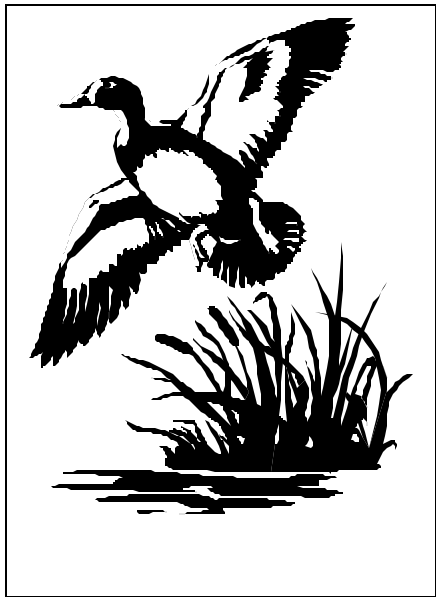
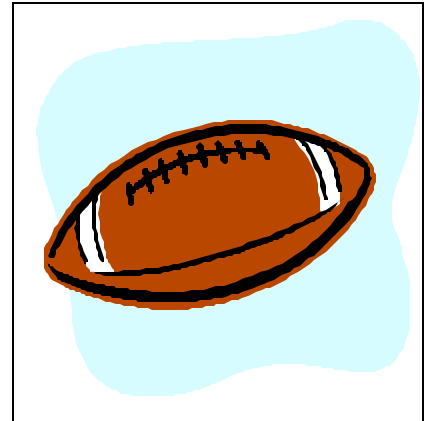


PERKINS
CAPITAL
MANAGEMENT, INC.

October 24, 2003

Dear PCM Client:

The Perkins clan looks at autumn as the beginning of a new year, when summer melts into fall (officially September 22 this year), the nights suddenly become cool, the leaves begin to turn, and the waterfowl migration begins. For others, specifically sports fans, it is not the sights and sounds of nature, but rather the rough and tumble antics on gridirons all over the country, where grown men in goofy uniforms kick around an odd-shaped pumpkin. Well, that's how Andy Griffith described the football in his 1953 classic comedy routine "What it was, was football." We and many of our friends look forward to



fall as it marks the beginning of the shooting season for grouse, ducks, geese, and pheasants.

Along with this comes the opportunity to enjoy the camaraderie with old friends in the duck blind or boat, and then again later around a campfire after a steak dinner and a glass of wine. But whether it is the love of football or the love of shooting, it nevertheless, is love. One can enjoy beautiful fall weather from a stadium bench or from a walk in the woods or field in search of a grouse or pheasant, or from a duck blind or boat. And when the weather turns foul and fans are freezing, often times in snow on the stadium benches, likewise we hunters are either slogging through a wet field or freezing in a duck blind. All for the love of the sport, whichever one it is.

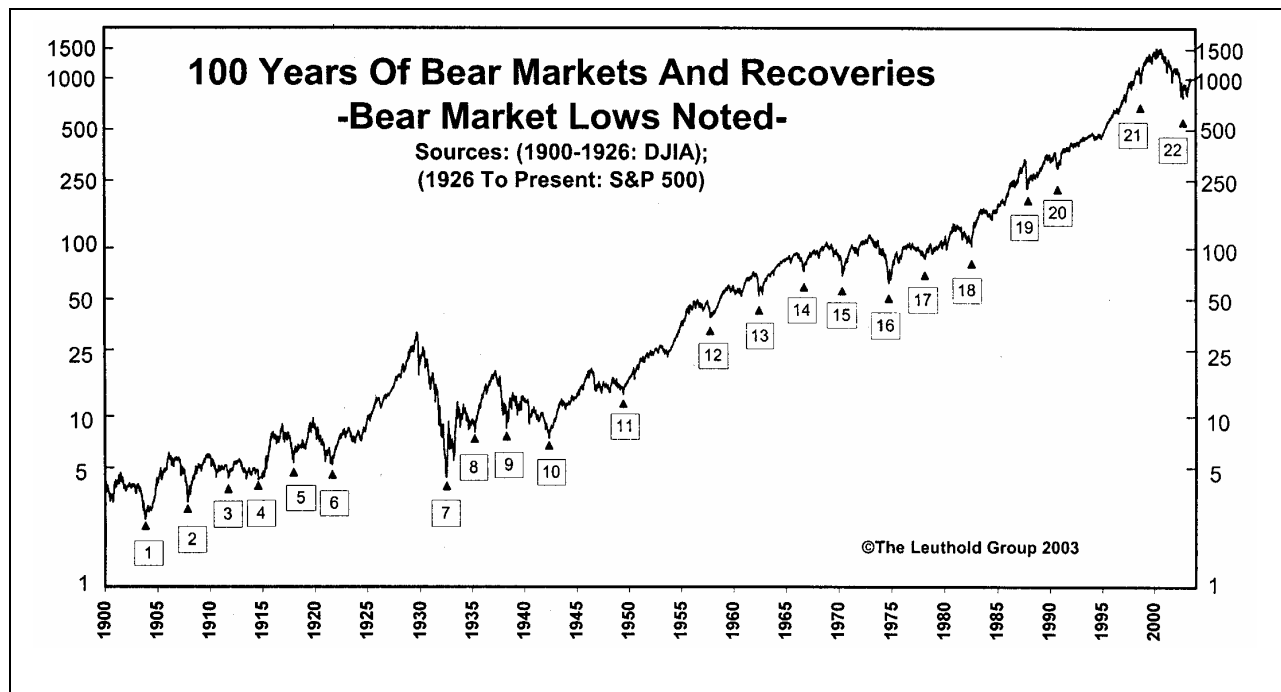
The waterfowl season opened one week earlier than usual this year at noon on Saturday, September 27. The Minnesota DNR duck survey showed a nice increase in the duck population, and therefore, an earlier season was authorized. An ulterior motive, we think, was the desire to provide more shooting for Minnesota residents and less for the hunters "down river" all the way to Louisiana later on in the year. This year's opener at the Hawick duck camp, which was described in our October 1999 letter, was considerably better than last year when the score was hunters 0, ducks 100. This year it was hunters 12, ducks 0. The weather was unseasonably cold, but clear with no rain. The water level was lower than last year (all Minnesota lakes are very low), which made navigation difficult. All in all though, another great experience with family and friends at the duck camp on opening day.

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INVESTMENT MANAGEMENT

WHERE ARE WE GOIN'?

We recall an old song (we don't know whose it was) that said "We don't know where we're goin', but we're goin'." Well, the stock market is goin', and has been, and we think it will continue goin' for a while. In our October letter, we pointed out in a paragraph titled "Searching For The Bottom" that the presidential cycle called for a market bottom in the second year of the presidential term. That predicted bottom last October was also reinforced by the fact that in addition to a four-year cycle bottom, 2002 was also the year of the 20-year cycle bottom, as in 1942, 1962 and 1982. We can now add 2002 to that list. We pointed out that over the years the average gain for the Dow Jones between the mid-term election year low and the high the following year has been about 50%, and for the S&P about the same. This means that if we have that kind of a gain this time around we could shoot for about 1160 on the S&P 500. At this writing the S&P 500 is at 1050, so in terms of that projection it still has a ways to go. Now, we have even better historical information. With the permission of Steve Leuthold of The Leuthold Group and the author, Eric Bjorgen, we are going to show you excerpts from their special research study titled *Examining 100 Years Of Stock Market Recoveries*. According to the study there have been 22 bear market lows since the beginning of the twentieth century, with a bear market defined as a decline of 20% or more. The study, however, also includes two declines which exceeded 19%, but are less than 20%. This means that investors can expect a bear market low about every 4 1/2 to 5 years. These are shown in the chart below.

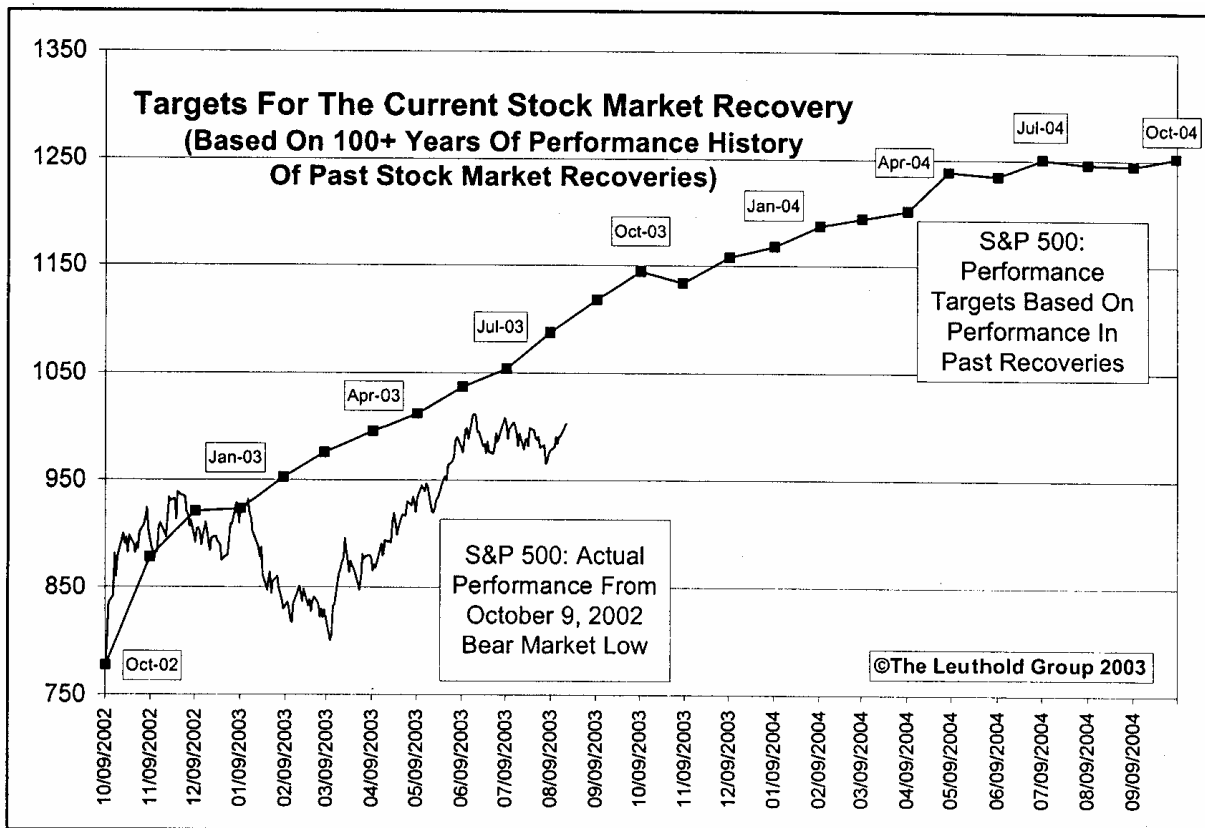


Over this time span the average bear market decline has been 37%, but eight of the 22 bear markets fell by more than 45%. That is what happened in the recent 2000-2002 decline when the S&P 500 was down 49%, the third largest decline in history. And the average bear market lasts about 19 months or a little over 1 1/2 years. Another interesting

fact is that the market has been in a bear market one-third of the time, and the corollary of that, of course, is that it has been in a bull market for about two-thirds of the time. Eric Bjorgen has put all of this data into the table shown on page five which gives both average and median statistics for these bear declines and for one, two, and three years into the recovery. There are three conclusions to be drawn from this statistical information:

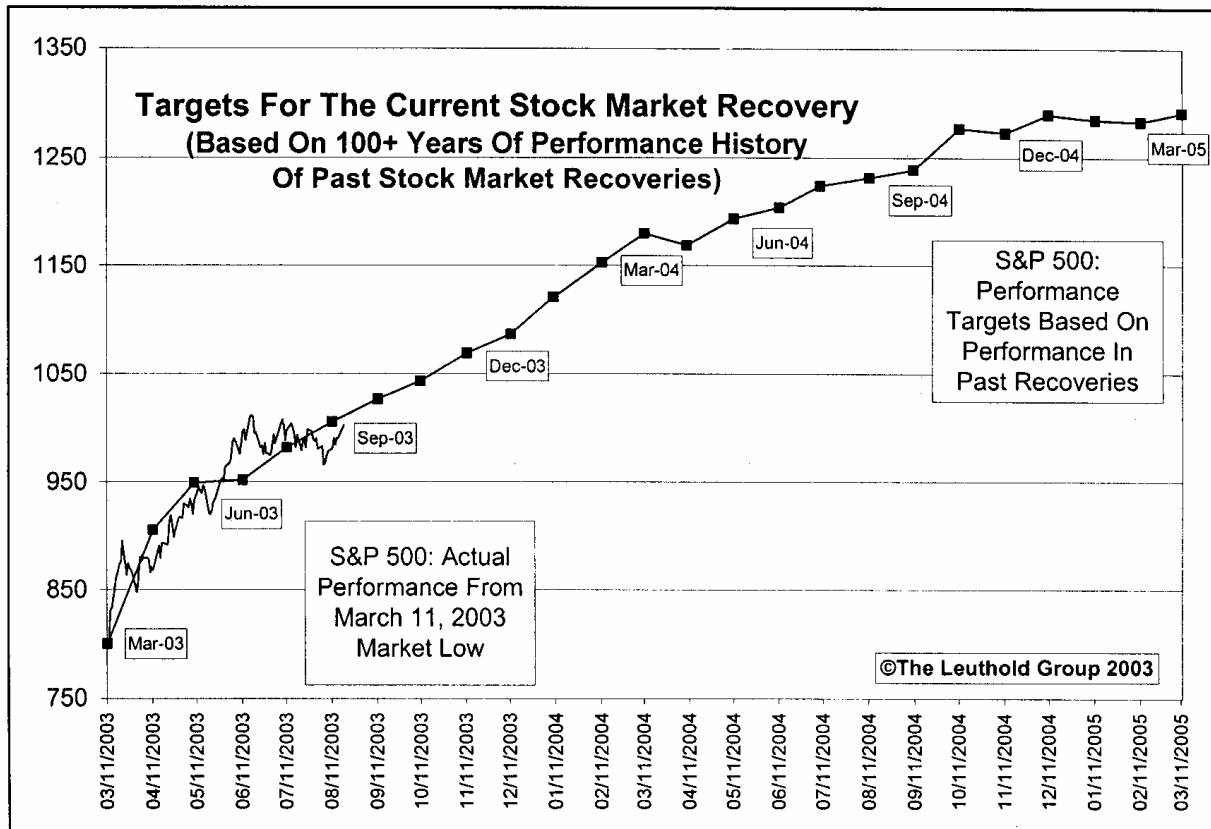
- Most of the stock market gains in the recovery phase occur during the first year.
- Usually, additional gains can be expected in the second year of a new bull market.
- Year three of a stock market recovery is usually not so good, and in over half of the recovery cycles a new bear market developed sometime during that third year.

This is a great table, but when put into chart form it is even more revealing. The chart shown below is a road map for the average recovery during this 100-year period; plotted against that road map is the S&P today with the October 2002 low as the starting point.



It is a surprise to see that despite the dramatic rise off the October lows through the August 19 date of the chart (up 29%) the current market recovery is actually below where the average recovery would be at this time. Probably the decline into the March 2003 low was because of concern over the IRAQ war, but all in all that was a good decline as it bottomed well above the October low, and became a secondary bottom. The Leuthold study also measured market history from the March 2003 secondary low, and that road map is shown in the chart on page four. Here the present market is tracking the average

bear market more closely. The conclusion to be drawn from this is that the present bull market could continue well on into 2004. And, if so, a target of perhaps 1250 for the S&P 500 seems reasonable. This is a level somewhat above the 1160 which we projected using the average recovery from the 4-year cycle low, but nevertheless, seems attainable.



But this marvelous study took it all one step further. Remember, one of the earlier facts mentioned was that the 2000-2002 decline was the third largest on record at 49%. Eric Bjorgen took a look at the eight bear markets that had declines of 45% or more. This information is shown in tabular form on the bottom of page five in the same format as the table describing all 22 bears, at the top of page five. What this shows is that the recovery phase following nasty bear markets is generally much stronger than normal bear market recoveries. The conclusion that can be drawn from this table is that the recovery phase following the particularly brutal bear markets is generally much stronger than bear markets with milder declines. The first year gains following big bear market declines averaged 68% as opposed to the 37% average gain in the first year of recovery from the milder bear markets. So since we have just been through the third worst decline in stock market history, it does seem entirely plausible that the recovery could be stronger and longer than most people expect. In other words, the greater the fall, the greater the rebound! This is not a new concept, as chart followers often look for severe sell-offs, such that the middle of a base, e.g., if the head of a head-and-shoulders bottom is very deep, the measurement from the bottom is much greater. The same principle applies here to the severe bear market decline.

100 Years Of Bear Market Recoveries

(DJIA: 1900-1926; S&P 500 1926 to Present)

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Stock Market Peaks & Troughs			Bear Market Statistics			Performance From Bear Market Low				
Date Of Market Peak	Market Peak Level	Market Trough Level	Date Of Market Trough	Peak To Trough Performance	Duration Of Bear Market	Performance 1 Year Later	Cumulative Perf. 2 Years Later	Cumulative Perf. 3 Years Later		
Jun-17-1901	57.33	30.88	1	Nov-9-1903	-46%	29 Months	59%	93%	122%	
Jan-19-1906	75.45	38.83	2	Nov-15-1907	-49%	22 Months	66%	87%	60% **	
Nov-19-1909	73.64	53.43	3	Sep-25-1911	-27%	22 Months	28%	13% *	-2% **	
Sep-30-1912	68.97	52.32	4	Jul-30-1914	-24%	22 Months	44%	70%	76%	
Nov-18-1916	110.15	65.95	5	Dec-19-1917	-40%	13 Months	25%	59%	5% **	
Nov-3-1919	119.62	63.90	6	Aug-24-1921	-47%	21.5 Months	56%	44% *	62%	
Sep-7-1929	31.92	4.41	7	Jul-8-1932	-86%	34 Months	172%	124% *	141%	
Jul-18-1933	12.20	8.06	8	Mar-14-1935	-34%	20 Months	81%	127%	34% **	
Mar-10-1937	18.68	8.50	9	Mar-31-1938	-54%	12.5 Months	29%	44%	17% **	
Nov-9-1938	13.79	7.47	10	Apr-28-1942	-46%	41.5 Months	54%	59%	98%	
May-29-1946	19.25	13.55	11	Jun-13-1949	-30%	36.5 Months	42%	59%	80%	
Aug-2-1956	49.75	38.98	12	Oct-22-1957	-22%	14.5 Months	31%	44%	37% **	
Dec-12-1961	72.64	52.32	13	Jun-26-1962	-28%	6.5 Months	33%	56%	59%	
Feb-9-1966	94.06	73.20	14	Oct-7-1966	-22%	8 Months	33%	42%	27% **	
Nov-29-1968	108.37	69.29	15	May-26-1970	-36%	18 Months	44%	60%	56% **	
Jan-11-1973	120.24	62.28	16	Oct-3-1974	-48%	20.5 Months	38%	67%	55% **	
Sep-21-1976	107.83	86.90	17	Mar-6-1978	-19%	17.5 Months	13%	25%	49%	
Nov-28-1980	140.52	102.42	18	Aug-12-1982	-27%	20.5 Months	58%	62%	83%	
Aug-25-1987	336.77	223.92	19	Dec-4-1987	-34%	3.5 Months	21%	57%	46% **	
Jul-16-1990	368.95	295.46	20	Oct-11-1990	-20%	3 Months	29%	36%	56%	
Jul-17-1998	1186.75	957.28	21	Aug-31-1998	-19%	1.5 Months	38%	59%	18% **	
Mar-24-2000	1527.46	776.76	22	Oct-9-2002	-49%	30.5 Months	???	???	???	
			Average			-37%	19 Months	47%	61%	56%
			Median			-34%	20 Months	38%	59%	56%

* Notes Loss In Second Year Of Recovery
 ** Notes Loss In Third Year Of Recovery

Recovering From The Nasty Bear Markets (-45% or more)

(DJIA: 1900-1926; S&P 500 1926 to Present)

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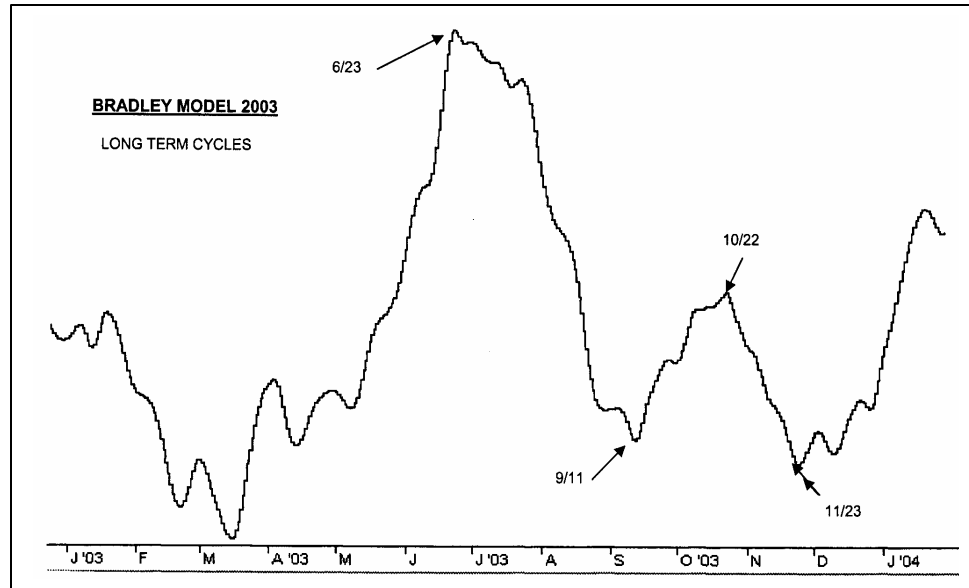
Stock Market Peaks & Troughs			Bear Market Statistics			Performance From Bear Market Low				
Date Of Market Peak	Market Peak Level	Market Trough Level	Date Of Market Trough	Peak To Trough Performance	Duration Of Bear Market	Performance 1 Year Later	Cumulative Perf. 2 Years Later	Cumulative Perf. 3 Years Later		
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Mar-24-2000	1527.46	776.76	22	Oct-9-2002	-49%	30.5 Months	???	???	???	
			Average			-53%	26 Months	68%	74%	79%
			Median			-48%	26 Months	56%	67%	62%
			Average			-27%	16 Months	37%	55%	45%
			Median			-27%	17.5 Months	33%	58%	48%

Bear Markets Down 45% or More →

Bear Markets Down Less Than 45% →

It was one year ago, October 9 to be exact, when the market made a significant bottom. Since then we have seen the “market” bounce back dramatically; up 35% for the Dow, 35% for the S&P, 74% for the NASDAQ and 63% for the Russell 2000. As we noted earlier, there was a major secondary bottom in March and that sell-off shook the tree hard with many investors deciding that it was all over. Yes, this market has climbed that proverbial wall of worry and now that October is here investors are likely to worry more as the fear of October or “Octophobia” becomes evident. We have believed and continue to believe that this

October will be a good month with the traditional October decline reserved for next year. One technical tool we see from time to time is the Bradley Model, a forecasting tool developed in 1948 by David Bradley, detailed in a pamphlet titled *Stock Market Predictions*, which describes the



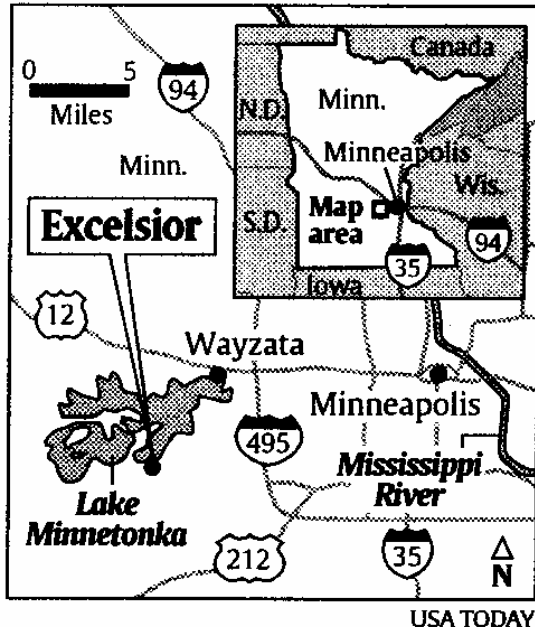
methodology for creating a model of stock market possibilities using harmonic angles between two-planet pairs. The Bradley Model shown in the chart here now looks for a good October, at least through most of the month, with weakness in November and then a further rise into year end. This all correlates with our view of the market.

However, this cyclical bull market has its potentially negative aspects. We have commented in past letters about the 3-Peaks and Domed House stock market pattern, which was developed by George Lindsay, one of the market’s brilliant analysts who also devised other market timing scenarios, including the Count from the Mid-Section and the Top-to-Top Count. Recent articles which we have seen contend that the market is currently scribing the 3-Peaks and Domed House pattern and that October 22, which is also a Bradley turning point date, will be the high and the peak of the Domed House. It is said that most of the market tops in the market over the past 100 years have traced out some version of this pattern. And in fact, George Lindsay himself said, “The most typical 3-Peaks and Domed House formations start at a bear market low and when this has been true the highest point in the pattern has never equaled the top of the previous major bull market.” Another important feature of this market pattern is that the decline from the top of the peak of the Domed House is at least back to the prior low, which in this instance would be to at least 7400 on the Dow. Of course, it always takes a long time for these things to play out, and meanwhile, as in any market, there are always stocks that are doing well and that provide good performance. We should also note that in terms of the George Lindsay Top-to-Top Count, his followers are looking for a high somewhere around October 22.

Thus there seem to be several market timing indicators pointing to some sort of intermediate top around that October 22 date, which was also shown in the Bradley with then an intermediate correction on into November. Following all of this we would expect another advance on into the new year.

THE STARBUCKS NATION

We have been watching the ad campaign which the city of Excelsior has been waging to convince residents that they don't need any "big-box" retailers like Home Depot or Wal-Mart, or any "corporate sameness" stores like Starbucks. In fact, the tag line in the ads is "Secede from the Starbucks Nation."



Now, all of this has made the national press, including a recent article in *USA Today*. For those readers who are not familiar with Excelsior, it is a town of some 2,400 residents on the south shore of Lake Minnetonka, literally opposite our town of Wayzata, as shown on the map. The *USA Today* article noted that a Starbucks regional manager had met with Excelsior civic and business leaders to emphasize that Starbucks, with 7,000 locations, is a good corporate citizen with a respect for community values throughout the world. But a partner in the agency who created the ads says that Excelsior is like no other community in the vicinity. He said "It has soul and uniqueness rather than conformity and sameness." The *USA Today* article also points out that the nearest Starbucks

is in Wayzata, "an upscale town across the lake." **TELL US ABOUT IT!** That Starbucks is next door to Perkins Capital Management and its customers travel over our driveway to park as a result of an easement which ran to the Starbucks building when it was an office for attorneys and then for realtors. We can attest that the traffic is probably twenty times or more greater than it was pre-Starbucks, and when Starbucks' customers want their coffee, **they want their coffee, and they want it now.** They double-park in the driveway, right next to the NO PARKING signs, they park in our private parking spaces, facing directly at our NO PARKING signs, and they even park on the city sidewalk. It seems to us that when good, upstanding citizens from Wayzata and surrounds want their Starbucks coffee "fix" they adopt aggressive behavior. And, when asked to move their illegally parked cars, they become indignant, even occasionally using foul language. The usual response, of course, is "But I'll only be here for a minute," which turns out to be one-half hour or more, depending upon how busy Starbucks is or which friends they encounter. We are not enamored with Starbucks, to put it mildly. Hopefully, Wayzata will not have a big-box retailer such as Home Depot, Wal-Mart or Lowes. We have lived here since 1966 and have had our office in Wayzata for over a dozen years and would prefer to see our community retain its own uniqueness and charm. Mayor Barry Petit and City Manager Al Orsen, please take note.

AHHNOLD

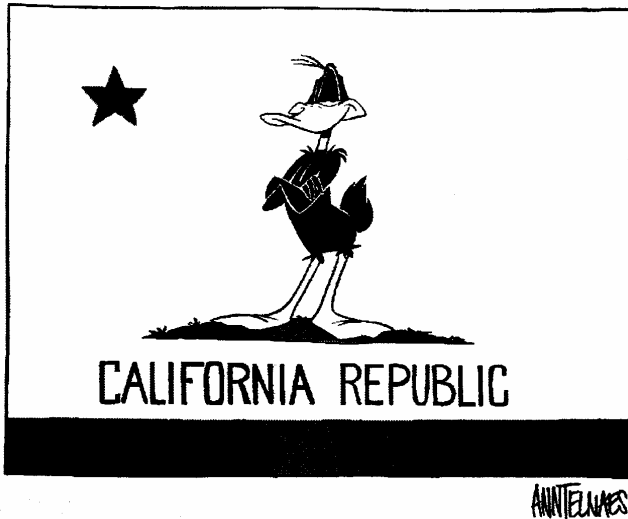
Just a few years ago another gubernatorial candidate was swept into office via a campaign which featured only his first name--JESSE. We wrote about this campaign in our January 1999 letter, where we commented that it was plain to see that he would win the Minnesota governorship. The chant was "Jesse, Jesse, Jesse" with no mention of his last name, which was not his given name anyway. And so it was in California where the gubernatorial recall campaign was waged on the basis of the candidate's first name--ARNOLD. Besides, most Californians probably can't pronounce "Schwarzenegger," and usually refer to him as Schwarzen something. We thought there was little doubt that the voters would recall Davis and give his job to Arnold by a wide margin despite the fact that there were 132 candidates, including Bustamante, the Latino Lieutenant Governor, who incidentally, will remain in office. We are sure you noticed that there were no chants of "Gray, Gray, Gray" and no Gray signs; that first name describes his personality perfectly.

And so, it came to pass in the year 2003 that a 56-year-old Austrian immigrant became the governor of the grand state of California. This was a predication he had made over 20 years ago when he told California Rep. Dana Rohrabacher, when she was an aide to Ronald Reagan, "Dana, some day I'm going to be the governor of California, and I'm going to call on you to write my speeches." It has been enjoyable reading about Arnold, his life history, and his ability to become a success through hard work and discipline, which is the theme that runs through all the articles about him. Al Ruddy, the producer of *The Godfather*, is quoted in *USA Today* saying "When Arnold Schwarzenegger makes up his mind to do something, there is nothing in the world that can stop him." Remember, California is the state from which actor Ronald Reagan sprang to become governor and then president. Could it happen again?

It is worth remembering that this all started with 1.6 million California residents signing a petition to recall their hapless governor who managed to mismanage the state in an unbelievable way. It started with the energy crisis halfway into his first term, which could have been avoided if he would have let utilities raise their rates. But no, he refused and waited, then finally panicked and entered into long-term contracts for electricity at peak prices. After it became clear the taxpayers were going to pay billions for his energy fiasco, he began blaming power suppliers, utilities, Republicans, the legislature and everyone except himself. California residents soon figured that one out. Then there was the hiring boom, when in addition to 45,000 new employees, another 10,000 were hired after the October 2001 "hiring freeze." It really has been quite amazing. As the table shows, California expenditures under Davis are up nearly 45% vs. a 16.5% inflation rate over that time period and a 6.9% population gain. For him it was **easy come easy go**, for when Silicon Valley was booming, so were California's tax receipts, but when the stock market faltered, those tax revenues shrank.

Spending Boom	
California general fund outlays	
Agency	% Chg. 1998-2002
Legislative, Jud., Exec.	66.5%
State & Consumer Services	75.3
Business, Transp. & Housing	133.2
Technology, Trade & Commerce	34.5
Resources	92.5
Environmental Protection	286.1
Health & Human Services	49.1
Youth & Adult Correctional	36.3
K-12 Education	34.2
Higher Education	45.6
General Government	64.5
Total expenditures	44.6
Inflation	16.5
Population change	6.9
Source: UCLA Anderson Forecast	

And yet, the state continued to spend like there was no tomorrow, finally sinking into a \$38 billion deficit hole. California, of course, is a big deal. It's absolutely mind-boggling to think that if it were a country it would have ranked fifth in terms of Gross Domestic Product for the past ten years when compared with countries of the world. From 1992 to 2001, California's GDP was \$1.344 trillion ranking it just behind France and ahead of the United Kingdom and Italy. The United States, of course, is first at \$9.0 trillion, Japan 2nd at \$5.6 trillion and then Germany at \$2.7 trillion. The point is that California is very, very important, not only in terms of where it fits worldwide, but especially where it fits into the U.S. economy. What happens in the California economy is very crucial to the U.S. economy, and now what happens in California politics will be very important to U.S. politics.



But now it is over, and Arnold will soon be in charge. It was quite a scene with scores of last minute accusations of sexual harassment by fifteen women, concerning incidents dating back 20 years. Where were they before? All is fair, it seems, in politics and war, but what Arnold is accused of pales in comparison to the antics of "Teflon Bill" Clinton. Not much has been said about it, but we think a lot of credit for his election should go to his wife, Maria Shriver, from the Kennedy political clan. She has been with him all the way as a supporter and said "Trust me, I am his wife, the mother of his four children,

the woman who knows him best." We are sure that is a true statement.

There were 7,697,784 votes cast with 3,743,393 or 49% for Arnold. Even Larry Flynt, the wheelchair-bound publisher of *Hustler* got 15,454 votes. By the way, he said that Governor Davis was paralyzed from the neck up. And porn star, Mary Carey, received 10,110 votes, no doubt from all her pornographic film partners. Only in California.

PASSINGS

It seems there was always Hope, at least in our lifetimes. Bob Hope, born May 29, 1903, as Leslie Townes Hope in England, died July 27 at the age of 100. As Woody Allan said, "It's hard for me to imagine a world without Bob Hope." That is true for many of us, at least those of us who remember him for his early "Road" pictures, the first of which was *The Road to Singapore* in 1940, with Bing Crosby and Dorothy Lamour. There were seven of them; the last in 1962 was *The Road to Hong Kong*, but the best was probably *The Road to Morocco* in 1942. Hope performed in the Twin Cities many times. The first time was in 1931 at St. Paul's Orpheum Theatre in a vaudeville show, and then in 1953 he entertained Air Force personnel at Wold Chamberlain Field. In 1964 he was Grand Marshall of the

Minneapolis Aquatennial parade, in 1981 he performed at the Carlton Celebrity Theatre, and finally at the 1992 Minnesota State Fair as a substitute for Red Skelton. So, many Minnesotans have seen him here. Our own Harry Lindberg reports having seen Hope in Peoria, Illinois the day before the presidential election in 1980. Hope appeared with presidential candidate Ronald W. Reagan, vice-presidential candidate George H.W. Bush and former President Gerald Ford. He performed without pay for American servicemen throughout the world, playing for an estimated 10 million servicemen and women at 700 bases from 1941 to 1990. But he was perhaps most famous for his theme song "*Thanks For The Memory*," which we all heard countless times over the 59 years of his NBC radio and television appearances. The "Road" movies were from 1940 to 1962, and Perk was in grade school and high school during part of that period, having graduated from high school in 1948. He says he remembers going to these movies at the Westby Theater, and listening to Hope on the radio. In fact, Perk was such a fan that he even signed his classmates' high school yearbooks: "Thanks for the memory--Perk." Here are a few of the verses:

*Thanks for the memory
of rainy afternoons
Swingy Harlem tunes
And motor trips and burning
lips and burning toast and prunes
How lovely it was*

*Thanks for the memory
of candlelight and wine
Castles on the Rhine
Your cozy chair and parties
where we sang Sweet Adeline
How lovely it was*

*And thanks for the memory
of sunburns at the shore
Nights in Singapore
You might have been a
headache but you never were a bore
So thank you so much*

*Thanks for the memory
of sentimental verse
Nothing in my purse
And chuckles when the
preacher said, "For better or for worse"
How lovely it was*

Tough guy Charles Bronson passed away on August 30, at age 81. His story was also "up from the bottom" as he was one of 15 children in a Lithuanian coal mining family in Pennsylvania. After trying coal mining, he was drafted into the army and when he got out, he got into acting. Over the years, he moved from the stage to the movies, and then from bit parts up the ladder to larger parts, and then finally to movies in which he was the star. He is best remembered for the *Magnificent Seven* in 1963, and then of course the series of *Death Wish* films, of which there were four.

The distinctive gravelly bass voice of Johnny Cash was silenced by his death on September 12. This man was loved by fans of all ages for many years. We listened to his music, singing along with him on *A Boy Named Sue* and *Daddy Sang Bass*. Perk remembers seeing Johnny Cash in Minneapolis when he appeared at the Carlton Celebrity Theatre many years ago. That place, by the way, hosted many wonderful entertainers over the years; what a shame that it is gone; the casinos have taken its place. We have always been amazed at the information we glean about our entertainment idols from the lengthy obituaries, and Cash's is no exception. We learned that he was christened J.R. Cash when he was born on February 26, 1932, but it wasn't until 1950 when he enlisted in

the Air Force that he got a real name and then only because the military forms did not allow initials, so the J. became John, and J.R. Cash became Johnny Cash when Sun Records put it on the label of his first hit, *Cry, Cry, Cry* in 1955. The other side was *Hey Porter*, which was followed by *Folsom Prison Blues*, and *I Walk The Line*. In five years he became a star. Another hit along the way (1963) was *Ring Of Fire*, written by June Carter and Merle Kilgore. Cash and Carter became friends and were married in 1968. They had many hits together, but the most famous was *Jackson*. Cash had an image--actually lots of them, part preacher, part ex-con, part liberal champion of the poor, and part old west cowboy. In short, he had something for everyone, and everyone saw and heard something different in him. June Carter Cash died in May and Johnny busied himself recording some 50 songs between then and his recent death. One thing is for sure, he went out in style. Some of the entertainers at his funeral were Emmylou Harris, Kris Kristofferson and Sheryl Crow.

BELIEVE WHAT YOU SEE

Our readers know we often say that as far as the stock market goes, we believe what we see and not what we hear or read. Here we are referring to both technical and fundamental research, e.g., looking at a chart may tell us that the stock feels "heavy" and looks like it can go lower despite glowing reports from brokerage research or the company, or that counting cars in a Best Buy parking lot might give us a message about prospects that differ from what we might hear or read. We certainly wouldn't go as far as Ted Aronson who said in a recent *Barron's* article that his money management organization never speaks to management because "If you see a CEO's lips moving, you know he's lying. Any time I get the urge to talk to a CEO, I take two aspirins and lie down, and usually the feeling passes." The point of all this is that we should have questioned the authenticity of the attachment in our last letter titled KURT VONNEGUT'S MIT GRADUATION SPEECH. We found out shortly after our letter had been printed, via in depth research by Cathy Germain of our operations department, that it was a fraud, and was actually written in 1997 by Mary Schmich, a *Chicago Tribune* columnist. It was to be a clever and funny article in which she fantasized about giving a commencement address to graduating students. After it appeared in the *Chicago Tribune* she received lots of favorable reaction to it. The story would have ended there if someone had not invented the hoax of the year, by taking her column a month after it was published and forwarding it on the Internet under the label Kurt Vonnegut's Commencement Address at MIT. And so, this e-mail message made the rounds all over the world within a few hours, and quickly came to be reviewed by literary critics and praised by Vonnegut fans who were enthusiastic to read the recent words of their favorite writer, especially since they recognized Vonnegut's unique wit and the kind of cynical humor for which he is famous. Even his wife fell victim to the hoax and forwarded the message to family and friends, but one skeptical fan became suspicious, and it wasn't very long before Mary Schmich learned what had happened. She finally did get in touch with Vonnegut and by then, of course, he had heard of the incident from friends and his lawyer. His comment: "It was quite witty, but not my wittiness." Accordingly, we apologize to our readers as we were duped as well as others. As we said, believe what you see, and not what you read or hear.

We think we should stick with humorous stories or jokes for our quarterly addendum, and we hope you enjoy the attachment items this time, just as much as we did when we first read them. They are about our two favorite beings, kids and dogs.

Our cartoon this time seems fitting since one of the funny attachments is RULES FOR DOGS.

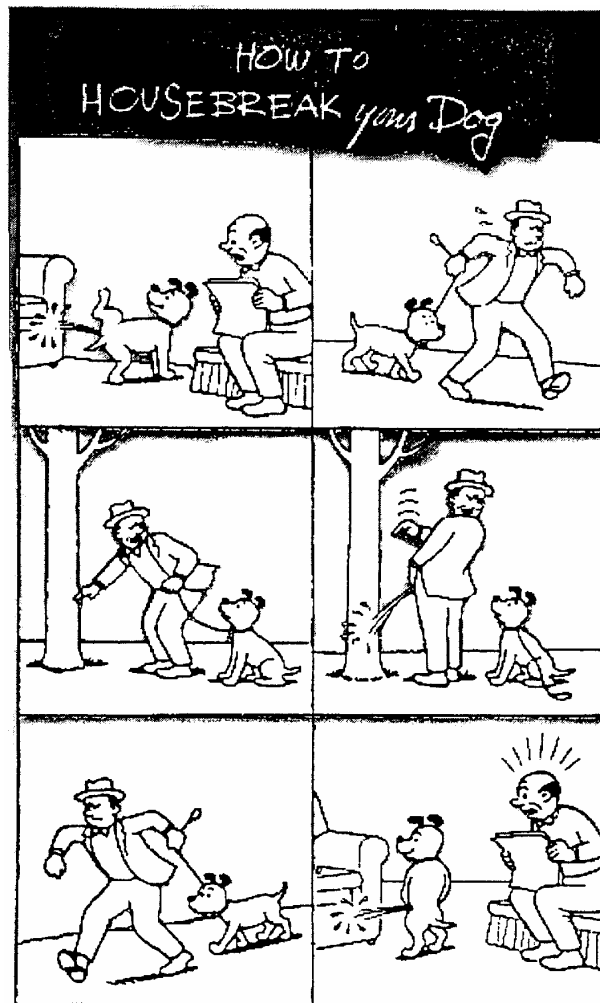
Sincerely,

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



CHILDREN'S SCIENCE EXAM ANSWERS

Q: Name the four seasons.

A: Salt, pepper, mustard and vinegar.

Q: Explain one of the processes by which water can be made safe to drink.

A: Filtration makes water safe to drink because it removes large pollutants like grit, sand, dead sheep and canoeists.

Q: How is dew formed?

A: The sun shines down on the leaves and makes them perspire.

Q: How can you delay milk turning sour?

A: Keep it in the cow.

Q: What causes the tides in the oceans?

A: The tides are a fight between the Earth and the Moon. All water tends to flow towards the moon, because there is no water on the moon, and nature hates a vacuum. I forget where the sun joins in this fight.

Q: What are steroids?

A: Things for keeping carpets still on the stairs.

Q: What happens to your body as you age?

A: When you get old, so do your bowels and you get intercontinental.

Q: What happens to a boy when he reaches puberty?

A: He says good-bye to his boyhood and looks forward to his adultery.

Q: Name a major disease associated with cigarettes.

A: Premature death.

Q: How are the main parts of the body categorized? (e.g., abdomen.)

A: The body is consisted into three parts - the brainium, the borax and the abdominal cavity. The brainium contains the brain; the borax contains the heart and lungs, and the abdominal cavity contains the five bowels, A, E, I, O, and U.

Q: What is the fibula?

A: A small lie.

Q: What does "varicose" mean?

A: Nearby.

Q: Give the meaning of the term "Caesarean Section."

A: The Caesarean Section is a district in Rome.

Q: What does the word "benign" mean?

A: Benign is what you will be after you be eight.

THE LOGIC OF CHILDREN

"Give me a sentence about a public servant," said a teacher. A small boy wrote: "The fireman came down the ladder pregnant." The teacher took the lad aside to correct him. "Don't you know what pregnant means?" she asked. "Sure," said the young boy confidently. "It means carrying a child."

Susie Sunshine asked her Sunday School class to draw pictures of their favorite Bible stories. She was puzzled by Jimmy's picture which showed four people on an airplane, so she asked him which story it was meant to represent. "The flight to Egypt," said Jimmy. "I see . . . and that must be Mary, Joseph, and Baby Jesus," Ms. Susie said. "But who's the fourth person?" "Oh, that's Pontius the Pilot," said Jimmy.

An exasperated mother, whose son was always getting into mischief, finally asked him, "How do you expect to get into heaven?" The boy thought it over and said, "Well, I'll just run in and out and in and out and keep slamming the door until St. Peter says, 'For heaven's sake, Jimmy, come in or stay out.'"

A nursery school teacher was delivering a station wagon full of kids home one day when a fire truck zoomed past. Sitting in the front seat of the fire truck was a Dalmatian dog. The children started discussing the dog's duties. "They use him to keep crowds back," said one youngster. "No," said another, "he's just for good luck." A third child brought the argument to a close. "They use the dogs," she said firmly, "to find the fire hydrant."

Little Johnny watched, fascinated, as his mother smoothed cold cream on her face. "Why do you do that, Mommy?" he asked. "To make myself beautiful," said his mother, who then began removing the cream with a tissue. "What's the matter?" asked Little Johnny. "Are you giving up?"

TRUTHS ABOUT LIFE THAT KIDS HAVE LEARNED

No matter how hard you try, you can't baptize cats.

When your mom is mad at your dad, don't let her brush your hair.

If your sister hits you, don't hit her back. They always catch the second person.

Never ask your 3-year-old brother to hold a tomato.

You can't trust dogs to watch your food.

Don't sneeze when someone is cutting your hair.

Puppies still have bad breath, even after a tic-tac.

Never hold a Dust-Buster and a cat at the same time.

You can't hide a piece of broccoli in a glass of milk.

RULES FOR DOGS

1. Dogs are never permitted in the house. The dog stays outside in a specially built wooden compartment named, for very good reason, the dog house.
2. Okay, the dog can enter the house, but only for short visits or if his own house is under renovation.
3. Okay, the dog can stay in the house on a permanent basis, provided his dog house can be sold in a yard sale to a rookie dog owner.
4. Inside the house, the dog is not allowed to run free and is confined to a comfortable but secure metal cage.
5. Okay, the cage becomes part of a two-for-one deal along with the dog house in the yard sale, and the dog can go wherever the hell he pleases.
6. The dog is never allowed on the furniture.
7. Okay, the dog can get up on the old furniture but not the new furniture.
8. Okay, the dog can get up on the new furniture until it looks like the old furniture and then we'll sell the whole damn works and buy new furniture...upon which the dog will most definitely not be allowed.
9. The dog never sleeps on the bed. Period.
10. Okay, the dog can sleep at the foot of the bed.
11. Okay, the dog can sleep alongside you, but he's not allowed under the covers.
12. Okay, the dog can sleep under the covers but not with his head on the pillow.
13. Okay, the dog can sleep alongside you under the covers with his head on the pillow, but if he snores he's got to leave the room.
14. Okay, the dog can sleep and snore and have nightmares in bed, but he's not to come in and sleep on the couch in the TV room, where I'm now sleeping. That's just not fair.
15. The dog never gets listed on the census questionnaire as "primary resident," even if it's true.

QUOTATIONS OF DOG LOVERS

"The reason a dog has so many friends is that he wags his tail instead of his tongue."
-Anonymous

"Don't accept your dog's admiration as conclusive evidence that you are wonderful."
-Ann Landers

"If there are no dogs in Heaven, then when I die I want to go where they went."
-Will Rogers

"There is no psychiatrist in the world like a puppy licking your face."
-Ben Williams

"A dog is the only thing on earth that loves you more than he loves himself."
-Josh Billings

"The average dog is a nicer person than the average person."
-Andrew A. Rooney

"We give dogs time we can spare, space we can spare and love we can spare. And in return, dogs give us their all. It's the best deal man has ever made."
-M. Facklam

"If I have any beliefs about immortality, it is that certain dogs I have known will go to heaven, and very, very few persons."
-James Thurber

"A dog teaches a boy fidelity, perseverance, and to turn around three times before lying down."
-Robert Benchley

"Dogs need to sniff the ground; it's how they keep abreast of current events. The ground is a giant dog newspaper, containing all kinds of late-breaking dog news items, which, if they are especially urgent, are often continued in the next yard."
-Dave Barry

"Women and cats will do as they please, and men and dogs should relax and get used to it."
-Richard W. Perkins