

ELIOT FINKEL INVESTMENT COUNSEL, LLC

FOURTH QUARTER UPDATE

We appreciate your interest in Eliot Finkel Investment Counsel and wish you a happy, healthy and prosperous 2012. We are pleased to report that our portfolios were up 11% in 2011* even as the Standard & Poor's 500 Index (S&P) was unchanged. During the last decade, our clients have enjoyed a 65%* return versus only 10% for the S&P. Our economic and fundamental analysis helped us avoid trendy, overpriced industries. For example we avoided technology stocks in 2000 and exited financial services stocks in 2007. Our investments in dividend-paying companies with good demographics, significant international exposure and substantial market share continue to pay off.

Economic conditions remain unsettled. Europe is probably in recession, and a default or substantial write down of Greek debt seems inevitable. The full impact on European banks and other sovereign debt remains to be seen. At the same time, growth rates in China, India, Brazil and other developing countries are coming down. The U.S., fortunately, is experiencing continued growth, albeit subpar. This growth is entirely attributable to increased productivity. GDP is about the same as when the recession began in 2007, but there are now 7.5 million fewer employees. Meanwhile, state and local governments continue to shed jobs, mostly in education which is not good for long-term competitiveness.

With all this going on it is small wonder that markets remain volatile. Nevertheless, our portfolios continue to deliver superior results due to the well managed, non-financial companies they contain. Most of these companies also have leading market positions and major international exposure. Our research continues to uncover appealing companies with similar attributes that we will add in the months ahead.

The yields on investment quality corporate bonds and U.S. government and agency debt are not attractive. Medium-term California General Obligation bonds remain appealing though not as attractive as they were in the first half of 2011.

Eliot Finkel Investment Counsel, LLC is a family firm founded in 1974. We conduct our own economic analysis and company research to build diversified portfolios that provide safety and income for the long-term. For more information call us at 310-271-2521 or visit our website www.efinvest.com.

* Past performance is no guarantee of future results and does not preclude the possibility of loss.