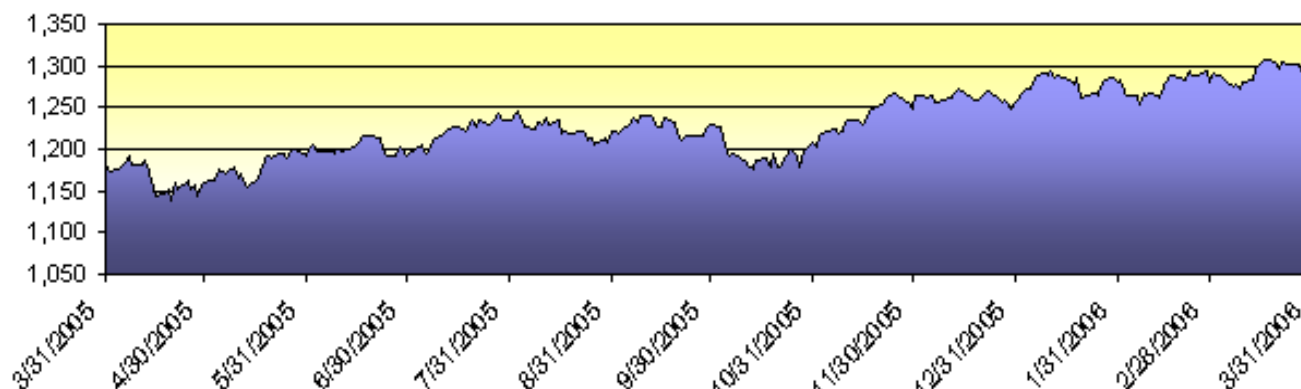


VALUE Quarterly is VALUE Incorporated's quarterly market review. VALUE Incorporated provides consulting services focused on the valuation of businesses, securities, intellectual property and assets for transaction, reporting and litigation purposes.

The first quarter of 2006 introduced new Federal Reserve Chairman Ben Bernanke. As investors watched to read the new Fed Chief, some investors expected a sign of a slowdown in rate hikes resulting from an inverted yield curve and volatility in some market indicators. However, the Fed increased its target for the Fed funds rate to 4.75%, and the futures market is predicting a 68% probability of a 25 bp target rate hike on May 10. Spot prices for silver outpaced gold with a 30.4% rise in the first quarter. West Texas Crude closed the quarter higher again with a 9.2% increase in the spot price.

S&P 500

Year Ended 3/31/06		Quarter Ended 3/31/06		As of 3/31/06	
12-Mo. Low	1,137.5	3-Mo. Low	1,137.5	Current Level	1,294.8
12-Mo. High	1,307.3	3-Mo. High	1,307.3	30-Day Avg.	1,292.4
12-Mo. Δ	9.7%	3-Mo. Δ	3.7%	200-Day Avg.	1,243.5



As of 3/31/05		As of 12/31/05		As of 3/31/06	
Price to Earnings	19.53	Price to Earnings	18.23	Price to Earnings	17.97
Price to Book	2.81	Price to Book	2.82	Price to Book	2.83
Price to Sales	1.47	Price to Sales	1.46	Price to Sales	1.47
Dividend Yield	2.0%	Dividend Yield	1.8%	Dividend Yield	1.8%

U.S. Stock Market Indices

	Current	30-Day Avg.	200-Day Avg.	Quarterly Δ :	12-Month Δ :
S&P Barra Value Index	681.7	678.6	645.6	5.3%	12.3%
S&P Barra Growth Index	609.9	610.4	593.8	2.3%	7.2%
Dow Jones Industrial Avg	11,109.3	11,128.9	10,704.6	3.7%	5.8%
Russell 1000 Index	706.7	703.9	676.0	4.0%	11.2%
Russell 2000 Index	765.1	739.8	681.9	13.7%	24.4%
CBOE SPX Volatility Index	11.4	11.8	12.3	-5.6%	-18.8%

U.S. Stock Market Sectors

	Current	30-Day Avg.	200-Day Avg.	Quarterly Δ :	12-Month Δ :
S&P 500 Aerospace & Defense	339.7	334.4	303.0	11.4%	21.2%
S&P 500 Airlines Index	171.4	164.3	148.6	9.5%	22.3%
S&P 500 Automobiles Index	98.3	97.7	110.7	4.0%	-23.4%
S&P 500 Chemicals Index	231.0	231.4	221.7	2.8%	-4.4%
S&P 500 Computers & Peri.	403.5	403.4	389.6	3.1%	4.9%
S&P 500 Div. Financials Index	694.1	688.3	630.7	5.9%	21.4%
S&P 500 Energy Index	404.8	396.7	380.9	8.6%	19.8%
S&P 500 Food/Staples Retail	183.4	181.8	181.8	2.7%	-0.4%
S&P 500 Health Care Index	370.7	376.3	366.4	0.9%	6.8%
S&P 500 Insurance Index	350.8	356.5	345.0	-2.5%	17.4%
S&P 500 Real Estate Index	148.5	146.5	133.6	13.9%	31.1%
S&P 500 Software Index	494.5	489.4	484.3	3.4%	9.8%
S&P 500 Semiconductor & Equip.	373.9	378.5	391.3	-4.8%	7.1%

Macro-Economic Indicators

	Money Supply (M2)	New Orders (Durables)	Housing Starts	Consumer Confidence	Personal Income	GDP (Chain Wtd.)	CPI-U
<i>Announced:</i>	3/20/2006	2/28/2006	2/28/2006	2/28/2006	2/28/2006	12/31/2005	2/28/2006
<i>Quarterly Δ:</i>	1.6%	-6.5%	6.6%	-1.1%	1.0%	0.4%	0.7%
<i>12-Month Δ:</i>	4.6%	8.1%	-4.8%	-1.6%	5.6%	3.2%	3.2%

Interest Rates (March 31, 2006)

	1-Year	5-Year	10-Year	20-Year	30-Year
US Treasury	4.88%	4.82%	4.92%	5.02%	4.89%
AA Corporate	5.11%	5.28%	5.58%	5.77%	5.69%
A Corporate	5.27%	5.52%	5.78%	6.11%	6.12%
B Corporate	6.06%	7.19%	7.71%	7.97%	7.91%

Interest Rates (December 31, 2005)

	1-Year	5-Year	10-Year	20-Year	30-Year
US Treasury	4.41%	4.38%	4.44%	4.57%	4.49%
AA Corporate	4.72%	4.86%	5.07%	5.39%	5.33%
A Corporate	4.90%	5.03%	5.28%	5.70%	5.70%
B Corporate	6.26%	7.49%	7.85%	8.01%	8.03%

Federal Reserve Watch

Current Rate (Overnight)	4.88%
Current Target (3/31/06)	4.75%
Next Meeting	5/10/2006
Fed Funds Futures (May)	4.92%

US Dollar LIBOR Rates

	3/31/2006	12/30/2005
7-Day	4.81%	4.32%
1-Month	4.83%	4.39%
3-Month	5.00%	4.54%
6-Month	5.14%	4.70%

Currency & Commodity Spot Prices

	Current (\$)	Quarterly Δ :	12-Month Δ :
Euro Spot	\$ 1.21	2.3%	-6.5%
Japanese Yen Spot	117.78	0.0%	9.9%
Gold Spot \$/oz	583.65	12.9%	36.3%
Silver Spot \$/oz	11.51	30.4%	61.8%
Bloomberg West Texas Intermediate	66.63	9.2%	23.4%
USDA Cattle	83.49	-10.6%	-11.1%
USDA Middling Grade Cotton Avg.	54.39	-1.8%	-0.2%

Top Quarterly Merger and Acquisition Announcements

<i>Date</i>	<i>Target</i>	<i>Acquiror</i>	<i>Offer (\$MMs)</i>
3/5/06	Bellsouth Corp.	AT&T Inc.	\$ 83,105.5
1/23/06	Albertson's Inc.	Supervalu Inc.	16,118.6
3/12/06	North Fork Bancorporation	Capital One Financial Corp.	14,621.2
2/27/06	Keyspan Corp.	National Grid Plc	11,283.1
3/13/06	Knight Ridder Inc.	Mcclatchy Co-Class A	6,726.2
3/23/06	Korea Exchange Bank	Kookmin Bank	6,576.3
1/24/06	Pixar	The Walt Disney Co.	5,838.2
2/6/06	Westinghouse Electric Co. LLC.	Toshiba Corp.	5,400.0
1/3/06	Engelhard Corp.	BASF AG	5,178.9
1/10/06	Gtech Holdings Corp.	Lottomatica SpA	4,675.8

Source: Bloomberg LP

Ask VALUE...

Question:

How do I specify the value of my company's stock in a buy-sell agreement?

Answer:

When we assist with formation of buy-sells, we begin by speaking with our clients about various triggering scenarios (i.e. death, resignation, termination, etc.) to ascertain what they want to happen in each case. Some situations may use fair market value as the standard, while others may use book value. Adjustments, such as discounts for lack of control, may be used in some cases but not others. When it comes to determining value, we find that static formulas rarely give due consideration to changes within the business over time. We recommend a baseline valuation analysis to serve as a pattern, but not necessarily a formula, for determining value in the future. While a formula can be derived from this valuation, the valuation really should be updated when transactions involving a significant portion of the company's shares occur.

[-David Fuller, President & Founder, VALUE Incorporated](#)

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

VALUE Incorporated
5221 N. O'Connor Blvd. Suite 830
Irving, Texas 75039

main: 972-831-7900
fax: 972-831-7901
[email: info@valueinc.com](mailto:info@valueinc.com)

www.valueinc.com

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