Redfield, Blonsky & Co., LLC
www.rbcpa.com

June 24, 2011

Dear Clients and Friends,

This letter intends to describe how we analyze investments, some of our current investment views, and various other discussions in relation to your portfolios which we manage.

Fundamental Analysis and how we apply it:

We attempt to determine the intrinsic value of the investments in your portfolio, based on a thorough analysis of the fundamental business factors, the company and industry conditions. We thoroughly read SEC filings, including financial statements, annual reports, company or industry conference calls, investor and analyst meetings, one on one company meetings, industry events and other related filings.

Fundamental analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the risk of an investment, and what we consider the intrinsic value of the company's stock to be, compared to the current market value.

When looking at an investment, we attempt to project and focus on a company's future generation of cash flow and earnings, their balance sheet, and other financial statements and disclosures. We attempt to analyze the quality of their current and future earnings. We attempt to introduce stress related circumstances to our projections. For example, we might project worse than expected earnings, or an extended business slowdown. We also project the amounts that we think could be returned to shareholders via dividends. We determine what we think the future return on investment will be over a mid to long period of time. Typically we use a 5 year to 15 year "road map" in our analysis. Of course this "road map" is constantly changing and revised for changes in conditions. Typically we look to invest in a company when we have confidence in the predictability of their future cash flow stream, and we are comfortable with the price we are paying for this projected future cash flow and earnings stream. At the same time, we constantly look for flaws in our reasoning or thesis. As CPAs, we have an in-depth knowledge in interpreting financial statements and their footnotes. Our extensive research is embedded in our clients' portfolios.

We take a long-term approach to investing. We consider long-term to be in the area of 5 to 10 years, or more. When we purchase equity securities, we typically expect to hold the investment for a long period of time. Often our goal would be to hold security positions permanently. Yet, history has shown us that the goal of permanent holdings has not been achieved.

We try to keep portfolio activity to a minimum. We believe that less trading is preferred to frequent trading. On the other hand, our fixed income positions will often have greater trading frequency. Sometimes we feel a specific fixed income situation is a bargain at a certain price. We will be buyers, while we perceive that a bargain exists. At other times we will sell when we feel that the "bargain" has subsided.

We attempt to be tax efficient in our portfolios. Clients will often ask us to give a market prediction. Our typical answer is that we have no clue what the stock market will do over a short period. Over the short term (short term being 5 years or less), anything can happen. In the book, The Money Game, Adam Smith (George J. W. Goodman) pointed out when J. P. Morgan was asked what the market would do, he said, "It will fluctuate."

We do not focus a great deal on the day-to-day "noise" in the markets. We attempt to focus on the information that will have a long-term impact on our current investments and potential investments. We manage our own portfolios and our families' portfolios in the same manner we manage those of our clients.

Later in this letter, I will present some companies we own, and you will see some of the fundamental analysis we work with to help generate our investment thesis.

Be careful of chasing yield:

As I write this, a 5-year CD is typically yielding less than 2.5%. In October 2010 the yield was 2.75%. Our portfolios typically have a current dividend yield of 2.6%. We are trying to be very careful in not chasing yield. We do our best to determine if the company can sustain or increase their dividend. We monitor the Dividend to Net Income Ratio (known as the Dividend Payout ratio), and the Dividend to Cash Flow ratio.

If one tries to increase yield, one has to either reduce credit quality, and/or increase the length of time of a fixed income investment. We are concerned with that. On the other hand, with strong credit quality (or even weak quality) a rise in interest rates will hurt bond prices. It is important that an investor understands how changes in interest rates, credit quality, and inflation would affect Fixed Income investments.

My opinion is that bonds as an asset class have been set up for poor returns going forward.

Bringing it back to basics:

Our portfolios are invested in a way that we prospered for many years in the past. I am not trying to hit home runs. I hope to, and plan on continuing to hit the singles and doubles, as we have done since mid-year 2010. We are looking to stay diversified and out of trouble. We typically avoid companies that have a large amount of debt in relation to their net income or cash flow. We are investing in companies that should be able to withstand recessions, depressions, and periods of illiquidity. We do own some companies that might not be as financially strong as others, yet these companies are typically a smaller part of your portfolio. We own these companies which don't have the necessarily strong attributes of most of the other companies in your portfolio, because I think the market is mispricing them with too large a discount. We think these discounts will eventually disappear, making our holding more valuable. I will describe below in our Two Minute Drill Presentation, how our largest portfolio holdings are typically financially strong, and have low debt levels in respect to their total equity.

When we own a company, we typically are familiar with a price we would sell it at, or buy more. We also keep up on company events, and see if anything is changing in our thesis. We keep detailed notes of each investment. Some of these notes have been put on our website. Here is an example of one such company note. http://www.rbcpa.com/companies/PEG_Notes.pdf "*Financially strong utility, focused in the Northeast, with a concentration in New Jersey. As with other utilities and power companies, their earnings are depressed because of price sensitivity to Natural Gas Prices. I expect that recovery of prices will occur at some point. Dividend yield of 4.23% at current price. Has paid a consistent dividend for over 100 years. Most financial metrics seem strong. These would include P/E (Price to Earnings Ratio), ROE (Return on Equity) and Dividend Payout Ratios.*"

Buying investments at low prices relative to their intrinsic value is the most important aspect of investing. The research and interpretation of the financial statements of a company to determine intrinsic value will limit the risk and will minimize losses.

We eliminated short selling from our portfolios during the autumn of 2010:

We have used shorting fairly extensively since 1998. Shorting has certainly caused our portfolios to under-perform the S&P over the last 3 years. As much as I believe our analysis is correct on our former short positions, I decided to reduce and eventually cover all of our short positions between the months of September and November of 2010. Shorting can bring a hedge to a portfolio, yet it also could and did create some permanent portfolio losses. I was not willing to further the risks of our short positions working against us. One could have a correct thesis with a short position, but time and or price movement can make that thesis a money-losing proposition. In summary, our short positions created out-performance from 2001 till around 2007, and hindered our performance since 2007.

Quick notes and a link to notes I took on Peter Lynch's book, 'One Up On Wall Street':

http://rbcpa.com/Notes_to_One_Up_On_Wall_Street.pdf

This really is one of the best investment books I have read. My two favorite books are Benjamin Graham's 'Intelligent Investor,' and his 'Security Analysis.'

I first read 'One Up On Wall Street' on July 23, 2000 and then again on January 31, 2005, and once more on June 15, 2011. Lynch is an awesome read for the advanced, casual, experienced, and inexperienced investor. If you want to learn about investing or enhance your competence in investing, I would certainly recommend any of Lynch's writings. Each time I read this, I seem to get a greater clarity towards investing.

Here are some quotes or concepts from the book I thought you would find interesting:

"A sharp market decline is the historical norm."

"Market declines are great opportunities to buy stocks in companies you like."

"Trying to predict the market direction is nearly impossible."

"When you sell in desperation, you always sell cheap."

"I'd love to be warned before we go into a recession, so I could adjust my portfolio. But the odds of me figuring it out are nil." "The trouble is the bells never go off. Remember, things are never clear until it's too late."

"They were too busy building shelters for the next earthquake." Referring if you are too busy trying to protect yourself from a disaster, you will miss the next opportunity. Rarely do the same disasters occur twice.

"Predicting the short-term direction of the market is futile."

"In the stock market, one in the hand is worth ten in the bush."

Two-Minute Drill on some of our holdings:

<u>Microsoft (MSFT) (24.80)</u>

Immaculate balance sheet. They have over $50B of cash as of March 31, 2011. Out of favor blue chip. Free cash flow and earnings are both of high quality, and I believe both to be stable at a minimum. P/E ratio is 9.39X, based on my estimate of projected F2011 earnings of $2.64 per share. Dividend yield is 2.6%. I project the dividend payout ratio to be a healthy and conservative 24%. Consistently high returns on equity. Trying to "kill this investment," and I can't. I just don't see the degradation of the company that so many others discuss (see yearly comparisons below). I don't see them being replaced in enterprise. My favorite part of the investment thesis is the current price. Many people think that Microsoft's revenues have not been increasing, or are in decline. Maybe the stock price catalyst would be the understanding of the simple math, and seeing that revenues, contrary to popular perception have been on the rise for over a decade (not including F2009 where there was a decline.)

The table below you can see revenue and other metric changes in years 2000, 2006 and our October 2010 estimates for F2011 (We have since increased our earnings and revenue estimates.)

	2011E	2006	2000
Price	25.82 11/16/10	24.70 8/25/06	38.72 3/3/00
Sales Per Share	8.05	4.40	2.25
Cash Flow Per Share	2.80	1.34	0.99
Earnings Per Share	2.45	1.20	0.85
Dividends Per Share	0.64	0.34	0.00
Book Value Per Share	6.95	3.99	4.05
Shares Outstanding	8,500	10,062	10,218
Dividend Yield	2.48%	1.3%	0.00%
Sales	68.50B	44.2B	22.96B
Operating Margin	44.0%	39.2%	51.3%
Net Profit Margin	30.9%	28.5%	41.0%
Long Term Debt	10.665B	0	0
Shareholder Equity	59B	40B	41B
Return on Capital	31.0%	31.4%	22.8%
Return on Equity	36.0%	31.4%	22.8%
Dividend retained to Net Profit	26%	28%	N/A
Market Cap	219.5B	248.5B	395.6B
Estimated Annual Growth Rates			
Sales	9.5%	18.0%	24.5%
Cash Flow	11.0%	16.0%	25.5%
Earnings	12.5%	13.5%	29.0%
Dividends	14.0%	24.5%	0.00%
Book Value	18.5%	3.5%	37.0%
Metrics			
Price To Sales	3.2X	5.61X	17.21X
Price To Cash Flow	9.22X	18.43X	39.11X
Price To Book Value	3.72X	6.19X	9.56X
Price to Earnings	10.54X	20.58X	45.55X
RBCO Intrinsic Value Year 1	43	N/A	14
RBCO Intrinsic Value Year 5	57	N/A	25
Gates Ownership %	7.2% (11/19/10)	9.6%	15.3%
Officers and Directors %	5.2%	4.2%	10.2%

National Western Life Insurance Co. (NWLI) (155.55)

NWLI is a stodgy Life Insurance and Annuity company. They have been around since 1956. Prides itself on being boring and safe. Currently selling at 43% of stated Book Value (liquidation value). Book value is reported at $359 per share as of March 31, 2011. Moody owns 34% of Class A, and nearly 100% of Class B. In their 2009 AR, they wrote, "*We believe that it is just a matter of time until market investors also recognize the excellence embedded within National Western*." No insider selling. Institutional Investors include Third Avenue, FMR, Tweedy Brown, Franklin Resources and Vanguard. These 5 holders account for 24% of the market cap of the company. One day, value should come through. Patience is key. Must understand illiquidity due to small cap nature and thinly trades. Trades only 4K a day. Compensation policies do not seem excessive at all. Robert Moody makes ~$700K (4/10 filing). Related party transactions do exist, but I assume fairness. Revenues, earnings and book value growing, whereas stock price is not. Could be hidden value.

They have built a balance sheet that is considered conservative and secure by Best's. Many investors complain that NWLI should be buying back stock or increasing dividends. Had NWLI paid out dividends, the balance sheet would not be as fortress-like. They have increased book value at a more than decent pace. They continue to grow and improve most, if not all, metrics.

The 2010 10-K wrote, "*In June 2009, A.M. Best upgraded the Company's rating to "A" from "A-". This was particularly noteworthy given the financial crisis backdrop that framed this time period and the number of companies that were negatively impacted, often significantly, during this time. In June 2010, Standard & Poor's upgraded its outlook of the Company from "negative" to "stable". Generally speaking, there is no assurance that the Company's ratings will continue for a certain period of time. In the event the Company's ratings are subsequently downgraded, the Company's business may be negatively impacted*."

They seem to be forthcoming in their annual reports. They are growing premiums, eps, and capital surplus.

The growth of NWLI's stock price has exceeded that of Berkshire Hathaway since 1990. NWLI is diversifying internationally, and could have future growth.

If NWLI traded at 80% of March 31, 2011 book value of $359, the price would be $287 per share, and not the current $155.55.

Wal-Mart Stores (WMT) (53.29)

World's largest retailer. Out of favor blue chip. Price Earnings ratio is lower than historical norm. Earnings are fairly predictable. They have attractive valuation metrics, including Price to Sales, Price to Earnings, and Return on Equity. Value Line (5/6/11) rates their Financial Strength at A++. One of the largest employers in USA, Canada and Mexico. Seems to have sustainable moat, due to their technology, size and emphasis on cost and supply chain. Selling at multiples that are not in line with historic rates. This does not mean that Wal-Mart will automatically revert to historic fundamentals. Buying back shares. There are 900M fewer shares than there were on December 31, 1999.

Return on Equity (ROE) has consistently been at 20% (rounded) or greater. Credit rating AA.

Dividend is $1.46. Dividend yield 2.74%. We project the dividend payout ratio to be a healthy and conservative 27.33%. Directors and Executive Officers own ~49% of Common Stock. Earnings yield is 7.92%, which is > Value Line's 25/30 'A' rated yield of 5.45%.

Need to keep eye on Same Store Sales, as they have been in an extended period of decline. Inventory has also been growing. Inventory growth has been explained as normal holiday build.

Perceived as socially irresponsible. I have spoken to several people who will try to avoid, or will avoid shopping at WMT, because these people perceive WMT being socially irresponsible. I have wrestled with this for years, and I find WMT to be a fairly "fair" organization (at least within our "capitalistic system.")

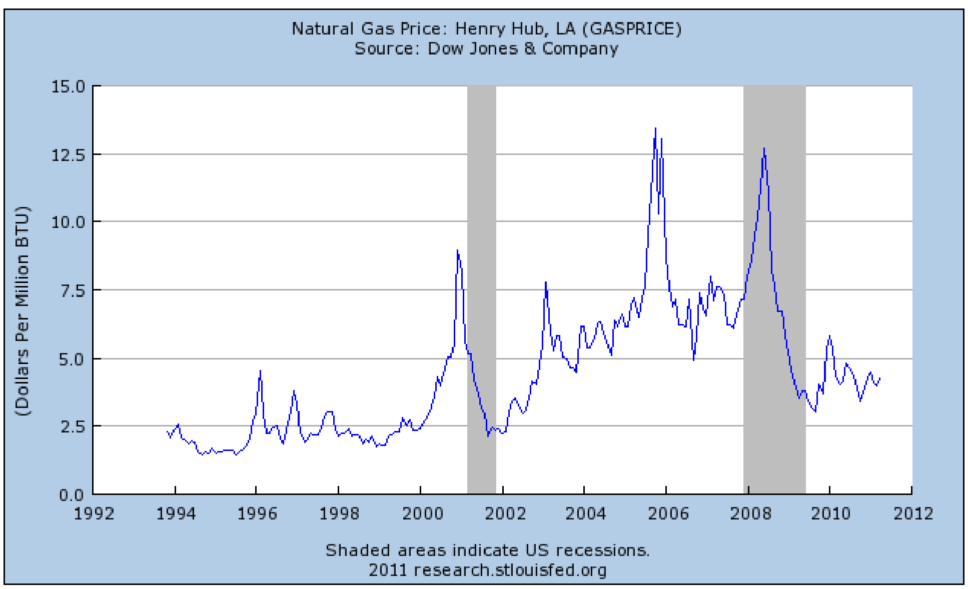
If company earns $4.30 FYE 1/31/12 and using a Price/Earnings ratio of 15, would give WMT a stock price of $64.50.

Exelon Corp. (EXC) (41.85)

Largest nuclear plant operator in the United States. Holding company for PECO Energy and Commonwealth Edison. Headquarters in Chicago. Strong presence in Midwest and Mid-Atlantic.

Low cost generator of power. Expect increased demand as population increases, and economy improves from Great Recession. Electricity prices have remained low and demand flat in F2010. Dividend is ~5% ($2.10), and projected dividend payout ratio of ~52.

The stock price is correlated with the forward spot price of Henry Hub Natural Gas. Natural Gas has been in a depression. Spot gas prices have dropped 70% and forward prices have dropped 50% from their 2008 peak through F2010. Natural gas prices along with electricity demand are the principal drivers of the wholesale market price of electricity.



I think the dividend is stable, and the industry is in a slight depression. Fundamentally speaking, EXC could trade at a P/E of 15, which would make the market price near $60. This is in the portfolio for defensive reasons, and Price/Earnings ratio is below long time average.

Exxon Corp. (XOM) (80.57)

World's largest publicly traded oil company. One of the world's largest chemical companies. Diversifying heavily into Natural gas. Natural gas prices are at depressed prices. Exxon should benefit if the price of Natural Gas increases. Another out of favor blue chip. Buying back shares. Share count was

6,133 in 2005, and projected to be 4,750 in 2011. Inflation hedge. Low price earnings ratio. Standard and Poors AAA credit rating. Dividend yield of 2.01%. Dividend Payout ratio of 28.77%. We project earnings of $7.05 per share for F2011. Price Earnings ratio of 11.43X. Return on Equity has been consistently in the area of 20%.

Closing thoughts:

Our typical client portfolio was up 5.8% after all fees for the 5-months ended May 31, 2011. We will be mailing out your mid-year portfolio reports during July 2011.

The following tables present our Investment returns through December 31, 2010.

RBCO Investment Return Table

Year Ending	RBCO (1)	S&P 500 (2)	Relative Results (1)-(2)
1998	5.00%	28.58%	(23.58)
1999	7.50%	21.04%	(13.54)
2000	11.20%	(9.10%)	20.30
2001	0.10%	(11.89%)	11.99
2002	1.10%	(22.10%)	23.20
2003	52.60%	28.69%	23.91
2004	7.90%	10.88%	(2.98)
2005	7.30%	4.91%	2.39
2006	26.00%	15.79%	10.21
2007	(0.40%)	5.49%	(5.89)
2008	(34.70%)	(37.00%)	2.30
2009	22.10%	26.46%	(4.36)
2010	1.30%	15.06%	(13.76)
Total	**107.00%**	**76.81%**	**30.19**

RBCO Performance Summary

Average Annual Total Returns as of 12/31/2010	13 Years	10 Years	5 Years	3 Years	1 Year
RBCO (1)	**6.50%**	**6.10%**	**0.30%**	**(6.90%)**	**1.30%**
S&P 500 (2)	**3.89%**	**1.20%**	**2.24%**	**(3.23%)**	**15.06%**
Relative Results (1) - (2)	**2.61**	**4.90**	**(-1.94)**	**(3.67)**	**(13.76)**

As a steward of your capital, I am keenly aware of our responsibility to you and your money. As always, we are grateful for the trust you have placed in us. We cannot be sure what will happen in the future to any of our investments, but we hope you can keep in mind our long-term philosophy. I thank you for taking the time to read this letter. If you ever want to discuss your account or its holdings, please feel free to give me a call or an email. My email address is rredfield@rbcpa.com

Very truly yours,

REDFIELD, BLONSKY & CO., LLC

Ronald R. Redfield, CPA, PFS
Partner

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Important Disclosures

1. Redfield, Blonsky & Co., LLC (RBCo), only transacts business in states where it is properly registered, or excluded or exempted from registration requirements.

2. Past performance assumes reinvestment of dividends and other distributions and may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended and/or purchased by adviser), or product made reference to directly or indirectly in this presentation or on our website, or indirectly via a link to any third-party website, will be profitable or equal to corresponding indicated performance levels. The investment return and principal value of an investment will fluctuate and, when redeemed, may be worth more or less than their original cost.

3. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for client's investment portfolio. No client or prospective client should assume that information presented is a substitute for personalized individual advice from the adviser or any other investment professional.

4. Historical performance results for investment indexes, such as the S&P 500, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results of the S&P 500 Index. Whenever RBCO performance is referred to, results have been reduced by all fees, including RBCO management fee.

5. Returns for RBCO portfolios have been calculated using actual time-weighted returns obtained from all accounts over the time periods indicated. All RBCO returns assume the reinvestment of dividends and are shown net of the investment management fees and all other expenses. Please see our form ADV for a full fee disclosure. Actual individual account performance may be materially different from our composite results.

6. RBCO files an annual form ADV, which includes an easy to read brochure. Form ADV is a valuable read for anyone interested in learning more about RBCO. Additional information about Redfield, Blonsky & Co., LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Redfield, Blonsky & Co., LLC is 128714.

7. The S&P Index is a widely recognized, unmanaged index of 500 of the largest companies in the United States as measured by market capitalization. The S&P Index performance assumes reinvestment of all dividends and distributions and does not reflect any charges for investment management fees or transaction expenses, nor does the Index reflect any effects of taxes, fees or other types of charges and expenses. The S&P 500 Index is one of many indices and is not necessarily the most appropriate index when comparing performance results.