



BANYAN CAPITAL MANAGEMENT

November 6, 2003

Dear Client:

In the last several weeks you may have noticed an unfolding scandal in the mutual fund industry. It appears that some fund companies allowed selected investors to engage in improper short-term trading at the expense of other fund shareholders. Unfortunately, this may be the tip of the iceberg and it is our opinion that this type of breach of fiduciary responsibility is widespread within the fund industry.

While Banyan Capital Management invests primarily in individual stocks, we do have approximately 30% of our total assets invested in mutual funds. We use mutual funds to provide specialized asset allocations, such as international or fixed-income exposure, to provide a balanced portfolio, and to accommodate modest sized, add-on accounts, mostly for existing clients. Please note that long before these scandals hit the media, Banyan held the belief that approximately 90% of all mutual funds available were not worthy of consideration as an investment. Of the remaining funds, we have carefully selected eleven mutual funds to use in our client portfolios. Each one of these funds can be characterized by one or more of the following:

- 1) The employees at the fund have substantial amounts of their personal capital and their retirement plan assets invested in the fund.
- 2) The fund closes to new investors from time to time when it has more cash than good investment ideas.
- 3) The fund has instituted a redemption fee for investors who hold positions for less than 90 days, thus discouraging short-term investments.
- 4) The investment firm that manages the fund has proven, through their solid track record, a dedication to outstanding performance. Additionally, they share our long-term, value-oriented approach to investing, and are not tempted by short-term gains that may occasionally come their way to benefit the investment firm at the expense of fund shareholders.

While we are not surprised at any of the firms identified thus far, we will be shocked if any funds we invest in are similarly named. Having said all this, I remind you that I have invested my own assets and retirement account in every stock and mutual fund held in our clients' portfolios. I am acutely on guard for any activity that would cause me to change my opinion about any investment we make in mutual funds or otherwise and I am prepared to make changes if warranted.

On a different note, we are gratified with recent performance in our individually managed accounts. Banyan's equity composite is up 22% through the first nine months of this year, versus a 14.7% advance for the S&P ([Explanation of how composite was compiled](#)). I wish you an equally productive year in all that you may endeavor.

Sincerely,

Gary L. Watkins
President

BANYAN CAPITAL MANAGEMENT, INC.
2100 RIVEREDGE PARKWAY, SUITE 1030, ATLANTA, GEORGIA 30328
PHONE 770-951-2129 FAX 770-951-8277
www.banyancapital.com