

The 'Wish List' is not direct investment advice: we the producers are private investors, not professional investment advisors.

Three Companies Removed From The Wish List

While each story below has unique features that have led to their removal, this major portfolio reshuffling is also, in part, due to our current interest in acquiring a greater cash exposure. We believe a higher cash exposure is prudent at this time for the following three reasons:

1) There is the rising risk of another major downturn in the North American equity markets in the coming 12-24 months. This risk is amplified not only by overvaluation concerns, but also by the soft spot in the U.S. recovery and growing calls for austerity.

2) Interest rate and debt fundamentals suggest that there is the increased possibility of the U.S. dollar weakening (versus the Canadian dollar) in the coming 12-months. Our basic speculation here is that the Loonie can reach par or higher. Two of the three companies below derive all of their revenues in USD.

3) Over the short term, isolated opportunities in alternative investments (i.e. precious metals, commodities, and specialized ETFs), may present themselves. Holding cash not only prepares the investor for these opportunities, but also gives them an incentive to research and analyze these prospects with a greater sense of urgency.

In short, with the potential exception of the cyclically sensitive LAKE, we do not believe that any other remaining Wish List holding will be removed over the short-term. Our thesis going forward is that investments will be added as opportunities present themselves.

In the latest conference call **Old Republic International (ORI)** CEO, Aldo C. Zucaro, stated, *"Going forward, right now, we don't see the makings of any price increase, particularly in the commercial lines...any price increase would be further delayed if, as some expect, interest rates should spike up next year or whenever"*.

PMA Capital Corp. is in the process of being acquired by Old Republic International (ORI). We do not wish to partake in our niche insurance industry experiment any longer. Quite frankly, ORI has *more* moving parts than PMACA – a company which after the run-off nightmare and suspect investment choices we just began (we think) to understand. \$6.77* represents a **+10.08%** ROI year to date before taxes and commissions. Since being selected for the Wish List on December 26, 2006 PMACA has lost **26.17%**.

Clarus Corp. (BDE) has acquired two names and will likely acquire more. Not unlike rock climbing, the risks are high if a mistake is made, and risks are easy to make when trying to accumulate names in a very specialized/fragmented industry. The undervaluation story of **Clarus** is now dependent upon how the company's businesses perform in the future, and the success/failure rate of any future acquisitions. After a great deal of deliberation, we have little insight to offer on either topic, therefore we are out. **Clarus** took longer than we would have liked to redeploy capital (especially given the beaten down market in 2008-2009), but we are not disappointed with the total return. \$6.69* represents a **+50.33%** ROI year to date before taxes and commissions. Since being selected for the Wish List on December 26, 2007 BDE (formerly CLRS.PK) has gained **15.34%**.

When we selected **Great Plains Energy (GXP)** in October 2008 at \$21.05 we thought we were sitting pretty. After all, not a great deal had changed since we removed the company on February 7, 2007 at \$32.19/share for an 18.7% return. Today we are selling **GXP** for a *loss* based upon the premise that the company will take an extended period of time to rebuild its balance sheet following a horrific 2009. While we do foresee the company continuing to pay an attractive dividend, it is worth noting we have been wrong on this subject before. Quite frankly, even if the current payout is maintained, in our opinion total returns may not end up being much more attractive than holding CND cash. We would reconsider an investment in GXP on sharp weakness (\$15.69/share) and/or after a clearer balance sheet/capital expenditure outlook can be made. \$18.06* represents a **-6.68%** ROI year to date before taxes and commissions. Since being selected for the Wish List on October 6, 2008 GXP has lost **8.78%**.

* These prices represent the bid on each stock at approximately 3:30 PM today. PMACA, BDE, and GXP ended today at \$6.80, \$6.72, and \$18.13/share respectively.

Sincerely,

Brady Willett and Todd Alway