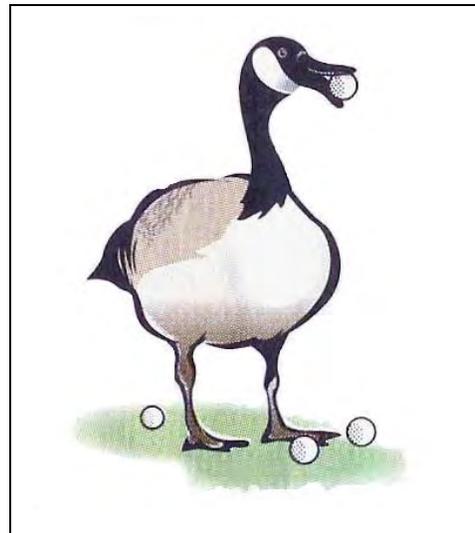


April 26, 2004

Dear PCM Client:

We know that spring has finally arrived in Minnesota when the geese begin to really flex their wings, barnstorming into thawing lakes treetop high and honking like New York taxis. They come sailing past our office for a three-point landing on Lake Minnetonka. Perk's house is on the north shore of Long Lake, with the west view into a swampy ravine to the lake and he says this is a runway for them, honking, honking, honking as they rise from the lake and head out for their morning meal. Ditto, when they come back. He wonders (as do Dick and Dan) why they can't fly that low during hunting season when they are usually about a mile up. But as we know, they are very smart birds. By the time you read this, there will be little goslings wandering around Wayzata, especially on golf courses or the nearby Cargill headquarters. Geese begin nesting in early March while we are still thinking spring will come; but they know it will and need to get going so their young will be strong and able to fly by late summer. The hen goose lays between four and seven eggs, which are incubated for about 28 days. And then, presto, goslings are all over the landscape watched over by the male goose (or gander) who, being very territorial, has watched over his mate while she incubated the eggs, and now stands as a sentry over her and their young. This is nature at its very best. Ah, but this creature has its enemies. No, not the wolf or fox, but the golf course maintenance crew, and in Minnesota, the DNR, which rounds them up and sends them off to a wildlife refuge many miles away. They can be a nuisance, and have a nasty habit of eating and then, you know, \_\_\_\_\_, and then doing it all over again, many, many, times a day. Geese, you see, love to eat fresh green grass and it, well, kind of goes right through them! Geese can become quite belligerent if you chase after them to shoo them away. We had an incident on a golf course in Minnesota last year where a golfer whacked a goose that had taken his ball and then whacked it again with his club and killed it. He wound up being punished with a fine and didn't even get to cook the goose that cooked his.



The Perkins family has a fond remembrance of the years in Rochester, Minnesota, which was home from 1959-65 when Perk was assistant manager of the Mayo Clinic endowment fund. In the early 1950s, the giant Canada goose (*Branta canadensis maxima*) was

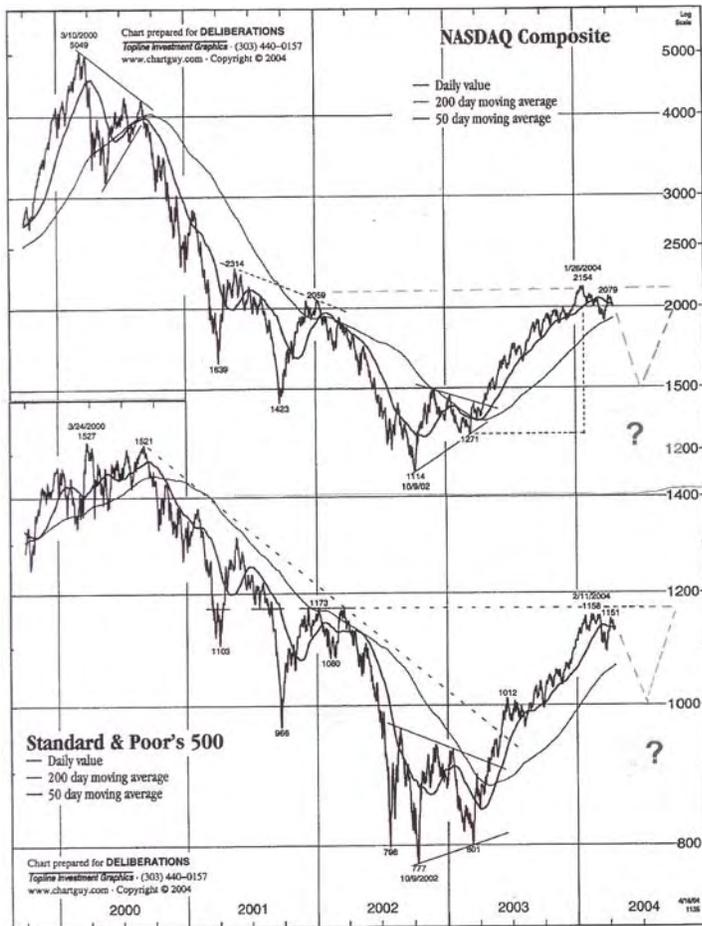
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INVESTMENT MANAGEMENT

thought to be extinct, but in 1962 biologists confirmed that a flock of these gigantic geese lived in Rochester. As it turned out, a new power plant, which opened in 1948, kept Silver Lake on Rochester's north side open all winter. An enterprising Mayo Clinic patient had brought some geese to Rochester as a gift. This flock of giant geese grew and grew, and now has grown to a population of about 35,000. In those days an outing with the kids was a trip to Silver Lake Park to feed the geese, being careful, of course, where to step. Let's see, back in 1962 Dick was 9, Dan was 8, and Pam was 6. How time flies.

### THE SUMMER STOCK MARKET

For the first quarter this year, the major averages were up slightly, with the S&P 500 up 1.7%, to down slightly, with the Dow and NASDAQ off .9% and .5%, respectively. The small- and mid-cap averages were up nicely, however, continuing the trend of good



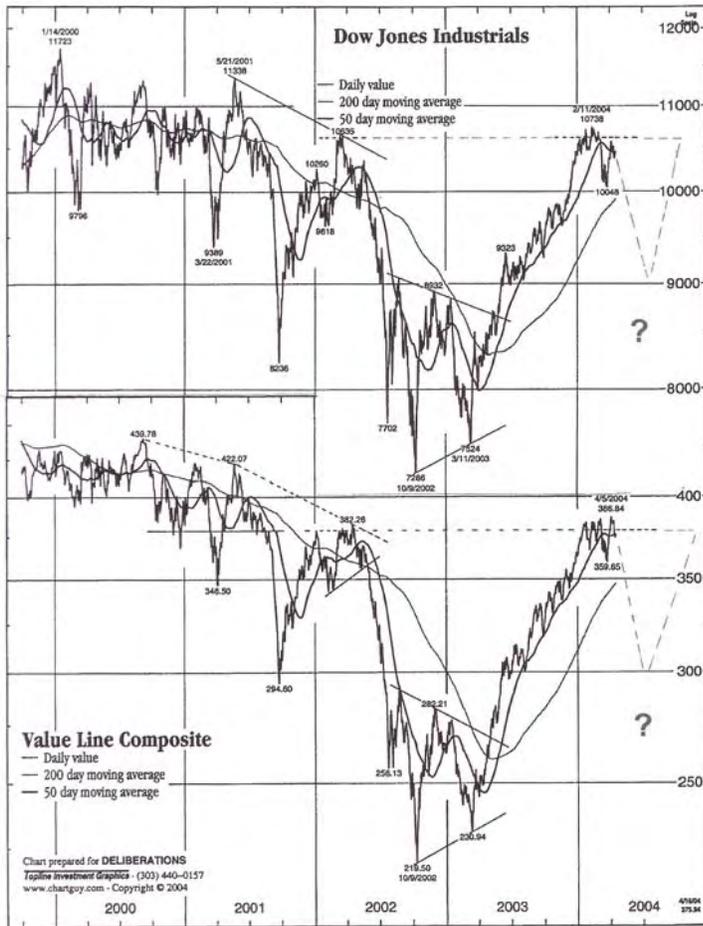
Source: Ian McAvity's Deliberations

performance by small- and mid-cap stocks. The S&P Mid-Cap 400 Index was up 5%, the S&P Small-Cap Index up 6.2% and the Russell 2000 up 6.3%. In fact, the Russell 2000 Index, which is the Benchmark Index for small-cap stocks made a new high in mid-April, surpassing the old high reached on March 9, 2000. Our expectation is that this will continue for the foreseeable future. We think we are well positioned at Perkins Capital Management in our client accounts to benefit from the expected good performance of small- and mid-cap stocks. In our January letter we presented charts of the four-year presidential cycle and the ten-year decennial pattern. These charts showed a definite bottom in the middle of an election year based on data for over 100 years, so we think that it would be reasonable to expect a similar result this election year. In our January letter we also presented the Bradley Model for the first several months of 2004. The

Bradley has been very accurate since year end, and predicts a top at the end of April and implicitly a decline thereafter. So, now what? If you are interested in the major averages (the S&P 500, the Dow and NASDAQ), we would like to show you some charts which we think provide a compelling scenario for that election year decline that we have postulated.

The chart on page two shows the NASDAQ Composite and S&P 500 for the past 4½ years which, therefore, clearly shows the top in 2000 and the very significant decline thereafter into the final bottom in late 2002. Note the significant rise from that 2002 bottom to the high early this year and note that high is at almost precisely the level that both averages reached at the end of 2001 following that big bounce rally from the fall of 2001. For the NASDAQ that is about 2150 and for the S&P about 1175. Over the years of looking at charts (about 45 years for Perk), we are impressed by the symmetry which they assume as bottoms and tops are formed. Taking the privilege of looking into the future, symmetry in these charts would require (expect) a decline this year to create a symmetrical pattern, i.e., to the level reached at the end of 2001. This would require a decline in the NASDAQ to about 1500 and in the S&P to 1000 or perhaps a little lower. These declines will prepare the way for the 5<sup>th</sup> year advance. Remember our decennial chart in the January letter? Clearly the fifth year in the decade is the best, and we see no reason why 2005 will be different. Think back to 1995, 1985, 1975, and so on. It is a fact that, for whatever

reason, the fifth year in the decade has had the best performance, which can continue into the seventh year. A decline starting at the end of April, and bottoming in the summer-fall, perhaps around election time, would create the symmetrical pattern which would accommodate and allow that major move in 2005. Symmetry is paramount in technical analysis, just as it is in nature, and past trends are important to respect.



Source: Ian McAvity's Deliberations

Also shown are similar charts of the Dow Jones Industrial Average and the Value Line Composite. These market averages have likewise found resistance at their early 2002 highs and could, to provide symmetry, decline this summer-fall to the levels seen in the fall of 2001. For the Dow this could result in a price as low as 8000, although we think that is unlikely, and for the Value Line Composite about 300. Again, this would create the symmetrical pattern which would permit a substantial rise

into 2005 and beyond. We see no logical reason why this scenario cannot come to pass. History tells us there will be a summer-fall low in an election year, and history also tells us to expect a large rise in the fifth year of the decade. Common sense tells us to expect a market low this summer-fall of 2004 and then the creation of this symmetrical structure will provide the base for the 2005 run which can last into 2007. Please refer again to the

decennial chart in our January letter where you will see that strong rise in the fifth year and beyond.

### SHUFFLING THE DOW DECK—AGAIN

Dow Jones and Co., publisher of the *Wall Street Journal* and the various Dow Jones averages has, as of April 1, shuffled the deck again, for the third time since 1997. The departing stocks are AT&T, Eastman Kodak, and International Paper, and the replacements are American International Group, Pfizer and Verizon Communications. The stated reason for the changes is “to recognize trends within the U.S. stock market, including the continued growth of the financial and healthcare sector and the diminishing relative weight of the basic material stocks.” Yes, but the companies being dropped have performed poorly in the recent years, while the replacements have been relatively good performers. In fact, if these changes had been made on November 1, 1999, the last time the deck was shuffled (see HOW NOW NEW DOW? in our January 2000 letter) the Dow would have been 10785 on March 31 rather than 10373. That 1999 change was an attempt to catch up with the technology boom and accompanying stock price rises, which was the reason the Dow lagged other indices as it had a lower weighting of technology stocks. But that shuffle didn’t work very well as shortly thereafter technology stocks peaked. In that shuffle Microsoft, Intel, Home Depot and SBC Communications replaced Chevron, Goodyear, Sears and Union Carbide. Since that change Microsoft is off 73%, Intel 65%, Home Depot 50% and SBC Communications 51%, and only one of the replaced stocks, Goodyear, has been a rotten performer, off nearly 80%. Chevron is about even and Sears is up nicely. So, in hindsight, that shuffle should not have been made and we wonder if the same will be true with the current one.

But let’s look at history to put all of this in a better perspective. When Charles Dow created the Dow Jones average in 1896 it consisted of 12 stocks and only one of those (General Electric) is still in the average today. But even GE was dropped for a while in 1898, but put back in later as a replacement for Tennessee Coal and Iron. Later, the average became 15 stocks, instead of 12, and then was moved to 20, and has consisted of 30 stocks since 1928. Over time some of the large famous companies were added such as General Motors in 1915, Sears in 1924, and Disney in 1991. But ever since 1928 when the average consisted of 30 stocks, every time a name was added one had to be eliminated. In March of 1997 there was a big shift in the dynamics of the Dow when Hewlett Packard, Johnson & Johnson, Travelers and Wal-Mart replaced Bethlehem Steel, Texaco, Westinghouse Electric and Woolworth. That shuffle was described in our April 1997 letter in a paragraph titled THE “NEW” DOW.

What do these changes do to the fundamentals of the Dow? Well for one thing it changes the P/E ratio slightly, as the average P/E of the stocks being added is higher than the P/Es of the stocks being removed. The same is true for yield. The stocks being added have an average yield of about 2%, whereas those leaving have an average yield of over 3%. But the most visible result of this change might be to make the Dow more volatile, because the average price of the three stocks leaving is about \$25, and the average price of the three

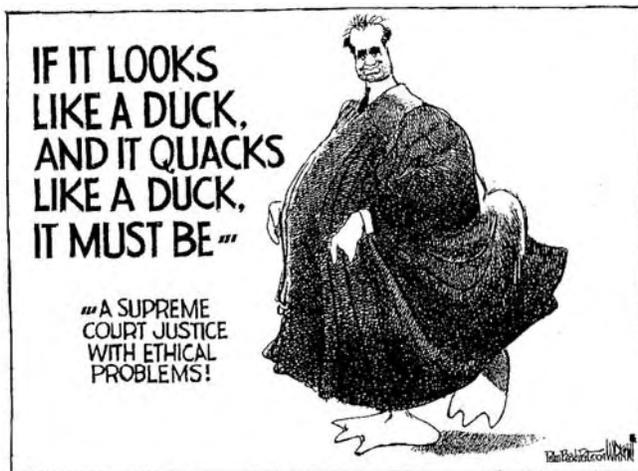
joiners is about \$50. Since the Dow is not a weighted average, like the other averages such as the S&P, each component stock carries the same weight. To calculate the Dow the prices of all the component stocks are added up and divided by a “divisor” which originally was the number of stocks in the average. However, as changes were made in the composition of the average over the past 107 years, the divisor has been adjusted each time to take price differences into account; the divisor is also adjusted when there is a stock split or stock dividend in a component company. Today the divisor is less than one (.14090166) so it’s actually a multiplier. Thus, every \$1 move in any Dow stock moves the average by 7 points. So, if all 30 stocks move \$1, the average moves about 210 points. Now it follows that higher priced stocks move up and down in larger dollar increments than lower priced stocks, and since the new stocks in the Dow sell at prices that are about two times higher than the old ones this means that the Dow could become more volatile.

There’s also another aspect. What about the actual level of the Dow? As mentioned earlier, *The New York Times* has calculated that the Dow would be about 400 points higher today if the changes just made had been made in 1999. Where would it be today if the other changes that we have outlined, that is those made in 1997, had not been made? The folks at Dow Jones that decide what changes to make are human, like all the rest of us, and therefore, can get caught up in the fever of the times and can make changes belatedly—changes that should have been made much earlier. We said earlier that there had been 30 changes in the composition of the Dow over the past 50 years, and many of them turned out to be big mistakes. One of the worst switches was the removal of RCA in May 1932 at the low of the market following the great crash; Nash Motors was substituted for RCA. RCA, which had plunged from \$500 to \$5, ultimately went on to become one of the great electronic companies of the century whereas Nash Motors went out of business 30 years later. Where would the Dow be today if that substitution had not been made? But the all-time record for poor stock timing took place in March of 1939 when IBM was taken out of the average and replaced by AT&T. By the end of June 1979, IBM had become such a success that it was put back into the average after a 40-year absence. During this period AT&T rose only 104% whereas IBM was up 21,843%. Now if that 1939 change had not been made, the Dow would obviously be significantly higher today and probably at a number that is impossible to calculate. The point of all of this is that it remains to be seen whether the changes just made turn out to be good or bad for the Dow’s performance. Our guess is that in light of the changes that have been made in the past, we would be better off buying the stocks that have been kicked out and selling those that were added.

### **A CHIEF JUSTICE IN A DUCK BIND**

Yes, a bind, not a blind. As duck hunters, we were interested in the recent news that Chief Justice Scalia of the Supreme Court has found himself in a bind from the bru ha ha over a duck hunting trip with some cronies, including Vice President Dick Cheney. The Supreme Court will soon be hearing a case being brought by the Sierra Club to force Vice President Cheney to provide information about the Energy Task Force, which he led in the Bush administration’s early months when environmental policy was being formulated. After an

appeals court ruled in favor of the Sierra Club, the administration appealed to the Supreme Court on behalf of Mr. Cheney, and the club on its own petitioned Judge Scalia to step aside, stating that his participation in a Louisiana duck hunting trip created the appearance of favoritism and could undermine the credibility of the court. But Justice Scalia has refused to remove himself from the case, even though Cheney is a good friend and duck hunting buddy. In an unusual 21-page memorandum, he said that it was not improper that he hunted ducks with the vice president in January, just three weeks after the high court agreed to consider the case. He noted in his memo that there were numerous previous instances when Supreme Court justices hung around with members of the administration. Besides, he said the trip was planned long before the court agreed to hear the case and that he and the vice president never hunted together in the same blind, and was with him literally only during meals or walking to or from the duck boats. It certainly would seem reasonable to us that to avoid the appearance of impropriety, Justice Scalia should have removed himself from the case. It only seems like the proper and logical thing to do. If his friendship with the vice president is that close, it would seem to us that he would have excused himself in order to preserve that friendship and make it stronger, if for no other reason.



But the interesting part of this whole thing, and the part that we really want to write about, concerns the fact that he rode to Louisiana with the vice president on a government jet along with one of his sons and a son-in-law. Then, as he pointed out in the memo, he did not come back on the government jet because of timing differences, and since he knew this before flying to Louisiana he did what the airlines considered to be fraudulent. He bought a cheaper round-trip ticket with the intention of not using the return portion. So even

though airlines consider what he did is a fraud, it didn't stop him, and as he said "we purchased them because they were the least expensive round-trip tickets that cost precisely what we would have paid if we would have gone down and back on commercial flights." As an article in the *Wall Street Journal* pointed out, the round-trip ticket, which probably cost a little over \$200 vs. about \$700 for a one-way ticket, seemed like a terrific solution to the ethical issue raised by accepting a free ride with the vice president. Skirting the airline's rules about ticketing is a very common practice. There are other ways to avoid high-priced one-way tickets than using what's called a "throw away" ticket which Justice Scalia did. There is also "back-to-back" ticketing where you buy two round-trip tickets with Saturday night stays and then use the first portion of each ticket. Then there is "hidden city" ticketing where if you are going to an expensive hub airport city you might book a ticket to a cheaper city further beyond and then get off the plane in the hub city. The *Wall Street Journal* pointed out that where travelers get into trouble is lying about their intentions when asked after the fact. Evidently, lying in order to get the cheaper fare would be fraud, but silence at the time of purchase would not be. We are reminded of that in the

recent situation here in Minneapolis with Katun Corp., an office equipment company, where it pleaded guilty to twelve counts of fraud and paid \$11 million in fines and restitution when the U.S. Attorney in Minnesota charged that the company routinely booked cheap tickets from 1994 to 2000. When airline employees detected discrepancies, the Katun employees lied about the reason. We don't know if Justice Scalia has lied or not by disclosing in his 21-page memo that he did the "throw away" ticket routine. Maybe since a Chief Justice of the U.S. Supreme Court uses the "throw away" ticket, it makes it legal for everyone else whether or not you lie about it.

**PAIN AT THE PUMP**

<b>World Prices</b>	
Average price for a gallon (3.8 liters) of regular unleaded gas in selected cities worldwide:	
Hong Kong	\$5.47
London	\$5.25
Paris	\$4.95
Frankfurt	\$4.82
Stockholm	\$4.59
Tokyo	\$4.27
Brasilia	\$2.82
New Dehli	\$2.71
Havana	\$2.58
Mexico City	\$2.13
Moscow	\$1.38
Beijing	\$1.30
Lagos	\$1.11
Cairo	\$0.56
Caracas	\$0.14

Source: St. Paul Pioneer Press

It seems almost every newscast rails on about the high cost of gasoline, and indeed, the price of a gallon of gas has risen, and if you drive an SUV it hurts when it ruins a \$50 bill to fill the tank here in Minnesota; in California it can nearly ruin a \$100 bill. Reminds us a little of the time when J.P. Morgan was asked what it cost to run his yacht, and his response was "if you need to know that, you can't afford it." So it is the same now whether it is cars or boats. Why do you think the Europeans and Orientals drive small vehicles? Take a look at this table and you will have the answer.

Gasoline (petrol) in Europe is about \$5 per gallon and 50% or more of that price is taxes. The most recent data that we could find was for the fourth quarter of 2001; the table shows the tax component of a

<b>Gas Tax Component Worldwide</b>	
New Zealand	11.8%
United States	35.6%
Netherlands	50.0%
Ireland	50.5%
Australia	52.2%
Czech Republic	53.0%
Luxembourg	53.3%
Portugal	54.3%
Spain	54.4%
Greece	55.0%
Poland	55.4%
Belgium	55.7%
Sweden	55.8%
Finland	56.2%
Mexico	56.5%
Australia	57.0%
Slovak Republic	60.3%
Denmark	60.8%
Italy	63.2%
Switzerland	63.3%
France	65.4%
Germany	66.0%
Norway	66.8%
United Kingdom	75.3%

4<sup>th</sup> Qtr 2001  
Source: Energy Prices & Taxes, IEA/OECD

gallon of gasoline in 24 countries around the world. As we expected, and based on our own personal experience, the United Kingdom is highest with 75% of the price of a gallon in the form of taxes, compared with 36% for the United States. We believe gasoline prices were lower then in the United States than they are now, because the tax component today is not as high as 36%. Anyway, if 75% of that \$5.25 price for a London gallon is tax, then the gasoline component is \$1.31. Actually today the total tax in the United States is about 40 cents per gallon, as the Federal excise tax is 18.4 cents and the average state tax 21.4 cents, ranging from a high of 32.7 cents in New York to 7.5 cents in Georgia. So that gallon of gasoline from the Mobil station near Perkins Capital Management that is now priced at \$1.75 has a gas component of \$1.35. According to a recent *USA Today* article, the cost

components of a gallon of gas are about 46% for the crude oil, 26% for taxes, 19% for refining, and 9% for distribution. And in that same article driving 12,000 miles with gasoline at \$1.75 would cost \$750 for a Honda Accord and \$2,100 for a Hummer. So there you have it; if you can't afford the gasoline, you shouldn't be driving a Hummer.

In reality, gasoline is cheap today. We saw an NBC newscast recently which stated that the \$1.23 per gallon price of 1983 would be \$1.80 today adjusted for inflation. And why do people pay \$1.49 for a 9 oz bottle of Evian water (naive spelled backwards) which equals \$21.19 per gallon, without complaining?

### **BETWEEN IRAQ AND A HARD PLACE**

It has been just over a year since the invasion of IRAQ and we all remember how seemingly easy it was compared to the dire warnings of chemical or biological warfare. Saddam's "right guard" literally fled and resistance was minimal compared to what was expected. A piece of cake, we said, with few casualties for such a large effort. Now, one year later that has all changed, as almost by surprise we are being attacked by insurgent forces and as this is being written we have just finished the worst week since the invasion of one year ago. The casualties mount, and there is increasing doubt about our need to have gone there in the first place. The 9/11 hearings are providing lots of Monday morning quarterbacking, much to the delight of our enemies who see us as quarreling among ourselves. Today we truly are between a rock and a hard place. None of the options are appealing. Stepping back or getting out is not an option as that would signal our weakness and would send word around the world that we backed down when the going got tough. Getting help from other countries such as France or Germany is unlikely, as they are not interested in helping. And Spain and Japan are frightened about the commitments that they have made due to terrorist acts in their countries aimed at getting them to retreat. So the only road is the high road, i.e., getting tougher and hoping that the insurgents are not as popular or as strong as they appear. So we must stay the course, as unpleasant as it may be, for there is no other choice.

William Safire, in a recent *New York Times* column, recalled that architect Frank Lloyd Wright warned of the Floo Floo Bird, who always flew backward because it didn't care where it was going but had to see where it had been. Safire says that is us, with our eyes fixed on the rearview mirror, obsessively reviewing past catastrophes when we should be looking through our windshield at the dangers which lie ahead. The 9/11 inquiry as to whether the Bush administration did enough to prevent it is equivalent to whether Franklin Delano Roosevelt did enough to prevent Pearl Harbor. The question of whether to invade Iraq and remove Saddam from power was discussed long before 9/11, and both Republicans and Democrats favored a military response. Today the Democrats, fueled by John Kerry's fiery speeches, suggest that only Republicans led by Bush favored the invasion. Not so. As an addendum to this letter, we publish quotations from President Clinton, Al Gore, John Kerry and other Democrats which made it clear how they felt about it—at least then.

The following recently appeared in the Durham, NC local paper as a letter to the editor:

Liberals claim President Bush shouldn't have started this war. They complain about his prosecution of it. One liberal recently claimed Bush was the worst president in U.S. history. Let's clear up one point: We didn't start the war on terror. Try to remember, it was started by terrorists BEFORE 9/11. Let's look at the "worst" president and mismanagement claims:

FDR led us into World War II. Germany never attacked us. Japan did. From 1941-1945, 450,000 lives were lost, an average of 112,500 per year. Truman finished that war and started one in Korea. North Korea never attacked us. From 1950-1953, 55,000 lives were lost, an average of 18,333 per year.

John F. Kennedy started the Vietnam conflict in 1962. Vietnam never attacked us. Johnson turned Vietnam into a quagmire. From 1965-1975, 58,000 lives were lost, an average of 5,800 per year.

Clinton went to war in Bosnia without UN or French consent. Bosnia never attacked us. He was offered Osama bin Laden's head on a platter three times by Sudan and did nothing. Osama has attacked us on multiple occasions.

In the two years since terrorists attacked us, President Bush has liberated two countries, crushed the Taliban, crippled Al Qaeda, put nuclear inspectors in Libya, Iran and North Korea without firing a shot, and captured a terrorist who slaughtered 300,000 of his own people. We lost 600 soldiers, an average of 300 a year. Bush did all this abroad while not allowing another terrorist attack at home. Worst president in history? Come on!

Since this was written the casualties have risen dramatically, but this writer still makes a very compelling point.

## PASSAGES

This past quarter witnessed the passing of several famous and widely admired people.

- January 23, Bob Keeshan, 76
- January 27, Jack Paar, 85
- March 28, Sir Peter Ustinov, 82
- March 30, Alistair Cooke, 95

Each of these men had an impact on our lives in one way or another.

Bob Keeshan launched his Captain Kangaroo character in the fall of 1955 when he was 28. He began his television career in 1948 playing Clarabell the Clown on the Howdy Doody Show, then Corny the Clown in Tinker's Workshop. He was asked by CBS to create a morning children's show, and Captain Kangaroo was born, tailored to his desire "to produce a quieter show for young people, a show that would have some educational,

as well as entertainment value.” The show had lots of characters—who could forget Mr. Green Jeans? Perk certainly remembers that his children, Dick, Dan and Pam, who were born in 1953, 1954 and 1956 respectively, watched the Captain and he admits enjoying it immensely himself when he watched. They have each acknowledged that watching Captain Kangaroo was an important part of their childhood. It was both entertaining and educational, which is what Keeshan wanted the show to be. But sadly it ended in 1984, so Perk’s grandchildren did not get to enjoy it.

Jack Paar turned late night television into the format that is still enjoyed today, although it has been polished over the years by Johnny Carson, Jay Leno, and others. His talk show, complete with the sofa and desk set that has endured until today, found its secret in interesting guests coupled with his uncanny ability to figure out how to get the very best out of each of them. He was host of NBC’s Tonight Show from 1957 to 1962. Those were the years when Perk’s daughter Pam was a baby (she was born November 1956) and he will never forget watching Paar with her in the left arm and a bottle in the right hand. Of course, they both fell asleep in the chair watching him. Paar left the show in 1962 and Carson took over the show and ran it for 30 years compared to Paar’s five. When asked why he left when he had an audience of 7 million every night, he said “I’ve never really had a good answer to that.” Years later he said “I should have never given the Tonight Show to Carson. I should have rented it or married him.”

Sir Peter Ustinov is best remembered for his motion pictures, but he was also a UNICEF Goodwill Ambassador for 30 years. His famous roles were as Nero in *Quo Vadis*, for which he won a Golden Globe Award, and for *Batiatus in Spartacus*, for which he won an Oscar. His narration of *Peter and the Wolf* won him a Grammy, and in addition there were three Emmys over the years. We all remember that he was an imposing figure, a very large man who, because he was so affable, was often described as a large teddy bear.

We will never forget Alistair Cooke, the British-born journalist who became well known to all of us as an observer of America through his 13-minute broadcasts over BBC called “A Letter from America.” These so-called letters, which were actually radio broadcasts, started in 1946 and lasted for 58 years. Those weekly talks gave him the reputation of an astute observer of the American way of life and were directed to the British around the world, from India to Australia. He didn’t really gain an American audience until he became host of *Omnibus* from 1952 to 1961, and then as the host of the public television series *Master Theater* that began in 1971. His last letter, #2869 which was an observation on the American presidential campaign, was broadcast on February 20. They were very well written and sometimes witty, but always insightful as was the one that we printed as an addendum to our April 25, 2003 client letter, which if you recall, was his view on Iraq. Titled “Appeasing Hitler and Saddam” he recalled the late 1930s when Prime Minister Chamberlain negotiated with Hitler who then proceeded to break his promises. At that time he was 30, having been born in November 1908, and commented that all those involved in the Iraq debate were toddlers in 1938, and some not even born, so how could they remember those events. He closed saying “All I know is that all the voices of the 30s are echoing through 2003.” If you still have that April 2003 client letter, you should read that addendum again. He will be missed by people all over the world.

Some of our older readers will recall the Burma-Shave signs of days gone by, but our younger readers may never have seen or heard of them. Back before there were interstate freeways in the 1930s and 1940s when we drove on two-lane roads, the Burma-Shave signs would be along the roadside on the edge of farmer's fields. They were small red signs with large white letters, each about 100 feet apart and each containing one line of a four-line verse. Of course, the fifth line in the series advertised the popular shaving cream "Burma-Shave." Perk remembers how much fun it was on a Sunday drive, a favorite thing to do back then, reading the signs, especially if there were new ones, which he was always on the lookout for. They were humorous, and almost always carried a "drive safely" message. We thought it would be fun to print a page of these so our senior readers can reminisce and our younger readers can see what we saw back then.

The year 2003 is gone, but not the worst headlines. So, for your reading pleasure we have attached those that we found most humorous.

With all of the testimony at the 9/11 hearing it has become clear that there was no cooperation between the FBI and the CIA. They are disorganized, and in fact, in recent testimony by George Tenet he indicated it could take 5 years to rebuild the CIA. We think even that is longer than it took the three little pigs to build their house. The cartoon speaks to that situation.

Sincerely,

Richard W. Perkins, C.F.A.  
President  
Senior Portfolio Manager

Daniel S. Perkins, C.F.A.  
Vice President  
Portfolio Manager

Richard C. Perkins, C.F.A.  
Vice President  
Portfolio Manager

RWP:DSP:RCP/jah



## WHAT THEY SAID ABOUT SADDAM

"One way or the other, we are determined to deny Iraq the capacity to develop weapons of mass destruction and the missiles to deliver them. That is our bottom line."

- President Clinton, Feb. 4, 1998

"If Saddam rejects peace and we have to use force, our purpose is clear. We want to seriously diminish the threat posed by Iraq's weapons of mass destruction program."

- President Clinton, Feb. 17, 1998

"Iraq is a long way from [the USA], but what happens there matters a great deal here. For the risks that the leaders of a rogue state will use nuclear, chemical or biological weapons against us or our allies is the greatest security threat we face."

- Madeline Albright, Feb 18, 1998

"He will use those weapons of mass destruction again, as he has ten times since 1983."

- Sandy Berger, Clinton National Security Adviser, Feb, 18, 1998

"We urge you, after consulting with Congress, and consistent with the U.S. Constitution and laws, to take necessary actions (including, if appropriate, air and missile strikes on suspect Iraqi sites) to respond effectively to the threat posed by Iraq's refusal to end its weapons of mass destruction programs."

- Letter to President Clinton, signed by Senators. Carl Levin, Tom Daschle, John Kerry, and others Oct. 9, 1998

"Saddam Hussein has been engaged in the development of weapons of mass destruction technology which is a threat to countries in the region and he has made a mockery of the weapons inspection process."

- Rep. Nancy Pelosi (D, CA), Dec. 16, 1998

"Hussein has ... chosen to spend his money on building weapons of mass destruction and palaces for his cronies."

- Madeline Albright, Clinton Secretary of State, Nov. 10, 1999

"There is no doubt that ... Saddam Hussein has invigorated his weapons programs. Reports indicate that biological, chemical and nuclear programs continue apace and may be back to pre-Gulf War status. In addition, Saddam continues to redefine delivery systems and is doubtless using the cover of a licit missile program to develop longer-range missiles that will threaten the United States and our allies."

- Letter to President Bush, Signed by Sen. Bob Graham (D, FL,) and others, December 5, 2001

"We begin with the common belief that Saddam Hussein is a tyrant and a threat to the peace and stability of the region. He has ignored the mandate of the United Nations and is building weapons of mass destruction and the means of delivering them."

- Sen. Carl Levin (D, MI), Sept. 19, 2002

"We know that he has stored secret supplies of biological and chemical weapons throughout his country."

- Al Gore, Sept. 23, 2002

"Iraq's search for weapons of mass destruction has proven impossible to deter and we should assume that it will continue for as long as Saddam is in power."

- Al Gore, Sept. 23, 2002

"We have known for many years that Saddam Hussein is seeking and developing weapons of mass destruction."

- Sen. Ted Kennedy (D, MA), Sept. 27, 2002

"The last UN weapons inspectors left Iraq in October of 1998. We are confident that Saddam Hussein retains some stockpiles of chemical and biological weapons, and that he has since embarked on a crash course to build up his chemical and biological warfare capabilities. Intelligence reports indicate that he is seeking nuclear weapons..."

- Sen. Robert Byrd (D, WV), Oct. 3, 2002

"I will be voting to give the President of the United States the authority to use force-- if necessary-- to disarm Saddam Hussein because I believe that a deadly arsenal of weapons of mass destruction in his hands is a real and grave threat to our security."

- Sen. John F. Kerry (D, MA), Oct. 9, 2002

"There is unmistakable evidence that Saddam Hussein is working aggressively to develop nuclear weapons and will likely have nuclear weapons within the next five years ... We also should remember we have always underestimated the progress Saddam has made in development of weapons of mass destruction."

- Sen. Jay Rockefeller (D, WV), Oct 10, 2002

"He has systematically violated, over the course of the past 11 years, every significant UN resolution that has demanded that he disarm and destroy his chemical and biological weapons, and any nuclear capacity. This he has refused to do."

- Rep. Henry Waxman (D, CA), Oct. 10, 2002

"In the four years since the inspectors left, intelligence reports show that Saddam Hussein has worked to rebuild his chemical and biological weapons stock, his missile delivery capability, and his nuclear program. He has also given aid, comfort, and sanctuary to terrorists, including Al Qaeda members ... It is clear, however, that if left unchecked, Saddam Hussein will continue to increase his capacity to wage biological and chemical warfare, and will keep trying to develop nuclear weapons."

- Sen. Hillary Clinton (D, NY), Oct 10, 2002

"We are in possession of what I think to be compelling evidence that Saddam Hussein has, and has had for a number of years, a developing capacity for the production and storage of weapons of mass destruction."

- Sen. Bob Graham (D, FL), Dec. 8, 2002

"Without question, we need to disarm Saddam Hussein. He is a brutal, murderous dictator, leading an oppressive regime ... He presents a particularly grievous threat because he is so consistently prone to miscalculation ... And now he is miscalculating America's response to his continued deceit and his consistent grasp for weapons of mass destruction ... So the threat of Saddam Hussein with weapons of mass destruction is real ..."

- Sen. John F. Kerry (D, MA), Jan. 23, 2003

SO NOW THE DEMOCRATS SAY PRESIDENT BUSH LIED, THAT THERE NEVER WERE ANY WEAPONS OF MASS DESTRUCTION AND HE TOOK US TO WAR FOR HIS OIL BUDDIES??? HOW SOON THEY FORGET THEIR OWN WORDS!

## THOSE WONDERFUL OLD BURMA-SHAVE SIGNS

DON'T LOSE YOUR HEAD  
TO GAIN A MINUTE  
YOU NEED YOUR HEAD  
YOUR BRAINS ARE IN IT  
\*\*\*Burma-Shave\*\*\*

DROVE TOO LONG  
DRIVER SNOOZING  
WHAT HAPPENED NEXT  
IS NOT AMUSING  
\*\*\*Burma-Shave\*\*\*

BROTHER SPEEDER  
LET'S REHEARSE  
ALL TOGETHER  
GOOD MORNING NURSE  
\*\*\*Burma-Shave\*\*\*

CAUTIOUS RIDER  
TO HER RECKLESS DEAR  
LET'S HAVE LESS BULL  
AND MORE STEER  
\*\*\*Burma-Shave\*\*\*

SPEED WAS HIGH  
WEATHER WAS NOT  
TIRES WERE THIN  
X MARKS THE SPOT  
\*\*\*Burma-Shave\*\*\*

THE MIDNIGHT RIDE  
OF PAUL FOR BEER  
LED TO A WARMER  
HEMISPHERE  
\*\*\*Burma-Shave\*\*\*

AROUND THE CURVE  
LICKETY-SPLIT  
IT'S A BEAUTIFUL CAR  
WASN'T IT?  
\*\*\*Burma-Shave\*\*\*

NO MATTER THE PRICE  
NO MATTER HOW NEW  
THE BEST SAFETY DEVICE  
IN THE CAR IS YOU  
\*\*\*Burma-Shave\*\*\*

A GUY WHO DRIVES  
A CAR WIDE OPEN  
IS NOT THINKIN'  
HE'S JUST HOPIN'  
\*\*\*Burma-Shave\*\*\*

AT INTERSECTIONS  
LOOK EACH WAY  
A HARP SOUNDS NICE  
BUT IT'S HARD TO PLAY  
\*\*\*Burma-Shave\*\*\*

BOTH HANDS ON THE WHEEL  
EYES ON THE ROAD  
THAT'S THE SKILLFUL  
DRIVER'S CODE  
\*\*\*Burma-Shave\*\*\*

THE ONE WHO DRIVES  
WHEN HE'S BEEN DRINKING  
DEPENDS ON YOU  
TO DO HIS THINKING  
\*\*\*Burma-Shave\*\*\*

CAR IN THE DITCH  
DRIVER IN TREE  
THE MOON WAS FULL  
AND SO WAS HE  
\*\*\*Burma-Shave\*\*\*

PASSING SCHOOL ZONE  
TAKE IT SLOW  
LET OUR LITTLE  
SHAVERS GROW  
\*\*\*Burma-Shave\*\*\*

## **SOME OF THE YEAR'S WORST HEADLINES**

Something Went Wrong in Jet Crash, Expert Says

Police Begin Campaign to Run Down Jaywalkers

Iraqi Head Seeks Arms

Miners Refuse to Work after Death

War Dims Hope for Peace

If Strike Isn't Settled Quickly, It May Last Awhile

Cold Wave Linked to Temperatures

Couple Slain; Police Suspect Homicide

Red Tape Holds Up New Bridges

Typhoon Rips Through Cemetery; Hundreds Dead

Man Struck by Lightning Faces Battery Charge

New Study of Obesity Looks for Larger Test Group

Astronaut Takes Blame for Gas in Spacecraft

Local High School Dropouts Cut in Half

Hospitals are Sued by 7 Foot Doctors

Include Your Children When Baking Cookies

Drunk Gets Nine Months in Violin Case

Plane Too Close to Ground, Crash Probe Told

Stolen Painting Found by Tree

Two Sisters Reunited After 18 Years in Checkout Counter

Panda Mating Fails; Veterinarian Takes Over

Juvenile Court to Try Shooting Defendant