PERKINS CAPITAL MANAGEMENT, INC.

October 22, 2008

Dear PCM Clients and Friends:

This is the first year in many that the "usual suspects" have not assembled for the ritual of the annual duck opener at the Hawick slough, which we have owned in Kandiyohi County since 1968, so it has been 40 years now. Although, traditionally, the duck opener is the first weekend in October, occasionally, as last year it was actually September 29 and October 1 was a Monday. Close enough for government work, so we mistakenly thought it would likewise open Saturday, September 27, this year and, accordingly, we booked a trip to Jimmy Robinson's Duck Lodge on the Delta Marsh for October 2, 3, and 4, which now turns out to have been the opening weekend here in Minnesota (Saturday, October 4). Ah, well, the best laid plans … you know the rest.

Mistake or not, David Hyduke, his son Steve and son-in-law Mark Kelm, together with Perk and Tony Rocheford had a fantastic hunt coming home with possession limits. As in the past, the guides knew where to go, for after all they were under the tutelage of Bill Lavallee whose family guided Jimmy Robinson at the beginning of the Sports Afield Club. Today the lodge, which is crammed full of Robinson memorabilia, is capably managed by David Reese, a friend of Dick Wallin, the owner, whose health does not permit him to run it. Theirs is a true "mutual admiration society." We wrote at length about the Delta Marsh and the Sports Afield Lodge in our October letter last year and we encourage you to go to our website to read it again. The Delta Marsh is a duck haven in the fall.

A MESSAGE FROM PERK, DICK, AND DAN

The past months have been very trying times in the stock market, and therefore, of great concern to our clients for whom we have assets invested in equities. The events in the very recent months, including the failure of Bear Stearns, the takeover of Fannie Mae and Freddie Mac by the U.S. Government, the bailout of AIG, the demise of Lehman Brothers, and other events, such as the debacle at the Reserve Fund, have been very disconcerting to all, causing high mutual fund redemptions, sales of shares by many Americans concerned about their future, and the corresponding volatility of the markets, with prevalent talk of panic. We are long-term investors, and as such try to ignore the day-to-day and month-to-month volatility of the stock market. Yet, on two past occasions (September 27, 1990 and September 17, 1998) we sent what we called "Don't Panic" letters to our clients. In them we sent the same message, i.e., that history has shown that it is not wise to sell in a panic, throwing sound stocks out the window in a period of uncertainty. Market bottoms are not made of smiles and pleasant feelings; rather they come with a great amount of pain, such that when you can't take it anymore, you call your broker or your money

730 East Lake Street
Wayzata, MN 55391-1769
Telephone (952) 473-8367
Facsimile (952) 473-4702
www.perkinscap.com

manager with one message: "Get me out." That is, of course, is always the wrong thing to do. Markets go up and down, and we must remember that we cannot predict them with any specificity as hard as we may try.

We have always been a fan of Peter Lynch, the very successful and highly regarded manager of the Fidelity Magellan Fund until his retirement over 17 years ago. Peter, whom Perk called on as a Piper institutional analyst, had the cool head and perseverance it took to withstand the periodic shaking of the apple tree. We think it is appropriate to reprint below some excerpts from a letter which he wrote to Fidelity clients following the September 11, 2001 terrorist attacks:

> **So What's Next For The Stock Market?**
>
> Although I have been in the field for more than 30 years and have seen many difficult times – the market crash of 1987 (a 23% decline for the Dow in one day) and 5 recessions – I still don't know the answer. I never have. No one can predict with any certainty which way the next 1,000 points will be. Market fluctuations, while no means comfortable, are normal. But it's important for us not to lose focus on why we invest in the stock market.
>
> When we invest in the market we are buying companies. We have had hundreds of great companies in our history. Now I'm not making a recommendation on any individual company here. Some may continue to be stalwarts and some may fade, but consider the following examples. In past decades, companies like Johnson & Johnson, General Electric, Coca-Cola, Wal-Mart, Disney and McDonald's have had a history of earnings growth. And consider that there are dozens of companies that started out only 20 years ago that developed into successes with impressive historical earnings growth. Companies like Microsoft, Dell, EMC, Home Depot, Amgen and Staples, to name a few. There will be dozens of new companies created with superior earnings results that will help lead the market in the coming decades.
>
> Since World War II, despite nine recessions and many other economic setbacks, corporate earnings are up 63 fold and the stock market is up 71 fold. Corporate profits per share have grown over 9% annually despite the down years. Nine percent may not sound like a lot but consider that it means that profits mathematically double every eight years, quadruple every 16, are up 16 fold every 32 years and are up 64 fold every 48 years. Even if earnings rates slow to 6-7%, the compounded gains will still be impressive over 10-20 years.
>
> What I do know about the stock market is that it looks forward. That's right, forward. Right now we are looking at some difficult situations. But every economic recovery since World War II has been preceded by a stock market rally. And these rallies often start when conditions are grim.
>
> Certainly, recent events will affect the earnings of certain companies and sectors of the economy more adversely than others. But over the long term, I believe corporate earnings will be higher in 10 years than they are today and dramatically higher in 20 years. And the markets will follow accordingly.
>
> **What Should We Do Over The Next Few Days And Weeks?**
>
> My advice hasn't wavered from two weeks ago, two years ago or 20 years ago. It won't two or 20 years from now. The money you need for the short term to pay for a wedding or put down a payment on a house or send your child to college next year shouldn't be in the stock market. But if you've set aside adequate funds for your short-term needs, time is on your side and the stock market has historically been

> the place to be. And when I say long term, I don't mean three weeks from Wednesday. I mean a minimum of 5, 10, or 20 years. The market goes through difficult times; this is one of them. But if you'd been in the market for the past 15, 30 or 50 years, you'd be quite happy despite the many painful periods.
>
> It's no secret that traders and market timers who come in and out of the market will miss some of the bad months, but they will also miss some of the good ones as well. When the market goes up, it often goes up rapidly. If you jumped in and out of the market and missed the best 40 months during the last 40 years, you would have reduced your average annual return from more than 11% at around 3% (less than you would have gotten from a money market fund). Market timing is speculating and it rarely, if ever, pays off.
>
> As I said earlier, which way the next 1,000 to 2,000 points in the market will go is anybody's guess, but I believe strongly that the next 10,000, 20,000 and 40,000 points will be up. We have had incredible innovations in health care, manufacturing and technology. We have seen the demise of communism, the rise of free-market economies. We now have anti-lock brakes, supermarket scanners, profound improvement in heart surgery, artificial hips and knees, and prescription drugs that treat high blood pressure, cholesterol and other serious health problems. These cures, inventions and innovations create jobs, make business more efficient and add to worldwide prosperity.
>
> If you believe in the strength of the American resolve, hard work and innovation, then take a long-term view and believe in our economic system.

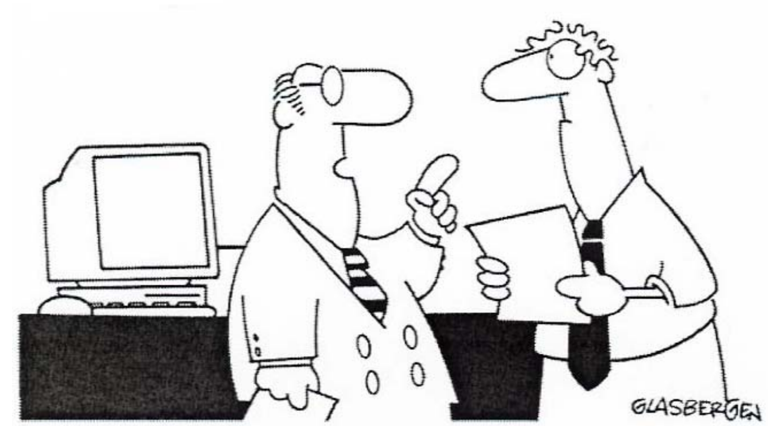
Somehow, Septembers seem to be the month of the year for these meltdowns, for as we said our first panic letter was in September 1990, and the second in September 1998, and Peter's was in September 2001. And here we are in September 2008, as we write this portion of our quarterly letter on September 26. Suffice it to say, that over the years September has been the worst month of the year for the stock market and, accordingly, has been the precursor to a market bottom in October, such as in 1974, 1982, 1987, 1998 and 2002. We have written about this many times and sincerely believe that this extreme September market volatility and uneasiness will indeed lead to a bottom in the month of October 2008.

ON TRAK?

Let's review a timeline of the recent events leading up to the government bailout or TRAK as it is euphemistically called, standing for the "Troubled Relief Asset Program."

9/8/08	U.S. Government bails out Freddie Mac & Fannie Mae
9/15/08	Bank of America buys Merrill Lynch
9/15/08	Lehman goes bust
9/16/08	AIG bailout by the U.S. Government
9/25/08	Washington Mutual bailout by JPMorgan Chase

How did we get here, and whom do we blame? Bankers? Politicians? Greenspan? The answer is yes. Let's start with the politicians. In 1933 the Glass-Steagall Act established the FDIC (Federal Deposit Insurance Corporation) and included banking reforms among which were provisions to prohibit a bank holding company from owning other financial companies, such as brokers. This worked well for over 60 years, but during the bull market of the 90s, the banks lobbied to change that restriction, because they wanted in on the boom in which investment banks were getting rich—underwritings of internet companies, for example. And so, on November 12, 1999, Clinton signed the Gramm-Leach-Bliley Act, effectively getting rid of Glass-Steagall permanently. This permitted lenders, such as CitiGroup, the largest U.S. bank, to underwrite and trade so called SIVs (structured investment vehicles) such as mortgage-backed securities and the now infamous collateralized debt obligations. This also ushered in the era of bank purchases of brokerage firms, which is when US Bank bought Piper Jaffray, and Royal Bank of Canada scooped up Dain Rauscher here in the Twin Cities. These were only a few of the nationwide brokerage purchases by banks, and many of them didn't work as the brokerage culture clashed with that of commercial banking.



"Things always get better after they get worse. So it's good to make things worse as quickly as possible."

There were other smaller things along the way, such as the 1977 Community Reinvestment Act (CRA), under Carter, and the 1994 Clinton rewrite, which encouraged—no, forced—banks to make low interest, low or no money down housing loans to the indigent to enable them to be homeowners. As Bill Clinton said, "Everyone should own a home." Then in about 2004 a policy change allowed leverage at banks and Fannie and Freddie to go from 12-1 to 30-1. And by 2005 there were warnings about the overleveraged Fannie Mae and Freddie Mac, and a bill forcing change at them made it through the House, but the Democrat-controlled Senate tabled it, and that was the end of that. And why not, after all, because those two government agencies led the parade of PAC donations to elected officials, including Barack Obama, Christopher Dodd, John Kerry, Hillary Clinton, and many others.

But let's go back to the SEC again. Part of the Securities Exchange Act of 1934 included the so-called "Uptick Rule," which prohibited short sales except on an uptick, i.e., a price higher than the last sale. This was done to eliminate the "Bear Raids" that had been part of the problem during the 20s and led ultimately to the 1929 crash. But, in its inimitable wisdom, the SEC under Christopher Cox eliminated the uptick rule in July 2007, paving the way for the Bear Raids on Bear Stearns, Fannie and Freddie, AIG, Lehman, Goldman, Morgan Stanley, and others. Here is what John Mendelson, a technical analyst at Stanford Group and a contemporary of Perk's whom he knew many years ago, had to say:

> "My father, who was a young man in the business in those years, used to regale me with stories of the Bear Raids of the 1920s … just get a "Pool" together and drive a stock into the ground. The story of President Roosevelt selecting Joe Kennedy as the first head of the SEC is widely known, as is his comment that you need to "set a thief to catch a thief" … Joe knew all about Bear Raids. With one move from Joe – the Plus Tick Rule – the game was over. After many years in the business myself, I thought I had seen everything, but I had never seen a Bear Raid until yesterday morning when the shorts, free of the Plus Tick Rule since the summer of 2007, took on Morgan Stanley Co. (MS) and Goldman Sachs (GS). When the SEC dropped the Plus Tick requirement over a year ago, they said one could use ETFs anytime to short a group of stocks without a + tick, so why not drop it on all stocks. After many people including myself said that was plain stupid, I began to look into this change. As far as I can find out, nobody on either the buy or sell side of the business was asked their opinion about this key change … the SEC just did it. I would bet that 99 out of 100 professionals would have voted against the change, particularly five years off a bear market low with more downside potential than there was in late 2002. A real life Bear Raid out of the 1920s … never thought I would see one."

We neglected to mention another log that was added to the fire to keep it blazing—mark to market accounting, sometimes referred to as fair value accounting. The watchdog of the accounting industry, The Financial Accounting Standards Board, (FASB) and the SEC have put this accounting rule in place over the years, modifying it along the way, all of which seemed a good idea. But what happens when there are few, if any, prices to mark to? The answer is that assets get marked down severely, which in turn reduces the capital accounts of banks and other institutions. That is the problem today with the structured investment vehicles (SIV) held far and wide. There are no prices available to mark them to. And so capital evaporates into thin air!

There is plenty of blame to pass around, enough to heap your plate full many times. Politicians, bankers, Greenspan, the SEC, Congress, etc. Certainly, Greenspan's Ayn Rand style of Laissez-Faire economics put interest rates into a free fall from the extreme levels of the early 1980s when 10-year treasuries were at 15%. Remember, banks are in business to loan money after all, but easy money brings with it a credit boom and resultant higher asset values, which in turn raise collateral values, thus raising the borrowing capacity of asset holders, resulting inevitably in prices that are not fundamentally justified. Then a bubble ensues. So excess liquidity, another name for excessive credit growth, fosters a positive feedback as higher asset prices result in again higher collateral values. In turn, increased borrowing capacity and the use of increased leverage which, of course, yields a very negative result when highly leveraged assets decline in value, as there is no cushion. We have witnessed leverage ratios going from 12-1 to 30-1, leaving no room for error when asset values decline.

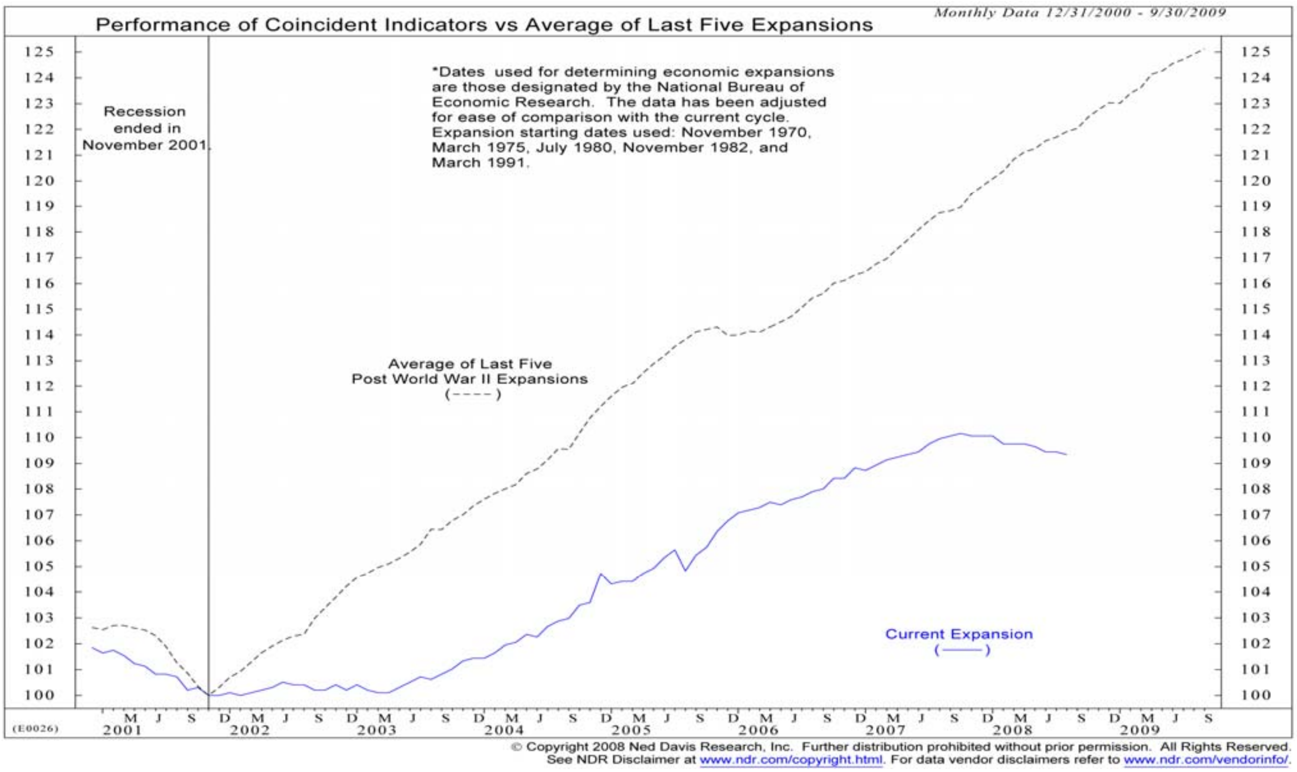
Our expectation is that it's going to take a long while to put Humpty Dumpty back together again. But we do think several things are certain:

1) More big government supervision as a result of all of this is on its way.

2) As with most things, it will cost more and take longer than we think.

3) Interest rates will necessarily go lower—a lot lower over time.

We sincerely hope we are not just rearranging the deck chairs on the Titanic before it goes down. We do not think so, but we did not predict this debacle either.



The National Bureau of Economic Research (NBER) has not yet declared that we are in a recession, but we expect that will come soon. As the chart above shows, the current expansion is very anemic compared to previous expansions and is likely to get worse.

THE THIRD QUARTER REPORT

The third quarter was all minus signs, from -13% for the NYSE Composite to only -1% for the S&P Small-Cap 600 and the Russell 2000, but nevertheless, the numbers all had a "-" in front of them. But the YTD numbers were worse for the NYSE Composite at -23% and the NASDAQ at -21%. Volatility was big with several 90% up and down days. The worst, however, came after the close of the quarter with the Dow, S&P and NASDAQ down 22%, 23%, and 21% respectively from September 30 to October 10, the worst ten-day period in the market's history.

Indexes	% Return 3Q 2008	% Return YTD 2008
S&P Small-Cap 600 Total Return	-0.85	-7.88
Russell 2000 Total Return	-1.11	-10.38
Dow Jones Industrial Average	-4.40	18.20
Value Line Composite	-6.09	-20.65
S&P 500	-8.88	-20.57
Wilshire 5000	-9.16	-19.87
NASDAQ Composite	-9.19	-21.49
Russell 1000 Total Return	-9.35	-19.50
NYSE Composite	-13.02	-22.66

THE BUSKER VS THE MAVERICK

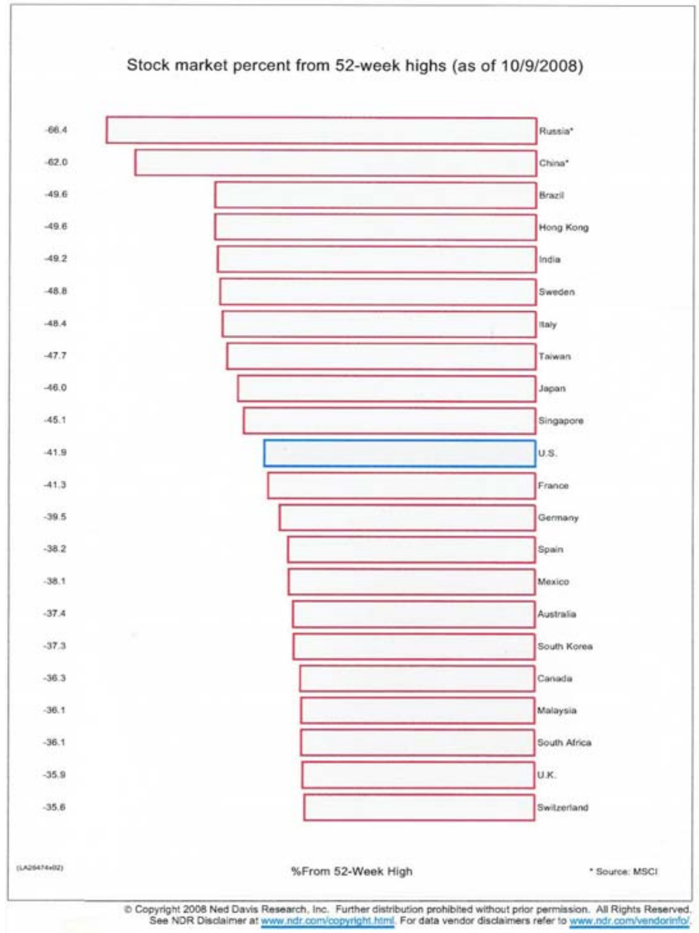
Taking the trouble to look up the word "busking" we found that it is defined as the practice of speaking or performing in public places for tips and gratuities. We had been looking for our own way of categorizing Barack Hussein Obama rather than just an excellent orator, which he undoubtedly is. Busker seemed to fit the bill considering that his oratory has raised more than $1 billion for his presidential race. Our clients and friends know that we have a conservative streak in us, and have stayed with us during the years that we railed against Clinton and his escapades. Obama is an extreme liberal and as such we have looked carefully at his tax policies as he has espoused them. He wrongly assumes that capitalism favors the rich and fails to spread prosperity, he rails on about "fairness" asserting that the rich must pay their fair share. The fact is that the top 1% of taxpayers in America pay 38% of the tax burden, while the bottom 50% pay only 3%. Likewise, he does not understand that history shows that a lower capital gains tax rate actually results in increased tax revenues, not less, as is the case when rates are high. What Obama is talking about is a redistribution of wealth, a modern day Robin Hood who would take from the rich to give to the poor. As usual, the apple does not fall far from the tree as Obama's father, a Harvard-educated economist said, "What is more important is to find means by which we can redistribute our economic gains to the benefit of all. Theoretically, there is nothing that can stop the government from taxing 100% of income so long as the people get benefits from the government commensurate with their income which is taxed." As Art Laffer has so aptly stated, "We suspect that Mr. Obama will discover that when you put 'tax fairness' ahead of economic progress you produce neither."

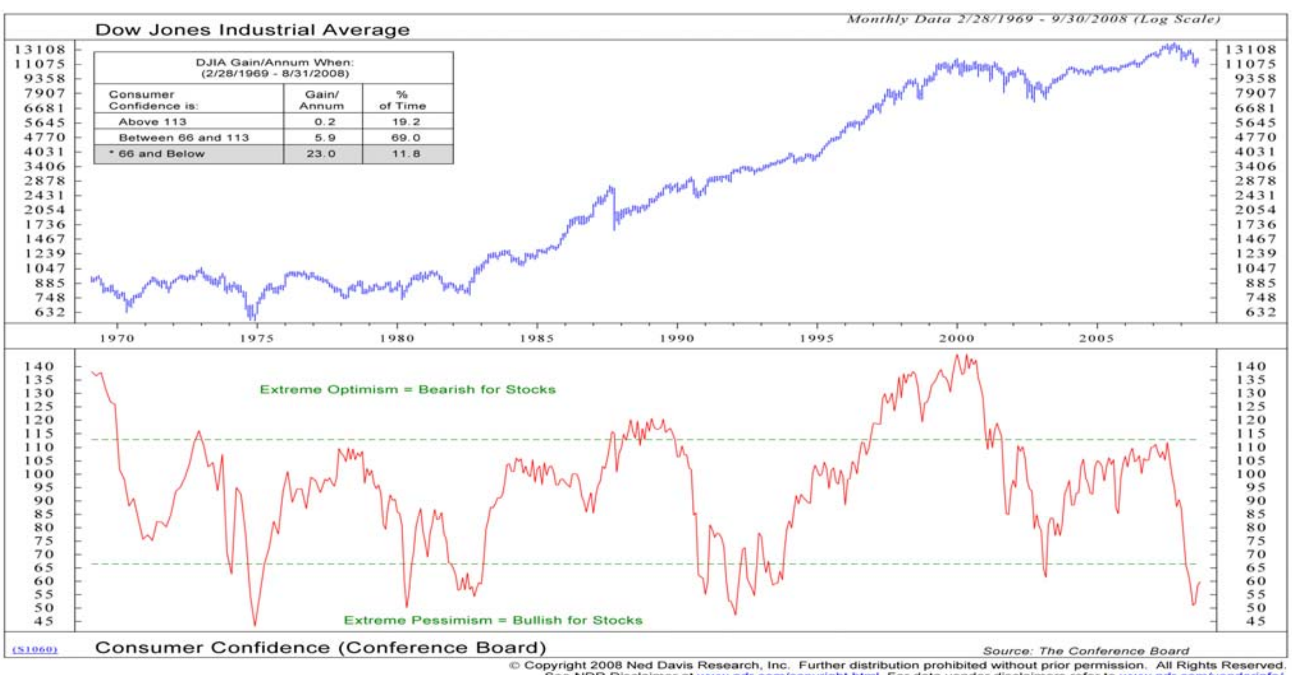
McCain, the Maverick, does not have the oratory skills of Obama and is, in fact, not a very good speaker. He is, however, an American hero, who has shown that American prosperity comes from hard work by all, and not by stifling incentive by raising taxes at all levels. McCain has been clear on his tax plan and understands the implication of higher taxes, which by the way will need to happen to finance the bailout, the cause of which can be traced to the Democrat politicians.

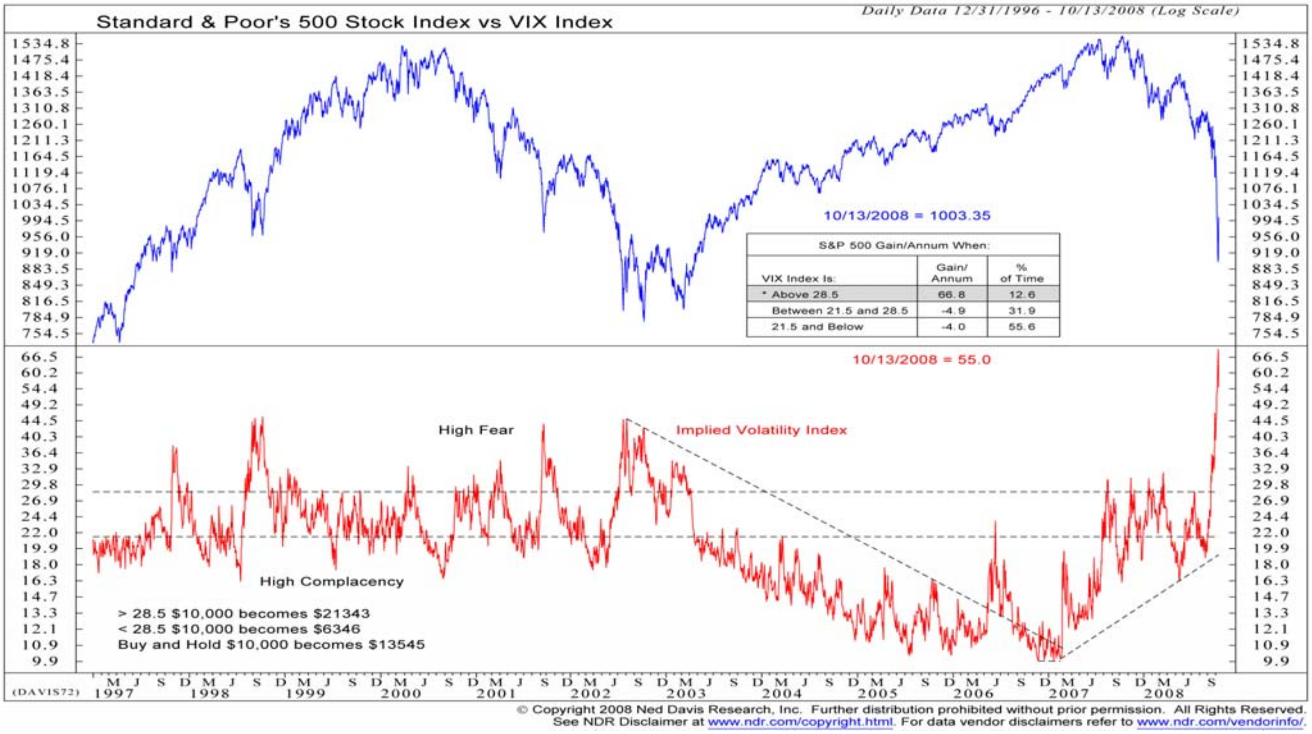
This is the most important election in many years. We can only hope that the American people listen to the facts and get it right. We would love to see a *Chicago Tribune* headline that says OBAMA WINS but to find it was premature with John McCain the real winner. Perk remembers this happening in 1948 when Dewey was proclaimed the winner too early by the Tribune and Truman took the prize.

ARE WE THERE YET? PART III

This is the third quarter now in which we are asking the same question: Are we there yet? Each past quarter this year, there were and still are, cogent subjective and quantitative reasons to support such a conclusion. Pessimism prevails with analysts making comparisons with other difficult market periods, especially 1974, which at that time seemed like the end of the world. But in this present time frame we have a banking crisis as well, with investment banks failing and the Fed and the U.S. Government coming to the rescue, like the Cavalry coming over the hill just in time to save the fort. Despite entreatments by those successful investors, such as John Templeton, who preferred to buy at times of greatest pessimism because that is when stocks are a bargain, it is still not easy to belly up to the bar and order some shares. But that is what will most likely prove in hindsight to be the right thing to have done. And by the way of illustration, the U.S. market has faired better than most over the last year as shown in the accompanying chart. So citizens of most countries are probably banging their heads on walls even harder than we are. Opportunity abounds throughout the world; it just needs to be taken advantage of at times of extreme pessimism. This pessimism is shown in the chart below. But excess pessimism often marks a market bottom, just as excess optimism delineates a top. Another similar measure is the VIX or volatility index shown on the following page. Spike ratings of over 30 are often associated with market bottoms, and the recent spike to 70 is a very encouraging sign and should be heeded.







The bailout (TRAK) is controversial, but will give investors the courage to make selective purchases. Of all the averages, the Russell 2000 (the small-cap average) looks very promising for a good rise into next year, but as we have pointed out in the past, each year of the decade has its own characteristics. There has usually been a rise in the eighth year, which will come late this year after the October bottom, continuing into the ninth year, culminating in the typically lackluster 10th and 11th years, leading up to that famous 2nd year bottom, as in 1932, 1942, 1952, 1962, 1972, 1982, 1992 and, of course, 2002. Therefore, to be prudent, we believe we will be in a difficult market environment for several years, albeit with some good market periods, cumulating in a major bottom in 2012. Much of course depends upon the election, which at this time favors Obama, which implies a difficult market ahead while changes are made by the new administration and assessed by investors in the 9th, 10th, and 11th years.

HOW TO COOK A FROG

What is happening today in the airline industry reminds us of the old story of how to cook a frog. The trick, of course, is to put the poor unsuspecting frog in a pot of cold water, so he doesn't get frightened and jump out, but then gradually turn up the heat. The frog is getting uncomfortably warm, but before he can figure out what is happening to him, he is cooked. Airline customers have been equally dumb and happy in a pot of cold water—savoring their free luggage checking, magazines to read, free meals, pillows for a nap, and above all, an airplane large enough to stand up in. But alas, we were not in cold water for long as the airlines gradually turned up the heat. The magazines were the first thing to go because of weight, then the pillows—too heavy, no doubt. Remember the hot towels to freshen up, gone other than on Continental. Next, we recall, we lost the free snacks in the coach cabin and meals were gone shortly thereafter—not much of a loss, of course, as they were rarely worth eating anyway. A third piece of luggage always cost money to check, but soon a second bag cost $25, and now on some airlines there is even a charge for any bag. First Class is a minor exception to some things, such as luggage charges, but even in front of the bus you now need to ask for peanuts as they are not automatically offered anymore. And there is still a meal if you can stretch far enough to call it that. If you are fortunate enough to be able to utilize your miles to travel, you will now be paying a $25 fee for booking the ticket and if you decide to change your flight, even on the same day, to one departing a few hours earlier or later that will be $100 please.

We wrote at length about this in our July 25, 2005 letter, with appropriate cartoons depicting a charge for overhead storage, a map showing the emergency exits, and a pay toilet. It hasn't gotten that bad yet, but it is pretty close to it. So, like the unsuspecting frog, we have had the heat turned up on us and we got cooked, although, unlike what happened to the frog we knew what was happening to us. We just couldn't do much about it, other than reduce our flying, and we think that has happened. We are told the switch to smaller aircraft is to planes which are more efficient—of course they are, they are smaller! This is the ultimate embarrassment to the traveler, a plane so small you can't stand up straight in it. So why not just drive from Minneapolis to Madison or Milwaukee, or Chicago for that matter. It takes about the same time including the travel to the airport, the time spent waiting for a late airplane, and likewise, the trek to the rental car at the other end. And, driving you can talk on your cell phone, and above all not have to deal with surly flight attendants, lost luggage, and flight delays.

"Ma'am, you're going to have to check that."

Of course, the mistake that the airlines made was not realizing that you don't charge customers for something that they are accustomed to getting for free. That is a big marketing dilemma. Although perceived as free, the cost of checked baggage, meals, and snacks has always been embedded in the overall ticket price and now the airlines are trying to unwind it and get customers to pay for products and services that they formerly got for free. The comparisons that the airlines make is with the unbundling that is taking place in banking and telecommunications, and other areas where customers are now charged on their monthly statements for items that were previously free. But that really doesn't soothe the unhappy customer, because they certainly are not buying the unbundling argument. They don't want to be nickel-and-dimed and they would rather pay for their charges upfront. The airlines could have avoided all the ill will they have generated. But that was not to be and was a lesson lost on the airlines. How much better and smarter it would have been if they had leveled with the customers by saying that "fuel costs are out of control, and as much as we don't want to do this, we must raise fares to cover our costs." Instead, the airlines are trying to put a positive spin on a negative situation. The ill will which they have created will follow the industry for a very long time.

PASSAGES

This month we want to acknowledge the deaths of three icons of the investment management industry.

Claude Rosenberg, founder of Rosenberg Capital Management, on May 3 at age 80. He was one of the true gentlemen of the finance industry, starting in the late 1950s at the San Francisco brokerage firm, Jay Barth & Co. When Barth was sold to Dean Witter in 1970, he struck out on his own starting Rosenberg Capital Management (RCM) to manage institutional money the way he thought it should be done. Perk remembers his calls to his office in San Francisco. Clearly, his goal of building a firm without relying on Wall Street research, which he found lacking, was successful and RCM ultimately managed $26 billion before the firm was sold to Dresdner Bank, and ultimately to Travelers Insurance. But he made another mark after his firm's sale, as a philanthropist, and may very well be remembered as much for that as for his investment management skills.

John Templeton, a pioneer of the global mutual funds industry, on July 8 at age 95. His is a story of great interest to many investors; he will be remembered for sponsoring the idea of buying shares of companies at times of greatest pessimism, for as he said, "that is when the greatest bargains are available." It is said that when World War II began, he borrowed $10,000 and bought 100 shares each of 104 companies whose stocks were selling at $1 or less, 34 of which were in bankruptcy. A few years later he profited handsomely on many of them, and made money on 100 as only 4 wound up worthless. In 1940 he bought a small investment firm that ultimately became Templeton Dobbrow & Vance, and started the Templeton Growth Fund. This fund invested worldwide and had impressive growth, achieving a 14.5 percent annual return from 1954 to 1992; $10,000 invested in it became $2 million with dividends reinvested. He sold the Templeton family of funds in 1992 and turned full time to philanthropy. He was proud of his investment record and said it improved after he stopped worrying about tax consequences and listening to Wall Street. Interestingly, he did all of this from his home in Nassau, Bahamas where he had lived for about 50 years.

Gerald (Jerry) Tsai, the renowned manager of Fidelity's first aggressive growth fund, on July 9 at age 79. He joined Fidelity in 1952 at age 23 as a security analyst and six years later started what was to be Fidelity's most successful fund. His stock picking was short-term oriented and he was adept at being one of the first momentum investors. In 1965, he founded the Manhattan Fund, a closed-end fund whose stock offering raised $247 million, nearly ten times the amount expected. But the fund never lived up to its lofty expectations and was sold just three years later to CNA Financial Corp. But there was more to come, as he used the profits to buy American Can, combining it with a life insurance company (Associated Madison) and changed its name to Primerica Corp, which ultimately along with Commercial Credit Corp, headed by Sandy Weill, became the foundation of Citi Smith Barney. Perk says he remembers doing business with Jerry at the Manhattan Fund, but Perk was new in the business then and remembers not getting very far with the account before it was sold. Like the legendary Gene Sit, whom we honored in July, Tsai was born in 1929 in Shanghai and came to the U.S. when he was 18.

As usual, we trust you will enjoy the funny pages. We thank those who send them to us. The cartoon speaks to "the old days."

Sincerely,

Richard W. Perkins, C.F.A.	Richard C. Perkins, C.F.A.	Daniel S. Perkins, C.F.A.
President	Executive Vice President	Executive Vice President
Senior Portfolio Manager	Portfolio Manager	Portfolio Manager

RWP:RCP:DSP/jah

"Those were the days! No global warming, terrorism, or giant tsunamis. And best of all, you could pick stocks by throwing darts at a wall."

LAWYER JOKE

One afternoon a lawyer was riding in his limousine when he saw two men along the roadside eating grass. Disturbed, he ordered his driver to stop and he got out to investigate. He asked one man, “Why are you eating grass?”

“We don't have any money for food,” the poor man replied. “We have to eat grass.”

“Well, then, you can come with me to my house and I'll feed you,” the Lawyer said. “But sir, I have a wife and two children with me. They are over there, under that tree. “Bring them along,” the lawyer replied. Turning to the other poor man he stated, “You come with us also.”

The second man, in a pitiful voice, then said, “But sir, I also have a wife and SIX children with me!”

“Bring them all, as well,” the lawyer answered.

They all entered the car, which was no easy task, even for a car as large as the limousine was. Once underway, one of the poor fellows turned to the lawyer and said, “Sir, you are too kind. Thank you for taking all of us with you.”

The lawyer replied, “Glad to do it. You'll really love my place. The grass is almost a foot high.”

HOW TO CALL THE POLICE WHEN YOU’RE OLD

George Phillips of Meridian, Mississippi, was going up to bed when his wife told him that he’d left the light on in the garden shed, which she could see from the bedroom window.

George opened the back door to go turn off the light but saw that there were people in his shed stealing things. He phoned the police, who asked, “Is an intruder actually in your house?” “No,” he answered. Then they said that all patrols were busy, and that he should simply lock his door and an officer would be along when available.

George said, “Okay,” hung up, counted to 30, and phoned the police again.

“Hello, I just called you a few seconds ago because there were people stealing things from my shed. Well, you don’t have to worry about them now because I just shot them.” Then he hung up.

Within five minutes, six police cars, a SWAT Team, a helicopter, two fire trucks, a paramedic, and an ambulance showed up at the Phillips’ residence and caught the burglars red-handed.

One of the policeman said to George, “I thought you said you’d shot them!” George replied, “I thought you said there was nobody available!”

IT'S THE LAW

Law of Mechanical Repair - After your hands become coated with grease, your nose will begin to itch.

Law of Gravity - Any tool, when dropped, will roll to the least accessible corner.

Law of Probability -The probability of being watched is directly proportional to the stupidity of your act.

Law of Random Numbers - If you dial a wrong number, you never get a busy signal and someone always answers.

Law of the Alibi - If you tell the boss you were late for work because you had a flat tire, the very next morning you will have a flat tire.

Law of Variation - If you change lines (or traffic lanes), the one you were in will always move faster than the one you are in now.

Law of the Bath - When the body is fully immersed in water, the telephone rings.

Law of Close Encounters -The probability of meeting someone you know increases dramatically when you are with someone you don't want to be seen with.

Law of the Result - When you try to prove to someone that a machine won't work, it will.

Law of Biomechanics - The severity of the itch is inversely proportional to the reach.

Law of the Theater - At any event, the people whose seats are furthest from the aisle arrive last.

Law of Coffee - As soon as you sit down to a cup of hot coffee, your boss will ask you to do something which will last until the coffee is cold.

Law of Lockers - If there are only two people in a locker room, they will have adjacent lockers.

Law of Physical Surfaces - The chances of an open-faced jelly sandwich landing face down on a floor covering are directly correlated to the newness and cost of the carpet/rug.

Law of Logical Argument - Anything is possible if you don't know what you are talking about.

Law of Commercial Marketing Strategy - As soon as you find a product that you really like, they will stop making it.

Law of the Doctors - If you don't feel well, make an appointment to go to the doctor, by the time you get there you'll feel better. Don't make an appointment and you'll stay sick.

IDIOTS OF 2008

Number One Idiot of 2008

I am a medical student currently doing a rotation in toxicology at the poison control center. Today, this woman called in very upset because she caught her little daughter eating ants. He quickly reassured her that the ants are not harmful and there would be no need to bring her daughter into the hospital. She calmed down and at the end of the conversation happened to mention that she gave her daughter some ant poison to eat in order to kill the ants. I told her that she better bring her daughter into the emergency room right away.

Here's your idiot sign, lady. Wear it with pride.

Number Two Idiot of 2008

Early this year, some Boeing employees on the airfield decided to steal a life raft from one of the 747s. They were successful in getting it out of the plane and home. Shortly after they took it for a float on the river, they noticed a Coast Guard helicopter coming toward them. It turned out that the chopper was homing in on the emergency locator beacon that activated when the raft was inflated. They are no longer employed at Boeing.

Here's your idiot sign, guys. Don't get it wet; the paint might run.

Number Three Idiot of 2008

A man, wanting to rob a downtown Bank of America, walked in the branch and wrote, “Put all your money in this bag.” While standing in line, waiting to give his note to the teller, he began to worry that someone had seen him write the note and might call the police before he reached the teller's window. So he left the Bank of America and crossed the street to the Wells Fargo Bank. After waiting a few minutes in line, he handed his note to the Wells Fargo teller. She read it and, surmising from his spelling errors that he wasn't the brightest light in the harbor, told him that she could not accept his stickup note because it was written on a Bank of America deposit slip and that he would either have to fill out a Wells Fargo deposit slip or go back to Bank of America. Looking somewhat defeated, the man said, “OK” and left. He was arrested a few minutes later, as he was waiting in line back at Bank of America.

Don't bother with this guy's idiot sign. He probably couldn't read it anyway.

Number Four Idiot of 2008

A motorist was unknowingly caught in an automated speed trap that measured his speed using radar and photographed his car. He later received in the mail a ticket for $40 and a photo of his car. Instead of payment, he sent the police department a photograph of $40. Several days later, he received a letter from the police that contained another picture, this time of handcuffs. He immediately mailed in his $40.

Wise guy…but you still get an idiot sign.

Number Five Idiot of 2008

A guy walked into a little corner store with a shotgun and demanded all of the cash from the cash drawer. After the cashier put the cash in a bag, the robber saw a bottle of Scotch that he wanted behind the counter on the shelf. He told the cashier to put it in the bag as well, but the cashier refused and said, “Because I don't believe you are over 21.” The robber said he was, but the clerk still refused to give it to him because she didn't believe him. At this point, the robber took his driver's license out of his wallet and gave it to the clerk. The clerk looked it over and agreed that the man was in fact over 21 and he put the Scotch in the bag. The robber then ran from the store with his loot. The cashier promptly called the police and gave the name and address of the robber that he got off the license. They arrested the robber two hours later.

This guy definitely needs an idiot sign.

Idiot Number Six of 2008

A pair of Michigan robbers entered a record shop nervously waving revolvers. The first one shouted, “Nobody move!” When his partner moved, the startled first bandit shot him.

This guy doesn't even deserve an idiot sign.

Idiot Number Seven of 2008

Arkansas: Seems this guy wanted some beer pretty badly. He decided that he'd just throw a cinder block through a liquor store window, grab some booze, and run. He lifted the cinder block and heaved it over his head at the window. The cinder block bounced back knocking him unconscious. It seems the liquor store window was made of plexi-glass. The whole event was caught on videotape.

Yep, here's your idiot sign

Idiot Number Eight of 2008

I live in a semi-rural area (Weyauwega, WI). We recently had a new neighbor call the local township administrative office to request the removal of the Deer Crossing sign on our road. The reason: Too many deer are being hit by cars out here! I don't think this is a good place for them to be crossing anymore.

HOW MARKETS REALLY WORK

The chief of a Native American tribe was asked in the autumn if the winter was going to be cold or mild. Being a 21st -century chief he had no idea, but said that it was going to be cold and told the people in his village to collect wood. A few days later he rang the National Weather Service. "Yes, it is going to be cold" they told him, so he went back to his people and told them to collect more wood. A week later he called again. "Is it going to be a cold winter?" he asked. "Yes, very cold." So he went back and told his people to collect every bit of wood they could. Two weeks later he called again. "Yes," he was told, "it is going to be one of the coldest winters ever." "How can you be so sure?" The chief asked. The weatherman replied: "The Native Americans are collecting wood like crazy."