price of regular gasoline is $3.922 a gallon, down from $3.941 on April 2. As that drop is far below the change in the futures market, continued pressure on gas prices is anticipated and may result in a significant boost to the U.S. economy as we head into the summer months.

The gold medals that will be awarded in London this summer will be the largest and heaviest of any Olympics. At 400 grams (14 ounces), they will be 17 times heavier than at the 1912 Olympics in Stockholm. The 1912 games were the last in which gold medals were made entirely of gold. Today, 'gold' medals consist primarily of silver with a thin coat of gold. The London medal consists of only 6 grams of gold (about 1.5% of the medal). At current prices, this medal is worth $706. This is significantly higher than the 'podium value' of any previous gold medal (based on estimates of the composition of metals and bullion prices at the time, adjusted for inflation). For the first time, the silver in this year's 'gold' medal is actually worth more than its gold content. Further, if the metal content of the 1912 medal were to be valued at today's bullion prices, it would be worth almost twice those handed out in London this summer.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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