

September 15, 2006

Dear clients,

As I mentioned in last quarter's letter, I want to inform you of significant improvements I intend to implement in the construction of your investment portfolios. An important part of my job as your financial advisor is to stay abreast of new ideas and strategies that offer either lower costs, improved risk/return prospects or both. I have devoted a great deal of time to evaluating a revised approach, and am very confident that introducing a new family of mutual funds into our mix will produce a better investment solution for you. I want to stress that these changes do not represent a shift in the investment philosophy I have espoused over the years, but rather are refinements designed to make an already excellent portfolio design that much better.

I have presented some introductory information in question and answer format below. Over the next several weeks I will call you to arrange a time to discuss your account in more detail.

What are these "improvements" to our portfolios?

I now have access, through your existing Fidelity accounts, to mutual funds managed by Dimensional Fund Advisors of Santa Monica, California. Dimensional manages over \$100 billion in equity and fixed income investments across 35 countries for both U.S. and non-U.S. clients. You may not be familiar with the firm since they do no advertising and work exclusively with large institutional investors such as governments, corporate pension plans, universities, and investment advisory firms like Fox Financial. Dimensional works closely with some of the nation's leading financial economists and has pioneered many strategies and consulting technologies over the past 25 years now taken for granted in the industry.

Why are Dimensional's mutual funds more attractive than the funds we are using now?

Dimensional engineers mutual funds that should perform better and more reliably than the funds we are now using. I have been impressed with their rigorous scientific approach to investment analysis. Here is a bullet point list of the most important and salient points to bear in mind:

- Financial markets are efficient. In other words, they are very competitive and do a good job sorting through the risk and return prospects of various securities. Markets have a history of rewarding investors for the capital they supply.
- The key is to identify the risks that bear compensation and choose how much of these risks to take. Efforts of active money managers and mutual funds to try and time markets and/or to maintain particular combinations of stocks and bonds to "beat the market" **cannot** consistently and reliably produce any incremental returns that would reward an investor for the risks assumed and costs incurred.
- Successful investing means capturing risks that generate expected return and reducing risks that do not. Avoidable risks include holding too few securities, betting on countries or industries, and following market predictions. Our re-engineered portfolios should capture the returns of markets more efficiently and precisely than before while continuing to minimize unnecessary risks through unusually broad diversification.

Are these improvements going to cost me more?

No! Dimensional funds are low-cost vehicles designed for institutional investors and are not directly available to the general public. The overall costs for Dimensional funds will be even lower than those associated with your existing investments.

Do I need to do anything? Should I expect to see activity in my portfolio?

You don't need to do anything since our custodial relationship with Fidelity will be unaffected. You should expect to see transactions in your accounts, especially in IRAs where tax-deferral avoids the

potential for taxable capital gains. I will be exchanging many of your current mutual funds for Dimensional funds over the next several weeks. Although the amount of activity may suggest a major restructuring is taking place, the portfolio is simply being re-engineered for even greater precision and reliability.

And now for a confession. This letter was challenging to write. I often find it difficult to find that “sweet spot” where I communicate enough information to keep you up-to-date on my ideas, but not so much that I bore you to tears. For those of you eager for more details, I look forward to the opportunity to expound on this topic in greater detail. And to all of you, thank you for taking the time to read this and thank you even more for the continuing trust and confidence you have placed in me. It is much appreciated and I will not let you down. And finally, please call me at any time if you have questions regarding financial planning matters.

A handwritten signature in black ink, appearing to read "R. H. Fry". The signature is written in a cursive, flowing style.