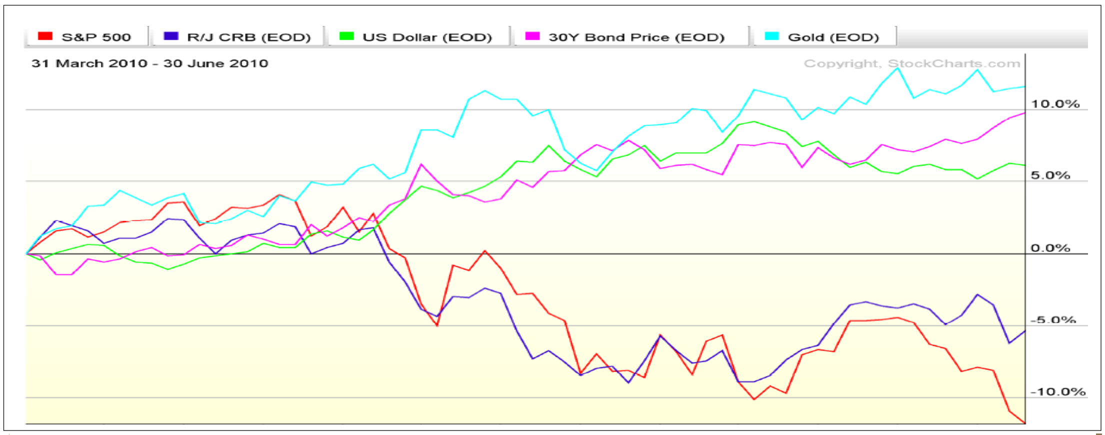
The budget should be balanced, the Treasury refilled, public debt reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt. People must again learn to work, instead of living on public assistance .
— Cicero 55 BC

It was luxuries like air conditioning that brought down the Roman Empire. With air conditioning their windows were shut, they couldn't hear the barbarians coming.
— Garrison Keillor 1988



Composite / Index	Q2 %	YTD %
Regan Macro Absolute Return	-1.09	+ .06
HFRX Absolute Return Index	-.64	-1.98
HFRX Macro Index	-1.32	-2.32
Dow Jones Industrial Average	-9.97	-6.27
S&P 500	-11.86	-7.57
NASDAQ	-12.04	-7.05
Balanced Composite (60% Stocks & 40% Bonds)	-5.46	-1.13
Gold	+ 11.52	+ 14.39
Dow Jones/UBS Commodity Index	-2.43	-5.97
Vanguard Prime Money Market	+ .01	+ .02
Oil	-9.71	-4.70

Performance numbers for the Regan Macro Absolute Return composite are back tested with best efforts internally by Regan Investments and not audited by outside parties. Past performance should not be regarded as an indication of future returns. Share values in the accounts will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original investment. All other performance numbers for listed indices, managers, and stocks in this report are not verified by Regan Investments. They are taken from public sources and Regan Investments does not claim any responsibility for their accuracy. For a complete list of our sources, or a detailed explanation on how we calculate our internal numbers please contact Regan Investments directly.
* Net of Fees

ECONOMY

We did not select our front page quotes because we think the US empire will fall in 2010. Rather, we thought it ironic that Cicero's quote could have been taken directly from a Ron Paul speech and Keillor's reason for the fall of Rome was brought upon by hot air…much like that coming from Washington.

We begin with some of our concerns. *Lacta alea est!*

JOBS

The US has lost 8 million jobs since 2007. We will need to re-employ 350,000 people every month for 3 years to make this up and to keep up with the growth in population .

> "Barring another federal bailout, the number of layoffs in our nations school systems could be staggering and easily dwarf gains in private sector job growth."

The chancellor of New York city schools has said when the federal stimulus money runs out at the end of 2010, he will be forced to lay off 5,000 teachers. This is looking more common, and barring another federal bailout, the number of layoffs in our nations school systems could be staggering and easily dwarf gains in private sector job growth.

EUROPE

The Greek financial crisis continues to affect other financially weak countries in the Euro zone. The unstable environment has led to a 20% loss in value for the Euro currency and political tensions amongst Euro participants. This is forcing a flight into the US dollar for safety. Gold is rising as faith in all paper currencies appears to be waning. Austerity measures, higher taxes, and less spending all look to be continued.

DEBT

US total debt is close to 400% of our Gross Domestic Product (Chart One) nearing $50 Trillion. As if this is not scary enough, the present value of our Social Security and Medicare obligations is nearly $50 Trillion as well. This means that debt and unfunded liabilities equate to about $100 Trillion or 7 times our GDP. No nation has ever seen these debt levels and survived financially. The worst part is that there is no government plan to even address these issues.

The current budget involves adding at least a trillion dollars annually to this debt and by 2014, the interest expense alone will approach 20% of our Federal budget. Rising interest rates would drive up costs significantly which would crowd out other programs and increase the deficit even further.

The view at the individual state level is not much better. Budget shortfalls will need to be made up through increased taxes and layoffs. Most states will have their hands tied as these measures will only exacerbate the situation.

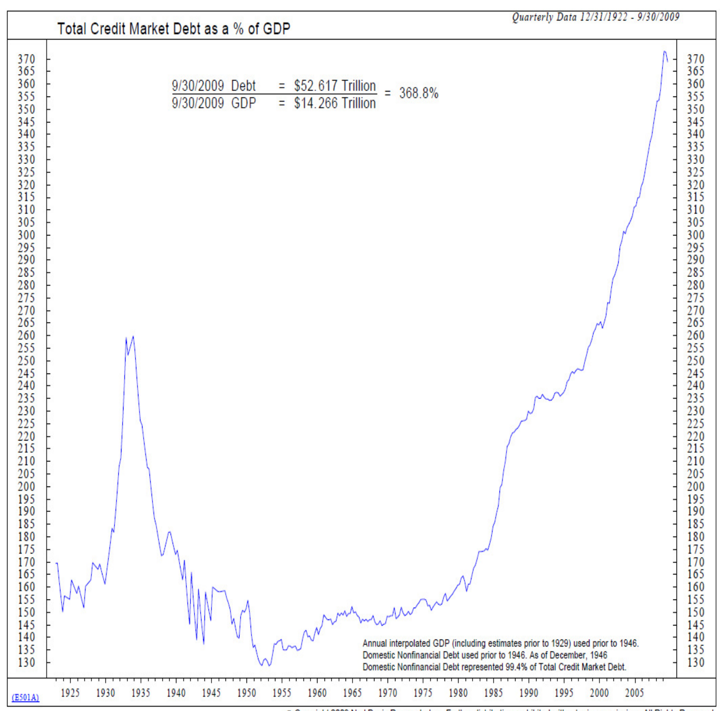


CHART ONE

MONEY AND CREDIT

The velocity of money (rate of turnover) continues to slow as mortgage and credit card lending slows and exotic financial instruments retreat. This trend is likely to continue as lenders still have a lot of unrealized losses on their books that will likely need to be absorbed down the road. In addition, borrowers are seeing their credit worthiness deteriorate as bankruptcies and foreclosures rise.

We do not view inflation as a near term threat as the money multiplier (Chart two) has dropped considerably even with the big increase to the monetary base. This drop has been caused by the decline in turnover of money in the system. When turnover is low, people are hanging onto their money usually in efforts to increase their savings. In inflationary times, the exact opposite is true and velocity is high. This is because people fear the loss of value of their money or they feel more wealthy.

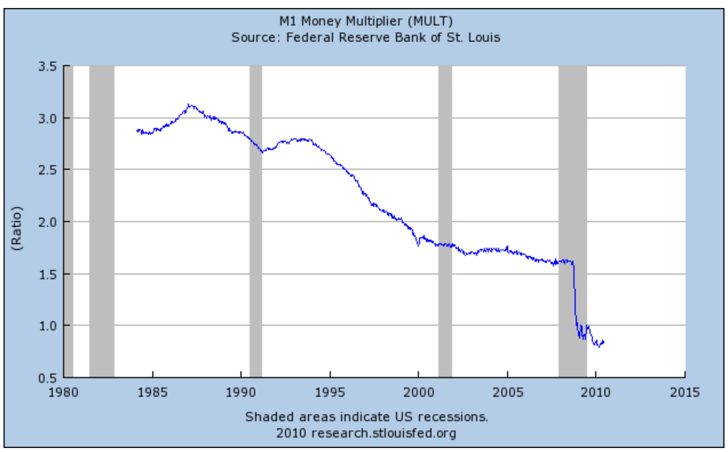


CHART TWO

Deflationary periods usually end with a pickup in inflation. Our current debt situation leads us to believe that down the road, inflation will become a larger issue as the Government tries to inflate our obligations away.

CORPORATE EARNINGS AND STOCKS

Earnings will face strong headwinds in the coming 2-3 years as profit margins retreat from the record high levels of 8-9% to more normal levels of 6-7%.

CHART THREE

Analysts are projecting S&P 500 earnings at roughly $85 per share. If this is the case, the S&P 500 would currently be trading at a price to earnings multiple of 12 (1050/85). Historically stocks are fairly valued at a multiple of about 15. In 2008, earnings for the S&P 500 were $49 per share. If we experience a double dip recession and the S&P 500 earns $60, the stock market goes from being fairly valued to fairly expensive with a multiple of 17.5 (1050/60).

The Dow Jones is still above its historical mean (Chart three). If the Dow is, as we believe, in a long-term bear market, the support level shown on the chart has to be a realistic possibility. We are not suggesting that the Dow is going to retreat to 5000, but because our main goal is to not lose money, we have to invest like it is possible.

RECAP

A double dip recession is still a probability for the economy. Consumers will likely be squeezed, state governments will spend less and layoff more, and credit will tighten. Deflation will reign in the short term as stocks will continue to weaken and gold and commodities may experience downturns.

After strong gains in 2009 and fantastic long term returns, it is once again time to play defense!

MARKETS

GOLD

One of the most frequent questions we get is "Should we sell our gold?" People are inundated with gold advertisements on television, radio, and in print. It is a valid argument that gold seems to be everywhere.

We have no doubt that gold will end in a bubble but we do not think that it has reached the manic levels of the NASDAQ in 2000, the Nikkei reached in 1989, or even gold in the 70s. Please see the chart below from Dennis Gartman comparing gold today to a couple of the previously mentioned markets:

We have polled numerous people on the price of gold and less than 1% have been able to come within $100 dollars of the correct price. We have talked with friends and contacts at various investment firms and the conclusion is that hardly any have invested their clients in gold. Finally, there are three jewelry stores on the way to our office. They all display signage stating "We Buy Gold".

We firmly believe that when we reach the hysterical stage for gold, everyone will know the price to the dollar, most major investment firms will allocate 10-20% of their recommended portfolio weightings to gold and gold stocks, and jewelry stores will change their signage to "Buy Gold Here".

BONDS

Returns on bonds are not exactly thrilling at the moment. In a world of too much debt, taking on more risk through longer maturities or more speculative issues is not a strategy we want to pursue. Our favorites continue to be 1-5 year corporate bonds.

Due to a lack of inventory, we have begun replacing some of our maturing corporate bonds with ETFs and funds that are well diversified, highly liquid, and pay a respectable yield. We will gladly sit with perpetual maturities for the time being until a better option presents itself. If the credit crisis begins to mirror 2008, we may see bargains as investors sell bonds to raise cash.

We are somewhat interested in 10-20 year treasury bonds in the short term as yields continue to drift lower. However, this could be subject to a quick reversal if yields were to begin rising.

COMMODITIES

We have avoided commodities and commodity related stocks due to deflationary forces. There are some interesting energy related names that we are following and it is conceivable we will take positions at some point. Grains, natural gas exploration/royalty trusts, and silver all have our interest as well.

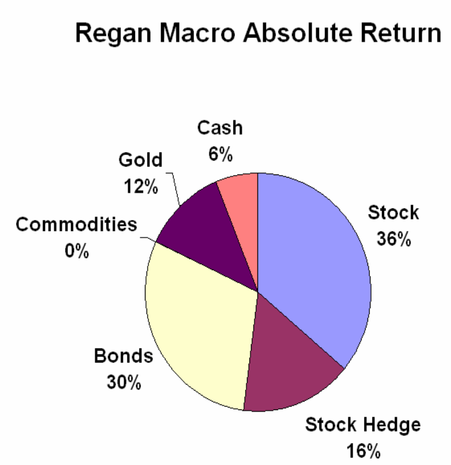
Thank you for your trust in us. We appreciate your support and hope you have a wonderful summer!

Robert, Robert Jr., Erle, and Cynthia

PORTFOLIO

The Macro Absolute Return Portfolio is very defensive. Our net stock position is roughly 20% (Stock - Stock Hedge). In addition our stocks are more conservative in nature. We still have various names that provide us growth opportunity (Apple, Celgene, etc) but the majority of our holdings are blue chip companies that sell at a value (Microsoft, Medtronic) or provide good income (Xcel Energy, Kraft).

We still hold a decent position in gold (6%) and gold mining stocks (6%) but our overall weighting in other more industrial commodities is non existent. We do not like the risk/reward of holding commodity related investments (apart from gold) in a deflationary environment. As mentioned earlier, we favor the grains and natural gas areas but are in no hurry to buy. Inflationary concerns would change our view drastically.



We have a healthy position in bonds (30%) that were purchased at tremendous yields. We will look to replace these with similar bonds, albeit it, at less favorable yields as they mature. We still believe that select short term corporate bonds currently offer an attractive alternative to longer dated bonds and offer much more yield than cash.

Our major moves over the quarter included selling our junior gold miner ETF (GDXJ), Phillip Morris (PM), and Verizon (VZ). In addition, we bought a small position in Airtran (AAI), and a larger position in a Marsh and McLennan bond yielding 4% per year to maturity. We also did a lot of rebalancing and hedging to bring accounts more in line with our model. Our top ten stock holdings in the Macro Absolute Return Composite are listed in the chart below:

Top Ten Stocks	Weighting
Apple	4%
Microsoft	3%
McDonalds	3%
Celgene	3%
General Mills	3%
Wal-Mart	2%
Medtronic	2%
Waste Management	2%
Kraft Foods	2%

As we have discussed, we think this market is dangerous. We have several bonds maturing over the next six months and we will look to put that cash to work as we find investments that meet our risk requirements. We may hold more cash than normal but this is an investment decision and allows for more liquidity for future opportunities.

Below is a summary of our current bond holdings:

Summary of Bond Holdings	
Average Current Yield	5.74%
Average Maturity	2 Years
Average Coupon	6%
Average Duration	1.84 Years
Average S&P Rating	BBB

Please feel free to share this newsletter with anyone interested in learning more about Regan Investments or needing financial expertise.