

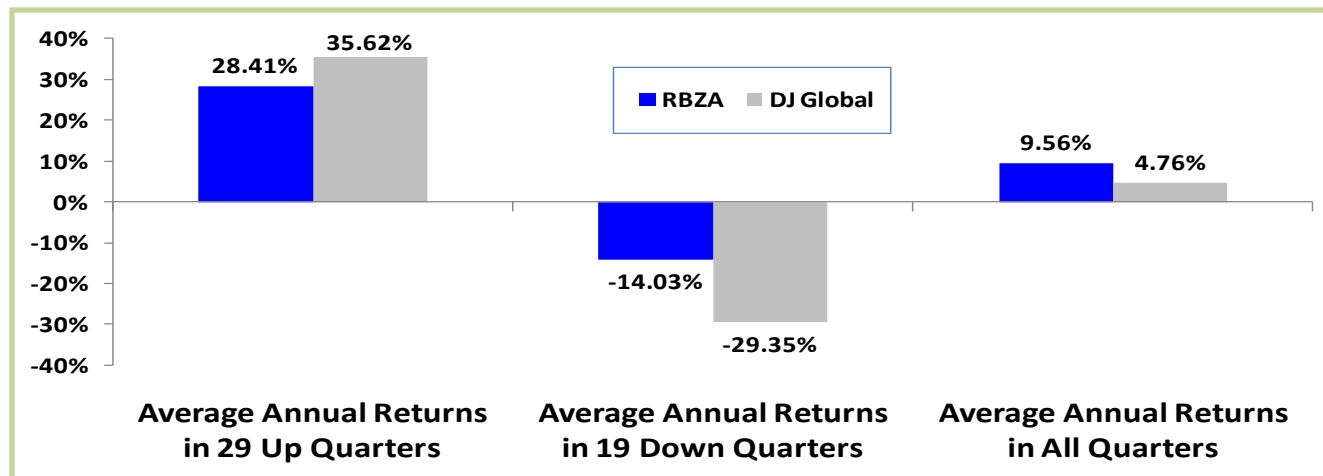
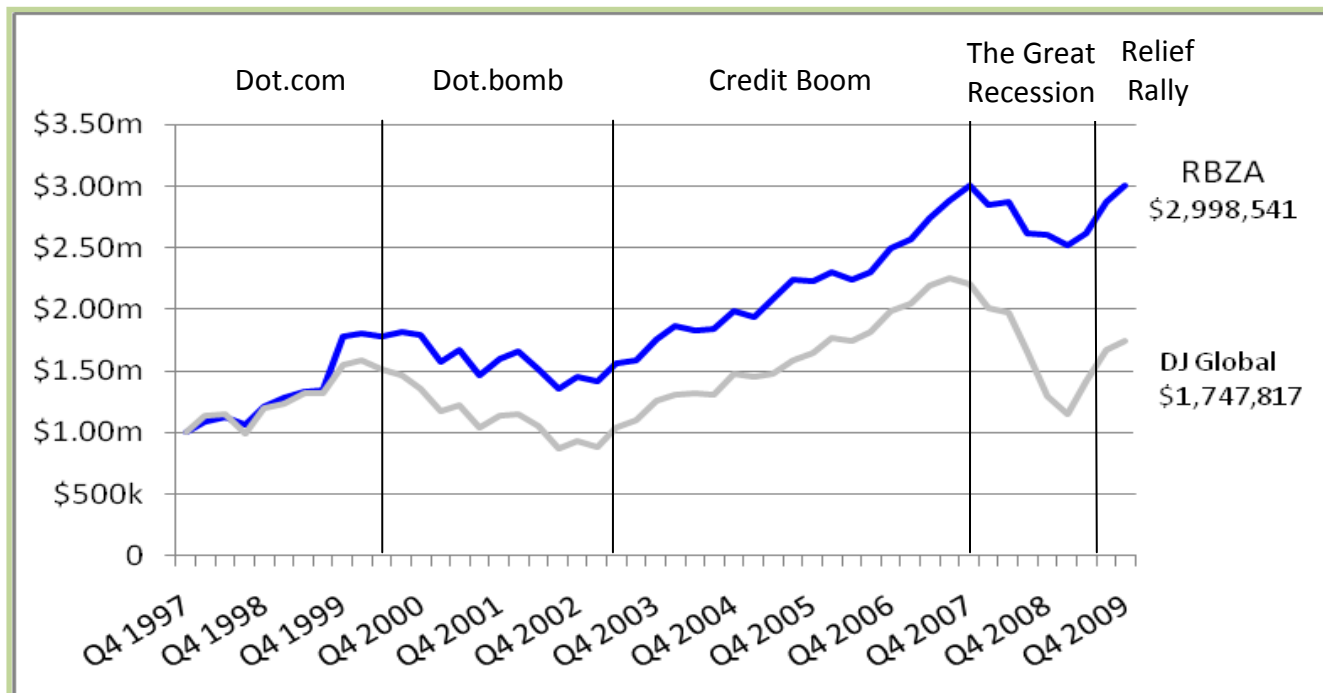


A report on our first dozen years

Superior performance from minimizing losses rather than maximizing gains

During the last twelve years, the Dow Jones Global Index rose in 29 quarters and declined in 19 quarters. In the rising quarters the average gain for the benchmark was at an annual rate of 35.6% a year, while our composite of non-taxable Global Appreciation accounts rose at an average annual rate of 28.4% a year. However, in the falling quarters, while the benchmark declined at an average rate of 29.4% a year, our composite declined by only 14.0% a year.

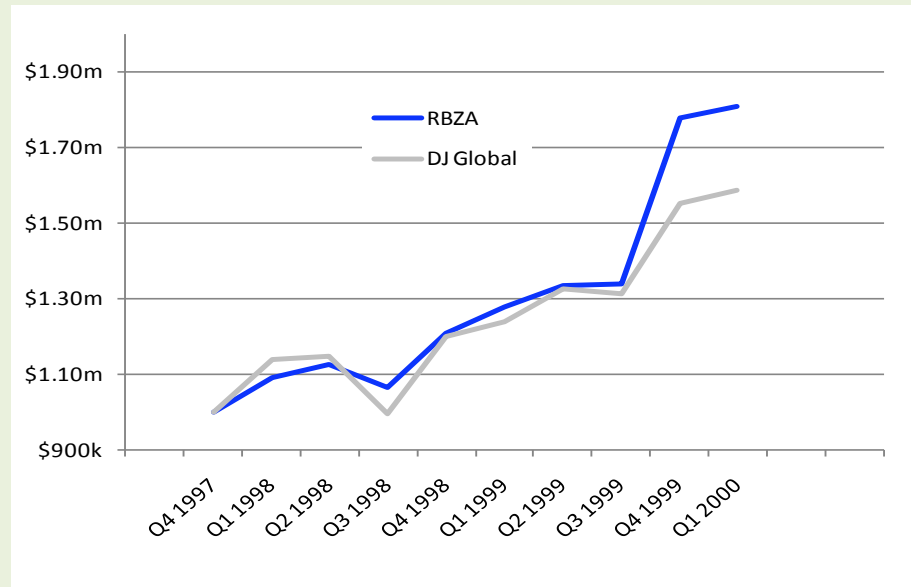
By participating in over 80% of the increases in positive markets and avoiding over half of the losses in bad markets, we ended 2009 with our composite over 70% higher than its benchmark.



The Five Distinct Markets Since 1998

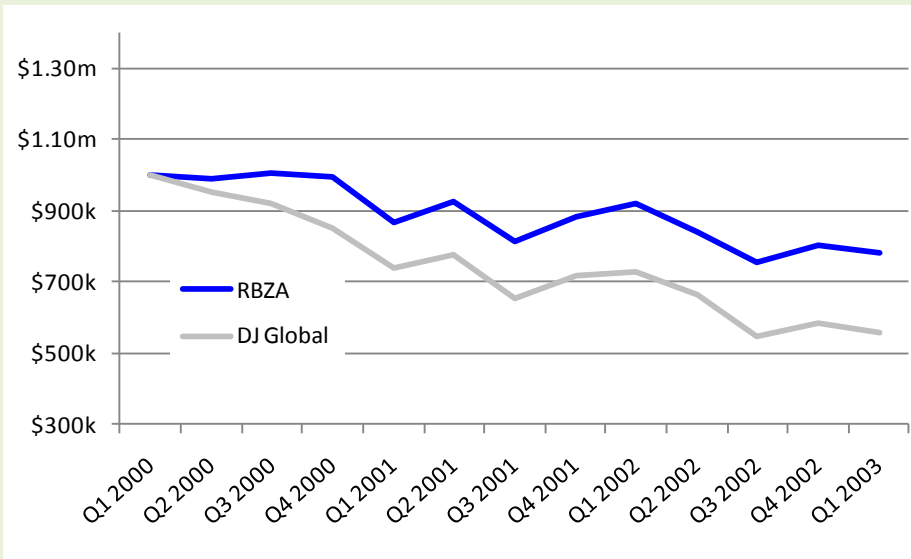
Dot.com: 1998-2000

The exceptionally good performance shown by our composite in the last three quarters of the tech bubble was the consequence of our escape from expensive U.S. growth stocks in favor of smaller U.S. companies with real earnings and growth prospects as well as domestic and overseas telephone companies that sold at low prices and paid good dividends. We believed these stocks would provide protection in case an overpriced stock market fell to more realistic levels. Instead many of them participated fully in the last leg of the dot.com bubble by increasing sharply from inexpensive to over-priced. Our superior performance since inception remains strong even without this lucky turn of events, as does our record of participating well in up markets.



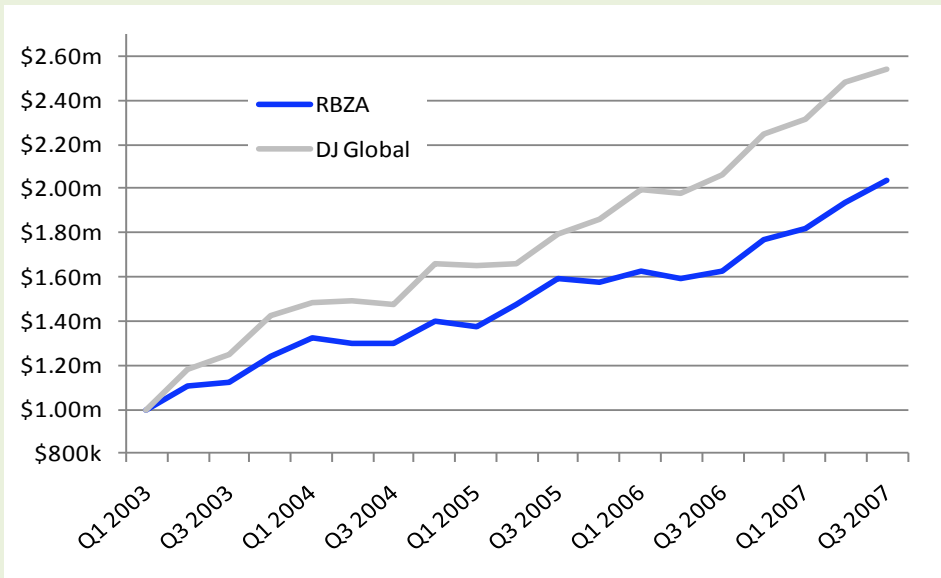
Dot.bomb: 2000-2003

The chart shows our Global Appreciation non-taxable composite from 2000 through March of 2003 (the bursting of the Internet bubble). In this period, our composite lost 21.7% while the benchmark lost 44.2%. Our clients' portfolios were tilted towards overseas companies given the domestic center of the economic slump and favored those stocks with attractive valuations such as defensive companies in the food or healthcare industries. As the period progressed, allocations increased to U.S. small cap companies who stood to benefit from a cyclical recovery. **In the crash of 2000-03, our composite lost less than half as much as the benchmark.**



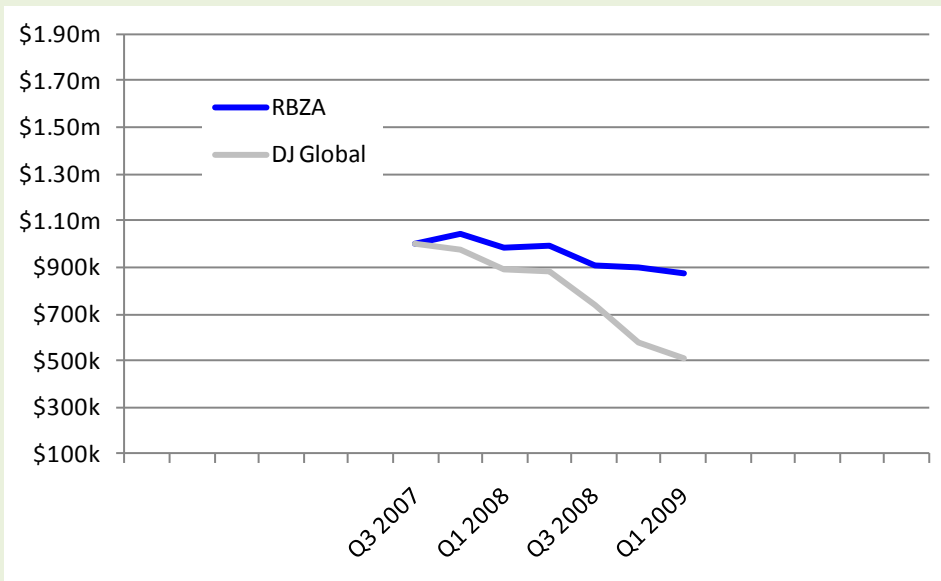
Credit Boom: 2003-2007

The period from Q2 2003 through Q3 of 2007 was characterized by stimulative monetary and fiscal policies, wars in Iraq and Afghanistan, a global buoyant recovery and blindfolded regulators. In the stock market boom that resulted, our composite appreciated by 103.9% while the benchmark gained 154.2%. Results were helped by substantial holdings of reasonably priced and faster growing overseas stocks as well as energy stocks, which we held as protection against the generally bad stock market effects of rising inflation or oil prices. Starting in late 2006, we also began to increase holdings of cash, first in fear of a recession and later in fear of something worse.



The Great Recession: 2007-2009

From the fall of 2007 to March of 2009, we experienced a severe credit crisis that resulted in the near collapse of the financial sector worldwide and very significant declines in stock markets. We responded by selling most of our equity positions and investing in long-term bonds and cash. The long-term bonds were bought as a hedge against a depression outcome. **From Q3 2007 through Q1 2009, our composite accounts declined by 12.7% while the benchmark declined by 48.8%.**



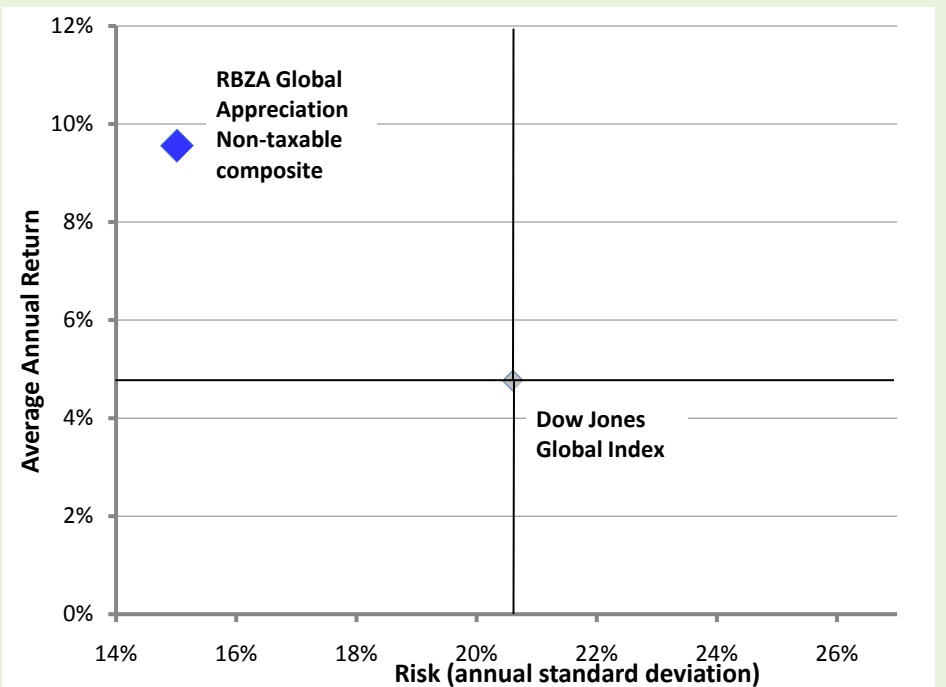
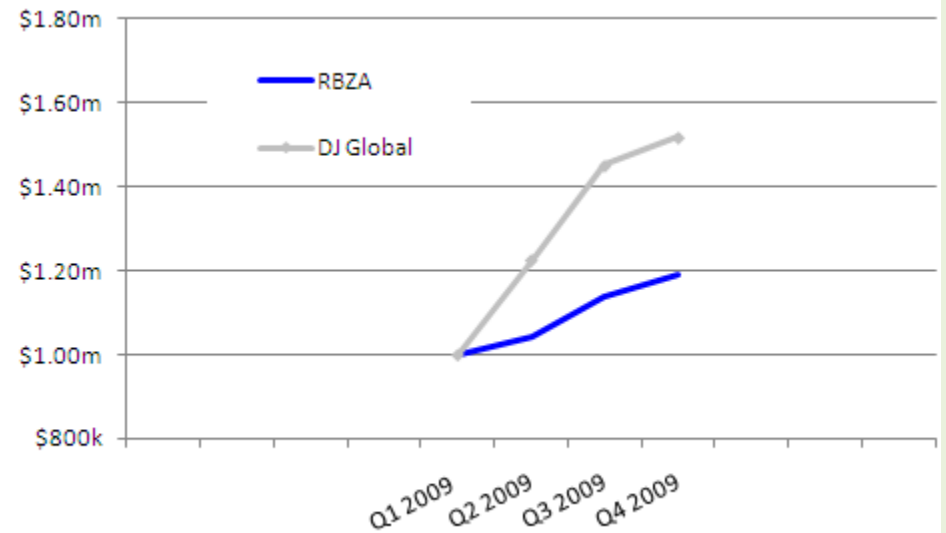
The Relief Rally

From March 2009 through today, markets all over the world have bounced back as the threat of a depression receded from substantial to remote. As is often the case, we were wary about going back into equities in the first quarter of 2009 until we felt certain the worst dangers had receded. As a result, our composite increased by 19.1% over the last three quarters of 2009 while the benchmark increased by 51.8%. These results for the benchmark and our composite were quite similar to the last three quarters of 2003 at the beginning of the previous stock market advance.

Generally, the reason our approach doesn't do better than the market on the way up is that our cautious approach makes us slow to get in at the beginning and early to start getting out at the end. **Despite this, our clients' assets have returned to peak levels while the benchmark is still over 20% below its peak.**

Conclusion

Over the last twelve years, the Dow Jones Global Index earned an average 4.8% per year while our Global Appreciation composite earned 9.6% per year. We achieved this result by seeking always to avoid the risk of losses even at the expense of making more in good markets. And we achieved it while respecting our clients' social guidelines.



Disclaimer

- Past performance is not a guarantee of future results. Investments in common stocks and in fixed income securities are always subject to the possibility of meaningful losses.**
- Performance results for the most recent quarter are preliminary until six weeks after the quarter has ended.
- Performance shown for all composites and all comparison indices includes dividend and interest payments reinvested.
- All composite performance calculations are shown net of our fees, transaction costs and all of any wrap or bundled fees that include transaction costs. Since inception the fees paid on all accounts in these composites have ranged between ½% and 1% per annum of the value of assets under management, with the exception of a small number of small accounts that have sometimes been charged no fee for a limited period of time or pending increases to a specified minimum value. Comparison index performance is always calculated as if there were no fees and no transaction costs.
- All composite results are weighted by the market values of the included portfolios. Results computed as equal weighted averages of all the included portfolios are available on request as well as the range of outcomes compared to these two averages.
- Composite performance for periods longer than one calendar quarter is the compound average of the quarterly results included in the period. Summary results for periods longer than one year are the annual average equivalent return of the compounded total return.
- Each composite contains all discretionary portfolios that were over \$100,000 at the beginning of a calendar quarter, that were managed by us for the entire quarter and that satisfied the following inclusion criteria for the entire quarter:
 - Global Appreciation: Non-taxable portfolios that have been compared to an all common stock benchmark.
 - Benchmark Indices: Most of our Global Appreciation portfolios have been compared to either the S&P 500, the Russell 1000 Growth Index and the Russell 3000 Growth Index. We believe the Dow Jones Global Index is a more accurate portrayal of the universe from which we select our stocks and have used in recent years for most of our new Global Appreciation portfolios. When conditions warrant we may purchase stocks that are not included in or representative of our benchmarks. In addition we sometimes deliberately hold cash or bonds in Global Appreciation portfolios. For these reasons, returns in our Global Appreciation accounts are less highly correlated with their equity benchmarks than is the case for many other professional investors. We advise our clients that we think the benchmark is most useful for understanding short-term fluctuations in results but not necessarily for judging results over many years. Our expectation is to do better than our benchmark when it is falling and to do somewhat worse when it is rising.
- Computation: From our inception in 1998 until September 30, 2006, performance numbers for a significant number of our portfolios with a bank custodian were calculated on the banks SEI Incorporated performance measurement system. The SEI system compounded performance from one closing weekly valuation to the next, plus the end of each month or any date when deposits or withdrawals were ten percent or more of portfolio value. Other portfolios were calculated by hand and compounded (with adjustments for deposits and withdrawals) from one month end to the next plus other days with deposits or withdrawals in excess of 10%. Starting September 30, 2006, we have used the Advent portfolio management and performance systems to calculate performance in all of our portfolios.