Suncoast Equity Management, Inc.

October 2, 2008

Dear Client:

The U.S. financial system is the heartbeat of our economy. This system first weakened by the necessary deflation of the real estate bubble and now by the general economic cycle, developed during the quarter to a high category hurricane from a tropical storm. Investors feel extremely challenged and harbor heightened concerns about their own financial well–being and for others that are dear to them. Panic is in the air and most have forgotten that we have had a number of recessions, and a Great Depression, and yet generation after generation have lived better than their parents. Our businesses are operationally better, though not all are doing financially better at this moment, and they are fundamentally worth more, yet many are cheaper in the market than they were several years ago.

Our portfolio gained slightly in the quarter, though we are still down considerably at -14.02% year to date, versus a third quarter slide for the S&P 500 of 8.37%, and year to date its decline of 19.32%. This hurricane will run out of steam and from the deep pessimism that currently pervades this country, optimism will be born. Below we put the current financial crisis into perspective and then share portfolio positives that will lead the return to growth.

Right now we are getting hit by the strongest head winds. Last week, WaMu earned the honor to become the largest bank failure in U.S. history. Investors in WaMu's common stock and bonds lost, but importantly depositors turned out whole, including those with deposits above the FDIC's insured level of $100,000. Federal Regulators successfully orchestrated a deal to have J.P. Morgan Chase purchase the bulk of the operations. So far this year thirteen banks have failed, the most since 1984. Nine banks, including the 2nd largest failure, IndyMac Bank of California, came about during this quarter.

Wall Street's landscape is also being reshaped: Goldman Sachs, Morgan Stanley and Tampa area based Raymond James Financial opted to convert their business to commercial bank holding companies from pure investment banks. For Goldman it ended 139 years as a securities firm. In return for tougher regulatory oversight, they gain access to retail deposits and Federal Reserve credit. The new structure forces them to live with lower leverage. They'll get to worry less about investor panic but they give up the supersize return potential associated with investment banking. Other announced activity during the quarter included Bank of America's purchase of Merrill Lynch; Citigroup's purchase of Wachovia; Lehman Brothers failure; and the government take-over of Fannie Mae, Freddie Mac and bailout of AIG.

Treasury Secretary Henry Paulson's proposal is a path towards a sounder financial system. While execution risk is real, the greatest danger is not doing anything at all or significantly delaying implementation. Invoking the battle cry that Paulson's plan helps only Wall Street and not Main Street, the politicians are slowing down the process. Paulson's plan is a tool that respects the "lunch box" crowd as well as the free market process as best it can. Thoughts centering only on re-election are paralyzing the political class but they need to know that in this case "slow speed kills".

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Portfolio Positives

For the long term investor, the greatest opportunities are born out of the deepest pessimism. The evidence of opportunity for us can be seen not only in the low prices of our businesses but in the advantages they gain in the down economy. Our largest holding is **Berkshire Hathaway** (BRK) and CEO Warren Buffett likened his approach to the stock market as a baseball hitter without an umpire calling him out on strikes. Warren stands at the plate, they throw pitches one after the other, some on edges and others that don't interest him at all such as Lehman at $30, Merrill Lynch at $40. He can wait all day, months or years for the fat pitch. During this past quarter we all benefited as he hit one out of the park for us as shareholders. BRK swooped in on Constellation Energy Group (CEG), a natural gas and electric utility company, which accepted a purchase proposal at $26.50 per share, or $4.7 billion. CEG's stock price started the year at over $100 per share. CEG has had some trouble with its energy trading group, but its core assets, about 9,000 megawatts of generating plants and a retail power-sales unit and a regulated utility, Baltimore Gas and Electric Co. are worth $70 per share. CEG's core assets will complement AAA credit rating, take advantage of more large opportunities in the coming months.

We have had other positive developments during the quarter. The decline of commodity pricing, especially oil from $140 to $100 per barrel will ease strain and could become gains for most all of our holdings including **Becton Dickinson**, **Colgate**, **Grainger**, **PepsiCo** and **Walt Disney**. All our companies fight commodity inflation by increasing productivity, effective pricing and by other methods (such as shrinking package offerings but keeping the price steady). For companies such as ours that provide sought after brands and services, prior actions gain operating leverage as input prices decline or stay at existing levels. Additional positives include that **Microsoft**, **Hewlett Packard** and **Nike** reinforced belief in their own stock by announcing further buybacks. Microsoft authorized $40 billion, equivalent to 15%+ of outstanding shares.

Added Strength

We welcome two new associates, Amy Lord and Cheeroke Townsend, to our team. Amy joins us as Senior Vice President and Co-Portfolio Manager. I have known Amy personally for about eight years and her experience in preserving and growing client wealth spans in excess of 15 years. We both come from the intellectual neighborhood of Buffett/Graham/Fisher and in addition to overlap in philosophy and common portfolio companies she held at her predecessor firms, she brings added depth to our research effort. Amy is also CFA charterholder. Cheeroke joins us after her recent graduation from the school of finance at the University of South Florida. She remains involved with the Women in Leadership & Philanthropy program at USF and is a current candidate in the CFA program. More information about our entire team can be sourced at our website, **www.SuncoastEquity.com.**

During times of great uncertainty, many investors make the mistake of stepping out of the market. This time is no different, numerous media articles highlight that investors young and old are selling off stocks in their savings and retirement accounts in favor of adding to staggering money market balances. *Yet if my years in investing and studying other great investors, Benjamin Graham and Warren Buffett, have shown me anything, intelligent investing involves a long term plan and sticking with it.* The current lower stock price and greater value environment means that now may be a good time to add to your commitment to your **SEM** portfolio. Please call or visit us at anytime. As always, we're here for you. Thank you for your continued confidence.

Sincerely,

Donald R. Jowdy, President

Suncoast Equity Management, Inc.

Performance results versus the Standard & Poor's 500 Index

			Relative
Year	**SEM***	**S&P 500**	**Results**
1998	26.19%	28.57%	-2.38%
1999	24.10%	21.03%	3.07%
2000	4.50%	-9.15%	13.65%
2001	0.35%	-11.91%	12.26%
2002	-10.98%	-22.15%	11.17%
2003	20.12%	28.62%	-8.50%
2004	12.52%	10.96%	1.56%
2005	-0.51%	4.86%	-5.37%
2006	8.20%	15.77%	-7.62%
2007	10.13%	5.48%	4.65%
Year to Date 2008	-14.02%	-19.32%	5.30%
Since Inception (Overall Gain)	101.41%	42.96%	58.45%
Average Annual Gain	6.75%	3.39%	3.36%

Highlight denotes years of meaningful underperformance.

Time Period (Ended 09/30/08)	**SEM % Return***	**S&P 500 % Return**	**SEM - Value of $1,000,000**	**S&P 500 - Value of $1,000,000**
Year to Date	-14.02%	-19.32%	$ 859,800	$ 806,800
One-Year	-14.22%	-22.03%	$ 857,800	$ 779,700
Three-Year	+1.40%	+0.18%	$ 1,042,600	$ 1,005,400
Five-Years	+4.10%	+5.16%	$ 1,222,000	$ 1,285,500
Seven- Years	+4.92%	+3.49%	$ 1,398,400	$ 1,271,200
Ten Years	+6.51%	+3.05%	$ 1,876,500	$ 1,349,200

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