January 11, 2006

We are pleased to report our clients had a terrific quarter as their equity portfolios were up 4.4%. This compares favorably to our peer group, the Russell Midcap Value, which was up 1.3%, and the S&P 500, which was up 2.1%. These solid returns can be attributed to good stock selection, particularly in the furniture and industrial groups. Also, our strategy to minimize investments in the over-valued interest rate sensitive sectors worked well as these sectors are finally responding to fundamentals rather than herd instinct: momentum…Good values are rarely found in popular places. While this was a good quarter, we find greater satisfaction in the 12% annualized return our clients have earned over the past 10 years. This is consistent with the long-term objective of capital preservation and growth.

Our clients are invested in a portfolio of companies that meet our high standards for being "well managed, financially powerful and attractively priced." These companies earn high returns on capital with very little debt; they have strong market share and brands, which afford them pricing power, an important competitive advantage as raw material costs are rising. These good fundamentals and execution produce strong, consistent free cash flow. As a result, our companies increased their dividends by 13% during the year, which reflects their confidence in the future. We have done the research and we share their confidence. As always, successful long-term investing requires **patience and courage**.

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:jh