

4th Quarter 2002

EDMP, INC. Quarterly Review

A Future Bright

For most investors, calendar year, 2002, was the third and worst year of one of the longest and most severe bear markets on record. Unfortunately, EDMP participated, for the first time in our company's history by also recording a down year. Fortunately, however, our results were significantly better than the markets' in general. Most importantly the modest losses we experienced in 2002, are, in our view at least, easily overcome. This cannot be said for those many unfortunate investors who have suffered three consecutive years of compounded losses.

To put this in perspective, given the recent level of volatility in the stock market, a mere one day's upward movement in stock price can wipe away all or most of the loss we have in many of our holdings. This is due to a few very important strategic and sound practices that we applied to navigate your portfolios through these troubled waters.

First of all, it is our contention that each of the companies we purchased on your behalf was originally bought at sound long-term valuations. Additionally,

due to our prudently maintaining cash reserves, we were able to buy additional stock in our portfolio companies at often ludicrously low valuations. Therefore, as the market recovers, we have more shares to participate in the upside than we had participating on the downside. Consequently, this leverage will not only help us recover our losses more quickly, but also promises to make our future profits even larger. There are additional benefits from this strategy for those of you with taxable accounts. By exploiting first in first out (FIFO) tax accounting rules, we will potentially be able to harvest some or all future profits with manageable and attractive tax consequences.

Although the end of a year is traditionally a time for reflecting on the past, it is also a time to contemplate the future. We offer the following metaphor to articulate our general view of the near and longer term future. After a dismal third quarter, the fourth quarter of 2002 brought a glimmer of hope to a market previously gripped with fear. Although we are not ready to declare the bear gone, we do believe he is getting sleepy and perhaps ready to hibernate once again.

The bull on the other hand, excited by seeing all the red, is snorting and stomping his feet. All the green on the other side of the fence may soon be more than the bull can resist. The recent strong dose of fertilizer so generously applied by the Federal Reserve promises to make the pastures even greener yet. Therefore, we believe the temptations will soon force the bull to jump the fence and once again run freely in those greener pastures.

Translated, we see an improving economy in, 2003. Most importantly, after a long winter's nap, we also see sunnier times for the important technology and telecommunications industries. We believe your portfolios are nicely positioned to strongly benefit from this resurgence. Regarding the rest of your portfolio holdings, we would like to quote a few excerpts from the December 27, 2002, issue of the Kiplinger Letter that we believe clearly and succinctly illuminates our optimism:

"Dear Client:

*Population shifts
reshape our economy, affecting
our consumer and labor
markets, our career*

opportunities and our politics. In short, the fundamental matrix of the U.S ...everything from what we eat where we live.

Powerful changes are ahead for America as the characteristics of our population evolves more quickly than those of other major nations: More immigrants. Longer and healthier lives. An ever-increasing percentage of minorities. A highly skilled but rapidly aging workforce. A deficit of new workers to replace retirees. All this will affect you and your business.

There'll be about 3 million more Americans per year for a decade. We'll reach 310 million by 2010, up from about 288 million now. That's over 20 million more people to house, feed, clothe, transport, doctor, entertain, etc., this decade... good news for most businesses.

From 2010 to 2030, the gain will be even higher: 3.6 million a year on average. In 30 years, the U.S. population will top 380 million. Even more dramatic, growth from now to 2050 will total about 170 million. That's more people than lived in the entire country 50 years ago.

Ours is one of a few advanced nations with a growing population. Germany, Japan, Italy and others will have fewer people. Same for Russia and AIDS-ravaged Africa. Like the U.S., the U.K., France and Canada will see

population increases that get a major boost from immigration."

These powerful demographic forces that Kiplinger forecasts will also have profound influence on many of the businesses we own over the next 5-30 years. As you read the following excerpt from the same Kiplinger Letter we suggest that you think about the companies that you own and how they could benefit from these trends. We hope this exercise will instill the same optimism and confidence in the long-term future of your portfolios that we have.

"Population changes will bring new spending patterns. Among the leading trends: Goods and services for older people as the baby boomers move into their senior years now through the 2020s.

Housing geared to seniors... single-story homes. Elevators. Plus changes in appliances, cabinets and other products to ease access. Floor coverings, countertops and other surfaces made for easy cleaning.

More people will stay in their homes in old age, getting help as needed with meals, medication, transportation and other necessities. Technology is sure to help... monitors that signal for aid when required.

Strong demand for travel and recreation from millions of retirees in the next 10-25

years. Most will be healthier and have more to spend than their parents did at the same stage in their lives. A bigger market for time-share resorts, golf and tennis centers, recreational vehicles, adult education programs, cruises, overseas travel, volunteer projects.

Many more empty nesters to cater to. The 55-64 age group will increase from about 25 million now to nearly 31 million by 2005. And by 2010, about one in every eight Americans will be in this bracket.

They're a group with more to invest and spend than any other. Most are in peak earning years, with child-rearing expenses behind them. Investment strategies will shift with turbulence in the stock market, but that won't stop them from saving more to build retirement nest eggs. Many of them are buying second homes in places they'd like to retire to and creating a growing market for nursing home care and in-home services.

More young adults as consumers, too. A substantial market. By 2010... about 4 million more people aged 18-24 than there are now, spending freely on electronics, cars and travel to exciting places. As they settle down, they'll want starter houses and home furnishings.

Births are rising. A declining birth rate came to an end in 2000.

A new record is likely in 2008, breaking old mark of 4.3 million set in 1961... the peak of the baby boom, which lasted from 1946 to 1964.

By 2020, the U.S. will have about 5 million births per year. So baby-related sales will grow again, followed by strong demand for clothing, toys, day care and other things for infants and toddlers.

Household formation will gradually rise in the years just ahead, increasing from about 1.4 million a year now to 1.8 million in 15 years.

By 2010, figure on about 13 million new households being formed, bringing the total number of households in the U.S. to 123 million... that many more needing a place to live, furniture, appliances, etc., as children of the youngest baby boomers establish their own homes.

The typical American household will continue to change... singles that live alone or together, couples with no children widows and widowers plus married couples with several children and both parents working. The average size of households will remain at 2.6 for a decade or so.

More will pay for time-saving conveniences... from prepared meals to help with chores such as doing the

laundry, housecleaning, lawn care."

In addition to the powerful demographic opportunities reported in the above Kiplinger Letter there are many other exciting reasons to be optimistic of a future bright. Major universities are developing and already using a super Internet. It promises to be more powerful, secure and user friendly. The R&D labs of our major technology companies are rolling out powerful new technology from hardware to software that promise quantum leaps in our ability to be more productive and efficient in our lives and work. Old technology will soon be replaced by new, ushering in another golden age of prosperity. The list goes on almost endlessly.

The moral of this story is that long-term investing success results from looking past your nose. The old adage that "Wall Street climbs a wall of worry" is profoundly true. There will always be something to worry about today. This is where tomorrow's opportunities hide. Hence another important old adage "buy on bad news, sell on good news" is sage advice.

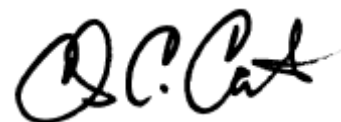
At EDMP we always buy based on what we believe the business can do three to five years from now or longer. In simple terms we endeavor to buy future earnings cheaply. This focus on

the future value is key to long-term success.

In closing, at EDMP we do not believe in playing the stock market. Our philosophy is more sound than that and is based on the tried and true principles of business, economics and accounting realities. Although forecasting the future results of a business and its profits and cash flows cannot be done perfectly, it is much more reliably done than predicting short-term stock market and stock price movements. Through the power and prudence of reasonable diversification, we can mitigate our errors and, therefore, provide a strong margin of safety under your money. For the reasons stated above and many more we are most confident going forward.

God bless America! And, in matters of investing please remember; *Earnings Determine Market Price* in the long run, always have, always will.

Sincerely,



Charles C. Carnevale
Chief Investment Officer