M I D D L E T O N & C O M P A N Y, I N C.

Investment Update

January 2010

2009 Year-end Update

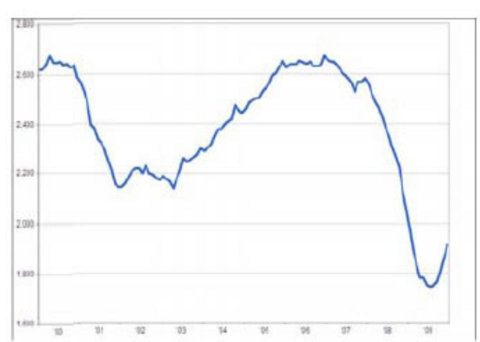
Review: Stocks continued to rally in the fourth quarter as investors gained confidence in the economy. The S&P 500 rose 6.0% for the quarter and 26.5% for the year. Bonds gained, as measured by the Merrill Lynch Intermediate Government/Corporate Bond Index - up 0.3% for the quarter and 5.7% for the year.

Quarters	*4Q09*	*3Q09*	*2Q09*	*1Q09*	*4Q08*
S&P 500 Index	***6.0%***	15.6%	16.0%	-11.0%	-21.9%
Merrill Lynch Int. Bond Index	***0.3%***	3.3%	2.0%	0.0%	4.0%

The U. S. Economy: During the quarter the economy showed signs of recovery. Weekly unemployment figures, although still high, have steadily improved. Manufacturing activity, as measured by the ISM Manufacturing Index, is now expanding, driven by the need to replenish lean inventories and strong exports. We expect that the fourth quarter GDP figures will show modest growth, similar to the third quarter. Aggressive monetary support in the form of low interest rates and massive purchases of government and mortgage securities by the Federal Reserve, combined with the effects of the fiscal stimulus package spending have clearly helped revive the economy.

Looking ahead, the key debate is whether the economy can continue to grow when government support is withdrawn. The first steps, the completion of the Fed's program to buy Treasury securities and the companion program to purchase Federal Agency securities, have been taken in stride by the financial markets. A larger test lies ahead- the winding down of the $1.25 trillion purchase of mortgage securities that is scheduled to end March 31st. The fact that the end has been well publicized has given the markets time to adjust. Fiscal stimulus spending will remain high for most of this year before tailing off, providing the economy with time to mend.

There are two main risks to the recovery. If employment weakens, the recovery will falter. Recent trends in unemployment claims and new job creation indicate continued improvement. Temporary jobs, a leading indicator of the direction of the job market, have increased for five months in a row, as shown nearby.



Temporary Help (000)

The other risk lies in the housing market. Sales have improved and pricing seems to be nearing a bottom. However, pressures on consumers are still high. We will be watching closely to see how the housing market fares during the important spring selling season. Our conclusion is that the most likely path for the economy this year is continued moderate recovery.

The International Economy: For 2010, the IMF estimates that world economic growth will be robust. The recovery in emerging economies has been particularly strong. Recent data from China and India support the case for GDP growth this year of 10% and 8%, respectively. Accordingly, interest rates are likely to move upward in the rest of the world, putting downward pressure on the dollar.

Stock Market: The strength of the stock market rally signals that investors are convinced that the economic recovery will extend through this year into 2011. Profits are projected to grow 25% this year and at a low double-digit rate in 2011. At 15x this year's earnings and 13.5x 2011 earnings, we find the valuation of the S&P 500 Index is attractive. We expect stocks to outperform bonds and cash.

Bond market: As Fed programs to purchase large amounts of bonds have wound down, interest rates have jumped. Three months ago, the ten-year Treasury bond yielded 3.3%. At year end, the yield had risen to 3.8%. The Fed will need to raise short-term rates in order to avoid another asset bubble. The timing of the latter action is unclear, but we believe that concern about higher Fed funds rates will begin to weigh on the bond market by midyear, making new bond commitments unattractive for now.

Strategy: We still expect consumer stocks to underperform because of the pressures of high levels of consumer debt and a weak job market. Information technology and industrial sectors have the best prospects this year. Both sectors have strong export markets and will benefit from robust growth outside the US.

Domestically, technology capital spending has lagged for a number of years. Corporations will need to upgrade their aging technology infrastructure to stay competitive. Industrial companies that aid in cost cutting and improving efficiency will also prosper, even in a modest growth environment. Energy stocks should also do well, as higher global growth increases demand. We are increasing our international investments as a hedge against a weak dollar and to benefit from higher growth areas of the world.