

April 7, 2008

The **strength and quality** of our companies and our **disciplined** valuation approach absorbed much of the shock during this extraordinarily volatile market environment. We managed risk and avoided exposure to subprime, brokerage firms, and REITs, which have dropped precipitously over the past 12 months. During the quarter, our clients' equity portfolios declined 5.5%, while the Russell Midcap Value and the S&P 500 indexes declined 8.6% and 9.5% respectively. Our investments in energy and healthcare were positive, but were more than offset by the broad based market decline.

We believe the emotional market volatility will continue, producing opportunities for disciplined investors who are able to take the long view. Our companies are executing their business strategies well, their financials are strong, and they are exercising their pricing power. Based upon our research, their valuations are compelling. The attached chart clearly demonstrates their success in producing consistently superior returns on capital while employing only modest financial leverage. This is a powerful combination and is the core of our investment approach which has produced an 11.6% annualized rate of return since inception in 1992.

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

Best regards,

Fred H. Speece, Jr., CFA

Enclosure

FHS:mt