

June 27, 2005



Brief Review & Analysis of First Half 2005

Our investments really took off in May and continued to move higher throughout June. A number of events that we had been anticipating materialized above our expectations. Year-to-date, our clients' accounts, on average, are up over 10%. Some clients are much higher than that while new funds coming in have just begun a nice climb but have not had the time to reach double digit performance yet. This has taken place even though the overall equity market indexes have sharply declined and much uncertainty prevails in the bond markets.

Below is our analysis of each holding and its prognosis:

ACM Income Fund, Inc. (ACG): When the stock market began to sputter late last year, we began moving client funds into ACG which is a Closed End Bond fund. After reviewing many alternatives to holding cash, we felt that this conservative, liquid vehicle fit our objectives. We were cognizant of the high volatility of this fund and daily tracked its progress. Most of our shares were purchased at \$8.15.

In late February, we felt that the fund was due for a severe correction based on its underlying values and economic conditions. We sold out our position over several days at an average price of \$8.42. The stock moved a few cents higher over the next week and hit a high of \$8.45. It then plunged all the way down to \$7.90 and we began aggressively repurchasing shares at approximately \$8.02.

In early May, many feared that interest rates were about to shoot up and ACG took another nasty drop back down from \$8.25 to 8.00 in a single day. Although many investors seemed panicked by the current economic environment, we felt that ACG was extremely undervalued and continued to aggressively purchase more shares at approximately \$8.05.

Currently, ACG is trading above \$8.30 and we feel that it could go a bit higher. We anticipate exiting our position before the next big drop, locking in our profits, and buying back all our shares around \$8.00. During the first half of 2005, we've had capital gains of about 6% and additional dividends of 3% for a total yield of 9% net of all fees.

Ameritrade Holding Corp. (AMTD): Last year we felt that this stock was on the verge of breaking out big. What we did not expect was that AMTD would announce a merger with TD Waterhouse last week to become the largest online broker. The details of the merger specify that each share of AMTD will receive a cash dividend of \$6.00. This caused the stock to skyrocket and we are now up 22% in our position.



Nortel Networks Corp (NT): All of our stocks are generating positive returns with the exception of NT. However, we remain unwavering in our projection that NT will break big and yield stellar returns. Although we hold a very large position in this stock, our losses are being offset by gains in our other positions. We were correct in our prediction last year that NT would emerge from its accounting scandal with its cash balance intact and operations unaffected. It seemed most pundits viewed NT in the same context as Enron, Worldcom, Tyco, and Adelphia. However, we realized the type shenanigans played by the executives were illegal, but not detrimental to the long term health of the company. We have been pleased by NT's progress and expect their stock price to return to levels consistent with other majors players in the telecommunications industry.

Thoratec Corp (THOR): We were about to unload this position last year. The stock price is right where we purchased it long ago. The management has been remarkably ineffective in providing meaningful guidance to analyst, gaining acceptance for their products, and structuring debt financing. THOR has a monopoly on heart devices for patients in end-stage heart failure and the market for their products should be enormous. For all of our frustration with the management, it now appears that they are on the precipice of considerable movement. We believe the movement should be up; however, if they fail to seize upon their unique opportunity, we will close out the position and seek other opportunities.

I hope you have found this analysis informative and meaningful. We are always actively seeking prospective investments and will react quickly to the changing market environments. We appreciate your continued patronage.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jonathan Davey", is written over a horizontal line.

Jonathan Davey, CPA MBA
President