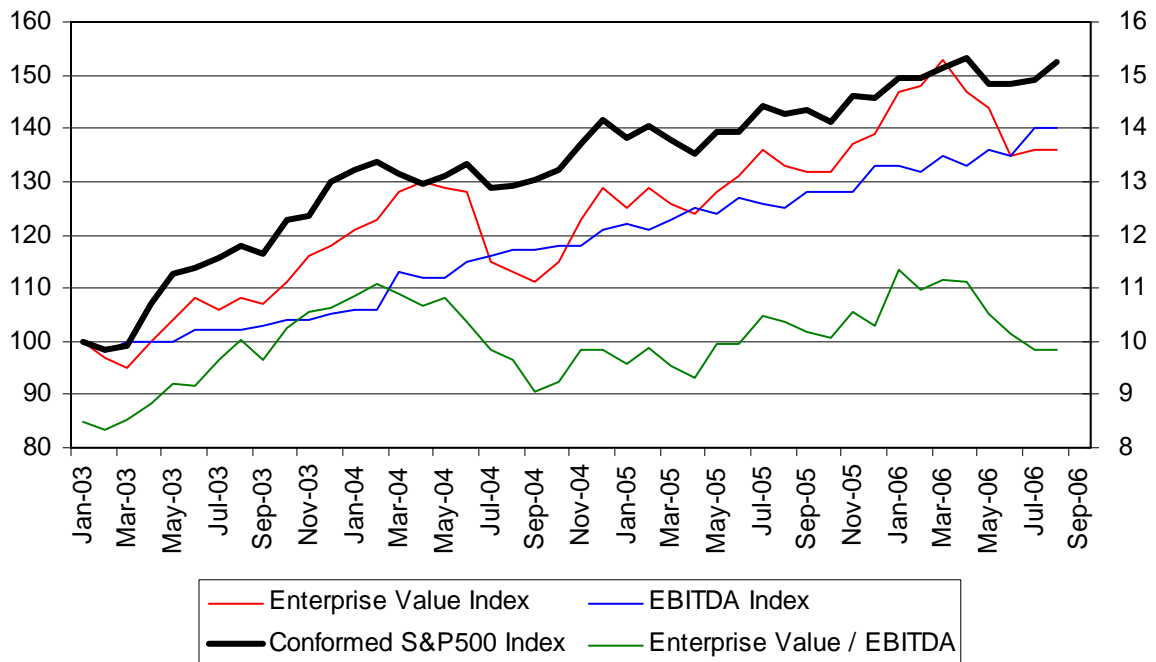


DISTRIBUTION NEWS

SW Distribution EV and EBITDA Indexes



MONTHLY STATS

KEY BENCHMARKS

Index	Price 7/31/06	Price 8/31/06	% Δ	YTD
Conformed S&P 500	149.2	152.4	2.1%	4.5%
SW Distribution EV	137.4	136.4	(0.7%)	(2.2%)
SW Distribution EBITDA	137.1	139.5	1.8%	4.6%

See Construction of the Indexes below.

SW DISTRIBUTION EV INDEX ONE MONTH EV PERFORMANCE IN PERCENT

Best 5 Company Tickers		Worst 5 Company Tickers	
CELL	15.2%	IFON	(25.9%)
BMHC	14.5%	KEYS	(19.7%)
SPTN	14.5%	DXPE	(18.7%)
NUHC	14.3%	CAS	(12.7%)
SYU	12.6%	PFGC	(11.1%)

Dear Clients and Friends:

We hope this newsletter finds everyone rested and refreshed from the summer and ready to return to work after a long Labor Day weekend. We continue to be amazed by how fast the summer months go by. Does it feel the same way to those of you in Arizona, California and Florida, or is the Labor Day weekend a non-event to those who enjoy the sun all year? With the passing of summer come the beginning of the school year, the arrival of college tuition invoices (which, fortunately, the Fed must be ignoring in assessing the seriousness of underlying inflation, but more on the Fed below) and the start of some serious debate about which teams are most likely to make it to the World Series next month and which school is most deserving of the #1 ranking in college football. This year we of the second city whose major league baseball teams are linked by a mostly above the ground rail line are looking for the first city whose teams are linked by a mostly below the ground rail line to host the World Series (we'll give a prediction on the winner next month) between the Mets and the Yankees (sorry White Sox, the pitching is not where it was last year), and we are picking Notre Dame as the top team in college football. In the interest of full disclosure, this firm has some close ties to South Bend inasmuch as one of our founding partners who passed away unexpectedly in 1997 was a "double domer" and his legacy and the legend of Raghiv "the Rocket" Ismail will forever live on within the four walls of this office. Sorry Ohio State, Penn State and USC fans. By the time winter arrives this year, the golden dome off the Indiana Tollway in South Bend should be shining brighter than ever on those rare winter days when there is sun in South Bend. Charlie Weiss has already proven to be the best executive hire in years, and we bet Notre Dame didn't even use a headhunter to find him.

Turning from one of our favorite cocktail conversation topics to another, we move the debate from fall sports to the fall economy. Recently, the

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business press has been filled with articles and commentary about whether the Fed will be able to successfully guide the economy to that ever elusive "soft landing." Economists of all stripes, including the closet economists in this shop, have been having fun arguing about whether the Fed has managed to supply the system with just the right amount of liquidity in order to facilitate a rate of economic growth consistent with acceptable rates of inflation and unemployment. While the PhD's in Washington get sleepless nights over whether the core inflation rate should be 1% or 2% or, heaven forbid, even 3%, we as financial types tend to worry a bit more about whether the Fed might overshoot the mark by tightening too much in order to stave off inflation, and in so doing might trigger what, in our view, would be an even larger problem — a recession that might cause tax receipts to dwindle while the wartime budget deficit soars to unsustainable levels, possibly causing a precipitous decline in our currency (at some point Asian investors may lose their appetite for holding greater and greater amounts of dollar denominated financial assets such as U.S. government bonds that we use to finance our deficits) and a host of other serious problems. After 17 consecutive 25 basis point increases in the federal funds rate between June 2004 and July 2006, the Fed finally paused at its August FMO meeting, leaving the fed funds rate at its current level of 5.25%. We were in the minority of Fed watchers who believed that the Fed had one more 25 bp rate increase up its sleeve last month just to make sure that everyone understood that the housing bubble was really over and that further speculative excesses (or at least those financed with cheap loans) would not pay. Part of what influenced our view, which proved to be erroneous, was the relative strength shown in our SW EV and EBITDA Indexes in July and the generally strong earnings reported by our index companies last month. While the favorable accounting numbers reflected past business conditions, more of our index companies increased guidance than lowered guidance for future revenue and earnings prospects. The data that we accumulated from our index companies seemed mostly consistent with the general economic trend that, with the exception of certain pockets where slowdowns have been evident such as upscale residential housing and SUV sales, business continued to be generally brisk. Nonetheless, the Fed must have concluded based on its reading of the economic indicators (or the political landscape) that the risks of an accelerating slowdown triggered by another rate increase were greater than the risks associated with possibly higher core inflation facilitated by monetary policy that probably continues to be somewhat accommodative, at least by historical standards. Thus, interest rate increases have been put on hold for the time being, at least until the Fed gets a better handle on which direction the economy is really heading and how serious underlying inflation really is (we hope they don't look very closely at the increases in private college tuition in making that determination).

In light of the lively debate at the macro level about whether the economy is growing sufficiently or not, we thought that the timing was propitious to take a closer look at the data from our index companies that have reported financial results for the calendar quarter ending on or about June 30th. Of the 64 index companies, 58 have reported quarterly numbers in July and August, and overall the news is mostly good about business activity and profits.

In This Issue

In this issue, we discuss the updates of SW EV and EBITDA indexes as of August 31, 2006, report on general M&A activity during the month, and then comment more specifically on the earnings reports that have been announced by the index companies for their most recent quarter. Our feature company this month is Valley National Gasses (VGL), which is one of the smallest index companies measured by LTM revenue but which is

FEATURE COMPANY

VALLEY NATIONAL GASSES



Source: Bloomberg Financial Markets

Our feature company, Valley National Gasses (VGL), is one of the most profitable and fastest growing index companies. On August 16th, it reported strong revenue and EPS growth for its June quarter, and its stock price closed on August 31st at \$31.18, near an all time high.

extremely profitable and which reported stellar financial numbers for the June quarter. The financial metrics and the daily news dairy of our index companies are listed in the appendixes.

SW Distribution Indexes

The SW Distribution EV Index decreased by 0.7% in August, closing at 136.4 on August 31st, down slightly from 137.4 on July 31st, and is now down by 2.2% on a year to date basis. This compares with the Conformed S&P 500 Index which was up 2.1% last month to 152.4, and is now up 4.5% on a year to date basis. We note that the EV Index continues to trail the Conformed S&P Index for the year by a meaningful amount. The SW Distribution EBITDA Index increased by 1.8% in August and is now up by 4.6% on a year to date basis, closing at 139.5 on August 31st, a level above the EV Index. For the fourth month in a row the trimmed mean of the ratio of EV/EBITDA for the index companies decreased, falling to 9.9x as of August 31st from 10.3x as of July 31st, reflecting the continued contraction of overall market multiples since their cyclical peak of 11.6x as of April 30th.

We now note that the SW EBITDA Index has risen comfortably above the SW EV Index as of August 31st, indicating to us that overall our index companies are approaching undervalued territory on an enterprise valuation basis (and this is further supported by the underperformance in the EV Index relative to the conformed S&P Index) assuming no deterioration in overall levels of reported or forecasted EBITDA. Moreover, the EV/EBITDA multiple is now down almost two full turns to 9.9x as of August 31st from 11.6x as of April 30th. Thus, absent evidence of a decline in EBITDA, we would expect that the general direction in the overall enterprise value of our index companies to be up from current levels. That said, the Fed engineered slowdown in overall economic activity has impacted some sectors more than others, and the determination of whether any particular distribution company is undervalued is very much sector and company specific and depends in large part on the company's specific business prospects in the foreseeable future. We touch on this issue in our discussion below of the quarterly financial results reported by our index companies in July and August.

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M&A Activity Marched On During August

The Fed tightening throughout the first half of calendar 2006 and the threat of slower economic growth in the future has not slowed M&A activity yet. In August, our coverage universe of index companies announced eight new transactions (five of which also closed during the month) and closed two previously announced acquisitions. The announcement of eight new deals last month by our index companies was up slightly over the four month moving average of seven new M&A deals announced during the April through July period. None of the eight newly announced transactions, however, fall into the blockbuster category of deals that are either huge in dollar terms or transforming of the business model of either the buyer or seller, although Beacon Roofing Supply closed on two separate acquisitions last month of smaller roofing supply distributors, each having annual revenue of approximately \$32 million. In almost every instance the terms of the deals were not disclosed, but the sketchy data that is available indicates that the more meaningful acquisitions announced in August were priced in the range of 0.5-0.7x LTM revenue and roughly 8x LTM EBITDA which is fairly consistent with the pricing for middle market distributors throughout 2006.

Most Recent Quarterly Earnings Announcements

Of the 64 index companies in our coverage universe, 58 have reported earnings for their fiscal quarters ending in June or July. Overall, the reported numbers have come in stronger than we thought might be the case based on the May-June stock market correction. In fact, based on our benchmarking criteria described below, of the 58 index companies reporting financial results for the quarter, by our measures, 25 reported strong numbers, 16 reported reasonably acceptable numbers, 15 reported numbers that might be characterized as disappointing, and 2 reported numbers that we declined to characterize due to factors unique to those companies (Alliance One reported numbers having difficult year over year comparison issues associated with them due to the merger of the two companies creating this reporting company; and Richardson Electronics, in addition to accounting issues that it has been wrestling with, incurred substantial restructuring charges in the most recent quarter that were not transparent to us in fairly assessing the operating results). Moreover, of the 58 reporting index companies, 16 had previously offered specific guidance of revenue and earnings targets for future periods, and of these 16, management increased guidance in six cases (37.5%), reaffirmed previous guidance in six cases (37.5%) and lowered guidance in only four cases (25%). Thus, not only has the overall performance of these 58 companies been generally strong in the most recent quarter, but by an overwhelming margin, 75% versus 25%, management of these index companies has either reaffirmed its outlook or offered an improved outlook for business in future quarters with only a handful of companies reporting softer conditions than they had forecasted earlier this year.

The criteria we used for segmenting the financial results were as follows. Our focus was on the results for the current quarter only with no consideration given to year to date numbers. Also, our principal metric was year over year growth in the quarter for top line sales and bottom line diluted EPS. In each case, we accepted management's pro-forma numbers adjusted for items such as equity based compensation, goodwill impairment, restructuring charges, discontinued operations, and the like.

If an index company reported year over sales growth **and** diluted EPS growth in excess of 10%, then we characterized those as strong numbers. If an index company reported sales growth **or** diluted EPS growth of less than 5%, then we characterized those numbers as at least somewhat

disappointing. All remaining reporting index companies were deemed to have reported reasonably acceptable numbers.

In terms of average metrics, median year over year sales growth in the quarter was 13.5% and the median diluted EPS growth in the quarter was 15.7%. Applying a trimmed mean where we excluded 15% of the reporting index companies with the highest year over year growth rates and 15% of the reporting index companies with the lowest year over year growth numbers (8 reporting index companies were excluded from each "tail" and the results for the remaining 40 reporting index companies whose year over year growth rates fell within the "tails" were averaged) produced similar but somewhat stronger results with the trimmed average sales growth being 14.7% and the trimmed average diluted EPS growth being 21.0%.

The growth numbers for the most recent quarter compare favorably with the LTM sales growth metrics reported in our newsletter last month for our entire universe of 64 index companies where the median and trimmed mean year over year LTM sales growth figures were 12.6% and 15.0%, respectively. If anything, the just released numbers by the 58 companies indicate that the healthy year over year sales growth reported for the last twelve months was maintained in the most recent quarter.

The real question at this stage, however, is where business conditions for our coverage universe are most likely to go from here, and, more specifically, whether there is evidence of a slowdown on the horizon for our index companies. As we know, the reported numbers just discussed may not be much help in answering this question because these numbers are indicative of past business conditions and may not be indicative of current or future business conditions. That said, as we mentioned earlier, substantially more of the reporting index companies that had previously issued guidance about future prospects either reaffirmed or increased guidance than lowered guidance for forecasted future performance. Accordingly, our analysis indicates that there is very little evidence at this stage that the Fed engineered slowdown of overall economic growth in the U.S. has caused a perceptible slowdown in the overall growth of revenue or earnings for our index companies.

Our reading of the economic tea leaves seems to be consistent with the conclusions reached by Wall Street analysts, admittedly a notoriously optimistic bunch. By our count, in August there were 17 reported changes to stock ratings of our index companies, and 12 of those were upgrades and only 5 were downgrades. These net positive changes to stock ratings indicate to us that the general expectation on Wall Street is for continued overall strong performance by our index companies in the future.

Of course, these averages merely reflect aggregated data and give no visibility to those particular index companies that are doing exceptionally well or those that may be struggling. Several of the former, in addition to Anixter that we profiled last month, include three index companies that distribute various types of gaseous products: Airgas, NuCO2 and Valley National Gases. Each reported exceptional sales and diluted EPS growth in the quarter. While we could have chosen any of these companies to highlight, we singled out Valley National Gases as our feature company as it reported year over year sales growth of 29% and diluted EPS growth of 50% for the quarter. Clearly, business in this space is strong, and it does not appear to have been negatively impacted to any material extent by the higher interest rates over the past year.

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On the other hand, 15 index companies did report less than exemplary results in their most recent quarter, and we looked at those for clues concerning broader trends. Of the 15 companies reporting sub-par revenue or earnings growth, four distribute food products, three distribute building materials, two distribute technology products, two distribute metals, two distribute mostly MRO products, one distributes primarily dental and veterinary supplies and the remaining one does not have distribution as a core business. We examined each situation to assess whether the issues facing those companies were most likely sector or company specific or whether they could very well be early warning signals of a more general trend that is likely to negatively impact the broader universe of our index companies in the immediate future.

Within the food group, Nash Finch, SuperValu, Spartan Stores and Sysco, to one degree or another, reported challenged numbers in their most recent quarter (although United Natural Foods reported healthy sales and EPS growth in the quarter, and also offered upbeat guidance for FY 2007 calling for double digit growth in both sales and EPS). With the entry of big box retailers Wal-Mart and Costco in the food space, this is a segment that may always be especially stressed. But, in addition to the difficult competitive environment, it has been reported that high gasoline costs have negatively impacted middle income restaurant chains and thereby have negatively impacted sales to these restaurants chains by food distributors which has exacerbated difficulties for these distributors. Our sense is that the issues facing these companies are segment specific and not indicative of a general slowdown.

In the building products group, Builders FirstSource, Huttig and Empire Resources reported slow growth conditions. Unfortunately for them, builders and their suppliers have always been sensitive to interest rate cycles, and they have traditionally borne the primary brunt of interest rate tightening policies by the Fed. This cycle has been no exception, and these companies have sounded early warning signals about a meaningful business slowdown in this sector. Whether the deceleration of growth in sales of construction related products may be contained within this segment without spilling over to other segments is the \$64 question, especially with the anemic reports of existing and new home sales published in late August. Paradoxically, there is some good news to report from this sector in that Beacon Roofing seems to be doing very well organically, and it also increased its investment in the sector by making two opportunistic acquisitions of smaller roofing supply distributors last month. Building Material Holding Corp. also seems to be doing reasonably well, and it also completed an add-on acquisition last month.

While the difficult conditions in the building supplies sector are real, and, due to the importance of this segment to the overall health of the economy, we are mindful that we must be extremely vigilant for any meaningful sign of a spillover in the slowdown from this segment to other segments of our coverage universe, for right now, we view the contraction in this space to be largely sector specific. That said, these conditions bear careful watching inasmuch it has become well accepted that construction and housing were the main drivers of economic growth after 9/11, at least until recently.

In the technology area, Bell Microproducts and Tech Data Corp reported underperforming numbers. Their problems appear to be company specific, however, inasmuch as Arrow Electronics, Brightpoint, Infosonics, Avnet and ScanSource all reported strong numbers and Ingram Micro reported reasonably strong numbers as well.

In metals, A.M. Castle and Ryerson reported uninspiring growth numbers.

But, in Castle's case, its numbers were really OK with its EPS growth rate falling only slightly below the 5% threshold and its sales growing by almost 10%, leaving Ryerson alone with what seems to be company specific issues.

Among the industrial distributors, Lawson Products and the Industrial Distribution Group reported disappointing growth numbers. Our sense is that their issues also appear to be company specific with Lawson Products undergoing a government investigation into prior sales practices and with the Industrial Distribution Group, having the second lowest enterprise value of all of the 64 index companies, possibly having a critical mass issue in the face of stiff competition from many much larger MRO distributors.

The other remaining index companies reporting tepid growth are the Patterson Companies and Park-Ohio, and we also believe that the issues affecting these companies are also specific to them. For Patterson, below plan sales and margin compression in one discreet product line caused it to miss its earnings target and to lower guidance for future results. Park Ohio's issues were not likely attributable to woes in distribution.

Thus, our overall assessment is that, for now, business conditions for distribution companies remain robust for the most part, save for softness in the food and building products distribution space. Unless resumed Fed tightening causes the housing and construction sector to slow further and to spill over into other sectors, we expect that business conditions will continue to remain healthy enough for our index companies to report sufficient EBITDA growth in the immediate future to drive further increases in overall enterprise value for the balance of 2006. Of course, if the Fed ever gets around to looking at those inflationary private college tuition numbers, or otherwise gets spooked by output from any of its econometric models on which it relies for setting monetary policy, and takes action by implementing another round of sustained interest rate hikes, all bets are off. If that happens, look for us in this newsletter to start focusing more on the cash conversion cycle than on revenue and earnings growth metrics because liquidity will become critical at that point. Until then, we remain cautiously optimistic and continue to look for double digit year over year growth in revenue and EPS from our well managed index companies for the immediate future.

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ABOUT THE SW DISTRIBUTION INDEXES

Construction of the Indexes

Each index is cap weighted based on the aggregate enterprise values and EBITDA for all of the index companies. The initial value of each index was set equal to 100 as of January 31, 2003, and each index was recomputed as of the last trading day of every month thereafter. Divisor adjustments were made to account for any company entering the indexes, in the case of an IPO after January 31, 2003 for example, and for any material acquisition or divestiture made by an index company after the start date of the indexes for which there was reported data available to us. As of June 30th, prior period SW Index values were restated based on an adjustment we made to reflect M&A transactions over the index period. All of the underlying financial data used to calculate the indexes and compile the news items have been provided by Bloomberg Financial Markets without any independent verification by us. Any errors, however, in making the index calculations are ours.

Company Selection Criteria and Categorization

The companies we selected for inclusion in the indexes and key financial metrics are listed in Appendix 1. The index companies are the 64 publicly held distribution companies based in the U.S. having an enterprise value of at least \$75 million on January 31, 2006 except that Hughes Supply was omitted from the indexes because of the pending acquisition by Home Depot. School Specialty, Inc. (SCHS) and Builders Firstsource, Inc. (BLDR) were added to the indexes as of May 31st, and Advanced Marketing Services (MKTS) was deleted as of June 30th. Aviall (AVL) will be deleted upon completion of its acquisition by Boeing. Each index company was assigned to a category corresponding to its Global Industry Classification Standard Sector ("GICS").

SW Distribution EV Index

The SW Distribution EV Index tracks the aggregate enterprise value of the 64 selected distribution companies in the index as of the close of the last trading day in any month during the index period. Enterprise value ("EV") means market capitalization of a company's equity plus preferred stock plus total interest bearing debt (including capitalized leases) net of any cash. The aggregate EV for the entire group of index companies as of January 31, 2003 was assigned a base index value of 100. On the last trading day of every month thereafter, the index has been recalculated to reflect the corresponding changes in the components of aggregate EV, subject to any required divisor adjustments.

SW Distribution EBITDA Index

The SW Distribution EBITDA Index tracks the aggregate last twelve months of EBITDA reported by the 64 selected distribution companies in the index as of the close of the last trading day in any month during the index period. EBITDA means earnings before interest, taxes, depreciation and amortization, in certain cases adjusted by Bloomberg for items of income or expense thought to be non-recurring in nature. The aggregate EBITDA for the entire group of index companies as of January 31, 2003 was assigned a base index value of 100. On the last trading day of every month thereafter, the index has been recalculated to reflect the corresponding changes in the components of aggregate EBITDA, subject to any required divisor adjustments.

Graphing the Indexes

In order to illustrate the performance of each index over the index period, we plotted the successive monthly values for each index as a graph shown in the opening figure above.

Conformed S&P 500 Index

In order to show more clearly the SW Distribution Indexes in relation to the S&P 500 Index, we adjusted the S&P Index as of January 31, 2003 from its actual value of 856 to a conformed value of 100, and we made similar conforming adjustments to the actual S&P 500 Index for every month thereafter.

ABOUT STARSHAK WELNHOFER & CO.

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APPENDIX 1: DISTRIBUTION INDEX—MONTHLY SUMMARY OF INDEX COMPANIES

(in \$millions, except multiples)

As of: Aug-06

Ticker	Name	Mkt Cap	Enterprise Value	LTM Sales	Sales Growth	Gross Margin	LTM EBITDA	EBITDA Margin	EV to LTM Sales	EV to LTM EBITDA	A/R Days	Inventory Turns	Inv. Days on Hand	Cash Cycle (Days)	Total Debt to EBITDA	# of Employees	LTM Sales (\$000's)	
Category: Consumer Discr																		
GPC	GENUINE PARTS CO	\$ 7,080	\$ 7,450	\$ 10,181	7.5%	31.4%	\$ 788	7.7%	0.7	9.5	45.4	3.3	112.0	105.6	0.6	31,700	\$ 321	
POOL	POOL CORP	\$ 1,973	\$ 2,245	\$ 1,778	25.1%	28.4%	\$ 176	9.9%	1.3	12.7	14.0	4.1	88.1	53.1	1.7	2,700	\$ 658	
LKQX	LKQ CORP	\$ 1,103	\$ 1,207	\$ 665	43.4%	46.2%	\$ 76	11.4%	1.8	15.9	21.5	3.4	107.9	117.3	1.4	3,370	\$ 197	
BMHC	BUILDING MATERIAL HOLDING CP	\$ 758	\$ 1,083	\$ 3,444	31.4%	22.2%	\$ 295	8.6%	0.3	3.7	37.5	10.9	33.3	51.8	1.2	21,000	\$ 164	
DW	DREW INDUSTRIES INC	\$ 562	\$ 656	\$ 762	23.9%	22.0%	\$ 81	10.6%	0.9	8.1	20.8	6.5	55.8	61.2	1.2	4,541	\$ 168	
KEYS	KEYSTONE AUTOMOTIVE INDS INC	\$ 559	\$ 553	\$ 651	15.8%	44.8%	\$ 48	7.4%	0.8	11.5	29.1	2.9	128.1	131.2	0.0	3,761	\$ 173	
HDL	HANDLEMAN CO	\$ 141	\$ 219	\$ 1,312	3.9%	17.2%	\$ 32	2.5%	0.2	6.8	68.0	8.9	41.1	63.0	2.7	2,600	\$ 505	
ERS	EMPIRE RESOURCES INC	\$ 115	\$ 209	\$ 399	23.4%	7.9%	\$ 22	5.4%	0.5	9.7	50.6	4.6	79.8	104.5	4.5	50	\$ 7,978	
CRFT	CRAFTMADE INTERNATIONAL INC	\$ 91	\$ 108	\$ 118	-0.2%	30.6%	\$ 11	9.5%	0.9	9.5	55.5	4.5	81.9	100.6	1.8	130	\$ 909	
RENT	RENTRAK CORP	\$ 119	\$ 90	\$ 99	28.8%	30.6%	\$ 9	9.3%	0.9	9.8	58.3	509.1	0.7	(32.1)	-	201	\$ 495	
Count = 10	Category Trimmed Mean	\$ 666	\$ 785	\$ 1,141	20.0%	28.4%	\$ 93	8.5%	0.8	9.7	39.8	5.8	75.0	82.1	1.3	4,788	\$ 428	
Category: Consumer Staples																		
SYU	SYSO CORP	\$ 19,416	\$ 20,976	\$ 32,628	6.6%	19.3%	\$ 1,840	5.6%	0.6	11.4	26.6	17.1	21.3	22.5	1.0	47,500	\$ 687	
SVU	SUPERVALU INC	\$ 6,044	\$ 14,853	\$ 19,674	-3.2%	14.4%	\$ 738	3.7%	0.8	20.1	14.8	8.8	41.5	13.0	12.6	56,000	\$ 351	
AOI	ALLIANCE ONE INTERNATIONAL I	\$ 383	\$ 1,479	\$ 2,224	22.4%	11.6%	\$ 136	6.1%	0.7	10.8	40.5	2.0	179.2	205.3	8.1	5,400	\$ 412	
UNFI	UNITED NATURAL FOODS INC	\$ 1,226	\$ 1,396	\$ 2,434	14.1%	19.1%	\$ 97	4.0%	0.6	14.4	21.4	8.0	45.7	46.6	2.0	4,380	\$ 556	
PFGC	PERFORMANCE FOOD GROUP CO	\$ 857	\$ 855	\$ 5,759	-0.6%	13.2%	\$ 99	1.7%	0.1	8.7	11.6	17.7	20.6	12.4	1.0	7,000	\$ 823	
NAFC	NASH FINCH CO	\$ 305	\$ 669	\$ 4,694	-1.3%	9.1%	\$ 119	2.5%	0.1	5.6	14.3	15.7	23.2	17.2	3.1	9,487	\$ 495	
SPTN	SPARTAN STORES INC	\$ 384	\$ 510	\$ 2,109	15.0%	19.0%	\$ 61	2.9%	0.2	8.4	8.3	17.0	21.4	9.9	2.2	7,500	\$ 281	
Count = 7	Category Trimmed Mean	\$ 1,779	\$ 3,851	\$ 6,957	6.8%	15.5%	\$ 238	3.8%	0.5	10.7	17.7	13.3	30.6	22.4	3.3	15,377	\$ 500	
Category: Energy																		
SII	SMITH INTERNATIONAL INC	\$ 8,981	\$ 10,675	\$ 6,361	28.7%	31.0%	\$ 979	15.4%	1.7	10.9	69.7	3.8	94.9	127.0	1.0	14,697	\$ 433	
Count = 1	Category Trimmed Mean	\$ 8,981	\$ 10,675	\$ 6,361	28.7%	31.0%	\$ 979	15.4%	1.7	10.9	69.7	3.8	94.9	127.0	1.0	14,697	\$ 433	
Category: Healthcare																		
CAH	CARDINAL HEALTH INC	\$ 28,160	\$ 26,570	\$ 81,638	11.6%	6.5%	\$ 2,465	3.0%	0.3	10.8	16.9	10.1	36.1	13.4	1.1	55,000	\$ 1,484	
MCK	MCKESSON CORP	\$ 15,206	\$ 14,194	\$ 90,880	12.6%	4.4%	\$ 1,390	1.5%	0.2	10.2	24.2	11.6	31.4	15.5	0.7	26,400	\$ 3,442	
ABC	AMERISOURCEBERGEN CORP	\$ 8,901	\$ 8,328	\$ 59,479	13.4%	3.6%	\$ 791	1.3%	0.1	10.5	17.2	12.7	28.7	7.6	1.4	12,300	\$ 4,836	
HSIC	HENRY SCHEIN INC	\$ 4,397	\$ 4,694	\$ 4,851	10.5%	28.7%	\$ 352	7.3%	1.0	13.3	44.4	6.6	55.2	64.9	1.5	9,600	\$ 505	
PDCO	PATTERSON COS INC	\$ 4,282	\$ 4,311	\$ 2,675	10.0%	34.8%	\$ 347	13.0%	1.6	12.4	43.1	7.2	51.0	63.1	0.9	6,440	\$ 415	
PSSI	PSS WORLD MEDICAL INC	\$ 1,318	\$ 1,441	\$ 1,646	6.8%	29.0%	\$ 98	6.0%	0.9	14.7	45.9	7.7	47.4	57.3	1.5	3,214	\$ 512	
OMI	OWENS & MINOR INC	\$ 1,293	\$ 1,416	\$ 4,980	7.4%	10.8%	\$ 144	2.9%	0.3	9.9	26.5	10.2	35.9	29.6	1.4	3,700	\$ 1,346	
Count = 7	Category Trimmed Mean	\$ 6,821	\$ 6,594	\$ 30,724	10.4%	15.9%	\$ 605	4.1%	0.5	11.5	31.1	9.4	40.3	35.8	1.2	11,688	\$ 1,458	

APPENDIX 1: DISTRIBUTION INDEX—MONTHLY SUMMARY OF INDEX COMPANIES

(in \$millions, except multiples)

As of: Aug-06

Ticker	Name	Mkt Cap	Enterprise Value	LTM Sales	Sales Growth	Gross Margin	LTM EBITDA	EBITDA Margin	EV to LTM Sales	EV to LTM EBITDA	A/R Days	Inventory Turns	Inv. Days on Hand	Cash Cycle (Days)	Total Debt to EBITDA	# of Employees	LTM Sales (\$000's)	
Category: Industrials																		
FAST	FASTENAL CO	\$ 5,536	\$ 5,486	\$ 1,677	19.7%	49.7%	\$ 326	19.5%	3.3	16.8	46.1	2.3	157.7	183.7	-	7,946	\$ 211	
GWW	WW GRAINGER INC	\$ 5,917	\$ 5,473	\$ 5,721	8.0%	40.0%	\$ 673	11.8%	1.0	8.1	36.4	4.5	80.3	84.0	0.0	14,297	\$ 400	
WCC	WESCO INTERNATIONAL INC	\$ 3,117	\$ 3,433	\$ 4,970	25.8%	19.8%	\$ 317	6.4%	0.7	10.8	27.3	8.6	42.4	20.9	1.1	6,000	\$ 828	
AXE	ANIXTER INTERNATIONAL INC	\$ 2,133	\$ 2,813	\$ 4,345	32.4%	24.3%	\$ 283	6.5%	0.6	9.9	67.0	4.6	79.8	99.1	2.5	5,600	\$ 776	
MSM	MSC INDUSTRIAL DIRECT CO-A	\$ 2,659	\$ 2,525	\$ 1,208	14.3%	47.0%	\$ 221	18.3%	2.1	11.4	41.1	2.6	140.3	156.3	0.0	n/a	n/a	
AVL	AVIALL INC	\$ 1,644	\$ 2,062	\$ 1,406	11.0%	17.4%	\$ 141	10.0%	1.5	14.7	49.3	2.8	131.3	129.4	3.0	1,009	\$ 1,394	
USTR	UNITED STATIONERS INC	\$ 1,405	\$ 1,451	\$ 4,529	6.2%	15.5%	\$ 225	5.0%	0.3	6.4	17.2	6.2	58.8	37.7	0.3	5,700	\$ 794	
WSO	WATSCO INC	\$ 1,224	\$ 1,287	\$ 1,800	15.6%	25.4%	\$ 140	7.8%	0.7	9.2	44.4	4.5	80.5	89.0	0.5	3,200	\$ 563	
SCHS	SCHOOL SPECIALTY INC	\$ 813	\$ 1,277	\$ 1,043	7.6%	43.0%	\$ 86	8.3%	1.2	14.8	77.6	3.7	97.4	108.1	5.4	2,800	\$ 373	
B	BARNES GROUP INC	\$ 851	\$ 1,221	\$ 1,157	10.1%	36.0%	\$ 136	11.7%	1.1	9.0	54.7	4.6	79.8	67.1	3.0	6,205	\$ 186	
IBI	INTERLINE BRANDS INC	\$ 807	\$ 1,103	\$ 912	15.6%	38.2%	\$ 101	11.1%	1.2	10.9	48.6	3.5	103.9	109.4	3.0	n/a	n/a	
BECN	BEACON ROOFING SUPPLY INC	\$ 805	\$ 1,085	\$ 1,301	63.9%	24.4%	\$ 108	8.3%	0.8	10.1	43.8	7.0	52.2	53.8	2.6	2,157	\$ 603	
AIT	APPLIED INDUSTRIAL TECH INC	\$ 998	\$ 968	\$ 1,901	11.2%	27.0%	\$ 133	7.0%	0.5	7.3	41.6	7.6	48.2	62.7	0.6	4,683	\$ 406	
BLDR	BUILDERS FIRSTSOURCE INC	\$ 521	\$ 815	\$ 2,441	3.8%	26.1%	\$ 219	9.0%	0.3	3.7	40.4	11.4	32.1	42.6	1.5	n/a	n/a	
KAMN	KAMAN CORP	\$ 431	\$ 519	\$ 1,156	8.0%	26.6%	\$ 51	4.4%	0.4	10.2	61.6	4.0	91.1	117.6	2.0	3,712	\$ 311	
PKOH	PARK-OHIO HOLDINGS CORP	\$ 150	\$ 355	\$ 1,004	17.3%	14.0%	\$ 75	7.5%	0.4	4.7	62.3	4.1	88.4	105.0	3.0	3,400	\$ 295	
LAWS	LAWSON PRODUCTS INC	\$ 347	\$ 337	\$ 492	15.4%	60.6%	\$ 40	8.1%	0.7	8.4	42.3	2.5	145.3	168.2	-	1,630	\$ 302	
RELL	RICHARDSON ELEC LTD	\$ 144	\$ 254	\$ 638	16.8%	24.4%	\$ 22	3.5%	0.4	11.4	64.2	4.4	83.1	114.0	5.7	1,268	\$ 503	
DXPE	DXP ENTERPRISES INC	\$ 144	\$ 181	\$ 230	53.5%	27.3%	\$ 16	7.0%	0.8	11.2	48.0	6.9	53.0	62.6	2.4	448	\$ 514	
HBP	HUTTIG BUILDING PRODUCTS INC	\$ 100	\$ 169	\$ 1,144	5.3%	19.5%	\$ 35	3.1%	0.1	4.8	34.5	7.5	48.5	44.5	2.0	2,146	\$ 533	
IDGR	INDUSTRIAL DISTRIBUTION GRP	\$ 80	\$ 92	\$ 543	1.0%	21.8%	\$ 12	2.2%	0.2	7.5	48.2	7.5	48.9	54.1	1.0	1,300	\$ 417	
Count = 21	Category Trimmed Mean	\$ 996	\$ 1,205	\$ 1,542	13.5%	28.3%	\$ 133	7.9%	0.7	9.5	47.2	5.1	78.5	86.7	1.7	3,557	\$ 485	
Category: Information																		
ARW	ARROW ELECTRONICS INC	\$ 3,408	\$ 4,358	\$ 12,299	24.2%	15.3%	\$ 625	5.1%	0.4	7.0	70.3	6.5	55.9	70.3	2.1	11,400	\$ 1,079	
CDWC	CDW CORP	\$ 4,543	\$ 4,120	\$ 6,499	6.1%	15.7%	\$ 445	6.9%	0.6	9.3	37.0	23.2	15.7	34.3	0.0	4,300	\$ 1,511	
AVT	AVNET INC	\$ 2,869	\$ 3,827	\$ 14,254	27.8%	12.9%	\$ 561	3.9%	0.3	6.8	55.7	8.7	41.8	55.5	2.2	10,900	\$ 1,308	
IM	INGRAM MICRO INC-CL A	\$ 2,968	\$ 3,121	\$ 29,910	8.1%	5.4%	\$ 467	1.6%	0.1	6.7	34.3	14.4	25.4	21.5	1.4	13,000	\$ 2,301	
TECD	TECH DATA CORP	\$ 1,938	\$ 1,754	\$ 20,506	2.4%	4.8%	\$ 248	1.2%	0.1	7.1	34.3	14.3	25.5	28.8	0.3	8,200	\$ 2,501	
SCSC	SCANSOURCE INC	\$ 796	\$ 826	\$ 1,666	21.0%	10.1%	\$ 69	4.2%	0.5	11.9	56.2	7.1	51.6	55.8	0.5	734	\$ 2,269	
CELL	BRIGHTPOINT INC	\$ 839	\$ 768	\$ 2,290	4.9%	6.4%	\$ 62	2.7%	0.3	12.3	25.0	16.8	21.7	12.3	0.2	1,683	\$ 1,361	
BELM	BELL MICROPRODUCTS INC	\$ 148	\$ 441	\$ 3,245	-1.4%	7.4%	\$ 38	1.2%	0.1	11.6	44.4	9.6	38.1	45.3	7.9	1,827	\$ 1,776	
NUHC	NU HORIZONS ELEC CORP	\$ 248	\$ 305	\$ 628	54.6%	15.6%	\$ 17	2.7%	0.5	18.2	53.6	4.6	79.8	110.9	4.2	659	\$ 952	
IFON	INFOSONICS CORP	\$ 90	\$ 86	\$ 202	79.2%	8.6%	\$ 4	2.0%	0.4	21.3	51.5	30.0	12.2	43.0	5.0	28	\$ 7,202	
Count = 10	Category Trimmed Mean	\$ 1,652	\$ 1,895	\$ 7,673	18.6%	10.2%	\$ 238	2.9%	0.3	10.5	45.9	12.6	34.5	44.3	2.0	4,963	\$ 1,763	

APPENDIX 1: DISTRIBUTION INDEX—MONTHLY SUMMARY OF INDEX COMPANIES

(in \$millions, except multiples)

As of: Aug-06																		
Ticker	Name	Mkt Cap	Enterprise Value	LTM Sales	Sales Growth	Gross Margin	LTM EBITDA	EBITDA Margin	EV to LTM Sales	EV to LTM EBITDA	A/R Days	Inventory Turns	Inv. Days on Hand	Cash Cycle (Days)	Total Debt to EBITDA	# of Employees	LTM Sales (\$000's)	
Category: Materials																		
ARG	AIRGAS INC	\$ 2,787	\$ 3,593	\$ 2,912	14.0%	45.9%	\$ 416	14.3%	1.2	8.6	19.4	6.8	54.0	43.5	1.9	10,300	\$ 283	
RS	RELIANCE STEEL & ALUMINUM	\$ 2,473	\$ 3,552	\$ 4,286	91.0%	26.1%	\$ 544	12.7%	0.8	6.5	44.5	5.1	70.9	88.8	2.0	5,600	\$ 765	
RYI	RYERSON INC	\$ 554	\$ 1,470	\$ 5,677	-0.8%	14.4%	\$ 224	3.9%	0.3	6.6	49.1	4.9	74.5	96.8	4.2	5,800	\$ 979	
ANDE	ANDERSONS INC/THE	\$ 627	\$ 861	\$ 1,331	3.6%	15.1%	\$ 68	5.1%	0.6	12.7	22.6	6.4	56.7	49.6	3.7	1,208	\$ 1,102	
MYE	MYERS INDUSTRIES INC	\$ 575	\$ 784	\$ 926	5.9%	28.7%	\$ 101	11.0%	0.8	7.7	57.8	6.0	60.6	81.9	2.3	5,258	\$ 176	
CAS	CASTLE (A.M.) & CO	\$ 480	\$ 529	\$ 1,017	9.8%	29.2%	\$ 87	8.5%	0.5	6.1	41.5	5.3	68.3	57.2	0.9	1,604	\$ 634	
NUCO	NUCO2 INC	\$ 423	\$ 455	\$ 116	16.1%	56.1%	\$ 41	35.4%	3.9	11.1	32.3	187.1	2.0	(4.3)	0.8	613	\$ 190	
VLG	VALLEY NATIONAL GASES INC	\$ 301	\$ 383	\$ 211	29.3%	51.4%	\$ 39	18.4%	1.8	9.9	42.6	9.0	40.7	44.7	2.1	674	\$ 312	
Count = 8	Category Trimmed Mean	\$ 855	\$ 1,275	\$ 1,780	13.1%	32.7%	\$ 156	11.7%	1.0	8.4	38.8	6.4	58.5	61.0	2.2	3,357	\$ 527	
Index Totals																		
Count = 64	High	\$ 28,160	\$ 26,570	\$ 90,880	91.0%	60.6%	\$ 2,465	35.4%	3.9	21.3	77.6	509.1	179.2	205.3	12.6	56,000	\$ 7,978	
	Low	\$ 80	\$ 86	\$ 99	-3.2%	3.6%	\$ 4	1.2%	0.1	3.7	8.3	2.0	0.7	(32.1)	-	28	\$ 164	
	Median	\$ 845	\$ 1,214	\$ 1,850	13.0%	22.1%	\$ 126	6.7%	0.6	9.9	42.5	6.8	53.5	57.2	1.5	4,380	\$ 533	
	Trimmed Mean	\$ 1,562	\$ 1,808	\$ 3,327	14.2%	22.9%	\$ 198	6.7%	0.7	9.9	40.3	7.5	58.6	64.0	1.8	5,243	\$ 713	

APPENDIX 2: AUGUST DAILY DIARY

<u>Date</u>	<u>Ticker</u>	<u>Company Name</u>	<u>Summary of News Items</u>
8/1/06	CAS	A.M. Castle	Reported financial results for the second quarter ending June 30 th with sales increasing by 9.8% (5% excluding price increases), net income increasing by 6.8% and diluted EPS increasing by 4.1% from the year earlier quarter. No further earnings guidance was offered for the year.
8/1/06	BMHC	Building materials Holding Corp.	Announced and completed the acquisition of Davis Brothers Framing, a company with 2005 revenue of \$110 million that provides turnkey framing services to high volume home builders in Southern California, for a cash purchase price of \$75 million, representing a little less than 0.7x trailing revenue.
8/2/06	AXE	Anixter	Stock downgraded to "Hold" from "Buy" at Matrix.
8/2/06	RS	Reliance Steel and Aluminum	Completed previously announced acquisition of Yarde Metals, a processor and distributor of stainless steel and aluminum plate in the eastern U.S. with LTM sales of \$385 million, for a purchase price of \$100 million in cash and the assumption of \$102 million of debt, making the price a little more than 0.5x trailing revenue
8/2/06	LKQX	LKQ Corporation	CEO, Joseph Holstein, exercised 110,000 options and immediately sold 85,000 shares realizing a net cash gain before taxes of approximately \$1.3 million.
8/2/06	ARW	Arrow Electronics	Announced a new program that provides VARs with a comprehensive set of processes and tools to deliver email archiving products, services and solutions to customers.
8/2/06	TECD	Tech Data	Announced PRELIMINARY results for the second quarter ending July 31 st with sales expected to increase only 2.9% year over year and with breakeven income. Management had been expecting net income in the quarter of \$17 to \$20 million, and attributed the results to weak performance in the EMEA region. Final results will be announced August 23, 2006.
8/2/06	LAWS	Lawson Products	Reported financial results for the second quarter ending June 30 th with sales increasing by 17% (4% organically), adjusted non-GAAP operating income falling by 18.2%, net income falling by 42.8% and diluted EPS falling by 41% from the quarter a year ago. Management offered few details on the weak results.
8/2/06	DW	Drew Industries	Reported reasonably strong financial results for the second quarter ending June 30 th with sales increasing by 24% (17% organically) and net income and diluted EPS both increasing by 17%. The operating margin compressed by 50 bp, however. Management also noted that sales in July 2006 were up 21% from a year ago, implying that Q3 was off to a strong start.
8/3/06	CAH	Cardinal Health	Reported financial results for the fourth quarter and fiscal year ending June 30 th with sales increasing by 12% in the quarter and 10% for the year; operating earnings declining by 2% in the quarter and increasing by 8% for the year; net income from continuing operations increasing by 12% for the quarter and the year; and diluted EPS from continuing operations increasing by 14% for the quarter and the year. Management reaffirmed its earlier guidance for FY 2007 of EPS in the range of \$3.50 to \$3.70 excluding non-recurring or special charges.

APPENDIX 2: AUGUST DAILY DIARY

<u>Date</u>	<u>Ticker</u>	<u>Company Name</u>	<u>Summary of News Items</u>
8/3/06	CAH	Cardinal Health	Announced that MonoGen, a venture backed private medical device company developing devices for anatomic and molecular pathology laboratories, repaid a \$5.2 million loan to CAH in connection with the settlement of litigation between the parties, and that the distribution agreement between the parties would continue.
8/3/06	KAMN	Kaman Corp.	Reported reasonably strong financial results for the second quarter ending June 30 th with sales increasing by 8%, net income increasing by 168% and diluted EPS increasing by 158% from the year earlier quarter. For the distribution segment, sales increased by 8% and operating income increased by 13% in the quarter from a year ago. Management indicated that business conditions were positive for the distribution segment.
8/3/06	USTR	United Stationers	Reported reasonably strong financial results for the second quarter ending June 30 th with sales increasing by 6.2% (2.2% organically), and, adjusted for comparability, diluted EPS increasing by 12% from a year earlier. After adjustments for comparability, the gross margin expanded by 60 bp and the operating margin expanded by 20 bp. Management also announced that sales to date for Q3 (presumably for the month of July 2006) were up 2.5% year over year, presumably signaling slow revenue growth for the current quarter.
8/3/06	RYI	Ryerson	Reported soft financial results for the second quarter ending June 30 th with sales falling 0.8%, and, adjusted for comparability, net income and diluted EPS falling by 13.6% and 23.2%, respectively, from a year earlier. Gross margin in the second quarter improved by 20 bp, but increased operating expenses absorbed all of the gains. Working capital increased, causing cash flow from operations to be negative and borrowings to increase. The company also changed auditors from PWC to Ernst & Young.
8/4/06	RYI	Ryerson	Stock downgraded to "Neutral" from "Buy" at UBS.
8/4/06	SYI	Sysco	Announced that Diane Day Sanders, a 29 year veteran and senior vice president of strategic development and former treasurer of the company, is retiring on September 1 st .
8/7/06	IBI	Interline Brands	Reported strong financial results for its FY 2006 second quarter ending June 30 th with sales increasing by 15.6% (11.8% organically), operating income increasing by 16.2% (19.6% excluding equity compensation), and diluted EPS, adjusted for comparability, increasing by 15% over the same quarter a year ago. Gross margin and operating margin (excluding equity compensation) in the quarter expanded by 10 bp and 30 bp, respectively, from last year. Further, management increased its earnings per diluted share guidance for 2006 to the range of \$1.29 - \$1.31, adjusted to exclude the loss on the retirement of certain debt.
8/7/06	CELL	Brightpoint	Entered into a distribution agreement with BlueAnt wireless pursuant to which CELL will distribute all of BlueAnt's Bluetooth technology products in the U.S.
8/7/06	PFGC	Performance Food Group	Reported financial results for its FY 2006 second quarter ending July 1 st with sales and diluted EPS from continuing operations declining by 1% and increasing by 35%, respectively, from the same quarter a year ago.

APPENDIX 2: AUGUST DAILY DIARY

<u>Date</u>	<u>Ticker</u>	<u>Company Name</u>	<u>Summary of News Items</u>
8/7/06	ABC	AmerisourceBergen	Signed a non-binding letter of intent with Kindred Healthcare, Inc. (KND) to combine their respective institutional pharmacy businesses in a new company that will be owned 50/50 by the shareholders of ABC and KND. The new company will have annual revenue of about \$1.9 billion, EBIT of about \$75 million, 330,000 licensed beds in 41 states, and will be the second largest institutional pharmacy provider.
8/7/06	IFON	InfoSonics	With ELLE magazine and Alcatel, IFON will market ELLE branded wireless handsets in the U.S.
8/7/06	SVU	Supervalu	Opening four Save-A-Lot stores in the Pacific northwest supported by a new distribution center in Portland, OR opening in September.
8/7/06	NUCO	NuCO2	Entered into a supply agreement with South-Tek Systems under which South-Tek will supply compact nitrogen generator systems for beer operators to NUCO for distribution to its more than 110,000 customers.
8/7/06	ARG	Airgas	Announced definitive agreement to acquire Aeriform, a Houston based distributor having 29 locations in TX, LA, OK and KS, \$65 million in revenue and 240 employees. Terms not disclosed. Scheduled to close by September 1 st .
8/7/06	SYX	Sysco	Announced plans to open a new "fold-out" facility in Longview, Texas to supply foodservice customers in east TX, AK and LA.
8/8/06	AIT	Applied Industrial Technologies	Reported strong financial results for its FY 2006 fourth quarter and full year ending June 30 th with sales increasing in the quarter by 11.2%, net income increasing by 26.2% and diluted EPS increasing by 29.4% from the year ago quarter. The operating margin in the quarter expanded by 100 bp. Management's guidance for FY 2007 is for sales to grow by 7% to 10% and diluted EPS to grow by 12% to 15%.
8/8/06	RENT	Rentrak	Reported strong financial results for its FY 2007 first quarter ending June 30 th with sales increasing by 28.8%, operating income increasing by 169%, net income increasing by 142% and diluted EPS increasing by 133% from the year ago quarter. Gross margin and operating margin expanded by 1.1% and 4.6%, respectively, in the quarter year over year.
8/8/06	HSIC	Henry Schein	Announced signing an exclusive multi-year distribution agreement with Biolase Technology (BLTI) whereby HSCI will distribute BLTI's complete line of dental laser system which uses a patented system to cut hard and soft tissue with minimal damage to surrounding tissue.
8/8/06	KAMN	Kaman	Stock upgraded to Buy from Hold at Matrix.
8/9/06	POOL	Pool Corporation	Announced completed acquisition of Wickham Supply and its affiliate, a leading regional irrigation products distributor with 13 locations in TX and one in GA and with FY 2006 sales of approximately \$50 million. Terms were not disclosed.

APPENDIX 2: AUGUST DAILY DIARY

<u>Date</u>	<u>Ticker</u>	<u>Company Name</u>	<u>Summary of News Items</u>
8/8/06	CELL	Brightpoint	Reported strong financial results for its FY 2006 second quarter ending June 30 th with sales increasing 10% (7% volume and 3% price), income from continuing operations increasing by 23% and diluted EPS from continuing operations increasing by 14% from a year ago. Wireless devices handled increased by 40%, gross margin expanded by 60 bp and EBITDA increased by 40% in the quarter year over year.
8/9/06	CELL	Brightpoint	Stock upgraded to Buy from Hold at Jefferies.
8/9/06	CELL	Brightpoint	Extended agreement to provide distribution for Dallas based MetroPCS Communications which holds 25 licenses to provide wireless communications services in various metropolitan areas.
8/9/06	AOI	Alliance One	Reported financial results for its FY 2007 first quarter ending June 30 th that are not susceptible to easy summary due to a merger early in the FY that clouds year over year comparability. Detailed analysis required to understand results.
8/9/06	IFON	Infasonics	Reported strong financial results for its FY 2006 second quarter with sales up 79%, and, exclusive of stock based compensation expenses, operating income up 114%, net income up 225% and diluted EPS up 100% from the year earlier quarter. Units shipped in the quarter were up by 169% year over year. Volume growth was fueled by sales in Central and South America. Gross margin contracted by 80 bp due to falling U.S. sales. Operating margin in the quarter, exclusive of stock based compensation expense, expanded by 50 bp year over year.
8/9/06	PSSI	PSS World Medical	Reclassified \$1.2 of previously reported cash flow from operations to cash flow from financing activities in connection with accounting for stock based compensation for FY 2007 first quarter ending June 30 th .
8/9/06	LKQX	LKQ Corporation	CEO Joseph Holstein files to sell 85,000 shares through Baird.
8/9/06	BECN	Beacon Roofing Supply	Reported financial results for its FY 2006 third quarter ending June 30 th with quarterly revenue up 63.9% (5.4% organically), operating income up 60.5%, net income up 50.5% and diluted EPS up 35.7% from the year earlier quarter. Organic growth was slowed due to a decline in non-residential roofing sales. Gross margin expanded by 60 bp but operating margin contracted by 10 bp due to higher operating expenses from acquired businesses.
8/9/06	AVL	Aviall	GRG Aircraft & Leasing, a supplier of aftermarket commercial aircraft parts, selected AVL's ILS Optimizer (SM) as its inventory management solution.
8/9/06	SVU	Supervalu	Stock coverage initiated as Neutral at FTN Midwest.
8/9/06	AVT	Avnet	Reported strong financial results for its FY 2006 fourth quarter and full year with quarterly revenue increasing 27.8% (8.2% organic) and, adjusted for comparability, operating income increasing by 85%, net income increasing by 93% and diluted EPS increasing by 59% from the year ago quarter. Operating margin expanded in the quarter by 135 bp year over year.

APPENDIX 2: AUGUST DAILY DIARY

<u>Date</u>	<u>Ticker</u>	<u>Company Name</u>	<u>Summary of News Items</u>
8/10/06	AVT	Avnet	Signed agreement with Tundra Semiconductor Corp. to distribute Tundra System Interconnect products in North America.
8/10/06	AVT	Avnet	Stock upgraded to Buy from Hold at Deutsche Bank.
8/10/06	SVU	Supervalu	Billionaire Ron Burkle's Yucaipa Cos. filed to buy up to \$680 million of SVU shares which would make him the largest shareholder with a 12% stake.
8/10/06	SVU	Supervalu	Stock upgraded to Overweight from Neutral at HSBC.
8/10/06	ABC	AmerisourceBergen	Announced new share repurchase program up to \$750 million to follow completion of remaining \$240 million yet to be repurchased under previously authorized share repurchase program.
8/10/06	RELL	Richardson Electronics	Filed Form 8K to disclose the waiver the company obtained for defaults under existing loan covenants and also a new credit agreement that resets covenants and requires minimum unused availability under the credit facility of \$20 million until the company files its Form 10Q for the quarter ended March 4, 2006 and \$10 million thereafter.
8/10/06	CDWC	CDW Corporation	Announced that average daily sales for July increased year over year by 4.9% driven mostly by a 17% increase in public sector segment sales offsetting disappointing corporate sector results.
8/10/06	CAH	Cardinal Health	Announced availability of a new synthetic glove designed for use as an underglove when doublegloving is advisable in connection with invasive procedures.
8/10/06	CAH	Cardinal Health	Started commercial paper offering of up to \$1 billion.
8/10/06	POOL	Pool Corporation	Director James Gaffney exercised options for 28,479 shares and sold all of them.
8/10/06	POOL	Pool Corporation	Director Andrew Code exercised options for 37,971 shares and sold all of them.
8/10/06	POOL	Pool Corporation	Chairman Wilson Sexton exercised options for 60,000 shares and surrendered 41,210 of them.
8/14/06	PDCO	Patterson Companies	Announced resignation of Jeffrey H. Webster, president of PDCO's Webster Veterinary unit and was replaced by its George L. Henriques, its CIO for the past six years.
8/14/06	CDWC	CDW Corporation	Announced implementation of a new wireless and wired CISCO network for the Palos Verdes Library District.
8/14/06	IM	Ingram Micro	Announced an expansion of its IP communications offerings and claims to offer VARs the most comprehensive array of IP communications solutions of any distributor. Separately, announced the formation of a new services division designed to help U.S and Canadian solution providers grow their professional IT services businesses.

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8/14/06	AVL	Aviall	Announced tender offer for all of \$200 million 7.625% note due 2011 subject to the completion of its acquisition by Boeing.
8/14/06	GWW	W.W. Grainger	Reaffirmed previously announced guidance for FY 2006 for diluted EPS of \$4.00-\$4.15/share.
8/14/06	CAS	A.M. Castle	Announced acquisition of Transtar Metals, a Torrence, CA based distributor of high performance metals serving the aerospace and defense industries. The transaction is expected to close in September. The purchase price is \$180 million, representing about .72x LTM sales of \$250 million and with an implied EBITDA multiple within the range of 8x to 9x.
8/14/06	ERS	Empire Resources, Inc.	Reported financial results for its FY 2006 second quarter ending June 30 th with sales up 23.3%, operating income up 18.4%, net income up 5.9% and diluted EPS up 8.0% from the quarter a year ago. Gross margin in the quarter expanded by 20 bp but operating margin contracted by 20 bp due to higher S,G&A expenses this quarter from a year ago.
8/14/06	TECD	Tech Data Corporation	Announced an initiative with managed services vendor InnovationsTech enabling resellers to deliver high margin professional services by monitoring and managing their customers' network operations remotely 24x7 to ensure optimum performance and resource availability and to identify suspicious activity and security threats.
8/14/06	SYT	Sysco	Reported financial results for its FY 2006 fourth quarter and full year ending July 1 st with sales up 6.6% (7.9% before the application of a change in accounting methodology and 5.1% organically) net income down 10.7% and diluted EPS down by 6.8% (but up 2.3% exclusive of stock based compensation) from the quarter a year ago. Gross margin in the quarter was up 52 bp (29 bp net of the effect of the application of the new accounting pronouncement, but operating expenses were up 120 bp (103 net of the EITF) due to higher fuel and pension expenses. Bloomberg cites a more difficult sales environment due to a slide in consumer spending at casual restaurants because of higher gasoline prices.
8/15/06	HSIC	Henry Schein	Announced that is had adopted the Microsoft technology platform for its next generation of electronic medical records software.
8/15/06	SCHS	School Specialty	Reported reasonably strong financial results for its FY 2007 first quarter ending June 30 th with sales up 7.6%, and, exclusive of stock based compensation, operating income up 15.6% and diluted EPS up 11.8% from the quarter a year ago. Gross margin in the quarter expanded by 100 bp from a year ago and EBITDA increased by 15.0% (16.9% without stock based compensation) year over year. Management confirmed FY 2007 guidance and announced a share buyback of \$50 million.
8/15/06	OMI	Owens & Minor	Announced exercise of call option to redeem 8.5% notes due 2011 at 104.25.

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8/16/06	OMI	Owens & Minor	Announced that the FTC has granted early termination of the HSR waiting period in connection with its previously announced \$170 million acquisition of the acute medical and surgical distribution and supply business from McKesson.
8/16/06	PSSI	PSS World Medical	S&P raised the company's credit rating to BB from BB-
8/16/06	GPC	Genuine Parts	Stock coverage initiated with Hold rating by BB&T Capital Markets.
8/16/06	CELL	Brightpoint	Increased guidance for number of units projected to be handled in for 2006 by roughly 10% from 50-55 million units to 55-60 million units.
8/16/06	VGL	Valley National Gasses	Reported strong financial results of its FY 2006 fourth quarter and full year with quarterly sales up 29% (4.4% on a same store basis), operating income up 45% (40% of this percentage attributable to acquisitions) and diluted EPS up 50% from the year ago quarter. Operating expenses in the quarter as a percent of sales declined by 1.3%. Separately, the company announced signing a letter of intent to acquire Industrial Air Products, a welding supply distributor with \$3 million in annual sales and operations in Naples and Ft. Myers, FLA. Terms of the announced acquisition were not disclosed and the transaction is expected to close in the next several weeks.
8/16/06	NUCO	NuCO2	Reported strong financial results for its FY 2006 fourth quarter and full year with quarterly sales up 16.1%, and, exclusive of stock based compensation, operating income up 20.3%, EBITDA up 16.7% and cash EPS up 26.7% from the quarter a year ago. Gross margin in the quarter expanded by 1.4% and net customer additions increased by 13.4% year over year. Management reaffirmed its guidance for FY 2007 of 15% revenue growth and 20% EBITDA growth.
8/17/06	AVT	Avnet	Announced that it has adopted Fair Isaac's Blaze Advisor™ business rules management system as the rules engine for its rebate and incentive programs. This enables Avnet customers to be aware of how every sale impacts rebate amounts.
8/17/06	BECN	Beacon Roofing	Stock upgraded to Strong Buy from Buy at Matrix.
8/17/06	SYT	Sysco	Stock upgraded to Overweight from Neutral at HSBC.
8/17/06	SCSC	ScanSource	Reported strong financial results for its FY 2006 fourth quarter and full year with quarterly sales up 21.0%, operating income up 10.7% (12.6% exclusive of equity compensation), net income up 28.7% (31.7% exclusive of equity compensation) and diluted EPS up 28% (30.6% exclusive of equity compensation) from the year ago quarter. Gross margin in the quarter, however, contracted by 60 bp and operating margin contracted by 26 bp exclusive of equity compensation. Management's revenue guidance for Q1 FY 2007 was up only slightly sequentially from the FY 2006 Q4 level.

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8/18/06	AVL	Aviall	Announced European Union antitrust approval for acquisition by Boeing.
8/18/06	SPTN	Spartan Stores	Appointed Derek Jones EVP, Supply Chain. Formerly, Mr. Jones held various supply chain management positions with Unisource Worldwide, Office Depot, Walgreen's and Wal-Mart.
8/18/06	RELL	Richardson Electronics	SEC filing indicated that its 10K report for its FY ended June 3, 2006 would be late as its investigation into accounting issues with one of its Italian subsidiaries continues. The company has still not filed its 10Q report for the quarter ended March 4, 2006.
8/18/06	BLDR	Builders Firstsource	Stock rated Hold in new coverage at Deutsche Bank.
8/18/06	RYI	Ryerson	Stock upgraded to Overweight from Neutral at J.P. Morgan.
8/20/06	ARW	Arrow Electronics	Announced franchise and distribution agreement with Faraday Technology whereby ARW's customers will have access to Faraday's ASIC technologies.
8/21/06	PFGC	Performance Food Group	Steven L. Spinner, currently President and COO, has been named CEO effective October 1, 2006 with Robert C. Sledd, the current CEO continuing as Board Chairman.
8/21/06	B	Barnes Group	Stock downgraded to Hold from Buy by Matrix.
8/21/06	GPC	Genuine Parts	Announced regular quarterly dividend and authorization for an additional share buyback of 15 million shares in addition to the 1 million buyback authorization presently outstanding.
8/21/06	BMHC	Building Materials Holding Corp.	Announced that it completed the acquisition of Topline Windows & Doors, a supplier and installer of windows and sliding doors for high volume production homebuilders in the greater Phoenix, AZ market with LTM sales of approximately \$19 million. Terms were not disclosed.
8/22/06	BELM	Bell Microproducts	Announced a distribution agreement with eSoft whereby Bell will distribute eSoft's entire line of InstaGate Integrated Security Gateways and ThreatWall Content Security Gateways, which are designed to provide protection from network threats such as worms, viruses, spyware, spam, Trojans, phishing and intrusion attacks. The solutions also provide firewall and VPN support for all aspects of perimeter network security.
8/22/06	SPTN	Spartan Stores	Increased annual retainer fees paid to non-executive board members to \$30,000 in cash and \$50,000 in annual equity grants, up from \$25,000 and \$20,000, respectively. Also, within a five year window, required directors to acquire and hold company shares having a market value of 5x the cash annual retainer.
8/22/06	IFON	Infosonics	CFO Jeffrey Klauser exercised options for 26,000 shares and sold the underlying shares.

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8/22/06	ANDE	The Andersons	Announced pricing at \$37/share of 2 million newly issued shares offered by the company and 225,000 offered by certain selling shareholders for a total of \$83.25 million.
8/23/06	TECD	Tech Data	Reported financial results for its FY 2007 second quarter ending July 31 st which due to the complexity surrounding its EMEA operations may not be easily summarized. Please see detailed announcement. Sales in the quarter were up by 2.7%; but, after making all company adjustments for comparability, Non-GAAP operating income fell by 47.4%, Non-GAAP net income fell by 98.2% and Non-GAAP diluted EPS fell by 96.3% from the year ago quarter. Gross margin compressed by 42 bp and Non-GAAP operating margin compressed by 35 bp (32 bp exclusive of stock based compensation) in the quarter from a year ago. Management offered no earning guidance due to the ongoing EMEA issues.
8/23/06	SCHS	School Specialty	Stock coverage initiated with a Neutral rating by Baird.
8/23/06	POOL	Pool Corporation	Stock rating upgraded to Buy from Hold at Matrix.
8/23/06	BELM	Bell Microproducts	Stock coverage initiated with an Average rating by Caris & Company.
8/23/06	CAH	Cardinal Health	Named David Lees, PhD, president of Cardinal Health Canada. Lees came to CAH as part of the Source Medical acquisition where Lees was CEO for the past seven years. He will report to the CAH's CFO and will be based in Mississauga, Ontario.
8/24/06	BELM	Bell Microproducts	Announced membership in The ASCII Group®, a consortium of IT resellers, solution providers and systems integrators. The organization provides its members with buying power, marketing resources and managed services. BELM anticipates enhances sales opportunities to the organizations membership.
8/24/06	PFGC	Performance Group	Stock upgraded to Neutral 2 from Reduce 2 at UBS.
8/24/06	SVU	SuperValu	Stock upgraded to Neutral from underweight at J.P. Morgan.
8/24/06	PSSI	PSS World Medical	Stock coverage initiated with Hold rating at Matrix.
8/24/06	KEYS	Keystone Automotive	Stock upgraded to Hold from Sell at Matrix.
8/24/06	FAST	Fastenal	Stock coverage initiated with Neutral rating at FTN MidWest Reseach.
8/24/06	GWW	WW Grainger	Stock coverage initiated with a Buy rating at FTN MidWest Research.

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8/24/06	PDCO	Patterson Companies	Reported financial results for its FY 2007 first quarter ending July 29, 2006 with sales increasing by 10.0% and both net income and diluted EPS, exclusive of stock based compensation, essentially flat from the quarter a year ago. Gross margin and operating margin (exclusive of stock based compensation) both contracted in the quarter by 85 and 90 bp, respectively, year over year. Management attributed the softness to below plan sales of the CEREC® dental restorative system (which cuts the time for making and placing ceramic crowns and veneers tone dental visit) and the erosion of margins for this product line. Due to issues with this product line, management lowered its guidance for FY 2007 diluted EPS by \$0.03/share.
8/24/06	PDCO	Patterson Companies	Shares fell 4.7% following the company's earnings report and reduced FY 2007 guidance.
8/25/06	PFGC	Performance Food	Stock upgraded to Strong Buy from Buy at Davenport & Co.
8/25/06	BECN	Beacon Roofing	Announced that it has acquired Roof Depot, Inc., a Minnesota distributor of residential and commercial roofing and other related building products with locations in Minneapolis and Stillwater. Roof Depot had 2005 sales of \$31 million and 70 employees. Terms were not disclosed.
8/28/06	AVL	Aviall	Announced that it has received sufficient consents from holders of 99.8% of the aggregate principal balance of its outstanding 7 5/8% notes due 2011, clearing the way of the redemption of that issue in connection with its merger with Boeing.
8/28/06	HSIC	Henry Schein	Stock downgraded to Hold from Buy at Matrix.
8/28/06	CAH	Cardinal Health	U.S. marshals seized 1,300 Alaris SE infusion pumps valued at \$1.8 million from a San Diego manufacturing unit on August 25 th because they may deliver too much medication. CAH has suspended production and sales of the devices while it works on modifications.
8/29/06	AVT	Avnet	Launched in conjunction with software provider Data Systems International a fully integrated solution for automated data capture leveraging barcode and RFID technology to enable the company's VARs to expand their support for companies that are looking to leverage RFID and real-time tracking of inventory.
8/29/06	AVT	Avnet	Launched Ignition Online, a web based training portal for IBM solution providers, that provides comprehensive training on the tools and technologies that they need to successfully sell IBM solutions.
8/29/06	BELM	Bell Microproducts	Announced a distribution agreement with Siafu Software, a provider of solutions for affordable IP storage, whereby BELM may offer Siafu Swarm iSCSI storage appliances to VARs and systems integrators in the U.S. and Canada.
8/29/06	TECD	Tech Data	Announced that it is the only U.S. IT products distributor to offer XenSource's XenEnterprise™ server virtualization platform that enables resellers to decrease networking infrastructure and operating costs by eliminating underutilized server hardware and minimizing a network's total energy consumption.

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8/29/06	CAS	A.M. Castle	Announced extension of a contract with Kaiser Aluminum until 2010 enabling CAS to continue to supply aerospace manufacturer Raytheon with high quality fabricated aluminum products.
8/29/06	RS	Reliance Steel	Stock upgraded to Buy from Neutral at Goldman Sachs.
8/29/06	NUHC	Nu Horizons Electronics	Completed the previously announced acquisition of DT Electronics, a U.K. based distributor of electronic components, with LTM sales of approximately \$23 million. NUHC paid cash of \$5.5 million plus additional payments contingent on performance.
8/30/06	UNFI	United Natural Foods	Reported reasonably strong financial results for its FY 2006 fourth quarter and full year ending July 29 th with sales increasing 14.1%, operating income increasing 16.1%, net income without special items increasing 9% and diluted EPS increasing 7.1% from the year earlier quarter. Adjusted for one fewer shipping day this year and for incremental sales from the Roots & Fruits acquisition in July 2005, pro-forma organic sales grew by 14.9% year over year in the quarter. The gross margin contracted by 17 bp and the operating margin expanded by 6 bp in the quarter year over year. Management's guidance for FY 2007 was for healthy sales growth of 11-15% and diluted EPS growth exclusive of special items of 15-19%.
8/29/06	POOL	Pool Corp.	Chairman Wilson Sexton purchased 5,000 shares at \$35.99/share.
8/30/06	SCHS	School Specialty	Announced the appointment of David G. Gombach, formerly CFO of the Chicago Mercantile Exchange Holdings, as CFO and Treasurer effective September 15 th replacing Mary M. Kabacinski who will remain with the company as EVP until her retirement on December 31 st .
8/30/06	CAH	Cardinal Health	Announced a strategic alliance with ParTech and ECR Software creating a solution that provides automatic supply chain and marketing information for CAH and its independent retail pharmacy customers. The system allows pharmacies to automate the replenishment of merchandise using statistics based reordering methodologies.
8/30/06	TECD	Tech Data	Announced a comprehensive leasing program through IBM Global Financing enabling resellers to finance the purchase by their customers of any hardware, software and services from Tech Data or any of its business partners.
8/30/06	DW	Drew Industries	Stock rated Strong Buy in initial coverage by Matrix.
8/30/06	BECN	Beacon Roofing	Announced the closing of the acquisition of Roofing & Sheet Metal Supply, a Tulsa, OK based distributor of roofing products with 70 employees in three distribution facilities in OK, AR and MO and with FY sales of \$33 million. Other terms were not disclosed. This marked BECN's second completed acquisition this month.

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8/30/06	RELL	Richardson Electronics	Reported financial results for its FY 2006 for the fourth quarter and full year ending June 3, 2006 and also announced that will be filing amended Forms 10-K/A for its FY 2005 and 10Q/A for its FY 2006 quarters ending 9-3-05 and 12-3-05. It also announced that it will be filing its Form 10-Q report for its quarter ending 3-4-06 (which it has yet to file and is late) and its 10-K report for FY 2006. The company discovered accounting irregularities primarily at one of its Italian subsidiaries which has led to the restatements of earlier financial statements and the delay in filing its 10-Q for Q3. It has also announced various restructuring initiatives being implemented in FY 2007 for which approximately \$6 million of charges were recorded in Q4. Due to lack of transparency of the restatements and of the restructuring charges on net income from continuing operations, we report only that sales increased by 16.7% in the quarter year over year and gross margin expanded by 150 bp in the quarter from last year.
8/31/06	UNFI	United Natural Foods	Stock rated Neutral in new coverage at J.P. Morgan.
8/31/06	LAWS	Lawson Products	Stock downgraded to Hold from Buy at Matrix.
8/31/06	AVT	Avnet	Announced a new three year multimillion dollar contract with AT&T for voice, data, internet and upgrading for AVT's headquarters and data center locations.
8/31/06	HDL	Handleman	Announced that John Beeder who had been appointed President and COO just last month resigned, effective immediately, by mutual agreement in connection with a disagreement over a customer relationship in the U.K.
8/31/06	SVU	Supervalu	Announced that it intends to use cash to redeem any obligation to repurchase LYONS due 2031 having an accreted value as of October 1, 2006 of approximately \$265 million.
8/31/06	IM	Ingram Micro	Reaffirmed sales and earnings guidance for its third quarter of FY 2006 ending September 30 th .
8/31/06	AOI	Alliance One	Filed 8K report identifying several misclassifications of items in its cash flow statement for its first fiscal quarter ending June 30 th filed in its 10Q report on August 9 th that will necessitate filing an amended 10Q report with a restated cash flow statement. These were non-cash misclassifications did not impact the company's cash balance on June 30 th .
8/31/06	SPTN	Spartan Stores	Appointed, Alex J. DeYonker, former board member and managing partner of Warner Norcross & Judd, long time outside counsel to the company, as EVP, General Counsel and Secretary effective October 2, 2006.