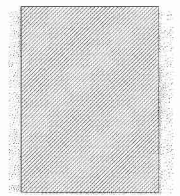


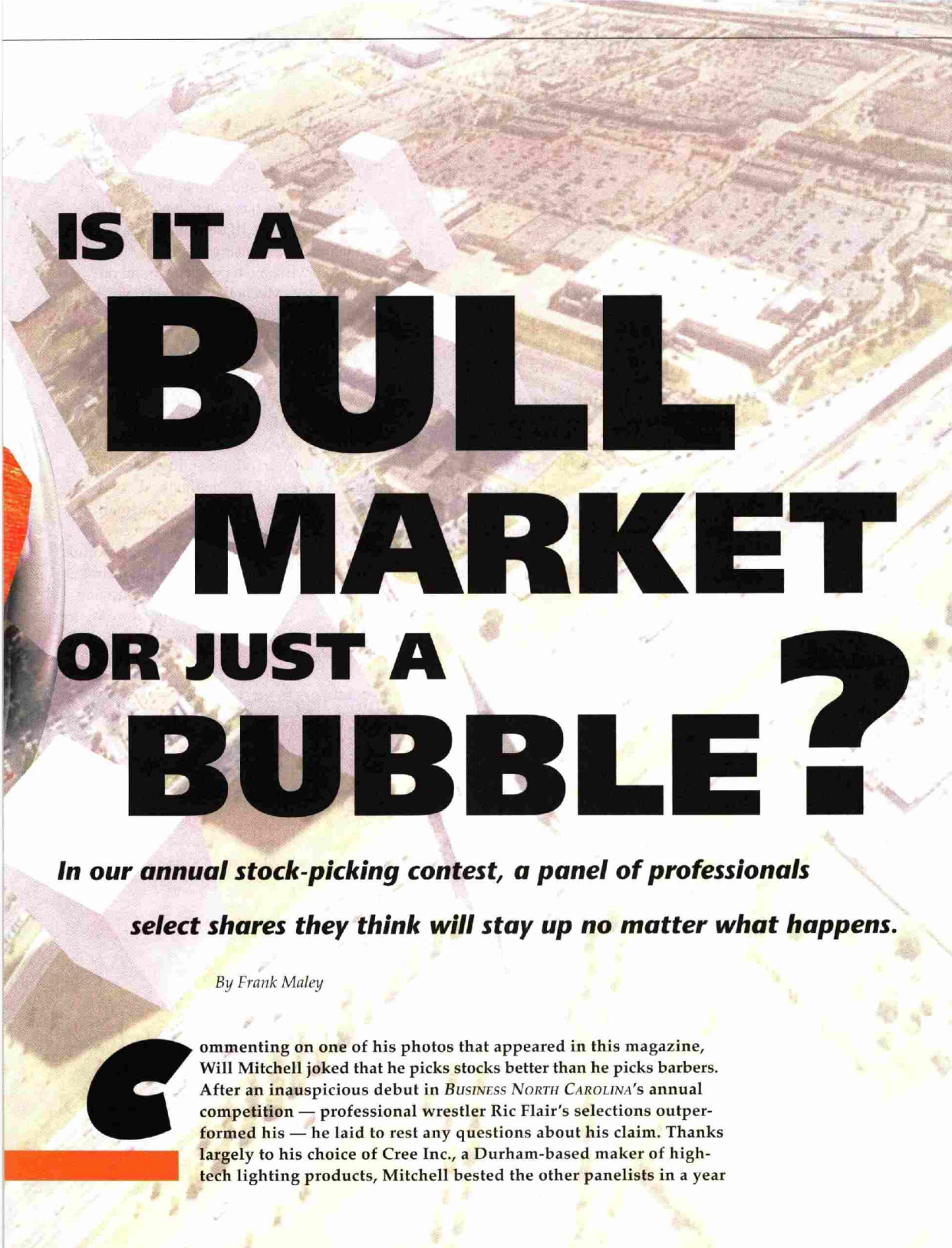
BUSINESS NORTH CAROLINA

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FEATURE



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**IS IT A
BULL
MARKET
OR JUST A
BUBBLE?**

*In our annual stock-picking contest, a panel of professionals
select shares they think will stay up no matter what happens.*

By Frank Maley

Commenting on one of his photos that appeared in this magazine, Will Mitchell joked that he picks stocks better than he picks barbers. After an inauspicious debut in *BUSINESS NORTH CAROLINA*'s annual competition — professional wrestler Ric Flair's selections outperformed his — he laid to rest any questions about his claim. Thanks largely to his choice of Cree Inc., a Durham-based maker of high-tech lighting products, Mitchell bested the other panelists in a year

F E A T U R E

LAST YEAR'S WINNERS AND LOSERS

Panelist	Average return
William Mitchell, Southeast Investments N.C. Inc.	28.9%
John Woodard, Woodard & Company Asset Management Group Inc.	19.2
Bobby Edgerton, Capital Investment Counsel Inc.	6.3
Frank G. Jolley, Jolley Asset Management LLC	(9.1)
Alexander B. Miles, WealthTrust Advisors Inc.	(13.7)
Panel average	6.3
S&P 500	7.0

when a portfolio-gutting bear market turned bullish.

Each panelist is asked to pick three stocks of North Carolina-based companies they think will produce the best average annual total return. A year ago, the five pickers didn't have a moneymaking stock among them. In the 52 weeks ended Oct. 30, three finished with positive returns as the market rebounded from its nadir in March. Picking high-performing stocks for the year ahead could prove dicier. Mitchell, for one, says the general rise in prices is a blip in a longer-term bear

market. "After the last two years, everyone has pulled in their horns. People are saving more, and they're taking less risk."

The nation's credit-fueled economy of the past 20 years has given way to one in which lenders are tightening terms and regulators are increasing oversight. "That's going to have some type of constraint on growth," says Mitchell, a certified financial planner with Southeast Investments N.C. Inc. in Charlotte. He sees the stock market peaking in the first quarter.

John Woodard, president of Woodard & Company Asset Management Group Inc. in Advance, finished second, and he, too, is taking a defensive view, using two of his picks this year on utilities. Gross domestic product increased 2.8% in the third quarter, providing some reason for optimism. But Woodard sees special circumstances at work. "Right now, we're running on stimulus money. Our third-quarter GDP demonstrated that. If the consumer does not step up and start buying by midyear, then we're going to have a very difficult time. We may very well slide back."

HOW LAST YEAR'S PICKS FARED

Stock	Ticker	Headquarters	Mkt.						Price on 10/30/09	Price on 10/31/08	One-year change
				Bobby Edgerton	Frank G. Jolley	Alexander B. Miles	William Mitchell	John Woodard			
Cree Inc.	CREE	Durham	O				X		\$42.10	\$19.63	114.5%
CommScope Inc.	CTV	Hickory	N			X		X	27.02	14.71	83.7
Krispy Kreme Doughnuts Inc.	KKD	Winston-Salem	N	X					3.39	2.76	22.8
Reynolds American Inc.	RAI	Winston-Salem	N		X				48.48	44.90	8.0
S&P 500											7.0
Dow Jones industrial average											4.2
Duke Energy Corp.	DUK	Charlotte	N	X				X	15.82	15.40	2.7
Nucor Corp.	NUJ	Charlotte	N				X		39.85	39.25	1.5
Ruddick Corp.	RDK	Charlotte	N	X	X				26.72	28.64	(6.7)
SPX Corp.	SPW	Charlotte	N			X			28.09	38.74	(27.5)
Pharmaceutical Product Development Inc.	PPDI	Wilmington	O		X			X	21.55	30.23	(28.7)
BB&T Corp.	BBT	Winston-Salem	N				X		23.91	33.81	(29.3)
FairPoint Communications Inc.	FRP	Charlotte	N			X			0.11	3.98	(97.2)

Prices adjusted for splits and dividends

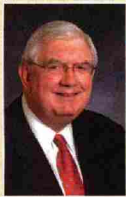
N: New York Stock Exchange

O: Over the counter, Nasdaq

PANELISTS' PICKS FOR 2010

Company	Ticker	Headquarters	Industry	Mkt.	Price on 11/27/09	52-week range	One-year change*
BNC Bancorp	BNCN	Thomasville	Banking	O	\$6.95	\$3.96-8.50	(15.9)%
Coca-Cola Bottling Company Consolidated	COKE	Charlotte	Beverages	O	46.05	37.75-58.18	10.5
Cree Inc.	CREE	Durham	Semiconductors	O	47.77	12.57-48.63	200.8
CommScope Inc.	CTV	Hickory	Telecommunications	N	26.35	6.89-33.00	133.4
Duke Energy Corp.	DUK	Charlotte	Energy	N	16.69	11.72-16.83	14.2
Family Dollar Stores Inc.	FDO	Matthews	Discount stores	N	31.02	21.79-35.00	13.8
Laboratory Corporation of America Holdings	LH	Burlington	Medical testing	N	73.29	53.25-74.80	15.7
Lowe's Cos.	LOW	Mooresville	Hardware stores	N	21.96	13.00-24.09	8.1
Nucor Corp.	NUE	Charlotte	Steel	N	41.81	29.84-51.08	20.9
Peoples Bancorp of North Carolina Inc.	PEBK	Newton	Banking	O	4.99	4.75-10.37	(44.9)
Piedmont Natural Gas Co.	PNY	Charlotte	Energy	N	23.62	20.68-33.60	(26.8)
Pharmaceutical Product Development Inc.	PPDI	Wilmington	Drug research	O	21.41	17.97-29.53	(16.7)
Park Sterling Bank	PTSB.OB	Charlotte	Banking	O	6.25	5.50-9.99	(34.2)
The Pantry Inc.	PTRY	Cary	Convenience stores	O	14.81	14.00-25.97	(23.4)

N: New York Stock Exchange O: Over the counter, Nasdaq *adjusted for splits and dividends



Larry Carroll

President
 Carroll Financial Associates Inc.
 Charlotte

Community banks have been hit hard by the bad economy and weak stock market. Their prices continue to suffer from concerns about the real-estate market. High-quality small banks are going to see higher interest margins and lower loan losses, which will result in higher earnings in 2010. Each of the following picks has been selling at less than the tangible book value per share.

BNC Bancorp

Bank of North Carolina, the company's lone subsidiary, opened its doors in 1991. It is one of the few midsized banks in North Carolina healthy enough to acquire a troubled bank from the Federal Deposit Insurance Corp. Its overall financial health and commitment to growth could open opportunities in a difficult market.

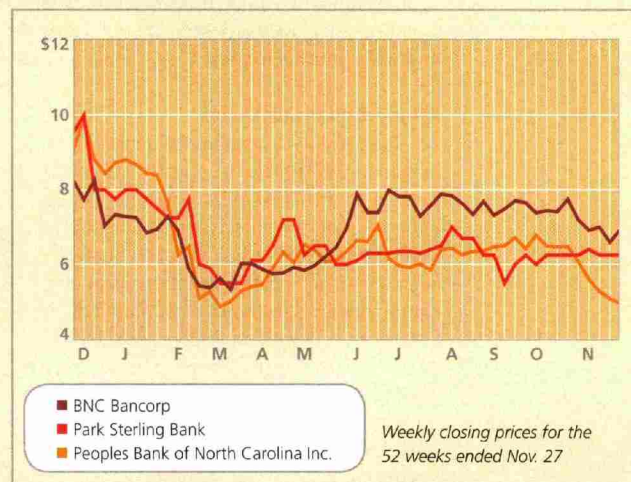
Park Sterling Bank

In the interest of full disclosure, I am chairman of this company. In three years of

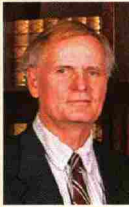
operations, the bank has grown to more than \$470 million of assets and has an experienced management team that continues to pursue growth opportunities. The net interest margin is expanding, and the loan problems appear adequately reserved.

Peoples Bank of North Carolina Inc.

This bank has been in business since 1912. Several of its direct competitors are not able to grow due to capital limitations. This will allow it to pursue expansion opportunities in western North Carolina.



F E A T U R E

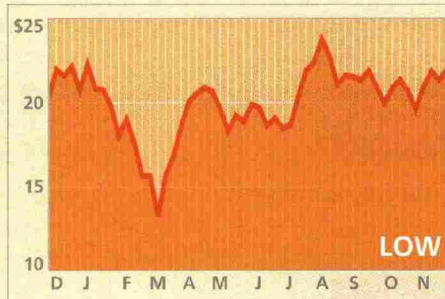


Bobby Edgerton

President
 Capital Investment Counsel Inc.
 Raleigh

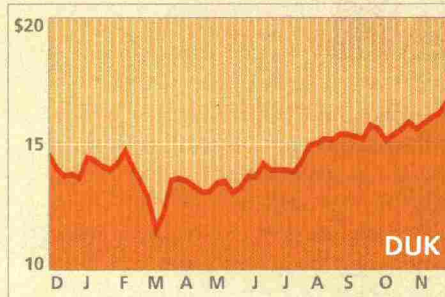
Lowe's Cos.

The company is significantly undervalued relative to its infrastructure. It owns 88% of its locations, including buildings on leased land. I see the company's cash flow between \$3.5 billion and \$4 billion next year. Its properties on the books are worth \$31 billion — roughly the market value of the company. Its state-of-the-art campus in Mooresville adds to the property value. People will not stop improving and fixing their homes. Going to their local Lowe's store has become a hobby for a lot of people.



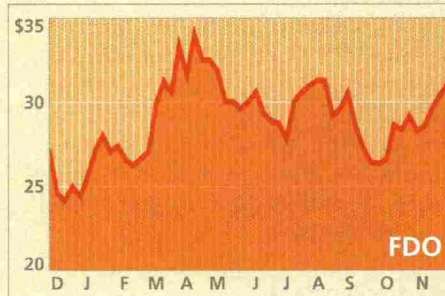
Duke Energy Corp.

A 6% dividend yield should provide ample downside protection for this blue-chip utility. Duke is prospering from state and federal renewable-energy mandates. CEO Jim Rogers has procured free emission credits until 2025 from the House of Representatives. Nuclear-power development incentives from the Senate are a plus. An alliance with the University of North Carolina to expand wind power is interesting. Duke also has a budding relationship with China in clean-coal technology. The stock trades for 96% of book value and will continue to grow.



Family Dollar Stores Inc.

Cash and long-term investments ballooned to \$600 million in August. This company generates \$500 million cash flow on \$4 billion in market value. Depreciation of \$160 million bumps its cash flow substantially higher than net income. Property, plant and equipment are substantial at \$1 billion depreciated value. Store count now exceeds 6,600 in 44 states. This company used to be debt-free, but cash flow is approximately twice its \$250 million debt. I suspect that will be paid off soon, knowing the conservative nature of the Levine family, which runs the company.



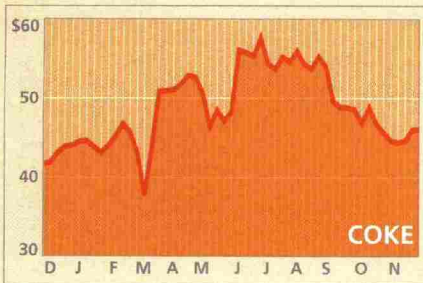
Frank G. Jolley

President
 Jolley Asset Management LLC
 Rocky Mount



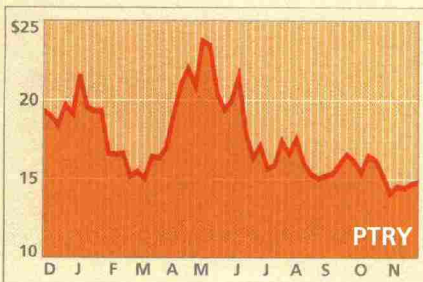
Coca-Cola Bottling Company Consolidated

This is the second-largest Coca-Cola bottler in the United States. Recent sales have been weak due to economic conditions in the southeastern United States. However, the company generates significant cash flow, which is used for its healthy dividend of 2.2% as well as a deleveraging of the balance sheet. The Coca-Cola Co., based in Atlanta, owns approximately 30% of the company's shares.



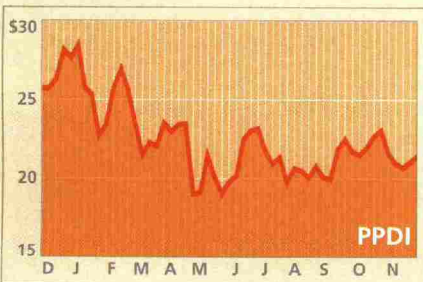
The Pantry Inc.

This company operates 1,650 convenience stores in 11 states and sells a broad selection of merchandise and gasoline (approximately 79% of sales). At current prices, the shares are down more than 78% from highs of more than \$70 — reached in early 2006. The weakness is largely a result of lower gasoline profit margins. The stock trades at less than 10 times projected 2010 earnings of \$1.52 per share. A rebound in the shares is likely over the next year as gasoline margins return to more normal levels.



Pharmaceutical Product Development Inc.

Based in Wilmington, the company provides a broad range of research and consulting services for pharmaceutical and life-sciences companies. The stock is trading at around 15 times expected earnings of \$1.40 per share for 2009. The balance sheet is exceptional, with cash and equivalents of approximately \$5 per share and no long-term debt. The current price is down approximately 57% from its 2007 high of \$49.39. PPDI recently acquired a contract-research organization in China to capitalize on growth in the Asia-Pacific region.



F E A T U R E

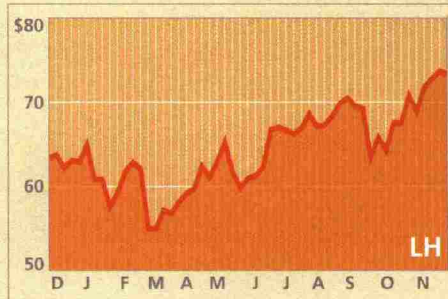


William Mitchell

Certified financial planner
 Southeast Investments
 N.C. Inc.
 Charlotte

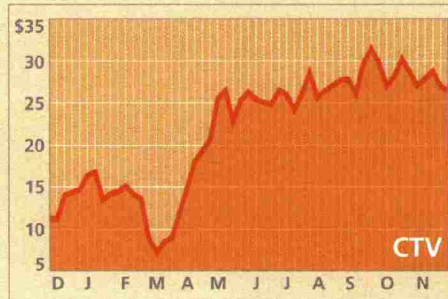
Laboratory Corp. of America Holdings

The company offers clinical laboratory tests used by the medical profession. With a forward price-earnings ratio of 13.5, as well as expected annual revenue growth and earnings growth above 10%, LabCorp offers reasonable growth and value in an increasingly vital segment of the U.S. economy. Over the next few years, the company should see a marked increase in client volume due to health-care legislation at the federal and state levels.



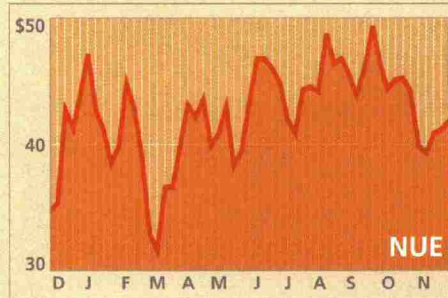
CommScope Inc.

This company's principal activities are designing and manufacturing cable and connectivity solutions for communications networks worldwide, including wireless networks. Sporting a 21% forward earnings growth rate combined with 13.6 price-earnings ratio, CommScope represents a value investment within a solid growth industry. Its worldwide exposure allows the company to benefit from a declining dollar and resurgent emerging markets.



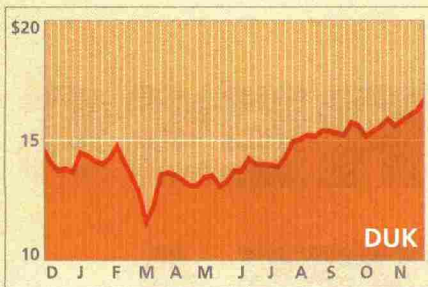
Nucor Corp.

Simply the best-managed steel company in America. It's an investment in the U.S. infrastructure rebuild that is already in the pipeline for 2010 and 2011. Fears of a double-dip recession will likely spark additional stimulus action focusing on large construction in the second half of 2010. The company sports a forward earnings growth rate of 21% for 2010 with a dividend yield of 3.3%. Earnings growth in 2011 is expected to be 40%. Additionally, an upward worldwide trend in steel prices will likely add to Nucor's profits. A must-own infrastructure company.



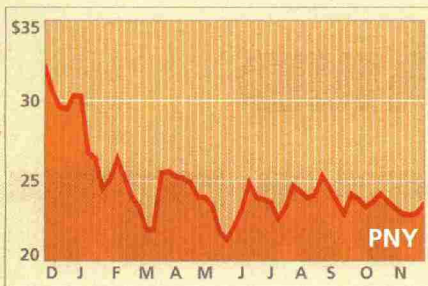
John Woodard

President
 Woodard & Company Asset
 Management Group Inc.
 Advance



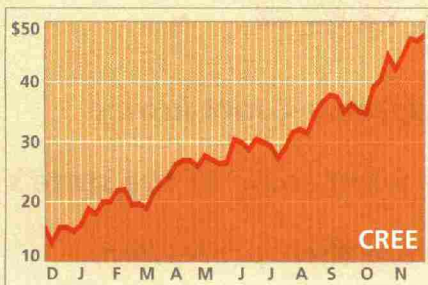
Duke Energy Corp.

Duke has 4 million electric customers in North Carolina, South Carolina, Ohio, Indiana and Kentucky, as well as 500,000 gas customers in the Midwest. The nearly 6% dividend yield should help support the stock price if markets turn down again, as well as generate a handsome income for investors at a time when interest rates are low. The utility cut costs earlier this year as sales fell because of the economic downturn. It is well-managed, and earnings should increase.



Piedmont Natural Gas Co.

This natural-gas distributor serves more than 935,000 customers in North Carolina and two other states. The weak economy impacted sales in the first half of the year, and the company is experiencing declining customer growth at the same time customers are conserving more energy. These difficulties have been offset by declining natural-gas costs, so earnings should continue to increase. The dividend recently increased, and the stock should provide investors a good defensive play in an uncertain economic environment.



Cree Inc.

Cree makes semiconductor materials and electronic devices of silicon carbide. Its main product line, light-emitting diodes, accounts for 87% of revenue. Competition is stiff in this market, but well-managed Cree stands out. It had its highest backlog ever at the end of its fourth quarter in June. It has boosted contract revenue abroad, top-line growth is strong, and analysts expect a revenue increase of 20% for fiscal 2010. The company recently introduced its LRP-38 unit, which provides the same color and intensity as halogen lamps with 75% less energy.