

April 8, 2011

Dear Friends:

We are pleased to report that our investors' equity portfolios increased 8.0% this quarter, while the Russell Midcap Value and S&P 500 were up 7.4% and 5.9%, respectively. Investments in technology (+18%), energy (+17%), and consumer staples (+10%) led their return, while financials lagged (+3%). While this was a good start to the year, our **disciplined, fundamental investment approach** is focused on long-term results. The attached table demonstrates that our investors have earned solid returns for the past 3, 5 and 10 years.

Business conditions continue to improve, albeit at an irregular and slow pace. Despite the difficult environment, our companies are making excellent progress and producing impressive earnings growth. Much of this success is because they are gaining market share and have been able to pass through increases in raw material costs to their customers. Pricing power will be even more important going forward, as input costs continue to accelerate. Our companies' strong balance sheets and predictable cash flow are formidable competitive advantages. Based upon our proprietary research, we believe their stocks are undervalued and represent attractive investment opportunities.

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

Best regards,

Fred H. Speece, Jr., CFA

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