PERKINS
CAPITAL
MANAGEMENT, INC.

January 25, 2005

Dear PCM Client:

After the market close on December 31, we opened several bottles of champagne and raised our glasses to toast the end of our 20th year in business. Yes, PCM is 20 years old and now going on 21. Perk reminisced how it had happened. He came to Piper Jaffray in May of 1966 after a year managing the Standard Oil of Ohio Pension Fund in Cleveland, which had followed on the heels of his experience at the American National Bank and Trust in Chicago, and six years as assistant manager of the Mayo Foundation Endowment Fund. At Piper, Perk started the Institutional Research and Sales Department with Mort Silverman; they called on institutional prospects in the morning, visited companies in the afternoon, and wrote research reports in the evening. It grew, others were hired, and additional research products were added. International clients soon beckoned and George Meeks joined to team up with Perk internationally, while Susan Niefeld and Robb Gilman teamed with him domestically. Perk's son, Dan, had been an auditor for Modern Merchandising and when the company was sold to Service Merchandising the headquarters moved east, and Dan went back to school for a Masters Degree. In 1984, after he received his degree, he went scouting for an investment analyst opportunity. It was then that Perk had an epiphany. Why not leave the mother ship and set sail with Dan in our own money management boat? And so it was, that Perk fled from Piper at the end of September 1984 and the doors at PCM officially opened on January 1, 1985 with the grand sum of $10 million under management from some individual accounts of Perk's friends and family. And, by the way, all of those accounts are still with us. We rented 1350 square feet at 919 Twelve Oaks Center, hired one Judy Florestano (a Piper refugee) as a secretary, and we were off and running. Dan had spent the previous six months getting all the computers, software, and other office necessities together. That summer Nancy Lindberg (Stendahl) joined the firm (she had also been at Piper), then in early 1987 Harry Lindberg joined as marketing director. In the fall of 1987, Chris Dvorak, who had been a technical analyst and chartist for Perk at Piper, took on the same duties at PCM. After the 1987 market crash, Merrill Lynch closed their Wayzata office, and in 1989 we moved to the vacant Merrill Lynch space over Sunsets restaurant in Wayzata. Son Dick finally joined in July 1990; he had been a General Mills grain trader and a Piper Jaffray broker for twelve years and since we wanted a family firm, he became part of the team. When we saw an opportunity to buy our own building just down the street, we did, remodeled and moved into it in late 1993. As we grew, more operations staff was needed, which included Cathy Germain and Jodi Peltier and our trader, June Wallerius. Subsequently, our receptionist, Kit Pike, joined the team as well as Jill McClure, our present operations supervisor, Julie Hecksel, Perk's assistant and Elise Brown, Dick's

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assistant. Sue Horn and Kenda Arthur-Engle joined as part-time workers, and now Sue (another Piper Jaffray veteran who had left Piper to start a family) has joined PCM as a full-time employee. Finally, Lisa Schmidt (Goodrich) our compliance officer, who was also a Piper Jaffray employee, joined us in 1997. Marlene Peterson, who was an early employee at the Twelve Oaks office, left to go on to bigger and better things, but she still is part of the PCM family doing bookkeeping for Perk. Perk says it has been a wonderful experience for him working with his sons, and others, such as Nancy and Chris, who worked with him at Piper. For a while we were called Piper West.

Our growth has been modest, but steady, except for a bulge in mutual fund assets in 1995-1996, and while we manage only $300 million, we have the systems and capacity to manage several times that amount. We manage two small mutual funds, and a performance fee-based partnership, as well as numerous accounts for individuals, pension and profit sharing plans, foundations, and other pools of capital. Our clients are primarily in the Midwest, although we have them in many states from Connecticut to California. And while the performance results have varied somewhat by account, as they are separately managed and began at different phases of the market, we have achieved overall results better than many market averages for the twenty years we have been in business. And so, HAPPY BIRTHDAY TO PCM, AND MAY YOU HAVE MANY MORE TO COME!

THE YEAR BEHIND US

Looking backward, which is always easier than looking forward, reveals some significant events during 2004. Foremost in our minds is how the Iraq war turned into a quagmire reminiscent of Korea and Vietnam. It became much more difficult and costly in terms of both human lives and dollars than was originally thought. Wars are evidently as difficult to predict as the stock market. Unfortunately, for America there is no turning back or any way to have a change of mind. In the words of the poet, Omar Khayyam, “The moving finger writes; and having Writ, moves on: nor all thy piety nor wit shall lure it back to cancel even half a line.”

Certainly, the most important event of the year was the presidential election. It was a cliff-hanger, and there were times that it did not look good for George Bush. But Kerry was shown to be transparent while Bush never swerved from his posture on the war, the economy and taxes. The result has Republicans falling all over themselves to savor the result. George Bush became the first incumbent president to increase his majority in both the Senate and the House, and to increase his own vote by over 3.5 million. And he is the first president to win more than 50% of the popular vote since 1988. The Republican high point, however, was the defeat of Sen. Tom Daschle, the first Senate party leader in more than 50 years to be voted out of office. And as a final note, the outcome proves that even George Soros cannot buy a presidential election.

Mother Nature was on a total rampage last year. First came the fires in the California foothills, denuding the land and burning hundreds of homes, and later, rain and mud slides. Moving east, she gave Floridians three back-to-back hurricanes, Charley, Frances and Jeanne, each of which had demolished homes and boats in a wave of mass destruction in the Caribbean before pounding Florida. Now, near the end of the year, there were the December Christmas snowstorms dumping up to three feet of snow in Indiana, and wreaking havoc with travel both via ground and air. But all this pales in comparison to what she decided to do in the last week of the year, an undersea earthquake off the coast of Indonesia, which resulted in the tsunami that at last reckoning has killed over 200,000 people, and caused irreversible damage totaling into the billions. She is a force to be feared at times.

Last year the stock market performed pretty much as we outlined in our letter a year ago. To begin, the so-called early warning system developed by Yale Hirsch gave a bullish reading for the year with a 1.8% gain for the first five trading days of the new year. And the election cycle worked again as the market, measured by the S&P 500 was up 9%. The performance of selected indexes for the fourth quarter, and the year, are shown here. So, our prognosis for the year in our January letter was pretty much on the mark. Let's hope we can do as well this year.

Indexes	% Return 4Q 2004	% Return 12/31/2003 Through 12/31/2004
S&P 500 Total Return	9.23	10.88
S&P Small-Cap 600 Total Return	13.00	22.65
Russell 1000 Total Return	9.80	11.40
Russell 2000 Total Return	14.09	18.33
Dow Jones Industrial Average	6.97	3.15
NASDAQ Composite	14.69	8.59

THE YEAR AHEAD

It is our custom to devote a good portion of our January client letter to our view of the market for the coming year. As usual, there are widely dissenting views emanating from the Wall Street experts. On one hand, the decennial pattern calls for the fifth year rise, and it is hard to imagine a top in the market with the advance decline line at new highs. On the other hand, followers of Martin Armstrong's 8.6-year economic cycle have pinpointed January 3, 2005 as a top; this is the cycle that called the 1987 crash to the day! The Elliottians tell us that based on their Fibonacci count, the market is at a top and we are about to embark on a multi-year decline. Likewise, followers of the three peaks and a domed house theory, developed by George Lindsey, see a top early in the year. And the early warning first five days indicator was negative this year, as the S&P 500 was off 2.1% and the Dow 1.9% in January's first five trading days.

Perk says it all reminds him of the 1945 Benny Goodman tune, "Gotta Be This or That." For those of you who are too young to remember, here it is:

If you ain't wrong, you're right
If it ain't day, it's night
If you ain't sure, you might
Gotta be this or that

If it ain't dry, it's wet
If you ain't got, you get
If it ain't gross, it's net
Gotta be this or that

If it ain't a frown, it's a clown
If it ain't white, it's brown
If it ain't up, it's down
Gotta be this or that

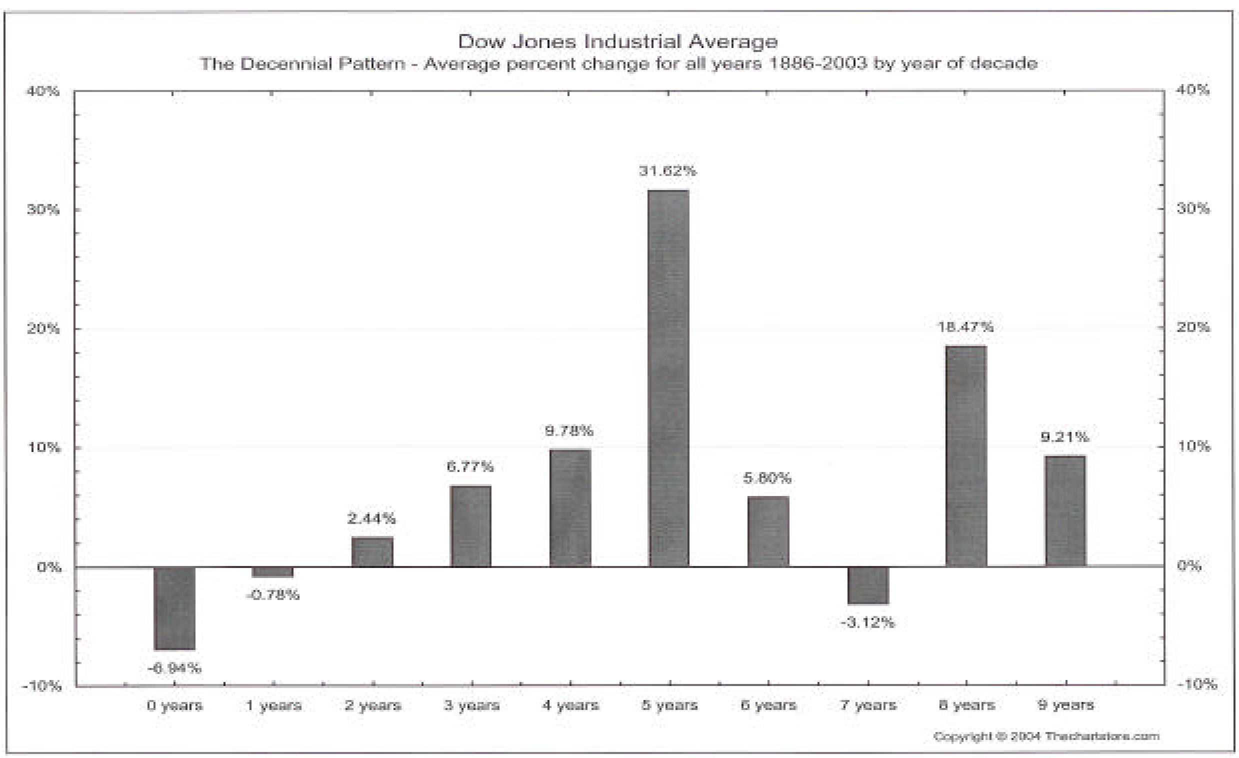
We wrote the last verse. So which is it, this or that? Up or down? We have followed and been believers in the decennial pattern and other cycles for many years, and they have stood the test of time for us. Let's look at the statistics. The table here shows the ups and downs of the Dow Jones Industrial Average by decade from 1891-1900 through 1991-2000 and then the four years of 2001-2004.

YEAR OF DECADES - ANNUAL PERCENTAGE CHANGE FOR DJIA

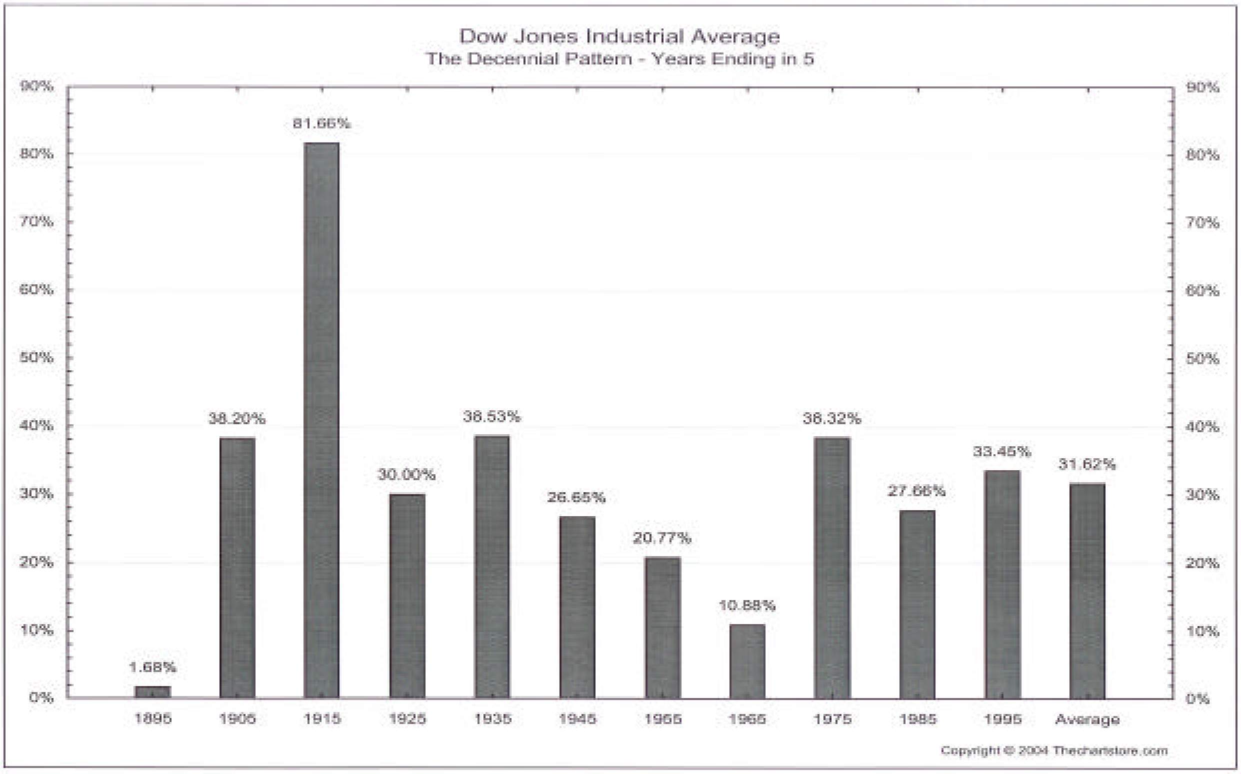
DECADES	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
1891-1900	x	x	x	x	x	x	+22.2	+22.5	+9.2	+7.0
1901-1910	- 8.7	- 0.4	-23.6	+41.7	+38.2	- 1.9	-37.7	+46.6	+15.0	-17.9
1911-1920	+ 0.4	+ 7.6	-10.3	- 5.1	+81.7	- 4.2	-21.7	+10.5	+30.5	-32.9
1921-1930	+12.7	+21.7	- 3.3	+26.2	+30.0	+ 0.3	+28.8	+48.2	-17.2	-33.8
1931-1940	-52.7	-23.1	+66.7	+ 4.1	+38.5	+24.8	-32.8	+28.1	- 2.9	-12.7
1941-1950	-15.4	+ 7.6	+13.8	+12.1	+26.7	- 8.1	+ 2.2	- 2.1	+12.9	+17.6
1951-1960	+14.4	+ 8.4	- 3.8	+44.0	+20.8	+ 2.3	-12.8	+34.0	+16.4	- 9.3
1961-1970	+18.7	-10.8	+17.0	+14.6	+10.9	-18.9	+15.2	+ 4.3	-15.2	+4.8
1971-1980	+ 6.1	+14.6	-16.6	-27.6	+38.3	+17.9	-17.3	- 3.2	+ 4.2	+14.9
1981-1990	- 9.2	+19.6	+20.3	- 3.7	+27.7	+22.6	+ 2.3	+11.8	+27.0	- 4.3
1991-2000	+20.3	+ 4.2	+13.7	+ 2.1	+33.5	+26.0	+22.8	+16.0	+25.2	-6.2
2001-2010	-7.2	-16.8	+25.3	+ 3.1						
Total Gain	-39.6	+24.9	+102.3	+135.8	+1709.4	+63.4	-32.4	+475.9	+119.5	-61.9
Years Up	6	7	6	8	10	6	6	9	8	4
Years Down	5	4	5	3	0	4	5	2	3	7

Source: Growth Fund Research, Inc.

Clearly the fifth year has been the best by a wide margin, up 1,709% since 1905 with the eighth year a distant second, up 476% for nine decades. Pretty impressive, we think. But let's look at the same numbers in a different form, the percentage changes for all the years from 1886 to 2003. Here we see again how powerful the fifth year rise has been. But not



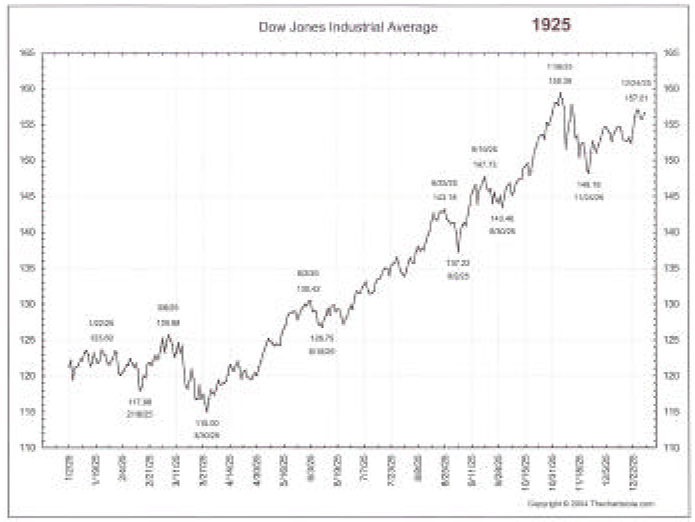
all fifth years are created equal. The results are skewed by the 81.7% rise in 1915, the 10.9% rise in 1965, and the 1.7% rise of 1895. Eliminating those three outliers, the average fifth year rise has been 31.7%, the same as if they were left in. The rest of the story is that the fifth year rises following a fourth year presidential election are up an average of 26%, including the paltry 10.9% rise in 1965. The chart below shows in graphic form the same information shown in the table on page four.

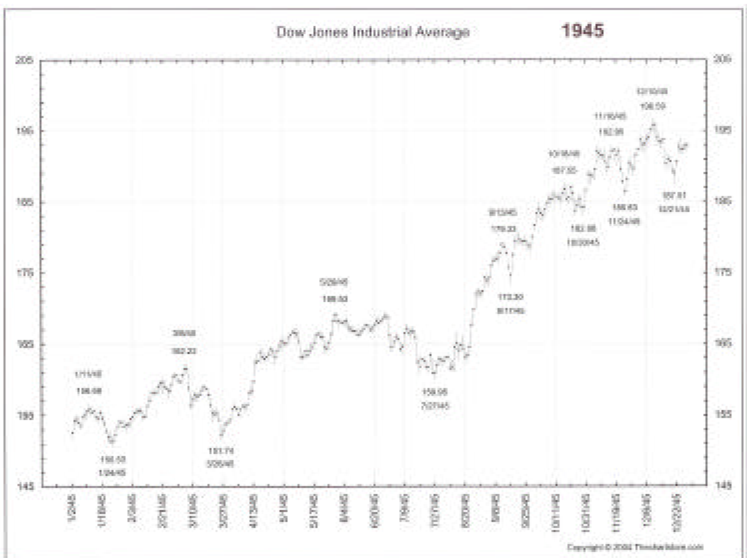


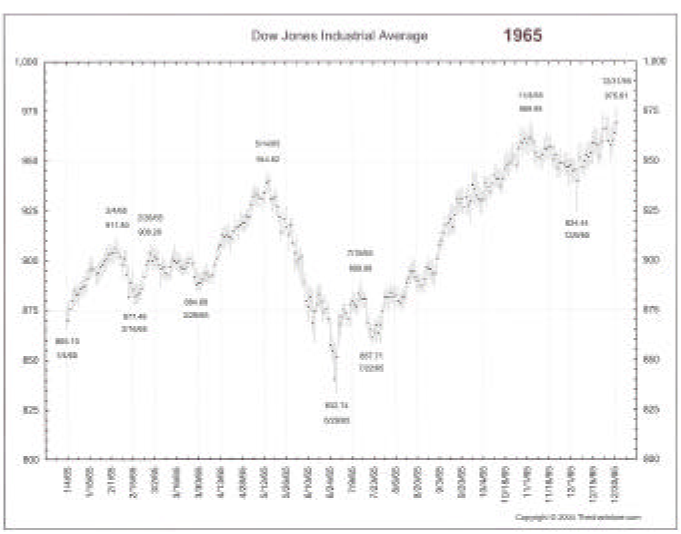
The next page shows the charts of the Dow for those fifth years which followed a fourth year presidential election. Incidentally, in each of those years the incumbent president was returned to office, and of further interest is the fact that the low for those fifth years occurred in January with a few minor exceptions, and one major, as shown below.

FIFTH YEAR LOWS		
Year	**Date**	
1905	January 25	
1915	January 2	February 24th closed less than 1% lower
1925	March 30	This was the only major exception
1935	January 15	Nine days in March closed lower, then straight up
1945	January 24	
1955	January 18	
1965	January 4	Five days in June closed slightly lower
1975	January 2	
1985	January 4	
1995	January 30	


Dow Jones Industrial Average
1905

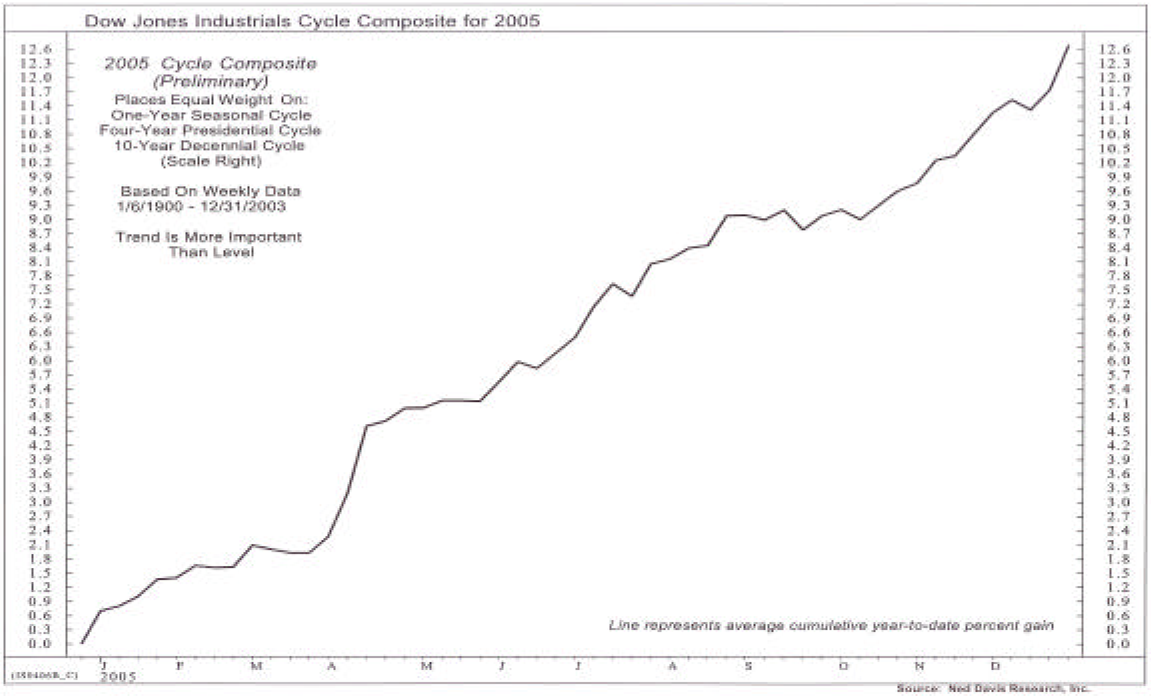

Dow Jones Industrial Average
1925


Dow Jones Industrial Average
1945

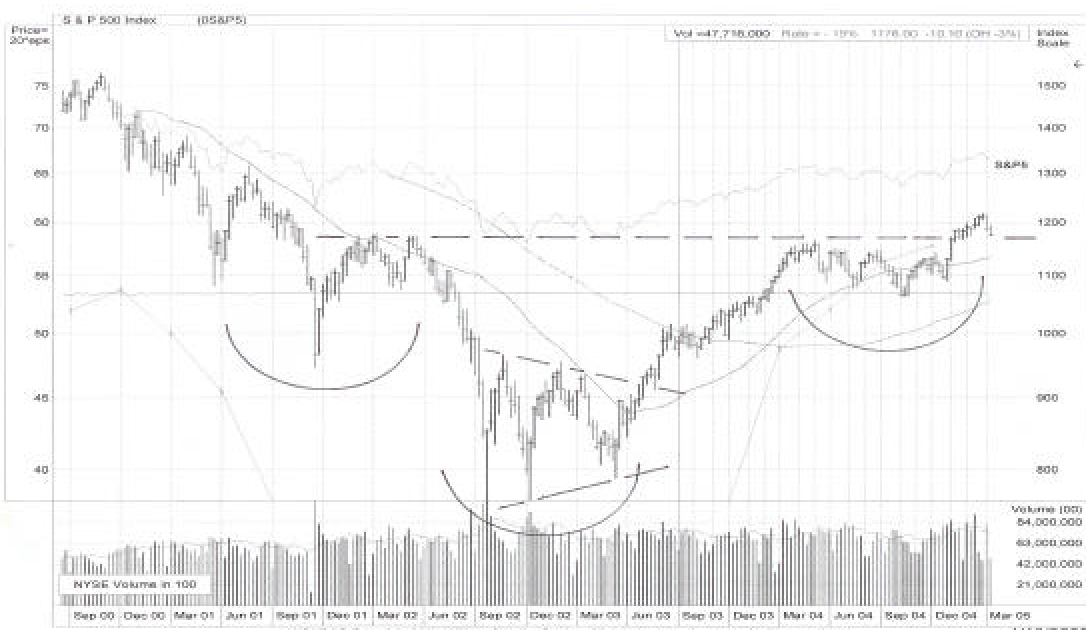

Dow Jones Industrial Average
1965


Dow Jones Industrial Average
1985

In our January letters we have often shown the Ned Davis projection for the market for the coming year based upon his combination of the one-year Seasonal Cycle, the Four-Year Presidential Cycle and the 10-Year Pattern. This chart is very telling—it is UP, UP, UP. His predictive charts based on these cycles have been quite accurate in the past, and we must say we believe this is a good prognostication for 2005.



Now let's turn to a chart that we think sums it all up. The S&P 500 as well as NASDAQ have made what we consider to be a "base" in technical parlance. Both averages have



formed a head and shoulders bottom, the reverse of a head and shoulders top. In the chart of both the S&P 500 and NASDAQ, you will see a left shoulder, a lower head, and then a right shoulder, which results in a somewhat symmetrical pattern, something that is often seen in charts. The upward measurement from such bottoms is the "mirror image" we have discussed many times before. In other words, the depth from the neckline to the bottom is added to the top of the neckline, which gives the measurement projection. In the case of the S&P 500, it is back about to the old high of 1527 and for NASDAQ the measurement suggests a move back toward the old high close of 5048. Hard to imagine, but as we have said many times in the past, "BELIEVE WHAT YOU SEE," and what we see is a bottom in many market averages and, more importantly, in the charts of many individual stocks.

For the moment let's assume that the market performs as outlined during the coming year. But as we know, after market rises we have declines; in other words, what goes up, must come down. For a preview of what we are likely to show you next January, a year from now, refer to the table shown here. Going back in history, looking at only those five presidential election years that took place in the fourth year of the decade, we note that following the fifth year rise the market topped in the sixth year, with the exception of the 1984 election year when the Reagan bull market carried on until August of 1987 and we had the huge October market crash. Look back at the table on page four showing the percentage gain by years and you will see that the sixth year top presages negative results for the seventh year, creating a bottom which prepares the market for the eighth year rise. History does repeat. In the words of Solomon, "That which was, is that which shall be, for there is nothing new under the sun."

FOUR YEAR CYCLE TOPS

Election Year	Start Decline
1896	1899 - 9/5
1900	1902 - 6/17
1904	1906 - 1/19
1908	1909 - 11/19
1912	1912 - 9/30
1916	1916 - 11/21
1920	1919 - 11/3
1924	1926 - 2/11
1928	1929 - 9/3
1932	1930 - 4/17
1936	1937 - 3/10
1940	1938 - 11/12
1944	1946 - 5/29
1948	1948 - 6/15
1952	1953 - 1/5
1956	1956 - 4/6
1960	1961 - 12/13
1964	1966 - 2/9
1968	1968 - 12/3
1972	1973 - 1/11
1976	1976 - 9/21
1980	1981 - 4/27
1984	1987 - 8/25
1988	1990 - 7/17
1992	1994 - 1/31
1996	1998 – 7/17
2000	2000 – 1/14
2004	2006?

The question that needs to be answered is why the fifth year rise takes place decade after decade. In our July 2004 letter in a section titled "TIME CYCLES IN THE STOCK MARKET," we examined this phenomena. We reported that Peter Eliades, author of the Stockmarket Cycles newsletter, and a student of time cycles for over 30 years, commented about this decennial pattern in his May 11, 2004 newsletter. He said that the decennial pattern is more than likely a function of the well-known 40-month cycle. This cycle is actually 40.22 months long or 1,224.5 calendar days, so three of these cycles placed back-to-back last just over 120 months, or 10 years. He noted that there is a very long-term consistency for this cycle pattern. The bottoms prior to fifth year rises took place in July 1904, August 1914, August 1924, September 1934, October 1944, October 1954, November 1964, December 1974, December 1984, and January 1995. The next decennial bottom is due on February 9, 2005. The reason for bottoms now coming early in the fifth year is that the cycle moves forward ever so slightly each year, because it is 40.22 months long and not 40. One of the problems today is that we had a major bottom in the market averages in October of 2004, which has been a pretty standard thing in recent memory, i.e., an autumn bottom. This is engraved into our memories because of the October 1987 bottom which really had nothing to do with this particular time cycle. But how can we have a bottom in early February of 2005 when we have had a dramatic rise in the markets since last October? There are only two possible scenarios: we will have a dramatic correction between year end and early February, or there will not be a real bottom, but simply a low for the year as pointed out earlier. Our expectation is that there will be a fifth year rise (despite the naysayers), and whether there is a major bottom in late January or early February or whether there just is a low for the year in that time frame, there nevertheless will be a rise during this fifth year and on into a top in the sixth year. We suspect, however, that the rise may be somewhat less than the 26% average rise that we have seen in the past. The smallest gain was 10.9% in 1965 and the largest gain was 81.7% in 1915. Our guess is that it will be somewhere in the 15% to 20% range which, nevertheless, is very respectable. We are sticking our neck out and are "going against the grain" of current market sentiment. We discuss where to invest next.

GAIN VS PAIN

ANNUAL ASSET CLASS RETURNS

Year	Large U.S. Stocks	Small U.S. Stocks	Non-U.S Stocks	Long-Term U.S. Gov't Bonds
1974	-26.57	-19.95	-19.56	**3.36**
1975	37.23	**52.82**	31.02	9.08
1976	23.60	**57.38**	2.33	17.44
1977	-7.49	**25.38**	16.14	1.30
1978	6.36	23.46	**31.42**	-1.11
1979	18.24	**43.46**	9.42	-0.87
1980	32.17	**39.88**	23.47	-2.96
1981	-5.11	**13.88**	-3.86	0.48
1982	21.44	28.01	-1.30	**42.08**
1983	22.45	**39.67**	23.84	2.23
1984	6.11	-6.67	2.95	**14.80**
1985	31.60	24.66	**50.79**	31.54
1986	18.57	6.85	**65.31**	24.08
1987	5.14	-9.30	**24.24**	-2.67
1988	16.32	22.87	**27.46**	9.24
1989	**31.33**	10.18	11.14	19.03
1990	-3.25	-21.56	-23.08	**6.29**
1991	30.40	**44.63**	12.04	18.68
1992	7.59	**23.35**	-12.27	8.09
1993	10.04	20.98	**32.21**	17.42
1994	1.24	3.11	**7.35**	-7.73
1995	**37.45**	34.46	11.41	30.90
1996	**22.84**	17.62	6.87	-0.84
1997	**33.31**	22.78	2.27	15.12
1998	**28.54**	-7.31	18.76	13.41
1999	21.02	**29.79**	27.93	-8.73
2000	-9.08	-3.59	-13.37	**20.29**
2001	-11.87	**22.77**	-21.40	4.34
2002	-22.11	-13.28	-15.80	**16.99**
2003	28.55	**60.70**	39.42	2.61
Mean	12.34	17.50	12.12	10.13
Risk (St. Dev.)	20.44	33.32	21.81	12.23

Source: Ned Davis Research, Inc.

Looking at the return of various asset classes since 1974, the year of the market bottom proceeding the great 25-year bull market, we see that small company stocks as measured by the Ibbottson Small Company Total Return Index have had a mean return of 17.5% per annum, but with greater risk, showing a standard deviation of 33.3%. Large U.S. stocks, however, as measured by the S&P 500 Total Return Index have compounded at 12.3% over the period, but with less risk as shown by a standard deviation of 20. Non-U.S. stocks have literally matched the S&P numbers, with long-term U.S. government bonds showing the smallest appreciation and the least risk. All this is as you would expect; the greater the pain the greater the gain, and vise versa. In another words, to achieve superior performance in smaller stocks one takes on a greater degree of risk and volatility. Our accounts which are invested in small-cap names have for the most part done better than those holding larger names, but as our clients know there is greater volatility, so the message is clear. If you want less risk and are willing to pay a little for it, we should design an S&P 500 oriented portfolio for you. We do have such portfolios now, for trusts, individuals, IRA rollovers, foundations and profit sharing or pension plans. Some clients have two portfolios—one of each orientation.

THE "TELLY" TAX

And so you thought the U.S. was bureaucratic and that the tax authorities are heavy-handed? According to a wonderfully humorous recent *New York Times* article, the British citizens who own a television are obligated to pay a £121 fee annually to the BBC (British Broadcasting Co.) which amounts to about $230. Despite all of his years of travel to the U.K., this is not something of which Perk was aware. The article revolves around one Paul Oldham, a 44-year-old website designer, who does not now own a television, having given it up many years ago. However, Mr. Oldham gets stern letters in the mail informing him that he owes this tax and if he is found to be harboring one illegally at his home, just north of Cambridge, he could be fined £1,000 or, in fact, go to jail. The agency, which is called TV Licensing, has a general policy of assuming that everyone has a television, because as a spokesman said, "last year half the people who claimed not to have one were found to be using one and therefore needed a license when we checked their premises." And so, the TV Licensing agency has officers in the enforcement division who can drop in for a little television hunting expedition at the homes of those poor sods who don't have one. These license fees date back to the 1920s when the BBC charged its first customers 50 pence a year for the privilege of owning a radio. For decades the BBC was a monopoly, and the fee which was expanded to include television in 1946 was then easy to justify. But now the broadcasting landscape has changed and BBC television is now competing with many commercial stations for advertising and viewers. Although the other stations don't receive a share of the license revenue, the government has pledged to keep the current system in place. The article points out that the fee is very much a part of British life and that it is a criminal offense for anyone who has a television not to pay it whether they watch the BBC or not. It turns out that 12% of the caseload in magistrates courts are television fee evasion cases and although most of those who are found to be evaders are fined, 20 people were imprisoned for nonpayment last year. It is hard to believe, but enforcement officers visit homes and businesses about 3 million times a year, and they have a variety of weapons that help them, the best of which is a law that requires retailers to notify the government whenever someone buys a television. Then there is a database with television-owning information about 28 million Brits, and there are specially equipped vans and handheld devices that can detect unlawful watching. If television ownership cannot be detected by one of those means, the final step is a visit to the home which purpose is to identify owners of televisions so that the fee can be collected and the owner can be added to the list of owners. Often a search warrant is required if there is significant evidence of television viewing so that the enforcement agents can actually see that there is a television in the home. The article goes on to say that more than 1,000 people a day or approximately 380,000 in 2003 were caught watching television without a license.

Now on second thought, maybe it wouldn't be such a bad thing after all to have a television license fee. That way when you don't want your kids or your grandkids, as the case may be, to be watching certain television shows, you can just say "We don't have a television because we can't afford to pay the tax."

PASSINGS

Artie Shaw, born in May 1910 as Arthur Arshawsky to Jewish immigrant parents, grew up in the Lower East Side of Manhattan. He passed away at age 94 on December 30. Artie Shaw and Benny Goodman were often compared to each other as they were the same age, played during the 1930s in New York, frequently sitting side by side in radio-network studio orchestras. Ultimately, he was challenging Goodman's reign as King of Swing in the late 1930s with his famous recordings of Begin the Beguine, Lady Be Good and Stardust. But success was too much for him and he dropped out to Mexico. When he came back it was with a new vigor, and a new tune called Frenesi which launched him in his second career which ended in March 1954 when he retired at age 43. As he said in a 1994 interview, "I did all you can do with a clarinet. Any more would have been less." He was married an astonishing eight times to women such as Elizabeth Kern, the daughter of Jerome Kern, three movie stars, (Lana Turner, Ava Gardner, and Evelyn Keyes), and Kathleen Winsor, who wrote "Forever Amber." He was also divorced eight times! What a guy! Perk remembers lying awake late at night listening to network radio in the late 1930s and the early 1940s. The artists were Benny Goodman, Glenn Miller, Stan Kenton and Artie Shaw, and he was a fan of all of them. He plays their music today and listened to Artie Shaw while writing this summary of his life, much of which was taken from *The New York Times*. That "obituary," by the way, was written by the late New York Times jazz critic, John Wilson, who had written an extensive article about Shaw before he died in 2002.

Many of our older readers will remember James J. (Jimmy) Ling, one of the conglomerate builders of the late 1960s, who died on December 17 at the age of 81. The 1950s and the 1960s gave birth to the conglomerate, and Jimmy Ling of LTV was one of an elite group who built companies literally from scratch via aggressive acquisitions. Others were Harold Geneen of International Telephone and Telegraph and Charles G. Bluhdorn of Gulf & Western Industries. Ling built LTV (Ling-Temco-Vought) from a company with $1.5 million in sales in 1955, to the 14th largest U.S. company in just 14 years, and according to *Fortune* magazine, it was the fastest growing U.S. company from 1955 to 1965. Jimmy Ling was born in 1922, enlisted in the Navy in 1944, where he got electrical experience and when he got out in 1946 he raised $2,000 from the sale of his home and started an electrical contracting business. He used it as a base for acquisitions, including the Temco Electronics and Missiles Company in 1960, Chance Vought Inc. in 1961, The Okonite Co. in 1965, Wilson & Company in 1967, and Greatamerica Corp. in 1968. He invented and perfected the technique of splitting off divisions into separate companies and then selling shares in those for more than the market value of the parent. He was an investment banker's dream. But his empire crumbled after acquiring Jones and Laughlin Steel in 1970, which was a money loser that he thought he could turn around. He was unsuccessful, and in the end, the bankruptcy reorganization required his resignation. But he came back with Omega Alpha Corp., which went under in 1975. His dream had been to change the arithmetic of doing business, and the creative deployment of the underlying assets of an acquired company became common financial practice. He said, “Most importantly, acquisitions must meet the test of the 2 plus 2 equals 5 (or 6) formula.” Well, that formula evidently didn’t work even for Jimmy Ling, and as we know, 2 plus 2 still equals 4.

We think you will enjoy our humor pages this time, especially the piece on how to kill your Christmas poinsettia without guilt. This came from the Westby Times, Perk’s hometown paper. Perk and Dana have ten of them, all gifts at Christmas. They are working on moving them on their way, without guilt.

The cartoon is appropriate in view of what Mother Nature has been up to.

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

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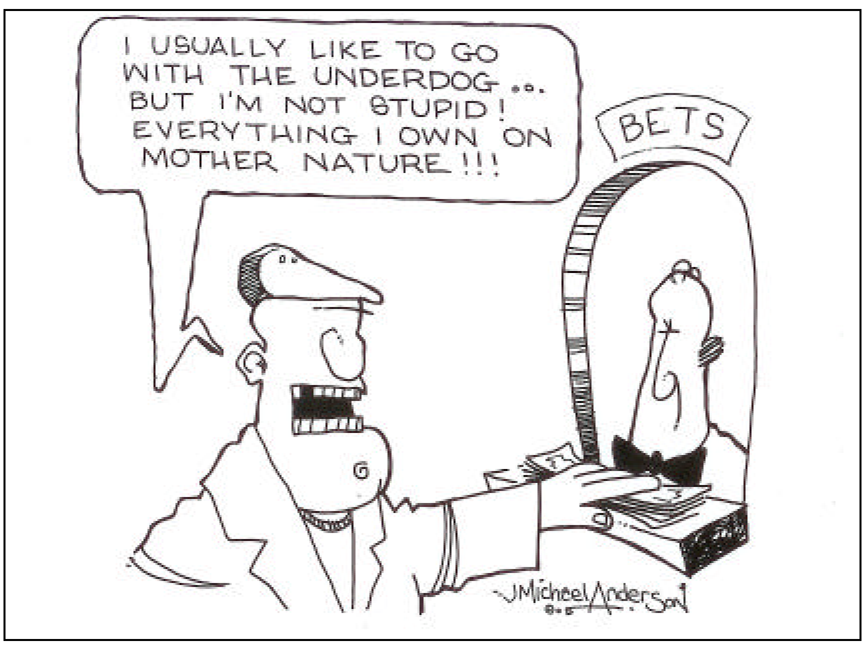

HOW TO KILL YOUR CHRISTMAS POINSETTIA AS QUICKLY AS POSSIBLE WITHOUT GUILT
By Doug Green

One of the things I've noticed when doing my Christmas shopping is that there's too many poinsettia plants everywhere you look. You can't seem to move in any store for all these darn plants, their red, white, pink bracts providing a flame of bah-humbug Christmas cheer. No doubt many of you were given one by some misguided friend in the mistaken belief that this is a nice plant for a Christmas gardener. Some of you might even purchase one in the belief that plants belong in our homes. What a folly. What follows is a few suggestions for killing the plant in a way that can leave you blameless and your reputation as a summer gardener intact.

To begin with, put this plant in a draft or other really cold place. After all, it's a tropical shrub and cold temperatures are a great way to make it drop its leaves. Anything less than 62 degrees will do nicely, especially if you can arrange for it to get drafts from an open door. Once the leaves begin dropping, they will continue to do so until none remain; the plant can be thrown away without guilt at any time after half the leaves have fallen.

If you don't have a really cold place, try overwatering it. As a native of Mexico, this plant is not a swamp lover so if you water it almost every day and keep the soil really wet, you'll find it will begin dropping its leaves within a week or so. It might take up to a month to totally die using this system of overwatering, so make sure you don't feed the plant any houseplant food in this water.

Feeding will only keep the plant alive a few weeks longer. Houseplant food is to be avoided at all costs as it will assist the plant to keep the bracts growing and flowers expanding. If you always feed your summer garden plants and you don't want to get a reputation for ignoring or disliking this plant, try overfeeding or underfeeding it. Use the plant food at either half strength or at full strength plus a bit; in this way, the plant will either be starved to death slowly or poisoned with too much feed. Underfeeding will keep your plant alive for a bit longer while overfeeding is a sure way to a fast death. It all depends on how quickly you want to get rid of this overused harbinger of Christmas gardening.

If you don't like overwatering plants because it takes too much time, try ignoring this plant and allow it to dry out completely. This is a sure way to knock the leaves off in a hurry. You see, in a greenhouse the plant is kept damp but not dry or overwatered; as soon as the soil is just dry to the touch, the plant is given water. If you don't give it water when it needs it, you can get rid of it a lot sooner. Try putting the pot over a heat register where the hot, dry air from the furnace will really speed up the drying out process. Combining a lack of water with a heat register is a sure way to success and to increasing the size of your compost pile.

Often poinsettias are found all bundled up in the store in their plant sleeves. These plastic or paper funnels are put on in the shipping greenhouse to prevent stalk breakage while the plant is being moved about. If the plant stays in this sleeve for over 24 hours, the ethylene gas produced by the plant will cause the plant's leaves to begin falling off. This means you should purchase plants with sleeves that have been sitting on a shelf in a store; they'll last much less time in your house. Alternately, if you get them home safely, leave them to sit overnight in the sleeve to ensure they get a good dose of ethylene.

The clever gardener won't really need all the above directions because they'll manage to start the plant on the slippery road to the compost pile while on the way home from the store. In this way, they can't get blamed for its death; rather the responsibility for death can be passed backward to the retailer. Just take your plant out to a cold, unheated car sitting in a parking lot; the plant will definitely get chilled with the resulting leaf drop only a few hours away. Alternately, if you can pick up the poinsettia and then manage to make a few more shopping stops, leaving the victim in the car to cool down several times during the course of the day, you'll also get the desired leaf drop within hours of getting home.

It's really not hard to get rid of poinsettia plants; it simply takes a bit of attention to the details. I hope you'll join me this January and together we can kill as many of these pot-bound spring pretenders as possible.

THE WAY KIDS SEE THINGS

Nudity

I was driving with my three young children one warm summer evening when a woman in the convertible ahead of us stood up and waved. She was stark naked! As I was reeling from the shock, I heard my 5-year-old shout from the back seat, “Mom! That lady isn’t wearing a seat belt!

Honesty

My son Zachary, 4, came screaming out of the bathroom to tell me he’d dropped his toothbrush in the toilet. So I fished it out and threw it in the garbage. Zachary stood there thinking for a moment, then ran to my bathroom and came out with my toothbrush. He held it up and said with a charming little smile, “We better throw this one out too then, ‘cause it fell in the toilet a few days ago.”

Opinions

On the first day of school, a first-grader handed his teacher a note from his mother. The note read, “The opinions expressed by this child are not necessarily those of his parents.”

Ketchup

A woman was trying hard to get the ketchup to come out of the bottle. During her struggle the phone rang so she asked her 4-year-old daughter to answer the phone. “It’s the minister, Mommy,” the child said to her mother. Then she added, “Mommy can’t come to the phone to talk to you right now. She’s hitting the bottle.”

More Nudity

A little boy got lost at the YMCA and found himself in the women’s locker room. When he was spotted, the room burst into shrieks, with ladies grabbing towels and running for cover. The little boy watched in amazement and then asked, “What’s the matter haven’t you ever seen a little boy before?”

Elderly

While working for an organization that delivers lunches to elderly shut-ins, I used to take my 4-year-old daughter on my afternoon rounds. The various appliances of old age, particularly the canes, walkers and wheelchairs, unfailingly intrigued her. One day I found her staring at a pair of false teeth soaking in a glass. As I braced myself for the inevitable barrage of questions, she merely turned and whispered, “The tooth fairy will never believe this!”

School

A little girl had just finished her first week of school. “I’m just wasting my time,” she said to her mother. “I can’t read, I can’t write and they won’t let me talk!”

Bible

A little boy opened the big family bible. He was fascinated as he fingered through the old pages. Suddenly, something fell out of the bible. He picked up the object and looked at it. What he saw was an old leaf that had been pressed between the pages. “Mama, look what I found,” the boy called out. “What have you got there, dear?” With astonishment in the young boy’s voice, he answered, “I think it’s Adam’s underwear!”

ENGLISH LANGUAGE LESSONS

1) The bandage was wound around the wound.
2) The farm was used to produce produce.
3) The dump was so full that it had to refuse more refuse.
4) We must polish the Polish furniture.
5) He could lead if he would get the lead out.
6) The soldier decided to desert his dessert in the desert.
7) Since there is no time like the present, he thought it was time to present the present.
8) A bass was painted on the head of a bass drum.
9) When shot at, the dove dove into the bushes.
10) I did not object to the object.
11) The insurance was invalid for the invalid.
12) There was a row among the oarsmen about how to row.
13) They were too close to the door to close it.
14) The buck does funny things when the does are present.
15) A seamstress and a sewer fell down into a sewer line.
16) To help with planting, the farmer taught his sow to sow.
17) The wind was too strong to wind the sail.
18) After a number of injections, my jaw got number.
19) Upon seeing the tear in the painting, I shed a tear.
20) I had to subject the subject to a series of tests.
21) How can I intimate this to my most intimate friend?

There is no egg in eggplant nor ham in hamburger; neither apple nor pine in pineapple. English muffins weren't invented in England or French fries in France (Surprise!). Sweetmeats are candies while sweetbreads, which aren't sweet, are meat.

Quicksand works slowly, boxing rings are square and a guinea pig is neither from Guinea nor is it a pig. And why is it that writers write but fingers don't fing, grocers don't groce and hammers don't ham?

If the plural of tooth is teeth, why isn't the plural of booth beeth?

One goose, 2 geese. So one moose, 2 meese? Doesn't it seem crazy that you can make amends but not one amend. If you have a bunch of odds and ends and get rid of all but one of them, what do you call it? Is it an odd, or an end?

If teachers taught, why didn't preachers praught? If a vegetarian eats vegetables, what does a humanitarian eat? In what language do people recite at a play and play at a recital? Ship by truck and send cargo by ship? Have noses that run and feet that smell?

How can a slim chance and a fat chance be the same, while a wise man and a wise guy are opposites? You have to marvel at the unique lunacy of a language in which your house can burn up as it burns down, in which you fill in a form by filling it out, and in which an alarm goes off by going on.

English was invented by people, not computers, and it reflects the creativity of the human race, which, of course, is not a race at all. That is why, when the stars are out, they are visible, but when the lights are out, they are invisible.

QUOTES FROM REAL LIFE DILBERT MANAGERS

"As of tomorrow, employees will only be able to access the building using individual security cards. Pictures will be taken next Wednesday and employees will receive their cards in two weeks."
(This was the winning quote from Microsoft Corp. in Redmond, WA)

"What I need is a list of specific unknown problems we will encounter."
(Lykes Lines Shipping)

"E-mail is not to be used to pass on information or data. It should be used only for company business."
(Accounting manager, Electric Boat Company)

"This project is so important, we can't let things that are more important interfere with it."
(Advertising/Marketing manager, United Parcel Service)

"Doing it right is no excuse for not meeting the schedule."
(Anonymous)

"No one will believe you solved this problem in one day! We've been working on it for months. Now, go act busy for a few weeks and I'll let you know when it's time to tell them."
(R&D supervisor, Minnesota Mining and Manufacturing/3M Corp.)

"My Boss spent the entire weekend retyping a 25-page proposal that only needed corrections. She claims the disk I gave her was damaged and she couldn't edit it. The disk I gave her was write-protected."
(CIO of Dell Computers)

Quote from the Boss: "Teamwork is a lot of people doing what I say."
(Marketing executive, Citrix Corporation)

My sister passed away and her funeral was scheduled for Monday. When I told my Boss, he said she died on purpose so that I would have to miss work on the busiest day of the year. He then asked if we could change her burial to Friday. He said, "That would be better for me."
(Shipping executive, FTD Florists)

"We know that communication is a problem, but the company is not going to discuss it with the employees."
(Switching supervisor, AT&T Long Lines Division)

We recently received a memo from senior management saying: "This is to inform you that a memo will be issued today regarding the memo mentioned above."
(Microsoft, Legal Affairs Division)

One day my Boss asked me to submit a status report to him concerning a project I was working on. I asked him if tomorrow would be soon enough. He said, "If I wanted it tomorrow, I would have waited until tomorrow to ask for it!"
(New business manager, Hallmark Greeting Cards)