

Firm Highlights

Equity

INTRODUCTION

Flippin, Bruce & Porter, Inc. is an independent investment counseling firm, which was formed and registered with the Securities and Exchange Commission in April of 1985. Facilities are at one location in Lynchburg, Virginia. FBP is 100% owned by active employees. Currently 14 professionals out of 26 total employees are shareholders. The firm's activities involve independent discretionary investment management for individuals, retirement funds, foundations, endowments, public funds, multi-employer funds and hospitals.

EQUITY INVESTMENT PHILOSOPHY

The foundation of our equity investment philosophy is based on the following:

- *Understanding Human Emotion is Key.* As investors overreact to near-term events, optimism and pessimism create overvalued and undervalued security prices in relation to a company's long-term outlook.
- *Risk is Determined by Price.* Using primarily large capitalization, quality companies, risk is related to price, where the lower the price the lower the risk and vice versa.
- *Historical Financial Characteristics Indicate Valuation Ranges.* Five financial characteristics over the past ten-year period are analyzed, determining valuation levels when a stock is both in and out of favor.

For more information regarding our Balanced philosophy, please see the Firm Highlights *Balanced Profile*.

STRUCTURE

| | |
|--------------------------------------------|---------------------|
| Founded | 1985 |
| Type of firm | Investment Advisory |
| Ownership | 100% Employee Owned |
| Minimum account size | \$1 million |
| Investment style | Large Cap Value |
| Investment products | Equity and Balanced |
| Total staff/investment professionals | 26/9 |

PORTFOLIO CHARACTERISTICS

| | |
|-------------------------------|---------|
| Average Market Cap | \$57.2B |
| Number of Securities | 42 |
| Annual Percent Turnover | 20% |
| Trailing P/E | 16.1x |
| Dividend Yield* | 1.8% |

WHAT MAKES US DIFFERENT

We are Value Managers. To us, our approach is the purest form of value management. FBP believes strongly that investors overreact to both optimistic, as well as pessimistic news. Understanding this factor is key to successful investment management.

Our approach to historical valuations. At FBP the valuation segment of our research effort focuses on five historical ratios, not just one or two. We begin with ten years of history in analyzing the following: sales, book value, cash flow, earnings and dividend yield. We believe using five factors allows us to make better judgments as to investment merit.

We study investor sentiment. This effort gives us insight into institutional owners and their enthusiasm, or lack of, toward specific issues. We are trying to uncover unwarranted pessimism and our sentiment work is important in this effort as it leads to value opportunities.

Investment team structure. The ability to maximize investment talent is crucial to a successful investment process. At FBP our structure is designed to promote individual input – within a team approach. This makeup gives us the ability to draw out our best thinking relative to our investment ideas.

Our 3-to-1 reward vs. risk ratio. This is a characteristic which we believe is unique to our investment process. After three price targets are set (downside – fair – full), a security candidate must meet our 3-to-1 reward vs. risk test for initial inclusion in our portfolios. Specifically there must be three times the upward potential to the fair target as there is of downward potential to the downside target.

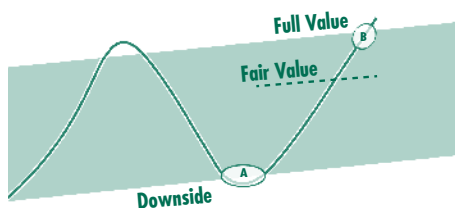
DECISION-MAKING

At Flippin, Bruce & Porter, Inc. our investment committee is made up of five portfolio managers and four research analysts. Of the nine individuals, seven have their CFA designation. The experience level of our portfolio management team is high, with an average of 27 years. Our investment committee works as a team with all investment decisions coming from the committee. Portfolio managers are responsible for security implementation, ongoing portfolio management and client contact.

*Dividend Yield is equal weighted

FBP Investment Discipline

FBP Stock Approach Chart

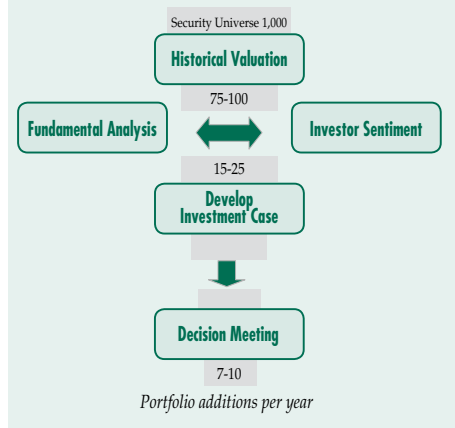


OUR APPROACH TO STOCKS

The time from peak to peak is approximately 10 years. FBP's research effort begins early in the cycle, as a company falls out of favor and its stock price declines toward an eventual bottom. As part of our security selection process, we establish three price targets for each company followed. These *downside*, *fair* and *full value* targets are determined, monitored and adjusted on an ongoing basis.

Our goal is to begin purchasing at point A. As company valuation measures, fundamentals and investor sentiment improve, the security price will increase. As this scenario continues to develop, the stock will move through our fair value range and eventually toward our full value target. Our exit strategy is implemented at point B. The average holding period for stocks in our portfolio is five years.

Purchase Discipline



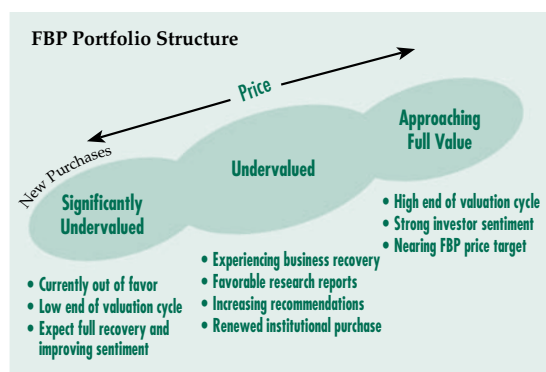
OUR PROCESS BEGINS WITH OUR PURCHASE DISCIPLINE

Using a large capitalization universe of approximately one thousand companies, our research group screens five historical valuation factors: price/sales, price/book, price/cash flow, price/earnings and dividend yield. Based on these factors, stocks trading in the bottom third of their ten-year historical ranges are identified. These stocks are examined further from a fundamental standpoint. The objective of our fundamental effort is to identify catalysts for reversal. Additionally, investor sentiment is judged by reviewing Wall Street buy and sell recommendations, evaluating the tone of written research and institutional commitment.

Our research group then develops an investment case outlining valuation, fundamentals and sentiment. Using this research, three price targets are established. Downside, fair and full value targets are calculated using a 12- to 18-month horizon. The last step in our approach is the decision meeting. At this time, the investment case is reviewed. Each security is then voted upon with the resulting purchase and weighting decisions made at this level.

EQUITY PORTFOLIO STRUCTURE

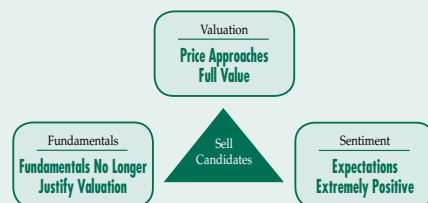
We view our stocks as falling into three categories, which we call *significantly undervalued* stocks, *undervalued* stocks and stocks that are *approaching full value*. As new purchases are added to our portfolios, they are viewed as *significantly undervalued*. Stocks that we bought over the last one to three years that are now picking up buy recommendations make up the *undervalued* part of the portfolio. The remainder of the portfolio consists of stocks we bought three to four years ago which have now picked up multiple buy recommendations. These issues are now at or near the top of our price expectation and are *approaching full value* and are generally candidates for sale. As money comes out of these stocks, it then flows back into new *significantly undervalued* ideas.



OUR PROCESS ENDS WITH OUR SELL DISCIPLINE

Selling is based on the same three factors we use for buying stocks: valuation, fundamentals and sentiment. *Valuation* is monitored through our price targets. As a stock approaches and/or exceeds our full value target, we scale out of positions. *Fundamentals* can also trigger a sale if they do not keep up with valuation. Additionally, if investor *sentiment* changes more than fundamentals warrant, then a stock becomes a sell candidate.

Sell Discipline



There is no assurance that the stated goals of the portfolio can be obtained. Investments in securities involve risks, including the risk of losing principal. Past performance is no guarantee of future results.

FLIPPIN, BRUCE & PORTER

The Appalachian Building
Second Floor, 800 Main Street, Lynchburg, VA 24504-1508
Phone: (800) 851-3804 Fax: (434) 846-3846
Web site: www.fbpic.com