October 12, 2006

After an emotional retreat in May-July, the market stabilized as overblown fears of a recession subsided. During this period, we adhered to our discipline and used this opportunity to increase our investments in strong companies at attractive valuations. For the quarter and last 12 months, our clients' equities increased 1.5% and 11.1% respectively. The best returns came from investments in health care and consumer staples, while industrials declined. The Russell Midcap Value Index increased 3.5% and 12.3% for the quarter and the last 12 months. The performance was led by REITs, which increased a whopping 9.5% and 25% for the same periods. The valuations of the REITs continue to defy logic and gravity. Our analysis finds them extremely overvalued and we are avoiding them. The broader market, as measured by the S&P 500, was up 5.7% and 10.8% for the quarter and last 12 months. As long-term investors, we are pleased to report that our clients have earned a 12.0% annualized rate of return since the inception of our firm (1992).

Our value approach is to invest in high quality companies at attractive valuations. The attached charts clearly demonstrate our clients are invested in superior companies that earn high returns on capital with low financial leverage... a powerful combination. In recent years, the market has not rewarded quality and, as a result, high quality companies are undervalued. Going forward, we believe equity returns will moderate and risk premiums will revert to more normal levels. In this investment environment, the **strength and quality** of our companies should be recognized by the market and continue to produce solid returns.

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

Best regards,

Fred H. Speece, Jr., CFA