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President

In the last 15 calendar years (1990-2004), the S&P 500 has averaged +7.2% per quarter in the 4th quarter, ranking it as the best quarter over that period. The 3rd quarter has produced the worst return, losing an average of 2.2% per quarter. Both performance numbers are total return results (source: BTN Research).

The price of oil hit $39 a barrel in February 1981. That price is equal to $87.14 a barrel in today's dollars after adjusting for inflation. The highest closing oil price ($69.81) and highest intraday oil price ($70.85) this year occurred on 8/30/05, the day after Hurricane Katrina struck the gulf coast (source: Department of Labor, AIADA, BTN Research).

The average price of a gallon of gasoline was $1.42 in March 1981. That price is equal to $3.14 a gallon in today's dollars after adjusting for inflation. The highest average price for a gallon of gasoline this year was $3.06 on 9/05/05 (source: Energy Information Administration, Dept. of LABOR, AAA).

A lump-sum amount of $179,493 is required to fund a $1,000 per month payment for 20 years with a 3% annual increase for maintenance of purchasing power assuming a +6% annual rate of return is maintained into the future. The lump-sum amount is $237,240 if the required payment period is 30 years. The calculations ignore the impact of taxes (source: BTN Research).

The 10 largest oil companies in the world are projected to earn profits of $118 billion in 2005 or $1 million every 4-½ minutes (source: A.G. Edwards, Business Week).

In the last 150 months of the S&P 500 stock index, 64% of the months have produced a gain on a total return basis and 36% of the months have generated a loss (source: BTN Research, S&P Corp.).

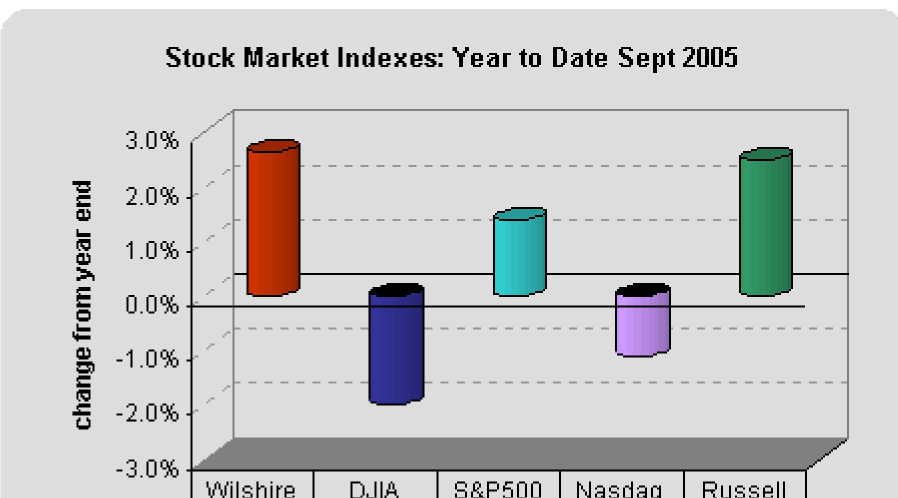
3rd Quarter Report 2005
INVESTMENT PERFORMANCE REPORTING

Dear Clients and Friends;

We are happy to enclose your 3rd quarter 2005 investment performance for the period beginning July 1, 2005 and ending on September 30, 2005.

We sincerely hope that you, your family and friends are all well and safe. Hurricane's Katrina, Rita and now Wilma and their aftermath have been completely devastating to many. Hurricane Katrina affected us directly and has been an inconceivable disaster bringing much damage and loss to many. While we sustained moderate damage at our office and are currently working in temporary facilities, we consider ourselves fortunate. We are up and operational. Many were not as fortunate as we.

During the 3rd quarter 2005, the market as measured by major indexes on a total return basis was mixed, with the DOW gaining 2.86%, while the S&P 500 increased 3.15% while the NASDAQ grew 4.61%[1]. Generally speaking, on a risk-adjusted basis, our managed accounts performed better during the quarter than most of the major market indices, depending upon timing of cash flows and possible other factors. The ups and downs of the market year-to-date (YTD) through the end of the 3rd quarter have been frustrating to say the least, however, your patience has generally been rewarded in the 3rd quarter. It appears some of the changes we made to many of our portfolios added value. There may be reason for optimism in the 4th quarter. More later….



	Wilshire	DJIA	S&P500	Nasdaq	Russell
Sep-05	2.7%	-2.0%	1.4%	-1.1%	2.5%

The equity market showed mixed results when one looks at equity performance from year-end through the end of the 3rd quarter (1/1/2005 - 9/30/2005). The Dow Jones Industrial Average is the worst performer - with a -2.0% drop since year-end. The NASDAQ composite index is also down from year-end with a -1.1% drop. The Wilshire 5000 - which encompasses the entire market - is the best performer with a 2.7% gain, closely followed by the Russell 2000 with a 2.5% gain. The S&P 500 is up 1.4% since year-end. It is ironic that the small cap index is performing so well since many analysts had expected the small cap market to under perform this year after doing well in the past couple of years.

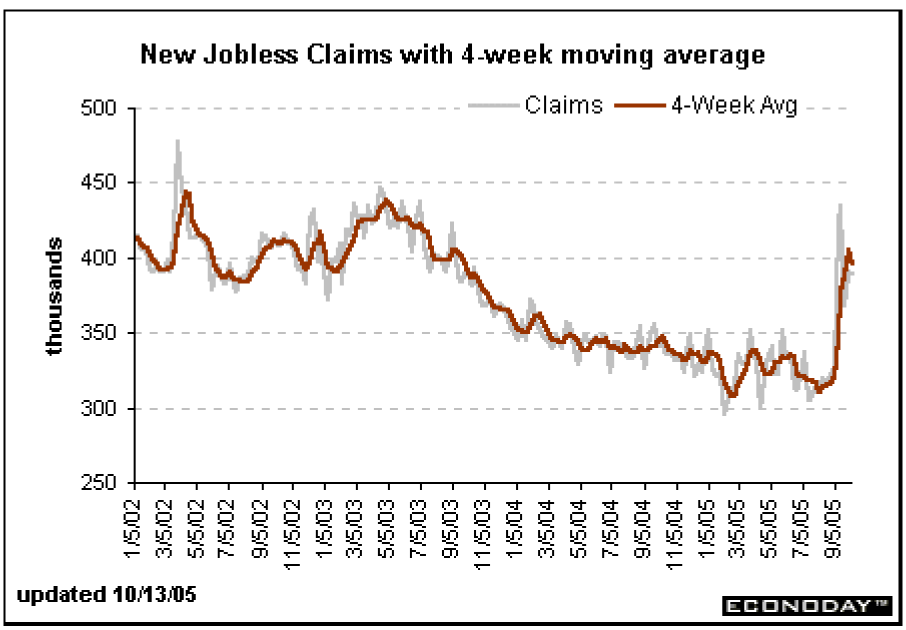
Hurricanes, Oil, Inflation and Interest Rates

Investors had more than enough to worry about during the quarter, but that didn't seem to stop the market, as the bull seemed to climb the proverbial "wall of worry". However, these were the major worries.

On August 29, Hurricane Katrina barreled into the Gulf Coast resulting in one of the worst natural disasters in U.S. history. On September 23rd, Hurricane Rita struck the Western Gulf Coast devastating many and destroying whole rural communities. Katrina and Rita, of course, have been first and foremost human tragedies. However, they were also big enough to have important implications for the economy and financial markets.

Total economic losses from Hurricane Katrina, based on US government is projections, could reach $150-200 billion, according to the Wall Street Journal. Property damage in the affected areas has been extensive. Insured losses from Hurricane Katrina have been estimated at $26 billion, more than the combined $24 billion of insured losses from all 4 hurricanes that hit Florida in August and September 2004. Property and casualty insurance companies paid out a record $27 billion in 2004 to cover the losses in 22 different catastrophic events during the year[2]. Total property damage losses could be much higher, as insured losses are just that, insured. All losses include those that were not covered by insurance.

Projections for the growth in our economy in the 4th quarter 2005 have been reduced from +3.6% (on an annualized basis) to +3.2% reflecting the impact of Hurricane Katrina. A 0.4% reduction in GDP is 0.4% of our $12.4 trillion economy or equal to $50 billion of lost economic value over the course of a year or $136 million in lost value of goods and services each day[3].

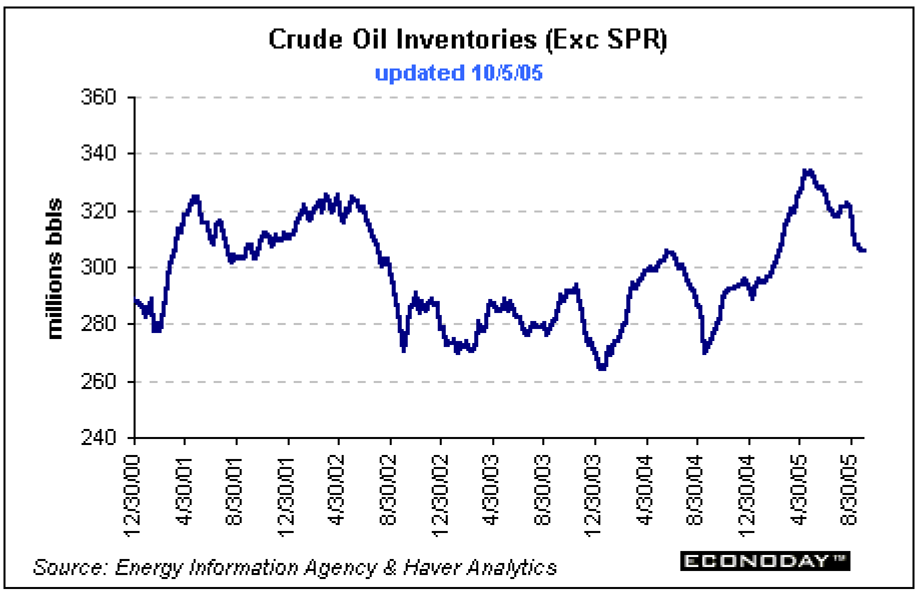


One way in which Katrina has hit the economy is in lost jobs. Just over two million people live in the five coastal counties of Alabama and Mississippi and in the seven parishes in and around New Orleans. This represents roughly one million workers. The Labor Department estimates that the hurricane effect on initial claims totals 438,000. The Labor Department said it couldn't separate the effects of Katrina and Rita.

Another factor is Katrina and Rita have led to a dramatic surge in gasoline prices, which rose above $3.00 a gallon for the first time ever over the Labor Day weekend. This in turn will hurt consumer spending on food, clothing, and other basic goods as some consumers devote more of a share of their income to gasoline. More disturbingly, the gas-price sticker shock may cause some families to postpone buying new vehicles.

Increasing oil prices act as a huge tax on the economy. If the price of oil increases by $10 a barrel, the world's economic output would see a reduction of 0.6% in GDP growth in the following 12 months. Since 12/31/04, the price of oil has gone up almost $23 per barrel, increasing from $43.45 to $66.24 as of the end of September 2005. A 0.6% drop in the US economy is equal to $74 billion of lost goods and services[4].

However, it is important to note that the storm related surge in gasoline prices, unlike the gradual climb over the past three years, is essentially a refining and distribution problem rather than a crude oil problem. As refineries gradually get back on line, the spread between gasoline prices and crude oil prices should return to normal. While crude oil prices of more than $60 a barrel seem extraordinarily high, they should be consistent with gas prices of about $2.50 a gallon[5]. As of the beginning of 2005, there were 148 oil refineries in operation in the USA. Our nation had 321 refineries in operation in 1981 although many of them were smaller and less efficient. No new refineries have been built in the USA in the last 30 years[6].



As is evident from the chart, crude oil stocks can fluctuate dramatically over the year. When oil prices nearly reached $50 per barrel in August 2004, financial market players began to monitor crude oil inventories. It is not surprising to see sharp price hikes in crude oil when inventories are falling. Conversely, one would expect price declines when inventories are rising.

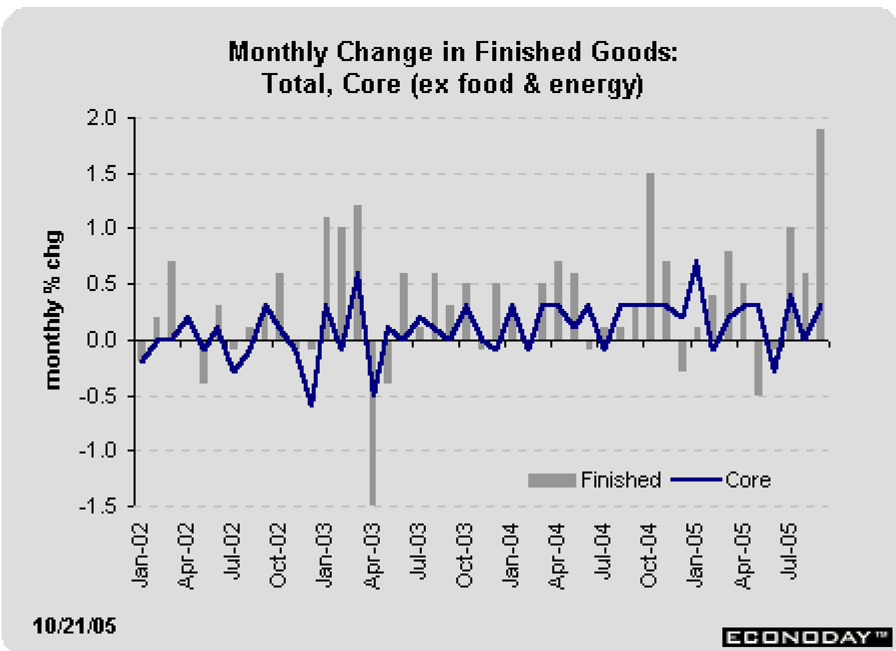
The Gulf Coast is an area of vital importance to our country. According to Fortune magazine, 29% of the oil produced in the USA comes from oilrigs in the Gulf of Mexico while port cities on the gulf handle 60% of our country's daily oil imports.

Finally, another effect of Katrina is the rebuilding effect. One of the ironies of natural disasters is that they usually add to economic growth since destruction of wealth does not show up in the national income statistics, but rebuilding efforts do. Furthermore, this rebuilding effect now looks like it will turn out to be the strongest and longest lasting of the effects of the storm.

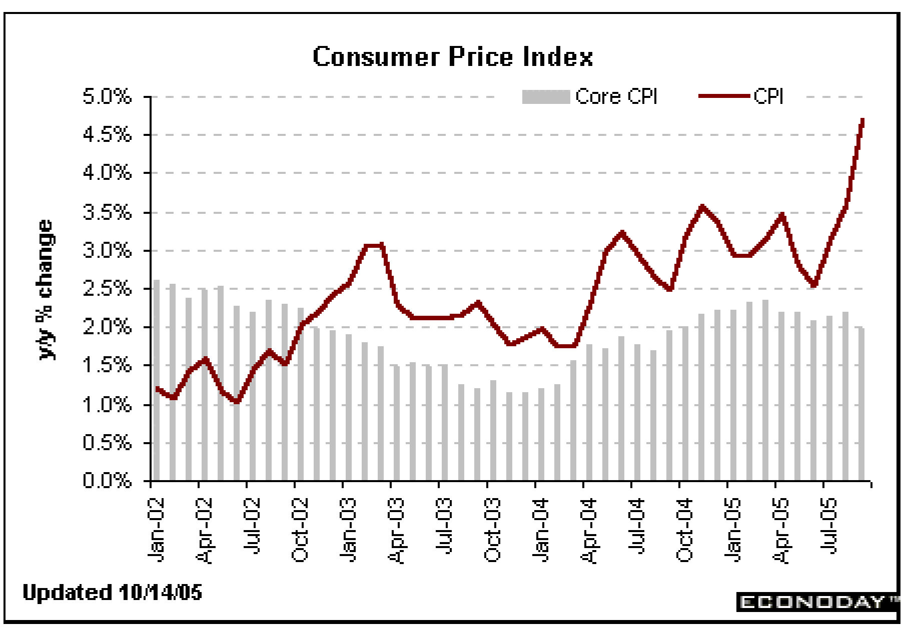
Because of a public outcry over the perceived slowness of federal response to Katrina, the federal government has been falling over itself to pour money into the rebuilding effort. So far, President Bush has signed bills authorizing more than $60 billion in federal aid. To put this in perspective, the two million people living in the most affected counties equates to roughly 800,000 households; $60 billion spread over 800,000 households amounts to $75,000 per household. In addition, private estimates now put the insurance claims bill at between $40 billion and $60 billion, and none of this includes the billions of dollars being raised by private charities all over the country for the relief of hurricane victims[7].

While few people would take exception to providing the Gulf Coast this aid, rebuilding efforts will likely represent a major boost to aggregate demand in the economy. According to economist Dr. David Kelly, Katrina could actually add to economic growth in the fourth quarter and now looks likely to do so for 2006.

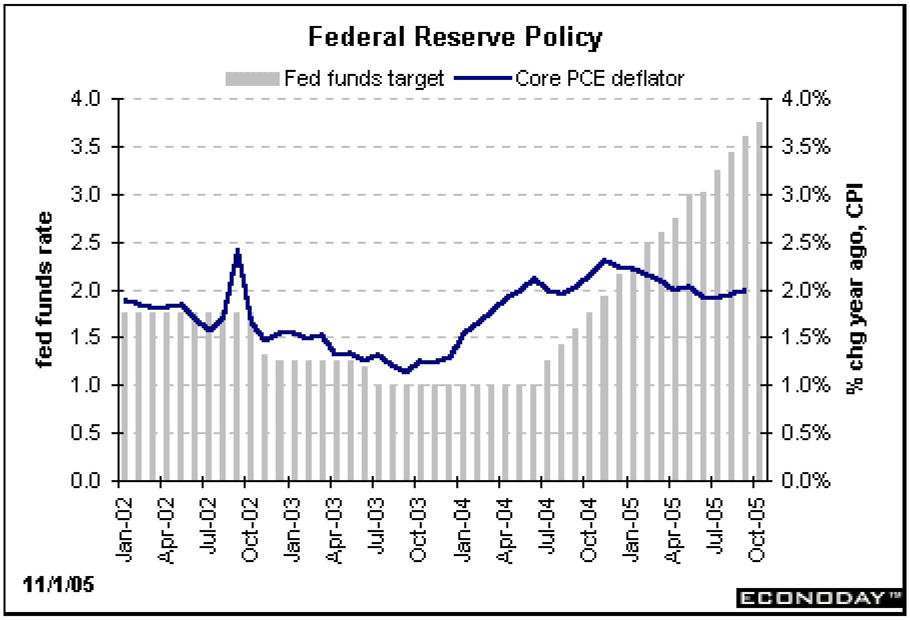
Inflation news has been scaring investors lately. Apparently a Halloween inflation goblin has spooked the market. While it is true that surging energy prices primarily impacted most price indexes, it is also true that prices of other goods and services are also starting to show gains. The producer price index (PPI) surged 1.9% in September, the largest monthly gain since recording a similarly large gain in 1990. Energy prices jumped 7.1% during the month, and are now 27.8% higher than a year ago. Food prices increased 1.4% in September after declining in the two previous months. Excluding food and energy prices, the core PPI increased 0.3%. This was slightly higher than the average 0.2% monthly gain recorded in the first eight months of this year[8].



Despite the scary looking gains in the Consumer Price Index (CPI), the core rate that excludes food and most notably here excludes energy, rose only 0.1% with the year-on-year rate right at the 2.0% level where Federal Reserve officials typically draw the line. Still the CPI rate, continuing to be insulated from sky-high fuel prices, is under last year's core level. Gasoline prices



made for an unusually expensive September, at least at the consumer level where prices jumped 1.2% compared to August and 4.7% year-on-year. Energy prices, boosted by a 17.9% rise in gas, rose 12.0%[9].

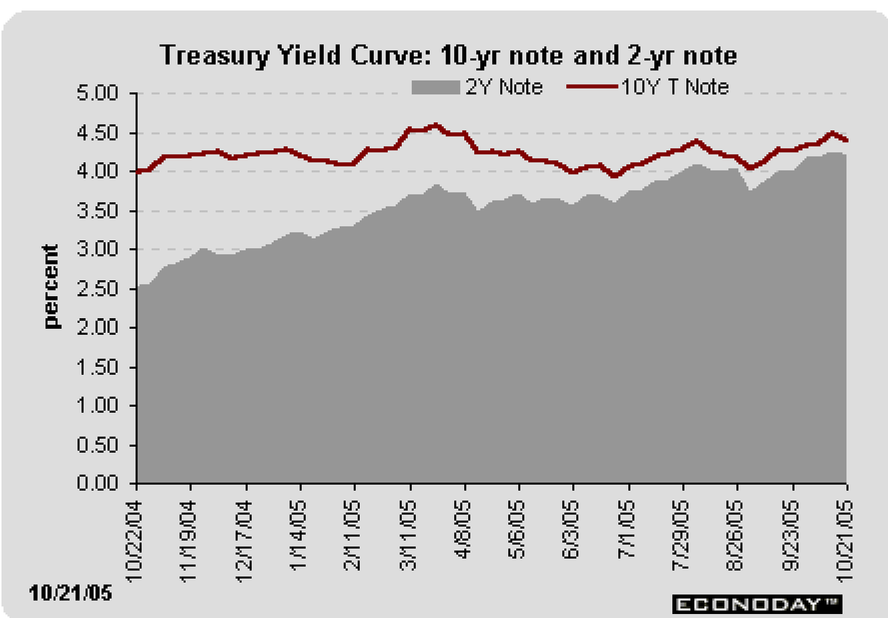


The Federal Reserve as of this writing bumped up short-term interest rates for the 12th-straight time over 16 months in an attempt to ward off inflation.

The nation's central bank said that, despite the effects of Hurricanes Katrina, Rita and Wilma, the economy has been quite strong. Indeed, the costs of recovery for the Gulf Coast of Louisiana, Mississippi, Alabama and Florida are adding to inflationary pressures.

The Federal Reserve raised its federal funds rate from 3.75% to 4%. Additionally, the member Federal Reserve Banks raised their discount rate from 4.5% to 5%.

The Fed said its policies, which have kept rates relatively low, "is providing ongoing support to economic activity that will likely be augmented by planned rebuilding in the hurricane-affected areas." However, the central bank warned, "The cumulative rise in energy and other costs have the potential to add to inflation pressures." Although the reality now is that core inflation has been relatively low in recent months and longer-term inflation expectations remain contained, the statement said.

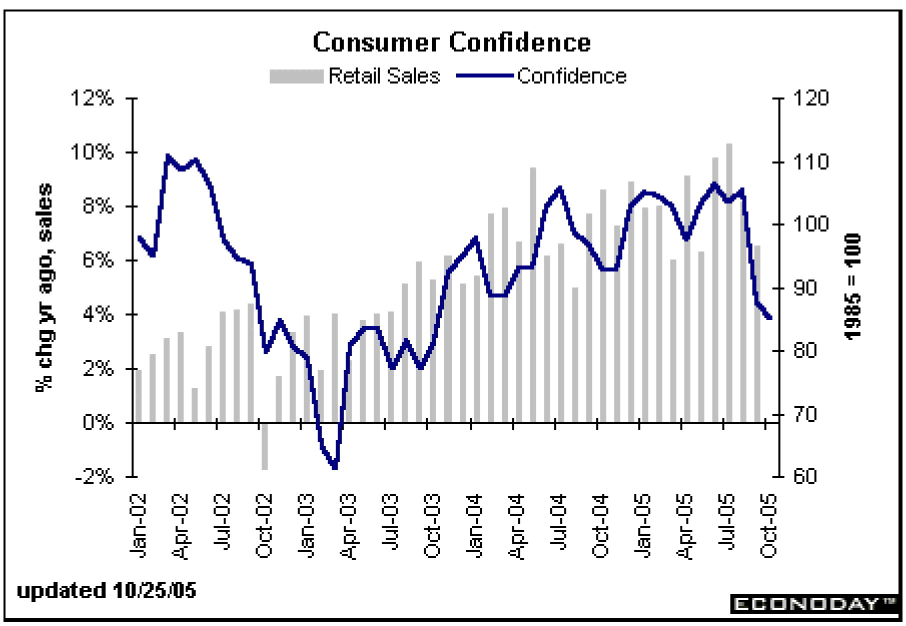


The treasury yield curve spread has been tightening since last year at this time. Monetary conditions are likely to tighten further going forward. The Fed funds futures curve has priced in a 4% target rate by the end of the year and a 4.5% rate by mid-2006, according to economist Lawrence Kudlow. Kudlow believes the Fed's stance is unfortunate since their hawkish attitude is not supported by price data. Inflation measures show that core inflation is about 2%. In fact, the chained CPI index shows that core inflation has been holding a little under 2% for the last ten months. Non-energy price gauges also show about 2% inflation. In addition, the CRB spot commodities index (which excludes gold and oil) remains in its seventeen-month old range[10].

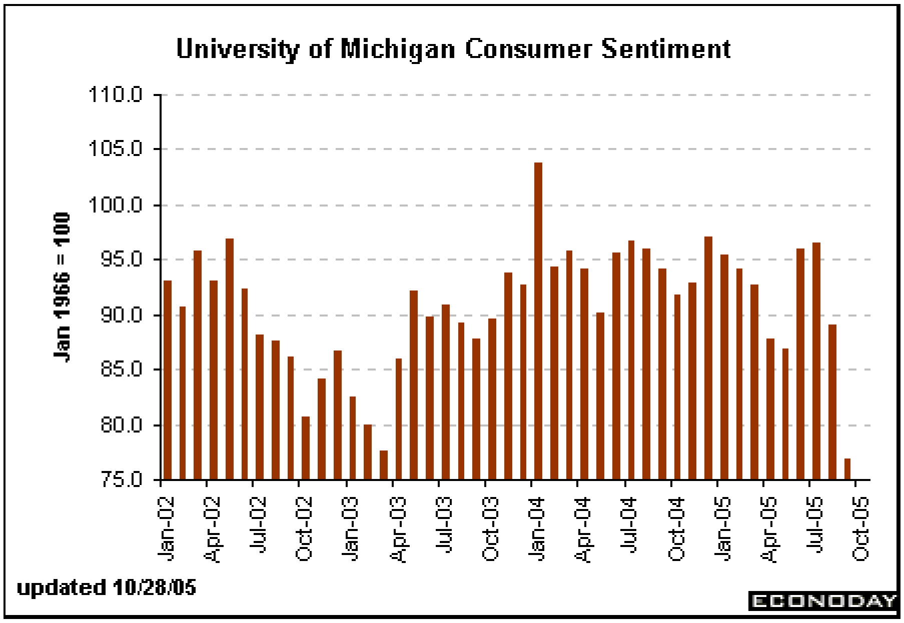
With rate hikes expected to continue, the risk of yield curve inversion has increased. An inverted yield curve occurs when short-term rates rise above the level of long-term interest rates, and is a condition occurring in many cases with the Fed over-tightening. The yield curve may avoid inversion, but it will be a very close call, according to Kudlow. In any case, the economy appears to be headed for a monetary policy-induced slowdown. The last 3 times the yield on the 2-year Treasury note exceeded the yield on the 10-year Treasury note were in early 1982, late 1989, and early 2001 (i.e., resulting in an inverted yield curve). In each case the yield inversion has foreshadowed an official recession that began within 1-year[11]. Hopefully, we will see some restraint on the part of the Fed and a yield curve inversion will not take place.

Reasons for Optimism

Historically, there have always been worries, and while we have discussed only a few, I think the time to start worrying is when there seems to be nothing to worry about. That's usually when the other shoe drops, as in the end of the year 1999 and beginning of 2000. The old millennium ended and the new millennium started with economic nirvana, the end of the cold war, record stock market highs, budget surpluses, record unemployment, nothing to worry about. Right…. We don't need any painful reminders to tell us what happened next, bursting of the tech bubble, bear market of 2000-2002, the 9/11 terrorists attacks, 2001 recession, need I name more. A healthy dose of worry doesn't seem to be so bad for investors.



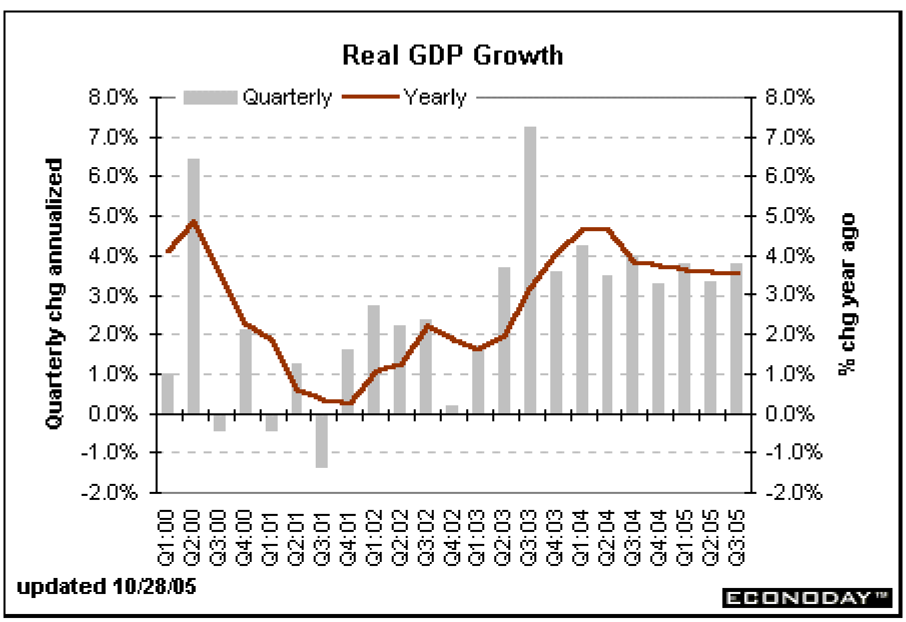
Recent consumer confidence readings indicate consumers are not so confident in the future. The Conference Board's consumer confidence index plunged nearly 20 points in September to 86.6 after showing more optimistic consumers during the summer months. Many economists blame the CNN effect on September's pessimistic consumers, but high gasoline prices probably also had a lot to do with the plunge. Typically retail sales will move in tandem with consumer optimism - although not necessarily each and every month.



The University of Michigan's consumer sentiment index slipped further, down to 74.2 in October from 75.4 at mid month and from 76.9 in September.

Both this and the Conference Board's survey, released recently, are showing further erosion in confidence after the big hit of September. Still high gas prices and an uncertain job market, perhaps along with negative political news, are weighing on the consumer. Investors monitor consumer sentiment because it tends to have an impact on consumer spending over the long run (although not necessarily on a monthly basis.)

Market bottoms are generally accompanied by excessive levels of bearishness, which we are witnessing across many surveys of investor sentiment. Excessive levels of optimisim on the part of investors generally accompany market tops. I don't see any of this irrational exuberance at this time. All of this bearishness, while in the short is bad, it may point to the market bottom, as market lows have recently been tested.



While investors and consumers are feeling bearish, the economy is bullishly growing. Third-quarter Gross Domestic Product (GDP) grew solidly as expected, at an initial estimate of 3.8%, up from a pace of 3.3% in the second quarter[12]. The Commerce Department said it could not separate any special effects from Katrina and Rita, which it said are included in the data.

Wages & salaries rose 2.3% year-on-year compared with 2.6% in the second quarter, certainly not at an out-of-control inflationary spiral. Personal income in the latest quarter was cut by $40 billion reflecting uninsured hurricane damage.

Core PCE prices were tame, up 1.3% vs. 1.7% in the second quarter. Inflation worries aside, the latest reading is the lowest in more than two years! However, the overall rate did jump 0.5% to 3.1% due to high oil prices[13].

Corporate earnings are still looking good. Earnings per share of the S&P 500 companies are expected to have increased +14% in the recently completed 3rd quarter 2005 vs. the same quarter in 2004, a record-setting 14th consecutive quarter of double-digit earnings growth. The record of 13 straight quarters was originally set in 1992-95[14]. Stock prices generally follow corporate earnings ultimately.

The S&P 500's price-to-earnings (P/E) ratio has fallen to 14.7 times forward (year ahead) earnings expectations. This reading is the lowest P/E multiple in 15 years (the average P/E since 1988 has been 19.9). In other terms, its earnings yield is 6.8% (S&P500 Earnings/S&P500 Price) as compared to the current yield of 4.5% on the ten-year Treasury bond[15]. On this basis, stocks may be considered 30% undervalued relative to bonds. Because of that potential undervaluation, when the investors perceive the Federal Reserve is nearly finished raising rates, this may provide the catalyst the market needs to break out of its lackluster performance.

On another positive note, President Bush recently nominated Ben Bernanke, current Chairman of the Council of Economic Advisors and former Fed governor, as Chairman of the Federal Reserve to replace Alan Greenspan on February 1, 2006. Ninety-nine percent of the economists who were asked have given rave reviews to this appointment. Dr. Bernanke is considered the foremost expert on monetary economics. And while he has indeed spent the majority of his career as a college professor, he did serve on the Fed board for three years - giving him more Fed experience than Alan Greenspan had in 1987[16]. Investors have also received this nomination very well.

The 4th quarter historically bodes well for the market. While we all know that past performance doesn't guarantee future performance, I don't think one should ignore it completely. I believe it was said by Winston Churchill, that those who do not learn from the mistakes of history, are doomed to repeat them. Historically, the S&P 500 has produced a positive total return in 13 of the last 15 (1990-2004) 4th quarters. Only 1994 and 2000 had down 4th quarters over the last 15 years. Moreover, in the last 15 calendar years (1990-2004), the S&P 500 has averaged +7.2% per quarter in the 4th quarter, ranking it as the best quarter over that period. The 3rd quarter has produced the worst return, losing an average of 2.2% per quarter[17]. Both performance numbers are total return results. While this doesn't guarantee we will have a positive 4th quarter performance, I'm glad we are beginning the 4th quarter and not the 3rd.

We appreciate the confidence and trust you have placed in us to manage your investments. We take this charge very seriously. We sincerely appreciate your business.

Please feel free to call us if you have any questions regarding this report, your investment portfolio or its performance. Please do not hesitate to call your advisor if you would like to schedule an appointment or telephone appointment. Regular consultations with you are an important part of the service your advisor provides. We know that many of you may need help during these difficult times.

We sincerely hope that all of your loved ones are safe and were unharmed. We know many of you sustained damage far worse than we did. We are truly sorry for your losses and we want you to know that we are here to assist you in any way that we can.

I hope you are doing well and have enjoyed the summer; it's hard to believe fall is already here. Your 4th quarter and annual investment performance report should be sent to you around the middle of February 2006 or sooner if possible. Hopefully, I will have more good news to report.

I remain sincerely,

Scott E. Bordelon

Scott E. Bordelon, CFP®, AAMS

Enclosures

** Please note; this information has been prepared from sources and data believed to be reliable but is not guaranteed by Scott E. Bordelon, CFP®, AAMS, Financial & Investment Management Advisors, Inc., or Mutual Service Corporation. While considerable effort has been expended to produce an accurate accounting of your investment activity, neither representation nor guarantee is made of its accuracy or completeness. This report is provided for information purposes only and is not to be construed as an offer to buy or sell any securities mentioned herein. The preceding is the economic commentary and views of Scott E. Bordelon, CFP®, AAMS and President of Financial & Investment Management Advisors, Inc., a Registered Investment Advisor with the U.S. Securities and Exchange Commission, and should not be construed as investment or economic advice. For specific advice, please contact us to arrange a consultation. Information contained herein is subject to change. All economic and performance information is historical and not indicative of future results. Securities offered through, Mutual Service Corporation, a Registered Broker/Dealer, and member NASD/SIPC. Financial and Investment Management Advisors, Inc. is not affiliated with Mutual Service Corporation. If you feel that your risk tolerance profile or financial situation has changed, please call for a consultation as soon as possible. Certified Financial Planner Board of Standards Inc. owns the certification marks* CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP®

- *The S&P 500 is made up of 500 common stocks representing major US industry sectors*
- *The Dow Jones Industrial Average is an index of 30 blue chip US Stocks*
- *The Russell 2000 is a small cap index which tracks the returns of the smallest 2000 firms in the Russell 3000 Index, which is composed of the 3000 largest companies in the United States, as measured by Market Capitalization*
- *The NASDAQ Index is a measure of the combined value of roughly 5000 stocks traded on the National Association of Securities Dealers Exchange*
- *Lehman Brothers Aggregate Bond Index is abroad based bond index composed of U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities, and commercial mortgage-based securities.*
- *NAREIT Equity Index. NAREIT share price equity index measures the performance of all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market system.*
- *Lehman Brothers High Yield Index is an index comprised of the universe of fixed-rate, non-investment-grade debt.*
- *One cannot invest directly in an index.*
- *Investments are not guaranteed and may lose value.*
- *Past performance in no way guarantees future results.*
- *Diversification does not assure against market loss.*

- *Russell1000®Index – measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $13 billion; the median market capitalization was approximately $3.8 billion. The smallest company in the index had an approximate market capitalization of $1.4 billion.*
- *The Wilshire 5000 is an index of approximately 5000 stocks designed to be a measure of the entire U.S. market.*
- *Data Source for charts: Haver Analytics.*

Endnotes:

[1] According to Internal Rate of Return calculations as calculated by dbCAMS+
[2] source: Associated Press, Insurance Services Office, Insurance Information Institute, Wall Street Journal
[3] source: WSJ, U.S. Commerce Dept.
[4] source: The Economist, IMF, Commerce Dept., BTN Research
[5] According to Economist David Kelly
[6] source: NPRA, Financial Times
[7] According to Economist David Kelly
[8] source: Bloomberg and Econoday
[9] source: Haver Analytics
[10] source: Economist, Lawrence Kudlow
[11] source: Financial Times, NBER
[12] source: U.S. Dept. of Commerce
[13] source: U.S. Dept. of Commerce
[14] source: AP, Standard & Poor's
[15] source: Standard & Poor's, FOMC
[16] source: Evelina M. Tainer, Chief Economist, Econoday
[17] source: BTN Research