

DECEMBER 2007

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The Markets	Current 11/30/07	3-Month Values	3-Month Change	Year-Ago Values	12-Month Change
Cash					
Taxable MMF Yield	4.23%	4.52%	-29bp	4.74%	-51bp
Tax-Exempt MMF Yield	3.00%	3.28%	-28bp	3.08%	-8bp
Fixed Income					
Federal Funds Rate	4.50%	5.25%	-75bp	5.25%	-75bp
5-Yr US Treasury note	3.39%	4.25%	-86bp	4.44%	-105bp
10-Yr US Treasury bond	3.94%	4.53%	-59bp	4.46%	-52bp
5-Yr Aaa Muni Bond Index	3.72%	-46bp	3.59%	-33bp	
30-Year Conv. Mortgage	6.20%	6.45%	-25bp	6.14%	6bp
Equities*					
S&P 500	1,481	1,474	0.5%	1,387	6.8%
S&P LargeCap 100	692	687	0.7%	645	7.3%
S&P MidCap 400	861	863	-0.3%	809	6.4%
S&P SmallCap 600	398.77	417.61	-4.5%	400.5	-0.4%
EAFA Foreign Index	82.98	78.42	5.8%	71.33	16.3%
S&P 500 PE Ratio	15.6	17.7	-11.9%	17.5	-10.9%
S&P 500 Dividend Yield	1.8%	1.8%	0bp	1.8%	0bp
Misc.					
Inflation Rate (CPI, ann'l rate)	3.54%	1.97%	157bp	1.97	157bp
CRB Index (Commodities)	340	309	10.1%	322	5.7%
London Gold \$ / oz.	782	672	16.4%	647	21.0%
Crude Oil \$ / bbl.	90	71	27.2%	59	53.9%

Recent Economic Data			
Real GDP / 2nd Quarter	4.9%	Personal Income	0.2%
ISM Manufacturing Index	55.8	Personal Spending	0.2%
Industrial Capacity Utilization	81.7	Retail Sales	0.2%
Productivity / 2nd Quarter	-4.9%	New Home Sales	1.7%
Unemployment Rate	4.7%	Consumer Confidence	87.3

*Stock index returns exclude dividends

bp = basis point (1/100th of one percent)

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Economic Forecasts*

	2006	07:2Qe	07:3Qe	07:4Qe	08:1Qe	08:2Qe
Real GDP	2.9%	3.8%	3.9%	1.5%	2.3%	3.1%
GDP Price Deflator	3.2%	2.6%	0.8%	1.7%	2.2%	1.7%
10-Year Bond Yield	4.75%	4.88%	4.75%	4.50%	4.63%	4.75%
Fed Funds Rate	5.00%	5.25%	5.13%	4.63%	4.50%	4.50%

*Mesirow Financial estimates e = estimated

QUOTES OF THE MONTH:

“One should have a really good reason to bet against a fully employed consumer who hasn’t stopped spending since the fourth quarter of 1991.”

— **Richard Yamarone, Director of Economic Research, Argus Research**

The Economy: Better-Than-Expected Growth in the Third Quarter

The United States economy expanded by a stronger-than-expected 3.9-percent annualized real rate in the third quarter. This should have thrown a monkey wrench in the media’s finely-tuned recession-talk machine. The chance of a business contraction appears more likely given further deterioration in the housing slump, tighter credit, losses on Wall Street, and rising oil prices. But our view is that a recession is unlikely to unfold in 2008. We join the 50 economists polled in the November Blue Chip Economic Indicators Survey: None forecast a recession in 2008, with real GDP growth projections ranged from 1.5–3.0 percent. Our sense is that growth will be to the high side of that range, which isn’t that far off the last 10-year and 25-year average real GDP growth rates of 3.1 percent. But what is driving economic growth?

1. Consumer Power

Solid growth in consumer spending in the third quarter clearly reflected the resiliency of the American consumer. Consumer spending advanced by 3.0 percent in the third quarter, doubling the 1.4-percent advance registered in the second quarter.

The greatest contributor to economic growth in the third quarter was personal consumption expenditures, which contributed 2.1 percent of the 3.9-percent total increase. The housing slump did not appear to be a factor in aggregate consumption, and we don’t believe the slump is strong enough to cause a meaningful contraction in personal consumption. In our nearly three decades of experience, the media have repeatedly made the mistake of underestimating the propensity of the American consumer to spend money, and we see no convincing reason for him or her to stop now.

While we enjoy watching CNBC and we think the content has improved over the years, we believe that the network is closer to the entertainment business than the business of managing money. Entertainers seek as large an audience as possible, and one way to get the attention of people who tune in to investment shows is to talk about change, and a recession would be a change. The term “wealth effect” has been used ad nauseum to explain why consumers will keep their wallets in their pockets and by doing so drive the economy down. Stocks and housing prices are down, so the thinking goes that people will feel less wealthy and, therefore, spend less. There is undoubtedly some truth to this, but an accurate gauge has yet to be discovered, and the “effect” could be marginal, at best, or depend on its coincidence with other factors such as the levels of interest rates, inflation, and employment.

Employment is the best way to project consumer spending because people spend money when they have a regular income. By that measure, the consumer appears unlikely to put the credit cards away.

Supporting this view was the October unemployment report, which showed that the U.S. economy added a much-stronger-than-expected 166,000 new non-farm payroll jobs, suggesting that the Federal Reserve does not need to stimulate the economy with additional rate cuts. A reliable recession forecaster is employment, which typically starts to fall before a recession, and that is not happening now.

Job gains in October were concentrated in the services sector, which accounts for about 80 percent of all jobs. The economy added 190,000 new service-type jobs. The manufacturing sector was a net job loser – 21,000 – many of which had been employees in the flagging motor vehicles and parts industries. The unemployment rate was unchanged at 4.7 percent, and the level of average hourly earnings rose a mild 0.2 percent to a level 3.8 percent higher than the year-ago period.

The Conference Board reported that its consumer confidence reading fell to 87.3 from 95.2 in November. After a brief pause, the stock market shook off the headline, acknowledging that (a) the decline wasn’t really that surprising given the prevailing negative headlines, and (b) Thanksgiving sales reports exposed the weak link between confidence and actual spending activity, the latter of which was strong following Turkey Day. Our advice on consumer-sentiment readings: ignore them.

2. A Surge in Exports

Exports have been one of the more encouraging yet underreported economic developments of 2007, and they have served as a major offset to weakness in areas such as housing. Exports contributed 0.9 percent of the 3.9-percent third-quarter growth rate.

Exports surged 16.2 percent in the third quarter, driven by a huge 23-percent jump in goods exported; exports of services increased 1.6 percent. On the flip side, imports rose just 5.2 percent, thereby narrowing the trade deficit. The weak dollar has contributed to foreign demand for U.S. products because it makes U.S. products cheaper relative to their own domestic products, but the weak dollar is not nearly the whole story. The global economic miracle that was born with the collapse of the Soviet Union in 1989 continues to accelerate, and the U.S. has plenty of the goods, services, and knowhow that emerging economies need to help them grow, consume, and enhance the lifestyle of their vast populations. It is estimated that 40 percent of the world's population poured over the crumbling Berlin Wall and into the daylight of capitalist freedom; in many ways their impact is just being felt because they are just getting used to it and revved up, and – absent a really significant policy mistake such as protectionism and imprudent fiscal or monetary policies – their impact on demand will continue for longer than most of us have to worry about.

3. Business Investment: New Orders Solid

Business investment is solid and looks to remain so as we move into 2008.

New orders for durable goods, which are items with an intended lifespan of three or more years, fell 1.7 percent in September, producing a negative headline that fed into recession fears. Looking behind the headline figure, we see that a decline of 38.7 percent in defense orders was the primary factor in the drop. Meanwhile, the less volatile new orders for goods excluding transportation rose 0.3 percent in September, while those excluding defense advanced 0.7 percent. The pace of new orders for non-defense capital goods excluding aircraft – a direct proxy for capital spending in the National Income Product Accounts – increased 0.4 percent last month. As for the third quarter, capital spending looks promising as shipments registered gains of 1.0 percent and 1.8 percent in September and August, respectively.

The Impact of Rising Oil Prices

The rising price of oil has yet to curb consumer spending and is unlikely to do so, although its effect on overall inflation is still hard to detect.

In mid-November, crude-oil prices retreated from their seemingly irresistible charge to top \$100 a barrel amid the expiration of some options and positive news regarding inventories. During the week ended Nov. 9, total crude-oil inventories rose 2.8 million barrels to 314.7 million, while gasoline inventories rose 700,000 barrels to 195.0 million during the same week; even so, the retail price of regular-grade gasoline jumped 9.8 cents to \$3.11 per gallon, a record high for this time of the year. The price of a gallon of gasoline is now 87.9 cents higher than a year ago. It has been reported that rising gas prices will provide another hurdle for the already strapped consumer. This may turn out to be the case, but it doesn't look like it at this point.

One fear is that higher gas prices will lift the costs to transport all goods, whether by truck, ship or plane, and that manufacturers and retailers will respond by raising prices for consumers. But that hasn't happened yet, and it appears that business has yet to pass along these higher costs to the consumer. Instead corporate profit margins have borne the brunt of the load, which is one reason corporate profit growth fell off in the third quarter. In point of fact, gasoline generally doesn't comprise a significant percentage of consumers' disposable incomes, and its price would therefore have to go much higher to have an impact.

So What About Housing?

“As the presidential campaign heats up and moves to the front page, negative articles about housing ... [may] move off the front page. Then, hopefully, the positive underpinnings of low interest rates, low unemployment and a decent economy will raise new-home-buyer confidence.”

– CEO Robert Toll of homebuilder Toll Brothers

Only time will tell if Toll is correct, but the actual statistics on housing suggest that he might well be. We are going to go against the grain and take the stand that the worst of the housing recession is behind us. The figures registered by home sales, mortgage applications, and remodeling expenditures are not consistent with the media hype about housing, and, in fact, the numbers are respectable considering the burst in the housing bubble. It may be that Wall Street bore the worst consequences as their highly leveraged and exotic mortgage securities went bust, and that is much of what we are hearing about in the news. Although there is undoubtedly some economic spillover from the financial sector to other sectors of the economy, the most damaging spillover could be psychological.

The housing recession, which is now in its eighth quarter, has not been able to cause a recession in consumer spending, let alone in the overall economy, and it probably won't be able to. After plunging 20.1 percent in the third quarter, residential investment is not likely to bounce back that soon, and weakness could last through the middle of next year. In the meantime, there are several factors offsetting the weakness in the residential arena, such as rising spending on nonresidential structures, which rose 12.3 percent in the third quarter.

Interest Rates: Perceived Inflationary Pressures Not Reflected in Bond Yields

Despite rising oil and food prices, one of the notable characteristics of the current expansion has been the comparatively low level of inflation, and that does not appear likely to change. The broader price measures indicate that inflation has been conspicuous by its absence, and that is reflected in inflation-sensitive longer-term bond yields, which have been falling, not rising.

The Producer Price Index crept up 0.1 percent in October, and it has risen 6.1 percent over the last 12 months, largely due to rising commodity prices. Although well behaved of late, we would expect some additional pressure on producer prices given the recent rise in gasoline prices.

The Consumer Price Index (CPI) increased 0.3 percent in October, and it has risen 3.5 percent since October 2006. At the same time, the core CPI rose 0.2 percent last month, and it has risen 2.2 percent over the past year – a notch above the Federal Reserve's unofficial comfort zone.

Although the inflation data for October seemed benign, recent gains in the price of energy, food, beverages, chemicals, delivery, and other consumer products should push the rate higher. These pipeline pressures indicate that the inflation pump has been stoked, and only time will tell to what extent the inflation pump reacts. The anticipated soft patch in the economy in 2008 should relieve some of this pressure; either way the Fed has a big job in trying to balance the needs of the financial markets, which want lower rates to help them build back their capital bases following the mortgage-securities debacle, vs. the need to maintain price stability and the integrity of the dollar.

The Stock Market: After the Correction

A stock market "correction," or what used to be called an "adjustment" in the days of yore, is defined as a 10 percent or greater fall in the major indexes. By that definition, the stock market has been corrected, and rather quickly. The old saw goes that the forward-looking stock market has predicted something like 15 of the last four recessions, and we believe that track record will hold as we go into 2008.

What Moves Stock Prices

Interest rates and corporate earnings move stock prices. To date, interest rates are cooperating, both on the inflation-sensitive long end, and especially on the Fed-induced short end, where the Fed has decided to give in to Wall Street and start easing credit. Either of these factors is positive for stocks, but combined they are tremendous; interest rates are cooperating magnificently, but unfortunately corporate earnings growth appears to be grinding to a near halt, at least for the time being, as the aggregate figures are dragged lower by the massive losses of those rascals in the financials sector.

Corporate Earnings

With most of the companies in the benchmark Standard & Poor's 500 having reported third-quarter earnings as of press time, aggregate earnings for the index are down 2.0 percent from the year-ago quarter, dragged down by a 23-percent decline in the financials sector! Look for the financials to act as a drag in the fourth quarter as well, and even into 2008.

On the good side, strength was evident in the technology, healthcare, and industrials sectors, although many companies lowered their earnings expectations for the coming quarters. While we don't currently expect a recession in the U.S. economy, a contraction in 2008 corporate earnings could indeed unfold as a result of further losses in financials and tight profit margins as rising commodities costs are absorbed rather than passed along to consumers. Aggregate lower earnings growth is not written in stone for 2008, and mid-to-high single-digit growth remains a distinct possibility. Either way, the trend in corporate earnings (and interest rates) will likely influence the direction of stocks next year more than conditions in the housing market or sales growth at retailers by a significant factor. The best advice we can give is to look beyond the housing debacle and regard the current stock market correction as a temporary buying opportunity. If you are already fully invested as many of us are, accept the intermediate price of near-term market volatility for the benefit of higher (than bond rates) long-term returns.

Bear Market in Financials. A bear market is defined as a price decline of 20 percent or more from a peak. By that definition, the financials crossed into bear-market territory in early November. The S&P 500 financials represented an all-time-high 22 percent of the S&P 500 at its 2007 peak, but that share has now fallen to about 18 percent, a more reasonable share historically. The stock market seems to have adjusted the price of financial stocks accordingly – more than \$500 billion of market value has been erased since Oct. 1, vs. about \$50 billion in announced losses. Applying a typical financial stock P/E ratio of 10 to the \$50 billion in losses equals \$500 billion (10 x \$50 billion) – way to go stock market!

The Outlook for Bank Stocks

How much more might banks lose as a result of the misguided foray into the securitization (and investment!) of sub-prime mortgage securities? The simple way is to try to figure out how much of these toxic securities remain on the books.

Accounting rules require that banks classify their assets into one of the three categories: Level 1 assets are those for which market prices are readily available and Level 2 assets are those for which there are similar assets traded in the market. Level 3 assets are those for which there is no reliable market data, so the firms themselves are responsible for valuing them on the books using their own internal models. Collateralized Debt Obligations (CDOs) and similar sub-prime mortgage-backed

securities constitute the bulk of these assets, for which the major banks have already reported losses and writedowns of more than \$50 billion. Based on current trends, analysts estimate that up to \$250 billion of the estimated \$1 trillion of sub-prime U.S. mortgage loans could become losses over the next several quarters. It's important to note, however, that these losses would be spread among banks and investors worldwide, not just the major U.S. banks. If employment holds up and housing prices stabilize, these estimates may prove to be high, but they give you an idea.

Retail Stocks: Happy Hunting Ground

Despite the fact that consumers continue to spend, retail stocks have been murdered of late. The consumer discretionary sector is down about 15 percent for the year, a pitiful showing. We have reviewed the retail stocks in our portfolio and find them each to be fundamentally sound with promising futures. As we believe the housing mess will clear up eventually, so, too, will the heat on retail stocks. As such, we think current stock price levels in the sector represent a happy hunting ground for investors.

Holiday Sales Expected to Rise

The holiday season is the most important time of the year for retailers, because many make the bulk of their sales during this period. Consumers got off to a fast start this holiday season. The National Retail Federation estimates that 147 million people shopped online and in stores during the weekend immediately following the Thanksgiving holiday, up 4.8 percent from last year. ShopperTrak RCT Corp. reported that Black Friday sales surged 8.3 percent to \$10.3 billion from \$9.5 billion a year ago. The good start serves to reinforce our point that consumer spending depends more on jobs than it does on the so-called wealth effect.

E-Commerce Sales Blossom in the Wintertime

Internet shopping is really catching on, which the sales numbers reflect. During the third quarter, e-commerce retail sales – a.k.a. Internet sales – advanced 3.6 percent from the second quarter, and a significant 19.3 percent from the third quarter of 2006. E-commerce sales totaled about \$35 billion during the third quarter (while Wall Street was beginning to throw its tantrum), up from about \$33 billion in the second quarter of the year. As a percentage of total U.S. retail sales, e-commerce accounted for 3.4 percent, low but steadily rising. The retailers have found a way to sell their wares not matter how high gasoline prices go.

Companies Take Advantage of Lower Stock Prices to Repurchase Their Shares

Many companies have been taking advantage of the stock market correction to initiate huge share repurchases. New stock buybacks rose to \$27.9 billion (\$7.0 billion daily) during the week of Nov. 19, which is extremely high for a holiday-shortened week. New stock buybacks have been consistently strong, with more than 30 companies announcing plans and the dollar amounts exceeding \$10 billion in each of the past five weeks. Some of the largest recent buyback announcements include \$10.0 billion by Cisco Systems and \$8.0 billion by Hewlett-Packard.

Valuation

Analysts have been trimming their estimate for 2007 EPS on the S&P 500, mainly in reaction to recently reported losses at large financial institutions. As high as \$105 earlier this year, the consensus estimate for 2007 EPS is now \$94.88. At this level the index trades at a P/E ratio of about 15x, right in the middle of the range of 13x to 17x experienced since the market bottomed in October 2002.

The consensus estimate for 2008 EPS is currently \$101, which if actually realized would represent a growth rate of 6.5 percent over 2007; also based on this estimate, the forward P/E ratio on the S&P 500 is currently approximately 14x.

Using the more conservative 2007 estimate as a benchmark, buying all the stocks in the index now would provide the investor with an earnings yield of 6.7 percent; that compares quite favorably with the competing yield on the 10-year U.S. Treasury note of about 4.0 percent, with an advantage to stocks of 270 basis points. The neat thing about buying stocks instead of bonds is that the earnings yield on cost grows with earnings, while the yield-to-cost on bonds stays the same if held to maturity; the cost for achieving the higher return is psychological, as investors must be prepared to accept market volatility.

Happy Holidays!

Approved List of Common Stocks

December 2007

			11-30-07	2007 Estimate		2008 Estimate		Est EPS			Profit	5-Yr	Debt/	Mid. Cap	Price Change		S&P
S&P 500	Ticker	Status	Price	EPS	P/E	EPS	P/E	Growth	Div	Yield	Margin	ROE	Capital	(Mil)	12-wk	YTD	Rank
S&P 500	SPX	--	\$1,481.14	\$94.88	15.6	\$101.00	14.7	--	\$26.56	1.8%	9.3%	18%	32%	\$106,611	1%	4%	--
CONSUMER DISCRETIONARY																	
Bed Bath & Beyond	BBBY	Buy	\$31.45	\$2.15	14.6	\$2.20	14.3	15%	--	0.0%	9.0%	24%	0%	\$8,534	-9%	-18%	A
Best Buy	BBY	Buy	\$51.05	\$2.79	18.3	\$3.12	16.4	15%	\$0.43	0.8%	3.8%	24%	15%	\$21,328	16%	4%	B+
Lowe's	LOW	Buy	\$24.41	\$1.85	13.2	\$1.86	13.1	15%	\$0.29	1.2%	6.6%	20%	21%	\$36,093	-21%	-22%	A+
Starbuck's	SBUX	Buy	\$23.39	\$0.87	26.9	\$1.03	22.7	21%	--	0.0%	7.1%	22%	19%	\$17,433	-15%	-34%	B+
Williams-Sonoma	WSM	Buy	\$29.11	\$1.83	15.9	\$2.04	14.3	15%	\$0.45	1.5%	5.6%	21%	1%	\$3,160	-13%	-7%	B+
McDonald's	MCD	Hold	\$58.47	\$2.86	20.4	\$3.14	18.6	9%	\$1.50	2.6%	13.3%	16%	34%	\$69,683	19%	32%	A
Target	TGT	Hold	\$59.97	\$3.45	17.4	\$3.90	15.4	14%	\$0.52	0.9%	4.7%	18%	41%	\$50,771	-9%	5%	A+
CONSUMER STAPLES																	
CVS	CVS	Buy	\$40.09	\$1.92	20.9	\$2.33	17.2	16%	\$0.23	0.6%	3.1%	15%	20%	\$59,370	6%	30%	A
Estee Lauder	EL	Buy	\$44.88	\$2.16	20.8	\$2.40	18.7	12%	\$0.55	1.2%	6.4%	24%	46%	\$8,719	8%	10%	A
Pepsico	PEP	Buy	\$77.18	\$3.38	22.8	\$3.75	20.6	11%	\$1.43	1.8%	16.1%	34%	15%	\$124,706	13%	23%	A+
Proctor & Gamble	PG	Buy	\$74.00	\$3.04	24.3	\$3.49	21.2	12%	\$1.36	1.8%	13.5%	31%	25%	\$230,936	13%	15%	A+
Wrigley (Wm) Jr	WWY	Buy	\$64.00	\$2.25	28.4	\$2.49	25.7	10%	\$1.16	1.8%	11.3%	25%	27%	\$17,600	10%	24%	A+
Altria Group	MO	Hold	\$77.56	\$4.37	17.7	\$4.69	16.5	7%	\$3.16	4.1%	17.1%	39%	17%	\$163,280	12%	20%	A+
Anheuser-Busch	BUD	Hold	\$52.72	\$2.82	18.7	\$3.09	17.1	9%	\$1.25	2.4%	12.5%	65%	70%	\$39,517	7%	7%	A+
Coca-Cola	KO	Hold	\$62.10	\$2.67	23.3	\$3.00	20.7	10%	\$1.36	2.2%	21.1%	32%	7%	\$143,673	16%	29%	A
Walmart	WMT	Hold	\$47.90	\$3.12	15.4	\$3.44	13.9	13%	\$0.88	1.8%	3.5%	22%	35%	\$194,868	10%	4%	A+
Walgreen	WAG	Hold	\$36.59	\$2.03	18.0	\$2.21	16.6	15%	\$0.35	0.9%	3.8%	18%	0%	\$36,358	-19%	-20%	A+
ENERGY																	
Chevron	CVX	Buy	\$87.77	\$8.29	10.6	\$8.89	9.9	7%	\$2.26	2.6%	8.8%	22%	6%	\$187,100	0%	19%	A
ConocoPhillips	COP	Buy	\$80.04	\$9.04	8.9	\$9.78	8.2	10%	\$1.64	2.0%	9.3%	18%	20%	\$130,240	-2%	11%	B+
Devon Energy	DVN	Buy	\$82.81	\$6.30	13.1	\$7.39	11.2	7%	\$0.53	0.6%	26.7%	19%	22%	\$36,933	10%	23%	A
Noble	NE	Buy	\$52.13	\$4.58	11.4	\$6.36	8.2	20%	\$0.10	0.2%	34.8%	12%	16%	\$13,996	6%	37%	B
Exxon Mobil	XOM	Hold	\$89.16	\$7.02	12.7	\$7.31	12.2	7%	\$1.37	1.5%	11.8%	27%	5%	\$494,505	4%	16%	A
FINANCIALS																	
American Int'l Group	AIG	Buy	\$58.13	\$6.27	9.3	\$6.71	8.7	12%	\$0.77	1.3%	12.4%	13%	59%	\$149,068	-12%	-19%	A+
Capital One Fin'l	COF	Buy	\$53.31	\$4.93	10.8	\$7.35	7.3	11%	\$0.11	0.2%	20.0%	19%	57%	\$22,267	-18%	-31%	A+
JP Morgan	JPM	Buy	\$45.62	\$4.58	10.0	\$4.79	9.5	10%	\$1.44	3.2%	22.2%	9%	65%	\$154,373	3%	-6%	B
Morgan Stanley	MS	Buy	\$52.72	\$5.84	9.0	\$7.41	7.1	12%	\$1.08	2.0%	9.8%	18%	83%	\$55,490	-16%	-22%	A
U.S. Bancorp	USB	Buy	\$33.09	\$2.62	12.6	\$2.81	11.8	8%	\$1.60	4.8%	35.0%	21%	69%	\$57,128	2%	-9%	A
Wells Fargo	WFC	Buy	\$32.43	\$2.60	12.5	\$2.88	11.3	10%	\$1.18	3.6%	23.8%	20%	67%	\$108,396	-11%	-9%	A
Aflac	AFL	Hold	\$62.64	\$3.29	19.0	\$3.80	16.5	15%	\$0.80	1.3%	10.1%	16%	15%	\$30,599	18%	36%	A
Goldman Sachs	GS	Hold	\$226.64	\$24.44	9.3	\$22.84	9.9	13%	\$1.40	0.6%	13.8%	19%	79%	\$91,938	29%	14%	NR
SLM Corp	SLM	Hold	\$38.08	\$2.30	16.6	\$3.20	11.9	15%	\$0.87	2.3%	31.9%	48%	96%	\$15,713	-24%	-22%	B+

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December 2007

			11-30-07	2007 Estimate		2008 Estimate		Est EPS			Profit	5-Yr	Debt/	Mid. Cap	Price Change		S&P	
	Ticker	Status	Price	EPS	P/E	EPS	P/E	Growth	Div	Yield	Margin	ROE	Capital	(Mil)	12-wk	YTD	Rank	
HEALTHCARE																		
Abbott Labs	ABT	Buy	\$57.51	\$2.83	20.3	\$3.22	17.9	12%	\$1.27	2/2%	7.6%	22%	29%	\$999,999	11%	18%	A-	
Johnson & Johnson	JNJ	Buy	\$67.74	\$4.12	16.4	\$4.42	15.3	9%	\$1.62	2.4%	20.7%	29%	10%	\$196,074	10%	3%	A+	
Medtronic	MDT	Buy	\$50.85	\$2.41	21.1	\$2.53	20.1	14%	\$0.49	1.0%	22.8%	23%	32%	\$57,670	-4%	-5%	A	
Stryker	SYK	Buy	\$72.63	\$2.40	30.3	\$2.88	25.2	18%	\$0.22	0.3%	14.4%	23%	0%	\$29,711	9%	32%	A	
Wellpoint	WLP	Buy	\$84.21	\$5.56	15.1	\$6.40	13.2	15%	–	0.0%	5.4%	12%	26%	\$48,112	5%	7%	NR	
Amgen	AMGN	Hold	\$55.25	\$4.24	13.0	\$4.39	12.6	9%	–	0.0%	20.7%	14%	40%	\$60,043	10%	-19%	B+	
Pfizer	PFE	Hold	\$23.76	\$2.15	11.1	\$2.35	10.1	6%	\$1.16	4.9%	22.8%	19%	8%	\$164,588	-4%	-8%	A	
INDUSTRIALS																		
Danaher	DHR	Buy	\$86.82	\$3.83	22.7	\$4.33	20.1	14%	\$0.10	0.1%	11.7%	18%	19%	\$26,756	12%	20%	A+	
Eaton Corp	ETN	Buy	\$89.31	\$6.80	13.1	\$7.65	11.7	12%	\$1.72	1.9%	7.4%	18%	35%	\$13,013	-5%	19%	B+	
Emerson Electric	EMR	Buy	\$57.02	\$2.66	21.4	\$3.02	18.9	11%	\$1.09	1.9%	9.5%	21%	28%	\$45,161	16%	29%	A	
Illinois Tool Works	ITW	Buy	\$55.50	\$3.38	16.4	\$3.80	14.6	12%	\$0.98	1.8%	12.2%	17%	14%	\$30,638	-5%	20%	A+	
L-3 Communications	LLL	Buy	\$110.65	\$5.91	18.7	\$6.50	17.0	16%	\$1.00	0.9%	4.2%	12%	44%	\$13,947	12%	35%	A	
General Electric	GE	Hold	\$38.29	\$2.20	17.4	\$2.50	15.3	11%	\$1.12	2.9%	12.6%	20%	73%	\$392,326	-2%	3%	A+	
INFORMATION TECHNOLOGY																		
Autodesk	ADSK	Buy	\$47.09	\$1.91	24.7	\$2.25	20.9	16%	\$0.06	0.0%	15.7%	27%	0%	\$10,831	2%	16%	B	
Cisco Systems	CSCO	Buy	\$28.02	\$1.34	20.9	\$1.60	17.5	15%	–	0.0%	21.0%	21%	16%	\$170,667	-12%	3%	B+	
Citrix Systems	CTXS	Buy	\$36.98	\$1.52	24.3	\$1.63	22.7	15%	–	0.0%	16.1%	16%	0%	\$7,015	2%	37%	B+	
Ebay	EBAY	Buy	\$33.53	\$1.49	22.5	\$1.67	20.1	20%	–	0.0%	18.9%	12%	0%	\$45,541	-2%	12%	B	
Hewlett-Packard	HPQ	Buy	\$51.16	\$2.93	17.5	\$3.38	15.1	14%	\$0.32	0.6%	7.0%	12%	11%	\$131,894	4%	24%	B+	
Int'l Business Mach	IBM	Buy	\$105.18	\$6.97	15.1	\$7.97	13.2	10%	\$1.50	1.4%	10.3%	28%	48%	\$143,088	-10%	8%	A	
Oracle	ORCL	Buy	\$20.18	\$1.02	19.8	\$1.22	16.5	15%	–	0.0%	23.7%	32%	26%	\$103,181	-1%	18%	B	
Microsoft	MSFT	Buy	\$33.60	\$1.49	22.6	\$1.81	18.6	12%	\$0.41	1.2%	27.5%	24%	0%	\$315,017	17%	13%	B+	
Texas Instruments	TXN	Buy	\$31.57	\$1.79	17.6	\$2.10	15.0	15%	\$0.30	1.0%	18.5%	17%	0%	\$45,116	-8%	10%	B+	
Accenture	ACN	Hold	\$34.56	\$1.97	17.5	\$2.26	15.3	13%	\$0.42	1.2%	5.8%	64%	0%	\$26,364	-16%	-6%	NR	
Adobe Systems	ADBE	Hold	\$42.14	\$1.60	26.3	\$1.82	23.2	15%	\$0.03	0.0%	19.6%	29%	0%	\$24,797	-1%	3%	B+	
Fiserv	FISV	Hold	\$51.33	\$2.76	18.6	\$3.21	16.0	15%	–	0.0%	9.8%	17%	28%	\$8,566	10%	-2%	B+	
Linear Technology	LLTC	Hold	\$30.46	\$1.39	21.9	\$1.69	18.0	15%	\$0.72	2.4%	38.0%	27%	–	\$6,762	-10%	1%	A	
Western Union	WU	Hold	\$22.60	\$1.11	20.4	\$1.26	17.9	12%	\$0.01	0.0%	20.4%	–	–	\$17,462	20%	1%	NR	
MATERIALS																		
Materials SPDR	XLB	Buy	\$41.65	--	--	--	--	--	\$0.81	1.9%	--	--	--	\$1,392	6%	20%	NR	
TELECOMMUNICATIONS																		
Vanguard ETF	VOX	Buy	\$76.57	--	--	--	--	--	\$0.93	1.2%	--	--	--	\$245	-5%	4%	NR	
UTILITIES																		
Utilities SPDR	XLU	Buy	\$42.73	--	--	--	--	--	\$1.11	2.6%	--	--	--	\$2,517	10%	16%	NR	