

August 23, 2011

Dear Fellow Investors;

While the stock market's recent volatility has exacerbated investors' fears and frustrations, it is creating excellent investment opportunities for those able to take the longer view. As outlined in our prior letters, we have built a portfolio of companies with the financial and operating strengths required to succeed, even in a slow-growth economy. Our analysis of your companies' second quarter earnings reports reinforces our confidence in their ability to maintain high returns on capital and grow their dividends despite the tepid pace of the economic recovery. In addition, their stocks are now selling at even more attractive valuations because of the sharp market decline. We believe this is a good time to be investing for the long term and we are taking advantage of this opportunity by adding to several of your current holdings. As always, **patience and courage** are required to allow good investments to develop to their full potential.

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

Regards, Fred, Paul and Ben