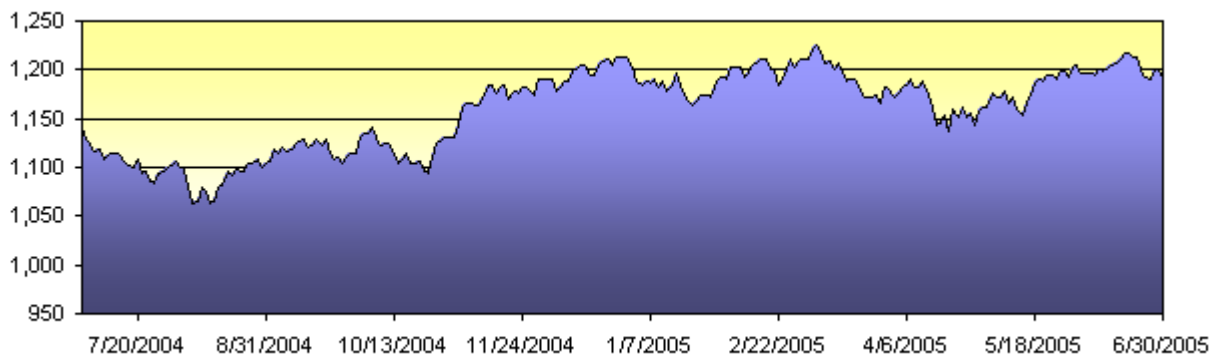


VALUE Quarterly is VALUE Incorporated's quarterly market review. VALUE Incorporated provides consulting services focused on the valuation of businesses, securities, intellectual property and assets for transaction, reporting and litigation purposes.

The Federal Reserve continued its activity in the third quarter, raising its target for the Federal Funds Rate an eleventh consecutive time on September 20, to 3.75%. Despite some analysts who believed the Fed might not raise its target due to the effects of Hurricane Katrina, the Fed Funds futures rightfully predicted a 95% probability of an increase. The next Open Market Committee meeting is scheduled for November 1, and the futures market is again predicting a 25bp increase in the Fed Funds target. Consumer Confidence fell to its lowest level since October 2003, while consumer spending fell by 0.5%, the largest drop since November 2001. Credit card delinquencies, as reported by the American Bankers Association, rose by a record 4.81% in the second quarter. The S&P 500 finished the quarter with a 3% gain, in line with most broad-based indexes.

S&P 500

<u>Year Ended 9/30/05</u>		<u>Quarter Ended 9/30/05</u>		<u>As of 9/30/05</u>	
12-Mo. Low	1,094.8	3-Mo. Low	1,094.8	Current Level	1,228.8
12-Mo. High	1,245.0	3-Mo. High	1,245.0	30-Day Avg.	1,222.4
12-Mo. Δ	10.2%	3-Mo. Δ	3.1%	200-Day	1,199.9



<u>As of 9/30/04</u>		<u>As of 6/30/05</u>		<u>As of 9/30/05</u>	
Price to Earnings	19.25	Price to Earnings	19.49	Price to Earnings	19.17
Price to Book	2.77	Price to Book	2.82	Price to Book	2.84
Price to Sales	1.45	Price to Sales	1.46	Price to Sales	1.47
Dividend Yield	1.7%	Dividend Yield	2.1%	Dividend Yield	2.0%

U.S. Stock Market Indices

	<u>Current</u>	<u>30-Day Avg.</u>	<u>200-Day</u>	<u>Quarterly Δ:</u>	<u>12-Month Δ:</u>
S&P Barra Value Index	637.5	633.4	618.7	2.9%	11.4%
S&P Barra Growth Index	587.1	584.7	576.8	3.4%	9.1%
Dow Jones Industrial Avg	10,568.7	10,515.8	10,537.1	2.9%	4.8%
Russell 1000 Index	668.5	664.0	647.8	3.5%	12.2%
Russell 2000 Index	667.8	662.9	634.3	4.4%	16.6%
CBOE SPX Volatility Index	11.9	12.9	12.8	-1.0%	-10.6%

U.S. Stock Market Sectors

	<i>Current</i>	<i>30-Day Avg.</i>	<i>200-Day</i>	<i>Quarterly Δ:</i>	<i>12-MonthΔ:</i>
S&P 500 Aerospace & Defense	296.1	294.2	283.1	1.4%	14.0%
S&P 500 Airlines Index	141.5	132.6	141.6	3.5%	6.0%
S&P 500 Automobiles Index	117.2	120.4	131.2	-5.6%	-26.2%
S&P 500 Chemicals Index	207.0	211.2	227.8	-5.5%	0.6%
S&P 500 Computers & Peri.	383.2	377.4	378.1	6.0%	12.7%
S&P 500 Div. Financials Index	603.7	593.1	587.4	3.6%	8.8%
S&P 500 Energy Index	404.0	388.6	338.7	17.8%	45.9%
S&P 500 Food/Staples Retail	174.8	177.1	184.8	-5.6%	-3.6%
S&P 500 Health Care Index	363.8	366.0	357.1	1.1%	8.8%
S&P 500 Insurance Index	338.2	330.0	317.2	5.7%	7.4%
S&P 500 Real Estate Index	130.2	130.1	122.6	2.5%	23.1%
S&P 500 Software Index	478.1	483.3	473.7	3.3%	8.2%
S&P 500 Semiconductor & Equip.	394.6	393.0	369.6	5.4%	25.4%

Macro-Economic Indicators

	Money Supply (M2)	New Orders (Durables)	Housing Starts	Consumer Confidence	Personal Income	GDP (Chain Wtd.)	CPI-U
<i>Announced:</i>	9/19/2005	8/31/2005	8/31/2005	8/31/2005	8/31/2005	6/30/2005	8/31/2005
<i>Quarterly Δ:</i>	1.1%	-2.1%	-2.7%	-0.7%	0.3%	0.8%	1.7%
<i>12-Month Δ:</i>	3.8%	7.9%	-0.8%	6.9%	5.6%	3.6%	4.5%

Interest Rates (September 30, 2005)

	<i>1-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>20-Year</i>	<i>30-Year</i>
US Treasury	4.06%	4.19%	4.38%	4.59%	4.51%
AA Corporate	4.32%	4.62%	4.90%	5.33%	5.31%
A Corporate	4.50%	4.81%	5.13%	5.66%	5.65%
B Corporate	6.05%	7.20%	7.61%	7.99%	8.02%

Interest Rates (June 30, 2005)

	<i>1-Year</i>	<i>5-Year</i>	<i>10-Year</i>	<i>20-Year</i>	<i>30-Year</i>
US Treasury	3.48%	4.28%	4.55%	4.83%	4.72%
AA Corporate	3.70%	4.63%	5.06%	5.49%	5.48%
A Corporate	3.95%	4.80%	5.29%	5.76%	5.73%
B Corporate	5.33%	7.16%	7.24%	7.56%	7.57%

Federal Reserve Watch

Current Rate (Overnight)	3.88%
Current Target (9/20/05)	3.75%
Next Meeting	11/1/2005
Fed Funds Futures (Nov.)	3.99%

US Dollar LIBOR Rates

	9/30/2005	6/30/2005
7-Day	3.82%	3.32%
1-Month	3.86%	3.34%
3-Month	4.07%	3.52%
6-Month	4.23%	3.71%

Currency & Commodity Spot Prices

	<i>Current (\$)</i>	<i>Quarterly Δ:</i>	<i>12-MonthΔ:</i>
Euro Spot	\$ 1.20	-0.7%	-3.3%
Japanese Yen Spot	113.51	2.3%	3.1%
Gold Spot \$/oz	469.30	7.8%	12.2%
Silver Spot \$/oz	7.45	5.7%	8.1%
Bloomberg West Texas Intermediate	66.24	17.2%	33.4%
USDA Cattle	86.68	7.9%	7.3%

Top Quarterly Merger and Acquisition Announcements

<i>Date</i>	<i>Target</i>	<i>Acquiror</i>	<i>Offer (\$MMs)</i>
7/25/05	Ivax Corp.	Teva Pharmaceutical Ind. Ltd.	\$ 7,575.5
7/ 6/05	Pacificare Health Systems	Unitedhealth Group Inc.	7,094.6
7/11/05	IMS Health Inc.	VNU N.V.	7,051.9
9/27/05	Wellchoice Inc.	Wellpoint Inc.	6,461.0
8/29/05	Panamsat Holding Corp.	Intelsat	6,131.2
9/12/05	Hertz Corp.	Consortium	5,600.0
9/ 1/05	Chiron Corp.	Novartis AG	4,815.8
8/ 1/05	Shurgard Storage Centers	Public Storage Inc.	4,137.2
9/12/05	Siebel Systems Inc.	Oracle Corp.	3,908.5
8/ 3/05	Reebok International Ltd.	Adidas-Salomon AG	3,671.7
9/12/05	Westcorp	Wachovia Corp.	3,373.4
8/24/05	York International Corp.	Johnson Controls Inc.	3,082.3
9/ 6/05	Capital Automotive Reit	DRA Advisors Inc.	2,960.8
8/ 8/05	Kerr-Mcgee (GB) Plc	A P Moller - Maersk A/S	2,950.0
8/15/05	Agilent Semiconductor Products	Consortium	2,660.0

Source: Bloomberg LP

Valuation: A Destination or a Roadmap?

by David N. Fuller, CFA, ASA
President & Founder of VALUE Incorporated

Clients frequently engage us to provide a valuation of their companies to enable them to establish an appropriate value in conjunction with the sale of their business. In these situations, business owners hope the liquidity event is close at hand and view the valuation process as a quantification of the value they have created over the years. The valuation can be characterized as the destination the owners have worked towards for many years. In far too many cases, however, this destination is unknown to our clients until we become involved because they have not worked toward any particular valuation or studied valuation metrics along the way. Inevitably, some of these clients are disappointed that the value of their company is not higher when we communicate our conclusions.

In order to avoid this trauma, we recommend that business owners and executives routinely study the valuation of their companies. Companies should obtain a valuation every few years. In addition, owners and executives should stay abreast of the values of comparable publicly traded firms, and the level of acquisition activity and acquisition pricing in their industry. By knowing more about the value of the company, owners can do a better job of planning for and timing the liquidity event. Further, by incorporating the company's valuation into the planning process, management decisions will enhance company value more directly and rapidly.

If you find yourself in the situation of being dissatisfied with your company's value currently, don't simply give up and assume it's too late to use these concepts to your advantage. The valuation process should not only provide you with the company's current value, but also identify the relevant financial relationships to be a roadmap to your value target. For instance, if you desire a \$25 million valuation but find your business is currently worth \$15 million, the information contained within the valuation can indicate what needs to be done to increase the company's value and achieve your goals.

When you obtain a valuation of your company, make sure you focus as much on the roadmap as you do the destination.

To submit a question for an upcoming VALUE Quarterly, please contact us via email or call us directly.

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