MJB ASSET MANAGEMENT LLC

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RICHARD BREGMAN, CFA, *Chief Executive Officer*

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Dear Clients and Friends:

Consumer spending will determine the course of the economic recovery as we head into the holiday shopping season. Corporate spending has not increased sufficiently to be a driving force. Earnings are still weak, and most firms that have been able to report improved earnings have reduced their costs, not increased their revenues. Until managements see improved revenues and earnings, they are not likely to spend large sums to upgrade equipment, increase capacity or hire workers. And so a good holiday season could be the rejuvenating boost that manufacturers and retailers need; a disappointing season could be a serious setback. Low interest rates have helped the housing and auto industries, as individuals have purchased new homes and cars or reduced monthly payments on existing loans.[1] But the low rates do not appear to have translated into increased spending in other areas.[2] Concern is growing that consumers are beginning to feel tapped out in the face of a two and a half year decline in the securities markets, rising unemployment, increased global terrorist activity and the threat of war with Iraq, all of which have combined to bring consumer confidence down to nine year lows. And with consumer spending making up two thirds of our economy, those concerns have hit the markets hard, as major equity indices just completed their worst quarter since the fourth quarter of 1987. The Dow Jones Industrial Average declined 17.4%, the S&P 500 Index of large U.S. companies declined 17.3% and the NASDAQ index of smaller companies declined 20% for the quarter ended September 30th. Year to date through September 30th, the Dow was down 23%, the S&P 500 was down 28% and the NASDAQ was down 40%.

During the past quarter, with corporations hesitant to spend and unable to raise prices, we reduced our clients' exposure to companies that derive the bulk of their revenues from corporate sales, and strengthened our position in companies that have pricing power. Specifically, for clients with individual stocks we eliminated our positions in Cisco Systems and Merck & Co., and added a new position in Pfizer, Inc.

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[1] The flip side of low interest rates is that individuals receive less interest income on savings accounts, money market funds, CD's and other interest bearing investments.

[2] Credit Suisse First Boston, First Edition research note, October 30, 2002.

Cisco is the dominant provider of routers and switchers that direct telecommunications and Internet traffic; it derives virtually all of its revenues from sales to large corporations. We purchased Cisco two and a half years ago at a substantial discount to its high price, but we underestimated the length and depth of the recession in technology spending that would continue to drive down the price of Cisco's stock. The economy-wide restraint on capital spending has combined with an enormous amount of excess fiber optic/telecommunications capacity to significantly reduce demand for Cisco's products. Even so, the market continues to value Cisco with a price/earnings multiple two and a half times greater than that of the S&P 500. Though we continue to believe that Cisco is a very well managed company, at this point in time we also believe that better opportunities exist for our clients' capital than to continue waiting for the not yet visible turnaround in telecom. In light of Cisco's current growth prospects relative to its valuation, we decided to sell our entire position in the stock.

We also sold pharmaceutical company Merck. Brand name drug manufacturers are a good example of firms with pricing power. They spend years developing and testing new drugs. When they develop a winner, they receive U.S. government approval and a patent that provides a temporary monopoly on the manufacture and sale of the drug. As soon as the patent expires, so-called generic drug companies begin to make the drug and sell it at a fraction of the price that the brand name manufacturers charged. As such, the key to sustained growth and profitability in the brand name pharmaceutical industry is to maintain a pipeline of drugs that will obtain regulatory approval and patent protection. Merck is a terrific, well-managed company. But it is losing patent protection on five drugs this year; is suffering declining sales of its blockbuster painkiller Vioxx; and is facing increased competition on its cholesterol drug Zocor. Further, the company has no drugs in its pipeline to replace the expiring patents and lost sales until at least 2004. As a result, Merck has announced that its earnings will be flat for the remainder of 2002 and for all of 2003. Based on those factors, we sold our position in Merck and sought growth elsewhere in the pharmaceutical industry.

We found that growth with Pfizer, the world's largest pharmaceutical company. Pfizer does not face imminent patent expiration on many of its key drugs, including Viagra, cholesterol lowering Lipitor, antibiotic Zithromax and antidepressant Zoloft. In addition, Pfizer is very much in a growth phase, having recently entered into an agreement to purchase drug maker Pharmacia -- which coincidentally manufactures Celebrex, the drug that is taking market share away from Merck's Vioxx. When companies merge or make acquisitions, investors frequently drive down the acquiring company's stock price on the belief that the acquirer is paying too much for the target company. When Pfizer announced it would purchase Pharmacia, investors drove down the price of Pfizer's shares. We analyzed the deal and concluded that the purchase price was fair and the addition of Pharmacia would enhance Pfizer's earnings. When the price of Pfizer's stock dropped more than 40% below its high price, we added it to the portfolio.

For clients with mutual funds, we continued reducing positions in growth style funds (e.g., Pin Oak Aggressive Growth and Firsthand Technology Value) that invest primarily in technology or other companies that rely on corporate spending or have no pricing power. We also reduced our positions in international funds, as overseas markets cannot generate growth without a strong U.S. economy. We placed the proceeds in value-style funds (e.g., Longleaf Partners and Oakmark) that invest in undervalued, high quality companies with catalysts for

change. We believe that value style investing will have the greatest opportunity for consistent gains in the current environment. As always, however, we will maintain exposure to a variety of funds, for our goal remains to provide our clients with top-quality managers who have the skill and discipline to make money over many different investment cycles.

At MJB Asset Management, we want to make sure that all of our clients are comfortable with their portfolios and the investment strategies that we implement on their behalf. One of the ways in which we do that is to invest side by side with you in the same stocks and funds. As co-investors with you, we share your interests and concerns regarding the markets, the economy, world events and their effects on your portfolios. We know that at times there appears to be virtually no good news to report, partly because much of the news is not very positive right now and partly because the media tends to focus on negative items. But we believe there is also good news. For example, gone unnoticed in the negative news is the fact that all of the major media companies – including portfolio holding Clear Channel Communications – have reported significant increases in advertising revenue in the past six months; retail sales at national chains such as J.C. Penney and portfolio holding Wal-Mart have increased; and household care firms such as Colgate-Palmolive and portfolio holdings Procter & Gamble and Gillette have substantially completed previously announced restructurings and are now reporting profits that exceed expectations. We believe that every day has the potential to bring positive news and events. We also believe that in addition to investing for you, we are here to listen to you. Please feel free to call, write or e-mail me at rbregman@mjbassetmanagement.com at any time to share your thoughts or ask questions about your investments.

Thank you for investing with MJB Asset Management. We look forward to speaking with you about your investment portfolios.

Sincerely,

Richard Bregman

Note: MJB Asset Management is a Securities and Exchange Commission ("SEC") registered investment advisor. We submit annually to the SEC a Form ADV containing a full description of the firm. Upon request, we will gladly provide you with a copy of our updated Form ADV.