October 9, 2007

The third quarter was an unusually volatile and emotionally-charged period as investors reacted to fears of a credit crisis and recession. During the quarter, our clients' equity portfolios declined 3.7%, while the Russell Midcap Value declined 3.5% and the S&P 500 was up 2.0%. Despite this volatility, their portfolios increased 9.0% year-to-date, while the RMV and the S&P 500 are up 4.9% and 9.1%, respectively.

Financial markets moved dramatically within the quarter. During the first half, equities fell sharply as investors focused on the excesses created by historically low interest rates and unsustainably narrow credit spreads. During this decline, interest rate sensitive (including REITs) and lower quality stocks dropped precipitously, while our clients' portfolios of high quality companies outperformed. As the credit crisis worsened, the Federal Reserve eased monetary policy by aggressively lowering rates. This action propelled the equity markets, particularly interest rate sensitive and lower quality companies, on the hope that the problems have been solved. During this reversal, their portfolios gained, but did not fully participate. We believe the resurgence in low quality issues is not sustainable and that higher quality companies are more attractive.

History has demonstrated that **strength and quality** prevails in difficult and volatile conditions. Our companies are executing their business strategies well despite this turbulent environment. Their strong balance sheets and consistent cash flow continue to strengthen their competitive positions. As a reflection of this strength, they have increased their dividends at a ~12% annual growth rate over the past five years. The attached charts clearly demonstrate the superior financial characteristics of our clients' portfolios.

Thank you for your interest and we look forward to visiting with you soon.

Best regards,

Fred H. Speece, Jr., CFA

Enclosure

FHS:ml