THE
FRAGASSO GROUP, INC.
A REGISTERED INVESTMENT ADVISOR SINCE 1972 | WE GUIDE…YOU DECIDE®

Koppers Building, Suite 300, 436 Seventh Avenue, Pittsburgh, PA 15219 • 412.227.3200 • 1.800.900.4492 • Fax: 412.227.3210

Email: fgi@fragassogroup.com • www.fragassogroup.com

First Quarter 2005

Financial Success in the 21st Century

Are things different now? Do we need to think differently than in the past when defining financial success? Does corporate downsizing, shipping jobs offshore, technological innovation and the speed of change mean that we must seek new and different answers to our financial success and security questions? I pondered that recently as I viewed the almost century-old photos of the officers and members of Amen Corner— a 135-year-old Pittsburgh-based group comprised of members from a variety of professions. The people captured in that 1908 photograph must have wondered during the early part of the 20th century, much as we are now, about the rapid change enveloping them. Machines that had been developed as a result of the U.S. Civil War separated hundreds of thousands of people from their traditional means of livelihood in agriculture and in manufacturing. The United States had embarked on a military adventure against the Spanish in their territory of Cuba. This was promoted heavily by many and condemned by many others. Hotly contested presidential elections and the evolution of political parties and shifting platforms and constituencies proved very disconcerting to the people of the time. And, most ominous were the contentious wars being fought in distant lands by European powers, like the British and Germans in South Africa, over land, trade and economic advantage. People were even experiencing major cultural changes as young people moved away from home and their traditional values courtesy of the automobile. Even communication was thrown into turmoil. The telephone and radio redefined how people conversed and interacted. Business transactions sped to a then-dizzying level.

Bob Fragasso
President

The comparisons to today are obvious. Productivity enhancing machines are still making some jobs irrelevant. World War II spawned inventions that have changed our lives just as dramatically as the Civil War inventions changed the lives of our ancestors. Substitute Iraq for Cuba and air travel for rail travel. Write the Middle East in for South Africa and view computers and the Internet in place of the telephone and radio. In fact, auto and highway transportation is still changing our geographical and emotional landscape. Change is inevitable. So, what remains constant? I believe it is human striving. We all want certain things for ourselves and for our loved ones. We seek financial security currently and certainly for our retirement years. We wish to provide our children and grandchildren with better opportunities than we had. That implies education at the college level and for specific and useable vocational skills. We wish to protect ourselves against unexpected adversity regarding health and safeguarding our possessions. And, finally, we wish our possessions to transition to people we love and to institutions that hold meaning for us. This has not changed and we believe it will not.

Success continues to be defined as it always has been. And the means of becoming successful have not changed either. Those means are categorized into three distinct action steps. First, define what you are trying to accomplish in your life – your life's goals. If you don't know where you are going, how will you get there? Second, marshal the resources that are available to you; those resources include assets, current income and future earning power. Third, create and implement a plan to get from where you are to where you wish to be. In doing so, you must use the time-tested principles of financial management— diversification, balance and asset allocation. Those are the principles honed on the anvil of long experience that have been historically proven to work. If applied properly, these principles can place us in the path of progress and offer financial advancement. By contrast, faddish, trendy, amateurish and overly-speculative techniques continue to work to our detriment as they have through past periods. This year, make your New Year's resolution one that builds on past success because the future is not much different than the past, it just appears so.

In keeping with our theme of defining success, we are initiating a profile of clients who have transitioned themselves along the road to success. Identification is a powerful instructive tool. As such, we begin our profiles with this issue and will continue in future newsletters as an attempt to assist our clients in progressing toward their life's goals.

We wish you a happy and prosperous 2005.

Fee-Based Asset Management and Securities offered through Linsco/Private Ledger (LPL) Member NASD/SIPC

Best Bond Practices: Passive Ladder or Active Management?

There are two basic strategies for building a bond portfolio: a passive ladder strategy or an active management strategy.

Andrei Voicu, CFP®
Managing Director, Portfolio Management and Financial Planning

Bond laddering involves investing equal amounts in bonds at staggered maturities. Active bond management, by contrast, attempts to adapt the portfolio through various market conditions.

Evaluating Risks and Rewards

Whatever the strategy, investors and their financial advisors should always evaluate the total return of their bonds (both the income, and principal appreciation or depreciation).

Investors should also recognize that there are three major inherent risks associated with any bond investment: *credit risk*, *interest rate risk* and *income reinvestment risk*.

As with many other things in life, only two out of these three risks can be controlled simultaneously.

Passive bond ladder advocates state: "I can just buy actual bonds and hold them to maturity, so I know exactly what I'm getting and don't have to worry about losing money. Plus I get the regular interest payments, and I don't have to pay the expense ratio charged by a fund."

In reality: Investors holding bonds until maturity tend to focus solely on income, at the expense of total return. Holding bonds until maturity gives the appearance of added safety, but risk management is mostly achieved by simply not looking at the existing risks. Ignoring the risks does not make them go away.

Active bond managers state: "Through the flexibility of investing in all sectors of the bond market, we are able to achieve better overall results than can be achieved by a laddered bond portfolio."

In reality: Forecasting interest rates and performing credit analysis are difficult tasks. Most active bond managers under-perform their benchmarks. In addition, high management expenses become an almost insurmountable obstacle to good performance in bonds. If expenses are too high, bond portfolios tend to either provide lackluster returns, take on too much risk, or both.

As with most all investments, there are pros and cons to both strategies. Whether passive laddering or active management makes the most sense depends on each individual's specific circumstances.

Bond Market's Current Environment

With the election behind us, some of the clouds of uncertainty floating over the markets have dissipated. Bond investors, however, continue to be plagued with indecision. Some suggest the economy is healthy, while others suggest that there are serious and dangerous structural problems within the economy. As a result, the bond market is teetering between expectations of inflation and deflation.

As your investment advisors, our job is to be neither optimistic nor pessimistic about the fortunes of the economy, but to be rational. Being rational helps us quantify the potential risks and rewards in order to prescribe the most prudent course of action for you.

Laddered Bonds

What a ladder bond portfolio *does* well:

1. It maintains a predictable principal value and provides attractive reinvestment of matured bonds in a rising-rates environment.
   - As bonds are held to maturity, they are always redeemed at par. As interest rates rise, lower-yielding bonds are replaced with higher-yielding issues. Discount bonds always appreciate to par.
2. It avoids the need for forecasting interest rates.
   - As maturities are staggered, maturing bonds in the short-term are replaced with new bonds that will mature in the long-term.
3. It can match cash flows generated by a portfolio with investors' liquidity needs.
   - The income generated is stable and predictable. Cash flows can be planned to service known liabilities.

What a ladder bond portfolio *does not* do well:

1. It does not maximize return potential.
   - There is a price to pay for predictability. Due to a lack of diversification, to avoid credit risk, laddered portfolios have to rely heavily on relatively low-yielding U.S. Treasury bonds or AAA-rated insured municipals.
2. It does not effectively provide for unexpected withdrawal needs.
   - Given its relatively rigid nature, a ladder portfolio is expensive to restructure following an unexpected portfolio cash outflow. Liquidating bonds prior to their maturity to satisfy unexpected investor's liquidity needs undermines the advantages of the ladder by re-introducing interest rate risk.
3. It does not allow for re-investment of income within the bond portfolio.
   - The income generated and not spent can only be reinvested at lower money market rates, as it is insufficient to allow for purchase of new individual bonds.
4. It foregoes capital appreciation and reinvests in lower-yielding securities during periods of declining rates.
   - As bonds are held to maturity and are redeemed at par, any previous capital appreciation is lost. Premium bonds will always depreciate to par.

Actively Managed Bonds

What an actively managed bond portfolio *does* well:

1. It offers instant diversification and unrestricted exposure to all sectors of the bond market.
   - Various sectors of the market offer attractive investment opportunities at various times. Having access to all sectors may increase potential return and/or decrease risk.
2. It offers reinvestment of dividends and capital gains.
   - Since a bond portfolio is a large pool of multiple investors' assets, the income generated is reinvested in the portfolio, allowing for compounded returns, which may result in higher future portfolio values.

3. It offers potential for incremental returns through higher flexibility.
   - The portfolio can be easily adjusted and rebalanced to reflect opportunities and risks in various sectors of bond markets at any given time.

What an actively managed bond portfolio *does not* do well:

1. It does not fully eliminate any of the three primary bond risks.
   - Risk management for interest rates, credit quality and reinvestment rests in the investment managers' hands. Successful risk management depends on the skill of the respective managers.
2. It cannot precisely match known liabilities with cash flows.
   - As there is no maturity schedule and bonds within the portfolios are constantly shifted, the timing of cash flows generated is less predictable.
3. It cannot be effectively designed and maintained without the commitment of performing the necessary due diligence and research.
   - The many variables of active bond strategies (tactical sector participation, management skill, expenses) need to be thoroughly researched prior to building a portfolio as well as on an ongoing basis.

What bond management structure is right for me?

While there is no absolute right or wrong answer, the investor's unique situation should dictate the right portfolio management structure. Depending on how you fit in as an investor within the scenarios listed below will influence what type of bond management strategy is right for you.

Some of the factors favoring a ladder approach are:

1. Investor has a well-defined, relatively stable income need. Investor uses bond allocation to provide income.
2. Investor puts a high priority on predictability of cash flows at the expense of additional potential return.
3. Investor has a large fixed-income portfolio that allows for building a ladder bond portfolio at a competitive cost.
4. Investor has sufficient reserve funds available and thus can avoid tapping ladder bond structure for emergency cash needs.
5. Investor does not have a strong conviction in the ability of available actively-managed options.

Some of the factors favoring an actively managed bond approach are:

1. Investor has no regularly scheduled portfolio withdrawals. Investor uses bond allocation to reduce portfolio volatility.
2. Investor needs or desires to reach an optimal risk/return tradeoff.
3. Investor's fixed income portfolio is not sufficient to permit building a ladder structure at a competitive cost.
4. Investor is concerned that any unforeseen future expenses may have to be met from bond portfolio.
5. Investor has a high level of confidence in active bond manager's ability to add value.

Of course, there is always the possibility to build a combined portfolio wherein laddered bonds act as a core, and actively-managed bonds add broad diversification. The Fragasso Group's financial consultants stand ready to discuss and recommend a suitable bond investing structure based on your individual circumstances.

The Benefits of Charitable Trusts

Many individuals fulfill their charitable inclinations with annual gifts to their favorite not-for-profit organizations. Although outright gifts of cash or securities are always appreciated, often, gifts made through a charitable trust can enhance the true value of the donation for both the gifting individual and the receiving charity. Two of the most popular types of charitable trusts are the Charitable Remainder Trust and the Charitable Lead Trust.

Deborah Sales
CFP®, Managing Director, Operations

A Charitable Remainder Trust (CRT) is an irrevocable trust that provides income to the donor and other named trust beneficiaries for the life of the trust. At the end of the trust term, the remaining assets are distributed to the charitable organizations named in the trust document. Upon creation, the donor irrevocably gifts assets to the trust, thereby removing those assets (and any future growth) from his/her estate. In return for the gift, the donor receives a tax deduction equal to the present value of the charitable gift which can be used for up to 6 years to offset as much as 50% of adjusted gross income (AGI) each year. In the end, the donor receives additional income and tax benefits beyond what is possible with annual gift giving. And the charities can mark on their books a future gift from this donor which may be larger than all expected annual gifts combined.

Conversely, a Charitable Lead Trust (CLT) is an irrevocable trust that provides income to a charitable organization for the life of the trust. At the end of the trust term, the remaining assets pass to the non-charitable beneficiaries named in the trust document (generally children or grandchildren of the donor). In this case, the donor receives a tax deduction for the present value of the charity's interest in the trust and benefits from a reduced transfer tax cost for the remaining assets that ultimately transfer to the non-charitable beneficiaries (family). So, again, the donor benefits from additional income and tax deductions beyond those available for the standard annual charitable gifts. And the charity continues to receive annual gifts via the trust.

The amount of income and principal distributed by the Charitable Remainder Trust and the Charitable Lead Trust depends on a variety of factors including the donor's age, the term of the trust and the expected growth rate of the assets within trust. The tax code also specifies certain guidelines that must be followed to fully benefit from the income tax and gift tax benefits associated with these trusts. Given the intricate nature of these trusts, it is important that you discuss the viability of a charitable trust as part of your overall financial and estate plan with your financial consultant at The Fragasso Group. Your financial consultant will evaluate your situation and charitable intents, advise you accordingly, and, if necessary, refer you to appropriate legal services.

Profile of Progress

A Client Story: Ed Leefer, D.C. and Ilene Cohen-Leefer, Esq.

By: Bob Fragasso, President

Ed Leefer and Ilene Cohen-Leefer and their children are representative both of our clients and of the people who help give our region its hard-working, family-oriented reputation. Ed is a chiropractor and Ilene is an attorney. They have two children: Jeremy, a 21-year-old who attended Penn State University and is currently interning with the Chicago Options Exchange Board and Eri, a senior at Upper St. Clair High School who will be attending Indiana University Bloomington. The course of their lives and their life today is representative of so many of our clients. For that reason, they are our inaugural client for this profile feature.

Ilene grew up in Stanton Heights. She received her law degree from The University of Pittsburgh in 1978 and worked as a litigator for the National Labor Relations Board for a decade before leaving to become a stay-at-home mom. In the late 1990s, she served as Executive Director of the Cambria/Somerset Labor Management Committee, an organization comprised of CEOs and their counterparts committed to improving labor management relations to enhance economic development. While raising her children, Ilene held leadership positions in varied non-profit organizations, including the Susan G. Komen Pittsburgh Race for the Cure. During this period of time, she became a certified group exercise instructor and personal trainer, both coordinating and teaching at local gyms and employee wellness centers, as well as providing personal back training for Ed's chiropractic patients. Currently, Ilene teaches pre-school at Temple Emanuel Nursery School in Mt. Lebanon where she has developed and is implementing a movement class for pre-school children.

Ed grew up in Munhall, the son of a veterinarian who maintained a career-long practice in the area. He attended West Virginia University studying for a degree in business. While there, he suffered from a stomach ulcer that was being properly treated medically, but still recurring. On a recommendation, Ed visited a chiropractor who evaluated a misaligned spine and corrected that condition through chiropractic therapy. During that process, the ulcer disappeared. Ed was convinced that chiropractic practice was his future. He enrolled in the Palmer College of Chiropractic and graduated in 1974. Ed spent his first year gaining experience working in the offices of others before borrowing money and opening his own practice in 1975. When he opened his doors, the immediate challenge was to make people aware of his profession and location, 5800 Brownsville Road in the Pleasant Hills section of Pittsburgh (the same location out of which he practices today). He immediately used some of that borrowed money to hold an open house with appropriate publicity and quickly signed up 63 new patients. Meeting Ed now, you would not be surprised at those results, as his kind and gentle manner immediately instills comfort and trust. A local newspaper once characterized Ed as practicing "in a way that allows him to get to know each and every person that seeks his care."

A personal example illustrates this. The author suffered a multiple break ankle injury in 1988. After six months of operations and non-weight-bearing casts, the author began

The Leefer Family: Jeremy, Eri, Ilene and Ed

exercise therapy. There seemed to be perpetually pulled back muscles that the author attributed to exercising. This was mentioned to Ed at a client review meeting and, typical of Ed, he did not suggest visiting him. He awaited the author's realization of that potential benefit. Up to then, the recommended solution by others was muscle relaxant medication, with all of the attendant side effects. At the first visit, Ed demonstrated with X-rays that the months of imbalanced movement on crutches had caused several vertebrae to turn and press on nerves. This was the source of the pain, not pulled muscles. After two months of chiropractic therapy, the vertebrae were returned to their proper position and the pain was gone – never to return. No medication and no surgery would be needed. Ed is fortunate to be able to make a comfortable living and help people in the process.

But, professional practice and life do not run a consistently smooth course despite hard work, good intentions and competency. In the early 1990s, Ed experienced what all of our medical profession clients have endured – the advent of managed care. While most agree with the need to control costs, the severity of the actions taken at the federal level and by individual health care insurance providers caused a cataclysmic shock to medical care providers. In Ed's case, people who sought care could not access it because most managed care plans offered financial incentives to "gatekeepers" to deny or severely restrict referrals to specialists. Managed care challenged Ed's practice but, he found ways to rebuild it and continue to offer superior patient care. Today, Ed participates in and provides care through all of Highmark Blue Cross/Blue Shield and all of Highmark's managed care plans as well as UPMC, Health America, Cigna, United Healthcare and Medicare.

What do Ed and Ilene care about today? They want the same things that you likely do. They want their children to have an education that allows them to actualize and to provide for their families some day. While Ed and Ilene never expect to retire, they wish to have the financial security that allows them the freedom to decide. Knowing that they have provided for each other and for their children allows them to proceed through life comfortably and happily. They were prudent through the years and we are pleased and proud to have provided them with the advice and guidance they sought from us. We feel this sense of gratitude about all of our clients and are proud to count Ed and Ilene among our friends.

Municipal Bond Basics

At first glance, a municipal bond may seem like a complex investment. In reality, it is little more than a loan. When a municipality issues a bond, it's asking you and other investors to lend it the funds it needs. In return, the municipality (the borrower) promises to pay you interest until the bond's maturity, when the loan is repaid.

Michael Fertig
Managing Director,
Sales and Marketing

The interest (the income you earn on your municipal bond investment) is free from federal, and in some cases, state and local taxes. In other words, you get to keep more money.

The attractive benefits of municipal bonds are also passed along to investors of municipal bond funds. Often called "muni funds," these investments are an affordable way for investors to earn federally tax-free income while enjoying the advantages of a professionally-managed portfolio.

All too often, purchasing individual municipal bonds can prove to be cost-prohibitive for individual investors as they typically require a $5,000 minimum investment. That may make it difficult to gain the adequate diversification necessary for a properly-balanced portfolio. But, by pooling investors' capital, a muni fund's management team can invest that money in a variety of municipal bonds and achieve a greater and more appropriate level of diversification than the average investor could achieve by simply investing on his or her own.

Initially, a municipal bond fund's yield might not seem as impressive as that of a taxable bond fund. However, for a clearer view, we must bring taxes into the equation. The yield on a taxable bond fund reflects income earned before taxes. But, because a municipal bond fund's interest income is tax exempt from federal taxes, we need to look at its tax equivalent yield.

Consider this example:

The table below shows how the money invested in a taxable bond fund must work harder to achieve the tax-free equivalent yield of a municipal bond fund. For example, for a couple filing a joint return in the 30% tax bracket, a seemingly modest 7% tax-free yield is actually comparable to a 10% yield on a taxable investment. Their money has to work much harder for ultimately the same take-home earnings.

Assuming a 30% tax bracket:

If Your Tax-Exempt Yield With A Muni Fund Is:	Then Your Equivalent Yield On A Taxable Investment Would Need To Be:
3.0%	4.29%
5.0%	7.14%
7.0%	10.00%

If you would like to determine the tax equivalent yield for yourself, follow this formula:

$$\frac{\text{TAX-FREE YIELD}}{[1-(\text{Your Tax Rate})]} = \text{Taxable Equivalent Yield}$$

If you would like to know if a municipal bond investment might be right for you, please call your financial consultant at The Fragasso Group. We would be happy to discuss the possibility for your situation.

RSVP Community Service Volunteer of the Year

Sally and Bob at the luncheon

The Fragasso Group is once again proud to have sponsored the Retired and Senior Volunteer Program (RSVP) award for Community Service Volunteer of the Year. On October 12, Bob Fragasso presented the award to Sally Ford of Rosslyn Farms at a luncheon held at the Sheraton Station Square. Sally is the grandmother of nine and, at age 79, still finds the time and energy to exert a "positive influence on the lives of countless children by working with small groups as well as individual students."

The award nomination details Sally's contributions and characteristics: "Sally always listens and has positive and comforting comments for the children." However, the children are not the only beneficiaries of her devotion to Carnegie Elementary School. Her efforts are also very much appreciated by the entire staff.

At The Fragasso Group, we believe Sally has touched many young lives and her work has and will continue to make an impact on those children and our region simply because she cared enough to get involved and make a difference. We extend our tribute to Sally and all of her counterparts throughout our region who care enough to make that difference.

Ring in the New Year with Knowledge!

Dana Dagnal
Manager, Marketing and Seminars

As we ring in another New Year, it is time once again to begin our educational financial planning seminar series. As many of you are already aware, the University of Pittsburgh is in the process of reconfiguring its lifetime learning courses. As a result, we are thrilled to announce our new relationship with another educational institution that contributes to our region: The Community College of Allegheny College (CCAC).

We will be utilizing four of the college's convenient suburban locations for our Winter and Spring 2005 seminars. The locations are as follows: Allegheny Campus on the North Side, North Campus in Wexford, Boyce Campus in Monroeville, and Bethel Park Center in Bethel Park. We are looking forward to a long-term relationship with CCAC.

As always, if there are people you feel may benefit from attending one of our seminars, please pass along the information below. We look forward to seeing you there!

Winter/Spring 2005 Seminar Schedule

Monroeville Campus

MONDAYS

Personal Financial Planning Workshop
February 28, March 7, 14
6:30 p.m.-9:30 p.m.

Can You Afford To Retire?
March 21, 28 & April 4
6:30 p.m.-9:30 p.m.

Women On Their Own
April 11, 18, 25
6:30 p.m.-9:30 p.m.

Financial Security During Retirement
May 2, 9, 16
1:00 p.m.-4:00 p.m.

Allegheny Campus

TUESDAYS

Women On Their Own
February 15, 22, & March 1
6:00 p.m.-9:00 p.m.

Can You Afford To Retire?
March 8, 15, 22
6:00 p.m.-9:00 p.m.

Financial Security During Retirement
March 29, April 5, 12
1:00 p.m.-4:00 p.m.

Personal Financial Planning Workshop
April 19, 26 & May 3
6:00 p.m.-9:00 p.m.

Bethel Park Center

WEDNESDAYS

Can You Afford To Retire?
February 23, March 2, 9
6:30 p.m.-9:30 p.m.

Personal Financial Planning Workshop
March 16, 23, 30
6:30 p.m.-9:30 p.m.

Financial Security During Retirement
April 6, 13, 20
1:00 p.m.-4:00 p.m.

Women On Their Own
April 27, May 4 , 11
6:30 p.m.-9:30 p.m.

North Campus

THURSDAYS

Personal Financial Planning Workshop
February 17, 24, & March 3
6:30 p.m.-9:30 p.m.

Women On Their Own
March 10, 17, 24
6:30 p.m.-9:30 p.m.

Can You Afford To Retire?
March 31, April 7, 14
6:30 p.m.-9:30 p.m.

Financial Security During Retirement
April 21, 28 & May 5
1:00 p.m.-4:00 p.m.

For any questions you may have concerning the information in these articles, please call your financial consultant at The Fragasso Group or visit us at www.fragassogroup.com.

Our Commitment To YOU!

What is our Commitment to You?

Linsco/Private Ledger Corp. (LPL) and its family of affiliated companies are committed to maintaining the trust and confidence of our clients. As such, we want you to understand how we protect your privacy when we collect and use information about you, and the measures we take to safeguard that information.

Diana Schroeder
Administrative Manager

Keeping client information secure and private is a priority for us. The following describes our Privacy Policy. Please take a moment to review it and feel free to contact us with any questions. Thank you for the trust you have placed in us. We continue to work hard to earn that trust.

What types of non-public personal information do we collect about you?

In the course of providing services to you, we collect non-public personal information about you from the following sources:

- Information on account applications and other standard forms (i.e., name, address, social security number, assets, types and amounts of investments, transactions, and income)
- Information about your LPL transactions, our affiliates or others including those companies that work closely with us to provide you with diverse financial products and services (i.e., your account balance, payment history, parties to transactions, types and amounts of investments, transactions, and credit card usage)
- Information we receive from consumer reporting agencies (i.e., your credit worthiness and credit history)
- Information obtained when verifying the information you provide on applications or other forms (this may be obtained from your current or past employers, or from other institutions where you conduct financial transactions)

How do we protect the confidentiality and security of your non-public personal information?

Keeping your information secure is one of our most important responsibilities. Access to non-public personal information about you is restricted to those employees and agents who need to know that information in order to provide you with products or services. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information.

Do we disclose to any non-affiliated third parties your non-public personal information?

We do not sell, share or disclose your non-public personal information to non-affiliated third-party marketing companies.

We may disclose all of the information we collect, as described above in the "What types of nonpublic personal information do we collect about you?" section to companies that perform marketing or other services on our behalf, or to other financial institutions with whom we have joint marketing agreements. All of these companies are contractually obligated to keep the information that we provide to them confidential and use the information only for the services required and as allowed by applicable law or regulation, and are not permitted to share or use the information for any other purpose.

We may also disclose non-public personal information about you under circumstances as permitted or required by law. These disclosures typically include information to process transactions on your behalf, to conduct our operations, to follow your instructions as you authorize, or to protect the security of our financial records.

Do we disclose within our family of affiliated companies your non-public personal information?

In the course of providing services to you, we are permitted by law to share within our family of affiliated companies information about our transactions or experiences with you (such as account balance or payment history).

What is our policy relating to former customers?

If you decide to close your account(s) or become an inactive client, we will adhere to the privacy policies and practices as described in this notice.

We reserve the right to change this policy at any time and you will be notified if any changes occur. If you have any questions after reading this Privacy Policy, please write to:

Privacy Management
c/o Legal Department
Linsco/Private Ledger Corp.
One Beacon Street, 22nd Floor
Boston, MA 02108-3106

This Privacy Policy applies to those who are current or former clients of the LPL family of affiliated companies in the United States. The LPL family of affiliated companies are Linsco/Private Ledger Corp., its subsidiaries and affiliates, including Independent Advisers Group Corporation, LPL Insurance Services, Inc., LPL Insurance Services of Colorado, Inc., Private Ledger Insurance Services of California, Inc., Private Ledger Insurance Services of Massachusetts, Inc., Private Ledger Insurance Services of Nevada, Inc., Private Ledger Insurance Services of New Mexico, Inc., Private Ledger Insurance Agency of Ohio, Inc., Private Ledger Insurance Services of Oklahoma Agency, Inc., PL Insurance Services of Texas, Inc., and Linsco/Private Ledger Corp. of Wyoming, Inc.

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436 Seventh Ave.
Pittsburgh, PA 15219

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IRA Participants or Qualified Retirement Plan Participants Over Age 70 1/2, and Owners of Beneficiary IRAs, This Is For You!!

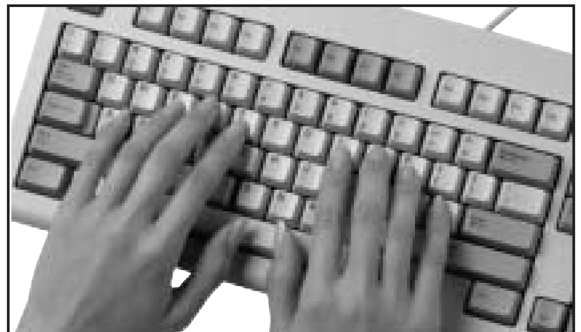
This month, LINSCO/Private Ledger will be mailing to you directly a letter and form regarding your Required Minimum Distribution (RMD) for 2005. IRS regulations require us to notify you by January 31st of each year.

Please sign the form immediately and return to us at the below address:

The Fragasso Group
Koppers Bldg. Suite 300
436 7th Avenue
Pittsburgh, PA 15219

Do not use the LINSCO/Private Ledger envelope sent to you. Upon receipt at our office, your financial consultant will call you to discuss the actual processing of this form.

Look for it in your mailbox!



EMAIL UPDATE

If you are not currently receiving our monthly eNewsletter or other e-mail updates, please send your e-mail information to:

fgi@fragassogroup.com