Sauberan & Co. LTD.

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ECONOMIC OUTLOOK

"The Benefits Of Covered Call Options"

The key to successful investing is to minimize risk and avoid big losses. We have accomplished this philosophy over the years by investing in good quality stocks and Treasury Bonds. Consistent with this approach, in the past year, we've added a third investment strategy , a strategy known as "covered call writing." The purpose of this additional strategy is to generate income and to provide some downside protection in the event of a stock market decline.

With recent economic data suggesting a slowing global economy the outlook for positive returns from the stock market are fading too. "Covered calls" provide an additional strategy to produce investment gains in a flat or declining market.

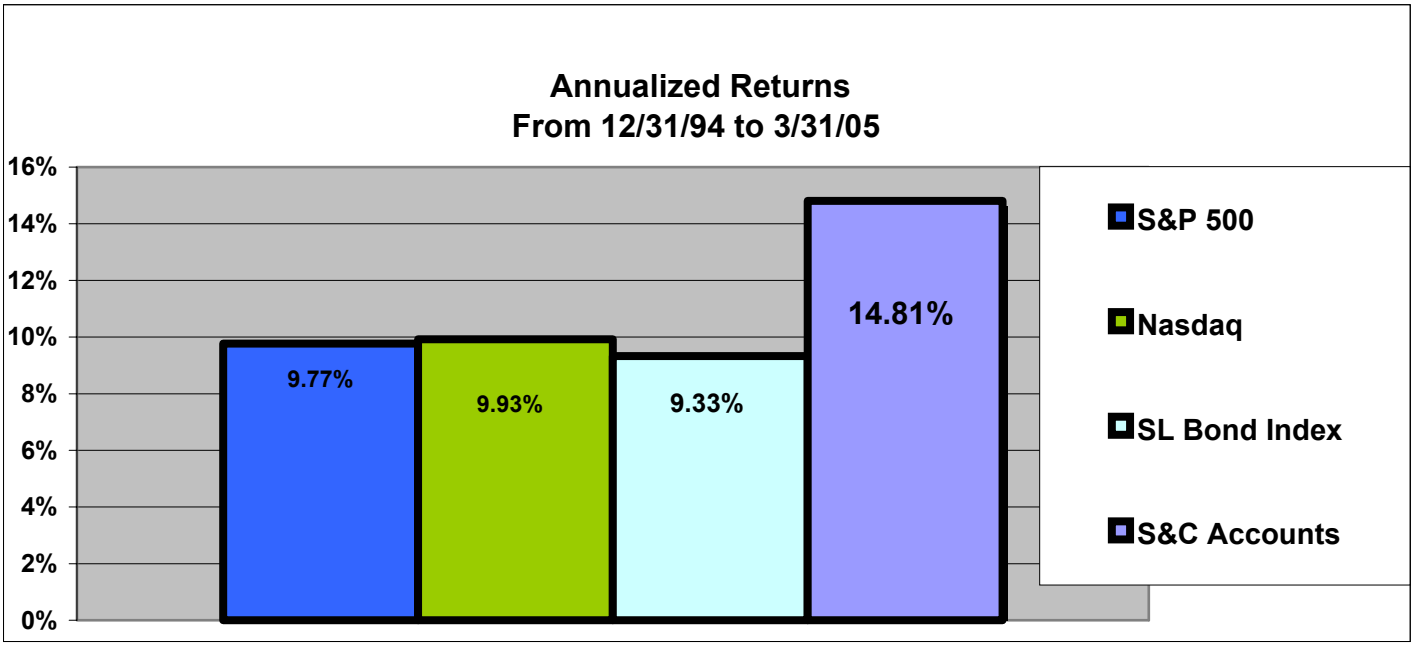
More specifically, a "covered call" is a contract between a stock owner and a second party who wishes to own the stock. The second party pays a "premium" to the stock owner for the "right" to buy the stock at a fixed price sometime in the future. The "premium" received by the stock owner is unencumbered and the only question is whether or not the second party exercises their rights to buy the stock at the fixed price before the contract expires.

There are three possible investment scenario's;

1) the stock price remains unchanged and the option expires
2) the stock price increases and the stock is called by the second party at the fixed price
3) the stock price declines and the option expires

The attached examples explain how "covered calls" work in each of the three investment scenario's.

Below is a chart updating our returns since 1994 against the various Indices.



Example Of A Covered Call Option
For Cardinal Health

5/4/2005

	Execution Date	Option	Contract Expiration Date	# of Shares	Share or Option Price	Share or Option Value	Gain/(Loss) Without Option
Initial Position	3/8/05	CAH		500	$57.65	$28,825	
	3/24/05	CAH/60	1/20/07	-5	$8.30	($4,150)	
				Net Cost		**$24,675**	
				Net Per Share		**$49.35**	
Scenario #1							
The Stock Price Remains Unchanged		CAH		500	$57.65	$28,825	
(Option expires)		CAH/60	1/20/07	-5	$8.30	($4,150)	
					Gain	**$4,150**	**$0**
					Return	**14.40%**	**0.0%**
Scenario # 2							
Option is exercised and stock		CAH		500	$60.00	$30,000	
is called at $60/share		CAH/60	1/20/07	-5	$8.30	($4,150)	
					Gain	**$5,325**	**$1,175**
					Return	**18.47%**	**4.08%**
Scenario #3							
Stock declines 10%		CAH		500	$51.88	$25,942	
		CAH/60	1/20/07	-5	$8.30	($4,150)	
					Gain	**$1,268**	**($2,882)**
					Return	**4.40%**	**-10.0%**

Note:
This report is for financial planning purposes only!

Each Options Contract = 100 Shares