Thomas R. Teehan
Senior Counsel

July 6, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 4065 – National Grid Request for Change of Electric Distribution Rates
Response to Data Requests

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's[1] responses to the Division's third and fourth sets of data requests issued in the above-referenced proceeding. In addition, responses are included to the Commission's first set of data requests. Attached is a listing of the data requests issued to date and designating the responses included in this filing.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,

Thomas R. Teehan

Enclosures

cc: Docket 4065 Service List

[1] The Narragansett Electric Company d/b/a National Grid ("Company").

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted, hand delivered and mailed to the individuals listed below.

___/S/__________________________________ July 6, 2009
Linda Samuelian Date

National Grid (NGrid) – Request for Change in Electric Distribution Rates
Docket No. 4065 - Service List as of 6/26/09

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File original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02889	Lmassaro@puc.state.ri.us Anault@puc.state.ri.us Plucarelli@puc.state.ri.us Nucci@puc.state.ri.us Sccamara@puc.state.ri.us	401-780-2107 401-941-1691

The Narragansett Electric Company d/b/a National Grid					
Docket 4065					
Discovery Log					
As of: July 6, 2009					
[C-denotes confidentiality is being sought]					
Data Request	**Status**	**Date Filed**	**Witness**	**CONFIDENTIAL**	**Attachments**
COMM 1-1	Filed	6/26/2009	O'Brien		Attachments COMM 1-1-3, 1-1-4, 1-1-5, 1-1-7, 1-1-8, 1-1-9 **BULK**
COMM 1-2	Filed	6/26/2009	O'Brien		Attachments COMM 1-2 A-D
COMM 1-3	Filed	6/26/2009	Dinkel		Attachments COMM 1-3 A-B **BULK**
COMM 1-4	Filed	6/26/2009	O'Brien		
COMM 1-5	Pending				
COMM 1-6	Filed	6/26/2009	Dinkel	C-attachment	Attachments COMM 1-6-1 & 1-6-2 **BULK**
COMM 1-7	Filed	6/26/2009	O'Brien		Attachment COMM 1-7
COMM 1-8	Filed	6/26/2009	Dinkel		Attachments COMM 1-8 (A-D) **BULK**
COMM 1-9	Filed	6/26/2009	Dinkel	C-attachment	Attahments COMM 1-9 (1-11) **BULK**
COMM 1-10	Filed	6/26/2009	Dinkel		Attachment COMM 1-10 (hard copy only) **BULK**
COMM 1-11	Filed	6/26/2009	O'Brien		
COMM 1-12	Filed	7/1/2009	Dinkel/Morrissey		Attachments COMM 1-12 (1-2)
COMM 1-13	Filed	6/26/2009	Dinkel		Attachment COMM 1-13
COMM 1-14	Filed	6/26/2009	Dinkel		Attachment COMM 1-14
COMM 1-15	Filed	6/26/2009	Dinkel		Attachment COMM 1-15
COMM 1-16	Filed	6/26/2009	O'Brien		Attachments COMM 1-16 (1-12)
COMM 1-17	Filed	7/6/2009	Pettigrew		
COMM 1-18	Pending				
COMM 1-19	Pending				
COMM 1-20	Filed	6/26/2009	O'Brien		
COMM 1-21	Filed	6/26/2009	O'Brien		Attachments COMM 1-21 (1-4)
COMM 1-22	Filed	6/26/2009	O'Brien		Attachments COMM 1-22 (1-2)
COMM 1-23	Filed	6/26/2009	O'Brien		Attachments COMM 1-23 (1-2)
COMM 1-24	Filed	6/26/2009	O'Brien		Attachment COMM 1-24
COMM 1-25	Filed	6/26/2009	O'Brien		Attachments COMM 1-25 (1-14) **BULK**
COMM 1-26	Filed	6/26/2009	O'Brien		Attachment COMM 1-26
COMM 1-27	Pending				
COMM 1-28	Filed	7/6/2009	O'Brien		Attachment COMM 1-28
COMM 1-29	Filed	6/26/2009	O'Brien		
COMM 1-30	Filed	6/26/2009	O'Brien		
COMM 1-31	Filed	6/26/2009	King		
COMM 1-32	Filed	6/26/2009	O'Brien		Attachment COMM 1-32
COMM 1-33	Filed	6/26/2009	O'Brien		Attachment COMM 1-33 (1-3) **BULK**
COMM 1-34	Filed	6/26/2009	Dowd		Attachments COMM 1-34 (1-2) **BULK**
COMM 1-35	Filed	6/26/2009	Dowd		Attachment COMM 1-35 **BULK**
COMM 1-36	Filed	6/26/2009	Dowd		Attachment COMM 1-36
COMM 1-37	Filed	6/26/2009	O'Brien		Attachment COMM 1-37
COMM 1-38	Filed	6/26/2009	O'Brien		Attachment COMM 1-38
COMM 1-39	Pending				
COMM 1-40	Filed	6/26/2009	Dowd		Attachment COMM 1-40
COMM 1-41	Filed	6/26/2009	Dowd		
COMM 1-42	Filed	6/26/2009	Dowd		Attachment COMM 1-42
COMM 1-43	Filed	6/26/2009	Dowd		Attachment COMM 1-43
COMM 1-44	Filed	6/26/2009	Dowd		Attachment COMM 1-44
COMM 1-45	Filed	6/26/2009	O'Brien		Attachment COMM 1-45
COMM 1-46	Filed	6/26/2009	Dowd		
COMM 1-47	Filed	6/26/2009	Dowd		Attachments COMM 1-47 (1-3) **BULK**
COMM 1-48 (Part 1)	Filed	7/1/2009	Dowd		Attachment COMM 1-48
COMM 1-48 (Parts 2-5)	Filed	6/26/2009	O'Brien		

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Data Request	**Status**	**Date Filed**	**Witness**	**CONFIDENTIAL**	**Attachments**
COMM 1-49	Filed	6/26/2009	O'Brien		Attachments COMM 1-49 (1-5)
COMM 1-50	Filed	6/26/2009	Dowd		Attachments COMM 1-50 (1-38) **BULK**
COMM 1-51	Filed	6/26/2009	Dowd		
COMM 1-52	Filed	6/26/2009	Dowd		Attachment COMM 1-52
COMM 1-53	Filed	6/26/2009	Dowd		Attachment COMM 1-53
COMM 1-54	Filed	6/26/2009	O'Brien		Attachments COMM 1-54 (1-2)
COMM 1-55	Pending				
COMM 1-56	Filed	6/26/2009	O'Brien		
COMM 1-57	Filed	6/26/2009	O'Brien		Attachment COMM 1-57
COMM 1-58	Filed	6/26/2009	O'Brien		Attachments COMM 1-58 (1-2)
COMM 1-59	Filed	6/26/2009	O'Brien		Attachment COMM 1-59
COMM 1-60	Filed	7/1/2009	O'Brien		Attachment COMM 1-60 (A-B)
COMM 1-61	Filed	6/26/2009	Dowd		
COMM 1-62	Filed	6/26/2009	O'Brien		Attachments COMM 1-62 (1-2)
COMM 1-63	Pending				
COMM 1-64	Filed	6/26/2009	O'Brien		Attachment COMM 1-64
COMM 1-65	Filed	6/26/2009	O'Brien		Attachments COMM 1-65
COMM 1-66	Filed	6/26/2009	O'Brien		Attachments COMM 1-66 (1-2)
COMM 1-67	Filed	6/26/2009	O'Brien		Attachments COMM 1-67 (1-3)
COMM 1-68	Filed	6/26/2009	Wynter		Attachment COMM 1-68
COMM 1-69	Filed	6/26/2009	Wynter		Attachment COMM 1-69
COMM 1-70	Filed	6/26/2009	Wynter		
COMM 1-71	Filed	6/26/2009	O'Brien		Attachments DIV 4-1 (1-2) **BULK**
COMM 1-72	Pending				
COMM 1-73	Filed	6/26/2009	O'Brien		Attachments COMM 1-73 (1-2)
COMM 1-74	Filed	7/6/2009	O'Brien		
COMM 1-75	Filed	6/26/2009	O'Brien		
COMM 1-76	Filed	7/1/2009	O'Brien		Attachment COMM 1-76
COMM 1-77	Pending				
COMM 1-78	Pending				
COMM 1-79	Filed	6/26/2009	O'Brien		Attachment COMM 1-79
COMM 1-80	Pending				
COMM 1-81	Pending				
COMM 1-82	Filed	7/1/2009	O'Brien		
COMM 1-83	Filed	6/26/2009	O'Brien		Attachments COMM 1-83
COMM 1-84	Filed	6/26/2009	O'Brien		Attachment COMM 1-84
COMM 1-85	Filed	6/26/2009	O'Brien		Attachment COMM 1-85
COMM 1-86	Filed	6/26/2009	O'Brien		
COMM 1-87	Filed	6/26/2009	O'Brien		
COMM 1-88	Filed	6/26/2009	O'Brien		Attachment COMM 1-88
COMM 1-89	Filed	6/26/2009	O'Brien		Attachment COMM 1-89
COMM 1-90	Filed	7/6/2009	O'Brien		Attachments COMM 1-90 (1-2) **BULK**
COMM 1-91	Filed	6/26/2009	O'Brien		Attachment DIV 4-21 (1-2) **BULK**
COMM 1-92	Filed	6/26/2009	O'Brien		Attachment COMM 1-92
COMM 1-93	Filed	6/26/2009	O'Brien		
COMM 1-94	Filed	6/26/2009	O'Brien		Attachment COMM 1-94
COMM 1-95	Filed	6/26/2009	O'Brien		Attachment COMM 1-95
COMM 1-96	Filed	6/26/2009	King		Attachment COMM 1-96
COMM 1-97	Pending				
COMM 1-98	Filed	7/1/2009	Dowd		
COMM 1-99	Filed	6/26/2009	Gorman		Attachment COMM 1-99
COMM 1-100	Filed	7/1/2009	Gorman		
COMM 1-101	Filed	7/1/2009	Gorman		
COMM 1-102	Filed	6/26/2009	Gorman		Attachment COMM 1-102
COMM 1-103	Filed	6/26/2009	Wynter		
COMM 1-104	Filed	6/26/2009	Wynter		
COMM 1-105	Filed	6/26/2009	O'Brien		
COMM 1-106	Pending				
COMM 1-107	Filed	6/26/2009	O'Brien		Attachment COMM 1-107
COMM 1-108	Filed	6/26/2009	Wynter		Attachment COMM 1-108
COMM 1-109	Filed	6/26/2009	Dowd/Pettigrew		Attachment COMM 1-109
Discovery Log Ends Here: July 6, 2009					

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Information Request	Status	Date Filed	Witness	CONFIDENTIAL	Attachments
DIV-1-1	Filed	6/26/2009	O'Brien		Attachment DIV 1-1
DIV-1-2	Filed	7/1/2009	O'Brien		Attachment DIV 1-2
DIV-1-3	Filed	7/1/2009	O'Brien		Attachment DIV 1-3
DIV-1-4	Filed	6/26/2009	O'Brien		
DIV-1-5	Filed	6/26/2009	O'Brien		
DIV-1-6	Filed	7/1/2009	O'Brien		
DIV-1-7	Filed	7/1/2009	O'Brien		
DIV-1-8	Filed	7/1/2009	O'Brien		
DIV-1-9	Filed	6/26/2009	O'Brien		Attachment DIV 1-9
DIV-1-10	Filed	6/26/2009	O'Brien		
DIV-1-11	Filed	6/26/2009	Dowd		Attachment DIV 1-11
DIV-1-12	Filed	6/26/2009	O'Brien		Attachment DIV 1-12
DIV-1-13	Filed	6/26/2009	Dowd		Attachment DIV 1-13
DIV-1-14	Filed	6/26/2009	Dowd		
DIV-1-15	Filed	6/26/2009	O'Brien		
DIV-1-16	Filed	6/26/2009	O'Brien		
DIV-1-17	Filed	6/26/2009	O'Brien		Attachment DIV 1-17
DIV-1-18	Filed	6/26/2009	O'Brien		
DIV-1-19	Filed	6/26/2009	O'Brien		
DIV-1-20	Filed	6/26/2009	Dowd		Attachment DIV 1-20
DIV-1-21	Filed	7/1/2009	O'Brien		
DIV-1-22	Filed	7/1/2009	O'Brien		
DIV-1-23	Filed	7/1/2009	O'Brien		
DIV-1-24	Filed	7/1/2009	O'Brien		
DIV-1-25	Pending				
DIV-1-26	Filed	6/26/2009	O'Brien		Attachment DIV 1-26
DIV-1-27	Filed	6/26/2009	O'Brien		
DIV-1-28	Filed	6/26/2009	O'Brien		
DIV-1-29	Pending				
DIV-1-30	Filed	7/1/2009	O'Brien		
DIV-1-31	Filed	6/26/2009	O'Brien		Attachment DIV 1-31
DIV-1-32	Filed	6/26/2009	O'Brien		Attachment DIV 1-32
DIV-1-33	Filed	6/26/2009	O'Brien		Attachment DIV 1-33
DIV-1-34	Filed	7/1/2009	O'Brien		
DIV-2-1	Filed	7/1/2009	Gorman	C-attachment	Attachment DIV 2-1 (electronic only)
DIV-2-2	Filed	6/26/2009	Gorman		
DIV-2-3	Filed	6/26/2009	Gorman		
DIV-2-4	Filed	6/26/2009	Gorman		Attachment DIV 2-4
DIV-2-5	Filed	6/26/2009	Gorman		
DIV-2-6	Filed	6/26/2009	Gorman		
DIV-2-7	Filed	6/26/2009	Gorman		
DIV-2-8	Filed	6/26/2009	Gorman		
DIV-2-9	Filed	6/26/2009	Gorman		
DIV-2-10	Filed	6/26/2009	Gorman		Attachment DIV 2-10
DIV-2-11	Filed	6/26/2009	Gorman		
DIV-2-12	Filed	6/26/2009	Gorman		
DIV-3-1	Filed	7/6/2009	O'Brien		
DIV-3-2	Pending				
DIV-3-3	Filed	7/6/2009	O'Brien		Attachment DIV 3-3
DIV-3-4	Pending				
DIV-3-5	Filed	7/6/2009	O'Brien		
DIV-3-6	Pending				
DIV-3-7	Pending				
DIV-3-8	Filed	7/6/2009	Morrissey		Attachment DIV 3-8
DIV-3-9	Filed	7/6/2009	Morrissey		Attachment DIV 3-9
DIV-3-10	Filed	7/6/2009	Morrissey		Attachment DIV 3-10
DIV-3-11	Filed	7/6/2009	Morrissey		Attachment DIV 3-11 (electronic only)
DIV-3-12	Filed	7/6/2009	O'Brien/Morrissey		Attachment DIV 3-12
DIV-3-13	Filed	7/6/2009	O'Brien/Morrissey		
DIV-3-14	Filed	7/6/2009	O'Brien/Morrissey		Attachment DIV 3-14
DIV-3-15	Filed	7/6/2009	Morrissey		Attachment DIV 3-15
DIV-3-16	Filed	7/6/2009	Pettigrew		
DIV-3-17	Filed	7/6/2009	Pettigrew		
DIV-3-18	Filed	7/6/2009	Pettigrew		
DIV-3-19	Pending				
DIV-3-20	Pending				
DIV-3-21	Filed	7/6/2009	Pettigrew		

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Information Request	**Status**	**Date Filed**	**Witness**	**CONFIDENTIAL**	**Attachments**
DIV-3-22	Pending				
DIV-4-1	Filed	7/6/2009	Moul		Attachments DIV 4-1 (1-2) **BULK**
DIV-4-2	Filed	7/6/2009	Dinkel		
DIV-4-3	Filed	7/6/2009	Dinkel		
DIV-4-4	Filed	7/6/2009	Dinkel		
DIV-4-5	Filed	7/6/2009	O'Brien		
DIV-4-6	Filed	7/6/2009	Moul		
DIV-4-7	Filed	7/6/2009	Dinkel		Attachment DIV 4-7
DIV-4-8	Filed	7/6/2009	Dinkel		Attachments DIV 4-8 (1-3)
DIV-4-9	Filed	7/6/2009	Dinkel		Attachment DIV 4-9
DIV-4-10	Filed	7/6/2009	Dinkel		
DIV-4-11	Pending				
DIV-4-12	Filed	7/6/2009	Dinkel		
DIV-4-13	Filed	7/6/2009	Moul		
DIV-4-14	Filed	7/6/2009	Moul		
DIV-4-15	Filed	7/6/2009	Moul		Attachment DIV 4-15
DIV-4-16	Filed	7/6/2009	Moul		Attachment DIV 4-16 (1-2)
DIV-4-17	Filed	7/6/2009	Moul		
DIV-4-18	Filed	7/6/2009	Moul		
DIV-4-19	Filed	7/6/2009	Moul		Attachment DIV 4-19
DIV-4-20	Filed	7/6/2009	Moul		Attachment DIV 4-20
DIV-4-21	Filed	7/6/2009	O'Brien		Attachment DIV 4-21 (1-2) **BULK**
DIV-4-22	Filed	7/6/2009	Moul		Attachment DIV 4-22 (1-2)
DIV-4-23	Filed	7/6/2009	Dinkel		Attachment DIV 4-23
DIV-4-24	Filed	7/6/2009	Moul		
DIV-4-25	Filed	7/6/2009	Moul		
DIV-4-26	Filed	7/6/2009	Moul		
DIV-4-27	Filed	7/6/2009	Moul		Attachment DIV 4-27
DIV-5-A	Pending				
DIV-5-B	Pending				
DIV-5-C	Pending				
DIV-6-1	Pending				
DIV-6-2	Pending				
DIV-6-3	Pending				
DIV-6-4	Pending				
DIV-6-5	Pending				
DIV-6-6	Pending				
DIV-6-7	Pending				
DIV-6-8	Pending				
DIV-6-9	Pending				
DIV-6-10	Pending				
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DIV-6-15	Pending				
DIV-6-16	Pending				
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DIV-6-24	Pending				
DIV-6-25	Pending				
DIV-6-26	Pending				
DIV-6-27	Pending				
DIV-6-28	Pending				
DIV-6-29	Pending				
DIV-6-30	Pending				
DIV-6-31	Pending				
DIV-6-32	Pending				

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Information Request	**Status**	**Date Filed**	**Witness**	**CONFIDENTIAL**	**Attachments**
DIV-6-33	Pending				
DIV-6-34	Pending				
DIV-6-35	Pending				
DIV-6-36	Pending				
DIV-6-37	Pending				
DIV-7-1	Pending				
DIV-7-2	Pending				
DIV-7-3	Pending				
DIV-7-4	Pending				
DIV-7-5	Pending				
DIV-7-6	Pending				
DIV-7-7	Pending				
DIV-7-8	Pending				
DIV-7-9	Pending				
DIV-7-10	Pending				
DIV-7-11	Pending				
DIV-7-12	Pending				
DIV-7-13	Pending				
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DIV-9-1	Pending				
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DIV-9-9	Pending				
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DIV-9-11	Pending				
DIV-9-12	Pending				
DIV-9-13	Pending				
DIV-9-14	Pending				
DIV-9-15	Pending				
DIV-9-16	Pending				
DIV-9-17	Pending				

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Information Request	**Status**	**Date Filed**	**Witness**	**CONFIDENTIAL**	**Attachments**
DIV-9-18	Pending				
DIV-9-19	Pending				
DIV-10-1	Pending				
DIV-10-2	Pending				
DIV-10-3	Pending				
DIV-10-4	Pending				
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DIV-10-6	Pending				
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DIV-10-15	Pending				
DIV-10-16	Pending				
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DIV-10-23	Pending				
DIV-10-24	Pending				
DIV-10-25	Pending				
DIV-10-26	Pending				
DIV-10-27	Pending				
DIV-10-28	Pending				
DIV-10-29	Pending				
Discovery Log Ends Here: July 6, 2009					

The Narragansett Electric Company d/b/a National Grid					
Docket 4065					
Discovery Log					
As of: July 6, 2009					
[C-denotes confidentiality is being sought]					
Information Request	**Status**	**Date Filed**	**Witness**	**CONFIDENTIAL**	**Attachments**
NAVY-1-1	Filed	**6/29/2009**			
NAVY-1-2	Filed	**6/29/2009**			
NAVY-1-3	Filed	**6/29/2009**			
NAVY-1-4	Filed	**6/29/2009**			
Discovery Log Ends Here: July 6 2009					

Commission Data Request 1-17

Request:

Please provide a five-year forecast of the company's construction budget by account.

Response:

Listed below is the 5-year capital forecast relating to work performed on the Company's electrical distribution system and associated equipment. This information is summarized by budget category for each calendar year. Please note that the calendar year amount was estimated using an un-weighted, prorated split of the Company's fiscal year capital plan, which runs from April 1 through March 31, based on 9 months of the current fiscal year and 3 months of the prior fiscal year. The categories listed as "Budget Classifications" represent the Company's standard reporting format for the 5-year capital plan:

CAPITAL FORECAST - CALENDAR YEAR					
Budget Classifcation	**TOTAL 2009**	**TOTAL 2010**	**TOTAL 2011**	**TOTAL 2012**	**TOTAL 2013**
Asset Replacement	13,320,098	17,670,000	19,608,000	21,108,000	22,269,000
Damage/Failure	6,590,536	7,812,000	8,670,000	9,342,000	9,855,000
Land and Land Rights	353,393	357,000	400,000	422,000	450,000
Load Relief	12,243,596	16,523,000	18,339,000	19,749,000	20,817,000
Meters	2,339,027	2,937,000	3,264,000	3,516,000	3,702,000
New Business	8,666,304	8,958,000	9,939,000	10,701,000	11,289,000
Other	1,772,346	1,524,000	1,692,000	1,818,000	1,920,000
Outdoor Lighting	1,380,911	1,653,000	1,833,000	1,971,000	2,085,000
Public Requirements	3,664,635	4,194,000	4,653,000	5,013,000	5,289,000
Reliability	7,804,669	9,534,000	10,584,000	11,397,000	12,024,000
Storms	589,988	357,000	390,000	423,000	450,000
Transformers	4,899,295	5,892,000	6,534,000	7,032,000	7,422,000
Total	**63,624,799**	**77,411,000**	**85,906,000**	**92,492,000**	**97,572,000**

Although the capital plan is not established by FERC account, the Company anticipates the accounts to which amounts will be recorded are estimated in the table below:

Commission Data Request 1-17 (cont.)

FERC ACCOUNT	2009	2010	2011	2012	2013
360-362	10,682	15,809	17,514	21,743	23,187
364-373	52,793	60,694	67,369	69,707	73,290
390-398	150	908	1,023	1,042	1,095
TOTAL	63,625	77,411	85,906	92,492	97,572

The information provided above does not include non-construction, facilities & IS capital related items. The Executive Board approves the first year of the capital plan and the remaining years are for planning purposes. The capital plan is reviewed annually and is subject to change.

Prepared by or under the supervision of: John Pettigrew

Commission Data Request 1-28

Request:

Please itemize all rent revenue and all rent expense items incurred curing the test year that were $50,000 or greater.

Response:

Please see Attachment COMM 1-28.

Prepared by or under the supervision of: Robert L. O'Brien

Narragansett Electric Company
Itemized Rent Revenue Greater Then $50K

Bus Unit Description	Activity Description	Description	GL Act $
Narragansett Electric Company	Rent fr Elec Prop-Wayfndr-Elim	Wayfinder is paying attachment fees	$192,200
Narragansett Electric Company	Rent From Elec Prop Lincoln	Lincoln is paying attachment fees	$159,540
Narragansett Electric Company	Rent from elec. prop. - distri	Pole attachment rental fees	$1,348,944
Narragansett Electric Company	Rent From Electric Property	Pole attachment rental fees	$571,201
Narragansett Electric Company	Rent From Support Payments	Rent From Support Payments	$614,141
			$2,886,026

Narragansett Electric Company
Itemized Rent Expense Greater Then $50K

Bus Unit Description	Activity Description	Description	GL Act $
Narragansett Electric Company	Rents-Bldg-Dist-ELM	Facility	$87,554
Narragansett Electric Company	Accounting Services	Computer	$568,517
Narragansett Electric Company	Data Center Services	Computer	$259,731
Narragansett Electric Company	Deploy Systems & Train	Computer	$120,778
Narragansett Electric Company	Executive-Rent-Elim	Facility	$130,387
Narragansett Electric Company	Facility Leasing & Financing	Facility	$857,266
Narragansett Electric Company	Operations Executive Services	Computer	$242,068
Narragansett Electric Company	Program Admin-Rent-Elim	Facility	$63,174
Narragansett Electric Company	Provide Administrative & Gener	Computer	$919,337
Narragansett Electric Company	Systems Planning Strategy & E	Computer	$100,975
Narragansett Electric Company	NE Share CSS Costs-Elim	Computer	$724,188
			$4,073,975

Commission Data Request 1-90

Request:

Please provide a complete and detailed description of the methodology that National Grid and its service companies use to allocate/assign to the Company plant that is common to more than one of its affiliates. Please also provide the workpapers, calculations, formulas, assumptions, and supporting documents used to determine each allocation or assignment.

Response:

There is no formal narrative description of the methodology employed to allocate the cost of common assets to all other companies. Attachments COMM 1-90-1 and COMM 1-90-2 provide the workpapers and supporting documentation that are used to determine the allocation of common assets.

The facilities charges, property taxes, depreciation expense and carrying charges for legacy National Grid common assets (i.e., Syracuse office complex, airplane, hangar, Henry Clay Data Center, and the Investment Recovery Center) are calculated and allocated to the appropriate operating companies on an annual basis. Under the principles of appropriate cost causation theory, a journal entry is prepared at fiscal year end to effect an allocation to the operating companies based on O&M across all operating companies represented by the allocation percentages associated with bill pool 00382 for FY2009 and bill pool 00380 for years 2007 and 2008. Attachment COMM 1-90-1 entitled "Legacy Grid NY Facilities and Data Center Cost Allocation" presents the journals, calculations and workpapers for fiscal year end 2007, 2008, and 2009.

Building Services charges for common assets (i.e., buildings owned by legacy KeySpan companies) are calculated based on usage (i.e., square footage) and are charged proratably among the operating companies on a monthly basis. Building Services charges to departments within the service companies are allocated to the operating companies based on the allocation code assigned to the specific cost pool where the building service charges are posted. In other words, building service charges follow the allocation of all the other charges included in an area's allocation cost pool in accordance with the appropriate cost causation relationship assigned to that cost pool. Attachment COMM 1-90-2 entitled "Legacy KeySpan Building Services" are the building service journals and support that are booked each month for 2007 (in effect from January 2007 - March 2008) and 2008.

Prepared by or under the supervision of: Robert L. O'Brien

Division Data Request 3-1

Request:

Referring to O'Brien testimony, Page 7, lines 17-19, please provide specific citation to the testimony of Mr. Gorman supporting the referenced revenue adjustment.

Response:

Mr. Gorman, at page 18, lines 4 to 6 of his testimony, references the calculation of the pro forma distribution revenue at current rates of $215,542,992 (Schedule NG-RLO-2, page 1, column (f), line 2) which was computed on Schedule NG-HSG-2, pages 7 to 10. The adjustment to the distribution revenue of $4,103,999 on Schedule NG-RLO-2, page 1, column (e), line 2 is the difference between the "Adjusted Per Books 12/31/2008" distribution revenue of $219,646,991 on line 2, column (d) and the $215,542,992 calculated by Mr. Gorman.

Prepared by or under the supervision of: Robert L. O'Brien

Division Data Request 3-3

Request:

Please provide detail of the "Other Revenue" of $7,353,188 on Schedule NG-RLO-2, Page 1. The response should itemize the other revenues and the allocation of those other revenues to distribution service.

Response:

Please see Attachment DIV 3-3 for detail of "Other Revenue" applicable to distribution service.

Prepared by or under the supervision of: Robert L. O'Brien

The Narragansett Electric Company d/b/a National Grid
Detailed Summary of Other Revenue
Calendar Year 2008

		2008
Summary by Ferc:		
450	Forfeited Discount (Customer Late Payment Charges)	$2,230,203
451	Miscellaneous Service Revenue	426,652
454	Rent From Electric Property	2,947,916
456	Other Electric Revenues	1,748,417
Total		$7,353,188

Additional Details:

451	Other Miscellaneous Service Revenues-CIS/CSS	$149,213
	Reconnect Charges	144,227
	Interval Data Services	46,752
	Service Turn on Charge	83,535
	Bad Debt Charge	2,925
	Total	$426,652
454	Pole Attachment Rental	$1,348,945
	Rent from Electric Property	581,347
	Rent from Support Payments	614,142
	Rent from Electric Property to Affiliates	
	Lincoln Facility	159,540
	National Grid USA Service Company	51,742
	Wayfinder Group Inc.	192,200
	Total	$2,947,916
456	Supervisory and Administrative Allocations	$866,488
	CIAC Reclassifications	623,370
	Other Electric Revenues - Billing	257,813
	Cash receipts and miscellaneous entries	746
	Total	$1,748,417

Division Data Request 3-5

Request:

Referring to NG-RLO-3, Page 5, please reconcile the 2008 Narragansett CTA of $6,161,009 to the 2008 CTA of $3,810,202 on Workpaper NG-RLO-4.

Response:

The 2008 Narragansett CTA of $6,161,000 per NG-RLO-3, Page 5 reflects the Company's Year 1 share of the $400 million of total CTA resulting from the National Grid/KeySpan transaction. As described in the testimony of Mr. O'Brien on pages 43 to 44, the Year 1 amount was derived based on the total CTA allocated to the Company of $16,006,779, as shown on NG-RLO-3, Page 3, line 15, column (c) times the estimated phase-in percentage 38.49 percent of CTA for Year 1, as shown on NG-RLO-3, Page 4, line 1, column (a).

The 2008 Narragansett CTA of $3,810,202 reflects the actual CTA incurred by Narragansett in the 2008 test year. As also shown on Workpaper NG-RLO-4, this amount was then increased by CTA costs related to the test year but recorded post-test year of $229,265 and reduced by test year costs recorded as transmission of $8,387, which were adjusted out of the cost of service as part of the Integrated Facilities Agreement transmission O&M expense adjustment. This net CTA amount of $4,031,080 was eliminated from the cost of service, as shown on NG-RLO-2, Page 2, line 14, column (b).

Prepared by or under the supervision of: Robert L. O'Brien

Division Data Request 3-8

Request:

Referring to Schedule NG-APM-1, please provide the actual kWh sales by month to date in 2009 and for the corresponding months in 2008 for each customer class shown.

Response:

Please see Attachment DIV 3-8. Also, please note that, while actual kWh sales are up 1.7% for the year-to-date May period versus last year, the number of days billed is up 1.8% for the same period. Adjusted for days billed, actual kWh sales are 0.1% lower than last year for the year-to-date May period.

Prepared by or under the supervision of: Alfred P. Morrissey, Jr.

Narragansett Electric Company
Actual KWh Sales

	Residential				Commercial				Industrial		
Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference
1	291,581,557	312,283,365	7.1%	1	319,536,209	348,407,353	9.0%	1	88,113,894	89,313,142	1.4%
2	262,513,515	253,763,785	-3.3%	2	289,248,333	299,933,015	3.7%	2	89,214,105	79,387,532	-11.0%
3	250,475,022	243,005,927	-3.0%	3	274,757,414	329,354,349	19.9%	3	62,898,620	71,484,116	13.6%
4	222,095,811	228,219,855	2.8%	4	310,991,717	277,298,071	-10.8%	4	111,841,131	38,493,271	-65.6%
5	192,029,476	196,894,044	2.5%	5	257,109,347	281,491,937	9.5%	5	82,854,053	108,265,299	30.7%
YTD	1,218,695,381	1,234,166,976	1.3%	YTD	1,451,643,020	1,536,484,725	5.8%	YTD	434,921,803	386,943,360	-11.0%

	Streetlighting				Resale *				Total		
Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference
1	7,410,815	6,891,500	-7.0%	1	82,157	0	-100.0%	1	706,724,632	756,895,360	7.1%
2	5,737,030	6,290,094	9.6%	2	0	0	#DIV/0!	2	646,712,983	639,374,426	-1.1%
3	5,628,169	5,478,115	-2.7%	3	164,499	0	-100.0%	3	593,923,724	649,322,507	9.3%
4	4,781,912	4,896,819	2.4%	4	69,704	0	-100.0%	4	649,780,275	548,908,016	-15.5%
5	4,258,853	4,088,413	-4.0%	5	68,457	0	-100.0%	5	536,320,186	590,739,693	10.1%
YTD	27,816,779	27,644,941	-0.6%	YTD	384,817	0	-100.0%	YTD	3,133,461,800	3,185,240,002	1.7%

* Note Resale reclassified to Residential.

Division Data Request 3-9

Request:

Referring to Schedule NG-APM-2, please provide the weather normalized kWh sales by month to date in 2009 and for the corresponding months in 2008 for each customer class shown.

Response:

Please see Attachment DIV 3-9. Also, please note that, while weather-normalized kWh sales are down 0.3% for the year-to-date May period versus last year, the number of days billed is up 1.8% for the same period. Adjusted for days billed, weather-normalized kWh sales are 2.1% lower than last year for the year-to-date May period.

Prepared by or under the supervision of: Alfred P. Morrissey, Jr.

Narragansett Electric Company
Weather-Normalized KWh Sales

	Residential				Commercial				Industrial		
Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference
1	301,043,512	309,376,745	2.8%	1	324,766,797	346,809,665	6.8%	1	88,113,894	89,313,142	1.4%
2	270,557,476	247,801,189	-8.4%	2	293,648,338	296,643,138	1.0%	2	89,214,105	79,387,532	-11.0%
3	256,969,062	246,170,789	-4.2%	3	278,314,957	331,098,247	19.0%	3	62,898,620	71,484,116	13.6%
4	224,071,843	225,457,753	0.6%	4	312,053,217	275,451,066	-11.7%	4	111,837,131	38,445,271	-65.6%
5	196,068,574	198,296,838	1.1%	5	260,767,553	280,836,886	7.7%	5	83,068,196	108,048,442	30.1%
YTD	1,248,710,468	1,227,103,314	-1.7%	YTD	1,469,550,863	1,530,839,003	4.2%	YTD	435,131,946	386,678,503	-11.1%

	Streetlighting				Resale *				Total		
Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference
1	7,410,815	6,891,500	-7.0%	1	82,157	0	-100.0%	1	721,417,175	752,391,053	4.3%
2	5,737,030	6,290,094	9.6%	2	0	0	#DIV/0!	2	659,156,949	630,121,953	-4.4%
3	5,628,169	5,478,115	-2.7%	3	164,499	0	-100.0%	3	603,975,308	654,231,268	8.3%
4	4,781,912	4,896,819	2.4%	4	69,704	0	-100.0%	4	652,813,807	544,250,909	-16.6%
5	4,258,853	4,088,413	-4.0%	5	68,457	0	-100.0%	5	544,231,634	591,270,579	8.6%
YTD	27,816,779	27,644,941	-0.6%	YTD	384,817	0	-100.0%	YTD	3,181,594,872	3,172,265,762	-0.3%

* Note Resale reclassified to Residential.

Division Data Request 3-10

Request:

Referring to Schedule NG-APM-5, please provide the number of customers by month to date in 2009 and for the corresponding months in 2008 for each customer class shown.

Response:

Please see Attachment DIV 3-10.

Prepared by or under the supervision of: Alfred P. Morrissey, Jr.

Narragansett Electric Company
Number of Customers

Residential				Commercial				Industrial			
Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference	Month	2008	2009	Percent Difference
1	413,539	428,616	3.6%	1	54,929	56,270	2.4%	1	2,040	2,052	0.6%
2	428,944	429,593	0.2%	2	56,248	56,716	0.8%	2	2,100	2,068	-1.5%
3	428,586	430,291	0.4%	3	56,254	56,697	0.8%	3	2,102	2,040	-2.9%
4	415,810	429,785	3.4%	4	55,036	56,484	2.6%	4	2,095	2,055	-1.9%
5	428,775	430,767	0.5%	5	56,346	56,494	0.3%	5	2,117	2,052	-3.1%
YTD	423,131	429,810	1.6%	YTD	55,763	56,532	1.4%	YTD	10,454	10,267	-1.8%

Total			
Month	2008	2009	Percent Difference
1	470,508	486,938	3.5%
2	487,292	488,377	0.2%
3	486,942	489,028	0.4%
4	472,941	488,324	3.3%
5	487,238	489,313	0.4%
YTD	480,984	488,396	1.5%

Division Data Request 3-11

Request:

Please provide Schedules NG-APM-1, 2, and 5 on disk in native electronic spreadsheet format.

Response:

Schedules NG-APM-1, 2 and 5 will be provided in EXCEL format on CD-ROM with this response.

Prepared by or under the supervision of: Alfred P. Morrissey, Jr.

Narragansett Electric Company GWh Sales Forecast Before Additional DSM
Actual and Forecast GWh Sales by Revenue Class, 1990-2010

Year	Residential	Growth Rate	Commercial	Growth Rate	Industrial	Growth Rate	Street Lighting	Growth Rate	Resale	Growth Rate	Total	Growth Rate
1990	2,355.626		2,589.119		1,360.680		75.574		0.602		6,381.601	
1991	2,347.151	-0.4%	2,575.753	-0.5%	1,366.442	0.4%	73.434	-2.8%	0.583	-3.2%	6,363.362	-0.3%
1992	2,340.224	-0.3%	2,590.136	0.6%	1,351.413	-1.1%	71.581	-2.5%	0.600	2.9%	6,353.954	-0.1%
1993	2,388.456	2.1%	2,641.179	2.0%	1,411.043	4.4%	67.477	-5.7%	0.553	-7.8%	6,508.709	2.4%
1994	2,432.355	1.8%	2,660.848	0.7%	1,370.570	-2.9%	66.129	-2.0%	0.591	6.9%	6,530.493	0.3%
1995	2,414.834	-0.7%	2,684.213	0.9%	1,346.135	-1.8%	64.031	-3.2%	0.583	-1.4%	6,509.796	-0.3%
1996	2,463.461	2.0%	2,711.490	1.0%	1,346.375	0.0%	62.157	-2.9%	0.588	0.8%	6,584.071	1.1%
1997	2,457.081	-0.3%	2,749.704	1.4%	1,383.470	2.8%	61.324	-1.3%	0.619	5.4%	6,652.199	1.0%
1998	2,500.434	1.8%	2,839.409	3.3%	1,428.162	3.2%	61.387	0.1%	0.656	5.9%	6,830.048	2.7%
1999	2,633.849	5.3%	2,962.778	4.3%	1,414.073	-1.0%	61.915	0.9%	0.708	7.9%	7,073.324	3.6%
2000	2,606.986	-1.0%	3,089.688	4.3%	1,406.947	-0.5%	61.693	-0.4%	0.711	0.5%	7,166.026	1.3%
2001	2,689.214	3.2%	3,231.227	4.6%	1,357.889	-3.5%	62.074	0.6%	0.792	11.3%	7,341.196	2.4%
2002	2,799.301	4.1%	3,327.314	3.0%	1,325.874	-2.4%	62.304	0.4%	0.821	3.7%	7,515.614	2.4%
2003	2,955.332	5.6%	3,418.260	2.7%	1,256.555	-5.2%	63.054	1.2%	0.890	8.4%	7,694.092	2.4%
2004	2,971.390	0.5%	3,489.108	2.1%	1,297.438	3.3%	63.480	0.7%	0.864	-2.9%	7,822.280	1.7%
2005	3,129.682	5.3%	3,580.945	2.6%	1,210.959	-6.7%	62.886	-0.9%	0.863	-0.1%	7,985.335	2.1%
2006	2,992.324	-4.4%	3,534.610	-1.3%	1,141.426	-5.7%	63.169	0.5%	0.801	-7.2%	7,732.329	-3.2%
2007	3,074.049	2.7%	3,625.716	2.6%	1,116.802	-2.2%	62.274	-1.4%	0.814	1.6%	7,879.655	1.9%
2008	3,019.000	-1.8%	3,613.682	-0.3%	1,036.156	-7.2%	64.336	3.3%	0.446	-45.2%	7,733.621	-1.9%
Forecast												
2009 *	3,008.390	-0.4%	3,548.115	-1.8%	990.062	-4.4%	64.370	0.1%	0.659	47.7%	7,611.597	-1.6%
2010	3,014.092	0.2%	3,606.355	1.6%	1,009.074	1.9%	64.336	-0.1%	0.827	25.6%	7,694.684	1.1%

* 2009 data are 2 months actual and 10 months forecast.

Compound Average Annual Growth Rates

	Residential	Commercial	Industrial	Street Lighting	Resale	Total
1990-2008 18 -year	1.4%	1.9%	-1.5%	-0.9%	-1.7%	1.1%
1998-2008 10-Year	1.9%	2.4%	-3.2%	0.5%	-3.8%	1.3%
2003-2008 5-Year	0.4%	1.1%	-3.8%	0.4%	-12.9%	0.1%
2005-2008 3-Year	-1.2%	0.3%	-5.1%	0.8%	-19.8%	-1.1%
2008-2010 2-Year	-0.1%	-0.1%	-1.3%	0.0%	36.2%	-0.3%

Narragansett Electric Company GWh Sales Forecast Before Additional DSM
Weather-Normalized and Forecast GWh Sales by Revenue Class, 1990-2010

Year	Residential	Growth Rate	Commercial	Growth Rate	Industrial	Growth Rate	Street Lighting	Growth Rate	Resale	Growth Rate	Total	Growth Rate
1990	2,366.879		2,582.545		1,358.650		75.574		0.602		6,384.250	
1991	2,353.215	-0.6%	2,547.039	-1.4%	1,359.381	0.1%	73.434	-2.8%	0.583	-3.2%	6,333.651	-0.8%
1992	2,385.029	1.4%	2,623.502	3.0%	1,358.316	-0.1%	71.581	-2.5%	0.600	2.9%	6,439.028	1.7%
1993	2,355.790	-1.2%	2,607.358	-0.6%	1,404.960	3.4%	67.477	-5.7%	0.553	-7.8%	6,436.138	0.0%
1994	2,455.275	4.2%	2,663.899	2.2%	1,371.473	-2.4%	66.129	-2.0%	0.591	6.9%	6,557.367	1.9%
1995	2,426.425	-1.2%	2,665.836	0.1%	1,341.963	-2.2%	64.031	-3.2%	0.583	-1.4%	6,498.837	-0.9%
1996	2,502.757	3.1%	2,726.085	2.3%	1,350.319	0.6%	62.157	-2.9%	0.588	0.8%	6,641.906	2.2%
1997	2,494.176	-0.3%	2,749.637	0.9%	1,383.671	2.5%	61.324	-1.3%	0.619	5.4%	6,689.428	0.7%
1998	2,572.713	3.1%	2,838.717	3.2%	1,426.251	3.1%	61.387	0.1%	0.656	5.9%	6,899.724	3.1%
1999	2,611.911	1.5%	2,933.210	3.3%	1,401.703	-1.7%	61.915	0.9%	0.708	7.9%	7,009.447	1.6%
2000	2,637.783	1.0%	3,117.478	6.3%	1,411.621	0.7%	61.693	-0.4%	0.711	0.5%	7,229.287	3.1%
2001	2,681.474	1.7%	3,212.826	3.1%	1,355.136	-4.0%	62.074	0.6%	0.792	11.3%	7,312.302	1.1%
2002	2,729.537	1.8%	3,285.124	2.3%	1,315.639	-2.9%	62.304	0.4%	0.821	3.7%	7,393.425	1.1%
2003	2,846.843	4.3%	3,408.321	3.8%	1,248.428	-5.1%	63.054	1.2%	0.890	8.4%	7,567.537	2.4%
2004	2,954.145	3.8%	3,475.171	2.0%	1,297.285	3.9%	63.480	0.7%	0.864	-2.9%	7,790.944	3.0%
2005	3,011.879	2.0%	3,528.750	1.5%	1,198.328	-7.6%	62.886	-0.9%	0.863	-0.1%	7,802.706	0.2%
2006	3,004.917	-0.2%	3,550.791	0.6%	1,138.189	-5.0%	63.169	0.5%	0.801	-7.2%	7,757.866	-0.6%
2007	3,043.344	1.3%	3,597.028	1.3%	1,110.901	-2.4%	62.274	-1.4%	0.814	1.6%	7,814.361	0.7%
2008	3,017.406	-0.9%	3,619.827	0.6%	1,032.532	-7.1%	64.336	3.3%	0.446	-45.2%	7,734.547	-1.0%
Forecast												
2009 *	2,999.521	-0.6%	3,543.228	-2.1%	990.062	-4.1%	64.370	0.1%	0.659	47.7%	7,597.840	-1.8%
2010	3,014.092	0.5%	3,606.355	1.8%	1,009.074	1.9%	64.336	-0.1%	0.827	25.6%	7,694.684	1.3%

* 2009 data are 2 months actual and 10 months forecast.

Compound Average Annual Growth Rates

	Residential	Commercial	Industrial	Street Lighting	Resale	Total
1990-2008 18 -year	1.4%	1.9%	-1.5%	-0.9%	-1.7%	1.1%
1998-2008 10-Year	1.6%	2.5%	-3.2%	0.5%	-3.8%	1.1%
2003-2008 5-Year	1.2%	1.2%	-3.7%	0.4%	-12.9%	0.4%
2005-2008 3-Year	0.1%	0.9%	-4.8%	0.8%	-19.8%	-0.3%
2008-2010 2-Year	-0.1%	-0.2%	-1.1%	0.0%	36.2%	-0.3%

Narragansett Electric Company Customer Forecast
Actual and Forecast Customer Counts by Revenue Class, 1990-2010

Year	Residential	Growth Rate	Commercial	Growth Rate	Industrial	Growth Rate	Total	Growth Rate
1990	381,900		44,485		2,572		428,957	
1991	384,195	0.6%	44,462	-0.1%	2,514	-2.3%	431,170	0.5%
1992	386,490	0.6%	44,222	-0.5%	2,495	-0.7%	433,207	0.5%
1993	389,201	0.7%	44,246	0.1%	2,474	-0.9%	435,921	0.6%
1994	391,234	0.5%	44,146	-0.2%	2,577	4.2%	437,957	0.5%
1995	396,293	1.3%	42,876	-2.9%	2,584	0.3%	441,754	0.9%
1996	398,905	0.7%	43,216	0.8%	2,577	-0.3%	444,698	0.7%
1997	401,665	0.7%	43,737	1.2%	2,529	-1.9%	447,931	0.7%
1998	404,266	0.6%	45,846	4.8%	2,576	1.8%	452,688	1.1%
1999	408,191	1.0%	46,972	2.5%	2,556	-0.8%	457,720	1.1%
2000	409,273	0.3%	50,673	7.9%	2,578	0.8%	462,523	1.0%
2001	411,333	0.5%	52,433	3.5%	2,550	-1.1%	466,316	0.8%
2002	413,819	0.6%	52,819	0.7%	2,473	-3.0%	469,111	0.6%
2003	416,421	0.6%	53,559	1.4%	2,420	-2.1%	472,400	0.7%
2004	418,366	0.5%	54,160	1.1%	2,364	-2.3%	474,890	0.5%
2005	421,615	0.8%	54,611	0.8%	2,313	-2.2%	478,539	0.8%
2006	422,888	0.3%	55,172	1.0%	2,222	-3.9%	480,283	0.4%
2007	424,781	0.4%	55,796	1.1%	2,165	-2.6%	482,742	0.5%
2008	425,344	0.1%	56,056	0.5%	2,071	-4.3%	483,471	0.2%
Forecast								
2009 *	427,252	0.4%	54,343	-3.1%	1,997	-3.6%	483,593	0.0%
2010	427,115	0.0%	53,400	-1.7%	2,063	3.3%	482,578	-0.2%

* 2009 data are 2 months actual and 10 months forecast.

Compound Average Annual Growth Rates

	Residential	Commercial	Industrial	Total
1990-2008 18 -year	0.6%	1.3%	-1.2%	0.7%
1998-2008 10-Year	0.5%	2.0%	-2.2%	0.7%
2003-2008 5-Year	0.4%	0.9%	-3.1%	0.5%
2005-2008 3-Year	0.3%	0.9%	-3.6%	0.3%
2008-2010 2-Year	0.2%	-2.4%	-0.2%	-0.1%

Division Data Request 3-12

Request:

Please provide workpapers that develop the rate year revenues on Schedule RLO-2, Page 1 from the rate year billing determinants in the APM series of schedules.

Response:

Rate Year Revenue of $215,542,992 on Schedule RLO-2, Page 1, Column F, Line 2, is based on forecasted (rate year) kWh and number of customers at current rates. Attachment DIV 3-12 provides a reconciliation of total company forecasted kWh and number of customers used to calculate Rate Year Revenue of $215,542,992 to the forecasted kWh and number of customers reported on Schedule NG-APM-6 and Schedule NG-APM-5, respectively.

In the process of preparing this response, the Company identified that revisions were incorporated into the allocation study, Schedule NG-HSG-2, prior to the initial filing that were not reflected in the revenue requirement Schedule NG-RLO-2.As shown in Attachment 1, Line 16 to this response, using the forecasted billing determinants from the APM series of schedules, as appropriately adjusted for streetlighting inventory and Rate M-01 billing units, the Rate Year Revenue is $215,420,989, which is the amount which should have appeared on Schedule NG-RLO-2. Rate Class M-01 was not included as a separate class in the cost allocation study. Therefore, the rate year revenue associated with Rate Class M-01 was removed from distribution revenue and added to "Other" revenue. This reclassification of revenue was not reflected on Schedule NG-RLO-2. However, as shown on Line 3 of Schedule NG-HSG-1 and on Line 5 of Schedule NG-RLO-1, page 1, the sum of distribution revenue and other revenue on both schedules is $223,242,000. The Company will submit a revised set of schedules incorporating all corrections at a later date during the proceeding.

Prepared by or under the supervision of: Robert L. O'Brien and Alfred P. Morrissey, Jr.

Narragansett Electric Company
Reconciliation of Forecasted 2010 kWh Sales to 2010 Adjusted Pro Forma Distribution Revenue

Line No.		kWh
1	Total Forecast 2010 kWh per Schedule NG-APM-6, Page 1 (with additional DSM)	7,665,093,000
2	Minus: Streetlights Forecast 2010 kWh based on APM Forecast	(70,522,565)
3	Plus: Streetlights Forecast 2010 kWh based on December 2008 inventories	68,381,634
4	Plus: Additional Forecast kWh for Rate Class C-06 due to Minimum Bill Provision	7,449
5	Plus: Additional Forecast kWh for Rate Class C-08 due to Minimum Bill Provision	9,161
6	Total Forecast 2010 kWh used to Calculate Rate Year Revenue	7,662,968,679
7	kWh Deliveries per Schedule NG-HSG-2, Page 5	7,662,968,634
8	Difference	45

		Customer Count
9	Annual Bills per NG-HSG-2, page 7	5,805,762
10	Number of Months	12
11	Monthly Average Customer Count	483,814
12	Total Forecast 2010 Customer Count per Schedule NG-APM-5, Page 1	482,578
13	Difference	1,236
14	Difference %	0.26%
15	Adjusted Pro Forma Distribution Revenue per Schedule NG-RLO-2	$ 215,542,992
16	Minus Total Distribution Revenue per Schedule NG-HSG-2, page 8, Line 24	$ (215,420,989)
17	Minus M-1 Monthly Customer Charge (36 bills at $3,406.18 monthly charge)	$ (122,622)
18	Difference	$ (619)

Line Descriptions:

1	Schedule NG-APM-6, Page 1 (with additional DSM)
2	see Schedule NG-APM-2, Page 1 for forecasted Streetlight kWh without DSM. Note that this reconciliation contains the forecasted Streetlight kWh with DSM wich is not provided the NG-APM series of schedules.
3	kWh based on inventory levels as of December 2008; Note that inventory levels are not provided in the NG-APM series of schedules.
4-5	Additional forecasted kWh due to the Minimum Bill Provision is not provided the NG-APM series of scheduled. Minimum Bill Provision kWh is calculated as: (Test Year Minimim Bill kWh ÷ (Test Year Minimum Bill kWh + Test Year total kWh)) * Forecasted kWh
6	Sum of Lines 1 through 5
7	Schedule NG-HSG-2, Page 5
8	Line 6 minus Line 7
9	NG-HSG-2, page 7
10	n/a
11	Line 9 ÷ Line 10
12	Schedule NG-APM-5, Page 1
13	Line 11 minus Line 12
14	Line 13 ÷ Line 12
15	Schedule NG-RLO-2
16	Schedule NG-HSG-2, page 8, Line 24
17	In the NG-HSG series of schedules, the Monthly Customer Charge Revenue for rate class M1 is categorized as Other Revenue where as in the NG-RLO series of schedules, it is categorized as Distribution Charge Revenue. Total Revenue reported on Schedule NG-HSG-1, Page 2, Line 3 of $223,242 ties to NG-RLO-2, Page 1, Line 5.
18	Line 15 + Line 16 + Line 17

Division Data Request 3-13

Request:

Please reconcile the 2008 test year sales on NG-APM-1 to the 2008 test year deliveries on Workpaper RLO-25, Page 2.

Response:

The 2008 test year sales on Schedule NG-APM-1 total 7,733,621,000 kWh and the 2008 test year sales on Workpaper NG-RLO-25, Page 2 total 7,725,372,033 kWh for a difference of 8,248,967 kWh. This difference is caused by the following:

Description	kWh
Rate B-32 billing adjustment	(632,880)[1]
Rate E-40 billing adjustment	14,421[1]
Rate G-02 correction of billing error	3,996,000[1]
Rate G-32 correction of billing error	3,998,280[1]
Rate S-10 and S-14 – adjustment	871,748[2]
Variance due to rounding	1,398
Total	8,248,967

The adjustments and corrections identified above are reflected in the kWh shown on Workpaper NG-RLO-25, Page 2 (but not those shown in Schedule NG-APM-1).

[1] Adjustments to test year kWhs to reflect bill cancellations and rebillings that did not correctly report adjusted kWhs on Company revenue reports.

[2] Adjustment for S-10 & S-14 to reflect kWh as of December 2008 inventory levels.

Prepared by or under the supervision of: Robert L. O’Brien and Alfred P. Morrissey, Jr.

Division Data Request 3-14

Request:

Please reconcile the 2010 rate year sales on NG-APM-1 to the 2010 rate year deliveries on Workpaper RLO-25, Page 1.

Response:

The 2010 rate year kWh deliveries of 7,649,879,930 presented in column (a) of page 1 of Workpaper NG-RLO-25 are incorrect. The kWh deliveries in Workpaper NG-RLO-25 should be the same as the kWh deliveries appearing on Line 7 of the attachment to the Company's response to Division Data Request 3-12 of 7,662,968,634 and on Schedule NG-HSG-2, page 2, Line 1. Attachment DIV 3-14 reconciles the 2010 rate year sales on Schedule NG-APM-1 to the correct level of 2010 forecasted rate year deliveries by adjusting the initial forecast by estimated savings realized from energy efficiency savings of 29,591,046 kWh in the rate year. The attachment also reflects the same streetlighting adjustment identified in the response to Division Data Request 3-12. The proper level of rate year kWh deliveries that should be reflected in Workpaper NG-RLO-25 7,662,968,634. The Company will provide revised version of Workpaper NG-RLO-25 at a later date during this proceeding.

Prepared by or under the supervision of: Robert L. O'Brien and Alfred P. Morrissey, Jr.

Rate Class	Total Forecast 2010 kWh per Schedule NG-APM-1, Page 1 (a)	Additional DSM kWh Savings (b)	Total Forecast per NG-APM-6 (c)	Adjustments: Minus Forecast Streetlight kWh (d)	Adjustments: Add Forecast Streetlight kWh based on Dec 2008 Inventory (e)	Adjustments: Minimum Bill Provision kWh (f)	Adjusted 2010 Forecast kWh (g)	NG-HSG-2 (h)	Variance (i)
A-16			2,842,813,979				2,842,813,979	2,842,813,980	(1)
A-60			194,799,147				194,799,147	194,799,144	3
B-32			5,245,253				5,245,253		5,245,253
B-62			140,107,795				140,107,795	145,353,048	(5,245,253)
C-06			545,538,494			7,449	545,545,943	545,545,940	3
C-08			2,295,053			9,161	2,304,214	2,304,213	1
E-30							-		-
E-40			3,248,748				3,248,748	3,248,747	1
G-02			1,368,444,879				1,368,444,879	1,368,444,880	(1)
G-22							-		-
G-32			2,036,293,032				2,036,293,032		2,036,293,032
G-62			425,270,051				425,270,051	2,461,563,084	(2,036,293,033)
M-01							-		-
R-02			4,578,720				4,578,720	4,578,720	-
S-10					9,917,952		9,917,952		9,917,952
S-14			70,522,565	70,522,565	58,463,682		58,463,682	68,381,640	(9,917,958)
T-C&I							-		-
T-Res							-		-
X-01			25,935,238				25,935,238	25,935,238	-
	7,694,684,000	(29,591,046)	7,665,092,954	70,522,565	68,381,634	16,610	7,662,968,633	7,662,968,634	(1)

Column Descriptions:

(a) Schedule NG-APM-1, Page 1, Column (a)
(b) Demand Side Management, see Testimony of Alfred P. Morrissey, page 17, line 16
(c) Schedule NG-APM-6 or Column (a) + Column (b)
(d) From Column (c), rate class S-14 only
(e) forecast based on December 2008 streetlights inventory, see Schedule NG-RLO-25, page 25, Column (b), Row 14 and 15
(f) Additional forecasted kWh due to the Minimum Bill Provision. Minimum Bill Provision kWh is calculated as: (Test Year Minimim Bill kWh ÷ (Test Year Minimum Bill kWh + Test Year total kWh)) * Forecasted kWh
(g) Column (c) - Column (d) + Column (e) + Column (f)
(h) NG-HSG-2, Page 5
(i) Column (g) - Column (h)

Note: The variance between the total kWh in column (f) and the total kWh on page 10 of NG-HSG-6 of 7,662,968,634 due to incorrect kWh for rate C-06. Rate C-06 kWh on NG-HSG-6 incorrectly includes 16,610 attributable to minimum billed customers.

Division Data Request 3-15

Request:

Please explain the difference between the 2008 sales on NG-APM-1 and the sales reported in the Narragansett 2008 FERC Form 1.

Response:

The MWh reported in the Narragansett 2008 FERC Form 1, page 304, Column (b) does not include MWh deliveries associated with Sales for Resale or MWh deliveries to customers receiving commodity service from competitive suppliers. Please refer to Attachment 1 to this response for a reconciliation of the FERC Form 1 sales to Schedule NG-APM-1, which results in a difference of 78,465 MWh.[1]

[1] In preparing the response to this data request, the Company determined that the MWhs reported in Narragansett's 2008 FERC Form 1 on page 304, Column (b) are incorrect.

Prepared by or under the supervision of: Alfred P. Morrissey, Jr.

Narragansett Electric Company
Reconciliation between 2008 MWh Sales reported on NG-APM-1 and 2008 FERC Form 1

Line No.		MWh
(1)	NG-APM-1 2008 Sales	7,733,620
(2)	Minus 2008 Open Access MWh Sales	(1,083,681)
(3)	Minus 2008 Resale	(446)
(4)	Adjusted 2008 MWh Sales reported in NG-APM-1	6,649,493
(5)	MWh Sales Reported on Form 1, page 304 & 304.1, Column (b)	6,727,958
(6)	Difference - MWh	(78,465)

Line Descriptions:

(1) NG-APM-1, Page 1 2008 Total Sales
(2) per company revenue reports
(3) NG-APM-1, Page 1 2008 Resale
(4) Line (1) + Line (2) + Line (3)
(5) MWh Sales Reported on Form 1, page 304 & 304.1, Column (b)
(6) Line (4) - Line (5)
In preparing the response to this data request it was determined that the MWhs reported in Narragansett 2008 FERC Form 1 on page 304, column (b) are incorrect.

Division Data Request 3-16

Request:

Referring to NG-JP-1, Pages 2 and 3, please provide supporting documentation for the Cost per Mile for Level 2 and Level 3 Work.

Response:

For the purpose of establishing the cost associated with this program, the Company is projecting that work generated from Level 2 and 3 program activities will be approximately equal to the work generated through the current Feeder Hardening Program, on a combined basis.

The Feeder Hardening program was developed to specifically address overhead deteriorated equipment and lightning related interruptions on distribution feeders. Feeder Hardening utilizes remediation measures, such as replacement of fuse cutouts, cross arms, poles and transformers; lightning protection with bonding, grounding and lightning arrester installations; and installation of animal guards. Equipment is inspected and replaced as needed on the selected Feeder Hardening circuits. The work that will be completed as part of the Inspection and Maintenance program will be a more systematic application of this program; targeted at addressing 20% of the system on an annual basis.

The current cost of feeder hardening is approximately $15,000 per mile for capital expenditures and $4500 per mile for O&M expense. These estimates were developed based on historic spending.

Prepared by or under the supervision of: John Pettigrew

Division Data Request 3-17

Request:

Referring to NG-JP-1, Pages 2 and 3, please provide supporting documentation for the Miles in Column (a).

Response:

National Grid has approximately 5,100 miles of overhead distribution and subtransmission lines in Rhode Island. Through the I&M Program, the Company will perform inspections on the entire population of overhead distribution and sub-transmission lines in Rhode Island on a recurring, five-year cycle. This means that 20% of the feeder population, or 1,020 miles, would be inspected each year.

National Grid is expecting to complete approximately 75% of the annual mileage (770 miles) through the ongoing Feeder Hardening Program through 2011. However, as discussed in the testimony of John Pettigrew, the Company plans to conduct broader, incremental Feeder Hardening activities beyond 2011 through the I&M Program. The Feeder Hardening Program was targeted at the inspection and repair of particular feeders in order to gain a reliability improvement. The I&M Program is designed with a broader scope that will involve inspections and repairs across the entire system on all major distribution facilities. As a result, once fully implemented in 2011, the I&M Program will encompass Feeder Hardening activities within its broader scope.

Prepared by or under the supervision of: John Pettigrew

Division Data Request 3-18

Request:

Referring to NG-JP-1, Page 5, please provide supporting documentation for number of FTEs and the Assumed Cost per FTE.

Response:

The total number of 22 FTE's is comprised of the actual staff currently working within the inspection group in New England. The breakdown is as follows:

- 1 Manager
- 1 Lead Supervisor
- 3 Supervisors
- 2 Analysts
- 2 Administrative Support Personnel
- 13 Inspectors

The estimated average cost per FTE is $89,411. This amount is based on the average annual salaries of 13 additional inspectors hired in New England in December 2008. The Rhode Island portion is approximately 24.8% of the total New England cost.

With the implementation of the new Inspection & Maintenance strategy in calendar year 2010, it is estimated that the Company will need to add 2 additional FTEs to perform approximately 900 miles of subtransmission inspection in New England; 10 additional FTEs to perform various underground inspections in New England including metallic hand-holes, internal inspection of pad-mounted transformers and switchgears and infrared inspection of separable components; 1 additional supervisor; and 8 additional FTE's to perform 25% QA/QC review.

Prepared by or under the supervision of: John Pettigrew

Division Data Request 3-21

Request:

Please provide the vegetation management expense incurred in 2006 and 2007.

Response:

Below is the Company's Distribution Vegetation Management expense incurred in 2006 and 2007.

	CY 06 Actual	CY 07 Actual
OPEX – Vegetation Management		
Cycle Trimming	3,472,306	4,702,319
Hazard Tree On-Cycle	179,124	183,945
Hazard Tree Off-Cycle		234,194
Worst Feeders		12,780
Interim/Spot Trim	133,052	131,288
Sub-T (on-road and off-road costs up to CY 09)	415,552	329,069
Police/Flagman Detail	229,163	330,635
Customer Requests	221,974	334,817
Trouble Maintenance	48,964	119,947
Other Veg Costs - Contractor	51,304	97,725
Other Veg Costs - All Other	174,431	210,546
Total O&M for Vegetation Management	**$4,925,870**	**$6,687,265**

Prepared by or under the supervision of: John Pettigrew

Division Data Request 4-1

Request:

Please update Schedules NG-PRM-3 and 4 to include 2008 data.

Response:

Please Attachments DIV 4-1-1 and DIV 4-1-2 for the updates to Schedules NG-PRM-3 and 4, respectively. Since the time that the companies were compiled for Schedule NG-PRM-4, Standard & Poor's added the following companies to its Public Utility index: EQT Corporation (added February 6, 2009) Northeast Utilities (added March 16, 2009), SCANA Corporation (added December 31, 2008), and Wisconsin Energy Corporation (added October 30, 2008). Those companies are included in the attached update.

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-2

Request:

Please provide copies of all credit rating reports for National Grid and Narragansett since January 1, 2008.

Response:

Please see the attachments included with the Company's response to Data Request COMM 1-10.

Prepared by or under the supervision of: Andrew E. Dinkel, III

Division Data Request 4-3

Request:

Please provide a copy of the most recent presentation by National Grid and/or Narragansett management to credit rating agencies and to securities analysts.

Response:

Please the attachments included with the Company's response to Data Request COMM 1-9.

Prepared by or under the supervision of: Andrew E. Dinkel, III

Division Data Request 4-4

Request:

With regard to Schedule NR-PRM-1, footnote (3), please explain why the $58.5 million of debt retained by Narragansett is excluded from capital structure. Is that debt still outstanding? If so, identify the cost rate.

Response:

The $58.5 million of long-term debt at Narragansett Electric Company was excluded only from the calculation of the effective long-term debt interest rate used to determine the Company's overall cost of capital. This debt is still outstanding and, as shown on page 2 of Schedule NG-PRM-1, was included in the Company's consolidated capital structure and the calculation of its capitalization ratios. This debt has an average cost rate of 7.99%. The reason for excluding the cost of this debt from the Company's overall cost of capital is explained on lines 5 through 12 of page 4 of Mr. Moul's pre-filed direct testimony.

Prepared by or under the supervision of: Andrew E. Dinkel, III

Division Data Request 4-5

Request:

Provide copies of Narragansett's income and cash flow statements for 2008 and its balance sheet at December 31, 2008 and March 31, 2009.

Response:

Please refer to the attachments provided in response to Data Request COMM 1-6(2) for Narragansett's income statement and balance sheet at December 31, 2008. As the Company does not file electric-only cash flow statements, Narragansett's consolidated electric and gas cash flow statement for 2008 is available in response to Data Request COMM 1-1(8)(i).

Prepared by or under the supervision of: Robert L. O'Brien

Division Data Request 4-6

Request:

Schedule NG-PRM-1, page 1 of 2, states that $512 million of debt in the form of 10-year bonds was issued on November 1, 2008. However, page 2 of that exhibit shows $58.3 million of debt at December 31, 2008. Please explain this discrepancy.

Response:

The date of November 1, 2008 stated on page 1 of 2 of Schedule NG-PRM-1 is an error. Page 1 of 2 of Schedule NG-PRM-1 should be revised to reflect the correct date of November 1, 2009, which is the expected issuance date of the $512 million of new 10-year debt.

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-7

Request:

Please provide the details on the timing of achieving and completing the capitalization restructuring plan.

Response:

The details on the timing of achieving and completing the capitalization restructuring plan are contained in the Application of The Narragansett Electric Company d/b/a National Grid Regarding the Issuance of New Long-Term Debt, which is provided herewith as Attachment DIV 4-7.

Prepared by or under the supervision of: Andrew E. Dinkel, III

nationalgrid

Thomas R. Teehan
Senior Counsel

June 18, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
Rhode Island Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

RE: Application of Narragansett Electric Company d/b/a National Grid Regarding Issuance of New Long-Term Debt

Dear Ms. Massaro:

On behalf of Narragansett Electric Company d/b/a National Grid ("National Grid"), I am filing an original and four copies of the Application of The Narragansett Electric Company d/b/a National Grid Regarding Issuance of New Long-Term Debt. This filing consists of the Company's Application, the direct testimony of Lorraine M. Lynch and supporting Exhibits B, C, and D. This filing also includes a proposed public notice of the filing and an attached certificate of service noticing the service of this filing on the Department of the Attorney General.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,

Thomas R. Teehan

Enclosure

cc: Patrick C. Lynch, Attorney General, State of Rhode Island
Leo Wold, Esq., Office of Attorney General
Thomas Ahern, Administrator, Division of Public Utilities & Carriers
Steve Scialabba, Division of Public Utilities & Carriers
Patricia Luccarelli, Esq., Public Utilities Commission

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been mailed or hand-delivered to the individuals listed below.

Joanne M. Scanlon

June 18, 2009
Date

Name	E-mail	Phone/FAX
Thomas Ahern, Administrator RI Division of Public Utilities & Carriers 89 Jefferson Boulevard Warwick, RI 02888	tahern@ripuc.state.ri.us	401-780-2115
Stephen Scialabba, Chief Accountant RI Division of Public Utilities & Carriers 89 Jefferson Boulevard Warwick, RI 02	sscialabba@ripuc.state.ri.us	401-780-2140
Patrick C. Lynch, Attorney General Dept. of Attorney General 150 South Main St. Providence RI 02903	Lwold@riag.ri.gov Sscialabba@ripuc.state.ri.us Dstearns@ripuc.state.ri.us	401-222-2424
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

Application and Statement by The	)	
Narragansett Electric Company	)	
d/b/a National Grid	)	
Regarding Issue of New	)	Docket No. ______
Long-Term Debt	)	

The Applicant, The Narragansett Electric Company d/b/a National Grid (the "Company"), respectfully represents that:

(1) The Company seeks authorization to issue and sell one or more series and/or issues of new long-term debt, pursuant to the General Laws of Rhode Island, Sections 39-3-15 and 39-3-17.

(2) The Company is a duly organized and existing corporation of the State of Rhode Island, with a place of business at 280 Melrose Street, Providence, Rhode Island, having been created by Special Act of the General Assembly of the State, passed at its January Session, A.D. 1926, which Act has been amended by further special Acts of the General Assembly, passed at its January Sessions, A.D., 1927, 1937, 1947, 1956, 1964, 1976, and 1988 (such Act as amended being hereinafter referred to as the "Charter"). The Company is a public utility as defined in the General Laws of Rhode Island, Section 39-1-2, and possesses and is subject to the powers, privileges, duties, and obligations set forth in its Charter, subject to the provisions of the General Laws of the State of Rhode Island. The Company is authorized to do business in the State of Rhode Island. Correspondence and communications to the Company should be addressed to:

Thomas R. Teehan.
Senior Counsel
National Grid
280 Melrose Street
Providence, Rhode Island 02901

With a copy to:

Thomas P. O'Neill
Senior Counsel
National Grid Corporate Services, LLC
40 Sylvan Road
Waltham, MA 02451

(3) Pursuant to the provisions of its Charter and approval of the Division of Public Utilities and Carriers (the "Division"), or its predecessors, the Company had authorized and outstanding as of December 31, 2008 the following:

Capital Stock	Shares
Common Stock, $50 par value	1,132,487
Cumulative Preferred Stock, $50 par value	
4.50% Series	49,089

First Mortgage Bonds (*)

Series	Percent	Due	Amount
Providence Gas FMB S	6.82%	April 1, 2018	14,464,000
Providence Gas FMB N	9.63%	May 30, 2020	10,000,000
Providence Gas FMB O	8.46%	September 30, 2022	12,500,000
Providence Gas FMB P	8.09%	September 30, 2022	8,750,000
Providence Gas FMB R	7.50%	December 15, 2025	12,750,000

(*) An Indenture, dated as of January 1, 1922, by and between the U.S. Bank National Association (successor to State Street Bank and Trust Company, successor to BankBoston, N.A., successor to Rhode Island Hospital Trust National Bank, successor to Rhode Island Hospital Trust Company), as trustee, and the Company, successor to Southern Union Company, successor to Providence Gas Company, as heretofore supplemented and amended, secures these First Mortgage Bonds assumed by the Company in connection with the acquisition of certain Rhode Island gas assets of Southern Union Company.

(4) It is in the public interest, and the Company hereby seeks Division authorization, to:

(a) issue, from time to time, through March 31, 2012, new long term debt not to exceed an aggregate principal amount of $840 million outstanding at any one time for the purpose of:

(1) replenishing internally generated cash resources that were used to fund long-lived capital plant additions and refund long-term debt; (2) helping to fund capital expenditures anticipated through March 31, 2012; (3) redeeming existing outstanding long-term debt; (4) repayment of existing short-term debt and; (5) other proper corporate purposes of the Company.

(b) issue long-term debt with a maturity greater than one year and not to exceed 40 years from the date of issuance. The securities would carry either a fixed rate or adjustable interest rate, which will vary with a market index to be designated at the time of issuance, not to exceed an effective rate of 12 percent per annum (the "Maximum Interest Rate"). To ensure adequate flexibility in meeting market conditions at the time of issuance, the Company is requesting authorization to issue secured or unsecured debt, taxable or tax-exempt debt, bonds, medium or long term notes, debentures, revolving credit loans and term or bank loans, or similar securities (i.e., the "New Debt").

(c) enter into evidences of indebtedness and related instruments in connection with the New Debt, including, but not limited to, loan agreements, indentures, supplemental indentures, promissory notes, debentures, credit agreements, participation agreements, underwriting or similar agreements, bond purchase agreements, remarketing agreements, security agreements and instruments insurance agreements, hedging instruments, or their equivalent, and amendments, restatements, modifications, or supplements thereto ("Instruments"). The terms of each Instrument will be substantially similar to the terms for comparable transactions available in the credit market, at the time of New Debt issuance, to companies having a credit rating substantially equivalent to the Company's credit rating.

The New Debt may be issued to or through third parties, in either public offerings or private placements. Publicly offered New Debt may include, without limitation, New Debt registered with the Securities and Exchange Commission and New Debt listed on the New York, London or other Stock Exchange, with or without an associated guaranty by a direct or indirect parent of the Company.

The owners of New Debt issued to or through third parties may have the right to tender the New Debt for purchase upon specified notice periods. The New Debt may be subject to redemption at the option of the Company in accordance with the terms of the applicable agreement and otherwise as required by such agreement.

(5) As of December 31, 2008, the Company has approximately $278 million of debt outstanding (including short-term debt), which the Company may refinance with New Debt depending upon market conditions and the terms of such debt.

(6) In determining the timing and amount of issuance of the New Debt, the Company intends to maintain a ratio of total long-term debt to total capitalization (excluding goodwill) of approximately 45 percent and a ratio of total short-term debt to total capitalization of approximately 5 percent.

(7) In accordance with Section 14 of the Division's Rules of Practice and Procedure, written testimony and supporting exhibits are attached hereto including the written testimony of the Company's Assistant Treasurer, Lorraine M. Lynch.

(8) Because of volatility in the debt markets, it is in the public interest that the Company have the flexibility to choose the timing of and to select purchasers of the long term debt securities on the basis of standards and criteria that in management's judgment will result in benefits to the Company and its customers, including, but not limited to, the terms and interest rate. Because the precise terms of the proposed New Debt issuances are not known at this time, the Company seeks a waiver of the Division's Rules of Practice and Procedure 14 (1) (ii), (iii) and (iv) to the extent that it would require the Company to provide investment memoranda, prospectuses,

information or registration statements or other documents to describe the transactions or potential funding sources.

(9) Exhibit B contains the Company's current estimate of the costs and expenses of issuing New Debt; however, this is an estimate only and the actual costs and expenses may differ from this estimate. The Company requests that the actual costs and expenses of issuing New Debt be deferred and amortized over the life of the New Debt.

(10) The Company currently plans to begin issuing New Debt in the Fall 2009. The Company respectfully requests that the Division act on this Application by August 1, 2009 to enable the Company to plan the issuance of New Debt in accordance with its current schedule.

(11) Exhibit C of this Application comprises the actual balance sheet of the Company at December 31, 2008.

(12) In accordance with Section 14 of the Division's Rules of Practice and Procedure a copy of this application has been filed with the Rhode Island Office of Attorney General.

Accordingly, the Company, under the General Laws of Rhode Island, Sections 39-3-15 and 39-3-17, requests the entry of an order:

A. Authorizing, approving and consenting to the issuance and sale by the Company, from time to time, to or through third parties (including, but not limited to, through public offerings or private placements), through March 31, 2012, of new long-term debt securities not exceeding $840 million in aggregate principal amount outstanding at any one time, upon such terms, at such rates of interest, with such maturities and at such prices, as the Company may determine, and if the price of any such long term debt securities is below the face amount of such long-term debt securities, find that the issuance and sale below face amount is in the public interest and if any such long-term debt security is sold at less than face value, authorize and approve the amortization of the discount over the life of such security; provided that, each issue of new long-term debt securities shall (a) mature in not more than 40 years from the date of issuance, (b) be sold at a price not less than 95 percent nor more than 100 percent of its principal amount, exclusive of accrued interest and expenses, (c) bear interest at a fixed rate or an adjustable rate, which will vary with a market index designated at the time of each such issuance, not exceeding an effective rate of 12 percent per annum (unless an order of the Division is issued approving a higher rate), and (d) shall be sold through one or more of (i) competitive bidding, (ii) negotiation with underwriters, (iii) negotiation directly with investors, (iv) through one or more agents, (v) to one or more agents as principal for resale to investors, (vi) in private or public offerings, or (vii) in connection with the establishment of loan facilities with a bank or syndicate of banks;

B. Authorizing, approving and consenting to the execution and delivery by the Company of agreements and other instruments in connection with the issuance and sale of such new long term debt securities including, but not limited to, loan agreements, indentures, notes, debentures, credit agreements, participation agreements, underwriting agreements, bond purchase agreements, remarketing agreements, security agreements and instruments, insurance agreements, hedging instruments, or their equivalents;

C. Authorizing, approving and consenting to the use of the proceeds of the issue and sale of such new long-term debt securities for the payment of capital expenditures incurred by the Company for extensions, additions and improvements to the Company’s plant and properties or for the payment of obligations of the Company incurred for such purposes; for the repayment or terming out of short-term debt; for the refinancing of existing debt; for general working capital purposes; and for other proper corporate purposes, including, but not limited to, the replenishment of internally generated funds previously used to refund long-term debt and construct and reinforce the distribution system, the restructuring of the Company's capitalization and the payment of dividends.

D. Authorizing, approving and consenting that the Company may, from time to time in one or more transactions, refinance some or all of the new long-term debt securities, in one or more series and/or issues;

E. Authorizing, approving and consenting to the execution and delivery by the Company of such other financing and security agreements or instruments as may be reasonably necessary in the view of the Company in connection with the issuance of the new long-term debt securities described in this Application, and also authorize, approve, and vote that the new long-term debt securities described in this Application may be guaranteed by a direct or indirect parent of the Company, as necessary and appropriate to complete a debt issuance;

F. Reciting the purposes to which the proceeds of such new long-term debt securities may be applied and reciting that the money to be procured by such series and/or issues of new long-term debt securities is reasonably required for the purpose specified in such order; and

G. Authorizing, approving and consenting to such other and further orders and approvals as the Division may deem proper in the circumstances.

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY

By Thomas B King
Thomas King, President

By Colin Owyang
Colin Owyang, Secretary

Dated: June 18, 2009

Exhibit A - Direct Testimony of Lorraine Lynch, Assistant Treasurer
Exhibit B - Estimated Expenses of Issue
Exhibit C - Balance Sheet
Exhibit D - Impact of Proposed Financing Plan to Restructure Capitalization

THE COMMONWEALTH OF MASSACHUSETTS
Middlesex, ss.

Sworn to and subscribed before me this 18, day of June, 2009 by Thomas King, President of The Narragansett Electric Company d/b/a National Grid.

Susan A. Costa Notary Public
My Commission Expires:

SUSAN A. COSTA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
March 5, 2015

THE COMMONWEALTH OF MASSACHUSETTS
Middlesex, ss.

Sworn to and subscribed before me this 17, day of June, 2009 by Colin Owyang, Secretary of The Narragansett Electric Company d/b/a National Grid.

Susan A. Costa Notary Public

My Commission Expires:

SUSAN A. COSTA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
March 5, 2015

The Narragansett t Electric Company d/b/a

National Grid

Testimony of Lorraine M. Lynch

Docket No ___

Q. Please state your name, business address and position with The Narragansett Electric Company.

A. My name is Lorraine M. Lynch. I am the Assistant Treasurer of The Narragansett Electric Company, which is an electric and gas distribution company wholly owned by National Grid USA (the "Company"). I am employed by National Grid Corporate Services LLC ("Service Company"), a service company affiliate of the Company. Service Company is a subsidiary of KeySpan Corporation ("KeySpan"). KeySpan was acquired by National Grid USA in 2007. My business address is One MetroTech Center, Brooklyn, New York 11201.

Q. Please describe your educational and professional background.

A. In 1991, I graduated from Saint Francis College with a Bachelor of Science Degree in Business Management and a minor in Accounting. I am currently pursuing my MBA in Finance at Pace University in NYC. I am a Certified Treasury Professional and a member of the Association of Financial Professionals and the Institute of Management Accountants. I joined the KeySpan companies in 1991 as a management trainee and over the years have held various management positions in Tax, Accounting and Treasury.

Q. Please describe your current duties and responsibilities.

A. In 2007, I was named Vice President of US Treasury, accountable for U.S. cash management, regulatory financing applications, local compliance, pension and 401K investment management, commodity and credit risk management and debt investor relations and U.S. capital market support.

Q. Please describe the Company's application in this proceeding.

A. The Narragansett Electric Company is a combined electric and gas distribution company, which in this filing is seeking the Division's authorization to issue new long-term debt not to exceed an aggregate principal amount of $840 million for the purpose of financing utility operations. The Company plans to issue the debt in at least two offerings, with the first offering of approximately $512 million occurring in the Fall 2009, assuming acceptable market conditions. The Company would issue the remainder of the authorized amount in one or more offerings occurring before March 31, 2012.

Q. What is the purpose of the debt issuance?

A. The issuance of an aggregate principal amount of $840 million is necessary to fund utility operations now and in the future. Specifically, the funds are necessary to meet the following public-service objectives: (1) to replenish internally generated cash resources that were used to fund long-lived capital plant additions and refund long-term debt over the past several years; (2) to help fund capital expenditures anticipated through March 31, 2012, which represent a considerable ramp-up over historical capital-expenditure levels, (3) to redeem existing outstanding long-term debt, and (4) to repay existing short-term debt so that these financing resources are made available for ongoing working capital needs. Currently, the Company's gas and electric utility plant in service is funded almost exclusively by short-term debt, which is not intended to be utilized to support permanent capital assets on a long-term basis. In addition, short-term debt is priced at variable rates, which have the potential to experience a high degree of volatility in response to inflation and other market factors. Therefore, in order to protect the interests of customers who ultimately pay the cost of that debt, and to serve fundamental finance principles that call for the financing of long-lived assets with long-term debt, the Company has determined it necessary to complete a debt issuance in an aggregate amount not to exceed $840 million.

Q. Are there any particular concerns that the Company is trying to address, which increase the importance of this filing for customers?

A. Yes. Due to the current crisis in the credit markets and potential actions of the Federal Reserve, the Company has a concern that short-term interest rates could vary widely over periods of time in the future. Therefore, the Company plans to use a portion of the funds obtained through the debt issuance to refinance a fairly significant amount of the Company's currently outstanding short-term debt, as warranted by prevailing market conditions. For the last several years, the Company has used internally generated funds and short-term debt to finance the construction and replacement of utility plant-in-service, which represents long-lived assets that should be financed, in part, with debt issuances having maturities closer to or matching the average expected life of the underlying asset. As noted above, replacement of short-term debt with long-term debt will have the corollary effect of freeing up short-term debt capacity for its intended purpose of financing day-to-day working capital needs and, on a temporary basis, new construction work in progress until the time that these projects are placed in service. It is in the interests of customers for the Company to have a capital structure that appropriately supports utility operations because, over the long run, the Company will maintain access to vital capital resources at a reasonable cost.

Q. Are there circumstances in the current market for long-term debt securities that the Company must consider in determining the timing and structure of any debt issuances?

A. Yes. Conditions in the credit markets at the present time are extremely difficult for borrowers, including the Company and similarly rated companies. Given current market conditions, the Company no longer has the opportunity to choose its preferred debt instrument and to make an offering to the market with a predictable outcome. In this market, the opportunities for debt issuance are far fewer than in the past and are driven by investors and their requirements for capital investment, rather than the Company's preference. As a result, the Company will need to have a level of flexibility in terms of identifying details such as (1) the type of debt instrument to be utilized; (2) the term of the debt instrument, and (3) the interest rate to be paid to investors. There is no reasonable evaluation that the Company can perform at this point in time to identify the structure, term and cost of a debt issuance that will not take place for several months. Because market conditions are highly unusual, there is no reliable basis upon which the Company can assess investor preferences and predilections in advance of the actual issuance. This is because there is a high probability that any investor preference existing today for a particular type of debt instruments will change by the time the Company actually brings an offering to market.

For example, the Company's preference would be to issue unsecured bonds because historically these instruments have had a high degree of marketability and are attractive to a larger investor base. However, investors may not be willing to invest capital in this type of instrument given prevailing market conditions and other opportunities that exist for capital investment. At the time the issuance is made, it may be that investors are only willing to provide capital through credit agreements, syndicated borrowing or other types of debt instruments. Investor preference is simply not following predictable historical patterns in this market, and therefore, it is very difficult for the Company to identify the specific structure, term and cost of its debt issuance.

Q. How does the Company propose to deal with this level of uncertainty in tendering its offering?

A. When authorization for the debt issuance is obtained from the Division, the Company will consult with its banking partners and financial advisors who will provide the Company with indicators on the structure, term and cost of financings that have recently occurred. The Company will work with its advisors to develop an approach designed to attract capital at the most favorable rates and terms possible. Given the need to adapt to market conditions existing at the time of the debt issuance, it is necessary for the Company to obtain a waiver of the Division's Rules of Practice and Procedure 14 (1) (ii), (iii) and (iv) to the extent that those provisions require the Company to provide investment memoranda, prospectuses, information or registration statements or other documents to describe the transactions or potential funding sources as part of this application.

Q. What are the types of debt instruments that the Company anticipates could be utilized depending upon market conditions?

A. Historically, there have been a number of debt instruments that would be available to the Company. In this case, the Company is requesting authorization to issue long-term debt with a maturity greater than one year and not to exceed 40 years from the date of issuance. The securities would carry either a fixed rate or adjustable interest rate, which will vary with a market index to be designated at the time of issuance, not to exceed an effective rate of 12 percent per annum (the "Maximum Interest Rate"). To ensure adequate flexibility in meeting market conditions at the time of issuance, the Company is requesting authorization to issue secured or unsecured debt, taxable or tax-exempt debt, bonds, medium or long term notes, debentures, revolving credit loans and term or bank loans, or similar securities (i.e., the "New Debt"). In addition, the Company requires Division authorization to enter into evidences of indebtedness and related instruments in connection with the New Debt, including, but not limited to, loan agreements, indentures, supplemental indentures, promissory notes, debentures, credit agreements, participation agreements, underwriting agreements, bond purchase agreements, remarketing agreements, security agreements and instruments, insurance agreements, Hedging Instruments (as defined below), or any other agreements equivalent to each of the foregoing as well as amendments, restatements, modifications, or supplements thereto ("Instruments"). The terms of each Instrument will be substantially similar to the terms for comparable transactions available in the credit market, at the time of New Debt issuance, to companies having a credit rating substantially equivalent to the Company's credit rating.

Q. Are you familiar with Exhibit C, the Balance Sheet dated December 31, 2008?

A. Yes I am.

Q. What does this Exhibit show with respect to the capital structure of the Company?

A. Exhibit C shows that at December 31, 2008 the Company's total capitalization was composed of 14.4 percent debt (11.4 percent short-term debt and 3.0 percent long-term debt), 85.4 percent common equity, and 0.1 percent preferred stock. The Company's debt securities are largely composed of short-term borrowings from the National Grid USA money pool and open account advances.

Q. How does the Company plan to issue debt in an aggregate amount of up to $840 million?

A. The Company's immediate financing need is the issuance of approximately $512 million of new long-term debt to repay $156 million of short-term debt and to provide a dividend of $356 million in order to establish an appropriate capital structure for the Company. As noted above, the Company currently plans to complete this issuance in the Fall 2009. The remainder of the authorized debt will be issued at a later date.

Q. What impact will the Fall 2009 issuance have on the capital structure of Narragansett Electric?

A. As shown in Exhibit D, Narragansett Electric's planned issuance will reduce the existing equity ratio (using the reimbursement of previously generated internal funds to provide for a dividend) to 50 percent (exclusive of goodwill) and will establish a long-term debt ratio of 44.8 percent, a preferred stock ratio of 0.2 percent and a short-term debt ratio of 5 percent.

Q. Is this an appropriate capital structure for a regulated distribution company?

A. Yes, it is. The 50 percent equity ratio is the same ratio as used for ratemaking purposes in the Second Amended Stipulation and Settlement, which was approved by the Rhode Island Public Utilities Commission in Docket No. 3617 and one that is generally in line with the electric utility industry. Statistics published in The Value Investment Survey issued in February 2009 indicated that, in 2008, the capital structures of electric utilities in the Eastern United States (exclusive of short-term debt) were, on average, comprised of 48 percent common equity. The survey also projects that the average common equity ratios of the electric industry will increase to 50 percent in coming years.

Q. What ratings are assigned to the Company's outstanding senior unsecured long term debt by the major rating agencies?

A. The Company's outstanding senior unsecured long term debt is rated A3 by Moody's and A - by Standard and Poor's.

Q. What is the plan for the remaining $328 million that would be authorized by the Division if the Company's application is approved in this case?

A. The remaining $328 million of financing authority requested by the Company will be used to finance a portion of future capital expenditures and to maintain a capital structure composed of approximately 50 percent common equity (exclusive of goodwill). Over the next three years, the Company's capital expenditures are forecasted to exceed its cash flow from internal sources by approximately $450 million. As a result, the remaining $328 million resulting from this application will be a significant contributor to the funding capital projects.

Depending on the type of New Debt security to be issued, the New Debt securities would be sold from time to time in light of the Company's cash requirements and market conditions. These securities may be sold in one or more offerings through one or more of competitive bidding; negotiation with underwriters; negotiation directly with investors, through one or more agents; to one or more agents as principal for resale to investors, in private or public offerings; or in connection with the establishment of loan facilities with a bank or syndicate of banks.

Q. Please describe the public offering procedure.

A. Publicly offered securities may include, without limitation, securities registered with the Securities and Exchange Commission ("SEC") and securities listed on the London, New York or similar Stock Exchange, with or without an associated guaranty by a direct or indirect parent of the Company. Such securities may include, without limitation, secured or unsecured, taxable or tax-exempt, bonds, medium or long term notes, debentures and similar securities. In the case of publicly offered securities guaranteed by a direct or indirect parent of the Company, the Company may, under applicable SEC rules, be able to register such parent guaranteed securities without being required to undertake the costly burden of preparing and filing periodic reports under Section 13 of the Securities Exchange Act of 1934.

Q. For cases where the Company elects to issue New Debt in a private offering, that is not a revolving credit, term or other bank loan, please describe the procedure for offering securities in such a private offering.

A. In such a private offering, the securities would be offered to one or more accredited or qualified investors pursuant to an applicable exemption from the registration requirements of the Securities Act of 1933. The Company would not be required to file a registration statement with the SEC in connection with such private offerings. The securities may be offered either directly to such accredited or qualified investors or through one or more placement agents.

Q. Will the New Debt be secured?

A. The Company cannot determine, at this point in time, whether the New Debt will be secured or unsecured. However, depending on market conditions, the New Debt may be supported by a letter or line of credit or standby bond purchase agreement with a bank or other financial entity, by bond insurance, or by other credit or liquidity support ("Security"). The Security may also consist of or include a guaranty of the New Debt issued by a direct or indirect parent of the Company

("Parent Guaranty"). As noted above, under applicable SEC rules, a Parent Guaranty of New Debt securities may permit the Company to register such New Debt securities without requiring the Company to undertake the costly burden of preparing and filing periodic reports under Section 13 of the Securities Exchange Act of 1934. The Company may execute and deliver such agreements and documents as may be necessary to obtain such Security in connection with the New Debt, including, without limitation, insurance agreements and letter of credit and reimbursement agreements. The Company also may execute and deliver other related financing and security agreements, as may be reasonably necessary in the view of the Company, to issue or refinance the New Debt.

Q. Does the Company intend to engage in hedging arrangements in connection with the New Debt?

A. Yes. The Company proposes to enter into financial instruments intended to manage the volatility of currencies and interest rates, including currency and interest rate swaps, options, and forward agreements or similar agreements ("Hedging Instruments") in connection with the New Debt. The Company would employ Hedging Instruments as a means of prudently managing the risk associated with the New Debt by limiting the impact of changes in interest rates or foreign exchange rates. The Company will determine the optimal structure of each Hedging Instrument at the time of execution. Hedging Instruments would be entered into only with counterparties whose senior debt ratings are investment grade as determined by Standard & Poor's, Moody's Investors Service, Inc. or Fitch Ratings, Ltd. The Company would not enter into transactions in Hedging Instruments for speculative purposes.

Q. Please indicate what you estimate the costs and expenses of issuing New Debt to be.

A. The Company's current estimate of the costs and expenses of issuing New Debt is indicated on Exhibit B; however, this is an estimate only and the actual costs and expenses may differ from this estimate. The Company requests that the actual costs and expenses of issuing New Debt be deferred and amortized over the life of the New Debt.

Q. Does this conclude your testimony?

A. Yes it does.

Exhibit B

Estimated Expenses of Issue for Narragansett Debt Expressed as a Percentage of Principal

Maturity in years	2	3	5	7	10	20	30
Underwriting Commissions	0.350%	0.350%	0.600%	0.625%	0.650%	0.875%	0.875%
Other Issuance Expenses*	0.200%	0.200%	0.200%	0.200%	0.200%	0.200%	0.200%
Total Issuance Expenses	0.550%	0.550%	0.800%	0.825%	0.850%	1.075%	1.075%

* Other issuance expenses are usually approximately $1 million per issue. This equates to 0.200% for a principal amount of $500 million, but this proportion would rise for smaller issuances.

THE NARRAGANSETT ELECTRIC COMPANY
Balance Sheets
(In thousands)
(Unaudited)

	December 31, 2008
ASSETS	
Utility plant, at original cost	$ 2,003,904
Less accumulated provision for depreciation	(835,204)
Net utility plant	1,168,700
Goodwill	724,810
Other property and investments	6,624
Current assets:	
Cash and cash equivalents	3,231
Restricted cash	72,223
Accounts receivable, net (less reserves of $21,419 and including $8,810 from affiliates)	330,542
Materials and supplies, at average cost	
Gas storage	12,629
Other	8,808
Prepayments	1,878
Total current assets	429,311
Regulatory assets	281,715
Deferred charges and other assets	112,853
	$ 2,724,013

	December 31, 2008
CAPITALIZATION AND LIABILITIES	
Capitalization:	
Common stock, par value $50 per share, authorized and outstanding 1,132,487 shares	$ 56,624
Other paid-in capital	1,353,559
Retained earnings	308,128
Accumulated other comprehensive income/(loss)	(73,741)
Total common equity	1,644,570
Cumulative preferred stock, par value $50 per share, authorized and outstanding 49,089 shares	2,454
Long-term debt	56,922
Total capitalization	1,703,946
Current liabilities:	
Long-term debt due within one year	1,375
Short-term debt to affiliates	219,400
Accounts payable (including $3,809 to affiliates)	143,649
Accrued taxes	16,199
Accrued interest	1,563
Rate adjustment mechanisms	43,848
Accrued wages and benefits	8,099
Other accrued expenses	8,242
Derivative Liabilities	48,901
Customer deposits	7,450
Dividends payable	28
Total current liabilities	498,754
Deferred federal income taxes	191,034
Unamortized investment tax credits	2,940
Regulatory liabilities	77,557
Other reserves and deferred credits	249,782
	$ 2,724,013

NARRAGANSETT ELECTRIC COMPANY
Impact of Proposed Financing Plan to Restructure Capitalization
($000)

	Capital Structure As of December 31, 2008		Ratemaking		Capital Structure For Ratemaking Purposes		Restructuring	Capital Structure After Restructuring	
	Balance	Ratio	Adjustments		Balance	Ratio	Financing Plan	Balance	Ratio
Long-Term Debt	58,297	3.0%	167	(A)	58,464	4.6%	512,000	570,464	44.8%
Short-Term Debt	219,400	11.4%			219,400	17.2%	(156,000)	63,400	5.0%
Preferred Stock	2,454	0.1%			2,454	0.2%		2,454	0.2%
Common Equity	1,644,570	85.4%	(651,068)	(B)	993,502	78.0%	(356,000)	637,502	50.0%
Total Capitalization	1,924,721	100.0%			1,273,820	100.0%		1,273,820	100.0%

Long-Term Debt

Series	Amount Outstanding	Interest Rate	Maturity Date
Providence Gas FMB S	14,464	6.82%	01-Apr-18
Providence Gas FMB N	10,000	9.63%	30-May-20
Providence Gas FMB O	12,500	8.46%	30-Sep-22
Providence Gas FMB P	8,750	8.09%	30-Sep-22
Providence Gas FMB R	12,750	7.50%	15-Dec-25
Total	58,464	7.99%	

Preferred Stock

Series	Amount Outstanding	Dividend Rate
NARR 4.50%	2,454	4.50%

(A) Removal of unamortized debt issuance expenses of $167.
(B) Removal of goodwill of $724,810 and accumulated other comprehensive income of ($73,741)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

The Narragansett Electric Company)
d/b/a National Grid)

Docket No.

APPLICATION FOR BORROWING AUTHORITY

NOTICE OF FILING AND PUBLIC HEARING

On June 18, 2009, pursuant to the Rhode Island General Law § 39-3-15, §39-3-17 and Section 14 of the Division of Public Utilities and Carriers' ("Division") Rules of Practice and Procedure, The Narragansett Electric Company d/b/a National Grid (" National Grid" or the "Company ") hereby gives notice that it has filed with the Division an Application to issue, from time to time, through March 31, 2012, new long term debt not to exceed an aggregate principal amount of $840 million outstanding at any one time for the purpose of: (1) replenishing internally generated cash resources that were used to fund long-lived capital plant additions and refund long-term debt; (2) helping to fund capital expenditures anticipated through March 31, 2012; (3) redeeming existing outstanding long-term debt; (4) repayment of existing short-term debt, and; (5) other proper corporate purposes of the Company.

A hearing on the proposal will be held at the Division, 89 Jefferson Boulevard, Warwick, Rhode Island on __________, 2009 at ______a.m. The hearing may continue thereafter from day to day and time to time as required. At this hearing, the Division will consider the propriety of the Company's Application for Borrowing Authority. Please note that the Division is accessible to the handicapped, and that individuals requesting interpreter services for the hearing impaired must contact the Clerk seventy-two hours in advance of the hearing.

A copy of the application is on file for examination at National Grid, 280 Melrose Street, Providence, Rhode Island, and at the offices of the Division, 89 Jefferson Boulevard, Warwick, Rhode Island. A copy of the filing was also provided to the Rhode Island Attorney General's Department, Consumer Division.

Reference is made to Chapters 39-3-15 and 39-3-17 of the Rhode Island General Laws.

Thomas F. Ahern, Administrator.

Division Data Request 4-8

Request:

Please provide the basis and documentation for the 2.5 percent short-term debt rate.

Response:

The short-term debt rate of 2.5% is the estimated annual average cost of high grade commercial paper for 2010 that would be charged to the Company on funds borrowed from National Grid's corporate money pool. That rate was assumed to be the projected average 6 month LIBOR rate for 2010 plus a 50 basis point spread over LIBOR that was determined through conversations with commercial paper dealers regarding the pricing of high grade paper in the United States. The average LIBOR rate was determined using the attached graphs from Bloomberg.

The graphs labeled "US0003M Index" and "US0006M Index" show that, in mid April 2009 when the projection was made, the three and six month LIBOR rates were approximately 1.11% and 1.65%, respectively. The third graph from Bloomberg labeled "GP – Line Chart" shows the pricing of a forward three month LIBOR futures contract for December 2010. The graph indicates that, in mid April 2009, the three month LIBOR rate in December 2010 was estimated to be approximately 1.65% (please note that by the way these contracts are priced the rate is equal to 100 minus the y-axis amount of 98.35). Because there were no traded six month LIBOR futures contracts, the 6 month LIBOR rate for December 2010 was then estimated by adding the same spread of 0.5% that existed between the three and six month rates in mid April to the projected three month LIBOR rate for December 2010. That resulted in a projected six month LIBOR rate of 2.15%. As shown on the attached spread sheet, the six month LIBOR rate was assumed to increase linearly from 1.65% in April 2009 to 2.15% in December 2010 resulting in average rate of 2.01% for 2010.

Prepared by or under the supervision of: Andrew E. Dinkel, III

Short Term Debt Interest Rate Projection

	6 Month Libor Rate (%)
April 2009	1.65
May 2009	1.68
June 2009	1.70
July 2009	1.73
August 2009	1.75
September 2009	1.78
October 2009	1.80
November 2009	1.83
December 2009	1.85
January 2010	1.88
February 2010	1.90
March 2010	1.93
April 2010	1.95
May 2010	1.98
June 2010	2.00
July 2010	2.03
August 2010	2.05
September 2010	2.08
October 2010	2.10
November 2010	2.13
December 2010	2.15
2010 Average	2.01
Commercial Paper Spread	0.50
Short-Term Debt Rate	2.51

GRAB Index GP

Hit <MENU> to return to graph or <PAGE> to continue.

US0006M Index Page 3/3

THIS PAGE: 04/24/09 - 03/24/09

	DATE	PRICE		DATE	PRICE		DATE	PRICE
F	04/24	1.62125	F	04/03	1.71250			
T	04/23	1.63938	T	04/02	1.71563			
W	04/22	1.65750	W	04/01	1.71625			
T	04/21	1.65063	T	03/31	1.73563			
M	04/20	1.65000	M	03/30	1.74500			
F	04/17	1.63625	F	03/27	1.76250			
T	04/16	1.64063	T	03/26	1.79438			
W	04/15	1.64688	W	03/25	1.77500			
T	04/14	1.66000	T	03/24	1.77375			
M	04/13							
F	04/10							
T	04/09	1.67625						
W	04/08	1.68719						
T	04/07	1.70313						
M	04/06	1.71563						

GRAB

Index GP

Hit <MENU> to return to graph or <PAGE> to continue.

US0003M Index — Page 3/3

THIS PAGE: 04/24/09 - 03/24/09

	DATE	PRICE		DATE	PRICE		DATE	PRICE
F	04/24	1.07250	F	04/03	1.16094			
T	04/23	1.09188	T	04/02	1.16594			
W	04/22	1.09938	W	04/01	1.17688			
T	04/21	1.10000	T	03/31	1.19188			
M	04/20	1.10063	M	03/30	1.20750			
F	04/17	1.10188	F	03/27	1.22000			
T	04/16	1.10688	T	03/26	1.23188			
W	04/15	1.11250	W	03/25	1.22750			
T	04/14	1.12188	T	03/24	1.22625			
M	04/13							
F	04/10							
T	04/09	1.13125						
W	04/08	1.13875						
T	04/07	1.14938						
M	04/06	1.15688						

Att. DIV 4-8-4
Page 1 of 1

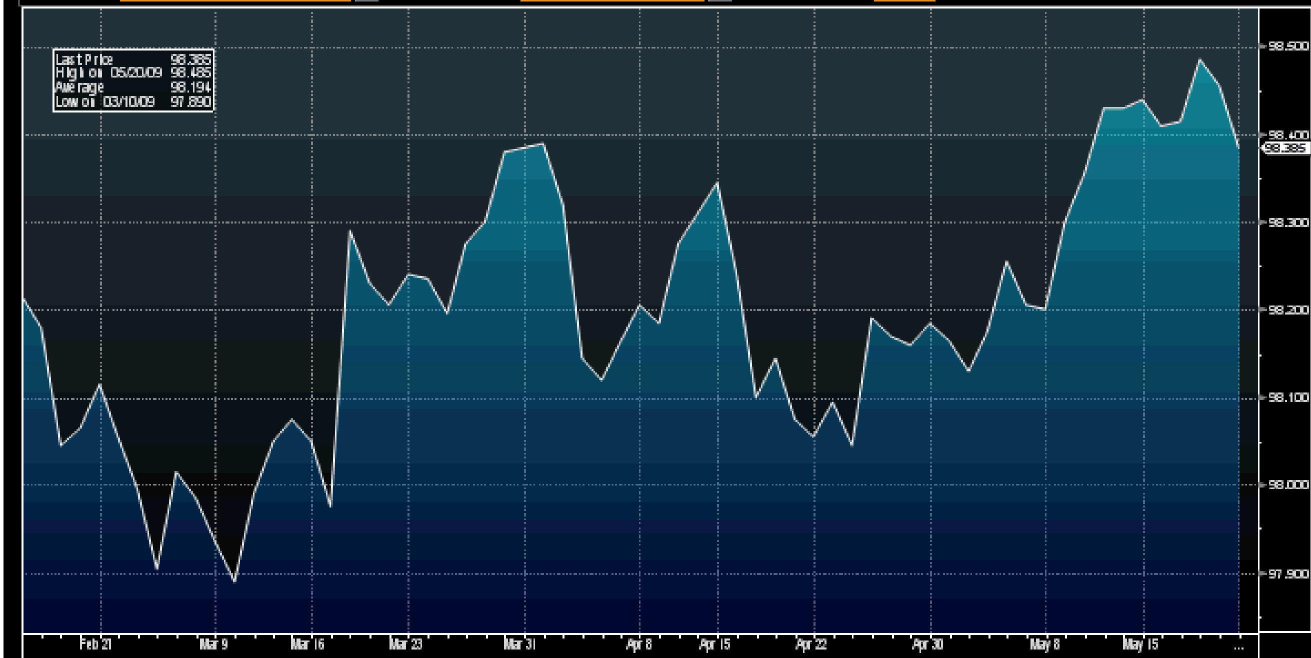
GRAB ComdtyCT

DELAY 14:56 Vol 86,804 Op 97.600 Hi 97.600 Lo 97.500 Prev 97.570

ED6 COMB COMDTY | Hide | GP - Line Chart | Page 1/3

Range 02/23/09 - 05/22/09 Upper Line Chart Mov. Avgs Currency USD

Period Daily Lower None Mov. Avg 15 Events



Division Data Request 4-9

Request:

Provide the monthly short-term balances and cost rates for January 2008 through June 2009 for Narragansett.

Response:

The monthly short-term debt balances and cost rates for the period January 2008 through May 2009 for the Company are provided in Attachment DIV 4-9. June 2009 balances and cost rates will not be available until after the end of that month.

NARRAGANSETT ELECTRIC COMPANY
Month Ending Short-Term Debt Balances and Monthly Cost Rates

	Money Pool	Cost Rate	Open Account Advance	Cost Rate
JANUARY 08	$73,650,000	4.12%	0	0%
FEBRUARY 08	$66,500,000	3.85%	0	0%
MARCH 08	$89,625,000	3.23%	0	0%
APRIL 08	$71,475,000	2.84%	0	0%
MAY 08	$45,650,000	2.58%	0	0%
JUNE 08	$54,825,000	2.46%	0	0%
JULY 08	$99,500,000	2.45%	0	0%
AUGUST 08	$134,525,000	2.44%	0	0%
SEPTEMBER 08	$75,800,000	3.47%	$50,000,000	0%
OCTOBER 08	$98,375,000	4.52%	$50,000,000	0%
NOVEMBER 08	$147,475,000	1.88%	$50,000,000	0%
DECEMBER 08	$119,400,000	1.18%	$100,000,000	0%
JANUARY 09	$122,075,000	0.57%	$130,000,000	0%
FEBRUARY 09	$124,800,000	0.76%	$130,000,000	0%
MARCH 09	$129,625,000	0.69%	$130,000,000	0%
APRIL 09	$126,825,000	0.48%	$130,000,000	0%
MAY 09	$131,600,000	0.38%	$100,000,000	0%

Division Data Request 4-10

Request:

Please provide the complete basis for Narragansett's decision to move to the capitalization restructuring plan ratios (including 50 percent common equity) shown on page 2 of Schedule NG-PRM-1.

Response:

The complete basis for the Company's decision to restructure its capitalization in accordance with Schedule NG-PRM-1 is explained in the testimony of Lorraine Lynch that was filed with the Commission on June 18, 2009 as part of the "Application of the Narragansett Electric Company d/b/a National Grid Regarding Issuance of New Long-Term Debt." A copy of that application is provided in response to Data Request DIV 4-7.

Prepared by or under the supervision of: Andrew E. Dinkel, III

Division Data Request 4-12

Request:

Please provide a history of Narragansett's authorized return on equity (ROE) and Commission-approved common equity ratio each year for the past ten years. Identify the month/year of any change in the authorized ROE and common equity ratio.

Response:

In Docket No. 2290, which became effective on November 14, 1995, the Commission approved an allowed return on equity and common-equity ratio of 11.0% and 47.27%, respectively, for the purposes of establishing the Company's rates at that time. The Commission subsequently approved a Stipulation and Settlement dated March 14, 2000 in Docket No. 2930. Under the Stipulation and Settlement, the Company's allowed return on equity and common-equity ratio were set 10.5% and 50%, respectively. The Company's allowed return on equity and common equity ratio were reaffirmed on November 1, 2004 when the Commission approved the Stipulation and Settlement in Docket No. 3617, which included the same allowed return on equity and common equity ratio of 10.5% and 50%, respectively. These rations have remained unchanged to date.

Prepared by or under the supervision of: Andrew E. Dinkel, III

Division Data Request 4-13

Request:

Does Mr. Moul consider his comparable earnings study to be a methodology that calculates or estimates the market-based cost of equity for Narragansett? If so, please explain why he holds that opinion.

Response:

No, Mr. Moul does not consider Comparable Earnings to be a market-based model.

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-14

Request:

What role, if any, does the comparable earnings study play in Mr. Moul's 11.6 percent recommendation for Narragansett's ROE?

Response:

Comparable Earnings was used for verification purposes as a check on the results of the market based models.

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-15

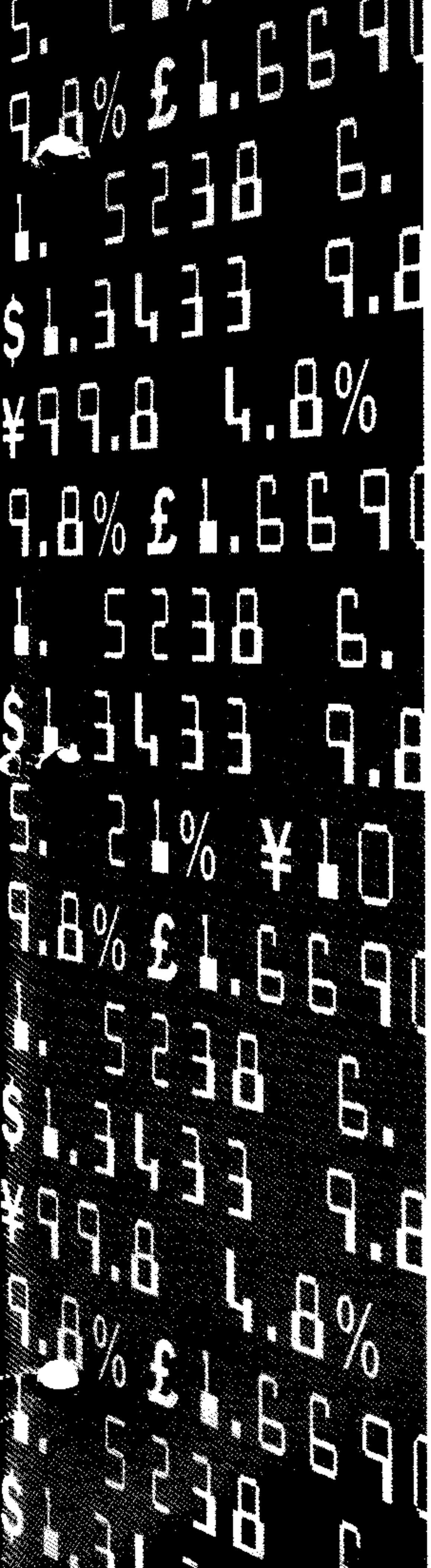
Request:

Provide a copy of the Blue Chip Financial Forecast document(s) relied upon by Mr. Moul for his risk premium analysis.

Response:

Please see Attachment DIV 4-15.

Prepared by or under the supervision of: Paul R. Moul



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Top Analysts Forecasts Of U.S. And Foreign Interest Rates, Currency Values And The Factors That Influence Them.

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Things Still Bad, But Rate Of Decline In GDP Is Abating

Domestic Commentary The results of our March 23rd-24th survey reinforces prior consensus expectations that real GDP contracted sharply once again in the quarter just ended. Moreover, consensus estimates of GDP growth in Q2 and Q3 of this year fell once more this month. Nonetheless, the survey results continue to suggest the economy's downward momentum will ease considerably over the course of Q2 and Q3 and that real GDP will register modestly positive growth in the final quarter of this year. That said much of the improvement in the GDP data over the next few quarters will be simply attributable to a significant lessening of the drag on overall growth from consumer spending, residential investment and business inventories that produced the sharp contractions in GDP during the final quarter of 2008 and the first quarter of 2009. Based on the current consensus forecast, the real dollar value of GDP will not return to its Q2 2008 peak until the first half of 2011. The huge output gap created by the recession also implies that unemployment is likely to continue increasing well into 2010 and that inflation will remain quite subdued over the forecast horizon.

As it now stands, the consensus predicts real GDP declined at an annualized rate of 5.3% in Q1 of this year versus last month's estimate of a 5.0% fall. That follows declines of 0.5% and 6.3%, respectively, in Q3 and Q4 of last year. Real GDP is expected to contract by 2.4% in Q2, 0.7 of a percentage point greater than a month ago. The forecast of Q3 real GDP growth slipped 0.3 of a point to 0.1% this month while the estimate of Q4's growth rate remained at 1.6%. Consensus forecasts of real GDP growth during Q1 and Q2 of 2010 dipped by 0.1 of a point to 2.2% and 2.6%, respectively, while the consensus puts Q3 2010's growth rate at 2.8%. Following an upwardly revised estimate that the Consumer Price Index (CPI) fell at an annualized rate of 1.6% in Q1 of this year, it is expected to register positive growth of 0.6% in Q2 and 1.4% in Q3 and Q4 of this year. The Q2 estimate fell 0.1 of a percentage point over the past month while the Q3 and Q4 forecasts dropped 0.3 of a point. The consensus sees the CPI registering annualized growth of about 2.0% over the first three quarters of 2010. Similarly small downward adjustments occurred in consensus forecasts for the GDP price index. The consensus continues to predict the trade-weighted value of the U.S. dollar will likely bounce around its current level over the remainder of this year but begin to weaken over the course of 2010.

The assumption that real GDP declined at an annual rate of about 5% in Q1 is premised on a variety of factors. Most importantly, business inventories are believed to have fallen sharply and may subtract upwards of two full percentage points from the rate of growth. An additional, albeit smaller decline is expected in Q2. Residential investment no doubt fell for a 13th consecutive quarter. Although housing starts rebounded in February some of the gain may have been weather related and will be unwound in the March data. Moreover, the level of starts during the first two months of this year remained well below the Q4 2008 average, implying an annualized drop of better than 20%. Even so, better-than-expected sales of new and existing homes in February, coupled with the highest home affordability in decades, hints the housing sector may be stabilizing and that new starts along with residential investment will bottom in Q2.

Nonresidential fixed investment also looks to have fallen sharply in Q1. Shipments of non-defense capital goods excluding aircraft, a proxy for capital spending, barely rose in February after falling more than 11% in January. That left such shipments well below the Q4 2008 level, suggesting a decline on par with the 28.1% contraction in Q4. Business investment in structures, weighed down by excess capacity and difficult financing conditions, likely contracted for a second consecutive quarter during Q1. While the rate of contraction in capital spending will likely slow over coming quarters the drop in business structures is expected to become more pronounced.

Real exports, a source of strength over the last few years, fell precipitously in Q4, accounting for half of the plunge in real GDP during the quarter. Although the trade deficit contracted on a current dollar basis during Q4 and again in January, the narrowing primarily resulted from the plunge in petroleum prices since last summer. The sharpest downturn in global trade since the 1930s will likely keep export growth weak over the remainder of this year, producing a widening of our real net export deficit. If, as expected, the U.S. economy begins to recover before that of our major trading partners, an even sharper widening of the real trade gap will occur in 2010.

The most encouraging news of late pertains to consumer spending. Real personal consumption expenditures (PCE) rose 0.7% in January and fell just 0.2% in February. As a result, real PCE now is on track to rise slightly Q1 after the huge 3.8% and 4.3% declines registered, respectively, in Q3 and Q4 of last year, and many panelists predict further modestly positive growth over the remainder of this year and next. Spurring the revival in spending: sharply lower gasoline prices; the boost to personal income April 1st when income tax withholding rates drop due to passage of the fiscal stimulus package earlier this year; a surge in home refinancing that reduces monthly payments; and some further loosening of credit conditions.

Despite signs the plunge in GDP is poised to moderate, much still depends on the relative success or failure of the various steps taken by government to loosen credit conditions and spur demand. The Federal Reserve's TALF program is now up and running and while initial participation has been subdued, our panelists expect it to be pretty successful *(see page 14)*. The Federal Open Market Committee upped the ante at its latest meeting by announcing it would purchase an additional $500 billion of agency-backed mortgage-backed securities (MBS) and $300 billion of longer-term Treasuries over the next six months. The announcement helped push conventional 30-year mortgage rates to record lows while the 10-year Treasury note yield dropped better than 40 basis points. About half of that decline has since been reversed, but the Fed seems determined to fight any sustained rise in longer-term yields that results from the tidal wave of new Treasury issuance destined to swamp the market this year. The Treasury Department raised the bet a week later with the announcement of its Public-Private Investment Program (PPIP) that is intended to aid the removal of toxic assets clogging banks' balance sheets and preventing new lending. Although the initial market response to the program appeared positive, bank and investor participation is voluntary and its ultimate success uncertain. Also on tap, an anticipated amendment to FASB Rule 157 that would ease the mark-to-market requirements for financial institutions holding residential and commercial mortgaged-backed paper, thus reducing the need to raise additional regulatory capital.

In part, stepped up efforts over the past month by the Fed and Treasury to further unfreeze credit markets likely reflects fear that going back to Congress for additional funds has become politically impossible. It also may explain why Treasury is playing coy about how much of the $700 billion in TARP funds remain uncommitted.

Consensus Forecast The FOMC is expected to hold leave its target federal funds rate unchanged until at least early next year. Lingering concerns about the economy and efforts by the ed are expected to hold 10-year Treasury yield to less than 3.0% over the rest of 2009 *(see page 2 for U.S. consensus forecasts)*.

Special Questions Nearly 75% of the panelists think the Fed will end up increasing and extending its purchases of longer-term Treasury paper. Almost 60% predict the Fed will eventually purchase private-label MBS. Two-thirds say the Fed's balance sheet will stand at about $4 trillion by the end of 2010. The consensus now sees a peak unemployment rate of 9.8% *(see page 14 for details)*

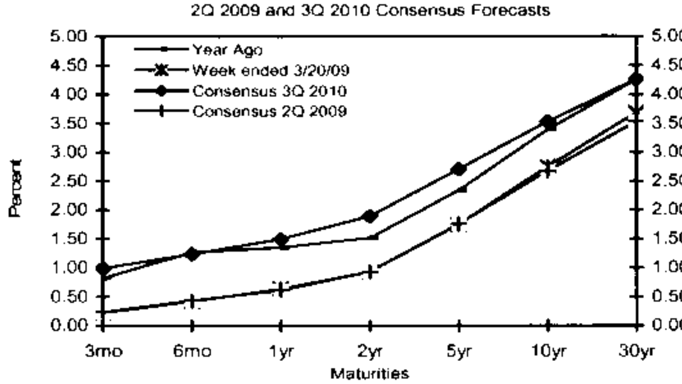
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week End				Average For Month			*Latest Q**	2Q	3Q	4Q	1Q	2Q	3Q
Interest Rates	Mar. 20	Mar. 13	Mar. 6	Feb. 27	Feb.	Jan.	Dec.	*1Q 2009*	2009	2009	2009	2010	2010	2010
Federal Funds Rate	0.17	0.20	0.22	0.20	0.22	0.15	0.16	*0.19*	0.2	0.2	0.2	0.3	0.5	0.9
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.61	*3.25*	3.2	3.2	3.2	3.4	3.6	3.9
LIBOR, 3-mo.	1.29	1.32	1.28	1.26	1.24	1.21	1.83	*1.25*	1.3	1.2	1.2	1.2	1.4	1.7
Commercial Paper, 1-mo.	0.23	0.25	0.25	0.29	0.28	0.15	0.25	*0.22*	0.4	0.4	0.5	0.6	0.8	1.2
Treasury bill, 3-mo.	0.22	0.22	0.24	0.29	0.30	0.13	0.03	*0.22*	0.2	0.3	0.3	0.4	0.7	1.0
Treasury bill, 6-mo.	0.42	0.45	0.42	0.49	0.46	0.30	0.26	*0.40*	0.4	0.5	0.5	0.7	0.9	1.2
Treasury bill, 1 yr.	0.64	0.70	0.68	0.72	0.62	0.44	0.49	*0.58*	0.6	0.7	0.7	0.9	1.2	1.5
Treasury note, 2 yr.	0.93	1.00	0.92	1.03	0.98	0.81	0.82	*0.91*	0.9	1.0	1.1	1.3	1.6	1.9
Treasury note, 5 yr.	1.75	1.93	1.87	1.97	1.87	1.60	1.52	*1.77*	1.8	1.9	2.0	2.2	2.5	2.7
Treasury note, 10 yr.	2.75	2.92	2.90	2.91	2.87	2.52	2.42	*2.75*	2.7	2.8	2.9	3.1	3.3	3.5
Treasury note, 30 yr.	3.69	3.65	3.60	3.60	3.59	3.13	2.87	*3.46*	3.5	3.6	3.7	3.9	4.1	4.3
Corporate Aaa bond	5.62	5.49	5.40	5.31	5.27	5.05	5.08	*5.27*	5.3	5.3	5.3	5.4	5.5	5.6
Corporate Baa bond	8.50	8.40	8.23	8.13	8.08	8.14	8.46	*8.20*	8.1	7.9	7.8	7.7	7.7	7.8
State & Local bonds	4.98	5.03	4.96	4.87	4.90	5.07	5.56	*4.99*	4.8	4.8	4.8	4.8	4.8	4.9
Home mortgage rate	4.98	5.03	5.15	5.07	5.13	5.06	5.33	*5.08*	4.9	4.9	4.9	5.1	5.2	5.4
	History								Consensus Forecasts-Quarterly Avg.					
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	*1Q**	2Q	3Q	4Q	1Q	2Q	3Q
Key Assumptions	2007	2007	2007	2008	2008	2008	2008	*2009*	2009	2009	2009	2010	2010	2010
Major Currency Index	79.3	77.0	73.3	72.0	70.9	73.5	81.3	*82.9*	82.3	82.5	82.6	82.3	81.7	81.0
Real GDP	4.8	4.8	-0.2	0.9	2.8	-0.5	-6.3	*-5.3*	-2.4	0.1	1.6	2.2	2.6	2.8
GDP Price Index	2.0	1.5	2.8	2.6	1.1	3.9	0.5	*1.1*	1.0	1.2	1.2	1.5	1.5	1.6
Consumer Price Index	4.2	2.4	5.8	4.5	4.5	6.2	-8.3	*-1.6*	0.6	1.4	1.4	1.8	1.9	2.1

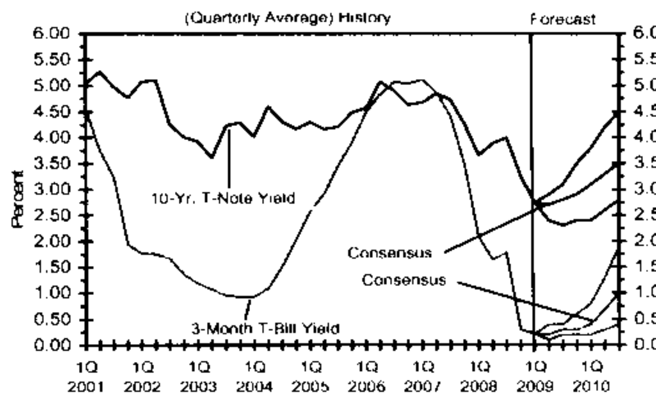
Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Definitions reported here are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the U.S. Federal Reserve Board's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). ***Interest rate data for 1Q 2009 based on historical d… through the week ended March 20th. *Data for 1Q 2009 Major Currency Index also is based on data through week ended March 20th. Figures for 1Q 2009 Real GDP, G… Chained Price Index and Consumer Price Index are consensus forecasts based on a special question asked of the panelists this month (see page 14)***

U.S. Treasury Yield Curve

Week ended March 20th, 2009 and Year Ago vs. 2Q 2009 and 3Q 2010 Consensus Forecasts

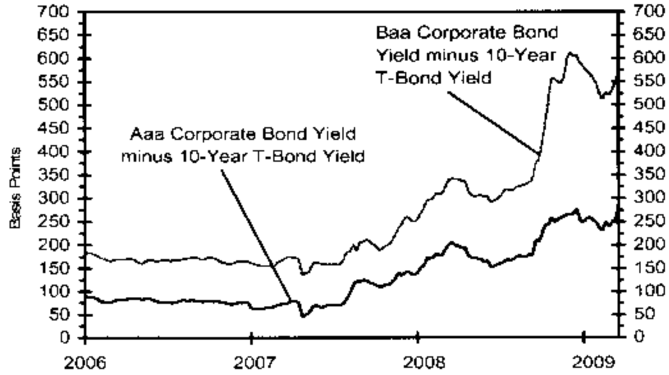


U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield



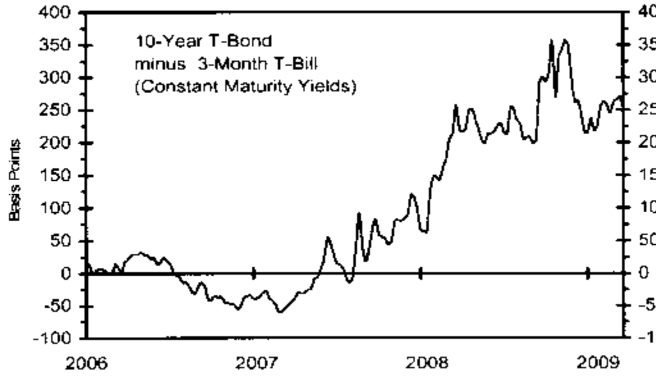
Corporate Bond Spreads

As of week ended March 20th, 2009



U.S. Treasury Yield Curve

As of week ended March 20th, 2009



3-Month Interest Rates[1]

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	1.63	1.69	2.63	**1.11**	**0.84**	**0.61**
Japan	1.00	0.88	0.90	**0.68**	**0.61**	**0.63**
U.K.	1.82	1.86	5.85	**1.70**	**1.48**	**1.46**
Switzerland	1.38	0.95	2.86	**0.37**	**0.40**	**0.53**
Canada	1.13	1.49	3.65	**1.38**	**1.25**	**0.90**
Australia	3.80	3.80	7.78	**3.58**	**3.58**	**3.90**
Eurozone	1.55	1.92	4.66	**1.63**	**1.44**	**1.44**

10-Yr. Government Bond Yields[1]

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	2.68	2.80	3.52	**2.23**	**2.14**	**2.73**
Germany	3.04	3.00	3.76	**2.81**	**2.65**	**2.86**
Japan	1.27	1.28	1.26	**1.20**	**1.24**	**1.35**
U.K.	3.14	3.41	4.30	**3.15**	**3.10**	**3.40**
France	3.61	3.56	3.96	**3.30**	**3.14**	**3.29**
Italy	4.35	4.48	4.31	**4.36**	**4.15**	**4.31**
Switzerland	2.14	2.20	2.76	**1.97**	**1.87**	**2.00**
Canada	2.77	2.85	3.50	**2.45**	**2.32**	**2.73**
Australia	4.51	4.16	5.97	**4.00**	**4.13**	**4.43**
Spain	4.05	4.19	4.12	**3.99**	**3.83**	**3.96**
Eurozone	4.21	4.26	4.11	**3.07**	**2.90**	**3.17**

Foreign Exchange Rates[1]

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	81.53	83.82	71.022	**86.0**	**87.2**	**87.4**
Japan	98.36	96.81	100.77	**97.3**	**99.8**	**100.5**
U.K.	1.4467	1.4488	1.9852	**1.37**	**1.39**	**1.45**
Switzerland	1.1276	1.1606	1.0230	**1.17**	**1.15**	**1.14**
Canada	1.2246	1.2433	1.0203	**1.33**	**1.35**	**1.33**
Australia	0.7005	0.6511	0.9062	**0.61**	**0.61**	**0.63**
Euro	1.3545	1.2846	1.5394	**1.26**	**1.26**	**1.28**

Consensus 3-Month Rates vs. U.S. Rate

	Now	In 12 Mo.
Japan	-0.63	**0.01**
U.K.	0.19	**0.85**
Switzerland	-0.25	**-0.08**
Canada	-0.50	**0.29**
Australia	2.17	**3.29**
Eurozone	-0.08	**0.83**

Consensus 10-Year Gov't Yields vs. U.S. Yield

	Now	In 12 Mo.
Germany	0.36	**0.14**
Japan	-1.41	**-1.38**
U.K.	0.46	**0.68**
France	0.93	**0.56**
Italy	1.67	**1.59**
Switzerland	-0.54	**-0.73**
Canada	0.09	**0.01**
Australia	1.83	**1.70**
Spain	1.37	**1.24**
Eurozone	1.53	**0.44**

Forecasts of individual panel members are on pages 10 and 11. Definitions of variables are as follows: [1]Three month currency interest rates. Government bonds are yields to maturity. Foreign exchange rate forecasts for U.K., Australia and the Euro are currencies per U.S. dollar. For the U.S dollar, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

International Commentary The Bank of England cut it benchmark overnight rate to a record low of 0.5% on March 5th and announced it would commence a quantitative easing of monetary policy with purchases of 75 billion pounds of government and corporate bonds over the next 3 months Treasury gave the BoE an overall 150 billion pound asset purchase limit. Gilt yields initially fell and corporate spreads tightened on the announcement. However, rising investor concern about surging government borrowing, a recent unprecedented BoE warning to the government about excessive fiscal stimulus, and a March 24th comment from Governor King that the BoE might not use the full 75 billion allotment to purchase assets over the next three months helped produce the first "failed" auction of gilts in seven years. That could spell trouble for Prime Minister Brown's plan to sell upwards of 150 billion pounds of debt this fiscal year and next to fund spending increases and tax cuts designed to bring the economy out of recession. Real GDP contracted 1.5% (q/q) in the final quarter of last year, its steepest fall since 1980. An equally large downturn is expected by many in Q1 2009. Most analysts think the BoE will leave its repo rate unchanged at its April meeting.

The European Central Bank (ECB) reduced its overnight repo rate to a record low of 1.5% on March 5th and hinted of additional cuts as needed. Hurt by weak domestic spending and plunging exports, Eurozone real GDP contracted -1.5% (q/q) in Q4 2008, an annualized rate of about -6%. Although some recent data out of Europe has looked a little better than expected of late, GDP growth in Q1 2009 could come close to matching the Q4 plunge. Germany's government now predicts this year will see the sharpest contraction in real GDP since the start of the federal republic 60 years ago. Ireland, Spain, Italy, Portugal and Greece may suffer similar outcomes as the credit noose continues to tighten. Such fears have greatly widened spreads on the sovereign debt of Ireland and the currency zone's "Club Med" members and raised the cost of insuring against default. Moreover, there also are growing fears about rapidly souring loans made by Western European banks to Central and Eastern European borrowers, imposing yet one more source of stress on an already beleaguered European banking system. The ECB now seems likely to cut rates again at its April meeting but could disappoint markets with a smaller than expected reduction of 25 basis points in the overnight repo rate to 1.25%. However, the bank's decision to allow the ECB's deposit rate, which lenders earn on overnight deposits at the central bank, to fall to 0.5% continues to drive lower the cost of borrowing by banks.

The Bank of Japan (BoJ) left its overnight call rate at 0.1% on March 18th but announced it would increase its monthly outright purchases of JGBs and begin purchases of subordinated bank debt to help ease the credit crunch. Elsewhere, the government has pledged to soon offer another fiscal stiumulus package of undetermined size in an effort to spur growth. Japan's economy, already weak, went into a tailspin in Q4, contracting at an annualized rate of -12.1% as exports and industrial production collapsed at unprecented rates. The Q4 decline in GDP was the sharpest since the 1974 oil shock. Growth may look no better in Q1 as exports plunged by a record -49% on a y/y basis in February.

The Bank of Canada (BoC) cut its overnight rate in half to a record low of 50 basis points in early March. Moreover, it kept the door open to additional rate cuts and raised the possibility of credit and quantatitive easing, if required. Real GDP likely fell at a -5.0% rate in Q1 after falling -3.4% in Q4 2008.

The Reserve Bank of Australia (RBA) surprised markets by leaving its cash rate unchanged at 3.25% on March 3rd. Economic news of late has been a bit better than expected but most analysts continue to expect further easing from the RBA as slower economic growth abroad weighs on Australian exports *(see 10 and 11 for individual panel members' forecasts)*.

Second Quarter 2009

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons Price Index
	------Percent Per Annum -- Average For Quarter------															Avg. For --Qtr.--	--(Q-Q % Change)-- (SAAR)		
	--Short-Term--							--Intermediate-Term--			--Long-Term--								
Woodworth Holdings	0.3 H	3.3 H	1.7 H	0.4	0.2	0.5	0.7	1.0	1.9	2.9	3.6	5.4	8.3	5.0 H	5.0	83.0	-4.1	0.8	0.7
ClearView Economics	0.3 H	3.3 H	1.7 H	0.3	0.3	0.5	0.7	1.0	1.8	2.8	3.7	5.6	8.5	5.0 H	5.0	83.0	-1.7	2.0	2.0
Daiwa Securities America	0.3 H	3.3 H	1.3	0.4	0.3	0.5	0.8	1.0	1.8	2.8	3.8	5.6	8.6	4.9	4.9	85.0	-3.6	1.3	1.4
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	1.3	0.3	0.3	0.5	0.7	1.0	2.0	2.9	3.8	5.0	7.5	5.0 H	5.0	85.0	-1.0	2.6 H	1.5
Russell Investments	0.3 H	3.3 H	1.1	0.5	0.3	0.5	0.6	0.9	1.8	2.7	3.6	5.4	8.3	4.9	4.7	80.0	-2.8	0.8	0.9
Georgia State University	0.3 H	3.3 H	na	na	0.2	0.4	0.6	0.9	1.9	2.8	3.5	5.2	8.1	na	4.9	na	-4.7	-0.6	-3.8 L
Scotiabank	0.3 H	3.3 H	na	na	0.2	na	na	0.8	1.8	2.5	3.3	5.3	7.9	3.3 L	4.9	na	-2.0	0.5	0.6
Loomis, Sayles & Company	0.2	3.3 H	1.3	0.3	0.3	0.5	0.6	1.0	1.8	2.8	3.6	5.3	8.1	4.9	5.0	83.4	-1.7	0.5	-0.5
MacroFin Analytics	0.2	3.3 H	1.3	0.4	0.2	0.4	0.6	0.9	1.8	2.8	3.5	5.3	8.2	5.0 H	5.0	82.8	-1.5	0.8	0.5
PNC Financial Services Corp	0.2	3.3 H	1.3	0.4	0.2	0.3	0.5	0.9	1.8	2.6	3.7	5.4	8.4	4.9	4.8	84.0	-2.0	1.3	1.7
Woodley Park Research	0.2	3.3 H	1.2	0.3	0.3	0.4	0.6	0.9	1.7	2.7	3.4	5.3	8.3	4.9	5.0	83.5	-2.0	-0.5	-3.7
Wachovia	0.2	3.3 H	1.2	0.4	0.2	0.4	0.5	1.1	1.9	2.7	3.5	5.5	8.5	5.0 H	4.7	83.0	-0.6	-0.4	-1.3
RDQ Economics	0.2	3.3 H	1.2	0.2	0.3	0.6	0.8	1.0	2.1 H	3.1 H	3.7	5.5	8.0	5.0 H	5.0	82.6	-2.8	2.1	2.0
Societe Generale	0.2	3.3 H	1.2	na	0.3	0.4	0.7	1.0	1.8	2.8	3.6	5.4	7.8	na	4.9	84.0	-2.2	1.6	-0.4
RBS Greenwich Capital Econ	0.2	3.3 H	1.1	0.4	0.2	0.5	0.6	0.9	1.7	2.7	3.7	5.2	8.2	5.0 H	4.8	83.0	-1.6	1.6	1.3
Comerica Bank	0.2	3.3 H	1.1	0.4	0.3	0.5	0.7	1.0	1.9	2.8	3.6	5.0	7.4	4.4	4.8	82.0	-3.0	1.0	1.5
ING Investment Mgt	0.2	3.3 H	1.0	0.4	0.2	0.3	0.4	0.8	1.5	2.5	3.3	4.8	8.0	5.0 H	5.0	81.0	-1.0	0.5	-1.0
Mesirow Financial	0.2	3.2	1.3	0.4	0.3	0.6	0.9	1.4 H	2.1 H	3.0	3.4	5.4	8.2	5.0 H	5.1 H	82.9	-1.4	0.5	0.5
Wayne Hummer Investments	0.2	3.2	1.3	0.4	0.2	0.4	0.6	0.9	1.8	2.7	3.5	5.7	7.9	5.0 H	5.0	82.8	-1.5	-1.0 L	0.9
Thredgold Economic Assoc	0.2	3.2	1.3	0.5	0.2	0.4	0.6	0.9	1.7	2.7	3.7	5.3	7.8	4.8	4.9	80.0	-2.4	1.2	1.0
Fannie Mae	0.2	3.2	na	na	0.3	na	0.7	na	na	2.8	3.7	5.6	na	na	5.1 H	na	-1.8	0.9	1.1
The Northern Trust Company	0.2	na	1.3	na	0.3	na	0.5	0.9	1.9	2.6	na	na	na	na	4.9	na	-3.2	1.9	2.1
DePrince & Assoc	0.2	3.2	1.4	0.2	0.2	0.5	0.6	1.0	1.9	2.8	3.7	5.5	7.9	na	4.8	80.5	-1.2	1.0	0.1
Chmura Economics & Analytics	0.2	3.3 H	1.5	0.4	0.2	0.4	0.6	1.0	1.7	2.6	3.5	5.4	na	na	4.8	78.0 L	-1.7	0.8	0.5
Barclays Capital	0.2	3.3 H	1.2	0.3	0.2	0.4	0.5	0.8	1.6	2.5	3.6	5.2	7.9	4.8	4.8	na	-3.0	1.5	0.5
Stone Harbor Investment Partners	0.2	3.3 H	1.1	0.5	0.1	0.3	0.5	0.7 L	1.5	2.4	3.1	5.0	7.9	na	4.9	82.0	-5.1	2.2	1.0
JPMorgan Private Wealth Mgt	0.2	3.2	1.6	0.5	0.2	0.4	0.6	0.9	1.7	2.7	3.7	5.6	8.5	5.0 H	5.0	78.0 L	3.5	1.0	1.0
Moody's Economy.com	0.1	3.1	1.2	0.5	0.3	0.4	0.5	0.7 L	0.6 L	2.5	3.1	4.8	7.0 L	na	4.6	na	-2.5	-0.7	0.1
Standard & Poor's Corp	0.1	3.3 H	1.3	0.5	0.3	0.4	0.6	1.0	1.9	2.8	na	5.0	7.8	4.9	4.9	83.6	-3.1	-0.1	-3.0
UBS Warburg	0.1	3.3 H	1.2	na	0.4	na	na	1.1	2.0	2.7	3.4	na	na	na	na	na	-2.0	1.9	1.5
Goldman Sachs & Co	0.1	3.3 H	1.2	na	0.2	na	na	0.8	1.7	2.6	3.3	3.8 L	na	na	4.9	na	-3.0	2.1	1.8
BMO Capital Markets	0.1	3.3 H	1.2	0.4	0.2	0.4	0.6	0.9	1.6	2.5	3.6	5.5	8.3	4.9	4.9	85.0	-3.0	1.2	1.7
Action Economics	0.1	3.3 H	1.1	0.3	0.3	0.5	0.5	1.0	2.0	3.0	3.5	5.0	7.4	4.6	4.6	83.7	-2.5	1.4	3.2
GLC Financial Economics	0.1	3.1	1.7 H	0.4	0.2	0.4	0.6	0.9	1.7	2.6	3.5	5.7	8.5	4.9	4.8	84.0	-3.6	2.1	-0.9
Wells Capital Management	0.1	3.1	1.4	0.8 H	0.7 H	0.8 H	1.0 H	1.1	2.1 H	3.0	3.9 H	5.9 H	9.0 H	4.7	4.9	81.7	-2.0	1.1	1.6
Economist Intelligence Unit	0.1	3.1	1.2	0.4	0.3	0.5	0.6	0.9	1.7	2.6	3.4	na	na	na	na	na	-3.7	na	0.0
Nomura Securities, Inc	0.1	3.1	1.2	0.2	0.3	0.5	0.7	1.1	2.0	2.9	3.7	5.4	8.1	na	5.0	82.0	-1.1	0.9	2.1
J.W. Coons Advisors LLC	0.1	3.1	1.1	0.1 L	-0.1 L	0.2 L	0.3 L	0.7 L	1.6	2.1	3.3	5.1	7.7	na	4.7	87.7 H	-1.5	0.9	-0.4
Banc of America-Merrill Lynch	0.1	na	1.4	na	0.3	na	na	1.0	1.9	2.8	3.7	na	na	na	na	na	-5.3	-0.2	-0.3
J.P. Morgan Chase	0.1	na	1.0 L	na	0.1	na	na	0.8	1.6	2.4	2.9 L	na	na	na	na	na	-2.0	1.3	1.2
Moody's Capital Markets	0.1	3.3 H	1.2	0.6	0.3	0.5	0.7	1.0	1.8	2.5	3.6	5.5	8.5	5.0 H	4.5 L	81.5	-1.5	0.9	1.6
Nat'l Assn. of Realtors	0.1	3.3 H	1.7 H	0.4	0.3	0.5	0.7	1.0	1.9	2.8	3.7	5.7	8.5	5.0 H	5.0	na	-1.5	0.6	-0.1
Kellner Economic Advisers	0.1	3.1	1.3	0.7	0.2	0.4	0.6	0.9	1.7	2.0 L	3.2	5.0	8.0	5.0 H	5.0	80.0	-1.0	1.0	1.2
Naroff Economic Advisors	0.0 L	3.3 H	1.2	0.4	0.1	0.5	0.6	1.1	1.9	2.9	3.8	5.3	7.8	4.9	4.8	80.0	0.1 H	0.9	0.3
Cycledata Corp.	0.0 L	3.2	1.2	0.5	0.2	0.4	0.6	0.9	1.7	2.7	3.8	5.6	8.2	4.7	4.8	80.0	-2.5	1.5	0.3
Argus Research	0.0 L	3.0 L	1.4	0.3	0.2	0.4	0.6	0.8	1.6	2.6	3.6	5.4	8.5	4.9	5.0	81.2	-5.5 L	2.0	3.3 H
April Consensus	**0.2**	**3.2**	**1.3**	**0.4**	**0.2**	**0.4**	**0.6**	**0.9**	**1.8**	**2.7**	**3.5**	**5.3**	**8.1**	**4.8**	**4.9**	**82.3**	**-2.4**	**1.6**	**0.8**
Top 10 Avg.	0.2	3.3	1.5	0.5	0.4	0.6	0.8	1.1	2.0	2.9	3.8	5.7	8.5	5.0	5.0	84.5	-1.0	2.1	2.2
Bottom 10 Avg.	0.1	3.1	1.1	0.2	0.1	0.3	0.5	0.8	1.5	2.4	3.2	4.8	7.6	4.6	4.7	79.9	-4.2	-0.2	-1.5
March Consensus	0.2	3.2	1.2	0.4	0.3	0.5	0.7	1.0	1.8	2.8	3.4	5.2	7.9	4.8	5.0	82.7	-1.7	1.1	0.7
Number of Forecasts Changed From A Month Ago:																			
Down	6	6	5	15	23	20	19	21	24	27	12	10	6	6	29	11	33	20	16
Same	33	36	16	13	15	13	8	12	7	9	8	7	5	9	7	10	7	15	15
Up	7	1	22	8	8	6	13	12	14	10	23	24	23	12	6	13	6	10	15
Diffusion Index	51 %	44 %	70 %	40 %	34 %	32 %	43 %	40 %	39 %	32 %	63 %	67 %	75 %	61 %	23 %	53 %	21 %	39 %	49 %

Third Quarter 2009

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum – Average For Quarter: Short-Term							Intermediate-Term				Long-Term				Avg. For Qtr.	(Q-Q % Change) (SAAR)		
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo	5 Treas Bills 3-Mo.	6 Treas Bills 6-Mo	7 Treas. Bills 1-Yr.	8 Treas Notes 2-Yr.	9 Treas Notes 5-Yr	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
ClearView Economics	0.3 H	3.3 H	1.8 H	0.3	0.3	0.6	0.8	1.1	1.9	2.9	3.8	5.7	8.6	5.0	5.1	84.0	1.2	2.0	4.0
Woodworth Holdings	0.3 H	3.3 H	1.6	0.4	0.2	0.5	0.7	1.0	1.9	2.7	3.4	5.1	7.9	5.0	4.8	85.0	-3.2 L	1.0	1.4
Daiwa Securities America	0.3 H	3.3 H	1.3	0.5	0.4	0.6	0.8	1.3	2.0	2.9	3.9	5.7	8.6	4.7	4.9	84.0	0.5	1.3	1.3
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	1.3	0.3	0.3	0.5	0.7	1.2	2.2	3.2	4.1 H	5.0	6.5 L	4.9	5.0	87.0	1.5	2.5	2.4
Moody's Capital Markets	0.3 H	3.3 H	1.2	0.5	0.3	0.5	0.7	1.0	1.9	2.7	3.9	5.6	8.0	4.9	4.6	82.5	1.5	1.4	1.8
Russell Investments	0.3 H	3.3 H	0.9 L	0.6	0.3	0.5	0.6	0.9	2.1	2.9	3.9	5.5	8.1	4.7	4.6	78.5	-0.2	0.8	0.1
Georgia State University	0.3 H	3.3 H	na	na	0.2	0.4	0.5	0.9	1.8	2.7	3.4	5.2	8.1	na	4.9	na	-2.9	0.7	0.8
Scotiabank	0.3 H	3.3 H	na	na	0.2	na	na	0.7	1.7	2.4	3.3	5.2	7.8	3.3 L	5.0	na	1.0	1.0	1.3
Loomis, Sayles & Company	0.2	3.2	1.1	0.3	0.3	0.5	0.6	1.0	2.1	3.1	4.0	5.4	8.1	5.1	5.0	83.5	-0.2	0.3	1.4
MacroFin Analytics	0.2	3.3 H	1.3	0.5	0.3	0.6	0.8	1.1	2.0	2.9	3.6	5.2	8.1	4.9	4.8	82.5	0.5	0.7	0.4
PNC Financial Services Corp.	0.2	3.3 H	1.3	0.4	0.3	0.4	0.6	1.0	1.9	2.7	3.8	5.4	8.4	4.9	4.8	85.0	0.0	1.6	2.1
RDQ Economics	0.2	3.3 H	1.2	0.3	0.4	0.8	1.0	1.1	2.3	3.5 H	4.0	5.9	8.4	5.0	5.3 H	82.2	-0.9	2.3	2.0
Woodley Park Research	0.2	3.3 H	1.1	0.3	0.3	0.4	0.7	1.0	1.7	2.7	3.3	5.3	8.2	4.8	5.0	82.1	2.9 H	0.8	0.9
Wachovia	0.2	3.3 H	1.1	0.4	0.3	0.5	0.6	1.2	2.0	2.8	3.6	5.5	8.5	4.9	4.7	85.0	-0.4	0.3	-0.5
Stone Harbor Investment Partners	0.2	3.3 H	1.1	0.4	0.2	0.4	0.6	0.7	1.4	2.0 L	2.9 L	4.2	7.0	na	4.4 L	82.0	-3.0	2.1	1.3
Societe Generale	0.2	3.3 H	1.1	na	0.3	0.4	0.7	1.4	2.4 H	3.1	3.8	5.5	7.3	na	5.0	85.0	2.2	1.2	1.8
ING Investment Mgt.	0.2	3.3 H	1.0	0.4	0.2	0.3	0.5	0.8	1.6	2.7	3.5	5.0	8.0	5.0	5.0	82.0	-1.0	0.5	0.0
RBS Greenwich Capital Econ	0.2	3.3 H	1.0	0.4	0.3	0.6	0.8	1.1	1.9	2.9	3.8	5.2	8.2	5.2 H	4.9	85.0	0.3	1.8	1.4
Comerica Bank	0.2	3.3 H	0.9 L	0.4	0.3	0.6	0.9	1.3	2.3	3.2	3.9	5.3	7.2	4.5	5.1	83.0	1.0	0.9	1.0
Mesirow Financial	0.2	3.2	1.4	0.4	0.4	0.7	1.0	1.6 H	2.2	2.9	3.5	5.3	7.9	4.7	5.0	82.0	0.4	0.6	1.3
Wayne Hummer Investments	0.2	3.2	1.3	0.4	0.3	0.5	0.7	1.0	2.0	3.0	3.6	5.7	7.8	5.0	5.0	82.5	-0.9	0.9	0.6
Thredgold Economic Assoc	0.2	3.2	1.3	0.5	0.2	0.4	0.6	0.9	1.7	2.7	3.7	5.3	7.8	4.8	4.9	80.0	-1.0	1.2	1.5
[illegible]ner Economic Advisers	0.2	3.2	1.2	0.7	0.3	0.5	0.7	1.0	1.8	2.0	3.4	5.2	8.0	5.0	5.0	78.0	1.0	2.0	2.2
[illegible]e Mae	0.2	3.2	na	na	0.4	na	0.8	na	na	2.9	3.8	5.7	na	na	5.1	na	-0.6	1.0	2.0
The Northern Trust Company	0.2	na	1.2	na	0.3	na	0.5	0.9	1.9	2.7	na	na	na	na	4.9	na	-0.9	1.8	2.0
DePrince & Associates	0.2	3.2	1.3	0.5	0.2	0.5	0.7	1.1	2.1	2.8	3.7	5.3	6.8	na	4.4 L	80.6	0.6	1.2	1.4
Moody's Economy.com	0.2	3.2	0.9 L	0.5	0.4	0.4	0.5	0.9	0.9 L	2.6	3.1	4.9	6.9	na	4.8	na	-0.1	0.9 L	1.4
Barclays Capital	0.2	3.3 H	1.2	0.3	0.2	0.4	0.5	0.9	1.8	2.7	3.8	5.2	7.6	4.8	4.9	na	0.0	1.7	2.5
Chmura Economics & Analytics	0.2	3.3 H	1.2	0.4	0.2	0.4	0.7	1.0	1.8	2.7	3.5	5.4	na	na	4.7	77.5 L	-0.1	1.0	1.0
JPMorgan Private Wealth Mgt	0.2	3.2	1.6	0.5	0.2	0.4	0.6	0.9	1.7	2.7	3.7	5.6	8.5	5.0	4.9	78.1	0.5	1.2	1.1
Standard & Poor's Corp.	0.1	3.3 H	1.3	0.6	0.3	0.5	0.6	1.0	1.9	2.8	na	4.9	7.7	4.8	4.9	82.3	-0.3	0.8	0.8
UBS Warburg	0.1	3.3 H	1.3	na	0.6	na	na	1.3	2.4	2.7	3.3	na	na	na	na	na	2.0	1.7	5.4 H
Action Economics	0.1	3.3 H	1.1	0.3	0.3	0.5	0.5	1.0	2.0	3.0	3.5	5.0	7.4	4.6	4.6	83.7	-2.5	1.4	3.2
Goldman Sachs & Co	0.1	3.3 H	1.1	na	0.3	na	na	0.8	1.9	2.8	3.5	3.9 L	na	na	4.8	na	1.0	1.3	1.0
BMO Capital Markets	0.1	3.3 H	1.0	0.4	0.2	0.4	0.6	0.8	1.5	2.4 H	3.5	5.5	8.4	4.8	4.8	84.0	-0.9	0.7	1.7
GLC Financial Economics	0.1	3.1	1.8 H	0.5	0.2	0.4	0.5	0.8	1.6	2.6	3.4	5.3	8.2	4.8	4.9	83.8	-1.1	1.9	2.2
Wells Capital Management	0.1	3.1	1.2	0.8 H	0.8 H	0.9 H	1.1 H	1.2	2.2	3.2	4.0	6.0 H	8.9 H	4.5	5.0	82.1	-0.5	2.0	1.6
Economist Intelligence Unit	0.1	3.1	1.2	0.4	0.3	0.5	0.6	1.0	1.7	2.6	3.4	na	na	na	na	na	0.5	na	0.4
Nomura Securities, Inc	0.1	3.1	1.1	0.2	0.4	0.6	0.7	1.3	2.2	3.0	3.9	5.4	7.9	na	5.1	83.0	1.1	0.4	2.0
J.W. Coons Advisors LLC	0.1	3.1	1.1	0.0 L	-0.2 L	0.1 L	0.2 L	0.6 L	1.5	2.1	3.2	4.9	7.4	na	4.5	90.3 H	2.0	0.7	-1.1 L
Banc of America-Merrill Lynch	0.1	na	1.1	na	0.3	na	na	0.9	1.8	2.6	3.5	na	na	na	na	na	2.5	0.9	0.6
J.P. Morgan Chase	0.1	na	1.0	na	0.2	na	na	0.9	1.6	2.3	2.9 L	na	na	na	na	na	1.0	1.1	1.3
Nat'l Assn. of Realtors	0.1	3.3 H	1.6	0.4	0.3	0.5	0.8	1.0	2.0	2.8	3.7	5.7	8.5	5.1	5.0	na	0.9	0.4	0.6
Naroff Economic Advisors	0.0 L	3.3 H	0.9 L	0.5	0.2	0.5	0.7	1.3	2.0	3.0	3.9	5.0	7.0	4.7	4.9	79.0	1.8	1.1	0.9
Cycledata Corp.	0.0 L	3.2	1.2	0.5	0.2	0.4	0.6	0.9	1.7	2.7	3.9	5.6	8.2	4.7	4.8	80.0	0.1	1.6	0.8
Argus Research	0.0 L	3.0 L	1.1	0.3	0.2	0.4	0.6	0.9	1.6	2.7	3.7	5.3	8.3	4.9	4.9	80.8	-2.2	3.3 H	3.3
April Consensus	**0.2**	**3.2**	**1.2**	**0.4**	**0.3**	**0.5**	**0.7**	**1.0**	**1.8**	**2.8**	**3.6**	**5.3**	**7.9**	**4.8**	**4.9**	**82.5**	**0.1**	**1.2**	**1.4**
Top 10 Avg.	0.2	3.3	1.5	0.6	0.4	0.6	0.9	1.3	2.2	3.1	3.9	5.7	8.5	5.0	5.1	85.4	1.9	2.2	2.9
Bottom 10 Avg.	0.1	3.1	1.0	0.3	0.2	0.3	0.5	0.8	1.5	2.3	3.2	4.8	7.1	4.5	4.6	79.5	-1.9	0.4	0.2
March Consensus	0.2	3.2	1.2	0.4	0.3	0.5	0.7	1.0	1.9	2.9	3.5	5.2	7.7	4.8	5.0	82.7	0.4	1.3	1.7
Number of Forecasts Changed From A Month Ago:																			
Down	6	6	7	12	20	20	17	24	24	32	13	12	10	11	32	13	28	20	20
Same	34	35	17	16	18	11	10	13	8	8	11	11	4	9	6	7	9	14	16
Up	6	2	19	8	8	8	13	8	13	6	19	18	24	11	4	14	9	11	10
Diffusion Index	50 %	45 %	64 %	44 %	37 %	35 %	45 %	32 %	38 %	22 %	57 %	57 %	68 %	50 %	17 %	51 %	29 %	40 %	39 %

Fourth Quarter 2009

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo	5 Treas Bills 3-Mo.	6 Treas. Bills 6-Mo	7 Treas Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp Bond	14 State & Local Bonds	15 Home Mtg Rate	A. Fed's Major Currency $ Index	B Real GDP	C GDP Price Index	D Cons Price Index
	Percent Per Annum – Average For Quarter: Short-Term							Intermediate-Term			Long-Term					Avg. For Qtr.	(Q-Q % Change) (SAAR)		
ClearView Economics	0.7 H	3.7 H	2.4 H	0.7	0.8	1.2 H	1.6 H	1.9 H	2.5	3.3	4.1	6.0	8.8	5.2	5.5	83.0	3.9	2.2	[illegible]
Kellner Economic Advisers	0.4	3.4	1.1	0.9 H	0.4	0.6	0.8	1.1	1.9	2.0 L	3.6	5.4	8.0	5.0	5.0	76.0	2.0	2.2	[illegible]
Woodworth Holdings	0.3	3.3	1.4	0.4	0.2	0.5	0.7	1.0	1.9	2.6	3.3	4.9	7.6	5.0	4.7	87.0	-0.3	1.3	[illegible]
Daiwa Securities America	0.3	3.3	1.3	0.5	0.4	0.6	0.8	1.6	2.3	3.2	4.1	5.8	8.6	4.6	5.1	84.0	1.6	1.2	[illegible]
Moody's Capital Markets	0.3	3.3	1.3	0.6	0.3	0.5	0.9	1.3	2.0	2.9	4.0	5.6	7.5	4.8	4.8	83.5	2.5	1.3	[illegible]
Bank of Toyko-Mitsubishi UFJ	0.3	3.3	1.3	0.3	0.3	0.5	0.7	1.7	2.8	3.6	4.6 H	5.0	6.5	4.8	5.2	86.0	2.7	2.6	[illegible]
Stone Harbor Investment Partners	0.3	3.3	1.1	0.5	0.2	0.4	0.6	0.8	1.5	2.1	3.0	4.1	6.7	na	4.5	85.0	-0.4	1.9	[illegible]
Comerica Bank	0.3	3.3	0.9	0.5	0.4	0.7	1.1	1.5	2.5	3.5	4.2	5.4	7.0	4.5	5.3	84.0	2.0	[illegible]	[illegible]
Russell Investments	0.3	3.3	0.7 L	0.6	0.3	0.5	0.6	1.0	2.2	3.0	4.1	5.6	7.9	4.6	4.6	77.8	0.2	0.9	[illegible]
Georgia State University	0.3	3.3	na	na	0.3	0.4	0.5	0.9	1.8	2.7	3.4	5.2	8.2	na	4.9	na	-1.5 L	0.4	[illegible]
Scotiabank	0.3	3.3	na	na	0.3	na	na	1.1	2.2	2.7	3.5	5.2	7.6	3.5 L	5.0	na	2.0	[illegible]	[illegible]
Moody's Economy.com	0.2	3.2	0.9	0.6	0.5	0.5	0.6	1.2	1.5	3.0	3.5	5.3	7.3	na	5.1	na	1.7	0.9	[illegible]
DePrince & Assoc.	0.2	3.2	1.9	0.6	0.3	0.6	0.8	1.2	2.2	2.9	3.7	5.2	6.2 L	na	4.2 L	80.8	1.8	1.3	[illegible]
Loomis, Sayles & Company	0.2	3.2	0.9	0.3	0.3	0.5	0.7	1.1	2.4	3.3	4.3	5.3	7.5	5.0	5.0	83.5	1.7	-0.4	[illegible]
MacroFin Analytics	0.2	3.3	1.3	0.6	0.3	0.6	1.0	1.3	2.2	3.0	3.7	5.2	8.1	4.9	4.7	82.0	1.0	0.6	[illegible]
PNC Financial Services Corp	0.2	3.3	1.3	0.4	0.3	0.4	0.6	1.0	1.9	2.7	3.8	5.3	8.3	4.9	4.8	87.0	1.0	1.6	[illegible]
RDQ Economics	0.2	3.3	1.1	0.3	0.5	0.9	1.1	1.2	2.6	4.0 H	4.5	6.3 H	8.7	5.0	5.7 H	81.7	0.8	2.5	[illegible]
Woodley Park Research	0.2	3.3	1.0	0.4	0.4	0.5	0.7	1.0	1.7	2.7	3.2	5.2	8.0	4.7	5.0	81.3	3.9	0.6	[illegible]
Wachovia	0.2	3.3	1.0	0.4	0.3	0.5	0.6	1.3	2.1	2.9	3.7	5.5	8.5	4.9	4.7	87.0	0.6	0.9	[illegible]
ING Investment Mgt.	0.2	3.3	1.0	0.4	0.2	0.4	0.5	0.9	1.7	2.8	3.5	5.0	7.8	5.0	5.0	80.0	2.0	1.0	[illegible]
Societe Generale	0.2	3.3	1.0	na	0.3	0.5	0.8	1.7	3.0 H	3.6	4.2	5.6	6.8	na	5.0	86.0	2.2	1.6	[illegible]
RBS Greenwich Capital Econ	0.2	3.3	1.0	0.3	0.4	0.7	1.0	1.3	2.3	3.4	4.2	5.4	8.2	5.5 H	5.3	88.0	1.8	1.8	[illegible]
Wayne Hummer Investments	0.2	3.2	1.4	0.6	0.4	0.6	0.8	1.1	2.1	3.1	3.7	5.7	7.9	4.9	5.1	82.3	1.8	1.1	[illegible]
Mesirow Financial	0.2	3.2	1.4	0.4	0.4	0.7	1.0	1.6	2.2	2.9	3.5	5.2	7.8	4.6	4.9	83.3	0.9	0.1	[illegible]
J.W. Coons Advisors LLC	0.2	3.2	1.4	0.2	-0.1 L	0.2 L	0.4 L	0.8	1.7	2.3	3.4	4.9	7.3	na	4.5	92.5 H	3.0	0.4	[illegible]
Thredgold Economic Assoc	0.2	3.2	1.3	0.5	0.3	0.5	0.6	1.0	1.8	2.8	3.8	5.4	7.8	4.8	4.9	80.0	1.0	1.3	[illegible]
Fannie Mae	0.2	3.2	na	na	0.4	na	1.0	na	na	3.0	3.9	5.7	na	na	5.1	na	0.2	0.7	[illegible]
The Northern Trust Company	0.2	na	1.1	na	0.3	na	0.6	1.0	1.9	2.8	na	na	na	na	5.0	na	2.2	2.0	[illegible]
Standard & Poor's Corp.	0.2	3.3	1.3	0.5	0.4	0.5	0.7	1.1	1.9	2.9	na	4.9	7.6	4.9	4.9	81.5	1.6	0.4	[illegible]
Barclays Capital	0.2	3.3	1.1	0.3	0.2	0.4	0.5	1.0	2.2	3.3	4.1	5.9	7.9	5.2	5.3	na	2.0	1.8	[illegible]
Chmura Economics & Analytics	0.2	3.3	0.9	0.4	0.2	0.4	0.8	1.0	1.8	2.7	3.6	5.5	na	na	4.6	75.7 L	-0.2	1.4	[illegible]
JPMorgan Private Wealth Mgt.	0.2	3.2	1.6	0.6	0.3	0.5	0.7	1.0	1.7	2.7	3.7	5.7	8.6	5.1	4.8	78.2	1.5	1.2	[illegible]
UBS Warburg	0.1	3.3	1.6	na	1.0 H	na	na	1.6	2.5	3.0	3.6	na	na	na	na	na	2.5	1.2	-0.4
Goldman Sachs & Co	0.1	3.3	1.0	na	0.4	na	na	0.8	2.0	2.9	3.7	4.0 L	na	na	4.9	na	1.0	1.2	0.6
BMO Capital Markets	0.1	3.3	0.9	0.4	0.2	0.4	0.6	0.9	1.7	2.6	3.7	5.7	8.6	5.0	5.0	83.0	1.7	0.9	0.9
Action Economics	0.1	3.3	0.8	0.3	0.4	0.5	0.6	1.2	2.5	3.7	4.0	5.1	6.5	4.5	4.8	83.1	2.5	1.9	1.6
GLC Financial Economics	0.1	3.1	1.7	0.5	0.1	0.4	0.5	0.7 L	1.4 L	2.5	3.1	5.3	8.2	4.7	4.8	83.6	2.0	2.0	[illegible]
Economist Intelligence Unit	0.1	3.1	1.2	0.4	0.3	0.5	0.6	1.0	1.7	2.6	3.4	na	na	na	na	na	0.5	na	0.8
Wells Capital Management	0.1	3.1	1.1	0.9 H	0.9	1.0	1.1	1.3	2.3	3.4	4.2	6.0	8.9 H	4.6	5.1	82.6	1.3	2.2	1.8
Nomura Securities, Inc.	0.1	3.1	1.0	0.2 L	0.4	0.6	0.7	1.5	2.3	3.1	4.0	5.4	7.6	na	5.1	83.5	2.2	0.2	1.7
Banc of America-Merrill Lynch	0.1	na	1.1	na	0.4	na	na	0.8	1.6	2.4	3.3	na	na	na	na	na	2.7	0.0	[illegible]
J.P. Morgan Chase	0.1	na	1.0	na	0.2	na	na	0.8	1.5	2.2	2.8 L	na	na	na	na	na	1.0	0.9	[illegible]
Nat'l Assn. of Realtors	0.1	3.3	1.5	0.4	0.3	0.7	1.0	1.2	2.1	3.0	3.9	5.7	8.4	5.2	5.1	na	1.0	0.6	0.8
Naroff Economic Advisors	0.0 L	3.3	0.7 L	0.6	0.4	0.6	0.8	1.5	2.1	3.2	4.1	4.5	6.4	4.4	5.0	76.5	5.8 H	1.3	1.2
Cycledata Corp.	0.0 L	3.2	1.2	0.5	0.2	0.4	0.6	0.9	1.7	2.7	3.9	5.6	8.2	4.7	4.8	79.0	1.5	1.8	1.6
Argus Research	0.0 L	3.0 L	1.0	0.4	0.3	0.5	0.7	0.9	1.7	2.9	3.8	5.2	8.2	4.8	4.9	81.0	0.0	3.1 H	2.9
April Consensus	**0.2**	**3.2**	**1.2**	**0.5**	**0.3**	**0.5**	**0.7**	**1.1**	**2.0**	**2.9**	**3.7**	**5.3**	**7.8**	**4.8**	**4.9**	**82.6**	**1.6**	**1.2**	**1.4**
Top 10 Avg.	0.3	3.3	1.6	0.7	0.6	0.8	1.1	1.6	2.5	3.5	4.2	5.8	8.6	5.1	5.3	86.7	3.2	2.3	2.5
Bottom 10 Avg.	0.1	3.1	0.9	0.3	0.2	0.4	0.5	0.8	1.6	2.4	3.2	4.7	6.8	4.4	4.6	78.5	0.0	0.3	0.2
March Consensus	0.2	3.3	1.2	0.5	0.4	0.6	0.8	1.2	2.1	3.1	3.7	5.3	7.6	4.8	5.1	82.5	1.6	1.4	1.7
Number of Forecasts Changed From A Month Ago:																			
Down	9	10	14	16	23	17	18	23	27	28	13	12	9	8	30	12	22	16	22
Same	30	30	16	13	14	15	13	14	10	10	12	12	6	10	7	10	15	18	18
Up	7	3	13	7	9	7	9	8	8	8	18	17	23	13	5	12	9	11	6
Diffusion Index	48 %	42 %	49 %	38 %	35 %	37 %	39 %	33 %	29 %	28 %	56 %	56 %	68 %	58 %	20 %	50 %	36 %	44 %	33 %

First Quarter 2010

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr	8 Treas Notes 2-Yr	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr	11 Treas. Bond 30-Yr	12 Aaa Corp. Bond	13 Baa Corp Bond	14 State & Local Bonds	15 Home Mtg Rate	A. Avg. For Qtr. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons Price Index
	Percent Per Annum – Average For Quarter: Short-Term							Intermediate-Term			Long-Term						(Q-Q % Change) (SAAR)		
ClearView Economics	1.2 H	4.2 H	2.9 H	1.3	1.3 H	1.6 H	2.0 H	2.3 H	2.8	3.6	4.2	6.2	9.0	5.3	5.7	81.0	4.1 H	2.3	3.0
Kellner Economic Advisers	0.8	3.8	1.2	1.3	0.8	1.0	1.2	1.2	2.0	2.0 L	3.8	5.6	8.2	5.0	5.0	75.0	2.4	2.6	3.0
Bank of Toyko-Mitsubishi UFJ	0.8	3.8	1.5	0.8	0.5	0.8	1.5	1.8	2.9	3.6	4.6	5.0	6.5	4.7	5.2	85.0	2.6	2.4	2.5
Argus Research	0.8	3.8	1.3	0.6	0.4	0.6	0.9	1.0	1.7	3.1	3.8	5.1	8.0	4.5	4.9	81.5	0.9	3.2 H	2.9
J.W. Coons Advisors LLC	0.7	3.7	1.8	0.6	0.3	0.7	1.0	1.4	2.1	2.6	3.6	5.1	7.4	na	4.7	91.1 H	2.5	1.1	3.1 H
Wells Capital Management	0.5	3.5	1.3	1.4 H	1.3 H	1.3	1.4	1.6	2.6	3.7	4.4	6.2	9.1 H	4.6	5.3	82.8	2.0	2.1	1.7
Cycledata Corp.	0.5	3.5	1.5	1.0	0.7	0.9	1.1	1.4	2.2	3.3	4.2	5.9	8.6	4.9	5.1	79.0	1.8	2.0	2.5
Daiwa Securities America	0.5	3.5	1.5	0.7	0.6	0.8	1.0	2.0	2.7	3.5	4.4	5.9	8.6	4.4	5.4	82.0	2.3	1.1	1.2
Woodworth Holdings	0.5	3.5	1.4	0.9	0.5	0.7	1.0	1.3	2.2	2.8	3.5	5.0	7.6	5.0	4.9	89.0	2.7	1.4	1.7
Moody's Capital Markets	0.5	3.5	1.3	0.7	0.5	0.7	1.2	1.8	2.5	3.2	4.0	5.4	7.3	4.7	5.1	84.5	2.5	1.8	2.5
DePrince & Assoc.	0.4	3.4	1.6	0.6	0.5	0.8	1.0	1.5	2.4	3.1	3.7	5.2	6.0	na	4.2 L	81.1	2.5	1.5	2.1
Thredgold Economic Assoc.	0.4	3.4	1.4	0.7	0.5	0.7	0.8	1.1	2.0	3.0	4.0	5.5	7.9	4.8	5.0	81.0	1.6	1.3	1.8
Wayne Hummer Investments	0.4	3.4	1.4	0.8	0.6	0.8	1.0	1.3	2.4	3.3	3.9	5.8	7.9	4.9	5.1	81.9	2.1	1.4	2.0
Moody's Economy.com	0.3	3.3	0.9	0.8	0.4	0.7	0.8	1.7	2.2	3.8	4.3	5.9	8.0	na	5.7	na	2.2	-0.4 L	2.4
Comerica Bank	0.3	3.2	0.9	0.5	0.3	0.7	1.0	1.4	3.2	3.2	3.9	5.1	6.4	4.0	5.0	85.0	4.0	2.0	1.2
Naroff Economic Advisors	0.3	3.5	1.0	0.7	0.6	0.9	1.2	1.6	2.2	3.5	4.3	4.7	5.3 L	4.2	5.1	73.0 L	3.2	1.7	1.7
Stone Harbor Investment Partners	0.3	3.3	1.2	0.5	0.2	0.5	0.7	1.0	1.8	2.4	3.4	4.0 L	6.4	na	4.6	83.0	0.6 L	1.9	1.7
RBS Greenwich Capital Econ	0.3	3.3	1.2	0.4	0.6	1.0	1.4	1.9	3.1	4.1	4.8 H	5.7	8.3	5.9 H	5.9	90.0	3.1	2.8	2.3
Wachovia	0.3	3.3	0.9	0.5	0.4	0.6	0.7	1.4	2.2	3.1	3.8	5.6	8.5	4.9	4.6	89.0	1.0	1.4	1.0
Action Economics	0.3	3.3	0.8	0.3	0.4	0.7	1.1	1.7	2.8	4.0	4.3	5.1	6.2	4.5	4.9	83.0	3.0	2.3	1.7
Russell Investments	0.3	3.3	0.7 L	0.5	0.4	0.6	0.7	1.1	2.4	3.1	4.3	5.5	7.6	4.6	4.9	76.8	1.5	0.9	0.7
...iabank	0.3	3.3	na	na	0.3	na	na	1.2	2.4	3.1	3.7	5.3	7.4	3.7 L	5.1	na	1.5	1.5	1.5
...gia State University	0.3	3.3	na	na	0.3	0.4 L	0.6	1.0	1.8	2.7	3.4	5.2	8.2	na	4.9	na	0.8	1.1	2.0
Loomis, Sayles & Company	0.2	3.2	0.8	0.3	0.3	0.5	0.8	1.4	2.6	3.4	4.3	5.1	7.0	4.9	5.1	83.5	2.3	0.1	1.6
MacroFin Analytics	0.2	3.3	1.3	0.7	0.4	0.9	1.1	1.5	2.4	3.1	3.8	5.1	8.0	4.8	4.7	82.5	2.0	1.0	0.8
PNC Financial Services Corp	0.2	3.3	1.3	0.4	0.3	0.4 L	0.6	1.0	1.9	2.7	3.9	5.2	8.1	4.9	4.8	88.0	2.0	3.0	2.2
Societe Generale	0.2	3.3	1.1	na	0.3	0.5	1.1	2.0	3.3 H	3.8	4.3	5.7	6.5	na	5.0	85.0	2.4	1.4	1.2
RDQ Economics	0.2	3.3	1.1	0.3	0.5	0.9	1.1	1.2	2.8	4.3 H	4.8 H	6.5 H	8.8	5.3	6.0 H	81.5	0.8	2.6	2.4
ING Investment Mgt	0.2	3.3	1.0	0.4	0.2	0.4 L	0.6	1.2	2.0	3.2	4.0	5.3	7.8	5.0	5.5	80.0	3.0	1.0	1.5
Woodley Park Research	0.2	3.2	1.0	0.3	0.4	0.5	0.8	1.1	1.7	2.7	3.1	5.2	7.9	4.6	5.0	80.5	3.5	1.5	2.3
Mesirow Financial	0.2	3.2	1.3	0.3	0.4	0.7	1.0	1.6	2.2	3.0	3.6	5.2	7.7	4.5	5.0	82.5	2.1	0.9	1.1
Fannie Mae	0.2	3.2	na	na	0.4	na	1.3	na	na	3.0	4.0	5.7	na	na	5.2	na	1.6	1.1	1.6
Standard & Poor's Corp	0.2	3.3	1.4	0.7	0.5	0.6	0.8	1.2	2.0	2.9	na	4.9	7.7	5.0	4.9	80.8	2.8	1.3	2.2
Barclays Capital	0.2	3.3	1.0	0.3	0.2	0.4 L	0.5 L	1.2	2.6	3.9	4.6	6.2	8.0	5.3	5.6	na	3.0	1.7	2.1
Chmura Economics & Analytics	0.2	3.3	0.9	0.4	0.2	0.4 L	0.8	1.0	1.9	2.7	3.6	5.5	na	na	4.6	73.7	2.1	1.5	1.6
JPMorgan Private Wealth Mgt	0.2	3.2	1.6	0.6	0.3	0.5	0.7	1.0	1.7	3.0	4.0	6.0	8.9	5.4	5.1	78.5	2.0	1.3	1.4
UBS Warburg	0.1 L	3.3	1.9	na	1.3	na	na	2.0	2.7	3.4	4.0	na	na	na	na	na	2.5	1.6	1.0
Goldman Sachs & Co.	0.1 L	3.3	1.0	na	0.5	na	na	0.8	2.1	3.0	3.8	4.1	na	na	5.0	na	1.5	0.8	0.4
BMO Capital Markets	0.1 L	3.3	0.8	0.4	0.2	0.4 L	0.7	1.0	1.9	2.8	3.8	5.8	8.7	5.1	5.1	82.0	2.6	1.2	1.5
GLC Financial Economics	0.1 L	3.1 L	1.5	0.5	0.1 L	0.4 L	0.6	0.7 L	1.2 L	2.4	2.9	5.2	8.1	4.5	4.7	83.0	1.0	1.7	2.8
Economist Intelligence Unit	0.1 L	3.1 L	1.2	0.4	0.3	0.5	0.6	1.0	1.9	2.6	3.4	na	na	na	na	na	0.8	na	0.8
Nomura Securities, Inc	0.1 L	3.1 L	0.8	0.2 L	0.4	0.6	0.7	1.7	2.4	3.2	4.0	5.4	7.3	na	5.2	83.0	2.4	1.2	0.2 L
J.P. Morgan Chase	0.1 L	na	1.0	na	0.2	na	na	0.8	1.4	2.1	2.7 L	na	na	na	na	na	2.0	0.8	0.9
Banc of America-Merrill Lynch	0.1 L	na	0.9	na	0.4	na	na	0.7 L	1.5	2.3	3.1	na	na	na	na	na	3.0	0.5	1.9
Nat'l Assn. of Realtors	0.1 L	3.3	1.6	0.5	0.5	0.9	1.2	1.5	2.2	3.1	4.0	5.7	8.3	5.3	5.2	na	1.8	0.8	1.1
April Consensus	**0.3**	**3.4**	**1.2**	**0.8**	**0.4**	**0.7**	**0.9**	**1.3**	**2.2**	**3.1**	**3.9**	**5.4**	**7.7**	**4.8**	**5.1**	**82.3**	**2.2**	**1.5**	**1.8**
Top 10 Avg.	0.7	3.7	1.7	1.0	0.8	1.0	1.3	1.9	2.9	3.8	4.5	6.0	8.7	5.3	5.6	87.0	3.3	2.5	2.7
Bottom 10 Avg.	0.1	3.2	0.8	0.3	0.2	0.4	0.6	0.9	1.7	2.4	3.3	4.8	6.5	4.3	4.7	77.8	1.0	0.6	0.8
March Consensus	0.5	3.5	1.4	0.8	0.6	0.8	1.1	1.5	2.4	3.3	3.9	5.4	7.5	4.8	5.2	82.5	2.3	1.6	1.9
...mber of Forecasts Changed From A Month Ago:																			
Down	17	16	20	20	25	24	23	27	26	30	16	13	8	9	27	14	17	16	19
Same	26	25	16	9	14	12	10	11	9	9	12	11	8	9	9	10	16	19	15
Up	2	2	6	7	6	3	7	6	9	6	15	17	22	13	5	10	12	9	11
Diffusion Index	33 %	34 %	33 %	32 %	29 %	23 %	30 %	26 %	31 %	23 %	49 %	55 %	68 %	56 %	23 %	44 %	44 %	42 %	41 %

Second Quarter 2010

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term							Intermediate-Term			Long-Term					Avg. For Qtr.	(Q-Q % Change) (SAAR)		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	A.	B.	C.	D.
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr	Treas. Notes 2-Yr	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg Rate	Fed's Major Currency $ Index	Real GDP	GDP Price Index	Cons. Price Index
ClearView Economics	1.6 H	4.6 H	3.2 H	1.6	1.6	1.9 H	2.2 H	2.5	3.0	3.7	4.4	6.3	9.1 H	5.4	5.9	79.0	4.4	2.3	3.0
Cycledata Corp.	1.5	4.5	2.4	2.1 H	1.5	1.7	2.0	2.3	3.0	3.9	4.4	6.2	8.9	4.9	5.3	79.0	1.8	2.0	2.6
Naroff Economic Advisors	1.3	4.3	1.9	1.7	1.7 H	1.9 H	2.2 H	2.6 H	3.3	4.0	4.9	5.0	6.0	4.6	5.6	74.5	2.2	2.0	2.2
J.W. Coons Advisors LLC	1.2	4.2	2.3	1.1	0.8	1.2	1.5	1.8	2.5	2.9	3.8	5.2	7.4	na	4.9	82.3	2.0	0.7	2.9
Moody's Economy.com	1.0	4.0	1.6	1.3	0.8	1.1	1.3	2.2	3.0	4.6	5.0	6.4	8.5	na	6.4 H	na	2.3	0.9	2.6
ING Investment Mgt	1.0	4.0	2.0	1.5	0.8	1.0	1.2	1.5	2.5	3.5	4.2	5.5	8.0	5.0	6.0	79.0	2.0	1.2	1.5
Daiwa Securities America	1.0	4.0	1.9	1.1	1.1	1.3	1.4	2.6 H	3.2	3.9	4.8	6.1	8.7	4.2	5.4	80.0	2.8	1.0	1.2
Moody's Capital Markets	1.0	4.0	1.5	1.2	1.0	1.3	1.6	2.0	2.7	3.3	4.0	5.3	7.1	4.6	5.2	85.3	2.6	1.8	2.3
Argus Research	1.0	4.0	1.5	0.9	0.5	0.7	1.0	1.1	1.8	3.4	3.9	5.2	7.8	4.7	4.9	81.0	2.4	3.5 H	3.3
Kellner Economic Advisers	1.0	4.0	1.4	1.4	1.2	1.4	1.6	1.6	2.2	2.2	4.0	5.8	8.2	5.0	5.0	74.0	2.6	2.8	3.4 H
Wells Capital Management	1.0	4.0	1.5	1.6	1.4	1.4	1.5	1.6	2.5	3.6	4.4	6.1	9.0	4.5	5.3	83.0	2.7	2.3	2.0
Wayne Hummer Investments	0.8	3.8	1.5	1.0	0.8	1.0	1.2	1.5	2.6	3.5	4.1	5.8	7.9	5.0	5.2	81.5	2.4	1.6	2.2
Woodworth Holdings	0.8	3.8	1.5	1.1	0.7	1.0	1.2	1.5	2.4	3.1	3.8	5.2	7.7	5.0	5.2	91.0	3.8	1.5	1.8
Action Economics	0.8	3.8	1.3	0.8	0.9	1.1	1.5	2.0	3.2	4.3	4.5	5.3	6.2	4.7	5.1	83.0	3.5	2.0	1.8
Bank of Toyko-Mitsubishi UFJ	0.8	3.8	1.3	0.8	0.5	0.8	1.5	1.8	2.9	3.6	4.6	5.0	6.5	4.7	5.2	84.0	2.6	2.5	2.6
Comerica Bank	0.7	3.7	1.3	0.9	0.7	1.1	1.4	1.8	2.5	3.1	3.7	4.7	5.9 L	3.6 L	4.8	86.0	6.0 H	1.1	1.2
DePrince & Associates	0.7	3.7	1.6	0.9	0.7	1.0	1.3	1.8	2.6	3.3	3.8	5.3	6.0	na	4.2 L	81.4	2.7	1.8	2.2
MacroFin Analytics	0.5	3.8	1.6	1.0	0.7	1.0	1.3	1.6	2.5	3.2	3.9	5.0	7.8	4.8	4.8	82.6	2.5	1.3	1.0
Nat'l Assn. of Realtors	0.5	3.5	1.7	0.8	0.9	1.2	1.7	1.8	2.3	3.2	4.1	5.7	8.2	5.4	5.3	na	2.7	1.2	2.1
Thredgold Economic Assoc	0.5	3.5	1.4	0.8	0.6	0.8	1.0	1.3	2.2	3.1	4.1	5.6	8.0	4.8	5.0	81.0	2.0	1.5	1.8
Russell Investments	0.4	3.4	0.7 L	0.5	0.5	0.7	0.8	1.3	2.6	3.3	4.6	5.5	7.3	4.6	5.1	76.0	2.8	0.9	1.5
GLC Financial Economics	0.3	3.3	1.6	0.7	0.3	0.7	0.8	0.9	1.4 L	2.4	2.9 L	5.2	8.0	4.5	4.5	82.5	1.7	1.4	2.[illegible]
BMO Capital Markets	0.3	3.3	0.9	0.6	0.4	0.7	1.0	1.4	2.2	3.0	4.0	6.0	8.8	5.2	5.3	81.0	2.7	1.6	[illegible]
UBS Warburg	0.3	3.3	1.9	na	1.3	na	na	2.5	3.1	3.6	4.2	na	na	na	na	na	2.5	1.6	0.7
Loomis, Sayles & Company	0.3	3.3	0.8	0.4	0.3	0.5	0.9	1.5	2.8	3.5	4.3	5.0	6.6	4.6	5.2	83.5	2.8	-0.7 L	1.5
RBS Greenwich Capital Econ	0.3	3.3	1.6	0.6	0.8	1.3	1.7	2.5	3.5	4.5	5.1 H	5.8	8.1	6.0 H	6.2	92.0 H	3.7	2.0	2.6
Economist Intelligence Unit	0.3	3.3	1.4	0.6	0.5	0.7	0.9	1.3	2.3	2.9	3.6	na	na	na	na	na	1.5	na	1.2
Stone Harbor Investment Partners	0.3	3.3	1.2	0.5	0.2 L	0.5	0.9	1.5	2.4	3.1	4.0	4.4	6.6	na	5.1	81.0	2.5	1.9	2.2
Wachovia	0.3	3.3	0.8	0.5	0.4	0.6	0.7	1.5	2.3	3.3	3.9	5.7	8.5	4.8	4.7	90.0	2.0	1.5	1.4
Scotiabank	0.3	3.3	na	na	0.3	na	na	1.5	2.7	3.4	3.9	5.5	7.5	3.9	5.3	na	2.5	1.5	1.5
Georgia State University	0.3	3.3	na	na	0.4	0.5	0.6	1.1	1.9	2.7	3.4	5.2	8.2	na	4.9	na	1.2 L	1.1	2.3
PNC Financial Services Corp.	0.2	3.3	1.4	0.5	0.4	0.5	0.7	1.1	2.0	2.8	4.0	5.3	8.0	5.0	4.6	87.0	2.5	1.8	2.4
Societe Generale	0.2	3.3	1.3	na	0.3	0.7	1.5	2.4	3.5 H	3.9	4.4	5.8	6.5	na	5.2	83.9	3.1	0.9	0.9
RDQ Economics	0.2	3.3	1.1	0.3	0.5	0.9	1.1	1.3	3.0	4.6 H	5.1 H	6.7 H	8.9	5.6	6.3	81.1	1.6	2.6	2.6
Mesirow Financial	0.2	3.2	1.2	0.3	0.4	0.7	1.1	1.7	2.3	3.1	3.7	5.1	7.5	4.5	5.1	81.6	3.0	0.2	0.8
Woodley Park Research	0.2	3.2	0.9	0.3	0.4	0.5	0.8	1.1	1.7	2.6	3.0	5.1	7.8	4.5	4.9	79.0	3.5	1.5	2.7
Fannie Mae	0.2	3.2	na	na	0.4	na	1.6	na	na	3.1	4.0	5.6	na	na	5.2	na	2.6	1.1	2.3
Standard & Poor's Corp	0.2	3.3	1.5	0.8	0.6	0.7	0.9	1.3	2.0	2.9	na	5.0	7.7	5.0	4.9	79.4	2.9	1.4	2.7
Barclays Capital	0.2	3.3	0.9	0.3	0.2 L	0.4 L	0.5 L	1.3	2.9	4.3	5.0	6.1	7.7	5.3	5.6	na	3.5	1.4	0.0 L
Chmura Economics & Analytics	0.2	3.3	0.9	0.4	0.2 L	0.4 L	0.8	1.1	1.9	2.8	3.6	5.5	na	na	4.8	70.3 L	1.9	1.8	1.8
JPMorgan Private Wealth Mgt.	0.2	3.2	1.6	0.6	0.3	0.5	0.7	1.0	1.7	3.1	4.1	6.1	9.0	5.4	5.1	78.2	2.0	1.3	1.6
Goldman Sachs & Co	0.1 L	3.3	1.0	na	0.5	na	na	0.8	2.2	3.1	3.9	4.2 L	na	na	5.1	na	1.5	0.3	0.2
Nomura Securities, Inc.	0.1 L	3.1 L	0.7 L	0.2 L	0.4	0.6	0.8	2.0	2.6	3.3	4.1	5.4	7.2	na	5.3	82.0	2.6	1.2	1.4
Banc of America-Merrill Lynch	0.1 L	na	0.9	na	0.4	na	na	0.6 L	1.4	2.2 L	3.0	na	na	na	na	na	2.3	0.0	0.9
April Consensus	**0.5**	**3.8**	**1.4**	**0.8**	**0.7**	**0.9**	**1.2**	**1.6**	**2.6**	**3.3**	**4.1**	**5.5**	**7.7**	**4.8**	**5.2**	**81.7**	**2.6**	**1.5**	**1.9**
Top 10 Avg.	1.2	4.2	2.0	1.4	1.3	1.4	1.8	2.4	3.2	4.2	4.8	6.2	8.8	5.3	5.8	86.6	3.7	2.4	2.8
Bottom 10 Avg.	0.2	3.2	0.8	0.4	0.3	0.5	0.7	1.0	1.8	2.6	3.4	4.8	6.5	4.3	4.7	76.8	1.7	0.5	0.8
March Consensus	0.7	3.8	1.6	1.1	0.9	1.1	1.4	1.8	2.6	3.5	4.1	5.5	7.6	4.8	5.4	82.1	2.7	1.5	1.9
Number of Forecasts Changed From A Month Ago:																			
Down	14	14	20	19	21	21	22	25	23	27	16	15	10	7	25	17	17	15	16
Same	26	25	14	10	17	12	9	13	11	11	12	11	8	12	9	6	17	15	17
Up	4	4	7	7	6	6	9	5	9	6	14	15	19	11	7	9	10	13	11
Diffusion Index	39 %	38 %	34 %	33 %	33 %	31 %	34 %	27 %	34 %	26 %	48 %	50 %	62 %	57 %	28 %	38 %	42 %	48 %	44 %

Third Quarter 2010

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term							Intermediate-Term				Long-Term				Avg. For --Qtr.--	(Q-Q % Change) (SAAR)		
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Naroff Economic Advisors	2.5 H	5.5 H	3.1	2.8 H	2.8 H	3.0 H	3.0 H	3.4 H	4.1	4.9 H	5.7 H	5.1	6.0 L	5.2	6.5	76.0	2.4	2.2	2.6
ClearView Economics	2.4	5.4	4.0 H	2.4	2.4	2.6	2.8	3.1	3.4	4.1	4.6	6.6	9.5 H	5.6	6.3	77.0	3.8	2.5	3.6
Cycledata Corp.	2.0	5.0	2.9	2.6	2.0	2.2	2.5	2.8	3.5	4.4	5.0	6.7	9.2	5.2	5.6	80.0	2.0	2.3	2.9
J.W. Coons Advisors LLC	1.7	4.7	2.9	1.6	1.3	1.6	2.0	2.3	2.8	3.2	4.0	5.4	7.4	na	5.2	79.6	2.5	1.7	2.8
Moody's Economy.com	1.5	4.5	2.1	1.7	1.3	1.6	1.8	2.8	3.3	4.8	5.2	6.5	8.6	na	6.7 H	na	3.6	1.0	2.6
Daiwa Securities America	1.5	4.5	2.3	1.6	1.5	1.7	1.8	3.1	3.7	4.3	5.2	6.4	8.8	4.0	5.6	78.0	2.7	1.0	1.2
Nat'l Assn. of Realtors	1.5	4.5	2.0	1.7	1.7	1.9	2.0	2.1	2.4	3.3	4.2	5.8	8.0	5.5	5.5	na	2.7	1.3	2.3
Moody's Capital Markets	1.5	4.5	2.0	1.6	1.6	1.8	2.2	2.5	3.0	3.5	4.1	5.4	7.1	4.4	5.4	86.2	2.9	1.8	2.5
Comerica Bank	1.5	4.5	2.0	1.7	1.4	1.8	2.2	2.6	3.0	3.5	4.0	4.9	6.1	3.8 L	5.2	87.0	4.0	1.2	1.4
Wells Capital Management	1.4	4.4	1.9	1.9	1.8	1.8	1.9	2.1	2.8	3.9	4.7	6.4	9.2	4.9	5.6	83.5	3.0	2.5	2.5
Kellner Economic Advisers	1.4	4.4	1.7	1.5	1.5	1.7	1.8	1.8	2.5	2.4	4.4	6.0	8.2	5.0	5.2	72.0	2.6	3.0	3.8 H
RBS Greenwich Capital Econ	1.3	4.3	2.5	1.7	1.7	2.3	2.9	3.0	4.3 H	4.8	5.3	6.0	8.0	5.8	6.5	94.0 H	4.2 H	2.2	2.8
Action Economics	1.3	4.3	1.6	1.3	1.2	1.5	1.8	2.3	3.4	4.4	4.6	5.3	6.3	4.8	5.1	83.0	3.6	2.1	1.9
Wayne Hummer Investments	1.2	4.2	1.6	1.4	1.2	1.4	1.5	1.8	2.8	3.7	4.2	5.9	8.1	5.1	5.3	80.6	2.7	1.8	2.3
DePrince & Assoc.	1.2	4.2	2.0	1.5	1.2	1.5	1.8	2.3	3.0	3.5	3.9	5.5	6.2	na	4.4 L	82.1	2.7	1.8	2.2
MacroFin Analytics	1.0	4.2	2.0	1.3	1.2	1.5	1.8	2.0	2.6	3.3	4.0	5.0	7.7	4.7	5.0	83.0	2.5	1.5	1.3
ING Investment Mgt.	1.0	4.0	2.0	1.5	0.8	1.0	1.2	1.5	2.5	3.5	4.3	5.6	8.0	5.0	6.0	78.0	2.0	1.2	1.5
Woodworth Holdings	1.0	4.0	1.8	1.4	1.0	1.2	1.5	1.8	2.7	3.3	4.0	5.3	7.7	5.0	5.4	93.0	4.1	1.5	1.8
Argus Research	1.0	4.0	1.5	1.0	0.6	0.8	1.1	1.2	1.9	3.5	4.0	5.3	7.6	4.7	4.9	81.5	2.1	3.5 H	3.0
Russell Investments	0.8	3.8	0.9	0.7	0.7	1.0	1.2	1.6	2.8	3.5	4.7	5.5	7.2	4.7	5.2	75.3	3.1	1.1	2.0
Economist Intelligence Unit	0.8	3.8	1.8	0.9	0.8	0.9	1.2	1.6	2.5	3.3	4.0	na	na	na	na	na	1.6	na	1.4
Stone Harbor Investment Partners	0.8	3.8	1.5	1.0	0.5	0.8	1.4	2.2	3.0	3.7	4.5	4.8	6.8	na	5.7	79.0	4.0	2.3	2.8
IO Capital Markets	0.8	3.8	1.3	1.0	0.8	1.1	1.5	2.0	2.6	3.2	4.1	6.1	8.8	5.2	5.4	80.0	2.8	1.7	2.6
PNC Financial Services Corp	0.7	3.7	1.8	0.9	0.8	0.9	1.1	1.5	2.4	3.2	4.4	5.4	8.0	5.3	5.1	85.0	3.0	1.8	2.4
Thredgold Economic Assoc.	0.7	3.7	1.6	1.0	0.8	1.0	1.2	1.5	2.4	3.2	4.2	5.7	8.0	4.8	5.0	81.0	2.4	1.7	2.0
GLC Financial Economics	0.7	3.7	1.8	1.0	0.4	0.8	1.0	1.1	1.5	2.4	2.9	5.2	7.9	4.4	4.5	82.2	2.8	1.6	2.9
Chmura Economics & Analytics	0.7	3.7	1.1	0.9	0.6	0.8	1.1	1.4	2.2	3.2	3.8	5.5	na	na	5.1	67.4 L	2.8	1.7	1.9
UBS Warburg	0.6	3.6	1.9	na	1.4	na	na	2.8	3.3	3.8	4.4	na	na	na	na	na	2.6	1.6	2.4
Loomis, Sayles & Company	0.6	3.6	1.2	0.8	0.7	0.9	1.1	1.6	2.8	3.5	4.3	4.9	6.2	4.4	5.1	83.5	2.7	-0.9 L	1.4
Woodley Park Research	0.4	3.4	1.1	0.5	0.6	0.7	1.0	1.3	1.8	2.6	3.0	5.1	7.8	4.5	5.0	77.5	3.4	1.7	3.1
Wachovia	0.3	3.3	0.8	0.5	0.5	0.7	0.8	1.6	2.4	3.4	3.9	5.8	8.6	4.8	4.8	91.0	2.3	1.7	1.9
Scotiabank	0.3	3.3	na	na	1.8	na	na	1.8	3.1	3.6	4.1	5.6	7.6	4.1	5.5	na	3.0	2.0	1.6
Georgia State University	0.3	3.3	na	na	0.5	0.6	0.8	1.2	2.0	2.8	3.5	5.2	8.2	na	5.0	na	1.0 L	1.3	2.6
Standard & Poor's Corp.	0.2	3.3	1.6	0.9	0.7	0.9	1.0	1.4	2.2	2.9	na	5.1	7.8	5.0	5.0	78.1	2.1	1.5	2.8
Societe Generale	0.2	3.3	1.4	na	0.4	0.8	1.7	2.7	3.7	4.0	4.6	5.8	6.5	na	5.5	81.4	3.0	0.9	0.9
RDQ Economics	0.2	3.3	1.1	0.3	0.5	0.9	1.1	1.3	3.1	4.8	5.3	6.8 H	8.9	5.8 H	6.5	80.6	2.2	2.7	2.9
Mesirow Financial	0.2	3.2	1.1	0.3	0.4	0.8	1.1	1.7	2.4	3.2	3.9	5.1	7.2	4.5	5.2	80.8	3.7	0.2	1.0
Fannie Mae	0.2	3.2	na	na	0.4	na	1.8	na	na	3.1	4.1	5.5	na	na	5.2	na	2.6	1.3	2.8
Barclays Capital	0.2	3.3	0.8	0.3	0.2 L	0.4 L	0.5 L	1.3	2.9	4.3	5.0	6.1	7.5	5.2	5.6	na	3.5	1.6	2.0
J.P. Morgan Chase	0.2	3.2	1.6	0.7	0.3	0.5	0.7	1.0	1.8	3.3	4.3	6.3	9.2	5.5	5.2	77.5	2.5	1.4	2.0
JPMorgan Private Wealth Mgt	0.2	3.2	1.6	0.7	0.3	0.5	0.7	1.0	1.8	3.3	4.3	6.3	9.2	5.5	5.2	77.5	2.5	1.4	2.0
Goldman Sachs & Co.	0.1 L	3.3	1.0	na	0.5	na	na	0.8	2.4	3.3	4.1	4.4 L	na	na	5.3	na	2.0	-0.3	-0.2 L
Nomura Securities, Inc.	0.1 L	3.1 L	0.6 L	0.2 L	0.4	0.6	0.8	2.1	2.7	3.4	4.1	5.4	7.2	na	5.3	82.0	2.7	1.0	1.1
Banc of America-Merrill Lynch	0.1 L	na	0.8	na	0.4	na	na	0.6 L	1.3 L	2.1 L	2.8 L	na	na	na	na	na	1.3	-0.3	0.3
April Consensus	**0.9**	**3.9**	**1.7**	**1.2**	**1.0**	**1.2**	**1.5**	**1.9**	**2.7**	**3.5**	**4.3**	**5.6**	**7.8**	**4.9**	**5.4**	**81.0**	**2.8**	**1.6**	**2.1**
Top 10 Avg.	1.8	4.8	2.6	2.0	1.9	2.1	2.3	2.9	3.6	4.5	5.1	6.4	9.0	5.5	6.1	86.9	3.8	2.5	3.1
Bottom 10 Avg.	0.2	3.2	0.9	0.5	0.4	0.6	0.8	1.1	1.9	2.8	3.6	4.9	6.6	4.3	4.9	75.6	1.9	0.5	1.0
March Consensus	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Number of Forecasts Changed From A Month Ago:																			
Down	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Same	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Up	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na
Diffusion Index	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %	na %

International Interest Rate And Foreign Exchange Rate Forecasts

United States

	3 Mo. Dollar Rate			10 Yr. Gov't Bond Yield %			Fed's Major Currency $ Index		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	1.14	0.90	0.50	2.50	2.35	3.10	na	na	na
Deutsche Bank AG	na	na	na	na	na	na	na	na	na
WestLB	1.00	0.80	0.70	2.10	2.00	2.80	84.0	85.0	84.0
ING Financial Markets	1.20	0.90	0.75	1.70	1.70	2.10	92.1	93.7	93.8
Mizuho Research Institute	1.10	0.75	0.50	2.60	2.50	2.90	81.8	83.0	84.3
April Consensus	**1.11**	**0.84**	**0.61**	**2.23**	**2.14**	**2.73**	**86.0**	**87.2**	**87.4**
High	1.20	0.90	0.75	2.60	2.50	3.10	92.1	93.7	93.8
Low	1.00	0.75	0.50	1.70	1.70	2.10	81.8	83.0	84 0
Last Months Avg.	1.15	0.86	0.63	2.23	2.19	2.69	85.0	86.4	87.4

Japan

	3 Mo. Yen Rate			10 Yr. Gov't Bond Yield %			Yen/USD		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	0.60	0.60	0.70	1.20	1.40	1.60	98.0	98.0	92.0
Deutsche Bank AG	na	na	na	na	na	na	na	na	na
WestLB	0.80	0.75	0.75	1.30	1.30	1.40	90.0	95.0	100.0
ING Financial Markets	0.65	0.50	0.50	1.10	1.10	1.20	105.0	108.0	110.0
Mizuho Research Institute	0.65	0.60	0.55	1.20	1.15	1.20	96.0	98.0	100.0
April Consensus	**0.68**	**0.61**	**0.63**	**1.20**	**1.24**	**1.35**	**97.3**	**99.8**	**100.5**
High	0.80	0 75	0 75	1.30	1.40	1.60	105.0	108.0	110.0
Low	0.60	0.50	0.50	1.10	1.10	1.20	90.0	95.0	92.0
Last Months Avg.	0.69	0 61	0.59	1 18	1.23	1.33	91.0	93.5	96.5

United Kingdom

	3 Mo. Sterling Rate			10 Yr. Gilt Yields %			USD/Pound Sterling		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	1.70	1.50	1.80	3.30	3.50	4.00	1.39	1.41	1.48
Deutsche Bank AG	na	na	na	na	na	na	na	na	na
WestLB	1.75	1.50	1.25	3.50	3 50	3.50	1.40	1.45	1.50
ING Financial Markets	1.70	1.60	1.80	2.80	2.50	3.00	1.33	1.31	1.38
Mizuho Research Institute	1.65	1.30	1.00	3.00	2.90	3.10	na	na	na
April Consensus	**1.70**	**1.48**	**1.46**	**3.15**	**3.10**	**3.40**	**1.37**	**1.39**	**1.45**
High	1.75	1.60	1.80	3.50	3.50	4.00	1.40	1.45	1.50
Low	1.65	1.30	1.00	2.80	2.50	3.00	1.33	1.31	1.38
Last Months Avg.	1.56	1.33	1.31	3.21	3.23	3.45	1.41	1.43	1.49

Switzerland

	3 Mo. Franc Rate %			10 Yr. Gov't Bond Yield %			CHF/USD		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	0.40	0.50	0.80	2.00	1.80	2.00	1.20	1.15	1.10
Deutsche Bank AG	na	na	na	na	na	na	na	na	na
WestLB	0.50	0.50	0.50	2.00	1.80	2.00	1.15	1.15	1.15
ING Financial Markets	0.20	0.20	0.30	1.90	2.00	2.00	1.15	1.16	1.16
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
April Consensus	**0.37**	**0.40**	**0.53**	**1.97**	**1.87**	**2.00**	**1.17**	**1.15**	**1.14**
High	0.50	0.50	0.80	2.00	2.00	2.00	1.20	1.16	1.16
Low	0.20	0.20	0.30	1.90	1.80	2.00	1.15	1.15	1.10
Last Months Avg.	0.43	0.43	0.53	1.97	1.87	2.00	1.14	1.15	1.14

Canada

	3 Mo. Dollar Rate			10 Yr. Gov't Bond Yield %			CAD/USD		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	1.35	1.20	0.80	2.40	2.20	3.00	1.33	1.32	1.23
Deutsche Bank AG	na	na	na	na	na	na	na	na	na
WestLB	1.40	1.25	1.00	2.75	2.75	3.00	1.30	1.35	1.35
ING Financial Markets	1.40	1.30	0.90	2.20	2.00	2.20	1.36	1.39	1.42
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
April Consensus	**1.38**	**1.25**	**0.90**	**2.45**	**2.32**	**2.73**	**1.33**	**1.35**	**1.33**
High	1.40	1.30	1.00	2.75	2.75	3.00	1.36	1.39	1.42
Low	1.35	1.20	0.80	2.20	2.00	2.20	1.30	1.32	1.23
Last Months Avg.	1.30	1.15	0.87	2.58	2.55	2.77	1.31	1.32	1.30

International Interest Rate And Foreign Exchange Rate Forecasts

Australia

	3 Mo. Dollar Rate			10 Yr. Gov't Bond Yield %			USD/AUD		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	3.40	3.40	3.80	4.00	4.00	4.50	0.60	0.60	0.64
Deutsche Bank AG	na	na	na	na	na	na	na	na	na
WestLB	3.75	3.75	4.00	4.00	4.25	4.35	0.65	0.65	0.70
ING Financial Markets	na	na	na	na	na	na	0.59	0.57	0.56
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
April Consensus	**3.58**	**3.58**	**3.90**	**4.00**	**4.13**	**4.43**	**0.61**	**0.61**	**0.63**
High	3.75	3.75	4.00	4.00	4.25	4.50	0.65	0.65	0.70
Low	3.40	3.40	3.80	4.00	4.00	4.35	0.59	0.57	0.56
Last Months Avg.	3.63	3.63	4.00	3.90	4.13	4.43	0.63	0.63	0.66

Eurozone

	3 Mo. Euro Rate			10 Yr. Euro Bond Yield %			USD/EUR		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	1.30	1.20	1.60	3.00	2.70	3.00	1.25	1.30	1.38
Deutsche Bank AG	na	na	na	na	na	na	na	na	na
WestLB	2.00	1.75	1.75	3.50	3.30	3.50	1.30	1.28	1.30
ING Financial Markets	1.80	1.70	1.50	2.70	2.70	3.00	1.20	1.18	1.20
Mizuho Research Institute	1.40	1.10	0.90	na	na	na	1.28	1.26	1.24
April Consensus	**1.63**	**1.44**	**1.44**	**3.07**	**2.90**	**3.17**	**1.26**	**1.26**	**1.28**
High	2.00	1.75	1.75	3.50	3.30	3.50	1.30	1.30	1.38
Low	1.30	1.10	0.90	2.70	2.70	3.00	1.20	1.18	1.20
Last Months Avg.	1.73	1.54	1.49	3.07	2.93	3.13	1.28	1.27	1.29

10 Yr. Gov't Bond Yields %

	Germany			France			Italy			Spain		
Blue Chip Forecasters	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	3.00	2.70	3.00	3.50	3.20	3.50	4.40	4.20	4.50	4.10	3.90	4.20
West LB	2.70	2.50	2.70	3.10	3.00	3.20	4.50	4.30	4.50	4.00	3.90	4.00
ING Financial Markets	2.70	2.70	3.00	3.25	3.15	3.30	4.20	3.90	4.00	3.90	3.70	3.80
Mizuho Research Institute	2.85	2.70	2.75	3.35	3.20	3.15	4.35	4.20	4.25	3.95	3.80	3.85
April Consensus	**2.81**	**2.65**	**2.86**	**3.30**	**3.14**	**3.29**	**4.36**	**4.15**	**4.31**	**3.99**	**3.83**	**3.96**
High	3.00	2.70	3.00	3.50	3.20	3.50	4.50	4.30	4.50	4.10	3.90	4.20
Low	2.70	2.50	2.70	3.10	3.00	3.15	4.20	3.90	4.00	3.90	3.70	3.80
Last Months Avg.	2.83	2.69	2.86	3.31	3.18	3.29	4.40	4.19	4.31	4.00	3.86	3.96

Consensus Forecasts: 10-year Bond Yields vs U.S. Yield

	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-1.41	-1.03	-0.90	-1.38
United Kingdom	0.46	0.93	0.96	0.68
Switzerland	-0.54	-0.26	-0.27	-0.73
Canada	0.09	0.23	0.18	0.01
Australia	1.83	1.78	1.99	1.70
Germany	0.36	0.59	0.51	0.14
France	0.93	1.08	1.00	0.56
Italy	1.67	2.14	2.01	1.59
Spain	1.37	1.76	1.69	1.24
Eurozone	1.53	0.84	0.76	0.44

Consensus Forecasts: 3 Mo. Interest Rates vs U.S. Rate

	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-0.63	-0.44	-1.45	0.01
United Kingdom	0.19	0.59	0.64	0.85
Switzerland	-0.25	-0.74	-0.44	-0.08
Canada	-0.50	0.27	0.41	0.29
Australia	2.17	2.47	2.74	3.29
Eurozone	-0.08	0.52	0.60	0.83

Viewpoints: A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

The Power Of An Unlimited Balance Sheet

The Fed moved aggressively this week to further expand its credit easing program. It said it would purchase \$300bn of longer-term Treasury securities and raise its purchases of agency mortgage-backed securities to \$1.25trn (from \$750bn) and of agency debt to \$200bn (from \$100bn). Figure 1 gives some context to the purchases. They represent more than a quarter of the stock of agency-backed mortgages and 8.1% of the stock of Treasury coupon debt. In the case of the former, the Fed is buying more than twice the net issuance that our strategists project for this year. By any metric, the purchases look massive.

Why did the Fed make this move now? Certainly, the move to Treasury purchases is consistent with Chairman Bernanke's previous arguments that a central bank needs to be aggressive early in combating the threat of deflation. The Fed believes that the persistent deflations in the US in the 1930s and in Japan in the 1990s could have been prevented by appropriately aggressive policy. The sizeable drop in UK gilt yields after the Bank of England announced its purchase plan may have given the Fed more conviction about the effectiveness of this policy, and the Fed could have been influenced by the slow roll-out of programs such as the Treasury Department's Public-Private Investment Fund. In any event, the action makes clear that the Fed will continue to introduce new tools to fight economic weakness. For example, its statement this week indicated that the range of eligible collateral for the Term Asset-Backed Securities Loan Facility was likely to be expanded.

The 50bp fall in Treasury rates after the announcement highlights that the Fed does not necessarily need to buy many trillions of dollars in assets to achieve significant results, as some have asserted. Rather, much of the power of its actions comes from market participants' knowledge that the Fed will commit whatever resources are needed to achieve its goals. We see little reason to doubt that it will be able to raise inflation rates and revive growth through its programs; after all, if the currently scheduled amounts are not enough, it can keep printing money and multiplying its actions until it sees the desired results. The message from the Fed is clear: We have an unlimited balance sheet and we are prepared to use it.

Our mortgage strategists expect a fall in the no-point rate on agency-backed mortgages below 5% to lead to a major refinancing wave. So far, the effects of low mortgage rates on refinancing has been muted by increases over the past year in upfront guarantee fees and mortgage insurance fees charged by the agencies, which have made mortgages notably more expensive than published rates would suggest. In addition, many borrowers whose home prices had dropped found that they could not meet the loan-to-value requirements to refinance, or that they would be charged additional mortgage insurance fees as a result. However, the administration's Homeowner Affordability Refinance Plan helps by raising the maximum loan-to-value ratio on refinanced agency mortgages to 105% and sharply reducing or eliminating upfront guarantee and mortgage insurance fees. Also, households whose home value has dropped will not face an increase in their mortgage insurance fees relative to their current payments. We expect these changes to interact with lower mortgage rates to allow more households to refinance, and the reduction in payments will be a support to consumer spending.

One of the reasons the Fed is expanding its balance sheet is that it fears deflation. Recent data have been encouraging on this front. The sharp decline in core inflation in 4Q08 had led some on the FOMC to wonder if the US had already slipped into a flat or negative core inflation environment, but recent data confirm that the trend remains solidly positive. The core CPI rose 0.2% in February for the second consecutive month and is now up at a 1.5% annualized pace over the past three months and 1.8% over the past year. The recent firming has been focused in the core commodities index, as prices of apparel, new vehicles, and medical commodities all have risen. Producer prices also show this pattern, with all measures of the core PPI moving higher over the past three months. The Fed's action also led to further moves higher in commodity prices, in part because of the dollar's weakening, a desirable turn for those fearing deflation. Despite the recent firming in goods inflation, we continue to expect core inflation to decelerate gradually in coming quarters because of increased slack in the economy. The recent data confirm that disinflation is likely to be gradual rather than rapid.

Dean Maki, Barclays Capital, New York, NY

Treasury Provides Details On Public-Private Investment Program

On Monday, Treasury Secretary Geithner unveiled his most comprehensive outline so far of the Administration's Public-Private Investment Program. The plan will use \$75-\$100 billion in TARP funding, coupled with private funds, to purchase between \$500 billion and \$1 trillion in legacy loans and securities. The focus of the plan is centered on two parts: one that deal with toxic securities (partly through an expansion of the Fed's TALF program) and another that deals with legacy loans.

According to the Treasury, the legacy loans portion of the plan would "*facilitate market-priced sales of troubled assets*" by creating an investment fund that will purchase pools of troubled assets currently held by banks. Loan eligibility will be determined by the FDIC. The goal of the legacy security program is to "*restart the market for legacy securities, allowing banks and other financial institutions to free up capital and stimulate the extension of new credit. The resulting process of price discovery will also reduce the uncertainty surrounding the financial institutions holding these securities, potentially enabling them to raise new private capital.*"

The legacy securities include commercial mortgage-backed securities (CMBS) and residential mortgage backed securities (RMBS) issued by 2009. Broadly speaking, it looks as if the plan provides some pretty large incentives to private investors guarantees, loans, leverage, etc. It would be useful to see private investor interest, especially when Congress is creating some uncertainty. In any case, progress on making credit crunch less pervasive is critical, and this seems likely to be a step in that direction as it ramps up. We continue to expect that the financial rescue plans, along with private sector adjustment and the combination of monetary and fiscal stimulus, will help the economy return to growth in the second half of 2009.

Maury N. Harris, UBS, New York, NY

Headwinds Stiffer For '09...But '10 Looking Better

The US economy is in for a wave of stimulus come April 1, and a plan to relieve banks of their toxic assets is taking shape, finally, but in our view, none of it will arrive soon enough to prevent the steepest output decline in post-WWII history. The new information we have received since we last updated our forecasts indicates an even deeper decline in economic activity this year, a 3.4% annualized drop versus -3.0% previously. The peak-to-trough output decline will probably be 4.8%, the largest contraction since the 1930s. We think 2010 is looking better at almost 2%, versus 1.5% previously, but we remain cautious about whether the growth will last, barring a significant upturn in the supply, and demand, for loan-able funds.

This is an unprecedented fast moving period in terms of the data flow, and the events of last week were dramatic enough for us to brush up our GDP forecasts. There were four key factors that have changed rather dramatically in the past few weeks – a deeper global recession, higher energy prices, lower interest rates and a weaker US dollar. While the latter two are positive factors, the former two are overwhelmingly negative for the 2009 outlook.

Viewpoints

A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

On the positive side for the near-term outlook was the announcement from the Fed that it would delve more deeply and formally into quantitative easing, a signal that it intended to re-inflate the economy and move toward monetizing the debt. The result was a major 50bps rally in Treasuries, producing an almost equal drop in mortgage rates while the greenback staged one of the steepest one-day declines since the Plaza Accord in the mid-1980s. These factors imply a higher expected trough in homebuilding at around 400,000 to be reached some time in the next couple of quarters.

However, these factors did not come close to offsetting the significant deterioration in the global economy. As the IMF noted last week, we are facing the deepest global recession in 60 years. Indeed, our in-house outlook for non- US GDP growth has been shaved by about 3/4 of a percent in the past month, and since demand for US goods is five times more important a driver of exports than the exchange rate, it took exports and capex down by a full percentage point in 2009. Moreover, for a variety of supply-related reasons energy prices have crept up of late implying less relief for consumers on that front.

None of these factors suggest the consumer recession will end any time soon. In fact, the new GDP profile suggests we will see another 2.5 million jobs lost in 2009, 300k more than our previous expectation, and that the unemployment rate will hit the ignoble double digit level by early summer. Our weaker capex and export outlook means more shuttered production, steeper job cuts, and moves the re-hiring process off further in the distance. Against these headwinds the 30 cent jump in gasoline prices is doing little more than adding insult to injury though it nonetheless serves as a $38bn drainage from discretionary spending.

In spite of the efforts to re-inflate the economy, the wheels of deflation have already been set in motion and the risks that it could become entrenched in consumers' expectations remain a significant risk. Spare capacity is already close to 6% of GDP and the gap will probably press to a very deflationary 7.5% before the Public Private Investment plan buys their first mortgage backed security. Moreover, given that over half of all workers have lost their job forever -- this is no ordinary production slump we are dealing with after all – the path to a lower unemployment rate remains far from clear, in our view. And, with 15 million workers hunting for a meager pool of jobs, we expect wage deflation to persist for the next several years.

David A. Rosenberg and Sheryl King, Banc of American Securities/Merrill Lynch, New York, NY

Renewed Credit Growth?

The Fed has now commenced to haul the big guns out using quantitative and credit easing to flood the system with capital. In simpler terms, the Fed will be buying increasing volumes of mortgage-backed bonds, other asset-backed bonds and U.S. Treasury bonds with maturities of 2-to-10 years, adding to the money supply. The purchases by the Fed will be paid for by printing money. The intention is to restart credit expansion, which will encourage financial institutions to make loans, and households and businesses to borrow money. This is done by reducing interest rates, which increases housing affordability and the prospects of profitable investment spending.

At the same time, the Fed is assuring the yield curve remains steep by keeping short-term interest rates very low. A steep yield curve increases the profitability of banks. Also, the flood of money into the system increases the excess reserves of banks, another factor that encourages banks to open the credit spigots.However, everything the Fed has done so far to encourage credit growth has not been successful. The money supply has grown sharply, but the velocity of money (its turnover rate to buy goods and services) has plummeted. People who have lost roughly half their wealth and face serious prospects of lower income flows are unlikely to increase spending and thus are unlikely to borrow money. The same goes for businesses that are losing money with little clarity of profit growth in the future. In addition, over the past year, the channels that distribute credit throughout the economy have ceased to function. What has made the current financial crisis so unnerving to policymakers is a realization that even the vigorous use of conventional monetary tools has had little effect. Without a fully functioning financial infrastructure, the economy cannot grow.

Unlike previous recessions, the current collapse wasn't caused by a constricted money supply, and it hasn't been cured by an expanded one. Even with a larger money supply, the financial infrastructure has broken so quickly and fully that it can't distribute the increased money supply sufficiently. Many companies that need short-term funding for operating expenses complain they have fully used their credit lines and have nowhere else to turn. Households, too, cannot get the funding they need to buy cars or homes, to the extent that the demand for cars and homes remains.

Mortgage rates are falling sharply to their lowest levels since World War II. House prices have fallen roughly 27% in the U.S. Yet potential buyers are afraid of further declines in prices that could wipe out their down-payments, and many potential buyers fear for their jobs. Mortgage refis are picking up, which provides greater buying potential for those who can qualify, but banks are now quite cautious in their lending practices. Government assistance and increased Fannie Mae and Freddie Mac support will help. Programs to insure small business loans are also helpful. Fundamentally, the key to the revival in credit growth is an increase in the velocity of money.

Sherry Cooper, BMO Capital Markets, Toronto, Canada

Salami Economics?

Economists are often accused of using 'salami tactics' in revising their forecasts: adjust them frequently and in wafer-thin slices. Well, it's different this time. While forecasts of economic growth around the globe have in fact been cut frequently over the last 3-6 months, the changes have been anything but wafer-thin. The Morgan Stanley economics team is no exception during 4Q08 and 1Q09 we have been forced to cut our growth forecasts several times, and in big chunks. We thus remain more bearish than the consensus, seeing a record-deep recession and only tepid recovery in 2010.

To many, our baseline view that the global economy will bottom during 2H09 and will witness a recovery in 2010 appears optimistic. Only time will tell. However, the more important question to us is what kind of recovery to expect over the next several years. We have only fully fleshed out forecasts for 2010 at this stage, and we point out that the anticipated global GDP growth rate of 2.8% is only barely above the 'global recession' threshold of 2.5%. Looking beyond 2010, there are strong reasons to expect significantly lower average rates of economic growth rates than in the last 5-10 years, for at least three reasons: 1) the sharp decline in global capex is likely to reduce potential output growth over the next several years; 2) more government involvement in the economy and a likely increase in protectionism should reduce economic efficiency and 3) the ability of the financial sector to provide and the willingness of the non-financial private sector to take on leverage are likely to be curtailed for years. Thus, while we are reasonably confident that the recession will end later this year, we do believe that the medium-term growth trajectory will be much lower than in the last five years. So, the real issue may not be how thick or thin the salami slices are, but how big the next salami will be. Our guess: much smaller.

Joachim Fels, Morgan Stanley, London, England

Special Questions:

1. Please provide your forecasts of the quarter-to-quarter annualized percent change in Real GDP, the GDP Price Index and the Consumer Price Index during Q1 2009

Q/Q Annualized Percent change in Q1 2009

	Real GDP	GDP Price Index	Consumer Price Index
Consensus	-5.3%	1.1%	-1.6%
Top 10 Average	-4.3%	2.4%	0.2%
Bottom 10 Average	-6.2	-0.4%	-2.7%

2. A. Among other measures, the FOMC announced following its March 17th-18th meeting that the Fed would purchase up to $300 billion of longer-term Treasury securities over the next six months. Do you think Fed purchases of longer-term Treasuries will ultimately be extended beyond this initial six-month period?

(Percentage of those responding)

Yes	No
73.8%	26.2%

B. Fed purchases of mortgage-backed securities (MBS) have so far been confined to agency paper. Will the Fed also eventually purchase private-label MBS?

(Percentage of those responding)

Yes	No
59.5%	40.5%

C. Given the Fed's recent announcement that it will purchase additional MBS and agency debt, plus a substantial amount of longer-term Treasury securities, the Fed's balance sheet will likely exceed $3 trillion in size within about six months. How large will be the Fed's balance sheet at the end of 2010?

(Percentage of those responding)

$3 trillion or less	About $4 trillion	About $5 trillion	About $6 trillion	$7 trillion or more
28.6%	38.1%	26.2%	4.8%	2.4%

3. The Obama Administration previously indicated that it would likely ask Congress for additional money beyond the $700 billion approved last fall to fund the Troubled Assets Relief Program (TARP). Do you think such a request remains politically feasible?

(Percentage of those responding)

Yes	No
47.6%	52.4%

4. The Fed's Term Asset-Backed Securities Loan Facility (TALF) will make loans collateralized by a variety of asset-backed securities. On a scale of 1 (Ineffective) to 5 (Very Effective), how successful do you think the TALF will be at improving the availability of credit in the asset-backed markets?

(Percentage of those responding)

Ineffective ----- 1 -----	----- 2 -----	----- 3 -----	----- 4 -----	Very Effective ----- 5 -----
2.4%	4.8%	35.7%	50.0%	7.1%

5. A. ONE YEAR from now are bond markets more likely to be preoccupied by concerns about inflation or deflation?

(Percentage of those responding)

Yes	No
59.5%	40.5%

B. THREE YEARS from now are bond markets more likely to be preoccupied by concerns about inflation or deflation?

(Percentage of those responding)

Yes	No
92.9%	7.1%

7. What will be the cyclical peak in the unemployment rate during the current period of economic weakness?

	Cyclical peak in unemployment rate
April Consensus	**9.8%**
Top 10 Average	10.7%
Bottom 10 Average	9.1%
March Consensus	9.2%
February Consensus	8.8%
January Consensus	8.5%

Databank:

2009

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	1.8	-0.1										
Auto & Light Truck Sales (b)	9.5	9.1										
Personal Income (a, current $)	0.2	-0.2										
Personal Consumption (a, current $)	1.0	0.2										
Consumer Credit (e)	0.8											
Consumer Sentiment (U. of Mich.)	61.2	56.3										
Household Employment (c)	-1239	-351										
Non-farm Payroll Employment (c)	-655	-651										
Unemployment Rate (%)	7.6	8.1										
Average Hourly Earnings ('82$)	8.64											
Average Hourly Earnings (current $)	18.44	18.47										
Non-Farm Workweek (hrs.)	33.3	33.3										
Industrial Production (d)	-10.1	-11.2										
Capacity Utilization (%)	71.9	70.9										
ISM Manufacturing Index (g)	35.6	35.8										
ISM Non-Manufacturing Index (g)	42.9	41.6										
Housing Starts (b)	.477	.583										
Housing Permits (b)	.531	.547										
New Home Sales (1-family, c)	322	337										
Construction Expenditures (a)	-3.3											
Consumer Price Index (nsa., d)	0.0	0.2										
CPI ex. Food and Energy (nsa., d)	1.7	1.8										
Producer Price Index (n.s.a., d)	-1.0	-1.3										
Durable Goods Orders (a)	-7.3	3.4										
Leading Economic Indicators (g)	0.1	-0.4										
Balance of Trade & Services (f)	-36.0											
Federal Funds Rate (%)	0.15	0.22										
3-Mo. Treasury Bill Rate (%)	0.13	0.30										
10-Year Treasury Note Yield (%)	2.52	2.87										

2008

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.6	-0.5	0.5	0.2	0.8	0.1	-0.6	-0.7	-1.6	-3.4	-2.4	-3.1
Auto & Light Truck Sales (b)	15.3	15.3	15.0	14.4	14.3	13.6	12.5	13.7	12.5	10.5	10.1	10.3
Personal Income (a, current $)	0.1	0.2	0.4	0.0	1.8	0.1	-0.8	0.3	0.1	-0.1	-0.5	-0.3
Personal Consumption (a, current $)	0.4	0.0	0.6	0.3	0.7	0.5	-0.1	-0.2	-0.4	-1.2	-0.7	-1.1
Consumer Credit (e)	5.8	3.4	5.9	4.2	3.3	4.1	3.5	-3.0	3.1	-1.0	-4.2	-3.5
Consumer Sentiment (U. of Mich.)	78.4	70.8	69.0	62.6	59.8	56.4	61.2	63.0	70.3	57.6	55.3	60.1
Household Employment (c)	23	-242	-52	234	-283	-236	-142	-323	-244	-372	-513	-806
Non-Farm Payroll Employment (c)	-72	-144	-122	-160	-137	-161	-128	-175	-321	-380	-597	-681
Unemployment Rate (%)	4.9	4.8	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2
Average Hourly Earnings ('82$)	8.27	8.29	8.30	8.30	8.26	8.18	8.14	8.19	8.21	8.34	8.54	8.65
Average Hourly Earnings (current $)	17.77	17.83	17.90	17.94	17.99	18.04	18.10	18.18	18.21	18.28	18.34	18.40
Non-farm Workweek (hrs.)	33.7	33.8	33.8	33.8	33.7	33.6	33.6	33.7	33.6	33.5	33.4	33.3
Industrial Production (d)	2.6	1.6	1.5	0.4	0.2	-0.1	-0.7	-2.0	-6.2	-4.3	-5.9	-8.2
Capacity Utilization (%)	81.0	80.7	80.4	79.9	79.6	79.6	79.4	78.3	75.0	76.1	75.2	73.3
ISM Manufacturing Index (g)	50.7	48.3	49.0	48.6	49.3	49.5	49.5	49.3	43.4	38.7	36.6	32.9
ISM Non-Manufacturing Index (g)	44.6	49.3	49.6	52.0	51.7	48.2	49.5	50.6	50.2	44.2	37.3	40.6
Housing Starts (b)	1.064	1.107	.988	1.004	.982	1.089	.949	.854	.824	.767	.655	.558
Housing Permits (b)	1.052	.981	.932	.982	.978	1.138	.937	.857	.805	.730	.615	.547
New Home Sales (1-family, c)	597	572	513	542	515	499	505	448	434	404	387	371
Construction Expenditures (a)	-0.4	-0.9	1.4	-0.5	0.3	-0.2	-2.4	2.4	0.3	-0.7	-3.5	-2.4
Consumer Price Index (nsa., d)	4.3	4.0	4.0	3.9	4.2	5.0	5.6	5.4	4.9	3.7	1.1	0.1
CPI ex. Food and Energy (nsa, d)	2.5	2.3	2.4	2.3	2.3	2.4	2.5	2.5	2.5	2.2	2.0	1.8
Producer Price Index (nsa., d)	7.4	6.5	6.7	6.4	7.3	9.1	9.9	9.7	8.8	5.2	0.4	-0.9
Durable Goods Orders (a)	-4.4	1.1	-0.2	-1.0	0.1	1.4	0.7	-5.5	0.0	-8.5	-4.0	-4.6
Leading Economic Indicators (g)	-0.5	-0.2	0.0	0.1	-0.1	0.0	-0.7	-0.9	0.0	-1.0	-0.7	-0.1
Balance of Trade & Services (f)	-59.2	-62.0	-57.5	-61.9	-60.5	-59.2	-61.6	-59.4	-58.1	-58.0	-42.5	-39.9
Federal Funds Rate (%)	3.94	2.98	2.60	2.28	1.98	2.00	2.01	2.00	1.81	0.97	0.99	0.16
3-Mo. Treasury Bill Rate (%)	2.75	2.12	1.34	1.29	1.73	1.86	1.63	1.72	1.13	0.67	0.19	0.03
10-Year Treasury Note Yield (%)	3.74	3.74	3.51	3.68	3.88	4.10	4.01	3.89	3.69	3.81	3.53	2.42

(a) month-over-month % change; (b) millions, saar; (c) thousands, saar; (d) year-over-year % change; (e) annualized % change; (f) $ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

Calendar Of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
March 30 Agricultural Prices (Mar)	**31** Chicago PMI (Mar) Consumer Confidence (Conference Board, Mar) S&P/Case-Shiller home price index (Jan) Weekly Store Sales ABC Consumer Comfort Index	**April 1** ISM Manufacturing (Mar) Vehicle Sales (Mar) ADP Employment Survey (Mar Construction Spending (Feb) Pending Home Sales (Feb) EIU Crude Oil Stocks Mortgage Applications	**2** Factory Orders (Feb) Weekly Jobless Claims Weekly Money Supply	**3** Employment Report (Mar) ISM Non-Manufacturing (Mar)
6	**7** Consumer Credit (Feb) FOMC minutes (Mar 17-18 meeting) ABC Consumer Comfort Index Weekly Store Sales	**8** Wholesale Inventories (Feb) EIA Crude Oil Stocks Mortgage Applications	**9** U.S. Trade (Feb) Trade Price Indexes (Mar) Weekly Jobless Claims Weekly Money Supply	**10** **Good Friday** **U.S. Markets Closed**
13 Treasury Budget (Mar)	**14** Producer Price Index (Mar) Retail Sales (Mar) Business Inventories (Feb) ABC Consumer Comfort Index Weekly Store Sales	**15** Consumer Price Index (Mar) Industrial Production (Mar) Empire State Index (Apr) NAHB Housing Market Index (Apr) Treasury Int'l Capital (Feb) Beige Book for April 28-29 FOMC Meeting EIA Crude Oil Stocks Mortgage Applications	**16** Housing Starts (Mar) Philadelphia Fed Index (Apr) Weekly Jobless Claims Factors Affecting Monetary Weekly Money Supply	**17** Consumer Sentiment (Univ. of Michigan, Preliminary, Apr)
20 Leading Economic Indicators (Mar)	**21** Weekly Store Sales ABC Consumer Comfort Index	**22** EIA Crude Oil Stocks Mortgage Applications	**23** Existing Home Sales (Mar) Weekly Jobless Claims Weekly Money Supply	**24** Durable Goods Orders (Mar) New Home Sales (Mar)
27	**28** **FOMC Meeting** S&P/Case-Shiller home price index (Feb) Consumer Confidence (Apr, Conference Board) Weekly Store Sales ABC Consumer Comfort Index	**29** **FOMC Meeting** GDP (Q1, Advance) EIU Crude Oil Stocks Mortgage Applications	**30** Chicago PMI (Apr) Personal Income and Consumption (Mar) Employment Cost Index (Q1) Agricultural Prices (Apr) Weekly Jobless Claims Weekly Money Supply	**May 1** ISM Non-Manufacturing (Apr) Unit Vehicle Sales (Apr) Consumer Sentiment (Apr, Final, University of Michigan) Factory Or4ders (Mar)
4 Construction spending(Mar) Pending Home Sales (Mar)	**5** ISM Non-Manufacturing (Apr) ABC Consumer Comfort Index Weekly Store Sales	**6** ADP Employment Survey (Apr) Challenger (Apr) EIA Crude Oil Stocks Mortgage Applications	**7** Monster Employment Index (Apr) Productivity (Q1, Preliminary) Consumer Credit (Mar) Weekly Jobless Claims Weekly Money Supply	**8** Employment Report (Apr) Wholesale Trade (Mar)

BLUE CHIP FORECASTERS

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Division Data Request 4-16

Request:

Please provide the individual company-by-company dividend yields and various growth rate measures relied upon by Mr. Moul for each proxy electric company.

Response:

Please see Attachments DIV 4-16-1 and DIV 4-16-2.

Prepared by or under the supervision of: Paul R. Moul

Monthly Dividend Yields for
Electric Group
for the Twelve Months Ending March 2008

Company	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	**12-Month Average**	**6-Month Average**	**3-Month Average**
Consolidated Edison Inc. (NYSE:I	5.69%	5.68%	6.03%	5.97%	5.74%	5.49%	5.47%	5.81%	6.06%	5.87%	6.54%	6.00%			
Edison International (NYSE:EIX)	2.34%	2.30%	2.38%	2.53%	2.67%	3.06%	3.50%	3.74%	3.86%	3.82%	4.59%	4.31%			
IdaCorp, Inc. (NYSE:IDA)	3.73%	3.93%	4.18%	4.07%	4.04%	4.15%	4.55%	3.96%	4.10%	4.16%	4.95%	5.18%			
Pepco Holdings, Inc. (NYSE:POM	4.36%	4.03%	4.22%	4.36%	4.30%	4.73%	5.27%	6.09%	6.10%	6.12%	7.32%	8.71%			
PG&E Corp. (NYSE:PCG)	3.91%	3.97%	3.93%	4.06%	3.80%	4.17%	4.27%	4.13%	4.03%	4.36%	4.43%	4.40%			
Portland General Electric Compa	4.10%	4.22%	4.36%	4.19%	3.85%	4.15%	4.80%	5.41%	5.04%	5.07%	6.03%	5.58%			
Sempra Energy (NYSE:SRE)	2.48%	2.43%	2.48%	2.50%	2.43%	2.78%	3.30%	3.02%	3.29%	3.57%	3.78%	3.38%			
Average	**3.80%**	**3.79%**	**3.94%**	**3.95%**	**3.83%**	**4.08%**	**4.45%**	**4.59%**	**4.64%**	**4.71%**	**5.38%**	**5.37%**	**4.38%**	**4.86%**	**5.15%**

Note: Monthly dividend yields are calculated by dividing the annualized quarterly dividend by the month-end closing stock price adjusted by the fraction of the ex-dividend.

Source of Information: http://finance.yahoo.com/
http://ccbn.aol.com Event Calendar - Split/Dividend data provided by FT Interactive Data

Month-End Closing Prices

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
Consolidated Edison Inc. (NYSE:	$ 41.600	$ 41.300	$ 39.090	$ 39.700	$ 40.900	$ 42.960	$ 43.320	$ 40.390	$ 38.930	$ 40.750	$ 36.210	$ 39.610
Edison International (NYSE:EIX)	$ 52.170	$ 53.230	$ 51.380	$ 48.340	$ 45.920	$ 39.900	$ 35.590	$ 33.400	$ 32.120	$ 32.570	$ 27.220	$ 28.810
IdaCorp, Inc. (NYSE:IDA)	$ 32.440	$ 30.660	$ 28.890	$ 29.810	$ 29.800	$ 29.090	$ 26.660	$ 30.400	$ 29.450	$ 29.110	$ 24.340	$ 23.360
Pepco Holdings, Inc. (NYSE:POM	$ 24.910	$ 27.040	$ 25.650	$ 24.940	$ 25.350	$ 22.910	$ 20.650	$ 17.990	$ 17.760	$ 17.810	$ 15.000	$ 12.480
PG&E Corp. (NYSE:PCG)	$ 40.000	$ 39.590	$ 39.690	$ 38.530	$ 41.330	$ 37.450	$ 36.670	$ 38.040	$ 38.710	$ 38.670	$ 38.220	$ 38.220
Portland General Electric Compa	$ 24.000	$ 23.410	$ 22.520	$ 23.490	$ 25.620	$ 23.660	$ 20.520	$ 18.310	$ 19.470	$ 19.450	$ 16.420	$ 17.590
Sempra Energy (NYSE:SRE)	$ 56.670	$ 57.810	$ 56.450	$ 56.160	$ 57.920	$ 50.470	$ 42.610	$ 46.670	$ 42.630	$ 43.840	$ 41.570	$ 46.240

Quarterly Dividend Payment

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
Consolidated Edison Inc. (NYSE:	$ 0.585	$ 0.585	$ 0.585	$ 0.585	$ 0.585	$ 0.585	$ 0.585	$ 0.585	$ 0.585	$ 0.590	$ 0.590	$ 0.590
Edison International (NYSE:EIX)	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.310	$ 0.310	$ 0.310	$ 0.310	$ 0.310	$ 0.310
IdaCorp, Inc. (NYSE:IDA)	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300	$ 0.300
Pepco Holdings, Inc. (NYSE:POM	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270	$ 0.270
PG&E Corp. (NYSE:PCG)	$ 0.390	$ 0.390	$ 0.390	$ 0.390	$ 0.390	$ 0.390	$ 0.390	$ 0.390	$ 0.390	$ 0.420	$ 0.420	$ 0.420
Portland General Electric Compa	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245	$ 0.245
Sempra Energy (NYSE:SRE)	$ 0.350	$ 0.350	$ 0.350	$ 0.350	$ 0.350	$ 0.350	$ 0.350	$ 0.350	$ 0.350	$ 0.390	$ 0.390	$ 0.390

Ex-Dividend Dates

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
Consolidated Edison Inc. (NYSE:	11-Feb-08	12-May-08	12-May-08	12-May-08	11-Aug-08	11-Aug-08	11-Aug-08	07-Nov-08	07-Nov-08	07-Nov-08	13-Feb-09	13-Feb-09
Edison International (NYSE:EIX)	27-Mar-08	27-Mar-08	26-Jun-08	26-Jun-08	26-Jun-08	26-Sep-08	26-Sep-08	26-Sep-08	29-Dec-08	29-Dec-08	29-Dec-08	27-Mar-09
IdaCorp, Inc. (NYSE:IDA)	01-Feb-08	01-May-08	01-May-08	01-May-08	01-Aug-08	01-Aug-08	01-Aug-08	03-Nov-08	03-Nov-08	03-Nov-08	03-Feb-09	03-Feb-09
Pepco Holdings, Inc. (NYSE:POM	06-Mar-08	06-Mar-08	06-Jun-08	06-Jun-08	06-Jun-08	08-Sep-08	08-Sep-08	08-Sep-08	08-Dec-08	08-Dec-08	08-Dec-08	06-Mar-09
PG&E Corp. (NYSE:PCG)	27-Mar-08	27-Mar-08	26-Jun-08	26-Jun-08	26-Jun-08	26-Sep-08	26-Sep-08	26-Sep-08	29-Dec-08	29-Dec-08	29-Dec-08	27-Mar-09
Portland General Electric Compa	20-Mar-08	20-Mar-08	23-Jun-08	23-Jun-08	23-Jun-08	23-Sep-08	23-Sep-08	23-Sep-08	23-Dec-08	23-Dec-08	23-Dec-08	23-Mar-09
Sempra Energy (NYSE:SRE)	18-Mar-08	18-Mar-08	17-Jun-08	17-Jun-08	17-Jun-08	23-Sep-08	23-Sep-08	23-Sep-08	19-Dec-08	19-Dec-08	19-Dec-08	17-Mar-09

Days from Ex-Dividend Date

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
Consolidated Edison Inc. (NYSE:	79	19	49	80	20	50	81	23	54	85	15	46
Edison International (NYSE:EIX)	34	65	4	35	66	4	35	65	2	33	61	4
IdaCorp, Inc. (NYSE:IDA)	89	30	60	91	30	60	91	27	58	89	25	56
Pepco Holdings, Inc. (NYSE:POM	55	86	24	55	86	22	53	83	23	54	82	25
PG&E Corp. (NYSE:PCG)	34	65	4	35	66	4	35	65	2	33	61	4
Portland General Electric Compa	41	72	7	38	69	7	38	68	8	39	67	8
Sempra Energy (NYSE:SRE)	43	74	13	44	75	7	38	68	12	43	71	14

Adjusted Prices

	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
Consolidated Edison Inc. (NYSE:	$41.092	$41.178	$38.775	$39.186	$40.771	$42.639	$42.799	$40.242	$38.583	$40.199	$36.113	$39.312
Edison International (NYSE:EIX)	$52.056	$53.012	$51.367	$48.223	$45.699	$39.887	$35.471	$33.179	$32.113	$32.458	$27.012	$28.796
IdaCorp, Inc. (NYSE:IDA)	$32.147	$30.561	$28.692	$29.510	$29.701	$28.892	$26.360	$30.311	$29.259	$28.817	$24.258	$23.175
Pepco Holdings, Inc. (NYSE:POM	$24.747	$26.785	$25.579	$24.777	$25.095	$22.845	$20.493	$17.744	$17.692	$17.650	$14.757	$12.406
PG&E Corp. (NYSE:PCG)	$39.854	$39.311	$39.673	$38.380	$41.047	$37.433	$36.520	$37.761	$38.701	$38.518	$37.938	$38.202
Portland General Electric Compa	$23.890	$23.216	$22.501	$23.388	$25.434	$23.641	$20.418	$18.127	$19.448	$19.345	$16.240	$17.568
Sempra Energy (NYSE:SRE)	$56.505	$57.525	$56.400	$55.991	$57.632	$50.443	$42.464	$46.408	$42.584	$43.656	$41.266	$46.180

Historical Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

	Earnings per Share		Dividends per Share		Book Value per Share		Cash Flow per Share	
	Value Line		Value Line		Value Line		Value Line	
RDM Group	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year
Consolidated Edison	0.50%	0.50%	1.00%	1.00%	3.00%	2.50%	-0.50%	1.00%
Edison Int'l	-	7.00%	-	1.00%	17.50%	4.50%	20.50%	4.50%
IDACORP Inc.	-7.00%	-1.00%	-8.50%	-4.50%	2.50%	3.50%	-4.00%	0.50%
PEPCO Holdings	-4.50%	-	-	-	1.00%	-	-3.50%	-
PG&E Corp.	-	1.50%	-	-3.00%	17.50%	0.50%	24.50%	2.50%
Portland General	-	-	-	-	-	-	-	-
Sempra Energy	10.00%	7.00%	3.50%	-2.50%	16.50%	7.50%	4.00%	3.00%
Average	-0.25%	3.00%	-1.33%	-1.60%	9.67%	3.70%	6.83%	2.30%

Source of Information: Value Line Investment Survey, December 26, 2008, February 6, 2009, February 27, 2009

Analysts' Five-Year Projected Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

RDM Group	I/B/E/S First Call	Zacks Earnings Per share	Value Line Earnings Per Share	Value Line Dividends Per Share	Value Line Book Value Per Share	Value Line Cash Flow Per Share	Value Line Percent Retained to Common Equity
Consolidated Edison	2.54%	3.30%	1.00%	1.00%	3.00%	5.00%	3.00%
Edison Int'l	2.19%	7.00%	6.00%	4.00%	8.50%	4.50%	9.00%
IDACORP Inc.	5.00%	6.00%	5.00%	Nil	4.00%	1.50%	4.50%
PEPCO Holdings	4.25%	7.00%	10.00%	2.50%	4.50%	6.50%	5.50%
PG&E Corp.	7.10%	7.10%	7.00%	9.00%	7.50%	3.00%	6.00%
Portland General	6.03%	7.00%	7.00%	NMF	3.50%	1.50%	4.00%
Sempra Energy	7.59%	6.50%	7.00%	9.00%	8.00%	8.00%	9.00%
Average	4.96%	6.27%	6.14%	5.10%	5.57%	4.29%	5.86%

Source of Information : Thomson Financial, March 18, 2009
Zacks, March 18, 2009
Value Line Investment Survey, February 6, 2009, February 27, 2009

NMF stands for no meaningful figure

Division Data Request 4-17

Request:

Page 39 of Mr. Moul's testimony mentions several utility cases in Pennsylvania in which a leverage-type adjustment has been approved. Please identify cases in other states that Mr. Moul is aware of that have approved a leverage-type adjustment (i.e., an adjustment for the difference between book value and market value capital structure).

Response:

Aside from the cases listed on page 39 of Mr. Moul's testimony, the Connecticut DPUC adopted in part the leverage adjustment in Docket No. 97-07-14 regarding Birmingham Utilities, Inc.

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-18

Request:

Please identify cases that Mr. Moul is aware of that have adopted a "size adjustment" to the CAPM study results, analogous to the adjustment proposed in this case by Mr. Moul.

Response:

Rates of return established in rate case decisions by regulatory agencies do not always identify the specific elements that comprise the cost of equity that is granted in the order. In certain cases, the rate case decision will recite the evidence presented on the cost of equity, usually commenting on various aspects of the evidence and then make a determination. In addition, where rate cases are resolved by stipulation/settlement, even less detail is available, including "black box" settlements that do not even specify the cost of equity. Hence, it is difficult to determine whether or what weight may have been given to the size adjustment.

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-19

Request:

Please provide a copy of the *PUF* article cited on page 59 of Mr. Moul's testimony.

Response:

Please see Attachment DIV 4-19, for a copy of the *PUF* article that is cited on page 55 of Mr. Moul's testimony.

Prepared by or under the supervision of: Paul R. Moul

By Michael Annin

Equity and the Small-Stock Effect

The capital asset pricing model shows risk inherent in return on equity. But something goes wrong when it's used for small-sized companies.

Does the size of a company affect the rate of return it should earn? If smaller companies should earn a higher return than larger firms, then small utilities, because of their size, should be allowed to adjust the rates they charge to customers.

By far the most notable and well-documented apparent anomaly in the stock market is the effect of company size on equity returns. The first study focusing on the impact that company size exerts on security returns was performed by Rolf W. Banz. Banz sorted New York Stock Exchange (NYSE) stocks into quintiles based on their market capitalization (price per share times number of shares outstanding), and calculated total returns for a value-weighted portfolio of the stocks in each quintile. His results indicate that returns for companies from the smallest quintile surpassed all other quintiles, as well as the Standard & Poor's 500 and other large stock indices. A number of other researchers have replicated Banz's work in other countries; nevertheless, a consensus has not yet been formed on why small stocks behave as they do.

One explanation for the higher returns is the lack of information on small companies. Investors must search more diligently for data. For small utilities, investors face additional obstacles, such as a smaller customer base, limited financial resources, and a lack of diversification across customers, energy sources, and geography. These obstacles imply a higher investor return.

The Flaw in CAPM

One of the more common cost of equity models used in practice today is the capital asset pricing model (CAPM). The CAPM describes the expected return on any company's stock as proportional to the amount of systematic risk an investor assumes. The traditional CAPM formula can be stated as:

$$R_s = [\beta_s \times RP] + R_f$$

where:

R_s = expected return or cost of equity on the stock of company "s"

β = the *beta* of the stock of company "s"

RP = the expected equity risk premium

R_f = expected return on a riskless asset.

Table 1: The Size Premium in CAPM
(By Decile Portfolio in NYSE, 1926-94)

Decile	*Beta*	Arithmetic Mean Return	Actual Return in Excess of Riskless Rate*	CAPM Return in Excess of Riskless Rate**	Size Premium (Return in Excess CAPM)
1	0.90	11.01%	5.88%	6.33%	–0.44%
2	1.04	13.09	7.97	7.34	0.63
3	1.09	13.83	8.71	7.70	1.01
4	1.13	14.44	9.32	7.98	1.33
5	1.17	15.50	10.38	8.22	2.16
6	1.19	15.45	10.33	8.38	1.95
7	1.24	15.92	10.79	8.75	2.05
8	1.29	16.84	11.72	9.05	2.67
9	1.36	17.83	12.71	9.57	3.14
10	1.47	21.98	16.86	10.33	6.53

**Betas* are estimated from monthly returns in excess of the 20-year government bond income return, January 1926-December 1994.
**Historical riskless rate measured by the 69-year arithmetic mean income return component of 20-year government bonds.
Source: SBBI 1995 Yearbook

Table 2: CAPM vs. CAPM w/ Size Premium

(By Percentile for Electric, Gas, and Sanitary Services Utilities)

	CAPM	CAPM with Size Premium
90th Percentile	16.42%	18.92%
75th Percentile	12.56%	14.72%
Median	10.89%	12.58%
25th Percentile	9.86%	11.39%
10th Percentile	8.63%	10.65%
(Weighted by Market Capitalization)	**CAPM**	**CAPM with Size Premium**
Industry Composite	11.76%	12.33%
Large Company Composite	12.05%	12.07%
Small Company Composite	13.93%	17.95%

Source: Cost of Capital Quarterly '95 Yearbook by Ibbotson Associates
Note: Public utilities include electric, gas, and sanitary services companies.

Table 1 shows *beta* and risk premiums over the past 69 years for each decile of the NYSE. It shows that a hypothetical risk premium calculated under the CAPM fails to match the actual risk premium, shown by actual market returns. The shortfall in the CAPM return rises as company size decreases, suggesting a need to revise the CAPM.

The risk premium component in the actual returns (realized equity risk premium) is the return that compensates investors for taking on risk equal to the risk of the market as a whole (estimated by the 69-year arithmetic mean return on large company stocks, 12.2 percent, less the historical riskless rate). The risk premium in the CAPM returns is *beta* multiplied by the realized equity risk premium.

The smaller deciles show returns not fully explainable by the CAPM. The difference in risk premiums (realized versus CAPM) grows larger as one moves from the largest companies in decile 1 to the smallest in decile 10. The difference is especially pronounced for deciles 9 and 10, which contain the smallest companies.

Based on this analysis, we modify the CAPM formula to include a small-stock premium. The modified CAPM formula can be stated as follows:

$$R_s = [\beta_s \times RP] + R_f + SP$$

where:

SP = small-stock premium.

Because the small-stock premium can be identified by company size, the appropriate premium to add for any particular company will depend on its equity capitalization. For instance, a utility with a market capitalization of $1 billion would require a small capitalization adjustment of approximately 1.3 percent over the traditional CAPM; at $400 million, approximately 2.1 percent, and at only $100 million, approximately 4 percent.

Again, these additions to the traditional CAPM represent an adjustment over and above any increase already provided to these smaller companies by having higher *betas*.

Implications for Smaller Utilities

These findings carry important ramifications for relatively small public utilities. Boosting the traditional CAPM return by a full 400 basis points for small utilities translates into a substantial premium over larger utilities.

Table 2 shows the results of an analysis of 202 utility companies that calculated cost of equity figures. Composites (arithmetic means) weighted by equity capitalization were also calculated for the largest and smallest 20 companies. The results show the impact size has on cost of equity.

For the traditional CAPM, the large-company composite shows a cost of equity of 12.05 percent; the small company composite, 13.93 percent. However, once the respective small capitalization premium is added in, the spread increases dramatically, to 12.07 and 17.95 percent, respectively. Clearly, the smaller the utility (in terms of equity capitalization), the larger the impact that size exerts on the expected return of that security. ▼

Michael Annin, CFA, is a senior consultant with Ibbotson Associates, specializing in business valuation and cost of capital analysis. He oversees the Cost of Capital Quarterly, *a reference work on using cost of capital for company valuations.*

Table 7-5 **Decile Portfolios of the NYSE** Bounds, Size, and Composition

From 1926 to 1994

Decile	Historical Average Percentage of Total Capitalization	Recent Number of Companies	Recent Decile Market Capitalization (in thousands)	Recent Percentage of Total Capitalization
1-Largest	62.34	168	2,384,444,683	63.19%
2	15.41	167	585,938,436	15.52
3	8.56	168	306,811,948	8.13
4	5.18	168	187,218,791	4.96
5	3.32	167	121,844,654	3.23
6	2.15	168	81,362,005	2.16
7	1.39	168	49,092,923	1.30
8	0.89	167	32,431,847	0.86
9	0.53	168	17,552,595	0.46
10-Smallest	0.23	168	6,970,879	0.18
Mid-Cap 3–5	17.06	503	615,875,394	16.32
Low-Cap 6–8	4.43	503	162,886,775	4.32
Micro-Cap 9–10	0.76	336	24,523,475	0.65

Source: Center for Research in Security Prices, University of Chicago

Historical average percentage of total capitalization shows the average, over the last 69 years, of the decile market values as a percentage of the total NYSE calculated each year. Number of companies in deciles, recent market capitalization of deciles and recent percentage of total capitalization are as of September 30, 1994.

Decile	Recent Market Capitalization	Company Name
1-Largest	$84,752,352,000	AT&T Corporation
2	5,071,977,000	Alltel Corporation
3	2,570,451,000	Citizens Utilities Corporation
4	1,462,677,000	Owens Corning Fiberglass Corporation
5	915,547,750	Tosco Corporation
6	617,148,250	Enterra Corporation
7	403,901,625	Commonwealth Energy Systems
8	241,976,250	Zurn Industries Incorporated
9	149,297,500	Oneida Limited
10-Smallest	70,284,375	Mestek Incorporated

Source: Center for Research in Security Prices, University of Chicago.

Market capitalization and name of largest company in each decile as of September 30, 1994.

Division Data Request 4-20

Request:

Please provide a copy of any analysis performed by Mr. Moul to determine whether the non-regulated companies listed on Schedule NG-PRM-11 operate in competitive markets or possess any market power.

Response:

Copies of the Value Line reports that contain the requested information for each Company listed on Schedule NG-PRM-11 are provided as Attachment DIV 4-20.

Prepared by or under the supervision of: Paul R. Moul

AFLAC INC. NYSE-AFL

RECENT PRICE **62.83** | P/E RATIO **15.7** (Trailing: 18.3; Median: 19.0) | RELATIVE P/E RATIO **1.03** | DIV'D YLD **1.6%** | VALUE LINE

TIMELINESS **2** Lowered 7/4/08
SAFETY **1** Raised 7/20/07
TECHNICAL **3** Lowered 5/23/08
BETA .70 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	120	(+90%)	19%
Low	95	(+50%)	12%

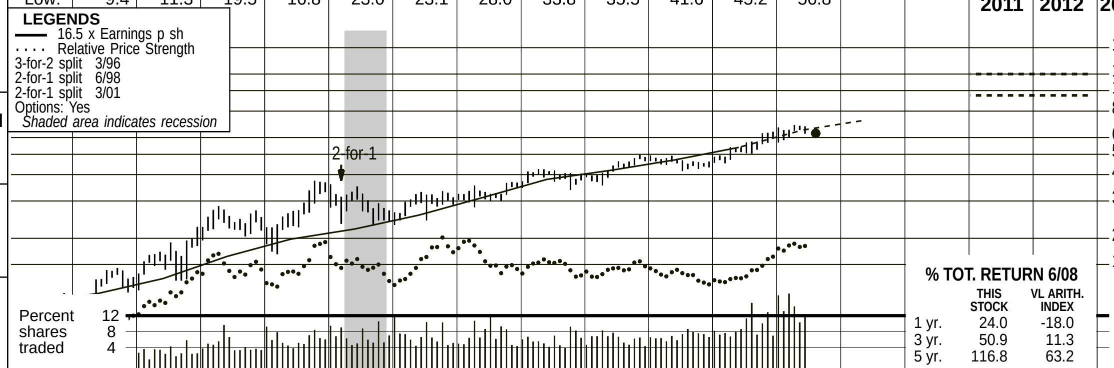
Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	2	4	0	0	4	0	0
to Sell	2	0	4	4	0	0	4	0	2

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	272	340	297
to Sell	334	297	375
Hld's(000)	303950	305034	305826

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	14.5	22.7	28.4	37.5	36.1	33.4	36.9	42.6	49.7	49.4	63.9	68.8
Low:	9.4	11.3	19.5	16.8	23.0	23.1	28.0	33.8	35.5	41.6	45.2	56.8



Target Price Range 2011 | 2012 | 2013

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	24.0	-18.0
3 yr.	50.9	11.3
5 yr.	116.8	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
5.44	6.79	8.30	10.69	10.72	11.02	11.18	13.67	15.57	15.35	16.71	19.42	22.44	24.03	25.00	26.66	**30.45**	**32.60**	Premium Inc per sh	**38.65**
.86	1.11	1.34	1.80	1.85	2.02	2.14	2.58	2.93	2.95	3.14	3.50	3.89	4.15	4.41	4.80	**5.20**	**5.65**	Investment Inc per sh	**7.40**
.30	.39	.47	.58	.60	.67	.78	1.00	1.20	1.34	1.56	1.89	2.30	2.54	2.85	3.27	**4.00**	**4.50**	Earnings per sh A	**6.50**
.06	.06	.07	.08	.10	.11	.13	.15	.17	.19	.23	.30	.38	.44	.55	.80	**.96**	**1.16**	Div'ds Decl'd per sh B■	**1.88**
1.75	2.19	2.56	3.76	3.85	6.44	7.09	7.28	8.87	10.33	12.43	13.01	15.04	15.89	16.93	18.08	**20.00**	**22.15**	Book Value per sh	**30.70**
619.12	622.26	624.00	567.97	551.54	532.81	531.37	531.48	529.21	525.10	514.44	510.93	503.61	498.89	492.55	486.53	**470.00**	**460.00**	Common Shs Outst'g C	**440.00**
231%	225%	209%	178%	220%	187%	230%	325%	298%	279%	236%	252%	263%	269%	270%	295%	Bold figures are		Price to Book Value	**350%**
13.5	12.8	11.3	11.5	14.2	18.1	20.9	23.8	22.0	21.5	18.8	17.4	17.2	16.8	16.1	16.3	Value Line		Avg Ann'l P/E Ratio	**16.5**
.82	.76	.74	.77	.89	1.04	1.09	1.36	1.43	1.10	1.03	.99	.91	.89	.87	.86	estimates		Relative P/E Ratio	**1.10**
1.4%	1.3%	1.4%	1.3%	1.1%	.9%	.8%	.6%	.6%	.7%	.8%	.9%	1.0%	1.0%	1.2%	1.5%			Avg Ann'l Div'd Yield	**1.8%**

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1606 mill. **Due in 5 Yrs** $1518 mill.
LT Debt $1606 mill. **LT Interest** $38.0 mill.
(17% of Cap'l)
Leases, Uncapitalized: Annual rentals: $46.0 mill.
Pension Assets-12/07 $229.0 mill.
Oblig. $311.0 mill

Pfd Stock None
Common Stock 475,337,623 shares
as of 5/2/08
MARKET CAP: $30 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
5943.0	7264.0	8239.0	8061.0	8595.0	9921.0	11302	11990	12314	12973	**14500**	**15100**	Premium Inc ($mill)	**17000**
1138.0	1369.0	1550.0	1550.0	1614.0	1787.0	1957.0	2071.0	2171.0	2333.0	**2450**	**2600**	Investment Inc ($mill)	**3250**
21.0	20.0	33.0	18.0	62.0	40.0	34.0	40.0	52.0	59.0	**50.0**	**50.0**	Other Income ($mill)	**50.0**
7102.0	8653.0	9822.0	9629.0	10271	11748	13293	14101	14537	15365	**16800**	**17650**	Total Income ($mill)	**20300**
4877.0	5885.0	6618.0	6303.0	6589.0	7529.0	8482.0	8890.0	9016.0	9285.0	**9550**	**10100**	Benefits & Reserves ($m)	**12000**
35.0%	35.7%	35.1%	36.4%	34.6%	35.4%	34.8%	34.2%	34.4%	34.6%	**34.5%**	**34.5%**	Income Tax Rate	**34.5%**
429.0	550.0	657.0	687.0	823.8	986.0	1186.0	1292.0	1433.0	1616.0	**1890**	**2090**	Net Profit ($mill)	**2860**
--	--	--	--	--	--	--	--	--	--	**--**	**--**	Insur in Force ($bill)	**--**
31183	37041	37232	37860	45058	50964	59326	56361	59805	65805	**71000**	**77000**	Total Assets ($mill)	**101000**
3770.0	3868.0	4694.0	5425.0	6394.0	6646.0	7573.0	7927.0	8341.0	8795.0	**9400**	**10200**	Shr. Equity ($mill)	**13500**
11.4%	14.2%	14.0%	12.7%	12.9%	14.8%	15.7%	16.3%	17.2%	18.4%	**20.0%**	**20.5%**	Return on Shr. Equity	**21.0%**
9.6%	12.4%	12.2%	10.9%	11.1%	12.6%	13.3%	13.7%	14.1%	14.1%	**15.0%**	**15.0%**	Retained to Com Eq	**15.5%**
16%	13%	12%	14%	14%	15%	15%	16%	18%	23%	**24%**	**26%**	All Div'ds to Net Prof	**29%**

FINANCIAL POSITION ($MILL.)	2006	2007	3/31/08
Bonds	50686	55410	61786
Stocks	25	22	23
Defer'd Acq	6025	6654	7354
Other	3069	3722	3106
Total Assets	59805	65805	72269
Res'ves, Prems	43050	48221	55102
Policy Claims	2390	2455	2694
Other	6024	6334	6339
Total Liab.	51464	57010	64135

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	9.0%	9.5%	9.5%
Invest Income	9.0%	8.0%	9.0%
Earnings	16.5%	16.0%	14.5%
Dividends	20.0%	25.0%	21.0%
Book Value	13.5%	10.0%	10.5%

Cal-endar	QUARTERLY PREMIUM INC. ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	3041	3020	2997	2932	11990
2006	3005	3093	3102	3114	12314
2007	3156	3162	3260	3395	12973
2008	3635	**3600**	**3600**	**3665**	**14500**
2009	**3700**	**3725**	**3775**	**3900**	**15100**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.65	.64	.66	.59	2.54
2006	.72	.75	.72	.66	2.85
2007	.82	.82	.85	.78	3.27
2008	.98	**1.02**	**1.04**	**.96**	**4.00**
2009	**1.10**	**1.15**	**1.16**	**1.09**	**4.50**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.095	.095	.095	.095	.38
2005	.11	.11	.11	.11	.44
2006	.13	.13	.13	.16	.55
2007	.185	.205	.205	.205	.80
2008	.24	.24			

BUSINESS: Aflac Incorporated is the world's largest underwriter of supplemental cancer insurance, most of which is sold through businesses and employee organizations in Japan. Also sells life, Medicare supplement, accident, and long-term convalescent care policies. The company does business in all 50 states and Japan. Japanese operations, largely medical, cancer, and life insurance, accounted for roughly 71% of revenues and 72% of profits in 2007. Has about 8,100 employees. Officers and directors own 4.6% of the stock, with 20.3% of voting power (3/08 proxy). Chairman & CEO: Daniel P. Amos. President: Kriss Cloninger III. Inc.: Georgia. Address: 1932 Wynnton Road, Columbus, Georgia 31999. Telephone: 706-323-3431. Internet: www.aflac.com.

Aflac is benefiting from the weaker dollar. With about 70% of its earnings in Japan, the stronger yen added about $0.05 a share in the first quarter of 2008. Still, earnings would have risen about 13% if the yen had remained at the prior-year period's average rate of 119 to the dollar, rather than the 105 per dollar in the March 2008 frame. That said, profits rose by double digits in both Japan and the U.S. Results in Japan benefited from strong growth in new health and cancer policies introduced in 2007, a lower benefits ratio, and better recruiting. U.S. profits were helped by higher premiums, deriving from sales growth last year, though investment income growth was held back by stock repurchases.

The balance of 2008 should bring more of the same. With interest rates likely to remain low in the U.S., Aflac should continue to benefit from a weak dollar through at least the rest of the year. Profits in Japan will probably rise at a good clip, buoyed by sales of the new medical insurance product, *Gentle Ever*, and the new cancer policy, *Cancer Forte*; the latter is Aflac's first new cancer insurance offering in six years and is being well received. Moreover, about 120 banks have begun to offer Aflac policies at branches, including the four "megabanks", and that will likely give earnings a visible lift.

We look for solid growth in 2009 and beyond, though possibly restrained by a stronger dollar. Late in 2008, Japan Post will probably begin to sell Aflac policies at some of its 24,000 post offices, and by the end of next year, most of the network should be offering them. While there will likely be some effect on sales through other distribution channels, Japan Post should contribute a net gain. More important, Aflac's newer policies have lower benefit ratios than products devised years ago; thus, Aflac Japan's profitability should rise slowly but steadily for at least the next few years. And in the U.S., most people have heard of Aflac, thanks to the ubiquitous fowl, and many would buy policies if offered at work.

These timely shares have above-average risk-adjusted total return potential. Aflac plans to raise the dividend faster than its earnings grow.

Sigourney B. Romaine, CFA July 18, 2008

(A) Diluted operating earnings. Excludes nonrecurring items: '07, 4¢; '06, 10¢; '05, 38¢; '04, 23¢; '03, (37¢); '97, 18¢. Next earnings report due late July.
(B) Dividends historically paid in early March, June, September, and December.
■ Dividend reinvestment plan available.
(C) In millions, adjusted for stock splits.

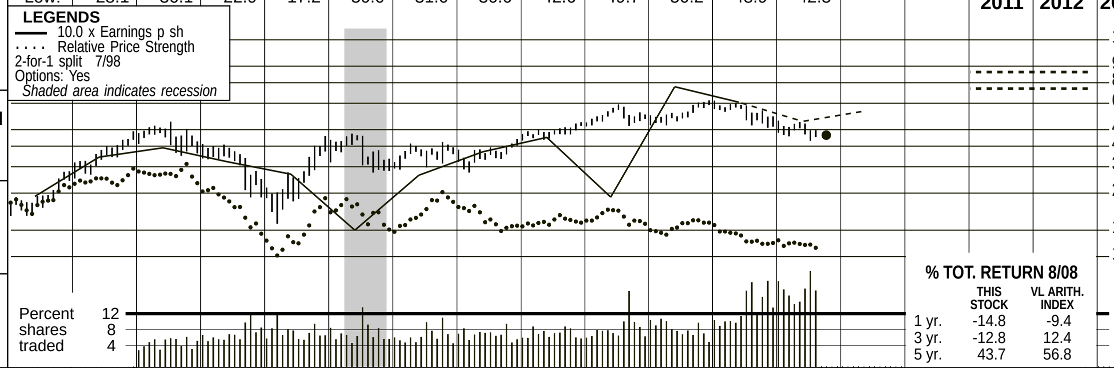
Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	80
Earnings Predictability	100

ALLSTATE CORP. NYSE-ALL

RECENT PRICE 45.19 | P/E RATIO 8.5 (Trailing: 8.4 Median: 10.0) | RELATIVE P/E RATIO 0.56 | DIV'D YLD 3.6% | VALUE LINE

High:	47.2	52.4	41.0	44.8	45.9	41.9	43.3	52.0	63.2	66.1	65.9	52.9
Low:	28.1	36.1	22.9	17.2	30.0	31.0	30.0	42.6	49.7	50.2	48.9	42.5

TIMELINESS 3 Raised 1/25/08
SAFETY 1 Raised 9/22/06
TECHNICAL 3 Raised 8/8/08
BETA .90 (1.00 = Market)



Target Price Range 2011 2012 2013

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+100%)	21%
Low	75	(+65%)	16%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	1	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	0	0	1	1	0

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	300	272	276
to Sell	362	363	334
Hld's(000)	396891	386972	377779

% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-14.8	-9.4
3 yr.	-12.8	12.4
5 yr.	43.7	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.
18.08	18.14	18.73	19.71	20.89	21.89	23.60	25.56	29.32	30.67	33.28	35.05	38.05	42.71	44.00	48.37	**50.45**	**52.00**	P/C Prem Earned p sh A
3.68	3.69	3.79	4.08	4.31	4.51	4.69	5.11	6.21	6.63	6.91	7.06	7.74	8.89	9.93	11.43	**10.20**	**10.45**	Investment Inc p sh
d3.84	d.61	d1.84	d.19	d.04	1.27	1.66	.58	.25	6.45	8.77	11.79	d4.05	d8.24	d.99	3.14	**1.75**	**2.35**	Underwriting Inc p sh
d.58	1.50	.54	2.12	2.32	3.56	3.94	3.38	2.95	1.60	2.92	3.77	4.41	2.30	7.67	6.47	**5.25**	**5.90**	Earnings per sh B
--	.18	.36	.39	.43	.48	.54	.60	.68	.74	.84	.88	1.07	1.20	1.37	1.52	**1.64**	**1.75**	Div'ds Decl'd per sh C
6.18	11.44	9.39	14.25	15.22	18.36	20.16	21.09	23.39	23.48	24.84	29.21	31.95	31.25	35.12	38.81	**40.15**	**43.75**	Book Value per sh
870.52	900.00	897.45	890.00	884.00	850.00	818.00	787.00	746.00	723.75	702.00	704.00	683.00	646.00	622.00	563.00	**535.00**	**525.00**	Common Shs Outst'g D
--	133%	133%	111%	153%	201%	220%	160%	121%	161%	149%	126%	146%	178%	164%	150%			Price to Book Value
--	10.2	23.1	7.5	10.1	10.4	11.3	10.0	9.6	23.7	12.7	9.8	10.6	24.2	7.5	9.0	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio
--	.60	1.52	.50	.63	.60	.59	.57	.62	1.21	.69	.56	.56	1.29	.40	.47			Relative P/E Ratio
--	1.2%	2.9%	2.5%	1.8%	1.3%	1.2%	1.8%	2.4%	2.0%	2.3%	2.4%	2.3%	2.2%	2.4%	2.6%			Avg Ann'l Div'd Yield

	11-13
P/C Prem Earned p sh A	57.00
Investment Inc p sh	12.75
Underwriting Inc p sh	4.00
Earnings per sh B	8.35
Div'ds Decl'd per sh C	2.25
Book Value per sh	59.45
Common Shs Outst'g D	520.00
Price to Book Value	140%
Avg Ann'l P/E Ratio	10.0
Relative P/E Ratio	.65
Avg Ann'l Div'd Yield	2.7%

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
19307	20112	21871	22197	23361	24677	25989	27588	27369	27233	**27000**	**27300**	P/C Premiums Earned A	29640
70.3%	73.0%	75.0%	79.0%	75.6%	70.6%	68.7%	76.8%	58.5%	64.9%	**68.0%**	**67.0%**	Loss to Prem Earned	65.0%
22.4%	24.4%	24.2%	--	11.8%	11.9%	24.3%	25.4%	28.5%	28.7%	**28.5%**	**28.5%**	Expense to Prem Writ	28.0%
7.3%	2.6%	.8%	21.0%	12.6%	17.4%	7.0%	-2.2%	13.0%	6.5%	**3.5%**	**4.5%**	Underwriting Margin	7.0%
31.5%	29.4%	26.4%	5.9%	16.1%	24.0%	23.2%	15.5%	30.4%	30.3%	**30.0%**	**30.0%**	Income Tax Rate	30.0%
3294.0	2720.0	2211.0	1167.0	2067.0	2653.0	3088.0	1765.0	4993.0	4636.0	**2075**	**3045**	Net Profit ($mill)	4375
5.8%	5.8%	6.2%	6.3%	5.4%	4.9%	4.7%	5.0%	5.3%	5.3%	**5.0%**	**5.0%**	Inv Inc/Total Inv	6.0%
87691	98119	104808	109175	117426	134142	149725	156072	157554	156408	**153500**	**156000**	Total Assets ($mill)	180000
17240	17565	18201	16996	17438	20565	21823	20186	21846	21851	**21485**	**22960**	Shr. Equity ($mill)	30920
19.1%	15.5%	12.1%	6.9%	11.9%	12.9%	14.2%	8.7%	22.9%	21.2%	**9.5%**	**13.5%**	Return on Shr. Equity	14.0%
17.3%	13.5%	9.8%	3.7%	8.5%	9.8%	10.7%	4.6%	18.9%	17.1%	**5.5%**	**9.0%**	Retained to Com Eq	10.5%
13%	17%	23%	46%	28%	24%	24%	47%	17%	19%	**43%**	**31%**	All Div'ds to Net Prof	27%

CAPITAL STRUCTURE as of 6/30/08
Total Debt $5640 mill. **Due in 5 Yrs** $2100 mill.
LT Debt $5640 mill. **Total Interest** $350 mill.
(21% of Cap'l)
Leases, Uncapitalized Annual rentals $304 mill.

Pension Assets 12/07: $5.1 bill. **Oblig.** $5.0 bill.
Pfd Stock None
Common Stock 541,517,994 shs.
as of 7/31/08

MARKET CAP: $24.5 billion (Large Cap)

FINANCIAL POSITION ($MILL.)	2006	2007	6/30/08
Bonds	97293	94451	83224
Stocks	6152	5257	4664
Mortgages	9467	10830	10629
Other	44642	45870	52316
Total Assets	157554	156408	150833
Unearned Prems	10427	10409	10266
Reserves P/C	18866	18865	18863
Other	106415	105283	101995
Total Liab'ties	135708	134557	131124

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	7.5%	8.0%	5.0%
Invest Income	8.0%	8.0%	6.0%
Earnings	11.0%	12.5%	9.0%
Dividends	12.0%	12.5%	8.0%
Book Value	9.5%	7.5%	7.0%

Cal-endar	NET PREMIUMS EARNED A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	6821	6874	6918	6975	27588
2006	6876	6860	6801	6832	27369
2007	6806	6822	6819	6786	27233
2008	6764	6750	**6750**	**6736**	**27000**
2009	**6700**	**6800**	**6850**	**6950**	**27300**

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.67	1.66	d2.52	1.49	2.30
2006	2.01	2.00	1.88	1.78	7.67
2007	1.93	1.76	1.54	1.24	6.47
2008	1.33	1.24	**1.30**	**1.38**	**5.25**
2009	**1.40**	**1.50**	**1.50**	**1.50**	**5.90**

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.28	.28	.28	.28	1.12
2005	.28	.32	.32	.32	1.24
2006	.35	.35	.35	.35	1.40
2007	.35	.38	.38	.38	1.49
2009	.38	.41	.41		

BUSINESS: Allstate Corporation is the second-largest property/casualty insurer, and one of the largest life insurers in the country. 2007 Revenue breakdown: property/casualty (74%); life insurance (5%); Investment Income (21%). Total work force 38,000 employees. Property/Casualty premium breakdown: standard auto, 63% of net written premiums; non-standard, 5%; homeowners, 23%; other personal lines, 9%. Life insurance includes annuity, term, universal life, whole life. Northern Trust Corporation owns 5.1% of common shares outstanding; officers & directors own 1.0% (5/08 proxy). Chairman and Chief Executive Officer: Thomas J. Wilson. Address: Allstate Plaza, Northbrook, Illinois 60062. Telephone: 847-402-5000. Internet: www.allstate.com.

Allstate Corp.'s earnings comparisons continue to suffer in this environment. Weather conditions contributed to catastrophe losses that were at record levels for the June interim, and about 60% more than in the same period last year. Lower automobile and home sales, due to the weak domestic economy, led to a decline in new applications and premiums written. In all,

We don't expect earnings to recover to last year's levels until 2010. Although there has been a decline in claims frequency on the auto side (perhaps due to higher gas prices and less driving), claims severity continues to rise, increasing total loss ratios. Even with the slowdown in new business, rate increases would better reflect the underwriting experience, and we do not expect to see Allstate cut rates to chase growth at the expense of profitability. Too, higher-premium programs like *Your Choice Auto*, which offer additional benefits, continue to gain traction, and the company has plans to roll this offering out in more states.

Acquisitions may provide a boost in this slow environment. Allstate recently closed the purchase of the Partnership Marketing Group, the second-largest provider of roadside assistance in the country. This should roughly double the company's motor club segment, and increase the customer base to which it can cross-market.

The investment portfolio has taken a hit, as well. Net investment income in the second quarter was down 14% from the year-ago period due to a larger percentage of more-liquid, short-term assets, as well as reduced income from limited partnerships. Allstate has been reducing its exposure to riskier assets, particularly mortgage loans and securities of financial institutions, and has been realizing capital losses as it sheds these investments.

These neutrally ranked shares don't stand out for the long term. Although an aggressive stock-buyback program should lend support to share earnings, we project only average capital appreciation out to 2011-2013. However, the company receives good marks for its Financial Strength (A), and has been steadily increasing its quarterly dividend, where the yield is somewhat above average.

William Kuo *September 19, 2008*

(A) Excludes life.
(B) Earnings from operations in 2002 and thereafter, based on operating income per diluted share. Before 2002, included realized cap. gains: '00, $0.36; '99, $0.79; '98, $0.86; '97, $0.79; '96, $0.49; '95, $0.34.
Next earnings report due late October.
(C) Dividends historically paid in early January, April, July, and October. Special dividend, rights buyback, $0.01 per right, paid 1/2/04.
(D) In millions, adjusted for split.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	45

AMERISOURCE NYSE-ABC

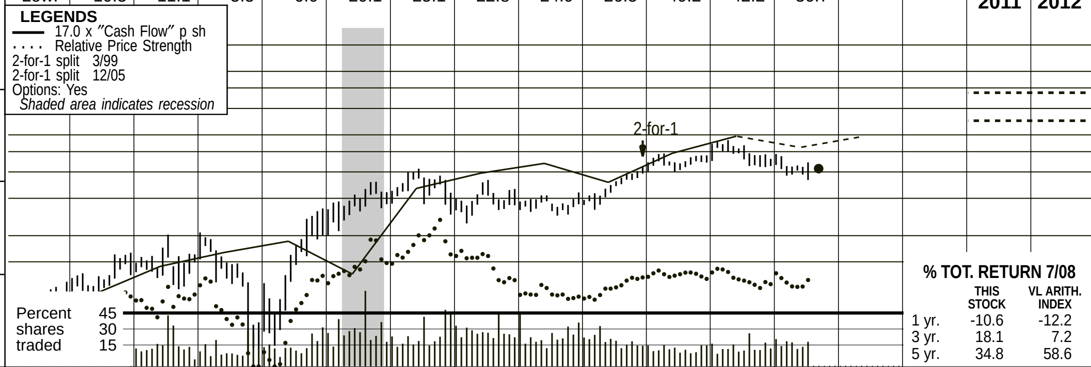
RECENT PRICE **41.49** | P/E RATIO **13.8** (Trailing: 15.0; Median: 19.0) | RELATIVE P/E RATIO **0.90** | DIV'D YLD **0.7%** | VALUE LINE

TIMELINESS 3 Raised 2/22/08
SAFETY 2 Raised 5/30/08
TECHNICAL 3 Lowered 5/30/08
BETA .75 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	16.6	20.2	20.7	26.8	36.0	41.4	36.7	32.0	42.2	49.0	56.6	48.6
Low:	10.3	11.1	5.5	6.0	20.1	25.1	22.8	24.9	26.5	40.2	42.2	36.7

Target Price Range 2011 | 2012 | 2013

LEGENDS
— 17.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 3/99
2-for-1 split 12/05
Options: Yes
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	95	(+130%)	24%
Low	70	(+70%)	15%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	2	0	0	0	0	0
to Sell	0	0	0	2	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	109	131	163
to Sell	262	187	169
Hld's(000)	161245	155029	152519

% TOT. RETURN 7/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-10.6	-12.2
3 yr.	18.1	7.2
5 yr.	34.8	58.6

AmerisourceBergen was formed in 2001 by the merger of AmeriSource and Bergen Brunswig. Prior to that, AmeriSource was formed to acquire Alco Health Services Corp. in a $545 million leveraged buyout of that company in 1988. In April of 1995 the company issued 6.6 million shares at an offering price of $5.25 a share. That offering was led by Donaldson, Lufkin & Jenrette. A subsequent offering of 4.8 million shares was made in May of '96 at $8.75 a share.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
88.48	95.03	111.40	76.41	188.14	203.04	232.46	239.84	295.04	367.16	**460.55**	**501.40**	Sales per sh A	**593.75**
.84	.98	1.10	.77	1.97	2.32	2.59	2.10	2.88	3.48	**3.60**	**3.95**	"Cash Flow" per sh	**5.15**
.69	.81	.95	1.16	1.65	1.98	2.03	1.69	2.17	2.56	**2.85**	**3.25**	Earnings per sh A B	**4.30**
- -	- -	- -	- -	.05	.05	.05	.05	.10	.20	**.30**	**.30**	Div'ds Decl'd per sh C	**.40**
.11	.15	.16	.11	.30	.40	.90	.98	.59	.70	**.85**	**.85**	Cap'l Spending per sh	**.90**
.78	1.62	2.71	13.71	15.51	17.86	20.64	20.53	21.56	18.46	**19.00**	**21.00**	Book Value per sh	**26.60**
96.92	102.70	104.22	207.07	213.89	224.28	210.23	208.52	192.09	167.96	**150.00**	**144.00**	Common Shs Outst'g D	**144.00**
21.3	18.9	11.6	22.8	20.5	15.2	14.1	19.0	18.9	19.2	*Bold figures are*		Avg Ann'l P/E Ratio	**19.5**
1.11	1.08	.75	1.17	1.12	.87	.74	1.01	1.02	1.00	*Value Line*		Relative P/E Ratio	**1.30**
- -	- -	- -	- -	.1%	.2%	.2%	.2%	.2%	.4%	*estimates*		Avg Ann'l Div'd Yield	**.5%**
8575.4	9760.1	11610	15823	40241	45537	48871	50013	56673	61669	**69085**	**72200**	Sales ($mill) A	**85500**
1.9%	2.0%	1.9%	1.8%	2.0%	2.1%	2.0%	1.5%	1.5%	1.5%	**1.5%**	**1.5%**	Operating Margin	**1.5%**
14.8	17.4	16.1	21.6	61.2	71.0	75.8	81.2	86.0	91.2	**95.0**	**100**	Depreciation ($mill)	**120**
66.8	83.1	99.0	138.2	359.6	449.2	468.4	356.7	468.0	494.0	**440**	**470**	Net Profit ($mill)	**625**
39.0%	38.1%	38.0%	38.3%	39.7%	39.2%	38.4%	37.8%	36.8%	37.1%	**38.0%**	**38.0%**	Income Tax Rate	**38.0%**
.8%	.9%	.9%	.9%	.9%	1.0%	1.0%	.7%	.8%	.7%	**.6%**	**.7%**	Net Profit Margin	**.7%**
403.1	592.7	569.1	1980.0	2250.1	2602.4	2191.5	1935.6	1751.2	857.3	**655**	**810**	Working Cap'l ($mill)	**1180**
453.8	558.7	413.2	1597.3	1756.5	1722.7	1157.1	951.5	1093.9	1227.3	**1225**	**1225**	Long-Term Debt ($mill)	**925**
75.3	166.3	282.3	2838.6	3316.3	4005.3	4339.0	4280.4	4141.2	3099.7	**2850**	**3025**	Shr. Equity ($mill)	**3830**
16.6%	14.2%	17.2%	3.6%	8.5%	9.1%	9.5%	7.4%	9.1%	11.7%	**11.5%**	**12.0%**	Return on Total Cap'l	**14.0%**
88.7%	50.0%	35.1%	4.9%	10.8%	11.2%	10.8%	8.3%	11.3%	14.9%	**15.5%**	**15.5%**	Return on Shr. Equity	**16.5%**
88.7%	50.0%	35.1%	4.9%	10.5%	10.9%	10.5%	8.1%	10.8%	13.4%	**14.0%**	**14.0%**	Retained to Com Eq	**15.0%**
- -	- -	- -	- -	3%	2%	2%	3%	4%	8%	**11%**	**9%**	All Div'ds to Net Prof	**9%**

CAPITAL STRUCTURE as of 6/30/08
Total Debt $1233.1 mill. **Due in 5 Yrs** $201.1 mill.
LT Debt $1231.2 mill. **LT Interest** $60.0 mill.

(Total interest coverage: 25.3x) (31% of Cap'l)

Leases, Uncapitalized $56.6 mill.

Pension Assets-9/07 $104.4 mill. **Oblig.** $109.8 mill.
Pfd Stock None
Common Stock 158,461,460 shs.

MARKET CAP: $6.6 billion (Large Cap)

CURRENT POSITION ($MILL.)	2006	2007	6/30/08
Cash Assets	1329.1	1107.6	583.1
Receivables	3427.1	3472.4	3667.1
Inventory (LIFO)	4422.1	4101.5	4116.3
Other	32.1	32.8	81.3
Current Assets	9210.4	8714.3	8447.8
Accts Payable	6499.3	6988.8	7039.1
Other	959.9	868.2	832.4
Current Liab.	7459.2	7857.0	7871.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '04-'06 to '11-'13
Sales	16.5%	22.0%	12.0%
"Cash Flow"	17.5%	21.5%	11.0%
Earnings	16.5%	15.5%	12.0%
Dividends	- -	- -	22.0%
Book Value	- -	28.5%	4.5%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	12204	12241	12603	12965	50013
2006	13536	14049	14446	14642	56673
2007	15696	15284	15392	15297	61669
2008	16239	17294	17508	**18044**	**69085**
2009	**16980**	**18070**	**18610**	**18540**	**72200**

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2005	.30	.45	.46	.48	1.69
2006	.44	.55	.57	.61	2.17
2007	.65	.68	.60	.63	2.56
2008	.62	.82	.70	**.71**	**2.85**
2009	**.73**	**.86**	**.81**	**.85**	**3.25**

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.013	.013	.013	.013	.05
2005	.013	.013	.013	.013	.05
2006	.025	.025	.025	.050	.13
2007	.050	.050	.050	.075	.23
2008	.075	.075			

BUSINESS: AmerisourceBergen was created by the merger of AmeriSource Health and Bergen Brunswig. The company is a full-service wholesale distributor of pharmaceutical products and related health-care services in the U.S. It operates in two segments: Pharmaceutical Distribution and PharMerica, its international pharmacy. Acquired Gulf Dist. Inc. and Diabetic Shoppe, Inc., in '96; Walker Drug in '97; C.D. Smith in July '99. 2007 depreciation rate: 11.5%. Goldman Sachs owns 11.7% of common; Officers and directors, 3.0% (1/08 Proxy). Has about 11,300 employees. Incorporated: DE. President & CEO: R. David Yost. Address: 1300 Morris Drive, Suite 100, Chesterbrook, PA 19087. Telephone: 610-727-7000. Internet: www.amerisourcebergen.net.

AmerisourceBergen has inked an agreement to sell its PMSI workers' compensation business to H.I.G. Capital, LLC for approximately $40 million, plus a contingency payment of up to an additional $10 million, subject to adjustments at closing. This transaction, which ought to be completed by the end of September of this year, comes as a bit of a surprise, as ABC had announced in April that it was no longer interested in selling the divison, since the bids that were received did not reflect the turnaround value of the business. However, after re-evaluating its alternatives, management decided to sell the business and focus on its pharmaceutical distribution and related businesses.

In the meantime, we look for the company to post double-digit earnings advances both this fiscal year and next (years end September 30th). During the June quarter, AmerisourceBergen posted a hefty 17% jump in year-over-year share net, on record sales of $17.8 billion, with much of the good news attributable to impressive demand reported by the pharmaceutical distribution division. And over the balance of this year and into next, we look for ABC to benefit from the expected growth of its largest institutional customers and improving operating margins. As a result, fiscal 2008 earnings should approach the $2.85-a-share mark, with roughly a 14% improvement the following year.

AmerisourceBergen is in strong financial shape. The company finished off the June interim with $583.1 million in cash, a rather impressive feat given that it had repurchased $554 million in outstanding common stock during the first nine months of fiscal 2008. And we look for ABC to use a majority of the $144 million remaining in its current share repurchase authorization during the last quarter of the year.

Investors with an eye toward 2011-2013 may wish to consider neutrally ranked AmerisourceBergen stock. At the current quotation, the issue offers strong appreciation potential 3 to 5 years hence, thanks, in large part, to the double-digit sales and earnings advances we envision over that period.

Kenneth A. Nugent *August 29, 2008*

(A) Fiscal year ends Sept. 30th. (B) Primary earnings through fiscal 1997, diluted thereafter. Excludes n/r (losses)/gains: '98, ($0.34); '99, ($0.07); '01, ($0.21); '02, ($0.13); '03, ($0.07); '04, ($0.07); '05, ($0.33); '06, ($0.09); '07, $0.09. Next egs. report due late Oct. (C) Dividend historically paid in early March, June, Sept., and Dec. (D) In millions, adjusted for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	45
Earnings Predictability	75

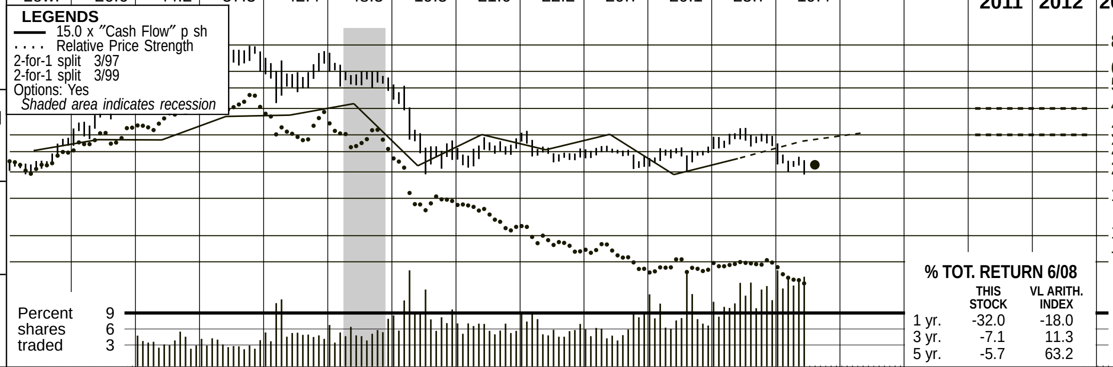
BRISTOL-MYERS SQ. NYSE-BMY

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
21.65	15.5	(Trailing: 20.2 / Median: 26.0)	1.02	5.7%	VALUE LINE

TIMELINESS 3 Lowered 1/4/08
SAFETY 2 Raised 7/20/07
TECHNICAL 4 Lowered 6/27/08
BETA 1.00 (1.00 = Market)

High:	49.1	67.6	79.3	74.9	73.5	51.9	29.2	31.3	26.6	26.4	32.3	27.4
Low:	26.6	44.2	57.3	42.4	48.5	19.5	21.0	22.2	20.7	20.1	25.7	19.4

Target Price Range
2011 | 2012 | 2013



% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-32.0	-18.0
3 yr.	-7.1	11.3
5 yr.	-5.7	63.2

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+85%)	20%
Low	30	(+40%)	13%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	374	418	386
to Sell	446	420	490
Hld's(000)	1487887	1459962	1430945

Bristol-Myers Squibb was incorporated in Delaware in August 1933 as successor to a New York business started in 1887. The company was formed by a merger between Bristol-Myers Company and Squibb Corporation on October 4, 1989. The combination was effected through an exchange of 2.4 shares of Bristol-Myers for each share of Squibb.
The merger was effected utilizing the pooling-of-interests accounting method.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
9.19	10.21	9.32	9.91	9.35	10.77	9.98	9.84	9.13	9.77	**10.65**	**11.40**	Sales per sh	**12.05**
1.89	2.45	2.48	2.81	1.43	2.01	1.70	2.01	1.29	1.54	**1.85**	**2.05**	"Cash Flow" per sh	**2.35**
1.55	2.06	2.36	2.41	1.07	1.59	1.21	1.52	.81	1.09	**1.40**	**1.60**	Earnings per sh A	**1.85**
.78	.86	.98	1.10	1.12	1.12	1.12	1.12	1.12	1.12	**1.24**	**1.24**	Div'ds Decl'd per sh B■	**1.40**
.40	.36	.30	.52	.51	.48	.35	.38	.41	.43	**.45**	**.45**	Cap'l Spending per sh	**.55**
3.81	4.36	4.70	5.48	4.63	5.04	5.25	5.74	5.92	5.34	**5.50**	**5.70**	Book Value per sh C	**6.35**
1988.8	1980.8	1953.5	1960.6	1937.4	1940.5	1942.4	1952.3	1962.4	1979.4	**1975.0**	**1975.0**	Common Shs Outst'g D	**1970.0**
35.2	33.1	24.6	23.8	29.1	15.9	20.8	15.9	29.8	26.4	*Bold figures are*		Avg Ann'l P/E Ratio	**19.0**
1.83	1.89	1.60	1.22	1.59	.91	1.10	.85	1.61	1.38	*Value Line*		Relative P/E Ratio	**1.25**
1.4%	1.3%	1.7%	1.9%	3.6%	4.4%	4.4%	4.6%	4.6%	4.0%	*estimates*		Avg Ann'l Div'd Yield	**4.0%**
18284	20222	18216	19423	18119	20894	19380	19207	17914	19348	**20980**	**22500**	Sales ($mill)	**23700**
31.4%	34.3%	37.6%	38.3%	26.2%	27.5%	29.9%	31.6%	23.7%	24.4%	**26.5%**	**27.5%**	Operating Margin	**28.5%**
625.0	678.0	746.0	781.0	735.0	789.0	909.0	929.0	956.0	892.0	**915**	**930**	Depreciation ($mill)	**980**
3141.0	4167.0	4096.0	4723.0	2034.0	3106.0	2388.0	3000.0	1585.0	2165.0	**2765**	**3160**	Net Profit ($mill)	**3645**
26.4%	27.7%	25.2%	14.3%	16.4%	25.9%	34.2%	20.5%	23.2%	22.7%	**23.0%**	**24.0%**	Income Tax Rate	**24.0%**
17.2%	20.6%	22.5%	24.3%	11.2%	14.9%	12.3%	15.6%	8.8%	11.2%	**13.2%**	**14.0%**	Net Profit Margin	**15.4%**
2991.0	3730.0	4192.0	3523.0	1755.0	4388.0	4958.0	5393.0	3806.0	1704.0	**3200**	**3500**	Working Cap'l ($mill)	**4000**
1364.0	1342.0	1336.0	6237.0	6261.0	8522.0	8463.0	8364.0	9673.0	4381.0	**4345**	**4300**	Long-Term Debt ($mill)	**4500**
7576.0	8645.0	9180.0	10736	8967.0	9786.0	10202	11208	11612	10562	**10850**	**11300**	Shr. Equity ($mill) C	**12530**
35.5%	42.1%	39.5%	28.9%	14.8%	18.8%	14.8%	17.2%	9.1%	15.5%	**19.5%**	**23.0%**	Return on Total Cap'l	**24.5%**
41.5%	48.2%	44.6%	44.0%	22.7%	31.7%	23.4%	26.8%	13.6%	20.5%	**25.5%**	**28.0%**	Return on Shr. Equity	**29.0%**
21.0%	28.5%	23.6%	24.1%	NMF	9.6%	2.1%	7.3%	NMF	NMF	**3.0%**	**6.5%**	Retained to Com Eq	**7.0%**
49%	41%	47%	45%	107%	70%	91%	73%	NMF	102%	**89%**	**78%**	All Div'ds to Net Prof	**76%**

CAPITAL STRUCTURE as of 3/31/08
Total Debt $6341 mill. **Due in 5 Yrs** $1951 mill.
LT Debt $4390 mill. **LT Interest** $312.1 mill.
(31% of Cap'l)
(Total interest coverage: 3.9x)
Leases, Capitalized $49.0 mill.

Pension Assets-12/07 $6.3 bill. **Oblig.** $6.8 bill.

Pfd Stock None
Common Stock 1,975,290,706 shs.
as of 4/28/08
MARKET CAP: $42.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	4013	2225	2319
Receivables	3247	4240	4381
Inventory (Avg Cst)	2079	2162	2209
Other	963	1721	1645
Current Assets	10302	10348	10554
Accts Payable	1239	1442	1476
Debt Due	187	1891	1951
Other	5070	5311	5390
Current Liab.	6496	8644	8817

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	2.5%	- -	4.0%
"Cash Flow"	-0.5%	-6.5%	6.5%
Earnings	-2.5%	-10.0%	8.5%
Dividends	4.0%	1.0%	3.5%
Book Value	5.5%	3.0%	2.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	4532	4889	4767	5019	19207
2006	4676	4871	4154	4213	17914
2007	4317	4757	4893	5381	19348
2008	5181	**5250**	**5250**	**5299**	**20980**
2009	**5450**	**5500**	**5700**	**5850**	**22500**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	.32	.50	.44	.26	1.52
2006	.32	.34	.17	d.02	.81
2007	.35	.36	.43	d.05	1.09
2008	.33	**.35**	**.42**	**.30**	**1.40**
2009	**.35**	**.40**	**.45**	**.40**	**1.60**

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.28	.28	.28	.28	1.12
2005	.28	.28	.28	.28	1.12
2006	.28	.28	.28	.28	1.12
2007	.28	.28	.28	.28	1.12
2008	.31	.31			

BUSINESS: Bristol-Myers Squibb Company manufactures proprietary medical products, ethical pharmaceuticals, diagnostics, infant formula, orthopedic implants, health and beauty aids. Major brand names include: *Plavix* ($4.8 billion in '07 sales), *Avapro, Pravachol, Coumadin, Reyataz, Sustiva, Baraclude, Erbitux, Taxol, Sprycel, Ixempra, Abilify, Enfamil, Enfagrow.* Acquired DuPont Pharma. 10/01/01. International operations represent 46% of sales (35% of operating profit); R&D, 16.9%. '07 depreciation rate: 10.3%. Estimated plant age: 14 years. Has about 46,050 employees Officers & directors own 1% of stock (3/08 proxy). Chairman and CEO: James M. Cornelius. Incorporated: DE. Addr.: 345 Park Ave., NY, NY 10154. Tel.: 212-546-4000. Internet: www.bms.com.

Income-oriented investors may be interested in Bristol-Myers Squibb. The seven-point drop in the stock price this year has resulted in a highly attractive dividend yield. Bristol raised the annual dividend to a very generous $1.24 a share in 2008. Given that the company has well over $2 billion on the balance sheet, and will likely generate cash flow per share of $1.85 this year, we feel the dividend is secure. Those investors looking for a little more security may want to consider the $2 convertible preferred stock, which has a dividend of $0.50 a share. Either investment strategy should prove fruitful, while awaiting a partial resurrection in the stock price.

The next few years should be fairly eventful for holders of this good-quality stock. We feel that at this point most, if not all, the bad news is already baked into the equity. Hard on the heels of patent exclusivity losses on mainstay drugs, *BuSpar*, *Pravachol*, *Taxol*, and *Glucophage*, is the near-term patent loss of *Plavix*. Generic drug manufacturers are pursuing this platelet blocker with unmitigated tenacity. Meanwhile, it remains to be seen whether newer drugs like *Sprycel*, *Sustiva*, *Abilify*, *Reyataz*, and *Erbitux* will fill the revenue gap left by the aforementioned heavyweights. To combat the prospective shortfall, Bristol is hoping to sell its baby food business Mead Johnson for around $9 billion, possibly offloading the ConvaTec wound care unit, and cutting costs (8% of the workforce over the next two years). Proceeds would most likely be used to acquire other brand name and/or generics companies, as well as consumer healthcare entities. The recent acquisition of Kosan BioSciences for $190 million is a small indication of things to come.

Given this stock's depressed valuation, investors might think this is a good time to buy. And for those interested in income, it probably is. But those expecting the stock to rebound quickly are likely in for a surprise. There are few, if any, long- or short-term catalysts. Much will depend on the company's ability to reposition itself (via divestiture and acquisition), such that it becomes attractive to a potential suitor.

Jeremy J. Butler *July 18, 2008*

A) Based on avg. shares outstanding thru. '97, diluted thereafter. Next earnings report due late July. Excludes nonrecurring losses: '98, 25¢. Includes extraordinary charge of $0.11 in 2Q '04.
(B) Dividends historically paid in the first week of February, May, August, and November. ■ Dividend reinvestment plan available.
(C) Includes intangibles. In '07: $6328 million, $3.20/sh.
(D) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	5
Earnings Predictability	60

CAPITOL FED. FIN'L NDQ-CFFN

RECENT PRICE	38.76	P/E RATIO	69.2 (84.3 / NMF)	RELATIVE P/E RATIO	4.55	DIV'D YLD	5.2%	VALUE LINE

High:	10.6	16.8	22.3	29.2	37.9	39.6	37.3	39.0	40.4	41.4
Low:	9.3	8.9	14.8	20.2	27.8	29.3	32.7	31.5	29.3	27.6

TIMELINESS 3 Lowered 7/4/08

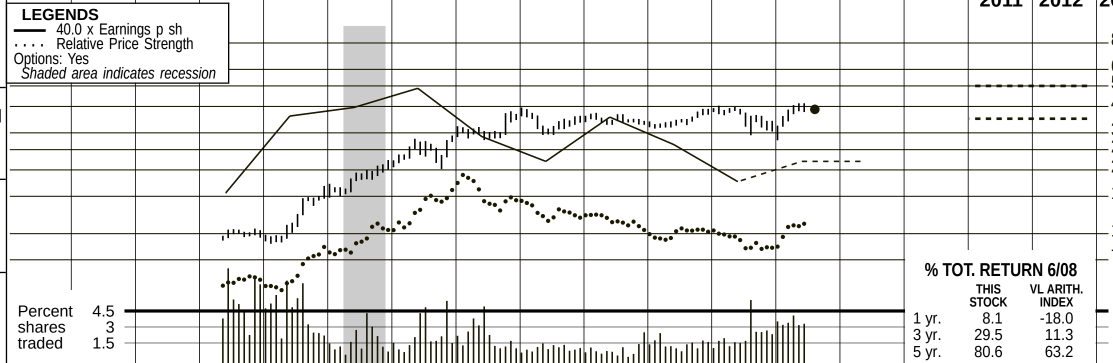
SAFETY 2 Raised 10/25/02

TECHNICAL 3 Lowered 6/20/08

BETA .80 (1.00 = Market)

LEGENDS
— 40.0 x Earnings p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+30%)	11%
Low	35	(-10%)	3%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	1	0	0	0
Options	1	0	0	0	0	1	0	0	0
to Sell	1	0	0	1	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	43	35	41
to Sell	32	38	40
Hld's(000)	8824	8955	9047

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	8.1	-18.0
3 yr.	29.5	11.3
5 yr.	80.6	63.2

Capitol Federal Financial is a federally chartered holding company, which converted from mutual to stock ownership on March 31, 1999. On that day, the company sold 37,807,183 shares at $10 per share in a subscription offering to certain depositors. It also sold an additional 53,705,104 shares during its IPO. The offering, led by Charles Webb & Company, netted proceeds of $355.5 million.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
- -	69.62	94.13	96.27	103.17	96.81	100.00	102.50	98.69	90.39	*94.20*	*96.90*	Mortgage Loans per sh	*103.50*
- -	42.61	47.26	53.30	59.71	57.75	55.78	53.31	52.69	52.83	*54.50*	*56.50*	Savings Deposits per sh	*60.00*
- -	.39	.90	.99	1.22	.72	.55	.89	.66	.44	*.55*	*.55*	Earnings per sh A B	*1.05*
- -	.20	.42	.57	.74	.90	2.00	2.00	2.00	2.00	*2.00*	*2.00*	Div'ds Decl'd per sh C	*2.10*
- -	11.44	11.78	13.04	13.42	13.31	11.25	11.64	11.66	11.68	*11.65*	*11.70*	Book Value per sh	*12.35*
- -	91.51	83.72	80.41	73.55	73.38	73.99	74.29	74.03	74.26	*74.30*	*74.30*	Common Shs Outst'g D	*74.30*
- -	25.6	11.9	16.9	19.2	40.0	61.1	39.0	50.8	84.5	*Bold figures are*		Avg Ann'l P/E Ratio	*40.0*
- -	1.46	.77	.87	1.05	2.28	3.23	2.08	2.74	4.44	*Value Line*		Relative P/E Ratio	*2.65*
- -	2.0%	3.9%	3.4%	3.2%	3.1%	6.0%	5.8%	6.0%	5.4%	*estimates*		Avg Ann'l Div'd Yield	*5.0%*
- -	409.8	533.2	597.1	586.6	484.7	408.4	423.5	435.7	435.5	*440*	*460*	Gross Income ($mill)	*490*
- -	61.7%	65.7%	68.7%	63.2%	67.4%	65.8%	57.7%	65.2%	70.1%	*67.0%*	*67.5%*	Int Cost to Gross Inc	*60.0%*
- -	42.9	76.3	77.8	89.6	52.0	40.3	65.1	48.1	32.3	*40.0*	*42.5*	Net Profit ($mill)	*76.5*
- -	38.2%	36.8%	36.9%	39.1%	39.0%	39.7%	38.3%	38.9%	39.0%	*39.0%*	*39.0%*	Income Tax Rate	*39.0%*
- -	10.5%	14.3%	13.0%	15.3%	10.7%	9.9%	15.4%	11.0%	7.4%	*9.1%*	*9.2%*	Net Profit Margin	*15.5%*
- -	6539.3	8265.2	8635.4	8781.1	8582.5	8541.0	8409.7	8199.1	7675.9	*8000*	*8200*	Total Assets ($mill)	*8750*
- -	1345.0	3225.0	3200.0	3200.0	3200.0	3449.4	3426.5	3268.7	2732.2	*2700*	*2800*	FHLB Advances ($mill)	*3300*
- -	1046.5	986.2	1048.3	987.4	976.4	832.4	865.1	863.2	867.6	*865*	*870*	Shr. Equity ($mill)	*915*
- -	- -	- -	- -	- -	- -	- -	- -	1440.0	1600.0	*1000*	*1100*	New Loan Volume ($mill)	*1400*
- -	- -	- -	- -	- -	- -	- -	- -	.17%	.16%	*.20%*	*.21%*	Problem Assets to Lns	*.16%*
- -	16.0%	11.9%	12.1%	11.2%	11.4%	9.7%	10.3%	10.5%	11.3%	*10.8%*	*10.6%*	Shr. Eq. to Total Assets	*10.5%*
- -	21.2%	11.6%	10.6%	11.7%	15.0%	17.9%	17.4%	16.7%	17.8%	*17.0%*	*17.5%*	G&A Exp to Gross Inc	*15.5%*
- -	.66%	.92%	.90%	1.02%	.61%	.47%	.77%	.59%	.42%	*.50%*	*.50%*	Return on Total Assets	*.85%*
- -	4.1%	7.7%	7.4%	9.1%	5.3%	4.8%	7.5%	5.6%	3.7%	*4.5%*	*5.0%*	Return on Shr. Equity	*8.5%*

CAPITAL STRUCTURE as of 3/31/08

FHLB Advances $2547.6 mill. (77% of Cap'l)

Other LT Debt $53.6 mill.

Leases, Uncapitalized: Annual rentals $1.0 mill.
No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 74,063,559 shs.

MARKET CAP: $2.9 billion (Mid Cap)

EARNINGS FACTORS

Margin (%)	2006	2007	3/31/08
Earning Asset Yield	5.08	5.28	5.31
Cost of Funds	3.89	4.35	4.11
Yield-Cost Margin	1.19	.93	1.20

Net Changes ($mill.)	2006	2007	3/31/08
Loans	-243.0	69.0	1.4
Savings Deposits	-59.9	22.4	98.2
FHLB Advances & Other Borrowing	-157.7	-536.5	400.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Mortgage Lns	- -	- -	1.0%
Savings Dep	- -	- -	2.0%
Earnings	- -	-8.5%	8.0%
Dividends	- -	28.0%	1.0%
Book Value	- -	-2.0%	1.0%

Fiscal Year Ends	SAVINGS DEPOSITS ($ mill.) A Dec.31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
2005	4151	4051	3991	3960	
2006	3937	4015	3895	3900	
2007	3935	4003	3947	3922	
2008	3981	4021	*4030*	*4050*	
2009	*4050*	*4100*	*4150*	*4200*	

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
2005	.25	.24	.22	.18	.89
2006	.18	.19	.15	.14	.66
2007	.14	.12	.10	.08	.44
2008	.12	.16	*.13*	*.14*	*.55*
2009	*.13*	*.13*	*.14*	*.15*	*.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.50	.50	.50	.50	2.00
2005	.50	.50	.50	.50	2.00
2006	.50	.50	.50	.50	2.00
2007	.50	.50	.50	.50	2.00
2008	.50	.50			

BUSINESS: Capitol Federal Financial is the holding company for Cap. Fed. Savings Bank. It has 39 branch locations in Kansas and is the leading residential lender in the state. The bank serves the Topeka, Kansas City, Wichita, Lawrence, Manhattan, Emporia, and Salina areas. It primarily attracts retail deposits and uses the funds to provide mortgage loans to owner-occupied residences. Deposits include passbook and statement savings, money market accounts, NOW and noninterest bearing checking. Loans at 9/30/07: 96% real estate; 4% consumer. Has about 724 empl. Cap. Fed. Sav. Bank owns 70.3% of shs.; Off. & dir., 2.6% (12/07 proxy). Chrmn.: John C. Dicus. CEO: John B. Dicus. Inc.: KS. Addr.: 700 Kansas Ave. Topeka, KS 66603. Tel.: 785-235-1341. Net: www.capfed.com.

Capitol Federal posted good results for the March quarter (fiscal year ends September 30th). Share net was the best in two years, as net interest income was bolstered by lower funding costs. Interest expense declined almost $7 million due to the maturation of higher-cost deposits that were not renewed, and by the termination of a $575 million interest-rate swap. Too, interest costs were contained in part by recent interest-rate cuts by the Federal Reserve.

Loan quality appears steady. The percentage of loans that are categorized as nonperforming (90 or more days delinquent) remained at .19% as of March 31st, unchanged from December 31st. About one-third of the nonperforming loans have LTV (loan-to-value) ratios greater than 80%, but most of these nonperformers have private mortgage insurance, which substantially reduces the bank's exposure. Still, although the percentage of troubled loans stayed steady since December, it compares unfavorably to the year-ago ratio. Too, loans from 30 to 89 days delinquent (and hence not yet included in the nonperforming total) increased $1.2 million since September 30th, to $18.9 million. Simply put, the quality of the loan portfolio has dropped a touch, but remains steady, for now. We attribute this to the generally stable condition of Cap Fed's local economy.

Asset and loan growth are what is needed. Capitol Federal is in the business of making mortgage loans, from which it earns a spread. March results were aided by a widening spread, due in part to management actions aimed at reducing the cost of funds, and in part due to Federal Reserve actions that resulted in a generally lower level of interest rates. That said, we expect that asset and loan growth will remain sluggish at least through the end of calendar 2008, as the local and national economies continue to languish.

We see no reason to rush into these good-yielding shares. We expect that asset growth will be challenged by sluggish macroeconomic trends, and that interest-rate spreads may be pressured if the Federal Reserve raises interest rates in an attempt to quell emerging inflationary pressures.

Douglas G. Maurer, CFA *July 18, 2008*

(A) Fiscal year ends September 30th.
(B) Diluted earnings. Fiscal 2004 earnings exclude a debt restructuring charge of $2.03/ share. Next earnings report due early August.
(C) Dividends paid in mid-Feb., May, Aug., and Nov. Excludes special dividends: '06; $0.09, '05; $0.30, '03; $0.81, '02; $1.22. Starting in '05, CFFN has paid a special dividend equal to 25% of the excess of net income over the scheduled annual dividend payments. Historically, dividends have been waived by Cap. Fed. Savings Bank. (D) In millions.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	40
Earnings Predictability	45

CHUBB CORP. NYSE-CB

RECENT PRICE **48.27** | P/E RATIO **8.3** (Trailing: 7.6 / Median: 15.0) | RELATIVE P/E RATIO **0.55** | DIV'D YLD **2.8%** | VALUE LINE

High:	39.3	44.4	38.2	45.1	43.3	39.3	34.6	38.7	49.7	54.7	56.0	54.9
Low:	25.6	27.7	22.0	21.6	27.8	26.0	20.9	31.5	36.5	46.6	45.7	45.2

TIMELINESS 3 Lowered 4/11/08
SAFETY 1 Raised 6/20/08
TECHNICAL 3 Lowered 6/6/08
BETA .95 (1.00 = Market)

2011-13 PROJECTIONS

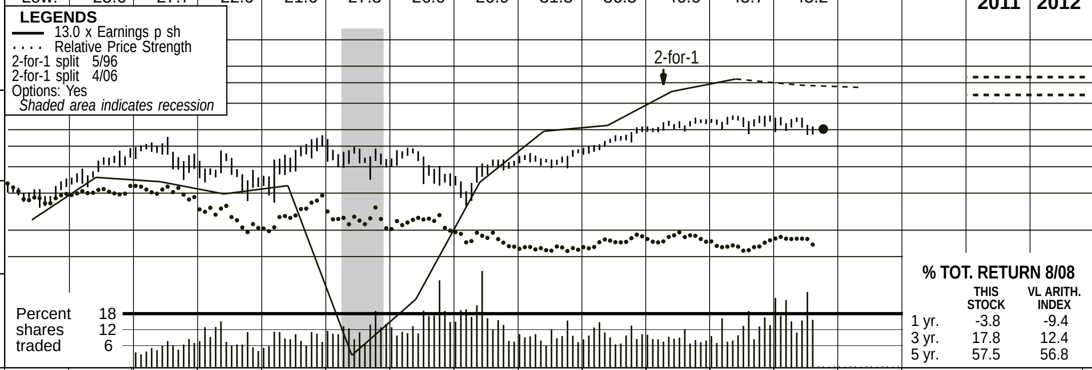
	Price	Gain	Ann'l Total Return
High	85	(+75%)	17%
Low	70	(+45%)	12%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	2	1	0	13	9	4	5	0
to Sell	1	6	3	0	9	0	2	6	1

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	288	287	245
to Sell	279	284	308
Hld's(000)	323671	315997	313803



Target Price Range 2011 | 2012 | 2013

% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-3.8	-9.4
3 yr.	17.8	12.4
5 yr.	57.5	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
9.04	9.99	10.87	11.89	13.07	15.28	16.34	16.10	17.57	19.57	23.61	27.09	30.20	29.12	29.08	31.89	**33.95**	**33.65**	P/C Prem Earned p sh	**35.95**
1.98	2.28	2.39	2.43	2.03	2.14	2.53	2.55	2.74	2.89	2.91	2.97	3.26	3.37	3.84	4.64	**5.05**	**5.20**	Investment Inc p sh A	**6.30**
d.22	d1.20	d.11	.24	.04	.20	d.58	d.50	d.24	d2.91	d2.46	d.18	2.01	2.17	4.59	5.51	**4.30**	**3.70**	Underwriting Inc p sh A	**2.80**
1.74	.98	1.49	1.96	1.38	2.20	2.10	1.83	2.01	.32	.58	2.08	3.63	3.87	5.60	6.41	**6.00**	**5.85**	Earnings per sh B	**5.95**
.39	.42	.46	.49	.54	.58	.62	.64	.66	.68	.70	.72	.78	.86	1.00	1.16	**1.32**	**1.40**	Div'ds Decl'd per sh C■	**1.60**
11.30	11.96	12.23	15.09	15.62	16.82	17.39	17.87	19.96	19.18	20.03	22.67	26.28	29.68	33.71	38.56	**42.55**	**46.30**	Book Value per sh	**56.25**
350.08	350.84	347.28	348.85	349.72	337.43	324.53	350.98	349.84	340.14	342.40	375.93	385.35	418.08	411.28	374.65	**350.00**	**350.00**	Common Shs Outst'g D	**345.00**
166%	182%	153%	142%	155%	191%	212%	168%	171%	185%	164%	131%	133%	144%	149%	137%	*Bold figures are Value Line estimates*		Price to Book Value	**140%**
10.8	22.2	12.6	10.9	17.6	14.7	17.6	16.4	17.0	NMF	NMF	14.3	9.6	11.0	9.0	8.2			Avg Ann'l P/E Ratio	**13.0**
.66	1.31	.83	.73	1.10	.85	.92	.93	1.11	NMF	NMF	.82	.51	.59	.49	.44			Relative P/E Ratio	**.85**
2.1%	1.9%	2.5%	2.3%	2.2%	1.8%	1.7%	2.1%	1.9%	1.9%	2.1%	2.4%	2.2%	2.0%	2.0%	2.2%			Avg Ann'l Div'd Yield	**2.1%**

CAPITAL STRUCTURE as of 6/30/08
Total Debt $4435 mill. **Due in 5 Yrs** $2060 mill.
LT Debt $4435 mill. **LT Interest** $270 mill.
(24% of Cap'l)
Leases, Uncapitalized Annual rentals $89.0 mill.
Pension Assets-12/07 $1409 mill. **Oblig.** $1658 mill.
Pfd Stock None
Common Stock 360,557,474 shs.

MARKET CAP: $17.4 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
5303.8	5652.0	6145.9	6656.4	8085.3	10183	11636	12176	11958	11946	**11885**	**11775**	P/C Premiums Earned	**12400**
68.8%	70.5%	67.5%	80.8%	75.4%	67.6%	63.1%	64.3%	55.2%	52.8%	**58.0%**	**59.5%**	Loss to Prem Earned	**62.5%**
33.5%	32.3%	32.9%	32.6%	31.3%	30.4%	29.2%	28.0%	29.0%	30.1%	**29.5%**	**29.5%**	Expense to Prem Writ	**29.5%**
-2.3%	-2.8%	-.4%	-13.4%	-6.7%	2.0%	7.7%	7.7%	15.8%	17.1%	**12.5%**	**11.0%**	Underwriting Margin	**8.0%**
16.8%	12.5%	16.0%	--	--	11.2%	24.2%	23.5%	27.8%	28.0%	**28.0%**	**28.0%**	Income Tax Rate	**28.0%**
707.0	621.1	714.7	111.5	200.9	753.9	1402.4	1578.2	2367.0	2564.0	**2210**	**2100**	Net Profit ($mill)	**2120**
5.7%	5.8%	5.8%	5.8%	5.2%	4.7%	4.2%	4.3%	4.5%	4.5%	**4.5%**	**5.0%**	Inv Inc/Total Inv	**5.5%**
20746	23537	25027	29449	34114	38361	44260	48061	50277	50574	**52000**	**53500**	Total Assets ($mill)	**62000**
5644.1	6271.8	6981.7	6525.3	6859.2	8522.0	10126	12407	13863	14445	**14900**	**16200**	Shr. Equity ($mill)	**19400**
12.5%	9.9%	10.2%	1.7%	2.9%	8.8%	13.8%	12.7%	17.1%	17.8%	**15.0%**	**13.0%**	Return on Shr. Equity	**11.0%**
8.9%	6.5%	7.0%	NMF	NMF	5.9%	10.9%	9.9%	14.1%	14.7%	**11.5%**	**10.0%**	Retained to Com Eq	**8.0%**
29%	34%	32%	NMF	118%	33%	21%	22%	17%	17%	**21%**	**23%**	All Div'ds to Net Prof	**26%**

FINANCIAL POSITION ($MILL.)

	2006	2007	6/30/08
Bonds	31966	33871	33931
Stocks	1957	2320	1996
ReinsuranceRecov.	2594	2307	2355
Other	13760	12076	13546
Total Assets	50277	50574	51828
Unearned Prems	6546	6599	6681
Reserves	22293	22623	23192
Other	7575	6907	7822
Total Liab'ties	36414	36129	37695

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	8.5%	8.0%	*3.0%*
Invest Income	6.0%	7.0%	*8.0%*
Earnings	11.0%	NMF	*2.0%*
Dividends	6.5%	8.0%	*8.0%*
Book Value	8.0%	11.5%	*9.0%*

Cal-endar	NET PREMIUMS EARNED ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	3035	3019	3043	3079	12176
2006	3019	2970	2974	2995	11958
2007	2985	2964	2978	3019	11946
2008	2976	2986	**2950**	**2973**	**11885**
2009	**2950**	**2940**	**2940**	**2945**	**11775**

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.11	1.14	.45	1.17	3.87
2006	1.42	1.35	1.37	1.46	5.60
2007	1.53	1.60	1.68	1.60	6.41
2008	1.65	1.40	**1.40**	**1.55**	**6.00**
2009	**1.50**	**1.45**	**1.45**	**1.45**	**5.85**

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.18	.195	.195	.195	.77
2005	.195	.215	.215	.215	.84
2006	.215	.25	.25	.25	.97
2007	.25	.29	.29	.29	1.12
2008	.29	.33	.33		

BUSINESS: The Chubb Corporation is a holding company engaged in property and casualty insurance. The company has offices located throughout North America, Europe, South America, and the Pacific Rim. Acquired Executive Risk, Inc. in July, 1999. Sold life/health and real estate operations in 1997. Mix of p/c premiums written at 12/31/07: personal lines, 31%; standard commercial, 43%; specialized commercial, 25%; Reinsurance, 1%. Has about 10,600 employees. Morgan Stanley owns 6.2% of common stock; officers and directors control less than 1% of common (3/08 proxy). Chairman, President, and CEO: John D. Finnegan. Incorporated: N.J. Address: 15 Mountain View Road, P.O. Box 1615, Warren, NJ 07061. Telephone: 908-903-2000. Internet: www.chubb.com.

High catastrophe losses hurt Chubb's operating results in the second quarter. Indeed, earnings per share came in $0.20 below the year-ago tally and a nickel short of our estimate. Much of the weakness stemmed from above-normal catastrophe losses related to storms in the Midwest that impacted the commercial property and marine insurance line. These losses, which accounted for 5.4 percentage points of the combined ratio, essentially penalized share earnings by $0.28. A large loss incurred within the surety line didn't help matters either, as it offset some of the favorable reserve development and exerted additional pressure on the combined ratio.

Meanwhile, soft pricing within the P/C insurance sector seems apt to persist for a while. No doubt, industrywide competition in the U.S. is largely to blame for the decline in the company's top line in recent years. Although foreign business is providing some relief, intense pricing pressure on the homefront will likely continue to make growth within the core domestic operations fairly challenging.

Still, we're leaving our 2008 share-profit estimate of $6.00 intact. Our target is within management's annual guidance of $5.70 to $6.10, which is based on a combined ratio of between 86% and 88%. Granted, given the unusually high outlays incurred in the June quarter and considering that the hurricane season is currently in progress, Chubb now expects catastrophe losses to make up four points of the combined ratio for the full year, instead of three points as it originally assumed. However, the company's earnings guidance reflects a positive outlook for the second half of 2008. Looking ahead, we don't expect a pickup in profits until after 2009, though a healthier pricing backdrop and better loss and expense trends may prove our projections conservative.

Share repurchases should continue, which would be a good use of excess cash and beneficial to share net. More than nine million shares remained in the stock buyback authorization as of June 30th.

Conservative investors may want to look here. A well-covered dividend, along with a top-notch Safety rank and high marks for Financial Strength and Price Stability, gives this issue some appeal.

J. Susan Ferrara *September 19, 2008*

(A) Before taxes. Incl. p/c inv. inc. after 1996. (B) Primary egs. thru 1996. Dil. thereafter. Excl. cap. gains/(losses) begin. with 2002: '02, 7¢; '03, 15¢; '04, 38¢; '05, 60¢; '06, 38¢; '07, 60¢; Q1 '08, 12¢; Q2 '08, (13¢). Incl. cap. gains: '00, 10¢; '99, 17¢; '98, 27¢; '97, 20¢; '96, 17¢; '95, 24¢; '92, 69¢. Excl. nonrec. loss: '93, $2.43. Qtrs. may not add due to diff. in shs. out'g. Next egs. rpt. due late Oct. (C) Dividends are historically paid early January, April, July, October. ■ Dividend reinvestment plan available. (D) In mill., adj. for stock splits.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	80
Earnings Predictability	45

COMMERCE BANCSH. NDQ-CBSH

RECENT PRICE **45.64** | P/E RATIO **17.4** (Trailing: 15.1 Median: 15.0) | RELATIVE P/E RATIO **1.15** | DIV'D YLD **2.3%** | **VALUE LINE**

TIMELINESS 3 Raised 10/26/07
SAFETY 1 New 7/27/90
TECHNICAL 3 Lowered 5/30/08
BETA .95 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	28.8	31.7	28.1	30.4	31.0	35.0	40.6	43.4	48.6	48.3	48.4	46.8
Low:	16.4	20.9	21.8	17.9	23.4	25.8	27.6	36.2	39.9	43.4	41.2	36.5

Target Price Range
2011 | 2012 | 2013

2011-13 PROJECTIONS

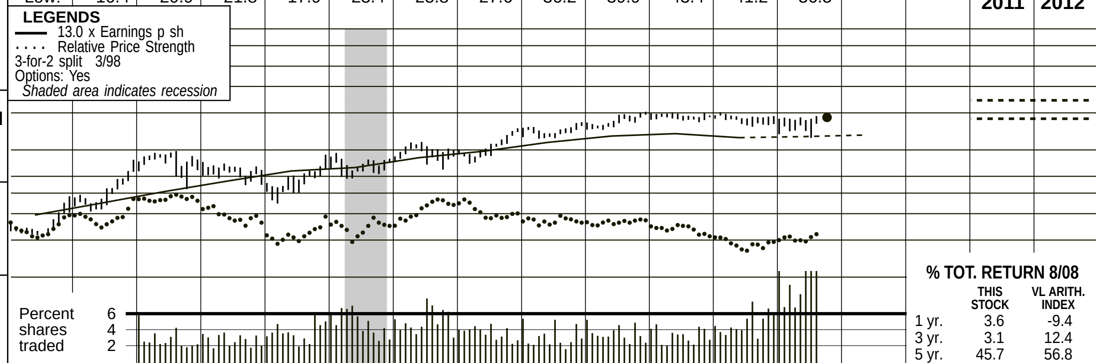
	Price	Gain	Ann'l Total Return
High	55	(+20%)	7%
Low	45	(Nil)	2%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	2	0	0	0	0	0
Options	0	2	1	2	2	0	1	0	1
to Sell	1	2	0	1	2	5	2	1	1

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	86	80	102
to Sell	82	79	72
Hld's(000)	32590	33003	34444



% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	3.6	-9.4
3 yr.	3.1	12.4
5 yr.	45.7	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
.82	.92	1.01	1.06	1.21	1.38	1.56	1.75	1.96	2.04	2.26	2.43	2.68	2.87	2.94	2.82	*2.85*	*2.90*	Earnings per sh A	*3.70*
.18	.20	.22	.25	.28	.32	.35	.39	.42	.46	.49	.61	.76	.83	.89	.95	*1.00*	*1.04*	Div'ds Decl'd per sh B	*1.20*
6.84	7.55	7.67	8.94	9.64	10.39	11.39	10.92	12.99	14.53	16.54	17.56	18.04	17.93	19.61	21.25	*23.10*	*25.40*	Book Value per sh	*33.35*
88.26	94.39	94.95	98.87	95.89	94.43	94.88	98.87	88.05	87.60	85.64	82.62	79.11	74.62	73.55	71.89	*72.50*	*74.00*	Common Shs Outst'g C	*78.00*
10.5	11.0	10.3	11.2	11.7	14.9	18.1	14.4	11.7	13.2	13.8	13.6	14.7	15.3	15.6	15.9	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.64	.65	.68	.75	.73	.86	.94	.82	.76	.68	.75	.78	.78	.81	.84	.83	*Value Line*		Relative P/E Ratio	*.85*
2.1%	1.9%	2.1%	2.1%	2.0%	1.6%	1.3%	1.5%	1.8%	1.7%	1.6%	1.8%	1.9%	1.9%	1.9%	2.1%	*estimates*		Avg Ann'l Div'd Yield	*2.5%*

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
11402	11401	11115	12903	13308	14287	14250	13886	15230	16205	*17500*	*18500*	Total Assets ($mill)	*23000*
6929.8	7453.9	7778.2	7508.5	7745.3	8007.5	8173.0	8770.7	9828.4	10472	*11300*	*12000*	Loans ($mill)	*15000*
427.7	466.0	480.7	467.9	500.0	502.4	497.3	501.7	513.2	538.1	*580*	*615*	Net Interest Inc ($mill)	*730*
36.9	35.3	35.2	36.4	34.1	40.7	30.4	28.8	25.6	42.7	*95.0*	*80.0*	Loan Loss Prov'n ($mill)	*90.0*
214.0	236.2	252.8	277.5	280.6	301.7	326.9	341.2	361.6	379.8	*415*	*405*	Noninterest Inc ($mill)	*475*
379.3	419.0	430.4	439.6	452.9	472.1	482.8	496.5	525.4	574.8	*615*	*625*	Noninterest Exp ($mill)	*690*
150.1	166.2	178.6	182.0	199.5	206.5	220.3	223.2	219.8	206.7	*205*	*215*	Net Profit ($mill)	*290*
33.5%	32.9%	33.3%	32.4%	32.0%	29.1%	29.2%	29.7%	32.1%	31.2%	*28.0%*	*32.0%*	Income Tax Rate	*32.0%*
1.32%	1.46%	1.61%	1.41%	1.50%	1.45%	1.55%	1.61%	1.44%	1.28%	*1.15%*	*1.15%*	Return on Total Assets	*1.25%*
27.1	25.7	224.7	392.6	338.5	401.0	389.5	269.4	53.9	583.6	*1075*	*1200*	Long-Term Debt ($mill)	*1600*
1080.8	1079.8	1143.8	1272.5	1416.3	1451.0	1426.9	1337.8	1442.1	1527.7	*1675*	*1880*	Shr. Equity ($mill)	*2600*
9.5%	9.5%	10.3%	9.9%	10.6%	10.2%	10.0%	9.6%	9.5%	9.4%	*9.5%*	*10.0%*	Shr. Eq. to Total Assets	*11.5%*
60.8%	65.4%	70.0%	58.2%	58.2%	56.0%	57.4%	63.2%	64.5%	64.6%	*64.5%*	*65.0%*	Loans to Tot Assets	*65.0%*
13.9%	15.4%	15.6%	14.3%	14.1%	14.2%	15.4%	16.7%	15.2%	13.5%	*12.0%*	*11.5%*	Return on Shr. Equity	*11.0%*
10.8%	12.1%	12.3%	11.1%	11.1%	10.7%	11.2%	11.9%	10.7%	9.0%	*8.0%*	*7.5%*	Retained to Com Eq	*7.5%*
22%	22%	21%	22%	21%	25%	28%	28%	30%	33%	*35%*	*36%*	All Div'ds to Net Prof	*32%*

CAPITAL STRUCTURE as of 6/30/08

LT Debt $1,075.7 mill. **LT Interest** $35.0 mill.
Due In 5 Years $421.3 mill.

Pension Assets-12/07 $104.8 mill. **Oblig.**$86.3 mill.

Pfd Stock None

Common Stock 72,053,819 shs.
as of 8/1/08

MARKET CAP: $3.3 billion (Mid Cap)

ASSETS	2006	2007	6/30/08
Loans	9828.4	10471.8	10971.1
Funds Sold	527.8	655.2	466.2
Securities	3496.3	3297.0	3782.9
Other Earning	- -	- -	- -
Other	1377.8	1780.8	1798.3
LIABILITIES($Mill.)			
Deposits	11744.9	12551.6	12535.6
Funds Borrowed	1771.3	1239.2	1613.8
Long-Term Debt	53.9	583.6	1075.7
Net Worth	1442.1	1527.7	1605.5
Other	218.1	302.7	187.9
Total	15230.3	16204.8	17018.5
Loan Loss Resrv.	131.7	133.6	145.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Loans	8.5%	8.5%	*6.0%*
Earnings	9.0%	6.5%	*4.5%*
Dividends	12.0%	14.5%	*5.0%*
Book Value	7.5%	6.0%	*9.5%*
Total Assets	7.5%	7.5%	*6.0%*

Cal-endar	LOANS ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31
2005	8275	8370	8614	8771
2006	9010	9251	9701	9828
2007	9772	10093	10317	10472
2008	10792	10971	*11100*	*11300*
2009	*11400*	*11500*	*11700*	*12000*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.63	.69	.81	.74	2.87
2006	.70	.74	.73	.77	2.94
2007	.70	.75	.77	.60	2.82
2008	.89	.77	*.47*	*.72*	*2.85*
2009	*.66*	*.73*	*.74*	*.77*	*2.90*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.189	.189	.189	.189	.76
2005	.208	.208	.208	.208	.83
2006	.222	.222	.222	.222	.89
2007	.238	.238	.238	.238	.95
2008	.25	.25	.25		

BUSINESS: Commerce Bancshares, Inc. has over 360 locations in Missouri, Illinois, Kansas, Oklahoma, & Colorado. Subsidiaries engaged in mortgage, credit-related insurance, venture capital, and real estate activities. Annualized net loan losses, .42% of average loans in '07. Loan loss reserve, 1.31% of loans at 6/30/08; problem & past-due assets, .58%. Loan portfolio (12/31/07): commercial, 31%; commercial real estate, 27%; residential mortgage, 15%; consumer, 27%. On 6/30/08, had 5,181 full-time equivalent empl. Directors & officers own 9.4% of stock; Commerce Bank in trust capacities, 12.5%; American Century, 5.7% (proxy 3/08). CEO: D.W. Kemper. Inc.: MO. Address: 1000 Walnut, P.O. Box 13686, Kansas City, MO 64199. Tel.: 816-234-2000. Internet: commercebank.com.

Commerce Bancshares' earnings pattern has been lumpy lately. Reported results have included some one-time items: a $0.06-a-share gain on the sale of a bank branch in the June quarter; the $0.27-a-share positive effect of the Visa initial public offering in the March period; and $0.18-a-share of Visa litigation costs in the final period of 2007. The company now expects to buy back about $545 million of auction-rate securities from its customers at a possible $28 million loss, which would boost operating expenses and reduce earnings in this year's September interim by about $0.26 a share.

The company's problem asset and loan loss ratios are much lower than most banks', but Commerce isn't immune to credit problems. The bank is a fairly conservative lender, and its area doesn't include the real estate markets hit hardest by the housing debacle. Even so, since the end of 2007, losses on credit cards, marine, and recreational vehicle loans have ticked up; nonaccrual real estate loans (though still very low) have increased; potential problem credits have risen, from $127 million last December 31st to $180 million as of mid-2008. Commerce's loan loss reserve is more than double its problem and past-due loans. Still, we look for some further increase in loan losses in the uncertain economic climate and somewhat higher reserve provisions over the rest of 2008 and into 2009.

Reflecting the possible loss on the auction-rate securities and higher credit costs, we have lowered our share-net estimates for 2008 and 2009, by a dime and $0.15, respectively. Operating expenses advanced a little faster than core revenues (minus the branch sale gain) in the June quarter. But much of the expense growth was in support of revenues (incentive pay, marketing outlays to attract depositors, data processing costs that track bank card income), so we look for the revenue/expense balance to improve. Quarterly comparisons of reported earnings will be difficult in the first half of next year given the 2008 one-time gains.

The stock has held up well, and discounts much of its appreciation potential to 2011-2013. Too, the dividend yield is only about average.

Theresa Brophy *September 19, 2008*

(A) Based on diluted shares outstanding. Next earnings report due mid-Oct.
(B) Dividends historically paid in late March, June, September, and December. Plus stock dividend: 5% in '94, '95, '96, '97, '98, '99, '00, '01, '02, '03, '04, '05, '06, '07.
(C) In millions, adjusted for stock split & dividends.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	100

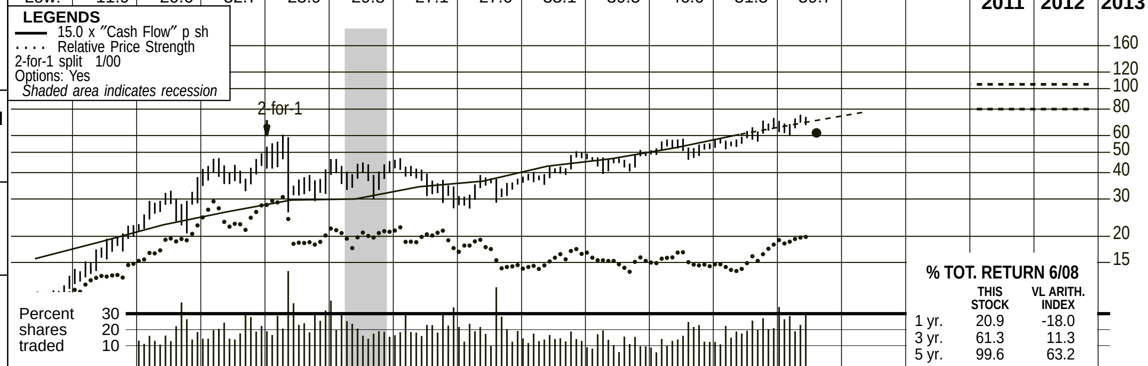
COSTCO WHOLESALE NDQ-COST

RECENT PRICE 61.78 | P/E RATIO 20.9 (Trailing: 21.3; Median: 24.0) | RELATIVE P/E RATIO 1.35 | DIV'D YLD 1.0% | VALUE LINE

TIMELINESS 3 Lowered 8/1/08
SAFETY 2 Raised 5/12/06
TECHNICAL 3 Raised 6/20/08
BETA .90 (1.00 = Market)

High:	22.6	38.1	49.4	60.5	46.4	46.9	39.0	50.5	51.2	57.9	72.7	75.2
Low:	11.9	20.6	32.7	25.9	29.8	27.1	27.0	35.1	39.5	46.0	51.5	59.7

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	105	(+70%)	15%
Low	80	(+30%)	8%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	3	4	0	4	3	5	8	3
to Sell	1	4	5	2	5	4	5	10	4

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	262	345	339
to Sell	353	329	363
Hld's(000)	358352	353105	358252

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	20.9	-18.0
3 yr.	61.3	11.3
5 yr.	99.6	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
28.15	35.70	37.84	46.75	49.77	51.21	55.77	62.01	71.83	77.03	85.13	93.00	103.98	112.04	130.12	148.53	**165.50**	**184.10**	Revenues per sh A E	232.55
.63	.77	.77	.92	1.04	1.25	1.51	1.74	1.98	2.00	2.29	2.43	2.86	3.11	3.50	4.05	**4.60**	**5.20**	"Cash Flow" per sh	6.80
.47	.50	.44	.53	.61	.82	1.02	1.18	1.35	1.29	1.48	1.53	1.86	2.03	2.31	2.63	**2.90**	**3.30**	Earnings per sh B	4.60
--	--	--	--	--	--	--	--	--	--	--	--	.20	.43	.49	.55	**.63**	**.70**	Div'ds Decl'd per sh C■	.80
3.45	4.14	3.87	3.92	4.52	5.78	6.82	7.98	9.47	10.81	12.51	14.33	16.48	18.80	19.78	19.73	**20.00**	**21.50**	Book Value per sh	29.50
235.19	434.15	435.59	390.33	393.15	427.19	435.18	442.74	447.76	451.75	455.33	457.48	462.64	472.48	462.28	437.01	**435.00**	**425.00**	Common Shs Outst'g D	415.00
35.5	21.3	19.6	14.1	14.9	16.9	24.4	30.7	31.1	29.7	26.8	21.2	20.0	22.4	22.1	21.0	Bold figures are		Avg Ann'l P/E Ratio	20.0
2.15	1.26	1.29	.94	.93	.97	1.27	1.75	2.02	1.52	1.46	1.21	1.06	1.19	1.19	1.11	Value Line		Relative P/E Ratio	1.35
--	--	--	--	--	--	--	--	--	--	--	--	.5%	.9%	1.0%	1.0%	estimates		Avg Ann'l Div'd Yield	.9%

CAPITAL STRUCTURE as of 5/11/08
Total Debt $2284.4 mill. **Due in 5 Yrs** $983.8 mill.
LT Debt $2186.9 mill. **LT Interest** $115.0 mill.
Incl. $900 mill. of 5.3% senior notes due 2012 and $1.1 bill. of 5.5% senior notes due 2017.
(20% of Cap'l)
Leases, Uncapitalized Annual rentals $114.7 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 434,774,651 shs. as of 6/8/08

MARKET CAP: $26.9 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
24270	27456	32164	34797	38762	42546	48107	52935	60151	64909	**72000**	**78250**	Revenues ($mill) A E	96500
12.7%	12.8%	12.6%	12.7%	13.0%	13.3%	13.4%	13.2%	13.2%	13.3%	**13.5%**	**13.5%**	Gross Margin	14.0%
4.2%	4.3%	4.0%	3.7%	3.8%	3.6%	3.8%	3.7%	3.6%	3.6%	**3.7%**	**3.8%**	Operating Margin	4.0%
278	292	313	365	374	397	417	433	458	488	**545**	**560**	Number of Stores	630
459.8	545.3	631.4	602.1	700.0	721.0	882.4	989.3	1103.2	1202.3	**1290**	**1425**	Net Profit ($mill)	1955
40.0%	40.0%	40.0%	40.0%	38.5%	37.8%	37.0%	35.5%	37.0%	36.7%	**37.0%**	**37.0%**	Income Tax Rate	37.0%
1.9%	2.0%	2.0%	1.7%	1.8%	1.7%	1.8%	1.9%	1.8%	1.9%	**1.8%**	**1.8%**	Net Profit Margin	2.0%
431.3	449.7	65.7	d229.7	180.8	700.4	1098.5	1477.4	412.9	742.4	**100**	**d400**	Working Cap'l ($mill)	225
930.0	918.9	790.1	859.4	1210.6	1289.6	993.7	710.7	215.4	2108.0	**2050**	**2000**	Long-Term Debt ($mill)	1900
2965.9	3532.1	4240.3	4882.9	5694.2	6555.0	7624.8	8881.1	9143.4	8623.3	**8700**	**9150**	Shr. Equity ($mill)	12250
12.4%	12.8%	12.9%	10.8%	10.3%	9.4%	10.4%	10.5%	11.9%	11.5%	**12.0%**	**13.0%**	Return on Total Cap'l	13.5%
15.5%	15.4%	14.9%	12.3%	12.3%	11.0%	11.6%	11.1%	12.1%	13.9%	**15.0%**	**15.5%**	Return on Shr. Equity	16.0%
15.5%	15.4%	14.9%	12.3%	12.3%	11.0%	10.4%	8.8%	9.5%	11.1%	**12.0%**	**12.5%**	Retained to Com Eq	13.5%
--	--	--	--	--	--	10%	--	21%	20%	**21%**	**20%**	All Div'ds to Net Prof	17%

CURRENT POSITION ($MILL.)

	2006	2007	5/11/08
Cash Assets	2833.1	3355.5	3654.6
Receivables	565.4	762.0	682.6
Inventory (FIFO)	4568.7	4879.5	5305.8
Other	264.9	327.1	435.5
Current Assets	8232.1	9324.1	10078.5
Accts Payable	4581.4	5124.9	5720.5
Debt Due	349.9	113.7	97.5
Other	2887.9	3343.1	3707.5
Current Liab.	7819.2	8581.7	9525.5

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	10.0%	11.0%	10.0%
"Cash Flow"	12.5%	11.0%	11.5%
Earnings	13.5%	11.0%	12.0%
Dividends		--	8.5%
Book Value	15.0%	12.0%	7.0%

QUARTERLY REVENUES ($ mill.) A E

Fiscal Year Ends	Nov.Per	Feb.Per	May Per	Aug.Per	Full Fiscal Year
2005	11578	12658	11997	16702	52935
2006	12933	14059	13284	19875	60151
2007	14152	15342	14888	20527	64909
2008	15809	16959	16610	**22622**	**72000**
2009	**17100**	**18300**	**17850**	**25000**	**78250**

EARNINGS PER SHARE A B

Fiscal Year Ends	Nov.Per	Feb.Per	May Per	Aug.Per	Full Fiscal Year
2005	.40	.54	.43	.66	2.03
2006	.45	.62	.49	.75	2.31
2007	.51	.66	.56	.90	2.63
2008	.59	.74	.67	**.90**	**2.90**
2009	**.65**	**.80**	**.70**	**1.15**	**3.30**

QUARTERLY DIVIDENDS PAID C

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	--	--	.10	.10	.20
2005	.10	.10	.115	.115	.43
2006	.115	.115	.13	.13	.49
2007	.13	.145	.145	.145	.57
2008	.145	.16			

BUSINESS: Costco Wholesale Corp., formerly known as Costco Companies, Inc., was formed by the merger of Price Co. and Costco Wholesale in October '93. Company operates wholesale-membership warehouses in the U.S. (389 as of 2/08), Canada (75), United Kingdom (19), Korea (6), Taiwan (5), Japan (7), and 30 warehouses in Mexico through a joint partnership. Sells merchandise directly from warehouses to a restricted membership. Food and sundries account for 54% of sales. Employs 127,000. Off. & Dir. own 2.3% of stock; Davis Selected Advisors, 14.2%; (12/07 proxy). Chrmn.: Jeffrey H. Brotman. Pres. & CEO: James D. Sinegal. Inc.: WA. Address: 999 Lake Drive, Issaquah, WA 98027. Tel.: 425-313-8100. Internet: www.costco.com.

Although Costco will likely achieve a healthy share-net gain this year, results will be hurt due to rising vendor costs. The company recently revealed that its suppliers have been raising prices at a faster rate then previously expected, largely due to inflationary pressures. Costco has decided to limit the amount of these price increases that it will pass on to its customers in an effort to continue providing less expensive wares compared to its competition. This should allow COST to maintain market-share gains and customer loyalty, albeit at the expense of profits over the coming quarters. Furthermore, the company indicated that greater gas sales will continue to damper profitability because they are a lower-margin item. In response to this recent development, we have cut our 2008 and 2009 earnings estimates by $0.10 and $0.15 to $2.90 and $3.30 per share, respectively.

We expect sales gains to remain robust, however. In its fiscal third quarter, (year ends August 31st) traffic trends, and an increase in the average transaction amount, drove same-store sales up 4% year over year, with an additional 4% credited to the higher gas prices and foreign currency translation. We think that consumers' concern over the current economic backdrop will continue to steer them toward Costco's thrifty merchandise, resulting in further same-store sales gains going forward.

Membership remains best in class. At the end of the third quarter, COST led the industry in total members with 52.6 million, which reflects a 1.5% sequential advance. Revenues from membership fees rose 10% year over year, which certainly helped boost earnings since there are minimal costs associated with the fees. Too, the membership renewal rate remained strong at an industry leading 87%.

These shares are not particularly appealing. The company's revised earnings outlook has put a damper on investor sentiment, and the shares are down 15% since our May report. Pricing pressure should remain in the near term, and our projections indicate below-average capital gains potential to 2011–2013. Thus, most investors should hold off on this issue until a more favorable entry point arises.

Kevin Downing *August 8, 2008*

(A) Fiscal year ends on Sunday nearest Aug. 31st. Interim periods cover 12, 12, 12, 16 weeks.
(B) Primary egs. through '93, thereafter diluted. Excludes n/r gains/(losses): '94, $1.38; '95, 37¢; '97, 20¢; '99, 64¢; '05, 15¢; '07, (26¢). Next earnings report due early October.
(C) Div'ds historically paid in late Feb., May, Aug., Nov. ■ Div'd reinvestment plan available.
(D) In mill. adjusted for split.
(E) Incl. membership fees.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	90
Earnings Predictability	100

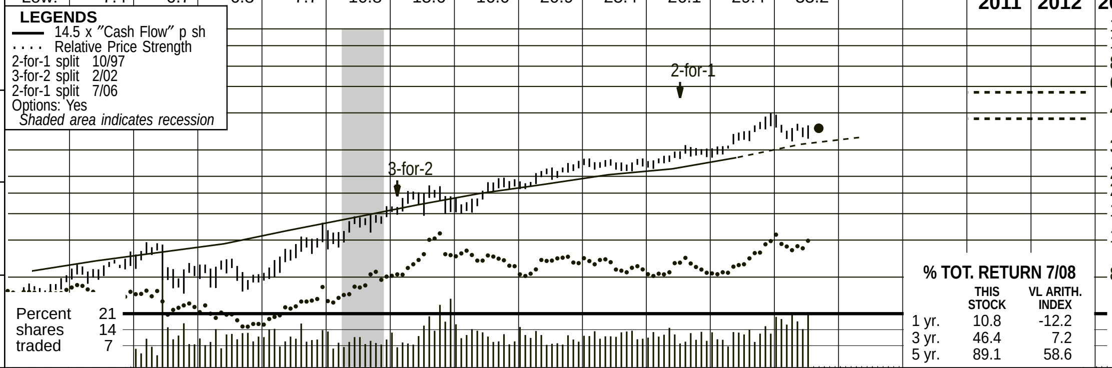
DENTSPLY INTERNT'L NDQ-XRAY

RECENT PRICE **40.62** | P/E RATIO **20.8** (Trailing: 22.4 / Median: 20.0) | RELATIVE P/E RATIO **1.35** | DIV'D YLD **0.5%** | VALUE LINE

TIMELINESS 3 Lowered 4/4/08
SAFETY 2 Raised 6/8/01
TECHNICAL 3 Raised 8/29/08
BETA .80 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	10.6	11.7	9.8	14.5	17.3	21.8	23.7	28.4	29.2	33.8	47.8	47.1
Low:	7.4	6.7	6.8	7.7	10.8	15.6	16.0	20.9	25.4	26.1	29.4	35.2

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+50%)	*10%*
Low	45	(+10%)	*3%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	1	0	2	0
to Sell	0	1	0	0	0	1	0	2	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	183	206	188
to Sell	192	202	240
Hld's(000)	118425	121389	121986

% TOT. RETURN 7/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	10.8	-12.2
3 yr.	46.4	7.2
5 yr.	89.1	58.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
3.49	3.33	3.15	3.53	4.07	4.44	4.88	5.10	5.74	7.25	9.65	9.91	10.51	10.87	11.93	13.33	*15.50*	*16.75*	Sales per sh	*21.90*
.35	.39	.45	.47	.59	.66	.72	.80	.92	1.05	1.21	1.38	1.52	1.69	1.80	2.03	*2.35*	*2.55*	"Cash Flow" per sh	*3.50*
.24	.30	.33	.33	.42	.46	.50	.57	.64	.70	.92	1.07	1.20	1.34	1.42	1.66	*1.91*	*2.10*	Earnings per sh A	*2.85*
- -	- -	.01	.05	.06	.07	.07	.08	.08	.09	.09	.10	.11	.12	.14	.16	*.18*	*.20*	Div'ds Decl'd per sh B	*.26*
.11	.07	.08	.11	.13	.17	.19	.21	.18	.32	.37	.48	.35	.29	.33	.43	*.35*	*.35*	Cap'l Spending per sh	*.40*
.69	1.42	1.80	1.95	2.27	2.61	2.54	2.88	3.36	3.91	5.33	7.07	8.96	7.87	8.39	10.05	*11.25*	*12.10*	Book Value per sh D	*16.30*
145.47	166.19	166.55	162.00	161.40	162.30	162.90	162.90	155.10	155.80	156.80	158.60	161.20	157.80	151.80	150.80	*146.50*	*142.00*	Common Shs Outst'g C	*130.00*
22.8	21.9	18.8	17.8	16.8	19.2	18.3	14.7	16.2	20.1	20.3	18.8	20.6	20.4	21.2	22.5	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
1.38	1.29	1.23	1.19	1.05	1.11	.95	.84	1.05	1.03	1.11	1.07	1.09	1.09	1.14	1.18	*Value Line*		Relative P/E Ratio	*1.25*
- -	- -	.2%	.9%	.8%	.7%	.8%	.9%	.8%	.7%	.5%	.5%	.4%	.4%	.5%	.4%	*estimates*		Avg Ann'l Div'd Yield	*.5%*

CAPITAL STRUCTURE as of 6/30/08
Total Debt $581.5 mill. **Due in 5 Yrs** $475.0 mill.
LT Debt $576.6 mill. **LT Interest** $25.2 mill.
(Total interest coverage: 17.2x) (26% of Cap'l)

Leases, Uncapitalized Annual rentals $24.0 mill.
Pension Assets-12/07 $68.4 mill. **Oblig.** $151.8 mill.

Pfd Stock None

Common Stock 148,659,688 shs.
as of 7/29/08
MARKET CAP: $6.0 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
795.1	830.9	889.8	1129.1	1513.7	1570.9	1694.2	1715.1	1810.5	2009.8	*2270*	*2375*	Sales ($mill)	*2845*
22.5%	22.8%	23.1%	21.1%	19.7%	20.2%	20.7%	20.8%	20.4%	20.7%	*21.0%*	*21.5%*	Operating Margin	*22.5%*
37.5	39.6	41.4	54.3	43.9	45.7	49.3	50.6	47.4	50.3	*56.0*	*60.0*	Depreciation ($mill)	*68.0*
80.2	89.9	101.0	109.9	146.1	172.6	195.8	215.5	225.3	256.4	*290*	*305*	Net Profit ($mill)	*385*
36.7%	34.9%	33.5%	34.4%	33.0%	32.3%	30.4%	29.1%	30.2%	30.5%	*28.5%*	*28.5%*	Income Tax Rate	*30.0%*
10.1%	10.8%	11.4%	9.7%	9.7%	11.0%	11.6%	12.6%	12.4%	12.8%	*12.8%*	*12.9%*	Net Profit Margin	*13.5%*
128.1	138.5	157.4	125.7	175.2	389.8	651.8	288.8	406.8	669.6	*615*	*655*	Working Cap'l ($mill)	*685*
217.5	145.3	109.5	723.5	769.8	790.2	779.9	270.1	367.2	482.1	*575*	*410*	Long-Term Debt ($mill)	*285*
413.8	468.9	520.4	609.5	835.9	1122.1	1444.0	1241.6	1273.8	1516.1	*1645*	*1720*	Shr. Equity ($mill) D	*2120*
13.8%	15.5%	16.6%	9.0%	10.0%	9.7%	9.4%	14.8%	13.9%	13.4%	*13.5%*	*14.5%*	Return on Total Cap'l	*16.0%*
19.4%	19.2%	19.4%	18.0%	17.5%	15.4%	13.6%	17.4%	17.7%	16.9%	*17.5%*	*17.5%*	Return on Shr. Equity	*18.0%*
16.7%	16.6%	16.9%	15.7%	15.8%	14.0%	12.5%	15.8%	16.0%	15.3%	*15.5%*	*15.5%*	Retained to Com Eq	*16.0%*
14%	13%	13%	13%	10%	9%	8%	9%	10%	10%	*9%*	*10%*	All Div'ds to Net Prof	*9%*

CURRENT POSITION ($MILL.)	2006	2007	6/30/08
Cash Assets	65.1	316.3	423.3
Receivables	290.8	307.6	371.5
Inventory (FIFO)	232.4	258.0	282.8
Other	129.9	100.1	104.6
Current Assets	718.2	982.0	1182.1
Accts Payable	80.0	82.3	94.4
Debt Due	3.0	1.2	4.9
Other	228.4	228.9	226.3
Current Liab.	311.4	312.4	325.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	11.5%	10.0%	*10.5%*
"Cash Flow"	12.5%	11.5%	*11.5%*
Earnings	14.0%	14.5%	*11.5%*
Dividends	9.5%	9.5%	*11.0%*
Book Value	14.5%	16.0%	*11.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	407.0	444.7	416.0	447.4	1715.1
2006	431.0	472.4	435.7	471.4	1810.5
2007	472.9	507.3	488.1	541.5	2009.8
2008	560.8	594.8	*535*	*579.4*	*2270*
2009	*590*	*605*	*565*	*615*	*2375*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.30	.35	.32	.37	1.34
2006	.33	.39	.33	.37	1.42
2007	.38	.44	.39	.44	1.66
2008	.45	.53	*.44*	*.49*	*1.91*
2009	*.49*	*.55*	*.51*	*.55*	*2.10*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.027	.027	.027	.027	.11
2005	.03	.03	.03	.03	.12
2006	.035	.035	.035	.035	.14
2007	.04	.04	.04	.04	.16
2008	.045	.045	.045		

BUSINESS: Dentsply International Inc. develops, manufactures, and markets products for the dental industry. Dental consumable and laboratory products include artificial teeth, root canal instruments, impression materials, dental sealants, and anesthetics. Dental equipment includes dental x-ray systems, intraoral cameras, computer imaging systems and related software. Divested medical equip. unit 12/94. Foreign sales accounted for about 59% of '07 total. Has about 8,900 emplys. Dentsply ESOP owns 5.1% of common; Fidelity, 5.7%; Barclays Global, 6.3%; Off. & Dir., 1.8% (4/08 Proxy). Chairman: John C. Miles II. CEO: Gerald K. Kunkle, Jr. Inc.: Delaware. Address: 570 West College Avenue, P.O. Box 872, York, PA 17405. Tel.: 717-845-7511. Internet: www.dentsply.com.

Dentsply performed very well in 2008's initial half. Excluding the volatile precious metals business, year over year increases in aggregate sales were 17.2% and 17.3% in the first and second quarters, respectively. More important, organic growth in the two periods was solid, at 6.3% and 5.9%; acquistions and changes in exchange rates account for the balance. There was a marked quarter-to-quarter deceleration in the United States, with growth slowing from 4.0% to 1.0%, but this softness was more than offset by persistent strength in international markets. Europe was especially robust, with growth accelerating 1.5 percentage points to 10%. Earnings per share, meantime, were up 20% (year over year), and topped our $0.49 estimate by $0.04, helped by better-than-expected revenues and margins.

We're leaving our share-net estimates for the year's second half and 2009 unchanged, though. The anemic showing in the U.S. last period reflected both a difficult comparison base, which was inflated by the release of pent-up demand for anesthetics, and delayed purchases by distributors as they waited for the late-quarter launch of the *Stylus* dental handpiece. So, domestic organic growth could re-accelerate. That said, we're reluctant to raise our near-term expectations for the following reasons: persistent weakness at home will undoubtedly continue to curb demand for high-end discretionary items; the combination of softening labor markets and rising inflation in the Euro zone suggest a slowing in international sales. Management raised its full-year guidance from $1.83–$1.88 to $1.86–$1.91, and we've added $0.04 to our figure, now $1.91, due to the June-quarter outperformance. Our estimate for 2009 stays at $2.10 a share.

We don't have a strong position on this stock. Favorable socioeconomic and demographic trends are long-term positives, as are the company's diversified product portfolio and productive R&D program. Healthy finances also give management the wherewithal to boost share net through acquisitions and stock repurchases. XRAY shares are neutrally ranked for the year ahead, however, and current valuations probably preclude better-than-average 3- to 5-year price appreciation.

George Rho *August 29, 2008*

(A) Diluted earnings. Prior to '97, egs. based on avg. shares out. Quarterlies may not sum to total due to rounding. Excl. nonrec. gains (losses): '93, (12¢); '94, 4¢; '98, (29¢); '01, 8¢; '02, 1¢; '03, 2¢; '04, 8¢. Extra. chg.: '93, (10¢). Disc. op.: '94, 1¢; '03, 3¢; '04, 27¢; '05, ($1.05); '06, 1¢; 07' 2¢; '08, 1¢. Next egs. report due late Oct. (B) Dividends historically paid in early January, April, July, and October. (C) In millions, adjusted for stock splits. (D) Incl. intang. In '07, $1203.6 mill., $7.98/sh.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	95
Earnings Predictability	100

EQUIFAX INC. NYSE-EFX

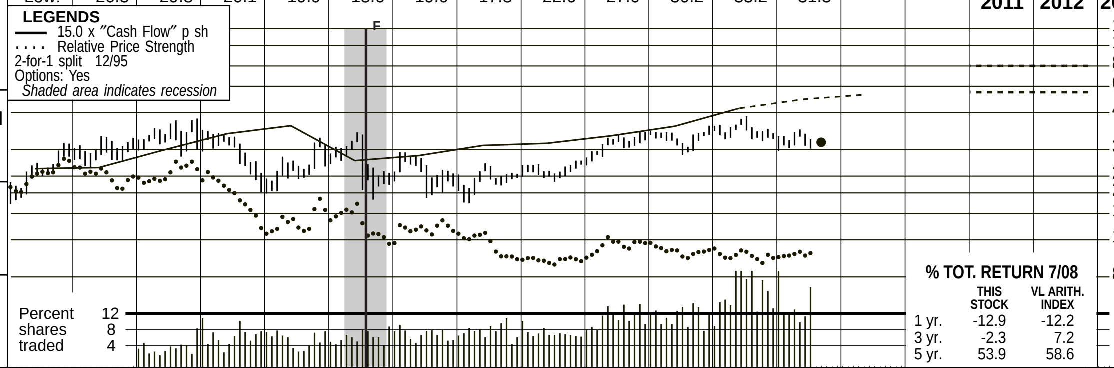
RECENT PRICE 34.75 | P/E RATIO 13.6 (Trailing: 14.4 Median: 18.0) | RELATIVE P/E RATIO 0.88 | DIV'D YLD 0.5% | VALUE LINE

TIMELINESS 3 Raised 10/27/06
SAFETY 2 Raised 12/7/07
TECHNICAL 3 Raised 3/14/08
BETA .90 (1.00 = Market)

High:	37.2	45.0	39.9	36.5	38.8	31.3	27.6	28.5	39.0	41.6	46.3	39.9
Low:	26.5	29.8	20.1	19.9	18.6	19.0	17.8	22.6	27.0	30.2	35.2	31.5

Target Price Range 2011 | 2012 | 2013

LEGENDS
—— 15.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 12/95
Options: Yes
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+130%)	23%
Low	60	(+75%)	15%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	0	0	1	0	2	0	1
to Sell	0	0	1	0	2	0	1	3	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	116	130	128
to Sell	182	166	165
Hld's(000)	104425	105314	107517

Percent shares traded 12 8 4

% TOT. RETURN 7/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-12.9	-12.2
3 yr.	-2.3	7.2
5 yr.	53.9	58.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001F	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
7.48	7.81	8.97	10.54	11.96	9.16	11.58	13.23	14.47	8.36	8.17	9.23	9.84	11.17	12.40	14.21	*16.10*	*17.25*	Revenues per sh A	*21.60*
.92	.96	1.18	1.46	1.74	1.76	2.12	2.55	2.77	1.90	2.00	2.24	2.29	2.48	2.76	3.35	*3.70*	*3.90*	"Cash Flow" per sh	*5.05*
.52	.63	.81	.98	1.22	1.26	1.34	1.55	1.68	1.09	1.38	1.48	1.62	1.80	2.02	2.28	*2.50*	*2.70*	Earnings per sh B	*3.70*
.26	.28	.31	.32	.33	.35	.35	.36	.37	.23	.08	.08	.11	.15	.16	.16	*.16*	*.16*	Div'ds Decl'd per sh C ■	*.20*
.34	.35	.20	.38	.66	.58	.85	.90	.81	.10	.09	.11	.13	.36	.42	.91	*1.10*	*.15*	Cap'l Spending per sh	*.15*
1.70	1.63	2.28	2.30	2.81	2.34	2.62	1.61	2.82	1.79	1.63	2.80	4.05	6.35	6.72	10.79	*13.65*	*16.30*	Book Value per sh D	*26.20*
151.55	155.82	158.59	153.96	151.43	149.16	140.04	134.00	135.84	136.20	135.70	132.70	129.40	129.20	124.70	129.70	*125.00*	*125.00*	Common Shs Outst'g E	*125.00*
16.3	17.5	16.8	17.9	20.7	25.2	28.1	20.7	15.6	21.7	18.3	15.5	15.8	18.7	18.1	17.4	*Bold figures are*		Avg Ann'l P/E Ratio	*19.0*
.99	1.03	1.10	1.20	1.30	1.45	1.46	1.18	1.01	1.11	1.00	.88	.83	1.00	.98	.91	*Value Line*		Relative P/E Ratio	*1.25*
3.1%	2.5%	2.2%	1.8%	1.3%	1.1%	.9%	1.1%	1.4%	1.0%	.3%	.3%	.4%	.4%	.4%	.4%	*estimates*		Avg Ann'l Div'd Yield	*.3%*

CAPITAL STRUCTURE as of 6/30/08
Total Debt $1340.5 mill. **Due in 5 Yrs** $127.3 mill.
LT Debt $1213.2 mill. **LT Interest** $75.0 mill.
(LT int. earned: 8.4x; total int. coverage: 7.5x)
(45% of Cap'l)
Leases, Uncapitalized Annual rentals $17.4 mill.
Pension Assets-12/07 $606.6 mill.
Pension Oblig. $581.6 mill.
Pfd Stock None
Common Stock 128,247,757 shs.
as of 7/25/08
(Excl. 3,900,000 shs. held by employee benefit trusts, not counted in earnings per. sh. calc.)
MARKET CAP: $4.5 billion (Mid-Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1621.0	1772.7	1965.9	1139.0	1109.3	1225.4	1272.8	1443.4	1546.3	1843.0	*2010*	*2155*	Revenues ($mill) A	*2700*
29.0%	30.5%	30.7%	36.9%	38.9%	35.7%	36.1%	34.9%	33.6%	35.5%	*36.5%*	*36.5%*	Operating Margin	*36.5%*
103.8	125.3	148.8	106.2	80.5	95.3	81.1	82.2	82.8	127.7	*130*	*135*	Depreciation ($mill)	*150*
193.4	215.9	228.0	152.3	191.3	201.8	215.8	238.6	261.0	307.4	*330*	*350*	Net Profit ($mill)	*480*
40.9%	41.0%	40.8%	42.1%	39.3%	35.7%	38.5%	37.5%	35.1%	33.9%	*36.0%*	*38.0%*	Income Tax Rate	*40.0%*
11.9%	12.2%	11.6%	13.4%	17.2%	16.5%	17.0%	16.5%	16.9%	16.7%	*16.4%*	*16.3%*	Net Profit Margin	*17.8%*
101.2	104.6	178.7	82.1	d142.3	d68.9	d157.3	d14.1	d236.9	d121.9	*d95.0*	*50.0*	Working Cap'l ($mill)	*460*
869.5	933.7	993.6	693.6	690.6	663.0	398.5	463.8	173.9	1165.2	*1065*	*865*	Long-Term Debt ($mill)	*265*
366.5	215.6	383.6	243.5	221.0	371.5	523.6	820.3	838.1	1399.2	*1710*	*2040*	Shr. Equity ($mill)	*3275*
17.3%	21.4%	19.0%	18.5%	23.1%	21.3%	24.6%	19.7%	27.4%	12.9%	*13.0%*	*13.0%*	Return on Total Cap'l	*14.5%*
52.8%	100.1%	59.4%	62.5%	86.6%	54.3%	41.2%	29.1%	31.1%	22.0%	*19.5%*	*17.0%*	Return on Shr. Equity	*14.5%*
38.6%	76.0%	45.8%	49.3%	81.4%	51.3%	38.3%	26.6%	28.7%	20.5%	*18.0%*	*16.0%*	Retained to Com Eq	*14.0%*
27%	24%	23%	21%	6%	6%	7%	8%	8%	7%	*6%*	*6%*	All Div'ds to Net Prof	*5%*

CURRENT POSITION ($MILL.)

	2006	2007	6/30/08
Cash Assets	67.8	81.6	72.6
Receivables	244.8	295.8	305.9
Other	32.6	47.6	54.8
Current Assets	345.2	425.0	433.3
Accts Payable	23.5	31.1	31.6
Debt Due	330.0	222.1	127.3
Other	228.6	293.7	275.4
Current Liab.	582.1	546.9	434.3

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.0%	4.0%	*9.5%*
"Cash Flow"	5.5%	5.0%	*10.0%*
Earnings	6.0%	8.0%	*11.0%*
Dividends	-7.5%	-7.0%	*4.0%*
Book Value	12.5%	31.0%	*22.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	343.4	363.4	375.3	361.3	1443.4
2006	374.0	387.7	394.6	390.0	1546.3
2007	405.1	454.5	492.5	490.9	1843.0
2008	503.1	501.9	*500*	*505*	*2010*
2009	*515*	*540*	*550*	*550*	*2155*

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.44	.45	.45	.46	1.80
2006	.48	.49	.52	.53	2.02
2007	.54	.57	.58	.59	2.28
2008	.60	.64	*.62*	*.64*	*2.50*
2009	*.65*	*.67*	*.68*	*.70*	*2.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.02	.03	.03	.03	.11
2005	.03	.04	.04	.04	.15
2006	.04	.04	.04	.04	.16
2007	.04	.04	.04	.04	.16
2008	.04	.04			

BUSINESS: Equifax Inc. enables and secures global commerce through its information management, consumer credit, marketing services, business information, authentication, and e-commerce businesses. Acquired Naviant, 8/02; TALX, 5/07. Insurance Services group spun off, 8/97 (Equifax stkhldrs. received 1⁄10 sh. of ChoicePoint per sh. of EFX). Payment Services division spun off, 7/01 (Equifax stockholders received one share of Certegy common stock for every two shares of EFX stock owned). Has about 7,000 employees (12/07). Fidelity owns 12.7% of common stock; officers/directors, 5.8% (3/08 Proxy). Chairman/CEO: Richard Smith. Inc.: GA. Address: 1550 Peachtree Street, N.W. Atlanta, Georgia 30309. Telephone: 404-885-8000. Internet: www.equifax.com.

Equifax will probably experience decent 2008 top-line growth in spite of softening market fundamentals. The economy seems to be headed into a recession. In fact, we are projecting a moderate contraction for the upcoming December and March quarters. But, so far, it's been a fairly orderly and moderate slowdown, which has still been relatively favorable for the company's earnings growth. Consumer sentiment has been weak, and the overall trend for spending is down. As a result, client firms will likely require help generating sales leads. Demand for solutions, like those offered by Equifax, should expand over time. Also, lending standards have tightened over the past year. Consequently, risk assessment products that weed out undesirables stand to do well.

Expansion prospects for Information Solutions (IS) appear good, thanks to an expanding portfolio of enabling technology products. Although a soft housing market has slowed mortgage-related operations, management has found ways to mostly offset this loss of business by shifting into other segments of lending, such as software systems that support the loan market. The company's enabling technology products now account for more than 30% of total loan industry transactional volume. Equifax's share of the market stands to rise in the coming years, too, with new releases and acquisitions.

Predictive analytical software has promise, too. The segment should increasingly benefit as additional products come to the fore.

Things at Marketing Services will probably continue to be somewhat difficult. These products make use of the company's database of consumer credit activity to identify cross-selling opportunities for large financial corporations. But customers have been focusing more on managing existing accounts rather than acquiring new ones. Given such an environment, we expect this to continue for the next several quarters.

Overall, we look for good profit growth. A favorable shift in revenue mix, some efficiency-enhancing measures, and share repurchases should all help to lift share net nicely this year and next.

EFX stock has 3- to 5-year appeal.

Warren Thorpe *September 5, 2008*

(A) Telecredit incl. since '90.
(B) Dil. egs. Excl. n/r gain/(loss): '93, (41¢); '97, (2¢); '01, (25¢); '03, (17¢); '04, (14¢); '05, 6¢. Excl. disc. g/(l): '01, 4¢; '02, (10¢); '03, (10¢); '07, (26¢). Next egs. rpt. due late Oct.
(C) Dividends historically paid in mid-Mar., June, Sept., Dec. ■ Div'd reinvest. plan avail.
(D) Incl. intang. In '07: $2694.8 mill., $20.78/sh.
(E) In mill., adj. for splts.
(F) Certegy spin off, 7/01; excl. as of 1/01.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	55
Earnings Predictability	100

EVEREST RE GROUP NYSE-RE

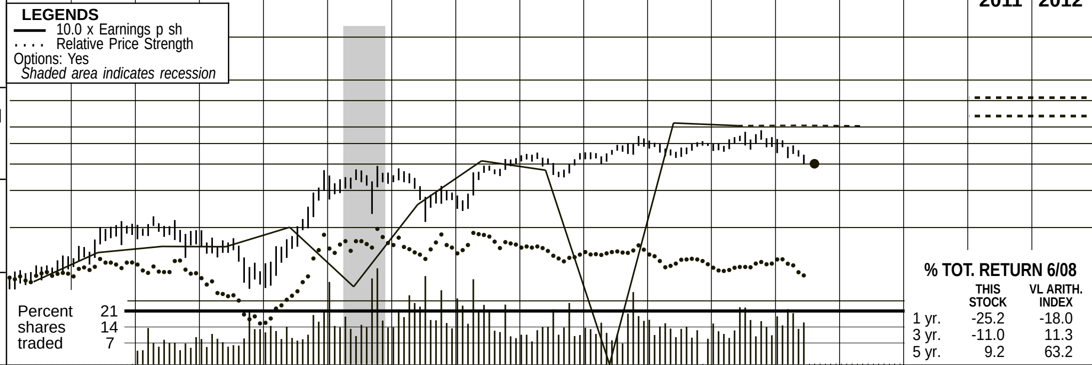
RECENT PRICE 80.37 | P/E RATIO 6.6 (Trailing: 7.9; Median: 10.0) | RELATIVE P/E RATIO 0.43 | DIV'D YLD 2.4% | VALUE LINE

TIMELINESS 3 Lowered 2/1/08
SAFETY 1 Raised 8/1/08
TECHNICAL 4 Lowered 7/25/08
BETA .90 (1.00 = Market)

High:	43.0	45.3	38.9	74.8	78.5	76.5	85.3	90.7	108.5	103.3	115.9	105.3
Low:	26.0	28.8	20.5	20.7	46.5	42.6	47.9	69.2	80.2	85.6	91.4	73.6

Target Price Range 2011 | 2012 | 2013

LEGENDS
— 10.0 x Earnings p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	165	(+105%)	21%
Low	135	(+70%)	16%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	1	0	0	1	0	0	1

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	116	149	142
to Sell	153	133	142
Hld's(000)	58456	57879	57144

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-25.2	-18.0
3 yr.	-11.0	11.3
5 yr.	9.2	63.2

Everest Reinsurance Holdings, Inc.'s initial public offering occurred in October of 1995. The IPO, which generated proceeds of $737 million (44 million shares were issued at a price of $16.75 per share), was underwritten by Goldman Sachs and Company. On February 24th, 2000, a restructuring was completed, and Everest Re Group, Ltd. became the new parent holding company of Everest Reinsurance Holdings (which remains the holding company for RE's U.S. operations).

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
21.36	22.85	25.53	31.70	44.67	67.11	79.45	61.35	59.28	61.12	***61.15***	***62.85***	P/C Prem Earned p sh	***83.35***
4.90	5.39	6.55	7.35	6.89	7.22	8.90	8.09	9.68	10.43	***10.00***	***10.50***	Investment Inc p sh	***14.00***
d.37	d.73	d.75	d4.27	.44	3.22	.93	d12.41	6.71	5.66	***5.40***	***5.35***	Underwriting Inc p sh	***5.00***
3.26	3.25	4.02	2.10	5.14	8.29	7.48	d4.49	12.52	12.17	***12.20***	***12.15***	Earnings per sh A	***15.00***
.20	.24	.24	.28	.32	.36	.40	.44	.60	1.92	***2.00***	***2.08***	Div'ds Decl'd per sh B	***2.35***
29.58	28.30	34.42	37.16	46.54	56.82	66.65	64.08	78.58	86.92	***96.65***	***112.50***	Book Value per sh	***134.15***
50.00	46.90	46.00	46.30	50.90	55.70	55.70	64.60	65.00	65.40	***60.00***	***60.00***	Common Shs Outst'g C	***60.00***
129%	105%	114%	178%	130%	123%	122%	144%	121%	117%			Price to Book Value	***90%***
11.7	9.1	9.7	31.6	11.8	8.4	10.9	- -	7.6	8.4	*Bold figures are*		Avg Ann'l P/E Ratio	***10.0***
.61	.52	.63	1.62	.64	.48	.58	- -	.41	.44	*Value Line*		Relative P/E Ratio	***.65***
.5%	.8%	.6%	.4%	.5%	.5%	.5%	.5%	.6%	1.9%	*estimates*		Avg Ann'l Div'd Yield	***1.6%***

CAPITAL STRUCTURE as of 3/31/08
Total Debt $1179.0 mill. **Due in 5 Yrs** $84.0 mill.
(17% of Cap'l)
Leases Uncapitalized: Annual rentals $8.5 mill.
Pension Assets 12/07-$83.0 mill. **Oblig.** $90.6 mill.
Pfd Stock None
Common Stock 61,929,503 shs. as of 5/1/08

MARKET CAP: $5.0 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1068.0	1071.5	1174.2	1467.5	2273.7	3737.9	4425.1	4013.1	3853.2	3997.5	***3670***	***3770***	P/C Premiums Earned	***5000***
72.9%	72.0%	75.3%	82.4%	71.7%	69.6%	74.4%	94.0%	63.2%	63.7%	***64.0%***	***65.0%***	Loss to Prem Earned	***68.0%***
30.3%	30.5%	26.6%	29.2%	23.6%	25.6%	24.5%	26.2%	25.5%	27.0%	***27.0%***	***26.5%***	Expense to Prem Writ	***26.0%***
-3.2%	-2.5%	-1.9%	-11.6%	4.8%	4.8%	1.2%	-20.2%	11.3%	9.3%	***9.0%***	***8.5%***	Underwriting Margin	***6.0%***
22.3%	19.6%	19.6%	- -	20.0%	13.3%	10.0%	- -	14.5%	18.2%	***17.0%***	***17.0%***	Income Tax Rate	***17.0%***
165.2	158.1	186.4	99.0	263.0	472.9	423.2	d259.0	818.3	770.3	***730***	***730***	Net Profit ($mill)	***900***
5.8%	6.3%	6.0%	6.1%	5.1%	4.5%	4.6%	4.6%	5.1%	5.5%	***5.7%***	***6.0%***	Inv Inc/Total Inv	***6.5%***
5997	5704	7013	7796	9865	12683	15073	16475	17108	17999	***19000***	***20750***	Total Assets ($mill)	***24000***
1479.2	1327.5	1583.4	1720.5	2578.6	3374.9	3712.5	4139.7	5107.7	5684.8	***5800***	***6750***	Shr. Equity ($mill)	***8050***
11.2%	11.9%	11.8%	5.8%	10.2%	14.0%	11.4%	NMF	16.0%	13.5%	***20.0%***	***11.0%***	Return on Shr. Equity	***11.0%***
10.5%	11.0%	11.1%	5.0%	10.3%	13.8%	10.8%	NMF	15.3%	11.4%	***10.5%***	***9.0%***	Retained to Com Eq	***9.5%***
6%	7%	6%	13%	7%	8%	5%	NMF	5%	16%	***16%***	***17%***	All Div'ds to Net Prof	***16%***

FINANCIAL POSITION ($MILL.)

	2006	2007	3/31/08
Fixed Maturities	10319.9	10245.6	10602.1
Stocks	1613.7	1560.0	1242.6
Premiums Due	1136.8	989.9	960.7
Other	4037.2	5204.0	5240.6
Total Assets	17107.6	17999.5	18046.0
Unearned Premiums	1612.3	1567.1	1496.0
Reserves	8840.1	9040.6	9124.4
Other	1547.5	1707.0	1792.6
Total Liabilities	11999.9	12314.7	12413.0

BUSINESS: Everest Re Group underwrites P/C reinsurance on a treaty and facultative basis for insurance and reinsurance companies in the U.S. and abroad. The company operates in five segments: U.S. Reinsurance (32% of '07, net premiums earned); U.S. Insurance (18%); Specialty Underwriting (7%); Int'l (20%); and Bermuda Operations (23%). Has 779 employees. Officers and directors own approximately 1.7% of common stock; FMR, 9.3%; Southeastern Asset Management, 6.8%; Oppenheimer, 5.4% (4/08 proxy). Chairman and CEO: Joseph Taranto. President and COO: Thomas Gallagher. Incorporated: Bermuda. Add.: Wessex House (2nd fl.), 45 Reid Street, PO Box HM 845, Hamilton HM DX, Bermuda. Telephone: 441-295-0006. Internet: www.everestre.com.

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	12.5%	12.5%	*5.5%*
Invest Income	9.5%	6.5%	*7.0%*
Earnings	14.5%	12.5%	*14.5%*
Dividends	25.5%	28.5%	*15.5%*
Book Value	13.0%	14.0%	*10.0%*

NET PREMIUMS EARNED ($ mill.)

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	1055	1092	959.4	906.7	4013.1
2006	1021	893.3	958.3	980.6	3853.2
2007	1004	999.3	997.1	997.1	3997.5
2008	912	942.1	***900***	***915.9***	***3670***
2009	***920***	***940***	***950***	***960***	***3770***

EARNINGS PER SHARE A

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2005	2.90	3.03	d7.79	d2.63	d4.49
2006	2.42	3.35	3.68	3.07	12.52
2007	4.13	3.36	3.68	1.00	12.17
2008	3.03	2.90	***2.95***	***3.32***	***12.20***
2009	***3.05***	***3.20***	***2.75***	***3.15***	***12.15***

QUARTERLY DIVIDENDS PAID B

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.10	.10	.10	.10	.40
2005	.11	.11	.11	.11	.44
2006	.12	.12	.12	.24	.60
2007	.48	.48	.48	.48	1.92
2008	.48	.48			

Everest Re Group posted a year-over-year share-net decline during the March quarter. The reinsurer registered earnings of $3.03 per share on an operating basis, relative to $4.13 last year. The combined ratio (the sum of the loss and expense ratios) increased 6.7% from last year, while net investment income fell 4%. The latter decline was due to reduced income from the company's investment in limited partnerships. It should be noted that last year's March quarter was particularly strong, with an abnormally low level of catastrophes. Thus, on an absolute basis, this year's first quarter was fairly solid. June-quarter operating earnings came in at $2.90 per share.

We look for relatively stable bottom-line results for 2008 and 2009, in aggregate. The primary insurance and reinsurance markets have been in a gradual decline over the past two or three years. This followed several years of good times. At this juncture, we don't believe that Everest has significant exposure to many of the natural disasters that have been publicized in recent weeks, though we look for a year-to-year profit decline during the September quarter.

We have left our 3- to 5-year earnings estimate intact at $15.00 per share. It appears that pricing conditions will improve by that time, as supply and demand conditions tighten. Indeed, management's stringent underwriting standards might well result in a profitable combined ratio over the 3 to 5 years ahead.

Everest stock has declined sharply in price over the past three months. Although this has been the case with the broader market averages, we believe that investors have been concerned about the direction of the reinsurance market. Indeed, floods, wildfires, and other natural disasters have made the headlines lately. Although we believe that these catastrophes might well hurt reinsurers' profits in the near term, these events might well give these companies greater bargaining power during 2009's renewal season. In summary, neutrally ranked Everest stock offers solid price recovery potential over the pull to 2011–2013. Earnings Predictability is low, however, which is commonplace among reinsurers.

Alan G. House *August 1, 2008*

(A) Diluted earnings. Includes capital gains (losses): '01, (36¢); '00, Nil; '99, (22¢); '98, (1¢). Excludes capital gains and losses 2002 and thereafter. Excludes charge of 62¢ in 2002. Next earnings report due late Oct.
(B) Dividends historically paid in late March, late June, late September, and late December.
(C) In millions.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	5

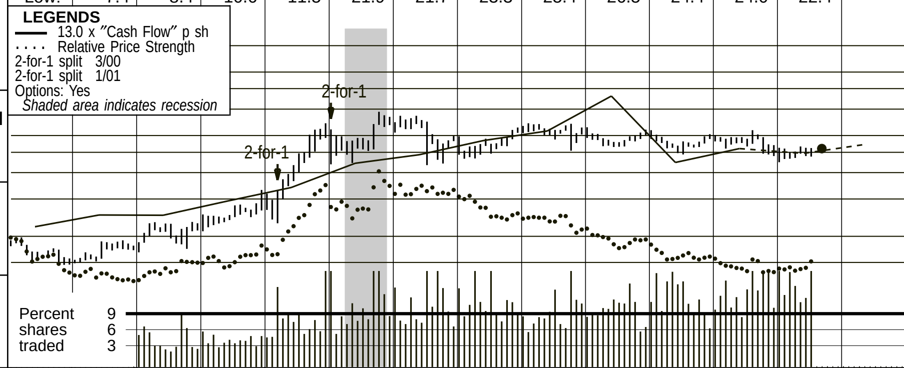
A.J. GALLAGHER & CO. NYSE-AJG

RECENT PRICE 26.04 | P/E RATIO 16.8 (Trailing: 16.9 Median: 17.0) | RELATIVE P/E RATIO 1.04 | DIV'D YLD 4.9% | VALUE LINE

TIMELINESS 3 Raised 8/24/07
SAFETY 1 Raised 5/23/08
TECHNICAL 2 Raised 8/15/08
BETA .75 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	9.6	11.7	16.6	34.3	38.8	37.2	32.7	34.3	32.8	31.8	31.8	26.6
Low:	7.4	8.4	10.6	11.5	21.9	21.7	23.3	25.4	26.5	24.4	24.0	22.4

Target Price Range
2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+55%)	15%
Low	35	(+35%)	12%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	1	0	0	0	1	0	0	0
Options	0	1	0	0	0	2	1	0	1
to Sell	0	1	0	0	0	1	1	0	1

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	106	95	76
to Sell	94	125	122
Hld's(000)	72448	67359	66629

% TOT. RETURN 7/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-3.1	-12.2
3 yr.	4.2	7.2
5 yr.	16.7	58.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
4.83	5.23	6.03	6.42	7.01	7.35	7.66	8.22	9.32	10.69	12.66	14.04	16.07	15.61	15.59	17.64	*18.35*	*19.55*	Revenues per sh	*25.20*
.53	.64	.71	.80	.85	.97	.97	1.13	1.31	1.71	1.87	2.19	2.42	3.55	1.72	2.00	*1.90*	*2.10*	"Cash Flow" per sh	*2.75*
.39	.51	.54	.64	.66	.81	.81	.88	1.05	1.39	1.53	1.78	1.99	1.80	1.40	1.58	*1.55*	*1.70*	Earnings per sh A	*2.25*
.16	.18	.22	.25	.29	.31	.35	.40	.46	.52	.60	.72	1.00	1.12	1.20	1.24	*1.28*	*1.32*	Div'ds Decl'd per sh B■	*1.44*
.10	.11	.12	.15	.15	.17	.20	.22	.18	.29	.51	.28	.31	.24	.34	.44	*.45*	*.45*	Cap'l Spending per sh	*.55*
1.61	2.00	1.64	1.91	2.06	2.47	2.87	3.29	3.95	4.37	5.96	6.88	8.26	8.04	8.78	7.78	*8.05*	*8.45*	Book Value per sh C	*10.60*
56.52	60.74	59.14	61.70	65.17	66.44	70.58	73.68	79.50	85.11	88.55	90.00	92.10	95.70	98.40	92.00	*92.00*	*92.00*	Common Shs Outst'g D	*92.00*
15.9	16.3	14.6	13.9	12.8	10.5	12.9	14.3	20.6	21.0	20.2	15.4	15.9	16.0	19.9	17.7	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
.96	.96	.96	.93	.80	.61	.67	.82	1.34	1.08	1.10	.88	.84	.85	1.07	.94	*Value Line*		Relative P/E Ratio	*1.15*
2.6%	2.1%	2.8%	2.8%	3.5%	3.6%	3.3%	3.2%	2.1%	1.8%	1.9%	2.6%	3.2%	3.9%	4.3%	4.4%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 6/30/08
Total Debt $505.0 mill.
LT Debt 400.0 mill. (36% of Cap'l)

Leases, Uncapitalized Annual rentals $72.0 mill.
Pension Assets-12/07 $198.5 mill.
Oblig. $187.3 mill.
Pfd Stock None

Common Stock 93,300,000 shs.

MARKET CAP: $2.4 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
540.7	605.8	740.6	910.0	1120.8	1263.8	1480.3	1483.9	1534.0	1623.3	*1690*	*1800*	Revenues ($mill)	*2320*
17.8%	19.7%	19.1%	20.1%	22.1%	21.2%	20.2%	27.7%	15.1%	15.1%	*16.5%*	*17.0%*	Operating Margin	*17.5%*
11.7	15.3	16.3	20.0	25.8	31.2	34.8	32.7	31.8	29.3	*33.0*	*36.0*	Depreciation ($mill)	*42.0*
56.5	67.8	87.8	125.3	140.1	165.5	188.5	307.0	137.5	154.6	*145*	*160*	Net Profit ($mill)	*210*
33.2%	35.0%	30.0%	11.7%	30.5%	24.4%	20.0%	12.1%	17.7%	22.7%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
10.5%	11.2%	11.9%	13.8%	12.5%	13.1%	12.7%	20.6%	9.0%	9.5%	*8.6%*	*8.9%*	Net Profit Margin	*9.1%*
.3	17.1	48.9	d42.3	24.0	46.6	15.7	15.5	d25.1	43.6	*20.0*	*40.0*	Working Cap'l ($mill)	*60.0*
- -	- -	- -	- -	128.3	122.1	140.0	107.6	25.9	400.0	*400*	*400*	Long-Term Debt ($mill)	*400*
202.5	242.5	314.4	371.6	528.2	619.1	761.0	769.1	864.1	715.5	*740*	*780*	Shr. Equity ($mill)	*975*
27.9%	27.9%	27.9%	33.7%	22.2%	22.9%	21.4%	35.7%	15.9%	14.6%	*13.5%*	*14.0%*	Return on Total Cap'l	*16.0%*
27.9%	27.9%	27.9%	33.7%	26.5%	26.7%	24.8%	39.9%	15.9%	21.6%	*19.5%*	*20.5%*	Return on Shr. Equity	*21.5%*
16.5%	16.4%	17.2%	22.5%	17.0%	16.7%	13.6%	26.6%	2.7%	5.0%	*3.5%*	*5.0%*	Retained to Com Eq	*8.0%*
41%	41%	38%	33%	36%	37%	45%	33%	83%	77%	*81%*	*76%*	All Div'ds to Net Prof	*63%*

CURRENT POSITION ($MILL.)	2006	2007	6/30/08
Cash Assets	208.0	255.9	232.9
Receivables	2011.2	1905.1	1779.3
Investments	- -	- -	- -
Other	157.0	114.8	120.6
Current Assets	2376.2	2275.8	2132.8
Accts Payable	1958.8	1874.0	1756.8
Debt Due	8.9	- -	105.0
Other	433.6	358.2	300.6
Current Liab.	2401.3	2232.2	2162.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	9.0%	8.5%	*7.0%*
"Cash Flow"	10.5%	8.5%	*3.0%*
Earnings	8.5%	4.0%	*6.5%*
Dividends	15.5%	17.5%	*3.5%*
Book Value	14.5%	11.5%	*8.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	346.8	371.1	389.9	376.1	1483.9
2006	327.5	370.6	421.1	414.8	1534.0
2007	375.0	427.6	410.7	410.0	1623.3
2008	375.8	428.9	*435*	*450.3*	*1690*
2009	*400*	*450*	*480*	*470*	*1800*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.33	.54	.52	.41	1.80
2006	.17	.37	.51	.35	1.40
2007	.21	.46	.54	.37	1.58
2008	.18	.45	*.52*	*.40*	*1.55*
2009	*.20*	*.50*	*.56*	*.44*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.25	.25	.25	.25	1.00
2005	.28	.28	.28	.28	1.12
2006	.30	.30	.30	.30	1.20
2007	.31	.31	.31	.31	1.24
2008	.32	.32			

BUSINESS: Arthur J. Gallagher & Company provides insurance brokerage, risk management, and employee benefit services to a wide variety of commercial, industrial, institutional and governmental organizations through over 250 offices in seven countries. Risk management services analyze risks and determine the best protection through insurance and risk control (loss control and prevention). Commissions are generated through negotiation and placement of insurance for its clients. Officers & directors own about 3.3% of common stock; (4/08 proxy). Has about 9,300 employees. President & Chief Executive Officer: J. Patrick Gallagher. Inc.: DE. Address: Two Pierce Place, Itasca, Illinois 60143. Telephone: 630-773-3800. Internet: www.ajg.com.

Arthur Gallagher's June-interim earnings were in line with our expectations. The company posted share net of $0.45, which was a penny shy of the prior year's tally. What's more, sales were relatively flat year over year. As has been the case over the past few years, acquisitions continued to be the main contributor to growth for the brokerage division, where revenues climbed 6%. Excluding takeovers, though, sales in the segment were actually down 1%. Meanwhile, risk management revenues rose 7%, all of which was through in-house efforts. Specifically, the division benefited from solid gains in its international operations, where sales jumped 26%.

We expect ongoing softness in insurance premium-rate pricing environment in the year ahead. Property/casualty premium prices have been flat or have even declined over the past few years, especially for commercial policies, as competition has intensified. And we think that the environment will remain fierce over the coming quarters. Thus, internal growth will likely be limited. As a result, additional cost-cutting efforts may be in the works. Overall, these initiatives, along with some volume growth and higher investment income, ought to offset the lower pricing that Gallagher will probably face over the next year.

Acquisitions should continue to be the primary growth catalyst. Historically, AJG has averaged 15 takeovers annually. Since the beginning of this year, it has picked up the pace, closing 20 deals. And we believe that Gallagher will continue to implement its aggressive acquisition strategy, given its ability to successfully integrate smaller companies into its operations. However, we do not expect the number of transactions going forward to be as large in the coming years, due to slimmer pickings.

These shares have not moved much since our May coverage. Furthermore, they do not stand out for the upcoming year or the pull to 2011–2013. Nevertheless, the selection does offer a measure of conservative appeal for income-oriented investors, given that it carries our highest Safety Rank (1) and has an above-average dividend yield.

Randy Shrikishun *August 22, 2008*

(A) Primary earnings through 1997; Diluted thereafter. Incl. cap. gains; '97, $0.26; '99, $0.03. Excludes nonrecurring charge of $0.21 in '03, $1.48 in '05. Excludes loss from discontinued operations of $0.16 in '07. Next earnings report due late October.
(B) Dividends historically paid in mid-April, July, October, January. ■Dividend reinvestment plan available.
(C) Includes intangibles: '07, $756.2 million; $8.22/sh.
(D) In millions, adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	40
Earnings Predictability	80

INT'L FLAVORS & FRAG. NYSE-IFF

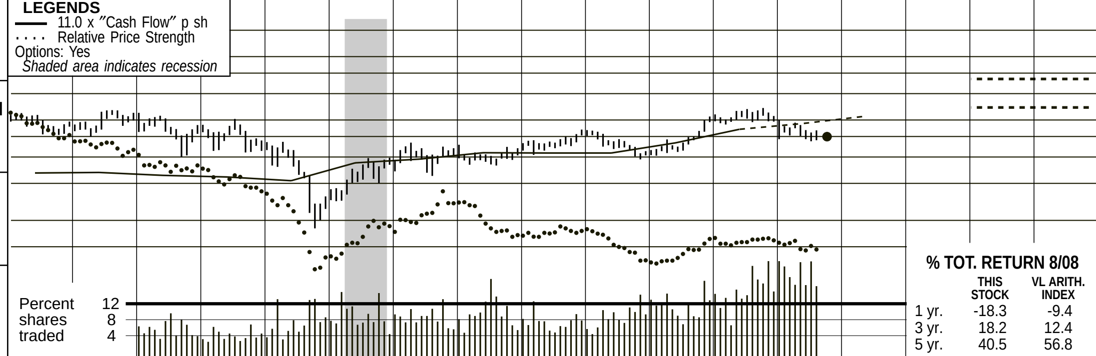
RECENT PRICE 39.97 | P/E RATIO 13.1 (Trailing: 14.3 Median: 18.0) | RELATIVE P/E RATIO 0.84 | DIV'D YLD 2.5% | VALUE LINE

TIMELINESS 3 Lowered 8/31/07
SAFETY 2 Lowered 9/22/00
TECHNICAL 3 Raised 8/15/08
BETA .85 (1.00 = Market)

High:	53.4	51.9	48.5	37.8	31.7	37.4	36.6	43.2	42.9	49.9	54.8	48.0
Low:	39.9	32.1	33.6	14.7	19.8	26.0	29.2	32.8	31.2	32.5	45.7	38.0

Target Price Range
2011 | 2012 | 2013

LEGENDS
— 11.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+90%)	19%
Low	55	(+40%)	11%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	2	0	0	0	0	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	1	0	0	0

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	126	143	103
to Sell	151	136	151
Hld's(000)	75275	71970	64527

% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-18.3	-9.4
3 yr.	18.2	12.4
5 yr.	40.5	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
9.77	10.61	11.80	12.97	13.06	13.07	13.27	13.73	15.01	19.46	19.20	20.23	21.52	21.97	23.43	28.10	*30.95*	*32.90*	Sales per sh	*38.80*
1.94	2.12	2.35	2.61	2.45	2.46	2.38	2.34	2.25	2.73	2.85	3.05	3.04	3.04	3.38	3.93	*4.20*	*4.55*	"Cash Flow" per sh	*5.60*
1.64	1.78	2.03	2.24	2.00	2.00	1.90	1.79	1.48	1.41	1.94	2.13	2.08	1.96	2.34	2.69	*2.95*	*3.25*	Earnings per sh A	*4.20*
.91	1.00	1.12	1.27	1.38	1.45	1.49	1.52	1.29	.60	.60	.62	.67	.72	.74	.88	*.96*	*1.05*	Div'ds Decl'd per sh B■	*1.35*
.43	.72	.91	.85	.72	.53	.85	.97	.62	.55	.87	.70	.75	1.03	.65	.81	*1.15*	*1.05*	Cap'l Spending per sh	*1.00*
8.48	7.96	9.04	10.06	9.79	9.17	8.91	8.19	6.48	5.53	6.10	7.90	9.63	10.09	10.12	7.62	*8.60*	*10.70*	Book Value per sh C	*17.65*
115.26	112.06	111.46	110.95	109.97	109.13	106.05	104.82	97.43	94.76	94.25	93.99	94.52	90.74	89.42	81.02	*78.50*	*78.00*	Common Shs Outst'g D	*75.00*
21.5	20.8	19.8	22.2	23.2	23.9	22.7	22.4	18.8	18.5	16.9	15.1	18.1	18.9	16.3	18.5	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
1.30	1.23	1.30	1.49	1.45	1.38	1.18	1.28	1.22	.95	.92	.86	.96	1.01	.87	.97	*Value Line*		Relative P/E Ratio	*1.05*
2.6%	2.7%	2.8%	2.6%	3.0%	3.0%	3.4%	3.8%	4.6%	2.3%	1.8%	1.9%	1.8%	1.9%	1.8%	1.8%	*estimates*		Avg Ann'l Div'd Yield	*2.0%*

CAPITAL STRUCTURE as of 6/30/08

Total Debt $1216.4 **Due in 5 Yrs** $479.0 mill.
LT Debt $1068.9 mill. **LT Interest** $32.8 mill.
(LT interest earned: 5.0x; total int. cov.: 3.7x)
(35% of Capital)
Pension Assets-12/07 $1.1 bill. **Oblig.** $1.2 bill.

Pfd Stock None
Common Stock 78,563,492 million shs.
as of 7/18/08

MARKET CAP: $3.1 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1407.3	1439.5	1462.8	1843.8	1809.2	1901.5	2033.7	1993.4	2095.4	2276.6	*2430*	*2565*	Sales ($mill)	*2910*
25.3%	23.7%	22.0%	22.2%	21.9%	23.1%	21.3%	19.9%	20.8%	19.9%	*19.5%*	*19.8%*	Operating Margin	*21.0%*
49.0	56.4	69.3	123.5	84.5	86.5	91.0	91.9	89.7	82.8	*85.0*	*87.5*	Depreciation ($mill)	*90.0*
203.8	189.2	149.8	135.1	183.7	200.1	196.1	184.3	213.7	235.7	*245*	*265*	Net Profit ($mill)	*330*
34.5%	33.5%	33.6%	38.0%	34.0%	32.0%	30.2%	17.3%	27.6%	24.8%	*29.0%*	*29.0%*	Income Tax Rate	*30.0%*
14.5%	13.1%	10.2%	7.3%	10.2%	10.5%	9.6%	9.2%	10.2%	10.4%	*10.1%*	*10.4%*	Net Profit Margin	*11.4%*
575.1	465.7	d160.1	336.2	507.3	376.6	561.9	d11.4	633.0	651.6	*745*	*910*	Working Cap'l ($mill)	*1445*
4.3	3.8	417.4	939.4	1007.1	690.2	669.0	131.3	791.4	1060.2	*1100*	*1100*	Long-Term Debt ($mill)	*1100*
945.1	858.5	631.3	524.2	574.7	742.6	910.5	915.3	905.2	617.2	*675*	*835*	Shr. Equity ($mill) C	*1325*
21.5%	21.9%	14.3%	10.7%	12.2%	14.8%	13.2%	17.6%	12.6%	14.1%	*14.0%*	*14.0%*	Return on Total Cap'l	*13.5%*
21.6%	22.0%	23.7%	25.8%	32.0%	26.9%	21.5%	20.1%	23.6%	38.2%	*36.5%*	*32.0%*	Return on Shr. Equity	*25.0%*
4.7%	3.3%	NMF	14.8%	22.1%	19.1%	14.6%	12.7%	16.2%	25.8%	*25.0%*	*22.0%*	Retained to Com Eq	*17.5%*
78%	85%	104%	43%	31%	29%	32%	37%	32%	33%	*31%*	*30%*	All Div'ds to Net Prof	*31%*

CURRENT POSITION ($MILL.)	2006	2007	6/30/08
Cash Assets	115.1	151.5	119.5
Receivables	369.9	412.2	477.2
Inventory (Avg Cst)	446.6	484.2	525.7
Other	148.2	142.6	156.6
Current Assets	1079.8	1190.5	1279.0
Accts Payable	111.7	131.0	137.2
Debt Due	15.9	152.4	147.6
Other	319.2	255.5	258.0
Current Liab.	446.8	538.9	542.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	6.0%	7.0%	8.0%
"Cash Flow"	2.5%	5.5%	8.5%
Earnings	- -	6.5%	10.5%
Dividends	-5.5%	-9.0%	9.5%
Book Value	0.5%	8.0%	11.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	523.0	515.6	493.1	461.7	1993.4
2006	511.4	530.5	539.1	514.4	2095.4
2007	566.1	573.7	583.3	553.5	2276.6
2008	596.6	636.1	*620*	*577.3*	*2430*
2009	*635*	*675*	*645*	*610*	*2565*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.55	.60	.48	.33	1.96
2006	.58	.67	.63	.47	2.34
2007	.69	.76	.71	.53	2.69
2008	.70	.81	*.80*	*.64*	*2.95*
2009	*.80*	*.90*	*.85*	*.70*	*3.25*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.16	.16	.175	.175	.67
2005	.175	.175	.185	.185	.72
2006	.185	.185	.185	.185	.74
2007	.21	.21	.23	.23	.88
2008	.23	.23	.25		

BUSINESS: International Flavors & Fragrances is a leading manufacturer of flavor and fragrance chemicals sold to consumer products manufacturers worldwide. Fragrances account for about 56% of 2007 sales; flavors, 44%. Its products are principally used in perfumes, cosmetics, soaps and detergents, prepared foods, beverages, dairy foods, pharmaceuticals, and confectionery and tobacco products. In '07, international operations generated 72% of sales; R&D, 8.7% of sales. '07 depreciation rate: 7.4%. Acquired Bush Boake Allen, 11/00. Has about 5,300 employees. Off./dir. own 1.9% of stock; 2 instit. (in total), 13.7% (3/08 proxy). Chairman & CEO: Robert M. Amen. Inc.: NY. Address: 521 W. 57th St., New York, NY 10019. Telephone: 212-765-5500. Internet: www.iff.com.

International Flavors & Fragrances continues to perform well this year. The company's top line has been benefiting from strong growth in Latin America and Asia. Sales in both of those areas have been advancing well into the double digits. Non-U.S. sales now comprise almost 75% of total revenues. IFF continues to post solid bottom-line increases as a result. However, weak domestic results remain an offsetting factor. Meanwhile, higher material costs and a shift in product mix have been weighing on margins. Therefore, financial results in the second half of 2008 should moderate a bit as input costs rise. And. . .

We have lowered our September-period and 2008 share-net estimates by a nickel. The Fragrance business unit will probably remain in the doldrums, at least in the near term. As consumers try to pinch pennies, discretionary items like perfumes and colognes have not been in high demand. Consequently, it will likely take some time for that unit to rebound. This trend should be offset by an ever-expanding geographic footprint, as well as higher demand for fragrance ingredients. Meanwhile, the Flavors division should continue to do well as IFF implements pricing increases, wins new customer accounts, and experiences heightened volumes. All told, the bottom line ought to increase about 10% this year.

The company stands to post solid results next year. We look for the top and bottom lines to increase 6% and 10%, respectively. The majority of the lift in sales should stem from the Flavors segment. Also, the company's international operations, predominantly in emerging markets, continue to augur well for both sales and earnings. Meanwhile, IFF's margins ought to start to rebound next year as cost-cutting efforts begin to gain traction. But a bit of uncertainty stems from the domestic economy and how that will continue to weigh on profitability.

At present, these shares do not stand out for the short or long term. The equity is only ranked to mirror the broader market for the coming six to 12 months. And it offers only modestly attractive risk-adjusted total return potential for the pull to 2011-2013.

Bryan Fong *September 12, 2008*

(A) Primary earnings through '97, then basic. Excludes one-time gains/(losses): '92, 50¢; '96, 29¢; '99, 26¢; '00, 26¢; '01, 20¢; '02, 8¢; '03, 30¢; '04, 3¢, '05, (8¢); '06, 14¢; '07, (11¢). Excludes discontinued: '05 Q1, (2¢). Next earnings report due late Oct. Qtly egs. may not sum due to round'g. (B) Dividends historically paid in mid-January, April, July, and October. ■ Dividend reinvestment plan available. (C) Includes intangibles. In 2007: $732.8 million, $9.05 per share. (D) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	45
Earnings Predictability	85

INT'L SPEEDWAY NDQ-ISCA

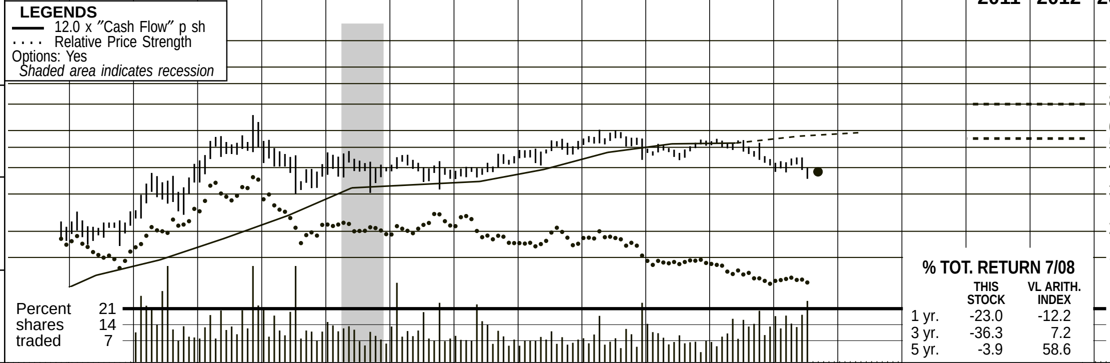
RECENT PRICE **38.22** | P/E RATIO **12.4** (Trailing: 12.8 / Median: 21.0) | RELATIVE P/E RATIO **0.79** | DIV'D YLD **0.3%** | VALUE LINE

TIMELINESS **3** Lowered 6/6/08
SAFETY **3** New 5/25/01
TECHNICAL **3** Lowered 7/18/08
BETA .80 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	24.9	41.8	71.1	54.1	48.0	46.0	46.6	54.8	60.6	54.3	54.8	44.8
Low:	17.0	23.0	34.0	30.1	30.4	31.5	35.4	41.0	43.6	43.5	41.0	35.4

Target Price Range: 2011 | 2012 | 2013

LEGENDS
— 12.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+110%)	21%
Low	55	(+45%)	10%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	1	0	0	0	0	0	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	1	0	0	1	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	77	72	85
to Sell	95	97	82
Hld's(000)	26549	26817	25914

Percent shares traded: 21, 14, 7

% TOT. RETURN 7/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-23.0	-12.2
3 yr.	-36.3	7.2
5 yr.	-3.9	58.6

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
- -	- -	- -	- -	2.79	3.67	4.38	5.62	8.29	9.94	10.35	10.82	12.16	13.88	14.96	15.36	**16.35**	**17.30**	Revenues per sh A	**21.55**
- -	- -	- -	- -	.76	1.03	1.22	1.54	1.98	2.67	2.77	2.87	3.27	3.94	4.32	4.36	**4.70**	**4.95**	"Cash Flow" per sh	**6.25**
- -	- -	- -	- -	.57	.77	.98	1.22	1.02	1.65	2.00	2.05	2.44	2.99	3.29	2.85	**3.05**	**3.15**	Earnings per sh A	**4.05**
- -	- -	- -	- -	.05	.06	.06	.06	.06	.06	.06	.06	.06	.06	.08	.10	**.12**	**.12**	Div'ds Decl'd per sh B	**.16**
- -	- -	- -	- -	1.01	1.00	1.67	2.38	2.50	1.85	1.01	1.36	2.54	4.67	2.07	1.81	**1.90**	**2.10**	Cap'l Spending per sh	**2.10**
- -	- -	- -	- -	3.10	5.45	8.51	16.99	17.89	19.48	11.70	13.65	16.55	19.50	21.64	21.80	**26.35**	**30.25**	Book Value per s C	**41.00**
- -	- -	- -	- -	34.40	38.50	43.10	53.12	53.15	53.16	53.19	53.22	53.27	53.32	53.37	53.18	**49.50**	**48.00**	Common Shs Outst'g D	**48.00**
- -	- -	- -	- -	- -	26.9	30.4	39.2	41.3	24.7	20.1	19.4	19.6	18.2	14.8	17.6	*Bold figures are*		Avg Ann'l P/E Ratio	**16.5**
- -	- -	- -	- -	- -	1.55	1.58	2.23	2.68	1.27	1.10	1.11	1.04	.97	.80	.92	*Value Line*		Relative P/E Ratio	**1.10**
- -	- -	- -	- -	- -	.3%	.2%	.1%	.1%	.1%	.1%	.2%	.1%	.1%	.2%	.2%	*estimates*		Avg Ann'l Div'd Yield	**.1%**

CAPITAL STRUCTURE as of 5/31/08
Total Debt $376.2 mill. **Due in 5 Yrs** $165.2 mill.
LT Debt $223.3 mill. **LT Interest** $11.5 mill.
(Total interest coverage: 16.6x) (24% of Cap'l)
Leases, Uncapitalized: Annual rentals $3.9 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 49,636,480 shs.
Includes 28,192,064 Cl. 'A' shrs. (1/5 vote each) and 21,444,416 Cl. 'B' shrs. (1 vote each)

MARKET CAP: $1.9 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
189.0	298.7	440.4	528.5	550.6	575.7	647.8	740.1	798.4	816.6	**810**	**830**	Revenues ($mill) A	**1035**
39.2%	40.5%	39.4%	42.4%	42.8%	41.5%	42.1%	42.7%	43.0%	41.0%	**41.5%**	**41.5%**	Operating Margin	**42.5%**
13.1	25.1	51.2	54.5	41.2	44.2	44.4	50.9	56.8	80.2	**83.0**	**85.0**	Depreciation ($mill) D	**105**
39.4	56.6	54.0	87.6	106.3	108.7	129.8	159.4	173.6	151.9	**150**	**150**	Net Profit ($mill)	**195**
37.8%	39.8%	44.2%	42.5%	39.0%	40.2%	39.7%	39.6%	37.9%	37.8%	**39.0%**	**39.0%**	Income Tax Rate	**39.0%**
20.8%	19.0%	12.3%	16.6%	19.3%	18.9%	20.0%	21.5%	21.7%	18.6%	**18.7%**	**18.3%**	Net Profit Margin	**18.7%**
27.4	d51.9	d54.1	d28.5	12.1	d104.8	149.9	14.9	7.3	d52.5	**d185.0**	**d125**	Working Cap'l ($mill)	**190**
2.8	496.1	470.6	402.5	309.6	75.2	369.3	368.4	367.3	375.0	**300**	**300**	Long-Term Debt ($mill)	**340**
366.9	902.5	950.9	1035.4	622.3	726.5	881.7	1040.0	1155.1	1159.1	**1305**	**1450**	Shr. Equity ($mill)	**1965**
10.7%	4.3%	4.9%	7.0%	12.7%	13.9%	11.2%	11.8%	11.8%	10.4%	**9.5%**	**9.0%**	Return on Total Cap'l	**8.5%**
10.7%	6.3%	5.7%	8.5%	17.1%	15.0%	14.7%	15.3%	15.0%	13.1%	**11.5%**	**10.5%**	Return on Shr. Equity	**10.0%**
10.1%	6.0%	5.3%	8.2%	16.6%	14.5%	14.4%	15.0%	14.7%	12.6%	**11.0%**	**10.0%**	Retained to Com Eq	**9.5%**
6%	5%	6%	4%	3%	3%	2%	2%	2%	3%	**4%**	**4%**	All Div'ds to Net Prof	**3%**

CURRENT POSITION ($MILL.)	2006	2007	5/31/08
Cash Assets	137.7	96.6	81.3
Receivables	52.7	46.9	72.4
Inventory (Avg Cost)	4.0	4.5	5.7
Other	9.2	11.8	19.0
Current Assets	203.6	159.8	178.4
Accts Payable	29.6	37.5	22.7
Debt Due	.8	2.5	152.9
Other	165.9	172.3	239.7
Current Liab.	196.3	212.3	415.3

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	16.5%	9.0%	7.5%
"Cash Flow"	17.0%	11.0%	8.0%
Earnings	16.5%	14.5%	6.5%
Dividends	4.0%	6.0%	10.0%
Book Value	17.0%	5.0%	12.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Feb. 28	May 31	Aug. 31	Nov. 30	Full Fiscal Year
2005	179.4	157.5	166.5	236.7	740.1
2006	193.9	172.1	178.9	253.5	798.4
2007	185.2	181.5	196.3	253.6	816.6
2008	193.9	174.9	**205**	**236.2**	**810**
2009	**195**	**185**	**210**	**240**	**830**

Fiscal Year Ends	EARNINGS PER SHARE A Feb. 28	May 31	Aug. 31	Nov. 30	Full Fiscal Year
2005	.77	.50	.69	1.03	2.99
2006	.83	.58	.69	1.19	3.29
2007	.70	.51	.53	1.11	2.85
2008	.80	.54	**.71**	**1.00**	**3.05**
2009	**.82**	**.56**	**.74**	**1.03**	**3.15**

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	- -	.06	- -	- -	.06
2005	- -	.06	- -	- -	.06
2006	- -	.08	- -	- -	.08
2007	- -	.10	- -	- -	.10
2008	- -	.12			

BUSINESS: International Speedway Corporation owns and/or operates 12 motorsports facilities in the U.S., including Daytona International Speedway and Talladega (AL) Superspeedway. Hosts 20 races in the popular NASCAR NEXTEL Cup series. Also sponsors Busch Grand National, CART, IRL, & other events. Acquired Pens-Raceway Associates, 2/07. Fiscal 2007 revenue sources: ticket sales, 31%; broadcast & sponsorship fees and hospitality rentals, 59%; concessions, 10%. Has 1,100 employees. Officers & directors control 66.6% of the voting rights (3/08 Proxy). Chairman & CEO: James C. France. Address: 1801 West International Speedway Boulevard, Daytona Beach, FL 32114. Telephone: 386-254-2700. Internet: iscmotorsports.com.

Weak consumer sentiment hurt International Speedway during the second quarter of fiscal 2008 (ends November 30th). Although the $0.54 a share tally represents a solid advance over the previous year's mark, it fell a penny short of our expecations. The primary reason was weak attendance-related revenue results, which declined from roughly $57 million during the like period in 2007, to $53 million. The Food, Beverage, and Merchandise segment also registered tepid results. In sum, a combination of factors, including rising costs for gas and food, led consumers to tighten their budgets. These conditions will likely persist for the remainder of the year.

Management has tempered 2008 guidance to the lower half of its previous range. The racetrack operator is now looking for between $805 million and $815 million in revenue and $3.05 to $3.10 in earnings per share.

The company should continue to return capital to shareholders. International Speedway purchased approximately one million shares, for $40 million, during the recent quarter. Over the last two years, IS has bought back almost four million shares for approximately $170 million. This leaves roughly $80 million remaining on its $250 million authorization plan. Additionally, proceeds from the eventual sale of the property on Staten Island will likely also be allocated to repurchases. During the fourth quarter of 2007, management reached an agreement to sell the 676-acre property for roughly $100 million. However, the buyer backed out, and the land was once again placed on the market. Management hopes to finalize a sale by the end of the current calendar year.

Motorsports Authentics (MA) turned in another profitable quarter. The 50/50 joint venture between IS and Speedway Motorsports registered a profit of nearly $6 million. This reflects advances on new strategies. In light of the fact that the venture has generated a healthy profit this year, we view management's expectations of break-even results in 2008 to be overly conservative.

These neutrally ranked shares offer only average appreciation potential to 2011-2013.

Dominic B. Silva *August 15, 2008*

(A) Fiscal year ends November 30th. Diluted earnings. Excludes non-recurring gains/(losses): '98, 2¢; '00, (7¢); '02, ($9.74); '03, (29¢); '04, 50¢; '06, ($1.09); '07, 14¢. Next earnings report due late September.
(B) Dividend historically paid annually in mid-June.
(C) Incl intang. In 2007: $297.8 mill., $5.79/sh.
(D) In millions.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	45
Earnings Predictability	85

MERCURY GENERAL NYSE-MCY

RECENT PRICE 52.43 | P/E RATIO 13.5 (Trailing: 14.2 / Median: 14.0) | RELATIVE P/E RATIO 0.89 | DIV'D YLD 4.4% | VALUE LINE

TIMELINESS **3** Raised 6/13/08
SAFETY **2** Raised 9/26/03
TECHNICAL **3** Raised 4/11/08
BETA .90 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+60%)	16%
Low	60	(+15%)	8%

Insider Decisions

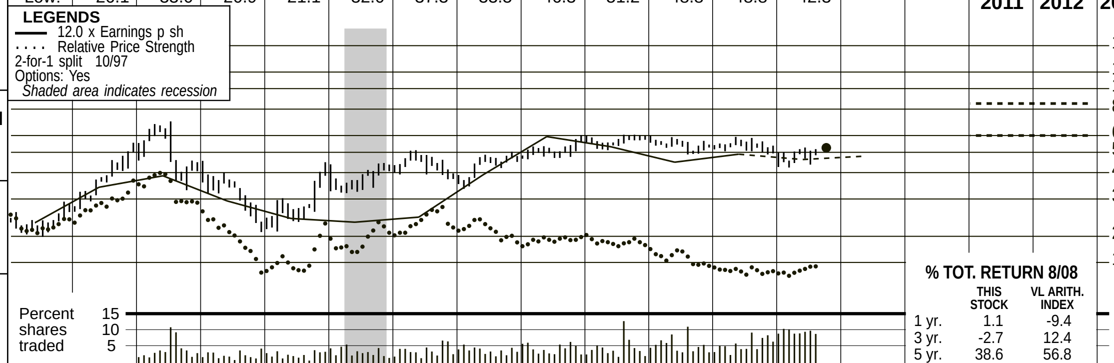
	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	0	2	0
to Sell	0	0	2	0	0	0	0	3	1

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	101	84	83
to Sell	98	98	88
Hld's(000)	23655	25404	26999

High:	55.5	70.0	45.5	44.9	44.5	51.2	50.3	60.3	60.4	59.9	59.1	53.4
Low:	26.1	33.0	20.9	21.1	32.0	37.3	33.5	46.3	51.2	48.8	48.8	42.3

LEGENDS
— 12.0 x Earnings p sh
.... Relative Price Strength
2-for-1 split 10/97
Options: Yes
Shaded area indicates recession



% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.1	-9.4
3 yr.	-2.7	12.4
5 yr.	38.6	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
8.34	8.66	9.66	11.23	13.72	18.71	20.51	21.83	23.05	25.44	32.04	39.41	46.38	52.15	54.82	54.70	**54.20**	**54.90**	P/C Prem Earned p sh	70.20
.97	.99	1.00	1.15	1.28	1.57	1.76	1.83	1.96	2.11	2.08	1.92	2.01	2.24	2.76	2.90	**2.90**	**3.25**	Investment Inc p sh	4.35
1.24	1.18	.55	.81	1.07	2.75	3.37	2.42	1.45	1.26	1.75	4.04	7.04	6.70	5.97	5.44	**1.85**	**2.20**	Underwriting Inc p sh	3.50
1.53	1.76	1.22	1.66	1.93	2.84	3.22	2.45	2.02	1.94	2.05	3.25	4.94	4.43	3.74	4.08	**3.85**	**4.00**	Earnings per sh A	6.00
.25	.30	.35	.40	.48	.58	.70	.84	.96	1.06	1.20	1.32	1.48	1.72	1.92	2.08	**2.32**	**2.48**	Div'ds Decl'd per sh B	2.80
6.47	8.22	8.34	10.30	11.66	14.51	16.78	16.71	19.06	19.71	20.21	23.07	26.77	29.44	31.54	34.02	**34.55**	**36.55**	Book Value per sh	42.55
54.63	54.78	54.83	54.89	55.01	55.12	54.68	54.43	54.19	54.28	54.36	54.42	54.51	54.61	54.67	54.73	**55.00**	**55.00**	Common Shs Outst'g C	55.00
155%	200%	171%	173%	202%	265%	307%	193%	147%	190%	216%	186%	191%	192%	172%	156%	*Bold figures are Value Line estimates*		Price to Book Value	170%
6.5	9.3	11.8	10.8	12.2	13.5	16.0	13.2	13.9	19.3	21.3	13.2	10.4	12.8	14.5	13.0			Avg Ann'l P/E Ratio	12.0
.39	.55	.77	.72	.76	.78	.83	.75	.90	.99	1.16	.75	.55	.68	.78	.69			Relative P/E Ratio	.80
2.5%	1.8%	2.5%	2.2%	2.0%	1.5%	1.4%	2.6%	3.4%	2.8%	2.7%	3.1%	2.9%	3.0%	3.5%	3.9%			Avg Ann'l Div'd Yield	3.9%
						1121.6	1188.3	1249.2	1380.6	1741.5	2145.0	2528.6	2847.7	2997.0	2993.9	**2880**	**3020**	P/C Premiums Earned	4200
						61.0%	66.4%	72.2%	73.2%	72.8%	67.7%	62.6%	65.4%	67.5%	68.0%	**68.5%**	**68.5%**	Loss to Prem Earned	68.0%
						22.5%	22.2%	21.1%	20.9%	20.3%	20.9%	21.3%	21.0%	21.3%	22.1%	**28.0%**	**27.5%**	Expense to Prem Earn	27.0%
						16.5%	11.4%	6.7%	5.9%	6.9%	11.4%	16.2%	13.6%	11.2%	9.9%	**3.5%**	**4.0%**	Underwriting Margin	5.0%
						24.5%	20.7%	14.9%	15.6%	14.7%	24.5%	29.8%	27.9%	31.2%	23.8%	**20.0%**	**28.0%**	Income Tax Rate	30.0%
						177.5	133.7	109.4	105.3	111.9	177.0	268.6	242.8	204.2	224.3	**212**	**220**	Net Profit ($mill)	330
						6.2%	6.3%	6.0%	6.1%	6.1%	4.7%	4.4%	4.2%	4.7%	4.8%	**4.5%**	**5.0%**	Inv Inc/Total Inv	5.5%
						1877	1906	2142	2317	2645	3120	3610	4042	4301	4414	**4520**	**4950**	Total Assets ($mill)	6400
						917.4	909.6	1032.9	1069.7	1098.8	1255.5	1459.5	1607.8	1724.1	1862.0	**1900**	**2010**	Shr. Equity ($mill)	2340
						19.4%	14.7%	10.6%	9.8%	10.2%	14.1%	18.4%	15.1%	11.8%	12.0%	**11.0%**	**11.0%**	Return on Shr. Equity	14.0%
						15.2%	9.7%	5.6%	4.5%	4.3%	8.4%	12.9%	9.3%	5.8%	5.9%	**4.5%**	**4.0%**	Retained to Com Eq	7.5%
						22%	34%	47%	55%	57%	41%	30%	39%	51%	51%	**60%**	**62%**	All Div'ds to Net Prof	47%

CAPITAL STRUCTURE as of 6/30/08
Total Debt $154.1 mill. **Due in 5 Yrs.** $129.5 mill.
LT Debt $154.1 mill. **LT Interest** $11.0 mill.
(8% of Cap'l)
Leases, Uncapitalized Annual rentals $9.5 mill.

No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 54,743,913 shs.
as of 4/30/08
MARKET CAP: $2.9 billion (Mid Cap)

FINANCIAL POSITION ($MILL.)	2006	2007	6/30/08
Bonds	2899.0	2887.8	2772.0
Stocks	318.4	413.1	493.1
Other	1083.7	1113.6	1045.7
Total Assets	4301.1	4414.5	4310.8
Unearned Premium	950.3	938.4	919.6
Reserves	1088.8	1103.9	1020.9
Other	537.8	510.2	504.0
Total Liab.	2576.9	2552.5	2444.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	14.0%	15.0%	6.0%
Invest Income	7.0%	5.0%	11.0%
Earnings	6.5%	15.5%	5.5%
Dividends	14.5%	12.0%	4.5%
Book Value	10.0%	10.0%	6.5%

Cal-endar	P/C PREMIUMS EARNED ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	684.7	707.3	722.9	732.8	2847.7
2006	736.7	753.4	753.1	753.8	2997.0
2007	755.8	754.1	748.8	735.2	2993.9
2008	720.9	711.2	**722**	**725.9**	**2880**
2009	**745**	**750**	**755**	**770**	**3020**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.05	1.31	1.24	.83	4.43
2006	.99	.64	1.22	.89	3.74
2007	1.11	1.15	1.13	.69	4.08
2008	1.02	.86	**1.02**	**.95**	**3.85**
2009	**1.04**	**.92**	**1.04**	**1.00**	**4.00**

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.37	.37	.37	.37	1.48
2005	.43	.43	.43	.43	1.72
2006	.48	.48	.48	.48	1.92
2007	.52	.52	.52	.52	2.08
2008	.58	.58	.58		

BUSINESS: Mercury General is an insurance holding company that writes private passenger (83.7% of '07 premiums written), and commercial auto insurance (4.1%), as well as other property/casualty insurance (12.2%). Sells through approx. 4,500 agents. Most of the company's business is in California (78.0% of '07 premiums written), but also operates in Georgia, Illinois, Oklahoma, Texas, Florida, Virginia, New York, New Jersey, Arizona, Pennsylvania, Michigan and Nevada. Acq'd American Fidelity 12/96. Has about 5,200 employees. Off. and dir. own 34.8% of stock (incl. George Joseph's 34.4%); (3/08 proxy). Chrmn.: George Joseph. Pres. & CEO: Gabriel Tirador. Inc: CA. Addr.: 4484 Wilshire Blvd., Los Angeles, CA 90010. Tel.: 323-937-1060. Web: www.mercuryinsurance.com.

Mercury's June-interim results fell short of our expectations. The softened pricing environment and increased competition, especially in California, caused net premiums earned to decline 6% year over year. Lower investment income also drove down the top line. And although losses and expenses were lower than a year earlier, the insurer's combined ratio deteriorated 300 basis points, to 97%. Overall, because of these factors, share net missed our estimate of $1.04 by 17%, and was off the prior year's tally by 25%.

We have reduced our earnings-per-share estimate for 2009 by 5%, to $4.00. This was due to the intensifying competitive environment, both within and outside the insurer's home market and the depressed premium prices. In addition, we think the insurer will continue to strengthen reserves over the coming quarters to cushion against the probability of greater loss development in the difficult Florida and New Jersey markets. That said, healthy renewal rates and stronger underwriting efforts should help lift premiums. Elevated gas prices may also help to keep more drivers off the road, thereby lowering the probability of automobile accidents.

We are optimistic for the coming 3 to 5 years. Mercury is a low-cost provider, and should gain greater market share within and outside of California. It currently operates in 13 states, and expansion opportunities seem plentiful. All told, we envision annual earnings and premium gains of 5%–10% over the pull to 2011–2013. But as the company expands, it will probably face some unfavorable reserve development in new markets. Thus, greater experience and scale in states such as Florida and New Jersey would be necessary to help mitigate losses.

Despite the recent difficulties in Mercury's operating environment, its stock has held up fairly well over the past few months. And even though the equity is ranked to only mirror the broader markets over the next year and provides subpar appreciation potential for the 2011–2013 pull, it does have some appeal. Specifically, its relatively high dividend yield and solid Safety rank may attract conservative, income-oriented investors.

Randy Shrikishun *September 19, 2008*

(A) Basic earnings. Includes capital gains (losses): '01, $0.08; '00, $0.05; '99, $0.06; '98, $0.09; '97, $0.06; '96 ($0.04); '95, $0.02; '94, ($0.12); '93, ($0.04); '92, ($0.07); '91, ($0.02); '90, ($0.01). Excl. gain/(loss) in '02 and thereafter. Next earnings report due early Nov.
(B) Dividends historically paid in late March, June, September, and December.
(C) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	45
Earnings Predictability	70

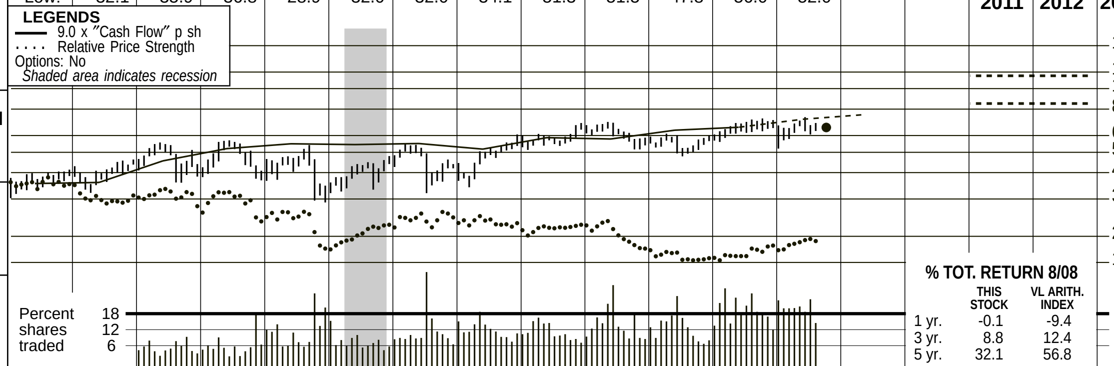
MINERALS TECH. NYSE-MTX

RECENT PRICE 65.56 | P/E RATIO 17.2 (Trailing: 19.2 Median: 19.0) | RELATIVE P/E RATIO 1.10 | DIV'D YLD 0.3% | VALUE LINE

TIMELINESS 2 Raised 5/9/08
SAFETY 2 New 12/21/01
TECHNICAL 3 Lowered 9/5/08
BETA .95 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	46.1	55.6	57.0	54.1	48.0	54.9	60.8	68.8	69.5	61.3	72.3	73.3
Low:	32.1	35.9	36.8	28.9	32.0	32.0	34.1	51.3	51.5	47.8	56.0	52.0

LEGENDS
— 9.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: No
Shaded area indicates recession



Target Price Range 2011 2012 2013

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	115	(+75%)	15%
Low	85	(+30%)	7%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	1	0	0	0
Options	1	1	0	0	0	1	0	3	0
to Sell	2	2	2	0	6	3	0	3	0

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	80	75	81
to Sell	50	70	67
Hld's(000)	20364	20246	20826

Percent shares traded 18 12 6

% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-0.1	-9.4
3 yr.	8.8	12.4
5 yr.	32.1	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
15.76	18.97	20.90	23.15	24.62	23.32	27.93	30.52	33.60	34.89	37.34	39.71	45.00	49.91	55.50	56.45	61.85	67.10	Sales per sh	76.00
2.11	2.77	3.06	3.53	3.95	4.00	5.06	5.78	6.09	6.03	6.11	5.75	6.51	6.43	7.06	7.30	7.95	8.40	"Cash Flow" per sh	10.00
.97	1.25	1.48	1.75	1.91	2.23	2.50	2.80	2.89	2.58	2.63	2.52	2.82	2.59	2.61	2.82	3.70	4.15	Earnings per sh A	5.45
- -	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	.20	.20	.20	.20	.20	.20	Div'ds Decl'd per sh B	.20
2.29	2.37	2.28	5.08	4.31	2.99	3.78	3.53	5.17	3.22	1.84	2.57	5.19	5.59	4.46	2.41	2.65	2.65	Cap'l Spending per sh	2.95
14.90	15.19	16.86	18.37	19.85	18.08	22.42	23.22	24.22	25.89	29.48	34.52	38.95	38.65	39.43	39.35	42.30	46.05	Book Value per sh D	60.20
25.00	22.58	22.61	22.65	22.58	25.83	21.81	20.89	19.97	19.61	20.16	20.49	20.52	19.95	19.09	19.09	19.00	19.00	Common Shs Outst'g C	18.75
19.2	22.2	18.9	19.7	19.3	17.7	18.8	16.8	14.4	15.5	17.4	18.8	20.6	23.7	21.1	22.9	Bold figures are		Avg Ann'l P/E Ratio	18.0
1.16	1.31	1.24	1.32	1.21	1.02	.98	.96	.94	.79	.95	1.07	1.09	1.26	1.14	1.20	Value Line		Relative P/E Ratio	1.20
- -	.4%	.4%	.3%	.3%	.3%	.2%	.2%	.2%	.2%	.2%	.2%	.3%	.3%	.4%	.3%	estimates		Avg Ann'l Div'd Yield	.2%

CAPITAL STRUCTURE as of 6/29/08
Total Debt $121.0 mill. **Due in 5 Yrs** $38.0 mill.
LT Debt $101.2 mill. **LT Interest** $6.5 mill.
(11% of Capital)

Leases, Uncapitalized: Annual rentals $6.7 mill.
Pension Assets-12/07 $244.5 mill.
Oblig. $194.8 mill.

Preferred Stock None
Common Stock 18,907,040 shares

MARKET CAP: $1.2 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
609.2	637.5	670.9	684.4	752.7	813.7	923.7	995.8	1059.3	1077.7	1175	1275	Sales ($mill)	1425
23.9%	24.5%	23.3%	22.0%	20.0%	18.4%	17.7%	15.7%	15.9%	17.3%	16.7%	16.5%	Operating Margin	17.5%
53.1	58.7	60.8	66.5	69.0	66.3	70.5	75.0	83.2	84.6	80.0	80.0	Depreciation ($mill)	85.0
57.2	62.1	60.7	51.8	54.2	51.6	63.1	53.3	51.6	54.8	71.0	80.0	Net Profit ($mill)	105
31.7%	31.2%	31.0%	29.6%	26.5%	26.4%	27.3%	29.7%	30.9%	32.9%	31.0%	32.0%	Income Tax Rate	33.0%
9.4%	9.7%	9.1%	7.6%	7.2%	6.3%	6.8%	5.3%	4.9%	5.1%	6.1%	6.3%	Net Profit Margin	7.5%
112.9	102.5	81.9	86.3	167.1	218.1	242.8	145.9	199.7	306.1	370	445	Working Cap'l ($mill)	710
88.2	75.2	89.9	88.1	89.0	98.2	94.8	40.3	113.4	111.0	100	95.0	Long-Term Debt ($mill)	80.0
489.2	485.0	483.6	507.8	594.2	707.4	799.3	771.2	752.6	751.2	805	875	Shr. Equity ($mill) D	1125
10.4%	11.5%	11.1%	9.4%	8.4%	6.7%	7.2%	6.7%	6.3%	6.8%	8.5%	8.5%	Return on Total Cap'l	8.5%
11.7%	12.8%	12.6%	10.2%	9.1%	7.3%	7.9%	6.9%	6.9%	7.3%	9.0%	9.0%	Return on Shr. Equity	9.0%
11.2%	12.4%	12.1%	9.8%	8.8%	7.0%	7.4%	6.4%	6.3%	6.8%	8.5%	8.5%	Retained to Com Eq	8.5%
4%	3%	3%	4%	4%	4%	7%	8%	8%	7%	5%	5%	All Div'ds to Net Prof	4%

CURRENT POSITION ($MILL.)	2006	2007	6/29/08
Cash Assets	76.3	138.7	152.2
Receivables	188.8	180.9	211.9
Inventory (FIFO)	129.9	103.4	128.7
Other	16.8	50.2	49.3
Current Assets	411.8	473.2	542.1
Accts Payable	61.0	66.1	78.0
Debt Due	89.7	16.7	19.8
Other	61.4	84.3	67.1
Current Liab.	212.1	167.1	164.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	8.5%	9.0%	6.0%
"Cash Flow"	6.0%	2.5%	6.5%
Earnings	3.0%	- -	12.5%
Dividends	7.0%	15.0%	Nil
Book Value	7.5%	8.0%	7.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.Per	Jun.Per	Sep.Per	Dec.31	Full Year
2005	250.8	244.7	246.8	253.5	995.8
2006	264.7	266.4	265.3	262.9	1059.3
2007	265.5	271.4	266.5	274.3	1077.7
2008	277.5	299.8	297.7	300	1175
2009	300	325	325	325	1275

Cal-endar	EARNINGS PER SHARE A Mar.Per	Jun.Per	Sep.Per	Dec.31	Full Year
2005	.73	.63	.60	.63	2.59
2006	.63	.63	.72	.63	2.61
2007	.56	.74	.69	.84	2.82
2008	.88	.98	.85	.99	3.70
2009	1.00	1.05	1.00	1.10	4.15

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.05	.05	.05	.05	.20
2005	.05	.05	.05	.05	.20
2006	.05	.05	.05	.05	.20
2007	.05	.05	.05	.05	.20
2008	.05	.05	.05		

BUSINESS: Minerals Technologies Inc. develops, produces and markets a broad range of specialty mineral, mineral-based and synthetic mineral products and supporting systems and services. Has two main segments: The Specialty Minerals unit produces and sells precipitated calcium carbonate and lime. The refractories business produces and markets monolithic and shaped refractory materials and products. Employs about 2,700. Officers & directors own 1.1% of common; M&G Investment, 15.0%; FMR, 13.8%; Dimensional Fund, 8.2%; Capital World, 7.2%; Vanguard, 6.9% (4/08 proxy). Chairman & CEO: Joseph C. Muscari. Incorporated: DE. Address: 405 Lexington Ave., New York, NY 10174. Telephone: 212-878-1800. Internet: www.mineralstech.com.

Minerals Technologies is having a good year. In the June quarter, sales increased 10%, to $299.8 million. About half of the total revenue advance was attributable to the weaker dollar, though, which led to $14.1 million in foreign currency translation gains. The remainder of the top-line growth was generated by a slight uptick in volume and by product price hikes necessitated by higher raw materials and energy costs. By segment, Specialty Minerals, which includes the Precipitated Calcium Carbonate (PCC) and Processed Minerals product lines, enjoyed a 5% sales advance in the interim. Favorable foreign currency exchange rates and product price increases more than offset volume declines that were spurred by weakness in the North American construction and automotive markets. Refractories, which primarily serves the steel industry, posted a 22% top-line gain in the June quarter, thanks to higher selling prices and strong demand. The hefty revenue growth led to better expense leveraging, which allowed Minerals to record a 32% share-earnings advance. Ongoing improvement initiatives and restructuring also boosted profits.

We expect the company to slow down some in the second half, though. Paper PCC volumes will likely decline slightly in the North American and European markets. Weakness in the domestic residential and commercial construction markets, as well as the global automotive market, will probably persist, which bodes ill for the processed minerals product lines. We look for Mineral's operating and profit margins to continue contracting, due to escalating raw materials prices. Like many of its competitors, the company recently announced further product price hikes, but energy, fuel, freight, and raw material outlays will likely mitigate any pricing gains.

Still, our 2008 share-earnings estimate is a dime higher than our previous target. Keeping a close eye on expenses and raising the price of talc, lime, and PCC products should enable the company to keep its operating margin in the 16.5%–17.0% range for now.

This issue is timely, so momentum investors may want to delve deeper. However, these shares offer below-average long-term price appreciation potential.

Erik A. Antonson *September 12, 2008*

(A) Primary earnings through '96, diluted thereafter. Excludes nonrecurring items: '00, d31¢; '01, d10¢; '02, d2¢; '03, 57¢; '06, d8¢; '07, d$6.16; '08, 26¢. Quarterly figures may not sum due to rounding. Next earnings report due late October.
(B) Dividends historically paid in March, June, September, and December.
(C) In millions.
(D) Includes intangibles. In '07: $72.0 million, $3.77 a share.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	90

ODYSSEY RE HLDS NYSE-ORH

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD
37.66	12.1	Trailing: 12.1; Median: NMF	0.78	0.7%

VALUE LINE

TIMELINESS **3** Raised 6/13/08
SAFETY **3** New 9/28/07
TECHNICAL **3** Lowered 6/13/08
BETA .75 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+45%)	10%
Low	35	(-5%)	-1%

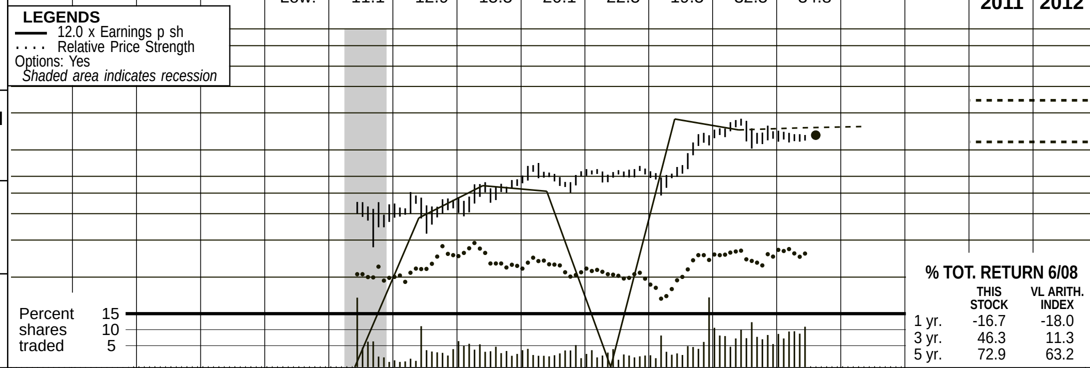
Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	0	2

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	56	58	52
to Sell	95	70	74
Hld's(000)	73474	70707	67780

	2001	2002	2003	2004	2005	2006	2007	2008
High:	18.2	20.3	23.3	27.8	26.9	38.7	45.1	39.5
Low:	11.1	12.9	15.5	20.1	22.5	19.5	32.5	34.8



Target Price Range
2011 | 2012 | 2013

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-16.7	-18.0
3 yr.	46.3	11.3
5 yr.	72.9	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
--	--	--	--	--	--	--	--	--	13.82	22.04	30.23	36.00	32.94	31.29	30.76	***30.30***	***31.55***	P/C Prem Earned p sh	***35.15***
--	--	--	--	--	--	--	--	--	1.76	1.89	2.06	2.54	2.74	6.85	4.78	***5.30***	***5.70***	Investment Inc p sh	***7.45***
--	--	--	--	--	--	--	--	--	d2.12	.20	.95	.73	d5.80	1.74	1.40	***2.00***	***2.30***	Underwriting Inc p sh	***3.50***
--	--	--	--	--	--	--	--	--	d.14	1.27	1.81	1.70	d2.65	3.74	3.32	***3.10***	***3.25***	Earnings per sh A	***3.80***
--	--	--	--	--	--	--	--	--	.03	.10	.11	.13	.13	.13	.25	***.25***	***.25***	Div'ds Decl'd per sh B	***.25***
--	--	--	--	--	--	--	--	--	12.60	16.25	21.39	24.48	22.04	27.88	37.06	***41.35***	***44.30***	Book Value per sh	***54.75***
--	--	--	--	--	--	--	--	--	65.14	65.00	65.00	64.76	69.13	71.14	68.93	***66.00***	***65.00***	Common Shs Outst'g C	***60.00***
--	--	--	--	--	--	--	--	--	126%	104%	94%	98%	113%	102%	105%	*Bold figures are*	*Value Line*	Price to Book Value	***125%***
--	--	--	--	--	--	--	--	--	--	13.3	11.1	14.1	--	7.6	11.8	*estimates*		Avg Ann'l P/E Ratio	***12.0***
--	--	--	--	--	--	--	--	--	--	.73	.63	.74	--	.41	.62			Relative P/E Ratio	***.80***
--	--	--	--	--	--	--	--	--	.2%	.6%	.5%	.5%	.5%	.4%	.6%			Avg Ann'l Div'd Yield	***.9%***

CAPITAL STRUCTURE as of 3/31/08

Total Debt $489.2 mill. **Due in 5 Yrs.** NIL
LT Debt $489.2 million **LT Interest** $37.7 mill.

Pension Assets-12/07 $52.4 mill. **Oblig.** $66.7

Pfd Stock $40.0 million

Common Stock 66,264,246 shs. **as of 5/5/08**

MARKET CAP: $2.5 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
--	--	--	900.5	1432.6	1965.1	2331.1	2276.8	2225.8	2120.5	***2000***	***2050***	P/C Premiums Earned	***2110***
--	--	--	80.6%	68.9%	67.5%	69.9%	90.5%	66.7%	66.4%	***66.2%***	***66.0%***	Loss to Prem Earned	***66.0%***
--	--	--	6.6%	4.3%	4.7%	5.3%	6.3%	7.1%	8.5%	***8.5%***	***8.5%***	Expense to Prem Writ	***9.0%***
--	--	--	12.8%	26.8%	27.8%	24.8%	3.2%	26.2%	25.0%	***25.3%***	***25.5%***	Underwriting Margin	***25.0%***
--	--	--	--	32.1%	33.1%	31.5%	--	40.1%	35.6%	***35.0%***	***35.0%***	Income Tax Rate	***35.0%***
--	--	--	d8.0	83.0	117.4	113.2	d170.8	268.5	235.6	***210***	***215***	Net Profit ($mill)	***230***
--	--	--	5.3%	5.4%	5.5%	4.5%	4.8%	10.8%	5.4%	***5.5%***	***6.5%***	Inv Inc/Total Inv	***8.0%***
--	--	--	4648	5305	6460	7706	8620	8954	9501	***10000***	***10700***	Total Assets ($mill)	***12780***
--	--	--	820.9	1056.1	1390.2	1585.5	1623.4	2083.6	2654.7	***2730***	***2880***	Shr. Equity ($mill)	***3285***
--	--	--	NMF	7.9%	8.4%	7.1%	NMF	12.9%	8.9%	***7.5%***	***7.5%***	Return on Shr. Equity	***7.0%***
--	--	--	NMF	7.2%	8.0%	6.6%	NMF	12.7%	8.2%	***7.0%***	***7.0%***	Retained to Com Eq	***6.5%***
--	--	--	NMF	8%	6%	7%	NMF	6%	11%	***12%***	***11%***	All Div'ds to Net Prof	***10%***

FINANCIAL POSITION ($MILL.)	2006	2007	3/31/08
Bonds	3501.6	4402.3	4024.8
Stocks	853.0	1043.2	1049.0
Other	4599.1	4055.5	4725.5
Total Assets	8953.7	9501.0	9799.3
Unearned Prems	741.3	724.3	739.9
Reserves	5142.2	5119.1	5140.6
Other	986.6	1002.9	1106.0
Total Liab'ties	6870.1	6846.3	6986.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	--	12.0%	*2.0%*
Invest Income	--	21.5%	*7.5%*
Earnings	--	21.0%	*17.0%*
Dividends	--	21.5%	*6.5%*
Book Value	--	15.0%	*11.0%*

Cal-endar	NET PREMIUMS EARNED ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	564.1	568.2	590.5	554.0	2276.8
2006	553.5	584.6	545.4	542.3	2225.8
2007	538.9	514.7	548.0	518.9	2120.5
2008	511.4	***490***	***505***	***493.6***	***2000***
2009	***515***	***500***	***520***	***515***	***2050***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.25	.55	d2.38	d1.07	d2.65
2006	.80	1.24	.79	.91	3.74
2007	.77	.93	.77	.84	3.32
2008	.57	***.90***	***.76***	***.87***	***3.10***
2009	***.65***	***.92***	***.80***	***.88***	***3.25***

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.031	.031	.031	.031	.13
2005	.031	.031	.031	.031	.13
2006	.031	.031	.031	.031	.13
2007	.063	.063	.063	.063	.25
2008	.063	.063			

BUSINESS: Odyssey Re Holdings Corp. operates as an underwriter of reinsurance, providing a full range of property and casualty products on a worldwide basis, and an underwriter of specialty insurance, primarily in the United States and through the Lloyd's of London marketplace. Policies are written through wholly owned subsidiaries; Odyssey America, Clearwater, UK Holdings, etc.. Has approximately 635 employees. Officers and directors own 1.3% of common stock; TIG Insurance Group, 43.0%; ORH Holdings Inc., 8.9%; TIG Insurance Company, 6.8% (3/08 Proxy). Chairman: Prem Watsa. President and Chief Executive Officer: Andrew A. Barnard. Inc.: Delaware. Addr.: 300 First Stamford Place, Stamford, CT 06902. Tele.: (203) 977-8000. http: www.odysseyre.com.

Odyssey Re likely posted a low single-digit earnings decline for the June period. The company was scheduled to issue second-quarter results shortly after this report went to press. Premiums earned probably receded a bit. This trend has been an ongoing problem across all insurance markets. Continued competition and price cuts have been making it difficult for many in this industry to expand policy volumes. Meanwhile, the turmoil affecting the capital markets has been weighing on investment income. In sum, these factors likely resulted in the aforementioned bottom-line downturn.

This year ought to prove challenging for the Connecticut-based reinsurer. As the year progresses, premium declines will likely remain evident. Meanwhile, ORH's combined ratio has slipped in the recent quarters. This situation stemmed from windstorm Emma, floods in Australia, and snowstorms in China, which boosted catastrophe claims. Consequently, we have lowered our 2008 earnings tally by about 9%. Meanwhile, this year's hurricane season causes uncertainty with regards to 2009's prospects. Nonetheless,

Acquisitions and continued share repurchases augur well for share net. Hudson Insurance Group, the U.S. insurance division of ORH, recently purchased the remaining 60% stake of Hooghuis Group LLC (HGL). It bought 40% of the company back in 2004. HGL is an underwriting agency specializing in U.S. officers & directors liability insurance. This move should increase synergies and reduce expenses for Odyssey. Meanwhile, the board of directors just approved an increase in the previous share repurchase program. ORH can now buy up to $400 million in stock. So far, it has bought back roughly $212 million, or 5.8 million shares. In all, we believe these actions will benefit the bottom line in the years to come. But,

Investors may want to look elsewhere. These shares are ranked to mirror the broader market in the coming six to 12 months. But, economic malaise, turmoil in the capital markets, and competitive rates do not augur well for its long-term prospects. Consequently, the equity offers below-average appreciation potential for the pull to 2011-2013.

Bryan Fong *August 1, 2008*

(A) Based on diluted earnings. Excl. cap. gains/(losses) '01, $0.13; '02, $1.92; '03, $2.02; '04, $0.47; '05, $1.16; '06, $1.70; '07, $1.53 . Next egs. due late August. May not sum due to change in shares outstanding.
(B) Dividends historically paid in mid-March, June, Sept., and Dec.
(C) In millions

Company's Financial Strength	B+
Stock's Price Stability	85
Price Growth Persistence	70
Earnings Predictability	5

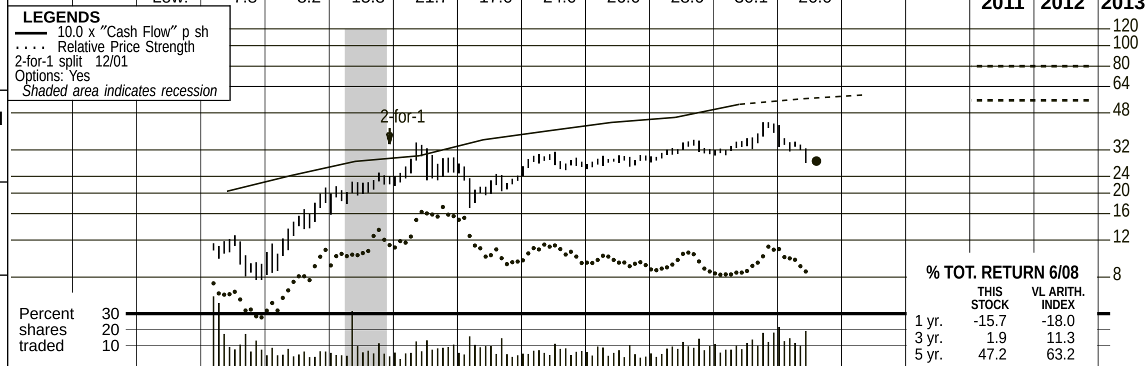
PEPSI BOTT. GROUP NYSE-PBG

RECENT PRICE 28.40 | P/E RATIO 12.1 (Trailing: 12.5 Median: NMF) | RELATIVE P/E RATIO 0.78 | DIV'D YLD 2.5% | VALUE LINE

TIMELINESS 3 Lowered 3/7/08
SAFETY 3 Raised 11/9/01
TECHNICAL 4 Lowered 5/23/08
BETA .75 (1.00 = Market)

High:	12.6	21.3	25.0	34.8	27.6	31.4	30.3	35.8	43.4	42.0
Low:	7.8	8.2	15.8	21.7	17.0	24.0	26.0	28.0	30.1	26.0

LEGENDS
10.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 12/01
Options: Yes
Shaded area indicates recession



Target Price Range
2011 | 2012 | 2013

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-15.7	-18.0
3 yr.	1.9	11.3
5 yr.	47.2	63.2

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+180%)	31%
Low	55	(+95%)	20%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	2	1	0	0	0	0
to Sell	3	1	1	2	1	1	1	0	1

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	158	194	132
to Sell	132	132	194
Hld's(000)	134509	135466	130506

1992	1993	1994	1995	1996	1997	1998	1999 F	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
--	--	--	--	60.03	59.93	64.01	25.02	27.62	30.05	31.78	37.07	41.39	47.50	52.60	60.67	*66.20*	*68.60*	Sales per sh A	*77.15*
--	--	--	--	4.31	4.53	4.28	2.04	2.42	2.83	3.00	3.58	3.94	4.32	4.57	5.27	*5.60*	*5.85*	"Cash Flow" per sh	*6.75*
--	--	--	--	.45	.54	d.01	.36	.77	.95	1.46	1.50	1.73	1.86	1.89	2.20	*2.35*	*2.55*	Earnings per sh B	*3.30*
--	--	--	--	--	--	--	.03	.04	.04	.04	.04	.16	.29	.41	.53	*.65*	*.77*	Div'ds Decl'd per sh C	*1.13*
--	--	--	--	3.80	4.29	4.61	1.87	1.78	2.11	2.15	2.33	2.72	2.86	3.00	3.81	*3.50*	*3.70*	Cap'l Spending per sh	*4.50*
--	--	--	--	--	d1.67	d2.16	5.21	5.70	5.70	6.29	6.79	7.40	8.17	8.61	11.67	*13.65*	*16.00*	Book Value per sh D	*23.80*
--	--	--	--	110.00	110.00	110.00	300.00	288.96	281.00	290.00	276.92	263.48	250.21	242.00	224.00	*216.00*	*215.00*	Common Shs Outst'g E	*210.00*
--	--	--	--	--	--	--	28.6	18.1	22.4	18.5	14.7	16.3	15.3	16.8	16.1	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
--	--	--	--	--	--	--	1.63	1.18	1.15	1.01	.84	.86	.81	.91	.84	*Value Line*		Relative P/E Ratio	*1.35*
--	--	--	--	--	--	--	.3%	.3%	.2%	.1%	.2%	.6%	1.0%	1.3%	1.5%	*estimates*		Avg Ann'l Div'd Yield	*1.2%*

CAPITAL STRUCTURE as of 6/14/08
Total Debt $5645 mill. **Due in 5 Yrs** $265 mill.
LT Debt $3476 mill. **LT Interest** $160 mill.

(Total interest coverage: 4.0x) (60% of Cap'l)

Leases, Uncapitalized Annual rentals $54.0 mill.

Pension Assets-12/06 $1.45 bill. **Oblig.** $1.58 bill.

Common Stock 218,353,461 shs.
as of 4/19/08

MARKET CAP: $6.2 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
7041.0	7505.0	7982.0	8443.0	9216.0	10265	10906	11885	12730	13591	*14300*	*14750*	Sales ($mill)	*16200*
10.6%	12.0%	13.3%	14.1%	14.6%	14.8%	14.3%	13.8%	13.1%	12.8%	*11.0%*	*11.5%*	Operating Margin	*12.0%*
472.0	505.0	471.0	514.0	443.0	568.0	580.0	615.0	649.0	669.0	*680*	*690*	Depreciation ($mill)	*725*
d1.0	107.2	229.0	280.0	428.0	422.0	457.0	466.0	457.0	511.0	*530*	*570*	Net Profit ($mill)	*695*
NMF	37.7%	37.1%	36.5%	34.1%	36.1%	33.7%	34.6%	32.9%	28.0%	*30.0%*	*30.0%*	Income Tax Rate	*35.0%*
NMF	1.4%	2.9%	3.3%	4.6%	4.1%	4.2%	3.9%	3.6%	3.8%	*3.7%*	*4.0%*	Net Profit Margin	*4.3%*
d2095	546.0	617.0	467.0	489.0	561.0	458.0	d186.0	698.0	871.0	*d285.0*	*d50.0*	Working Cap'l ($mill)	*570*
3300.0	3268.0	3271.0	3285.0	4523.0	4493.0	4489.0	3939.0	4754.0	4770.0	*3400*	*3300*	Long-Term Debt ($mill)	*3000*
d238.0	1563.0	1646.0	1601.0	1824.0	1881.0	1949.0	2043.0	2084.0	2615.0	*2950*	*3450*	Shr. Equity ($mill)	*5000*
3.6%	4.3%	6.6%	7.7%	8.2%	8.5%	8.9%	9.9%	8.6%	8.8%	*9.5%*	*10.0%*	Return on Total Cap'l	*9.5%*
--	6.9%	13.9%	17.5%	23.5%	22.4%	23.4%	22.8%	21.9%	19.5%	*18.0%*	*16.5%*	Return on Shr. Equity	*14.0%*
--	6.5%	13.2%	16.7%	22.9%	21.9%	21.9%	19.7%	17.6%	15.2%	*13.0%*	*12.0%*	Retained to Com Eq	*9.0%*
--	6%	5%	4%	3%	3%	7%	14%	20%	22%	*26%*	*29%*	All Div'ds to Net Prof	*35%*

CURRENT POSITION ($MILL.)	2006	2007	6/14/08
Cash Assets	629	647	517
Receivables	1332	1520	1956
Inventory (FIFO)	533	577	773
Other	255	342	395
Current Assets	2749	3086	3641
Accts Payable	1677	1968	2078
Debt Due	374	247	2169
Other	--	--	--
Current Liab.	2051	2215	4247

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	-2.5%	11.5%	*6.5%*
"Cash Flow"	--	12.0%	*6.0%*
Earnings	15.0%	21.5%	*9.0%*
Dividends	--	NMF	*9.5%*
Book Value	--	8.0%	*16.5%*

Cal-endar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2005	2147	2862	3214	3662	11885
2006	2367	3138	3460	3765	12730
2007	2466	3360	3729	4036	13591
2008	2650	3522	*3925*	*4203*	*14300*
2009	*2750*	*3600*	*4100*	*4300*	*14750*

Cal-endar	EARNINGS PER SHARE A B Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2005	.15	.59	.78	.34	1.86
2006	.14	.61	.86	.28	1.89
2007	.12	.70	.99	.39	2.20
2008	.12	.78	*1.05*	*.40*	*2.35*
2009	*.15*	*.85*	*1.10*	*.45*	*2.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.01	.05	.05	.05	.16
2005	.05	.08	.08	.08	.29
2006	.08	.11	.11	.11	.41
2007	.11	.14	.14	.14	.53
2008	.14	.17			

BUSINESS: Pepsi Bottling Group, Inc. is the world's largest manufacturer, seller, and distributor of Pepsi-Cola beverages. PBG accounts for 55% of domestic Pepsi-Cola product shipments, 32% of international shipments. About 78% of sales are in United States. Operates 95 production facilities in the U.S., Canada, Spain, Greece, Turkey, and Russia. The company has the capacity to deliver over 100 million eight-ounce servings per day. 2007 depreciation rate: 7.9%. Has approximately 69,100 employees. PepsiCo owns 35.7% of common; off./dir.; 1.2%; Barclays Global Investors, 9.4% (4/08 proxy). Chairman and CEO: Eric Foss. Inc.: DE. Address: One Pepsi Way, Somers, New York 10589. Telephone: 914-767-6000. Internet: www.pbg.com.

Despite persistent domestic challenges, Pepsi Bottling Group delivered solid second-quarter results. Share net and revenues advanced 11.5% and almost 5.0% during the June period. As a result, our 2008 top- and bottom-line estimates suggest progress of 5.0% and 6.8% for the year, and gains of 3.0% and 8.5% in 2009. Although the company is currently navigating through a difficult operating environment, its near- and long-term initiatives will likely steer PBG toward sustained earnings growth.

But all news is not good for PBG. It continues to face domestic headwinds. Consumers are notably altering their spending habits, in light of escalating gas and food prices. Even well- known brands, like Pepsi, are being hurt by tightened budgets, dwindling store traffic, and bulk-buying, as a means of obtaining greater value. Rising raw material costs, such as for high fructose corn syrup and aluminum, are also factors in shrinking operating margins this year. Meanwhile, one of management's alternatives has been to focus on other geographic regions.

Europe continues to be a bright spot for the beverage bottler. Foreign revenues increased about 2.5% compared to the first half of last year. Russia and Turkey are notable, as the latter country has experienced four consecutive quarters of revenue growth. And the acquisition of Lebedyansky, by PepsiCo, should be completed shortly. This deal will augment PBG's drink portfolio, as Lebedyansky is the biggest juice maker in Russia. Although revenue growth is modest, and integration costs will likely dampen short-term earnings, such moves will allow the bottler to increase its geographic presence.

New products should pique waning consumer interest. The company is introducing beverages in its hydration and CSD segments for the summer season, and this should boost third-quarter profits.

Shareholder value is also being enhanced in two ways. The company is continuing its share-repurchase program, and the company increased the quarterly dividend payout by 21% in June.

This neutrally ranked stock has wide capital appreciation potential for the 2011-2013 period.

Nira Maharaj *August 1, 2008*

(A) Fiscal year ends on last Sat. in December. Quarters are 12, 12, 12, and 16 weeks.
(B) Diluted egs. Excl. nonrecurring items: '98, ($2.63); '99, 5¢; '01, 8¢; '03, (2¢); '04, 1¢, '06 27¢, '07, 9¢. Quarterly earnings may not sum due to rounding. Next egs rpt. due mid-Oct.
(C) Dividends historically paid at the end of Mar., June, Sept., and Dec.
(D) Includes intangibles. In 2007: $5.71 bill, $25.50/sh.
(E) In millions; adjusted for stock split.
(F) '99 figure treats IPO as of January 1, 1999.

Company's Financial Strength	B
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	90

PITNEY BOWES NYSE-PBI

RECENT PRICE **34.10** | P/E RATIO **11.8** (Trailing: 12.5; Median: 16.0) | RELATIVE P/E RATIO **0.77** | DIV'D YLD **4.2%** | **VALUE LINE**

High:	45.8	66.4	73.3	54.1	44.7	44.4	42.8	47.0	47.5	48.0	49.7	39.4
Low:	26.8	42.2	40.9	24.0	32.0	28.5	29.5	38.9	40.3	40.2	36.4	32.6

TIMELINESS 3 Lowered 11/9/07
SAFETY 2 Lowered 1/11/08
TECHNICAL 3 Lowered 7/11/08
BETA .85 (1.00 = Market)

2011-13 PROJECTIONS

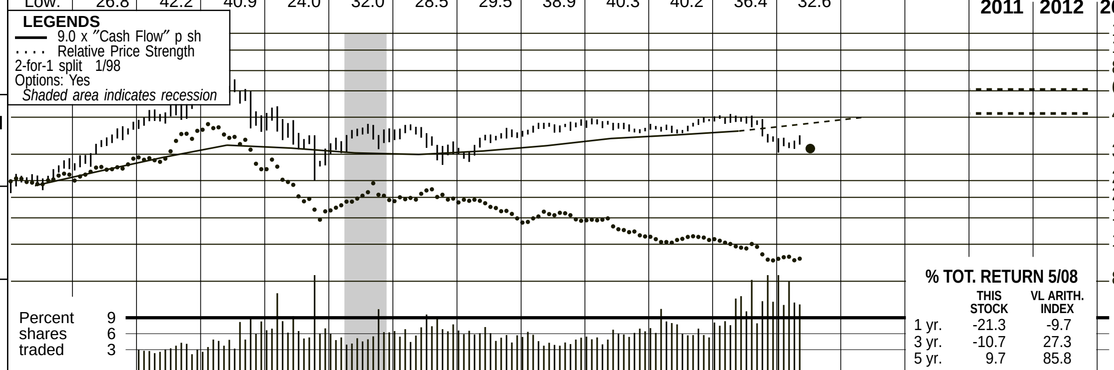
	Price	Gain	Ann'l Total Return
High	65	(+90%)	20%
Low	50	(+45%)	13%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	1	0	0	0	0	0
Options	2	0	0	0	0	0	0	1	0
to Sell	2	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	185	182	174
to Sell	208	238	222
Hld's(000)	179767	181459	179085



% TOT. RETURN 5/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-21.3	-9.7
3 yr.	-10.7	27.3
5 yr.	9.7	85.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
10.62	11.20	10.81	11.85	13.04	14.66	15.61	16.75	15.60	17.03	18.74	19.70	21.52	24.23	25.97	28.58	**32.20**	**34.90**	Revenues per sh	**44.05**
1.74	2.00	2.04	2.26	2.53	2.95	3.44	3.94	3.81	3.61	3.55	3.69	3.91	4.22	4.40	4.59	**4.95**	**5.35**	"Cash Flow" per sh	**6.55**
.98	1.16	1.11	1.34	1.56	1.82	2.03	2.31	2.44	2.25	2.37	2.41	2.54	2.70	2.69	2.72	**2.88**	**3.15**	Earnings per sh (A)	**4.00**
.39	.45	.52	.60	.69	.80	.90	1.02	1.14	1.16	1.18	1.20	1.22	1.24	1.28	1.32	**1.40**	**1.45**	Div'ds Decl'd per sh (B)■	**1.60**
.69	.92	1.14	1.13	.92	.87	1.10	1.15	1.08	1.06	.96	1.23	1.38	1.29	1.49	1.23	**1.35**	**1.45**	Cap'l Spending per sh	**1.70**
5.10	5.91	5.76	6.90	7.56	6.69	6.09	6.13	5.16	3.68	3.62	4.68	5.60	5.74	3.16	2.99	**3.05**	**3.25**	Book Value per sh (C)	**4.45**
323.34	316.35	302.55	299.89	295.96	279.67	270.38	264.70	248.80	242.03	235.37	232.29	230.32	226.71	220.61	214.52	**205.00**	**200.00**	Common Shs Outst'g (D)	**185.00**
17.3	17.7	17.4	14.6	16.2	19.8	25.4	26.2	15.9	17.1	16.0	15.3	17.0	16.2	16.2	16.5	*Bold figures are*		Avg Ann'l P/E Ratio	**14.0**
1.05	1.05	1.14	.98	1.01	1.14	1.32	1.49	1.03	.88	.87	.87	.90	.86	.87	.87	*Value Line*		Relative P/E Ratio	**.95**
2.3%	2.2%	2.7%	3.1%	2.7%	2.2%	1.7%	1.7%	2.9%	3.0%	3.1%	3.3%	2.8%	2.8%	2.9%	2.9%	*estimates*		Avg Ann'l Div'd Yield	**2.8%**

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
4220.5	4432.6	3880.9	4122.5	4409.8	4576.9	4957.4	5492.2	5730.0	6130.0	**6600**	**6975**	Revenues ($mill)	**8150**
32.6%	34.4%	34.4%	31.9%	28.9%	28.2%	27.3%	27.2%	26.6%	25.3%	**25.0%**	**25.0%**	Operating Margin	**25.0%**
361.3	412.1	321.2	317.4	264.3	288.8	306.8	332.0	363.3	383.1	**405**	**420**	Depreciation ($mill)	**460**
567.9	629.6	626.4	556.3	572.0	569.1	594.0	625.8	606.8	601.7	**610**	**645**	Net Profit ($mill)	**755**
34.3%	32.7%	31.5%	31.6%	31.3%	32.1%	32.2%	32.0%	34.5%	32.9%	**34.0%**	**34.0%**	Income Tax Rate	**34.0%**
13.5%	14.2%	16.1%	13.5%	13.0%	12.4%	12.0%	11.4%	10.6%	9.8%	**9.2%**	**9.2%**	Net Profit Margin	**9.3%**
d212.8	469.8	d254.9	d526.4	d797.7	d133.8	d601.4	d168.6	171.9	d236.8	**d125**	**d100**	Working Cap'l ($mill)	**Nil**
1712.9	1997.9	1881.9	2419.2	2316.8	2840.9	2798.9	3849.6	3847.6	3802.1	**3900**	**3950**	Long-Term Debt ($mill)	**4000**
1648.0	1625.6	1285.0	891.4	853.3	1087.4	1290.1	1301.9	699.2	643.3	**625**	**650**	Shr. Equity ($mill)	**825**
18.3%	19.0%	21.7%	18.9%	20.3%	15.9%	16.6%	14.2%	15.9%	16.4%	**16.0%**	**17.0%**	Return on Total Cap'l	**18.5%**
34.5%	38.7%	48.8%	62.4%	67.0%	52.3%	46.0%	48.1%	86.8%	93.5%	**97.5%**	**99.0%**	Return on Shr. Equity	**91.5%**
19.5%	22.0%	26.0%	30.5%	34.0%	26.5%	24.2%	26.3%	46.1%	48.7%	**50.0%**	**53.5%**	Retained to Com Eq	**55.0%**
44%	43%	47%	51%	49%	49%	48%	45%	47%	48%%	**49%**	**46%**	All Div'ds to Net Prof	**40%**

CAPITAL STRUCTURE as of 3/31/08
Total Debt $4865.5 mill. **Due in 5 Yrs** $1900 mill.
LT Debt $4047.0 mill. **LT Interest** $255 mill.
Over 90% of short- and long-term debt is issued by Pitney Bowes wholly owned finance subsidiary to support equipment (mostly PB) leasing programs.
(Total interest coverage: 4.7x) (86% of Cap'l)
Pension Assets 12/07 $2.21 bill. **Oblig.** $2.15 bill.
Pfd Stock $1.0 mill. **Pfd Div'd** $.1 mill.
43,475 shs. $2.12 cum. no par pfd. stk. cv. to 8 shs. com., red. at $28.50.
Common Stock 207,576,000 shs.
as of 5/1/08
MARKET CAP: $7.1 billion (Large Cap)

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Cash Assets	301.6	440.5	465.9
Receivables	2148.1	2339.5	2337.6
Inventory (LIFO)	237.8	198.0	218.0
Other	231.2	341.6	357.8
Current Assets	2918.7	3319.6	3379.3
Accts Payable	1677.5	1965.6	1893.9
Debt Due	490.5	953.8	818.5
Other	578.8	637.0	738.8
Current Liab.	2746.8	3556.4	3451.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	7.0%	9.0%	9.0%
"Cash Flow"	5.5%	4.0%	7.0%
Earnings	5.5%	3.0%	6.5%
Dividends	6.5%	2.0%	4.0%
Book Value	-5.5%	-1.0%	2.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1318	1360	1356	1458	5492
2006	1362	1389	1433	1546	5730
2007	1414	1543	1509	1664	6130
2008	1574	**1600**	**1625**	**1801**	**6600**
2009	**1665**	**1690**	**1715**	**1905**	**6975**

Cal-endar	EARNINGS PER SHARE (A) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.63	.67	.66	.74	2.70
2006	.61	.65	.66	.77	2.69
2007	.66	.71	.63	.72	2.72
2008	.66	**.68**	**.71**	**.83**	**2.88**
2009	**.72**	**.75**	**.77**	**.91**	**3.15**

Cal-endar	QUARTERLY DIVIDENDS PAID (B)■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.305	.305	.305	.305	1.22
2005	.31	.31	.31	.31	1.24
2006	.32	.32	.32	.32	1.28
2007	.33	.33	.33	.33	1.32
2008	.35	.35			

BUSINESS: Pitney Bowes is the world's largest manufacturer of postage meters and mailing equipment. Mailstream Solutions rents postage meters and sells mail-processing systems in the U.S. and Europe (71% of revenues in 2007; 89% of operating profit). Mailstream Services provides mail room and document mgt. services and sells and services marketing systems; 29%, 11%. Sold Capital Services (financed equip. leases) in 7/06. Spun off operation that markets copiers and facsimile systems in 2001. Foreign opers.: 28% of revs.; R&D: 3.0%. Has about 36,100 employees. Off./ Dir. own under 1% of common (3/08 Proxy). Chrmn.: Michael Critelli. CEO: Murray Martin. Inc.: DE. Addr.: 1 Elmcroft Road, Stamford, CT 06926. Tel.: 203-356-5000. Internet: www.pitneybowes.com

Pitney Bowes will likely post much improved year-to-year earnings comparisons in the second half of 2008. A number of problems surfaced in 2007's third quarter, and they will not be completely resolved for a while. First, mailing equipment orders from financial institutions, a key customer base, have dropped from historical norms. Second, benefits from the mandated migration to digital meters in the U.S. have slowed considerably since mid-2007. Finally, regulatory changes and several other temporary factors hurt profits at the International division lately. That said, our expectation for considerable earnings improvement in the coming quarters is based on easy comparisons, an acceleration of share repurchases, new operating efficiencies (discussed below), and a resolution of the problems at International.

The company is nearing completion of its latest restructuring program. The previous program was completed in 2006, but the beneficial impact on operating margins was offset by rising pension costs and intensified pricing pressures. At present, the main objectives are to pare the employment count by 1,400 (4%) and reduce annual overhead costs by at least $100 million by 2009. Related charges are estimated at about $350 million.

Stock repurchases are running well above last year's level. Outlays of $180 million for this activity in the 2008 first quarter were twice last year's same-period level, and most of the remaining amount of the board's $500 million authorization was slated to be spent in the June interim. The total was $400 million in 2007. Estimated free cash flow of $450 million plus additional debt should cover this year's likely purchases.

Long-term revenue and profit growth potential is modest. Given the downward trend in the operating margin since 2000, we think PB's targeted operating efficiencies will, at best, enable the margin to stabilize. Too, the likely decrease in shares outstanding to 2011–2013 accounts for almost half of projected annual earnings growth of almost 8%.

At the currently depressed quotation, these shares offer good risk-adjusted total return potential to 2011–2013.

David R. Cohen *July 11, 2008*

(A) Diluted earnings since 1997. Excl. results of discontinued operations: '95, 7¢; '98, 3¢; '99, (8¢); '01, (10¢); '02, 16¢; '03, 1¢; '06, ($2.04); '07, 5¢; '08-Q1, (2¢). Excludes nonrecurring (losses) gains: '93, (5¢); '94, (32¢); '99, 11¢; '00, (1¢); '01, (17¢); '02, (56¢); '03, (31¢); '04, (49¢); '05, (43¢); '06, (18¢); '07, ($1.04); '08-Q1, (8¢). Next earnings report due late July.
(B) Divs. historically paid in March, June, September and Dec. ■ Div. reinvestment plan avail. (C) Includes intang. At 12/31/07: $2.76 bill., $12.85/sh. (D) In millions, adj. for split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	10
Earnings Predictability	100

PROGRESSIVE CP. NYSE-PGR

RECENT PRICE **17.76** | P/E RATIO **14.2** (Trailing: 12.4 Median: 16.0) | RELATIVE P/E RATIO **0.94** | DIV'D YLD **0.8-Nil%** | **VALUE LINE**

TIMELINESS 3 Raised 3/14/08
SAFETY 2 Raised 6/24/05
TECHNICAL 3 Lowered 8/22/08
BETA .85 (1.00 = Market)

High:	10.1	14.3	14.5	9.3	12.6	15.1	21.2	24.3	31.2	30.1	25.2	21.3
Low:	5.1	7.8	5.7	3.8	6.8	11.2	11.6	18.3	20.3	22.2	17.3	15.0

Target Price Range
2011 | 2012 | 2013

2011-13 PROJECTIONS

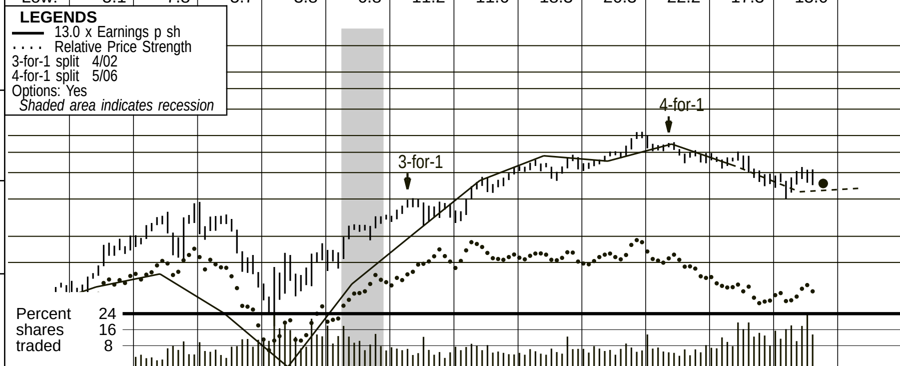
	Price	Gain	Ann'l Total Return
High	40	(+125%)	*23%*
Low	30	(+70%)	*14%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	1
Options	0	1	4	1	0	2	2	0	3
to Sell	0	1	1	1	0	1	1	0	3

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	159	138	184
to Sell	223	209	178
Hld's(000)	488886	491899	498712



% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-9.2	-9.4
3 yr.	-15.7	12.4
5 yr.	15.2	56.8

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
1.77	1.93	2.56	3.15	3.73	4.83	5.69	6.48	7.20	8.13	10.19	12.32	15.44	16.15	18.87	20.40	***20.15***	***20.45***	**P/C Prem Earned p sh A**	***25.40***
.19	.16	.19	.23	.26	.32	.34	.39	.44	.47	.52	.51	.57	.63	.87	1.00	***.90***	***.95***	**Investment Inc p sh**	***1.25***
.06	.21	.21	.18	.32	.32	.48	.12	d.32	.39	.78	1.57	2.30	1.92	2.51	1.51	***1.00***	***1.10***	**Underwriting Inc p sh**	***1.80***
.15	.30	.25	.27	.35	.44	.51	.33	.08	.46	.81	1.41	1.85	1.75	2.10	1.65	***1.25***	***1.30***	**Earnings per sh B**	***2.55***
.02	.02	.02	.02	.02	.02	.02	.02	.02	.02	.03	.03	.03	.03	.03	--	.15	***Nil***	**Div'ds Decl'd per sh C**	***.28***
.66	1.05	1.25	1.61	1.95	2.46	2.94	3.14	3.25	3.69	4.32	5.47	6.05	7.17	9.15	7.26	***8.05***	***9.00***	**Book Value per sh**	***12.85***
805.20	865.20	854.40	865.20	858.00	867.60	870.00	877.20	882.00	880.80	872.00	920.40	852.80	852.40	748.00	680.20	***670.00***	***660.00***	**Common Shs Outst'g D**	***630.00***
255%	285%	233%	212%	226%	301%	367%	319%	198%	275%	310%	308%	351%	345%	277%	296%			**Price to Book Value**	***260%***
10.9	10.0	11.7	12.6	12.7	16.8	21.2	30.1	NMF	22.2	16.6	11.9	11.5	14.2	12.1	13.0	*Bold figures are Value Line estimates*		**Avg Ann'l P/E Ratio**	***13.0***
.66	.59	.77	.84	.80	.97	1.10	1.72	NMF	1.14	.91	.68	.61	.76	.65	.68			**Relative P/E Ratio**	***.85***
.9%	.6%	.6%	.5%	.4%	.3%	.2%	.2%	.3%	.2%	.2%	.1%	.1%	.1%	.1%	.1%			**Avg Ann'l Div'd Yield**	***.8%***

CAPITAL STRUCTURE as of 6/30/08
Total Debt $2174.7 mill. **Due in 5 Yrs** $350.0 mill.
LT Debt $2174.7 mill. **LT Interest** $108.6 mill.
(31% of Cap'l)
Leases, Uncapitalized Annual rentals $94.3 mill.
No Defined Pension Benefit Plan
Pfd Stock None

Common Stock 675,549,693 shs.
as of 7/31/08

Market Cap: $12.0 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
4948.0	5683.6	6348.4	7161.8	8883.5	11341	13170	13764	14118	13877	***13500***	***13500***	**P/C Premiums Earned A**	***16000***
68.2%	74.9%	83.2%	73.5%	70.9%	67.4%	65.0%	68.0%	66.5%	71.5%	***73.0%***	***73.0%***	**Loss to Prem Earned**	***72.0%***
21.8%	21.6%	21.7%	21.4%	21.5%	19.9%	20.2%	20.1%	20.1%	21.1%	***22.0%***	***21.5%***	**Expense to Prem Writ**	***21.0%***
10.0%	3.5%	-4.9%	5.1%	7.6%	12.7%	14.9%	11.9%	13.3%	7.4%	***5.0%***	***5.5%***	**Underwriting Margin**	***7.0%***
30.9%	28.3%	--	30.0%	32.2%	32.6%	32.7%	32.3%	32.3%	30.2%	***30.0%***	***30.0%***	**Income Tax Rate**	***32.0%***
456.7	297.4	66.1	411.4	718.4	1245.2	1597.2	1393.9	1647.5	1182.5	***850***	***870***	**Net Profit ($mill)**	***1605***
5.6%	5.5%	5.7%	5.2%	4.7%	3.9%	4.1%	4.0%	4.6%	4.9%	***4.0%***	***4.0%***	**Inv Inc/Total Inv**	***4.5%***
8463	9705	10052	11122	13564	16282	17184	18899	19482	18843	***18800***	***19300***	**Total Assets ($mill)**	***25000***
2557.1	2752.8	2869.8	3250.7	3768.0	5030.6	5155.4	6107.5	6846.6	4935.5	***5390***	***5950***	**Shr. Equity ($mill)**	***8100***
17.9%	10.8%	2.3%	12.7%	19.1%	24.8%	31.0%	22.8%	24.1%	24.0%	***16.0%***	***14.5%***	**Return on Shr. Equity**	***20.0%***
17.2%	10.1%	1.6%	12.0%	18.5%	24.3%	30.5%	22.4%	23.7%	24.0%	***16.0%***	***14.0%***	**Retained to Com Eq**	***18.0%***
4%	6%	30%	5%	3%	2%	1%	2%	2%	2%	***11%***	***Nil***	**All Div'ds to Net Prof**	***11%***

FINANCIAL POSITION ($MILL.)

	2006	2007	6/30/08
Bonds	9958.9	9184.9	9212.9
Stocks	4149.1	4597.8	4763.1
Premiums Due	2413.4	2395.1	2515.5
Other	2960.7	2665.3	2422.9
Total Assets	19482.1	18843.1	18914.4
Loss Reserves	5725.0	5942.7	6000.6
Unearned Prems	4335.0	4210.4	4403.6
Other	2575.5	3754.5	3704.7
Total Liabilities	12635.5	13907.6	14108.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	17.0%	17.0%	*5.0%*
Invest Income	12.0%	12.0%	*14.0%*
Earnings	18.0%	32.5%	*1.0%*
Dividends	.5%	-3.5%	*NMF*
Book Value	14.5%	16.0%	*7.5%*

Cal-endar	NET PREM. EARNED ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	3350	3454	3479	3481	13764
2006	3501	3564	3544	3509	14118
2007	3494	3509	3462	3412	13877
2008	3390	3411	***3375***	***3324***	***13500***
2009	***3350***	***3350***	***3400***	***3400***	***13500***

Cal-endar	EARNINGS PER SHARE B E Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.51	.49	.39	.36	1.75
2006	.55	.51	.53	.53	2.10
2007	.49	.39	.42	.34	1.65
2008	.35	.32	***.30***	***.28***	***1.25***
2009	***.35***	***.30***	***.35***	***.30***	***1.30***

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.006	.006	.008	.008	.03
2005	.008	.008	.008	.008	.03
2006	.008	.008	.009	.009	.03
2007	--	--	--	--	--
2008	.145	--			

BUSINESS: The Progressive Corporation of Ohio is an insurance holding company that writes standard and nonstandard (i.e., high risk) private passenger automobile coverage. Also writes recreational vehicle, mobile home, nonstandard commercial vehicle, and credit-related insurance. 2007 geographical premium breakdown: Florida, 12.0%; Texas, 7.8%; New York, 6.2%; California, 8.0%; Georgia, 5.4%; Ohio, 4.8%; other states, 55.8%. Statutory surplus, $4.6 billion at 12/07. Has 26,851 employees. Peter B. Lewis controls 7.2% of common stock; other off./dir., 1.5%; Davis Slcted Adv, 11.6% (3/08 Proxy). Chrmn.: Peter B. Lewis. President and CEO: Glenn Renwick. Inc.: Ohio. Addr.: 6300 Wilson Mills, Mayfield Village, Ohio 44143. Tel.: 216-461-5000. Web: www.progressive.com.

Progressive Corp.'s earnings comparisons will likely remain depressed for the next few quarters. In the June interim, net premiums earned declined 3%, year over year. New business applications were down 5%, reflecting fewer car and home sales in a slowing economy. Large catastrophe losses also contributed to lower-than-expected earnings. In all, we expect net earned premiums to stay roughly flat through 2009. Based on results for the first half of the year, no dividend would be payable under the new annual variable dividend policy.

In the face of slowing growth, the company has been focusing on customer retention and cost-cutting. It reorganized its Agency and Direct segments into one group to realize savings in IT, product design, and customer servicing. A new claims service center was recently completed, with two more planned through next year. Policy life expectancy has been increasing, and renewal applications were up 5% in the latest quarter, as the company tinkers with its customer loyalty programs.

The Direct segment, driven by Internet sales, should account for a growing share of policies written. Direct policies, currently about 38% of the personal auto lines, increased 7% over a year ago, while the number of Agency policies declined 2%. Progressive recently entered the Massachusetts market with its Internet products, and plans to follow with agency- and phone-based offerings next year. As insurance shoppers grow increasingly comfortable with the convenience of online quotes, growth in this higher-margin area should accelerate. In addition, the company is testing a few new products, such as usage-based insurance, and a program in which coverage levels are matched to the customer's desired payment amount.

These shares offer worthwhile appreciation potential over the 3- to 5-year pull. As the industry comes out of the recent slump, the company's focus on cost saving and customer retention should benefit its long-term performance. Also, continued stock buybacks ought to bolster share earnings. The potential loss of the small dividend should not hurt the stock.

William Kuo *September 19, 2008*

(A) Incl. some D&O liab. insurance. **(B)** Dil. Optg. EPS starting in 2002. Excluding. n/r gains (losses): '94, 21¢; '96, (1¢); '99, (4¢); '00, (9¢). Inc. cap. gains/(losses): '92, 5¢; '93, 32¢; '94, 7¢; '95, 13¢; '96, 2¢; '97, 28¢; '98, 3¢; '99, 14¢; '00, 8¢; '01, (32¢). Next quarterly earnings report due mid-November. **(C)** Beginning in 2007, a variable div'd will be declared once a year at yearend. Paid a special div'd of $2.00 per share in 8/07. **(D)** In millions, adjusted for stock splits. **(E)** May not sum to total due to change in share count.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	60

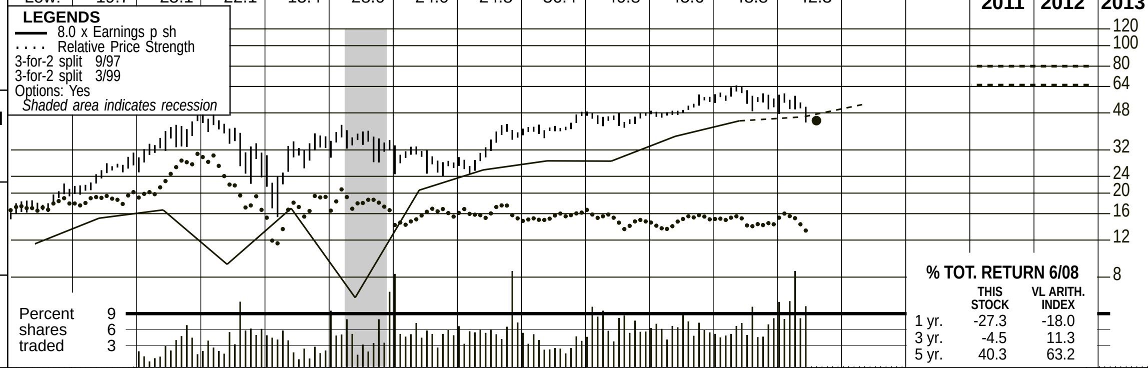
REINSURANCE GROUP NYSE-RGA

RECENT PRICE 44.11 | P/E RATIO 7.7 (Trailing: 8.3; Median: 12.0) | RELATIVE P/E RATIO 0.51 | DIV'D YLD 0.8% | VALUE LINE

TIMELINESS 3 Raised 6/13/08
SAFETY 1 Raised 10/19/07
TECHNICAL 3 Lowered 4/18/08
BETA .90 (1.00 = Market)

High:	31.1	47.1	49.2	38.4	42.2	33.7	42.6	48.7	48.7	58.7	64.8	59.3
Low:	19.7	25.1	22.1	15.4	28.0	24.0	24.8	36.4	40.8	45.6	48.8	42.3

LEGENDS
— 8.0 x Earnings p sh
.... Relative Price Strength
3-for-2 split 9/97
3-for-2 split 3/99
Options: Yes
Shaded area indicates recession



Target Price Range 2011 | 2012 | 2013

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+80%)	17%
Low	65	(+45%)	11%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	1	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	91	111	103
to Sell	91	80	92
Hld's(000)	33120	33699	32469

Percent shares traded 9 6 3

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-27.3	-18.0
3 yr.	-4.5	11.3
5 yr.	40.3	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
--	15.74	11.87	14.59	17.27	22.10	22.43	26.34	28.48	33.55	40.05	42.52	53.61	63.31	70.77	79.14	**88.80**	**97.80**	Premium Inc per sh	117.90
--	2.29	1.87	2.31	3.50	4.98	6.66	6.81	6.62	6.88	7.57	7.49	9.30	10.47	12.70	14.64	**16.35**	**18.25**	Investment Inc per sh	23.90
--	1.00	1.05	1.24	1.44	1.90	2.08	1.15	2.12	.80	2.58	3.22	3.56	3.54	4.65	5.50	**5.75**	**6.65**	Earnings per sh A	8.85
--	.05	.11	.12	.13	.15	.17	.22	.24	.24	.24	.24	.27	.36	.36	.36	**.36**	**.38**	Div'ds Decl'd per sh B■	.50
--	11.58	7.28	9.65	10.89	13.21	16.52	14.68	17.51	20.30	24.72	31.33	36.50	41.38	45.85	51.42	**55.55**	**61.40**	Book Value per sh	75.35
--	24.13	38.04	39.07	39.07	37.81	45.31	49.94	49.29	49.53	49.46	62.16	62.45	61.08	61.41	62.03	**63.00**	**63.50**	Common Shs Outst'g C	67.00
--	116%	149%	136%	165%	187%	219%	247%	165%	175%	118%	106%	113%	109%	110%	111%			Price to Book Value	96%
--	13.5	10.4	10.5	12.5	13.0	17.4	31.5	13.7	44.4	11.3	10.3	11.6	12.8	10.8	10.4	*Bold figures are*		Avg Ann'l P/E Ratio	8.0
--	.80	.68	.70	.78	.75	.90	1.80	.89	2.28	.62	.59	.61	.68	.58	.55	*Value Line*		Relative P/E Ratio	.55
--	.4%	1.0%	.9%	.7%	.6%	.5%	.6%	.8%	.7%	.8%	.7%	.7%	.8%	.7%	.6%	*estimates*		Avg Ann'l Div'd Yield	.7%
						1016.4	1315.6	1404.1	1661.8	1980.7	2643.2	3347.4	3866.8	4346.0	4909.0	**5595**	**6210**	Premium Inc ($mill)	7900
						301.8	340.3	326.5	340.6	374.5	465.6	580.5	639.2	779.7	907.9	**1030**	**1160**	Investment Inc ($mill)	1600
						23.2	26.5	23.8	34.4	41.4	41.8	27.4	65.2	72.0	149.8	**130**	**160**	Other Income ($mill)	180
						1341.4	1682.4	1754.4	2036.7	2396.6	3150.5	3955.4	4571.2	5197.6	5966.7	**6755**	**7530**	Total Income ($mill)	9680
						797.9	1067.1	1103.6	1376.8	1539.5	2108.4	2678.5	3187.9	3488.4	3984.0	**4460**	**4950**	Benefits & Reserves ($m)	6500
						35.5%	42.0%	39.5%	39.7%	33.8%	34.3%	33.6%	33.9%	35.0%	35.1%	**35.0%**	**35.0%**	Income Tax Rate	35.0%
						89.7	53.1	105.8	39.9	128.5	166.2	224.6	225.5	293.3	353.5	**375**	**435**	Net Profit ($mill)	600
						330.6	446.9	545.9	616.0	758.9	1252.2	1458.8	1736.6	1980.3	2119.9	**2260**	**2400**	Insur in Force ($bill)	3250
						6319	5124	6062	6894	8893	12113	14048	16194	19037	21598	**23500**	**26000**	Total Assets ($mill)	36500
						748.5	733.0	862.9	1005.6	1222.5	1947.7	2279.0	2527.5	2815.4	3189.8	**3500**	**3900**	Shr. Equity ($mill)	5050
						12.0%	7.2%	12.3%	4.0%	10.5%	8.5%	9.9%	8.9%	10.4%	11.1%	**10.5%**	**11.0%**	Return on Shr. Equity	12.0%
						11.0%	5.9%	10.9%	2.8%	9.5%	7.9%	9.1%	8.0%	9.6%	10.4%	**10.0%**	**10.5%**	Retained to Com Eq	11.0%
						8%	19%	11%	30%	9%	7%	7%	10%	8%	6%	**6%**	**6%**	All Div'ds to Net Prof	6%

CAPITAL STRUCTURE as of 3/31/08
Total Debt $925.9 mill. **Due in 5 Yrs** $200.0 mill.

LT Debt $925.9 mill. **LT Interest** $50.0 mill.
(LT interest earned: 19.2x) (23% of Cap'l)

Pension Assets-12/07 $24.2 mill.
Oblig. $44.7 mill.

Pfd Stock none

Common Stock 62,281,408 shs.
as of 4/30/08
MARKET CAP: $2.7 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	3/31/08
Bonds	8372.2	9397.9	9387.1
Stocks	--	--	--
Mortgages	735.6	831.6	812.5
Other	9929.0	11368.5	11612.9
Total Assets	19036.8	21598.0	21812.5
Reserves	5315.4	6333.2	6449.0
Unearn Prems	1826.8	2055.3	2196.1
Other	9079.3	10019.7	10108.5
Total Liab.	16221.5	18408.2	18753.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	14.5%	16.0%	9.0%
Invest Income	13.5%	12.5%	11.5%
Earnings	11.5%	20.0%	11.5%
Dividends	10.5%	8.5%	6.0%
Book Value	15.0%	17.5%	8.5%

Cal-endar	QUARTERLY PREM. ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	901.8	931.4	973.5	1060.1	3866.8
2006	992.5	1076.6	1076.2	1200.7	4346.0
2007	1125.5	1207.6	1227.9	1348.0	4909.0
2008	1298.1	*1380*	*1396.9*	*1520*	*5595*
2009	*1450*	*1535*	*1550*	*1675*	*6210*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.95	.32	1.13	1.15	3.54
2006	1.09	1.10	1.18	1.27	4.65
2007	1.28	1.31	1.49	1.42	5.50
2008	1.10	*1.50*	*1.55*	*1.60*	*5.75*
2009	*1.61*	*1.65*	*1.68*	*1.71*	*6.65*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.06	.06	.06	.09	.27
2005	.09	.09	.09	.09	.36
2006	.09	.09	.09	.09	.36
2007	.09	.09	.09	.09	.36
2008	.09	.09			

BUSINESS: Reinsurance Group of America, Incorporated is an insurance holding company. It is engaged primarily in life reinsurance and international life and disability insurance on a direct and reinsurance basis. In addition, it provides reinsurance of non-traditional business, including asset-intensive products and financial reinsurance. In 2007, United States operations generated about 59% of net premium income; Asia Pacific (18%); Canada (10%); Other international (13%). Officers and directors own approximately 1.6% of common stock; MetLife, 52.0% (2007 10K). President and Chief Executive Officer: A. Greig Woodring. Incorporated: MO. Address: 1370 Timberlake Manor Parkway, Chesterfield, MO 63017. Telephone: 636-736-7439. Internet: www.rgare.com.

Share net for Reinsurance Group of America plunged almost 15% in the first quarter of 2008, compared to the year-earlier tally. That was attributable primarily to a jump in claims filed in the United States and United Kingdom (the company's two biggest markets). On the upside, operations in Canada and the Asia Pacific region benefited partially from generally favorable currency exchange rates.

But better quarterly bottom-line comparisons may occur during the remainder of this year, based mainly on our assumption that mortality experience levels moderate domestically and in the United Kingdom. We expect businesses in Canada and the Asia Pacific area to continue to perform nicely, also.

Nonetheless, it appears that earnings per share for 2008, as a whole, will advance just around 5%. That could happen because of Reinsurance Group's disappointing first-quarter showing. But a stronger rate of bottom-line growth may be in store for next year, aided by initiatives to boost market share (e.g., staff additions and product enhancements).

Meanwhile, MetLife intends to divest its 52% equity stake in RGA. Under the terms of the transaction, RGA would recapitalize its common stock into two classes, Class A (with the right to elect up to 20% of the reinsurer's directors) and Class B (having the right to elect 80% of RGA's directors). Following the recapitalization, MetLife would offer the Class B shares to MetLife stockholders in exchange for shares of MetLife common stock. We like this move partly because it should provide management with greater flexibility in making business decisions. Also, the liquidity of RGA stock ought to significantly increase. Note that the deal is expected to close during the third quarter of this year, pending regulatory approval and other conditions.

These high-quality shares have lost substantial ground over the past several months, reflecting, no doubt, the company's poor performance for the first quarter. Even at the current quotation, capital appreciation possibilities are limited. The Timeliness rank is only 3 (Average), as well.

Frederick L. Harris, III *July 18, 2008*

(A) Basic earnings until 1997, diluted thereafter. Includes realized investment gains and losses through '02, excluded thereafter. Excludes nonrecurring gain (losses): '97, ($0.70); '03, $0.01; '04, ($0.01). Excludes losses from discontinued ops.: '98, $0.60; '99, $0.27; '00, $0.56; '01, $0.14; '02, $0.11; '03, $0.11; '04, $0.37; '05, $0.18; '06, $0.08; '07, $0.23; '08, $0.08. Qtrs may not sum due to rounding. Next earnings report late Oct. (B) Div'd paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan. (C) In mill., adjusted for stock splits.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	90
Earnings Predictability	55

SARA LEE NYSE-SLE

RECENT PRICE 13.17 | P/E RATIO 15.5 (Trailing: 14.3; Median: 17.0) | RELATIVE P/E RATIO 1.00 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 3 New 5/2/08
SAFETY 2 Lowered 2/1/08
TECHNICAL 4 Lowered 7/11/08
BETA .80 (1.00 = Market)

High:	28.9	31.8	29.0	25.3	24.8	23.8	23.1	24.5	25.0	19.6	18.2	16.1
Low:	18.3	22.2	21.1	13.4	18.3	16.2	16.3	20.2	17.3	14.1	14.8	12.0

2011-13 PROJECTIONS

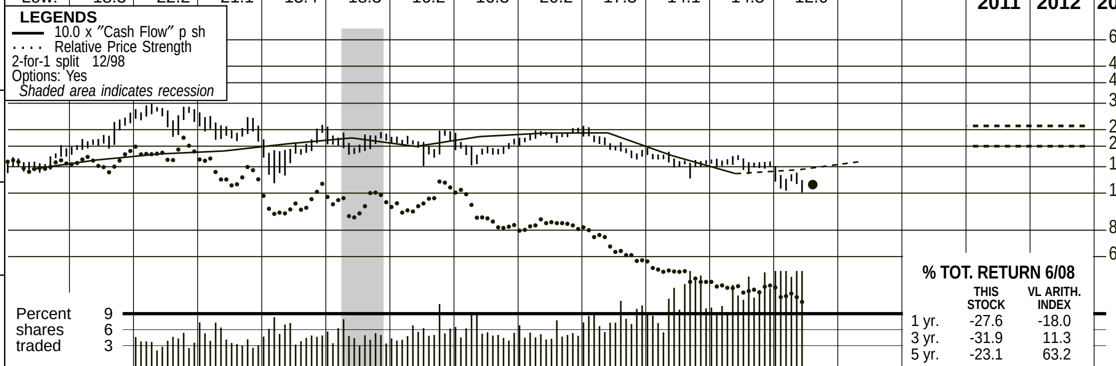
	Price	Gain	Ann'l Total Return
High	25	(+90%)	20%
Low	20	(+50%)	14%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	1	2	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	147	188	194
to Sell	251	231	227
Hld's(000)	499559	500652	494404



% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-27.6	-18.0
3 yr.	-31.9	11.3
5 yr.	-23.1	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
13.80	15.02	16.16	18.43	19.20	20.54	21.72	22.64	20.69	22.70	22.46	23.53	24.64	24.50	20.95	16.95	18.95	20.15	Sales per sh A	23.10
1.10	1.23	1.31	1.43	1.56	1.72	1.84	1.90	2.06	2.19	1.99	2.22	2.31	2.31	1.81	1.48	1.55	1.70	"Cash Flow" per sh	2.30
.62	.70	.74	.81	.92	1.02	1.11	1.21	1.27	1.33	1.36	1.49	1.59	1.36	.93	.72	.80	.90	Earnings per sh B	1.40
.31	.28	.31	.34	.37	.41	.45	.49	.53	.57	.60	.62	.75	.78	.79	.40	.42	.44	Div'ds Decl'd per sh C■	.55
.53	.75	.65	.50	.56	.57	.51	.61	.76	.68	.85	.96	.67	.68	.82	.87	.80	.80	Cap'l Spending per sh	.85
3.18	3.33	3.14	3.79	4.16	4.17	1.69	1.17	1.19	1.15	1.93	2.36	3.71	3.74	3.22	3.61	2.60	3.05	Book Value per sh D	4.10
959.45	970.76	961.53	961.31	970.11	960.55	921.33	883.78	846.33	781.96	784.72	777.35	793.92	785.89	760.98	724.43	705.00	695.00	Common Shs Outst'g E	650.00
19.5	19.9	16.2	15.4	17.0	18.5	24.1	21.8	16.1	15.6	15.6	13.5	13.2	16.4	19.7	23.3	19.0		Avg Ann'l P/E Ratio	17.0
1.18	1.18	1.06	1.03	1.06	1.07	1.25	1.24	1.05	.80	.85	.77	.70	.87	1.06	1.22	1.05		Relative P/E Ratio	1.15
2.5%	2.0%	2.6%	2.7%	2.4%	2.2%	1.7%	1.9%	2.6%	2.7%	2.8%	3.1%	3.6%	3.5%	4.3%	2.4%	2.8%		Avg Ann'l Div'd Yield	2.4%

CAPITAL STRUCTURE as of 3/29/08
Total Debt $3365 mill. **Due in 5 Yrs** $3166 mill.
LT Debt $2478 mill. **LT Interest** $205.0 mill.
Incl. ESOP loan guarantees.
(LT interest earned: 6.0x; total interest coverage: 5.0x)
(42% of Cap'l)

Pension Assets - 6/07 $4.3 bill. **Oblig.** $4.9 bill.

Common Stock 706,307,100 shs.

MARKET CAP: $9.3 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
20011	20012	17511	17747	17628	18291	19566	19254	15944	12278	13350	14000	Sales ($mill) A	15000
11.9%	11.5%	13.4%	12.5%	11.5%	12.0%	11.3%	11.3%	12.8%	10.9%	11.5%	12.0%	Operating Margin	13.5%
618.0	553.0	602.0	599.0	471.0	532.0	561.0	737.0	662.0	539.0	510	525	Depreciation ($mill)	580
1102.0	1147.5	1158.0	1136.0	1111.0	1212.0	1272.0	1081.0	714.0	536.0	590	645	Net Profit ($mill)	915
31.0%	28.7%	26.1%	21.0%	18.0%	17.7%	17.5%	15.8%	38.2%	11.3%	33.0%	32.0%	Income Tax Rate	31.0%
5.5%	5.7%	6.6%	6.4%	6.3%	6.6%	6.5%	5.6%	4.5%	4.4%	4.4%	4.6%	Net Profit Margin	6.1%
d513.0	d966.0	d785.0	125.0	d477.0	754.0	323.0	843.0	497.0	1342.0	550	400	Working Cap'l ($mill)	425
2270.0	1892.0	2248.0	2640.0	4326.0	5157.0	4171.0	4115.0	3807.0	2803.0	3050	2800	Long-Term Debt ($mill)	2250
1866.0	1299.0	1259.0	1137.0	1742.0	2052.0	2948.0	2938.0	2449.0	2615.0	1845	2135	Shr. Equity ($mill)	2660
28.5%	38.7%	34.9%	33.4%	20.3%	18.4%	19.4%	17.2%	13.7%	11.8%	13.5%	15.0%	Return on Total Cap'l	20.0%
59.1%	88.3%	92.0%	99.9%	63.8%	59.1%	43.1%	36.8%	29.2%	20.5%	32.0%	30.0%	Return on Shr. Equity	34.5%
42.0%	66.1%	66.8%	72.3%	41.4%	39.0%	18.9%	21.0%	10.1%	6.2%	16.0%	15.5%	Retained to Com Eq	21.0%
41%	40%	42%	43%	44%	41%	56%	43%	65%	70%	50%	48%	All Div'ds to Net Prof	39%

CURRENT POSITION ($MILL.)	2006	2007	3/29/08
Cash Assets	2231	2520	1258
Receivables	1750	1307	1433
Inventory (FIFO)	2153	1050	1297
Other	640	766	720
Current Assets	6774	5643	4708
Accts Payable	1226	1075	1068
Debt Due	2152	1464	887
Other	2899	1762	1814
Current Liab.	6277	4301	3769

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	.5%	-1.0%	2.0%
"Cash Flow"	2.0%	-2.0%	3.5%
Earnings	1.0%	-5.5%	5.5%
Dividends	6.0%	3.0%	-3.0%
Book Value	-1.5%	20.0%	7.5%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Sep.Per	Dec.Per	Mar.Per	Jun.Per	Full Fiscal Year
2005	4757	5073	4670	4754	19254
2006	3900	4155	3789	4100	15944
2007	2891	3182	3006	3199	12278
2008	3131	3491	3243	3485	13350
2009	3300	3675	3400	3625	14000

Fiscal Year Ends	EARNINGS PER SHARE A B Sep.Per	Dec.Per	Mar.Per	Jun.Per	Full Fiscal Year
2005	.44	.40	.23	.29	1.36
2006	.28	.32	.22	.11	.93
2007	.21	.21	.13	.17	.72
2008	.10	.22	.22	.26	.80
2009	.13	.24	.25	.28	.90

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.1875	.1875	.1875	.1875	.75
2005	.1975	.1975	.1975	.1975	.79
2006	.1975	.1975	.1975	.10	.69
2007	.10	.10	.10	.10	.40
2008	.105	.105	.105		

BUSINESS: Sara Lee Corporation is a diversified international manufacturer and marketer of branded consumer products with operations in beverages, specialty meats, baked goods, and household/personal care. Meats group includes: *Hillshire Farms, Jimmy Dean,* and *Ball Park*. Bakery group includes *Earthgrains* and *Sara Lee.* Beverage group includes numerous brands of coffee and tea. Apparel business (intimates and underwear) spun off, 9/06. Int'l sales: 54% of total. '07 deprec. rate: 10.1%. Has about 52,000 employees. Officers & directors own less than 1% of stock; three financial institutions, 18.5% (9/07 proxy). Chairman & CEO: Brenda C. Barnes. Inc.: Maryland. Address: Three First National Plaza, Chicago, IL 60602. Tel.: 312-726-2600. Internet: www.saralee.com.

Sara Lee's top line is climbing at a good clip. Foreign currency translations are providing a noticeable boost, reflecting the company's sizable presence overseas, where it generates over half of its sales. Otherwise, revenues have been rising at a solid, mid-single-digit clip, with all six businesses contributing to the gains. Price increases to combat rising commodity costs have been a big element of this growth, particularly in the North American and International Bakery divisions. Thus far, these actions don't seem to be sparking too much resistance from consumers.

Sara Lee likely halted a three-year earnings slump in fiscal 2008, which ended on June 28th. Lower interest expense and a smaller share base have share net headed back in the right direction, and the company probably maintained this momentum in the June quarter. From an operating perspective, though, progress has been slower to develop, with adjusted operating income actually declining modestly year over year during the first nine months of the fiscal year. Still,

The food producer appears to be gaining the upper hand on rising commodity costs. In fact, improved pricing, along with lower marketing spending and ongoing cost-cutting initiatives, should allow Sara Lee to report meaningful growth in operating profits for the final three months of fiscal 2008.

The stock is an Average (3) selection for Timeliness. Likewise, total return potential to 2011-2013, though getting a boost from an above-average dividend yield, is unexceptional in our view. Earnings now look to be headed in the right direction, and should climb another 13%, to $0.90 a share, in fiscal 2009. The market, though, seems reluctant to give Sara Lee much credit for this just yet. The restructuring efforts begun by management in 2005 have been slow to bear fruit, and profits will likely remain below their mid-decade peak for several more years. Too, the company has expressed concerns about the impact on its business of volatile commodity prices and weaker economic conditions in some key markets. In response, we have trimmed our fiscal 2008 and 2009 calls by $0.02 and $0.05, respectively, since our May report.

Robert M. Greene, CFA *August 1, 2008*

(A) Fisc. year ends on Sat. closest to June 30. (B) Prmry. egs. until fisc. '97. Diluted egs. beg. fisc. '98. Excl. net nonrecurr. items: '92, 15¢; '94, d55¢; '98, d$1.73; '99, 5¢; '00, 49¢; '01, 55¢; '02, 1¢; '05 d7¢; '06, d40¢; '07, d15¢; '08, d$1.00. Excl. disc. ops.: '00, 8¢; '01, 77¢; '02, 14¢; '03, 1¢; '05, 2¢; '06, 19¢; '07, 10¢. Next egs. report due August 7th. (C) Dividends paid in Jan., April, July, Oct. ■ Div'd. reinv. plan avail. (D) Incl. intang. In '07: $3,759 mill.; $5.19/sh. (E) In mill., adj. for stock split.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	10
Earnings Predictability	65

SUBURBAN PROPANE NYSE-SPH

RECENT PRICE **37.83** | P/E RATIO **10.2** (Trailing: 14.1 Median: 14.0) | RELATIVE P/E RATIO **0.65** | DIV'D YLD **8.8%** | **VALUE LINE**

TIMELINESS 3 Raised 6/13/08
SAFETY 3 New 9/14/07
TECHNICAL 4 Lowered 9/5/08
BETA .75 (1.00 = Market)

High:	20.6	20.0	20.8	22.1	28.0	28.5	32.5	35.7	37.4	39.2	49.6	42.6
Low:	15.4	17.1	16.4	17.3	21.0	20.0	26.9	27.6	23.5	26.0	35.1	34.0

Target Price Range
2011 | 2012 | 2013

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+70%)	*20%*
Low	45	(+20%)	*12%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	0	0	0	0

Institutional Decisions

	4Q2007	1Q2008	2Q2008
to Buy	50	45	44
to Sell	46	57	45
Hld's(000)	7629	6485	5832

% TOT. RETURN 8/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-11.4	-9.4
3 yr.	43.0	12.4
5 yr.	91.7	56.8

Suburban Propane Partners, L.P., originally known as The Suburban Gas Company, was formed in the suburbs of Newark, NJ in 1928. The company's first major expansion took place in 1945, when it acquired the eastern properties of Phillips Petroleum and formed the Suburban Propane and Gas Corporation. The company has been publicly traded on the New York Stock Exchange since 1996, and operates as a Master Limited Partnership.

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
23.23	23.33	37.56	37.49	27.00	28.31	43.21	53.51	54.81	44.06	***45.60***	***45.15***	Revenues per unit A	***50.00***
2.60	2.14	3.47	3.74	3.15	2.70	2.17	.92	4.09	4.66	***4.25***	***4.70***	"Cash Flow" per unit	***5.45***
1.30	.83	1.70	2.14	1.94	1.76	.96	d.26	2.83	3.79	***3.35***	***3.80***	Earnings per unit A	***4.55***
1.54	2.00	2.11	2.20	2.28	2.33	2.41	2.45	2.53	2.85	***3.15***	***3.38***	Dist. Decl'd per unit B	***3.90***
- -	- -	.95	.94	.71	.52	.88	.97	.76	.82	***.75***	***.75***	Cap'l Spending per unit	***.80***
5.15	6.20	2.78	2.39	.78	3.08	5.56	2.51	3.32	5.09	***7.55***	***8.60***	Book Value per unit C	***9.45***
28.73	26.56	22.28	24.63	24.63	27.26	30.26	30.28	30.31	32.67	***34.00***	***36.00***	Common Units Outst'g D	***38.00***
14.4	23.3	11.4	11.2	13.8	16.1	33.6	- -	10.4	11.2	***Bold figures are***		Avg Ann'l P/E Ratio	***12.0***
.75	1.33	.74	.57	.75	.92	1.78	- -	.56	.59	***Value Line***		Relative P/E Ratio	***.80***
8.2%	10.4%	10.9%	9.2%	8.5%	8.2%	7.5%	7.2%	8.5%	6.7%	***estimates***		Avg Ann'l Dist. Yield	***7.1%***
667.3	619.8	836.8	923.6	665.1	771.7	1307.3	1620.2	1661.6	1439.6	***1550***	***1625***	Revenues ($mill) A	***1900***
38.2	22.0	38.5	53.5	49.1	46.2	28.9	d9.1	90.7	123.3	***115***	***135***	Net Profit ($mill)	***175***
.1%	.3%	- -	.7%	- -	.4%	- -	- -	.8%	4.4%	***Nil***	***Nil***	Income Tax Rate	***Nil***
5.7%	3.5%	4.6%	5.8%	7.4%	6.0%	2.2%	NMF	5.5%	8.5%	***7.5%***	***8.5%***	Net Profit Margin	***9.0%***
74.3%	72.2%	89.3%	88.0%	95.2%	80.2%	73.8%	87.8%	84.5%	76.7%	***95.0%***	***90.0%***	Long-Term Debt Ratio	***85.0%***
25.7%	27.8%	10.7%	12.0%	4.8%	19.8%	26.2%	12.2%	15.5%	23.3%	***15.0%***	***15.0%***	Common Equity Ratio	***15.0%***
575.7	592.9	579.0	489.2	403.1	425.0	641.1	624.2	649.0	714.8	***800***	***915***	Total Capital ($mill)	***1100***
343.8	374.0	350.6	344.4	331.0	312.8	406.7	400.0	390.4	374.6	***375***	***450***	Net Plant ($mill)	***525***
9.3%	6.3%	10.1%	14.8%	16.4%	14.9%	7.7%	1.8%	14.5%	17.2%	***16.5%***	***17.0%***	Return on Total Cap'l	***16.0%***
25.8%	13.4%	62.3%	90.8%	254.7%	54.9%	17.2%	NMF	90.1%	74.2%	***45.0%***	***45.0%***	Return on Shr. Equity	***48.5%***
25.8%	13.4%	62.3%	90.8%	254.7%	54.9%	17.2%	NMF	90.1%	74.2%	***45.0%***	***45.0%***	Return on Com Equity	***48.5%***
NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	12.8%	19.9%	***3.0%***	***6.5%***	Retained to Com Eq	***9.0%***
115%	NMF	123%	102%	116%	NMF	NMF	NMF	84%	76%	***94%***	***89%***	All Dist. to Net Prof	***85%***

CAPITAL STRUCTURE as of 6/28/08
Total Debt $548.7 mill. **Due in 5 Yrs** *$125.0 mill.*
LT Debt $548.7 mill. **LT Interest** $37.5 mill.
(Total interest coverage 11.1x) (68% of Cap'l)

Leases, Uncapitalized: Annual rentals $27.2 mill.

Pension Assets-9/07 $142.4 mill.
Oblig. $173.5 mill.

Partners' Units 32,725,000 units

MARKET CAP: $1.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	6/28/08
Cash Assets	60.6	96.6	118.6
Receivables	78.5	71.6	100.3
Inventory (Avg Cst)	79.4	81.2	78.7
Other	16.9	32.8	16.5
Current Assets	235.4	282.2	314.1
Accts Payable	57.4	57.0	49.5
Debt Due	- -	- -	- -
Other	135.2	139.4	82.8
Current Liab.	192.6	196.4	132.3

ANNUAL RATES of change (per unit)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	6.5%	8.5%	*Nil*
"Cash Flow"	6.0%	-1.5%	*9.0%*
Earnings	16.5%	2.0%	*13.5%*
Cash Dist.	10.0%	3.0%	*7.5%*
Book Value	-3.0%	13.0%	*17.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.per	Mar. per	Jun. per	Sep. per	Full Fiscal Year
2005	424.0	587.4	327.2	281.6	1620.2
2006	487.5	590.9	304.0	279.2	1661.6
2007	397.9	555.1	271.5	215.1	1439.6
2008	425.1	587.1	305.5	***232.3***	***1550***
2009	***455***	***615***	***310***	***245***	***1625***

Fiscal Year Ends	EARNINGS (PER UNIT) A Dec. per	Mar. per	Jun. per	Sep. per	Full Fiscal Year
2005	.77	1.90	d1.92	d1.23	d.26
2006	1.14	2.43	d.33	d.66	2.83
2007	1.67	3.22	d.04	d1.02	3.79
2008	1.27	2.87	d.42	***d.37***	***3.35***
2009	***1.40***	***3.10***	***d.05***	***d.65***	***3.80***

Cal-endar	QUARTERLY DIST. (PER UNIT) B Mar. per	Jun. per	Sep. per	Dec. per	Full Year
2004	.588	.600	.613	.613	2.41
2005	.613	.613	.613	.613	2.45
2006	.613	.613	.638	.663	2.53
2007	.688	.700	.713	.750	2.85
2008	.763	.775	.80		

BUSINESS: Suburban Propane Partners, L.P., is a leading marketer and distributor of propane, fuel oil, and other refined fuels in the United States. It also markets natural gas and electricity in deregulated markets. The partnership operates in four segments: Propane; Fuel Oil and Refined Fuels; Natural Gas and Electricity; and Heating, Ventilation, and Air Conditioning (HVAC). As of 9/29/07, the partnership serves approximately 1,000,000 active propane customers through more than 300 locations in 30 states, concentrated on the east and west coasts of the United States. Has about 3,500 employees. Chairman & Chief Executive Officer: Mark A. Alexander. Address: 240 Route 10 West, Whippany, NJ 07981. Tel.: 973-887-5300. Internet: http://www.suburbanpropane.com.

Elevated commodity prices are pressuring margins at Suburban Propane Partners. Through the first nine months of fiscal 2008, expenses far outpaced revenue growth, with product costs increasing nearly three times faster than sales (year ends on the last Saturday in September). In addition, warmer-than-normal temperatures in several markets hindered year-to-date revenues somewhat.

The company's hedging techniques have faltered lately. To ensure its field operations have adequate supply, the partnership keeps a certain level of inventory on tap at all times, which is subject to market fluctuations. SPH employs different tools to mitigate that risk—including commodity futures contracts—with realized gains/losses typically offset by inventory sales. But recently, fast-rising commodity prices have outstripped revenues, leading to larger-than-expected losses, and pulling the bottom line further into the red.

Customer conservation efforts are on the rise. Consumers, already being squeezed by rising prices at the gas pump and falling home values, have sought to cut corners elsewhere, driving efforts to conserve propane and heating oil.

Although revenues are making progress, earnings will likely tumble in fiscal 2008. While sales ought to improve 7%–8%, share earnings will likely drop 11%–12%, largely due to higher product costs. Looking ahead,

The bottom-line outlook is more upbeat for next year. Projections for fiscal 2009 call for more-normal seasonal weather and, although still elevated, commodity prices have come back to earth somewhat in recent months.

This issue offers subpar capital gains potential over the pull to 2011–2013. Despite solid long-term prospects, the stock's current quotation discounts much of its upside potential over the coming three to five years. However,

Suburban Propane Partners still features a stellar yield. The payout on these units is near the top of its peer group, and is well above the *Value Line* median. That, coupled with its relatively low risk (Beta: .75), makes this a good selection for income-minded accounts.

Sharif Abdou *September 12, 2008*

(A) Fiscal year ends last Saturday in September. Basic earnings. Quarterly earnings do not sum due to two-class method of computing earnings per unit. Excludes discontinued operations: '03, $0.09; '04, $0.83; '05, $0.03; '07, $1.46. Next earnings report due early Nov.
(B) Historically distributions paid mid-February, May, August, and November. May not sum due to rounding.
(C) Includes intangibles. At 6/28/08: $292.9 mill., $8.95 per share.
(D) In millions.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	65
Earnings Predictability	10

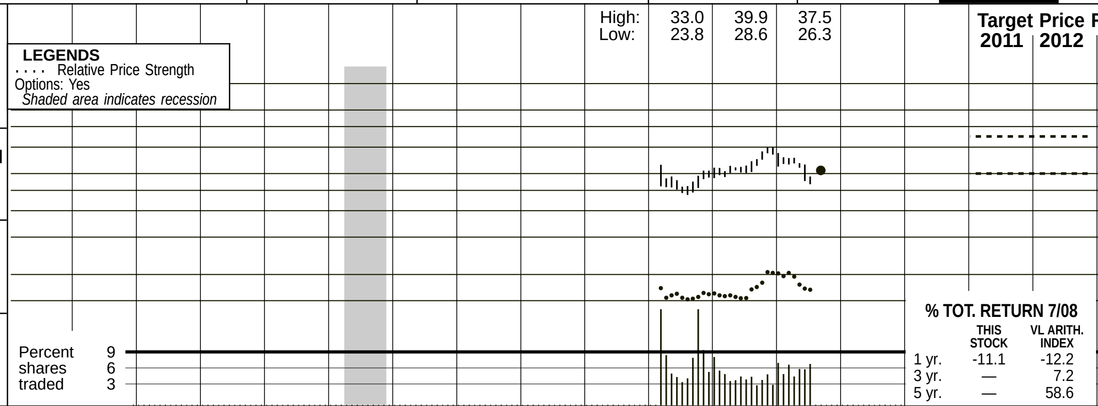
TIM HORTONS INC. NYSE-THI A

RECENT PRICE **31.02** | P/E RATIO **18.8** (Trailing: 20.7 Median: NMF) | RELATIVE P/E RATIO **1.22** | DIV'D YLD **1.2%** | VALUE LINE

TIMELINESS **3** New 9/5/08
SAFETY **3** New 9/7/07
TECHNICAL **4** New 9/5/08
BETA .80 (1.00 = Market)

	High	Low
2006	33.0	23.8
2007	39.9	28.6
2008	37.5	26.3

Target Price Range 2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+45%)	11%
Low	30	(-5%)	1%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	2	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	78	103	98
to Sell	95	72	84
Hld's(000)	112265	113522	111682

% TOT. RETURN 7/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-11.1	-12.2
3 yr.	—	7.2
5 yr.	—	58.6

Tim Hortons Incorporated was formed in May, 1964. It was subsequently acquired by Wendy's International, and it was spun off in March, 2006. The initial public offering was for 33.35 million shares at $23.16 per share, representing 17.25% of the common stock outstanding. In September, 2006, Wendy's distributed the remaining 82.75% to Wendy's stockholders by a special pro-rated dividend distribution.

1998	1999	2000	2001	2002	2003	2004	2005A	2006	2007	2008	2009	VALUE LINE, INC.	11-13
- -	- -	- -	- -	- -	- -	- -	.86	.86	1.02	*.95*	*.93*	Trans. Rate (US$/Cdn.$)	*.92*
- -	- -	- -	- -	- -	- -	- -	7.97	7.46	10.19	*11.30*	*11.95*	Revenues per sh	*14.30*
- -	- -	- -	- -	- -	- -	- -	1.41	1.49	1.90	*2.15*	*2.35*	"Cash Flow" per sh	*2.85*
- -	- -	- -	- -	- -	- -	- -	1.02	1.20	1.43	*1.60*	*1.80*	Earnings per sh A	*2.10*
- -	- -	- -	- -	- -	- -	- -	- -	.12	.28	*.36*	*.36*	Div'ds Decl'd per sh B	*.52*
- -	- -	- -	- -	- -	- -	- -	1.18	.81	.94	*1.05*	*1.15*	Cap'l Spending per sh	*1.30*
- -	- -	- -	- -	- -	- -	- -	.21	4.58	5.38	*6.75*	*8.30*	Book Value per sh D	*13.10*
		- -	- -	- -	- -	- -	159.95	191.37	186.13	*182.00*	*180.00*	Common Shs Outst'g C	*174.00*
- -	- -	- -	- -	- -	- -	- -	- -	20.3	23.2	*Bold figures are*		Avg Ann'l P/E Ratio	*17.0*
- -	- -	- -	- -	- -	- -	- -	- -	1.10	1.23	*Value Line*		Relative P/E Ratio	*1.15*
- -	- -	- -	- -	- -	- -	- -	- -	.5%	.8%	*estimates*		Avg Ann'l Div'd Yield	*1.1%*
- -	- -	- -	- -	- -	- -	- -	1274.5	1427.2	1895.9	*2060*	*2150*	Revenues ($mill)	*2490*
- -	- -	- -	- -	- -	- -	- -	25.4%	25.2%	24.9%	*24.5%*	*24.5%*	Operating Margin	*26.0%*
- -	- -	- -	- -	- -	- -	- -	61.9	62.5	83.6	*95.0*	*100*	Depreciation ($mill)	*130*
- -	- -	- -	- -	- -	- -	- -	164.3	223.3	269.6	*290*	*325*	Net Profit ($mill)	*365*
- -	- -	- -	- -	- -	- -	- -	30.6%	28.0%	34.0%	*33.0%*	*33.0%*	Income Tax Rate	*33.0%*
- -	- -	- -	- -	- -	- -	- -	12.9%	15.6%	14.2%	*14.0%*	*15.2%*	Net Profit Margin	*14.7%*
- -	- -	- -	- -	- -	- -	- -	d925.1	96.0	75.5	*20.0*	*d25.0*	Working Cap'l ($mill)	*d35.0*
- -	- -	- -	- -	- -	- -	- -	75.7	338.6	394.8	*380*	*390*	Long-Term Debt ($mill)	*370*
- -	- -	- -	- -	- -	- -	- -	33.9	875.8	1002.1	*1230*	*1490*	Shr. Equity ($mill)	*2275*
- -	- -	- -	- -	- -	- -	- -	NMF	19.2%	20.2%	*19.0%*	*18.0%*	Return on Total Cap'l	*14.0%*
- -	- -	- -	- -	- -	- -	- -	NMF	25.5%	26.9%	*24.0%*	*22.0%*	Return on Shr. Equity	*16.0%*
- -	- -	- -	- -	- -	- -	- -	NMF	22.8%	21.6%	*18.5%*	*17.5%*	Retained to Com Eq	*12.0%*
- -	- -	- -	- -	- -	- -	- -	- -	10%	20%	*22%*	*20%*	All Div'ds to Net Prof	*25%*

CAPITAL STRUCTURE as of 6/29/08
Total Debt $399.9 mill. **Due in 5 Yrs** $308.6 mill.
LT Debt $393.5 mill. **LT Interest** $18.0 mill.
(28% of Cap'l)
Leases, Uncapitalized Annual rentals $65.7 mill.

No Defined Benefit Pension Plan

Pfd. Stock None

Common Stock 183,983,000 shs.
MARKET CAP: $5.7 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	6/29/08
Cash Assets	151.4	195.4	90.9
Receivables	107.2	104.9	122.7
Inventory (FIFO)	35.5	60.3	58.6
Other	38.6	42.2	47.7
Current Assets	332.7	402.8	319.9
Accts Payable	99.4	133.4	108.8
Debt Due	4.7	6.1	6.4
Other	132.6	187.8	133.1
Current Liab.	236.7	327.3	248.3

ANNUAL RATES of change (per ADR)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	- -	- -	9.5%
"Cash Flow"	- -	- -	10.5%
Earnings	- -	- -	10.0%
Dividends	- -	- -	NMF
Book Value	- -	- -	17.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2005	278.3	316.9	332.0	347.3	1274.5
2006	320.6	306.5	355.7	444.4	1427.2
2007	424.6	465.3	490.5	515.5	1895.9
2008	460.3	510.7	*530*	*559*	*2060*
2009	*490*	*530*	*555*	*575*	*2150*

Cal-endar	EARNINGS PER SHARE A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2005	.26	.33	.35	.08	1.02
2006	.34	.34	.23	.29	1.20
2007	.31	.36	.36	.40	1.43
2008	.33	.41	*.41*	*.45*	*1.60*
2009	*.38*	*.45*	*.47*	*.50*	*1.80*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	- -	- -	- -	- -	- -
2005	- -	- -	- -	- -	- -
2006	- -	- -	.06	.06	.12
2007	.07	.07	.07	.07	.28
2008	.09	.09	.09		

BUSINESS: Tim Hortons Incorporated engages in the operation, development, and franchising of quick-service restaurants. The company was formed in 1964. As of December 31, 2007, franchisees operated 97.8% of system-wide restaurants. The company's warehouse and distribution operations supply the restaurants, and rental income is derived from leases of most of the franchised restaurants. As of March 30, 2008, operated 2,839 restaurants in Canada and 399 in the United States. Has about 1,520 employees. Off./dir. own less than 1% of common stock (3/08 proxy). Chief Executive Officer: Paul D. House. Incorporated: Delaware. Address: 874 Sinclair Road, Oakville, Ontario, Canada, L6K 2Y1. Telephone: (905) 845-6511. Internet: www.timhortons.com.

Tim Hortons posted healthy 2008 June-quarter comparisons in spite of weakening economic conditions. Same-store sales at its Canadian properties increased nearly 6%, owing to an approximately 4% price hike. The same metric registered a 3% gain in the U.S., thanks to a 3% price increase.

The quick-service restaurant operator had a solid second quarter. The company benefited as consumers turned away from casual dining outlets toward more value-oriented outlets such as Tim Hortons. Operations also got a boost from a slew of new coffee items and baked goods. As a result, revenue expanded nearly 10%, to $510 million, over the year-ago figure. Distribution sales, the largest component of revenue, grew 9%, to $335 million. Revenue from rent and royalties gained nearly 10%, to $155 million. Although costs of sales and general and administrative expenses rose considerably, top-line growth overcame this. All told, the coffee and donut chain registered a surprising $0.41 a share, easily beating our estimates. The performance has led us to increase our 2008 earnings tally by a nickel, to $1.60.

Worsening economic conditions in Canada pose a danger. This is particularly so in Quebec and Ontario. High energy and food costs and a weakening housing market do not augur well for consumer sentiment. In light of the fact that a considerable portion of Tim Horton's store base is in Canada, this company's operations are vulnerable.

The rising price of coffee also has the potential to hurt Tim Hortons in the quarters ahead. A major portion of operating earnings is generated through royalty fees, which are determined by sales trends. Thanks to hedging practices, managment has not been forced to increase coffee prices proportionately to its higher cost. This would have had an adverse affect on sales since coffee costs advanced 40%, year over year, in April. However, new coffee contracts will likely be negotiated at higher prices. This could pressure operating margins.

This neutrally ranked stock offers below-average appreciation potential over the 3- to 5-year pull.

Dominic B. Silva *September 5, 2008*

(A) All amounts are in U.S. dollars. Also trade on TSX: TKR:THI. Diluted earnings. Pro Forma data before 2006. Next earnings report due late November.
(B) Dividends historically paid late Feb.,May, Aug., Nov.
(C) In millions.
(D) Included intangibles: In 2007: $3.1 million, $0.02 per share.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	NMF
Earnings Predictability	NMF

TRANSATLANTIC HLDG NYSE-TRH

RECENT PRICE 57.48 | P/E RATIO 8.1 (Trailing: 7.5; Median: 15.0) | RELATIVE P/E RATIO 0.52 | DIV'D YLD 1.3% | VALUE LINE

TIMELINESS 3 Lowered 5/30/08
SAFETY 2 Raised 1/2/98
TECHNICAL 3 Lowered 4/25/08
BETA .80 (1.00 = Market)

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+90%)	19%
Low	85	(+50%)	12%

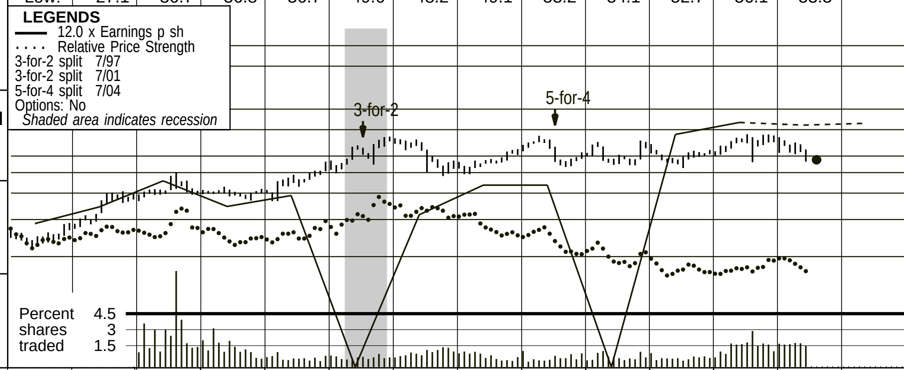
Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	0	0	0
Options	1	1	2	1	0	0	0	4	0
to Sell	1	0	1	1	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	72	81	81
to Sell	62	67	72
Hld's(000)	63209	63193	63342

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	40.8	50.4	42.9	56.5	74.2	72.8	64.7	74.7	70.9	68.3	76.2	73.8
Low:	27.1	36.7	36.8	36.7	49.6	48.2	49.1	53.2	54.1	52.7	56.1	53.3



Target Price Range 2011 | 2012 | 2013

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-19.9	-18.0
3 yr.	3.8	11.3
5 yr.	-15.2	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
7.17	8.72	13.20	15.20	17.47	18.99	21.24	22.80	25.02	27.13	35.61	48.35	55.62	51.36	54.58	58.92	*60.60*	*62.10*	P/C Prem Earned p sh	*65.90*
1.95	2.08	2.38	2.68	2.98	3.13	3.42	3.54	3.60	3.64	3.79	4.13	4.66	5.21	6.58	7.09	*7.10*	*7.15*	Investment Inc p sh	*9.35*
d.85	d.72	d.71	d.45	d.28	d.07	d.34	d1.24	d.08	d4.52	8.61	14.30	13.77	7.71	17.28	19.09	*17.05*	*17.60*	Underwriting Inc p sh	*18.85*
1.11	1.35	1.58	2.04	2.40	2.86	3.81	2.88	3.25	.29	2.63	3.64	3.64	.18	6.33	7.22	*7.40*	*7.15*	Earnings per sh A	*8.15*
.09	.10	.13	.15	.17	.21	.23	.26	.28	.30	.31	.34	.38	.44	.51	.59	*.70*	*.80*	Div'ds Decl'd per sh B	*1.00*
8.44	11.58	11.84	15.31	17.57	20.46	24.77	25.23	28.47	27.97	30.52	36.24	39.30	38.60	44.80	50.56	*57.25*	*63.70*	Book Value per sh	*84.55*
66.61	66.63	64.48	64.55	64.72	66.31	65.00	65.11	65.20	66.00	66.53	65.59	65.83	65.91	66.04	66.23	*66.00*	*66.00*	Common Shs Outst'g C	*66.00*
166%	165%	155%	150%	142%	168%	168%	158%	160%	220%	202%	156%	161%	158%	134%	137%	*Bold figures are*		Price to Book Value	*145%*
12.6	14.2	11.6	11.2	10.4	12.0	10.9	13.8	14.0	NMF	23.4	15.6	17.4	NMF	9.5	9.6	*Value Line*		Avg Ann'l P/E Ratio	*12.0*
.76	.84	.76	.75	.65	.69	.57	.79	.91	NMF	1.28	.89	.92	NMF	.51	.50	*estimates*		Relative P/E Ratio	*.80*
.6%	.5%	.7%	.7%	.7%	.6%	.6%	.7%	.6%	.5%	.5%	.6%	.6%	.7%	.8%	.9%			Avg Ann'l Div'd Yield	*.8%*
						1380.6	1484.6	1631.5	1790.3	2369.5	3171.2	3661.1	3385.0	3604.1	3902.7	*4000*	*4100*	P/C Premiums Earned	*4350*
						73.9%	77.4%	73.4%	87.2%	75.8%	70.4%	75.2%	85.0%	68.3%	67.6%	*68.0%*	*68.0%*	Loss to Prem Earned	*68.0%*
						27.4%	27.8%	26.5%	27.7%	- -	- -	- -	27.7%	27.7%	27.7%	*27.5%*	*27.5%*	Expense to Prem Writ	*27.5%*
						-1.3%	-5.2%	.1%	-14.9%	24.2%	29.6%	24.8%	NMF	4.0%	4.7%	*4.5%*	*4.5%*	Underwriting Margin	*4.5%*
						23.5%	20.7%	21.0%	- -	10.1%	21.5%	5.0%	- -	20.7%	18.0%	*19.0%*	*20.0%*	Income Tax Rate	*21.5%*
						247.5	187.5	211.7	18.9	169.3	239.8	241.3	11.9	419.5	480.8	*490*	*475*	Net Profit ($mill)	*540*
						5.2%	5.5%	5.5%	5.4%	4.6%	4.1%	3.8%	3.8%	3.9%	3.8%	*3.8%*	*3.9%*	Inv Inc/Total Inv	*4.0%*
						5253	5480	5523	6741	7287	8708	10605	12365	14268	15484	*16800*	*18235*	Total Assets ($mill)	*23300*
						1610.1	1642.5	1856.4	1846.0	2030.8	2376.6	2587.1	2544.0	2958.3	3349.0	*3780*	*4205*	Shr. Equity ($mill)	*5580*
						15.4%	11.4%	11.4%	1.0%	8.3%	10.1%	9.3%	.5%	14.2%	14.4%	*13.0%*	*11.5%*	Return on Shr. Equity	*9.5%*
						14.5%	10.4%	10.4%	NMF	7.3%	9.2%	8.4%	NMF	13.0%	13.2%	*12.0%*	*10.0%*	Retained to Com Eq	*8.5%*
						6%	9%	9%	105%	12%	9%	10%	NMF	8%	8%	*9%*	*10%*	All Div'ds to Net Prof	*12%*

CAPITAL STRUCTURE as of 3/31/08

Total Debt $747.0 mill. **Due in 5 Yrs** $215.6
LT Debt $747.0 mill. **LT Interest** $43.4

No Defined Benefit Pension Plan

Pfd Stock None
Common Stock 66,236,515 shs.
as of 3/31/08

MARKET CAP: $3.8 billion (Mid Cap)

FINANCIAL POSITION ($MILL.)	2006	2007	3/31/08
Bonds	8315.1	9349.2	9539.3
Stocks	899.4	888.4	793.9
Other	5054.0	5246.7	5438.8
Total Assets	14268.5	15484.3	15772.0
Unearned Prems	1144.0	1226.7	1282.7
Reserves	7467.9	7926.3	8069.6
Other	2698.3	2982.3	3039.0
Total Liab'ties	11310.2	12135.3	12391.3

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Premium Inc	12.5%	13.5%	*3.0%*
Invest Income	8.0%	11.5%	*7.0%*
Earnings	6.5%	17.5%	*10.0%*
Dividends	11.5%	11.5%	*12.0%*
Book Value	9.5%	9.0%	*11.0%*

Cal-endar	NET PREMIUMS EARNED ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	887.9	861.7	844.5	790.9	3385.0
2006	907.7	909.1	895.6	891.7	3604.1
2007	965.1	948.2	959.8	1029.6	3902.7
2008	1017.2	1022.7	*970.1*	*990*	*4000*
2009	*1022*	*1028*	*1020*	*1030*	*4100*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	1.26	1.18	d2.31	.05	.18
2006	1.48	1.59	1.58	1.68	6.33
2007	1.44	1.87	1.94	1.97	7.22
2008	1.91	2.09	*1.65*	*1.75*	*7.40*
2009	*1.72*	*1.85*	*1.75*	*1.83*	*7.15*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.088	.088	.10	.10	.38
2005	.10	.10	.12	.12	.44
2006	.12	.12	.135	.135	.51
2007	.135	.135	.16	.16	.59
2008	.16	.16	.19		

BUSINESS: Transatlantic Holdings Inc. is one of the largest reinsurance companies operating through the broker market in the U.S. It offers reinsurance capacity through its subsidiaries TRC and Putnam for a full range of property/casualty products on a treaty (96% of premiums) and facultative (4%) basis, in domestic (50% of premiums) and international (50%) markets. Premium breakdown: Casualty 71% (General Liability, Medical Malpractice, Automobile, Aircraft, Marine, Other); Property, 29% (Fire, Marine, Homeowners, Allied). Has 570 employees. Officers and directors own 2.1% of common stock; AIG, 59.0%, (4/08 proxy). President and CEO: Robert F. Orlich. Address: 80 Pine Street, New York, N.Y., 10005. Telephone: 212-770-2162: Web: www.transre.com.

Transatlantic Holdings posted a 12% share-net advance for the June interim. The company has done a good job of increasing its global footprint and market share. Meanwhile, the overall financial market downturn weighed on some of the company's investments. TRH registered almost $60 million or $0.75 a share in capital losses during the June period. This loss is excluded from earnings, as is practice for all insurance and reinsurance companies in the ***Value Line Investment Survey***. Meanwhile, the lack of any major catastrophic events benefited the combined ratio during the second quarter. All told, the company did a good job of navigating these difficult times. But,

The weakening insurance environment and capital market turmoil may weigh on this year's results. Meanwhile, the company's ability to capitalize on less saturated sectors of the global reinsurance markets opened up new business opportunities last year. But those niche markets are becoming scarce as TRH's peers scour the globe for attractive policies. And it is unlikely that similar benefits will persist in the second half.

This year's hurricane season adds a bit of uncertainty toward 2009's prospects. The previous two years of relatively mild weather have been applying downward pressure on policy prices. Should 2008's hurricane season prove to be on the quiet side, reinsurers will have little bargaining power during this year's renewal season. Conversely, an active season would detract from this year's earnings, and benefit 2009's through higher policy prices. Typically a more severe season shakes out the weaker reinsurers that have loosened underwriting standards.

The equity has lost about 15% of its market value since our May report. But given the current market conditions, the stock has not fallen as far as some of its peers. Nonetheless, these shares offer below-average appreciation potential for the pull to 2011-2013. Also, TRH has fallen one notch in our Timeliness Ranking System, and is now expected to mirror the broader market for the year ahead. In all, given the uncertainty affecting the markets in which it operates, we feel these shares hold little investment appeal.

Bryan Fong *August 1, 2008*

(A) Based on primary earnings through 1996; Diluted thereafter. Incl. cap. gains: '94, $0.19; '95, $0.15; '96, $0.17; '97, $0.42; '98, $1.51; '99, $1.03; '00, $0.41; '02, $0.08; Excl non-rec gain '92, $0.92. Next egs. due late Oct.
(B) Dividends historically paid in mid-March, June, Sept., and Dec.
(C) In mill., adj. for stock splits.

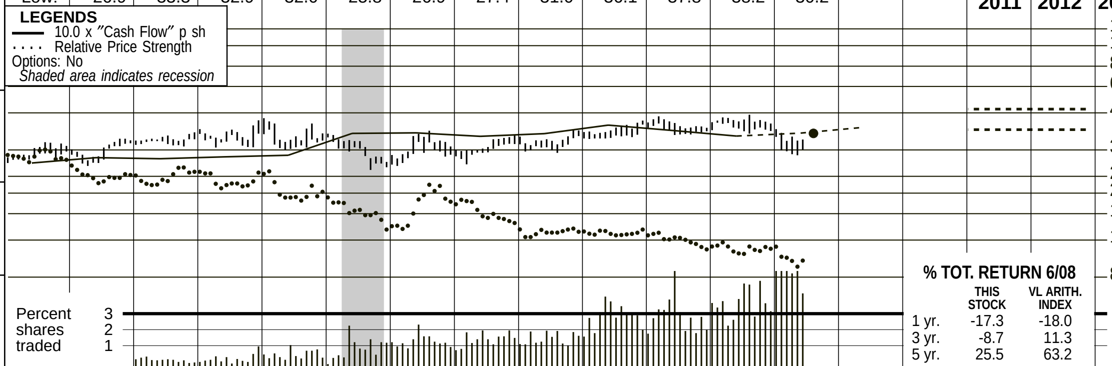
Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	40
Earnings Predictability	25

WEIS MARKETS NYSE-WMK

RECENT PRICE **38.38** | P/E RATIO **21.9** (Trailing: 26.1; Median: 19.0) | RELATIVE P/E RATIO **1.41** | DIV'D YLD **3.0%** | **VALUE LINE**

TIMELINESS **3** Raised 8/1/08
SAFETY **1** New 7/27/90
TECHNICAL **3** Raised 7/11/08
BETA .75 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
High:	36.3	38.9	44.3	45.3	38.3	39.5	37.5	39.9	44.2	46.3	47.1	40.2
Low:	26.9	33.3	32.9	32.0	25.8	26.9	27.4	31.0	36.1	37.8	38.2	30.2



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+30%)	10%
Low	40	(+5%)	5%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	0	0	2	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2007	4Q2007	1Q2008
to Buy	45	41	45
to Sell	47	40	46
Hld's(000)	8973	9295	8779

% TOT. RETURN 6/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-17.3	-18.0
3 yr.	-8.7	11.3
5 yr.	25.5	63.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
29.41	32.90	35.80	38.71	41.70	43.54	44.72	48.09	49.44	73.09	73.52	75.26	77.60	82.26	83.15	85.98	*89.80*	*91.65*	Sales per sh [A]	*103.70*
2.24	2.33	2.46	2.65	2.78	2.95	2.91	2.98	3.02	3.83	3.86	3.71	3.83	4.20	3.97	3.73	*3.85*	*4.10*	"Cash Flow" per sh	*5.10*
1.63	1.66	1.75	1.84	1.87	1.90	1.80	1.87	1.81	1.65	2.10	2.01	2.11	2.35	2.07	1.69	*1.75*	*1.95*	Earnings per sh [B]	*2.75*
.68	.70	.74	.80	.88	.94	.98	1.02	1.06	1.08	1.08	1.10	2.12	1.12	1.16	1.16	*1.16*	*1.18*	Div'ds Decl'd per sh [C]■	*1.35*
15.52	16.85	17.53	18.61	19.47	20.28	21.33	22.03	22.74	19.31	20.31	21.20	21.15	22.35	23.31	24.04	*24.60*	*25.40*	Book Value per sh [D]	*28.95*
43.83	43.80	43.48	42.53	42.04	41.77	41.76	41.69	41.69	27.20	27.19	27.14	27.03	27.02	26.99	26.97	*27.00*	*27.00*	Common Shs Outst'g [E]	*27.00*
15.8	16.1	14.5	14.6	16.6	16.7	19.8	19.8	20.1	19.6	15.4	16.3	16.5	16.5	19.8	25.1	*Bold figures are*		Avg Ann'l P/E Ratio	*16.0*
.96	.95	.95	.98	1.04	.96	1.03	1.13	1.31	1.00	.84	.93	.87	.88	1.07	1.32	*Value Line*		Relative P/E Ratio	*1.05*
2.6%	2.6%	2.9%	3.0%	2.8%	3.0%	2.8%	2.8%	2.9%	3.3%	3.3%	3.3%	6.1%	2.9%	2.8%	2.7%	*estimates*		Avg Ann'l Div'd Yield	*3.0%*

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1867.5	2004.9	2061.0	1988.2	1999.4	2042.5	2097.7	2222.6	2244.5	2318.6	*2425*	*2475*	Sales ($mill) [A]	*2800*
27.7%	27.7%	28.8%	29.3%	28.8%	28.5%	28.4%	28.6%	28.9%	28.3%	*28.2%*	*28.3%*	Gross Margin	*28.5%*
6.6%	6.9%	6.7%	6.0%	6.4%	5.7%	5.7%	5.8%	5.9%	5.2%	*5.2%*	*5.4%*	Operating Margin	*6.0%*
158	163	163	163	160	158	157	158	156	155	*155*	*155*	Number of Stores [F]	*165*
75.4	77.8	75.2	53.3	57.3	54.6	57.2	63.4	56.0	45.7	*48.0*	*52.0*	Net Profit ($mill)	*75.0*
37.4%	35.5%	36.8%	38.8%	37.5%	38.1%	34.7%	36.1%	34.9%	34.4%	*35.0%*	*36.0%*	Income Tax Rate	*36.0%*
4.0%	3.9%	3.6%	2.7%	2.9%	2.7%	2.7%	2.9%	2.5%	2.0%	*2.0%*	*2.1%*	Net Profit Margin	*2.7%*
489.5	481.8	496.9	102.3	114.9	162.3	137.9	163.7	147.5	157.4	*150*	*150*	Working Cap'l ($mill)	*150*
- -	- -	- -	25.0	- -	- -	- -	- -	25.0	- -	*Nil*	*Nil*	Long-Term Debt ($mill)	*Nil*
890.6	918.5	947.9	525.4	552.4	575.4	571.7	603.9	629.2	648.2	*665*	*685*	Shr. Equity ($mill)	*780*
8.5%	8.5%	7.9%	9.7%	10.4%	9.5%	10.0%	10.5%	8.9%	7.1%	*7.0%*	*7.5%*	Return on Total Cap'l	*9.5%*
8.5%	8.5%	7.9%	10.1%	10.4%	9.5%	10.0%	10.5%	8.9%	7.1%	*7.0%*	*7.5%*	Return on Shr. Equity	*9.5%*
3.9%	3.8%	3.3%	3.1%	5.1%	4.3%	NMF	5.5%	3.9%	2.2%	*2.5%*	*3.0%*	Retained to Com Eq	*5.0%*
54%	55%	59%	70%	51%	55%	100%	48%	56%	68%	*65%*	*61%*	All Div'ds to Net Prof	*49%*

CAPITAL STRUCTURE as of 3/29/08
Total Debt None

Leases, Uncapitalized Annual rentals $28.9 mill.

Pension Assets-12/07: None **Oblig.:** $6.8 mill.

Pfd Stock None

Common Stock 26,967,165 shs.

MARKET CAP: $1.0 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2006	2007	3/29/08
Cash Assets	65.7	67.4	87.7
Receivables	41.9	48.5	40.0
Inventory (LIFO)	189.5	193.7	183.4
Other	3.9	11.4	9.2
Current Assets	301.0	321.0	320.3
Accts Payable	105.9	111.6	115.5
Other	47.6	52.0	53.3
Current Liab.	153.5	163.6	168.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Sales	7.5%	5.0%	*3.5%*
"Cash Flow"	3.5%	2.0%	*4.5%*
Earnings	1.0%	2.0%	*5.0%*
Dividends	3.0%	1.5%	*3.0%*
Book Value	2.0%	2.0%	*3.5%*

Cal-endar	QUARTERLY SALES ($ mill.) [A] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2005	549.7	535.7	535.3	601.9	2222.6
2006	547.8	561.9	557.2	577.6	2244.5
2007	571.8	578.8	565.0	603.0	2318.6
2008	595.7	603.4	*595*	*630.9*	*2425*
2009	*605*	*615*	*610*	*645*	*2475*

Cal-endar	EARNINGS PER SHARE [AB] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2005	.62	.54	.51	.68	2.35
2006	.55	.57	.43	.52	2.07
2007	.50	.54	.33	.32	1.69
2008	.34	.48	*.42*	*.51*	*1.75*
2009	*.45*	*.50*	*.45*	*.55*	*1.95*

Cal-endar	QUARTERLY DIVIDENDS PAID [C]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2004	.28	.28	1.28	.28	2.12
2005	.28	.28	.28	.28	1.12
2006	.29	.29	.29	.29	1.16
2007	.29	.29	.29	.29	1.16
2008	.29	.29			

BUSINESS: Weis Markets, Inc. operates 155 retail food markets (at year end '07), including both superstores and conventional stores, located in PA (125 stores), MD (24), NJ (3), NY (1), and WV (2). Owns about 50% of sites. Sells nat'l brand merchandise plus 2,000 items under its own trademarks. Owns SuperPetz, a 31-store (at yearend) pet supply chain with stores in PA (9), OH (6), SC (5), TN (3), AL (2), MI (2), 1 ea. in GA, IN, MD & NC. Sold Weis Food Service, 4/00. '07 deprec. rate: 4.5%. Has about 17,000 employees. R.F. Weis owns 46.8% of stock; other offs. & dirs., 0.6%; Ellen Wasserman, 6.5% (3/08 proxy). Chairman: Robert F. Weis. CEO: Norman S. Rich. Inc.: PA. Address: 1000 South Second Street, Sunbury, PA 17801. Tel.: 570-286-4571. Internet: www.weis.com.

Revenues are edging higher at Weis Markets, with most of the growth being driven by existing stores. Same-store sales have been rising at a low- to mid-single-digit rate in recent years, including a gain of 4.5% in the first half of 2008. The company has been utilizing aggressive promotional activity to maintain this momentum. Incremental sales from remodeled, expanded, or relocated stores are also part of the equation. New supermarkets, though, have not been much of a factor, as Weis continues to focus on defending its turf by upgrading units in existing markets, rather than pushing out into new territory. In fact, the number of stores in operation has declined slightly this decade.

Earnings remain under pressure. Profits have been falling for most of the past three years, due in part to shrinking operating margins. Share net dropped another 11% in the June quarter, to $0.48. As has been the case for the past several quarters, the food retailer was unable to increase prices enough to keep pace with inflationary pressure on food, energy, and labor costs. Aggressive promotional activity, while likely helping with price-conscious customers, has also taken a toll on margins.

The food retailer's finances are strong. Operating cash flow should be sufficient to fund the dividend payout and capital spending. Any efforts to accelerate growth through aggressive new-store development would require Weis to dip into its cash reserves or take on debt.

These neutrally ranked shares have below-average total return potential to 2011-2013. Earnings, aided by easier year-over-year comparisons and efforts to better match pricing to the current cost environment, should begin to rally in the second half of 2008. Still, the difficulty the company is having in the current operating environment tempers our enthusiasm here. Notably, while the other traditional supermarket operators we follow are also experiencing rising commodity costs, most have been able to make the adjustments necessary to keep earnings moving higher. Too, the current valuation is a bit lofty by historical standards, which, in our view, limits the upside resulting from an improvement in earnings.

Robert M. Greene, CFA *August 1, 2008*

(A) Fiscal year ends on last Saturday in December. (B) Based on avg. shares outstanding through '96, diluted thereafter. Excludes nonrecurring gains (losses): '92, 2¢; '97, (3¢); '98, 20¢; '00, 3¢; '01, (10¢); '02, 7¢; '07, 20¢. Next earnings report due late October. (C) Dividends historically paid in late Feb., May, Aug., and Nov. Includes special $1.00/share div'd, 9/3/04. ■ Div'd reinvestment plan available. (D) Includes intangibles. At 12/29/07: $19.9 mill., 74¢/share. (E) In mill. (F) Grocery stores only.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	35
Earnings Predictability	85

Division Data Request 4-21

Request:

Please provide the financial statements and annual report of National Grid USA covering the year 2008. If National Grid USA or Narragansett submitted an SEC Form 10Q for the quarter ended March 31, 2009, please provide a copy.

Response:

The annual report for National Grid USA is filed on a fiscal year end basis; therefore, the March 2008 National Grid USA Consolidated annual report is provided as DIV 4-21-1. The corresponding financials are provided as Attachment DIV 4-21-2. Reports for fiscal year ending March 2009 are being prepared and will be available at the end of July.

No SEC filings are prepared for either Narragansett or National Grid USA.

Division Data Request 4-22

Request:

Please provide any comparison Mr. Moul has undertaken concerning the regulatory risk of Narragansett versus his proxy electrics.

Response:

Mr. Moul used reports issued by Value Line and Standard and Poor's to assess regulatory risk. The Value Line reports rank state regulatory climates as: Above Average, Average, and Below Average. The Value Line reports that show these rankings are provided as Attachment DIV 4-22-1. (Please note that after the Value Line reports that were used by Mr. Moul were published, Value Line lowered the regulatory climate in New York to Below Average). Standard & Poor's Corporation has also made a determination as to whether a state regulatory agency has been supportive of credit quality. The S&P article dated November 25, 2008 showing those determinations is provided as Attachment DIV 4-22-2.

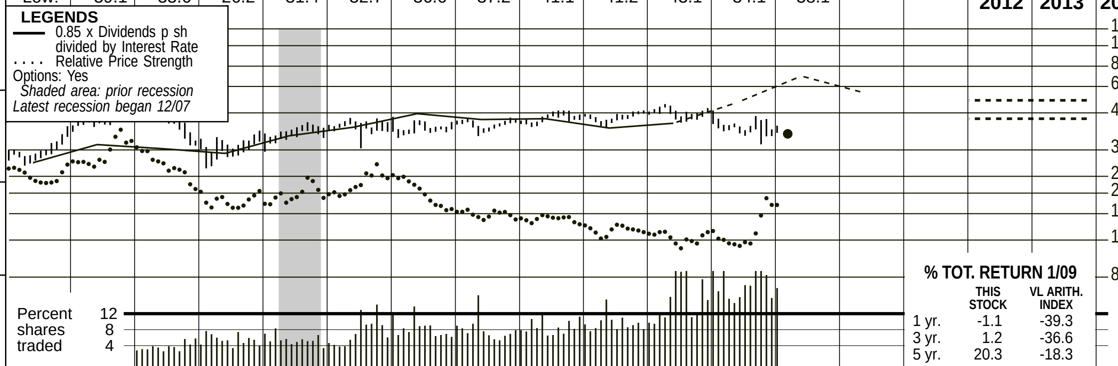
CON. EDISON NYSE-ED

RECENT PRICE **38.12** | P/E RATIO **12.6** (Trailing: 12.7; Median: 14.0) | RELATIVE P/E RATIO **1.08** | DIV'D YLD **6.2%** | VALUE LINE

TIMELINESS 2 Raised 2/6/09
SAFETY 1 New 7/27/90
TECHNICAL 2 Lowered 1/2/09
BETA .65 (1.00 = Market)

High:	56.1	53.4	39.5	43.4	45.4	46.0	45.6	49.3	49.3	52.9	49.3	41.8
Low:	39.1	33.6	26.2	31.4	32.7	36.6	37.2	41.1	41.2	43.1	34.1	38.1

LEGENDS
— 0.85 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



Target Price Range 2012 | 2013 | 2014

2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+45%)	14%
Low	45	(+20%)	10%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	1	1	1	2	1	1	1
Options	0	0	0	0	0	2	0	0	0
to Sell	0	0	0	1	1	2	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	183	194	184
to Sell	203	169	191
Hld's(000)	127910	126433	125808

Percent shares traded 12 8 4

% TOT. RETURN 1/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-1.1	-39.3
3 yr.	1.2	-36.6
5 yr.	20.3	-18.3

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	VALUELINE, INC.	12-14
26.73	27.13	27.82	29.62	30.24	30.46	35.04	44.48	45.41	39.65	43.51	40.24	47.66	47.14	48.23	49.60	48.80	50.25	Revenues per sh	56.55
4.38	4.77	4.87	4.97	5.08	5.29	5.74	5.51	5.70	5.44	5.12	4.54	5.27	5.28	5.77	6.95	6.00	6.25	"Cash Flow" per sh	7.10
2.66	2.98	2.93	2.93	2.95	3.04	3.13	2.74	3.21	3.13	2.83	2.32	2.99	2.95	3.48	4.37	3.20	3.35	Earnings per sh A	3.80
1.94	2.00	2.04	2.08	2.10	2.12	2.14	2.18	2.20	2.22	2.24	2.26	2.28	2.30	2.32	2.34	2.36	2.38	Div'd Decl'd per sh B ■	2.44
3.37	3.22	2.95	2.87	2.78	2.66	3.17	4.52	5.20	5.68	5.72	5.60	6.59	7.17	7.09	9.50	6.30	6.30	Cap'l Spending per sh	6.20
21.63	22.62	23.51	24.37	25.18	25.88	25.31	25.81	26.71	27.68	28.44	29.09	29.80	31.09	32.58	36.60	37.45	38.65	Book Value per sh C	42.80
234.37	234.91	234.96	234.99	235.49	232.83	213.81	212.03	212.15	213.93	225.84	242.51	245.29	257.46	272.02	274.00	285.00	286.00	Common Shs Outst'g	290.00
13.1	9.3	9.8	10.1	10.9	15.3	14.0	12.0	12.0	13.3	14.3	18.2	15.1	15.5	13.8	24.4	Bold figures are		Avg Ann'l P/E Ratio	13.5
.77	.61	.66	.63	.63	.80	.80	.78	.61	.73	.82	.96	.80	.84	.73	.58	Value Line		Relative P/E Ratio	.90
5.6%	7.2%	7.1%	7.0%	6.5%	4.6%	4.9%	6.6%	5.7%	5.3%	5.5%	5.3%	5.0%	5.0%	4.8%	5.7%	estimates		Avg Ann'l Div'd Yield	5.4%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $9733 mill. **Due in 5 Yrs** $2128 mill.
LT Debt $8849 mill. **LT Interest** $505.0 mill.
(LT interest earned: 4.5x)
Pension Assets-12/07 $8.4 bill. **Oblig.** $8.7 bill.

Pfd Stock $212.6 mill. **Pfd Div'd** $12.5 mill.
1,915,319 shs. $5 cum. no par, call. $105 a sh.; 375,626 shs. 4.65% cum. $100 par, call. $101 to $102.50 a sh. Sinking Fund ends 2009.

Common Stock 273,629,636 shs.
MARKET CAP: $10.4 billion (Large Cap)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		12-14
7491.3	9431.4	9634.0	8482.0	9827.0	9758.0	11690	12137	13120	13583	13900	14375	Revenues ($mill)	16400
714.2	596.4	695.8	682.1	639.0	560.0	719.0	749.0	936.0	1196	910	960	Net Profit ($mill)	1100
34.3%	34.8%	40.0%	36.9%	33.7%	34.3%	33.6%	35.2%	32.6%	30.0%	33.0%	33.0%	Income Tax Rate	33.0%
.8%	1.2%	1.3%	2.2%	4.2%	7.7%	2.2%	1.6%	1.9%	2.0%	2.0%	2.0%	AFUDC % to Net Profit	2.0%
44.4%	48.6%	48.2%	50.1%	50.4%	47.4%	49.6%	50.2%	45.6%	45.9%	46.5%	47.0%	Long-Term Debt Ratio	46.5%
53.1%	49.1%	49.6%	48.1%	48.0%	51.0%	49.0%	48.5%	53.1%	54.1%	53.5%	53.0%	Common Equity Ratio	53.5%
10186	11137	11417	12302	13369	13828	14921	16515	16687	18540	19985	20860	Total Capital ($mill)	23125
11354	11893	12248	13329	15225	16106	17112	18445	19914	21000	22325	23500	Net Plant ($mill)	27800
8.6%	7.0%	7.8%	7.1%	6.3%	5.6%	6.3%	6.0%	7.0%	6.5%	4.5%	4.5%	Return on Total Cap'l	5.0%
12.6%	10.4%	11.8%	11.1%	9.6%	7.7%	9.6%	9.1%	10.3%	12.0%	8.5%	9.0%	Return on Shr. Equity	9.0%
12.9%	10.7%	12.0%	11.3%	9.8%	7.8%	9.7%	9.2%	10.4%	12.0%	8.5%	9.0%	Return on Com Equity D	9.0%
4.1%	2.2%	3.8%	4.0%	2.9%	.8%	2.6%	2.6%	3.9%	5.5%	2.0%	2.5%	Retained to Com Eq	3.0%
69%	80%	69%	65%	71%	89%	74%	73%	63%	54%	74%	71%	All Div'ds to Net Prof	65%

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	-1.8	-1.9	-1.6
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	565	565	565
Peak Load, Summer (Mw)	13059	13141	12807
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+.8	+.9	+.9
Fixed Charge Cov. (%)	312	291	339

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '12-'14
Revenues	5.0%	2.0%	3.5%
"Cash Flow"	1.0%	-.5%	5.0%
Earnings	.5%	.5%	1.0%
Dividends	1.0%	1.0%	1.0%
Book Value	2.5%	3.0%	3.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	3317	2555	3441	2824	12137
2007	3357	2956	3579	3228	13120
2008	3577	3149	3858	2999	13583
2009	3200	3500	3900	3300	13900
2010	3600	3450	3950	3375	14375

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.74	.51	.92	.78	2.95
2007	.99	.58	1.15	.76	3.48
2008	1.11	2.02	.66	.58	4.37
2009	.95	.45	1.05	.75	3.20
2010	1.00	.48	1.08	.79	3.35

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.57	.57	.57	.57	2.28
2006	.575	.575	.575	.575	2.30
2007	.58	.58	.58	.58	2.32
2008	.585	.585	.585	.585	2.34
2009					

BUSINESS: Consolidated Edison, Inc., parent of Consolidated Edison Company of New York, Inc., sells electricity (75% of revs.), gas (19%), steam (6%) in most of New York City and Westchester County. Acquired Orange & Rockland Utilities 7/99. Commercial rev. ratio (52%) compares with 32% for the industry. Nonincome taxes and avg. price per kwh are among the highest in U.S. Fuel costs: 67% of revenues; labor costs, 14%. 2007 reported deprec. rate: 2.9%. In '07, purchased almost all energy it sold on firm contracts with nonutility generators. Has 15,214 employees, Chairman, Chief Executive Officer & President: Kevin Burke. Incorporated: N.Y. Add.: 4 Irving Place, New York, N.Y. 10003. Tel.: 212-460-3903. Internet: www.coned.com.

Consolidated Edison is waiting for the outcome of its pending rate case. A rate decision should be forthcoming next month for implementation by April. The company has responded to the PSC recommended decision in an attempt to further bolster its case to raise rates and lock in a multi-year agreement. Property taxes and pension expenses have climbed since the initial filing. Much of this regional electricity, gas, and steam provider's earnings potential for this year is tied to the approval of the requested increase. That said, this year may prove difficult with volumes on the decline due to rising unemployment, consumer conservation, weak construction levels, and an overall lethargic economic landscape.

Despite lean economic times, Con Edison is undertaking infrastructure upgrades. The company plans to spend about $2.6 billion on capital expenditures in 2009. Earmarked projects include reliability and technological initiatives, and emergency response and environmental programs. Customer demand was rising until the recent downturn unfolded, which pressed customers to conserve. It is likely the company will include projects to enhance demand capabilities.

The company must seek funding from the capital markets. Constrained credit markets have raised company financing costs, but regulated utilities have not been affected as much. ConEd recently issued $600 million of 10-year senior notes in December, and was not hurt by higher rates. But a further deterioration in the credit markets may hamper ED's plan to issue about $2.0 billion in debt as well as another $500 million in common stock. Increased borrowings will lift interest expense, and capital investment will likely increase property taxes. Further, more shares outstanding will dilute the bottom line.

This high-quality issue is a good choice for income-seeking accounts. Ongoing market unpredictability has had little impact on ED's stock price. A new rate plan, investments in its service area, and growing demand should all augur well for bottom-line growth once the recession has lifted. Too, a steadily increasing dividend provides appeal.

Mary Beth Wiedenkeller February 27, 2009

(A) EPS diluted. Excl. nonrecur. losses: '02, 11¢; '03, 45¢. Next egs. report due late April. (B) Dividends historically paid in mid-Mar., mid-June, mid-Sept., and mid-Dec. ■ Div'd reinvest. plan avail. (C) Incl. intangibles. At 9/30/08: $17.88/sh. (D) Rate base: net original cost. Rate all'd elec. common equity: '08, 9.1%; earned on '07 average common equity: 10.8%.

Regulatory Climate: Average.

Company's Financial Strength	A+
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	85

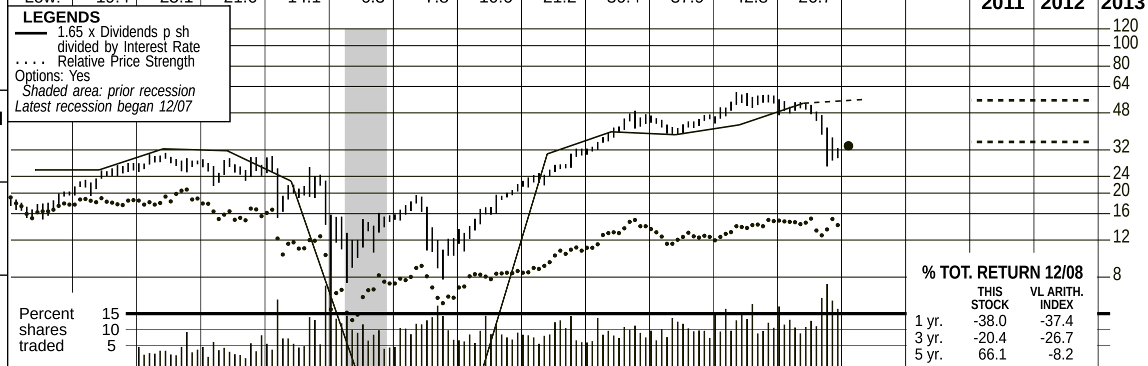
EDISON INTERNAT'L NYSE-EIX

RECENT PRICE **33.44** | P/E RATIO **9.2** (Trailing: 8.8; Median: 13.0) | RELATIVE P/E RATIO **0.79** | DIV'D YLD **3.7%** | VALUE LINE

TIMELINESS 3 Raised 5/18/07
SAFETY 3 Raised 11/11/05
TECHNICAL 3 Raised 11/28/08
BETA .80 (1.00 = Market)

High:	27.8	31.0	29.6	30.0	16.1	19.6	22.1	32.5	49.2	47.2	60.3	55.7
Low:	19.4	25.1	21.6	14.1	6.3	7.8	10.6	21.2	30.4	37.9	42.8	26.7

Target Price Range
2011 | 2012 | 2013



2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+65%)	16%
Low	35	(+5%)	5%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	1	0	0	0	0	0	1	0	1
Options	0	0	1	0	0	1	0	0	0
to Sell	0	0	1	0	0	1	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	203	205	170
to Sell	187	183	209
Hld's(000)	245280	248036	245207

% TOT. RETURN 12/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-38.0	-37.4
3 yr.	-20.4	-26.7
5 yr.	66.1	-8.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
17.83	17.47	18.64	18.95	20.13	24.58	29.12	27.85	35.96	35.10	35.26	37.25	31.30	36.38	38.74	40.25	*42.95*	*45.10*	Revenues per sh	*53.50*
3.54	3.63	3.67	3.95	4.45	5.49	6.65	7.20	d.52	4.35	4.79	5.88	3.79	6.99	7.25	7.60	*7.65*	*8.05*	"Cash Flow" per sh	*9.50*
1.75	1.57	1.56	1.66	1.64	1.75	1.86	2.03	d5.84	1.30	1.82	2.38	.69	3.38	3.28	3.32	*3.65*	*3.85*	Earnings per sh A	*4.75*
1.39	1.42	1.11	1.00	1.00	1.00	1.04	1.08	.83	- -	- -	- -	.80	1.02	1.10	1.18	1.23	*1.25*	Div'd Decl'd per sh B■†	*1.40*
1.89	2.81	2.54	2.18	1.75	2.08	2.75	3.55	4.57	2.86	4.88	3.95	5.32	5.73	7.78	8.67	*9.05*	*15.65*	Cap'l Spending per sh	*12.25*
13.30	13.31	13.72	14.34	15.07	14.71	14.55	15.01	7.43	10.04	13.62	16.52	18.57	20.30	23.66	25.92	*27.50*	*29.70*	Book Value per sh C	*37.50*
447.74	447.80	447.80	443.61	424.52	375.76	350.55	347.21	325.81	325.81	325.81	325.81	325.81	325.81	325.81	325.81	*325.81*	*325.81*	Common Shs Outst'g D	*325.81*
12.6	14.8	9.7	10.0	10.8	13.7	15.1	12.9	- -	10.0	7.8	7.0	NMF	11.7	13.0	16.0	*12.5*		Avg Ann'l P/E Ratio	*10.0*
.76	.87	.64	.67	.68	.79	.79	.74	- -	.51	.43	.40	NMF	.62	.70	.85	*.80*		Relative P/E Ratio	*.65*
6.3%	6.1%	7.4%	6.0%	5.7%	4.2%	3.7%	4.1%	3.9%	- -	- -	- -	3.1%	2.6%	2.6%	2.2%	2.7%		Avg Ann'l Div'd Yield	*3.0%*

CAPITAL STRUCTURE as of 9/30/08
Total Debt $12504 mill. **Due in 5 Yrs** $4623.0 mill.
LT Debt $10523 mill. **LT Interest** $658.0 mill.
(LT interest earned: 3.2x)
Leases, Uncapitalized Annual rentals $980.0 mill.
Pension Assets-12/07 $3.60 bill. **Oblig.** $3.36 bill.
Pfd Stock $907.0 mill. **Pfd Div'd** $51.0 mill.
4,800,198 shs. 4.08% to 4.78%, $25 par, call. $25.50 to $28.75/sh. 8,000,000 shs. 5.349% to 6.125%, $100 par.
Common Stock 325,811,206 shs.
as of 11/5/08
MARKET CAP: $11 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
10208	9670.0	11717	11436	11488	12135	10199	11852	12622	13113	*14000*	*14700*	Revenues ($mill)	*17400*
706.0	776.8	d1982	536.1	644.0	738.0	220.0	1132.0	1134.0	1151.0	*1375*	*1475*	Net Profit ($mill)	*1790*
39.2%	27.5%	- -	NMF	37.8%	22.4%	- -	26.0%	31.4%	27.3%	*32.0%*	*32.0%*	Income Tax Rate	*32.0%*
2.8%	- -	- -	- -	3.3%	3.7%	11.4%	4.9%	5.1%	8.2%	*7.0%*	*7.0%*	AFUDC % to Net Profit	*6.0%*
58.7%	66.1%	75.6%	73.3%	66.6%	68.1%	60.5%	54.6%	51.3%	49.1%	*53.0%*	*51.5%*	Long-Term Debt Ratio	*46.0%*
37.4%	25.7%	15.0%	18.9%	25.6%	31.1%	37.8%	40.9%	43.5%	46.0%	*43.0%*	*44.5%*	Common Equity Ratio	*50.5%*
13642	20261	16080	17279	17352	17299	15995	16167	17725	18375	*20875*	*21775*	Total Capital ($mill)	*24300*
7254.0	7331.0	7819.0	8013.0	8247.0	12587	13475	14469	15913	17403	*19050*	*22800*	Net Plant ($mill)	*32500*
7.6%	5.6%	NMF	6.6%	6.7%	7.2%	4.2%	9.4%	8.6%	8.3%	*8.0%*	*8.5%*	Return on Total Cap'l	*9.0%*
12.5%	11.3%	NMF	11.6%	11.1%	13.4%	3.5%	15.4%	13.1%	12.3%	*12.5%*	*12.5%*	Return on Shr. Equity	*12.5%*
13.1%	13.6%	NMF	13.6%	11.9%	13.6%	3.5%	16.7%	14.0%	13.0%	*13.5%*	*13.0%*	Return on Com Equity E	*13.0%*
6.5%	6.4%	NMF	13.6%	11.9%	13.6%	NMF	12.2%	10.1%	9.2%	*9.0%*	*9.0%*	Retained to Com Eq	*9.0%*
53%	57%	NMF	17%	18%	1%	121%	29%	31%	33%	*33%*	*31%*	All Div'ds to Net Prof	*28%*

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+2.1	+2.9	+.1
Avg. Indust. Use (MWH)	661	710	704
Avg. Indust. Revs. per KWH (¢)	5.99	7.19	6.86
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	21934	22889	23303
Annual Load Factor (%)	52.3	52.7	52.2
% Change Customers (yr-end)	+1.6	+1.5	+.8
Fixed Charge Cov. (%)	265	266	278

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	6.0%	1.5%	*5.5%*
"Cash Flow"	4.5%	20.5%	*4.5%*
Earnings	7.0%	- -	*6.0%*
Dividends	1.0%	- -	*4.0%*
Book Value	4.5%	17.5%	*8.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	2446	2649	3783	2974	11852
2006	2751	3001	3802	3068	12622
2007	2912	3047	3942	3212	13113
2008	3083	3382	4111	*3424*	*14000*
2009	*3300*	*3450*	*4350*	*3600*	*14700*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.59	.55	1.33	.90	3.38
2006	.56	.53	1.39	.80	3.28
2007	1.00	.28	1.40	.65	3.32
2008	.92	.79	1.31	*.63*	*3.65*
2009	*.95*	*.75*	*1.50*	*.65*	*3.85*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.25	.25	.25	.25	1.00
2006	.27	.27	.27	.27	1.08
2007	.29	.29	.29	.29	1.16
2008	.305	.305	.305	.305	1.22
2009	.31				

BUSINESS: Edison International (formerly SCECorp) is a holding company for Southern California Edison (SCE), which supplies electricity to 4.9 million customers in a 50,000 sq. mi. area in central, coastal, and southern California (excl. Los Angeles and San Diego). Edison Mission Group (EMG) is an independent power producer. Electric revenue breakdown, '07: residential, 39%; commercial, 42%; industrial, 7%; other, 12%. Generating sources, '07: nuclear, 21%; gas, 7%; coal, 6%; hydro, 3%; purchased, 63%. Energy costs: 38% of revs. '07 reported depr. rate (util.): 4.2%. Has 17,300 employees. Chairman, President & CEO: Theodore F. Craver, Jr. Inc.: CA. Address: 2244 Walnut Grove Ave., Rosemead, CA 91770. Tel.: 626-302-2222. Internet: www.edison.com.

Edison International's utility subsidiary is awaiting orders on two rate cases. Southern California Edison is asking the state commission for a base rate increase of $739 million (16.5%). This would be followed by increases of $211 million in 2010 and $256 million in 2011. This filing seeks to place the utility's capital spending into the rate base. New tariffs will be retroactive to the start of 2009. An order was expected as this report was going to press. Separately, SCE is asking the Federal Energy Regulatory Commission for a rate hike of $129 million (1.2%) based on a 12.7% return on equity. An order is expected by the end of March. Rate relief should help the company's earnings advance in 2009.

Another regulatory matter is pending in California. SCE is proposing to spend $875 million to add 250 megawatts of solar power over a five-year period. The commission's decision is expected by the end of March.

Edison Mission Group is adding wind capacity. This nonregulated power generator's capacity is now predominantly coal. Now, due to the credit crisis, it is limiting its capacity additions to the wind turbines that it is already committed to buy. Ideally, EMG will wind up with a portfolio of assets that is equally divided among coal, gas, and renewable sources (mainly wind).

The board of directors has raised the dividend. The increase, at just two cents (1.6%) annually, was less than in recent years, however. Edison International has a goal of annual dividend hikes and wants to pay out 45%-55% of SCE's earnings.

It appears as if Edison International will take a sizable noncash charge stemming from the settlement of a dispute with the IRS. Based on settlement discussions, the company figures that the charge will be $612 million, at most, to reflect the impairment of some leases. We will exclude it from our presentation as a nonrecurring item.

This stock looks more attractive for the 3- to 5-year period than the near term. Its yield is about a percentage point below the utility average. Good earnings and dividend growth through 2011-2013 should produce a total return that's a cut above the industry norm over that time.

Paul E. Debbas, CFA *February 6, 2009*

(A) Diluted EPS. Excl. nonrecur. gains (losses): '99, (24¢); '01, $1.88 net; '02, $1.48; '03, (12¢) net; '04, $2.12; loss from disc. ops.: '07, 1¢. Incl. nonrecur. losses: '00, $7.58; '01, $1.88. '05 & '07 EPS don't add due to rounding. Next earnings report due late Feb. (B) Div'ds historically paid late Jan., Apr., July, Oct. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. def'd chgs. In '07: $8.35/sh. (D) In mill. (E) Rate base: net orig. cost. Rate allowed on com. eq. in '08: 11.5%; earned on avg. com. eq., '07: 13.6%. Regul. Climate: Avg.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	20

IDACORP, INC. NYSE-IDA

RECENT PRICE	30.09	P/E RATIO	12.6 (Trailing: 13.4 / Median: 15.0)	RELATIVE P/E RATIO	1.08	DIV'D YLD	4.0%	VALUE LINE

TIMELINESS 2 Raised 11/14/08
SAFETY 3 Lowered 2/14/03
TECHNICAL 3 Lowered 1/30/09
BETA .80 (1.00 = Market)

High:	37.8	38.1	36.5	53.0	49.4	41.0	30.2	32.9	32.1	40.2	39.2	35.1
Low:	28.5	29.9	26.0	25.9	33.6	20.9	20.6	25.3	26.2	29.0	30.1	21.9

Target Price Range
2011 | 2012 | 2013

2011-13 PROJECTIONS

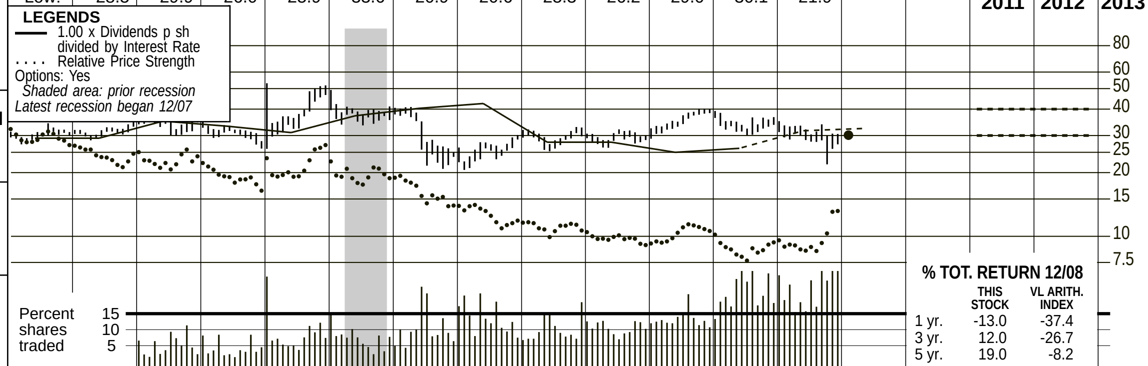
	Price	Gain	Ann'l Total Return
High	40	(+35%)	11%
Low	30	(Nil)	4%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	0	0	0	0	0	0	1
to Sell	1	0	2	0	0	1	0	0	1

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	77	68	66
to Sell	65	74	64
Hld's(000)	39105	37089	33763



% TOT. RETURN 12/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-13.0	-37.4
3 yr.	12.0	-26.7
5 yr.	19.0	-8.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
13.76	14.57	14.45	14.51	15.38	19.90	29.83	17.50	27.10	150.10	24.43	20.41	20.00	20.15	21.23	19.51	20.60	21.70	Revenues per sh	24.50
3.16	3.53	3.39	3.89	4.05	4.22	4.69	4.50	5.63	5.63	4.08	3.50	4.12	3.87	4.58	4.11	4.50	4.45	"Cash Flow" per sh	4.55
1.55	1.97	1.80	2.10	2.21	2.32	2.37	2.43	3.50	3.35	1.63	.96	1.90	1.75	2.35	1.86	2.25	2.25	Earnings per sh A	2.65
1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.86	1.70	1.20	1.20	1.20	1.20	1.20	1.20	Div'd Decl'd per sh B† ■	1.20
3.26	3.32	2.94	2.23	2.49	2.51	2.37	2.95	3.73	4.78	3.53	3.89	4.73	4.53	5.16	6.39	6.05	5.85	Cap'l Spending per sh	5.35
17.28	17.86	17.91	18.15	18.47	18.93	19.42	20.02	21.82	23.15	23.01	22.54	23.88	24.04	25.77	26.79	27.80	28.85	Book Value per sh C	32.15
36.19	37.09	37.61	37.61	37.61	37.61	37.61	37.61	37.61	37.63	38.02	38.34	42.22	42.66	43.63	45.06	45.60	47.00	Common Shs Outst'g D	51.50
17.0	15.4	13.9	12.4	13.7	13.6	14.4	12.7	10.9	11.4	18.9	26.5	15.5	16.7	15.1	18.2	13.5		Avg Ann'l P/E Ratio	13.0
1.03	.91	.91	.83	.86	.78	.75	.72	.71	.58	1.03	1.51	.82	.89	.82	.96	.85		Relative P/E Ratio	.85
7.1%	6.1%	7.4%	7.2%	6.1%	5.9%	5.4%	6.0%	4.9%	4.9%	6.0%	6.7%	4.1%	4.1%	3.4%	3.5%	4.0%		Avg Ann'l Div'd Yield	4.1%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $1484.8 mill. **Due in 5 Yrs** $325.0 mill.
LT Debt $1273.0 mill. **LT Interest** $65.2 mill.
(LT interest earned: 2.4x)

Pension Assets-12/07 $408.0 mill. **Oblig.** $420.5 mill.

Pfd Stock None

Common Stock 45,566,370 shs.

MARKET CAP: $1.4 billion (Mid Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
1122.0	658.3	1019.4	5648.0	928.8	782.7	844.5	859.5	926.3	879.4	940	1020	Revenues ($mill)	1260
94.8	96.9	137.6	130.0	66.3	40.1	77.8	63.7	100.1	82.3	105	110	Net Profit ($mill)	135
32.0%	32.0%	32.1%	33.3%	- -	- -	- -	16.9%	13.3%	14.3%	24.0%	24.0%	Income Tax Rate	24.0%
1.3%	3.2%	3.6%	3.1%	3.0%	7.5%	3.9%	4.7%	4.0%	9.7%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
49.4%	48.9%	48.3%	46.4%	49.2%	50.8%	49.3%	50.0%	45.2%	48.9%	50.1%	49.9%	Long-Term Debt Ratio	48.5%
44.2%	44.8%	45.9%	47.9%	47.9%	46.4%	50.7%	50.0%	54.8%	51.1%	49.9%	50.1%	Common Equity Ratio	51.5%
1652.3	1680.3	1790.0	1818.0	1826.9	1862.5	1987.8	2048.8	2052.8	2364.2	2545	2705	Total Capital ($mill)	3205
1711.5	1745.7	1805.0	1886.0	1906.5	2088.3	2209.5	2314.3	2419.1	2616.6	2805	2980	Net Plant ($mill)	3450
7.3%	7.4%	9.2%	8.7%	5.1%	3.7%	5.3%	4.5%	6.2%	4.7%	5.5%	5.0%	Return on Total Cap'l	5.0%
11.3%	11.3%	14.9%	13.3%	7.1%	4.4%	7.7%	6.2%	8.9%	6.8%	8.5%	8.0%	Return on Shr. Equity	8.0%
12.2%	12.1%	16.0%	14.4%	7.0%	4.2%	7.2%	6.2%	8.9%	6.8%	8.5%	8.0%	Return on Com Equity E	8.0%
2.6%	2.9%	7.5%	6.3%	NMF	NMF	2.7%	1.3%	4.3%	2.4%	4.0%	4.0%	Retained to Com Eq	4.5%
80%	78%	55%	58%	113%	NMF	65%	80%	51%	64%	52%	52%	All Div'ds to Net Prof	46%

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	- -	+1.0	+4.3
Avg. Indust. Use (MWH)	26535	26731	27413
Avg. Indust. Revs. per KWH (¢)	3.45	2.96	2.92
Capacity at Peak (Mw)	3084	3085	3267
Peak Load, Summer (Mw)	2963	3084	3193
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+3.8	+3.6	+2.6
Fixed Charge Cov. (%)	207	274	262

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.0%	-21.5%	3.0%
"Cash Flow"	.5%	-4.0%	1.5%
Earnings	-1.0%	-7.0%	5.0%
Dividends	-4.5%	-8.5%	Nil
Book Value	3.5%	2.5%	4.0%

Cal-endar	QUARTERLY REVENUES($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	195.6	204.9	248.4	210.6	859.5
2006	268.4	242.6	230.5	184.8	926.3
2007	206.7	213.8	261.5	197.4	879.4
2008	213.4	230.2	299.7	196.7	940
2009	235	250	300	235	1020

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.55	.22	.56	.42	1.75
2006	.64	.53	.76	.42	2.35
2007	.56	.42	.65	.23	1.86
2008	.48	.39	1.14	.24	2.25
2009	.56	.44	.80	.45	2.25

Cal-endar	QUARTERLY DIVIDENDS PAID B†■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.30	.30	.30	.30	1.20
2006	.30	.30	.30	.30	1.20
2007	.30	.30	.30	.30	1.20
2008	.30	.30	.30	.30	1.20
2009	.30				

BUSINESS: IDACORP, Inc. is the holding company for Idaho Power, a utility that owns 17 hydroelectric generation developments and partly owns three coal plants. Also invests in affordable housing. Sold a patented fuel cell system in 2006. Sells electricity in Idaho (96% of revenues.) and Oregon (4%). Revenue breakdown: residential, 46%; commercial, 25%; industrial, 15%; other, 14%. Fuel and purchased power cost: 51% of '07 revenues; estimated labor costs: 9.0%. 2007 depreciation rate: 3.0%. Fuel sources: hydro, 46%; thermal, 54%. Has 2,044 employees. Chairman: Jon H. Miller. Chief Executive Officer & President: J. LaMont Kean. Incorporated: Idaho. Address: 1221 W. Idaho St., Boise, Idaho 83702. Telephone: 208-388-2200. Internet: www.idacorpinc.com.

IDACORP's third-quarter earnings rose a hefty 75% over those of the year-before period. And this occured despite the weakening domestic economy. This gain was generated mainly by the company's regulated business unit, Idaho Power, which accounted for 90% of quarterly earnings. Increased customer prices, a more temperate climate, and improved hydro-electric operations resulted in a $17.6 million increase in operating income, which acted as a key earnings driver in the quarter.

Power consumption in Idaho hit a new peak during the September interim. Idaho Power customers accelerated their energy usage this past quarter, hitting over 3,200 megawatts for the first time on record. Historically, demand during the summer months is at its highest, stemming primarily from increased irrigation pumping.

A ruling from the Idaho Public Utility Commission on the company's general rate case is probable this month. The petition, filed by IDACORP last June, seeks a rate increase of 9.9%, which would increase its revenues by $67 million annually. Of this, $23 million relates to power supply expense and $44 million is for the base rate increase. The filing also includes a requested return on equity of 11.25%, up from the current 10.25%.

The company is focused on trimming capital expenditures. Continued volatility in credit markets, coupled with weakening demand, has resulted in IDACORP cutting back on spending. The company announced that it will be implementing hiring restrictions in an attempt to slow operation and maintenance spending in 2009. Moreover, management is currently reviewing future capital plans, which will likely result in the cancellation or deferral of projects relating to noncore operations.

Though timely, these shares do not appear to be a favorable holding over the 3- to 5-year period. At the current quotation, this stock offers limited appreciation potential, as it is already trading within the range we see as probable for 2011-2013. Furthermore, with a yield slightly below the industry average, we believe better utility options are available.

Michael Ratty *February 6, 2009*

(A) EPS diluted. Excl. nonrecurring gains (loss): '93, 16¢; '00, 22¢; '03, 26¢; '05, (24¢); '06, 17¢. Next earnings report due late Feb. (B) Div'ds historically paid in late Feb., late May, late Aug., and late Nov. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. deferred debits. In '07: $3.86/sh. (D) In mill. (E) Rate Base: Net original cost. Rate allowed on com. eq. in Idaho in '04: 10.25%; earned on avg. system com. eq., '07: 7.1%. Regulatory Climate: Above Average.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	50

PEPCO HOLDINGS NYSE-POM

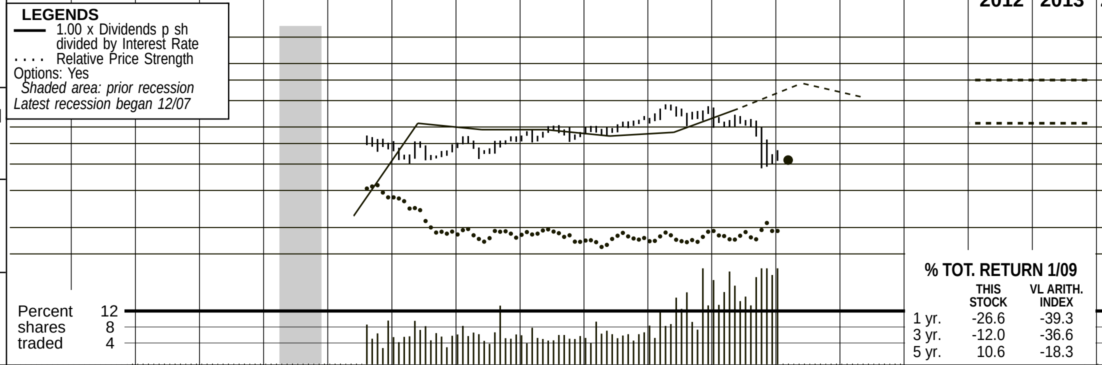
RECENT PRICE 16.71 | P/E RATIO 9.1 (Trailing: 8.8 Median: NMF) | RELATIVE P/E RATIO 0.78 | DIV'D YLD 6.5% | VALUE LINE

TIMELINESS 3 Lowered 9/19/08
SAFETY 3 Lowered 6/6/03
TECHNICAL 3 Lowered 12/26/08
BETA .75 (1.00 = Market)

High:	21.9	20.6	21.7	24.5	27.0	30.7	29.6	18.7
Low:	18.3	16.1	16.9	20.3	21.8	24.2	15.3	16.6

Target Price Range 2012 | 2013 | 2014

LEGENDS
— 1.00 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+140%)	27%
Low	25	(+50%)	15%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	2	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	158	184	122
to Sell	129	99	174
Hld's(000)	113740	119680	117302

% TOT. RETURN 1/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	-26.6	-39.3
3 yr.	-12.0	-36.6
5 yr.	10.6	-18.3

Pepco Holdings, Inc. (PHI) was formed on August 1, 2002, upon the merger of Potomac Electric Power Co. (PEPCO) and Conectiv. In the $2.2 billion deal, PEPCO common stockholders received one common share in PHI for each of their shares, and Conectiv investors exchanged each of their common shares for $25 worth of PHI stock and cash, prorated 50/50.

1999	2000	2001	2002F	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
- -	45.87	50.20	41.11	42.33	38.35	42.49	43.57	46.71	***48.80***	***49.50***	***52.40***	Revenues per sh	***53.65***
- -	4.56	4.87	3.12	3.80	3.71	3.67	3.47	3.30	***4.45***	***4.50***	***5.00***	"Cash Flow" per sh	***5.40***
- -	1.51	2.16	1.79	1.35	1.46	1.49	1.33	1.53	***1.85***	***1.90***	***2.15***	Earnings per sh A	***2.75***
- -	- -	- -	.42	1.00	1.00	1.00	1.04	1.04	1.08	***1.08***	***1.12***	Div'd Decl'd per sh B ■	***1.20***
- -	- -	5.35	3.06	3.48	2.75	2.46	2.47	3.11	***4.05***	***4.30***	***4.30***	Cap'l Spending per sh	***4.10***
- -	17.75	18.41	18.17	17.48	17.87	18.88	18.82	20.04	***20.95***	***21.85***	***23.00***	Book Value per sh C	***26.00***
- -	165.50	158.70	164.85	171.77	188.33	189.82	191.93	200.51	***210.00***	***210.00***	***210.00***	Common Shs Outst'g D	***220.00***
- -	- -	- -	11.3	13.4	13.6	14.9	18.1	18.2	***13.0***	*Bold figures are*		Avg Ann'l P/E Ratio	***11.5***
- -	- -	- -	.62	.76	.72	.79	.98	.97	***.80***	*Value Line*		Relative P/E Ratio	***.75***
- -	- -	- -	2.1%	5.5%	5.0%	4.5%	4.3%	3.7%	4.6%	*estimates*		Avg Ann'l Div'd Yield	***3.8%***
- -	7590.7	7966.5	6777.3	7271.3	7221.8	8065.5	8362.9	9366.4	***10250***	***10400***	***11000***	Revenues ($mill)	***11800***
- -	288.3	368.0	294.9	245.2	261.3	277.4	254.4	296.5	***390***	***400***	***450***	Net Profit ($mill)	***595***
- -	47.6%	36.8%	17.0%	18.3%	38.7%	38.8%	39.1%	39.3%	***40.0%***	***40.0%***	***40.0%***	Income Tax Rate	***40.0%***
- -	- -	4.5%	- -	- -	- -	- -	- -	- -	***4.0%***	***4.0%***	***4.0%***	AFUDC % to Net Profit	***4.0%***
- -	52.1%	53.1%	58.7%	63.1%	59.7%	57.1%	54.6%	54.1%	***51.5%***	***52.5%***	***52.5%***	Long-Term Debt Ratio	***51.5%***
- -	41.0%	41.0%	36.4%	35.6%	39.6%	42.3%	45.1%	45.9%	***48.5%***	***47.5%***	***47.5%***	Common Equity Ratio	***48.5%***
- -	7167.9	7123.0	8228.9	8439.3	8494.0	8469.3	8004.0	8753.0	***9050***	***9300***	***9800***	Total Capital ($mill)	***11500***
- -	6060.2	6352.0	6798.0	6964.9	7088.0	7312.0	7576.6	7876.7	***8300***	***8700***	***9000***	Net Plant ($mill)	***9800***
- -	6.0%	6.8%	4.6%	4.8%	5.0%	5.0%	5.1%	5.1%	***5.5%***	***5.5%***	***6.0%***	Return on Total Cap'l	***6.5%***
- -	8.4%	11.0%	8.7%	7.9%	7.6%	7.6%	7.0%	7.4%	***9.0%***	***9.0%***	***9.5%***	Return on Shr. Equity	***10.5%***
- -	9.8%	12.6%	9.2%	7.7%	7.7%	7.7%	7.0%	7.4%	***9.0%***	***9.0%***	***9.5%***	Return on Com Equity E	***10.5%***
- -	9.8%	12.6%	5.3%	2.0%	2.5%	2.4%	1.5%	2.3%	***3.5%***	***3.5%***	***4.5%***	Retained to Com Eq	***5.5%***
- -	- -	- -	46%	75%	68%	69%	78%	68%	***58%***	***59%***	***53%***	All Div'ds to Net Prof	***45%***

CAPITAL STRUCTURE as of 9/30/08
Total Debt $5754.9 mill. **Due in 5 Yrs** $2625 mill.
LT Debt $4642.6 mill. **LT Interest** $255 mill.
Incl. $418.3 mill. ACE transition bonds and $102.3 mill. capitalized leases.
(LT interest earned: 2.6x)
Pension Assets-12/07 $1.63 bill. **Oblig.** $1.70 bill.
Pfd Stock $24.4 mill. **Pfd Div'd** $1.2 mill.
Incl. 62,145 shs 4.0%-5.0% ACE redeem. serial pfd, $100 par val., $100-$105.5 redem. price; 181,698 shs 3.7%-5.0% DPL redeem. serial pfd, $100.00 par val., $103-$105 remp. price
Common Stock 202,208,790 shs.
MARKET CAP: $3.4 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+2.0	+2.2	+4.7
Avg. Resid'l Use (KWH)	11333	11342	11064
Avg. Resid'l Revs. per KWH(¢)	5.59	6.44	N/A
Capacity at Peak (Mw)	5059	5060	6071
Peak Load, Summer (Mw)	N/A	N/A	N/A
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	+1.3	+1.5	+1.0
Fixed Charge Cov. (%)	199	218	220

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '12-'14
Revenues	- -	-0.5%	2.5%
"Cash Flow"	- -	-3.5%	6.5%
Earnings	- -	-4.5%	10.0%
Dividends	- -	- -	2.5%
Book Value	- -	1.0%	4.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	1951.9	1916.6	2589.9	1904.5	8362.9
2007	2178.8	2084.3	2770.3	2333.0	9366.4
2008	2640.9	2518.2	3059.5	***2031.4***	***10250***
2009	***2600***	***2550***	***3100***	***2150***	***10400***
2010	***2750***	***2710***	***3240***	***2300***	***11000***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.27	.27	.58	.20	G1.33
2007	.27	.30	.68	.29	G1.53
2008	.49	.53	.59	***.24***	***1.85***
2009	***.49***	***.51***	***.60***	***.30***	***1.90***
2010	***.55***	***.57***	***.68***	***.35***	***2.15***

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.25	.25	.25	.25	1.00
2006	.26	.26	.26	.26	1.04
2007	.26	.26	.26	.26	1.04
2008	.27	.27	.27	.27	1.08
2009	.27				

BUSINESS: Pepco Holdings, Inc. consists mainly of three electric utility subsidiaries: Potomac Electric Power Co., serving Washington, D.C. and adjoining areas of Maryland; Delmarva Power, which serves the peninsula area of Delaware, Maryland and Virginia; and Atlantic City Electric, serving southern New Jersey. Electricity customers: 1.8 million; gas customers: 120,000. Nonregulated units include: Conectiv Energy, Pepco Energy Services, and Potomac Cap'l Inv. Corp. 2007 electricity revenues: residential, 37%; commercial, 45%; industrial, 2%; other, 16%. 2007 depreciation rate: 3.7%. Has about 5,130 employees. Chairman, Pres. & CEO: Dennis R. Wraase. Inc.: DE. Addr.: 701 Ninth St., N.W., Wash., D.C. 20068. Tel.: 202-872-2000. Internet: www.pepcoholdings.com.

PEPCO Holdings will probably face a difficult time in 2009. The recession-stricken economy took its toll on the company's bottom line in 2008. Decreasing sales and increasing bad debt expense lead us to believe that the trend will probably continue, at least over the next six to 12 months. On a positive note, we expect earnings to rebound by 2010, when assumed rate relief, coupled with the results of increased transmission spending, ought to offer a boost. All told, we've shaved $0.05 off our 2009 share-earnings estimate, which now stands at $1.90.

The Delmarva Power subsidiary is seeking lower rates for its customers. It is a key supplier of electricity in the company's Delaware and Maryland service areas. At the end of January, Delmarva filed a request that would lower rates for consumers by 4.8% (roughly $9.30 a month). Management announced that the lower prices being passed on to consumers precipitate directly from projected commodity costs that are less than the current rate. If approved, the changes would take effect this spring.

A major infrastructure project augurs well for PEPCO in upcoming years. Over the past three decades, population in the Washington, DC area has risen dramatically, resulting in about a 20% increase in energy consumption. PEPCO's Mid-Atlantic Power Pathway (MAPP) project should address the rise by relieving some of the congestion currently taking over the area's power grid. The 230-mile MAPP will span four states from northern Virginia to southern New Jersey and will have the capability to power up to an additional two million homes. This will likely ease traffic on the current grid and improve transmission throughout the region. Construction on the project is scheduled to begin in early 2011, with completion likely by 2013. Preliminary estimates tag the project's cost at $1.4 billion.

These shares, ranked 3 (Average) for Timeliness, may interest income-oriented investors, thanks in large part to the high current yield, which is well above average for the industry. Furthermore, we believe solid earnings growth should support further dividend increases over the next 3 to 5 years.

Michael Ratty *February 27, 2009*

(A) Based on dil. shs. Excl. nonrecur. items: '00, 96¢; '01, 30¢; '03, d69¢; '04, 1¢; '05, 47¢; 1Q, '06, 3¢; 3Q, '06, d4¢. Next egs rpt early Mar. (B) Div'ds paid in late March, June, Sep., and Dec. ■ Div'd reinvest. plan. (C) Incl. def'd chgs: '05, $6.33/sh. (D) In mill. (E) Rate allowed in MD: 11.0% ('98-Pepco), 11.9% ('93-Delmarva); DC: 11.1% ('95-Pep.); DEL: 10.0% ('06-Del.); NJ: N/A ('05-ACE); VA: 11.05% ('93-Del.). Earned on '05 avg. com. eq., 7.9%. Reg. Clim.: Avg. (F) Pre-2003 results pro forma. (G) Qtrly egs don't add due to change in shs.

Company's Financial Strength	B
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	75

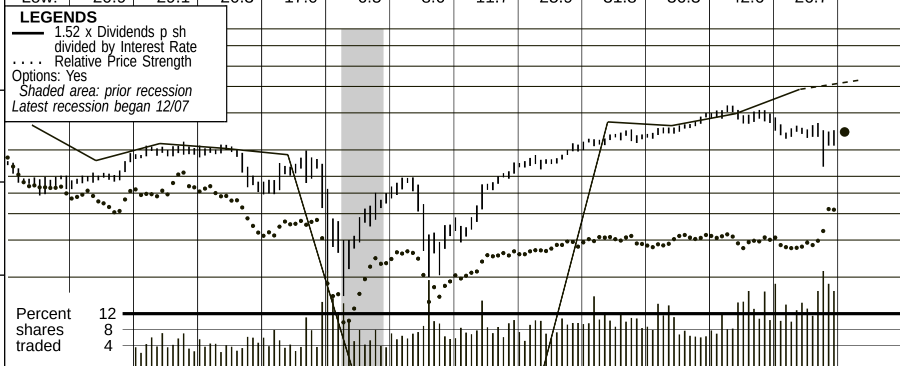
PG&E CORP. NYSE-PCG

RECENT PRICE **38.90** | P/E RATIO **10.4** (Trailing: 13.8 Median: 15.0) | RELATIVE P/E RATIO **0.89** | DIV'D YLD **4.3%** | VALUE LINE

TIMELINESS **2** Raised 12/19/08
SAFETY **2** Raised 5/12/06
TECHNICAL **2** Raised 12/5/08
BETA .65 (1.00 = Market)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	30.9	35.1	34.0	31.8	20.9	23.8	28.0	34.5	40.1	48.2	52.2	45.7
Low:	20.9	29.1	20.3	17.0	6.5	8.0	11.7	25.9	31.8	36.3	42.6	26.7

LEGENDS
— 1.52 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



Target Price Range 2011 | 2012 | 2013
120 100 80 64 48 32 24 20 16 12 8

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+30%)	*10%*
Low	40	(+5%)	*5%*

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	3	0	0	0
to Sell	0	0	0	0	0	3	0	0	1

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	171	189	165
to Sell	197	158	171
Hld's(000)	241684	243516	240651

Percent shares traded 12 8 4

% TOT. RETURN 12/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-6.4	-37.4
3 yr.	15.6	-26.7
5 yr.	59.8	-8.2

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
24.12	24.77	24.28	23.24	23.82	36.87	52.12	57.74	67.75	63.18	32.74	25.05	26.47	31.78	36.02	37.42	*41.30*	*43.10*	Revenues per sh	*47.75*
5.42	5.42	5.99	6.31	5.24	5.98	6.08	7.15	.80	5.66	1.14	4.80	5.71	7.12	7.71	7.98	*8.35*	*8.05*	"Cash Flow" per sh	*9.00*
2.58	2.33	2.76	2.95	2.16	1.57	1.88	2.24	d9.21	3.02	d2.36	2.05	2.12	2.35	2.76	2.78	*3.60*	*3.20*	Earnings per sh A	*4.00*
1.76	1.88	1.96	1.96	1.77	1.20	1.20	1.20	1.20	- -	- -	- -	- -	1.23	1.32	1.44	1.56	*1.68*	Div'd Decl'd per sh B ■ †	*2.04*
5.41	4.13	2.54	2.25	3.05	4.36	4.23	4.39	4.54	7.33	7.94	4.08	3.72	4.90	6.90	7.83	*10.05*	*9.10*	Cap'l Spending per sh	*7.75*
19.41	19.77	20.07	20.77	20.73	21.30	21.08	19.10	8.19	11.89	9.47	10.12	20.62	19.60	22.44	24.18	*26.05*	*27.80*	Book Value per sh C	*34.25*
426.85	427.22	430.24	414.03	403.50	417.67	382.60	360.59	387.19	363.38	381.67	416.52	418.62	368.27	348.14	353.72	*358.50*	*362.00*	Common Shs Outst'g D	*383.00*
12.3	14.8	9.5	9.4	10.9	15.5	16.8	13.1	- -	4.8	- -	9.5	13.8	15.4	14.8	16.8	*10.8*		Avg Ann'l P/E Ratio	*11.5*
.75	.87	.62	.63	.68	.89	.87	.75	- -	.25	- -	.54	.73	.82	.80	.89	*.70*		Relative P/E Ratio	*.75*
5.6%	5.5%	7.5%	7.1%	7.5%	4.9%	3.8%	4.1%	4.8%	- -	- -	- -	- -	3.4%	3.2%	3.1%	4.0%		Avg Ann'l Div'd Yield	*4.5%*

CAPITAL STRUCTURE as of 9/30/08
Total Debt $11427 mill. **Due in 5 yrs** $2750 mill.
LT Debt $9126 mill. **LT Interest** $470.0 mill.
Incl. $1310 mill. Energy Recovery Bonds.
(LT interest earned: 3.2x)
Pension Assets-12/07 $9.54 bill. **Oblig.** $9.08 bill.
Pfd Stock $252.0 mill. **Pfd Div'd** $14.0 mill.
5,973,456 shs. 4.36% to 7.04%, cum. and $25 par, redeemable from $25.75 to $27.25; 5,784,825 shs. 5.00% to 6.00%, cum. nonredeemable and $25 par; 5,500,000 shs. 6.30% and 6.57%, cum. $25 par, subject to mandatory redemption.
Common Stock 358,198,151 shs.
MARKET CAP: $14 billion (Large Cap)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		11-13
19942	20820	26232	22959	12495	10435	11080	11703	12539	13237	*14800*	*15600*	Revenues ($mill)	*18300*
746.0	825.0	d3324	1099.0	d874.0	791.0	901.0	904.0	991.0	1006.0	*1305*	*1185*	Net Profit ($mill)	*1550*
43.3%	1.6%	- -	35.6%	- -	36.7%	35.0%	37.6%	35.9%	34.9%	*19.0%*	*33.5%*	Income Tax Rate	*33.5%*
- -	- -	- -	1.6%	- -	3.7%	3.6%	5.6%	6.8%	9.5%	*10.0%*	*10.0%*	AFUDC % to Net Profit	*7.0%*
45.6%	46.5%	62.1%	58.9%	51.5%	42.4%	45.1%	48.3%	45.4%	52.6%	*54.0%*	*51.5%*	Long-Term Debt Ratio	*47.5%*
49.6%	48.0%	30.4%	34.9%	42.8%	53.9%	53.2%	50.0%	52.9%	46.1%	*45.0%*	*47.0%*	Common Equity Ratio	*51.5%*
16268	14339	10428	12399	8438.0	7815.0	16242	14446	14760	18558	*20850*	*21300*	Total Capital ($mill)	*25300*
17818	16776	16591	19167	16928	18107	18989	19955	21785	23656	*25550*	*27100*	Net Plant ($mill)	*30600*
6.5%	7.4%	NMF	13.3%	NMF	16.3%	7.6%	8.1%	8.4%	7.4%	*7.5%*	*7.0%*	Return on Total Cap'l	*7.5%*
8.4%	10.8%	NMF	21.5%	NMF	17.6%	10.1%	12.1%	12.3%	11.4%	*13.5%*	*11.5%*	Return on Shr. Equity	*11.5%*
8.9%	11.6%	NMF	22.9%	NMF	18.5%	10.3%	12.3%	12.5%	11.6%	*14.0%*	*11.5%*	Return on Com Equity E	*11.5%*
3.4%	5.2%	NMF	22.9%	NMF	18.5%	10.3%	7.7%	6.6%	5.8%	*8.0%*	*5.5%*	Retained to Com Eq	*6.0%*
63%	56%	NMF	10%	- -	2%	1%	39%	48%	51%	*44%*	*52%*	All Div'ds to Net Prof	*51%*

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	-1.6	+5.8	+2.2
Avg. Indust. Use (MWH)	12341	12536	12253
Avg. Indust. Revs. per KWH (¢)	8.25	8.53	8.26
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	- -	+2.7	+2.0
Fixed Charge Cov. (%)	309	268	257

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	2.5%	-8.5%	*5.5%*
"Cash Flow"	2.5%	24.5%	*3.0%*
Earnings	1.5%	- -	*7.0%*
Dividends	-3.0%	- -	*9.0%*
Book Value	.5%	17.5%	*7.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	2669	2498	2804	3732	11703
2006	3148	3017	3168	3206	12539
2007	3356	3187	3279	3415	13237
2008	3733	3578	3674	*3815*	*14800*
2009	*3950*	*3800*	*3850*	*4000*	*15600*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.54	.70	.62	.49	2.35
2006	.60	.65	1.09	.43	2.76
2007	.71	.74	.77	.56	2.78
2008	.62	.80	.83	*1.35*	*3.60*
2009	*.70*	*.85*	*.90*	*.75*	*3.20*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	- -	.30	.30	.30	.90
2006	.33	.33	.33	.33	1.32
2007	.33	.36	.36	.36	1.41
2008	.36	.39	.39	.39	1.53
2009	.39				

BUSINESS: PG&E Corporation is a holding company for Pacific Gas and Electric Company and nonutility subsidiaries. Supplies electricity and gas to most of northern and central California. Has 5.1 million electric, 4.3 million gas customers. Electric revenue breakdown, '07: residential, 41%; commercial, 40%; industrial, 11%; other, 8%. Generating sources, '07: nuclear, 22%; hydro, 9%; purchased and other, 69%. Fuel costs: 41% of revenues. '07 reported depreciation rate (utility): 3.3%. Has 20,050 employees. Chairman, President & Chief Executive Officer: Peter A. Darbee. Incorporated: California. Address: One Market, Spear Tower, Suite 2400, San Francisco, California 94105. Telephone: 415-267-7000. Internet: www.pgecorp.com.

PG&E has reached a favorable settlement with the IRS. PG&E estimates that the reversal of previous tax reserves added $0.66-$0.69 to share earnings in the fourth quarter of 2008. We will include this in our earnings presentation because the original reserves were also included. The settlement will provide the company with more than $300 million in cash.

Earnings will probably decline in 2009 due to the absence of income from the tax settlement. Our estimate is at the midpoint of PG&E's targeted range of $3.15-$3.25 a share. The stock is timely.

We look for a dividend increase at the board meeting later this quarter. We figure that the directors will raise the quarterly dividend by $0.03 a share (7.7%). That has been the pattern in recent years. The payout ratio is low, by utility standards, and should allow for strong dividend growth to continue over the next few years, at least. Even with the expected dividend hike, however, the stock's yield is below average for a utility.

Expansion of the utility's rate base should be the main source of PG&E's earnings growth in the coming years. The company replaced the steam generator of Unit 2 of the Diablo Canyon nuclear station last year and plans to replace the steam generator of Unit 1 in 2009. The total cost is $700 million. A 530-megawatt gas-fired plant began commercial operation last month at a cost of $350 million. A 657-mw gas-fired facility is under construction, and a 163-mw repowering of an existing gas-fired plant awaits some approvals before construction begins. The capital budget for these two projects is around $900 million. On the distribution side, PG&E is proposing a $572 million upgrade of its advanced metering system and an $800 million, six-year program to enhance system reliability. Each of these requires the approval of the California commission. Due to the company's large capital budget, a lot of financing will be required in the next few years, including over $1 billion in common equity.

This stock's total return potential to 2011-2013 is subpar, even by utility standards. The high-single-digit earnings and dividend growth we project are adequately reflected in the share price.

Paul E. Debbas, CFA *February 6, 2009*

(A) Diluted EPS. Excl. nonrecurring gains (losses): '94, (55¢); '95, 4¢; '96, (41¢); '97, 18¢; '99, ($2.44); '04, $6.95. Incl. nonrecurring loss: '00, $11.83. '06 EPS don't add due to rounding. Next earnings report due late Feb. (B) Dividends historically paid in mid-Jan., Apr., July, Oct. ■ Dividend reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. intangibles. In '07: $12.60/sh. (D) In millions. (E) Rate base: net orig. cost. Rate allowed on com. eq. in '07: 11.35%; earned on avg. com. eq., '07: 12.3%. Regulatory Climate: Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	5

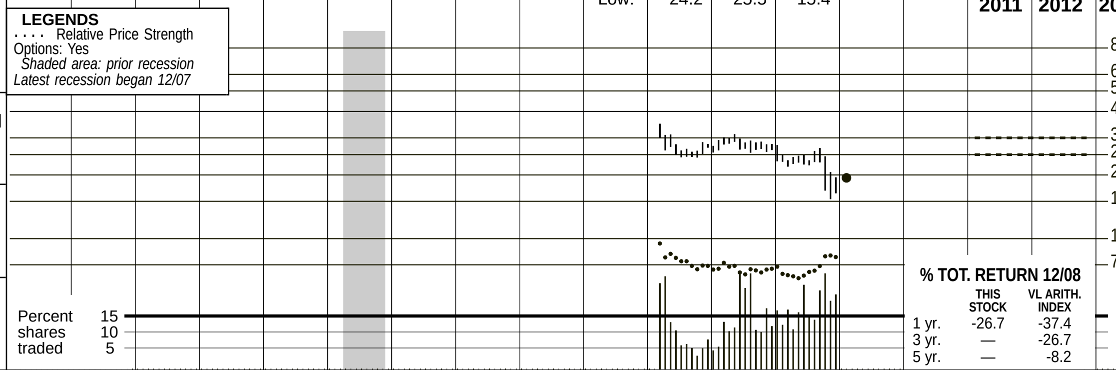
PORTLAND GENERAL NYSE-POR

RECENT PRICE **19.40** | P/E RATIO **12.3** (Trailing: 13.2 Median: NMF) | RELATIVE P/E RATIO **1.05** | DIV'D YLD **5.2%** | VALUE LINE

TIMELINESS 3 New 11/7/08
SAFETY 2 New 11/10/06
TECHNICAL 3 Lowered 1/30/09
BETA .65 (1.00 = Market)

	2006	2007	2008
High:	35.0	31.3	27.7
Low:	24.2	25.5	15.4

Target Price Range 2011 | 2012 | 2013



% TOT. RETURN 12/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-26.7	-37.4
3 yr.	—	-26.7
5 yr.	—	-8.2

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+55%)	16%
Low	25	(+30%)	12%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	105	109	100
to Sell	82	77	88
Hld's(000)	62154	61255	59926

On April 3, 2006, Portland General Electric's existing stock (which was owned by Enron) was canceled, and 62.5 million shares were issued to Enron's creditors or the Disputed Claims Reserve (DCR). The stock began trading on a when-issued basis that day, and regular trading began on April 10, 2006. Shares issued to the DCR were released over time to Enron's creditors until all of the remaining shares were released in June, 2007.

1998	1999	2000	2001	2002	2003	2004	2005G	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
--	--	--	--	--	--	--	23.14	24.32	27.87	27.95	25.70	Revenues per sh	28.50
--	--	--	--	--	--	--	4.75	4.64	5.21	4.75	4.60	"Cash Flow" per sh	5.25
--	--	--	--	--	--	--	1.02	1.14	2.33	1.50	1.85	Earnings per sh A	2.25
--	--	--	--	--	--	--	--	.68	.93	.97	1.01	Div'd Decl'd per sh B	1.20
--	--	--	--	--	--	--	4.08	5.94	7.28	6.65	10.70	Cap'l Spending per sh	4.25
--	--	--	--	--	--	--	19.15	19.58	21.05	21.55	22.10	Book Value per sh C	24.75
--	--	--	--	--	--	--	62.50	62.50	62.53	62.60	74.00	Common Shs Outst'g D	79.00
--	--	--	--	--	--	--	--	23.4	11.9	15.1		Avg Ann'l P/E Ratio	12.5
--	--	--	--	--	--	--	--	1.26	.63	.95		Relative P/E Ratio	.85
--	--	--	--	--	--	--	--	2.5%	3.3%	4.3%		Avg Ann'l Div'd Yield	4.5%
--	--	--	--	--	--	1454.0	1446.0	1520.0	1743.0	1750	1900	Revenues ($mill)	2250
--	--	--	--	--	--	92.0	64.0	71.0	145.0	95.0	125	Net Profit ($mill)	170
--	--	--	--	--	--	37.0%	40.2%	33.6%	33.8%	28.5%	38.0%	Income Tax Rate	38.0%
--	--	--	--	--	--	9.8%	18.8%	33.8%	17.9%	16.0%	23.0%	AFUDC % to Net Profit	12.0%
--	--	--	--	--	--	41.1%	42.3%	43.4%	49.9%	51.0%	48.5%	Long-Term Debt Ratio	48.0%
--	--	--	--	--	--	58.9%	57.7%	56.6%	50.1%	49.0%	51.5%	Common Equity Ratio	52.0%
--	--	--	--	--	--	2171.0	2076.0	2161.0	2629.0	2760	3165	Total Capital ($mill)	3800
--	--	--	--	--	--	2275.0	2436.0	2718.0	3066.0	3275	3850	Net Plant ($mill)	4525
--	--	--	--	--	--	5.6%	4.6%	4.7%	6.9%	5.0%	5.5%	Return on Total Cap'l	6.0%
--	--	--	--	--	--	7.2%	5.3%	5.8%	11.0%	7.0%	7.5%	Return on Shr. Equity	8.5%
--	--	--	--	--	--	7.2%	5.3%	5.8%	11.0%	7.0%	7.5%	Return on Com Equity E	8.5%
--	--	--	--	--	--	7.2%	5.3%	3.5%	6.6%	2.5%	3.5%	Retained to Com Eq	4.0%
--	--	--	--	--	--	--	--	39%	40%	65%	55%	All Div'ds to Net Prof	56%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $1344.0 mill. **Due in 5 Yrs** $322.0 mill.
LT Debt $1164.0 mill. **LT Interest** $72.0 mill.
(LT interest earned: 3.2x)
Leases, Uncapitalized Annual rentals $8.0 mill.

Pension Assets-12/07 $518.0 mill. **Oblig.** $475.0 mill.
Pfd Stock None

Common Stock 62,557,928 shs.
as of 10/24/08

MARKET CAP: $1.2 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	+1.2	+3.6	+1.0
Avg. Indust. Use (MWH)	13199	15930	16148
Avg. Indust. Revs. per KWH (¢)	5.65	5.82	6.40
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw) F	3608	3706	3664
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.7	+1.7	+1.4
Fixed Charge Cov. (%)	239	206	320

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	--	--	2.0%
"Cash Flow"	--	--	1.5%
Earnings	--	--	7.0%
Dividends	--	--	NMF
Book Value	--	--	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	371.0	333.0	355.0	387.0	1446.0
2006	381.0	351.0	372.0	416.0	1520.0
2007	436.0	402.0	435.0	470.0	1743.0
2008	471.0	425.0	400.0	454	1750
2009	500	450	475	475	1900

Cal-endar	EARNINGS PER SHARE A G Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.61	.26	.30	d.15	1.02
2006	d.10	.43	.16	.65	1.14
2007	.88	.73	.32	.40	2.33
2008	.44	.63	--	.43	1.50
2009	.60	.55	.25	.45	1.85

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	--	--	--	--	--
2006	--	--	.225	.225	.45
2007	.225	.225	.235	.235	.92
2008	.235	.245	.245	.245	.97
2009	.245				

BUSINESS: Portland General Electric Company (PGE) provides electricity to 814,000 customers in 52 cities in a 4,000-square-mile area of Oregon, including Portland and Salem. The company is in the process of decommissioning the Trojan nuclear plant, which it closed in 1993. Electric revenue breakdown, '07: residential, 43%; commercial, 35%; industrial, 13%; other, 9%. Generating sources include coal, gas, hydro, wind, and purchased; breakdown is not available. Fuel costs: 50% of revenues. '07 reported depreciation rate: 3.9%. Has 2,700 employees. Chairman: Corbin A. McNeill, Jr. Chief Executive Officer and President: Jim Piro. Inc.: Oregon. Address: 121 SW Salmon Street, Portland, Oregon 97204. Tel.: 503-464-8000. Internet: www.portlandgeneral.com.

Portland General Electric has received a rate increase. The Oregon Public Utility Commission (OPUC) granted the utility a tariff hike of $121 million (7.6%), based on a 10.1% return on a 50% common-equity ratio. Of the $121 million, $95 million is for expected increases in net variable power costs, with the remaining $26 million for operating and maintenance costs and new rate base. The company got its full variable power cost request but received less than a sought-after $56 million in the "everything else" portion of its application. The new rates took effect at the start of 2009.

Earnings should wind up considerably higher in 2009. The comparison will be easy because the OPUC ordered the utility to refund some previously collected revenues. This hurt earnings by $0.41 a share in 2008. The aforementioned rate hike will help, and the customer count is rising modestly, despite the state of the economy. All told, we estimate that earnings will rise to $1.85 a share this year, compared with an estimated $1.50 a share in 2008. Our 2008 and 2009 estimates coincide with the company's targeted ranges of $1.40-$1.50 and $1.80-$1.90 a share, respectively.

Two significant capital projects are under construction. PGE is adding 325 megawatts of capacity at the site of an existing 125-mw windfarm. The budget for this expansion is $730 million-$770 million. The additional capacity will come on line in two phases, at the end of 2009 and the end of 2010. The utility is also installing an advanced metering system at an estimated cost of $130 million-$135 million. The new system is expected to reduce annual operating expenses by $18 million beginning in 2011.

The company's rising capital budget will require some financing. PGE has already issued $130 million out of a total $300 million of long-term debt that it plans to add in 2009. Also, the company intends to issue $230 million of common stock by yearend. Liquidity appears to be adequate.

This stock's yield and 3- to 5-year total-return potential are slightly above the norms for the electric utility industry.

Paul E. Debbas, CFA *February 6, 2009*

(A) Diluted earnings. '06 EPS don't add to full-year total due to rounding. Next earnings report due late February. (B) Dividends paid mid-Jan., Apr., July, and Oct. (C) Incl. deferred charges. In '07: $304.0 mill., $4.86/sh. (D) In millions. (E) Rate base: Net original cost. Rate allowed on common equity in '09: 10.1%; earned on average common equity, '07: 11.4%. Regulatory Climate: Average. (F) Summer peak in '06. (G) '05 per-share data are pro forma, based on shares outstanding when the stock began trading in '06.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	NMF
Earnings Predictability	NMF

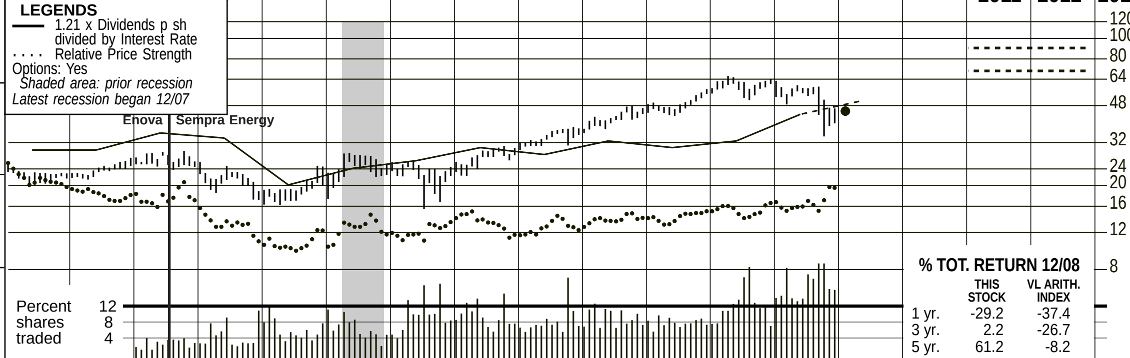
SEMPRA ENERGY NYSE-SRE

RECENT PRICE 45.11 | P/E RATIO 11.7 (Trailing: 10.6 / Median: 11.0) | RELATIVE P/E RATIO 1.00 | DIV'D YLD 3.5% | VALUE LINE

TIMELINESS 3 Raised 11/21/08
SAFETY 2 Lowered 2/4/00
TECHNICAL 3 Lowered 1/30/09
BETA .95 (1.00 = Market)

High: 27.1 29.3 26.0 24.9 28.6 26.3 30.9 37.9 47.9 57.3 66.4 63.0
Low: 21.4 23.8 17.1 16.2 17.3 15.5 22.3 29.5 35.5 42.9 50.9 34.3

LEGENDS
— 1.21 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area: prior recession
Latest recession began 12/07



Target Price Range
2011 | 2012 | 2013

% TOT. RETURN 12/08

	THIS STOCK	VL ARITH. INDEX
1 yr.	-29.2	-37.4
3 yr.	2.2	-26.7
5 yr.	61.2	-8.2

2011-13 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+100%)	21%
Low	70	(+55%)	14%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	1	0	0	2	0	0	0
to Sell	0	2	1	0	0	1	0	0	0

Institutional Decisions

	1Q2008	2Q2008	3Q2008
to Buy	228	174	152
to Sell	194	219	239
Hld's(000)	174741	174510	164754

Sempra Energy was formed through the merger of Enova Corp. and Pacific Enterprises on June 26, 1998. Enova stockholders received one Sempra share for each Enova share, and Pacific Enterprises stockholders received 1.5038 Sempra shares for every Pacific Enterprises share.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	© VALUE LINE PUB., INC.	11-13
	23.31	22.89	35.38	39.27	29.38	34.81	40.18	45.64	44.89	43.79	47.35	47.35	Revenues per sh	59.50
	5.16	5.36	4.91	5.39	5.71	5.56	6.58	5.96	6.74	6.93	6.95	7.45	"Cash Flow" per sh	10.50
	1.24	1.66	2.06	2.55	2.79	3.01	3.93	3.52	4.23	4.26	3.95	4.15	Earnings per sh A	6.00
	1.56	1.56	1.00	1.00	1.00	1.00	1.00	1.16	1.20	1.24	1.37	1.60	Div'd Decl'd per sh B ■ †	2.00
	1.85	2.48	3.76	5.22	5.92	4.63	4.62	5.46	7.28	7.70	8.65	10.60	Cap'l Spending per sh	10.25
	12.29	12.58	12.35	13.17	13.79	17.17	20.78	23.95	28.66	31.87	33.05	35.70	Book Value per sh C	45.25
	237.00	237.40	201.90	204.48	204.91	226.60	234.18	257.19	262.01	261.21	243.00	243.00	Common Shs Outst'g D	230.00
	21.1	12.8	9.4	9.7	8.2	9.0	8.6	11.8	11.5	14.0	13.2		Avg Ann'l P/E Ratio	13.5
	1.10	.73	.61	.50	.45	.51	.45	.63	.62	.73	.85		Relative P/E Ratio	.90
	6.0%	7.4%	5.2%	4.1%	4.4%	3.7%	2.9%	2.8%	2.5%	2.1%	2.6%		Avg Ann'l Div'd Yield	2.5%
	5525.0	5435.0	7143.0	8029.0	6020.0	7887.0	9410.0	11737	11761	11438	11500	11500	Revenues ($mill)	13700
	306.0	405.0	440.0	534.0	586.0	655.0	930.0	898.0	1118.0	1135.0	1005	1040	Net Profit ($mill)	1415
	31.1%	30.7%	38.0%	28.8%	19.9%	23.2%	17.2%	- -	31.3%	33.6%	40.0%	40.0%	Income Tax Rate	39.0%
	3.6%	2.2%	3.6%	5.2%	10.8%	8.4%	2.9%	5.3%	7.2%	11.5%	13.0%	14.0%	AFUDC % to Net Profit	9.0%
	47.3%	47.6%	56.2%	55.7%	58.6%	48.4%	45.3%	43.1%	37.0%	34.8%	41.5%	42.0%	Long-Term Debt Ratio	43.5%
	49.3%	49.0%	40.4%	41.2%	38.6%	49.0%	52.6%	55.1%	61.4%	63.7%	57.0%	56.5%	Common Equity Ratio	55.5%
	5912.0	6092.0	6166.0	6532.0	7312.0	7931.0	9255.0	11178	12229	13071	14125	15350	Total Capital ($mill)	18800
	5441.0	5394.0	5726.0	6217.0	6832.0	10474	11086	12101	13175	14884	16275	18075	Net Plant ($mill)	22100
	6.8%	8.3%	9.0%	10.2%	9.8%	9.8%	11.3%	9.2%	10.3%	9.6%	8.0%	8.0%	Return on Total Cap'l	9.0%
	9.8%	12.7%	16.3%	18.4%	19.3%	16.0%	18.4%	14.1%	14.5%	13.3%	12.0%	12.0%	Return on Shr. Equity	13.5%
	10.1%	13.2%	17.2%	19.4%	20.4%	16.6%	18.9%	14.4%	14.8%	13.5%	12.5%	12.0%	Return on Com Equity E	13.5%
	NMF	.9%	7.4%	11.9%	13.1%	11.3%	14.9%	10.1%	11.0%	9.7%	8.0%	7.5%	Retained to Com Eq	9.0%
	110%	94%	58%	40%	37%	33%	22%	31%	26%	29%	35%	38%	All Div'ds to Net Prof	33%

CAPITAL STRUCTURE as of 9/30/08
Total Debt $6485.0 mill. **Due in 5 Yrs** $2085.0 mill.
LT Debt $5864.0 mill. **LT Interest** $323.0 mill.
(LT interest earned: 7.6x)

Leases, Uncapitalized Annual rentals $120.0 mill.
Pension Assets-12/07 $2.53 bill. **Oblig.** $2.79 bill.

Pfd Stock $179.0 mill. **Pfd Div'd** $9.0 mill.
1,373,770 shs. 4.40%-5% cumulative, $20 par, callable $20.25-$24; 2,040,000 shs. $1.70-$1.82 cum., no par, callable $25.595-$26; 800,000 shs. $4.36-$4.75 cum., no par, callable $100-$101.50; 811,073 shs. 6% cum., $25 par.

Common Stock 243,630,682 shs.
as of 10/31/08
MARKET CAP: $11 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2005	2006	2007
% Change Retail Sales (KWH)	-.2	+5.3	+.2
Avg. Indust. Use (MWH)	4608	4596	4474
Avg. Indust. Revs. per KWH (¢)	6.58	8.00	10.06
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+1.5	+1.3	+.7
Fixed Charge Cov. (%)	274	409	419

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '05-'07 to '11-'13
Revenues	10.0%	5.0%	5.0%
"Cash Flow"	3.0%	4.0%	8.0%
Earnings	7.0%	10.0%	7.0%
Dividends	-2.5%	3.5%	9.0%
Book Value	7.5%	16.5%	8.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	2697	2276	2770	3994	11737
2006	3336	2486	2694	3245	11761
2007	3004	2661	2663	3110	11438
2008	3270	2503	2692	3035	11500
2009	3100	2600	2700	3100	11500

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.92	.49	.71	1.39	3.52
2006	.90	.71	1.29	1.33	4.23
2007	.86	1.06	1.24	1.10	4.26
2008	.92	.98	1.24	.81	3.95
2009	.90	.90	1.20	1.15	4.15

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2005	.25	.29	.29	.29	1.12
2006	.29	.30	.30	.30	1.19
2007	.30	.31	.31	.31	1.23
2008	.31	.32	.35	.35	1.33
2009	.35				

BUSINESS: Sempra Energy is a holding company for San Diego Gas & Electric Co., which sells electricity and gas mainly in San Diego County, & Southern California Gas Co., which distributes gas to most of Southern California. Customers: 1.4 million electric, 6.5 million gas. Electric revenue breakdown, '07: residential, 45%; commercial, 39%; industrial, 10%; other, 6%. Purchases most of its power; the rest is nuclear and gas. Has various nonutility subsidiaries (54% of '07 earnings). Acq'd EnergySouth 10/08. Power costs: 42% of revenues. '07 deprec. rate: 3.3%. Has 14,300 employees. Chairman & CEO: Donald E. Felsinger. President & COO: Neal E. Schmale. Inc.: California. Address: 101 Ash St., San Diego, CA 92101-3017. Tel.: 619-696-2034. Internet: www.sempra.com.

Sempra Energy is investing heavily in the natural gas infrastructure business. The company has $3.4 billion of pipeline, storage, and liquefied natural gas terminal projects that were completed last year or will be completed by 2012. Sempra also expanded its presence in gas infrastructure last fall, when it bought EnergySouth, which has two large gas storage facilities as well as a small gas utility in Alabama. With this deal comes an opportunity to invest an additional $500 million (excluded from the aforementioned $3.4 billion) for majority interests in two projects that will be built from 2010 to 2015.

Construction on the new Liberty Gas Storage facility has hit some serious snags. If Sempra is unable to correct the problems, it might have to take an impairment charge of approximately $65 million after taxes. We would exclude this from our earnings presentation.

Higher financing costs have prompted us to cut our 2009 earnings estimate by $0.30 a share, to $4.15. The parent company's credit rating is on the low end of investment grade. In the fourth quarter, Sempra issued two series of senior notes that carried coupons of 8.9% and 9.8%. Given the state of the credit markets, the $1 billion stock buyback that the company had planned for this year is on hold. Liquidity problems might well hurt the profitability of Sempra's commodities trading joint venture with Royal Bank of Scotland, too. Our revised share-earnings estimate is below the company's original targeted range of $4.35-$4.60.

San Diego Gas & Electric has received permission from the California commission to build a transmission line. This $1.9 billion project will be a regulated asset and is expected to go into service in 2012. The new line will enhance the reliability of SDG&E's electric system. It will also help the utility import renewable energy.

This stock's total return potential to 2011-2013 is superior to that of most utility issues. We expect Sempra's infrastructure projects to enhance profitability 3 to 5 years out. The current yield is about one percentage point below the industry mean, however, despite our estimate of a dividend increase later this month.

Paul E. Debbas, CFA *February 6, 2009*

(A) Diluted egs. Excl. nonrec. gain (loss): '05, 17¢; '06, (6¢); gain (losses) from disc. ops.: '04, (10¢); '05, (4¢); '06, $1.21; '07, (10¢). '05 EPS don't add due to rounding. Next egs. report due late Feb. (B) Div'ds historically paid mid-Jan., Apr., July, & Oct. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. intang. In '07: $3.56/sh. (D) In mill. Excl. ESOP shs. (E) Rate base: Net orig. cost. Rate all'd on com. eq.: SDG&E in '08, 11.1%; SoCalGas in '03, 10.82%; earned on avg. com. eq., '07: 14.2%. Regulatory Climate: Average.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	100
Earnings Predictability	90

Division Data Request 4-23

Request:

Please provide a listing of the currently authorized ROE and common equity ratio (including the month/year authorized) for each National Grid USA utility subsidiary.

Response:

Please see Attachment DIV 4-23.

Prepared by or under the supervision of: Andrew E. Dinkel, III

National Grid USA Utility Subsidiary	Authorized Return on Equity (%)	Common Equity Ratio Used to Set Rates (%)	Effective Date
KeySpan Energy Delivery - New York	9.80	45.0	Jan-08
KeySpan Energy Delivery - Long Island	9.80	45.0	Jan-08
Niagara Mohawk Power Corp. - Gas	10.20	43.7	May-09
Boston Gas	10.20	50.0	Oct-03
Colonial Gas	11.19	46.0	Aug-93
Essex Gas	11.19	55.0	Sep-96
Energy North Natural Gas	9.54	50.0	Aug-08
Narragansett Electric Company - Gas	10.50	47.7	Dec-08
Narragansettt Electric Company - Electric	10.50	50.0	Nov-04
Massachusetts Electric Company/ Nantucket Electric Company (1)	---	---	May-00
Niagara Mohawk Power Corp - Electric (2)	10.60	38.6	Feb-02
Granite State Electric Company	9.67	50.0	Jul-07
New England Power Company	9.40	57.4	Sep-98
National Grid Generation LLC	9.50	40.0	Jan-04

(1) The companies are currently operating under a ten year settlement agreement that does not specify the returr on equity and common equity ratio on which it is based. The last time these items were addressed was in the companies' last full electric rate cases in 1995 in which they were set by the Massachusetts Department of Public Utilities at 11.0% and 50.4%, respectively.

(2) The common equity ratio used to determine the company's 2009 revenue requirments under the current rate plan that became effective in February 2002 was based on a forecast of the company's actual common equity ratio made at that time. The company's actual common equity ratio as of December 31, 2008 was 55.0%, exclusive of goodwill.

Division Data Request 4-24

Request:

Please provide Mr. Moul's assessment of the business risk (as perceived by investors and credit rating agencies) for pure T&D utilities versus vertically-integrated electric utilities.

Response:

Standard & Poor's Corporation ("S&P") assigns public utilities to the following categories of business risk profiles: Excellent, Strong, Satisfactory, Weak, and Vulnerable. Mr. Moul has observed that electric delivery utilities and integrated electric utilities are usually assigned excellent business risk profiles by S&P; however, some have been assigned strong business risk profiles.

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-25

Request:

Please identify the OCI amount that Mr. Moul removed from Narragansett's common equity balance and the source for that figure.

Response:

Mr. Moul removed the following amounts of OCI from Narragansett's common equity balance. The source of these amounts was the Company's FERC Form No. 1.

Year	Accumulated Other Comprehensive Income
	($ millions)
2008	$ (73.741)
2007	$ (67.423)
2006	$ (0.589)
2005	$ (58.717)
2004	$ (54.037)
2003	$ (49.705)
2002	$ 0.123

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-26

Request:

Schedule NG-PRM-9, page 1 of 2, provides returns data extending through 2007. Please provide the 2008 row for that table.

Response:

The 2008 returns are show below. The return on Long-Term Public Utility Bonds has not been updated due to the difficulty in obtaining those returns from Lehman Brothers.

Year	S&P Composite Index	S&P Public Utility Index	Long Term Corporate Bonds	Long Term Public Utility Bonds
2008	-37.00%	-28.96%	8.78%	N/A

Prepared by or under the supervision of: Paul R. Moul

Division Data Request 4-27

Request:

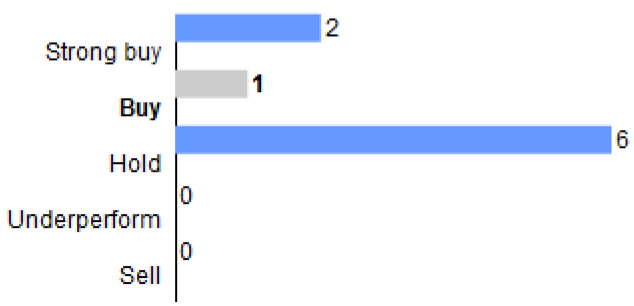
Provide the source documents for the S&P 500 dividend yield and growth rate shown on page H5 of workpaper NG-PMR-H.

Response:

The requested source documents are provided as Attachment DIV 4-27. Please note that the Vanguard report on PEPCO Holdings has been included because their individual company reports also show the annual long-term estimated growth rate for the S&P 500 companies for comparative purposes.

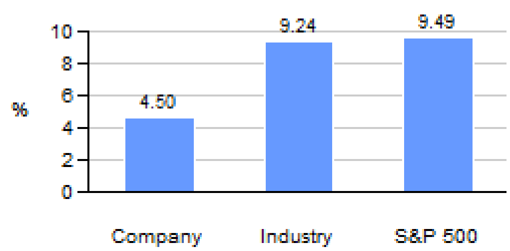
PEPCO HLDGS INC COM (New York Stock Exchange : POM)

First Call Consensus



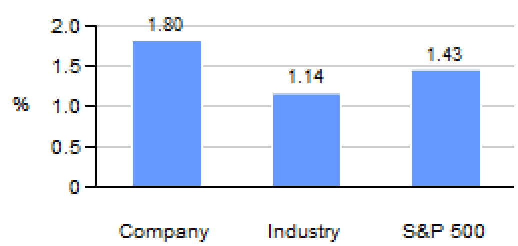
Expected Annual Growth Rates

Long term estimated growth rate



PEG Ratio

P/E ratio divided by the expected growth rate. The higher the PEG ratio, the more expensive the stock.



Consensus Estimates

	This Quarter (06/2009)	Next Quarter (09/2009)	This Year (12/2009)	Next Year (12/2010)
Average Estimate	$0.41	$0.48	$1.54	$1.72
Number of Analysts	3	2	10	8
High Estimate	$0.42	$0.50	$1.95	$2.15
Low Estimate	$0.41	$0.46	$1.11	$1.41
Year Ago EPS	$0.53	$0.59	$1.93	$1.54
EPS Growth	–22.64%	–9.43%	–20.21%	11.69%

Current Price to Earnings

	Company	Industry	S&P 500
Trailing	6.47	10.73	14.12
Forward	8	11	13
Current Fiscal Year	8.10	10.54	13.59
Next Fiscal Year	7.30	9.60	10.64

Earnings Estimates Revision Trend

	This Quarter (06/2009)	Next Quarter (09/2009)	This Year (12/2009)	Next Year (12/2010)	Long-Term Growth
Current	—	—	—	—	4.30%
7 Days Ago	—	—	—	—	—
30 Days Ago	$0.52	$0.62	$1.88	$2.11	—
60 Days Ago	$0.52	$0.62	$1.89	$2.10	—
90 Days Ago	$0.52	$0.62	$1.92	$2.13	—

Historical Earnings Surprise

	12/2008	09/2008	06/2008	03/2008	12/2007
Estimate	$0.30	$0.70	$0.39	$0.35	$0.34
Actual	$0.32	$0.59	$0.53	$0.49	$0.29
Difference	$0.02	–$0.11	$0.14	$0.14	–$0.05
Surprise	6.70%	–15.70%	35.90%	40.00%	–14.70%

Glossary

S&P 500 INDEX,RTH (^GSPC)

At 1:41PM ET: **915.92** 4.34 (0.47%)

Historical Prices

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SET DATE RANGE

Start Date: Mar 2 2009 Eg. Jan 1, 2003

End Date: Mar 31 2009

Daily
Weekly
Monthly (selected)
Dividends Only

Get Prices

First | Prev | Next | Last

PRICES

Date	Open	High	Low	Close	Avg Vol	Adj Close*
Mar-09	729.57	832.98	666.79	797.87	7,633,306,300	797.87

* Close price adjusted for dividends and splits.

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STANDARD
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Standard & Poor's ANALYSTS' HANDBOOK

February 2009
Monthly Supplement

S&P 500

Quarter	Price 1941-1943 = 10 High	Price Low	Price Close	Diluted Earnings Qtr'ly	Diluted Earnings 4 Qtrs Total	Basic Earnings Qtr'ly	Basic Earnings 4 Qtrs Total	Diluted Price/Earn Ratio High	Diluted Price/Earn Ratio Low	Diluted Price/Earn Ratio Close	Dividends Qtr'ly	Dividends 4 Qtrs Total	% of Diluted EPS	Yield % High	Yield % Low	Yield % Close	Total Return Index
2005 Q2	1216.96	1137.50	1191.33	18.29	63.36	18.60	64.68	19.21	17.95	18.80	5.36	20.92	33.02	1.85	1.73	1.76	1784.99
2005 Q3	1245.04	1194.44	1228.81	17.39	66.57	17.73	67.91	18.70	17.94	18.46	5.43	21.46	32.24	1.81	1.74	1.76	1849.33
2005 Q4	1272.74	1176.84	1248.29	17.30	69.93	17.66	71.32	18.20	16.83	17.85	6.08	22.22	31.76	1.90	1.76	1.79	1887.94
2006 Q1	1307.25	1254.78	1294.83	19.69	72.67	20.06	74.05	17.99	17.27	17.82	5.91	22.78	31.35	1.82	1.75	1.77	1967.38
2006 Q2	1325.76	1223.69	1270.20	20.11	74.49	20.50	75.95	17.80	16.43	17.05	6.02	23.44	31.47	1.92	1.78	1.85	1939.03
2006 Q3	1339.15	1234.49	1335.85	21.47	78.57	21.88	80.10	17.04	15.71	17.00	6.09	24.10	30.67	1.96	1.80	1.81	2048.89
2006 Q4	1427.09	1331.32	1418.30	20.24	81.51	20.66	83.10	17.51	16.33	17.40	6.87	24.88	30.54	1.88	1.75	1.76	2186.13
2007 Q1	1459.68	1374.12	1420.86	21.33	83.15	21.74	84.78	17.56	16.53	17.09	6.52	25.49	30.67	1.86	1.75	1.80	2200.12
2007 Q2	1539.18	1424.55	1503.35	21.88	84.92	22.38	86.66	18.13	16.78	17.70	6.69	26.17	30.82	1.84	1.71	1.75	2338.25
2007 Q3	1553.08	1406.70	1526.75	15.15	78.59	15.54	80.32	19.76	17.90	19.42	6.90	26.98	34.33	1.93	1.75	1.78	2385.72
2007 Q4	1565.15	1407.22	1468.36	7.82	66.17	8.15	67.81	23.65	21.26	22.19	7.62	27.88	41.90	1.98	1.78	1.90	2306.23
2008 Q1	1447.16	1273.37	1322.70	15.54	60.39	15.84	61.91	23.96	21.09	21.90	7.09	28.30	46.86	2.22	1.96	2.14	2088.42
2008 Q2	1426.63	1278.38	1280.00	12.86	51.37	13.17	52.70	27.77	24.89	24.92	7.10	28.71	55.89	2.25	2.02	2.25	2031.47
2008 Q3	1305.32	1106.39	1166.36	9.73	45.95	10.02	47.18	28.41	24.08	25.38	7.04	28.85	62.79	2.61	2.21	2.47	1861.44
2008 Q4	1161.07	752.44	903.26	-9.38	28.75	-9.30	29.73	40.39	26.18	31.42	7.15	28.38	98.74	3.77	2.45	3.14	1452.98
2009 Q1	934.70	805.22	825.88	....	...	...	...	....	....	....	8.31	29.60	...	3.68	3.17	3.58	1330.51
			825.88	*2009 Earnings 67.55 (2009-E55.57) 21.6*						*12.90*		*25.58*				*2.90*	*1330.51*

Energy (10)

Quarter	Price 30-Dec-94 100 High	Price Low	Price Close	Sales Qtr'ly	Sales 4 Qtrs Total	Diluted Earnings Qtr'ly	Diluted Earnings 4 Qtrs Total	Diluted Earnings % of Sales	Basic Earnings Qtr'ly	Basic Earnings 4 Qtrs Total	Basic Earnings % of Sales	Diluted Price/Earn Ratio High	Diluted Price/Earn Ratio Low	Diluted Price/Earn Ratio Close	Dividends Qtr'ly	Dividends 4 Qtrs Total	% of Diluted EPS	Yield % High	Yield % Low	Yield % Close	Total Return Index
2005 Q2	356.43	302.96	343.01	87.04	317.22	8.77	28.68	9.04	8.90	29.05	9.16	12.43	10.56	11.96	1.48	5.60	19.49	1.85	1.57	1.63	450.47
2005 Q3	410.53	348.07	403.96	97.85	341.73	9.47	32.54	9.52	9.62	33.01	9.66	12.62	10.70	12.41	1.51	5.76	17.67	1.65	1.40	1.43	532.68
2005 Q4	401.57	346.04	372.73	101.87	363.91	10.92	36.44	10.01	11.09	36.99	10.17	11.02	9.50	10.23	1.50	5.89	16.14	1.70	1.47	1.58	493.50
2006 Q1	427.22	381.96	404.78	97.94	384.69	9.52	38.68	10.06	9.70	39.31	10.22	11.05	9.88	10.47	1.62	6.12	15.80	1.60	1.43	1.51	538.14
2006 Q2	441.89	375.47	420.35	103.40	401.05	12.02	41.93	10.46	12.20	42.61	10.62	10.54	8.96	10.03	1.72	6.36	15.14	1.69	1.44	1.51	561.15
2006 Q3	443.97	390.39	411.38	106.22	409.42	11.79	44.25	10.81	11.97	44.96	10.98	10.03	8.82	9.30	1.77	6.62	14.94	1.69	1.49	1.61	551.38
2006 Q4	476.03	393.86	455.53	95.52	403.08	9.92	43.25	10.73	10.06	43.93	10.90	11.01	9.11	10.53	1.76	6.87	15.88	1.74	1.44	1.51	612.96
2007 Q1	469.19	418.58	463.37	92.93	398.07	9.96	43.69	10.98	10.10	44.33	11.14	10.74	9.58	10.61	1.85	7.10	16.25	1.70	1.51	1.53	626.06
2007 Q2	544.49	468.51	529.71	107.99	402.67	11.14	42.82	10.63	11.28	43.41	10.78	12.72	10.94	12.37	1.99	7.37	17.22	1.57	1.35	1.39	718.50
2007 Q3	584.92	500.83	579.47	111.67	408.12	10.74	41.77	10.23	10.94	42.38	10.38	14.01	11.99	13.88	1.96	7.56	18.10	1.51	1.29	1.30	788.94
2007 Q4	611.17	542.73	603.04	125.54	438.14	12.53	44.38	10.13	12.69	45.01	10.27	13.77	12.23	13.59	1.94	7.74	17.44	1.43	1.27	1.28	823.84
2008 Q1	610.01	512.79	557.65	130.65	475.85	12.09	46.50	9.77	12.23	47.14	9.91	13.12	11.03	11.99	1.99	7.88	16.95	1.54	1.29	1.41	764.62
2008 Q2	668.81	569.11	652.00	156.62	524.48	13.12	48.48	9.24	13.30	49.16	9.37	13.80	11.74	13.45	2.14	8.02	16.56	1.41	1.20	1.23	896.99
2008 Q3	656.08	462.52	489.35	160.50	573.31	19.70	57.44	10.02	19.97	58.19	10.15	11.42	8.05	8.52	2.13	8.20	14.28	1.77	1.25	1.68	675.90
2008 Q4	481.11	324.54	386.35	108.68	556.45	6.95	37.96	6.82	-6.89	38.61	6.94	12.67	8.55	10.18	2.10	8.36	22.03	2.58	1.74	2.17	536.57
2009 Q1	410.65	358.19	374.14			.			...	....	.	....	....	....	2.15	8.52	....	2.38	2.08	2.28	519.68
			374.14			*2009 Earnings 32.94 (2009-E53.38) -38.3*								*12.00*		*8.51*				*2.20*	*519.68*