

MARCH 2009

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The Markets	Current 2/28/2009	3-month Values	3-month Change	Year-ago Values	12-month Change
Cash					
Taxable MMF Yield	0.37%	1.12%	-75bp	3.10%	-273bp
Tax-Exempt MMF Yield	0.31%	0.84%	-53bp	1.42%	-111bp
Fixed Income					
Federal Funds Rate	0.00%	1.00%	-100bp	3.00%	-300bp
5-Yr US Treasury note	1.98%	1.91%	7bp	2.48%	-50bp
10-Yr US Treasury bond	3.02%	2.92%	10bp	3.52%	-50bp
5-Yr Aaa Muni Bond Index	2.00%	2.94%	-94bp	3.30%	-130bp
30-Year Conv. Mortgage	5.48%	5.84%	-36bp	6.24%	-76bp
Equities*					
S&P 500	735	896	-18.0%	1,331	-44.8%
S&P LargeCap 100	348	433	-19.6%	614	-43.3%
S&P MidCap 400	449	515	-12.7%	789	-43.0%
S&P SmallCap 600	206	254	-18.8%	363	-43.3%
EFAA Foreign Index	35	42	-16.9%	72	-51.6%
S&P 500 PE Ratio	12	10.3	16.5%	13.7	-12.4%
S&P 500 Dividend Yield	3.9%	3.2%	70bp	2.0%	190bp
Miscellaneous					
Inflation Rate (CPI, ann'l rate)	0.03%	3.66%	-363bp	4.28%	-425bp
CRB Index (Commodities)	212	242	-12.6%	413	-48.7%
London Gold / oz.	952	816	16.6%	972	-2.0%
Crude Oil / bbl.	45	54	-17.8%	102	-56.3%
Recent Economic Data					
Real GDP - Quarter: 4th Qtr.	-6.20%			Personal Income	0.40%
ISM Manufacturing Index	35.80			Personal Spending	0.60%
Industrial Capacity Utilization	72.00			Retail Sales	1.00%
Productivity - Quarter: 4th Qtr.	3.20%			New Home Sales	-10.20%
Unemployment Rate	7.6%			Consumer Confidence	25.00%

*Stock index performance excludes dividends

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

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Economic Forecasts*

	2008a	2009e	08:4Qa	09:1Qe	09:2Qe	09:3Qe
Real GDP	1.1%	-1.8%	-6.2%	-5.1%	-0.7%	1.4%
GDP Deflator	2.2%	1.0%	0.5%	2.2%	-0.3%	0.0%
10-Year Treasury Bond	2.25%	3.00%	2.25%	3.00%	3.00%	3.00%
Fed Funds Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* Mesirow Financial estimates. Quarterly data are seasonally adjusted at an annual rate.
e = estimated, a = actual

QUOTE OF THE MONTH:

“...having suffered through a number of bear markets in the past half century...Our sense is that such times require cool heads, discipline, and a keen sense of history. Just as we have been here before so will we enjoy a comeback in the markets once again, even though gauging the timing of such a recovery is a most uncertain science.”

—Value Line Quarterly Economic Review, Feb. 20, 2009

The Economy: Paying the Price of Excess

The current economic, market, and political climate reminds us of the 1979 to 1982 recession, the last period of dramatic economic upheaval. That period marked a turning point in history as power shifted from the state to the market. As often happens, however, the pendulum swung too far in favor of the market, leading to unmanageable excesses that can only be resolved by the cleansing action of what is likely to be a deep recession.

According to Sir Isaac Newton's third law of motion, for every action there is an equal and opposite reaction. While not an exact science, economics follows a similar pattern. For every excess, there is often a price that must be paid as the economy seeks equilibrium. The primary excess of the late 1970s was high inflation. The price for restoring stability was three years of recession, due in large part to high interest rates engineered by a tough and realistic Federal Reserve.

The primary excess of today is a legacy of weak lending standards and financial recklessness that led to over-leverage in the mortgage market, and in the securities that bundle those mortgages. The price for restoring economic equilibrium will be the time it takes for the

mortgage market to stabilize, a like business-retarding process that will be extended by the leverage that the financial system piled on top of already questionable collateral. Having experienced and studied the process as it ran its course from 1979 to 1982, and applying the knowledge gained to the current situation, we think that it may take a similar length of time for market forces to run their course.

The Return of the Bucket Shop

Many media reports compare the current cycle to the market downturn of the 1930s. Other downturns are similar as well, such as 1990 to 1991. Each period, like today, was defined by an over-extension of credit that encouraged the purchase of assets at increasingly higher prices, leading to a market bubble and subsequent collapse.

In substance, the current cycle seems most similar to that of almost exactly one hundred years ago. Markets were virtually unregulated in that era, and “bucket shops” sprung up in New York and in other large cities around the country. Bucket shops were little more than gambling parlors where speculators could place wagers

on stock price movements without trading the actual stocks.

As bucket shops grew in popularity, speculators borrowed money to support their trading. This pattern grew to an unsustainable level that collapsed during the Panic of 1907, when the New York Stock Exchange fell nearly 50 percent from its peak. Governments responded quickly; state laws making it a felony to operate bucket shops were enacted all over the country.

“Bucketeering” remained a felony until 2000, when, in the midst of a wave of deregulation, the Commodity Futures Modernization Act (CFMA) was passed into law. The act was passed in virtual secrecy in the waning days of President Clinton’s administration at the behest of Wall Street. Supported by Federal Reserve Chairman Alan Greenspan, Treasury Secretary Robert Rubin, and current White House economic advisor Lawrence Summers, the act passed without Congressional debate. Greenspan has since said the CFMA was a mistake. He didn’t think at the time that financial institutions would act against their own self-interest. This, of course, is exactly what they did.

In essence, the CFMA removed derivatives and credit default swaps (CDS) from federal oversight and preempted the states from enforcing their 100 year-old laws prohibiting the activities of bucket shops.

Gambling with Derivatives

With the door now wide open, gambling with derivatives soon grew to unsustainable levels, just as it did 100 years ago. Financial institutions wagered on anything they could: stocks, bonds, mortgages and mortgage-backed securities (MBS). The game worked as long as asset values rose, resulting in a financial market boom that created billions of dollars of revenue and bonuses for Wall Street firms. The game ended when the housing bubble collapsed, decimating the mortgage-based securities upon which many credit default swaps (CDS) were based. The result: massive losses that were out of proportion to the change in value of the underlying mortgages and securities.

In effect, falling mortgage values, and the MBS that packaged them, were bad enough. But the CDS bets made on these assets magnified the losses and overloaded individual companies (e.g., AIG) and the financial system. Incredible as it may seem, it appears that

even the most senior managements on Wall Street were only vaguely aware of their firm’s risk exposures. You can bet that government policy makers and regulators were in the dark, as were we, the investing public.

The extent of the CDS market was not known because it was not regulated. There was no central clearing house; nobody knew who owned what or how much – a situation that persists today. The lack of transparency on bank balance sheets has created paralyzing uncertainty and destroyed trust in the financial system. While intervention by the Federal Reserve has eased financial market stress to a degree, the markets remain frozen in a practical sense, with banks unwilling to take risks. Just as important, most securitization markets, which provide a financing mechanism for roughly half of the economy, remain virtually closed. We cannot envision a turnaround until this market reopens for business. We believe that won’t happen until the transparency that enables investors to measure risk and potential return is established.

Progress is being made. The following federal programs plan to address the problems of bank transparency and loan securitization:

- The Treasury Department is preparing to “stress test” the nation’s largest banks as a first step in providing some transparency.
- The Federal Reserve will attempt to jump start the frozen loan securitization market with the Term Asset-Backed Loan Facility (TALF). Under TALF, the Federal Reserve will provide financing to investors to support their purchases of AAA-rated asset-backed securities, including new and recently originated auto, student and credit loans and government-guaranteed small business loans.
- The Treasury is creating a clearing house for CDS trades, which is due to open this spring.

How Far Do We Have to Go?

The current downturn has been devastating, with consumption, production and employment falling rapidly. If the housing market is at the core of the problem, then general conditions are unlikely to improve significantly until the housing boom-to-bust cycle runs its course.

We doubt that any amount of government intervention

can arrest this force. Given the current housing supply overhang, the law of supply and demand dictates that prices must fall further, but how much further?

To measure how far housing prices may yet decline, we can use an inflation-adjusted housing index created by Robert J. Shiller, an economics professor at Yale University¹. Using home prices in 1890 as a base of 100, the index indicates that home prices after World War II tend to average approximately 110 (see chart below). Housing market booms in the 1970s and 1980s pushed the index above 120, with the index returning to approximately 110 after those booms ran their course. The most recent housing boom began in 1997 (approximately the same time as financial market lever-

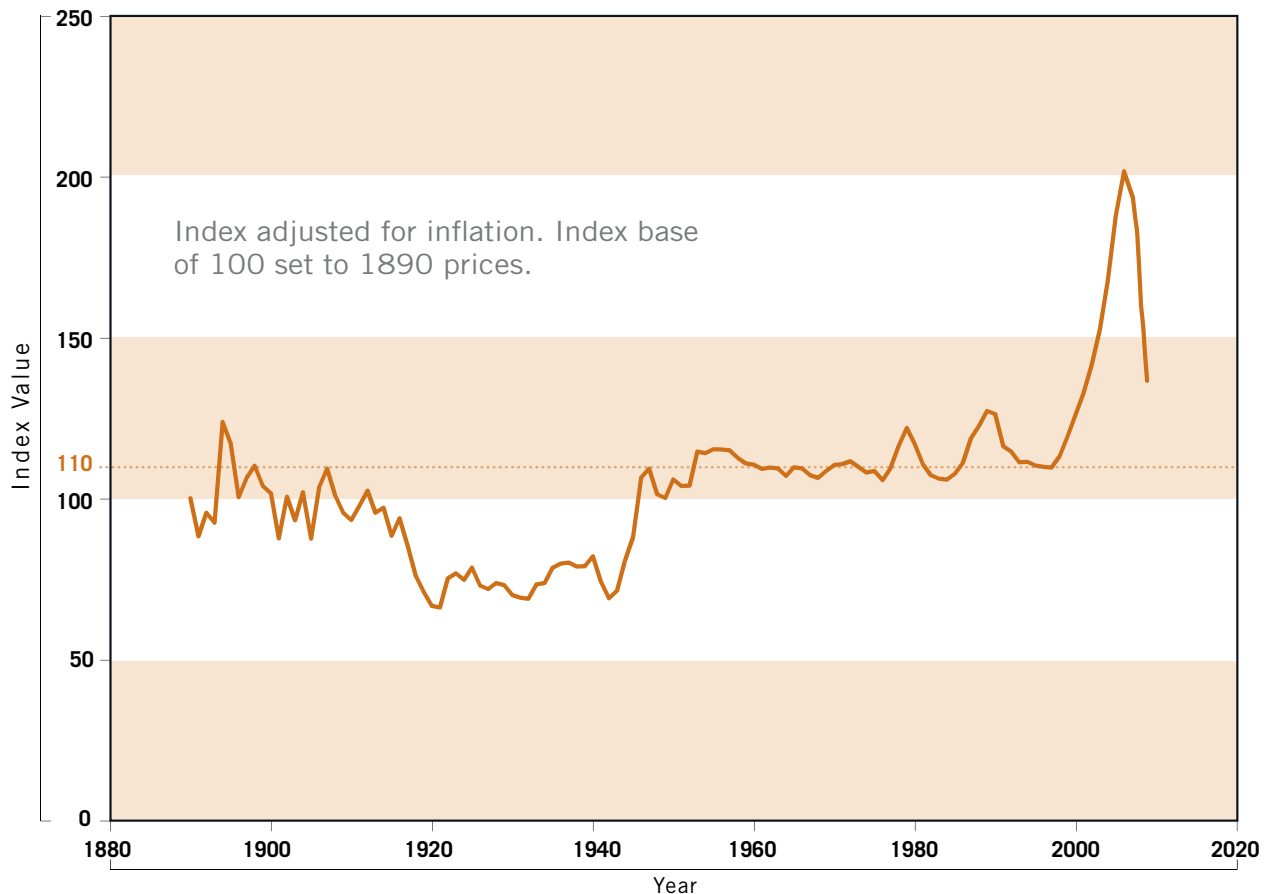
aging and securities deregulation began) and Shiller's index peaked in 2006 at over 200. The index rose 85 percent in nine years, an average of over nine percent per year.

The housing bubble burst following a series of Federal Reserve tightening moves that increased the cost of funding, sending home prices on a downward trajectory towards the historic level of 110. The bad news is that the price retreat has a ways to go. But there is good news: The rate of price decline has probably peaked and will continue slowing until reaching a point of equilibrium.

To date, the home price index has fallen from 202 to approximately 140, a decline of 33 percent. If history holds, then home prices have, on average, another 20 percent to decline from current levels, or 46 percent from peak to average.

¹Originally published in Shiller's book "Irrational Exuberance", this index should not be confused with the S&P/Case Shiller Home Price Index. The latter index has a base value of 100 on Jan. 2000 and provides data going back to 1987.

Historical Housing Price Index: 1890-2008



Source: Robert J. Shiller - <http://www.econ.yale.edu/~shiller/data.htm>

Credit default swaps and mortgage-backed securities held by banks and other financial institutions are not likely to get better before the housing market stabilizes. Our view is that the financial system may not run smoothly until that happens.

Fiscal policy response. The federal government's primary attempt to stimulate the economy, which follows and accompanies the Treasury's Troubled Asset Relief Program foray into providing capital for the nation's largest banks, is the American Recovery and Reinvestment Act (ARRA).

The ostensible goal of the ARRA is to encourage consumption, which has driven economic growth for over two decades. But the ARRA's potential direct impact on consumer behavior is questionable. Consumers are not exactly in a spending mood – they are scared, hunkered down and saving money and likely to stay that way until consumer confidence returns. In addition, only a small portion of the stimulus plan is directed at actually stimulating consumption. Direct stimulation – estimated by the Wall Street Journal to be 12 percent of the \$787 billion total – will take time to employ.

Monetary policy response. Federal Reserve Chairman Ben Bernanke has responded proactively and judiciously to the financial crisis by using all of the tools at his disposal, and then some, to create liquidity in the credit markets. Although monetary policy can only do so much until the mortgage-derived securities and derivatives markets settle down, it has kept credit flowing at a minimally acceptable level by acting as lender of last resort, while at the same time setting the stage for a recovery. Historically, the impact of monetary policy on economic behavior and gross domestic product (GDP) growth has a lag of 12 months to 18 months.

Monetary policy is often overlooked in the media because it takes time to work, but money matters. The rise in the Index of Leading Economic Indicators over the last two months can be attributed to a large increase in money supply over the past six months.

It's not just the consumer. In a recent article titled "Paradox Squared," Paul Kasriel of Northern Trust notes that consumption has not always led the economy. GDP growth between 1951 and 1980, when consumption averaged between 62 and 66 percent of GDP, was higher than between 1981 and 2008, when consumption

averaged between 66 and 71 percent of GDP (all figures compounded on five-year moving averages). GDP growth was driven in the earlier period by thrift, capital investment, production and exports, the same components that could lead the economy out of recession this time.

Interest Rates: Federal Reserve Providing Maximum Stimulus

According to Federal Reserve Chairman Ben Bernanke's Semiannual Monetary Policy Report to Congress, "the Federal Open Market Committee (FOMC) anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for some time."

Short-term interest rates are likely to stay low for a while. Interest rates on longer-term Treasury securities, while higher than short-term rates, appear to be trading less on inflation expectations and more on the flight to safety by many of the world's financial institutions and governments. A rise in longer-term Treasury securities would indicate when financial pressures are beginning to ease and economic activity is picking up. We note that the yield curve today remains positively sloped – historically an indication that bond investors expect growth ahead.

Investment opportunities. The yield spreads corporate debt over Treasury securities have narrowed since the panic of last fall, but still remain wide by historical standards. The market still has little appetite for risk. The wide spreads offer an investment opportunity in high-quality corporate bonds. In well diversified portfolios with a tolerance for risk, diversified baskets of speculative-grade bond may be a consideration.

The Stock Market: At the Mercy of Events

The stock market has always been a barometer of investor confidence. A shattered faith has caused stock prices to plummet. The descent has been so dramatic that the trailing 20-year average annual price gain for the S&P 500 fell from 9 percent to 5 percent in a matter of months.

Dramatic events on the economic, corporate, and political fronts have come rapidly since Sept. 2008. The

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Approved List of Common Stocks

Stocks in the FSG Model Portfolio are in color.

March 2009

	Ticker	Status	2/28/09		2009 Estimate		2010 Estimate		5-year		Financial Ratios					
			Price	EPS	P/E	EPS	P/E	Est EPS	Growth	Div.	Yield	Profit Margin	5-Yr ROE	Debt/Capital	Mkt. Cap (Mil.)	S&P Rank
S&P 500	SPX	-	\$825.88	\$63.01	13.1	\$78.78	10.5	-	\$28.38	3.4%	8.5%	18%	31%	\$72,167	-	
CONSUMER DISCRETIONARY																
Best Buy	BBY	Buy	\$28.82	\$2.62	11.0	\$2.39	12.1	13%	\$0.54	1.9%	3.5%	25%	20%	\$11,872	B+	
Burger King Holdings, Inc.	BKC	Buy	\$21.49	\$1.44	14.9	\$1.66	12.9	16%	\$0.25	1.2%	7.7%	13%	51%	\$2,894	NR	
Coach	COH	Buy	\$13.98	\$1.87	7.5	\$1.72	8.1	15%	-	0.0%	24.6%	44%	2%	\$4,570	NR	
Kohl's	KSS	Buy	\$35.14	\$2.33	15.1	\$2.62	13.4	14%	-	0.0%	6.6%	17%	24%	\$10,708	B+	
Staples	SPLS	Buy	\$15.95	\$1.29	12.4	\$1.58	10.1	14%	\$0.33	2.1%	5.1%	19%	18%	\$11,379	B+	
Walt Disney Co.	DIS	Buy	\$16.77	\$1.77	9.5	\$2.00	8.4	9%	\$0.35	2.1%	11.7%	12%	27%	\$31,042	A	
Lowe's	LOW	Hold	\$15.84	\$1.12	14.1	\$1.26	12.6	12%	\$0.34	2.1%	5.8%	20%	22%	\$23,216	A	
McDonald's	MCD	Hold	\$52.25	\$3.84	13.6	\$4.20	12.4	9%	\$1.75	3.3%	10.2%	17%	43%	\$58,235	A-	
Target	TGT	Hold	\$28.31	\$2.38	11.9	\$2.76	10.3	14%	\$0.62	2.2%	4.5%	18%	56%	\$21,311	A+	
CONSUMER STAPLES																
CostCo Wholesale	COST	Buy	\$42.34	\$2.68	15.8	\$2.96	14.3	13%	\$0.64	1.5%	1.8%	13%	20%	\$18,277	A-	
CVS	CVS	Buy	\$25.74	\$2.57	10.0	\$2.99	8.6	14%	\$0.27	1.1%	3.8%	14%	19%	\$36,969	A+	
Estee Lauder	EL	Buy	\$22.65	\$1.38	16.4	\$1.64	13.8	10%	\$0.55	2.4%	6.0%	26%	46%	\$4,448	A-	
Pepsico	PEP	Buy	\$48.14	\$3.67	13.1	\$4.00	12.0	10%	\$1.70	3.5%	11.9%	34%	39%	\$74,767	A+	
Philip Morris Int'l	PM	Buy	\$33.47	\$3.03	11.0	\$3.31	10.1	9%	\$1.54	4.6%	10.8%	51%	60%	\$67,711	NR	
Proctor & Gamble	PG	Buy	\$48.17	\$4.26	11.3	\$4.11	11.7	10%	\$1.60	3.3%	14.5%	27%	24%	\$143,821	A+	
Altria Group	MO	Hold	\$15.44	\$1.71	9.0	\$1.81	8.5	9%	\$1.68	10.9%	16.0%	32%	72%	\$31,813	A	
Coca-Cola	KO	Hold	\$40.85	\$3.13	13.1	\$3.38	12.1	8%	\$1.55	3.8%	18.2%	30%	12%	\$94,509	A	
Walgreen	WAG	Hold	\$23.86	\$2.10	11.4	\$2.32	10.3	12%	\$0.43	1.8%	3.7%	18%	9%	\$23,619	A+	
Walmart	WMT	Hold	\$49.24	\$3.55	13.9	\$3.91	12.6	11%	\$0.95	1.9%	3.3%	21%	35%	\$193,146	A+	
ENERGY																
Chevron	CVX	Buy	\$60.71	\$5.55	10.9	\$7.99	7.6	7%	\$2.60	4.3%	9.0%	28%	9%	\$123,350	A-	
ConocoPhillips	COP	Buy	\$37.35	\$4.03	9.3	\$6.03	6.2	7%	\$1.88	5.0%	6.3%	20%	19%	\$55,682	B	
Devon Energy	DVN	Buy	\$43.67	\$3.19	13.7	\$6.18	7.1	6%	\$0.64	1.5%	-20.0%	18%	25%	\$19,293	B+	
Noble	NE	Buy	\$24.59	\$6.60	3.7	\$6.23	3.9	13%	\$0.16	0.7%	45.3%	21%	12%	\$6,490	B	
Transocean	RIG	Buy	\$59.77	\$13.87	4.3	\$14.15	4.2	8%	\$0.12	0.0%	49.1%	13%	46%	\$19,077	NR	
Exxon Mobil	XOM	Hold	\$67.90	\$4.86	14.0	\$6.89	9.9	7%	\$1.60	2.4%	11.3%	31%	6%	\$345,383	A+	
FINANCIAL																
Aflac	AFL	Buy	\$16.76	\$4.77	3.5	\$5.33	3.1	15%	\$1.00	6.0%	7.6%	18%	0%	\$7,812	A	
Goldman Sachs	GS	Buy	\$91.08	\$8.35	10.9	\$10.81	8.4	12%	\$1.52	1.7%	4.3%	21%	72%	\$40,275	B+	
JP Morgan	JPM	Buy	\$22.85	\$1.63	14.0	\$2.74	8.3	8%	\$1.19	5.2%	21.5%	11%	74%	\$85,284	B	
U.S. Bancorp	USB	Buy	\$14.31	\$1.20	11.9	\$1.75	8.2	8%	\$1.70	11.9%	31.2%	22%	65%	\$25,108	A-	
Wells Fargo	WFC	Buy	\$12.10	\$1.30	9.3	\$2.32	5.2	10%	\$1.33	11.0%	5.5%	16%	73%	\$51,062	A-	

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Ticker	Status	2/28/09 Price	2009 Estimate		2010 Estimate		5-year Est EPS Growth	Div.	Yield	Financial Ratios			Mkt. Cap (Mil.)	S&P Rank
			EPS	P/E	EPS	P/E				Profit Margin	5-Yr ROE	Debt/Capital		
HEALTHCARE														
Abbott Labs	Buy	\$47.34	\$3.68	12.9	\$4.12	11.5	12%	\$1.48	3.1%	16.0%	22%	33%	\$73,452	A-
Celgene	Buy	\$44.73	\$2.17	20.6	\$2.93	15.3	30%	-	0.0%	-68.0%	10%	0%	\$20,495	C
Cerner	Buy	\$36.60	\$2.44	15.0	\$2.83	12.9	18%	-	0.0%	11.3%	13%	8%	\$2,965	B
Johnson & Johnson	Buy	\$50.00	\$4.51	11.1	\$4.91	10.2	8%	\$1.84	3.7%	20.3%	29%	16%	\$138,728	A+
Medtronic	Buy	\$29.59	\$2.93	10.1	\$3.21	9.2	11%	\$0.75	2.5%	16.5%	23%	30%	\$33,088	A-
Stryker	Buy	\$33.67	\$3.11	10.8	\$3.52	9.6	16%	\$0.40	1.2%	17.1%	21%	0%	\$13,594	A+
Thermo Fisher Scientific	Buy	\$36.26	\$3.17	11.4	\$3.46	10.5	14%	-	0.0%	9.4%	6%	12%	\$15,237	B-
Amgen	Hold	\$48.93	\$4.63	10.6	\$5.03	9.7	10%	-	0.0%	28.0%	17%	31%	\$51,842	B+
INDUSTRIALS														
Danaher	Buy	\$50.76	\$3.77	13.5	\$3.94	12.9	12%	\$0.12	0.2%	10.4%	17%	21%	\$16,223	A+
Eaton Corp	Buy	\$36.15	\$4.10	8.8	\$4.61	7.8	11%	\$2.00	5.5%	7.4%	20%	30%	\$5,961	A-
Emerson Electric	Buy	\$26.75	\$2.65	10.1	\$2.52	10.6	10%	\$1.26	4.7%	9.9%	23%	28%	\$20,519	A
Illinois Tool Works	Buy	\$27.80	\$2.05	13.6	\$2.32	12.0	10%	\$1.21	4.4%	10.0%	19%	14%	\$14,210	A
L-3 Communications	Buy	\$67.65	\$7.31	9.3	\$8.19	8.3	10%	\$1.25	1.8%	6.2%	13%	44%	\$8,077	A-
United Technologies	Buy	\$40.83	\$4.61	8.9	\$4.76	8.6	10%	\$1.41	3.5%	8.1%	22%	37%	\$38,814	A+
General Electric	Hold	\$8.51	\$1.26	6.8	\$1.31	6.5	8%	\$1.24	14.6%	9.9%	18%	76%	\$89,383	A+
INFORMATION TECHNOLOGY														
Adobe Systems	Buy	\$16.70	\$1.70	9.8	\$1.90	8.8	15%	\$0.03	0.0%	24.4%	24%	7%	\$8,867	B+
Autodesk	Buy	\$12.69	\$1.29	9.8	\$1.60	7.9	15%	\$0.06	0.0%	16.4%	32%	0%	\$2,872	B
Cisco Systems	Buy	\$14.57	\$1.25	11.7	\$1.20	12.1	10%	-	0.0%	20.4%	23%	15%	\$85,309	B+
Citrix Systems	Buy	\$20.58	\$1.64	12.5	\$1.87	11.0	13%	-	0.0%	11.3%	14%	0%	\$3,738	B+
Hewlett-Packard	Buy	\$29.03	\$3.70	7.8	\$4.01	7.2	12%	\$0.32	1.1%	7.0%	15%	21%	\$71,097	B+
Int'l Business Mach	Buy	\$92.03	\$9.05	10.2	\$9.86	9.3	10%	\$2.00	2.2%	11.9%	36%	63%	\$123,638	A
Microsoft	Buy	\$16.15	\$1.76	9.2	\$1.95	8.3	11%	\$0.48	3.0%	29.3%	31%	0%	\$143,664	B+
Oracle	Buy	\$15.54	\$1.42	10.9	\$1.54	10.1	15%	-	0.0%	24.6%	30%	31%	\$80,100	B
Research In Motion	Buy	\$39.94	\$3.38	11.8	\$3.62	11.0	22%	-	0.0%	21.5%	21%	0%	\$22,607	B
Visa	Buy	\$56.71	\$2.70	21.0	\$3.19	17.8	20%	\$0.42	0.7%	12.8%	N/A	0%	\$61,470	NR
Accenture	Hold	\$29.19	\$2.80	10.4	\$3.02	9.7	12%	\$0.50	1.7%	6.7%	62%	0%	\$22,267	NR
Fiserv	Hold	\$32.62	\$3.65	8.9	\$4.08	8.0	15%	-	0.0%	7.3%	17%	60%	\$5,224	B+
MATERIALS														
Materials SPDR	Buy	\$19.37	\$1.22	15.9	-	N/A	14%	\$0.93	4.8%	-	N/A	N/A	\$655	NR
TELECOMMUNICATIONS														
Vanguard ETF	Buy	\$40.72	\$(0.12)	(339.3)	-	N/A	10%	\$2.00	4.9%	-	N/A	N/A	\$94	NR
UTILITIES														
Utilities SPDR	Buy	\$25.35	\$2.49	10.2	-	N/A	8%	\$1.20	4.7%	-	N/A	N/A	\$1,490	NR

CURRENT DISCLOSURES

It should not be assumed that recommendations made by the Feldman Securities Group, LLC (“FSG”) in the future will be profitable or will equal the performance of the list of securities for which Buy, Hold and Sell ratings are made by FSG.

FSG reserves the right to change a stock rating at any time.

The Feldman Securities Stock Rating System is a relative ranking system based on valuation - the more attractive a stock in terms of total return potential, the higher the rating. Once a stock has qualified under our Financial Strength and Earning Power criteria, Valuation is the primary determining factor, meaning that the stock price is of critical importance. Significant changes in estimated valuation can trigger a change in our rating. Feldman Securities Group, LLC’s Stock Ratings are defined as:

BUY – The current price suggests that the stock is likely to produce a total return that is greater than the relevant benchmark over the next 12 to 24 months.

HOLD - The current price suggests that the stock is likely to produce a total return that is about the same as the relevant benchmark over the next 12 to 24 months.

SELL - The current price suggests that the stock is likely to produce a total return that is less than the relevant benchmark over the next 12 to 24 months.

Over the past calendar quarter, the ratings breakdowns of stocks actively followed by FSG were:

BUY: 68.1%
HOLD: 27.5%
SELL: 4.3%

Research Analyst Bradley W. Young and Household invest in common stocks, some of which are on FSG’s approved list of stocks.

FSG does not make a market in nor underwrite any security. FSG does not take proprietary ownership in any stock covered in this report.

Factual materials obtained from sources believed to be reliable but cannot be guaranteed. Part II of Form ADV is available upon request. For further information please contact FSG at (800) 676-1755 or research@fsgrhino.com.

The S&P Quality Ranking System assesses in a single symbol the growth and stability of a company's earnings and dividends history. Rankings are generated using a computerized system based on earnings per share and dividend records over the past 10 years. The following is a list of Quality Rankings with letter classifications and a brief description:

<u>Letter</u>	<u>Description</u>
A+	Highest
A	High
A-	Above Average
B+	Average
B	Below Average
B-	Lower
C	Lowest
D	In Reorganization
LIQ	Liquidation

The following is a list of fundamental research metrics listed on the stock profile and their definitions:

<u>Metric</u>	<u>Definition</u>
2009e EPS	Mean estimated earnings for the company's current fiscal year 2009.
2009e P/E	Price to Estimated Earnings ratio for Fiscal 2009. Formula: Current Price / Sum of quarterly earnings and earnings estimates for fiscal year 2009.
2010e EPS	Mean estimated earnings for the company's next fiscal year 2010.
2010e P/E	Price to Estimated Earnings ratio for Fiscal 2010. Formula: Current Price / Sum of quarterly earnings and earnings estimates for fiscal year 2010.
5-Year Est EPS Growth	The Long Term Secular Growth Rate estimated for a period of five years.
Div.	The sum of regular dividends paid for the last four quarters.
Yield	The dollar amount of the latest 12 months of dividends / closing price shown.
Profit Margin	A measure of profitability; it answers the question of how much a company retains from each dollar of revenue after deducting all operating, interest, & tax expenses. Formula: Net Income / Revenue.
5-Year ROE	Avg. of last 5 yrs ROE. ROE = after tax profits earned for all the shareholders expressed as a percentage. Formula: Latest 4 Quarter EPS / (((Latest quarterly total Stockholders Equity from the Balance Sheet + Stockholders Equity 4 quarters ago from the Balance Sheet) / 2) / Shares Outstanding).

Historical company rating changes by the Feldman Securities Group The last rating change is provided for all stocks that have been on FSG's Approved List over the last 12 months. Also, if a company's rating changed more than once in the previous 12 months, all ratings over the last 12 months are shown.

Company	Ticker	Rating	Date of Rating Change	Price at Rating Change	Price on 2/28/09
ABBOTT LABORATORIES	ABT	Buy	1/10/06	39.46	47.34
ACCENTURE	ACN	Hold	9/18/06	28.64	29.19
ADOBE SYSTEMS	ADBE	Hold	2/2/07	38.97	16.70
ADOBE SYSTEMS	ADBE	Buy	5/12/08	40.44	16.70
AUTODESK	ADSK	Buy	1/19/07	42.23	12.69
AFLAC	AFL	Hold	10/26/06	44.00	16.76
AFLAC	AFL	Buy	7/9/08	61.08	16.76
AFLAC	AFL	Hold	1/26/09	19.62	16.76
AFLAC	AFL	Buy	2/20/09	17.01	16.76
AMER INT'L GROUP	AIG	Hold	2/12/08	44.74	0.42
AMER INT'L GROUP	AIG	Sell	3/17/08	39.80	0.42
AMGEN	AMGN	Hold	10/26/06	75.98	48.93
BED BATH & BEYOND	BBBY	Buy	7/24/02	31.39	21.30
BED BATH & BEYOND	BBBY	Hold	5/19/08	32.68	21.30
BED BATH & BEYOND	BBBY	Sell	12/18/08	25.59	21.30
BEST BUY	BBY	Buy	6/15/05	45.08	28.82
BURGER KING HOLDINGS	BKC	Buy	5/19/08	30.23	21.49
CELGENE	CELG	Buy	2/9/09	54.29	44.73
CERNER	CERN	Buy	2/26/09	36.72	36.60
CAPITAL ONE FIN'L	COF	Buy	1/19/07	77.62	12.05
CAPITAL ONE FIN'L	COF	Hold	7/22/08	42.08	12.05
CAPITAL ONE FIN'L	COF	Sell	7/25/08	39.27	12.05
COACH	COH	Buy	5/19/08	36.44	13.98
CONOCOPHILLIPS	COP	Buy	11/17/00	25.81	37.35
COSTCO WHOLESALE	COST	Buy	11/17/08	47.31	42.34
CISCO SYSTEMS	CSCO	Buy	7/17/07	29.73	14.57
CITRIX SYSTEMS	CTXS	Buy	2/2/07	31.90	20.58
CVS/CAREMARK	CVS	Buy	10/26/06	31.05	25.74
CHEVRON	CVX	Buy	5/3/06	57.96	60.71
DANAHER	DHR	Buy	5/8/01	28.66	50.76
DISNEY	DIS	Buy	8/6/08	31.31	16.77
DEVON ENERGY	DVN	Buy	5/3/06	62.19	43.67
EBAY	EBAY	Buy	10/6/06	29.36	10.87
EBAY	EBAY	Sell	9/23/08	21.48	10.87
LAUDER (ESTEE)	EL	Buy	11/10/05	32.63	22.65
EMERSON ELECTRIC	EMR	Buy	6/13/07	47.15	26.75
EATON	ETN	Buy	11/15/07	87.42	36.15
FISERV	FISV	Hold	11/14/07	52.88	32.62
GENERAL ELECTRIC	GE	Hold	10/26/06	33.97	8.51
GOLDMAN SACHS GROUP	GS	Hold	10/26/06	193.38	91.08
GOLDMAN SACHS GROUP	GS	Buy	5/2/08	200.27	91.08
GOLDMAN SACHS GROUP	GS	Hold	9/22/08	120.78	91.08
GOLDMAN SACHS GROUP	GS	Buy	10/15/08	113.15	91.08
HEWLETT-PACKARD	HPQ	Buy	11/14/07	48.91	29.03
INT'L BUSINESS MACH	IBM	Buy	11/14/07	102.63	92.03
ILLINOIS TOOL WORKS	ITW	Buy	10/5/05	38.22	27.80
JOHNSON & JOHNSON	JNJ	Buy	2/16/00	34.38	50.00
JPMORGAN CHASE & CO	JPM	Buy	10/3/07	46.21	22.85

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Company	Ticker	Rating	Date of Rating Change	Price at Rating Change	Price on 2/28/09
COCA-COLA	KO	Hold	10/26/06	45.36	40.85
KOHL'S	KSS	Buy	3/17/08	39.97	35.14
L-3 COMM TITAN	LLL	Buy	3/21/05	68.19	67.65
LINEAR TECHNOLOGY	LLTC	Hold	11/19/07	30.35	21.80
LINEAR TECHNOLOGY	LLTC	Sell	7/24/08	30.63	21.80
LOWE'S COMPANIES	LOW	Buy	2/20/04	29.19	15.84
LOWE'S COMPANIES	LOW	Hold	5/19/08	24.25	15.84
MCDONALD'S	MCD	Hold	10/26/06	39.78	52.25
MEDTRONIC	MDT	Buy	9/18/06	45.77	29.59
ALTRIA GROUP	MO	Hold	4/2/07	21.04	15.44
ALTRIA GROUP	MO	Buy	3/17/08	21.58	15.44
ALTRIA GROUP	MO	Hold	5/2/08	20.43	15.44
MORGAN STANLEY	MS	Buy	5/3/06	52.65	19.54
MORGAN STANLEY	MS	Hold	3/17/08	36.17	19.54
MORGAN STANLEY	MS	Sell	10/15/08	18.13	19.54
MICROSOFT	MSFT	Buy	9/15/06	26.20	16.15
NOBLE	NE	Buy	6/6/07	46.15	24.59
NORTHERN TRUST CORP.	NTRS	Buy	7/25/08	77.07	55.55
NORTHERN TRUST CORP.	NTRS	Sell	2/25/09	58.14	55.55
ORACLE	ORCL	Buy	7/17/07	20.38	15.54
PEPSICO	PEP	Buy	7/1/02	44.31	48.14
PFIZER	PFE	Hold	10/26/06	25.07	12.31
PFIZER	PFE	Sell	2/10/09	14.07	12.31
PROCTER & GAMBLE	PG	Buy	10/26/06	61.53	48.17
PHILIP MORRIS INTL	PM	Buy	4/4/08	51.37	33.47
TRANSOCEAN	RIG	Buy	5/23/08	152.01	59.77
RESEARCH IN MOTION	RIMM	Buy	2/9/09	59.00	39.94
STARBUCKS	SBUX	Buy	3/31/06	37.63	9.15
STARBUCKS	SBUX	Sell	8/6/08	14.52	9.15
SLM	SLM	Hold	1/19/07	45.17	4.60
SLM	SLM	Sell	7/9/08	16.33	4.60
STAPLES	SPLS	Buy	3/17/08	20.77	15.95
SUPERVALU	SVU	Buy	9/23/08	22.52	15.61
SUPERVALU	SVU	Sell	11/21/08	9.40	15.61
STRYKER	SYK	Buy	2/3/05	50.84	33.67
TARGET	TGT	Hold	10/26/06	58.32	28.31
THERMO FISHER SCI.	TMO	Buy	5/20/08	58.35	36.26
TEXAS INSTRUMENTS	TXN	Buy	10/3/07	35.76	14.35
TEXAS INSTRUMENTS	TXN	Sell	2/1/09	15.69	14.35
U.S. BANCORP	USB	Buy	8/5/04	24.14	14.31
UNITED TECHNOLOGIES	UTX	Buy	8/20/08	64.75	40.83
VISA	V	Buy	4/28/08	75.63	56.71
VANGUARD TELECOM ETF	VOX	Buy	4/16/07	76.68	40.72
WALGREEN	WAG	Hold	9/18/06	48.68	23.86
WELLS FARGO	WFC	Buy	7/24/02	18.75	12.10
WELLPOINT	WLP	Buy	1/24/07	76.00	33.92
WELLPOINT	WLP	Hold	3/11/08	47.26	33.92
WELLPOINT	WLP	Sell	2/10/09	43.44	33.92

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Historical company rating changes by the Feldman Securities Group (continued) The last rating change is provided for all stocks that have been on FSG's Approved List over the last 12 months. Also, if a company's rating changed more than once in the previous 12 months, all ratings over the last 12 months are shown.

Company	Ticker	Rating	Date of Rating Change	Price at Rating Change	Price on 02/28/09
WAL-MART STORES	WMT	Hold	10/26/06	50.14	49.24
WILLIAMS-SONOMA	WSM	Buy	12/26/06	32.07	8.73
WILLIAMS-SONOMA	WSM	Hold	3/17/08	22.91	8.73
WILLIAMS-SONOMA	WSM	Sell	2/10/09	9.19	8.73
WESTERN UNION	WU	Hold	10/2/07	20.97	11.16
WESTERN UNION	WU	Sell	2/11/09	12.53	11.16
WRIGLEY (WM) JR*	WWY	Buy	12/31/99	33.18	N/A
WRIGLEY (WM) JR*	WWY	Hold	4/29/08	76.91	N/A
WRIGLEY (WM) JR*	WWY	Sell	8/27/08	79.38	N/A
SPDR MATERIALS SELCT	XLB	Buy	4/16/07	38.56	19.37
SPDR UTILITIES INDEX	XLU	Buy	4/16/07	39.80	25.35
EXXON MOBIL	XOM	Hold	5/3/06	61.32	67.90

* Acquired by Mars, Inc. on 10/6/08.

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average money manager, much less the average investor, has had little time to think and seemingly less time to react. Securities analysis has become more difficult due to greater uncertainty across all industries. Security analysis and portfolio construction can do little more now than focus on high-quality companies with the strongest relative business fundamentals. These are the likely survivors that, after weathering the storm, will be in a strong competitive position to prosper during the inevitable recovery.

Our best attempt at stock market and company valuations strongly suggest that selling at current levels runs a high risk of closing the loop on a "buy high/sell low" exercise. Stock markets tend to run to excess at both ends of the emotional spectrum, and long-term investors should factor this into their planning. In the meantime, investing in stocks at this time is as much as a bet on America as on anything else. And since 1776, anyone betting against America has been wrong.

