January 3, 2008

Despite the market volatility, your investment with us declined 0.4% during the quarter, while the Russell Midcap Value (RMV) down 6.0% and the S&P 500 down 3.3%. The most significant impact came from your investments in materials (+11%), energy (+7%), and utilities (+3%), partially offset by technology (-10%), and consumer cyclicals (-6%).

We are pleased to report that you had a rewarding year as your equity portfolio was up 8.6%, while the RMV was down 1.4% and the S&P 500 was up 5.5%. The divergence from the RMV can be attributed, in part, to its excessive concentration in REITs and financials, which reflects the momentum nature of benchmarks. We avoided the herd instinct of following the benchmark by managing risk and maintaining our valuation discipline. We believe the risk premium within the equity market will widen and that strength and quality will prevail.

Your companies are executing their business strategies well and producing solid operating results as illustrated by the attached charts. Their superior and accelerating dividend growth reflects strong, persistent free cash flow, and management's confidence in their future. Based upon our independent analysis, we share their confidence and are invested accordingly. We believe the emotional market volatility will continue, producing opportunities for disciplined investors. The investment philosophy we share with you reinforces our ability to make difficult, long-term investment decisions. This meeting-of-the-minds is at the core of our 12.1% annualized rate of return since the inception of the firm in 1992.

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

Regards,

Fred H. Speece, Jr., CFA

Enclosure

FHS:mt