

October 8, 2010

Enclosed please find our Portfolio Review Book for the period ending September 30, 2010 for your review. We are pleased to report that our investors' equity portfolios gained 9.6% during the quarter. Our investments in industrials (+19%), materials (+17%), and consumer cyclicals (+14%) drove equity returns, while financials lagged (+3%). During the quarter, the Russell Midcap Value (RMV) and S&P 500 were up 12.1% and 11.3%, respectively. Year-to-date, our investors are up 13.0%, while the RMV and S&P 500 are up 11.2% and 3.9%, respectively. Our mission is to preserve and grow our investors' capital for the long term. The tables on Pages 7-9 demonstrate the solid results of our **disciplined investment approach** for 3, 5, and 10 years.

We continue to believe the economic recovery will be slow and frustrating. Despite uneven end-market demand, we are confident that our companies will continue to gain market share. Their superior operating skills and ability to reinvest in R & D, new products, and marketing gives them a significant competitive advantage. Their low financial leverage, combined with their strong cash flow, positions them to succeed when interest rates increase. Based upon our research, we believe their stocks are undervalued and represent attractive investment opportunities 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