

# PEARSON Investment Letter

Published Monthly Since 1982



## FEATURED STOCKS

Affiliated Computer	R&G Financial
Cash America	WebEx Com
Coventry Health	W Holding
Lowe's	WellPoint

## GROWTH & INCOME STOCKS

Doral Finc	Redwood Trust
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## FOUR 4 FOUR

BY DONALD PEARSON

Another year has come to a close, and I am happy to report we've done it again. Since our

times is the most difficult decision of all. We have learned that just being right more times than not can save many of us a great deal of money. As an example of this, when Merck's wonder drug was pulled from the shelf, the stock dropped over 30 percent. Our clients had none of this stock, because Merck did not meet our undervalued-while-projecting-double-digit-growth criteria. At the same time, Pfizer was a company that did, and we had a great deal of it within the portfolios. On November 10, I made a decision to sell all Pfizer in our client's accounts, simply because of the risk potential that I saw imminent in the days to follow. Sure enough, three weeks later Pfizer took the same route and fell about 25 percent. We are never going to be right all the time when making these decisions, but once a sell has been implemented to protect the capital, the money is then available for a new purchase with the risk factor reduced considerably. Remember, our "A Team" has a list of new superior stocks ready to be added to one's portfolio at any given time.

I can also tell you we are committed to our system. No matter how good something looks on the surface, we are disciplined to remain consistent with our techniques. At the end of every quarter, and every year, we have outperformed those to which we compare ourselves. We believe we have found the formula to succeed. In 2002, when everyone was losing 17-23 percent in the market, we were holding slightly above or below even. In 2003, the indexes were returning a favorable 25-26 percent while we were averaging returns well over 40 percent for our clients, and in many cases considerably more.

You can see the results of our **CD Buster for 2004 on the back page**. Although this is not an actual owned portfolio, we use this to showcase our selections. We also use this as a comparison to other investment opportunities. We publish it quarterly to share with you our performance updates. We will again feature another CD Buster for 2005, built with ten stocks, and featured here in our January publication.

From our team here at PCI, I would like to thank everyone for the trust and confidence you place upon us, and I can assure you we'll be hard at work to write the same message again next year....Five 4 Five!

new formulas and systems were implemented four years ago, we have outperformed the Dow and the S&P average by considerable margins. As you may or may not be aware, when a new account opens with us, we first fill it with a core of quality stocks that are in 98 percent of all portfolios. After this is done, we begin to diversify for safety while following our client's special requests. Because undervalue is paramount, something bought for one account a week earlier may not qualify now because of it increasing in value due to earnings information or any other good news.

Because I cannot track each individual portfolio all of the time, I choose ten portfolios to track all year which represent a good cross reference to our stock selections. These ten, though similar in many ways, are also different in many ways. This group includes our low risk, mid-risk and higher risk sectors with varying amounts of money. They range from \$25,000 to well over \$1,000,000, and nine of the portfolios have thirty to sixty stocks. The exception to this is the CD Buster with ten stocks only. In this way I can evaluate our performance accurately. With the Dow finishing 2004 at +3.15% and the S&P finishing at +8.99%, I simply combine them for averaging and use the year ending performance of 6.0%. Our combined group of ten finished at plus 18.0%.

After a few days off to enjoy our efforts for another job well done, our research team, which I always refer to as the "A Team," and I will begin looking for new ways to improve. Here's a classic example of our system at work: I had a friend and client call me six weeks ago and say, "What a coincidence, my wife's broker sold Citigroup in her account yesterday and today you bought it for me." I told him this was considered a fundamental difference of opinion. Citigroup has since moved up over 10 percent, again proving our system to be working well.

Although we use a buy and hold strategy, selling at the right time, whether taking profit or protecting capital, many



Walter D. Pearson  
Chairman



Donald E. Pearson  
President



Sandra Alberti  
Publishing President

**Investment Letters are complimentary to our clients with managed accounts!**

## WALTER'S WISDOM

### RETIREMENT

**T**here comes a time in life when a person decides to stop working and enjoy the easier life. This decision is usually made by the worker, but sometimes a company makes the decision. Some companies have a set policy that retires a person automatically at a certain age. It matters not how the issue comes about, but it does mean that certain changes will occur, and each individual should consider these in advance and make adjustments accordingly.

It is almost definite that upon retirement each person will find his income is reduced, sometimes a great deal. Since 1937 we have had social security. In its early days it was promoted as a cure-all, the thesis being that once a person retired, social security would take care of all his needs. Alas! The believers were soon disillusioned, but I can recall that even in the 50's it was difficult to get some people to invest, because they truly thought social security would take care of their retirement needs. Today, I think most of us understand that social security will give us an income, but not as much as we feel we need, and investing is the way to go.

Sometimes a person makes a late start, and the amount of cash on hand at retirement will not spin off the income desired by using the recommended channels. This is the reason why we suggest that children should be taught about investing at an early age. We recommend starting a managed account for each child and having him read his statement each month.

During our earlier years we should have been investing for growth and letting the income fall where it may. If a person has invested wisely along the way, many of these growth vehicles may now be paying dividends. At any rate, now that the retirement period has come, it is time to start considering investing for income. Each person should examine his portfolio, preferably with an investment advisor, and decide whether or not to continue to hold the companies that pay no dividends. Some of these companies may show large profits to the investor, and if he is not in an IRA, the income tax due must be taken into consideration. When we have cash to invest and require income, we must consider the best way to go. The highest yield issues usually turn out to be the poorest investments. A number of years ago a woman asked me to help her invest some money. This was in 1982, before I had started my investment business. I gave her the names of five stocks to buy and she did. One year later one of the companies was bought out by another and she doubled her money. I had bought the same stock, so I talked to her about a new issue for investment. Her answer was, "No Walter, we are retired and we need income. The money market is paying 18 percent, and I have decided we can use the income."

The stock I bought at that time was Merchants National Corp. It only paid about 6 percent but had good prospects. At a later date it was taken over by National City Corp., and the dividends were continued and increased each year. I bought 100 shares in August of 1982 for a total cost of \$1600. The stock has been split a few times so that I now own 1344 shares. My dividends are \$1680 a year which figures to better than a 100 percent annual return, and the value of these holdings today is just under \$50,000. I bring these figures out so that one can readily see the importance of growth. The market may convolute, but over the long term each investor should come out on the long side.

**Source Rating Key** for *PCI's featured stocks*: **Pearson Investment Growth Rating** measures long-term past and future growth. **Pearson Value Rating** measures current value in terms of potential for the dollar. **Investors Business Daily** measures growth and relative price strength. **S&P** measures financial quality and growth potential. **Value Line** measures timeliness, value and safety.

Sources: Pearson Capital, Inc. research, various publications (REUTERS Abridged Financial and Business Summary) and the Internet

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department. He is the author of the book, "Investing for the Millions" and Publisher Emeritus for the Pearson Investment Letter. At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc. He is a contributing columnist for various publications and is listed in Who's Who in America.

**"Remember the Lord your God, for it is He who gives you the ability to produce wealth. Deut. 8:18"**

## PEARSON CAPITAL'S RECOMMENDED STOCKS FOR JANUARY

### AFFILIATED COMPUTER SERVICES, INC (ACS) NYSE PRICE: \$60.19

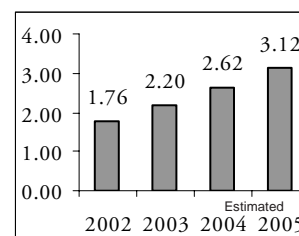
ACS is a provider of business process outsourcing and information technology outsourcing services to commercial and government clients. The Company's services enable businesses and government agencies to focus on core operations, respond to rapidly changing technologies and reduce expenses associated with business processes and information processing. The Company provides technology-based services with a focus on transaction processing and program management services, such as child support payment processing, electronic toll collection, welfare and community services and traffic violations processing. For the three months ended 9/30/04, revenues rose 1% to \$1.05 billion. Net income rose 8% to \$94.2 million. Revenues reflect new contracts signed during the period.

Type: Growth  
Sector: Technology

Institutional Holdings: 423  
Industry: Computer Services

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.4**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **A-**  
Pearson Growth Rating: **B-**  
Pearson Value Rating: **C+**  
Stand.&Poor Rating: **C+**  
Value Line Rating: **2-3-4**



### CASH AMERICA INTERNATIONAL, INC (CSH) NYSE PRICE: \$29.73

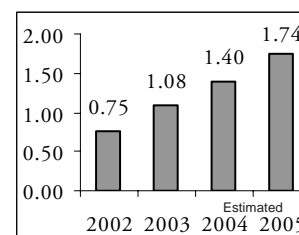
CSH is a provider of specialty financial services to individuals in the United States, United Kingdom and Sweden. As of December 31, 2003, it offered its services through 763 total locations. The Company is a provider of secured non-recourse loans, commonly referred to as pawn loans, to individuals through 474 locations in 17 states and two foreign countries. It also offers unsecured cash advances in many of its United States locations, including 19 locations that offer only this service. In addition, Cash America provides cash advances and check cashing through the 135 consumer finance centers of Cashland Financial Services, Inc. and check cashing services through the 135 franchised and Company-owned check cashing centers of Mr. Payroll Corporation. For the nine months ended 9/30/04, revenues rose 21% to \$328.7 million.

Type: Growth  
Sector: Financial

Institutional Holdings: 132  
Industry: Financial Services

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.0**  
Annual Yield: **0.2%**  
Annual Dividend: **\$0.07**  
Investor's Bus. Daily: **B+**  
Pearson Growth Rating: **A+**  
Pearson Value Rating: **A**  
Stand.&Poor Rating: **D**  
Value Line Rating: **3-3-3**



### COVENTRY HEALTH CARE, INC (CVH) NYSE PRICE: \$53.08

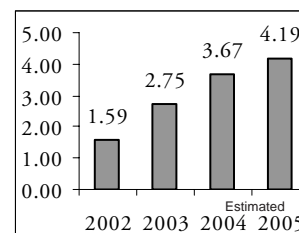
Coventry Health Care Inc. is a managed health care company operating a diversified portfolio of local market health plans serving 14 markets, primarily in the mid-Atlantic, midwest and southeast United States. Coventry's health plans are operated under the names Altius Health Plans, Carelink Health Plans, Coventry Health Care, Coventry Health and Life, Group Health Plan, HealthAmerica, HealthAssurance, HealthCare USA, PersonalCare, SouthCare, Southern Health and WellPath. The Company has three reportable segments: Commercial, Medicare and Medicaid products. For the nine months ended 9/30/04, revenues rose 19% to \$3.93 billion. Net income rose 36% to \$245.4 million. Results reflect organic membership growth and acquisitions, improved gross profit margins, and lower depreciation and amortization costs.

Type: Growth  
Sector: Healthcare

Institutional Holdings: 294  
Industry: Healthcare Facilities

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **15.4**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **A+**  
Pearson Growth Rating: **A**  
Pearson Value Rating: **B+**  
Stand.&Poor Rating: **A**  
Value Line Rating: **2-3-3**



### LOWES COMPANIES, INC (LOW) NYSE PRICE: \$57.59

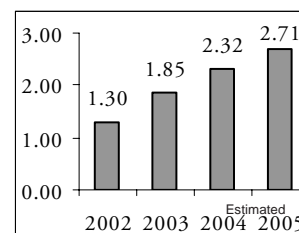
LOW is a home improvement retailer, with a specific emphasis on retail do-it-yourself (DIY) and commercial business customers. Lowe's specializes in offering products and services for home improvement, home decor, home maintenance, home repair and remodeling and maintenance of commercial buildings. As of the end of the fiscal year ended January 30, 2004, Lowe's operated 952 stores in 45 states, with approximately 108.8 million square feet of retail selling space. A typical Lowe's home improvement store stocks more than 40,000 items, with hundreds of thousands of items available through its special order system. Each store carries a selection of national brand name merchandise. For the nine months ended 10/29/04, revenues rose 18% to \$27.91 billion. Net income from continuing operations rose 15% to \$1.68 billion.

Type: Growth  
Sector: Services

Institutional Holdings: 573  
Industry: Retail-Home Improv.

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **22**  
Annual Yield: **0.2%**  
Annual Dividend: **\$0.16**  
Investor's Bus. Daily: **B-**  
Pearson Growth Rating: **B-**  
Pearson Value Rating: **C**  
Stand.&Poor Rating: **A+**  
Value Line Rating: **2-3-1**



## PEARSON CAPITAL'S RECOMMENDED STOCKS FOR JANUARY

### R & G FINANCIAL CORPORATION (RGF) NYSE PRICE: \$38.88

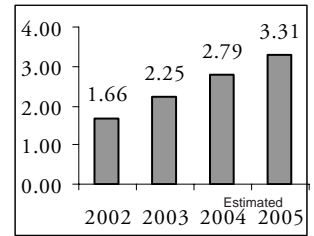
RGF is a Puerto Rico-chartered, financial holding company that operates R&G Mortgage Corp., a mortgage company in Puerto Rico; R-G Premier Bank of Puerto Rico, a Puerto Rico commercial bank, and R-G Crown Bank (Crown Bank), a federal savings bank. Through R&G Mortgage, the Company also operates The Mortgage Store of Puerto Rico, Inc., a Puerto Rico mortgage company. Through Crown Bank, it operates Continental Capital Corp., a mortgage banking company that operates in NY, NJ, CT, FL and NC. As of Dec. 31, 2003, the Company had total assets of \$8.2 billion, total deposits of \$3.6 billion and stockholders' equity of \$750.4 million. For the nine months ended 9/04, total interest income rose 22% to \$336.9 mil. Net interest income after loan loss provision rose 27% to \$154.1 mil. Net income applicable to Common rose 26% to \$104.4 mil.

Type: Growth  
Sector: Financial

Institutional Holdings: 127  
Industry: Regional Banks

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **14.6**  
Annual Yield: **0.9%**  
Annual Dividend: **\$0.35**  
Investor's Bus. Daily: **C+**  
Pearson Growth Rating: **A+**  
Pearson Value Rating: **A+**  
Stand.&Poor Rating: **D**  
Value Line Rating: **2-3-3**



### WEBEX COMMUNICATIONS, INC (WEBX) NASDAQ PRICE: \$23.78

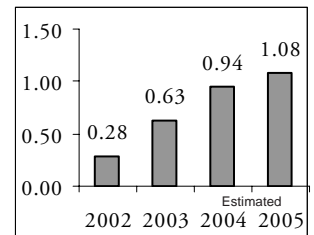
WEBX develops and markets services that allow end users to conduct meetings and share software applications, documents, presentations and other content on the Internet using a standard Web browser. Integrated telephony and Web-based audio and video services are also available using standard devices such as telephones, computer Web cameras and microphones. WebEx MediaTone Network is a private, global-switched, redundant network that is designed to deliver scalable, secure, real-time communic. services to its customers by capturing screen data from a meeting presenter's computer, translating that information into a proprietary format and routing that information through WebEx switching clusters to the meeting session participants. For the nine months ended 9/30/04, revenues increased 34% to \$181.4 million.

Type: Emerging Growth  
Sector: Technology

Institutional Holdings: 123  
Industry: Computer Services

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.4**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **B-**  
Pearson Growth Rating: **B+**  
Pearson Value Rating: **B-**  
Stand.&Poor Rating: **A**  
Value Line Rating: **2-4-4**



### W HOLDING COMPANY, INC (WHI) NYSE PRICE: \$22.94

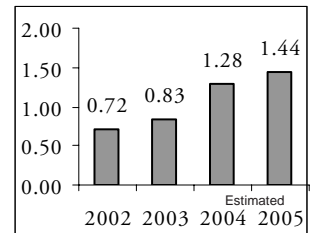
WHI incorporated in 1999, is a financial holding company offering a range of financial services. The Company through its wholly owned commercial bank subsidiary, Westernbank, which is a commercial bank operating in the western and southwestern regions of Puerto Rico. The Company focuses on retail banking and emphasizes long-term, fixed-rate residential mortgage loans on one- to four-family residential properties. During the year ended December 31, 2003, the Company had total assets of \$11.52 billion, a net loans portfolio of \$4.68 billion, an investment portfolio of \$6.51 bil., deposits of \$5.39 billion and borrowings of \$5.23 billion. For the nine months ended 9/30/04, total interest income rose 29% to \$427 million. Net interest income after loan loss provision rose 31% to \$192.7 million. Net income applicable to Common rose 75% to \$105.5 million.

Type: Growth  
Sector: Financial

Institutional Holdings: 91  
Industry: Regional Banks

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **19.1**  
Annual Yield: **0.9%**  
Annual Dividend: **\$0.22**  
Investor's Bus. Daily: **A**  
Pearson Growth Rating: **B**  
Pearson Value Rating: **C**  
Stand.&Poor Rating: **B-**  
Value Line Rating: **4-4-3**



### WELLPOINT, INC (WLP) NYSE PRICE: \$115.00

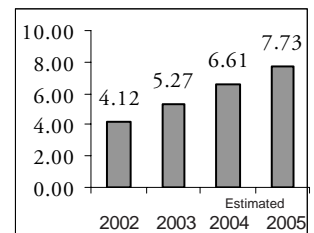
Wellpoint, Inc., formerly Anthem, Inc., is a health benefits company operating in the United States serving more than 11.9 million members (customers), primarily in IN, KY, OH, CT, NH, ME, CO, NV and VA, excluding the immediate suburbs of Washington, D.C. It owns the exclusive right to market its products and services using the Blue Cross and Blue Shield (BCBS) names, and marks in all nine states under license agreements with the Blue Cross Blue Shield Association, an association of independent BCBS plans. In November 2004, the Company and WellPoint Health Networks Inc. completed their merger. For the nine months ended 9/30/04, revenues rose 12% to \$13.98 billion. Earnings rose 37% to \$775.6 million. Revenues reflect membership growth in National Accounts and Individual businesses and strong retention rates.

Type: Growth  
Sector: Financial

Institutional Holdings: 514  
Industry: Insurance (Health)

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.7**  
Annual Yield: **0%**  
Annual Dividend: **\$0**  
Investor's Bus. Daily: **A+**  
Pearson Growth Rating: **A**  
Pearson Value Rating: **A-**  
Stand.&Poor Rating: **N/R**  
Value Line Rating: **-- 3 --**



## WALL STREET INDEXES

Indexes	1998	1999	2000	2001	2002	2003	2004
<b>S&amp;P 500</b>	28.5%	21.1%	(10.1%)	(13.3%)	(23.4%)	26.4%	9.0%
<b>Dow Jones</b>	18.1%	25.2%	(6.2%)	(7.1%)	(16.8%)	25.3%	3.2%
<b>Nasdaq</b>	39.6%	85.6%	(39.3%)	(21.1%)	(31.5%)	50.0%	8.6%
<b>Russell 2000</b>	(2.4%)	21.3%	(4.2%)	1.0%	(21.6%)	45.4%	17.0%
<b>Our CD Buster</b>	Data for 2002/03/04/05 available on our website				<b>8.1%</b>	<b>56.7%</b>	<b>22.8%</b>
<b>CD Annual Average</b>	4.7%	4.9%	5.4%	3.0%	2.3%	1.5%	1.5%

## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

### Economic flows:

The dollar is still at an all-time low against the other major currencies of the world. Greenspan has raised interest rates all year long and will continue to do so to help prop up the currency. However, the bond market remains stable, especially at the long end of the yield curve of the ten-year bond. The basic rule of the long bond yield curve is: if it's flat, good times; if it inverts, recession ahead. The United Kingdom's yield curve is inverted, so we shall wait and see what happens in that country. That may foreshadow what will happen here.



**Key point:** When will we start slowing down?

### Earnings flows:

Earnings warnings usually happen at the beginning of January with a rally in the middle of the month when earnings start to happen. The better companies will come out and shine during that period of time. Hopefully, the market can move higher if the leaders come out and propel the rest of the followers along. So, we hope that January will be a very good month.

**Key point:** January usually has a rally at the middle of the month.

### Cash flows:

Mergers, Mergers, Mergers. There are many cash-rich corporations with great balance sheets. 2005 will be one of the best years for major corporations. What will be the best thing for them to do? Create more business, or return the money to us in the form of dividends and buybacks? Right now, these same companies are not building new facilities, nor are they hiring lots of employees. This may lead to many explosive things in the market. Also, Congress has placed a special one-time tax of 5 percent on the money that multinational corporations bring back into the country (normally 30 percent). Over 500 billion dollars is waiting overseas to come back to be spent in America.

**Key point:** 500 billion dollars is a lot of money to spend!

#### **Additional notes:**

2005 will have many New Year's resolutions:

- 1) More companies will make core strategic mergers.
- 2) The market will move higher.
- 3) Dividends and buybacks will be big this year.
- 4) The corporation, and not the consumer, will be the dominant theme.

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## JANUARY'S RECOMMENDED GROWTH & INCOME STOCKS

### DORAL FINANCIAL CORPORATION (DRL) NYSE PRICE: \$49.25

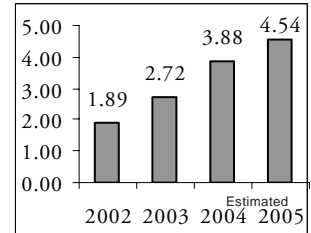
DRL is a diversified financial services company engaged in mortgage banking, commercial banking, institutional broker-dealer activities and insurance agency activities. Its activities are principally conducted in Puerto Rico and in the New York City metropolitan area. The Company operates 56 mortgage banking offices in Puerto Rico and one office on the United States mainland. It is engaged in commercial banking activities through its subsidiary, Doral Bank PR, which operates through 37 branches in Puerto Rico. For the nine months ended 9/30/04, total interest income rose 25% to \$410.4 million. Net interest income after loan loss prov. rose 69% to \$191.1 million. Net income applicable to Common rose 47% to \$339.1 million. Results reflect increase in interest income and improved gross margins.

Type: Growth & Income  
Sector: Financial

Institutional Holdings: 221  
Industry: Regional Banks

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.5**  
Annual Yield: **1.4%**  
Annual Dividend: **\$0.72**  
Investor's Bus. Daily: **B**  
Pearson Growth Rating: **A**  
Pearson Value Rating: **A-**  
Stand.&Poor Rating: **B**  
Value Line Rating: **2-2- --**



### REDWOOD TRUST, INC (RWT) NYSE PRICE: \$62.09

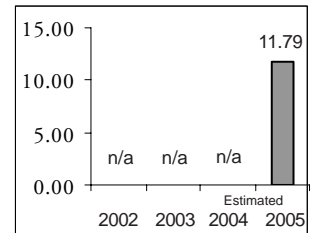
RWT is a financial institution that invests in real estate loans. The Company invests in residential real estate loans in the United States. It also invests in real estate loan securities created from these loans. The Company's investments consist of residential real estate loans, securities backed by residential real estate loans and various other diverse residential and commercial real estate loan securities such as commercial real estate loans. The Company's four real estate loan investments are the residential real estate loans, the residential real estate loan credit-enhancement securities and the commercial real estate loans and securities portfolio (consisting of diverse residential and commercial real estate securities). For the nine months ended 9/30/04, revenues increased 99% to \$442.9 mil. Net income applicable to Common totalled \$178.2 mil., up from \$61.3M.

Type: Growth & Income  
Sector: Financial

Institutional Holdings: 97  
Industry: Financial Services

#### Ratings & Recommendations Earnings per share

Current P/E Ratio: **5.2**  
Annual Yield: **4.3%**  
Annual Dividend: **\$2.68**  
Investor's Bus. Daily: **B**  
Pearson Growth Rating: **A+**  
Pearson Value Rating: **A+**  
Stand.&Poor Rating: **B-**  
Value Line Rating: **3- -- --**



## INDIVIDUAL STOCKS VS THE CD

### CD BUSTER 2004 +22.79%

#### Year To Date Results through Friday, 12/31/04

Stocks Name	Symbol	Yield	Shares	Price/Share	Total Invested	Current/Price	Current
Doral Financial	DRL	1.4%	79	\$31.51	\$2,489.29	\$49.21	\$3,887.59
H&Q Life Sciences	HQL	8.6%	159	\$15.84	\$2,518.56	\$15.89	\$2,526.51
MBNA Corporation	KRB	1.1%	101	\$24.62	\$2,486.62	\$28.22	\$2,850.22
Lincare Holdings	LNCR	n/a%	80	\$30.31	\$2,424.80	\$42.65	\$3,412.00
Logitech Intl	LOGI	n/a%	58	\$42.95	\$2,491.10	\$60.72	\$3,521.76
Nicholas Financial	NICK	1.2%	299	\$ 8.23	\$2,460.77	\$14.32	\$4,281.68
Possis Medical	POSS	n/a%	132	\$19.09	\$2,519.88	\$13.48	\$1,779.36
Teva Pharmaceutical*	TEVA	0.06%	86	\$28.935	\$2,488.41	\$29.86	\$2,567.96
W Holding Company	WHI	1.2%	135	\$18.77	\$2,533.95	\$22.94	\$3,096.90
Washington Mutual	WM	2.8%	64	\$39.61	\$2,535.04	\$42.33	\$2,709.12
<b>Total:</b>		<b>AVG Yield 1.8%</b>			<b>\$24,948.42</b>		<b>\$30,633.10</b>

\*TEVA - ADJUSTED FOR 2:1 SPLIT - 06/30/04

For additional updates go to our website at [www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com) Go to: "CD Buster 04"

A \$25,000 CD returning 1.5% annually would have a year-end value of: \$25,375.

**The same \$25,000 invested in our CD Buster in January 2004 would have a value today (Friday, 12/31/04) of \$30,633.10 (+\$5,684.68 = +22.79%)**

**DISCLAIMER:** The CD Buster is a stock simulation portfolio created by Pearson Capital, Inc. for informational/educational purposes only. Pearson Capital, Inc. makes no guarantee as to the accuracy or completeness of this data. Pearson Capital, Inc. shall not be liable for any errors or omissions, or for any actions taken in reliance thereon.

The 2004 CD Buster portfolio was created from our "top ten" list of growth, growth & income stocks, and our January Investment Letter.. The start up prices were taken from the market's closing price on January 2, 2004. This portfolio demonstrates how selected stocks could outperform the regular bank CD yielding 1.5% annually. This example does not include trading fees and management fees as well as dividends earned. Current

performance does not indicate or guarantee future performance. All client portfolios are **customized** differently to meet their individual objectives and goals. There are

no guarantees as to the profit of each - some may lose money.

