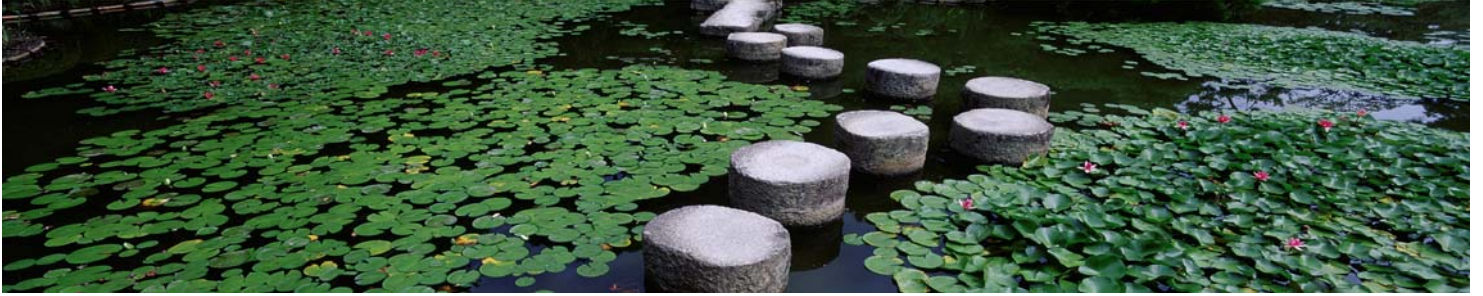


Ronald W. Beasley, Inc.
INVESTMENT ADVISOR



Investment Report

Annual | December 31, 2009

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Investment Commentary

Our portfolios' returns were for the most part modestly above the market's 26.5% performance this year, and have improved considerably in early January.

Sometimes misperceptions provide extraordinary opportunities. Wells Fargo's share price has been depressed because there is an excessive focus on problems in mortgage markets, and a considerable misunderstanding of the reserves the company has available, largely through write-offs taken in when Wachovia was acquired. As of September 30, there were \$27 billion of reserves booked in that purchase that haven't been used yet, essentially giving Wells that amount of off-balance sheet capital. I increased our position at a bargain price. Other highly successful investors, including Prem Watsa and Warren Buffett, have added to their substantial positions.

Wells nearly doubled its deposit base when it acquired Wachovia, which was an exceedingly attractive and underappreciated transaction. Wells' net interest margin and capital are at very healthy levels. Credit quality is higher than that of most other banks. Wells has been growing its insurance, brokerage and capital markets businesses and has been increasing market share and expanding cross-selling of products in Wachovia branches. There will also be considerable cost savings from the merger. Now that its TARP borrowings from the government have been repaid, the company has the flexibility to reinstate a higher dividend. The share price will reflect these benefits as the company's enormous earnings power becomes evident. The best investment opportunities are those that have very limited downside risk and a high probability of substantial long-term gains. Wells Fargo is one of a handful of great opportunities that I have seen in my career.

Berkshire Hathaway's share price has been held in a narrow range because of its upcoming issuance of stock for the purchase of Burlington Northern. The stock is trading at a historically low valuation. Warren Buffett has been very opportunistic during the recent market downturn, adding considerable value to the company. Kraft's share price has been similarly constrained as there is uncertainty over the outcome of its current negotiations to acquire Cadbury.

We made substantial profits this year on our investment in Burlington Northern, which is being purchased by Berkshire Hathaway. It is an investment I had hoped to hold for years, and it appears that Warren Buffett also sees it that way. We were able to reinvest proceeds from the sale of Burlington and other investments that gained 50% to 110% for us this year in other solid, well-managed companies with substantial dividends and limited downside risk at very attractive prices.

Share prices of healthcare companies have been impacted by concerns over government legislation. There are exceptional values in this sector. Pfizer has a

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diverse pipeline of prescription medicines that has been expanded by its recent acquisition of Wyeth. Johnson & Johnson has leading products in consumer health, pharmaceuticals, medical devices and diagnostics. Both have solid cash flows and generous dividends. The Fairholme Fund, added this quarter to replace our Dodge & Cox investment, has an excellent record of finding overlooked values. Fairholme has also been investing aggressively in the healthcare sector.

General Electric was added to our portfolios this quarter. GE has historically been the leader in every market it enters. The company has been selling less attractive businesses and focusing on growth in energy infrastructure and health care. Our entry price was very attractive, as GE's share price has overly discounted the impact of a slower economy on its industrial and capital markets businesses.

Exelon is a diversified electric and gas utility, and is the largest nuclear plant operator in the country. Emphasis on clean energy production should provide an advantage. Our entry price was well below the company's intrinsic business value.

The St. Joe Company is a real estate developer that owns over 550,000 acres in northwest Florida, primarily on or near some of the world's most beautiful beaches. The company has almost no debt, avoiding the risks many other developers have. It has a low cost basis in the land. And it donated land to Panama City for development of a new international airport, which will open in May of 2010. This will be a strong catalyst. St. Joe retained the land surrounding the new airport, which will be monetized in developments of hotels, restaurants, and so on. Our entry price equates to about \$3,800 an acre, an exceedingly attractive valuation for irreplaceable land. This is a tremendous multi-year opportunity.

While there are many positive signs that the economy is recovering, it is still fragile, with a lot of debt still to be worked through. It will take time. My emphasis is and will continue to be on capital preservation and investment in underpriced securities of stable, well capitalized companies with sustainable businesses and highly capable management. The opportunities we have are very appealing.

Overlooked Value

Three years ago a violinist was playing in a Washington D.C. Metro station. He played for about an hour, while about two thousand people went by. A few stopped briefly, donating a total of \$32. Many children stopped to listen, but were forced to move on quickly by their parents. The children all turned to look back.

The man playing the violin was Joshua Bell, one of the most famous violinists in

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the world. He played six Bach pieces, some of the most intricate and beautiful pieces ever written, with a violin worth over \$3 million. Two days before, he had sold out a theater in Boston where the seats cost an average of \$100.

Value is always hiding in plain sight, and gets expensive only when everyone recognizes it. Please feel free to call if you have any questions. I wish you all a healthy and prosperous year.

Sincerely,
Ron Beasley

Portfolio Holdings & Changes

Portfolio Holdings at December 31, 2009

Berkshire Hathaway	<i>Conglomerate</i>
Dell Inc.	<i>Information Technology</i>
Exelon Corp.	<i>Electric & Gas Utility</i>
Fairholme Fund	<i>Diversified Value Fund</i>
General Electric	<i>Conglomerate</i>
Johnson & Johnson	<i>Health Care</i>
Kraft Foods	<i>Packaged Foods</i>
Leucadia National	<i>Conglomerate</i>
Level 3 Communications	<i>Telecommunications Services</i>
Longleaf Partners Fund	<i>Diversified Value Fund</i>
Pfizer	<i>Pharmaceuticals</i>
The St. Joe Company	<i>Real Estate Development</i>
U.S. Bancorp	<i>Financial Services</i>
Wells Fargo	<i>Financial Services</i>

Fourth Quarter 2009 Portfolio Changes

New Positions

Exelon Corp.
Fairholme Fund
General Electric
Johnson & Johnson
Pfizer
The St. Joe Company

Positions Eliminated

American Express
Burlington Northern
Dodge & Cox Stock Fund
Intel
J.P. Morgan Chase

See disclaimer for important disclosures.