



July, 2010

To Our Clients:

All of Alpha's investment programs showed gains for the first half of 2010. The S&P 500 stock index declined about 7%.

We are now in a dangerous time for the stock market. The second and third quarters of the mid-term election year have historically been the worst quarters for the stock market over the complete four-year presidential election cycle. During this period our programs will remain safely in intermediate and short-term bond funds.

However, we are approaching the election cycle "power zone" which extends from roughly 30 days before the mid-term elections until the end of next year. This 15-month period has been down just once since 1913 – in 1931. Since the depression, the Dow Industrials have averaged a 25.5% gain during this period, delivering an average daily gain seven times that of all other days in the four-year cycle.

From our perspective, a strong market decline over the next three months would be welcome because that would establish a low-risk starting point for the "power zone".

Once the mid-term elections are over, we can expect a change in the political climate. Incumbent politicians know that their chances for re-election are high when the electorate feels good about the economy and their financial security. Politicians of both parties will be doing everything in their power to bring about a strong economy in 2012 – the next presidential election year. This has always played well on Wall Street except under the most dire circumstances (1931).

As always, if you have any questions about your account or the strategy which guides it, please give me a call at 1-877-229-9400, Ext. 11.

Sincerely yours,

Jerry Minton, Ph.D.
President

ALPHA/PIMCO Bonds Plus Strategy Model Performance History
*Net of Fees and Expenses**

Annual Returns for 19 ½ Calendar Years Ended June 30, 2010

	2 Qtrs. 2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	
ALPHA/PIMCO Bonds Plus	3.61	12.33	20.90	5.49	0.19	5.54	5.99	8.42	12.24	14.47	17.60	7.78	15.13	11.67	5.78	21.44	-1.99	25.25	12.19	20.58
S&P:500	-6.65	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36	22.96	37.58	1.32	10.08	7.62	30.47

Compound Annual Returns for Periods Ended June 30, 2010

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years	Last 16 Years	Last 17 Years	Last 18 Years	Last 19 Years
ALPHA/PIMCO Bonds Plus	1.54	10.69	18.36	14.30	10.89	9.21	9.00	8.33	8.88	9.57	10.27	10.47	10.58	10.55	10.55	10.55	10.07	11.00	11.34	
S&P:500	-11.43	14.43	-8.11	-9.81	-3.02	-0.79	0.36	2.84	2.52	0.01	-1.59	-0.81	0.96	2.96	4.95	6.24	7.38	7.02	7.38	7.69

Disclosure: The above illustration reflects a precise asset allocation formula as follows: Jan. 1 – Sept. 30: 70% PIMCO Total Return Fund / 30% PIMCO Low Duration Fund; Oct. 1 – Dec. 31: 40% PIMCO Total Return Fund + three power period trades using the Russell 2000 Index x 1.5. *The ALPHA/PIMCO Bonds Plus Strategy data presented above represent a reduction in gross returns of .55% per quarter, reflecting Alpha's maximum fee of 2% annually (as stated in our Form ADV Part II) plus additional expenses. PIMCO's fund fees and expenses are incorporated in the illustration. The illustration uses index returns for the Russell 2000. The Russell 2000 is an index which cannot be used in actual investing and index funds that replicate the Russell 2000 may vary from the index returns. The data does include interest and dividends attributed to the Russell 2000 index. No allowance for interest/dividends earned on 60% of the portfolio during the fourth quarter is included.

Alpha E-System Portfolio Model Performance History
*Net of Fees and Expenses**

Annual Returns for 19 ½ Calendar Years Ended June 30, 2010

	2 Qtrs. 2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	
Alpha E-System Model	3.00	11.98	12.37	9.02	6.83	0.26	5.57	34.82	17.65	13.54	10.47	56.78	35.05	8.83	4.39	36.10	-2.71	10.81	10.67	40.57
S&P:500	-6.65	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36	22.96	37.58	1.32	10.08	7.62	30.47

Compound Annual Returns for Periods Ended June 30, 2010

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years	Last 16 Years	Last 17 Years	Last 18 Years	Last 19 Years
Alpha E-System Model	1.15	9.56	13.70	9.71	11.23	8.51	8.26	9.35	11.99	12.19	12.01	14.08	17.01	16.35	15.76	15.19	15.84	14.95	14.89	15.16
S&P:500	-11.43	14.43	-8.11	-9.81	-3.02	-0.79	0.36	2.84	2.52	0.01	-1.59	-0.81	0.96	2.96	4.95	6.24	7.38	7.02	7.38	7.69

Disclosure: The E-System Portfolio strategy uses a precise asset allocation formula that utilizes the S&P 500 index, the NASDAQ 100 index, and the Russell 2000 index, and a combination of two PIMCO fixed-income funds. The S&P 500, the NASDAQ 100 and the Russell 2000 are indexes which cannot be used in actual investing. Alpha accounts use index funds that replicate the S&P 500, the NASDAQ 100 and the Russell 2000 but which may vary from the index returns. The data presented above contains returns from PIMCO funds during periods when the model is invested in fixed-income. During these periods, the portfolio is equally allocated between the PIMCO Low Duration Fund and the PIMCO Total Return Fund. The returns for the fixed-income component are net of PIMCO's fees and expenses. *The data presented above represent a reduction in gross returns of .75% per quarter or 3% annually when the model is invested in equities. This reduction in returns reflects Alpha's maximum fee of 2% annually (as stated in our Form ADV Part II) and a 1% annual reduction which reflects the internal costs of the funds used to implement the strategy. During periods of fixed-income investment, the gross returns are reduced by .55% per quarter, reflecting Alpha's maximum quarterly fee of .50% and .5% allocated to other expenses. The data does not include interest/dividends from money market funds in the fourth quarter of each year. The data does include interest and dividends attributed to each index.

Alpha Seasonal Strategy Model Performance History
*Net of Fees and Expenses**

Annual Returns for 19 ½ Calendar Years Ended June 30, 2010

	2 Qtrs. 2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	
Alpha Seasonal Strategy	3.41	0.51	34.51	13.39	1.32	5.45	5.86	32.82	7.65	13.65	19.88	33.94	25.97	15.96	11.91	53.33	1.16	10.57	13.09	44.69
S&P:500	-6.65	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36	22.96	37.58	1.32	10.08	7.62	30.47

Compound Annual Returns for Periods Ended June 30, 2010

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years	Last 16 Years	Last 17 Years	Last 18 Years	Last 19 Years
Alpha Seasonal Strategy	1.10	6.31	19.94	14.00	12.03	11.72	10.50	10.93	13.05	12.78	13.29	13.43	15.19	15.50	15.39	16.11	16.92	16.26	16.09	16.42
S&P:500	-11.43	14.43	-8.11	-9.81	-3.02	-0.79	0.36	2.84	2.52	0.01	-1.59	-0.81	0.96	2.96	4.95	6.24	7.38	7.02	7.38	7.69

Disclosure: The Alpha Seasonal Strategy is an active asset-allocation program exploiting persistent seasonal factors affecting the stock market. The rules of the strategy are objective and fully disclosed. The computer model applies the rules of the strategy to indexes rather than actual investment vehicles. In the case of bonds, the model uses the Barclays Capital 1-3 Treasury Index. The actual program uses a mix of PIMCO funds – the PIMCO Low Duration Fund and the PIMCO Total Return Fund – which have different returns than the index. Over the 20-year simulation period, the PIMCO combination, net of fees and expenses, provided a higher return than the index used in the model. In the fourth quarter, the program is invested in money market funds when not invested in the three "power trades" whose results are contained in the model. The model does not reflect interest that would have been earned on money market funds in the fourth quarter. Other indexes used in the model are the S&P 500, the NASDAQ 100, and the Russell 2000. The actual program invests in index funds, which may have results slightly different from the indexes themselves. The data does include interest and dividends attributed to each index. *The model's gross returns are lowered by .75% per quarter, reflecting Alpha's maximum fee of 2% annually (as stated in our Form ADV Part II), plus 1.00% annual expenses for funds. Funds used in the program have no trading expenses, so this is not a factor in the model.

Alpha Mid-Cap Power Index Managed Account Model Performance History
*Net of Fees and Expenses**

Annual Returns for 15 ½ Calendar Years Ended June 30, 2010

	2 Qtrs. 2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Alpha Mid-Cap Power Index MA	5.51	17.53	12.42	13.84	8.02	7.73	16.64	15.97	11.83	24.54	15.82	21.92	36.15	19.51	21.45	22.93
S&P:400 Mid Cap	-1.36	37.38	-36.23	7.98	10.31	12.56	16.48	35.62	-14.51	-0.60	17.50	14.73	19.11	32.25	19.20	30.95

Compound Annual Returns for Periods Ended June 30, 2010

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years
Alpha Mid-Cap Power Index MA	-2.61	17.20	16.60	11.97	13.62	12.97	13.20	12.28	13.12	14.83	14.14	15.52	16.49	16.54	16.80	16.96
S&P:400 Mid Cap	-9.59	24.93	-5.17	-5.90	-0.31	2.21	4.09	7.21	6.19	4.92	5.31	6.32	7.18	8.60	9.59	10.35

Disclosure: The above illustration reflects a precise asset allocation formula for the Alpha Mid-Cap Power Index Managed Account strategy as follows: November 1 – May 31: 100% S&P 400 Mid-Cap Index + three power period trades in the fourth quarter using the S&P 400 Mid-Cap Index x 1.5. June 1 – October 31: 100% Barclays Capital Intermediate Treasury Bond Index. The computer model applies the rules of the strategy to indexes rather than actual investment vehicles which cannot be used in actual investing. The actual program invests in index funds and bond funds, which may have results slightly different from the indexes themselves. The data does include interest and dividends attributed to each index. *The model's gross returns are lowered by .75% per quarter, reflecting Alpha's maximum fee of 2% annually (as stated in our Form ADV Part II), plus 1.00% annual expenses for funds. Funds used in the program have no trading expenses, so this is not a factor in the model.

The Formula™ Model Performance History
*Net of Fees and Expenses**

Annual Returns for 15 ½ Calendar Years Ended June 30, 2010

	2 Qtrs. 2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
ALPHA/The Formula	5.78	24.35	-8.37	9.13	11.83	3.00	16.41	35.28	18.41	21.25	9.60	57.27	44.42	19.24	21.57	36.49
S&P:400 Mid Cap	-1.36	37.38	-36.23	7.98	10.31	12.56	16.48	35.62	-14.51	-0.60	17.50	14.73	19.11	32.25	19.20	30.95
S&P:500	-6.65	26.47	-37.00	5.49	15.79	4.91	10.88	28.68	-22.10	-11.89	-9.11	21.04	28.58	33.36	22.96	37.58

Compound Annual Returns for Periods Ended June 30, 2010

	Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 6 Years	Last 7 Years	Last 8 Years	Last 9 Years	Last 10 Years	Last 11 Years	Last 12 Years	Last 13 Years	Last 14 Years	Last 15 Years
ALPHA/The Formula	-2.37	22.99	9.28	7.09	9.43	8.56	9.44	10.94	13.42	14.65	13.27	15.84	18.84	18.69	18.78	18.94
S&P:400 Mid Cap	-9.59	24.93	-5.17	-5.90	-0.31	2.21	4.09	7.21	6.19	4.92	5.31	6.32	7.18	8.60	9.59	10.35
S&P:500	-11.43	14.43	-8.11	-9.81	-3.02	-0.79	0.36	2.84	2.52	0.01	-1.59	-0.81	0.96	2.96	4.95	6.24

Disclosure: The Formula™ is a precise asset allocation strategy applied over time using equity indexes and bond funds as components. The equity indexes are the S&P 500, NASDAQ 100, and the S&P MidCap 400. The bond fund is the PIMCO Total Return Fund. All data illustrating The Formula™ is presented net of a 3% annual charge for maximum fees and expenses which would be expected in a real-time managed account. The Formula™ is not an actual investment. It is a recipe detailing the allocation of indexes and bond funds over time. As such, it is, like an index, not investable. A managed account based on The Formula™ may use funds which deviate from the indexes in the illustration. The illustration covers a period of rising and falling markets.

All of Alpha's strategies may be executed using variable annuity company products which may increase the total expense factor. In some cases, the expense factor will remain unaffected due to lower management fees from Alpha. These expense factors cannot be quantified in advance. Computer models are created with the benefit of hindsight and must be approached with caution. Being hypothetical, there are inherent limitations due to the fact that they do not reflect actual trading and do not reflect the impact that material market and economic factors may have on the advisor's decision process if actual client funds had been invested in the strategy. No matter how positive the model returns have been over any time period, the potential for loss is always present due to factors in the future which may not be accounted for in the asset-allocation strategy. Past performance is not a guarantee of future performance.

Alpha Investment Management
Model Performance Results
Net of Fees and Expenses

Second Quarter 2010

Alpha Model Programs*	2nd Qtr. 2010 Alpha Model Returns	2010 YTD Alpha Model Returns	2009 Alpha Model Returns
ALPHA/PIMCO Bonds Plus Strategy Model	+ 1.54%	+ 3.61%	+ 12.33%
Alpha E-System Portfolio Model	+ 1.15%	+ 3.00%	+ 11.98%
Alpha Seasonal Strategy Model	+ 1.10%	+ 3.41%	+ 0.51%
Alpha Mid-Cap Power Index™ Managed Account Model	- 2.61%	+ 5.51%	+ 17.53%
The Formula™	- 2.37%	+ 5.78%	+ 24.35%

Benchmarks	2nd Qtr. 2010 Returns	2010 YTD Returns	2009 Returns
S&P 500	- 11.43%	- 6.65%	+ 26.47%
S&P MidCap 400 Index	- 9.59%	- 1.36%	+ 37.38%
Russell 2000 Small Cap Index	- 9.92%	- 1.95%	+ 27.17%
Dow Jones Industrials	- 9.36%	- 5.00%	+ 22.68%
NASDAQ	- 11.81%	- 6.61%	+ 45.28%

* Please see previous pages for disclosure information.

Summary of Alpha Programs

ALPHA/PIMCO Bonds Plus Strategy – This program seeks to combine one of the world’s best bond managers (Bill Gross) with Alpha’s fourth quarter “power trades” to create a unique solution to the conservative investor’s dilemma: how to safely invest for income while increasing the asset base at a rate greater than inflation after taxes.

Alpha E-System Portfolio – The primary strategy of this program is to have exposure to the stock market during very restricted time periods when the risk of loss is low. This strategy depends primarily on the regularities of the four-year presidential election cycle.

Alpha Seasonal Strategy – This program seeks to exploit three persistent seasonal factors which have affected risk and return for decades: 1) the four-year presidential election cycle; 2) the best six trading months of the year; and 3) fourth quarter power periods.

Alpha Mid-Cap Power Index™ Managed Account Model – This program seeks to exploit the 60-year pattern of “skewing” market returns into a six or seven month “power zone”.

The Formula™ – This program seeks to exploit two cyclical forces (the annual earnings forecasting cycle and the four-year presidential election cycle) that profoundly and regularly affect the distribution of stock market returns.