

April 5, 2007

We are pleased to report our clients had a strong quarter as their equity portfolios increased 5.7%. The most significant impact came from our investments in technology (+20%), materials (+12%), energy (+10%) and industrials (+8%), while health care and utilities lagged. During the quarter, the Russell Midcap Value and the S&P 500 indexes rose 4.9% and 0.6%, respectively. For the first time in a long time, the REITs lagged (+2.7%) as their valuations might be starting to give way to logic and gravity. As you know, we are avoiding this group to keep our clients out of harm's way. This quarter's results are a continuation of the solid 12.6% annualized rate of return our clients have earned since the firm's inception in 1992.

Our companies have done a great job executing their strategies and producing superior operating results. They meet our high standards for having good cultures, management, strong balance sheets and persistent free cash flow. Recent problems in sub prime lending may be the beginning of growing concerns about credit quality, renewing interest in high quality companies after a long period of neglect. We believe the frenzy of private equity transactions and the growing number of IPOs will prove to be part of the tipping point for many of the excesses caused by excessive liquidity in the financial system. Adhering to **discipline and avoiding herd mentality** is the core of our investment approach.

Thank you for your interest in our value investing and we look forward to visiting with you soon.

Best regards,

Fred H. Speece, Jr., CFA

Enclosure

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