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**Greetings From The Northwest**

Our regional newspaper, The Oregonian, plopped this headline on breakfast tables far and wide on July 1: “Markets Stagger To End Of Worst Quarter Since Late ’08.” As I mentioned in my mid quarter letter to investors, the past three months have been difficult, and we have had numerous reminders of the “sell in May and go away” phrase. But, the other side of this temporary set back is that stronger economic growth does not arrive in a nice linear way. It is inevitable, three steps forward and one back, climbing the “Wall of Worry.”

No clear path has emerged for us as investors to follow at this time, and the second half of the year may be more of the same. The current valuations of many companies leads me to believe that there are many compelling businesses to own.

The European economic train wreck combined with the Gulf oil spill disaster and mountains of global debt tend to overshadow the growing momentum of the global recovery. The U.S. is again being eyed as the safest place for global investors, not only in Treasuries, as is born out by the very low interest rates currently demanded by international investors, but for equity investors too. I look forward to slightly lagging mid year returns, progressing into single digit wins for the year.

Challenges to the financial system, so clearly focused on banks and insurance companies a couple of years ago, have shifted to the tax paying populations of some of the more fiscally irresponsible European countries. Heavy public spending and historical pension obligations for public employees, combined with a soft economy and poor tax revenues in Southern European countries, have entangled the strong and weak regions into an unhappy Eurozone. Under funded or over

promised retirement plans, and the need for companies and governments to meet their obligations, is beginning to generate some creative thinking. A recent Wall Street Journal article: “A Pension On the Rocks Gets An Emergency Shot Of Liquidity,” revealed that the English whiskey distiller, Diageo PLC, has pledged to help cure its \$1.29 billion pension defi-

cit by transferring 2.5 million barrels of aging whiskey to its pension fund. Talk about putting a little cheer into your retirement.

Many of you own preferred shares of Royal Bank of Scotland. In a surprise move the Madrid, Spain based Banco Santander has purchased 318 U.K. branches of Royal Bank of Scotland. I’m delighted! There is life turning up in the ashes of our recently passed economic melt down.

Money is available and looking for new places to be invested. Agricultural Bank of China, the last of China’s four big banks to go public, raised \$19.21 billion in Hong Kong and Shanghai. With the overallotment or green shoe, this could be the biggest initial public offering ever.

This is also the quarter we got to know what a “Flash Crash” is, and it is not when you lose a bunch of pho-



*Lance sent this photo from along the Tour*

tos on a goobered flash drive. It is when many bright people in the investment arena all stand around their computers and watch as the Dow falls 1000 points and then nearly recovers, all in a few short minutes. Some people sold at low prices, some bought. I stood my ground and did neither. It will be interesting to see how the regulators respond to this event and what rule changes are forming on the horizon.

Speaking of the unexpected, how about those mortgage rates! For decades home buyers yearned for rates as low as the "G.I. Bill." Well, here they are, the lowest mortgage rates in more than 50 years.

Regionally, we are having a grand time with many businesses continuing to do well. Have you been to a Costco lately? On my last visit, there was a long line into the parking lot and a line at the checkout with near gridlock in the aisles. Costco appears to be responding to the slow economic times by focusing on a higher percentage of food, medicines and sundries. This coupled with their low expense as a percentage of sales, and rock solid financial strength, should yield investors fine returns.

The Gulf oil spill disaster is having a ripple effect on our own Greenbrier/Gunderson barge and rail car manufacturing enterprise. Bill Furman, Greenbrier President and CEO, said that "ongoing barge customers have delayed buying decisions because of the oil well leak and delays in oil drilling projects." Fortunately, business is picking up on the rail car side of Greenbrier's business.

Cairn Updates: Drum roll please . . . whoosh. In case you were not sure what just went by, it was a Cairn staff person on our new corporate bicycle (what, no corporate jet?). Jay Graves, owner of The Bike Gallery stores, has been serving with me on the State Parks Commission. On a recent road trip to John Day and the Kam Wah Chung Museum, the conversation turned to bikes. I wondered about the effectiveness of an errand bike and voila, the good folks at The Bike Gallery had me mounted on a "Townie" complete with basket and bell. I find it impossible to ride with my tie flapping over

my shoulder and not be grinning from ear to ear.

A sad and happy note. The pull of being a new Mom and the opportunity to stay at home has caused our Investor Support person, Ellen, to resign. She has promised to stop in with her son, William, from time to time. Ellen will be missed.

One of the signs of modern living has been the advent of everyone having two addresses. The second being their email address. For a variety of reasons these can change, please update us when you have an email address change.



*A Bike for your Guys with Ties*

For those of you, whose summer travel plans include Portland, please be sure to allow time for a visit. Starbucks Via instant coffee is great iced, and is enjoyable when paired with a conversation with "Your Guys with Ties."

Warm Regards,

A handwritten signature in black ink that reads "Jim".

Jim Parr, Principal

P.S. My term as Chairman of the Oregon State Parks Commission is complete. What a great experience. I am looking forward to having a bit more time for other adventures. See you at the Oregon State Fair in August.