



Majestic Oak Financial
A Registered Investment Advisor

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July 9, 2010

I hope you and your family enjoyed a fun and safe Independence Day celebration! Along with your quarterly report, I have also included a helpful timeline created by Claes Bell at Bankrate.com that maps out the changes to come from the Patient Protection and Affordable Care Act (a.k.a. the new health care reform law).

News You Can Use – Will Financial Reform Fix Anything?

Congress has its hands full as of late in hurrying to reconcile the Senate and House versions of the much-awaited, hotly-debated, 2,000-page Dodd-Frank Bill, as known as the Financial Reform Bill. The bill seeks to overhaul almost every facet of our financial system. Summaries of the bill indicate that it does address some of issues that helped to shape our current financial crises. But does it really do anything to mitigate or prevent future financial problems? Or is it more like having to take our shoes off at the airport when it's likely that a terrorist won't be trying that particular trick twice?

What does the bill do?

It creates more government offices. The new Consumer Financial Protection Bureau within the Federal Reserve Board is tasked with providing greater investigation and oversight into new financial products and innovations. It will be this bureau's job to investigate financial scams, determine whether loans are affordable for borrowers, expose hidden fees, and limit predatory lending. The Financial Stability Oversight Council in the Treasury can override the Consumer Protection Bureau's rules if it feels that a rule threatens the stability of the financial system or the economy as a whole. The Federal Insurance Office, also within the Treasury, will be created to monitor insurers thanks to AIG. Therefore, insurers will be subject to regulation by both state and federal governments, increasing their costs of doing business, which will likely be passed down to the consumer. Finally, a two-year study will be commissioned within the SEC to determine whether we need an additional government entity to rate the riskiness of asset-backed securities.

FDIC authority is expanded considerably under Dodd-Frank. The FDIC currently has the authority to liquidate failed commercial banks. Now, they will have the power to "unwind" large failing financial firms whose collapse would cause considerable damage to the economy – think AIG, Lehman Brothers, Citibank. In theory, this means that taxpayers would no longer be unwillingly on the hook to provide TARP-like bailouts to these entities. Instead, the federal government takes the firms into receivership to slowly and systematically allows the firm to die. The expense of the unwinding appears to be paid by the remaining financial services firms through fees imposed after a failing firm is taken under receivership.

The bill includes some large changes in the banking sector. Lenders will be required to retain a 5% ownership interest in any mortgage that it intends to sell to investors, with the exception of high-quality mortgages made to creditworthy borrowers with low loan-to-value ratios. This stops lenders from making subprime loans and then selling them off the next day to Fannie Mae or another lender. Additionally, banks can no longer trade in credit-default swaps on high-risk investments like subprime mortgages. They will be required to set-up subsidiaries that retain capital reserves separate from the bank's reserve requirements. Therefore, even if the subsidiary places bad bets on investments, the

parent bank theoretically should not draw down working capital or depositors' funds to cover the failing subsidiary.

What does it not do?

It does not make the consumers, the borrowers, the investors, any smarter or more aware. It cannot instill common sense. It is still up to us to be prudent and responsible for our own financial well-being. No amount of legislation can replace that. It also will not predict or prevent the next crisis. The Dodd-Frank Bill provisions were written to help prevent a crisis exactly like the one from which we're attempting to recover. We'll have crises in the future, but they won't be identical to this one. So, will this effort at reform fix anything? Or do the American people need some serious introspection to fix the problems ourselves?

2nd Quarter 2010 Market Performance

Index	6/30/10 Ending Value	2Q 2010 Performance*
Dow Jones	9,774.02	<9.97%>
S&P 500	1,030.71	<11.86%>
NASDAQ	2,109.24	<12.04%>
Lehman Aggregate Bond	107.25	2.93%



Your Individual Investment Reports

The following investment reports for 2nd Quarter 2010 are provided for your review:

- **Portfolio Performance** – Overall Portfolio Performance for 2nd Quarter 2010
- **Asset Performance** – Performance of each asset within each account for 2nd Quarter 2010
- **Account Summary** – Current market value of each asset within each account as of 6/30/10
- **Investment Billing Statement** for the 3rd Quarter 2010**: Investment advisory fees for the period of 7/1/10 through 9/30/10 (based on 6/30/10 values). *This is an informational billing only.* Your account is automatically debited unless other arrangements have been made.

Please remember that this investment reporting is for informational purposes only. You should also refer to the monthly account statements you receive from TD Ameritrade.

As always, please do not hesitate to contact me if you have any questions about your reports or wish to discuss any other financial matters.

Sincerely,

Anna M. Popke, CFP®

*Index performance is provided as a benchmark only. The performance of your individual investment portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.

****PLEASE NOTE:** Clients who hold “cash reserves” within their brokerage accounts will have slightly different portfolio balances depicted on the Statement of Assets Summary and the Billing Statement. This is because “cash reserves” are excluded from the advisory fee. However, cash held awaiting investment in the upcoming quarter *will* be subject to the normal quarterly fee.

Investment Advisory Fee Calculations:

Fees are paid in advance on the 7th (or prior closest business day) of the month following the end of the quarter. The amount due is calculated by applying the prorated annual fee percentage to the previous quarter-end account value(s). Fees are further prorated for accounts opened after the beginning of a new quarter. Fees may be paid directly from the investment account(s) or consolidated and paid from a specified account. Money market/cash reserves are excluded from totals. Statements have been prepared by Majestic Oak Financial from information provided by TDAmeritrade and while deemed reliable, are not guaranteed.