Suncoast Equity Management, Inc.

October 2, 2007

Dear Client:

Listed below are **Suncoast Equity Management's** (SEM) performance results versus the Standard & Poorôs 500 Index for nine months ended September 30, 2007:

Time Period (Ended 9/30/07)	**SEM % Return***	**S&P 500 % Return**	**SEM - Value of $1,000,000**	**S&P 500 - Value of $1,000,000**
First Nine Months 2007	+10.38%	+9.15%	$ 1,103,800	$ 1,091,500
One-Year	+16.62%	+16.43%	$ 1,166,200	$ 1,164,300
Five-Years	+10.14%	+15.42	$ 1,621,100	$ 2,049,300
Seven- Years	+4.69%	+2.58%	$ 1,378,600	$ 1,195,500
Since Inception (9 3/4 years)	+9.15%	+6.41%	$ 2,347,900	$ 1,833,400

* Composite results of all SEM managed accounts, net of all fees.
Note: Results for the five, seven and since inception periods represent the annual average rates of return.

The third quarter was reminiscent of a journey on Mr. Toadôs Wild ride. At mid-year the S&P 500 was up 7%, only to have the entire gain wiped out by August 15th. and then it rode back to a ñsaferò environment of +9.15% at quarter-end.

The dramatic swing for the stock market occurred as problems in the housing market and specifically the subprime mortgage market, come home to roost. For the last few years, home prices have been at genuine bubble levels in the U.S. and in overseas markets such as Britain. Housing first gained fuel from low credit costs and then it became part of our culture with the popularity of ñGetting Rich in Real Estateò programs and with TV shows such as ñFlip this House.ò Homeowners made the mistake, with great encouragement from realtors, lenders and appraisers, of assuming that home prices would continually rise. Easy credit was another contributing factor and of course banks and mortgage companies would not have been able to make all those loans withouté ..and the Grammy for the best supporting actor goes toé .Wall Street. Always at the ready, the wizards created a plethora of novel financial instruments designed to spread (hide is a better word) risk, entice investors and of course, earn large fees. Banks and mortgage companies originated the loans and then Wall Street packaged and resold them to investors including pension funds, mutual funds and unregulated hedge funds.

As this situation unwinds, a timeless and costly lesson plays itself out. Everyone tries to escape at the same time despite the inability. The pullback resembles a rush to the door when someone yells ñfireò in a movie house. Assets and risk are appropriately being repriced in many geographic regions and at the same time, banks, financial institutions and asset managers (that invest on behalf of their wealthy clients) scramble to pull back from these risky investments. Many of the new instruments created by Wall Street lack transparency and liquidity, and are still not fully marked to market, and for other securities there is no market. In this environment, the tools of the trade, computerized trading, black boxes and hedges, for banks and asset managers simply donôt work.

The Federal Reserve is trying to do its part to aid the credit crisis. On September 18th, the Fed lowered interest rates and this adrenaline shot drove the stock market higher. While the Fedôs actions are aimed at stopping the credit crunch and containing the damage, more time and possibly more pain will be required. The blame game is just beginning.

During volatile times we concentrate on the underlying business fundamentals. The impact of a housing bubble and credit crisis will have only a very minor impact in the short-run and no impact in the long run (our preferred investment climate). The industries in which we invest, food, healthcare, industrial, technology are reasonably strong in the world economy and business growth continues for our holdings, including **Pepsi**, **Becton-Dickinson**, **Emerson Electric** and **Nokia**.

Portfolio changes in the quarter included the addition of **Hewlett-Packard** (HPQ) and removal of **Harley-Davidson** (HOG) and **Wal-Mart** (WMT). HPQ is enjoying a pickup in demand for technology products. Famous for the printer business, it is also doing well with server systems and personal computers, and gaining share from Dell. The company is also being led by Mark Hurd, a CEO with a solid track record of expanding the sale of products through new channels and at the same time, reviewing and cutting-out unnecessary costs. HPQ is working towards reducing their cost structure by $1-$2 billion with actions such as consolidating data centers and reducing real estate. We sold HOG this quarter because our discipline calls for owning growth businesses. A business update from HOG in early September had us concerned that international growth may be slowing to a degree that would not offset our expected plateau of demand in the U.S. We sold WMT as it recently withdrew from a year ago plan, which originally attracted us, to compete less fiercely on price and it's U.S. store revitalizations stumbled. WMT is executing internationally as it pursues large growth markets by expanding in China and exiting Germany. However this was not enough to support increasing our initial holding of 2% achieved in mid-2006.

Energy stocks continue to rise in price thus they remain tough competition for any portfolio striving to post near term results in excess of the S&P 500. Crude oil broke through $80 per barrel during the quarter, up from $65 at the beginning of the year. Contributing factors to the energy sectorôs outperformance again this year include; the rise in the commodity price, the sectorôs important weighting in the S&P 500 index, and energyôs popularity among investors.

Our portfolio is well positioned to continue to accomplish the goal of long-term wealth preservation and growth. We thank you for your continued confidence.

Sincerely,

Donald R. Jowdy
President