

PEARSON Investment Letter

Published Monthly Since 1982

www.pearsoncapitalinc.com**FEATURED STOCKS**

AMBAC Finc	Logitech Intl
AmSurg Corp	Ryanair Holdings
Escalon Medical	Toll Brothers
j2 Global Comms	Webex Comm

GROWTH & INCOME STOCKS

First South Banc	Hanover Capital
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YOU AND I ARE PARTNERS**BY DONALD PEARSON**

I always like to discuss with you, our partner, your individual portfolio,

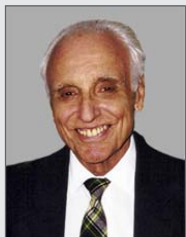
or reading brokers' recommendations in our stock selecting process. Although there are good ones out there, we have no way of identifying the ones placing sales for their products, their company, or themselves before the client. I've always believed you get the best effort from independent advisors, because we are buying the same stocks for our grandchildren and other members of our families, as well as ourselves. In our case there is no hidden agenda for keeping the best stocks for our own portfolios. I have often wondered how many brokers own the same funds or investments they are selling to a client of theirs. It is important that you realize our paycheck is tied to the performance of your account. We receive a one or two percent management fee annually from each portfolio. If we can improve your account by 10, 20, 30 percent, or more, then we are increasing our receipts. The management fee remains the same, but because of the portfolio's growth and positive performance, our income increases. In almost every case our management fee is far, far below the operating costs of a mutual fund.

As your advisor we are not obligated to anyone in any way. When we selected TD Waterhouse, it was because of the services provided for you as a client and to us working for you. As an example, checks requested, bank transfers, and many other services are performed at no charge to you. We have no special preferred status, nor do we receive any special favors from them. As we both know, this practice has been making news now for almost a year. The trading cost TD Waterhouse receives is \$15.00, and we do not add on any additional charge. As newer clients will soon learn, we do not generate very many trades during the year either. Each stock selected is chosen with the belief it will still be in your portfolio two years from now, although this will not always be the case. Next month I would like to get further into what exactly makes a stock good enough to be selected by us for you. You'll be amazed at how much thought, time, and effort goes into every decision before a stock makes it to the "buying opportunity" for one of our partners.

whether it is soon to be created, newly created, or one which has been with us for ten, twenty, thirty, or more years. We call you partners simply because that's exactly what you are. As we meet personally or develop a relationship over the phone, our friendship and respect for each other continues to grow and develop. While all of this is happening over a period of years, never forget we are truly partners. Our objectives are the same, and we both are trying to fulfill our goals utilizing the same strategy. You might ask yourself, how can this be when our ages are different, and we live far apart, or don't have many things in common. I can assure you, when it comes to investing in the stock market, neither of us plan or try to lose any of our hard earned money. Both of us want to invest in quality companies that over time will return a profit to us. Our degree of risk may be different, but I can assure you, we both seek the same favorable return. I often wonder how many advisors or brokers share my vision.

The lead story on the front page of the March issue of *The Bull & Bear Financial Report*, written by Paul Merriman, Publisher and Editor of *FundAdvice.com*, talks about the differences between brokers and independent advisors. If anyone would like us to send you a copy of this article, you can e-mail, phone, or write to us, and we will have it sent the same day to you. This is a quote from the article; "Brokers have nearly inevitable conflicts of interest with their clients, and they work in a corporate culture where sales come first and customers come second. As a result, I have started recommending investors stop doing business with brokers altogether and instead work with independent advisors who don't sell products." It really took me by surprise when I read this because I have been saying this for years.

This is the very reason we also stopped buying



Walter D. Pearson
Chairman



Donald E. Pearson
President



Sandra Alberti
Publishing President

Investment Letters are complimentary to our clients with managed accounts!

INFLATION COMPOUNDED

One of the nice things about writing an investment letter is that you get to exchange your thoughts with others who do the same thing. Occasionally you receive an article where the author has come out with shards of brilliance, and when you rewrite the article, it makes you look smarter than you probably are. At any rate this situation has come up lately. This man has worked out not only the rates of inflation, but he has also separately categorized many issues. This really is important for each of us to understand, because, if the inflation rate is 7%, this rate increases through the years, and you are losing money a good bit faster. As you can see by the following, the 2% rate of the early 1940's has increased markedly in the interim.

Here are some of his pearls of wisdom: A McDonald's hamburger was 15 cents in 1962 versus \$2.80 today, 7.4% per annum. Fifty years ago a shoeshine was a nickel versus \$5.00 today, 9.6% inflation per annum. This year the girl scouts raised the price of a box of cookies to \$4.00 from \$3.00, a 33.3% increase. A head of lettuce is now \$1.50, up from 50 cents a couple of years ago, a 200% increase. Gold is north of \$400, up from \$250. Commodity prices are rising without respite. Energy prices are climbing, despite the fact that everyone expected them to be lower in the wake of the war.

One should think of inflation as reverse investing. A 7% inflation rate will eat up one's principal faster than it might seem. Just to stay even one must average 7% annually. This is why our philosophy is No Bonds. Fifty years ago we recommended bonds from time to time. I personally have never cared for them a great deal because there is no growth there.

If one can find a stock that is growing at a rate of 18% per year, the stock should just about double in four years. In other words, even though it is growing at a rate of 18% a year, the compounded growth doubles the equity in only four years, which means the average growth of cash figures to be about 25% a year.

With things as they are in our country today I am firmly convinced that everyone needs a professional to handle his investments. I really marvel when I see people choosing their own investments, and I compare the amount of time I alone have spent on the computer in order to ferret out companies that should turn out to be leaders in their industry. We seldom recommend a mutual fund because of the numerous problems encountered in that field. John Bogle who is the head of one of the larger investment groups is one of the harshest critics of the industry.

The thing that puzzles me is that I have good friends who continue to do their own selecting, their own buying and selling, and all of the extra work that goes along with having an investment portfolio. I don't think that it's the cost that does it. I don't think that they believe they can do better. I can only surmise that they get a certain amount of pleasure out of doing it themselves. In my opinion they would do better to cut their own hair and let us do the other more important work.

Just one example: About a year or two ago we found a stock called Biolase Technology which looked like a sure winner and it was selling at \$5+. Our staff researched the company and all agreed that this stock should go into just about everyone's portfolio. So we did our work and purchased the company for almost every client. We started purchasing BLTI December 2002, and are still buying it for people at the present price of \$19+. The point here is that we are showing gains of 100%, 200% and more in a little more than two years in a stock that I can just about guarantee that NO amateur investor would possibly find.

My suggestion is that if you want your picture painted you hire an artist; if you're interested in making money, you hire us.

WHY NOT HIRE A PROFESSIONAL?

At one time in the dim, dim past there was no such thing as a mutual fund. Each person bought or sold stocks whenever he felt the situation warranted such action. I believe the year was 1926 when the first fund came into being. Since that time the number has grown, and in recent years the numbers have proliferated. At the last reading, there were more than 8,000 funds in existence. What this means to me is that the general public has awakened to the fact that professional management should be able to do a better job.

In spite of the fact that professional management has made such forward strides, I would estimate that there is a large percentage of the public still doing their own thing. I would guess the figure to be upward of 40% of the investors in this country who are willing to make their own mistakes.

For the individual who is still making his own decisions, I think he should think and reason logically. What are the most important things in a person's life? I think most of us would list health, children, spouse, and finances. Naturally, if someone in our family becomes sick, a doctor is called upon. We often seek professional help when it comes to our physical health, so why don't we seek professional help when it comes to our financial health? If the primary reason for investing is to counteract inflation and to protect one's finances for the future and for the family, isn't this important enough to call in a professional to handle the job?

As the mutual fund industry has grown, so have the costs. The investor today is fortunate, as it is no longer necessary for him to put up \$1 million in order to have private management. Individual management is now available to the small investor. The advantages of a private account over a mutual fund are numerous. Usually there will be much less turnover, thus cutting costs. One tremendous advantage is that the individual account can invest in small growing companies that may be too small to make them worthwhile to a mutual fund.

With a mutual fund you may find an entrance or exit fee, or a 12-b1 fee. Strangely enough, many of the funds now charge a 12-b1 fee, which does not help the investor at all. This fee is to pay for the fund's advertising costs. In other words, the old customers are paying to get new ones. Another big disadvantage of a mutual fund is that you don't usually know who is handling your investments. You can get his name from the

Continued on page 5

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department. He is the author of the book, "Investing for the Millions" and Publisher Emeritus for the Pearson Investment Letter. At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc. He is a contributing columnist for various publications and is listed in Who's Who in America.

"Remember the Lord your God, for it is He who gives you the ability to produce wealth. Deut. 8:18"

PEARSON CAPITAL'S RECOMMENDED STOCKS FOR APRIL

AMBAC FINANCIAL GROUP, INC (ABK) NYSE PRICE: \$73.78

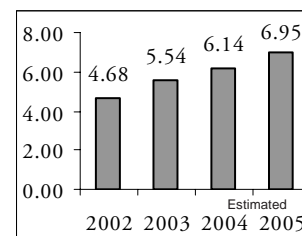
ABK is a holding company whose subsidiaries provide financial guarantee products and other financial services to clients in both the public and private sectors around the world. The Company Financial Group has two business segments, Financial Guarantee and Financial Services. It provides financial guarantees for public finance and structured finance obligations through its principal operating subsidiary, Ambac Assurance Corporation. Through its financial services subsidiaries, Ambac Financial Group provides financial and investment products, including investment agreements, interest rate and total return swaps, funding conduits, investment advisory and cash management services. For the fiscal year ended 12/31/03, revenues rose 33% to \$1.27 billion. Net income from continuing operations rose 45% to \$628.1 million.

Type: Growth
Sector: Financial

Institutional Holdings: 451
Industry: Insurance

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13**
Annual Yield: **0.5%**
Annual Dividend: **\$0.44**
Investor's Bus. Daily: **B-**
Pearson Growth Rating: **A-**
Pearson Value Rating: **A-**
Stand.&Poor Rating: **B**
Value Line Rating: **3-2-4**



AMSURG CORPORATION (AMSG) NASDAQ PRICE: \$22.71

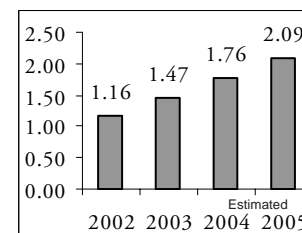
AmSurg Corp. owns majority interests, primarily 51% and up to 67% in certain instances, in limited partnerships and limited liability companies (LLCs) that own and operate practice-based ambulatory surgery centers. AMSG also has majority ownership interests in other partnerships and LLCs formed to develop additional centers. As of Dec. 31, 02, AmSurg owned a majority interest in 107 surgery centers in 27 states and the District of Columbia. AMSG also had nine centers under development and had executed letters of intent to acquire or develop six additional centers. Its practice-based ambulatory surgery centers are licensed outpatient surgery centers generally equipped and staffed for a single medical specialty. For the fiscal year ended 12/31/03, revenues rose 20% to \$301.4 million. Net income rose 25% to \$30.1 million.

Type: Growth
Sector: Healthcare

Institutional Holdings: 110
Industry: Healthcare Facilities

Ratings & Recommendations Earnings per share

Current P/E Ratio: **23.4**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **C**
Pearson Growth Rating: **B+**
Pearson Value Rating: **C-**
Stand.&Poor Rating: **C**
Value Line Rating: **3-3-3**



ESCALON MEDICAL CORPORATION (ESMC) NASDAQ PRICE: \$22.61

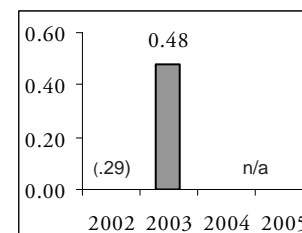
ESMC (Escalon), formerly Intelligent Surgical Lasers, Inc., operates in the healthcare market, specializing in the development, manufacture, marketing and distribution of ophthalmic medical devices, pharmaceuticals and vascular access devices. Escalon's name was adopted in August 1996. Its wholly owned subsidiaries include Sonomed, Inc. (Sonomed), Sonomed EMS, Srl. (Sonomed EMS), Escalon Vascular Access, Inc. (Vascular), Escalon Digital Vision, Inc. (EMI) and Escalon Pharmaceutical, Inc. (Pharmaceutical). For the six months ended 12/31/03, revenues rose 14% to \$7.2 million. Net income totaled \$1.4 million, up from \$607 thousand. Revenues reflect increased sales in the domestic market and in Europe. Earnings also benefitted from the lower interest expenses, and improved gross margins.

Type: Emerging Growth
Sector: Healthcare

Institutional Holdings: 4
Industry: Medical Supplies

Ratings & Recommendations Earnings per share

Current P/E Ratio: **32.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **A+**
Pearson Growth Rating: **B-**
Pearson Value Rating: **C-**
Stand.&Poor Rating: **N/R**
Value Line Rating: **N/R**



j2 GLOBAL COMMUNICATIONS (JCOM) NASDAQ PRICE: \$22.58

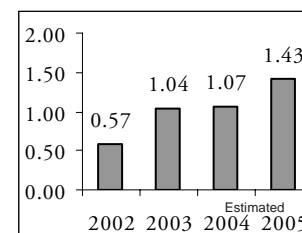
j2 Global Communications, Inc. provides outsourced, value-added messaging and communications services to more than four million customers around the world. j2 Global's network spans more than 1,100 cities in 20 countries on five continents. The Company offers its services and software through three distinct sales channels: Web, Corporate and Licensed Services, and markets those services under the j2, eFax, jConnect, jFax, Consensus, HotSend, PaperMaster, Protifax and Documagix brands. For the fiscal year ended 12/31/03, revenue rose 49% to \$71.6 million. Net income before accounting change totaled \$35.8 million, up from \$14.1 million. Revenues reflect increased subscriber revenue due to growth of the customer base. Earnings also benefitted from cost management efforts and increased income tax benefits.

Type: Emerging Growth
Sector: Services

Institutional Holdings: 102
Industry: Communication

Ratings & Recommendations Earnings per share

Current P/E Ratio: **16.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **C-**
Pearson Growth Rating: **A**
Pearson Value Rating: **B**
Stand.&Poor Rating: **N/R**
Value Line Rating: **N/R**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR APRIL

LOGITECH INTERNATIONAL SA (LOGI) NASDAQ PRICE: \$45.76

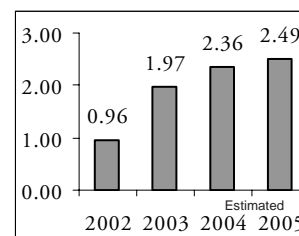
Logitech International S.A. designs, manufactures and markets personal interface products and supporting software that serve as the primary physical interface between people and their personal computers (PCs) and other digital platforms. The Company's products include corded and cordless mice, trackballs and keyboards; joysticks, gamepads and racing systems; Internet video cameras; PC speakers, headsets and microphones, and 3D controllers. The Company sells its products to both original equipment manufacturers and to a network of retail distributors and resellers. For the nine months ended 12/31/03, net sales rose 15% to \$921.3M. Net income rose 30% to \$93.7 million. Results reflect strong sales of webcams, PC speakers and cordless desktops and reduced taxes.

Type: Growth
Sector: Technology

Institutional Holdings: 14
Industry: Comp. Peripherals

Ratings & Recommendations Earnings per share

Current P/E Ratio: **18.4**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **A**
Pearson Growth Rating: **B-**
Pearson Value Rating: **B**
Stand.&Poor Rating: **N/R**
Value Line Rating: **N/R**



RYANAIR HOLDINGS PLC (RYAAY) NASDAQ PRICE: \$34.19

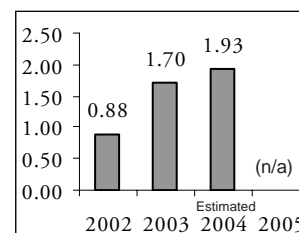
RYAAY operates a low-fare scheduled passenger airline serving short-haul, point-to-point routes in Europe from its bases at Dublin, London (Stansted), Shannon, London (Luton), Glasgow (Prestwick), Brussels (Charleroi), Frankfurt (Hahn), Milan (Bergamo) and Stockholm (Skavsta) airports. The Company offers approximately 475 scheduled short-haul flights per day serving 13 locations in England, five locations in Ireland, three locations in Scotland, one in each of Wales and Northern Ireland and 60 locations in continental Europe. In the fiscal year ended March 31, 2003 (fiscal 2003), the Company served approximately 14.4 million passengers. For the comparable nine months ended 12/31/03, revenues increased 31% to EUR851.4 million. Net income according to US GAAP increased 12% to EUR217.3M.

Type: Emerging Growth
Sector: Transportation

Institutional Holdings: 149
Industry: Airline

Ratings & Recommendations Earnings per share

Current P/E Ratio: **20**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **D+**
Pearson Growth Rating: **A+**
Pearson Value Rating: **B**
Stand.&Poor Rating: **N/R**
Value Line Rating: **N/R**



TOLL BROTHERS, INC (TOL)

TOL designs, builds, markets and arranges financing for single-family detached and attached homes in middle-income and high-income residential communities. The Company caters to move-up, empty-nester and active-adult age-qualified home buyers in 21 states in six regions of the United States. In the five years ended Oct. 31, 2003, TOL delivered 21,199 homes from 400 communities, including 4,911 homes from 213 communities during the fiscal year ended Oct. 31, 2003. The company operates its own land development, architectural, engineering, mortgage, title, security monitoring, landscape, cable television, broadband Internet access, lumber distribution, house component assembly and manufacturing operations. For the three months ended 1/31/04, revenues rose 5% to \$597.9 million. Net income rose 10% to \$50.1 million.

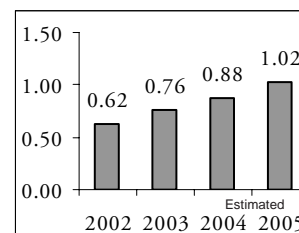
NYSE PRICE: \$45.43

Type: Growth
Sector: Capital Goods

Institutional Holdings: 150
Industry: Construction Serv.

Ratings & Recommendations Earnings per share

Current P/E Ratio: **13.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **A+**
Pearson Growth Rating: **B**
Pearson Value Rating: **A-**
Stand.&Poor Rating: **A**
Value Line Rating: **2-3-3**



WEBEX COMMUNICATIONS, INC (WEBX) NASDAQ PRICE: \$29.73

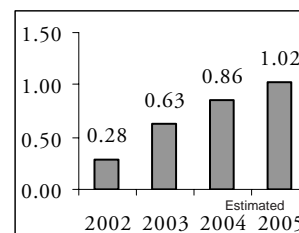
WEBX develops and markets services that allow end users to conduct meetings and share software applications, documents, presentations and other content on the Internet using a standard Web browser. Since Feb. 1999, the Company's activities have been focused on continuing to enhance and market its WebEx Interactive Services and its WebEx Multimedia Switching Platform. WEBX sells WebEx Meeting Center, WebEx Meeting Center Pro, WebEx Training Center, WebEx Support Center, WebEx OnStage and WebEx Enterprise Edition. It also provides a service called WebEx Business Exchange to existing customers. For the fiscal year ended 12/31/03, revenues increased 35% to \$189.3M. Net income totaled \$59.8 million, up from \$16.4 million. Results reflect a growth in direct subscribing customers and a lower stock compensation charge.

Type: Emerging Growth
Sector: Technology

Institutional Holdings: 134
Industry: Computer Services

Ratings & Recommendations Earnings per share

Current P/E Ratio: **21.9**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Bus. Daily: **A-**
Pearson Growth Rating: **A-**
Pearson Value Rating: **B+**
Stand.&Poor Rating: **A**
Value Line Rating: **1-4-2**



WALL STREET INDEXES

Indexes	1998	1999	2000	2001	2002	2003	2004/YTD
S&P 500	28.5%	21.1%	(10.1%)	(13.3%)	(23.4%)	26.4%	1.3%
Dow Jones	18.1%	25.2%	(6.2%)	(7.1%)	(16.8%)	25.3%	(0.9)%
Nasdaq	39.6%	85.6%	(39.3%)	(21.1%)	(31.5%)	50.0%	(0.5)%
Russell 2000	(2.4%)	21.3%	(4.2%)	1.0%	(21.6%)	45.4%	6.0%
Our CD Buster	Data for 2002/03/04 available on our website				8.1%	56.7%	11.76%
CD Annual Average	4.7%	4.9%	5.4%	3.0%	2.3%	1.5%	1.5%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

ECONOMIC FLOWS:

The Federal Reserve has indicated that interest rates will continue to remain low for the near future. This means that they will not even think about making a move until way after the presidential election. As interest rates remain low, the dollar continues to gradually devalue on a natural downward slope. This helps manufacturers and global corporations increase their bottom line by increasing exports. On the flip side, imports, namely raw materials, will rise in price, causing costs of other goods and services to be affected. This summer, gasoline may reach an all-time high of \$3.00 a gallon in some areas of the country. This will hurt many people, especially those on a fixed income.

Key point: *The dollar's depreciation has both positive and negative effects.*



EARNINGS FLOWS:

The second quarter earnings season is going to start in the middle of the month. Earnings reports were good this past quarter, leading those to wonder if the tide of good fortunes will continue to roll in. Many of our stocks will continue to increase their winning streaks. Our stocks in homebuilding and financials need to prove that they can continue to lead the bull market; otherwise, we will see new ones arrive in their place. Either way, there will be stocks ready to rise no matter what happens.

Key point: *April is a wait-and-see month that leads into the summer rally for stocks.*

CASH FLOWS:

Earnings improvements are increasing the bottom line cash flow for many companies. Increases in productivity and the depreciation of the dollar are allowing many companies to get more bang for the buck without huge increases in output. Companies are now getting more with less: fewer people, less capital outlays, etc. When they do plan on growing, they will be ready to gain even more. With excess cash on hand, they can either grow organically, or be ready to grow through buying and merging with other companies.

Key point: *Companies will use excess cash to better position themselves.*

Walter Pearson - Continued from page 2

literature, but you still may not know who he is, and he may be changed next week or next month. A few years ago a survey was made of mutual fund managers, and it was found that the average age was 28. Their average tenure in the investment field was three and a half years. Only one in seven had ever seen a bear market.

Some time ago Forbes Magazine printed an article regarding mutual funds and pointed out one interesting situation that might happen to any mutual fund investor. The article stated that 24% of the net asset value of the Vanguard S&P 500 Index Fund comprised unrealized gains. It was calculated that the investor buying into the fund at \$75 assumed a capital gains tax liability of \$18.75.

In my opinion, one of the most important things to the investor with a personalized account is his investments are scaled to his needs and his alone. We do not have to consider how to invest for thousands of people when it comes time to purchase for an individual account. Some people require a monthly check, and this is considered when making purchases for these people. Some investors are middle of the road and others are ultra conservative.

Having been in this business for more than fifty years, I have come to the conclusion that everyone should have professional management in this field. I believe that individual management is superior, but I also think that even with the drawbacks in the mutual fund industry, mutual funds should produce better results than doing it by oneself.

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APRIL'S RECOMMENDED GROWTH & INCOME STOCKS

FIRST SOUTH BANCORP (NC) (FSBK) NASDAQ PRICE: \$38.72

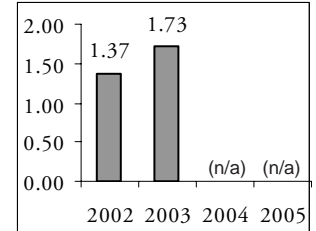
FSBK serves as the holding company for First South Bank (the Bank). The Company's principal business is overseeing the business of the Bank and investing the portion of the net stock conversion proceeds retained by it. The Bank is a state-chartered commercial bank that serves eastern North Carolina. Its principal business consists of attracting deposits from the general public and investing these funds in commercial real estate loans, commercial business loans, consumer loans and loans secured by first mortgages on owner-occupied, single-family residences in the Bank's market area. For the fiscal year ended 12/31/03, total interest income rose less than 1% to \$36.9 million. Net interest income after loan loss provision increased 14% to \$25.7 million. Net income rose 20% to \$11.4 million.

Type: Growth & Income
Sector: Financial

Institutional Holdings: 19
Industry: Regional Banks

Ratings & Recommendations Earnings per share

Current P/E Ratio: **14.6**
Annual Yield: **2.1%**
Annual Dividend: **\$0.80**
Investor's Bus. Daily: **D**
Pearson Growth Rating: **C+**
Pearson Value Rating: **B-**
Stand.&Poor Rating: **N/R**
Value Line Rating: **4-4-1**



HANOVER CAPITAL MORTGAGE HOLDINGS, INC (HCM) AMEX PRICE: \$15.55

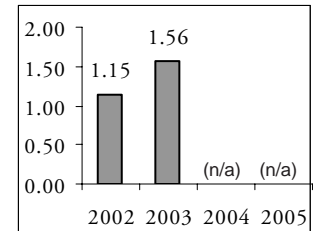
HCM is a specialty finance company organized as a real estate investment trust (REIT). The Company has two primary subsidiaries: Hanover Capital Partners Ltd. (HCP) and HanoverTrade, Inc. (HT). Hanover invests in mortgage-backed securities (MBS) and mortgage loans for its own account, and, commencing in 2001, for third parties. HCP provides consulting and due diligence services, focusing on loan sale advisory, loan file due diligence reviews, staffing solutions and mortgage assignment and collateral rectification services. For the fiscal year ended 12/31/03, revenues fell 23% to \$10.5 million. Net income rose 81% to \$9.3M. Results reflect reduced interest-earning loan balances, offset by reduced interest costs, greater gains on the sale of mortgage assets, and increased service-related income.

Type: Growth & Income
Sector: Services

Institutional Holdings: 12
Industry: Real Estate Oper.

Ratings & Recommendations Earnings per share

Current P/E Ratio: **10.5**
Annual Yield: **7.3%**
Annual Dividend: **\$1.20**
Investor's Bus. Daily: **A+**
Pearson Growth Rating: **B+**
Pearson Value Rating: **A+**
Stand.&Poor Rating: **N/R**
Value Line Rating: **N/R**



Individual stocks

versus the CD

+11.76%
CD Buster 2004

The 2004 CD Buster portfolio was created from our "top ten" list of growth, growth & income stocks, and our January Investment Letter. The start up prices were taken from the market's closing price on January 2, 2004. This portfolio demonstrates how selected stocks could outperform the regular bank CD yielding 1.5% annually. This example does not include trading

fees and management fees as well as dividends earned. Current performance does not indicate or guarantee future performance. All client portfolios are customized differently to meet their individual objectives and goals. There are no guarantees as to the profit of each - some may lose money.

A \$25,000 CD returning 1.5% annually would have a year-end value of: \$25,375.

The same \$25,000 invested in our CD Buster in January 2004 would have a value today (Wednesday, 03/31/04) of **\$27,881.27 (+\$2,932.85 = +11.76%)**

DISCLAIMER: The CD Buster is a stock simulation portfolio created by Pearson Capital, Inc. for informational/educational purposes only. Pearson Capital, Inc. makes no guarantee as to the accuracy or completeness of this data. Pearson Capital, Inc. shall not be liable for any errors or omissions, or for any actions taken in reliance thereon.

Year To Date Results through Wednesday, 03/31/04

Stocks Name	Symbol	Yield	Shares	Price/Share	Total Invested	Current/Price	Current
Doral Financial	DRL	1.4%	79	\$31.51	\$2,489.29	\$35.20	\$2,780.80
H&Q Life Sciences	HQL	8.6%	159	\$15.84	\$2,518.56	\$16.82	\$2,674.38
MBNA Corporation	KRB	1.1%	101	\$24.62	\$2,486.62	\$27.63	\$2,790.63
Lincare Holdings	LNCR	n/a%	80	\$30.31	\$2,424.80	\$31.40	\$2,512.00
Logitech Intl	LOGI	n/a%	58	\$42.95	\$2,491.10	\$45.76	\$2,654.08
Nicholas Financial	NICK	1.2%	299	\$ 8.23	\$2,460.77	\$9.28	\$2,774.72
Possis Medical	POSS	n/a%	132	\$19.09	\$2,519.88	\$28.13	\$3,713.16
Teva Pharmaceutical	TEVA	0.06%	43	\$57.87	\$2,488.41	\$63.37	\$2,724.91
W Holding Company	WHI	1.2%	135	\$18.77	\$2,533.95	\$18.69	\$2,523.15
Washington Mutual	WM	2.8%	64	\$39.61	\$2,535.04	\$42.71	\$2,733.44
Total:		AVG Yield 1.8%			\$24,999.96		\$27,881.27

For additional updates go to our website at www.pearsoncapitalinc.com Go to: "CD Buster 04"

Source Rating Key for PCI's featured stocks: Pearson Investment Growth Rating measures long-term past and future growth.

Pearson Value Rating measures current value in terms of potential for the dollar. Investors Business Daily measures growth and relative price strength. S&P measures financial quality and growth potential. Value Line measures timeliness, value and safety.