



DESTINY RESOURCE SERVICES CORP.
2006 Third Quarter Interim Report
As at and for the Three and Nine Months Ended September 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis of financial results for the three month and nine month periods ended September 30, 2006 ("Q3'06" and "2006 YTD") and September 30, 2005 ("Q3'05" and "2005 YTD") is based on information available until November 08, 2006 (unless otherwise noted) and upon the Company's unaudited consolidated interim financial statements for the periods presented, which were prepared in accordance with Canadian generally accepted accounting principles with the exception of a complete set of notes, and should be read in conjunction with the Company's consolidated financial statements and Annual Report for the fiscal year ended December 31, 2005.

Forward-looking Information

Statements in this Management's Discussion and Analysis relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known (see Business Risks section) and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results implied by such forward-looking statements.

REVENUE

Revenue for Q3'06 at \$23.6 million increased by 11.4% from \$21.2 million in Q3'05. 2006 YTD revenue at \$66.8 million represented a 26.9% increase from \$52.6 million over the same period last year. 67% of revenue for 2006 YTD was represented by one client compared to 71% last year (for additional information refer to the Working Capital section). Commodity prices remain relatively high and exploration continues to be a growing focus within the oil and gas industry, which in turn has translated into increased overall revenues for the Company.

GROSS MARGIN

Gross margin for Q3'06 was \$4.7 million representing 19.9% of revenues compared to \$4.0 million representing 19.1% of revenues over the same quarter last year. Gross margin for 2006 YTD was \$14.5 million representing 21.7% of revenues compared to \$10.6 million representing 20.2% of revenues over the same period last year. This increase arose from greater activity levels in Q1'06 and Q3'06 over the same quarters last year. Also there were modest rate increases which were effective at the beginning of 2006.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

General and administrative expenses were \$1.2 million for Q3'06 compared to \$1.5 million over the same period last year and represented primarily the costs associated with the corporate head office and the lease of office and shop for head office and two divisions. 2006 YTD expenses were \$3.6 million compared to \$3.1 million over the same period last year which represented an overall increase of \$0.5 million. Current year to date accruals for the profit sharing plans were \$0.4 million higher than last year due to higher profitability levels. The remaining difference can be attributed to increased infrastructure costs in response to increased business activities.

The profit sharing plans have been instituted to align the Company's incentive compensation for key employees with the interests of shareholders. The plans, which replaced bonuses and the grant of stock options, are intended to have the participating employees more focused on the Company's bottom line performance and to enable the Company to retain and attract operating and executive management in a competitive environment. Awards are made one-half in cash and one-half in shares to be purchased in the market.

AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization of property and equipment was \$0.8 million for Q3'06 compared to \$0.6 million over the same period last year representing a \$0.2 million increase. For 2006 YTD this amount was \$2.3 compared to \$1.4 million for 2005 YTD. Amortization is dependant on the timing of additions to property and equipment. In 2005 a total of \$8.7 million was invested in purchases of property and equipment. These purchases were amortized at the full rate in 2006. Disposals of property and equipment in 2006 resulted from normal course business activities with no specific noteworthy items.

INTEREST EXPENSE

Interest expense for 2006 YTD at \$0.2 million compared to \$0.1 million in 2005 YTD. Usage of the operating lines has increased due to higher business activities.

INCOME TAXES

The Company expects to have a small loss for tax purposes for fiscal 2006 resulting in no current income tax expense for the year for Canadian operations. For fiscal 2007 all non-capital tax loss carry-forwards will be fully utilized. The future income tax liability as at September 30, 2006 is \$2.7 million, increased from the \$1.5 million at the end of Q2'06 reflecting current business activity. Current income taxes relate entirely to foreign operations and are at \$0.1 million at 2006 YTD.

SUMMARY OF QUARTERLY RESULTS

A summary of operating results by quarter for the last 8 quarters is as follows:

<i>(000's, except per share amounts)</i>	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Total Revenue	23,636	16,934	26,199	11,844	21,216	14,793	16,604	7,430
Income (loss) from continuing operations	1,869	504	3,313	1,842	1,325	1,979	2,091	(421)
Income (loss) from discontinued operations	---	---	---	---	---	---	---	72
Income (loss) for the period	1,869	504	3,313	1,842	1,325	1,979	2,091	(349)
Basic & diluted earnings (loss) per share:								
From continuing operations	0.34	0.09	0.59	0.33	0.24	0.36	0.38	(0.16)
From discontinued operations	---	---	---	---	---	---	---	0.03
For the period	0.34	0.09	0.59	0.33	0.24	0.36	0.38	(0.13)
Number of shares outstanding weighted average								
Basic	5,575	5,575	5,575	5,568	5,554	5,548	5,495	2,664
Diluted	5,594	5,596	5,596	5,591	5,567	5,571	5,500	2,664

The above noted Summary of Quarterly Results highlights the following:

1. The Company's business is seasonal with Q1 and Q3 traditionally being the two strongest quarters. The underlying causes of the seasonality are weather conditions, the Company being restricted from entering and conducting work in designated wildlife areas at certain times of the year and the timing of client capital spending programs.
2. The Company discontinued operations in several businesses in 2003. Amounts in 2004 represent recoveries relating to insurance and bad debts for these discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

Destiny's capital requirements consist primarily of working capital necessary to fund operations, capital expenditures related to the purchase and manufacture of operating equipment, payment of dividends and capital to finance strategic acquisitions. Sources of funds available to meet these capital requirements include cash flow from operating activities, external lines of credit, equipment financing, term loans and access to equity markets.

During 2005, the Company increased its bank facility from \$5 million to \$10 million, with the ability to draw to \$18 million during the months of June through September. In addition, the rate on the facility was reduced to bank prime plus 1%. During 2006, the bank facility maximum is at \$10 million (the Company has determined it does not require additional credit) and the rate on this facility has been further reduced to bank prime plus 0.75%.

The Company believes that it has the capital resources and availability to meet its working capital and capital expenditure requirements and to pay dividends in accordance with its dividend policy for 2006 and beyond.

WORKING CAPITAL

At September 30, 2006 net working capital was \$5 million compared to \$0.6 million at December 31, 2005. Significant components that contributed to this increase include cash generated from operations of \$10.4 million, year to date net capital expenditures of \$2 million and the payment of cash dividends of \$4 million. The working capital position at last year end was low as a result of the \$8.7 million in capital expenditures that were incurred during the year. This investment allowed Destiny to increase its productive capacity to service rising customer demands, which has translated into increased overall profitability.

Approximately 85% of trade accounts receivable at September 30, 2006, (67% at December 31, 2005) were represented by one client. Destiny provides services to this client both directly for the client's own account (for the development of seismic data for the client to sell) and for work for third party exploration and production companies, most of which are substantial oil companies and several of which specify Destiny as their sub-contractor of choice when contracting with Destiny's client. Approximately 80% of trade accounts receivable at September 30, 2006 was less than 60 days old (64% are less than 30 days old). Bad debt expenses for the Company's businesses have been negligible over the past three years.

PROPERTY AND EQUIPMENT

Property and equipment assets totaled \$11.1 million at the end of Q3'06, compared to \$11.5 million as at December 31, 2005 reflecting a net decrease \$0.4 million for the year. Activity for 2006 consisted of purchases of \$2 million, amortization of \$2.3 million and disposals of less than \$0.1 million.

CONTRACTUAL OBLIGATIONS

Destiny's future contractual payment obligations are in the form of operating leases on premises and equipment. The Company has no hedging, capital leases or other "off balance sheet" contractual obligations.

	<u>Payments Due by Future Year</u>				
	<u>total</u>	<u>less than 1 year</u>	<u>2 - 3 years</u>	<u>4 - 5 years</u>	<u>After 5 years</u>
Operating Leases	3,206,938	1,082,773	1,432,852	691,313	---

Operating lease commitments have increased by approximately \$1 million from Q2'06. Vehicles that were on short-term rental are being utilized on a 12 month basis. Rentals generally have been converted to longer term operating leases that are expected to save approximately 15% in total costs over the life of the lease.

SHAREHOLDERS' EQUITY

Shareholders' equity increased by \$1.7 million from \$11.8 million at December 31, 2005 to \$13.5 million at the end of Q3'06. The major components within this increase were net income of \$5.7 million and cash dividends of \$4 million.

As at November 08, 2006, the number of issued and outstanding common shares is 5,575,081 with 53,000 additional common shares reserved for potential future issuance pursuant to options outstanding under the Company's stock option plan. No options have been granted since March 2002.

NEW CANADIAN ACCOUNTING PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants ("CICA") has issued a number of accounting pronouncements, some of which may impact the Company's reported results and financial position in future periods. See the 2005 Annual Report and the Q1'06 & Q2'06 interim reports.

BUSINESS RISKS

Destiny is subject to the risks and variables inherent in the oilfield services industry. Demand for the Company's products and services depends on the exploration, development and production activities of energy companies. These activities are directly affected by factors such as oil and gas commodity prices, weather, changes in legislation, exchange rates, the general state of domestic and world economies, concerns regarding fuel surpluses or shortages, substitution through imports or alternative energy sources, changes to taxation or regulatory regimes and the broad sweep of international political risks such as war, civil unrest, nationalization and expropriation or confiscation, which are all beyond the control of the Company and cannot be accurately predicted. The oil market is influenced by global supply and demand considerations and by the supply management practices of OPEC. The natural gas market is

primarily influenced by North American supply and demand and by the price of competing fuels. The risks associated with external competition are minimized by concentrating Company activities in areas where it has demonstrated technical and operational advantages and by employing highly competent staff. Environmental standards and regulations are continually becoming more stringent in this industry and Destiny is committed to maintaining its high standards. Destiny also mitigates business risks by establishing strategic alliances with reputable partners, developing new technologies and methodologies as well as investigating new business opportunities.

The risks inherent in the oilfield services industry could impact the Company's ability to meet its financial covenants on its revolving, bank operating loan facility. Bank lines were drawn by \$2.6 million as at September 30, 2006 and were well below the maximum allowable limit at that time.

As a service provider, Destiny's businesses are dependent on the Company's ability to retain and to attract and train the necessary personnel. With operations principally in western Canada, Destiny is affected by the climate of labour shortage and inflation in Alberta. The Company pays competitive compensation and makes efforts to supply year round employment as means to mitigate the risk of having an adequate supply of personnel.

OUTLOOK

Destiny believes that it has adequate working capital, cash flow from operations and access to capital to fund ongoing business requirements. Management believes the Company has a cost structure that has sufficient variability to adapt to the volatility of its industry. The Company has experienced management, at all levels of sales, operations and administration, who are motivated to achieve success in both the short- and long-term. The Company provides services principally in connection with the exploration for oil and natural gas.

Destiny periodically encounters expansion opportunities to consider. These involve, in each case, the requirement for capital expenditures beyond the normal course for the Company. Destiny may pursue any or all of these opportunities, and others that may present themselves. In doing so the Company may incur term debt, issue equity, and retain cash that might otherwise be paid as dividends or any combination of the foregoing.

DISCLOSURE CONTROLS AND PROCEDURES

As defined in Multilateral Instrument 52-109, disclosure controls and procedures require that controls and other procedures be designed to provide reasonable assurance that financial and non-financial information required to be disclosed is duly recorded, processed, summarized, accumulated and communicated to management. It must be disclosed on a timely basis and be in accordance with provincial and territorial securities legislation.

The Company has designed and evaluated the effectiveness of its disclosure controls and procedures, as defined, and has concluded they were effective as of the end of the period covered by this report.

CORPORATE GOVERNANCE

Pursuant to National Policy 58-101 Disclosure of Corporate Governance Practices ("NP58-101"), the Company is required to disclose its corporate governance practices, as summarized below with respect to 2005.

1. Board of Directors

The Board of Directors is presently composed of five members, the majority of whom are independent. Mr. Libin is a member of management. Messrs. Roane, Feldman, McGoe and Rathwell are independent of management and except for shares of the Company that they may hold, they are free of any interest, business or other relationship which could reasonably be perceived to materially interfere with their ability to act with a view to the best interest of the Company. Mr. Libin is the Chairman of the Board of Directors. Mr. Roane is Lead Director. ("Lead Director" means, when the chair of the board is an executive officer, the director who presides over meetings, in the absence of executive officers, of the independent directors and who shares with the chair of the board the responsibility for ensuring the independence of the board and the effectiveness of the board's functioning.) The Company believes the composition of the Board of Directors fairly reflects the investment of minority shareholders.

The independent directors regularly hold scheduled meetings at which the non-independent director and members of management are not in attendance. Four such meetings were held in 2005.

Director	Independent or Not	Directorships in other public companies	Attendance at Meetings ⁽¹⁾
Bruce Libin ⁽²⁾	Not Independent	Provident Energy Trust; Winstar Resources Ltd.	6 of 6
Glen Roane	Independent	Badger Income Fund; Enerplus Resources Fund	6 of 6
Nathan Feldman	Independent	N/A	6 of 6
David McGoey	Independent	Swan Hills Energy Limited Partnership; WIN Energy Corporation	6 of 6
James Rathwell ⁽³⁾	Independent	N/A	3 of 3

1. During the fiscal year ended December 31, 2005, the Board held 6 meetings.
2. Bruce Libin is Executive Chairman & CEO of the Company and is therefore defined by regulation not to be independent.
3. Mr. Rathwell joined the Board in May 2005 and attended 3 of the 3 meetings held after that date.

2. Board Mandate

The Board of Directors of the Company has ultimate responsibility with respect to the business and affairs of the Company. The Board of Directors discharges its responsibilities through the Audit Committee, the Compensation Committee and the senior executive officers of the Company. Mr. Libin, the Executive Chairman and Chief Executive Officer of the Company, is a member of the Board of Directors. At meetings of the Board of Directors, members receive and discuss reports on the operations of the Company, financial statements and information, significant capital expenditures, proposed debt and equity financing, strategic plans and any other matters of a material nature. The day to day operations are delegated to the senior management of the Company. All matters of a material nature or significant tactical or strategic importance require the approval of the Board of Directors.

Meetings are scheduled to review and approve the audited and unaudited financial statements of the Company and to deal with such other business as may properly come before such meetings. Frequency of meetings, as well as the nature of the business to be discussed thereat, varies depending upon the activities of the Company and other events that affect the Company in the course of its operations.

During the fiscal 2005 year, there were 6 meetings of the Board of Directors. In addition, the Board of Directors approved several written resolutions without meeting.

Board Committees

The Board of Directors has two committees, each of which is described below. The Board of Directors as a whole attends to governance functions.

Audit Committee. The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the duties of the Company's external auditors. In addition, the Audit Committee meets quarterly with the Company's auditor and reviews the Company's financial statements and the auditor's report or comments thereon before they are submitted to the Board of Directors for approval.

Compensation Committee. The Compensation Committee administers the Company's executive compensation program. For further information on the duties of the Committee see "Compensation Committee and Report on Executive Compensation".

Policy Statement

The Board of Directors (the "Board") of Destiny Resource Services Corp. (the "Corporation") has the responsibility to oversee the conduct of the business of the Corporation and to oversee the activities of management who are responsible for the day-to-day conduct of the business of the Corporation.

Composition and Operation

The Board is to be constituted of a majority of individuals who qualify as unrelated directors. An unrelated director is one who is independent of management and is free from any interest and any business or other relationship, which could or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interest of the Corporation other than interests and relationships arising from shareholdings.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including selecting its Chairman, nominating candidates for election to the board, constituting committees of the full Board and determining compensation for the directors. Subject to the Articles and By-Laws of the Corporation and the Alberta Business Corporations Act, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

Responsibilities

The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests its other stakeholders such as employees, customers and communities may have in the Corporation. In broad terms, the stewardship of the Corporation involves the Board in strategic planning, financial reporting, risk management and mitigation, senior management determination, communication planning and internal control integrity.

Specific Duties

1. Legal Requirements

- (a) the Board has the oversight responsibility for meeting the Corporation's legal requirements and for properly preparing, approving and maintaining the Corporation's documents and records.
- (b) The Board has the statutory responsibility to:
 - (i) manage the business and affairs of the Corporation;
 - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
 - (iii) exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and
 - (iv) act in accordance with its obligations contained in the Alberta Business Corporations Act and the regulations thereto, the Articles and By-Laws of the Corporation, and other relevant legislation and regulations.
- (c) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
 - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - (ii) the filling of a vacancy among the Directors;
 - (iii) the issuance of securities;
 - (iv) the declaration of dividends;
 - (v) the purchase, redemption or any other form of acquisitions of shares issued by the Corporation;
 - (vi) the payment of a commission to any person in consideration of his/her purchase or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
 - (vii) the approval of management proxy circulars; and
 - (viii) the approval of any take-over bid circular or directors' circular.

2. Independence

The Board shall have the responsibility to:

- (a) implement appropriate structures and procedures to permit the Board to function independently of management;
- (b) implement a system which enables the Board to engage an outside advisor at the expense of the Corporation in appropriate circumstances and
- (c) provide an orientation and education program for newly appointed members of the Board.

3. **Strategy Determination**
The Board shall:
 - (a) adopt and annually review a strategic planning process and approve the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business; and
 - (b) annually review operating and financial performance results relative to established strategy, budgets and objectives.
4. **Managing Risk**
The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to confirm that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.
5. **Appointment, Training and Monitoring of Senior Management**
The Board shall:
 - (a) appoint the Chief Executive officer ("CEO") and senior officers, approve (upon recommendations from the Compensation committee) their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;
 - (b) ensure that a process is established that adequately provides for succession planning including the appointment, training and monitoring of senior management; and
 - (c) establish limits of authority delegated to management.
6. **Reporting and Communication**
The Board has the responsibility to:
 - (a) verify that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
 - (b) verify that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
 - (c) verify that the financial results are reported fairly and in accordance with generally accepted accounting standards;
 - (d) verify the timely reporting of any other developments that have a significant and material impact on the value of the Corporation; and
 - (e) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year.
7. **Monitoring and Acting**
The Board has the responsibility to:
 - (a) review and approve the Corporation's financial statements and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements;
 - (b) verify that the Corporation operates at all time within applicable laws and regulations to the highest ethical and moral standards;
 - (c) approve and monitor compliance with significant policies and procedures by which the Corporation is operated;
 - (d) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
 - (e) take such action as it determines appropriate when performance falls short of its goals and objectives or when other special circumstances warrant; and
 - (f) verify that the Corporation has implemented adequate internal control and information systems which ensure the effective discharge of its responsibilities.
8. **Environmental, Health and Safety Matters**
The Board shall review the effectiveness and adequacy of safety and environmental control, reporting, training and response procedures, which may include:
 - (a) discussing the Corporation's safety and environmental policies with management;
 - (b) discussing safety and environment standards with management in relation to current regulations;
 - (c) reviewing the Corporation's procedures for identifying, controlling, reporting and responding to safety and environmental incidents;
 - (d) monitoring the Corporation's safety and environmental training and staff evaluation practices;
 - (e) reviewing the Corporation's system of record keeping and obtaining base-line environmental data;
 - (f) reviewing the Corporation's methods of evaluating compliance with the Corporation's policies and regulatory requirements and discussing the results with management; and
 - (g) reviewing the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.

9. Other Activities
 - (a) the Board shall prepare and distribute the schedule of Board meetings for each upcoming year; and
 - (b) the Board may perform any other activities consistent with this mandate, the By-Laws of the Corporation and any other governing laws as the Board determines necessary or appropriate.

3. Position Descriptions

The Board has not developed written position descriptions for any of the chair, the chair of each board committee or the CEO. Instead, the Board delineates the role and responsibilities of each such position by utilizing the knowledge and experience of the members of the Board, as a whole.

4. Orientation and Continuing Education

New directors are provided with material with respect to the Company, its operations and finances and the role of the Board, its committees and directors. Audit Committee meetings, which generally include all directors, will often include a component on new reporting responsibilities and initiatives. Board meetings often include presentations by management which serve as part of the continuing education of the directors. Directors are offered, from time to time, the opportunity to see operations of the Company. Directors are encouraged to participate in continuing education with respect to the duties and responsibilities of directors.

5. Ethical Business Conduct

The Board has adopted a written Code of Business Conduct, a copy of which is available from the Corporate Secretary. The Board satisfies itself regarding compliance with the Code by asking questions of management and the auditors.

There have been no transactions for which a director or executive officer has a material interest. Should such a matter arise, the Board will exclude the interested person from participating in the discussion and vote, if required, on the matter.

6. Nomination of Directors

The Board as a whole has acted as a nominating committee. The independence and capability of directors helps assure an objective process is achieved. With respect to the addition of Mr. Rathwell to the nominees for the 2005 annual general meeting, the Board determined to seek a candidate who had experience in the oilfield services industry. Several names were suggested. Mr. Libin approached Mr. Rathwell, following which Mr. Rathwell spoke with the other members of the Board.

7. Compensation

The members of the Compensation Committee are Messrs. Feldman (Chair), Rathwell & Roane, each an independent director.

The Compensation Committee administers the Company's executive compensation program. It is the Compensation Committee's responsibility to review the structure and competitiveness of the Company's compensation and benefits programs generally, to make compensation recommendations to the Board of Directors and to administer the awards of remuneration to the Company's senior officers. The Compensation Committee also makes recommendations to the Board with respect to the compensation of the independent directors. Mr. Libin receives no compensation as a director.

The Company's executive compensation program has two components: base salary and profit sharing. In addition, the Company's executive officers participate in the Company's various benefit programs made available to Company employees. The components of the executive compensation program have been designed to accomplish the following objectives:

1. to attract and retain key personnel
2. to reward executives for achieving strategic corporate objectives
3. to motivate executives to act in the best interest of the Shareholders
4. to ensure that Destiny's compensation for executive positions is competitive
5. to encourage talented personnel within Destiny to aspire to executive positions

The award of participation in profit sharing is presented to the Compensation Committee by Management, indicating those employees who are, in its opinion, deserving of a bonus based upon meritorious service during the year. The Compensation Committee also considers and proposes awards of bonuses to executive officers in its recommendations to the Board of Directors. These bonuses reward performance and encourage continued high levels of performance. .

Profit sharing plans, commencing for 2004, have been instituted to align the Company's incentive compensation for key employees with the interests of shareholders. The plans, which replace bonuses and the grant of stock options, are intended to have the participating employees more focused on the Company's bottom line performance and to enable the Company to retain and attract operating and executive management in a competitive environment. Awards are made one-half in cash and one-half in shares, which are purchased in the market by an independent trustee.

The compensation of the Executive Chairman and Chief Executive Officer is approved by the Board of Directors based upon recommendations made by the Compensation Committee.

8. Other Board Committees

None.

9. Assessments

The Board as a whole and the independent directors *in camera* discuss the effectiveness of the Board and its committees. No formal process has been instituted for the assessment of individual directors. On an informal basis, individual factors for each director such as attendance, conduct and contribution are observed.