3rd Quarter 2005
EDMP, Inc. Quarterly Review

Safe, Sound, and Profitable

In the midst of surging oil prices and natural disasters, the third quarter of 2005 produced respectable, if not solid, results for EDMP and the market in general. However, just as they did in the second quarter, our portfolio companies, in the aggregate, greatly outperformed their stock prices on an operating basis. In the long run, this is significantly more important than short-term price volatility.

EDMP's investing philosophy and goals are very straightforward. We endeavor to buy a dollar's worth of earnings today that we expect to grow to two dollar's worth of earnings in three to five years (15-20%.) Most importantly, we exercise the discipline to only pay a multiple for those earnings that is equal to or less than the expected growth rate of those earnings. Consequently, our portfolio holdings have a solid base of earnings and assets underpinning their prices or valuations. This philosophy is **Safe, Sound, and Profitable** and protects us from the vagaries of an often irrational stock market in the short run.

The truly important point is that if you get the earnings right, everything else takes care of itself in the long run. A simple analysis of the mathematics behind this principle proves the soundness, safety and ultimately the profitability of our approach. If we pay a PE of 20 to buy one dollar's worth of today's earnings of a company that's growing those earnings at 20%, we are paying intrinsic value. In 3.6 years that dollar's worth of earnings will grow to two dollar's worth of earnings. Therefore, the future economics are remarkably in our favor.

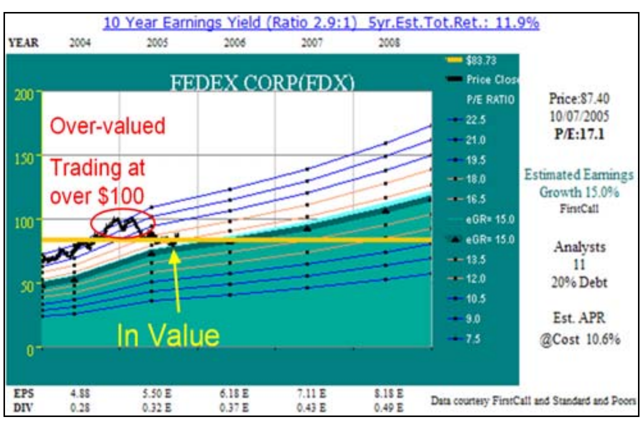
The stock market can be counted on to always capitalize earnings; however, the rate it capitalizes those earnings is not certain. Therefore, the greater your future earnings are, the less risk you face, and the higher your return potential is. From a safety of principal point of view, the two dollars worth of earnings we now have is a powerful guardian of our capital. If the market only meagerly capitalizes our two dollars at a PE of 10 (half our purchase rate), we break even (10 x $2.00 = $20). At even a 25% discount or a PE of 15, our $20 purchase is now worth $30 (15 x $2.00 = $30) which is better than a 10% annual return. Not bad for a disappointing result. Of course if the market capitalizes our $2.00 of earnings at fair value or a PE 20, we make a 20% annual return. Best of all we earn this high return by owning the best companies possible, because only the best companies grow at 20% per year.

If you log on to EDMP's website and check our historical graphs, you will see that the majority of the companies you own have met or exceeded those earnings growth goals. More significantly, they are expected to meet or exceed those goals in the future as well. Simply stated, you own a portfolio of terrific businesses that are attractively valued and growing strongly. Look at THAT! …because it's much more important than the bouncing stock prices of an auction market.

The legendary investor Warren Buffett has often stated that growth and value are not distinct. They are integrally linked since growth must be treated as a component of value. This simply means that the past, present and future value of a business is a function of how fast and consistently the business grows. The faster it grows the more valuable it is and becomes. The trick is that growth must be bought at a valuation where the revenues from that growth generate an attractive return. As Warren Buffett's mentor the legendary Ben Graham would say "price is what you pay and value is what you get." At EDMP we strive to only buy when value is sound.

Exercising the discipline to only invest when value exists is one of the most difficult behaviors for investors to apply. People seem only to want to buy stocks that are strongly rising and typically don't notice them until they have become dangerously overvalued. A great business whose stock price has fallen, therefore becoming cheap and a tremendous opportunity for profit, goes unnoticed. Common sense will verify the validity of buying low; however, fear and greed are powerful adversaries to rationale thought.

FedEx Corporation, one of our most recent additions to your portfolios, represents a great example of a falling stock price creating an opportunity for long term profit. Early in the year FedEx was trading at over $100/share and thus overvalued based on EDMP's valuation criteria. (See EDMP Forecasting Chart.)



By September 1, 2005, the price fell to under $84 a share representing an excellent buying opportunity. Therefore we sold MBNA Corporation, a business we still liked, but was being bought out, to make room for FedEx, a faster growing company we liked more. Our objective is to keep your money invested in the highest quality, fastest growing, best valued companies available.

As we review your portfolios, what strikes us most is how well they reflect the above statement. Although anything can happen to stock prices in the short run, only earnings and valuation truly matter in the long run. Therefore, if we get earnings right and exercise the discipline and intelligence to keep our valuations in line, remarkable long-term results are sure to follow. We like what you own a lot and hope you can see the bright future we see as well.

Regarding the future, on October 2, 2005, the New York Times published an article by Amy Feldman entitled: <u>Sending Out a Message by Buying Back Shares</u>. This article is a perfect follow-up to our last quarter's newsletter and speaks to corporate America's view of the future and the valuation of their stocks as illustrated by the following excerpt:

"BUYBACKS are back, and portfolio managers are taking notice.

Companies have been repurchasing their own shares at record levels, and the trend shows no sign of letting up. In the first half of this year, share buybacks reached $163 billion, according to Standard & Poor's, up 91 percent from the first six months of 2004. Howard Silverblatt, an equity market analyst at S&P., estimates that they will surpass $300 billion for the year. That would be well above the $197 billion for all of 2004.

Companies are splurging on their own shares for a simple reason: they have a lot of cash and need to do something with it. Companies in the S&P 500-stock index have cash equal to 7.3 percent of their market value – slightly off the

7.7 percent peak reached earlier this year, which was the highest level since 1988.

That pile of cash accounts for not only the increase in stock buybacks, but also for rising dividend payouts and a higher level of activity in mergers and acquisitions.

'Companies have more cash than they know what to do with,' Mr. Silverblatt said. 'The number is just huge, especially in an environment where it is cheap to get money. So companies have plenty of money to do buybacks.'

In general, buybacks are good for investors. After all, they represent a vote of confidence by management in the company's stock. And all things being equal, buybacks increase the earnings for each share by decreasing the number of shares held by investors.

David L. Ikenberry, a finance professor at the University of Illinois at Urbana-Champaign who studies corporate buybacks, found that the stock price of companies that announced buybacks tended to outperform those that did not."

If you recall from last quarter's newsletter your portfolio companies are doing all of the above – buying back stock, increasing dividends, and making acquisitions.

Furthermore, on October 7, 2005 Reuters published an article by Daisuke Wakabayashi titled: <u>CEOs Remain Optimistic in the Face of Dark Clouds</u>. We thought you might be interested to hear what George David, chairman and chief executive of United Technologies Corp, one of your fine companies had to say:

"Kiawah Island, S.C., Oct 7 (Reuters) – Catastrophic hurricanes, rising interest rates, oil prices near levels unseen in a quarter century and a war. For anyone cooking up an economic horror story, all the elements are there.

Business leaders paid adequate lip service to those risks this week when they gathered for their Business Council meeting in the pristine South Carolina resort town of Kiawah Island, but they also whispered quiet optimism for a U.S. economy that has proved resilient to every blow delivered by Mother Nature, the Federal Reserve, and military conflicts.

'I've almost come to the point where I say nothing matters,' quipped George David, chairman and chief executive of industrial and aerospace conglomerate United Technologies Corp.'

'It's oil prices. It's commodity costs. It's metals. It's interest rate bumps short and prospectively long term. It's deficits, both fiscal and trade. It's Iraq. It's hurricanes. It seems like nothing matters.'

Even in the face of a dour outlook, a silver lining can be found.

So why has the U.S. economy been so buoyant thus far?

'What has driven this whole thing is productivity,' said United Technologies CEO David, pointing to improvements in technology, the effects of globalization and America's flexible labor pool…"

It's important to point out that EDMP does not mean to make light of wars and catastrophes and the tragic human suffering they create. These are horrible events and our hearts and prayers go out to all the victims. However, we also believe in the spirit and resiliency of humanity when faced with such tragedies. From a business and economic point of view, these are temporary interruptions in the otherwise powerful long-term trends as Mr. David pointed out.

12 Year Performance History

YEAR	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
HIGH	9.00	12.22	17.61	22.23	28.13	37.98	39.88	43.75	38.88	48.38	53.14	54.06
LOW	6.88	7.78	11.31	16.28	16.75	25.81	23.25	20.05	24.41	26.75	40.34	48.42

EPS	0.58	0.71	0.81	1.11	1.58	1.50	1.77	1.92	2.21	2.35	2.83	3.08 E
Change /Yr	31.8%	22.4%	14.1%	37.0%	42.3%	-5.1%	18.0%	8.5%	15.1%	6.3%	20.4%	8.8%
DIV	0.24	0.26	0.28	0.31	0.35	0.38	0.41	0.45	0.49	0.57	0.70	0.79 E

UNITED TECHNOLOGIES CORP(UTX)
12 YEAR PERFORMANCE RESULTS

Amount Invested: $ 100,000 Shares: 12,903 **Closing Value: $647,085.45**
Split-adjusted Price(12/31/1993): 7.75 Closing Price(10/07/2005): 50.15

Dividend Cash Flow

YEAR	Dividend/Share	Cash Dividend	% Return
1994	0.24	$3,096.72	3.1%
1995	0.26	$3,354.78	3.4%
1996	0.28	$3,612.84	3.6%
1997	0.31	$3,999.93	4.0%
1998	0.35	$4,516.05	4.5%
1999	0.38	$4,903.14	4.9%
2000	0.41	$5,290.23	5.3%
2001	0.45	$5,806.35	5.8%
2002	0.49	$6,322.47	6.3%
2003	0.57	$7,354.71	7.4%
2004	0.70	$9,032.10	9.0%
2005	0.79 E	$10,193.37	10.2%

		S&P 500
Total Cash Dividends:	$ 67,482.69	
Closing Cash Value:	**$647,085.45**	**$255,922.60**
Closing Annualized ROR:	**17.2%**	**8.3%**
Total Value:	**$714,568.14**	
Total Annualized ROR:	**18.2%**	

One of the secrets to being a successful long term investor is proper focus. Investing greats like Warren Buffett and Corporate America's leading CEOs, like George David, place their attention on what's truly relevant and ignore the everyday hype and/or hysteria. Regarding the stock market, obsession with short term stock price movement is the wrong focus, yet this is where most everyone places their attention. The reason it's wrong to focus on short-term price movements is that they move in a totally random manner based on emotion. In other words, due to fear or greed the market either overprices or underprices stocks due to short mood swings. However, over time clearer thinking soon prevails and true worth valuation is recognized and sought. That's why operating results (earnings) are better barometers of performance than prices. The bouncing ball of stock price volatility is fleeting and fickle. Cash operating results and assets are real and enduring.

In closing, EDMP has great confidence and very little concern about the portfolios we have built on your behalf. We are very concerned, however, about the potential reaction you, our valued clients, may have to a temporarily uncooperative market. Time and time again people want to sell during weak markets instead of more rationally wanting to buy. Consequently, more often than not they sell just before the large pent up advances occur. There is a lot of value and a lot of earnings power in your current portfolios. Sometime soon the rewards for owning these fine businesses will manifest into rising prices. It's only a matter of time.

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