



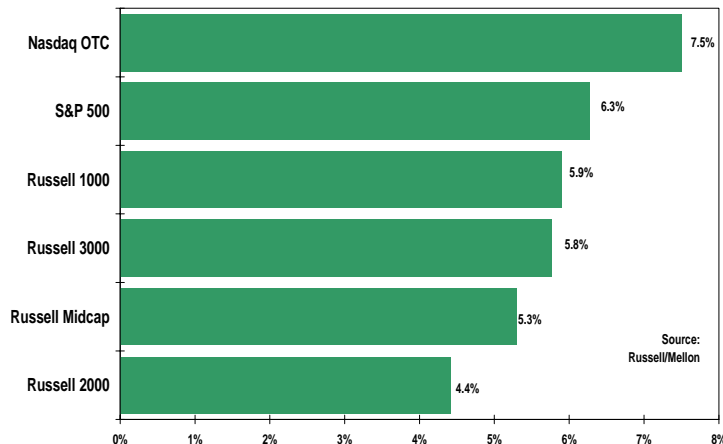
SilverOak

WEALTH MANAGEMENT LLC

Second Quarter 2007 Market Summary

Economy

Broad Market Index Returns
Second Quarter 2007



The National Association for Business Economics predicts the U.S. economy, as measured by Gross Domestic Product (GDP) will have expanded at a 2.3% pace during the second quarter. Although this would be a very strong rebound from the first quarter, it is still a slower growth rate than the economy's 3% growth considered by most economists to be the long-run growth rate.

While second quarter GDP is still an estimate subject to revisions, the final calculation for the first quarter came in at .7%, the slowest quarterly growth rate since 2002. This rate was down significantly from the 2006 fourth-quarter expansion of 2.5%. The first quarter's .7% GDP marks the fourth straight quarter of sub-par growth, raising concerns about how long the economy's momentum will continue. The primary reasons for the slow GDP growth were an increase in the trade deficit, the housing slump and slow business spending.

The economy has grown at a 1.9% pace in the past four quarters. With the economy now in its fifth year of expansion, recent year-over-year growth is the slowest in four years. Consumer spending has continued to keep the economy growing, although the pace is slowing. Weakness over the last 12-month period is attributed to the housing market and a cautious business sector.

Federal Reserve chairman Ben Bernanke said he didn't believe the economy would slide into a recession in 2007, although ex-Fed chief, Alan Greenspan, recently stated that the odds are one in

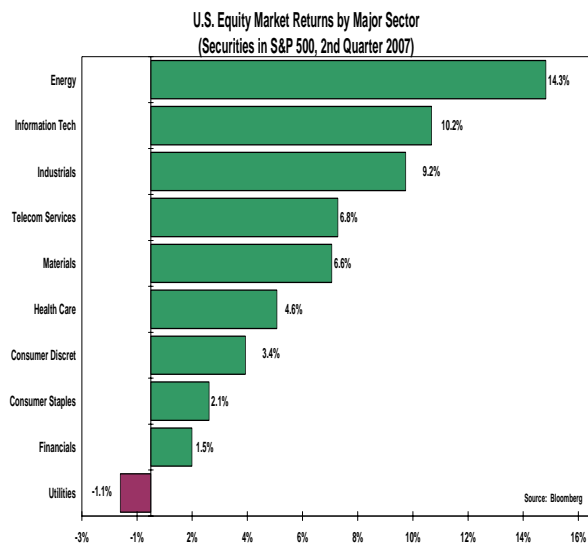
three for recession.

The Fed continues to watch inflation more closely than any other economic component. The Fed's favorite inflation gauge, the Personal Consumption Expenditures Price Index, showed that core prices, excluding volatile energy and food costs, rose at a 2.4% annual rate in the first quarter and increased by 2.3% in the 12 months ended March 31. This is above the Fed's unofficial target range of 1% to 2%. A more recently updated inflation gauge, the Core Personal Consumption Index, is showing a lower inflation rate increase of 1.9% for the 12 months ended May 31.

The Central Bank kept short-term rates stable at 5.25% during the second quarter, and they have remained at that level for eight straight meetings over the past year. The Federal Reserve Open Market Committee cited moderate economic growth and still-high inflationary pressures in its statement after the most recent meeting, warning that higher inflation, not recession, remains the greatest risk to a healthy economy. The committee said that "readings on core inflation have improved modestly in recent months. However, a sustained moderation in inflation pressures has yet to be convincingly demonstrated." The Fed meets next on August 7, followed by a meeting on September 18.

U.S. Equity Markets

The stock market continued its rally from the end of the first quarter into April and May, although it lost ground in June. The S&P 500 Index finished at 1,503, up 6.28% for the second quarter. During May, the S&P 500 Index joined several other market barometers by surpassing its previous high achieved in March 2000. Contributing to this market appreciation was the buyout mania of private equity firms such as Apollo, Blackstone, and Carlyle bidding up share prices and taking companies private.



Nearly all sectors within the S&P 500 Index had positive returns for the quarter. The utilities sector, the best performing sector in the first quarter, was the only sector in negative territory for the second quarter 2007, giving up 1.11%. Due to the exceptional earnings, energy-related shares led all sectors with the best returns for the quarter and year-to-date. In the second quarter, energy stocks rose 14.32%. Meanwhile, technology and telecommunications, typical sectors within growth portfolios, did well, increasing 10.18% and 6.78% respectively. Industrial stocks also did well with a 9.24% return.

The market appears to be turning to growth and size over value and smaller stocks. Large company stocks, as measured by the Russell 1000 Index, increased 5.90% for the second quarter. The Russell 1000 Growth Index gained 6.86% and the Russell 1000 Value Index increased 4.93%. Small company stocks as measured by the Russell 2000 Index increased 4.42% for the period, compared to the stronger performance of the large company index. Within the small stock universe, growth outperformed value. The Russell 2000 Growth Index increased 6.69%, while the value index was only up 2.30%. The same theme held true within the midcap indices as growth beat value. The Russell Midcap Growth Index was up 6.74%, while the mid-cap value index increased 3.65%.

At the end of the second quarter, market sentiment remained positive despite higher oil prices and their inflationary effect on the cost of other goods and services. In addition, there was concern about the slowing housing market and increasing unsold-home inventories, which put earnings pressure on home builders and mortgage lenders. Despite these issues, employment remains solid and inflation appears to be under control. These positive factors are helping to maintain consumer spending and corporate earnings growth, extending the current bull market.

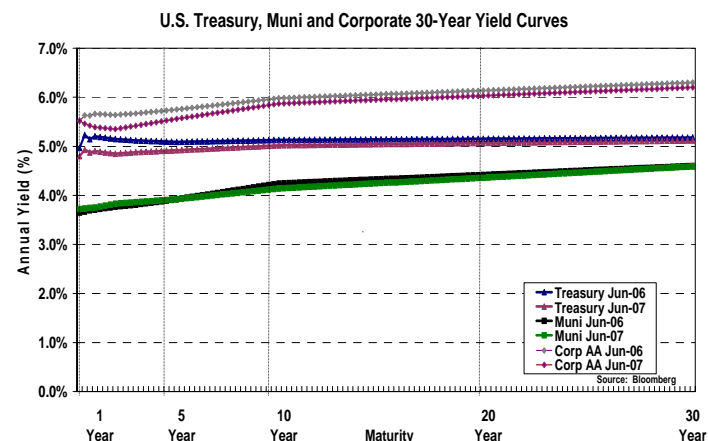
U.S. Fixed Income Markets

During the second quarter 2007, rising yields due to inflationary concerns hurt bond prices and total returns. The Lehman Brothers U.S. Aggregate Bond Index dropped just over 50 basis points during the three month period, returning .98% year-to-date. A majority of the bond market loss was realized in June during a period of volatility, with the 10-year Treasury yield going through 5.25%. Inflationary fears pushed the 10-year Treasury yield above 5% for the first time since August 2006.

The critical influence on bond rates has been the Fed Funds rate of 5.25% for over a year. Core inflation remained above the central bank's unofficial target range of 1%-2%, posting a 2.4% annual rate during the quarter, although Fed officials commented after the June meeting that core inflation has modestly improved. The Fed remains hawkish due to the 2.3% rise in prices in the past 12-month period ending March 31.

The Treasury yield curve finished the second quarter with a slight upward slope. The quarter ended with the 2-year Treasury yielding 4.86%, up from 4.57% at the end of the first quarter. The 10-year closed the quarter with a 5.02% yield, up from 4.64% at the start of the quarter. The yield on the 30-year increased as well, finishing at 5.12%.

The municipal yield curve was more upward sloping than Treasuries, with the 2-year yield at 3.83%, the 10-year at 4.14% and the 30-year at 4.59%. For corporate bonds, 2-year AAs finished the second quarter with a 5.35% yield, while the 10-year AA corporates closed the second quarter at a 5.88% yield.



The riskier corporate high-yield bonds on average managed a very slight positive return for the second quarter, as measured by the Lehman Brothers High Yield Index. Defaults remain low, and while credit spreads remain tight by historical standards, the yield spreads did widen slightly in the quarter. Money managers have been expressing concern about these junk bond products, but staying the course paid off relative to higher quality issues in the second quarter. The average yield on a B-rated bond is 6.60% for 2-year maturities and 7.97% for the 10-year maturities.

Real Estate

REITs took a fall in the second quarter as the Dow Jones Wilshire REIT Index dropped 9.39%. Several factors contributed to the decline. First, the recent growing popularity of REIT investments as well as significant consolidation activity have pushed share prices to a premium. REITs have enjoyed a long run of rising stock prices, and many long-term investors took profits during the quarter. In mid-first quarter, REITs traded at record high premiums to net asset value (NAV). At the close of the second quarter, in contrast, the average REIT traded below NAV for the first time in years.

In addition to the valuation correction, concerns about the slowing residential real estate market, as well as rising long-term interest rates, also put pressure on REITs. The relative strength of the economy raised uncertainty about the likelihood that the Fed will ease rate hikes. The continued rise in long-term interest rates created concern that the rising cost of debt would negatively affect property prices. Although residential real estate is not a component of the REIT index, REITs have been guilty by association with falling housing prices.

While none of the REIT sectors had a positive return for the second quarter, apartments and hotels outperformed most sectors dropping less than 5% each. It is typical for hotels to outperform when the general economy is strong due to increased business and personal travel. Apartment fundamentals and growth prospects remain strong based on the downtrend of housing prices and tightening credit standards. Regional malls, the top performing sector in the first quarter, was one of the worst performing sectors in the second quarter dropping over 14% due to slow sales reports in April which raised concerns over consumer spending.

International Equity Markets

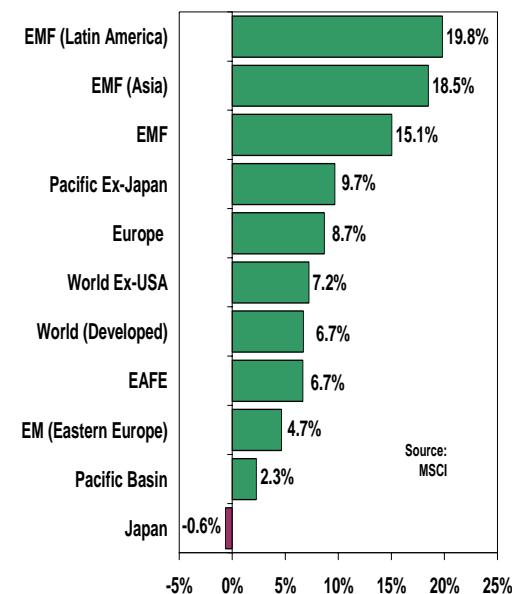
Non-U.S. stocks continued their 5-year-long climb during the second quarter. The MSCI EAFE (Europe, Australasia, and Far East) Index gained 6.67%. (Unless otherwise noted, all returns are stated in terms of U.S. dollars.) Strong second quarter returns helped to increase the average annual return of the benchmark during the past 5 years to 18.21%, which is a little more than twice that of the 10-year annual average return.

Much of the strength in the EAFE Index during the recent quarter derived from Europe, with the MSCI Europe Index registering 8.68% growth. Also, the Nordic Countries Index continued its strong run, gaining 11.62% during the quarter. A relatively small slice of the global marketplace, this index has risen over 45% during the past year. Conversely, the Far East portion of the MSCI EAFE Index barely posted a fractional gain during the quarter, rising .25%.

MSCI Japan Index lost .64%, one of the few countries to experience a loss during the second quarter. Japan's neighbors within the developed market mostly delivered strong performance. For example, Hong Kong has gained 29.5% during the past year, while Japan was up only 7.3%. Japan continues to work through its economic and corporate problems.

Meanwhile, emerging markets stocks delivered jaw-dropping returns during the quarter. For example, the MSCI Emerging Markets Index was up 15.05% for the period. Three of the four largest emerging markets countries delivered returns above 20%: China gained 24.45%, India was up 20.84%, and Brazil gained 23.89%. Russia lagged by a wide margin, gaining only .53%.

Non-U.S. Equity Market Returns
By Country (U.S.\$)
2nd Quarter 2007



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