

January 11, 2011

We are pleased to report that our clients' equity portfolios increased 9.4% for the quarter, while the Russell Midcap Value (RMV) and S&P 500 were up 12.2% and 10.8%, respectively. Investments in technology (+18%), energy (+18%), and industrials (+15%) led the return, while materials lagged (+5%). For the year, our clients' portfolios increased 23.6%, while the RMV and S&P 500 were up 24.8% and 15.1%, respectively. Corporate profits surpassed original expectations and drove the market advance.

While business conditions have improved from the depths of the credit collapse, orders have been sporadic. This lack of visibility has caused companies to be reluctant to rehire. Despite these uncertain conditions, our companies are taking advantage of their strong financial position by increasing R&D, new product development, and marketing. These investments are strengthening our companies' competitive advantage and producing market share gains. Raw material inflation is starting to reappear but our companies have pricing power to protect their margins. Their low financial leverage and strong, predictable cash flow represent another competitive advantage as interest rates are starting to increase. Based upon our research, we believe their stocks are undervalued and represent attractive investment opportunities for those who have the **courage and patience** to invest for the long term.

Our mission is to preserve and grow our clients' capital for the long term and the table on Page 8 demonstrates the solid returns produced by our **disciplined investment approach** for 3, 5, and 10 years.

Thank you for your interest in investing with us and we look forward to visiting with you soon.

Regards,

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