2nd Quarter 2006
EDMP, Inc. Quarterly Review

Great Companies Great Prices

The second quarter of 2006 has created a lot of what we believe to be unnecessary investor angst. Worry generates volatility and volatility scares investors. Consequently, when this occurs investors become very likely to do the exact opposite of what is in their best interest.

Common sense clearly dictates that selling low is a sure-fire recipe for losing money. Conversely, buying low is a sure-fire recipe for excess gain at low risk. Yet, because of their emotional attachment to their money, people find it very difficult to buy low. Ironically, they often get most interested in buying a stock after it has already gone up even though logic says it's too late.

An old colleague and friend of mine used to tell the following story that he claimed was a true story about his wife that illustrates this principle. I have changed the names to protect the guilty:

> As a school teacher, I made little money, and one day, Mary, my wife came home and asked for $1000 to buy a dress, a handbag, and a new hat that she fell in love with at the mall. Unfortunately, we couldn't afford it and I refused, much to my detriment, to give her the money.
>
> One day, after several days of cold dinners and a cold shoulder, I relented and gave her the money. That evening after work, I came home to find her singing in the kitchen as she was gleefully preparing my favorite dish. With great anticipation I asked to see the ensemble that had caused me so much grief, only to receive the following reply, "Oh, I didn't buy them, the store had put them on sale at half off and I didn't want that cheap stuff."

The above encapsulates the illogic of many investors as they react to a soft market. Ironically, they see risk where, in truth, there is really opportunity. Outsized profits and reduced risks are always found in down markets and rarely to never in good markets. Yet down markets make investors feel bad, while up markets make them feel good, which is exactly the opposite of how they should feel.

When I look at EDMP portfolios today, I see opportunity everywhere I look. Rarely do you find such great companies at such great prices as you do now. The low prices and valuations of today are as certain to generate future outsized gains tomorrow as yesterday's overvaluation led to outsized losses.

The fact that short-term stock price movements have been and will be volatile is a given. Many investors equate volatility with risk when in reality real investment risk lies in the reaction to volatility, not the volatility itself. Common stocks should only be owned as long-term investments with the understanding and commitment to ride out bouts of volatility along the way.

The bottom line is very straightforward. Most investors waste too much time and energy thinking about and worrying about the market. Unless you have all your money invested in an index fund, this makes little to no sense. The truth is that investing results do not come from what the market has or is doing or going to do. Actual returns come from and are correlated to the success that the businesses you own achieve. If you use our website and go into your appraisal reports and run fundamental charts on the companies you actually personally own, you will find a profoundly different long-term track record between your portfolio holdings and the market (S&P 500).

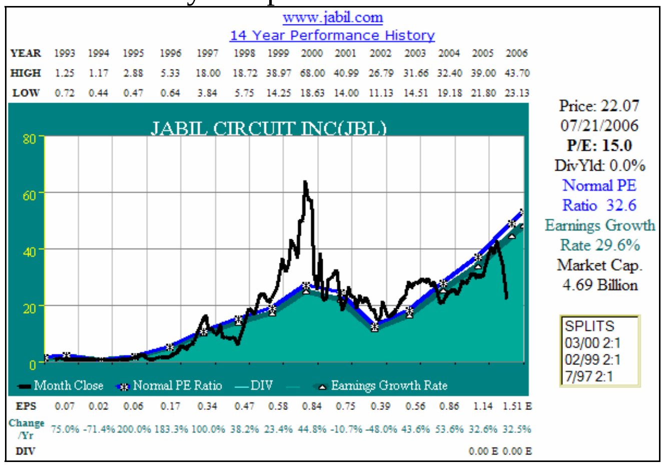
At EDMP, we endeavor to invest our clients' assets into great companies at attractive valuations. A characteristic of great companies is that they produce great track records for their shareholders. Occasionally market volatility will create spectacular buying opportunities by unjustifiably overreacting to a piece of news or event. A good example is the market's current overreaction to the recent practice by many companies of backdating stock option grants to key officers.

Although we agree that these practices should not be condoned, they are in truth more smoke than fire. The point is that they really have little to no impact on the companies' long-term business prospects. Consequently, since earnings determine market price, in the long-term it is business results that generate our future returns. Therefore, events such as this create attractive long-term buying opportunities to be exploited.

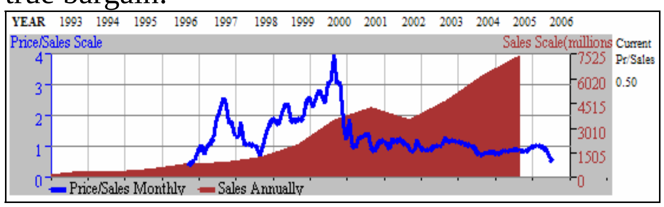
In last quarter's letter we discussed that weakness in healthcare, one of our favorite long-term industries, was impacting our short-term performance. We highlighted United Healthcare and subsequently added to our position in this great company. That strategy has already begun paying dividends since we own more shares as its price recovers than we held as it fell. This leverage we now have should lead to better long-term returns than merely riding the volatility down and back up without adding shares. We have also added to other great healthcare companies we own as well.

This quarter we will highlight technology, a second industry that has enormous long-term growth potential and suffers from short-term weakness. Therefore, our feature company this quarter will be Jabil Circuit, Inc. Its stock price has been clobbered recently due to being implicated in the aforementioned stock option scandal and a rare execution misstep. Meanwhile, Jabil's board declared its confidence by declaring a dividend and authorizing a $200 million share buyback. In line with the company, we are aggressively adding to our position.

The following three pictures clearly illustrate the opportunity we see. This first graph shows above-average long-term operating results selling at a historically low price based on valuation.



Picture 2: The price to sales scale shows Jabil selling at one of its lowest price to sales ever, a true bargain:



Finally, Picture 3 shows that even at its current low valuation, its long-term return to shareholders is exceptional.

JABIL CIRCUIT INC(JBL)
14 YEAR PERFORMANCE RESULTS

Amount Invested: $ 100,000 Shares: 106,383 **Closing Value: $2,347,872.81**
Split-adjusted Price(04/30/1993): 0.94 Closing Price(07/21/2006): 22.07

		S&P 500
Total Cash Dividends:	$ 0.00	
Closing Cash Value:	**$2,347,872.81**	**$281,545.83**
Closing Annualized ROR:	**26.9%**	**8.1%**
Total Value:	**$2,347,872.81**	
Total Annualized ROR:	**26.9%**	

The following "THESIS FOR GROWTH" and "OUTLOOK: GROWTH BY THE NUMBERS" on Jabil Circuit, Inc. will validate the concept of forecasting future operating results.

THESIS FOR GROWTH

Jabil Circuit is a provider of electronic manufacturing services, primarily designing and manufacturing circuit boards for large customers who find that Jabil can perform this function more inexpensively versus doing it themselves. This is due to the scale and sole focus that Jabil can bring to the process. Contract manufacturing is a growth industry as more and more companies see the benefits of outsourcing. Jabil stands out as the model of consistency and growth in this highly competitive and low margin business.

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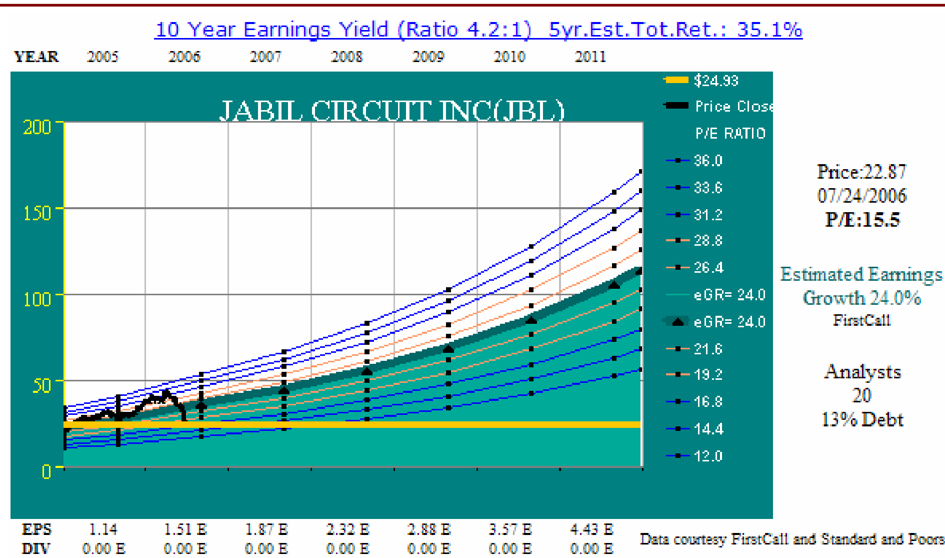
Jabil's business model is far superior to that of its competitors. The Company has diversified over a very broad range of customers to minimize cyclicality of its earnings. Jabil has implemented a unique business unit model that allows intense customer focus to better serve its clients, and to fully understand its cost structure to maximize profitability. Each business unit manager has profit and loss responsibility. These business units are supported by a highly sophisticated information technology infrastructure unique in the industry.

As a result of the Company's client-centric approach, Jabil is the only provider among the five largest to generate returns on its invested capital in excess of the cost of its capital. This is critically important in creating shareholder value, and better positions the Company to grow its business longer term. Its highly skilled management, with a proven history of superior execution, has enabled the Company to increase its market share and generate operating margins nearly twice that of its competitors.

The Company's strong financial position and cash flows have further enabled it to prudently acquire smaller competitors that can enhance its industry diversification. Recent moves into medical, industrial, military and aerospace, where outsourcing is relatively just beginning, should allow for continued earnings growth in the 15 to 20% range as these sectors are growing over 30% versus 2% for more traditional technology markets. With $15 billion of annual outsourcing opportunities coming available, we believe Jabil will likely take its fair share, while continuing to focus on only the most profitable business.

Forecasting future earnings growth, bought at sound valuations, is the key to safe, sound, and profitable performance.

OUTLOOK: GROWTH BY THE NUMBERS



Forecasting Chart for JBL

ESTIMATED FUTURE FUNDAMENTAL VALUATIONS

The consensus of the 20 leading industry analysts reporting to FirstCall estimate Jabil's 5 year earnings growth rate at 24%. Jabil has low long-term debt at 13% of capital. Jabil is currently trading at a P/E of 15.5, which is below the value corridor (defined by brown lines), which represents an extreme bargain. If the earnings materialize as forecast, Jabil's True Worth™ valuation would be $114.72 at the end of 2011, which would be a 35.1% rate of return from the current price.

EDMP, Inc.

As we analyze year-to-date 2006, it would best be described as a transition year. More precisely, we see this year as a year of great budding opportunity. For example, 2006 started out with very few companies that met our valuation criteria. Consequently, building portfolios was difficult due to the lack of **great companies** selling at **great prices**. To be clear, there were plenty of great companies but they were just too expensive to invest in. As the year has unfolded many great companies have moved from expensive to attractive valuations.

The following table lists a few select examples of companies that we have begun extensive research on due to their coming into value. As recently as the first of this year these great companies were expensive to buy; however, they are attractive at current prices. We caution that these may or may not be good investments pending the completion of our research. In other words, don't go out and buy them just because their price has fallen.

Bed, Bath, & Beyond Inc
expensive @ $**42** reasonable @ $**33**

Best Buy Co Inc
expensive @ $**59** reasonable @ $**46**

BroadCom Corp
expensive @ $**46** reasonable @ $**23**

Barr Pharmaceuticals
expensive @ $**66** reasonable @ $**47**

Carnival Corp
expensive @ $**54** reasonable @ $**40**

Chicos Fas Inc
expensive @ $**44** reasonable @ $**22**

Coach Inc
expensive @ $**36** reasonable @ $**27**

Williams-Sonoma
expensive @ $**40** reasonable @ $**33**

QUALCOMM Inc
expensive @ $**52** reasonable @ $**35**

Medtronic
expensive @ $**57** reasonable @ $**47**

We offer the above table of attractive companies and the principles behind it to further illustrate our current strategy and behavior. At EDMP we feel there are three strategic portfolio actions that can dramatically enhance returns and reduce risk. All three of these actions are based on the relevance and importance of valuation. True worth™ valuation matters and is critical to long-term success. These actions are listed as follows:

1. **Buy Down** - exploit irrationally created undervaluation by adding more shares
2. **Pare Back** - lighten up on fully or slightly overvalued positions to raise cash
3. **Upgrade** - replace a slower grower with a faster grower if opportunity knocks

If we execute these strategic actions reasonably well, then your portfolios should be in excellent position to excel over time. Even more importantly, as we position for better returns, we simultaneously reduce overall risk. Therefore, we are both excited and confident regarding the future potential of your portfolios.

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