1st Quarter 2005

EDMP, INC. Quarterly Review

Timeless Truths

Amazingly, the first quarter of 2005 is now behind us. Generally speaking, the stock market finds itself in a very narrow trading range drifting slightly down by quarter's end, but in actuality going nowhere. For many investors this can be the most unnerving kind of market to deal with emotionally. Confusingly, there is both a plethora of good news and bad news for investors to evaluate. Consequently, the market rises when focusing on the good news, and then falls when focusing on the bad news, therefore, counteracting each other and no clear direction seemingly unfolds. Nerves get frayed and our innate fight or flight response begins to overrule our intellect. Unfortunately, regarding matters of investing this never works out to our benefit.

From EDMP's point of view we see the current market scenario as the pause that refreshes. As we discussed at length in last quarter's letter, calendar year 2004, completed what could only be described as one of the most anomalous ten year periods in stock market history. It was the gluttony of the first five years that caused the regurgitation of the last five years that has led to the digestion period that is now taking place. When looked at from the proper perspective, it all makes sense and really is not scary at all. Most importantly, there are actions, based on timeless truths, that can and should be taken during times like these. At EDMP we believe we have taken the correct steps and our challenge now is to clearly communicate that fact to you, our valued clients.

First and foremost, EDMP follows the lead of all truly great investors that have taught, to the point of preached, the timeless truth and indisputable reality that the stock market has nothing to do with true investing. Therefore, the mostly psychotic zigging and zagging of short run stock price movements are virtually ignored because in the longer run they do not determine either your rate of return or the risk you take to achieve it. On the other hand, stock prices do move in a clear and definable direction in the long run, but never do they do so in a straight line. Therefore, the act of focusing on each zig and zag will only confuse and mislead. There are no truths to be found there.

My very favorite words of wisdom are: when you change the way you look at things, the things you look at change. In other words, the perspective you approach life with has a great deal to do with not only how you see life, but more importantly how your life actually unfolds. This principle is profoundly true and relevant regarding investing in common stocks, or as we like to say, superior businesses.

Investors, too often, in their thirst for immediate gratification will judge a stock (company) as good or bad based solely on the short-term movement in its price; i.e., a rising price makes a stock (company) good; a falling price makes it bad. In reality, short-term price volatility is merely the law of supply and demand in action seeking equilibrium, or True Worth™. At any point in time these laws are either creating or correcting overvaluation or undervaluation. It is critical for investors to know which is occurring, but there are no answers in the ups and downs alone. Correct answers are only found in calculating, thus knowing the True Worth™ or proper valuation of the business itself.

Clearly understanding this vital principle, as previously stated, is critical to long term success. Allow us to summarize and explain through example. Let us assume that using sound business principles you correctly calculate a business to be worth $50 per share. Checking the stock market price you notice that it is trading at $75, and has been steadily rising for several weeks. Naïve investors would see this as a good stock and enthusiastically buy it with their hard earned money. You, on the other hand, the intelligent and informed investor that you are, would see it for what it truly is – a dangerously overpriced stock. If you owned it, you would gleefully sell it to them.

In contrast if when you checked the stock market to see what your $50 company was trading at and found it selling at $25 you would be the gleeful buyer, even if it is has been falling for several weeks. If the stock fell another $5 to $20 after you bought it, you would thank your good fortune and find a way to buy more. As the intelligent investor that you are, you would furthermore understand that the stock you bought for $20 had less risk than the stock you bought at $25 and would soon give you a higher return as well. This is what great investors like Warren Buffett are referring to when they talk about exploiting other people's follies.

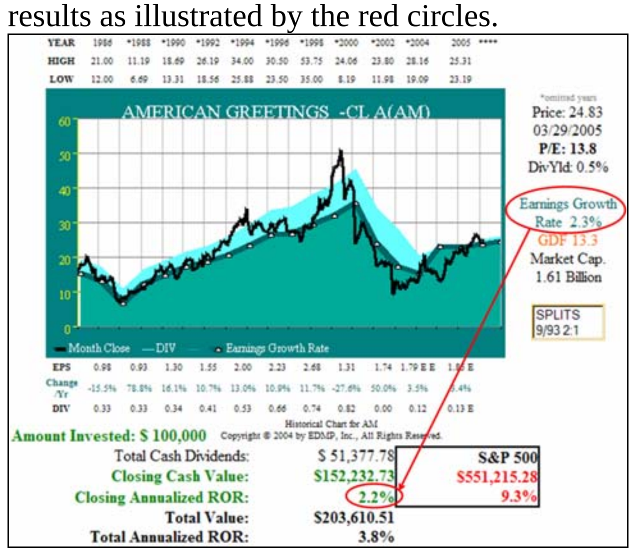
The intelligent and proper applications of the above principles are precisely what we at EDMP believe we have accomplished with your portfolios during the first quarter of 2005. Those of you who have been appreciated clients for many years saw more portfolio turnover than you are accustomed to; don't let that alarm you. For those of you who are new to EDMP please don't expect to see such activity in the future. EDMP has always believed in the principle of buying at sound valuation and holding superior growing businesses over the long run. That has not and will not change.

The point I'm trying to make is that extraordinary circumstances dictate extraordinary behavior. To summarize, the anomalous market described in last quarter's letter, and briefly in this letter, generated several opportunities to exploit. First we were able to harvest, due to our perspective of valuation, excess profits that the bull market of the 1990's generated. We used the proceeds to invest in blue chip dividend paying stocks (Heinz, Pitney Bowes, Kimberly Clark etc.) while we patiently waited for the correction process to run its course. During the first quarter of 2005 we harvested our blue chips at reasonable profits and good accumulated dividend income in order to invest in the superior faster growing companies you now own that became attractively priced. Consequently the objective of the rest of this letter is to assist you in seeing the tremendous opportunity our current holdings now possess.

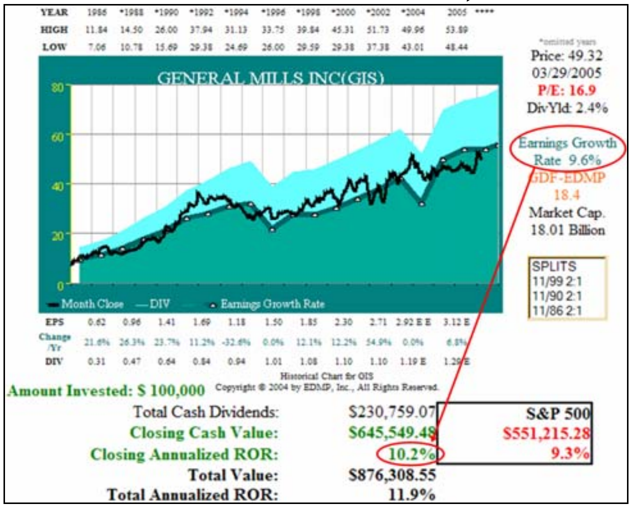
The best way to bring light to the power of our current portfolio holdings is to first revisit the most important timeless principles of long-term investing success. The bottom line is that there are two primary factors that determine long-term return: First, the growth rate of the company, and second the valuation you pay to buy that growth.

EDMP's charts clearly illustrate these important points through the following examples:

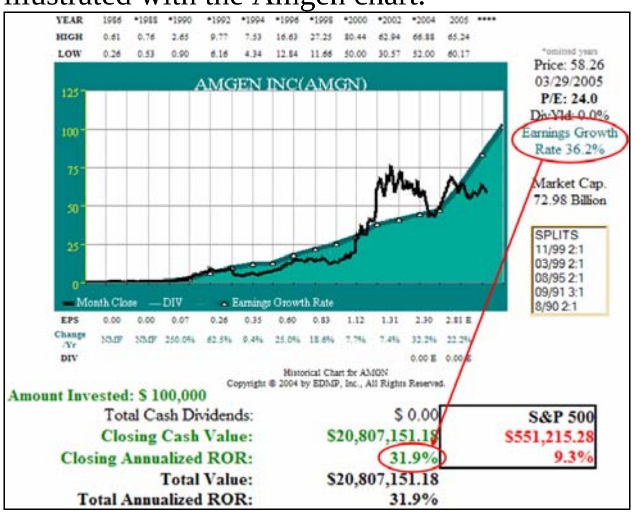
American Greetings below average growth rate generated below average long-term shareholder results as illustrated by the red circles.



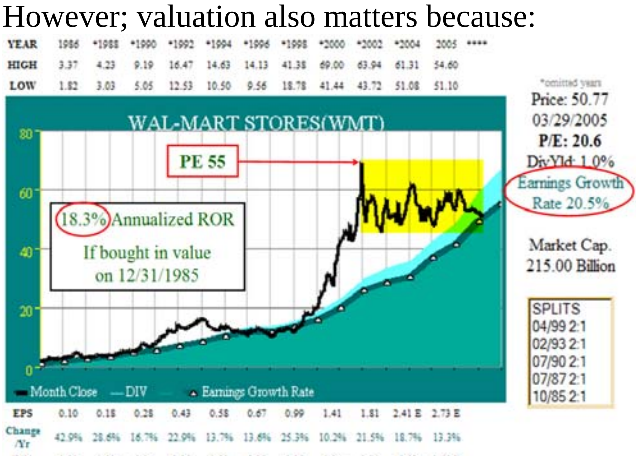
Consequently, average growth of operating results will create average performance as illustrated with General Mills' chart,



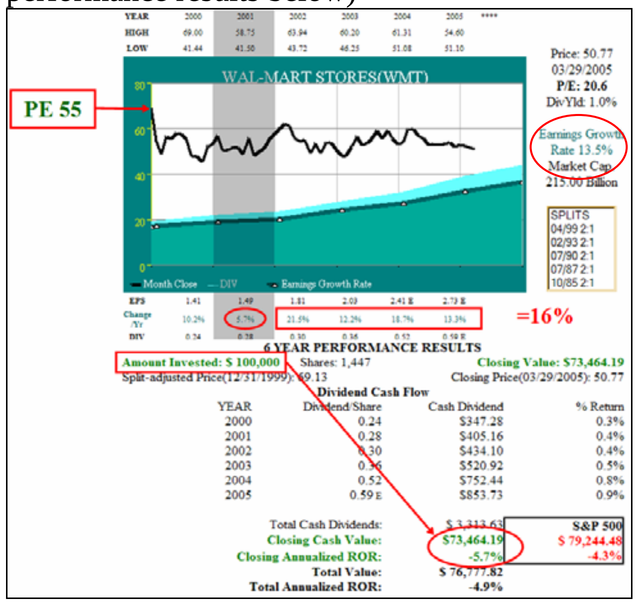
and above average growth rate will create above average performance in the long run as illustrated with the Amgen chart.



However; valuation also matters because:



if you pay more than the growth rate (True Worth ™) you will make less than the growth rate in the long run (see Wal-Mart 5 year performance results below)



Therefore it is not enough to buy the right company, you must buy it at a sound price. In other words the rate of change of Earnings Determine Market Price as long as those earnings are purchased at or below value.

These two principles represent the essence or core of EDMP's sound and attractive investment philosophy. The formula we use to determine value is PE ratio equal to or preferably less than forecast growth rate. More simply stated, we are willing to pay 25 times earnings for a company we believe can grow at 25% or better. On the other hand, we refuse to pay 25 times earnings for a company that is only growing at 10%. In the former, the income stream (cash flows), due to the power of compounding, are large enough to generate an attractive return over time. In the latter they are not.

The primary point here is that it is much easier and reliable to forecast the prospects of a well run growing business than it is to guess where the price of the stock may or may not go. Therefore, we focus more on the performance of the business rather than the volatility of the stock price. It is more important to us, because it is more important in the real world, to understand the True Worth™ of a business than it is to worry about how the fickle stock market may be mis-pricing it over the short run.

Another way of looking at this is the reality that you as an investor can only take what the market is giving. This principle illustrates the problem that the previously mentioned anomalous market created. In short, stocks were mostly overvalued and therefore good investments were hard to find. Consequently the companies (stocks) that we recently invested in last quarter were not buyable as little as a year ago. The companies were just as good as they are today; they were just overpriced by the market. The opportunity to be able to buy them is most exciting to us.

The rationale behind why we believe your current portfolios are superior long-term investments can be summarized as follows. The average forecast growth rate of the companies we now own is 16% and the average PE ratio is 18. In contrast, the expected growth rate of the S&P 500 is 6-8% and its PE ratio is 19. In other words our portfolio companies are growing 2-3 times faster than the market in general and are more cheaply valued. Even better, the companies we own are leaders in their respective industries. They are financially stronger than the general market and are better than average businesses.

One of the great advantages of being an EDMP client is access to our proprietary research. Our charts and graphs are powerful tools that can literally change the way you see your portfolios. Our tools provide an entirely different and more accurate picture of what you own than a mere profit or loss statement.

Therefore, we encourage you to please take full advantage of this tremendous benefit we offer. It is quite easy if you take the following steps. Log onto EDMPINC.COM by clicking the orange Login button, then enter your username and password (if you lost it, call us).

Next click on the Appraisal Report w/ Charting links underlined and marked in blue.

Go ahead and review your portfolio; however, please DO NOT STOP THERE! You will notice that the name of each company you own is colored blue and underlined.

EDMP, Inc.

PORTFOLIO APPRAISAL

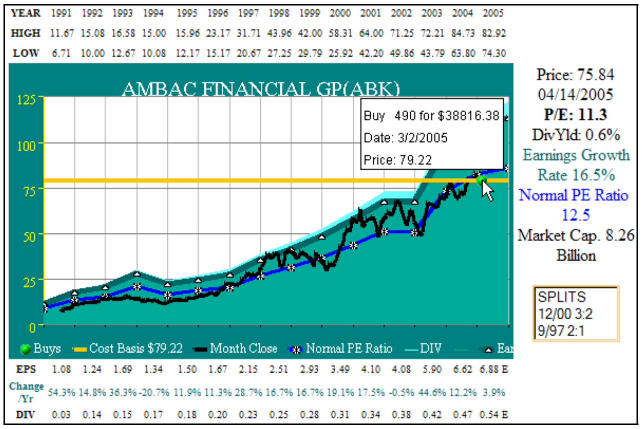
April 14, 2005

No.	Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
		COMMON STOCK						
1	585	Affiliated Computer Svcs-Cl A (acs)	48.82	28,562.30	52.10	30,478.50	3.3	0.0
2	1,015	Aflac Inc. (afl)	37.78	38,350.66	36.23	36,773.45	3.9	0.9
3	490	Ambac Financial Group (abk)	79.22	38,816.38	75.84	37,161.60	4.0	0.7
4	525	Amgen (amgn)	54.27	28,490.24	59.67	31,326.75	3.4	0.0
5	1,400	Bank Of America (bac)	25.49	35,679.54	44.68	62,552.00	6.7	4.0
6	1,285	Boston Scientific Corp (bsx)	28.82	37,037.74	29.90	38,421.50	4.1	0.0
7	665	CDW Corporation (cdwc)	57.54	38,264.34	56.00	37,240.00	4.0	1.2
8	500	Express Scripts, Inc. (esrx)	76.48	38,239.85	84.70	42,350.00	4.5	0.0
9	960	First Data Corp. (fdc)	40.95	39,315.81	37.80	36,288.00	3.9	0.2
10	1,010	Fiserv Inc. (fisv)	38.91	39,297.64	40.86	41,268.60	4.4	0.0
11	745	H&R Block Incorporated (hrb)	52.21	38,892.84	50.07	37,302.15	4.0	1.8
12	1,710	Home Depot (hd)	26.67	45,612.32	37.15	63,526.50	6.8	0.9

If you click onto the name you will be taken to the EDMP charts and graphs.

In our example, we have chosen Ambac, a AAA rated insurer of municipal bonds. High quality

Ambac Ranked #1 in Net Margin by *BusinessWeek*.



The graph will be marked with a green dot or dots showing each purchase made on your behalf. Put your mouse pointer on the dot and a pop up window will provide the details of the purchase. The yellow line represents your cost basis.

Once you are in the charting area we suggest you scroll down to the performance results section.

AMBAC FINANCIAL GP(ABK)
15 YEAR PERFORMANCE RESULTS

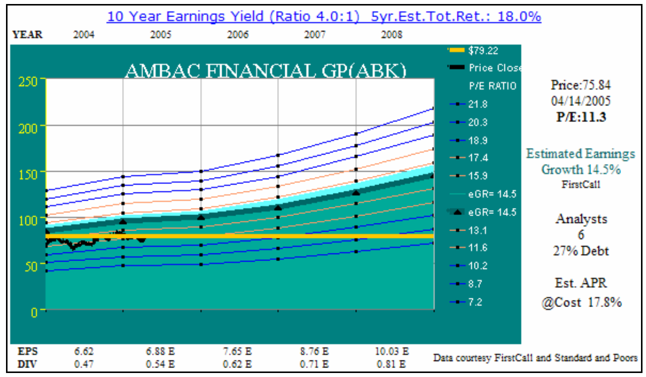
Amount Invested: $ 100,000 — Shares: 14,124 — Closing Value: $1,071,164.16
Split-adjusted Price(07/31/1991): 7.08 — Closing Price(04/14/2005): 75.84

Dividend Cash Flow

YEAR	Dividend/Share	Cash Dividend	% Return
1991	0.03	$423.72	0.4%
1992	0.14	$1,977.36	2.0%
1993	0.15	$2,118.60	2.1%
1994	0.17	$2,401.08	2.4%
1995	0.18	$2,542.32	2.5%
1996	0.20	$2,824.80	2.8%
1997	0.23	$3,248.52	3.2%
1998	0.25	$3,531.00	3.5%
1999	0.28	$3,954.72	4.0%
2000	0.31	$4,378.44	4.4%
2001	0.34	$4,802.16	4.8%
2002	0.38	$5,367.12	5.4%
2003	0.42	$5,932.08	5.9%
2004	0.47	$6,638.28	6.6%
2005	0.54 E	$7,626.96	7.6%

		S&P 500
Total Cash Dividends:	$ 57,767.16	
Closing Cash Value:	$1,071,164.16	$299,808.90
Closing Annualized ROR:	18.9%	8.3%
Total Value:	$1,128,931.32	
Total Annualized ROR:	19.3%	

Here you will find the historical track record of the company (printed in green) as compared to the S&P 500 (printed in red); both are expressed without dividends. This report will illustrate two very important facts: First, the historical superiority of the company relative to the averages, and second the undeniable long-term correlation of the company's growth rate of earnings to the returns it generated for its shareholders.



As a caveat, please note that the forecast future growth rate, found on the forecasting charts, may be materially different than historical. Therefore the forecasting growth rate implies future returns consistent with expected future growth.

In closing we are confident that if you can see your portfolio through our eyes, you will be as confident and excited about them as we are. Superior businesses, purchased at sound valuations produce superior long-term results at below average risk. That defines your portfolios in a nut shell.

And, as we hope you all agree: in the long run ***Earnings Determine Market Price***. Always have, and always will.

Sincerely,

Charles C. Carnevale
Chief Investment Officer