



Park Piedmont Advisors LLC

Registered Investment Advisor

VICTOR LEVINSON

NICK LEVINSON

MARCH 2006 COMMENTS

CHECKING ACCOUNT and CREDIT CARD FACILITIES: You can have both a checking account and credit card from National Financial Services (NFS), the custodian of the securities in your accounts managed by PPA. NFS is 100% owned by Fidelity Investments. For further information, contact either Lynette, Nick, or me.

ELDERCARE SURVEY: To the many who responded to our three month campaign requesting replies to our survey, many thanks. To those who have not, and may still have a blank survey handy, we would appreciate hearing from you. We will of course keep you advised of what, if any, activities we decide to pursue in this field.

TAX MATTERS for 2006:

1) Cost Basis information for all securities sold during 2005: You should have received Form 1099s from National Financial Services (NFS). These forms report taxable dividends and interest, and also the proceeds of securities sold during the year. To the extent the forms do not have cost basis information to go with the proceeds of sales, please contact Lynette or Nick, who will provide all necessary information for your tax reporting.

2) Cost Basis Reports for all unsold security positions in taxable accounts: Most clients have already received the reports with cost basis information for all current positions in their accounts. For those who have signed and returned the reports, you will now be able to see this cost basis information on your monthly statements. For those who have received, but not yet signed and returned, the reports, we would appreciate your doing so. For those clients who have not yet received these reports, you should be receiving them soon.

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Any recommendation contained in these Comments may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed.

COMMENTS: INDEX RESULTS for period ending March, 2006

<u>STOCKS</u>	<u>YEAR</u> <u>1999</u>	<u>YEAR</u> <u>2000</u>	<u>YEAR</u> <u>2001</u>	<u>YEAR</u> <u>2002</u>	<u>YEAR</u> <u>2003</u>	<u>YEAR</u> <u>2004</u>	<u>YEAR</u> <u>2005</u>	<u>YTD</u> <u>2006</u>	<u>CURR.</u> <u>MONTH</u>
Vanguard Total Stock Market Index Fund (1)	23.8%	(10.6%)	(11.0%)	(21.0%)	28.4%	12.5%	6.0%	5.4%	1.9%
Standard & Poors 500 Index (2)	19.6%	(10.1%)	(13.0%)	(23.4%)	26.4%	9.0%	3.0%	3.7%	1.1%
Vanguard S&P 500 Growth Index Fund (1)	28.8%	(22.2%)	(13.0%)	(23.7%)	25.9%	7.2%	5.1%	3.3%	1.5%
Vanguard S&P 500 Value Index Fund (1)	12.6%	6.1%	(12.0%)	(20.9%)	32.2%	15.3%	7.1%	5.3%	1.4%
Dow Jones Industrial Average Index (2)	25.2%	(6.2%)	(7.1%)	(16.8%)	25.3%	3.2%	(0.6)%	3.7%	1.1%
NASDAQ Composite Index (2)	85.6%	(39.3%)	(21.0%)	(31.5%)	50.0%	8.6%	1.4%	6.1%	2.6%
Vanguard Midcap US Index Fund (1)	25.0%	2.6%	(4.8%)	(16.3%)	34.1%	20.4%	13.9%	7.5%	3.1%
Vanguard Smallcap US Index Fund (1)	19.6%	(4.2%)	1.0%	(21.6%)	45.6%	19.9%	7.4 %	12.2%	4.5%
Vanguard International Index Fund (EAFE) (1)	25.3%	(15.2%)	(22.6%)	(17.5%)	40.3%	20.8%	15.6%	9.5%	3.4%
Vanguard Real Estate Invest. Trust Fund (1)	(0.4%)	26.4%	12.4%	3.8%	35.7%	30.8%	11.9%	14.8%	5.3%
<u>BONDS</u>									
Vanguard Total Bond Market Index (1)	(0.8%)	11.3%	8.3%	8.2%	4.0%	4.2%	2.4%	(0.7)%	(1.0)%
Vanguard Intern. Tax-Exempt Index Fund (1)	(2.9%)	9.2%	5.0%	7.9%	4.4%	3.2%	2.4%	0.1%	(0.7)%
Vanguard Short-term Bond Index (1)	2.1%	8.9%	8.9%	6.1%	3.4%	1.7%	1.3%	0.1%	(0.3)%
Vanguard Short Tax-Exempt Index Fund (1)	2.6%	4.9%	4.8%	3.5%	1.6%	1.1%	1.8%	0.5%	0.1%
Vanguard High-Yield	NA	NA	NA	1.7%	17.2%	8.5%	2.8%	1.6%	0.0%

1) Results for Vanguard funds include dividends and fund expenses but do not reflect PPA's advisory fee.
 2) Results for S&P 500, Dow Jones, and NASDAQ indexes do not reflect dividends or PPA's advisory fee.

%	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
		<u>1999</u>				<u>2000</u>				<u>2001</u>		
S&P 500	4.1	7.6	(7.7)	15.6	2.0	(3.0)	(1.3)	(7.8)	(12.1)	4.8	(13.8)	8.1
NASDAQ	14.6	10.0	0.0	61.0	12.4	(14.8)	(7.2)	(29.6)	(25.5)	12.9	(26.7)	18.3
BONDS	0.0	(0.5)	0.4	(0.7)	2.4	1.5	3.1	4.3	3.2	0.8	4.3	0.0
Interm. Tax.												
		<u>2002</u>				<u>2003</u>				<u>2004</u>		
S&P 500	0.0	(13.8)	(14.1)	4.5	(1.8)	12.8	2.2	13.2	1.3	1.3	(2.4)	8.8
NASDAQ	(5.5)	(19.5)	(13.5)	7.0	2.5	19.2	12.1	16.2	(0.5)	2.7	(7.5)	13.9
BONDS	0.0	2.8	3.6	1.8	0.9	2.7	0.2	0.2	2.7	(2.6)	3.1	1.0
Interm. Tax.												
		<u>2005</u>				<u>2006</u>				<u>2007</u>		
S&P 500	(2.6)	0.9%	3.1%	1.6%	3.7							
NASDAQ	(8.1)	2.6%	4.4%	2.5%	6.1							
BONDS	(0.5)	3.0%	(0.7%)	0.6%	(0.7)							
Interm. Tax.												

MARCH 2006 COMMENTS

STOCK index prices for US large cap stocks were higher in March. The S&P 500 and Dow Industrials both gained 1.1%, and the NASDAQ was up 2.6%. The Total Stock Market (TSM), which includes midcap and small cap stocks and has been consistently outperforming these large cap indexes, gained 1.9%. The midcap and small cap indexes, along with the International and REIT indexes, showed gains ranging from 3.1% to 5.3%, which again were higher than the large cap indexes. Large cap value outperformed growth, as it has fairly consistently for a number of years. See page 2 for the monthly and YTD figures, and figures dating back to 1999.

BOND returns (price change plus interest) declined significantly in March, as the benchmark 10-year US Treasury yield closed the month at 4.85%, fully 30 basis points above February's close of 4.55%. These declines occurred at the same time the Federal Reserve raised the interest rate it controls to 4.75%, with a 15th consecutive quarter-point increase in rates. The March declines put YTD bond returns at zero or slightly negative. Bond returns continued to lag the returns achieved on money markets, which benefit most directly from increases in short-term interest rates. Even with these negative short term returns, it should be remembered that **rising interest rates, while they adversely affect short-term results, eventually provide higher returns in the form of higher interest rates.** Bond results for the month and YTD, and back to 1999, are reported on page 2.

The stock market rally that began decisively in March 2003 has raised the S&P 500 by 67% from its October 2002 low. While these gains have illustrated that stocks do not go down in perpetuity (a widely-held view during the depths of the 2000-02 bear market), the question of whether this recovery will continue depends, as always, on unknown, unpredictable future events. Note also that after a 50% price decline, it takes a 100% gain to return to the previous level. Since the S&P 500 reached its high of 1,527 in Q1 2000, and then declined by almost half to 777 during Q4 2002, the current level of 1,295 is 67% higher than the low, but still down (15%) from the prior high, and still 232 points, or 30%, from the prior high.

In order to keep the current recovery in perspective, we continue to show the chart below, which sets out the extent of the declines measured from the highs of Q1 2000. The chart also puts these declines in the context of results since the end of 1994 (also see the figures on page 10). Note that the three indexes have positive average annual returns ranging from 9.7% to 10.6% for the 11.25 year period from the end of 1994 through March 2006, very much in line with long-term stock returns going back to 1926. Further, as these returns converge more and more, the idea of "regression to the mean" seems quite applicable. Note also that the best performing index over the 11.25 year period (the NASDAQ) also has had by far the most severe decline since the 2000 highs, and is still down more than 50% from those highs.

The long-term investor therefore has a very different view of the stock market's returns than those measuring returns from the highest levels.

	<u>S&P 500 (1)</u>		<u>DOW (1)</u>		<u>NASDAQ (1)</u>	
1st Qtr 2000 High	1,527		11,723		5,048	
Year End 2000	1,320	(13)%	10,785	(8)%	2,470	(51)%
September 21, 2001 Low	965	(37)%	8,235	(30)%	1,425	(72)%
Year End 2001	1,148	(25)%	10,020	(17)%	1,950	(61)%
October 9, 2002 Low	777	(49)%	7,286	(38)%	1,114	(78)%
Year End 2002	880	(42)%	8,342	(29)%	1,336	(73)%
Year End 2003	1,112	(27)%	10,454	(11)%	2,003	(60)%
Year End 2004	1,212	(21)%	10,783	(8)%	2,175	(57)%
Year End 2005	1,248	(18)%	10,718	(9)%	2,205	(56)%
Year 2006 thru Mar. 31, 2006	1,295	(15)%	11,109	(5)%	2,340	(54)%

Context: Prior Five-Year Gains in Bull Market of 1995 - 1999

	<u>S&P 500 (1)</u>	<u>DOW (1)</u>	<u>NASDAQ (1)</u>
End 1994	459	3,834	752
End 1999	<u>1,470</u>	<u>11,500</u>	<u>4,070</u>
Gain	1,011	7,666	3,318
Avg. Ann. % Gain: '95-'99; 5 years	26.2%	24.6%	40.2%
March 2006	1,295	11,109	2,340
Gain	836	7,275	1,588
Avg. Ann. % Gain: '95-3/06; 11.25 yrs	9.7%	9.9%	10.6%

1) Results for S&P 500, Dow Jones, and NASDAQ indexes do not reflect dividends or PPA's advisory fee.

I. UPDATE OF KEY ECONOMIC INDICATORS

The strength of the overall US and world economies is one of a number of factors likely to influence the future direction of both stock and bond prices. We, along with many market observers and academics who write about the markets, believe stock and bond prices already reflect consensus expectations of economic growth. Further, we believe that even if you could accurately predict any number of actual economic figures, the market's reaction to those figures is essentially unpredictable. In any event, an understanding of the direction of current economic trends may at times be useful as a context to help understand market conditions. This section of the Comments provides an update of key economic indicators.

- (1) Gross Domestic Product (GDP) is the broadest measure of goods and services produced in the US economy (GDP figures are inflation-adjusted, annualized growth rates). The initial estimate of GDP growth for the fourth quarter was 1.1%, "the slowest rate since the fourth quarter of 2002 and well below the average 4.1% growth of the prior ten quarters" (WSJ, 1/28-29/06, front page). This initial estimate was revised upward to a final number of 1.7% (Vanguard Economic Week in Review [VEWR], 3/27-31/06). Most observers, including the Federal Reserve, see a sharp rise in growth for Q1 2006 (WSJ, 3/29/06, front page article on most recent interest rate increase by the Fed).
- (2) Employment for February (reported first full week in March) rose 243,000, and January's increase was revised upward to 170,000, "raising the prospect that the economy could pick up momentum as additional wage income supports consumer spending" (WSJ, 3/11-12/06, A3).
- (3) Interest Rates on longer-term bonds increased significantly in March. The benchmark 10-year US Treasury interest rate, which is set by buyers and sellers in the bond market, closed at 4.85%, reaching a two-year high. On March 28th, the Federal Reserve, as expected, raised the short-term interest-rate it controls by of 1%, to 4.75%, the 15th consecutive increase since mid-2004. "The increase reflects a continuing view at the Fed that robust growth abroad and an economy near full capacity at home create a risk that inflation, though tame, could rise" (WSJ, 3/29/06, page 1). Inflation and interest rates are discussed in detail this month on pages 7-9.
- (4) Inflation, as measured by the Consumer Price Index (CPI) "core" rate, which excludes the volatile food and energy sectors, increased 0.1% in February, and was up 2.1% for the previous twelve months. With food and energy included, the monthly rate was also up just 0.1%, and the most recent twelve-month increase was 3.6% (VEWR, 3/13-17/06). The Producer Price Index (PPI) core rate was up 0.3%, but with food and energy included actually declined by 1.4%, "helped by a sharp drop in energy prices" (WSJ, 3/22/06, A6). (Note: The CPI measures prices of goods and services; the PPI, only goods). The significance of inflation rates on the direction of stock and bond prices is discussed in detail on pages 7-9.

- (5) Sector Economic Activity was Mixed, with a Favorable Future Outlook
- (a) Durable goods orders (industrial and consumer) rose 2.6%, but fell 1.3% excluding the highly volatile transportation sector (WSJ, 3/25-26/06, A4).
 - (b) Industrial production rose 0.7% in February, “the latest sign that American industry is thriving.” Also, “the average capacity utilization rate rose to 81.2%...; when utilization rates spike, busy factories compete for workers and materials, which could eventually put upward pressure on inflation”(WSJ, 3/18-19, A3)
 - (c) Retail Sales declined 1.3% in February, but excluding sales of autos and gasoline, the decline was 0.3%. “Economists say underlying sales remain strong, and they don’t believe consumer spending is slowing... Rather, they suggest looking at average retail sales for January and February combined, which were up 0.8%, as well as year-to-year gains” (WSJ, 3/15/06, A3). (Retail sales are not adjusted for inflation, and include disparate categories such as gasoline sales, auto sales, and non-store retailers such as the Internet).
 - (d) Housing sales for existing homes increased 5.2% in February, aided by “unusually warm weather” (WSJ, 3/24/06, A2), but sales for new homes “took the biggest one-month drop in nine years as inventories soared, in the latest sign that the housing market is cooling” (WSJ, 3/25-26, A4).
 - (e) Personal Income increased 0.3% in February, while personal spending rose by 0.1%, but taking January and February together, “consumer spending, which constitutes more than two-thirds of the US economy, is on track to grow at a 5% annualized rate for the March quarter” (WSJ, 4/1-2/06, A3).
- (6) Consumer Confidence for March, as measured by the Conference Board’s Index, “jumped to nearly a four-year high as households were cheered by a strong start for economic growth in 2006 and an improving job market” (WSJ, 3/29/06, A2).
- (7) Corporate Profits for the fourth quarter of 2005 “grew 14.4% from the previous quarter, the strongest rate since 1992. Pretax profits in the third quarter fell 4%, adversely affected by the hurricanes. Corporate profits accounted for 11.6% of gross domestic product in Q4, the biggest share of the nation’s income companies have taken since 1966” (WSJ, 3/31/06, A2).

Overall, the economic news reported during March continued, on balance, to be positive, with solid gains in employment, personal income, consumer confidence, corporate profits and industrial production. During the month, US stock prices rose while bond prices declined, with continued economic growth being a factor in this divergence in prices. The connection between economic growth and inflation’s impact on stock and bond prices is part of the discussion that follows on pages 7-9.

II. THE IMPACT OF INFLATION ON BOND AND STOCK PRICES

Inflation is a constant topic in the financial press these days, and is one of the key factors affecting the direction of bond and stock prices. For example, in a much publicized speech presented on March 20th, the new Federal Reserve Board Chairman Ben Bernanke discussed the factors affecting the future direction of interest rates, including “bond yields, but only in tandem with other financial market prices, data on growth and inflation, and a goodly helping of qualitative information” (WSJ, 3/21/06, A2). The following week, in its front page article discussing the Federal Reserve’s most recent increase in interest rates, the WSJ cites part of the Fed’s statement as follows: “Still, possible increases in resource utilization, in combination with the elevated prices of energy and other commodities, have the potential to add to inflation pressures” (WSJ, 3/29/06, front page).

In discussing inflation, it is important to start with a definition. Inflation refers to the rise in prices of goods and services over time, which diminishes the purchasing power of a given amount of money. Jeremy Siegel, in his book “Stocks for the Long Term,” cites President Harry Truman’s prediction, in his 1950 State of The Union address, that the typical family income would reach \$12,000 by the year 2000. At the time, median family income was \$3,300. By the year 2000, the actual median family income was \$41,349. Siegel writes, “However, that sum buys less than \$6,000 in 1950 prices, a testament to the persistent inflation of the last half century” (pp. 184-5).

Siegel explains that the key factor in determining price levels is “the amount of money in circulation...The price of money, like any good, is determined by supply and demand. The supply of dollars is printed by the central bank. The demand for dollars is derived from households and firms (*and governments, our addition*), transacting millions of goods and services in a complex economy. If the supply of dollars increases when there is not an equal increase in the quantity of goods transacted, this leads to inflation. The classic description of the inflationary process – too many dollars chasing too few goods – is as apt today as ever” (pp. 185-6).

Notice that this explanation of inflation does not attribute rising prices to strong economic growth, but rather to an excess supply of dollars seeking to purchase a limited supply of goods and services. In an editorial entitled “Life After Greenspan,” discussing new Fed Chairman Bernanke’s views, the writer states that “Economic growth and low unemployment do not cause inflation” (WSJ, 2/22/06, A14). However, the Federal Reserve’s statement quoted in the first paragraph above refers to “increases in resource utilization” (*our translation... economic growth*) as one key factor in producing inflationary pressures.

So although academics may describe inflation as a monetary issue, it also seems clear that strong economic growth is a factor in the discussions of inflation. As an example of typical media coverage, a WSJ article on falling bond prices during the first few weeks in March stated that “strong (*economic, our addition*) data, including a non-farm payrolls report that showed a hefty 243,000 gain in February, means the market is raising its expectations for the Federal Reserve’s tightening cycle, with the market pricing in two rate increases and a growing possibility of a third” (3/13/06, C3).

This discussion of rising inflation, and the use of rising interest rates as a means of controlling the rate of inflation, has a direct impact on both bond and stock prices.

Rising interest rates invariably cause bond prices to decline, because an existing bond that pays a lower rate of interest than a newly issued bond must decline in price to offer an equivalent total rate of return to a bond investor (assuming the same maturity and credit quality for the two bonds). For example, if a 10-year US treasury bond was issued with a 4% interest rate last year, and a new US treasury bond (with the same maturity as the 4% bond) is issued now with a 5% interest rate because of higher market interest rates, then the bond with the 4% interest rate must decline in price so that a buyer of the 4% bond would get the same total return (interest plus price change) as the buyer of the new 5% bond.

Siegel explains that “lenders (buyers of bonds) seek to protect themselves against inflation by adding a premium to the interest rate that they demand from borrowers (the issuers of the bonds)...The market interest rate is composed of two parts: the real rate of interest – the rate prevailing in an economy with no inflation – plus the expected rate of inflation – a premium compensating lenders for the depreciation of the value of money” (pg 195).

Turning to the example of the 10-year US Treasury bond, an investor buying such a bond with a 4% interest rate in a time when inflation is 2% annually will only have an economic benefit of 2%, since the other 2% that made up the 4% interest rate will be lost to inflation. This occurs because when the investor looks to use his 4% income flow from the bond, he can only buy 2% more good and services, because the price of those goods and services is rising at the rate of 2% annually (the stated inflation rate).

It should also be noted that there is much discussion over whether reported inflation rates are accurate or not, and whether the so-called “core” rate, which excludes the volatile food and energy sectors, is accurately reflecting price changes in the real economy (see the following articles: “On Wall Street, the Inflation View Is Rosier Than It Is On Main Street,” NY Times, 2/25/06, B3; and “Why Inflation Seems to Have Sharper Teeth Than the CPI Suggests,” WSJ, 3/16/06, A2). These issues are beyond the scope of this month’s discussion.

Turning to inflation’s impact on stock prices, we refer once again to Siegel’s book. “In the short and intermediate run, interest rates are the single most important influence on stock prices. This is so because bonds compete with stocks in investment portfolios. Bonds become more attractive when interest rates rise, so investors sell stocks until their returns again become attractive relative to bonds. The opposite occurs when interest rates fall... In contrast to the inflation risk of fixed income assets, historical evidence is convincing that the returns on stocks over long periods of time have kept pace with inflation... Neither stocks, bonds nor Treasury bills are good short-term hedges against inflation. Short-term real returns on these financial assets are highest when inflation rates are low, and their returns fall as inflation increases. However, the returns on stocks are virtually immune to the inflation rate over long horizons. Fixed income assets, on the other hand, have not matched the returns on stocks over any holding period” (pp. 192, 194 and 195). In our view, the implications of these statements are worth further discussion.

First of all, even though bond prices fall when interest rates are rising, those same rising interest rates make the purchase of new bonds more attractive. The higher interest rates provide higher returns to the new bond investors. We believe that even those investors who already own bonds as part of their overall asset allocation should hold their bond positions, even in the face of declining prices, because at some point the bonds they own will mature, and the proceeds will be reinvested in the new, higher yielding bonds. Thus, rising interest rates and falling bond prices carry the seeds of higher future returns for bond investors in the form of higher future interest rates. This conclusion is consistent with the idea of portfolio rebalancing, which entails adding to that portion of the portfolio that has experienced price declines. Of course, the caveat is that if interest rates rise quickly enough, or the amount of the increase is large enough, the declines in portfolio values may be substantial, and the time it takes to recoup those declines through higher interest rates can also prove significant.

Second, however favorably Siegel views stocks as a long-term investment, he acknowledges that rising interest rates, brought about as a means of controlling the inflation rate, can have a negative impact on stock prices in the short/intermediate-term. This question of time frame is critically important in the advice we give, particularly to our older clients. The key issue for them is not the returns on stocks over some loosely defined long term, but whether stocks are likely to deliver their historical outperformance IN A TIME FRAME RELEVANT TO THEM (*our emphasis*). The timing of the returns is all important to those affected.

Further, the long-term success of stocks, even if continued in the future, still brings about the issue of how investors are likely to react during times of significant stock price declines. If their reaction is to sell, believing "this time is different" insofar as a recovery in stock prices, then the long-term success of the asset class is irrelevant. These are the people who buy when prices are rising and then sell when they are falling, thereby ensuring that they do not benefit from the long-term history of stock price outperformance. David Swensen, who directs the investments in Yale's endowment, puts it as follows in his book "Unconventional Success," which we have been citing regularly over the past few months: "Rational investors allow risk preferences to influence portfolio choices, increasing the likelihood of maintaining asset allocations through the inevitable rough patches and ultimately benefiting from expected portfolio risk and return characteristics... Incorporating personal preferences in portfolio decisions guards investors from counterproductive actions to adverse developments after the fact, by limiting exposure to poorly loved asset classes before the fact" (pp. 84-5).

Swensen states that "asset allocation represents the most powerful implement in a rational investor's toolbox" (pg. 91). We agree, and are constantly trying to focus our clients on the asset allocation of their portfolios, rather than on short-term investment returns based on such factors as rising inflationary expectations and accompanying expectations of rising interest rates. The appropriate asset allocation should always be based on the client's preferences and risk tolerance, and not predictions of future market price movements. While this discipline is difficult to achieve in the face of media reports on the short-term factors that move market prices (and sell advertisements), we remain committed to the effort.

S&P 500 (1) DOW JONES (1) NASDAQ (1)

1) Results for S&P 500, Dow Jones, and NASDAQ indexes do not reflect dividends or PPA's advisory fee.

I. Figures From Period Starting 2000 (% Figures Are Cumulative Declines From 1/01/00)

Start of 2000	1,470		11,500		4,070	
End of 2000	1,320	(10.1)%	10,785	(6.2)%	2,470	(39.3)%
Sept. 21, 2001 <u>Low</u>	965	(34.3)%	8,235	(28.4)%	1,425	(65.0)%
End of 2001	1,148	(21.9)%	10,020	(12.9)%	1,950	(52.0)%
Oct. 9, 2002 <u>Low</u>	777	(47.1)%	7,286	(36.6)%	1,114	(72.6)%
End of 2002	880	(40.1)%	8,342	(27.5)%	1,336	(67.2)%
End of 2003	1,112	(24.3)%	10,454	(9.1)%	2,003	(50.8)%
End of 2004	1,212	(17.5)%	10,783	(6.2)%	2,175	(46.5)%
End of 2005	1,248	(15.1)%	10,718	(6.8)%	2,205	(45.8)%
Through March 31, 2006	1,295	(11.9)%	11,109	(3.4)%	2,340	(42.5)%

II. Figures From Period Starting 1995 (% Figures Are Gains From 1/01/95)

Start of 1995	459		3,834		752	
End of 1999	<u>1,470</u>		<u>11,500</u>		<u>4,070</u>	
5 Year Gain; Annualized %	1,011	26.1%	7,666	24.6%	3,318	40.2%
End of 2001	<u>1,148</u>		<u>10,020</u>		<u>1,950</u>	
7 Year Gain; Annualized %	689	14.0%	6,186	14.7%	1,198	14.6%
End of 2002	<u>880</u>		<u>8,342</u>		<u>1,336</u>	
8 Year Gain; Annualized %	421	8.5%	4,508	10.2%	584	7.5%
End of 2003	<u>1,112</u>		<u>10,454</u>		<u>2,003</u>	
9 Year Gain; Annualized %	653	10.3%	6,620	11.8%	1,251	11.5%
End of 2004	<u>1,212</u>		<u>10,783</u>		<u>2,175</u>	
10 Year Gain; Annualized %	753	10.2%	6,949	10.9%	1,423	11.2%
End of 2005	<u>1,248</u>		<u>10,718</u>		<u>2,205</u>	
11 Yr Gain; Annualized %	789	9.5%	6,884	9.8%	1,453	10.3%
Through March 31, 2006	<u>1,295</u>		<u>11,109</u>		<u>2,340</u>	
11.25 Yr Gain; Annualized %	836	9.7%	7,275	9.9%	1,588	10.6%



Victor Levinson



Nicholas Levinson