

July 9, 2010

Your Portfolio Review Book for the period ending June 30, 2010, is enclosed. Global equity markets fell sharply during the quarter. The Russell Midcap Value (RMV) and S&P 500 were down 9.6% and 11.4%, respectively, while our investors' portfolios declined 4.7%. Our strong companies broadly outperformed, particularly in the consumer staples, consumer cyclical, and materials sectors. Despite the volatile markets, our investors' equity portfolios are up 3.1% year-to-date, while the RMV and S&P 500 are down 0.9% and 6.7%, respectively.

Our sole mission is to preserve and grow our investors' capital for the long term. Despite one of the worst bear markets in history, *all* of our investors are ahead of where they were when the market peaked. Since the third quarter of 2007, our investors have gained 5%, while the RMV and S&P 500 are still down 23% and 28%, respectively. The table on Page 8 of the attached demonstrates the solid, long-term results of our **disciplined investment approach** for 3, 5, and 10 years.

We believe investor frustration will continue as the damages caused by the financial crisis will take more time to repair and the recovery will be slower than investors originally expected. Despite uneven end-market demand, the vast majority of our companies are growing their earnings and cash flow. They are gaining market share by reinvesting their free cash flow in R & D, new products, and marketing. The dividends of our portfolio are growing which is a strong indication of management's confidence in the sustainability of their earnings and cash flow. Our companies employ significantly lower financial leverage than their peers, positioning them to succeed when interest rates increase. Based upon our research, we believe their stocks are undervalued and represent an attractive investment opportunity for those who have the **courage and patience** to invest for the long term.

Thank you for your interest in investing with us and we look forward to visiting with you soon.

Regards, Fred