

RHOADS LUCCA CAPITAL MANAGEMENT QUARTERLY UPDATE

Third Quarter 2002

Market Commentary

Watching the market through this past quarter you know why we follow an Active Management investment discipline.

So far, the market has acted as we expected. The real test comes now. Can it shake off the uncertainties of a weak economy, a looming war and two and a half years of loss? We think it can and will.

It is important to understand that any one of these problems can affect the timing or magnitude of a rally. With three, there are lots of opportunities for variation. We don't pretend to have a definitive crystal ball, but we aren't afraid to tell you our expectations. The beauty of an investment discipline is that the market will tell us each step of the way what it is doing. If that matches our expectation, we have confirmation. If there is a change from what we expected, the money remains protected. So we're waiting for confirmation. Been that kind of year in the markets. Patience is an investment secret weapon.

Are we close to a turn? We continue to look for Accumulation Days—where more than one index is up at least two percent on higher than average volume. It takes a strong accumulation day to start a rally. It then must be confirmed by follow through accumulation days within the next 7-10 days time-frame. That may sound technical, but it means something significant. It is a signal that Institutional Investors (Mutual Funds and Pension Plans) are entering the market and throwing their substantial weight into buying activity. So far, no accumulation days. The opposite, Distribution Days, mark extreme selling by those same institutions. It only takes a couple days like that to

sink any rally attempt. That is what happened to the August/September rally attempt.

We expect the first sign of a potential rally to be a strong accumulation day, followed quickly by several others. The RLC Active Management investment discipline will allow us to participate in the rally when it happens and at the same time continue to protect your money.

2003 ANNUAL CLIENT MEETING DATE ANNOUNCED -

Mark your calendars now!

The Rhoads Lucca client meeting has been set for Saturday morning February 8th, 9 – 11:30 a.m., at the Dallas Westin Galleria. We look forward to having breakfast with you. Invitations will be mailed in January. Guests are welcome.

For hotel reservations at the Westin visit their website at www.westin.com or call 1-888-625-5144.

Year to Date Returns

Through 9/30/2002, year to date returns on the portfolio models were:

Sleep Easy:	4.78%
Solid Oak:	- 3.09%
All Growth:	- 5.27 %
Power:	-11.50%
WOW!:	-22.28%

In comparison, the Dow Jones Industrial Average was -24.24%, the S&P 500 was -28.99%, and the NASDAQ Composite was -39.91%. (These figures taken from the *Wall Street Journal*.)

When you hear news reports about losses or gains in these indexes, remember that the RLC mutual fund portfolio models are **not** tied to any market index. A 5% loss in an index does not necessarily mean that All Growth or Solid Oak also lost 5%. The RLC models may actually have gained that day, depending on which stocks had the most impact on the index that day. (WOW! does track the NASDAQ in that its goal is to outperform it.)

Current return information on client accounts is available during business hours by calling us at the numbers below or e-mailing debbie@roadslucca.com.

Understanding the Portfolio Results

The performance information shown for the portfolio models reflects reinvestment of all dividends, interest, and any other earnings, and the deduction of all management fees charged by RLC.

How performance of the models is tracked.

Performance of these portfolio models has been tracked since their creation on 1/1/96. Each model began with \$250,000 put into a hypothetical account, to which no outside funds have been added and from which no withdrawals (other than fees) have been taken. Our software tracks all the changes in the portfolio models and calculates current values and returns.

Portfolio Model Changes for this Quarter

Sleep EasySM Portfolio Model

Bought Harbor:Short Duration

Dividends paid in Federated Total Return Govt. Inst., Federated Income Trust, Harbor:Short Duration

Solid OakSM Portfolio Model

Bought Federated Govt Sec. 2-5 yrs., Pimco Total Return Mortgage, Harbor:Short Duration, Rydex Nova, Profund Small Cap Investor, Profund Mid Cap Value Investor, Profunds Bull Investor, Northeast Investors Trust

Sold Northeast Investors Trust, FBR Small Cap Financial, Profund Small Cap Investor, Profund Mid Cap Value Investor, Profunds Bull Investor, Rydex Utilities

Dividends paid in Pimco Total Return Mortgage, Harbor:Short Duration, Federated Govt Sec. 2-5 yrs.

Exchanged Rydex Nova for Rydex Utilities

All GrowthSM Portfolio Model

Bought Harbor:Short Duration, Rydex Nova, Clipper Fund, Profund Small Cap Investor, Profund Mid Cap Value Investor, Profunds Bull Investor

Sold Alpine International Real Estate, Profund Small Cap Investor, Profund Mid Cap Value Investor, Profunds Bull Investor, Clipper Fund, Rydex Utilities

Dividends paid Harbor:Short Duration

Exchanged Rydex Nova for Rydex Utilities

PowerSM Portfolio Model

Bought Rydex Health Care, Rydex Banking, Rydex Biotechnology

Sold Rydex Utilities, Rydex Health Care, Rydex Banking

Exchanged Rydex Biotechnology for Rydex Utilities

WOW!SM Stock Portfolio Model

Bought Engineered Support Systems, Global Imaging Systems, InVision Technologies, J2 Global Communications, Pixar, Unit NASDAQ 100

Sold Global Imaging Systems, InVision Technologies, J2 Global Communications, Unit NASDAQ 100

Have you recently changed your mailing or email address?

Please make sure that we are informed when you move or change your email address. Statements, GoldKeys and checks are mailed to your address on file, and the RLC MarkfetFlash!!! and WOW Now! are sent out by email.

Tired of Receiving Prospectus Mailings?

If you want to discontinue receiving a prospectus for each mutual fund in which your money is invested through RLC, there is a way! First Trust has provided a form you can use to “waive your right” to receive prospectuses. This form is available by calling our Dallas office (see numbers below), or e-mailing debbie@rhoadslucca.com.

Account Information Available Online!

If you have access to the Internet, you can now access information on your RLC account(s) through Accountlynx, a new service from First Trust/ DATAlynx. Accountlynx will show you the current positions held in your accounts and your transaction history.

To sign up for Accountlynx, just contact us by phone or e-mail (debbie@rhoadslucca.com). For more information on Accountlynx, visit www.rhoadslucca.com, click on “For Clients,” then “Accountlynx.”

Quotes from the past

“October. This is one of the peculiarly dangerous months to speculate in stocks in. The others are July, January, September, April, November, May, March, June, December, August, and February.”

Mark Twain, author and investor, 1894

Substantially Equal Payments – 72(t)

On October 3, 2002, the Treasury Department and the Internal Revenue Service released Revenue Ruling 2002-62 that will help taxpayers preserve their retirement savings when there is an unexpected drop in value of their retirement savings. Some taxpayers began receiving fixed payments from their IRA or retirement plan based on the value of their account at the time they started receiving payments. Those taxpayers may now switch – without penalty – to a method of determining the amount of their payments based on the value of their account as it changes from year to year.

Check with your CPA to have them re-calculate your payments if this applies to you. If you need to change the amount of your distribution, call our office for a new distribution form.

We Appreciate Your Trust!
Thank you for being our client.

It is your good will and referrals that allow us to continue in business.

Holiday Schedule:

The holidays are coming up on us faster than any of us can believe. Let us be the first to wish you a happy and safe holiday season! RLC will be closed on the following days:

Thanksgiving - Thurs.- Nov. 28th & Fri.- Nov. 29th

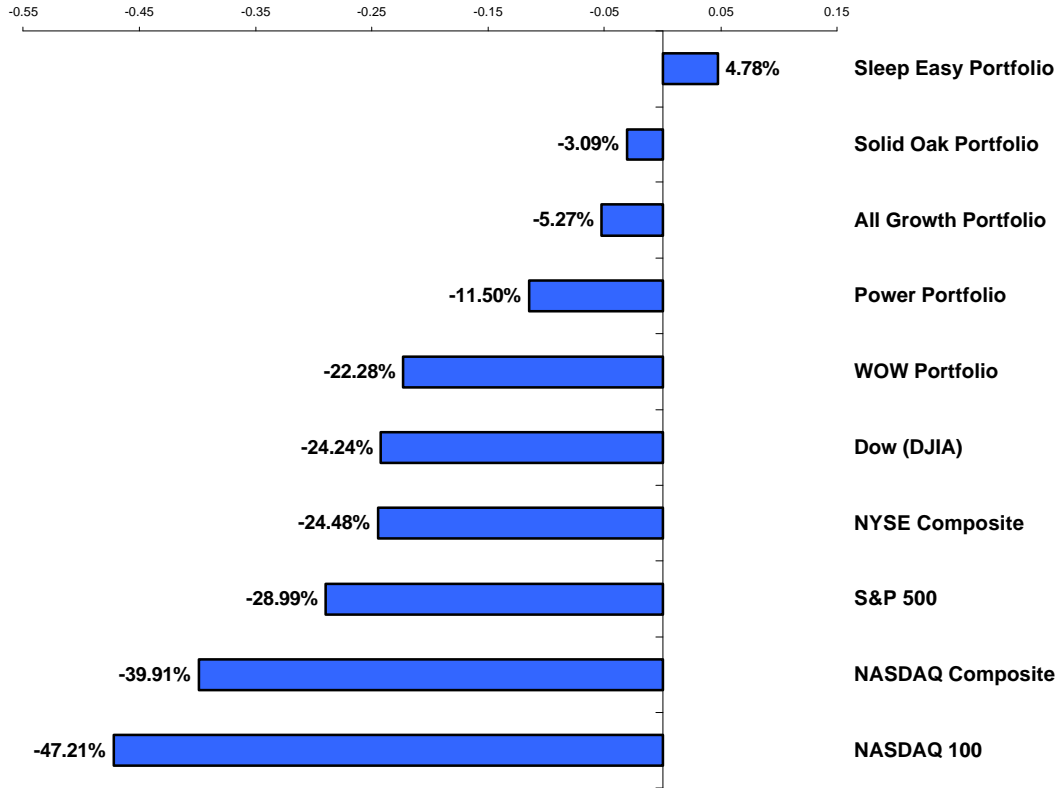
Christmas - Tues.- Dec. 24th & Wed.- Dec. 25th

New Years - Tues.- Dec. 31st & Wed.- Jan 1st

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2002 YTD 3rd Quarter Returns Comparision

Rhoads Lucca Portfolios vs. Major Indexes



2002 YTD 3rd Quarter Returns Comparision

Rhoads Lucca Portfolios vs. Most Widely Held Funds in 401(k) Plans

