

FEATURED STOCKS

| | |
|-----------------|--------------|
| FedEx Corp | ITT Edu Serv |
| FMC Tech | Movado Group |
| Healthcare Serv | Qualcomm |
| Hurco Cos | Tennant Co |

GROWTH & INCOME

| | |
|-----------|-----------|
| IAF (ETF) | XME (ETF) |
|-----------|-----------|

AND THE WINNER IS?

By Donald Pearson

Imagine you and I sitting together, comparing real estate with stocks,

prepared for this. The home I live in today, like yours, has decreased 15-30 percent in value, depending where you live, yet all of us are not moving. Sounds like the stock market guru advising the property manager.

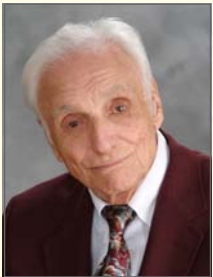
A few years ago it was the other way around. I watched then, as many market timers took their money to the sidelines, as some do today, when they believed the market was heading downward. I never can understand why they do this because none of them move when their house value corrects itself. When these pullbacks occur, my father refers to these periods as a stock market "sale," and he believes the smarter investors will go shopping and purchase the outstanding values. If you ask me, having both in a well-diversified portfolio for many of us just might be the best decision. The home I live in doesn't give me too much trouble, and it appreciates in value while I'm sleeping. While pondering that thought, remember there's also something to be said for a well-performing stock. A good stock selection will always appear the better investment, simply because you don't have to put on a new roof, chase late rents, or complete any other assignment that goes with the property. Once you decide you no longer want to be the landlord or the owner, you need not put an advertisement in the newspaper, contact a real estate broker, or offer a 6 percent commission; you simply execute a sell order for \$9.95 and are done with it.

Here's a list of several stocks that meet the long-range objective outlined above. Once you've decided your path to prosperity, you might consider some of these for your portfolio. If you're a client of ours, we've already made that decision for you.

I selected these because we've been buying them for our clients, and we believe they will continue to grow at

trying to decide which investment makes the most sense. A few years ago, when the stock market was staggering, many were saying real estate was the clear winner. Yet back in the nineties everyone wanted stocks and more stocks. Perhaps we should check back more than a decade or two to help us decide on the real winner. For those who would like to read a quality, in depth comparison that really pitted one against the other, you could purchase a copy of Money Magazine for May 2007, and read the article written by Marlys Harris. She chose stocks as the winner after dissecting both in great detail. It wasn't a knockout, it was by split decision.

As the stock market continues to climb again, I cannot help but remember how difficult owning income property was in New England in the nineties. Vacancies and tenant issues were hard enough to deal with, and the falling property values just compounded my frustration. Now I'm watching this cycle start again here in Florida as well as other parts of the country. As insurance doubles and taxes increase, I know it's imperative that none of us lose sight of the big picture. Real estate has a place in everyone's portfolio whether it's your personal home or additional income units. When the going gets difficult, it's imperative to remember if your investments were easy to manage and always went up in value everyone would be doing it. So just like my own home, as prices continue to drop today, I'll remind myself I've developed a plan, and it's a good one, so I've got to remain disciplined and stay the course. I know property values are not always going to increase and I must be



Walter D. Pearson
Chairman



Donald E. Pearson
President



Sandra Alberti
Publishing President

Investment Letters are complimentary to our clients with managed accounts!

MONEY

If you read the newspapers or watch television, I presume that from time to time you catch a financial advisor forecasting business conditions. Almost invariably a financial expert will explain how we have inflation well in hand and that there is nothing to worry about. The part that puzzles me is whether these people are actually that naive, or whether they have been brainwashed to the same extent that they are leading their audience.

Let us check some of the facts and see what the forward outcome should be. If we are to believe these soothsayers, we should have a portion of our savings invested in the stock market and another portion spread around in other various manners. Sometimes 50 percent or more is allocated to bonds of various types. It is a known fact that bonds do not grow which means that if we have inflation, the actual value of the bond has depreciated. These people are telling you to invest in bonds because the value will hold on account of the fact that inflation has been halted for this period. HOGWASH!

The fact is that this country is in debt and the debt is increasing each year. Many years ago an executive of National City Bank was being queried about the matter; and when asked how long it would take to pay off the national debt, which was much smaller at that time, he replied, "It will never be paid off. They'll just inflate it away." Therein lies the truth. In actuality the debt has grown to such a size that more and more money has to be borrowed, which means more dollars are being brought into existence, just so there will be enough cash to pay the interest.

In 1957 you could buy a gallon of gas for 23 cents and the price is now more than \$3.00 a gallon. A pound of coffee which was 69 cents at that time will now cost \$3.14; a gallon of milk was 97cents and now goes for \$3.20; a dozen eggs was 45 cents and now sells for \$1.26. Sugar was 11 cents a pound and now will cost you 51 cents. And how about going to school? At that time Harvard tuition was \$800 and these days the cost has risen to \$31,665, while the new home which you might have purchased for \$14,200 is now going for \$96,326.

Because of this inflation salaries have also risen. Where the average salary in those days was \$4,966 it is now at \$46,326. What this means is that the average salary today is almost 10 times what it was then. This is not as good as it looks because our taxes have risen in the meantime. However, the increased income has covered the first five items but cannot begin to handle the increase in price of new homes or college tuition. This is one of the reasons why some college graduates are in debt for a good part of their lives.

Some people are young enough that they have no knowledge of events in the year 1957. This is a good reason for them to consider the gravity of the situation and to do all in their power to beat the game. Think about this: Because of increases in salary, the working man has been able to keep his head above water in spite of inflation, but there will come a time when you are retired and your income will become much more stable. Social security payments do rise with inflation but at a much slower pace. The thinking

man will be making plans for his own retirement.

I believe that the rate of inflation will continue to rise as time goes on, and this belief is shared by numerous others. Do you have any conception of how much income you will require in order to maintain a minimal existence 50 years from today? In my opinion prices will rise faster and further in the next 50 years than they did in the last 50, but let's just figure on past performance. If these prices increase at the same rate for the next 50 years as they did in the last 50, gasoline will cost \$22 a gallon; coffee will be \$15 a pound; milk will be \$10.50 a gallon; eggs \$3.50 a dozen; sugar about \$2.50 a pound. Then the bigger items: Harvard, \$125,000; and a new home, \$7,100,000.

When you understand the actual situation in this country, there are two courses open for you to take. You may correct the problem or take steps to alleviate it. The problem originates in Washington D.C., and I see no way for us to be able to correct it, which means we should do all in our power to better our individual positions. It behooves each of us to understand that investing in stand-still vehicles such as bonds is simply a manner of guaranteeing a loss to the holder. Each investor should be looking to invest in growing companies. As the company grows, so does your investment, but remember, a part of this growth is simply covering the rate of inflation.

By Walter Pearson

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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.

Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.

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

June 2007

FEDEX CORPORATION (FDX)

NYSE PRICE: \$111.29

FDX provides transportation, e-commerce, and business and information services worldwide. It operates in four segments: FedEx Express, FedEx Ground, FedEx Freight, and FedEx Kinko's. The FedEx Express segment offers various shipping and transportation services for delivery of packages and freight. The FedEx Ground segment provides business and residential money-back-guaranteed ground package delivery services. The FedEx Freight segment offers regional next-day and second-day, and less-than-truckload freight services using the US postal services to residential customers. The FedEx Kinko's segment provides document solutions and business services. The company was incorporated in 1971 and is headquartered in Memphis, Tennessee.

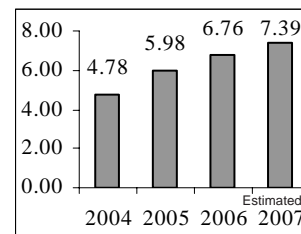
Type: Growth
Sector: Services

Institutional Holdings: 515
Industry: Info. Freight Services

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **17.6**
Annual Yield: **0.36%**
Annual Dividend: **\$0.36**
Investor's Business Daily: **D**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Standard&Poor Rating: **A**
Value Line Rating: **C**



FMC TECHNOLOGIES, INC (FTI)

NYSE PRICE: \$75.63

FTI engages in the design, manufacture, and servicing of systems and products for the energy, food processing, and air transportation industries. It operates in four segments: Energy Production Systems, Energy Processing Syst., FoodTech, and Airport Syst. The Energy Product. Syst. segment designs and manufactures subsea production systems, surface production and separation systems for companies involved in land and offshore exploration and production of crude oil and gas. The Energy Process. Syst. segment designs, manufactures, and supplies high pressure valves for oilfield service customers. The FoodTech segment designs, manufactures, and services food processing systems used primarily for fruit juice production, frozen food production. The Airport Syst. segment supplies passenger boarding bridges, cargo loaders, and other ground support products.

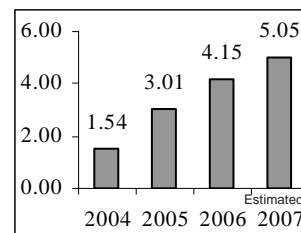
Type: Growth
Sector: Basic Materials

Institutional Holdings: 257
Industry: Oil & Gas

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **13.6**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A+**
Pearson Growth & Value: **A+**
Morningstar Rating: **D**
Standard&Poor Rating: **B**
Value Line Rating: **C**



HEALTHCARE SERVICES GROUP, INC (HCSG) NASDAQ PRICE: \$28.81

HCSG through its subsidiaries, provides housekeeping, laundry, linen, facility maintenance, and food services to nursing homes, retirement complexes, rehabilitation centers, and hospitals primarily in the U.S. It operates in two segments, Housekeeping, Laundry, Linen, and Other Services (Housekeeping), and Food Services. The Housekeeping segment offers cleaning, disinfecting, and sanitizing of patient rooms. It also offers linen services, which include providing, laundering, and processing of the sheets, pillow cases, blankets, towels, and uniforms. The Food Services segment develops a menu to the resident's dietary needs, as well as purchases and prepares the food to provide a meal to the residents. As of 12/31/06, the company provided services to approximately 1,950 facilities in 47 states. Healthcare Services Group was founded in 1976 and is based in Bensalem, Pennsylvania.

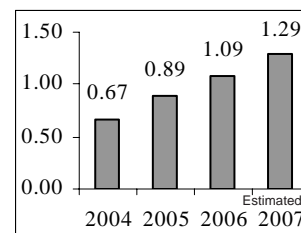
Type: Growth
Sector: Services

Institutional Holdings: 135
Industry: Business Services

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **30.5**
Annual Yield: **2.15%**
Annual Dividend: **\$0.60**
Investor's Business Daily: **B-**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **B**



HURCO COMPANIES, INC (HURC)

NASDAQ PRICE: \$46.65

HURC an industrial technology company, engages in the design, manufacture, and sale of computer control systems, software, and computerized machine tools for the metal cutting and metal forming industry. Its products include general purpose computerized machine tools primarily vertical machining centers and turning centers. The company also produces computer control systems and related software for press brake applications that are sold as retrofit control systems. Hurco Companies serves aerospace, defense, medical equipment, energy, automotive/transportation, electronics, and computer industries. It sells its products through independent agents and distributors in North America, Europe, and Asia, as well as England, France, Germany, Italy, Singapore, and China. The company was founded in 1968 and is headquartered in Indianapolis, Indiana.

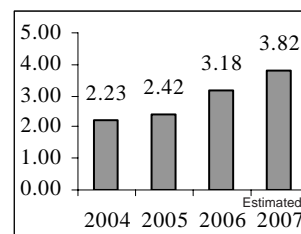
Type: Growth
Sector: Technology

Institutional Holdings: 48
Industry: Tech. Instruments

Ratings & Recommendations

Earnings per share

Current P/E Ratio: **16.1**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **B**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR

June 2007

ITT EDUCATIONAL SERVICES, INC (ESI) NYSE PRICE: \$113.52

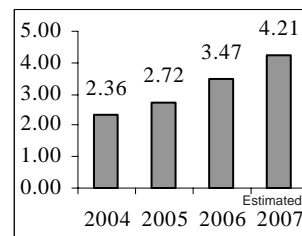
ITT Educational Services, Inc. provides postsecondary degree programs in the United States. It offers diploma, associate, bachelor, and master degree programs in the fields of information technology, electronics technology, drafting and design, business, criminal justice, and health sciences. As of March 22, 2007, the company operated 90 ITT Technical Institutes in 33 states, which primarily offered career-focused degree programs of study to approximately 47,000 students. ITT Educational Services was founded in 1946 and is headquartered in Carmel, Indiana.

Type: Growth
Sector: Services

Institutional Holdings: 252
Industry: Education & Training

Ratings & Recommendations Earnings per share

Current P/E Ratio: **38.4**
Annual Yield: **0%**
Annual Dividend: **\$0**
Investor's Business Daily: **A+**
Pearson Growth & Value: **B+**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **A**



MOVADO GROUP, INC (MOV) NYSE PRICE: \$33.08

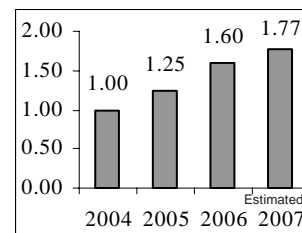
MOV engages in the manufacture, distribution, and retail of watches and jewelry. It offers its watches under the brands, including Movado, Ebel, Concord, ESQ, Coach Watches, HUGO BOSS Watches, Juicy Couture Watches, Tommy Hilfiger Watches, and Lacoste Watches. Movado Group sells its products directly, as well as through jewelry store chains, department stores, and a network of independent distributors in North America, Europe, Asia, the Middle East, South America, and the Caribbean. In addition, it operates outlet stores to sell discontinued models and factory seconds in the U.S. As of January 31, 2007, Movado Group operated 31 Movado Boutiques and 30 outlet stores. MOV was founded in 1961. It was formerly known as North American Watch Corporation and changed its name to Movado Group, Inc. in 1996. The company is headquartered in Paramus, New Jersey.

Type: Growth
Sector: Consumer Goods

Institutional Holdings: 136
Industry: Recreational

Ratings & Recommendations Earnings per share

Current P/E Ratio: **17.7**
Annual Yield: **0.96%**
Annual Dividend: **\$0.32**
Investor's Business Daily: **A**
Pearson Growth & Value: **B+**
Morningstar Rating: **N/R**
Standard&Poor Rating: **A**
Value Line Rating: **B**



QUALCOMM INCORPORATED (QCOM) NASDAQ PRICE: \$42.77

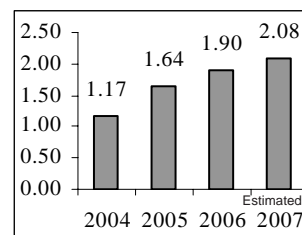
QCOM engages in the design, development, manufacture, and marketing of digital wireless telecommunications products and services based on its Code Division Multiple Access (CDMA) technology. It develops and supplies CDMA-based integrated circuits and system software for wireless voice and data communications, multimedia functions, and global positioning system products to wireless device and infrastructure manufacturers. QCOM provides satellite- and terrestrial-based two-way data messaging and position reporting services for transportation companies, private fleets, and construction equipment fleets. The company has a joint venture with KDDI to explore the deployment of MediaFLO services in Japan; and a joint venture with Iqlinks to manufacture CDMA450 terminals in Vietnam. QCOM was founded in 1985 and is based in San Diego, California.

Type: Growth
Sector: Technology

Institutional Holdings: 831
Industry: Comm. Equipment

Ratings & Recommendations Earnings per share

Current P/E Ratio: **27.6**
Annual Yield: **1.30%**
Annual Dividend: **\$0.56**
Investor's Business Daily: **B+**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Standard&Poor Rating: **C**
Value Line Rating: **B**



TENNANT COMPANY (TNC) NYSE PRICE: \$32.72

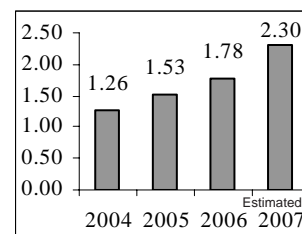
TNC engages in the design, manufacture, and marketing of cleaning solutions. It offers floor maintenance and outdoor cleaning equipment, specialty surface coatings, preservation products, parts and consumables, and related products that are used to clean and coat floors in factories, office buildings, parking lots and streets, airports, hospitals, schools, warehouses, and shopping centers. The company offers its solutions through direct sales and service organization, and authorized distributors. It serves building service contract cleaners, end-user businesses, healthcare facilities, and schools, as well as federal, state, and local governments. Tennant Company has operations primarily in North America, Europe, the Middle East, Asia, Japan, Latin America, and Australia. The company was founded in 1870 and is based in Minneapolis, Minnesota.

Type: Growth
Sector: Industrial Goods

Institutional Holdings: 109
Industry: Machinery

Ratings & Recommendations Earnings per share

Current P/E Ratio: **20**
Annual Yield: **1.48%**
Annual Dividend: **\$0.48**
Investor's Business Daily: **A**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Standard&Poor Rating: **B**
Value Line Rating: **B**



PEARSON CAPITAL'S RECOMMENDED STOCKS FOR

June 2007 - ETFs

ABERDEEN AUSTRALIA EQUITY FUND, INC (IAF) AMEX PRICE: \$15.93

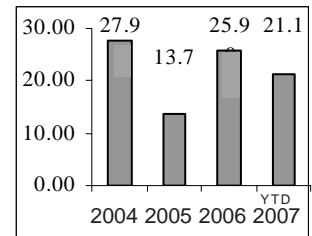
Fund Profile

Aberdeen Australia Equity Fund, Inc. is a closed-end, non-diversified management investment company incorporated in the USA. The Fund's objective is long-term capital appreciation. The Fund's secondary investment objective is current income. The Fund invests at least 80% of its total assets in equity securities listed on The Australian Stock Exchange. Inception Date: 12/19/85
Web Site: www.aberdeen-asset.com

Fund Family: Large Cap Type: ETF
Category: Pacific/Asia-ex Japan Industry: Diversified

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/R**
Annual Yield: **9.12%**
Annual Dividend: **\$1.45**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A**
Morningstar Rating: **B**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



SPDR METALS & MINING ETF (XME) NYSE PRICE: \$67.17

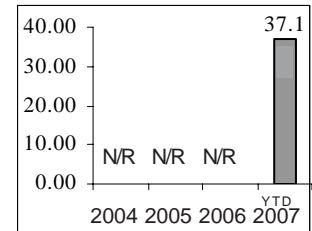
Fund Profile

SPDR Metals & Mining ETF is an exchange-traded fund incorporated in the USA. The Fund's objective is to replicate as closely as possible the performance of the S&P Metals & Mining Select Industry Index. Inception Date: 06/22/06
Web Site: www.spdretfs.com

Fund Family: Mid Cap Type: ETF
Category: Natural Res Industry: Metals/Mining

Ratings & Recommendations Performance by %

Current P/E Ratio: **N/R**
Annual Yield: **0.59%**
Annual Dividend: **\$0.39**
Investor's Business Daily: **N/R**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/R**
Standard&Poor Rating: **N/R**
Value Line Rating: **N/R**



AND THE WINNER IS? - Continued from page 1

or above 15 percent annually, while solid yields are included for many of them.

Walgreen's (NYSE WAG) is the nation's largest drug chain. Their last quarter was paramount and growth at or above 15% annually is anticipated for many years.

Bank of America (NYSE BAC) continues to buy back shares while earnings per share increased 8% in the last quarter. BAC yields 4.3%.

Citigroup (NYSE: C) we believe this has the ability to double over the next 3-5 years, while paying a 4.1% yield.

IndyMac Bancorp (NYSE: NDE) this bank, the 7th largest savings and loan, is buying back its own shares. With a P/E of 6.4, they are yielding 6.7%.

Caterpillar Inc. (NYSE: CAT) is the worlds largest manufacturer of earth moving equipment. The past few years have been very strong, and growth should continue at 16%-18% for many years.



For Your Information:

TD Waterhouse is now TD Ameritrade
As the conversion continues many changes are occurring. Soon cost basis will be on all statements and many other changes are in the works today. Account numbers are also changing. This will not have any effect on the account itself. The first digit changed from a 5 to a 9 and a zero added at the end. Call or email me if you'd like to know more about these changes, or any other issue you may have.
800-510-0329 or pearsoncapital7@gmail.com. I'll be happy to help you.



Ann Hathaway
Account Manager

WALL STREET INDEXES

| Indexes | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007/YTD |
|-------------------|---------|---------|-------|-------|------------|-------|----------|
| S&P 500 | (13.3%) | (23.4%) | 26.4% | 9.0% | 3.0% | 13.6% | +7.9% |
| Dow Jones | (7.1%) | (16.8%) | 25.3% | 3.2% | (0.61%) | 16.3% | +9.3% |
| Nasdaq | (21.1%) | (31.5%) | 50.0% | 8.6% | 1.37% | 9.5% | +7.8% |
| Russell 2000 | 1.0% | (21.6%) | 45.4% | 17.0% | 3.32% | 17.0% | +8.2% |
| Our CD Buster | | 8.1% | 56.7% | 22.8% | (Disputed) | 1.8% | +7.6% |
| CD Annual Average | 3.0% | 2.3% | 1.5% | 1.5% | 3.5% | 5.0% | +2.1% |

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

With the Federal Reserve once again leaving interest rates alone, the dollar continues its slide downward. Many of the top-performing stocks of the Dow and the S&P are getting a lot of their earnings boost from currency fluctuations, with as much as 45 percent of their earnings from overseas business. Congress is also trying to put pressure on China to raise the value of its currency to prevent a further slide of the dollar. At the same time China is reinvesting our dollars back into American assets instead of holding them in Treasury Bills.



Key point: *Interesting events are happening because of the dollar's decline.*

Earnings Flows:

We are now at the end of the earnings season. Most companies have already reported, so there will be a lull until the summer rally of July. During the summer most of the economy is on vacation, so the market exhibits a natural sluggishness that is occasionally aggravated by some external event. September is usually the worst performing month of the year.

Key point: *Summer starts the big slowdown in the marketplace.*

Cash Flows:

Share buybacks and company buyouts have moved the market forward as a lot of private equity money has moved into the marketplace. Many analysts believe that several areas of the world, including China, are becoming overvalued. In order to gain advantage, companies are using cheap credit to purchase competitors. Producers such as Alcoa (AA), and BHP Billiton (BHP) are moving quickly to gain a competitive advantage.

Key point: *Private equity money is helping the advancement of the market.*

ADDRESS CHANGE:

Walter has moved - you may reach him at the following location.

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(2% for smaller accounts)

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