



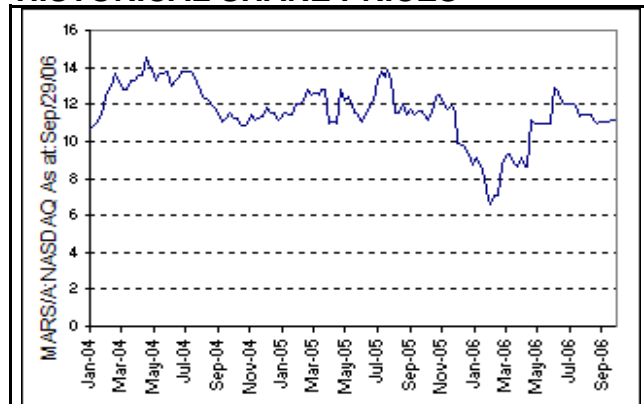
THE COMPANY

Marsh Supermarkets operates 117 supermarkets, 161 Village Pantry convenience stores and seven upscale floral shops in central Indiana and western Ohio. In addition, the company also operates a food services business which provides catering, vending and office coffee services. Its supermarkets feature an extended line of traditional grocery store items as well as service and specialty departments, such as delicatessens, bakeries, prepared foods, prime cut meats, fresh seafood, floral and video rentals. In addition, banks or savings institutions operate branch facilities in 40 of the company's stores and 92 stores offer automated teller machines (ATMs).

FINANCIAL DATA

	2003	2004	2005
Earnings per Share (\$)	0.04	0.38	0.53
Price to Earnings (times)	215.0	22.6	16.2
Dividend (\$)	0.52	0.52	0.46
Dividend Yield (%)	6.00	6.00	5.30
Book Value (\$)	15.64	16.14	16.08
Price to Book Value (times)	0.55	0.53	0.53

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT MARSH

Marsh, which is currently celebrating its 75th year in business, announced in November 2005 that it has hired an investment bank to explore strategic options for the company including the possible outright sale of the business. Although the company has enjoyed a long and successful tenure in Indiana, the markets there have become brutally competitive in recent years. Wal-Mart and Costco continue to add stores, while higher-end specialty shops such as Wild Oats and traditional national chains like Kroger are making their push as well. In fact, Marsh's market share has fallen from 25% to 17% in just the last four years. Sales have remained relatively flat and profit margins have been squeezed. Marsh's stock, which for many years traded between \$10 and \$15, is now selling for just \$8.60.

However, with a current market capitalization of just \$68 million, we feel Marsh could be worth substantially more to strategic buyer. As of its last quarter, Marsh had tangible shareholder's equity of \$124 million, or \$14.10 a share. For a larger supermarket chain looking to enter the Indiana market, buying Marsh at its book value would probably be cheaper than building the supermarkets from scratch and having to hire and train the staff. A buyer would also be getting the Marsh brand name, which carries a great amount of goodwill in the community.

Marsh could also attract the interest of private equity investors. Of particular interest to them would likely be Marsh's steady cash flow and significant real estate holdings. Marsh currently owns the land and building on 34 supermarkets and 44 convenience stores. It also owns two handling facilities with approximately 300,000 square feet of space. Marsh recently had its real estate appraised at between \$100 and \$150 million in excess of its book value. A buyer could theoretically purchase Marsh and finance the purchase by entering into a sale and leaseback agreement. A final option could be for Marsh to sell or spin out its Village Pantry convenience store chain. Looking at comparable publicly traded stocks, Village Pantry could be worth as much as \$100 million which is more than the market capitalization of the entire company.

ABC Funds
 April 13, 2006

UPDATE

On April 21st 2006, Marsh Supermarkets announced that is has signed a letter of intent with Sun Capital Partners, a private equity firm, to be acquired for \$11.125 per share. This news comes approximately five months after Marsh announced that it had hired an investment bank to explore strategic options including the possible sale of the company. The offer values Marsh at a 21% discount to its stated book value of \$14.10 per share and below its July trading price of approximately \$14. It should be noted that Marsh's book value includes land and buildings which are recorded at historical cost less depreciation. Marsh recently had the real estate appraised at between \$100 million to \$150 million in excess of book value. This implies an adjusted book value for Marsh of between \$26.60 and \$32.85 per share.

UPDATE (cont'd)

Given these range of values, we believe Sun Capital's offer of \$11.125 per share is inadequate. At this price, we calculate that Sun Capital is essentially paying for Marsh's real estate, and getting the rest of the company's assets for next to nothing. This would include the Marsh brand, which carries a lot of goodwill in the community and the Village Pantry convenience store chain. In the past week, shares of Marsh have traded above \$11.125. This suggests that some investors may be expecting a higher offer. In the meantime, we have decided to hold our position in Marsh as we believe that its shares remain extremely undervalued on a net asset value (NAV) basis.

ABC Funds
April 28, 2006

On Tuesday May 30th, Marsh Supermarkets received a letter from Drawbridge Special Opportunity Advisors and Cardinal Pardon offering to purchase the Company for \$13.625 per share. This offer represents a \$2.50 increase, or a 22% premium over the previous offer of \$11.125 made on May 3rd by Sun Capital Partners. Although we are pleased to see a better offer emerge, we are not surprised. With a book value of \$14.10 per share and an additional \$100 to \$150 million, or \$12.40 to \$18.75 per share in unrealized real estate value, we feel Marsh remains an attractive investment for private equity investors. In effect, we believe that the sum of the parts of Marsh's assets is worth more than the whole. In summary, given that the best offer for Marsh is still well below its net asset value, we are retaining our shareholding with the view that it is possible that a higher offer could emerge from Sun Capital or perhaps a third interested party.

ABC Funds
June 2, 2006

On Friday September 22nd, 2006, shareholders of Marsh Supermarkets approved a proposed merger with MSH Supermarket Holdings, an affiliate of private equity group Sun Capital Partners. On September 28th the deal officially closed, and shareholders received \$11.125 for each share of Marsh. For comparison, we purchased the shares in April of 2006 at around \$9.60 per share for a five month holding period return of just under 16%.

At the time of our investment, Marsh was trading substantially below our estimate of its sum of the parts or break up value. Marsh owned the land and buildings on many of its stores, operated a profitable convenience store chain and owned the Marsh brand, a name that holds a lot of goodwill in the Indiana community. Given its relatively low stock price, we felt Marsh would make an attractive takeover target to either a strategic buyer or a private equity firm. In hindsight, while we were intellectually correct in identifying Marsh as a potential takeover target, we miscalculated the eventual takeover price. What was surprising to us wasn't so much the price that Sun was offering to pay, but rather the low price which the owners of the company were willing to accept.

With ABC owning less than 5% of the Marsh shares, the decision to accept the proposed offer from Sun Capital ultimately rested with company insiders, (mainly consisting of the Marsh family with 18% ownership), and other institutional shareholders. While we were initially not in favour of their \$11.125 takeover offer, democracy ruled as over 75% of shareholders voted to approve this transaction. In the end, it appeared as if many investors decided to support the Sun offer out of fear that if the deal fell through, the value of Marsh shares would plunge.

Interestingly, the lesson learned is that although a company may appear to be worth significantly more than its market valuation, investor psychology, poor market sentiment and fear of the unknown will ultimately price a business transaction.

ABC Funds
September 29, 2006