

TimesSquare Mid Cap Growth Portfolio for PCA Retirement and Benefits, Inc. Quarterly Review — Second Quarter 2010

Halfway through an up and down 2010 (notwithstanding the “flash crash” in May), the U.S. equity markets are in negative territory year to date. The second quarter was a near mirror opposite of the first, beginning with a continuation of the first quarter’s gains through April, before coming down sharply in May and June.

Though the economy appears to be healing, some investors felt it has hit a soft patch. The nation’s GDP grew at an annual rate of 3.2% in the first quarter as a result of consumer spending and the rebuilding of inventories. Consumer Confidence, which had climbed higher in April and May, retreated in June. This drop in confidence appears tied to worries about the labor market. The unemployment rate now stands at an elevated 9.5%. Manufacturing activity has expanded for 11 consecutive months, however, the rate of growth in new orders and production slowed recently. European weakness is contributing to the slowdown in the form of a lower export rate.

Also buffeting the markets in the second quarter was the U.S. government’s movement on financial regulatory reform and the fallout from the massive oil spill in the Gulf of Mexico. The House finally passed its version of the Dodd-Frank bill at the quarter’s end, so the Senate will begin its consideration of the measure later in July. As with most reform efforts, the final version will not be certain until its signed by the President, and even then the implementation may create unintended consequences. As of this moment, oil continues to flow from the deepwater well that ruptured in April. Aside from the environmental damage, the Gulf spill caused waves of economic impacts, not the least of which was the on, then off, and now possibly on again moratorium for deepwater offshore drilling.

U.S. equities posted losses in the second quarter and all size and style segments clustered around -10%. Mid caps fared better than large caps, with the Russell Midcap Index return of -9.88% versus -11.44% for the Russell 1000® Index. The aftereffects of the Gulf spill were significant in the index as well, punishing Energy stocks in general. That sector was down -20% in the Russell Midcap Growth Index for the quarter.

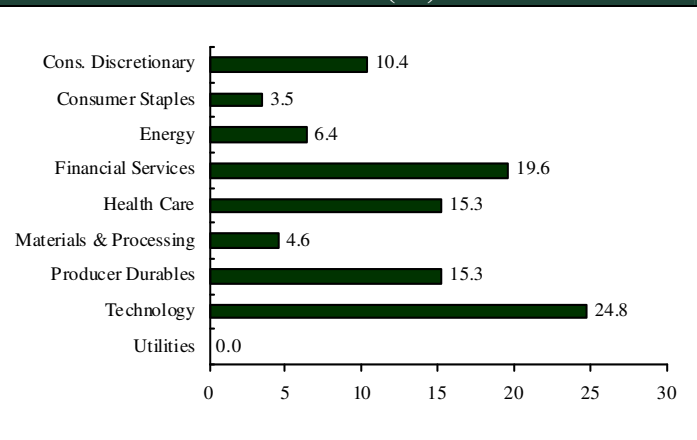
Based on relative performance, the portfolio was very strong in the second quarter. Nearly every sector showed positive contributions, with stock selection as the driver. Strength was found in Consumer Discretionary, Technology, Energy, and Producer Durables sectors. Health Care and Financial Services were areas of relative weakness.

Profile as of 6/30/10

	<u>Portfolio</u>	<u>Russell Midcap®</u> <u>Growth</u>
Weighted Average Market Cap	\$7.1 bil	\$6.0 bil
Weighted Median Market Cap	\$5.8 bil	\$5.4 bil
P/E (FY1 Forecast)*	14.2x	13.7x
Forecast EPS Growth*	14.8%	15.3%
Number of Holdings	69	497
Percent Cash	6.3%	-

** Source: FactSet Estimates (see disclosures)*

Portfolio Sector Allocation (%) as of 06/30/10



Disclosures

Forecast EPS Growth is the annualized percentage change between the most recent actual fiscal year EPS and the 5-year EPS consensus forecast from FactSet Estimates as calculated by FactSet Research System’s Portfolio Analysis Workstation. P/E (FY1 Forecast) is the current price divided by the FactSet Estimates consensus earnings per share estimate for the next reported fiscal year as calculated by FactSet’s Portfolio Analysis Workstation. Sector classifications are Russell Investment Group sector classifications and the data is un-audited. Please note that the Fund uses different industry classifications for purposes of determining concentrations.

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