

July 10, 2006

This was a challenging quarter as investors were anxious about an economic slowdown caused by rising interest rates. In this environment, our investments in economically sensitive sectors (energy, basic materials and consumer cyclicals) declined which offset the good progress made by our other investments. During the quarter, our clients' equity portfolios declined 2.1%, while the Russell Midcap Value declined 0.6% and the S&P 500 declined 1.4%.

While we are not pleased with the results for the quarter, we remain confident in the companies in which our clients are invested. This confidence is based upon our independent analysis of the companies and their management over an extended period. The attached charts clearly demonstrate the superior operating results these companies have produced, which is why they meet our high standards for being "well managed and financially powerful." We expect our companies will execute well in varying business conditions and investing in them will continue to be rewarding. Our investment philosophy is based upon the belief that the ultimate source of real rates of return is investing in good cultures, good management and strong balance sheets at attractive prices. We are pleased that since the inception of our firm (1992), our **consistent application** of this value approach has produced a 12.1% annualized rate of return.

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

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