

April 5, 2006



2006 First Quarter Review & Analysis

Our investments performed exceptionally well this past quarter. Although the major indexes were up several points, our clients' gains surpassed them and their accounts jumped 8.10% on average during the past three months. In addition to this impressive growth, we still kept 30% of our assets in cash waiting for other opportunities. Therefore, the 70% of our portfolio that was actually invested had a remarkable performance.

Although we experienced a large infusion of cash during the first quarter, we did not consider it prudent to add to our current positions immediately. We consider timing to be crucial for our long-term growth and were hesitant about buying stocks beyond our "comfort price", especially in an uncertain environment. The yield curve in interest rates inverted, meaning that long term rates were lower than short term rates. Such inversions sometimes herald recessions and we did not want to be extended if history repeated itself. Conversely, the NASDAQ hit a five year high in last week of March. The uncertainty surrounding interest rates, coupled with inflation jitters, has kept the markets choppy.

In January, Novastar Financial (NFI) began a nice rise from our purchase point of \$28 in November of last year. In February, NFI stated that they were delaying their earnings report, scheduled for release in February, by two weeks in order to receive further clarity on a tax position. The markets, skittish as ever, dropped the stock price back down into the upper \$20s on massive volume. Naturally some of our clients called us when they received their February statements and saw their January gains evaporate. We, however, took a different approach from the "herd mentality". NFI is a mortgage real estate investment trust ("mreit") and inherently sensitive to the tax code. As long as management was not trying to hide something, we felt they were sensible to seek clarity concerning a tax law that could prove detrimental if interpreted incorrectly. We also went back and reviewed our information on the company and retained confidence in our decision to purchase the stock in the first place. We then added significantly to our position, figuring that this was a perfect opportunity to increase our holdings at a very attractive price. In March, the company reported a conclusion to their tax questions and released their earnings, which were very good. The stock rocketed up over the next several weeks to end the quarter just shy of \$34 resulting in a 19% capital gain in our portfolio. Additionally, NFI reconfirmed their 20% dividend yield which will be an added boon to us in 2006. We will not be surprised if, because of tax laws, our dividend yield approaches 25%.

We continued to add to our position in Alliance Income (ACG) throughout the quarter. The stock price and earnings have remained consistent and an excellent conservative holding. There was some erosion in their price during the end of March when they

lowered their dividend. We had been expecting this for approximately five months as most other bond funds had lowered their dividends. We expect to add to our position over the next several weeks.

We continued to look for other opportunities but the volatility kept us from investing in any new stocks beyond our NFI purchases in early February. While we prefer to keep our clients fully invested, we have achieved very good returns by consistently and methodically moving with the market and taking opportunities only when we feel the odds strongly favor our position. We aren't trying to hit home runs but rather consistently hit doubles. Any baseball fan will confirm that a team consistently hitting doubles will far outscore a team who occasionally hits a home run but rarely gets a base hit.

We hope you have found this analysis informative and meaningful. As always, we are actively seeking prospective investments and reacting quickly to the changing market environments. We look forward to another quarter and your continued patronage.

Sincerely,



Jonathan Davey, CPA MBA
President