



TRADITION CAPITAL MANAGEMENT, LLC

OUR PURPOSE

Tradition Capital Management provides objective investment management solutions to individuals and institutions. We are independent investment counselors providing personalized service. Our unbiased, expert advice is designed to enhance and protect our clients' wealth. We work with our clients to understand their individual circumstances and long-term financial goals. Tradition assists clients in developing unique Investment Policies, only after we have a thorough understanding of our clients' objectives. Client goals are balanced against investment market realities in order to formulate a workable Investment Policy, which takes into account risks, returns and taxes. Each client's Investment Policy guides our every decision. Portfolios are tailored to address clients' particular circumstances and long-term financial goals. Moreover, our experience in tax, estate and retirement planning allows Tradition to fully integrate our investment process into our clients' overall financial plan.

THE FIRM

Tradition Capital Management is an independent investment organization that is privately owned by its employees and is exclusively focused on providing the highest quality investment management services with honesty and integrity. We are investment counselors without conflicts of interest. Since we individually manage each of our clients' portfolios in an account that belongs solely to that client, transparency and tracking of client assets are assured. We do not commingle funds. Integrity and transparency are hallmarks of Tradition.

Tradition works closely with many of the leading brokerage and banking firms to ensure a safe custody environment for all types of accounts: individual, trust, pension, foundation, partnerships, and IRAs. We work with the client's custodian to ensure that transactions are executed efficiently and fairly.

Our rules involving our own personal investments place our clients first and ensure that we align our personal interests with that of our clients. Our employees and principals are required to invest in the same securities that we own for clients. We believe this rule aligns the interests of all parties. Of course, our procedures assure that we execute any transactions for our clients in advance of our own or employee trades. Our internal investing rules make certain that our clients get our best investment ideas and that we as a firm are focused on the investments that impact clients.

INVESTMENT PHILOSOPHY

We adhere to the time-tested notion that wealth is best created and preserved through diligent long-term participation in the equity markets. At Tradition Capital Management, we are not market timers, but investors, seeking the best risk-adjusted investments for our clients' capital over their investment horizon. Unlike many managers, we do not cling to the belief that growth and value are mutually exclusive. Quite the contrary, our experience suggests investments in companies that exhibit strong relative earnings growth, purchased at discounts to fair valuation, generate the highest risk-adjusted returns.

We begin our approach by seeking the most favorable areas for investment that should outperform the overall economy. Next, we seek to identify growth stocks that, we believe, are selling for reasonable prices. We search for excellent businesses, both large and small, with strong management teams and a proven record of creating shareholder value. We are attracted to companies that have developed a sustainable competitive advantage through one of several means: intellectual property development,

scale efficiencies, distribution capabilities or brand management. We want to own businesses that judiciously deploy capital to earn high returns on equity and that maintain strong balance sheets.

Superb management is the leading characteristic of an excellent investment, but not the only one. The structure of the company's industry must allow for high returns. Industries containing superior investment candidates generally have some or all of the following attributes: growing demand, limited or differentiated competition, high intellectual property content, concentrated market shares and oligopolies (or monopolies) whether broad, specialized or localized.

Although the industry structure is critical, the company's position within the industry is equally important. We look for leaders with growing market share, high product and service quality, improving brand strength, strong research and development capabilities, leading distribution networks, and high customer satisfaction. These positive qualitative attributes usually produce superior financial results. Revenue growth should outpace the industry and the overall economy. We look for profitability that is above average and improving, as measured by return on capital, return on equity and return on sales. Great long-term investments are characterized by companies with large profits and abundant opportunities in which to invest this capital at high returns. However, if available cash exceeds opportunities, management has the responsibility to return this capital to shareholders through high dividends or stock repurchase programs. Efficient use of capital is a hallmark of a great management team and a great company, and most often a great investment.

While there is an abundance of ideas to investigate, few will have all the attributes that we require. After we have developed a list of companies, we evaluate each company in order to estimate its fair value. That estimate is based upon the following characteristics: earnings power, growth rate, cash generating capabilities, financial strength and stability. While financial data is used for this estimate,

the quantitative data is a result of the qualitative attributes of a company. We strive to understand the business characteristics driving the numbers. Once we have an estimate of fair value, we build a diversified portfolio of quality companies selling at discounts to our estimate. We recognize that we cannot buy a superior company at an inflated price and have a superior investment; the price paid for the company is an important aspect of the investment process. By purchasing companies at a discount to our estimate of fair value, we simultaneously increase the return potential and reduce the risk of permanent capital impairment. We have found through years of experience that buying superior companies at reasonable prices generates strong long-term results.

EQUITY PORTFOLIO MANAGEMENT

Equity management is the implementation of our stock selection process against a client's return objectives and risk profile. In order to mitigate individual stock risk, we create a diversified portfolio of holdings across industries.

While we concentrate on large companies, we selectively populate our portfolios with medium and smaller companies where client circumstances and objectives warrant. These emerging companies must have the potential to become large companies to deserve our attention. Our goal is to generate higher returns by selecting companies with the potential to rapidly grow their business for the foreseeable future. By owning companies we believe could be tomorrow's leaders, we strive to generate high returns, despite possibly higher volatility in the near-term for our more aggressive clients.

We strive to preserve capital through several methodologies. We manage equity portfolios that are diversified across industries and companies. We are careful in our initial deployment of a client's capital and buy stocks only when they are selling at

a discount to our estimate of underlying business value. Our extensive research and company analysis helps limit unexpected adverse business developments, though near-term stock prices remain highly unpredictable. We sell companies if we anticipate deteriorating business results or if investor enthusiasm for a company pushes the stock to a level which we believe can no longer be justified by the underlying fundamentals of the business.

Given our value orientation, we are likely to be contrarians as we build positions. We like to make our purchases of companies when they are temporarily out of favor. Our goal is to use market and individual stock volatility to our advantage. We attempt to buy when others are fearful, and sell when other investors are greedy. While emotions dominate near-term security prices, we are guided by our valuation work to determine what we should buy and what we should own. Company fundamentals and valuations determine, in our opinion, the attractiveness of a stock over the long-term.

BALANCED PORTFOLIO MANAGEMENT



While history has shown that equity investments outperform fixed income strategies over long periods of times, a balanced portfolio offers clients a higher current yield and less volatility. A balanced portfolio contains both stocks and fixed-income securities chosen in a mix appropriate for the client's need for capital preservation, cash flow (taxable or non-taxable) and growth. Balanced portfolios are deliberately established with an agreed-upon range of asset allocation between the portfolio manager and the client. We then manage each asset class within these ranges, based on our interest rate outlook and the relative attractiveness of stocks and bonds. Finally, for income-oriented clients, a balanced portfolio enhances overall portfolio yield.

When establishing a balanced portfolio we will generally establish a median equity allocation between 40-60% for a client whose primary goal is income and capital preservation and 60-80% for a client whose primary goal is growth and appreciation. While these goals are not mutually exclusive, higher equity weightings increase the portfolio's potential return, while simultaneously increasing risk, especially the probability of short-term losses.

FIXED INCOME PORTFOLIO MANAGEMENT



Fixed Income Portfolio Management can be provided as a stand-alone service or as part of a balanced portfolio. We emphasize preservation of capital and principal stability in our fixed income management strategy. We accomplish these goals by concentrating capital in the short to intermediate maturity sector of the yield curve. Fixed income securities with maturities of less than ten years generally have lower price volatility. To further enhance the stability and strength of the portfolio, we concentrate on higher quality bonds that carry investment grade ratings. We avoid lower rated bonds, especially in the high-yield or so-called “junk” area. This structure lessens the probability of default and the associated capital impairment.

We actively manage the bond portfolio with respect to both quality and duration. Holdings are monitored for the credit quality and trends. Securities with weakening credits are sold. Interest rate risk and yield are actively managed along the curve. We monitor rates and the steepness of the yield curve and evaluate the risks at various segments of the curve. We actively manage duration and include the use of U.S. Treasury Inflation Protected Securities (TIPs) and cushion (higher coupon, callable) bonds when and where appropriate.

Our numerous contacts in the fixed income community allow us the opportunity to search and find bonds that fit our clients' specific portfolio needs. We also utilize

these contacts in order to find good prices in a very inefficient market. We generally find wide ranges of prices from various brokers, and we utilize the best available price that we find whether buying or selling. This search for the best price in markets that lack transparency allows us to achieve significant savings for our managed bond portfolios.

Tax-free bond management can be an essential tool for an individual or taxable fixed income investor. When appropriate, we will utilize municipal bonds as part of a fixed income portfolio. For many investors, the after-tax yield from municipal bonds is appreciably higher than the after-tax return of taxable instruments. The management of a fixed income portfolio will take into account the after-tax yield of various issuers, based on investor locale and jurisdiction. Moreover, we are cognizant of the high transaction costs of selling a municipal bond; hence, we may maintain a necessary liquidity reserve comprised of U.S. Treasury securities for a portion of the bond portfolio.

TAX SENSITIVE INVESTING

Tradition Capital Management manages client assets with an awareness of taxes. We explicitly recognize that managing taxes is an important component to taxable accounts such as personal assets, trusts and partnerships. Since we focus on investing versus trading, our capital gains are almost always long-term, which are entitled to favorable federal tax treatment. Long-term gains are currently taxed at 15% for high-income investors versus short-term gains, which are taxed as regular income at rates up to 35%. We also harvest losses if we have securities that are selling significantly below their cost bases. We accomplish this through straight sales of the high cost position if we think the position is permanently impaired. However, if we think the company is still a good investment, we may repurchase the stock after 31 days, thus recognizing the tax loss and re-establishing the position. The other method of taking advantage of a temporarily depressed security that is still attractive

for the longer term is a tax-loss “double-up,” where we purchase more of the security today and then sell the high cost position after 31 days in order to avoid a wash sale. Losses harvested today can be applied against other gains in the current year or carried forward into future years to protect future gains from taxes.

We also like to talk with clients about gifting highly appreciated securities in order to fund charitable donations and thus avoid paying taxes on the appreciated securities. Charitable giving of appreciated securities helps avoid some taxes; however, gains are often larger than targeted levels of charitable giving.

While our focus is on after-tax returns, incorporating sound tax management into the investment process helps minimize, not eliminate taxes. If strong investment results are achieved, taxes will need to be paid. Long-term gains will however receive favorable tax treatment under current tax law.

ADDITIONAL SERVICES

Tradition Capital Management provides tax and estate strategic analysis to clients depending upon the scope of our investment relationships, upon specific specialized engagement, or at the request of our clients. While we do not draft legal documents on behalf of clients, our staff will consult with clients and their accountants or attorneys about the most advantageous planning techniques currently available. Our in-house counselor can help clients decide among various estate planning options. Our view of a client’s financial situation takes many factors into account. There are no cookie-cutter solutions to everyone’s financial problems and issues. Hence, we generally avoid offering a single comprehensive analysis because such an exercise becomes stale with time and changing client circumstances.

We endeavor to provide ongoing advice by utilizing client conferences to expand upon prior advice and to react to new elements entering a client's economic picture. For instance, significant changes in investment markets can have a major impact on a client's cash flow and budgeting. We provide reasonable forecasts, adjusted for investment risks, returns and inflation. This information enables clients to confidently enter new stages of their financial lives amidst turbulent market conditions and increased cost-of-living.

Occasionally, clients require an immediate "big picture" analysis and we service that need. We accept such an engagement for a single or specialized financial analysis, if we determine that the exercise is required for a fuller and more intricate understanding of a client's needs and direction. It is our experience, however, that planning reviews are most appropriately conducted in an ongoing fashion. We maintain regular client contact in order to develop a knowledge base of relevant client information and details.

We also review various areas of planning, including some of the more specialized estate planning techniques such as private foundations, family limited partnerships, charitable remainder unit trusts (CRUTs), grantor retained annuity trusts (GRATs) or other options. We also provide a documentary review of a client's will, trust, or other matters pertaining to ongoing estate management. In conjunction with this review, we objectively help a client determine the appropriate level of life insurance. As we do not sell life insurance, our recommendations are independent and unbiased.

Tradition Capital Management works with clients on concentrated positions arising from low cost basis stock or stock options. We evaluate various sales and hedging strategies, look at the cost and benefits surrounding each strategy and help the client make an informed decision that best fits their particular need. Risk, taxes and potential returns must all be evaluated in order to make an informed decision.

Our expertise in business analysis can also be utilized to assist in evaluating a privately or closely held enterprise. We provide various valuation ranges and discuss options appropriate for each client's particular situation. If investment-banking services are needed, we can help identify the appropriate banking firm that knows the industry, deals with the appropriate size companies and is experienced in the services that the client needs. Each investment bank has areas of strength and weakness across industries, size and type of transaction. We help our clients navigate this maze.

Planning services include a long-term scenario analysis that helps clients establish investment policies that meet their long-term needs. We help clients determine how various pools of capital should be utilized during retirement by analyzing size and pace of deployment under various tax and return assumptions. These decisions are impacted by both current income tax and future estate tax considerations. Moreover, when our clients reach retirement age, we perform annual retirement account withdrawal calculations and consult with them on the best methods for maximizing their retirement assets.

Tradition Capital Management also works with the leading financial institutions in order to explore fiduciary services for our clients. Impartial trust and estate services will always be advantageous to clients with intricate family investment needs.

Tradition Capital Management can continue to provide investment counsel in fiduciary relationships, at the request of our clients. The expertise of qualified institutions, coupled with our ongoing advice, provides seamless financial continuity for clients, often at difficult emotional times. We can conduct a search for an appropriate corporate relationship and consult on appropriate appointment language in client estate documents. If clients wish personal, not corporate, fiduciary services, we will advise on various options, which can fulfill client needs.

The most important characteristics of any planning effort that we provide for clients are impartiality and thoroughness. Our clients depend on our willingness to discuss any aspect of their financial life in order to fully understand and address their needs. Our sole mission is to offer counsel and direction, without self-interest, to our clients' personal economic affairs.

SENIOR PROFESSIONALS

Benjamin C. Halliburton, CFA

Managing Director

Email: bhalliburton@traditioncm.com

Mr. Halliburton is a founder and chief investment officer of Tradition Capital Management. He oversees the investment research and strategy for Tradition. He heads the Investment Committee and is a member of the Portfolio Committee. Mr. Halliburton has twenty years of professional investing experience including ten years at Brundage, Story and Rose where he was BS&R's Director of Research and responsible for overseeing the firm's equity selection process. He was a principal of the firm and a member of the firm's Investment Policy Committee. He also designed, developed and managed BS&R's successful Disciplined Growth Strategy. He holds the Chartered Financial Analyst designation and earned an MBA from Duke's Fuqua School of Business in 1990, where he was distinguished as a Fuqua Scholar. He earned a BS degree from Vanderbilt University in three years, graduating Magna Cum Laude in 1985, and graduated Salutatorian from the McCallie School.

Michael C. Provine, J.D., LL.M

Managing Director

Email: mprovine@traditioncm.com

Mr. Provine is a principal and portfolio manager of Tradition Capital Management. He is also a member of the Investment Committee and the Portfolio Committee. He works with clients to design and implement investment strategies for their portfolios. Mr. Provine also works with clients to make certain their trust and estate plans are designed to best carry out their wishes as he did for the clients of Brundage, Story and Rose for the nine years prior to his founding Tradition Capital Management. Mr. Provine utilizes his legal training for reviews of clients' financial, retirement and estate planning arrangements, and prepares recommendations for execution by their legal, accounting, and insurance professionals. Mr. Provine was President of The Boston Safe Deposit and Trust Company of New York. He earned a law degree and an advanced

tax degree from Temple University and is a licensed attorney. He is also a graduate of St. Joseph's University. For over 27 years, he has worked in the investment management business providing strategic planning and tax reviews.

Christopher J. Trompeter, CFA

Managing Director

Email: ctrompeter@traditioncm.com

Mr. Trompeter is a senior portfolio manager and works on Tradition's Investment Committee and heads the Portfolio Committee. Mr. Trompeter is responsible for the consumer discretionary and industrial sectors of the market. He is a founder and principal of the firm and has over two and a half decades of investment management experience. Prior to Tradition Capital Management, Mr. Trompeter was a senior portfolio manager at Brundage, Story and Rose, where he was a member of the Core Stock Selection Group and the Technology Research Group. Mr. Trompeter's extensive experience includes Citibank Global Asset Management as a senior portfolio manager. Mr. Trompeter began his career at Bankers Trust Company in 1978 managing equity, balanced and fixed income portfolios for institutional clients. He is a Chartered Financial Analyst and a member of the New York Society of Security Analysts. Mr. Trompeter graduated from St. Lawrence University with B.A. degrees in Economics and Government.

Joseph E. Lavin, CIMA, AIF

Managing Director

Email: jlavin@traditioncm.com

Mr. Lavin is Director of Sales and Marketing for Tradition Capital Management. He is responsible for business strategy, relationship management with our intermediary partners, business development and client service. Mr. Lavin is a member of the Portfolio Committee. He joined Tradition after ten years with Rorer Asset Management. As Regional Vice President at Rorer, Mr. Lavin was responsible for business development, marketing, and client service for over a billion dollars of assets. Under his leadership, Rorer Asset Management grew from infancy to one of the

largest Separate Account Money Managers with 11 billion dollars in assets under management. Mr. Lavin is a graduate of Temple University with a BS in Business Administration and holds a Certified Investment Management Analyst (CIMA) Designation along with Accredited Investment Fiduciary (AIF).

Patricia D. Byrnes

Senior Vice President

Email: pbyrnes@traditioncm.com

Ms. Byrnes joined Tradition Capital Management in January 2001 with 24 years of professional experience. Eighteen of those years were with Brundage, Story and Rose where she was a Senior Portfolio Manager working with individuals and pension and profit sharing plans. In conjunction with her investment responsibilities, she did extensive research analysis on companies in the Consumer Sector with a focus on innovative retail companies. Ms. Byrnes began her professional career with the Hong Kong and Shanghai Banking Corporation (HSBC). She is a graduate of Long Island University and earned her Masters of Business Administration from Adelphi University.

G. Graydon Curtis

Senior Vice President

Email: gcurtis@traditioncm.com

Mr. Curtis joined Tradition Capital Management with over 25 years of professional investment experience. Fifteen of those years were with The Chase Manhattan Bank where he was a Vice President and Senior Portfolio Manager working with both individual and institutional clients. In addition to portfolio management responsibilities, he had numerous research responsibilities in the Consumer Sector focusing on growing retail companies. Mr. Curtis began his investment career with The Chase Manhattan Bank and subsequently was associated with several investment advisors including Brundage, Story and Rose. He was a member of the New York Society of Security Analysts for over 20 years and completed Security Analysis at the New York Institute of Finance. He graduated from the University of Rochester and earned his Ph.D. from Cornell University.

Gregg E. Bullwinkel

Vice President

gbullwinkel@traditioncm.com

Mr. Bullwinkel is a junior portfolio manager and oversees the firm's trading function.

He is a member of both the Investment Committee and the Portfolio Committee.

Mr. Bullwinkel has over a decade of experience in the financial services industry where he began his career as a financial advisor. He was employed by Morgan Stanley Dean Witter immediately prior to joining Tradition Capital Management in 2001. At Morgan Stanley Dean Witter, he received extensive training in investments and financial planning. He earned the titles of Retirement Planning Specialist and Lump-Sum 401K Distribution Specialist. He concentrated on the implementation and management of long-term financial plans for high net worth individuals. He graduated from Rutgers University in 1987 with a BS degree in Business Administration.

Marc L. Davis, CFA

Vice President

mdavis@traditioncm.com

Mr. Davis is an equity research analyst working on the Health Care, Financial and

Consumer Staples sectors for Tradition Capital Management. He works on the

Investment Committee and Portfolio Committee. Mr. Davis joined Tradition in 2002

and started his investment management career in equity research at Brundage, Story

and Rose where he was a junior equity analyst following Health Care, Consumer,

Financial, Technology and Basic Materials. He was also a member of the firm's Health

Care and Basic Materials industry working groups. He earned a Chartered Financial

Analyst (CFA) designation and is a member of the New York Society of Security

Analysts and the New York Bar. Mr. Davis graduated from Columbia College in 1985

and earned his J.D. degree from the New York University School of Law in 1989.

SCHEDULE OF FEES FOR SERVICES

Investment Management Annual Base Fee Schedule

Our fees are based on assets under management. The rates below are annualized rates, billed quarterly at the beginning of the quarter that services are rendered, with a minimum annual fee of \$10,000.

- 1.00% on the first \$2,000,000 of assets managed
- 0.80% on the next \$3,000,000 of assets managed
- 0.50% on the next \$15,000,000 of assets managed
- 0.30% on assets over \$20,000,000

Planning And Financial Analysis Fees

Review services are generally charged on a per assignment basis as negotiated with each client, subject to a minimum fee of \$3,000.