Dominion Homes Inc.
(DHOM:NASDAQ)

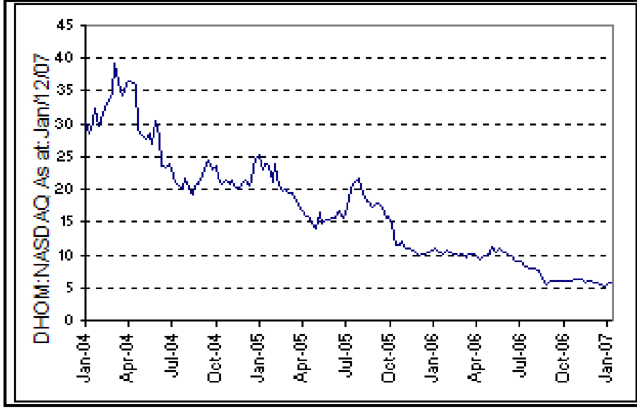
THE COMPANY

Dominion Homes is the largest homebuilding company in both Central Ohio and Louisville Kentucky. The company has been building homes in Ohio for over fifty years and has been a public company since 1994. Dominion markets to first time and move-up homebuyers. These homes range in price from $100,000 to $350,000 and in size from 1,000 to 3,500 square feet. The company traces its roots to 1952 when Douglas Borror built his first home in Columbus Ohio. Mr Borror remains the single largest shareholder of Dominion owning 3.9 million shares or 47.5% of the company.

FINANCIAL DATA

	2002	2003	2004
Earnings per Share ($)	3.28	4.40	2.53
Price to Earnings (times)	7.3	5.5	4.7
Dividend ($)	-	-	-
Dividend Yield (%)	-	-	-
Book Value ($)	16.21	20.22	22.96
Price to Book Value (times)	1.40	1.05	0.52

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT DOMINION HOMES

Shares of Dominion Homes reached an all time high of $40.28 in March 2004 and have since declined to the $22-$24 range. Higher mortgage rates in 2004 and 2005 are undoubtedly having a cooling effect on housing demand and this is being reflected in the company's share price. With the stock currently trading just above its book value of $22.70 we feel the share price is already discounting the cyclical nature of the business and is now fundamentally inexpensive.

Dominion Homes is trading at an attractive price to earnings ratio of approximately ten times this year's earnings estimate of $2.35 per share. While earnings, admittedly, will be lower in 2005, free cash flow for the year could be substantial. As orders decline, working capital should increase as the company reduces its land purchases while simultaneously drawing down its inventory of completed homes. Management can use the funds to initiate a dividend, repurchase shares, or even fund a going private transaction.

Lastly, we believe that consolidation among the homebuilders is likely to continue. The industry remains relatively fragmented with the top ten home manufacturers accounting for only 21% of sales in the U.S. Company balance sheets will soon be awash with cash and as a result, we could begin to see an increase in merger and acquisition activity. If this were to occur, we feel Dominion Homes could be a prime takeover candidate given its small size, large real estate holdings and attractive share price.

ABC Funds
February 4, 2005

UPDATES

On February 10th 2005 Dominion Homes reported net income of $20.2 million, or $2.47 per share for fiscal 2004 compared to net income of $31.8 million or $3.94 per share in 2003. Revenues for 2004 decreased 4% to $542.0 million, from the delivery of 2,837 homes, compared to revenues for 2003 of $563.5 million, from the delivery of 3,070 homes. Gross margin declined to 22.1% in 2004 from 24.0% in 2003. The reduced gross margin reflected higher real estate costs and efforts to reduce its investment in home and land inventories.

Shares of Dominion have weakened since the company reported its quarterly results. While the results did not come as a surprise to us, the selling may have been a knee-jerk reaction by investors who were caught off guard by the sales decline. Incidentally, we believe the share price already reflects a housing slowdown in Dominion's key markets. Shares of the company now trade at roughly a 17% discount to its book value of $23.52 per share. We expect Dominion to be free cash flow positive this year, which could be used to pay down debt or repurchase shares. Finally, Dominion could be a takeover candidate given its small size, large real estate holdings and low stock price.

ABC Funds
March 4, 2005

UPDATES (cont'd)

While Fed Chairman Alan Greenspan continues to increase the federal funds rate at a measured pace, long-term interest rates have been falling. This has resulted in a flattening of the yield curve. Since mortgage rates tend to be correlated to long-term rates, demand for new housing in the U.S. had remained strong. In fact, according to the U.S. Census Bureau, sales of single-family homes rose by 4.4% to 1.30 million in May compared to 1.24 million in May of last year.

Dominion Homes, the Ohio-based homebuilder, appears to be benefiting from stable to declining long-term interest rates. On Thursday July 7th the company reported that home sales for the three months ended June 30th, 2005 increased 28% to 655 homes compared to 510 in the same period last year. In addition, the sales value of the homes sold increased 24% to 123.1 million compared to 98.0 million last year.

Dominion Homes appears to be an attractive investment at this time. The shares currently trade at a 23% discount to their book value of $23.12. It is also interesting to note that the company's Chairman and founder, Douglas Borror, has been buying stock .He recently purchased over 31,000 shares and presently controls over 48% of the company. Given the company's low stock price and the added costs of complying with the Sarbanes-Oxley Act, Dominion Homes is a prime candidate for privatization. Furthermore, Dominion Homes could also become an attractive takeover target for a larger industry player due to its low comparative valuation and the fact that is a significant public homebuilder in Central Ohio and Louisville Kentucky.

ABC Funds
July 8, 2005

On October 7th, Dominion Homes reported that it sold 433 homes in the third quarter compared to 598 homes sold in the third quarter of 2004, a 28% decrease. The sales value of the homes sold during the quarter decreased 25% to 81.8 million compared to 109.4 million last year. As of September 30th, Dominion had a backlog of 771 sales contracts, with a sales value of 154.6 million, compared to a backlog of 845 sales contracts with a sales value of $166 million at the same time last year.

It is important to keep in mind that the homebuilding industry is cyclical and during times of economic uncertainty, homebuilding stocks can be volatile. This is what we are currently experiencing with respect to shares of Dominion Homes. US consumer confidence has fallen to a two year low as the affects of hurricanes Katrina and Rita continue to be felt in the U.S. Consequently, many potential new homebuyers are postponing their home purchase in the face of higher home heating and gasoline costs and a recent rise in long term interest rates.

However, patient investors who are willing to ride out the current economic uncertainty could be well rewarded. Shares of Dominion Homes now trade at less than 50% of its $23.38 book value and under 14 times this year’s expected earnings of $0.85 per share. Further, given the company's low stock price and the added costs of complying with Sarbanes-Oxley legislation, Dominion Homes is a prime candidate for privatization. With shares of Dominion Homes now trading at a three year low, a going private transaction becomes even more attractive for the Borror family given they already own 47% of the company. Finally, Dominion Homes could also become an attractive takeover target for a larger industry player due to its low comparative valuation and the fact that is a significant public homebuilder in Central Ohio and Louisville Kentucky.

ABC Funds
October 14, 2005

On November 2nd, 2005 Dominion Homes (DHOM) announced third quarter results. Revenues were $106.3 million from the delivery of 549 homes, compared to $162.6 million from the delivery of 820 homes during the same period the previous year. The average delivery price of homes during the third quarter of 2005 was approximately $191,000 compared to $196,300 for the third quarter of 2004. Net income was $1.2 million or $0.14 per diluted share compared to $7.5 million or $0.91 per diluted share for the third quarter of 2004. The lower net income for the third quarter of 2005 is principally due to the delivery of fewer homes compared to the third quarter of 2004.

While DHOM’s share price has changed little since our last update, we remain patient. The shares now trade at a 55% discount to its $23.61 book value. We believe, that much of the anticipated slowdown in housing demand is already being reflected in DHOM’s depressed stock price. It is interesting to note however, that while investor sentiment towards DHOM has been quite negative, the company is still earning a profit and is expected to be profitable in 2006.

Looking forward to 2006, we have identified two potential catalysts which would be positive for DHOM shares. First of all, given the company's low stock price and the added costs of complying with Sarbanes-Oxley legislation, DHOM is a prime candidate for privatization. With shares of DHOM now trading at a three year low, a going private transaction becomes even more attractive for the Borror family given they already own 47% of the company. Finally, DHOM could become an attractive takeover

UPDATES (cont'd)

target for a larger industry player due to its low comparative valuation and its large undeveloped real estate positions in Central Ohio and Louisville Kentucky.

ABC Funds
January 6, 2006

On May 8th 2006, Dominion Homes reported first quarter financial results. Revenue totaled $61.8 million on the sale of 315 homes, versus revenue of $92.6 million from the delivery of 478 homes in the same period last year. The company's backlog at the end of the quarter was 590 sales contracts compared to a backlog of 780 sales contracts last year. Although the company produced a net loss of $3.9 million or $0.49 per share in the quarter, it should be noted that the first quarter is seasonally weak for homebuilders with the bulk of the sales for the year occurring during the spring and summer months.

During the company's first quarter conference call, investors were introduced to Jeff Croft who was hired in March as Dominion's President and COO. Croft comes from Pulte Homes, one of the largest homebuilders in the U.S. where he previously served as an Area President. Croft, who has a finance background, will now oversee Dominion's strategic and capital allocation decisions. In fact, during the call, Croft indicated that one of his priorities is to sell the company's excess land position and use the proceeds to reduce debt. He also stated that he is committed to bringing the company's cost structure better in line with Dominion's current sales level. Reducing interest and overhead expenses is an important step in returning Dominion Homes to profitability and we are pleased to see that Jeff Croft is proactively addressing these issues.

On a final note, it is worth repeating that Dominion Homes is an excellent candidate to eventually be taken private. The company currently has a market capitalization of under $100 million which, as a small corporation, makes it quite onerous to remain public given the relatively high cost and time required to comply with the Sarbanes Oxley legislation. Also, the company's stock remains undervalued relative to its assets. In fact, Dominion's shares are currently trading at less than one half of its book value per share of $22.83. One feasible option could be for Dominion Homes to go private by way of a management led buyout. CEO Douglas Borror and his family currently own 47% of the company which leaves just over 4 million shares in the public float. The other option would be for Douglas Borror to put the company up for sale. Dominion could be an attractive target for a larger homebuilder looking to enter the Ohio market. In effect, given Dominion's current stock price, it would be cheaper for them to purchase Dominion Homes then to go out and buy the necessary land and equipment at current market prices while assembling a sales and labour force from scratch.

ABC Funds
May 19, 2006

Home sale conditions in Dominion Homes' markets continue to be challenging. New building permits declined 27% in Columbus, 39% in Louisville and 20% in Lexington during the first six months of 2006. Dominion's recent financial results reflect this reality. For the second quarter of 2006, the Company reported a net loss of $5.9 million or $0.79 per share versus net income of $2.5 million or $0.31 per share a year earlier. Revenue in the quarter was $75.8 million from the delivery of 398 homes versus revenues of $105.2 million on the delivery of 548 homes in the 2nd quarter of 2005.

On a positive note, Dominion managed to reduce its land position at the end of the quarter to 16,593 lots from 17,311 lots at the end of the first quarter. In addition, it reported a $3.7 million or 22% reduction in SG&A costs in the 2nd quarter. Also, management believes a further 10% reduction in SG&A costs can be achieved in the third and fourth quarters. In fact, in conjunction with its quarterly results, Dominion announced that its executives would be taking reduced salaries and forgoing any bonuses this year. Given the performance of Dominion's share price recently, it is good to see that management is willing to share in the pain. Although these cost reductions will probably not be enough to produce a profitable second half, we view it as a step in the right direction as the Company begins the process of realigning its cost structure with a lower backlog of sales.

Finally, it is interesting to note that during the Company's 2nd quarter conference call, Dominion's CFO William Cornelly, made a comment to the effect that Dominion has fairly significant public company costs relative to its other fixed costs. This statement reinforces our view that Dominion and its shareholders would probably be better served if it were made a private company. This could be accomplished by either selling the company to a larger homebuilder or via a management led buyout of the company. We feel that to a private buyer, Dominion would be worth considerably more than is current public market value.

ABC Funds
September 1, 2006

UPDATES (cont'd)

We purchased Dominion Homes (DHOM) in February 2005 at what we believed was a washed out price of approximately $23 a share. The shares, which reached an all time high of $40.28 in March 2004, were trading at just ten times earnings of $2.35 per share, and just above its book value of $22.70. Although we expected earnings to be lower in 2005 and possibly 2006, we calculated that free cash flow would increase substantially. As orders declined, working capital would be freed up as the Company reduced its land purchases and drew down its inventory of completed homes. Our hope was the funds would be used to pay down debt or even repurchase shares. We believed this would give DHOM the financial cushion to withstand the forthcoming housing correction and that earnings would eventually return to prior levels. Finally, given DHOM's small market capitalization, dominant market position and large real estate ownership, we believed DHOM was an excellent candidate to be acquired by a competitor, or taken private by family insiders.

Unfortunately, housing demand slowed sharper than we expected in Ohio and Kentucky and DHOM struggled to find new buyers for its homes. Unit sales declined 24% in 2005, and 30% in the first nine months of 2006. Despite rising costs and falling sale prices, DHOM continued to invest in new housing projects. This hurt margins and left virtually no free cash remaining for debt reduction or share repurchases. With many economists predicting another tough year ahead for housing markets, we are concerned about both the company's ability to generate free cash flow and its deteriorating balance sheet. While DHOM sales could eventually return to previous levels, we are however, no longer comfortable with the company's debt level given that earnings and free cash flow are likely to remain negative for the foreseeable future. After considerable analysis, we decided to sell our shares upon learning that DHOM's debt had been sold by its banks to two hedge funds. We are concerned that the hedge funds' interests may not be aligned with the interests of equity holders.

ABC Funds
January 12, 2007