L A K E S H O R E   C A P I T A L

Lakeshore Capital, LLC
3755 Corporate Woods Drive
Birmingham, AL 35242

Tel: 205-313-9000
Toll Free: 888-244-0620
Fax: 205-313-1221
Web: lakeshorecapitalllc.com

After five straight quarters of increasing values, Q2 results declined as global equity markets sold off on fear of renewed economic weakness and the potential for a double dip recession here in the U.S. Our view remains that this is a low probability event and that growth in the domestic economy will continue, albeit in fits and starts for quite some time. Our positive outlook for both strong earnings growth and higher valuations for your Lakeshore holdings is unchanged.

During the quarter, we took the opportunity of lower market prices to buy additional shares of Hewlett Packard (HPQ) and initiate a new position in Microsoft (MSFT) at attractive valuation levels. HPQ is now one of your largest holdings and provides meaningful investor upside to growing global IT demand. For Microsoft, we have long admired the company and believe several new product launches/upgrades will reinvigorate growth in earnings over the next several years. Like HPQ, MSFT's immense scale of distribution, particularly in Asia, is a real competitive advantage.

As always, fundamentals drive long term stock price performance with dividends being an important component of an investor's total return. Lakeshore's portfolio continues to generate higher levels of dividend income over time with both Duke Energy (DUK) and Chevron (CVX) both increasing their payouts during the quarter. In fact, the almost 3% current yield on LSC's portfolio is now approximate to the yield on the U.S. 10 year Treasury bond – a rare occurrence. For our money, we'll happily take the potential upside of Lakeshore's portfolio over time vs. a low yielding long dated bond.

During last quarter's investor letter, I detailed the rationale for several of our energy related investments. One of our larger holdings, Anadarko Petroleum (APC), has a minority nonoperating interest in the Macondo well operated by BP. We have been APC stockholders for a very long time and have always regarded the company as one of our best run investments. To that end, we believe the facts of this disaster will ultimately show BP was grossly negligent in their operatorship of this well and that APC's (and others) financial liability will be significantly limited and far less than some have speculated. Anadarko remains financially strong with a bright future. Moreover, it's our view that BP will likely sell most of its U.S. operations which may create attractive acquisition opportunities for current Lakeshore holdings such as Apache (APA) or Chevron (CVX).

Longer term, we worry about the potential implications of reduced energy supply coming from the Gulf of Mexico as a result of this accident. Politics aside, worldwide demand for energy is insatiable and even small reductions in supply can have a large impact on price. This is an enormously difficult problem and decisions made regarding exploration in the Gulf of Mexico will likely have long term consequences.

Finally, I would like to share some good news regarding Lakeshore. Morningstar has again assigned our firm its highest 5-star investment rating for 1, 3, and 5 year performance. We are obviously pleased to be recognized and hope it further strengthens your confidence in us.

I look forward to updating you on the portfolio as the year progresses.

Best Regards,

Joel F. Conn
President

L A K E S H O R E   C A P I T A L

Performance and Portfolio Information

Second Quarter 2010

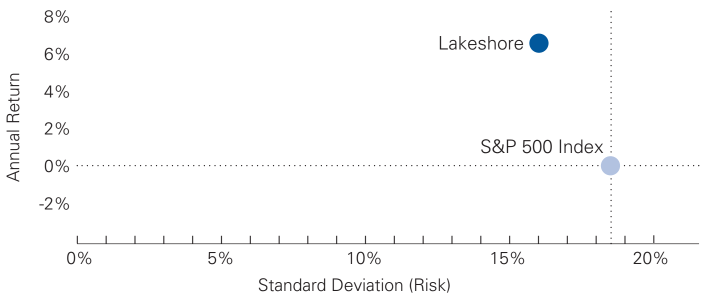
The Lakeshore Investment Process

Lakeshore Capital is a value equity investor that seeks to provide superior performance over the long term by providing competitive returns in up markets while minimizing declines.

Rates of Return (%) as of 6/30/10

		Annualized				Cumulative
	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception 6/30/01	Since Inception 6/30/01
Lakeshore (gross of fees)	-9.18	12.69	–6.52	1.57	6.22	72.13
Lakeshore (net of fees)	-9.58	11.70	–7.33	0.68	5.33	59.56
S&P 500 Index	-6.65	14.43	– 9.81	-0.79	0.01	0.01

Risk/Return* July 2001 – June 2010



Portfolio Characteristics*1 as of 6/30/10

Number of Holdings	19
Median market capitalization ($BB)	22
P/E Ratio	13
Price/Book	1.8
Dividend Yield (%)	2.9
Average annual ROE past five years (%)	16
Annual Turnover (%) year ending 6/30/10	5

Top Five Holdings*1 (%) as of 6/30/10

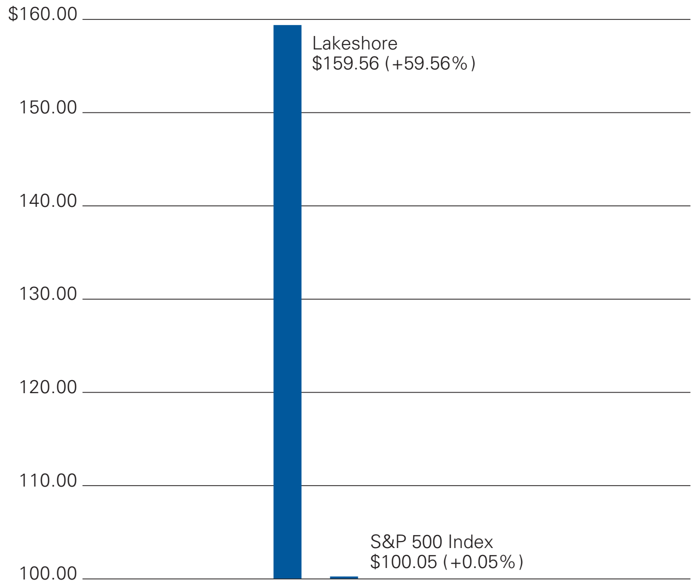
Hewlett-Packard Co.	7.9
Rayonier	7.1
BB&T Corporation	6.9
PNC Financial	5.8
Washington Real Estate	5.8

Holdings subject to change.

**Information provided to supplement the compliant disclosures in the endnotes.*

Lakeshore Performance (net of fees)

Growth of $100.00 for the period 6/30/01 – 6/30/10

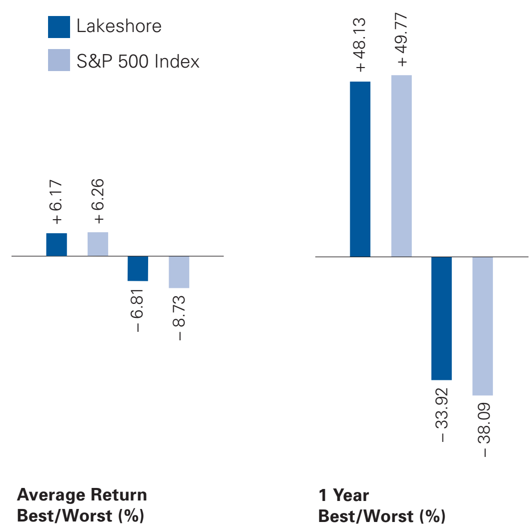


Past performance is not indicative of future results. Please see endnotes for full performance disclosures.

Risk Management* (%) for the period 6/30/01 – 6/30/10

Beta	0.79
Annualized Alpha	6.13
Sharpe Ratio	0.25

Relative Cumulative Returns* 6/30/01 – 6/30/10



Up/down Capture Ratios* 6/30/01– 6/30/10

	Up Capture (%)	Down Capture (%)
Lakeshore	100.9	63.9
S&P 500 Index	100	100

	Number of Quarters Up	Number of Quarters Down
Lakeshore	24	12
S&P 500 Index	22	14

Footnotes

[1] *Lakeshore Capital portfolio characteristics, holdings and sector weightings are subject to change at any time and are based on a representative portfolio. Holdings, sector weightings and portfolio characteristics of individual client portfolios may differ, sometimes significantly, from those shown. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities and sectors listed.*

Endnotes

Lakeshore Capital Value Composite contains fully discretionary accounts with similar value equity investment strategies and objectives. For comparison purposes the Lakeshore Value Composite is measured against the S&P 500 Index. In presentations shown prior to June 30, 2006, the composite was measured against the S&P 500 Index and the S&P 500 Index/Citigroup Value indices, excluding the reinvestment of dividends. The benchmarks were changed to more accurately reflect the strategy of the composite. Additional information regarding the prior benchmarks is available upon request. Beginning September 1, 2004, the minimum account size for this composite is $80 thousand.

Lakeshore Capital, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). Lakeshore Capital, LLC is a registered investment advisor. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented net of withholding taxes paid by foreign investors. Withholding taxes may vary according to the investor's domicile. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using actual management fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Additional information regarding the policies for calculating and reporting returns is available upon request.

Beginning April 1, 2007, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least 15% of portfolio assets. This cash flow threshold was increased to 35% effective September 30, 2009. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite at the beginning of the month which follows the cash flow by at least 30 days. Additional information regarding the treatment of significant cash flows is available upon request.

The investment management fee schedule is as follows: U.S. Clients – 1.0% on the first $5 million, 0.75% on assets over $5 million. Non-U.S. Clients –1.5% on the first $1 million, 1.0% on the next $4 million, 0.75% on assets over $5 million. The minimum annual fee for U.S. clients is $1,500 and for non-U.S. clients is $2,500. Under special circumstances, fees may be negotiable.

The Lakeshore Capital Value Composite was created September 1, 2004. Performance presented for the period July 1, 2001 through July 14, 2004 represents the value track record established by the Portfolio Manager while affiliated with a prior firm. Performance presented for the period July 15, 2004 through August 31, 2004 represents the value track record while the Portfolio Manager was in a transitional period and was not affiliated with the prior firm. During these periods, the Portfolio Manager was the only individual responsible for selecting the securities to buy and sell. A review of this track record for compliance with the portability requirements of the GIPS standards was conducted by Ashland Partners & Company, LLP.

Lakeshore's compliance with GIPS® standards has been verified for the period September 1, 2004 through December 31, 2009 by Ashland Partners & Company, LLP. Performance for the period April 1, 2010 through June 30, 2010 is preliminary and subject to change. In addition, a performance examination was conducted on the Lakeshore Capital Value Composite beginning September 1, 2004. A copy of the verification report is available upon request.

Index Relative Statistics: Statistical risk/return measures

Up/Down Table: *This table is a measure of managers' performance in up and down markets relative to the market itself. A down market is one in which the index's quarterly return is less than zero. To calculate down-market capture ratio, we link returns for the manager and the market for all down-market quarters over the selected time frame, then divide the manager's return during down-market quarters by the index's return during the same quarters. To calculate up-market capture ratio, this same process is carried out using returns from periods when the index's return was greater than zero. The lower the manager's down-market capture ratio, the better the manager protected capital during a market decline. A value of 90 suggests that a manager's losses were only 90% of the market loss when the market was down.*
Caution: The up/down table capture ratios can be deceiving if the nominal numbers involved are small. For example, if a manager's return during down market periods was 3%, while the index's during return during those same periods was -1%, the manager's down market capture ratio would be 300.

Alpha *measures nonsystematic return, or the return that cannot be attributed to the market. Thus, it can be thought of as how the manager performed if the market has had no gain or loss. In contrast, beta measures the return that is attributable to the market and is a measure of the portfolio's overall volatility. If the market's return as measured by an index was equal to the risk-free rate, the manager's expected excess return would be alpha. A positive alpha implies that the manager has added value to the return of the portfolio over that of the market. Returns with a negative alpha do not reflect any positive contribution by the manager over the performance of the market. An alpha of zero implies that a manager has provided a return that is equivalent to the market return for the manager's specific risk class.*

Beta *measures the risk level of the manager. Beta measures the systematic risk, or the return that is attributable to market movements. In contrast, alpha measures the nonsystematic return of the portfolio, and standard deviation measures the volatility of a portfolio's returns compared to the average return of the portfolio. A beta equal to one indicates a risk level equivalent to the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels.*

Sharpe ratio *is used to measure risk-adjusted performance. It is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.*

Annual Performance Results

Year End	Total Firm Assets ($MM)	Composite Assets USD ($MM)	Number of Accounts	Composite Gross %	Composite Net %	S&P 500 Index %	Composite Dispersion %
2009	112	40	67	22.58	21.50	26.46	2.66
2008	87	33	65	-25.68	-26.31	-37.00	2.09
2007	101	30	58	4.95	4.05	5.49	0.89
2006	76	16	24	14.63	13.60	15.80	0.80
2005	47	23	32	11.62	10.46	4.91	1.80
2004	46	29	69	15.60	14.48	10.88	NA
2003	–	6	13	25.61	24.58	26.68	NA
2002	–	3	5 or fewer	2.00	1.43	-22.06	NA
2001*	–	1	5 or fewer	4.60	4.34	-5.61	NA

**Represents non-annualized (partial year) performance from July 1, 2001 through December 31, 2001.*

NA indicates that information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

On August 1, 2006, several Lakeshore Value Composite accounts switched to the Lakeshore Value Wrap Composite as a result of the accounts entering into a wrap fee program where transaction costs could not be segregated from the total fee. The total value assets managed by the firm as of June 30, 2010 are $73.8 million, which represents 72% of the total firm assets.

LAKESHORE CAPITAL

Lakeshore Capital, LLC
3755 Corporate Woods Drive, Birmingham, AL 35242
Tel: 205-313-9000 Toll Free: 888-244-0620 Fax: 205-313-1221
Web: lakeshorecapitalllc.com