

EQUITY INVESTMENT CORPORATION

August 2016

Succession planning in any business is crucial to long-term success. After much hard work, we have developed a definitive succession plan whereby EIC's portfolio management team will acquire the assets of the business from me. We believe the plan we are putting in place is effective for the long term, with a primary focus on protecting the best interests of our clients.

When I founded EIC back in 1986, it was a one-man show, with me handling all aspects of the business. As we have grown to over \$5 billion in assets under management or advisement and 29 employees, we have been deliberate about staffing each business module with strong and capable people and retaining them, with succession planning in mind. My decision this past March to become a candidate for the US Senate was only possible due to my knowledge of, and confidence in, our team. My confidence in our ability to continue meeting our responsibilities to clients and to the platforms we serve has proven to be well placed. However, this event has highlighted our need to set out a long-term, overall business succession plan, which will be fully implemented by this fall.

Our portfolio management team members, Andrew Bruner, CPA, CFA, Terry Irrgang, CFA, and Ian Zabor, CFA, who collectively have more than 40 years of combined experience at EIC, will remain in their investment roles, and each will become a one-third owner of the business. I will remain as Chairman of EIC through 2019. Until then, I will continue to follow financial markets closely and to review EIC's holdings through the prism of our valuation model and value trap avoidance tools, much as I have done since our inception over thirty years ago. In addition, I will help communicate our succession plan to advisors, clients, and platforms and will be available as a general resource to the investment team. A management committee will handle the majority of my non-investment-related business functions.

A common hurdle for succession plans of asset managers our size is the upfront capital commitment. We have structured our deal so it won't hamstring either EIC or the PM team financially. Transactions with outside buyers often can be disruptive, leading to changes in corporate culture and objectives, key personnel turnover, and causing concern among advisors and clients. By contrast, our goals are to minimize any disruptions, maintain financial incentives for the existing portfolio management team, and ensure my own interests remain aligned with EIC, our clients, and our partners for years to come. No debt will be required, nor will the upfront cash consideration to be paid by the PMs constrain the business. Instead of receiving fixed payments, I will receive revenue-based payments. Thus, our succession plan keeps our entire team intact, gives us the financial flexibility required to weather difficult markets or to invest in the business as needed, and provides long-term financial incentives. I will continue to be involved in the success of the business, and it will remain my largest personal asset.

If I am elected to the Senate, the implementation of these plans would, of course, be accelerated. Regardless of the campaign's outcome, I believe our succession plan will benefit clients, advisors, and due diligence teams, and I am pleased that we will accomplish what is so often difficult for business founders: transitioning a business to the next generation while preserving the internal culture, the investment team and the investment process. All who have entrusted assets with EIC can rest assured that we are well prepared for the future and that we have taken the necessary steps for our team to be a preferred partner for years to come.

We look forward to continuing our partnership with you and your clients and appreciate the confidence you have placed in us.

Jim Barksdale