July 11, 2007

Our clients are having a rewarding year. Their equity portfolios advanced 6.8% this quarter, bringing the YTD return to 13%. During the quarter, the most significant impact came from our investments in energy (+15%), industrials (+13%), materials (+10%) and financials (+8%), while the utilities declined 8%. The Russell Midcap Value and the S&P 500 indexes rose 3.7% and 6.3%, respectively. REITs dropped 9%, which we believe is the start of correcting their excessive valuations. As you know, we have been avoiding REITs to keep our clients out of harm's way. The strong results this quarter are a continuation of the solid 12.9% annualized rate of return our clients have earned since the firm's inception in 1992.

Recent problems involving subprime lending and hedge funds have caused investors to focus more on credit quality. In addition, we believe the frenzy of private equity acquisitions and their IPOs is part of the tipping point for the excesses caused by massive liquidity in the financial system. Similar to the late '90s, naive greed is once again being monetized. The recognition of these concerns is visible in investors' growing appreciation for the **strength and quality** of our companies. They have executed their strategies extremely well during varying business conditions and have pristine balance sheets reinforced by strong, consistent free cash flow...the core of our value investing.

We are pleased to report that three new clients have invested over $30 million in our high quality value approach. Thank you for your interest in investing with us and we look forward to seeing you soon.

Best regards,

Fred H. Speece, Jr., CFA

Enclosure

FHS:ml