MIDDLETON & COMPANY, INC.

Investment Update

April, 2009

2009 First Quarter Update

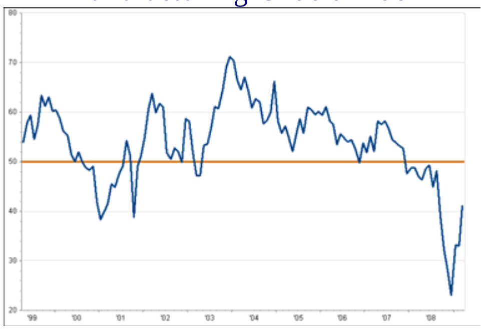
Review: Stocks continued to decline, but recovered somewhat from the mid March lows. The S&P 500 was down 11.0%. The Merrill Lynch Intermediate Government/Corporate Index was essentially flat, rising only 0.025%.

Annual	*1Q09*	*4Q08*	*3Q08*	*2Q08*	*1Q08*
S&P 500 Index	*-11.0%*	*-21.9%*	*-8.4%*	*-3.8%*	*-9.4%*
Merrill Lynch Int. Bond Index	*0.0%*	*4.0%*	*-1.3%*	*-1.4%*	*2.9%*

The Economy: The first part of the quarter saw a significant slowing in the economy, especially in the industrial sector. Companies cut production sharply in response to weak fourth-quarter consumer spending and anticipated weakness in the first part of 2009. Exports slowed as the recession spread around the globe. However, late in the quarter, some of the economic data pointed to a bottoming of the recession. Retail sales, while weak, were better than expected. Although home prices are still declining, February home sales ticked up from the January rate, exceeding expectations. Manufacturing orders for March showed a marked improvement.

While the rate of decline is slowing, we cannot predict exactly when the economy will begin to improve. However, we believe that the economy will trend upward by the end of this year. To do so, two hurdles must be overcome: weakness in the labor market and tight credit conditions.

Manufacturing Orders Index



Manufacturers have cut production very aggressively. As a result, inventories are low. Even if consumer spending stays at subdued levels, manufacturers will have to increase production to meet final demand. The nearby chart of manufacturing new orders shows a sharp improvement in March. As production increases, we expect a modest improvement in the employment picture. Also, some of the $787 billion of stimulus money will start flowing in the coming months, creating more jobs.

The determined efforts of the Federal Reserve and the Treasury to stabilize the banks and unfreeze the credit markets finally appear to be having an impact. The plan announced by the Treasury to buy assets from banks has drawn significant interest from private investors. Market prices of the assets likely to be purchased have begun to rise. The eventual purchases should free up capital that can be redeployed to make new loans.

Stock Market: The stock market declined through most of the quarter, as weak economic data and fears of the possible nationalization of the banking system overwhelmed attractive valuations. Stocks rebounded sharply late in the quarter, following the announcement of the bank asset purchase program (Public-Private Investment Program) by the Treasury that seemed to remove nationalization of banks from consideration. In addition, several economic indicators suggested that the recession was near a bottom.

Stocks are clearly attractive based on many valuation measures, but the key to a sustained advance is the restoration of investor confidence after the unsettling events of the past year. Confidence will return gradually as the health of the financial system improves and the economy shows signs of reviving. We believe that the Fed and the Treasury have taken the necessary steps to stabilize the financial system. The stimulus package passed by the Congress should help revive the economy.

Bond Market: Treasury yields are clearly too low and are likely to rise over the next year as concerns about the financial system recede. Over the next year, at least $1 trillion of government debt will be needed to finance the various fiscal and monetary programs. Stimulating the economy raises the specter of higher inflation which is a clear negative for bonds. We believe that yields will have to rise in order to attract investor interest. As the economy stabilizes and credit risk subsides corporate bonds will be more attractive.

Strategy: Our strategy is guided by the view that the economic recovery, given the severity of the recession, will be a gradual one. The stock market recovery, however, we expect will have two phases. The first phase (which we appear to be in now) will be a sharp rally, based on the belief that the worst possible outcomes have been avoided and the economy is nearing a bottom. The second phase will be a more gradual rise, geared to the modest pace of the economic recovery we expect. As we see further signs of improvement, we will reduce our holdings in stable sectors such as healthcare and utilities, and increase our weights in sectors that are early beneficiaries of an economic upswing, such as consumer cyclicals and transportation. We have identified a number of strong companies that we find attractive.