



GERALD L. RAY
 & ASSOCIATES, LTD.
Investment Advisors

THE RAY REPORT

April 28, 2010

Fork in the Road to Recovery

The first three months of 2010 continued the stock market rally that started nearly a year earlier when it was finally determined that the apocalypse of the banking system would be averted and that the economy could begin its slow trek back to recovery.

While the stock market has surged to 18 month highs, certain economic indicators such as unemployment and housing remain mired in a recession. Yet, the markets recovery is relatively simple to understand. While the recession has been severe and protracted, the worst case seems to have been taken off the table. Overseas markets have provided growth to offset our domestic sluggishness. Corporate balance sheets are in great shape as access to inexpensive financing has led to enormously positive earnings leverage. The consumer despite high unemployment still shows a willingness to spend, at least in certain areas. Most importantly, the Federal Reserve has provided ample liquidity with interest rates near zero to allow institutions to enhance liquidity and to a lesser extent permit individuals to return to the stock market in search of positive returns.

Despite the stock market's tremendous run, there remains a number of reasons to be vigilant. Aside from the aforementioned issues involving housing and unemployment, there remains the inevitable issue that in-

terest rates will have to be raised as the recovery takes hold. While higher rates are unlikely to strangle the recovery, they will at some point allow fixed income assets to provide some competition to stocks. In addition to monetary policy which will be more restrictive, fiscal policy is not conducive to long-term growth. Aside from staggering deficits, higher taxes are a certainty. Higher taxes on dividends and capital gains seem also likely to provide another hurdle to growth. At a minimum, it is fair to say that the cost of saving or investing incremental dollars is high and going higher.

Despite these fiscal and monetary concerns, companies will continue to benefit from enormous earnings leverage. Companies are lean and any increase in sales growth should provide outsized earnings gains. It will

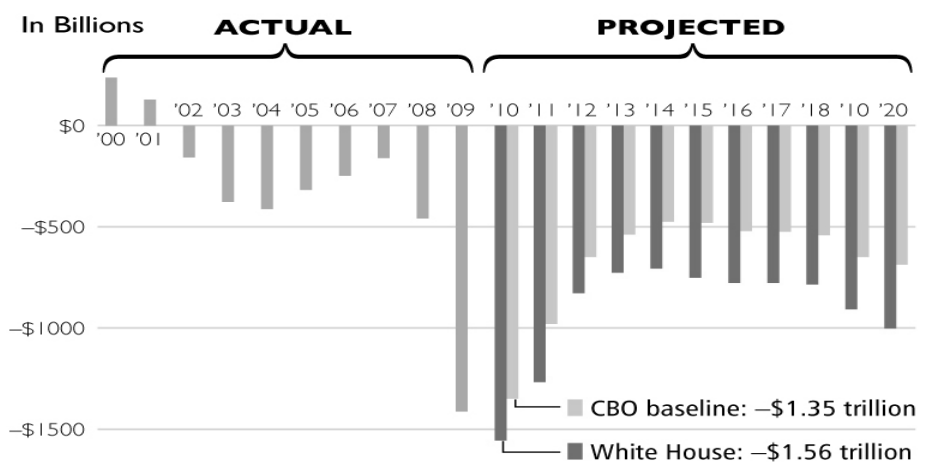
Market Performance For The March 2010 Quarterly Period	
<i>Dow Jones Industrials</i>	4.82%
<i>Standard & Poor's 500</i>	5.41%
<i>Russell 1000 Growth</i>	4.23%

be incumbent on us as money managers to assess what type of companies can thrive in this more restrictive environment.

There are a number of areas that are still interesting. Financials will benefit from a steep yield curve and still look interesting. Technology will continue to see growth overseas and strong leverage to earnings. Companies that were forced to delay spending in 2008 and 2009 will be required to add to technology budgets. Healthcare, while less attractive fundamentally, will be ripe for consolidation. (continued on next page)

DANGER AHEAD?

Obama Budget Adds \$2.5 Trillion to Deficits

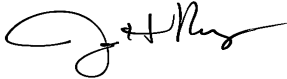


Sources: Congressional Budget Office, January 2010 Budget and Economic Outlook; and Office of Management and Budget, February 1, 2010, Summary Table 1.

dation and Material companies can benefit from a slowly improving economy.

We have been fortunate to have recovered as strongly as we have over the last year and appreciate the opportunity to provide stewardship of your capital as the recovery unfolds.

Regards,



Joseph H. Ray,
President

Healthcare Debate Not Over

The broadly partisan healthcare bill was the most significant piece of major legislation in the last 20 years for a number of reasons. It became the cornerstone of an entitlement program that could potentially dwarf Medicare, Medicaid, Social Security or welfare. It provides a gateway for the United States government to have a stronger say over 17% of the country's gross national product and perhaps, most importantly it allowed Americans a first-hand view of the backroom politics of Washington.

I think it is fair to say that reasonable minds can differ on the subject of healthcare. The debate on whether healthcare is a right as defined in the Constitution or a privilege can be debated. There is also room for discussion as to how much healthcare can be afforded, who pays for it and how it is paid. This debate often will be decided by an individual's view of free markets and the role of government. In many ways, as a piece of legislation, the results were unspectacular as the dominant party's agenda won out.

I think the most important part of the healthcare debate may end up being the distaste for politics it has left for many voters. Due to the closeness of the vote, every legislative tool was used to pass the legislation and unfortunately back room deals were standard practice. The Louisiana Purchase, the Nebraska kickback, the Stupak amendment all were payoffs to ensure passage. Additionally, pre-holiday and weekend votes were the norm. In an amazing show of hubris, politicians prided themselves on carving out Federal tax dollars for their individual states only to be surprised by polls that show almost certain defeat in 2010 for the greatest transgressors. Sadly,

due to the hurried and partisan nature of the bill, many key elements were omitted, such as juvenile pre-existing condition legislation and tort reform, while nearly 80% of all Americans disapproving of the job Congress is doing.

The inevitable backlash is certain to come and we will surely know more in years to come. However, it remains to be seen whether politicians understand they are stewards of our liberties and representative of our beliefs or merely view themselves as arbiters of our virtues regardless of the means they use to legislate their agendas.

The Upcoming Tax Burden

Healthcare taxes
Dividends
Income taxes
Capital gains
Estate taxes
Medical devices
Tanning salons
Cap & trade?
Soft drinks?

If you have concerns about the upcoming tax deluge and how it may affect your portfolio, please give us a call

Prompt Review of Gerald L. Ray & Associates, Ltd. Reports and Custodian Statements Advised

Gerald L. Ray & Associates, Ltd. mails reports to each of its clients quarterly. Our clients should also be receiving or downloading statements monthly, or at least quarterly, from the custodian of their assets i.e. the broker or bank, where their assets are held. We review the statements we receive from the custodians as we reconcile each account.

This is a reminder to our clients to promptly review the reports and statements that they receive both from us and from the custodians of their assets. If you have authorized the payment of your advisory and/or bookkeeping fees directly from your custodian you should also review the copies of those invoices for completeness and accuracy. If a discrepancy, error or omission is found, please notify us immediately.

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GERALD RAY'S 401(k) SOLUTION

Increasingly over the years, our clients have asked us to provide a comprehensive investment solution for their company 401(k) plan. In the past, on an individual basis we would review your investment choices and advise you on the appropriate asset allocation. But all this time, we have sought a way to offer our clients, both corporations and partnerships, a more effective plan.

The Solution

Gerald Ray offers a simple and cost-effective solution to improve a company's current 401(k) plan. Our program is designed to provide a low cost, participant-friendly retirement strategy that focuses on service and performance. This program is best suited for small to mid-size companies with current plan assets under \$20 million.

Our basic solution offers five models built with exchange traded funds and allows participants access to our expert portfolio managers. Through continuing investor education to all plan participants, we seek to increase current employee participation and plan contributions. Our investment advisors will assist each participant in selecting the correct investment model, ensuring the participant's financial goals are consistent with their 401(k) plan investment strategy.

Plan Features

Our 401(k) Investment Solution offers many advantages over traditional mutual funds:

Clear, transparent fees

No 12b-1 fees or plan exit fees

Five simple exchange traded fund models

Online access to view individual accounts

Periodic access to advice from our expert portfolio managers

FAQs

Why is Gerald Ray now choosing to offer 401(k) services?

With efficient technology and a new tax bill that provides for automatic 401(k) enrollment, we feel the timing is right to offer a simple, low-cost 401(k) service for plan providers.

Our current plan participation is low. How can Gerald Ray help?

Gerald Ray seeks to improve both plan participation and contributions by offering continuing investor education. Through a simple five step questionnaire, we will help each participant with the initial selection of their investment model, ensuring the correct model is chosen. Participants will be able to easily amend their plan investment choices when the participant's financial objectives or risk tolerance change.

Our investment choices are hard to understand and are loaded with fees. How is Gerald Ray's Investment Solution different?

Our 401(k) investment solution offers five simple models all built with exchange traded funds. These exchange traded funds have much lower fees than traditional mutual funds and the holdings are frequently updated and are available to view online.

Our company offers a self-directed option that allows for the participant to hire an advisor. Does Gerald Ray provide this type of advice?

Yes, we have always assisted our clients with both their taxable and retirement accounts. We can also provide help if you decide to leave your company and need to move your 401(k) assets to an IRA Rollover account.

What are the 401(k) fees?

The total fees paid by the provider and the participant are typically below 2% of plan assets. This includes financial advisor fees and estimated fees on exchange traded funds. There are no transaction fees for purchasing or selling shares of the funds. Additionally, the Third Party Administrator fee is an added cost that, in most cases, is fixed. These fees are lower than most existing plans.

For more information about our 401(k) investment solution, please visit our 401(k) website at [www.gerald-ray.com](#) or contact Michael Beck at (214) 954-1900, ext. 136.