3rd Quarter 2000

EDMP, INC. Quarterly Review

PRESIDENT'S MESSAGE

Worry, Worry, Worry

Amazingly, the third quarter of the year 2000 is now history. Wasn't it only yesterday that the world was paralyzed with Y2K fears? People, especially people participating in stock markets, love to worry. Y2K was a whopper of a worry while it lasted. Its only weakness was that it was attached to a specific date, and alas, the date has passed. People, however, are persistent and with a great worry now gone, will immediately search for a new one. As the old adage so clearly pointed out "Wall Street climbs a wall of worry."

What is interesting about human beings, regarding worry, is that we are not discriminating. We seem to need something to worry about and care little whether or not our fears are justified. People with money at risk are the crème de le crème. At EDMP we believe that worry can be and often is a good thing, under one condition. To successfully invest we must be discriminating and worry only about things that truly matter.

So far in the year 2000, stock prices have been quite volatile. Wild swings in the prices of stocks are a fabulous incubator for a multitude of delectable worries. To the well-grounded intelligent investor, short-term price volatility is nothing to worry about. In fact, the worry it creates for speculators and gamblers is quite beneficial to those with a sound long-term perspective. The fears of the short-term oriented create spectacular long-term opportunities and simultaneously significantly reduce risk. Panic selling creates low prices and exceptional buying opportunities. The point is, short-term price movements, especially on the downside, are not worthy of worry for long-term investors; rather, they are opportunities to exploit.

Ironically, those who are most worried today about price movements are the very same people that had no fear of the insane valuations of 1998 and 1999. Remember they had Y2K to satisfy their unquenchable thirst for worry. Ah yes, we remember it well, valuations didn't matter and those who attached value to their investment philosophies were dinosaurs and fools. Let us state emphatically, high valuations are something to worry about while short-term price volatility may or may not be. When valuations are extremely high, you should worry a lot about falling prices; when valuations are low, you should rejoice about falling prices. The key, as we have incessantly pointed out, is to know the true worth of the businesses you own.

This most important principle explains our current behavior. The valuations of many of our technology holdings became dangerously high. Therefore we were obligated to either pare back or sell completely many of our favorite companies. Names like Microsoft, Cisco, Intel, Analog Devices, Atmel, Oracle, EMC, and others were lightened or sold even though we still liked the companies, in most cases, as much as we did the day we bought them. What we didn't like was the ludicrous valuations that speculators and gamblers placed upon them. Therefore, we took part or all of our excess profits to capture and to protect your financial future. If you compare the prices of most of these names to what they were earlier this year you should feel quite good about our prudent practices.

On the other hand, the falling prices of tech stocks we didn't own, but wanted to, allow us to redeploy our capital in a most opportunistic way. WorldCom, Computer Associates, and Adaptec are a few examples. It was not to long ago that the market had them priced for perfection. Now these great businesses are cheap and nobody wants them. Only in the stock market do shoppers behave this way. We like them now, and the cheaper they get the more we like them and the more we will buy them.

More importantly, several extraordinary tech companies are rapidly approaching or currently meeting our strict economically based criteria. This gives us great confidence in our ability to generate future above average returns going forward regardless of the general markets. Accumulating great businesses at attractive and sensible values never goes out of style and inevitably leads to superior results at manageable risk. We merely need to know the true worth of our companies and give them the appropriate time. Our fundamental charts empower us to do this in a most elegant and profound way. Most people do not possess these powerful tools, therefore we are luckier than most. Please use them.

Our so-called old economy, non-tech, holdings are also important to comment on. Many of you have expressed the concern and opinions that these holding are "not doing anything." In reality, nothing could be further from the truth. The vast majority of these holdings are generating operating results that are greatly exceeding their stock price performance. In simple English they are down right cheap and growing nicely. Although we cannot know what will happen to their short-term price movements, we know for certain that in the long run their prices will reflect the operating success they are generating. As the mania for all things "technology" continues to unwind, we are certain your appreciation for these solid holdings will increase dramatically.

Again, in plain English, we are confident that with a few remaining exceptions your portfolio holdings are well positioned for the future. This prudent and intelligent posturing is precisely why we are outperforming the general markets in calendar year 2000. Most importantly we are accomplishing this at risks that we believe are dramatically lower than the markets in general.

As a side bar, we would like to share with you a few excerpts from an article in a recent _Forbes ASAP_ magazine written by Al Berkeley who is president of the NASDAQ stock exchange. One of our pet peeves is the lack of precision that the financial media exercises with the language of investing especially regarding the word 'investor' which mainstream media loosely defines. We think this is irresponsible and confusing to the public at large. Al Berkeley's article brings clarity as follows:

"A Trustworthy market does not mean that people will not over pay for stocks. Witness the recent fluctuations in securities. This shows that the market is different things to different people. Three levels of game theory are at play in the market: games of chance, games of skill and games of strategy. The same market, the same stock, the same day, even the same trade, has a different meaning for different players.

Most of us think of the market as a place for investors. Investors, in our vocabulary, look at the fundamental competitive position of a company, buy the stock, and let the management's good work build value over time. For them, truth plays out over time, often years or decades."

This is how we define ourselves at EDMP, Inc. Investment Management. More importantly, this is how we hope our clients define themselves. We believe this takes the **worry, worry, worry** out of investing. Mr. Berkeley goes on to define the other two levels of game theory in the market as follows:

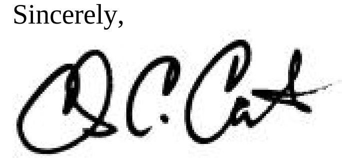
"Speculators play a game of skill. They are the so-called momentum players. They know they are playing a fast game, but they consider themselves better, more skilled than the competition. They believe they understand the other fellow's psychology. The underlying mathematics resembles musical chairs, but they're confident there will be a chair for them. For speculators, truth plays out over weeks or months, rarely years.

Gamblers play a game of chance. For gamblers, Truth plays out in minutes and hours, maybe a few days."

In closing, we believe that investors should not worry or even concern themselves with the mostly irrational behavior of speculators and gamblers. By definition their behavior will soon change and is unpredictable. The future of a well-run business bought at a reasonable and sound valuation, on the other hand, will mostly endure and is quite predictable. Investors can embrace the motto of the Australians, the host of the recent Olympic games- No Worries!

It remains our privilege to serve you. And, as always, remember; Earnings Determine Market Price, always have, always will.

Sincerely,



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