

KENT COUNTY WATER AUTHORITY

BOARD MEETING MINUTES

July 16, 2009

The Board of Directors of the Kent County Water Authority held its monthly meeting in the Joseph D. Richard Board Room at the office of the Authority on July 16, 2009.

Chairman, Robert B. Boyer opened the meeting at 3:30 p.m. Board Members, Mr. Gallucci, Mr. Masterson, Mr. Giorgio, Mr. Inman were present together with the General Manager, Timothy J. Brown, Director of Administration and Finance, Joanne Gershkoff, Technical Service Director, John Duchesneau, Legal Counsel, Maryanne Bevans and other interested parties. Board Member Masterson led the group in the pledge of allegiance.

The minutes of the Board meeting of June 18, 2009 were moved for approval by Board Member Gallucci and seconded by Board Member Masterson and were unanimously approved.

GUESTS:

Summit Financial, Pension Review & OPRB Report

Joseph Bonasera, President of Summit Financial Corporation, made a power point (slide) presentation to the Board as evidenced and attached as "A". Mr. Bonasera informed the Board that in usual circumstances, when the stock market is in a down cycle, the bond market undergoes an up cycle. However, in 2008, both the stock and bond markets were in a down cycle. Despite the economic downturn, from March, 2009 to the present, the stock market has been up. Mr. Bonasera informed the Board that an economist stated on July 16, 2009 that the recession is over. From April 1, 2009 to June 30, 2009 every sector of the market was positive and the second quarter of 2009 was the best quarter the U.S. has experienced in a long time.

Mr. Bonasera stated that there are three economic problems confronting the U.S. More specifically, 1) housing because housing affects the consumer and the consumer drives the economy; 2) credit (the impact of credit crisis); and 3) consumer (housing values have started to stabilize and retirement accounts are more stable).

Mr. Bonasera opined that the economy will be slow in coming out of this downturn however, the housing sector is improving. Refinancing has greatly increased therefore, the economy is in a better position with respect to spending and credit is the lifeblood of the U.S. economy. Mr. Bonasera concluded that interest rates cannot go

any lower but the economy is improving and the next few years look positive economically.

With respect to the Kent County Water Authority retirement portfolio, it is split between active managers to wit, Mellon and Vanguard. Mellon represents large value and Vanguard represents large growth. Mellon and Vanguard are a good blend. Mellon depreciated, however Vanguard is restabilizing. Mr. Bonasera suggested that Kent County Water Authority leave the existing portfolio blend as is, to wit, a 60/40 stock/bond mix. With respect to fixed income, conservative investments are very safe. Kent County Water Authority invests 10% with two active investment managers (Western Asset & Blackrock).

Mr. Bonasera then referred the Board to the executive summary as evidenced and attached as Exhibit **B**. More specifically, he referred the Board to the Trustee meeting notes May 18, 2008 highlights. Kent County Water authority has a low turn over in employee staffing. There was an asset allocation on shift in 2007 from a value weight to an equal weight of growth and value. This was beneficial to the plan given the market and economic downturn in 2008.

Mr. Bonasera referred the Board to the Summary of Key Results as attached and evidenced as Exhibit **C**. A method referred to "actuarial smoothing" was utilized to keep the costs of the plan down. Actuarial Smoothing allows gains and losses to be spread overtime. The U.S. government is allowing this method due to the credit crisis. He then referred to the Board to Participant Information as evidenced and attached as Exhibit **D** whereby the average pension to date of the employees was approximately \$10,000. Twenty-two employees are retired with an average annual benefit of approximately \$13,000 per year per retiree.

Mr. Bonasera referred the Board to the Liabilities Summary as evidenced and attached as Exhibit **E**. He stated that the return on the retirement plan for calendar year ending 2009 was 24% and the plan is down approximately one million and the market downturn which resulted in a loss of 24% of the plan assets. This occurred in 2000, 2001 and 2002 however, this time, it occurred all in one year (2008). Further, the bond market also fell with the stock market in 2008.

Mr. Bonasera then referred the Board to pages 15 and 17 of the appendices as evidenced and attached as Exhibit **F**. He stated that despite the 25-30% reduction in plan assets due to the 2008 market, the pension benefits were good. He stated that the plan is successful because of the fixed income for retirees. The General Manager stated that in 12 years, plan 457 totaled one million for only 30 employees.

LEGAL MATTERS

G-Tech

The hearing date was held on April 27, 2009 and the DPUC issued a Division Order on May 20, 2009 which states that the Complaint filed by GTECH Corporation on July 22, 2008 against Kent County Water Authority is hereby denied and dismissed. The deadline for GTECH to file an appeal is June 20, 2009. GTECH filed an appeal on June 19, 2009 in the Providence County Superior Court to the Decision of the Division of Public Utilities and Carriers of May 20, 2009 which ruled in favor of Kent County Water Authority. Kent County Water Authority answered the complaint on June 29, 2009 and Legal Counsel will engage in that portion of this continuing litigation.

Providence Water Supply Board Rate Supreme Court Case

The Providence Water Supply Board rate case is in the Supreme Court appealing the Post City contributions which were denied by PUC and the counsel for DPUC has entered his appearance and Kent County Water Authority has offered to assist Providence Water Supply Board but have not been called upon to date to participate in the appeal and there is no action to take place except to await further notice and monitor Supreme Court decision and hearing.

Harris Mills

The company has gone into receivership. Kent County Water Authority is owed \$3,676.58. Legal Counsel will monitor for proof of claim filing. A permanent receiver was appointed. A proof of claim prepared and forwarded to the General Manager for signature on September 17, 2008 and will be filed in the Kent County Superior Court and sent to the receiver. Proof of Claim was filed and sent to Received on September 19, 2008. The proof of claim deadline was December 1, 2008. Legal counsel will continue to monitor for payment on claim. As of May 12, 2009, there has been no change in status. Petition to sell was filed by Receiver in Kent County Superior Court on June 5, 2009. Offer to property made which will allow for partial payment of claims. Legal Counsel will monitor progress of sale. As of July 16, 2009 there has been no change in status.

Hope Mill Village Associates

The company is in receivership. Kent County Water Authority is owed \$1,632.44. Legal Counsel to prepare and file Proof of Claim. Proof of Claim was prepared and was forwarded to the General Manager for signatures. Proof of Claim was filed in Kent County Superior Court and was sent to the receiver on August 28, 2008 and as of this date this case is still pending. Hope Mill filed Chapter 11 Bankruptcy on August 20, 2008. Kent County Water Authority was not listed as a creditor. The proof of claim was prepared and signed by the General Manager on November 14, 2008 and was filed with the Bankruptcy Court on November 18, 2008, The proof of claim filing deadline was the end of November, 2008. Pursuant to the plan of reorganization filed by Debtor on November 22, 2008, Kent County Water Authority will be paid in full upon confirmation of the plan by the Bankruptcy Court and Legal Counsel will continue to monitor. As of February 17, 2009 the Court has not scheduled a hearing for confirmation of plan.

Debtor will be filing an Amended Plan in March 2009. Legal Counsel will continue to monitor. As of July 16, 2009 the Debtor has not filed an Amended Plan.

West Greenwich Wellhead Protection

Mr. Waltonen has petitioned the Town Council for West Greenwich for a zone change for AP 6, Lot 134 from residential to highway business. The subject lot abuts the wellhead protection area of Kent County Water Authority. The site is currently used for storage and grinding and dying. A portion of the subject site was previously rezoned in 1991 to Highway Business and the Petitioner appeared before the Kent County Water Authority Board at that time and a condition of the 1991 zone change was that Petitioner obtain a letter from Kent County Water Authority approving the final drainage plan. The current petition requests relief from all 1991 conditions including Kent County Water authority approval. Legal Counsel has conducted research including at the West Greenwich Town Hall concerning the petition and Legal Counsel and Kent County Water Authority will monitor and present its concerns and objections to the Zoning Board and the Town Council at the respective January 20, 2009 and February 11, 2009 hearings.

Legal Counsel and the General Manager attended the January 20, 2009 Zoning Board of Review hearing and the matter was continued by the Zoning Board of Review to February 17, 2009 as the applicant had not submitted to the Board the as built plans. The Chairman had requested that the Kent County Water Authority provide a letter to the Zoning Board of Review outlining the concerns of Kent County Water Authority. Legal Counsel forwarded correspondence to the Zoning Board of Review on January 22, 2009. The matter has been continued by the West Greenwich Zoning Board of Review to April 14, 2009 in that the Waltonen Attorney has not filed the necessary documents. Kent County Water Authority received some engineering from Legal Counsel for Petitioner on April 6, 2009. The Zoning Board hearing was held on April 21, 2009 and was continued to June 16, 2009. The Petitioner was required to provide to the Zoning Board within 30 days from April 22, 2009, a plan depicting existing site conditions and all items stored on the site including recreational vehicles, containers, mulch, stumps as well as aerial views and a list of all business uses. The Board is also requiring that any plans to be submitted by application to DEM be submitted to an independent professional engineer for review prior to DEM submission. The engineer will be picked by the Town and paid for by applicant.

On June 16, 2009, the Zoning Board of Review required Petitioner to provide to the Board drainage calculations existing at 1992, drainage calculations for current site conditions and calculations for proposed site uses. Further, the Board is requiring Petitioner to provide a list and brief description of all businesses on site accompanied by affidavit. The information is to be submitted by August 15, 2009 and the matter is continued to September 15, 2009.

West Greenwich Technology Tank/Rockwood

This matter may soon be in litigation in that Rockwood Corporation has failed to take any steps and has continually denied to take any steps in the painting issues inside of the tank and on February 16, 2009 their surety, Lincoln General Insurance Company, denied the claim as well. The matter will be reviewed between the General Manager and Legal Counsel. Rockwood sent a proposal to Legal Counsel on March 31, 2009 and the General Manager weighed the same and a response was sent to Rockwood on April 24, 2009. On May 2, 2009 Rockwood sent another proposal and the General Manager responded to the same on May 8, 2009 requesting a written remedial plan proposal within ten days. On May 8, 2009 Rockwood responded by asking the General Manager to reconsider his position. On May 12, 2009 the General Manager sent correspondence to Rockwood stating the Authority will await Rockwood comments to KCWA letter of May 8, 2009. On May 13, 2009 Rockwood provided an additional response to the KCWA letter of May 8, 2009 with questions. On May 13, 2009 the General Manager sent correspondence agreeing to provide Rockwood with more time to complete a plan of remediation for an additional 10 days. On May 14, 2009, Rockwood sent a response and the General Manager, Merithew and Rockwood to have an informal meeting to work out details. The meeting took place on June 8, 2009 and the Authority is monitoring the efforts of Rockwood to remedy the situation.

Comptroller of the Currency

On October 16, 2008, Kent County Water Authority resolved to change the Trustee from US Bank to bank of NY Mellon regarding 2001/2002/2004 bond issue trust administration to be effective January 23, 2009. That on October 17, 2008, Kent County Water Authority timely notified US Bank concerning the transfer of trusteeship. On approximately January 20, 2009, the US Bank announced that it would require \$6,650.00 as transfer fees to accomplish ownership to the Bank of NY Mellon. Additionally, the US Bank kept \$1,667.67 of fees that were previously unused. That in order for the closing and transfer to take place, Kent County Water Authority on January 22, 2009 paid the sum of \$6,650.00 under protest and stated its displeasure with the US Bank and thereby stating that it would not jeopardize its bondholders and therefore paid the same and also sent a copy to the Controller of the Currency. On March 4, 2009 the Controller of the Currency stated that the US Bank would be replying directly to Kent County Water Authority. On March 11, 2009 Kent County Water Authority received a response from US Bank which was totally unsatisfactory. On March 31, 2009, Kent County Water Authority notified the Controller of the Currency concerning the unsatisfactory response of US Bank dated March 11, 2009 and reiterated its position. On June 30, 2009 US Bank sent a check in the amount of \$1,666.67 and it was received by Legal Counsel on July 6, 2009, saying that the same was a bookkeeping error as exhibited on the check. That Kent County Water Authority sent a letter to US Bank on July 7, 2009 with a copy to the Controller of the Currency that the amount for advance services paid was acknowledged and that Kent County Water Authority has not acknowledged its exception to extracting at the 11th hour ransom of \$6,650.00 on January 12, 2009 and it will continue pursuit of its claim with the Controller of the Currency.

Robert Plain APRA Request

Robert Plain allegedly sent a request for records on May 1, 2009 which was never received by Kent County Water Authority. On May 27, 2009 Kent County Water Authority received letter from the Attorney General's office concerning Kent County Water Authority alleged failure to respond to the request of Robert Plain and that Mr. Plain had filed a complaint. On June 1, 2009 Robert Plain sent via e-mail a copy of the request for records. On June 2, 2009 Legal Counsel received letter from Adam Sholes, Special Assistant Attorney General's office stating that it was relayed to Mr. Plain and that KCWA did not receive his first request, but Mr. Plain refused to withdraw his complaint. On June 4, 2009 Legal Counsel sent a response to Mr. Sholes stating that the complaint is without merit. On June 3, 2009 a letter was sent to Mr. Plain certified mail with the estimate of \$34.50 for production of the records requested. On June 8, 2009 Mr. Plain paid the estimate of \$34.50. On June 11, 2009, the records were sent certified mail return receipt requested to Mr. Plain stating there was a balance of \$1.70 in that the production costs came to \$36.20 and he had previously paid \$34.50. On June 12, 2009 Mr. Plain telephoned Legal Counsel and said thank you. On June 29, 2009 a telephone message was left reminding Mr. Plain of the \$1.70 balance. On July 9, 2009, Legal Counsel received correspondence dated July 7, 2009 from Mr. Sholes stating that Mr. Plain's complaint against Kent County Water Authority has been withdrawn and the file has been closed. That Mr. Plain has not paid the \$1.70 balance.

Director of Finance Report:

The General Manager stated that the poor state of the economy is hampering the collection process and Kent County Water Authority is working very hard on collections.

The Chairman had asked the General Manager regarding the service terminations due to economic realities and the General Manager instructed the Board on the procedure.

Joanne Gershkoff, Finance Director, explained and submitted the financial report and comparative balance sheets, statements of revenues, expenditures, cash receipts, disbursements and comparative balance sheets and statements of revenue through June, 2009, as evidenced and attached as "G" and after thorough discussion, Board Member Gallucci moved and seconded by Board Member Giorgio to accept the reports and attach the same as an exhibit and that the same be incorporated by reference and be made a part of these minutes and it was unanimously by the Board Members present,

VOTED: That the financial report, comparative balance sheet statement of revenues, expenditure, cash receipts, disbursements and comparative balance sheets and statements of revenue through June, 2009 be approved as presented and be incorporated herein and are made a part hereof as evidenced and attached as "G".

Point of Personal Privilege and Communications:

The Chairman praised the New Customer Directory and stated that communication is very important, especially given the state of the economy. Every rate payer should receive a copy of the directory because it is very informative to the rate payer. The General Manager will obtain the cost to print the directory and provide the cost to the Board.

Employee Review

Board Member Inman left the meeting at 5:25 p.m. prior to Employee Review.

The Chairman stated that the employee affected was notified in writing on July 9, 2009 and received on July 10, 2009 that at 5:00 p.m. a discussion of job performance, character, physical or mental health was to be held in executive (closed) session by the Board of Kent County Water Authority unless the employee affected required the proceeding to be held at an open meeting. The employee affected did respond and did appear and requested that the meeting be in executive (closed) session.

After the statement by the Chairman, the Chairman declared that it be noted in the minutes of the meeting that R.I.G.L. 42-46-5(a)(1) has been fully complied with.

At 5:30 p.m. Board Member Gallucci moved and Board Member Masterson seconded the motion to move into executive session for the discussion of job performance, character, physical or mental health pursuant to R.I.G.L. 42-46-4 and 42-46-5(a)(1) and it was unanimously,

VOTED: To enter into executive session for discussion of personnel matters pursuant to R.I.G.L. 42-46-4 and 42-46-5(a)(1).

Board Member Gallucci moved and Board Member Masterson seconded to exit executive session and to keep the executive session minutes closed and that the minutes shall remain under seal pursuant to R.I.G.L. 42-46-4 and 42-46-5 and it was unanimously,

VOTED: To exit executive session and to keep the executive session minutes closed and that the minutes shall remain under seal pursuant to R.I.G.L. 42-46-4 and 42-46-5.

GENERAL MANAGER/CHIEF ENGINEER'S REPORT **Old Business**

Rate Case Supreme Court Review Status

The General Manager informed the Board that the Supreme Court is in hiatus and that the Kent County Water Authority rate case has not directed the filing of briefs yet and will await further word from the Supreme Court.

Waltonen Property Zoning Change

This matter was presented infra.

Controller of the Currency Complaint

This matter was presented infra.

Stop & Shop, Tiogue Avenue Detention Pond Cleanup Status

Stop & Shop has yet to clean up the detention pond. Legal Counsel for Kent County Water Authority contacted Legal Counsel for Stop & Shop the week of July 6, 2009. The Chairman suggested that the General Manager send a subsequent letter to Stop & Shop with respect to this matter prior to notifying the Town of Coventry.

New Business

Proposal Approval

IFR 2010 Design Services

The General Manager provided the Board with a memo for the request for proposal for the design permitting services for IFR 2010 to be completed by December, 2009 as evidenced and attached as "H". He stated that the C & E Engineering Partners, Inc. proposal contained errors and there were diminimus savings between the C & E Engineering Partners, Inc. proposal and the James J. Geremia & Associates proposal. The Chairman agreed with the General Manager and stated that C & E Engineering Partners, Inc. proposal contained disqualifying errors.

The General Manager recommended the proposal of James J. Geremia & Associates in an amount of \$68,330.00 which is fair and reasonable as evidenced and attached as "H".

It was moved by Board Member Masterson and seconded by Board Member Gallucci to award the bid for the IFR 2010 design services to James J. Geremia & Associates in the amount of \$68,330.00 as evidenced and attached as "H" and it was unanimously voted by the Board Members present:

VOTED: To award the bid for the IFR 2010 design services to James J. Geremia & Associates in the amount of \$68,330.00 as evidenced and attached as "H".

25 Knight Street, Letter to Board, Action Request

The General Manager showed photos of the subject site to the Board. The Chairman stated that the Town of West Warwick previously had a policy that if an owner requests the replacement of a sidewalk, the owner would incur 50% of the cost for the replacement. The Chairman stated that the sidewalk was in disrepair. The General Manager stated that the sidewalks in this area are aged and deteriorated. The General Manager stated that the owner wants the entire sidewalk replaced. Kent County Water Authority replaced two panels in 2008. The Chairman stated that he will inquire of the Town of West Warwick as to whether or not the 50/50 sidewalk policy is still in affect and suggested that the General Manager reply in writing to the owner and suggested that the owner apply to the Town of West Warwick for replacement of the sidewalk.

CAPITAL PROJECTS:
INFRASTRUCTURE PROJECTS:

East Greenwich Well Treatment (Task Order #3 Approval)

The General Manager presented and recommended approval of Task Order No. 3 by C & E Engineering Partners, Inc. for professional engineering consulting services related to the development of a preliminary design report for the East Greenwich Wellfield Treatment Facility. This piloting work will determine the proposed treatment required for the East Greenwich Wellfield which will enable Kent County Water Authority to go forward with final design as evidenced and attached as "I" in the amount of \$36,500.00 and the General Manager stated that it is necessary and the amount is fair and reasonable and he recommends the same.

It was moved by Board Member Masterson and seconded by Board Member Gallucci to approve Task Order No. 3 by C & E Engineering Partners, Inc. to provide professional engineering consulting services related to the development of a preliminary design report for the East Greenwich Wellfield Treatment Facility as evidenced and attached as "I" in the amount of \$36,500.00 and it was unanimously voted by the Board members present,

VOTED: To approve Task Order No. 3 by C & E Engineering Partners, Inc. to provide professional engineering consulting services related to the development of a preliminary design report for the East Greenwich Wellfield Treatment Facility as evidenced and attached as "I" in the amount of \$36,500.00.

All other Capital Projects and Infrastructure Projects were addressed by the General Manager and described to the Board by the General Manager with general discussion following and are described on Exhibit "J" .

Board Member Masterson made a Motion to adjourn, seconded by Board Member Giorgio and it was unanimously,

VOTED: To adjourn the meeting at 6:05 p.m.

Secretary Pro Tempore

EXHIBIT A

July 16, 2009



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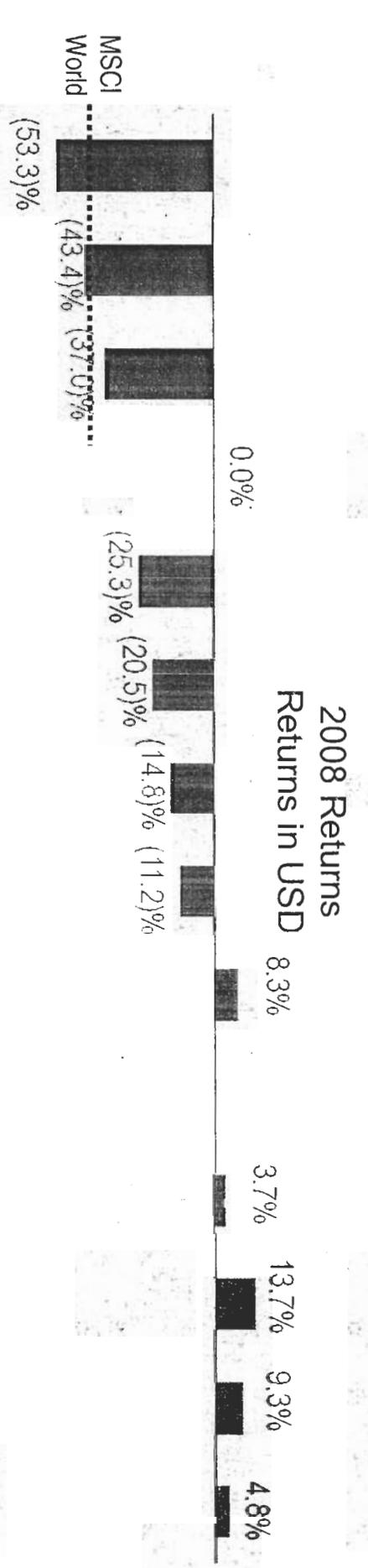
A Massive Flight to Safety In 2008

4Q:2008 Returns in USD

Equities

Credit

"Safe" Assets



Past performance does not guarantee future results. Individuals cannot invest directly in an index. Please see slide 26 for index definitions. Source: Bloomberg, Barclays Capital, MSCI, S&P and AllianceBernstein



Style Indices – June 30, 2009 (YTD)

< Value Blend Growth >

Russell 1000® (Large Cap)	-2.87	4.32	11.53
Russell® Mid Cap	3.19	9.96	16.61
Russell 2000® (Small Cap)	-5.17	2.64	11.36



SUMMIT FINANCIAL
CORPORATION

Style Indices – 2Q2009

< Value

Blend

Growth >

Russell 1000® (Large Cap)	16.70	16.50	16.32
Russell® Mid Cap	20.94	20.80	20.67
Russell 2000® (Small Cap)	18.00	20.69	23.38



Bond Indices as of June 30, 2009 (YTD)

	YTD	1 Yr	3 year	5 year	10 year
Barclays Int US Gov't	1.99%	5.27%	6.13%	4.57%	5.66%
Barclays Agg	2.20%	6.05%	6.43%	5.01%	5.98%
Merrill US High Yld	30.55%	-2.99%	2.06%	4.14%	4.58%

Source: Fidelity ; Total Returns It's not possible to invest in an index. Past performance is no guarantee of future results.



SUMMIT FINANCIAL CORPORATION

Foreign & Global Markets as of June 30, 2009 (YTD)

	YTD	1 Yr	3 Yr	5Yr	10Yr
MSCI EAFE	6.87%	-31.25%	-7.83%	2.52%	1.43%
MSCI World	13.22%	-30.83%	-5.67%	4.68%	N/A

Source: Fidelity ; Total Returns . It's not possible to invest in an index. Past performance is no guarantee of future results.



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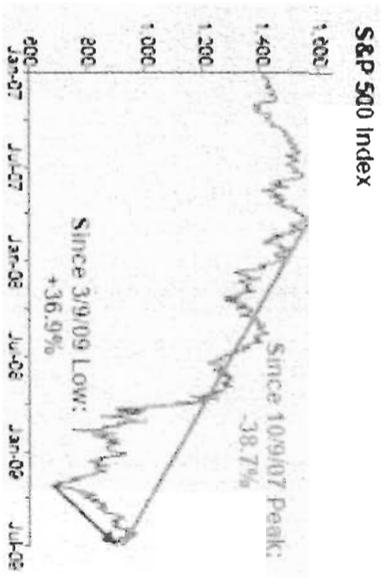
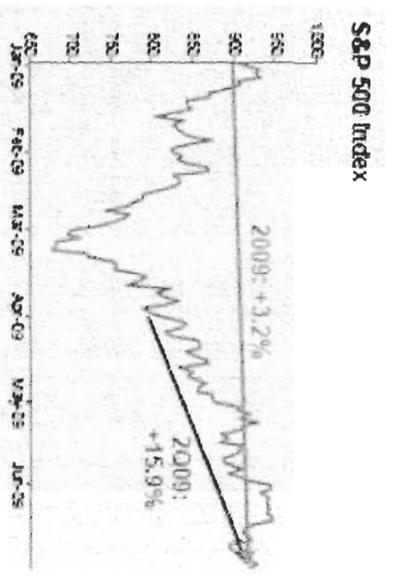
Equity Returns

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD
Large Growth	38.7%	51.3%	22.8%	14.0%	-9.6%	48.5%	23.7%	12.7%	23.5%	11.8%	-28.9%	23.4%	16.6%
Mid Growth	17.9%	43.1%	19.2%	2.3%	-11.4%	46.0%	22.3%	12.1%	22.2%	11.4%	-36.9%	20.9%	11.5%
Large Value	15.6%	33.2%	7.0%	-5.6%	-15.5%	42.7%	16.5%	7.1%	20.2%	7.0%	-38.4%	20.7%	11.4%
Mid Value	5.1%	7.4%	-11.8%	-9.2%	-27.4%	38.1%	15.5%	5.3%	13.3%	-0.2%	-38.4%	18.0%	3.2%
Small Growth	1.2%	-0.1%	-22.4%	-20.2%	-27.9%	30.0%	14.3%	4.7%	10.7%	-1.4%	-38.5%	16.7%	-2.9%
Small Value	-6.5%	-1.5%	-22.4%	-20.4%	-30.3%	29.8%	6.3%	4.2%	9.1%	-9.8%	-44.3%	16.3%	-5.2%

Source: FactSet, Russell Investment Group, J.P. Morgan Asset Management.



Returns By Style



	2Q 2009			YTD 2009		
	Value	Blend	Growth	Value	Blend	Growth
Large	16.7	15.9	16.3	-2.9	3.2	11.5
Mid	20.9	20.8	20.7	3.2	10.0	16.6
Small	18.0	20.7	23.4	-5.2	2.6	11.4

	Since Market Peak (October 2007)			Since Market Low (March 2009)		
	Value	Blend	Growth	Value	Blend	Growth
Large	-43.7	-38.7	-33.7	40.4	36.9	35.3
Mid	-42.0	-39.8	-38.2	48.1	45.3	42.9
Small	-40.2	-38.2	-36.5	47.9	48.9	49.9

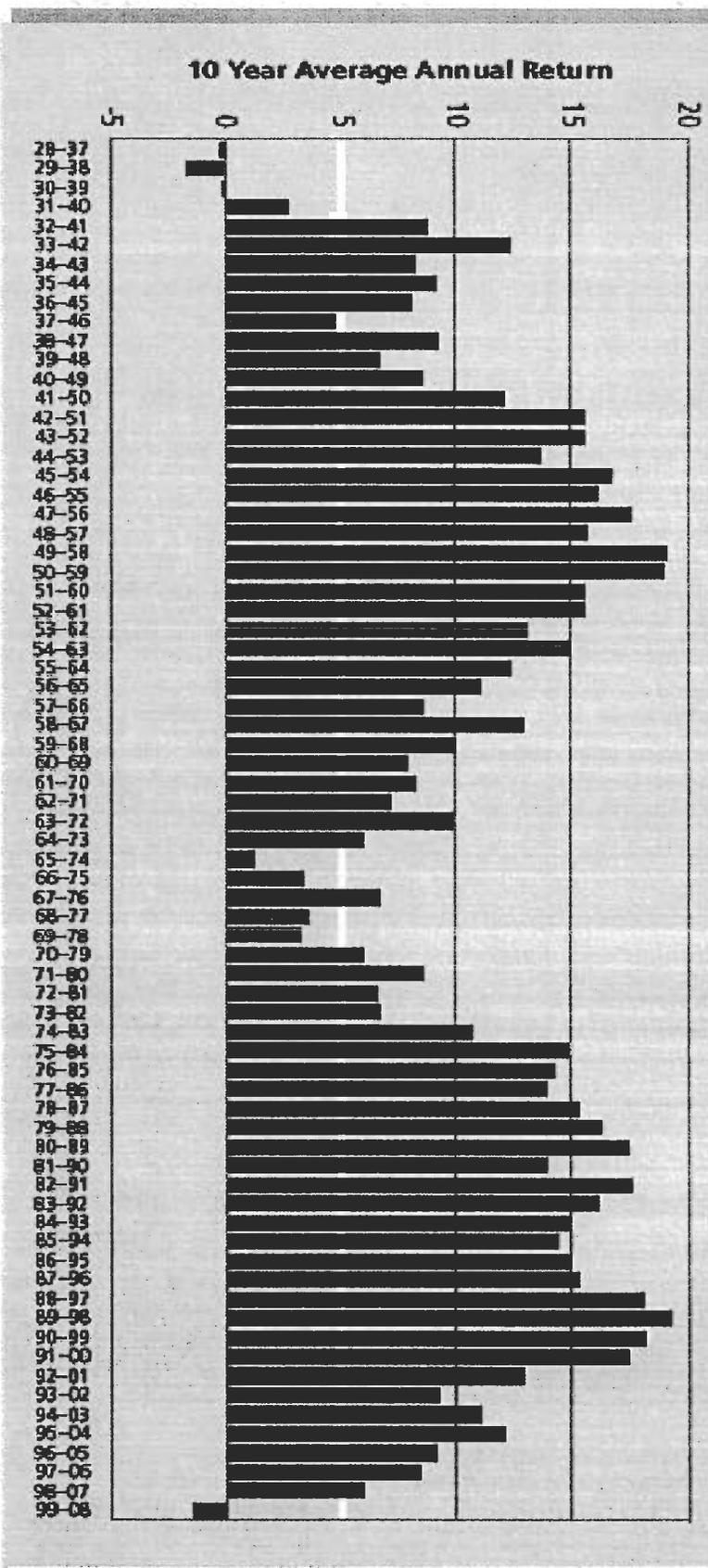
Source: Source: Russell Investment Group, Standard & Poor's, Fact Set, J.P. Morgan Asset Management



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Understand While Painful, Crisis Creates Opportunity

10 Year Returns for the Market from 1928-2008



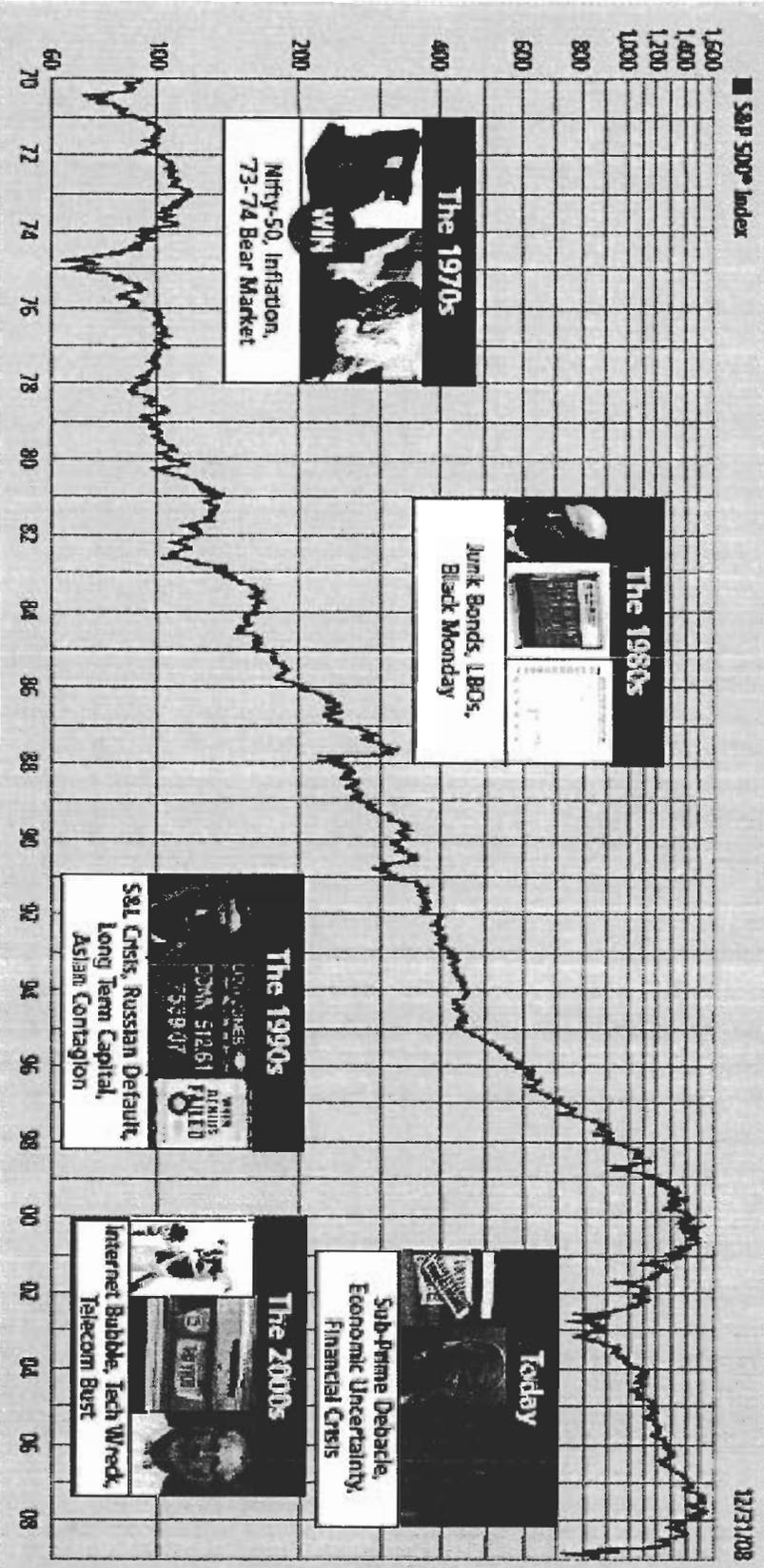
Source: Thompson Financial, Lipper and Bloomberg. Graph represents the S&P 500 Index from 1958 through 2008. Periods before 1958 are represented by the Dow Jones Industrial Average. Past Performance is not a guarantee of future results.



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Understand That Crises Are Inevitable

Despite Decades of Uncertainty, the Historical Trend of the Stock Market Has Been Positive



Source: Yahoo Finance. The S&P 500 Index from January 1970 through December 31, 2008. Past performance is not a guarantee of future results.



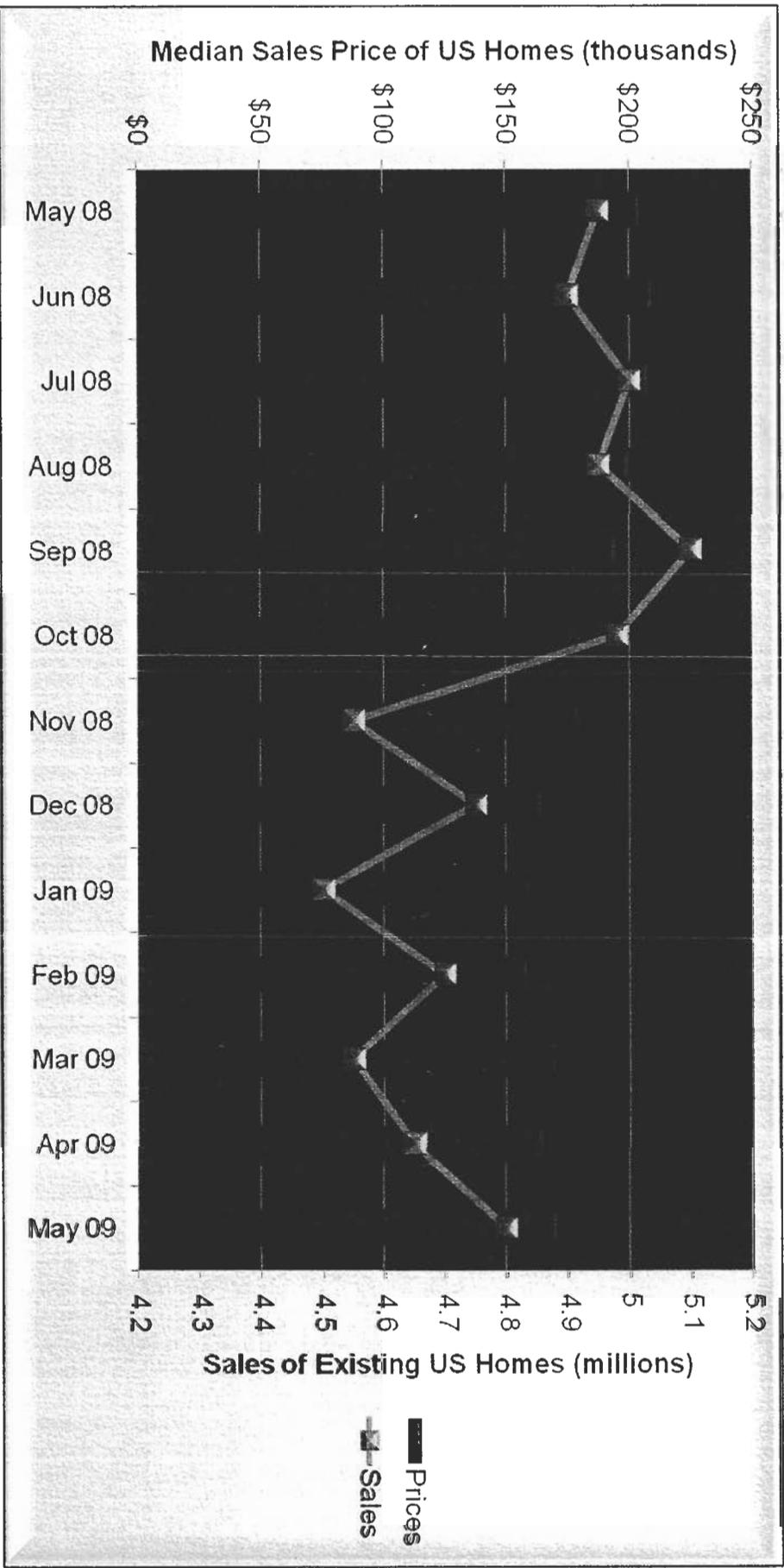
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Three Economic Problems

- Housing
- Credits
- Consumer

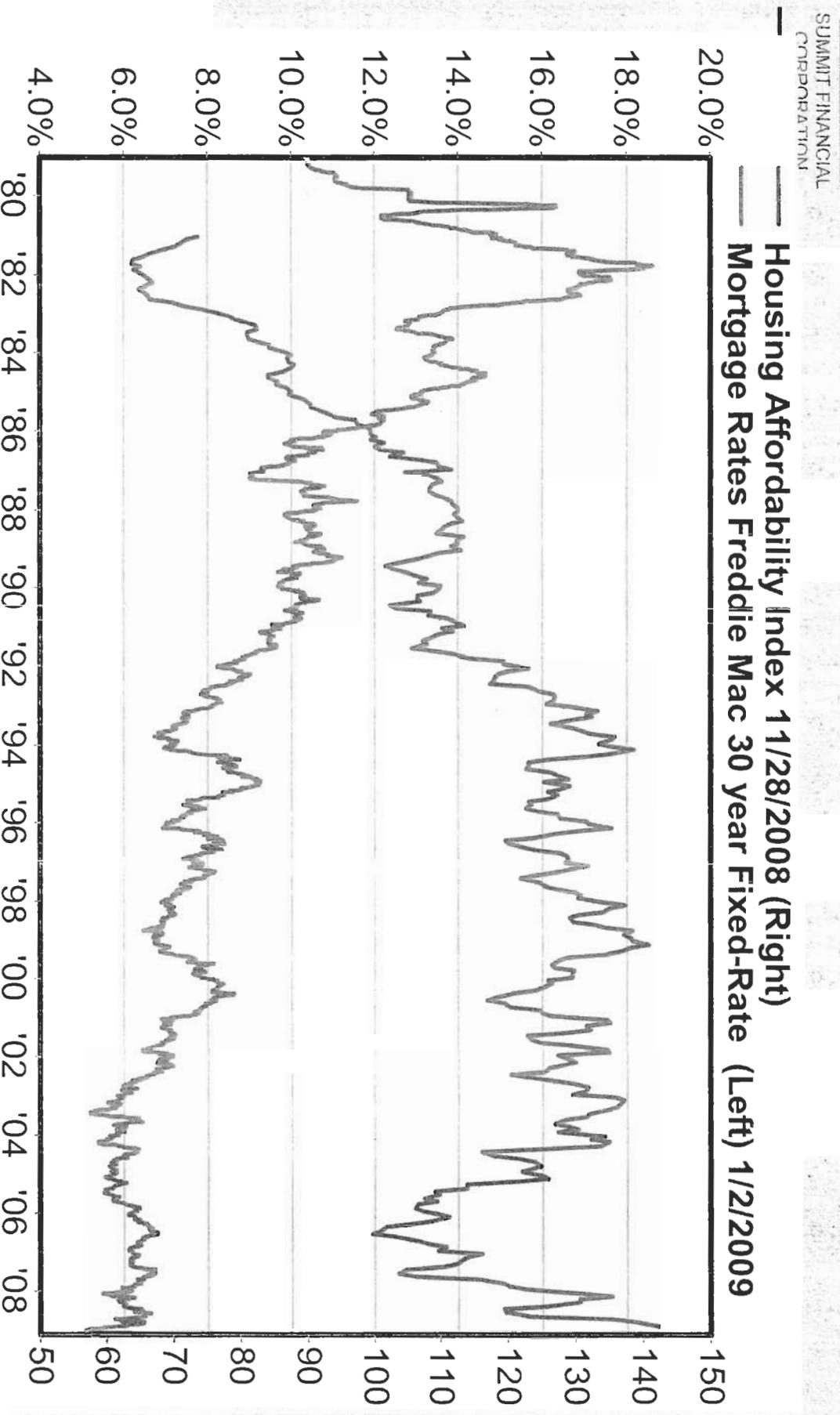


U.S. Home Prices and Sales of Existing Homes



Source: National Association of Realtors, as of 6-23-09.
 Sales of existing homes are seasonally adjusted annual rates; Median sales prices are not seasonally adjusted.

Housing Affordability and Mortgage Rates



©FactSet Research Systems