

To Our Shareholders

Net asset value at June 30, 2010 was \$495,887,244, equivalent to \$132.53 per share. Assuming reinvestment of all dividends and tax credits on retained long-term capital gains, this represents an increase of 2.3% during the past three months and an increase of 18.0% during the past twelve months.

	June 30, 2010	March 31, 2010	June 30, 2009
Net assets	\$495,887,244	\$486,925,586	\$424,377,993
Shares outstanding	3,741,638	3,741,638	3,741,638
Net asset per share	\$132.53	\$130.14	\$113.41

During the three months ended June 30, 2010, net unrealized appreciation of investments decreased by \$65,742,614, equivalent to \$17.57 per share to a total account balance of \$312,177,449, equivalent to \$83.43 per share. The change in net unrealized appreciation of investments includes \$66,489,600, equivalent to \$17.77 per share, attributable to the unrealized appreciation in Lifemark Group as of March 31, 2010 that was sold during the quarter ended June 30, 2010. Excluding the Lifemark Group unrealized appreciation at March 31, 2010, the net change in unrealized appreciation of investments for the three months ended June 30, 2010 increased by \$746,986, equivalent to \$0.20 per share.

On June 10, 2010 we completed our sale of Lifemark Group to NorthStar Memorial Group, LLC. As a result of the sale, we received net cash proceeds of \$74.8 million and \$3.7 million in real estate. The carved out real estate was transferred directly into one of our new investments, CapStar Holdings Corporation. This divestiture is expected to yield an after-tax gain of \$48.1 million or \$12.86 per share and generate a tax credit to shareholders in the amount of \$3.96 per share. Lifemark Group was held in our portfolio for over 40 years and serves as an example of our patient capital approach – investing for the long-haul enabling companies to grow through multiple business cycles.

Add-on transactions to existing investments included \$1,275,091 in Cinatra Clean Technologies, Inc.; \$600,000 in CMI Holding Company, Inc.; \$300,000 in Ballast Point Ventures II, L.P.; \$150,000 in Discovery Alliance, LLC; and \$69,633 in BankCap Partners Fund I, L.P.

At its July 19, 2010 meeting, the Board of Directors promoted William R. Thomas, III to Vice President. Will joined the company in 2006 and has progressed through the investment associate and assistant vice president positions.

With our cash position bolstered by the Lifemark Group divestiture and a working pipeline of promising investment opportunities, we are optimistic about our ability to add future value for our shareholders.



August 5, 2010

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and President

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Investments

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**Interim Report
June 30, 2010**

Consolidated Statements of Financial Condition

Assets	June 30, 2010 (Unaudited)	March 31, 2010
Investments at market or fair value (Cost: June 30, 2010 – \$101,610,937 March 31, 2010 – \$100,022,994)	\$413,788,386	\$477,943,057
Cash and cash equivalents	77,995,617	4,093,508
Receivables		
Dividends and interest	338,017	1,012,782
Affiliates	648,104	864,943
Pension assets	7,173,378	7,068,957
Other assets	187,472	191,338
Totals	<u>\$500,130,974</u>	<u>\$491,174,585</u>
Liabilities		
Other liabilities	\$ 1,020,726	\$ 1,070,540
Pension liability	1,095,085	1,082,941
Deferred income taxes	2,127,918	2,095,518
Total liabilities	<u>4,243,729</u>	<u>4,248,999</u>
Net Assets		
Common stock, \$1 par value: authorized, 5,000,000 shares; issued, 4,326,516 shares at June 30, 2010 and March 31, 2010	4,326,516	4,326,516
Additional capital	126,777,762	126,554,546
Undistributed net investment income	2,526,802	2,061,109
Undistributed net realized gain on investments	74,015,364	—
Unrealized appreciation of investments	312,777,449	377,920,063
Treasury stock – at cost 584,878 shares at June 30, 2010 and March 31, 2010	<u>(23,936,648)</u>	<u>(23,936,648)</u>
Total net assets	<u>495,887,245</u>	<u>486,925,586</u>
Total liabilities and net assets	<u>\$500,130,974</u>	<u>\$491,174,585</u>

Consolidated Statements of Changes in Net Assets

(Unaudited)

	Three months ended June 30	
	2010	2009
Operations:		
Net investment income	\$ 1,962,347	\$ 444,278
Net realized gain on investments	74,015,364	—
Net increase (decrease) in unrealized appreciation of investments.	<u>(65,742,614)</u>	<u>10,249,270</u>
Increase in net assets from operations	10,235,097	10,693,548
Distributions from:		
Undistributed net investment income	(1,496,655)	(1,496,655)
Capital share transactions:		
Change in pension plan funded status, net of tax	—	(263,416)
Stock option expense	223,217	141,525
Increase in net assets	8,961,659	9,075,002
Net assets, beginning of period	<u>486,925,586</u>	<u>415,262,991</u>
Net assets, end of period	<u>\$495,887,245</u>	<u>\$424,337,993</u>

Consolidated Statements of Operations

(Unaudited)

	Three months ended June 30	
	2010	2009
Investment income:		
Interest	\$ 300,551	\$ 322,808
Dividends	2,389,373	584,370
Management and directors' fees	276,650	282,750
	<u>2,966,574</u>	<u>1,189,928</u>
Operating expenses:		
Salaries	398,474	314,531
Net pension benefit	(92,277)	(63,306)
Stock option expense	223,217	141,525
Professional fees	237,456	155,563
Other operating expenses	207,569	175,137
	<u>974,439</u>	<u>723,450</u>
Income before income taxes	1,992,135	466,478
Income tax expense	29,788	22,200
Net investment income	<u>\$ 1,962,347</u>	<u>\$ 444,278</u>
Proceeds from disposition of investments	\$78,525,764	\$ —
Cost of investments sold	<u>4,510,400</u>	<u>—</u>
Net realized gain on investments (net of \$1,218,855 of estimated transfer taxes on sale of Lifemark Group)	<u>74,015,364</u>	<u>—</u>
Net increase (decrease) in unrealized appreciation of investments	<u>(65,742,614)</u>	<u>10,249,270</u>
Net realized and unrealized gain on investments	<u>\$ 8,272,750</u>	<u>\$10,249,270</u>
Increase in net assets from operations	<u>\$10,235,097</u>	<u>\$10,693,548</u>