

January 2008

Positions Recently Added

AGL Resources, Inc. (ATG) for Income

Atlanta, GA based AGL Resources is energy services holding company serving 2.2 million customers with natural gas distribution operations in six states: Georgia, Florida, Maryland, New Jersey, Tennessee and Virginia. The Company has four segments: distribution operations, retail energy operations, wholesale services, and energy investments. We view ATG's service territory as one with attractive demographics and population growth, as well as favorable regulation. The Company's finances are also attractive due to its investment grade credit rating and low debt levels relative to peers. ATG maintains a dividend yield that is also above the Utility sector peer group average. Given these positive characteristics, we have elected to add the Company to our approved list of income-oriented equities.

Existing Positions Increased

None this month.

Existing Positions Decreased

iShares MSCI EAFE Index (EFA) and iShares S&P 400 Index (IJH)

Given the heightened risks to growth in both the economy and the financial markets, we have elected to reduce our exposure to both the MSCI EAFE Index (EFA) and the S&P 400 Index (IJH) iShares. The reduction was based on our macro economic outlook, our related industry sector guidelines and a desire to reduce exposure to several of the more economically cyclical industry sectors. The reductions decreased our exposures to several industry sectors that we view as less favorable given the current economic cycle. For example, the Financials, Consumer Discretionary and Industrials sectors represent a large portion of EFA. The Industrials and Financials industry sectors are the two largest industries within IJH. Given our expectations for slower economic growth, we have taken a more defensive posture and favor less cyclical industry sectors such as Healthcare and Consumer Staples in the near term. Moreover, given the lack of visibility for economic growth and an increased level of volatility in the global equity markets, the reductions were also consistent with our desire to modestly increase cash levels.

Positions Eliminated

Energy East Corporation (EAS) for Income

Energy East recently agreed to become a wholly owned subsidiary of Iberdola, S.A., a utility company based in Bilbao, Spain, for \$28.50 per share (\$4.5 billion). The acquisition price represented a 26% premium to the pre-merger price of EAS shares. Iberdola expects to complete the transaction in the second half of 2008. Given the merger agreement, shares of EAS were one the best performing Utility stocks of the year in 2007, significantly outperforming the overall Utility sector. Given the strong price performance for shares of EAS, the related reduction in its dividend yield, and the regulatory uncertainty regarding the pending merger with Iberdola, we have chosen to remove positions in EAS from income-oriented portfolios.

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Fastenal (FAST)

Fastenal is a mid capitalization company (market cap \$6.2 billion) that sells industrial and construction supplies, including fasteners, tools and equipment. It serves both retail and wholesale markets, primarily in the United States (93% of revenues). While we believe Fastenal remains a financially sound and well-managed organization, we feel that the pending economic slowdown may adversely impact its operations in the near term. Moreover, our desire to reduce exposure the more economically sensitive Industrial industry sector led us to remove Fastenal shares from portfolios. In addition, our efforts to reduce portfolio volatility impacted our decision. As a mid cap company, Fastenal shares tend to be more volatile than the overall market.

Parker Hannifin (PH)

Parker Hannifin is a mid capitalization company (\$12.9 billion market cap) that manufactures and sells motion control products, fluid power systems and a number of other products for industrial, aerospace, transportation and manufacturing end markets. The Company generated impressive operating and share price performance in 2007. However we believe that macro-economic risks have increased and that they may slow the Company's growth for the foreseeable future. Moreover, our desire to reduce exposure the more economically sensitive Industrial industry sector led us to remove Parker Hannifin shares from portfolios. In addition, our efforts to reduce portfolio volatility impacted our decision. As a mid cap company, Parker Hannifin shares tend to be more volatile than the overall market.

T. Rowe Price (TROW)

T. Rowe Price is a mid capitalization (\$14.5 billion market cap) financial services holding company that provides investment advisory services to individuals and institutions. T. Rowe Price has demonstrated excellent financial performance, investment performance and growth in assets under management in recent periods. However, given the increased volatility in financial markets of late, we believe that the Company's growth may be slowing. T. Rowe Price generates a large percentage of its revenues from fees based on assets under management. The growth of this revenue source could be a risk if equity market volatility continues. Moreover, given recent market turbulence, growth in new assets may also slow. In addition, our efforts to reduce portfolio volatility impacted our decision. As a mid cap company, shares of T. Rowe Price tend to be more volatile than the overall market.

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