Suncoast Equity Management, Inc.

July 6, 1999

Dear Client,

Enclosed please find the following reports for the first half ended June 30, 1999:

(1) **"Portfolio Appraisal"** of your account - this report lists all securities and cash in your account showing the cost, the market value of each, as well as the total value of your account.

(2) **"Performance Report"** - which shows your return through June 30, 1999. If you added to your investment account or joined us during the year, your return will differ from the SEM Composite performance discussed below.

(3) **"Statement of Management Fees"** - for the current quarterly period.

The SEM composite of all client accounts has earned +6.12% (net of all fees) for the six months ended June 30th, versus the S&P 500 at +12.32% and the Lipper Growth Fund Average at +11.64%. As compared to our benchmarks, we have experienced a reversal of fortune of sorts from our first quarter results.

Benjamin Graham once said that in the short run the stock market would often act as if it is a voting machine and yet in the long run it is more appropriately a weighing machine. Graham meant that in the short run investors might make their selections based on popularity, not value. And this may be the case now. In the table below I have identified a few or our portfolio holdings, along with a few companies from the Dow Jones Industrial Average which have experienced significant stock price appreciation so far this year. I have displayed their price-to-earnings ratio, as one simple measure of comparable value, and the ten-year average return on capital for each business. The average return on capital for U.S. businesses over our modern day 50+ year history has been approximately 12% - 13% and this coincides with the long term investment returns on stocks in general.

Owning a small group of companies that consistently earn higher returns on capital, over time, will generate above average returns for investors.

SEM Portfolio	Price to Earnings Ratio	10-Year Return on Capital	*DJIA Recent Performers*	Price to Earnings Ratio	10-Year Return on Capital
Abbott Labs	26.0x	33.8%	ALCOA	24.3x	9.3%

Freddie Mac	19.2x	18.9%	Caterpiller	17.6x	10.8%
General Elect.	32.6x	20.2%	Chevron	33.4x	10.4%
Intel	23.0x	24.3%	Int'l Paper	40+x	6.4%
Schering Plough	34.8x	43.5%	Union Carbide	23.7x	13.3%
Average	27.1x	28.1%		27.8x	10.0%

Source: Value Line Investment Survey; Values as of June 30, 1999

At this time, companies with less desirable business records, as identified by the ten-year average return on capital, are currently being rewarded valuation levels on par with businesses that have excellent long term business records. It is our belief that during favorable economic times, there is greater risk in the purchase of lower quality businesses which may be experiencing two to three years of good growth but have not demonstrated the long term record of earning power. The assumption by investors in these businesses is that short-run prosperity is synonymous with safety.

Notwithstanding the above observations, our less than desirable recent quarterly performance is partly because of slower revenue growth for a few of our companies, including Coca-Cola and Gillette. These are fine companies with long records of success and we will monitor their developments and make decisions accordingly. We will continue to apply our sound investment principles of buying high quality growth businesses within in our changing world. Bill Gates recently made this comment "Every principle that Warren (Buffett) holds about business and business value will still apply in this new world we're going into." We agree with that statement and when an opportunity presents itself we will act prudently, as we did with this quarter's purchase of Intel Corporation.

I look forward to speaking with you soon.

Sincerely,

Don Jowdy

President