2005 Annual Report

To Our Community of Members, Volunteers, Associates and Partners:

Another year has passed, and we are pleased to report to you, our community of members, volunteers, associates and partners our results for fiscal year 2005 and share with you our plans and outlook for fiscal year 2006.

Two thousand and five saw the launch of several new programs, beginning with the announcement of a $340,000 four-year grant from the New York Stock Exchange (NYSE) Foundation to develop an investment education program for high school students. This program is being developed and tested in conjunction with DECA, a 60-year-old nonprofit organization that provides marketing and other educational programs in more than 6,000 U.S. high schools. The BetterInvesting "Building Wealth" financial education program is being enthusiastically embraced by DECA high school teachers who fully support and understand the great need for basic personal financial and investment literacy among our nation's youth. Twenty-five high schools were selected by DECA for the pilot program, launched in January 2006. Over the past year, BetterInvesting led the development of educational materials and teamed with DECA in selecting schools to participate in the pilot program and training the teachers - all delivered on time. We continue to solicit new sources of revenue for this program in order to expand the number of high schools participating after the pilot program is completed.

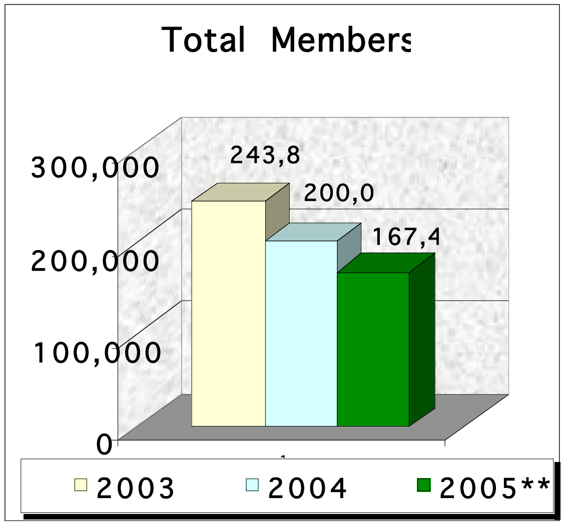
Two thousand and five also was a year of new marketing initiatives, including the move to "BetterInvesting" as our brand identity. Over the years, "National Association of Investors Corporation" and "Better Investing" were both used in our educational, communications and marketing efforts. We consolidated our marketing under the BetterInvesting brand to leverage name recognition in the marketplace and reduce the confusion often caused by the dual branding and similarly named organizations. We developed new prospective member brochures, software packaging, advertising and other collateral materials in 2005 using the new logo and branding concepts. We launched a new-member referral pilot program in 2005, the "3 for Free" program, which frankly did not meet our expectations. Member survey results revealed that 94% of our members would recommend BetterInvesting to a friend or family member, so we still believe a member referral program makes sense. Therefore, we have critiqued the program, gathered input from members and volunteers, and will develop a new, improved member referral program in 2006 that addresses the problems identified, such as timing and prizes offered in the original campaign.

The new BetterInvesting website – Phase One - launched in July 2005. Some of the most popular aspects of the new website include blogs, magazine archives, and the immediate release of both "Stock to Study" and "Undervalued

Company" features of BetterInvesting Magazine. Phase Two of the website will roll out in 2006, including new search engine capability, non-member home page – including a "quick-tour" feature explaining BetterInvesting, Member Insights, insta-polling and BITS online. Our goal is to make the website engaging and informative, with fresh and compelling content that offers excellent value to our members and assists us in our efforts to attract new members.

The BetterInvesting Magazine cover received a facelift in 2005, with more of a consumer-magazine look coupled with new departments and features, such as Random Walk, Absolute Beginners, Industry Studies, and The Clubhouse. Behind the scenes, operating systems for the magazine received critical technical upgrades to improve publishing operations and efficiency.

BetterInvesting Trustees and Management committed much of our reserves to new technology and programs in 2005 and will do so again for 2006. Accordingly, net assets fell by $2.6 million for the year, due to operating and capital expenses incurred, exacerbated by continuing revenue declines. Most troubling has been the further decline in membership and associated revenues. Club and Individual membership fell by 18% and 8% respectively while revenues declined only slightly, due to dues increases initiated in 2004. We are certain that litigation initiated by an ex-Trustee, along with the continuing negative publicity surrounding the Senate Finance Committee inquiry that began in July 2004 contributed to our membership decline this year. While we are told informally that no further questions or actions are pending, we have not yet been granted a formal closing letter by the Committee.We are hopeful that this dark cloud will be lifted in the near future. The reputation of BetterInvesting has been damaged by this negative publicity and we have spent over $812,000 ($554,000 in fiscal year 2005) for legal and other costs related to the inquiry. We are eager to put this inquiry behind us in order to move forward in efforts to restore our reputation and focus all of our attention on our mission to build a nation of educated investors. We wish to assure our members, volunteers, and partners that the Trust has benefited from the inquiry by closely examining our governance practices (we conducted our own comprehensive study in 2003) and have already implemented many changes (a number of them initiated before the Senate inquiry began) modeled after nonprofit best practices.



Club Accounting 3 software was released in June 2005 and is being well-received. A very successful program for clubs was launched for Toolkit 5 and Classic during the summer. The Bundled Toolkit 5/Classic program was developed to support investment clubs' ability to standardize stock analysis onto one format for use by all club members – in an affordable manner. We will likely repeat this program in 2006. Overall, software sales fell by $687,245 for the year or 18% due to the very successful launch of Toolkit 5 in June 2004.

Chapter program revenues suffered a decline of $184,984, or 15%, in line with overall membership decline; these declines were partially offset by a 17% increase in convention revenues of $66,697. Both conventions were well attended and delivered a significant increase in both the number and quality of seminars and workshops offered.
Online education classes were developed to support member education for those unable to attend on-site Chapter sponsored classes. The first phase began with the release of beginning online classes in November 2005 and we will continue to improve the content and quality of educational offerings in 2006. The beginning online classes are included with membership at no additional charge while more advanced classes will be delivered for a small charge.

Corporate member dues increased by 12% year-over-year to $495,083 but magazine ad sales fell by $236,831 to $975,529. Other miscellaneous sales increased 35% to $541,417, primarily due to additional grant revenues.

Yet another major grant initiative was announced in November 2005 and will become a new educational program in 2006 through 2007. NASD Foundation approved a grant to BetterInvesting for development of a pilot financial and investment education program directed toward union members. We are finalizing our agreement with NASD and look forward to launching this pilot program in late 2006. While our grant programs are in their infancy, the outlook for grant awards holds great promise for BetterInvesting's future, both as a source of revenues and as an efficient means of reaching large segments of the American population with BetterInvesting's investment philosophy.

Another successful new program in 2005 was built on our association with MyStockFund online brokerage service that offers BetterInvesting members one free stock purchase a month for the first year of usage. Discount commission rates are available to BetterInvesting members, with trade rates ranging from $.99 to $10.99 each. Registration for the MyStockFund program has not been as high as we had projected, with 643 members enrolled as of 9/30/05, yet the quality and service feedback from members has been very good. We are re-vamping our communications and marketing for this program to build member awareness of the significant benefits this program offers and improve the program to better serve investment club needs.

The Portfolio and Club Operations books were published in 2005 and have been well received. The eighth and final Accounting book in the series will be written in 2006. Discussions with *Barron's* in 2005 will yield a new benefit for our clubs in 2006. Every new investment club will receive an annual subscription to *Barron's* included with their club membership as will each renewing investment club. This is just one example of our on-going commitment to add value to club membership.

The first year of a multi-year commitment to systems improvements at BetterInvesting saw the implementation of new phone and email systems at Headquarters. The phone systems are designed to interface with new "back-office" systems to be implemented in 2006 and will offer integration with our member database. These systems will allow our Member Service Representatives to serve our members much more effectively and speed the processing of credit card and telephone sales. New website servers were installed with enhanced security, support, and backup capabilities.

Members have enthusiastically endorsed improvements to the S&P Data Service (previously known as OPS), such as the addition of new company data, exposed formulas and raw data, and new data descriptions and information. The second year of our systems improvement program will see the release of a new web store that will enable us to expand our online products and services, including online registration for Chapter classes and national events, and software downloads, along with a new content management system that will improve our flexibility and speed, and decrease our cost of operations. Expenses and capital investment in systems totaled over $730,000 in fiscal year 2005 and will require a large investment of dollars and manpower in 2006, as well.

New programs, legal expenses, and less than stellar results from existing operations contributed to a net operating loss of $2.6 million for 2005, compared to a loss of $1.9 million for fiscal year 2004. Overall, 82% of expenditures were invested in program services. While we had budgeted operating losses to exceed those of 2004, the losses were greater than anticipated due to ongoing litigation and Senate Finance inquiry expenses, unanticipated system expenses, and continued membership declines. Investment income also decreased markedly in 2005, due to reduced equity performance and the decrease in net investable assets caused by operating losses.

In summary, many new programs were initiated and implemented in 2005, the first year of a multi-year program focused on improving operations and enhancing membership benefits. Resources have been, and will continue to be committed to improve programs and services for our members and for our new, rapidly growing constituencies among high school students and union members. We will continue to lay the foundations and invest in needed infrastructure, and educational and marketing programs in 2006 to support and improve both existing and future programs. While we forecast continued operating losses for 2006, the deficit is expected to decline from the level incurred in 2005.

Our accomplishments would not be possible without the hard work and dedicated support of our volunteers, staff and corporate supporters – plus the newly emerging support of foundations! Together we will accomplish our mission to create a nation of educated investors! Our sincerest thanks to each of you.