

Dear Client:

March 2005

With another successful tax season behind us and a pause to catch our breath, it appears that Spring has finally sprung and Summer may be just around the corner. I must apologize for the tardy arrival of your March 31st statements. Unfortunately, I do not see this as an isolated incident. With an ever-increasing tax workload and the time frame in which tax slips arrive, we are pushed to the filing deadline annually. As a result, the opportunity to review statements and correspond in our quarterly letter is pre-empted by the tax deadlines.

Had I written this letter in April, I might have focused on the fact that oil closed the month of March at \$58.00 per barrel and according to respected investment bank Goldman Sachs it was headed straight to \$105 per barrel, caused by the insatiable demand created by the USA and China. However, as I write this letter, oil has dropped to \$47.00 per barrel and shows signs of further weakening based on higher US reserves. If nothing else, this only indicates that no one truly knows the price direction of any commodity or stock. Within certain parameters, the increased oil costs are controlled by us the consumer, the greater the demand the greater the cost. We are showing a willingness to accept the higher oil prices by not finding less expensive alternatives and utilizing more fuel-efficient vehicles. Ultimately Goldman Sachs may be accurate and oil may indeed reach \$105 per barrel, nonetheless demand will dictate that alternative choices be made. This is much like the times of the oil embargo of the 70's, when necessity forced us to look at less expensive alternatives, back then it was natural gas - today it is hydrogen and other clean fuels.

This may seem like a lot about oil prices, however when you realize that oil is used in about 80% of all products, you can understand the impact the oil plays. Runaway oil prices are a problem, but oil will go to a level where it is justified by economic growth. There will not be high oil prices in a weak economy. Yes, high oil prices could tilt an economy into a state of weakness, but I don't believe that will be the scenario this time around. There are forces that are at work in the oil patch; some wicked, others opportunistic. The challenge is to recognize the opportunities and what they present to us as investors.

As always, I am available to discuss questions or concerns, please contact me anytime.

Regards,

Don

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