

July 3, 2012

Dear Fellow Investors:

During the quarter, investor concerns intensified regarding global financial stability and economic growth, reversing much of the market's first quarter rally. Your equity portfolio was down 4.7% during the quarter while the Russell Midcap Value and S&P 500 were down 3.3% and 2.8%, respectively. Investments in utilities (+9%) and health care (+1%) were positive but technology (-16%) and energy (-16%) performed poorly. While we are not satisfied with the results this quarter, long-term investing is our focus and the attached table demonstrates that our investors have earned solid returns for the past 3, 5 and 10 years.

The duration of slow economic growth is negatively impacting end market demand and frustrating investors. Sluggish volume and increasing price elasticity have pressured even our high quality companies. However, raw material costs are declining, providing some relief to margins. Despite this environment, your companies are proactively investing in their future through increased R&D, marketing, and product innovation. Dividend growth is symbolic of a strong balance sheet, predictable cash flow, and management's confidence in their company's future. Your companies have been growing their dividends at significantly higher rates than their competitors, which reinforces our confidence in your portfolio of companies. As always, **discipline, patience, and courage** are required to be a successful investor.

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

Best regards,

Fred, Paul & Ben