

February 18, 2000

Dear ,

Sacajawea & Company is a registered investment advisor with the Securities Exchange Commission (SEC). Last fall the SEC conducted an examination of Sacajawea & Company. We passed without any problems., They did ask, however, that all of our clients sign new management agreements with Sacajawea & Company rather than with either Bill or Will as commonly has been done in the past. They also requested that we change the wording of the management agreement in a couple of places. The agreement now defines a five day cancellation period following its signing and clarifies that you do not lose any Federal rights by signing the agreement. Enclosed is the new management agreement that complies with the SEC requests. We would appreciate it if you would sign and return it to us in the enclosed envelope. Also enclosed is a copy of the ADV Part II, which we are now required to provide to clients at the time of signing.

We thought we would take this opportunity to discuss the disparity between how the media portrays the current equity markets and reality. Over the past two years, we believe the equity markets have become distorted. Speculation in internet and high technology stocks is rampant.. One consequence of this is that right now our benchmark, the S&P500, is not representative of the overall stock market. Of the 500 stocks in the index, the 10 largest account for approximately 20% of the movement in the index, not the 2% one would expect. We believe this plays a large role in the perception of the market today. Last year the S&P500 index had a total return of 21%. However, the median stock was down 2.2%. How does this happen? If the 10 largest stocks in the index double and the remaining 490 stocks all have a 0% return, the index would rise about 20%. Reporting the change in the index misleads people into believing that most stocks rose when in fact most declined.

Why not buy the 10 largest stocks? At their current price levels, we believe strongly that they are too risky. Common sense suggests to us that one should buy the ones that are down and sell (or eschew) the ones that are high. We see many parallels between today's market and the market of the late 60's and early 70's. Back then, the rapidly appreciating stocks were called the "Nifty Fifty". The "Nifty Fifty" were rapidly growing companies that people believed were such great investments that it did not matter what price you paid for them. They were "single decision stocks", just buy and enjoy the ride. The fundamentals of the "Nifty Fifty" companies were strong, but the enthusiasm for their stocks forced their prices too high. In the early 70's it all ended and some of the stock prices of the "Nifty Fifty" declined 90% or more. If we are correct, there is tremendous risk in the high technology and internet sectors and speculative investors will lose more than 50% of the market value of their portfolios. Our job is to protect you from this.

We believe the S&P500 index is significantly overpriced and that several popular companies will suffer large declines in their stock prices dragging the index down significantly. However, in a mirror image to the example above, even if the large stocks driving the market tumble, and the index takes a large decline of 20% or more, it will not mean that all stocks decline 20% or more. We are trying to own good, sound companies whose stock prices have not risen beyond levels that their fundamentals can support. Often the stock prices of the companies that we buy have already declined 30% or more from their highs. We try to pick the bottom of a reasonable decline, but we expect that most of the stocks we buy will continue to decline in the short run. If you lower your price enough to avoid even the short term declines, you probably will miss the opportunity

completely. One side of the business that our clients never see is the number of companies we miss because the price turns around before we buy it.

Before clients hire us we tell them that we expect about 3 out of 20 stocks to be bad investments. As the number of stocks we own rises to 50, we expect 7 or 8 stocks to be bad investments. Last year, several stocks turned into bad investments, which is in line with our expectations. We were not happy with the magnitude of some of the losses, so we have searched hard to find a better way to discriminate between what is a short term versus a long term decline in the fortunes of a company. We love short term difficulties because they create buying opportunities. We try to avoid long term trouble. We believe we have found a way that greatly improves our ability to differentiate between the two cases and have incorporated it into our selection process.

Technology is changing the way we live. Wireless communications and the internet are revolutionizing communications and improving our access to information, as the invention of the telephone and radio networks did years ago. Companies that use the internet in this way will benefit. However, many of the other dreams for internet businesses will fail. Traditionally, our selection process would exclude many of today's high technology companies. We are currently testing ways to broaden our investment selection to include the best of these technology companies. However, at no time do we anticipate buying stock in a company without many years of successful performance behind it. We believe that a company must prove it can make it in bad times as well as good times, and that the management has a proven record of choosing good successors.

Our current stock selection process does find great high technology companies. We have several of the current stock market darlings in our portfolio. We have bought and then sold Hewlett Packard, Motorola and Nortel Networks for our clients. We do not own them today because we sold them when they became overpriced and we believe that we will be able to buy them again in the future at a lower price.

Finally, during a record breaking bull market it is sometimes difficult to remember that stock prices are extremely volatile. Try to picture the market as a sine curve stretching out into the future with a positive 10-12% slope. It is heartbreaking to see the value of your investments decline substantially from a recent high but history shows us that it will recover. The one thing it is difficult to recover from is getting out of the market at the bottom. The long run rate of return in the stock market is an average of the ups and downs, not a steady 10-12% every year.

We hope this letter explains our outlook on the current marketplace. Please feel free to call us at any time to discuss this letter or any other issues of concern.

Sincerely,

William H. Wrean

William H. Wrean Jr.