



MISSION

Lathrop Investment Management Corporation (LIMC) is a registered investment advisor founded in 1981. Our mission is to provide independent professional investment counsel to corporate executives, professionals, families, retirement plans and not-for-profit institutions. Our fee based discretionary management seeks to preserve and protect our select client portfolios while producing superior long-term investment results. Currently, the firm manages approximately \$259 million in assets. The LIMC team works with a limited number of clients to insure continuous dedicated personal attention to each portfolio and its unique objectives.

INVESTMENT PHILOSOPHY

The founding principle of LIMC is that superior long-term investment performance can be achieved when experience, objective judgment and full-time supervision are exercised on each portfolio. LIMC's central philosophy is the preservation of capital while maintaining purchasing power after inflation. Our experienced team selects individual stocks with sustainable and predictable growth prospects coupled with reasonable valuations. Leading no-load mutual funds or exchange traded funds may be used where appropriate. High quality, investment grade bonds and short-term cash equivalents are further utilized to meet income and liquidity needs. Our core philosophy holds that superior returns can only be achieved by applying a disciplined investment strategy stressing a long-term investment horizon.

INVESTMENT PROCESS

We counsel with our clients to determine an investment policy appropriate to their unique needs and circumstances. Each investment policy is based on the clients' specific return objective, liquidity needs and risk tolerance. As a result, the client's asset allocation is determined by his or her unique investment policy.

Security selection at LIMC is based on three factors using our own disciplined stock selection process. We emphasize fundamental analysis focusing on future earnings prospects, free cash flows and financial strength. Our team conducts its own research and supplements it with research provided by Wall Street sources. Valuation analysis is then utilized to further identify those investments that appear to be attractively valued. Finally, our long-term outlook combined with an assessment of current market trends guide our purchase and sale decisions.

Frequent monitoring of market conditions, portfolio positions and security holdings allows us to effectively track performance relative to expectations. Company and industry fundamentals are continually evaluated to detect secular changes or deterioration in future prospects. Portfolios are rebalanced to maintain the appropriate investment objective for each client while minimizing portfolio turnover and stressing income tax efficiency.

REPORTING AND CUSTODY

LIMC places a premium on providing our clients with a high level of personal attention and service. Our experienced team of investment professionals is always accessible for consultations, investment reviews and assisting clients in attaining their financial goals.

An independent custodian, such as a major brokerage firm or a trust company, holds client securities and cash in safekeeping. We provide clients monthly or quarterly reports listing all securities owned with their original cost, market value and estimated income and yield. We also prepare quarterly summaries of security transactions and an annual gain/loss schedule. The information in these reports is crosschecked and balanced monthly against the custodial records. Each quarterly report includes a market overview letter and a portfolio performance analysis.

INVESTMENT PROFESSIONALS

GREGORY C. LATHROP, President of LIMC and sole owner since founding the company in 1981. Chartered Financial Analyst; Chartered Investment Counsel; member of the CFA Institute and the Arkansas Society of Financial Analysts. In 1969, he received his B.B.A. in Finance from the University of Texas at Austin; completed M.B.A. course work at St. Mary's University, San Antonio, Texas, in 1973. In 1976, Greg attended the National Graduate Trust School at Northwestern University in Evanston, Illinois.

Prior Experience - Vice President and Trust Investment Department Manager, Worthen Bank & Trust Company, N.A., Little Rock, Arkansas - \$500 million Trust Division (1973 to 1981)
Assistant Trust Investment Officer; National Bank of Commerce, San Antonio, Texas (1970 to 1973)

ANDREW A. LaGRONE, Senior Portfolio Manager and Analyst (1999 to Present); Andy is a Chartered Financial Analyst, a Certified Public Accountant, and a member of the CFA Institute. He is a member and past president and director of the Arkansas Financial Analysts Society. He received his B.S.B.A. in Finance from the University of Arkansas in 1984.

Prior Experience-Vice President and Senior Analyst with investment banker Sterne, Agee & Leach, Inc. from 1995 to 1999, Chief Financial Officer with investment banker Hill, Crawford & Lanford, Inc. from 1986 to 1995, and Staff Auditor with KPMG Peat Marwick, LLP from 1984 to 1986.

JAMES W. HAVENS, Portfolio Manager and Analyst (June 2001 to present). Wes is a Chartered Financial Analyst, a member of the CFA Institute and the Arkansas Financial Analysts Society. Wes received his B.B.A. in finance in May 2000, and his M.B.A. in May 2001, both from the University of Arkansas at Fayetteville.

Prior Experience – Financial Analyst with Pratt & Whitney from 2000 to 2001.

INVESTMENT PERFORMANCE

LIMC maintains individual performance results for all accounts under its management in compliance with the standards of the Securities and Exchange Commission. However, LIMC does not maintain performance presentation composites that include every account under its management, precluding compliance with Association for Investment Management and Research standards. Many of the firm's accounts are managed according to specific guidelines or tax requirements that make them unique enough to defeat any endeavor to group them with other accounts or themselves to represent a specific investment product of the Firm for inclusion in a composite. Performance results for all portfolios that have goals and objectives comparable to those of prospective new client portfolios will be provided in personal presentations.

MANAGEMENT FEES

Annual fees for investment services are based on the market value of assets under management as follows:

1.00% of first \$500,000 under management
0.75% of next \$500,000
0.50% of assets over \$1,000,000

Unless otherwise waived or reduced, the minimum annual fee per client is \$5,000. This implies a minimum account size of \$500,000 on a standard fee basis. All fees are payable quarterly in advance based on the market value of the managed assets at the beginning of the quarter. Multiple accounts from a single client are typically combined to determine total fees. Either party may terminate the advisory relationship by providing written notice, which shall be effective upon receipt. Fees will be prorated to the date of termination and an appropriate refund made. Most clients will determine the custodian used and may determine asset type allocation. Cash invested in various short-term interest bearing instruments or money market funds available at the custodian may involve fee charges by the custodian or the funds' advisors, which may not be disclosed on the custodian's statement. Any such charges by the custodian or its agents would be in addition to fees paid to LIMC and do not accrue to LIMC.

From April 1, 2002 until December 31, 2006, LIMC had an agreement with Charles Schwab & Co., Inc., an independent and unaffiliated broker-dealer ("Schwab"), to participate in Schwab AdvisorNetwork™ (the "Service"), an advisor referral service designed to help clients locate an independent investment advisor. LIMC terminated its participation agreement December 31, 2006 but will continue to pay Schwab a fee for those remaining clients with LIMC that were introduced by the referral service. The fee covers all referrals made to LIMC by Schwab, and may be increased, decreased or waived by Schwab from time to time. LIMC participation in the Service may raise potential conflicts of interest. Although not required by the Service, LIMC is likely to execute transactions for advisory clients with Schwab.

LIMC pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by LIMC is a percentage of the fees the client owes to LIMC or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. LIMC pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is paid by LIMC and not by the client. LIMC has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs LIMC charges clients with similar portfolios who were not referred through the Service.

LIMC may enter into other referral programs where the referring entity is an unaffiliated broker-dealer. LIMC normal fees, when combined with the fees charged by the broker, may be higher or lower than the referral client might pay for the separate services.