July 8, 2009

We are pleased to report that our investors' equity portfolios were up 13.4% during the quarter. Their returns were propelled by investments in energy (+20%), technology (+18%), basic materials (+17%) and industrials (+16%), while health care was the laggard (+3%). During the quarter, the Russell Midcap Value and the S&P 500 were up 20.9% and 15.9%, respectively. Low quality companies led the market's advance. Stock prices of companies with negative earnings rebounded 35% during the quarter. For the last 12 months, our investors' portfolios declined 12.6%, while the RMV and S&P were down 30.5% and 26.2%, respectively. While we are pleased with the returns this quarter, we find greater satisfaction in our long-term returns as shown in the enclosed book.

Our companies have done a good job executing their business strategies during this extraordinarily difficult period. Despite the severe recession, many have produced higher margins and raised their dividends. Their **strong financials and our disciplined risk management** served our investors well during the market collapse. We believe this combination will continue to prevail regardless of the recession's duration. Our companies have the flexibility to reinvest in their business, while their competitors struggle to survive. These timely investments should produce market share gains and increased profitability. Based upon our research, the stock prices of our companies are undervalued and represent a significant opportunity for those who have the **courage and patience** to invest for the long term.

We are gratified that three employee benefit plans have become investors with us.

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

Enclosure

FHS:mt