

Campbell Capital Management

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January 16, 2006

Dear Money Management Client:

We are happy to close 2005 with the enclosed portfolio statement. It's certainly a pleasure to finish the year strong and "lock up those annual returns." But now comes the new year and we need to start all over again. One favorite client makes a point to call each year and remind us the gains for last year are now his and we'd better get busy on new ones.

This year has started with a bang. Investors are beginning the year with little new to worry about. Industrial production and general output levels are rising, corporate earnings are impressive and there is growing optimism the Federal Reserve may be nearly done raising short term interest rates. The twin mandates for the Fed, low inflation and full employment are well within their comfort zone and there is no need to force us into a recession. The recent inversion of the yield curve, where short term interest rates exceed longer term rates, has always served as a warning that business activity will slow, and it may be so this time. But in past cycles the yield curve typically inverted when Fed monetary policy was very tight and inflation was high, which is not the case today.

Not wishing to "fight the Fed", we were cautious early last year as the credit tightening cycle progressed. It wasn't until the 4th quarter that we realized the Federal Reserve actions would have little impact on longer term interest rates, and business would therefore flourish. As we begin the new year, the level of long term interest rates continue to support the opinion that economic activity will be good. Talk that the Fed is nearly done raising short term rates is giving investors added confidence to press their bets. We see no reason to fight that opinion.

The dollar defied expectations last year and rose. Foreign central bank dollar purchases, higher short term interest rates and the government's one year deal allowing companies to repatriate offshore dollars tax free were the reason for dollar appreciation. This year the dollar might lose a few legs from its stool and come down.

Natural resources should remain in the spotlight and have another good year. Until the next recession, growing world wide demand will probably keep supplies tight for many types of raw materials. Gold performed well last year and might benefit this year from a depreciating dollar.

The Dow Jones Industrial Average was negative for 2005, and we have no idea where it will end in 2006. We do know that owning profitable companies with great managements and expanding opportunities during periods when economies are growing is a formula for success.

We remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell

January 16, 2006

SEC Disclosure

As you know, Campbell Capital Management is registered as an investment adviser under the Investment Advisors Act of 1940. We are required to update the information in our Form ADV periodically, to ensure that it contains up-to-date information about our company. If you would like to receive a free copy of our most recent amendment to Part II of our Form ADV, please call or write us at the address below.

Please send your request to:

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