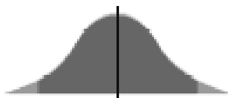

Park Piedmont Advisors LLC

Registered Investment Advisor

**VICTOR LEVINSON** **NICK LEVINSON**

**JUNE 2005 COMMENTS**

**IMPORTANT NOTICES:**

**MORTGAGE AFFILIATION:**
To broaden the financial services we offer our clients, we have established an affiliation with Verticallend, headquartered in Melville, New York, so that we can directly assist our clients in obtaining home mortgages, whether as purchases, refinancings, or other mortgage-related transactions. In much the same way as we have offered advice and assistance in the purchase of a variety of insurance products over the years, we can now offer advice and assistance in obtaining mortgages through Verticallend. These services are in addition to our basic business of offering asset allocation and investment advice focusing on the stock and bond markets and indexed investments. Please feel free to contact us if you want to discuss these additional services further.

**SEC DISCLOSURE DOCUMENTS: ADV PART II**
As a Registered Investment Advisor with the SEC, Park Piedmont Advisors LLC (PPA) has provided each client with a copy of its required SEC Disclosure Document, ADV Part II. Among other matters, the ADV Part II describes PPA's advisory services, fees, and the business and educational backgrounds of its advisors. This is our continuing Notice, required by the SEC, that you can request a copy of PPA's ADV Part II, which we will send to you by return mail. To receive a copy, please contact Lynette Carmelli at 212-391-2323, or lynettec@parkpiedmont.com. You can also access our ADV at any time from our website, at www.parkpiedmont.com.

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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.*

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## COMMENTS: INDEX RESULTS, period ending JUNE 30, 2005

| STOCKS | YEAR 1999 | YEAR 2000 | YEAR 2001 | YEAR 2002 | YEAR 2003 | YEAR 2004 | YTD 2005 | CURR. MONTH |
|---|---|---|---|---|---|---|---|---|
| Vanguard Total Stock Market Index Fund (1) | 23.8% | (10.6%) | (11.0%) | (21.0%) | 28.4% | 12.5% | (0.3%) | 0.8% |
| Standard & Poors 500 Index (2) | 19.6% | (10.1%) | (13.0%) | (23.4%) | 26.4% | 9.0% | (1.7%) | 0.0% |
| Vanguard S&P 500 Growth Index Fund (1) | 28.8% | (22.2%) | (13.0%) | (23.7%) | 25.9% | 7.2% | (1.5%) | (0.2)% |
| Vanguard S&P 500 Value Index Fund (1) | 12.6% | 6.1% | (12.0%) | (20.9%) | 32.2% | 15.3% | 1.3% | 1.0% |
| Dow Jones Industrial Average Index (2) | 25.2% | (6.2%) | (7.1%) | (16.8%) | 25.3% | 3.2% | (4.7%) | (1.8)% |
| NASDAQ Composite Index (2) | 85.6% | (39.3%) | (21.0%) | (31.5%) | 50.0% | 8.6% | (5.5%) | (0.6)% |
| Vanguard Midcap US Index Fund (1) | 25.0% | 2.6% | (4.8%) | (16.3%) | 34.1% | 20.4% | 4.0% | 3.0% |
| Vanguard Smallcap US Index Fund (1) | 19.6% | (4.2%) | 1.0% | (21.6%) | 45.6% | 19.9% | 0.9 % | 3.5% |
| Vanguard International Index Fund (EAFE) (1) | 25.3% | (15.2%) | (22.6%) | (17.5%) | 40.3% | 20.8% | (0.8%) | 1.3% |
| Vanguard Real Estate Invest. Trust Fund (1) | (0.4%) | 26.4% | 12.4% | 3.8% | 35.7% | 30.8% | 6.2% | 5.0% |

| BONDS | YEAR 1999 | YEAR 2000 | YEAR 2001 | YEAR 2002 | YEAR 2003 | YEAR 2004 | YTD 2005 | CURR. MONTH |
|---|---|---|---|---|---|---|---|---|
| Vanguard Total Bond Market Index (1) | (0.8%) | 11.3% | 8.3% | 8.2% | 4.0% | 4.2% | 2.5% | 0.6% |
| Vanguard Interm. Tax-Exempt Index Fund (1) | (2.9%) | 9.2% | 5.0% | 7.9% | 4.4% | 3.2% | 1.9% | 0.5% |
| Vanguard Short-term Bond Index (1) | 2.1% | 8.9% | 8.9% | 6.1% | 3.4% | 1.7% | 0.9% | 0.2% |
| Vanguard Short Tax-Exempt Index Fund (1) | 2.6% | 4.9% | 4.8% | 3.5% | 1.6% | 1.1% | 0.7% | 0.3% |
| Vanguard High-Yield | NA | NA | NA | 1.7% | 17.2% | 8.5% | 0.8% | 1.2% |

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.

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| % | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **1999** | | | | **2000** | | | | **2001** | | |
| **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. | | | | | | | | | | | | |
| | | **2002** | | | | **2003** | | | | **2004** | | |
| **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. | | | | | | | | | | | | |
| | | **2005** | | | | **2006** | | | | **2007** | | |
| **S&P 500** | (2.6) | 0.9% | | | | | | | | | | |
| **NASDAQ** | (8.1) | 2.6% | | | | | | | | | | |
| **BONDS** | (0.5) | 3.0% | | | | | | | | | | |
| Interm. Tax. | | | | | | | | | | | | |

## JUNE 2005 COMMENTS

**STOCK** index prices were mixed during June, after posting significant gains in May. The S&P 500 showed no change, the Dow Industrials declined (1.8)%, and the NASDAQ Composite declined (0.6)%. But the Midcap, Smallcap, REIT, and Total International indexes posted gains of between 1.3% and 5.0%. See page 2 for the monthly and YTD figures.

**BOND** returns (price change plus interest) posted their third consecutive month of gains. The benchmark 10-year US Treasury yield closed the month at 3.92%, slightly lower than May's close of 4.00%, which in turn was well below the April close of 4.20% and March's close of 4.49%. All the YTD figures for bonds are now in positive territory. Bond result figures for the month and YTD are reported on page 2.

The extraordinary performance of longer-term bond prices, in the midst of both the Federal Reserve's ongoing campaign of raising the short term interest rates it controls and continuing higher oil prices, is discussed in detail on pages 7-9.

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The stock market rally that began decisively in March 2003 has raised the S&P 500 by 53% from the October 2002 low. While these gains have made investors believe again 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 is, as always, dependent on unknown future events. Indeed, stocks are still down for the year through June. (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 1,191 is 53% higher than the low but still another 336 points, or 43%, 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 9.5% to 10.0% for the ten-year and six-month period from the end of 1994 through June 2005, 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.

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

| | **S&P 500 (1)** | | **DOW (1)** | | **NASDAQ (1)** | |
|---|---|---|---|---|---|---|
| 1st Qtr 2000 High | 1,527 | | 11,723 | | 5,048 | |
| Year End 2000 | 1,320 | (13)% | 10,785 | (8)% | 2,470 | (51)% |
| April 10, 2001 Low | 1,103 | (28)% | 9,390 | (20)% | 1,684 | (67)% |
| 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)% |
| June 30, 2005 | 1,191 | (22)% | 10,275 | (12)% | 2,057 | (59)% |

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

| | **S&P 500 (1)** | **DOW (1)** | **NASDAQ (1)** |
|---|---|---|---|
| End 1994 | 459 | 3,834 | 752 |
| End 1999 | 1,470 | 11,500 | 4,070 |
| Gain | 1,011 | 7,666 | 3,318 |
| Avg.Ann.%Gain:'95-'99; 5 years | 26.2% | 24.6% | 40.2% |
| June 2005 | 1,191 | 10,275 | 2,057 |
| Gain | 732 | 6,441 | 1,305 |
| Avg.Ann.%Gain:'95-06/05; 10.50 yrs | 9.5% | 9.8% | 10.0% |

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

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## 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 for Q1 2005 GDP was a 3.1% increase, which was down from 3.8% in Q4 2004. That initial Q1 estimate was revised upward to 3.5%, and, in yet another revision, the Commerce Department now puts the Q1 growth rate at 3.8% (Wall Street Journal [WSJ], 6/30/05, pg. A2). The increase was attributed to "the sustained housing boom, an increase in corporate profits, and better-than-expected export figures" (Vanguard Economic Week in Review [VEWR], 6/27-7/1/05).

(2) Employment for May grew by only 78,000, "well below analysts' expectations," (VEWR, 5/30-6/3/05), and well below the previous two months' increases of 274,000 and 146,000, respectively.

(3) Interest Rates declined in June for the third consecutive month. The benchmark 10-year US Treasury interest rate, which is set by buyers and sellers in the bond market, closed at 3.92%. This decline occurred even as the Federal Reserve increased the short-term rate it controls by another _ point, the ninth such increase since June 2004, bringing that rate to 3.25%, up from 1% a year earlier. (This disconnect between short- and longer-term interest rates is discussed in detail on pages 7-9). In a statement that accompanied the Fed's announcement of its latest rate increase, "policy makers gave no hint when they might slow or stop their march to higher rates" (New York Times [NYT], 7/1/05, pg. C3). "Looking ahead, most analysts predict that the Fed will continue its incremental rate hikes, barring an unexpected economic slowdown" (VEWR, 6/27-7/01/05).

(4) Inflation, as measured by the Consumer Price Index (CPI) "core" rate, which excludes the volatile food and energy sectors, increased a modest 0.1% in May, and was up 2.2% over the preceding twelve months. With food and energy included, the CPI actually declined 0.1% in May, and is up 2.8% for the year. The Producer Price Index (PPI) core rate rose 0.1% in May, and it also declined with food and energy included, at an 0.6% rate. The annual PPI rate increases are 2.6% for the core rate, and 3.5% overall. "The uneven monthly reports are largely due to the seesaw pattern of crude oil prices" (WSJ, 6/15 and 6/16/05, pg. A2). (Note: the CPI measures prices of goods and services; the PPI, only goods).

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(5) Sector Economic Activity was Mixed in June

(a) Durable goods orders (industrial and consumer) increased 5.5% in May, but fell 0.2% excluding the volatile transportation sector (VEWR, 6/20-24/05).

(b) Industrial production rose 0.4% in May, "higher than expected," and 2.7% for the most recent twelve months (VEWR, 6/13-17/05).

(c) Retail Sales declined 0.5% in May, "the biggest monthly decline in nearly a year….Year over year, retail sales were up 6.4%" (VEWR, 6/13-17/05). (Retail sales are not adjusted for inflation, and include such disparate categories as gasoline sales, auto sales, and non-store retailers such as the Internet).

(d) Housing sales for existing homes declined 0.7% in May, but the "annualized pace was still the second highest on record." New home sales gained 2.1% (VEWR, 6/20-24/05).

(e) Personal Income rose 0.2% in May, while Consumer Spending was unchanged (VEWR, 6/27-7/1/05). (The rate of Personal Savings was not reported with these figures; Personal Savings figures exclude capital gains from stocks and homes, and, according to some analysts, have a number of other measurement flaws, greatly understating actual savings [David Malpass editorial, WSJ, 3/28/05, pg. A16]).

(6) Consumer Confidence, as measured by the Conference Board's Index, "rose to a three year high, beating analysts' forecasts for the second consecutive month" (VEWR, 6/27-7/1/05). The increased confidence reflected "rising optimism about business conditions and employment" (WSJ, 6/29/05, pg A2).

(7) Corporate Profits for Q1 2005 were up 22% from a year earlier, based on 1,391 earnings reports. "While profit growth has slowed after soaring in 2002 and 2003, the slowdown hasn't been nearly as sharp as some expected" (WSJ, 5/27/05, pg. A2). Previous profit estimates for full year 2005 were in the 7-10% range. New profit reporting for Q2 will begin in July.

Overall, the economic news reported in June for the month of May was mixed, with disappointing figures for employment growth and an actual decline in retail sales. Both the stock and bond markets were little changed during the month. Six months into 2005 neither the stock or bond market has provided significant positive investment returns. As for the future, prices will, as always, be determined by unpredictable, unknowable future events. This recurring theme of ours is the topic of the following additional comments on pages 7-9.

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## II. MAJOR SURPRISES IN CURRENT MARKET PRICES: INTEREST RATES and OIL PRICES

One of the basic positions that we take in these Monthly Comments is that even if market analysts and participants could predict important future events, they would still be unable to predict the market's pricing reactions to those events. The most glaring example of this principle in recent history is the fact that stock prices were higher on December 31, 2001 than they were the day before the 9/11 catastrophe. The significance of this fact should not be overlooked; it means that even if someone had actually predicted the attack, it would have been extremely improbable that he or she would also have predicted that stock prices, despite declining initially, would, just three and one half months later, be higher than on the day before the attack.

Current pricing of a variety of investments provide additional examples of this principle. If anyone had predicted that oil prices would go from $35 to $60 per barrel in one year, it is highly unlikely that there would have been an accompanying prediction that long-term interest rates would be lower, not higher, in the same time frame. And yet this is exactly what has happened. Further, if, in that same time frame, the same prescient observer predicted that the Federal Reserve would raise the short-term interest rates it controls nine times, going from 1% to 3.25%, it would be equally as unlikely that there would have been a prediction that long-term interest rates would have declined over much of the same time period. But again, this is exactly what has happened.

We believe it is extremely important for investors to understand not only the basic principle of the unpredictability of market prices, even if you are able to predict certain economic events, but also the historical relationships of certain fundamental economic events to the market prices they affect.

To further this understanding, we will use the current examples of higher oil prices and higher short term interest rates, and their traditional relationship to longer-term interest rates. When oil prices rise, history shows that both short-term and long-term interest rates rise as well. This makes sense because oil prices are a key commodity for the economy, and rising oil prices typically bring on higher prices in general, which by definition means higher rates of inflation. When inflation is rising, the Federal Reserve undertakes to slow it down by raising interest rates. Rising interest rates tend to temper economic growth, which in turn tends to reduce the demand for oil, thus reducing the upward pressure on oil prices. At least that is what economic theory would suggest. A brief article in the July-August edition of Bloomberg Wealth Manager (pg. 88) puts it this way: "Oil prices and bond yields used to share a cozy relationship, marked by a high degree of correlation. In the old days, an increase in oil prices almost automatically triggered a rise in bond yields. The relationship held steady on the downside, too: when oil prices tumbled, the drop usually delivered a fall in the yield of debt securities….But oil prices and bond yields no longer move in tandem. In fact, the price of crude oil has increased 82% for the three-years ending April 2005; during that same period, the yield on the benchmark 10-year U.S. Treasury note fell 88 basis points (88/100 of 1%) to yield 4.2%. So much for tradition."

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A WSJ article entitled "Defying Theory, History and Greenspan" (6/29/04, pg. C4), sets out the current disconnect between short and longer-term interest rates. "When the Fed began to raise rates on June 30, 2004, the benchmark 10-year Treasury was yielding 4.6%, having reached a peak of 4.9% during the buildup to the first rate increase of this cycle. At the time, investors would have laughed at the idea the yield would fall below 4%, and many expected it to cross 5% and head towards 6%. That was the pattern of previous Fed rate-raising campaigns…." And while the price of short-dated Treasuries such as the two year note "have fallen during the past year as the yield has climbed towards 3.75% from around 1.5%, longer-term yields have fallen." (Note: when yields fall, bond prices rise).

The article continues by comparing what happened in 1994, when the Fed raised short-term interest rates and longer-term bonds turned in negative investment returns as their interest rates rose and prices declined, to the current environment, during which longer-term investment returns have remained positive as yields have fallen and prices increased. "Investors, economists and Fed officials have floated a host of reasons for low long-term rates, from contained inflation pressures to demand from pension funds and Asian investors. Long-term US rates remain above those of Europe and Japan, making Treasuries attractive to investors facing low global returns in both fixed income and equities." The article quotes a managing director of Barclays that "the global pool of liquidity has essentially overwhelmed the US rates markets and has forced market rates lower, skewed the yield curve flatter, and unreasonably compressed credit spreads."

The article continues: "The wave of demand seems to ignore factors that typically drive rates higher: the US economy is growing at an annual rate of more than 3%, monthly payroll gains have averaged around 180,000 this year, and core inflation has been on an upward trend, now running above 2%." Further, the article notes that the pricing of long-term Treasuries "has ignored a lot lately, including the potential inflation fallout from rallying commodity and oil prices, and the pull of gravity from the Fed" (raising short term interest rates).

Moving to the connection between oil prices and higher long- and short-term interest rates, a WSJ article (6/22/05, pg. C1) about the implications for $60 per barrel crude oil begins as follows: "Perhaps the only good thing that oil's flirtation with $60 a barrel provides is yet another opportunity to make predictions. So far, so wrong, of course, for most economists, investors and energy experts who have tried to gauge the level at which a high oil price will harm the economy, send interest rates up on inflation fears or make the stock market tank." The article then continues by quoting a Deutsche Bank economist in March 2003 warning on the danger of $30 a barrel oil, a May 2004 warning from the Chief UBS economist about the adverse effects of $40 a barrel oil, and the October 2004 quote from an economist at the American Enterprise Institute predicting a recession because of $50 a barrel oil.

The article points out that even as oil prices have increased from $50 to $60 since mid-May, the Dow Jones Average has actually increased by 5% (through June 21st). Oil prices are rising "mainly because global demand is outstripping supply. A secondary reason is that as too much capital chases every asset, commodities get bid up as well." (Our note: The "too much capital chasing assets" theory has not helped stock prices, which are down slightly in 2005. The argument is used, and works, for assets that have risen in price, e.g., long-term bonds, housing prices, commodities, and even the much-maligned U.S. dollar, but breaks down because not every asset class has risen during this time period).

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The WSJ oil article brings in traditional economic theory, as follows: "Demand should be self-correcting; when oil prices get too high, the economy slows down and oil prices fall. That break point is a lot higher than most economists predicted. Will $60 do it? Or higher, given the economy's decreased dependency on oil, compared with the 1970's, when oil prices were higher on an inflation-adjusted basis. Oil prices may be the big conundrum, and interest rates, the linked, follow-on conundrum…, a reference to Alan Greenspan's head-scratching over why long-term interest rates have not gone up as the Federal Reserve raised short-term rates."

And what of the impact on stock prices, which for 2005 are basically flat? "Some might contend that the fixed income markets are signaling a global slowdown as investors buy bonds and keep yields down….but the bond market is reacting more to the capital glut and foreign demand, especially from Asian central banks… Stock investors' reprieve from higher interest rates has come again (so far). But they are ignoring the inevitable impact of higher energy prices." The article goes to say that these investors might simply be taking confort in the fact that they "have houses worth a lot of money, have jobs, inflation is low and interest rates are low." (Our note: Whether these observations by the writer of the article come to pass or not remains to be seen)

So what does this all add up to? Our views are as follows: There is a history that tells us that rising short-term interest rates, which have been put into place by the Federal Reserve to stave off inflation, and higher oil prices, which are themselves a presumed cause of inflation, should result in higher long-term interest rates. This would typically result in declining long-term bond prices and, depending on the extent of the higher long-term interest rates, some adverse impact on stock prices (due in part to higher returns from the alternative investment) and presumably housing prices as well (due in part to increased mortgage rates). The process is meant to be self-correcting, with higher interest rates, oil, and housing prices eventually leading to a slowing of demand for all these items, thereby bringing prices down. But in this current environment, the high short-term rates and high oil prices have not in fact led to higher long-term rates, and have not yet appreciably slowed the economy. Regardless of all the efforts to explain why the historical cause and effect has not taken place this time around, the fact remains that market prices take on a life of their own, at least over short-term time periods that could last for several years, even in the face of events that in the past would have brought about a particular result.

All of these points simply reemphasize our basic comment about the inherent unpredictability of the markets, even if you could predict the unpredictable events that drive prices. Therefore, we continue to advocate investing according to your basic needs and objectives, and avoiding the prognosticators and after-the-fact explainers. There is no easy money to be made, and all those who are trying to convince people they "know" what is going to happen are not likely to succeed.

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| | 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)**

| | S&P 500 (1) | | DOW JONES (1) | | NASDAQ (1) | |
|---|---|---|---|---|---|---|
| **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 Low** | 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 Low** | 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)% |
| **June 30, 2005** | 1,191 | (18.9)% | 10,275 | (10.7)% | 2,057 | (49.5)% |

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

| | S&P 500 (1) | | DOW JONES (1) | | NASDAQ (1) | |
|---|---|---|---|---|---|---|
| **Start of 1995** | 459 | | 3,834 | | 752 | |
| **End of 1999** | 1,470 | | 11,500 | | 4,070 | |
| **5 Year Gain; Annualized %** | 1,011 | 26.1% | 7,666 | 24.6% | 3,318 | 40.2% |
| **End of 2001** | 1,148 | | 10,020 | | 1,950 | |
| **7 Year Gain; Annualized %** | 689 | 14.0% | 6,186 | 14.7% | 1,198 | 14.6% |
| **End of 2002** | 880 | | 8,342 | | 1,336 | |
| **8 Year Gain; Annualized %** | 421 | 8.5% | 4,508 | 10.2% | 584 | 7.5% |
| **End of 2003** | 1,112 | | 10,454 | | 2,003 | |
| **9 Year Gain; Annualized %** | 653 | 10.3% | 6,620 | 11.8% | 1,251 | 11.5.% |
| **End of 2004** | 1,212 | | 10,783 | | 2,175 | |
| **10 Year Gain; Annualized %** | 753 | 10.2% | 6,949 | 10.9% | 1,423 | 11.2% |
| **June 30, 2005** | 1,191 | | 10,275 | | 2,057 | |
| **10.50 Yr Gain; Annualized %** | 732 | 9.5% | 6,441 | 9.8% | 1,305 | 10.0% |

**Victor Levinson** **Nicholas Levinson**