

ROBERT HOGLUND - ELECTRIC

1 Q. Please state your name, address, and occupation.

2 A. My name is Robert Hoglund. I am employed by
3 Consolidated Edison Company of New York, Inc. ("Con
4 Edison", "CECONY", or the "Company") as Senior Vice
5 President Finance and Chief Financial Officer. My
6 business address is 4 Irving Place, New York, New
7 York.

8 Q. Please describe your educational background.

9 A. I hold a B.A. in English with high honors, an MBA and
10 a JD, each from the University of Virginia.

11 Q. Please summarize your business career.

12 A. I joined Consolidated Edison in April 2004. I was
13 previously employed at Citigroup where I was a
14 Managing Director in the mergers & acquisitions
15 department and had managed the Global Power coverage
16 effort for North America. I previously covered US
17 utilities during my tenure at Merrill Lynch and the
18 former Barr Devlin. I began my career as an M&A
19 generalist at Morgan Stanley in 1988. During my seven
20 years at Citigroup, as a senior mergers and
21 acquisitions professional, I participated in fairness
22 opinion committee decisions and in setting standards
23 for discounted cash flow and capital asset pricing

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1 model ("CAPM") determinations. I regularly valued, or
2 directed the valuation of utilities and utility assets
3 employing discounted cash flow valuations that applied
4 CAPM-derived market costs of capital.

5 Q. Have you testified before the Public Service
6 Commission ("Commission") previously?

7 A. Yes. I have testified in Case 07-E-0523.

8 Q. What is the purpose of your testimony?

9 A. My testimony has five parts. The first part addresses
10 the question of recovery of Directors' and Officers'
11 insurance costs which was raised during the hearings
12 for the Company's last electric rate case. The second
13 part identifies the significant financial challenges
14 facing the Company. The third part describes the role
15 we hope investors will play in meeting the Company's
16 financial needs. Fourth, I discuss whether the needs
17 of investors for "fair and equitable" compensation are
18 met by the current return setting regime in New York
19 State. Finally, I will discuss the consequences for
20 borrowing costs and credit quality of recent rate
21 results for the Company.

22

23

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DIRECTOR'S AND OFFICER'S INSURANCE

1 Q. What is Director's and Officer's ("D&O") insurance?

2 A. D&O insurance covers the Company and its directors and
3 officers for claims and litigation brought against
4 them for decisions they make in their respective
5 corporate capacities.
6

7 Q. Why does Con Edison need D&O insurance?

8 A. The Company needs the insurance to attract qualified
9 officers and directors to serve in those roles. D&O
10 insurance is almost universal among larger US
11 companies today because officers and directors are
12 fully aware of the litigation exposure that attends to
13 the responsibilities of boards and management. Often
14 prospective officers and directors will require
15 evidence of insurance, and sometimes even the details
16 of the coverage, prior to agreeing to join the board
17 of directors or senior management of publicly-listed
18 companies such as Consolidated Edison. Directors and
19 officers are particularly interested in receiving
20 coverage from the corporation because insurers do not
21 offer coverage to individuals directly.
22 D&O policies typically exclude claims arising out of
23 deliberate, fraudulent, criminal or malicious acts,

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1 claims in which the director or officer has gained a
2 personal profit to which the director or officer was
3 not legally entitled, and claims involving any profit
4 from illegal insider trading. The policies typically
5 are not intended to cover dishonest, inappropriate, or
6 willful criminal acts committed by directors and
7 officers. They do cover the typical daily good faith
8 decisions, made by officers and directors related to
9 the management and operation of our business.

10 Q. What proportion of companies purchase D&O insurance?

11 A. Towers Perrin's most recent survey on D&O insurance
12 indicates that over 99% of public, private and non-
13 profit survey participants purchase the insurance.

14 Q. What determines the price that a company pays for its
15 D&O insurance?

16 A. The price for D&O coverage is determined in a
17 competitive insurance market. Primary determinants of
18 the level of market prices include the current level
19 of corporate governance litigation in the country as a
20 whole, trends in settlement costs, and the historic
21 and expected returns of the insurers' investments. In
22 recent years the frequency of litigation has
23 increased, as has the cost of resolution. In 1996,

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1 the average defense and settlement costs for D&O
2 claims were approximately \$7 million. By 2002, this
3 figure climbed to \$24 million.

4 Q. How does the amount the Company pays for D&O insurance
5 compare to the amounts paid by other similar
6 companies?

7 A. Both Willis and Marsh have reviewed our premiums, and
8 both attest that our current D&O insurance costs
9 reflect market prices when compared to what other
10 similar companies pay for D&O insurance. Marsh also
11 advises that based on its current book of business,
12 companies with between a \$9-\$15 billion equity market
13 value, pay an average primary premium in their lead
14 layer of coverage of about \$39,600 per \$1 million in
15 limits purchased. It also reports that for their
16 Fortune 500 utility clients, the average primary lead
17 premium amounts to about \$36,000 per \$1 million in
18 limits purchased. The Company pays \$1,292,062 to
19 AEGIS under its current lead policy, which amounts to
20 a cost of \$36,916 per million. Willis, our D&O
21 broker, and Marsh (the largest broker globally) have
22 attested to the fact that our pricing is in line with

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1 the market and what other companies are paying. They
2 also believe that our deductibles are reasonable.

3 Q. Have you prepared an exhibit to support your point?

4 A. Yes. I have attached as Exhibit ___(RH-1) letters from
5 Willis and Marsh.

6 Q. Have the premiums paid by the Company shown any
7 relationship to any operating incidents?

8 A. No. We have not experienced premium increases
9 subsequent to either of the Long Island City outage in
10 2006 or the steam pipe failure in Midtown Manhattan in
11 2007.

12 Q. Please summarize your views on the Company's D&O
13 insurance program.

14 A. The program is a necessary part of our, or any
15 company's, insurance program. The prices we pay
16 currently are within industry norms, and do not
17 reflect any reaction to Company-specific incidents.
18 It is reasonable, as the Commission found in the last
19 electric case, that the cost of the program continue
20 to be recovered through ratepayer revenues.

21

22 THE COMPANY'S FINANCIAL CHALLENGES

23 Q. What are the financial challenges that face the

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1 Company?

2 A. The Company faces four financial challenges both for
3 the rate year and for the foreseeable future.

4 Q. What is the first financial challenge for the Company?

5 A. The most readily noticeable financial challenge for
6 the Company arises from the fact that its business is
7 mature and capital intensive. Capital intensity is
8 high in an energy delivery business, but all the more
9 so in an urban area. Capital intensity can be
10 demonstrated by the fact that the ratio of net plant
11 per dollar of revenues is \$1.82 for the Company versus
12 \$0.59 for the average S&P 500 company. The maturity of
13 the Company's facilities mean that service is
14 currently provided using assets of a very different
15 average cost than the incremental cost of new
16 facilities. Thus, the Company's depreciation rates,
17 which reflect historic book values, are small relative
18 to its current capital costs, returning only 33% of
19 its capital expenditures (30% if net salvage is
20 included) in the form of depreciation in 2007. Due to
21 the long authorized depreciation lives, this dynamic
22 is likely to continue for a long time. By way of
23 comparison, the average S&P 500 company recovered 274%

1 of its capital expenditures through depreciation in
2 2007, and the average company in the Bloomberg
3 electric utilities recovered 48%.

4 Q. Would you please describe the second financial
5 challenge the Company faces?

6 A. The Company is, and will be, challenged by its
7 unusually weak cash flows as compared to other
8 businesses. The weak cash recovery on plant arises
9 from the capital expenditure dynamics described above.
10 But, even if the modest increases in customer demands,
11 net of the assumed energy efficiency plans, were not
12 considered, replacement needs alone would
13 substantially exceed the cash generated through
14 depreciation recoveries. Over the next three years,
15 approximately 67% of the capital investment planned
16 replaces or upgrades existing facilities. The
17 challenge that this dynamic presents is that the
18 Company will have a relatively poor cash flow profile
19 when compared to other businesses for a long period of
20 time. In addition to the large capital needs, recovery
21 of operations and maintenance expenses have been
22 deferred over long periods which would not be possible
23 without regulatory treatment under SFAS 71. Finally,

1 the historic capital expenditures now subject to
2 Commission review increase both current and
3 prospective cash flow risk for the Company. Deferral
4 and review of expenses do not arise outside the
5 regulatory arena and are risks investors must assess
6 when deciding whether to provide capital to the
7 Company, and on what terms. It is important to
8 understand that the Company's obligation of universal
9 reliable service means also that it must be ready to
10 respond, from an operating and financial standpoint,
11 to contingencies. By that I mean unexpected events or
12 catastrophes that put the company to the test of
13 maintaining essential services. To say that such
14 events or catastrophes are not predictable or
15 quantified in a given test period does not adequately
16 respond to this vital concern.

17 Q. What is the third financial challenge faced by the
18 Company?

19 A. Third, the Company is subject to several restrictions
20 that limit its ability to react to unfavorable
21 circumstances. As mentioned above, it must provide
22 service as demanded, even if doing so entails
23 significant investment upon unfavorable terms. It

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1 cannot refuse to provide service to new or
2 unprofitable customers. It also cannot reach beyond
3 its franchised area to serve attractive new customers.
4 The Company's assets are immovable; unlike those of
5 most companies they cannot be used in a different
6 location or business, their usefulness and
7 profitability are tied to providing electric service
8 in New York. Also, unlike other companies, CECONY has
9 a limited ability to retain the advantages of its
10 efforts to improve its efficiency and thus lower its
11 costs of doing business for the benefit of its owners,
12 as these benefits are fully allocated to customers
13 each time rates are reset.

14 Finally, the ability of CECONY's parent to make a
15 profit in the non-regulated arena is restricted by the
16 prohibitions imposed on Con Edison's ability to invest
17 in certain assets in the area it knows best, New York,
18 and by the Commission's decision (through accepting
19 Staff's hypothetical transfer of equity from the
20 Company to the non-regulated businesses) to impose an
21 uneconomic capital structure on Con Edison's non-
22 regulated businesses that requires significantly more
23 equity than rational financial policy in a competitive

1 market would allocate.

2 Q. What is the fourth financial challenge facing the
3 Company?

4 A. The financial challenges described previously all
5 converge in the Company's fourth challenge which is
6 that it must approach the markets for additional new
7 capital on a frequent and recurring basis. Each time,
8 investors will assess the risks they would bear upon
9 investing in the Company due to the challenges
10 identified above. Their assessment of these risks is,
11 and will be, priced in the market each of the numerous
12 times that the Company seeks new capital in the years
13 ahead.

14

15 THE ROLE OF INVESTORS IN FUNDING THE COMPANY

16 Q. Your description of the challenges the Company faces
17 assumes that investors have some choice about
18 investing in the Company. Based on the models the
19 Commission and its Staff rely upon to authorize
20 returns, how can there be a "role" for investors?

21 A. In all businesses, including the Company, investors
22 fund the difference between what the customer pays for
23 a good or service and the current and accumulated cost

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1 of providing that good or service. Thus, in all
2 instances customers do not own the company or its
3 assets. Rather, investors fund the business which
4 allows customers to postpone payment of the full costs
5 of production. In return, the investors, through the
6 price paid for the good or service, have the
7 opportunity to earn a return. Investors thus evaluate
8 their potential returns in light of the
9 characteristics of those returns: their magnitude,
10 timing and probability.

11 Q. What forms might this evaluation take?

12 A. In a typical business, the investor identifies the
13 potential return as coming from one of two sources: a
14 cash income stream from dividends and the potential to
15 sell the stock in the future for a higher price. For
16 fundamental long-term investors, the assumption as to
17 a higher sale price in the future generally results
18 from improvement in earnings per share rather an
19 assumption that the stock can be sold at a higher
20 multiple of those earnings.

21 Q. Are there additional aspects of the evaluation process
22 for investors in utilities?

23 A. Yes. In a regulated industry, the controlling

1 determinant of returns is the regulator. The regulator
2 limits the profitability of the subject company by
3 setting capitalization, levels of equity return, the
4 opportunity to actually achieve that return, the
5 symmetry or asymmetry of potential gains and losses
6 for performance and for recovery of uncontrollable
7 costs, and the restrictions on lines of business that
8 the company can enter.

9 Q. How would an equity investor evaluate the returns
10 offered to New York utilities as to their magnitude,
11 timing and probability?

12 A. There are four significant factors in an equity
13 investor's assessment of New York utility regulation:
14 capitalization (proportion of equity), rate of return
15 to equity, symmetry of equity returns, and
16 restrictions on the scope of the business. To make
17 this assessment, an obvious place for an equity
18 investor to start is the basic parameters of rate
19 plans from a given jurisdiction.

20 Q. How is the first identified return consideration
21 addressed by New York rate orders?

22 A. As to the first factor, capitalization, over the past
23 several years, New York State has maintained

1 relatively consistent proportions in the
2 capitalization of its subject utilities, thus
3 providing some encouragement to a potential equity
4 investor in a New York utility. Regulatory Research
5 Associates, a service of SNL Financial, reports on
6 regulatory decisions across the United States. Using
7 their data, a plot of authorized equity capitalization
8 can be shown for the period 1992 through the present.

9 Q. Have you prepared an exhibit demonstrating this point?

10 A. Yes. The data is presented as (Exhibit RH-2). Equity
11 as a percentage of total capital has increased
12 modestly over the period for New York utilities, but
13 other jurisdictions have moved more aggressively to
14 improve their subject utilities' balance sheets.

15 Q. Is the second return consideration treated similarly?

16 A. The second factor, the level of returns on equity, is
17 the most important of the four factors for an equity
18 investor because it provides the clearest signal in
19 the rate order of the regulator's willingness to
20 balance the needs of investors and customers. For the
21 investor, this decision goes to the social contract
22 inherent in monopoly regulation which is that the
23 monopoly rent opportunities of the owners are foregone

1 in return for institutionalization of the monopoly
2 franchise and a fair return on capital committed to
3 the business. The lower the authorized return on
4 equity, the more likely it is that the regulator
5 weighs lightly its side of the social contract. Based
6 on recent conversations with large, institutional
7 investors, the recent authorized returns for New York
8 utilities have been as discouraging as any
9 jurisdiction's in the United States. Allowed returns
10 in New York have been lower than the national average
11 throughout the period and have increasingly departed
12 from the practice elsewhere.

13 Q. Have you prepared an exhibit demonstrating this point?

14 A. Yes, my Exhibit ___ (RH-3). In particular in recent
15 orders, Orange & Rockland, National Fuel Gas and
16 CECONY have received the lowest authorized returns on
17 equity in the United States at least the last thirty
18 years. While not as low the returns recently
19 authorized in New York, the return on equity we have
20 requested in this case, as part of our effort to
21 mitigate the required rate increase, represents the
22 lowest return requested in the United States in the
23 same last thirty or more years.

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1 In past cases, Staff has argued that each of the rate
2 cases in the RRA database is unique, and therefore no
3 meaningful conclusion can be drawn. While I would
4 agree that each is unique, it must also be granted
5 that it is equally obvious that the differences in the
6 authorizations cannot always be such that New York
7 companies should consistently and deservedly be
8 granted the lowest returns in the country. In fact,
9 the record low returns for CECONY's electric service
10 (and Orange & Rockland's electric service) were
11 granted in the face of increased penalties, a lack of
12 positive incentives, and for CECONY, a punitive
13 approach to reviewing capital expenditures that the
14 Company legitimately incurred and which already had
15 been subjected to Staff review.

16 Q. How would an investor assess the third factor: the
17 symmetry of potential returns?

18 A. As noted above, the potential return profile in New
19 York has increasingly skewed below the headline
20 authorized rate and the trend in this direction has
21 accelerated in recent years. There is ample
22 opportunity through penalty-only performance
23 mechanisms and one-way true-ups of unavoidable costs,

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1 which have increasingly been imposed in rate
2 decisions, to provide significantly worse returns than
3 the headline authorized return. Further, there is a
4 mandatory requirement of productivity, and all of the
5 productivity improvements that the Company is able to
6 achieve are captured for customers at the beginning of
7 each new rate period. All of these aspects of rate
8 cases take away any symmetry in expected returns,
9 adding to risk. Operating risk, in the form of
10 increased costs to respond to unusual events, also
11 creates pressure on the investors' return. To say
12 that a "prudent" company would avoid operating
13 difficulties is, to my way of thinking, facile given
14 the Commission's application of prudence regulation.
15 As indicated above, further risks may be introduced by
16 regulatory policies that could bind the Company to
17 long-term power purchase commitments that are not at
18 market prices, which also could increase unit costs.
19 The combination of a continuing downward trend in the
20 financial aspects of Commission rate orders, coupled
21 with increasing risks of new and additional regulatory
22 requirements, combine to increase the risks perceived
23 by a potential equity investor in the Company.

1 Q. Does the Company's ability to petition the Commission
2 for deferral of unusual or unexpected costs address
3 asymmetry concerns?

4 A. Commission practice appears to be to limit deferred
5 accounting applications to the maximum extent
6 practicable, as such I do not believe the relief
7 potentially available from deferral petitions
8 adequately addresses asymmetry concerns.

9 Q. Does the use of an adjustment clause to pass through
10 changes in energy costs to customers offset the
11 investor's weighing of the low and skewed returns
12 offered in New York?

13 A. No. Energy recovery mechanisms have been in place for
14 the Company, as well as for many other utilities, for
15 many years. While eliminating downside risk, energy
16 recovery clauses also provide no benefit to an equity
17 investor, so are a neutral factor at best. Over the
18 same period, other loss protections and potentials for
19 earning a higher return have eroded. In addition, as
20 energy costs rise customer bills rise. Bill increases
21 due to higher commodity costs do not benefit the
22 investor, but they do contribute to pressure on the
23 regulator to mitigate the problem by imposing more

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1 stringent cost recoveries and lower rates of return on
2 the Company.

3 Q. How does the fourth and last factor for an investor
4 considering a stock investment in a utility affect the
5 decision?

6 A. The last factor, restrictions on business lines, is
7 less quantifiable because it represents the
8 opportunities foregone by the investor. Restrictions
9 on investments in generation in New York, and the
10 punitive indirect regulation of affiliate company
11 capitalization, reduce the value of the Company to its
12 owner, but in ways that are difficult to quantify
13 explicitly.

14
15 Q. Besides trends in regulation, what are the financial
16 metrics that impact the decisions of equity investors?

17 A. Equity investors are concerned with the two sources of
18 potential return, dividends and earnings per share
19 growth, that they can expect the Company to provide.

20 Q. How do dividends on Con Edison compare with dividends
21 on the average stock?

22 A. At current price levels, Con Edison's dividend yield
23 is approximately 5.9%, versus 2.2% for the S&P 500.

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- 1 Q. How does the expected earnings per share growth of Con
2 Edison compare to the average stock?
- 3 A. According to First Call, current estimates for Con
4 Edison's earnings per share growth are 2.97% per year.
- 5 Q. Using the sum of these two estimates as a simple proxy
6 for expected total return, how does Con Edison stack
7 up?
- 8 A. It has a very high dividend yield which does not
9 compensate for its anemic potential for growth in
10 earnings per share. The combination significantly lags
11 returns available elsewhere in the equity markets.
12 Merrill Lynch, in its *Quantitative Profiles*, dated
13 April 2008 estimates earnings per share growth of 14%
14 for 2008 for the S&P 500. Con Edison's expected total
15 return is 8.9% versus 16.2% for the S&P 500.
- 16 Q. What are the implications of the high dividend yield
17 and low expected growth rate for CEI stock?
- 18 A. High current income stocks are a niche investment, a
19 sort of bond substitute for investors, rather than an
20 equity. The most likely holders are individual
21 retirees and mutual and investment funds that appeal
22 to retirement-oriented investors.
- 23 Q. What is the problem with this sort of investment

1 profile?

2 A. This investor universe for this profile is limited,
3 without a broad appeal to the average equity investor.
4 In addition, the dependence on dividend-oriented
5 investors is risky in a period when the dividend tax
6 relief is likely to expire in 2010. Wall Street
7 analysts have estimated a 10% increase in the cost of
8 equity for utilities like Con Edison upon the sunset
9 of the dividend tax relief now in place. Today, Con
10 Edison's stock is not competitive on a total return
11 basis and its value has suffered accordingly, as has
12 its position with equity analysts. According to a
13 recent survey in Bloomberg (May 5) Con Edison is one
14 of the 32 stocks in the S&P 500 with the lowest
15 average recommendation among securities analysts. It
16 is unclear how long investor's will accept low long-
17 term returns for the sake of higher current income. As
18 interest rates begin to rise again, the only way to
19 sell a dividend-oriented stock is to increase the
20 yield through a lower price.

21

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1 ASSESSMENT OF NEW YORK STATE RETURN SETTING REGIME IN
2 COMPARISON TO "FAIR AND EQUITABLE" COMPENSATION
3

4 Q. Are the needs of equity investors being met by the
5 Commission's current rate-setting regime?

6 A. No, they are not. The underlying requirement for fair
7 treatment for investors has been recognized for years.
8 It dates back to the Bluefield and Hope cases.

9 The Bluefield case (Bluefield Water Works & Improvement Co. v.
10 Public Service Commission of West Virginia, 262 U.S. 679 (1923)) defined
11 a just and reasonable rate of return:

12
13 "A public utility is entitled to such rates as
14 will permit it to earn a return on the value of
15 the property which it employs for the convenience
16 of the public equal to that generally being made
17 at the same time and in the same general part of
18 the country on investments in other business
19 undertakings which are attended by corresponding
20 risks and uncertainties ... The return should be
21 reasonable, sufficient to assure confidence in the
22 financial soundness of the utility, and should be
23 adequate, under efficient and economical
24 management, to maintain and support its credit and
25 enable it to raise money necessary for the proper
26 discharge of its public duties."
27

28 The Hope case (Federal Power Commission v. Hope Natural Gas Company,
29 320 U.S. 591 (1944)) expanded on the concept of
30 reasonableness of the allowed return. The Court

1 reemphasized its statements in the Bluefield case and
2 recognized that revenues must cover "capital costs."

3 The Court stated:

4
5 "From the investor or company point of view it is
6 important that there be enough revenue not only
7 for operating expenses but also for the capital
8 costs of the business. These include service on
9 the debt and dividends on the stock ... By that
10 standard the return to the equity owner should be
11 commensurate with returns on investments in other
12 enterprises having corresponding risks. That
13 return, moreover, should be sufficient to assure
14 confidence in the financial integrity of the
15 enterprise, so as to maintain its credit and
16 attract capital."

17 In neither case is there a specific limitation to
18 utilities when looking at enterprises with "similar
19 risks." And, as has been pointed out many times in
20 prior New York rate proceedings, comparisons to other
21 utilities introduces an incurable circularity to the
22 assessment of an appropriate level of returns.

23 Q. Can investors readily measure the degree to which the
24 regulatory regime fairly grants returns?

25 A. In New York, yes. The New York Public Service
26 Commission sets returns on the investors' historic
27 tangible book investment. Information about returns on
28 book investment for US stocks is readily available to

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1 investors from public sources.

2 Q. How does Con Edison compare to this universe of
3 alternative investments?

4 A. Con Edison does not fare well under the comparison.
5 For example, Con Edison, if it earns its allowed 9.1%
6 on equity for the rate period, would be in the bottom
7 20% of expected returns of all the firms in the S&P
8 500 for 2008.

9 Q. Have you prepared an exhibit demonstrating this point?

10 A. Yes. My Exhibit ___ (RH-4) shows this data. In addition
11 when looking at historical performance over a 5-year
12 period CEI had a return on equity that placed it in
13 the bottom 21% of S&P companies.

14 Q. Have you prepared an exhibit to show this?

15 A. Yes, my Exhibit ___ (RH-5).

16 Q. Why has the return achieved by the Company compared so
17 poorly to other companies, with whom it must compete
18 for capital?

19 A. Staff has posited that low regulated allowed returns
20 compensate appropriately for the low risk to which the
21 companies it regulates are subject, and that their low
22 recommended returns are therefore reasonable.

23 Q. Is there empirical support in the US stock markets for

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1 the theory that low risk businesses earn low returns
2 absent regulatory impositions?

3 A. No.

4 Q. Have you prepared an exhibit to demonstrate your
5 point?

6 A. Yes. My Exhibit ___ (RH-6) shows that there is no
7 correlation between the book returns on equity (the
8 type of return the NYPSC sets) stocks have earned and
9 the beta (Staff's risk measure) of the stock.

10 Q. Why then have Con Edison's equity investors fared so
11 poorly versus investors in the general market?

12 A. I believe it is because the rate-of-return methodology
13 applied in New York State regulation fails to
14 recognize the value of the historic investments made
15 in the Company. The value of these investments has
16 increased both from management's improvements to the
17 business and through increases in the replacement
18 costs of the assets. For a capital-intensive company
19 such as CECONY, with many years of management
20 improvements and capital investment, the difference
21 between the current value of the company and its
22 depreciated tangible book value is profound, and
23 unrecognized in the Commission's return-setting

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1 practice.

2 In contrast, the value of a company which is not
3 subject to profit regulation by the state is based on
4 the revenues the company produces net of the expense
5 of their operation, rather than at their depreciated
6 original cost. Empirically, equity values are far in
7 excess of the historic book value of the underlying
8 assets across the breadth of the US economy.

9 Q. Have you prepared an exhibit to demonstrate this?

10 A. Yes. Exhibit ___ (RH-7) shows the current market to
11 book ratios for those S&P companies with positive book
12 equity. As can be seen, the ratios are overwhelmingly
13 greater than one. CEI's market to book is in the
14 bottom 15% of this universe.

15 Valuation methods such as the DCF can be reasonable
16 (if imperfect) methods for determining expected
17 returns for investors when they apply market-derived
18 data to the value of the firm that captures the
19 accumulated benefits described above: the market value
20 of equity. The method and the application are then
21 internally consistent and reward the equity-holder for
22 what his or her stock investment is currently worth.

23 In contrast, the current New York Public Service

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1 Commission practice of applying market-derived returns
2 to the much lower discounted book value per share
3 strips out the accumulation of improvements to the
4 business and its assets, and is neither consistent nor
5 correct. The Commission's application of the capital-
6 asset-pricing models suffers from similar flaws.

7 Q. Are there also specific failures in the Commission's
8 practice that reinforce the understatement of their
9 estimate of fair and equitable returns to equity
10 investors?

11 A. Yes. First, there is the choice of comparables. By
12 limiting their comparison groups to electric utilities
13 they force the limits on CECONY's returns into a
14 circular process. Utility returns and risk are set by
15 the regulator, thereby pre-determining the outcome.
16 Second, they further limit the comparison group by
17 limiting the range of allowable debt ratings. They
18 compound this error by making a downward adjustment to
19 the required return due to the fact that CECONY has,
20 at present, a slightly higher debt rating than the
21 average of the proxy group.

22 Q. Why is it incorrect to adjust equity returns for debt
23 ratings?

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- 1 A. It is incorrect because there is no empirical or
2 theoretical basis for the belief that debt ratings and
3 equity risk are correlated
- 4 Q. Have you prepared an exhibit to support your
5 contention?
- 6 A. Yes. The empirical rebuttal of this approach appears
7 in Exhibit ___(RH-8). Historically, Staff has used
8 beta as a proxy for equity risk. In the Exhibit, the
9 betas of the S&P 500 constituent companies are plotted
10 against their bond ratings. As can be seen, there is
11 no relationship between the two variables, hence no
12 basis for adjustment.
- 13 Q. Do other aspects of the Company's recent electric rate
14 decision compound these shortcomings?
- 15 A. The recent electric rate decision limits the Company's
16 opportunity to earn its allowed return. This is due
17 to the increase in one-way true ups, increased penalty
18 metrics, expense disallowances and revenue decoupling.
19 The result for equity investors is increased downside,
20 reduced upside.
- 21 Q. Please continue.
- 22 A. Another way of assessing New York's treatment of
23 equity investors is to look at how the regulatory

1 process in New York is viewed by investors themselves.
2 The rating agencies represent the interests of fixed
3 income holders. In the next section of my testimony I
4 have provided examples of how they view the regulatory
5 situation in New York.

6 On the equity side, Ms. Cannell's testimony discusses
7 how recent trends in New York regulation are viewed by
8 equity investors. I would like to highlight one
9 publication. Citibank, in its *Company Focus -*
10 *Consolidated Edison (ED)* (January 9, 2008 page 3)
11 said:

12 When looking at qualitative factors like
13 shareholder total return prospects, earned return
14 over cost of equity, regulatory risk, business
15 mix, balance sheet strength, and relative
16 strength of cash flow ED screens poorly vs. its
17 Defensive peer group.

18
19 Thus Con Edison's business risk position is weak even
20 relative to companies similarly subject to profit
21 regulation. In the face of this perceived weakness,
22 the Commission's pursuit of rates of return and other
23 policies that weaken the appeal of the Company to the
24 very investors that customers will need to provide the
25 capital necessary to provide them reliable service,
26 continues at our collective peril.

1 Q. Do you have additional comments respecting the Hope
2 and Bluefield comparability standard?

3 A. Numerically, as Ms. Cannell points out in her
4 testimony, Con Edison trades at a price-to-book
5 multiple of roughly 1.2 compared to the industry ratio
6 of about 1.8. This is such a significant difference
7 that I believe the Commission's authorized returns
8 fall short of even the narrowest definition of
9 comparability.

10

11 RISING DEBT CAPITAL COSTS FOR CUSTOMERS

12 Q. How did the rating agencies react to Commission's
13 decision in the last CECONY electric case?

14 A. The rating agencies, which are the public voice of the
15 fixed income investors, either downgraded the credit
16 ratings of CECONY (in the case of Standard and Poor's
17 and Fitch) or placed them on Negative Outlook (in the
18 case of Moody's). Fitch downgraded the senior
19 unsecured debt of CECONY two notches.

20 Q. What did the agencies say about the rate case?

21 A. Fitch stated (in *Fitch Completes Review of Con Ed Inc.*
22 *Group; Resolves Rtg Watch*, March 28, 2008, page 1)

1 that:

2 Raising capital to fund the utility's investment
3 budget of over \$2 billion annually may be more
4 difficult for CECONY and ED as a result [of] the
5 low return on equity (ROE) of 9.1% authorized by
6 the NYPSC and the uncertainty engendered by the
7 NYPSC's announced investigation of \$1.6 billion
8 of prior capital expenditures dating from 2005-
9 2008.

10

11 Q. How does Fitch view the ROE granted to the Company in
12 its last electric base rate case?

13 A. They believe that the ROE is out of step with what is
14 required by a company like CECONY:

15

16 Also, the authorized ROE for CECONY of 9.1% is
17 not only well below the sector average but is
18 also below average for utilities of comparable
19 risk and in Fitch's view is not supportive of the
20 projected need to raise equity and debt capital.

21

22 Q. Is there evidence from the investors themselves of
23 their response to the order?

24 A. Yes. Shortly after the rate order, the Company sold
25 debentures to investors. Debentures with a 10-year
26 maturity were priced at an interest rate that was 230
27 basis points higher comparable US Treasury bonds, and
28 debentures with a 30-year maturity were priced at an
29 interest rate that was 240 basis points higher
30 comparable US Treasury bonds. These interest rates
31 were 40 to 60 basis points higher than the Company

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1 would have paid prior to the rate order. The premiums
2 are also more than a company with a rating comparable
3 to the Company would ordinarily pay. The extra cost
4 the Company paid relative to comparable corporate
5 credits probably reflects both investors'
6 disappointment in the Commission's lack of interest in
7 the requirements of fixed income investors as
8 evidenced by the rate decision, and an expectation
9 that the Commission will continue on a trajectory that
10 results in further deterioration of the credit quality
11 of the Company.

12 Q. What are the financial consequences of the decision
13 for customers?

14 A. The Company's recent \$1,200 million debt issue funded
15 capital investments that will maintain the reliability
16 that customers expect for their utility services. At a
17 40 to 60 basis point premium for the issue—because the
18 capital ratios did not change in this order—customers
19 will pay an additional \$4.8 to \$7.2 million per year
20 for the life of this debt. In addition as the
21 Company's current outstanding debt matures and is
22 replaced, the replacement issues will carry the
23 incremental 40 to 60 basis point cost. Since the

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1 Company had \$7,270 million of long-term debt as of the
2 end of last quarter, the order will result in an
3 additional \$29 million to \$44 million to customer
4 bills per year over time. And then it would be naïve
5 to ignore future borrowings. Assuming \$1 billion of
6 incremental borrowing per year over the next decade,
7 the rate order will have imposed and additional \$40
8 million to \$60 million of increases to customer bills,
9 so that together the ultimate customer impacts would
10 be between \$74 million and \$111 million per year.

11 Q. Are there other impacts of lower credit quality?

12 A. Yes. The next step in the deterioration of the
13 Company's credit would be the loss of its P1 short-
14 term debt rating from Moody's. The short-term ratings
15 affect the Company's ability to issue short-term debt
16 and the cost of the short-term debt, the cost of
17 acquiring and maintaining revolving credit
18 arrangements from banks, the Company's need to post
19 more financial collateral to acquire energy on behalf
20 of our customers, and potentially the Company's
21 ability to issue tax-exempt debt without credit
22 support.

23 A. How do these things happen?

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1 Q. The short-term debt (i.e., commercial paper) market is
2 very credit and event-sensitive. By its nature, it is
3 a market that is accessible only by high-quality
4 issuers, as the buyers are investing their ready cash
5 and therefore must have near-absolute assurance of
6 their safety and liquidity. Recent problems in the
7 tax-exempt auction rate market resulted in high
8 profile firings of corporate officers who misjudged
9 the liquidity of their investments. These experiences
10 reinforce the risk averseness of this otherwise very
11 attractive source of funding. Particularly in times
12 of stress, issuers with solid but not excellent credit
13 can find it difficult to sell their commercial paper
14 to investors, particularly for periods longer than
15 overnight and, even if the issuer were able to find
16 buyers, they will often pay significantly higher
17 premiums for funds. If the ratings drop further, the
18 borrower no longer has access to the commercial paper
19 markets and therefore must borrow from commercial
20 banks through revolving credit arrangements. These
21 arrangements are significantly more expensive.

22 Q. Does CECONY need revolving credit facilities?

23 A. The Company has maintained revolving credit facilities

1 for many years for several reasons. First, revolving
2 credit facilities are required as assurance to
3 investors that a company has the means to repay
4 outstanding commercial paper should there be market
5 disruptions. Commercial paper buyers and rating
6 agencies expect 100% coverage of the commercial paper
7 outstanding by bank credit facilities. In addition, as
8 mentioned above, bank facilities can be used for
9 direct borrowing in times of crisis, though at a
10 significantly higher price than commercial paper
11 borrowing. Finally, bank facilities provide a source
12 of letters of credit, which CECONY uses to provide
13 collateral, primarily to guarantee its purchases of
14 energy for its customers.

15 Q. How are bank revolving credit arrangements affected by
16 ratings changes?

17 A. In the short-term, the cost of the facility will
18 increase. Virtually all US corporate revolving credit
19 agreements include a pricing grid which adjusts the
20 cost of the facility based on the rating of the
21 borrower. In the longer-term, certain lenders may be
22 unwilling to renew such facilities if there are credit
23 concerns. At the very least, costs will rise at the

1 next renewal, both the upfront costs to put the
2 facility in place as well as the periodic costs for
3 outstanding balances.

4 Q. What is the effect of the current economy-wide credit
5 crisis on the availability of credit?

6 A. The country is leaving a period during which the risk
7 premiums required by lenders were at unprecedented
8 lows. It is generally agreed that there has been and
9 will continue to be a reaction to this period of
10 credit laxity, and that investors and other financial
11 counter-parties will impose more stringent
12 requirements and more credit-sensitive pricing.

13 Q. Is the current A- rating of CECONY assured?

14 A. No. The rating is dependent, as always, on the risks
15 inherent in the business and CECONY's continued
16 financial health. For instance, in its recent report
17 *Fitch Completes Review of Con Ed Inc. Group; Resolves*
18 *Rtg Watch*, March 28, 2008 on the Company Fitch said:

19 Also, the Stable Outlook for CECONY assumes that
20 the review of CECONY capital expenditures for
21 improvements to the electric delivery network
22 will not ultimately result in material
23 disallowances or refunds. ... Fitch has assumed
24 that going forward, ED will fund CECONY's capital
25 expenditure program with a mix of equity and debt
26 funding that maintains the current capital
27 structure, and that some capital spending

1 programs may be reduced or delayed if there is
2 not a clear commitment on the part of the NYPSC.

3
4 Thus, there are caveats to Fitch's maintenance of the
5 current rating, specifically that the Commission will
6 make no further punitive adjustments, will commit to
7 support needed investment, and will maintain the
8 Company's current equity ratio.

9 Q. As of this writing, Moody's has not reduced the CECONY
10 rating. Does this mean that they are not troubled by
11 the Commission's treatment of CECONY in its last rate
12 case?

13 A. No, it does not. Moody's, in their *Credit Opinion:*
14 *Consolidated Edison Company of New York, Inc.* (March
15 21, 2008) placed the Company on Negative Outlook. They
16 discussed at length their views of the rate case and
17 the regulatory climate in New York. For example, they
18 state:

19 The change to negative rating outlooks for the
20 companies also takes into account our more
21 guarded view than we have had in the past about
22 the extent to which the New York regulatory
23 environment will be supportive in future rate
24 case decisions for CECONY and O&R.

25
26 And:

27
28 We view this as an additional sign of the
29 increasing propensity for the NYPSC to extend the
30 cash recovery period for certain previously

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1 incurred costs, take a less supportive view with
2 respect to certain types of future costs, and
3 base decisions on a much lower authorized ROE.
4

5 Q. What does Moody's say about CECONY's risk profile?
6

7 A. It states that:
8

9 We believe that the business and operating risk
10 profile for CECONY is arguably greater today and
11 prospectively than compared to historical
12 periods, given execution risks associated with
13 the very large capital expenditure program it
14 faces and our growing concerns about the degree
15 of supportiveness from the NYPSC.
16

17 And again:
18

19 As previously cited, we have become more guarded
20 in our views about CECONY's regulatory risk
21 profile. In particular, we believe CECONY's
22 litigated (as opposed to settled) outcome in its
23 recently concluded electric rate case, whereupon
24 NYPSC extended the recovery period for certain
25 previously incurred costs, took a less supportive
26 view with respect to certain types of future
27 costs, and used a lower allowed ROE poses a
28 challenging obstacle to overcome
29
30

31 Q. Are there other elements of risk that concern Moody's?
32

33 A. Yes. On page 3 they state:
34

35 Another somewhat concerning aspect of the recent
36 order is the fact that some \$250 million of
37 annual revenue to be collected through an
38 adjustment clause is subject to refund, pending
39 an independent audit of CECONY's capital spending
40 over the period that new rates are in effect
41

42 Q. How does Moody's view the financial health of CECONY?
43

1 A. Moody's has said that the financial ratios they judge
2 to be most important are weak and now, thanks to the
3 last rate case, they have less chance of improving. As
4 they say on page 5:

5
6 CECONY's negative rating outlook, which mirrors
7 the negative rating outlook for CEI, and O&R,
8 reflects the persistent weakness in its key
9 credit metrics relative to what we typically see
10 for companies in the "A" rating category for this
11 sector, and our growing concerns with CECONY's
12 ability to achieve a materially stronger
13 financial profile, which we believe is necessary
14 to compensate for the rising business and
15 operating risks that go in tandem with the
16 exceptionally large capital program the utility
17 faces over the next several years.

18
19 It is more than the numbers which determine Moody's
20 views. They see our risks as rising and regulatory
21 support diminishing.

22
23 The negative outlook also takes into account our
24 more guarded view than we have had in the past
25 about the extent to which the New York regulatory
26 environment will be supportive in future rate
27 case decisions for CECONY and O&R.

28
29
30 In earlier published research, we referred to
31 expected opportunities for CECONY to show
32 sustainable improvement in CFO pre-W/C to
33 interest and debt (i.e. to in excess of 4x and
34 the mid-to-high teens, respectively) beginning in
35 2008. ... We now believe that achievement of such
36 levels over the next 12 to 18 months appears more
37 challenging given the outcome in the CECONY
38 electric rate case and the apparent propensity

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1 for the NYPS&C to extend the time period for full
2 cash recovery of prior costs incurred, to take a
3 less supportive stance with respect to recovery
4 of certain cost categories, and to use a much
5 lower allowed ROE in the rate setting process.
6

7 Q. What does Moody's say about the impact of the previous
8 rate case on needed investment?

9 A. They say on page 4 that:

10
11 Setting rates based on a very low ROE in the
12 CECONY electric case (and the O&R electric
13 rate investigation decided in late 2007) seems to
14 be a discouragement instead of incentive to
15 invest in utility infrastructure to ensure
16 reliability of service against a backdrop of
17 solid economic and customer growth in the utility
18 service territories.
19

20 Q. What does Moody's say would cause a downgrade to
21 occur?

22
23 A. Moody's states (p. 5)

24
25 CECONY's ratings could be downgraded if future
26 regulatory actions continue to not be
27 sufficiently supportive of credit quality.
28
29

30 Q. How much emphasis do the rating agencies put on
31 CECONY's regulatory environment?

32 A. Because CEI and its subsidiaries are focused on the
33 energy delivery business the focus of the rating
34 agencies' risk assessment is on how the Company is
35 regulated. As stated recently by S&P in *Standard &*

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1 *Poors' New Business Profile Scores Assigned for U.S.*
2 *Utility and Power Companies; Financial Guidelines*
3 *Revised (page 6):*

4 For example, for a regulated transmission and
5 distribution company, regulation may account for
6 30% to 40% of the business profile score because
7 regulation can be the single-most important
8 credit driver for this type of company.
9

10 Q. Please summarize how the rating agencies view the New
11 York regulatory environment.

12 A Historically, the rating agencies viewed the New York
13 regulatory environment as providing some measure of
14 credit protection. But, in the wake of the latest
15 electric cases, the rating agencies, as quoted above,
16 now view New York regulation as adding additional
17 risks for its subject utilities: a propensity to
18 stretch out recovery of expenditures, a relatively
19 smaller equity cushion for debt investors, coupled
20 with equity returns that have been unsupportive of new
21 equity investment.

22 Q. Are there risks beyond those identified above that the
23 rating agencies are likely to address in this year's
24 review of the Company's credit protections?

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1 A. Yes. One significant risk is that the industry-wide
2 need for new capital will mean more competition for
3 investor money and therefore higher costs,
4 particularly for borrowers and equity-raisers with
5 less-than-stellar earnings prospects. In addition,
6 Moody's has articulated their view of the increasing
7 risk in the industry in their report *Storm Clouds*
8 *Gathering on the Horizon for the North American*
9 *Electric Utility Sector* (August 2007):

10 The storm clouds referenced in this report
11 essentially point to a potential increase in the
12 business and operating risk profile for the
13 sector. In our opinion, the rising costs and
14 investment needs will have a direct impact on all
15 three financial statements: income, cash flow and
16 balance sheet. As a result, one of the biggest
17 challenges for utility companies will be to seek
18 and receive timely recovery of prudently incurred
19 expenses. In addition, the substantial increases
20 in capital expenditures will have a material
21 impact on the sector's ability to generate free
22 cash flow.

23
24 Q. Do you believe investors are concerned about the
25 Company's bond ratings?

26 A. Investors who followed the CECONY electric rate
27 decision and who listened to the open session
28 discussion of the CECONY electric rate case have
29 expressed doubt about the sustainability of the

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1 Company's ratings. Such concern raises costs for

2 customers.

3 Q. Does this conclude your direct testimony?

4 A. It does.

Willis

May 6, 2008

Telephone: 212-915-8888
Website: www.willis.com

Direct Line: (212) 915-7844
Direct Fax: (212) 915-8511
E-mail: Pete.Jacquin@willis.com

Mr. Joseph Lynch
Consolidated Edison, Inc.
4 Irving Place
New York, NY 10003-3502

Re: Consolidated Edison, Inc.
Directors and Officers Liability
Policy Term: December 2, 2007 – December 2, 2008

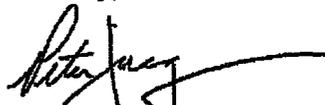
Dear Joseph:

As your broker, it is Willis' opinion that your D&O insurance costs and Self-Insured Retentions are reflective of the market and are in line with what other companies pay for D&O Insurance.

In view of Consolidated Edison's market capitalization and potential exposure to D&O claims/litigation, we are also of the opinion that its current \$300 million corporate D&O insurance program, coverage terms and conditions, and limits are appropriate and prudent.

Please feel free to call me if you have any questions.

Sincerely,



Peter M. Jacquin
Executive Vice President
Willis Risk Solutions

Exhibit (RH-1)-page 2

Cathy Cummins
Managing Director

MARSH

 MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Marsh USA Inc.
1166 Avenue of the Americas
New York, NY 10036-2774
212 345 8707 Fax 212 345 1587
www.marsh.com

May 6, 2008

Mr. Joseph Lynch
Director, Risk Management
Consolidated Edison, Inc.
4 Irving Place
New York, NY 10003

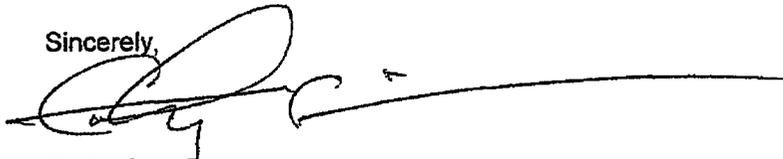
RE: Directors and Officers Liability Insurance

Dear Mr. Lynch

We have reviewed the summary of Con Edison's Corporate D & O Insurance Program submitted. It is our opinion that your current D&O costs and Self-Insured Retention are reflective of the market and in line with what other similar companies pay for D & O insurance. In view of your size, market cap and potential exposure to D & O claims/litigation we are also of the opinion that your current \$300 million program is appropriate and prudent.

Should you have any questions, please do not hesitate to call.

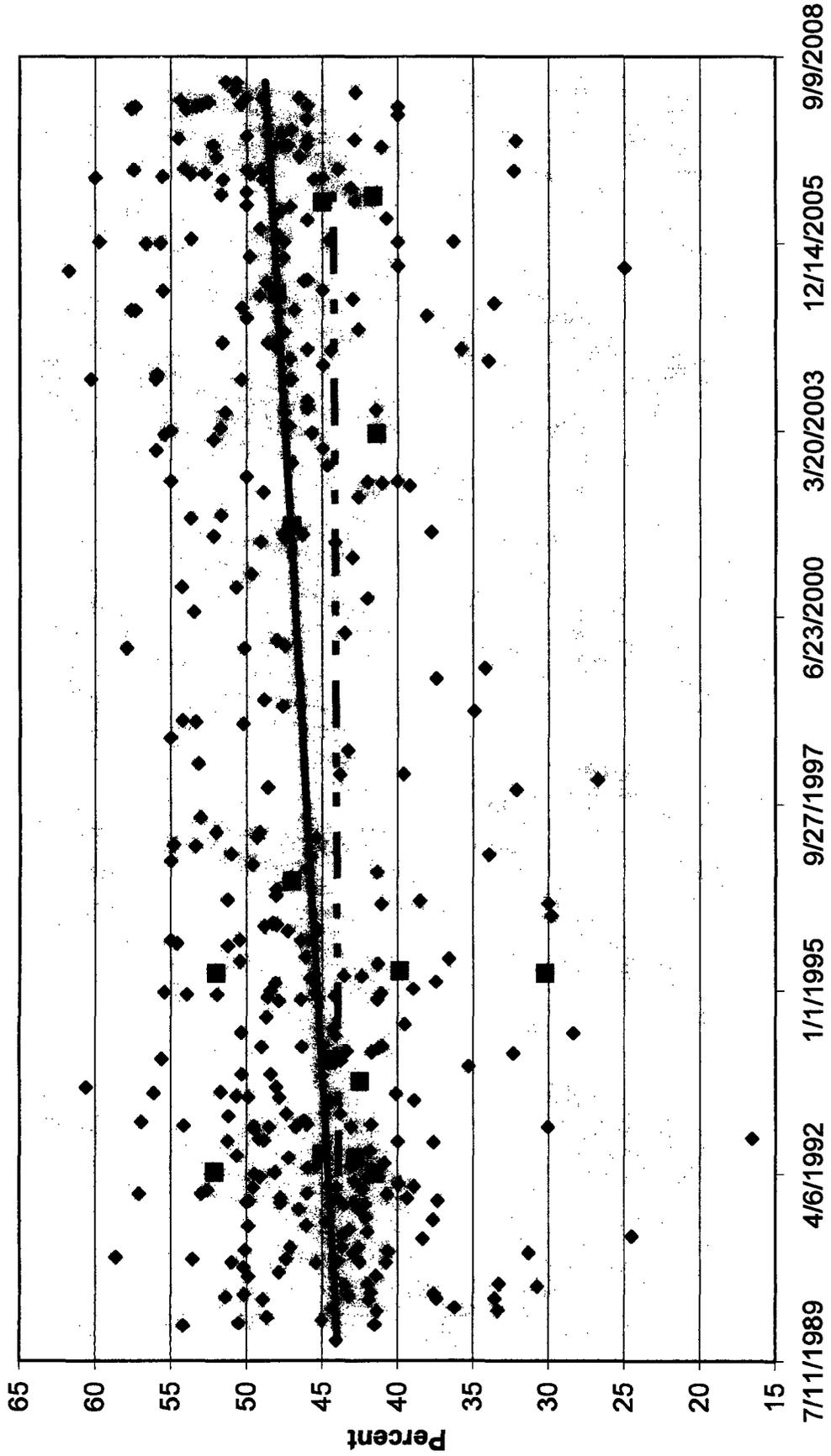
Sincerely,



Cathy Cummins
Managing Director

CLC/me

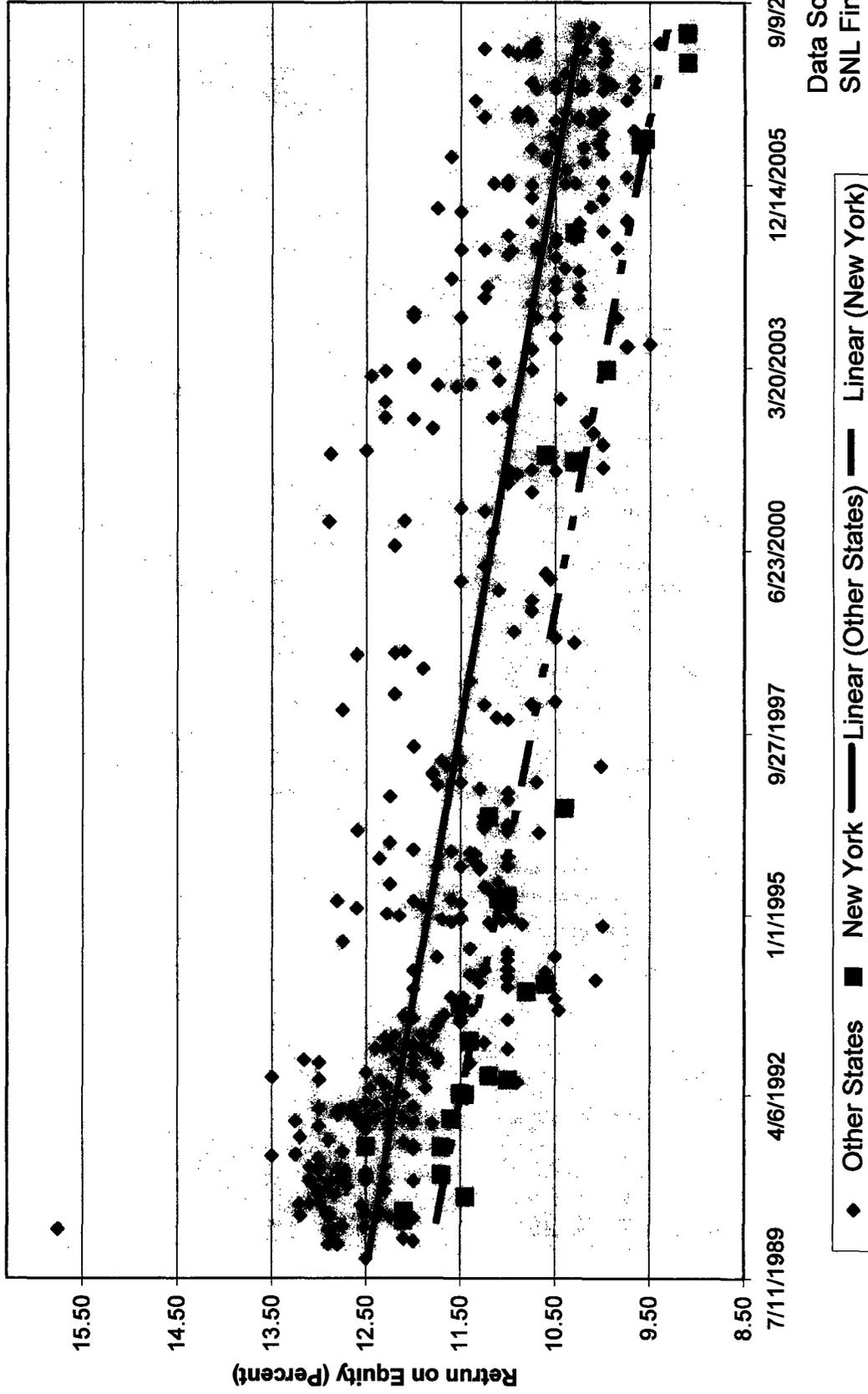
Equity as Percent of Capital-New York vs. Other States



Data Source: SNL Financial
◆ Other States ■ New York — Linear (Other States) — Linear (New York)

Return on Equity-New York vs. Other States

Exhibit __ (RH-3)



Data Source:
SNL Financial

	Name	Estimated ROE Current Year Mean- Percent
11	1 WESTERN UNION CO	536.6
12	2 EMBARQ CORP	351.1
13	3 AUTOZONE INC	180.6
14	4 IMS HEALTH INC	174.3
15	5 YUM! BRANDS INC	150.0
16	6 AVON PRODUCTS INC	133.4
17	7 QWEST COMMUNICATIONS INTL	132.0
18	8 ALTRIA GROUP INC	126.0
19	9 EXPRESS SCRIPTS INC	94.8
20	10 PITNEY BOWES INC	90.3
21	11 TRANE INC	90.2
22	12 COLGATE-PALMOLIVE CO	89.6
23	13 DELL INC	78.9
24	14 DEAN FOODS CO	77.2
25	15 WINDSTREAM CORP	76.2
26	16 ANHEUSER-BUSCH COS INC.	74.9
27	17 HERSHEY CO/THE	70.1
28	18 MCGRAW-HILL COMPANIES INC	61.7
29	19 CAMPBELL SOUP CO	61.0
30	20 MARRIOTT INTERNATIONAL-CL A	59.9
31	21 APOLLO GROUP INC-CL A	55.6
32	22 AMAZON.COM INC	53.6
33	23 NORDSTROM INC	52.2
34	24 MICROSOFT CORP	50.9
35	25 WATERS CORP	50.3
36	26 HJ HEINZ CO	49.6
37	27 PHILIP MORRIS INTERNATIONAL	48.2
38	28 GILEAD SCIENCES INC	47.0
39	29 FEDERATED INVESTORS INC-CL B	46.4
40	30 NATIONAL SEMICONDUCTOR CORP	46.3
41	31 KELLOGG CO	45.3
42	32 TJX COMPANIES INC	44.0
43	33 BOEING CO	44.0
44	34 COACH INC	42.5
45	35 ROCKWELL COLLINS INC.	40.5
46	36 INTL BUSINESS MACHINES CORP	39.8
47	37 MEMC ELECTRONIC MATERIALS	39.7
48	38 ALTERA CORPORATION	39.5
49	39 INTL FLAVORS & FRAGRANCES	39.5
50	40 CATERPILLAR INC	38.9
51	41 PAYCHEX INC	37.0
52	42 MERCK & CO. INC.	37.0
53	43 GENERAL GROWTH PROPERTIES	36.8
54	44 ESTEE LAUDER COMPANIES-CL A	36.7
55	45 UNISYS CORP	36.1
56	46 H&R BLOCK INC	35.7
57	47 KIMBERLY-CLARK CORP	35.7
58	48 CONSOL ENERGY INC	35.4
59	49 UNITED PARCEL SERVICE-CL B	35.3

60	50 HALLIBURTON CO	35.3
61	51 SCHLUMBERGER LTD	34.8
62	52 PEPSICO INC	34.8
63	53 AUTODESK INC	34.3
64	54 EXXON MOBIL CORP	34.3
65	55 INTL GAME TECHNOLOGY	34.1
66	56 SCHWAB (CHARLES) CORP	34.0
67	57 NUCOR CORP	33.2
68	58 C.H. ROBINSON WORLDWIDE INC	33.2
69	59 CB RICHARD ELLIS GROUP INC-A	33.2
70	60 HERCULES INC	33.2
71	61 SHERWIN-WILLIAMS CO/THE	32.8
72	62 ROCKWELL AUTOMATION INC	32.7
73	63 HARLEY-DAVIDSON INC	32.5
74	64 NOBLE CORP	32.3
75	65 3M CO	32.3
76	66 AMERICAN EXPRESS CO	31.8
77	67 SYSCO CORP	31.7
78	68 COCA-COLA CO/THE	31.5
79	69 ORACLE CORP	31.4
80	70 NVIDIA CORP	31.4
81	71 DARDEN RESTAURANTS INC	31.0
82	72 MATTEL INC	30.8
83	73 BEST BUY CO INC	30.8
84	74 LOCKHEED MARTIN CORP	30.7
85	75 BRISTOL-MYERS SQUIBB CO	30.6
86	76 DEERE & CO	30.3
87	77 LABORATORY CRP OF AMER HLDGS	30.0
88	78 TRANSOCEAN INC	30.0
89	79 ELI LILLY & CO	29.7
90	80 ABERCROMBIE & FITCH CO-CL A	29.2
91	81 MANITOWOC COMPANY INC	29.1
92	82 HONEYWELL INTERNATIONAL INC	28.8
93	83 PRECISION CASTPARTS CORP	28.7
94	84 BAXTER INTERNATIONAL INC	28.5
95	85 JOHNSON & JOHNSON	28.3
96	86 RADIOSHACK CORP	28.1
97	87 VARIAN MEDICAL SYSTEMS INC	27.9
98	88 ABBOTT LABORATORIES	27.7
99	89 TOTAL SYSTEM SERVICES INC	27.7
100	90 MICROCHIP TECHNOLOGY INC	27.5
101	91 CISCO SYSTEMS INC	27.4
102	92 TEREX CORP	27.3
103	93 MCDONALD'S CORP	27.1
104	94 CORNING INC	27.0
105	95 COGNIZANT TECH SOLUTIONS-A	26.9
106	96 ALLEGHENY TECHNOLOGIES INC	26.9
107	97 SARA LEE CORP	26.8
108	98 TEXTRON INC	26.6
109	99 STARBUCKS CORP	26.6
110	100 EXELON CORP	26.5
111	101 ENSCO INTERNATIONAL INC	26.4

112	102 DU PONT (E.I.) DE NEMOURS	26.3
113	103 TEXAS INSTRUMENTS INC	26.2
114	104 ROBERT HALF INTL INC	26.1
115	105 SMITH INTERNATIONAL INC	26.0
116	106 APPLE INC	25.9
117	107 OMNICOM GROUP	25.7
118	108 ANALOG DEVICES	25.7
119	109 EMERSON ELECTRIC CO	25.7
120	110 CAMERON INTERNATIONAL CORP	25.5
121	111 CHEVRON CORP	25.5
122	112 FOREST LABORATORIES INC	25.4
123	113 UNITED STATES STEEL CORP	25.4
124	114 MURPHY OIL CORP	25.3
125	115 BROWN-FORMAN CORP-CLASS B	25.0
126	116 MCCORMICK & CO-NON VTG SHRS	25.0
127	117 FREEPORT-MCMORAN COPPER	24.9
128	118 PRAXAIR INC	24.7
129	119 ROHM AND HAAS CO	24.6
130	120 AGILENT TECHNOLOGIES INC	24.4
131	121 NIKE INC -CL B	24.4
132	122 BECTON DICKINSON & CO	24.3
133	123 DIRECTV GROUP INC/THE	24.2
134	124 WRIGLEY WM JR CO	24.2
135	125 BAKER HUGHES INC	24.2
136	126 BALL CORP	24.2
137	127 PACCAR INC	24.1
138	128 EXPEDITORS INTL WASH INC	24.0
139	129 BARD (C.R.) INC	24.0
140	130 INTUIT INC	24.0
141	131 WYETH	23.8
142	132 SCHERING-PLOUGH CORP	23.7
143	133 XILINX INC	23.7
144	134 CITIZENS COMMUNICATIONS CO	23.6
145	135 FRANKLIN RESOURCES INC	23.6
146	136 UNITEDHEALTH GROUP INC	23.6
147	137 VIACOM INC-CLASS B	23.5
148	138 CUMMINS INC	23.4
149	139 MEDTRONIC INC	23.3
150	140 AFLAC INC	23.2
151	141 OCCIDENTAL PETROLEUM CORP	23.2
152	142 BLACK & DECKER CORP	23.2
153	143 SUNOCO INC	23.1
154	144 INTERCONTINENTALEXCHANGE INC	23.0
155	145 GOODYEAR TIRE & RUBBER CO	23.0
156	146 T ROWE PRICE GROUP INC	22.8
157	147 ECOLAB INC	22.8
158	148 HEWLETT-PACKARD CO	22.8
159	149 HESS CORP	22.7
160	150 GENERAL MILLS INC	22.6
161	151 ST JUDE MEDICAL INC	22.4
162	152 EASTMAN CHEMICAL COMPANY	22.2
163	153 AMGEN INC	22.2

164	154 PFIZER INC	22.1
165	155 CENTERPOINT ENERGY INC	22.0
166	156 APACHE CORP	22.0
167	157 FLUOR CORP	21.9
168	158 EOG RESOURCES INC	21.9
169	159 ADOBE SYSTEMS INC	21.8
170	160 PPG INDUSTRIES INC	21.8
171	161 AUTOMATIC DATA PROCESSING	21.8
172	162 COOPER INDUSTRIES LTD-CL A	21.7
173	163 NOBLE ENERGY INC	21.6
174	164 AES CORP	21.6
175	165 GAP INC/THE	21.4
176	166 UNITED TECHNOLOGIES CORP	21.3
177	167 VW GRAINGER INC	21.3
178	168 US BANCORP	21.3
179	169 CIGNA CORP	21.2
180	170 LEXMARK INTERNATIONAL INC-A	21.1
181	171 MONSANTO CO	21.1
182	172 LIMITED BRANDS INC	21.0
183	173 PALL CORP	20.8
184	174 XTO ENERGY INC	20.7
185	175 KROGER CO	20.7
186	176 HOSPIRA INC	20.6
187	177 STRYKER CORP	20.6
188	178 GOOGLE INC-CL A	20.5
189	179 WAL-MART STORES INC	20.4
190	180 STARWOOD HOTELS & RESORTS	20.4
191	181 QUALCOMM INC	20.3
192	182 GOODRICH CORP	20.3
193	183 EATON CORP	20.3
194	184 NORTHERN TRUST CORP	20.3
195	185 MARATHON OIL CORP	20.3
196	186 SIGMA-ALDRICH	20.3
197	187 PEPSI BOTTLING GROUP INC	20.2
198	188 NETAPP INC	20.0
199	189 QUESTAR CORP	19.9
200	190 APPLIED BIOSYSTEMS GROUP	19.8
201	191 PUBLIC SERVICE ENTERPRISE GP	19.7
202	192 PEABODY ENERGY CORP	19.7
203	193 QLOGIC CORP	19.6
204	194 TIFFANY & CO	19.6
205	195 WASTE MANAGEMENT INC	19.6
206	196 AIR PRODUCTS & CHEMICALS INC	19.6
207	197 BIG LOTS INC	19.6
208	198 NEWELL RUBBERMAID INC	19.5
209	199 ILLINOIS TOOL WORKS	19.5
210	200 GENERAL ELECTRIC CO	19.4
211	201 STANLEY WORKS/THE	19.4
212	202 GENERAL DYNAMICS CORP	19.3
213	203 ROWAN COMPANIES INC	19.3
214	204 PACTIV CORPORATION	19.3
215	205 MYLAN INC	19.3

216	206 EQUIFAX INC	19.3
217	207 JACOBS ENGINEERING GROUP INC	19.3
218	208 AETNA INC	19.2
219	209 REYNOLDS AMERICAN INC	19.1
220	210 DOMINION RESOURCES INC/VA	19.0
221	211 CELGENE CORP	18.9
222	212 PARKER HANNIFIN CORP	18.9
223	213 COVENTRY HEALTH CARE INC	18.8
224	214 CONSTELLATION ENERGY GROUP	18.7
225	215 NATIONAL OILWELL VARCO INC	18.6
226	216 BJ SERVICES CO	18.5
227	217 FISERV INC	18.5
228	218 GENUINE PARTS CO	18.5
229	219 CARDINAL HEALTH INC	18.4
230	220 GAMESTOP CORP-CLASS A	18.4
231	221 FAMILY DOLLAR STORES	18.3
232	222 VERISIGN INC	18.3
233	223 MORGAN STANLEY	18.3
234	224 SLM CORP	18.3
235	225 WALGREEN CO	18.3
236	226 CONAGRA FOODS INC	18.3
237	227 TARGET CORP	18.3
238	228 BURLINGTON NORTHERN SANTA FE	18.2
239	229 CONOCOPHILLIPS	18.1
240	230 APPLIED MATERIALS INC	18.1
241	231 NABORS INDUSTRIES LTD	18.1
242	232 WEATHERFORD INTL LTD	18.1
243	233 TESORO CORP	18.0
244	234 VF CORP	17.9
245	235 ITT CORP	17.8
246	236 MEDCO HEALTH SOLUTIONS INC	17.8
247	237 RANGE RESOURCES CORP	17.7
248	238 GOLDMAN SACHS GROUP INC	17.7
249	239 BED BATH & BEYOND INC	17.6
250	240 STAPLES INC	17.6
251	241 PROGRESSIVE CORP	17.5
252	242 MEREDITH CORP	17.5
253	243 QUEST DIAGNOSTICS	17.5
254	244 INTEL CORP	17.5
255	245 HOME DEPOT INC	17.4
256	246 ALLERGAN INC	17.4
257	247 ASSURANT INC	17.3
258	248 WILLIAMS COS INC	17.3
259	249 PROCTER & GAMBLE CO	17.3
260	250 BARR PHARMACEUTICALS INC	17.3
261	251 STATE STREET CORP	17.2
262	252 DEVON ENERGY CORPORATION	17.2
263	253 EW SCRIPPS CO-CL A	17.1
264	254 AVERY DENNISON CORP	17.1
265	255 HUMANA INC	17.1
266	256 J.C. PENNEY CO INC	17.1
267	257 DOW CHEMICAL	17.0

268	258 DOVER CORP	16.9
269	259 EBAY INC	16.9
270	260 ZIMMER HOLDINGS INC	16.8
271	261 EL PASO CORP	16.6
272	262 RR DONNELLEY & SONS CO	16.5
273	263 ARCHER-DANIELS-MIDLAND CO	16.5
274	264 SNAP-ON INC	16.5
275	265 JOHNSON CONTROLS INC	16.3
276	266 WELLS FARGO & COMPANY	16.3
277	267 PATTERSON COS INC	16.3
278	268 TORCHMARK CORP	16.2
279	269 ENTERGY CORP	16.1
280	270 KOHLS CORP	16.0
281	271 POLO RALPH LAUREN CORP	16.0
282	272 CIENA CORP	16.0
283	273 VALERO ENERGY CORP	15.9
284	274 PPL CORPORATION	15.9
285	275 COVIDIEN LTD	15.9
286	276 CSX CORP	15.9
287	277 CA INC	15.8
288	278 MCKESSON CORP	15.7
289	279 AT&T INC	15.7
290	280 NORFOLK SOUTHERN CORP	15.6
291	281 ALLEGHENY ENERGY INC	15.6
292	282 CHUBB CORP	15.5
293	283 SAFECO CORP	15.5
294	284 AFFILIATED COMPUTER SVCS-A	15.5
295	285 PRUDENTIAL FINANCIAL INC	15.5
296	286 AMERISOURCEBERGEN CORP	15.4
297	287 CINTAS CORP	15.4
298	288 PRINCIPAL FINANCIAL GROUP	15.2
299	289 AKAMA TECHNOLOGIES	15.1
300	290 MILLIPORE CORP	15.1
301	291 XL CAPITAL LTD -CLASS A	15.0
302	292 COSTCO WHOLESALE CORP	14.8
303	293 VERIZON COMMUNICATIONS INC	14.7
304	294 SPECTRA ENERGY CORP	14.7
305	295 ACE LTD	14.7
306	296 BIOGEN IDEC INC	14.6
307	297 KLA-TENCOR CORPORATION	14.5
308	298 HARTFORD FINANCIAL SVCS GRP	14.5
309	299 DANAHER CORP	14.5
310	300 ALCOA INC	14.4
311	301 ALLSTATE CORP	14.3
312	302 WENDY'S INTERNATIONAL INC	14.2
313	303 SEALED AIR CORP	14.1
314	304 EDISON INTERNATIONAL	14.1
315	305 FIRSTENERGY CORP	14.0
316	306 THE WALT DISNEY CO	14.0
317	307 SAFEWAY INC	14.0
318	308 MONSTER WORLDWIDE INC	14.0
319	309 SOUTHERN CO	13.9

320	310 FEDEX CORP	13.8
321	311 TRAVELERS COS INC/THE	13.8
322	312 WELLPOINT INC	13.7
323	313 XEROX CORP	13.7
324	314 FPL GROUP INC	13.6
325	315 RYDER SYSTEM INC	13.6
326	316 METLIFE INC	13.6
327	317 AON CORP	13.5
328	318 LOWE'S COS INC	13.5
329	319 FORTUNE BRANDS INC	13.4
330	320 CHESAPEAKE ENERGY CORP	13.3
331	321 RAYTHEON COMPANY	13.3
332	322 UNION PACIFIC CORP	13.2
333	323 BROADCOM CORP-CL A	13.0
334	324 CMS ENERGY CORP	13.0
335	325 NEWMONT MINING CORP	12.8
336	326 WHIRLPOOL CORP	12.8
337	327 L-3 COMMUNICATIONS HOLDINGS	12.8
338	328 BB&T CORP	12.8
339	329 EMC CORP/MASS	12.8
340	330 PROLOGIS	12.6
341	331 VULCAN MATERIALS CO	12.6
342	332 GENZYME CORP	12.5
343	333 COCA-COLA ENTERPRISES	12.5
344	334 AMERICAN ELECTRIC POWER	12.5
345	335 CITRIX SYSTEMS INC	12.4
346	336 LEHMAN BROTHERS HOLDINGS INC	12.4
347	337 CARNIVAL CORP	12.3
348	338 LINCOLN NATIONAL CORP	12.3
349	339 TYCO ELECTRONICS LTD	12.2
350	340 DISCOVER FINANCIAL SERVICES	12.2
351	341 CONSTELLATION BRANDS INC-A	12.1
352	342 NEW YORK TIMES CO -CL A	12.1
353	343 KIMCO REALTY CORP	12.1
354	344 AMERICAN INTERNATIONAL GROUP	12.1
355	345 CME GROUP INC	12.0
356	346 P G & E CORP	11.9
357	347 INTERPUBLIC GROUP OF COS INC	11.8
358	348 BANK OF NEW YORK MELLON CORP	11.8
359	349 SUN MICROSYSTEMS INC	11.7
360	350 NICOR INC	11.6
361	351 WHOLE FOODS MARKET INC	11.6
362	352 AMERIPRISE FINANCIAL INC	11.5
363	353 M & T BANK CORP	11.4
364	354 SEMPRA ENERGY	11.4
365	355 PNC FINANCIAL SERVICES GROUP	11.4
366	356 ANADARKO PETROLEUM CORP	11.3
367	357 PLUM CREEK TIMBER CO	11.3
368	358 INTERNATIONAL PAPER CO	11.3
369	359 CONVERGYS CORP	11.3
370	360 KING PHARMACEUTICALS INC	11.1
371	361 PERKINELMER INC	11.1

372	362 BEMIS COMPANY	11.1
373	363 INGERSOLL-RAND CO LTD-CL A	11.1
374	364 FIFTH THIRD BANCORP	10.9
375	365 WYNDHAM WORLDWIDE CORP	10.9
376	366 JANUS CAPITAL GROUP INC	10.9
377	367 UNUM GROUP	10.8
378	368 FIDELITY NATIONAL INFORMATIO	10.8
379	369 KRAFT FOODS INC-CLASS A	10.8
380	370 CVS CAREMARK CORP	10.8
381	371 SUPERVALU INC	10.8
382	372 TECO ENERGY INC	10.8
383	373 LSI CORP	10.6
384	374 SIMON PROPERTY GROUP INC	10.6
385	375 COMPUTER SCIENCES CORP	10.6
386	376 NORTHROP GRUMMAN CORP	10.5
387	377 MARSH & MCLENNAN COS	10.5
388	378 XCEL ENERGY INC	10.5
389	379 ALLIED WASTE INDUSTRIES INC	10.3
390	380 WATSON PHARMACEUTICALS INC	10.3
391	381 JUNIPER NETWORKS INC	10.2
392	382 JPMORGAN CHASE & CO	10.1
393	383 SYMANTEC CORP	9.9
394	384 GANNETT CO	9.9
395	385 MOLEX INC	9.8
396	386 CENTURYTEL INC	9.7
397	387 TERADYNE INC	9.7
398	388 LEGGETT & PLATT INC	9.6
399	389 HOST HOTELS & RESORTS INC	9.6
400	390 PEPSCO HOLDINGS INC	9.5
401	391 CONSOLIDATED EDISON INC	9.3
402	392 BANK OF AMERICA CORP	9.3
403	393 BOSTON PROPERTIES INC	9.3
404	394 AMEREN CORPORATION	9.2
405	395 AMERICAN CAPITAL STRATEGIES	9.2
406	396 PROGRESS ENERGY INC	9.2
407	397 WASHINGTON POST -CL B	9.2
408	398 CLEAR CHANNEL COMMUNICATIONS	9.1
409	399 INTEGRYS ENERGY GROUP INC	9.0
410	400 ZIONS BANCORPORATION	8.9
411	401 NEWS CORP-CL A	8.9
412	402 HUDSON CITY BANCORP INC	8.8
413	403 KEYCORP	8.8
414	404 MOLSON COORS BREWING CO -B	8.7
415	405 DUKE ENERGY CORP	8.6
416	406 COMERICA INC	8.6
417	407 NYSE EURONEXT	8.4
418	408 BEAR STEARNS COMPANIES INC	8.3
419	409 MACY'S INC	8.3
420	410 TYCO INTERNATIONAL LTD	8.3
421	411 GENWORTH FINANCIAL INC-CL A	8.1
422	412 CAPITAL ONE FINANCIAL CORP	8.1
423	413 DEVELOPERS DIVERSIFIED RLTY	8.1

424	414 THERMO FISHER SCIENTIFIC INC	8.0
425	415 DTE ENERGY COMPANY	7.9
426	416 HUNTINGTON BANCSHARES INC	7.9
427	417 OFFICE DEPOT INC	7.8
428	418 CINCINNATI FINANCIAL CORP	7.7
429	419 SUNTRUST BANKS INC	7.7
430	420 PUBLIC STORAGE	7.7
431	421 LIZ CLAIBORNE INC	7.6
432	422 EXPEDIA INC	7.5
433	423 PINNACLE WEST CAPITAL	7.2
434	424 ELECTRONIC DATA SYSTEMS CORP	7.2
435	425 NISOURCE INC	7.2
436	426 MASCO CORP	7.1
437	427 AUTONATION INC	7.0
438	428 AVALONBAY COMMUNITIES INC	7.0
439	429 REGIONS FINANCIAL CORP	7.0
440	430 VORNADO REALTY TRUST	7.0
441	431 MARSHALL & ILSLEY CORP	6.9
442	432 EASTMAN KODAK CO	6.8
443	433 LEGG MASON INC	6.8
444	434 TIME WARNER INC	6.8
445	435 YAHOO! INC	6.7
446	436 WACHOVIA CORP	6.6
447	437 SOVEREIGN BANCORP INC	6.5
448	438 OFFICEMAX INC	6.5
449	439 COMCAST CORP-CL A	6.4
450	440 FORD MOTOR CO	6.3
451	441 CBS CORP-CLASS B NON VOTING	6.0
452	442 NOVELLUS SYSTEMS INC	5.9
453	443 AMERICAN TOWER CORP-CL A	5.8
454	444 MEADWESTVACO CORP	5.7
455	445 ASHLAND INC	5.6
456	446 MERRILL LYNCH & CO INC	5.5
457	447 BOSTON SCIENTIFIC CORP	5.3
458	448 SANDISK CORP	5.2
459	449 HCP INC	5.2
460	450 JONES APPAREL GROUP INC	5.0
461	451 SOUTHWEST AIRLINES CO	4.8
462	452 JABIL CIRCUIT INC	4.7
463	453 CIT GROUP INC	4.5
464	454 DYNEGY INC-CL A	4.3
465	455 JDS UNIPHASE CORP	4.1
466	456 SEARS HOLDINGS CORP	3.6
467	457 CITIGROUP INC	3.6
468	458 GENERAL MOTORS CORP	3.4
469	459 IAC/INTERACTIVECORP	3.2
470	460 EQUITY RESIDENTIAL	3.2
471	461 TYSON FOODS INC-CL A	3.1
472	462 WEYERHAEUSER CO	3.0
473	463 TELLABS INC	2.2
474	464 MOTOROLA INC	1.7
475	465 FIRST HORIZON NATIONAL CORP	0.8

476	466 DILLARDS INC-CL A	(0.2)
477	467 NATIONAL CITY CORP	(1.6)
478	468 ELECTRONIC ARTS INC	(1.8)
479	469 MBIA INC	(2.8)
480	470 FANNIE MAE	(3.1)
481	471 SPRINT NEXTEL CORP	(3.7)
482	472 FREDDIE MAC	(3.8)
483	473 DR HORTON INC	(5.5)
484	474 APARTMENT INVT & MGMT CO -A	(6.6)
485	475 E*TRADE FINANCIAL CORP	(6.9)
486	476 COUNTRYWIDE FINANCIAL CORP	(11.5)
487	477 LENNAR CORP-CL A	(12.5)
488	478 TENET HEALTHCARE CORP	(13.3)
489	479 MICRON TECHNOLOGY INC	(14.6)
490	480 MGIC INVESTMENT CORP	(15.0)
491	481 CENTEX CORP	(16.7)
492	482 WASHINGTON MUTUAL INC	(17.0)
493	483 KB HOME	(22.9)
494	484 PULTE HOMES INC	(27.5)
495	485 ADVANCED MICRO DEVICES	(31.6)
496	486 MOODY'S CORP	(56.6)
497	487 LINEAR TECHNOLOGY CORP	(60.7)
498	488 AMBAC FINANCIAL GROUP INC	(63.9)
499	489 UST INC	(156.7)
500	490 CLOROX COMPANY	(442.0)

Includes only firms with meaningful ROE (must have positive equity)
Data Source: Bloomberg

Ticker	Name	5 Year Average Return On Equity
1 CL	COLGATE-PALMOLIVE CO	192.72
2 AZO	AUTOZONE INC	155.4
3 BUD	ANHEUSER-BUSCH COS INC.	65.4
4 YUM	YUM! BRANDS INC	60.85
5 DELL	DELL INC	59.66
6 TT	TRANE INC	56.37
7 K	KELLOGG CO	49.85
8 APOL	APOLLO GROUP INC-CL A	48.68
9 HSY	HERSHEY CO/THE	46.03
10 WAT	WATERS CORP	45.96
11 COH	COACH INC	42.37
12 FII	FEDERATED INVESTORS INC-CL B	40.59
13 EFX	EQUIFAX INC	40.45
14 SUN	SUNOCO INC	39.76
15 PBI	PITNEY BOWES INC	39.03
16 SLM	SLM CORP	38.45
17 HNZ	HJ HEINZ CO	38.28
18 SLE	SARA LEE CORP	38.01
19 TJX	TJX COMPANIES INC	37.91
20 CNX	CONSOL ENERGY INC	37.83
21 ROK	ROCKWELL AUTOMATION INC	37.61
22 BDK	BLACK & DECKER CORP	37.54
23 COL	ROCKWELL COLLINS INC.	36.75
24 CAT	CATERPILLAR INC	35.25
25 ESRX	EXPRESS SCRIPTS INC	35.01
26 MMM	3M CO	34.58
27 MO	ALTRIA GROUP INC	34.41
28 SYY	SYSCO CORP	34.25
29 PEP	PEPSICO INC	33.81
30 ADSK	AUTODESK INC	32.44
31 MHP	MCGRAW-HILL COMPANIES INC	32.37
32 HOG	HARLEY-DAVIDSON INC	32.14
33 ANF	ABERCROMBIE & FITCH CO-CL A	32.12
34 RSH	RADIOSHACK CORP	32.03
35 PG	PROCTER & GAMBLE CO	31.81
36 ORCL	ORACLE CORP	31.63
37 KO	COCA-COLA CO/THE	31.5
38 XOM	EXXON MOBIL CORP	31.22
39 SHW	SHERWIN-WILLIAMS CO/THE	30.45
40 BLL	BALL CORP	30.05
41 VAR	VARIAN MEDICAL SYSTEMS INC	29.79
42 IBM	INTL BUSINESS MACHINES CORP	29.39
43 FIS	FIDELITY NATIONAL INFORMATIO	29.27
44 MRK	MERCK & CO. INC.	29.09
45 XTO	XTO ENERGY INC	28.91
46 PAYX	PAYCHEX INC	28.72
47 NUE	NUCOR CORP	28.7
48 AXP	AMERICAN EXPRESS CO	28.6

49	JWN	NORDSTROM INC	28.58
50	SLB	SCHLUMBERGER LTD	28.28
51	CHRW	C.H. ROBINSON WORLDWIDE INC	28.2
52	OXY	OCCIDENTAL PETROLEUM CORP	28.13
53	JNJ	JOHNSON & JOHNSON	28.1
54	BA	BOEING CO	27.74
55	KMB	KIMBERLY-CLARK CORP	27.57
56	UNH	UNITEDHEALTH GROUP INC	27.35
57	LXK	LEXMARK INTERNATIONAL INC-A	27.31
58	IR	INGERSOLL-RAND CO LTD-CL A	27.29
59	CTSH	COGNIZANT TECH SOLUTIONS-A	27.15
60	MRO	MARATHON OIL CORP	27.05
61	PCAR	PACCAR INC	27.04
62	VLO	VALERO ENERGY CORP	26.45
63	CVX	CHEVRON CORP	26.35
64	ADBE	ADOBE SYSTEMS INC	26.31
65	PGR	PROGRESSIVE CORP	26.23
66	CVH	COVENTRY HEALTH CARE INC	26.05
67	LMT	LOCKHEED MARTIN CORP	26.04
68	WYE	WYETH	25.89
69	TIE	TITANIUM METALS CORP	25.81
70	MKC	MCCORMICK & CO-NON VTG SHRS	25.79
71	WHR	WHIRLPOOL CORP	25.74
72	IFF	INTL FLAVORS & FRAGRANCES	25.68
73	CME	CME GROUP INC	25.66
74	IGT	INTL GAME TECHNOLOGY	25.46
75	APC	ANADARKO PETROLEUM CORP	25.27
76	TSO	TESORO CORP	25.05
77	FRX	FOREST LABORATORIES INC	24.79
78	CMI	CUMMINS INC	24.7
79	CI	CIGNA CORP	24.68
80	GOOG	GOOGLE INC-CL A	24.5
81	WWY	WRIGLEY WM JR CO	24.43
82	EOG	EOG RESOURCES INC	24.39
83	BBY	BEST BUY CO INC	24.36
84	BF/B	BROWN-FORMAN CORP-CLASS B	24.35
85	BMJ	BRISTOL-MYERS SQUIBB CO	24.29
86	MAT	MATTEL INC	24.12
87	CHK	CHESAPEAKE ENERGY CORP	24.09
88	GS	GOLDMAN SACHS GROUP INC	23.91
89	PCG	P G & E CORP	23.9
90	BBBY	BED BATH & BEYOND INC	23.75
91	DOW	DOW CHEMICAL	23.65
92	PBG	PEPSI BOTTLING GROUP INC	23.52
93	MDT	MEDTRONIC INC	23.41
94	BJS	BJ SERVICES CO	23.25
95	DE	DEERE & CO	23.07
96	ECL	ECOLAB INC	23.02
97	SCHW	SCHWAB (CHARLES) CORP	23.01
98	EXPD	EXPEDITORS INTL WASH INC	22.98
99	BAX	BAXTER INTERNATIONAL INC	22.91
100	LTD	LIMITED BRANDS INC	22.76

101 BHI	BAKER HUGHES INC	22.75
102 TROW	T ROWE PRICE GROUP INC	22.67
103 DD	DU PONT (E.I.) DE NEMOURS	22.58
104 LLY	ELI LILLY & CO	22.51
105 MSFT	MICROSOFT CORP	22.51
106 EL	ESTEE LAUDER COMPANIES-CL A	22.5
107 APA	APACHE CORP	22.47
108 HRB	H&R BLOCK INC	22.33
109 PX	PRAXAIR INC	21.87
110 SBUX	STARBUCKS CORP	21.73
111 BXP	BOSTON PROPERTIES INC	21.71
112 USB	US BANCORP	21.7
113 MUR	MURPHY OIL CORP	21.7
114 GIS	GENERAL MILLS INC	21.69
115 OMC	OMNICOM GROUP	21.58
116 HAR	HARMAN INTERNATIONAL	21.58
117 DRI	DARDEN RESTAURANTS INC	21.56
118 HD	HOME DEPOT INC	21.5
119 UTX	UNITED TECHNOLOGIES CORP	21.48
120 SYK	STRYKER CORP	21.42
121 SWK	STANLEY WORKS/THE	21.36
122 TXN	TEXAS INSTRUMENTS INC	21.26
123 TSS	TOTAL SYSTEM SERVICES INC	21.22
124 BCR	BARD (C.R.) INC	21.14
125 WMT	WAL-MART STORES INC	21.12
126 ABT	ABBOTT LABORATORIES	21
127 LH	LABORATORY CRP OF AMER HLDGS	20.99
128 ALTR	ALTERA CORPORATION	20.98
129 HES	HESS CORP	20.93
130 EMR	EMERSON ELECTRIC CO	20.92
131 ITT	ITT CORP	20.9
132 SIAL	SIGMA-ALDRICH	20.84
133 PPG	PPG INDUSTRIES INC	20.7
134 PPL	PPL CORPORATION	20.66
135 CBG	CB RICHARD ELLIS GROUP INC-A	20.59
136 FO	FORTUNE BRANDS INC	20.55
137 NKE	NIKE INC -CL B	20.53
138 GPS	GAP INC/THE	20.52
139 CSCO	CISCO SYSTEMS INC	20.52
140 INTU	INTUIT INC	20.49
141 ADP	AUTOMATIC DATA PROCESSING	20.47
142 BDX	BECTON DICKINSON & CO	20.39
143 MAR	MARRIOTT INTERNATIONAL-CL A	20.39
144 NBL	NOBLE ENERGY INC	20.36
145 SII	SMITH INTERNATIONAL INC	20.26
146 COP	CONOCOPHILLIPS	20.22
147 ETN	EATON CORP	20.17
148 ASH	ASHLAND INC	20.02
149 LEH	LEHMAN BROTHERS HOLDINGS INC	20.02
150 RHI	ROBERT HALF INTL INC	20
151 LOW	LOWE'S COS INC	19.93
152 NVDA	NVIDIA CORP	19.83

153	TGT	TARGET CORP	19.79
154	STR	QUESTAR CORP	19.78
155	LM	LEGG MASON INC	19.46
156	VFC	VF CORP	19.39
157	AVY	AVERY DENNISON CORP	19.32
158	DVN	DEVON ENERGY CORPORATION	19.24
159	QCOM	QUALCOMM INC	19.2
160	CFC	COUNTRYWIDE FINANCIAL CORP	19.14
161	GD	GENERAL DYNAMICS CORP	19.14
162	SEE	SEALED AIR CORP	19.08
163	PDCO	PATTERSON COS INC	19.07
164	WFC	WELLS FARGO & COMPANY	19.03
165	PTV	PACTIV CORPORATION	19.03
166	DGX	QUEST DIAGNOSTICS	18.99
167	STJ	ST JUDE MEDICAL INC	18.96
168	MMC	MARSH & MCLENNAN COS	18.91
169	UPS	UNITED PARCEL SERVICE-CL B	18.91
170	X	UNITED STATES STEEL CORP	18.82
171	GE	GENERAL ELECTRIC CO	18.49
172	ITW	ILLINOIS TOOL WORKS	18.43
173	BEN	FRANKLIN RESOURCES INC	18.43
174	DHI	DR HORTON INC	18.42
175	AET	AETNA INC	18.39
176	SPLS	STAPLES INC	18.2
177	SRE	SEMPRA ENERGY	18.18
178	GR	GOODRICH CORP	18.18
179	WAG	WALGREEN CO	18.18
180	FDO	FAMILY DOLLAR STORES	18.17
181	HSP	HOSPIRA INC	18.06
182	CZN	CITIZENS COMMUNICATIONS CO	18.05
183	NBR	NABORS INDUSTRIES LTD	17.99
184	QLGC	QLOGIC CORP	17.94
185	INTC	INTEL CORP	17.92
186	DHR	DANAHER CORP	17.85
187	FLR	FLUOR CORP	17.82
188	FISV	FISERV INC	17.67
189	MCD	MCDONALD'S CORP	17.42
190	CAH	CARDINAL HEALTH INC	17.42
191	PNC	PNC FINANCIAL SERVICES GROUP	17.3
192	AFL	AFLAC INC	17.29
193	HON	HONEYWELL INTERNATIONAL INC	17.23
194	BAC	BANK OF AMERICA CORP	17.21
195	EXC	EXELON CORP	17.13
196	GPC	GENUINE PARTS CO	17.08
197	WMI	WASTE MANAGEMENT INC	17.08
198	BK	BANK OF NEW YORK MELLON CORP	16.93
199	ZMH	ZIMMER HOLDINGS INC	16.86
200	ACAS	AMERICAN CAPITAL STRATEGIES	16.83
201	NCC	NATIONAL CITY CORP	16.81
202	BRL	BARR PHARMACEUTICALS INC	16.77
203	MS	MORGAN STANLEY	16.71
204	KSS	KOHL'S CORP	16.7

205 VMC	VULCAN MATERIALS CO	16.67
206 MI	MARSHALL & ILSLEY CORP	16.63
207 MDP	MEREDITH CORP	16.61
208 ALL	ALLSTATE CORP	16.52
209 NE	NOBLE CORP	16.51
210 LUK	LEUCADIA NATIONAL CORP	16.5
211 CB	CHUBB CORP	16.48
212 JCI	JOHNSON CONTROLS INC	16.43
213 HUM	HUMANA INC	16.35
214 MIL	MILLIPORE CORP	16.31
215 NTRS	NORTHERN TRUST CORP	16.27
216 TIF	TIFFANY & CO	16.27
217 A	AGILENT TECHNOLOGIES INC	16.19
218 EIX	EDISON INTERNATIONAL	16.16
219 FHN	FIRST HORIZON NATIONAL CORP	16.15
220 GWW	VW GRAINGER INC	16.06
221 AAPL	APPLE INC	16.04
222 C	CITIGROUP INC	16.03
223 MTW	MANITOWOC COMPANY INC	16.02
224 MCHP	MICROCHIP TECHNOLOGY INC	16.01
225 NSM	NATIONAL SEMICONDUCTOR CORP	16.01
226 PEG	PUBLIC SERVICE ENTERPRISE GP	15.87
227 PFE	PFIZER INC	15.71
228 TEX	TEREX CORP	15.66
229 SAF	SAFECO CORP	15.6
230 CTAS	CINTAS CORP	15.57
231 ESV	ENSCO INTERNATIONAL INC	15.49
232 CTXS	CITRIX SYSTEMS INC	15.49
233 COF	CAPITAL ONE FINANCIAL CORP	15.47
234 FITB	FIFTH THIRD BANCORP	15.42
235 KR	KROGER CO	15.42
236 FNM	FANNIE MAE	15.36
237 MET	METLIFE INC	15.32
238 ABI	APPLIED BIOSYSTEMS GROUP	15.32
239 APD	AIR PRODUCTS & CHEMICALS INC	15.31
240 ROH	ROHM AND HAAS CO	15.28
241 ACE	ACE LTD	15.27
242 XLNX	XILINX INC	15.24
243 EQR	EQUITY RESIDENTIAL	15.19
244 RL	POLO RALPH LAUREN CORP	15.17
245 CBE	COOPER INDUSTRIES LTD-CL A	15.16
246 CMA	COMERICA INC	15.15
247 VZ	VERIZON COMMUNICATIONS INC	15.14
248 PH	PARKER HANNIFIN CORP	15.14
249 CAG	CONAGRA FOODS INC	15.13
250 JEC	JACOBS ENGINEERING GROUP INC	15.12
251 SO	SOUTHERN CO	15.09
252 HCP	HCP INC	15.08
253 RRC	RANGE RESOURCES CORP	14.95
254 ACS	AFFILIATED COMPUTER SVCS-A	14.93
255 AMGN	AMGEN INC	14.91
256 HAS	HASBRO INC	14.9

257	CVS	CVS CAREMARK CORP	14.86
258	XRX	XEROX CORP	14.86
259	BTU	PEABODY ENERGY CORP	14.85
260	GCI	GANNETT CO	14.84
261	KIM	KIMCO REALTY CORP	14.82
262	DOV	DOVER CORP	14.82
263	AGN	ALLERGAN INC	14.69
264	TXT	TEXTRON INC	14.67
265	TMK	TORCHMARK CORP	14.65
266	FDX	FEDEX CORP	14.64
267	ERTS	ELECTRONIC ARTS INC	14.4
268	GAS	NICOR INC	14.35
269	HAL	HALLIBURTON CO	14.35
270	CAM	CAMERON INTERNATIONAL CORP	14.33
271	HOT	STARWOOD HOTELS & RESORTS	14.25
272	MOT	MOTOROLA INC	14.22
273	BNI	BURLINGTON NORTHERN SANTA FE	14.17
274	DDR	DEVELOPERS DIVERSIFIED RLTY	14.12
275	STT	STATE STREET CORP	14.07
276	R	RYDER SYSTEM INC	14.03
277	AMAT	APPLIED MATERIALS INC	14.03
278	BSC	BEAR STEARNS COMPANIES INC	14
279	BBT	BB&T CORP	13.98
280	PCL	PLUM CREEK TIMBER CO	13.89
281	ADI	ANALOG DEVICES	13.89
282	WFMI	WHOLE FOODS MARKET INC	13.88
283	MAS	MASCO CORP	13.86
284	AOC	AON CORP	13.81
285	EMN	EASTMAN CHEMICAL COMPANY	13.77
286	JCP	J.C. PENNEY CO INC	13.74
287	CEG	CONSTELLATION ENERGY GROUP	13.64
288	TRV	TRAVELERS COS INC/THE	13.62
289	T	AT&T INC	13.56
290	DF	DEAN FOODS CO	13.55
291	VNO	VORNADO REALTY TRUST	13.54
292	HBAN	HUNTINGTON BANCSHARES INC	13.53
293	KEY	KEYCORP	13.53
294	GILD	GILEAD SCIENCES INC	13.49
295	AIZ	ASSURANT INC	13.39
296	NSC	NORFOLK SOUTHERN CORP	13.18
297	JNS	JANUS CAPITAL GROUP INC	13.17
298	NTAP	NETAPP INC	13.14
299	BMS	BEMIS COMPANY	13.09
300	ZION	ZIONS BANCORPORATION	13.07
301	NOV	NATIONAL OILWELL VARCO INC	13
302	GME	GAMESTOP CORP-CLASS A	12.9
303	KBH	KB HOME	12.82
304	PCP	PRECISION CASTPARTS CORP	12.81
305	ODP	OFFICE DEPOT INC	12.81
306	FPL	FPL GROUP INC	12.66
307	CCL	CARNIVAL CORP	12.64
308	MTB	M & T BANK CORP	12.6

309	PRU	PRUDENTIAL FINANCIAL INC	12.59
310	BC	BRUNSWICK CORP	12.54
311	RIG	TRANSOCEAN INC	12.53
312	HIG	HARTFORD FINANCIAL SVCS GRP	12.49
313	WB	WACHOVIA CORP	12.46
314	COST	COSTCO WHOLESALE CORP	12.31
315	YHOO	YAHOO! INC	12.31
316	ETR	ENTERGY CORP	12.29
317	ADM	ARCHER-DANIELS-MIDLAND CO	12.22
318	AA	ALCOA INC	12.21
319	WM	WASHINGTON MUTUAL INC	12.1
320	STI	SUNTRUST BANKS INC	12.05
321	LLL	L-3 COMMUNICATIONS HOLDINGS	12
322	SVU	SUPERVALU INC	11.92
323	AIG	AMERICAN INTERNATIONAL GROUP	11.91
324	WPO	WASHINGTON POST -CL B	11.86
325	WLP	WELLPOINT INC	11.76
326	TEG	INTEGRYS ENERGY GROUP INC	11.72
327	LNC	LINCOLN NATIONAL CORP	11.72
328	SNDK	SANDISK CORP	11.72
329	D	DOMINION RESOURCES INC/VA	11.7
330	WFT	WEATHERFORD INTL LTD	11.68
331	KLAC	KLA-TENCOR CORPORATION	11.67
332	HPQ	HEWLETT-PACKARD CO	11.59
333	PFG	PRINCIPAL FINANCIAL GROUP	11.56
334	PLL	PALL CORP	11.53
335	SSP	EW SCRIPPS CO-CL A	11.51
336	AVB	AVALONBAY COMMUNITIES INC	11.5
337	PLD	PROLOGIS	11.4
338	CVG	CONVERGYS CORP	11.36
339	GGP	GENERAL GROWTH PROPERTIES	11.31
340	RDC	ROWAN COMPANIES INC	11.1
341	CSX	CSX CORP	11.03
342	JPM	JPMORGAN CHASE & CO	11.02
343	ATI	ALLEGHENY TECHNOLOGIES INC	10.87
344	SPG	SIMON PROPERTY GROUP INC	10.77
345	ABC	AMERISOURCEBERGEN CORP	10.7
346	HCBK	HUDSON CITY BANCORP INC	10.69
347	CTL	CENTURYTEL INC	10.68
348	CINF	CINCINNATI FINANCIAL CORP	10.67
349	M	MACY'S INC	10.66
350	LEN	LENNAR CORP-CL A	10.48
351	SWY	SAFEWAY INC	10.48
352	CIT	CIT GROUP INC	10.47
353	DTE	DTE ENERGY COMPANY	10.41
354	MCK	MCKESSON CORP	10.38
355	DIS	THE WALT DISNEY CO	10.21
356	AEE	AMEREN CORPORATION	10.15
357	NWL	NEWELL RUBBERMAID INC	10.14
358	KFT	KRAFT FOODS INC-CLASS A	10.11
359	EBAY	EBAY INC	10.11
360	SNA	SNAP-ON INC	10.08

361	RF	REGIONS FINANCIAL CORP	10.03
362	RTN	RAYTHEON COMPANY	10.01
363	FE	FIRSTENERGY CORP	9.9
364	UNP	UNION PACIFIC CORP	9.89
365	AN	AUTONATION INC	9.84
366	CSC	COMPUTER SCIENCES CORP	9.78
367	XEL	XCEL ENERGY INC	9.71
368	EMC	EMC CORP/MASS	9.68
369	CELG	CELGENE CORP	9.47
370	TAP	MOLSON COORS BREWING CO -B	9.46
371	ED	CONSOLIDATED EDISON INC	9.41
372	LEG	LEGGETT & PLATT INC	9.31
373	LIZ	LIZ CLAIBORNE INC	9.31
374	LTR	LOEWS CORP	9.24
375	MHS	MEDCO HEALTH SOLUTIONS INC	9.22
376	AEP	AMERICAN ELECTRIC POWER	9.2
377	WEN	WENDY'S INTERNATIONAL INC	9.08
378	NYX	NYSE EURONEXT	8.99
379	JNY	JONES APPAREL GROUP INC	8.88
380	SYMC	SYMANTEC CORP	8.86
381	PKI	PERKINELMER INC	8.78
382	IP	INTERNATIONAL PAPER CO	8.72
383	GNW	GENWORTH FINANCIAL INC-CL A	8.62
384	PGN	PROGRESS ENERGY INC	8.61
385	PHM	PULTE HOMES INC	8.58
386	CNP	CENTERPOINT ENERGY INC	8.45
387	MER	MERRILL LYNCH & CO INC	8.3
388	WY	WEYERHAEUSER CO	8.29
389	MOLX	MOLEX INC	8.27
390	NWS/A	NEWS CORP-CL A	8.22
391	PNW	PINNACLE WEST CAPITAL	8.2
392	NOC	NORTHROP GRUMMAN CORP	8.09
393	LUV	SOUTHWEST AIRLINES CO	8.08
394	TMO	THERMO FISHER SCIENTIFIC INC	7.79
395	POM	PEPCO HOLDINGS INC	7.68
396	RRD	RR DONNELLEY & SONS CO	7.66
397	CPWR	COMPUWARE CORP	7.59
398	BIG	BIG LOTS INC	7.58
399	HST	HOST HOTELS & RESORTS INC	7.37
400	NYT	NEW YORK TIMES CO -CL A	7.36
401	MON	MONSANTO CO	7.33
402	BMC	BMC SOFTWARE INC	7.22
403	PSA	PUBLIC STORAGE	6.89
404	NVLS	NOVELLUS SYSTEMS INC	6.79
405	JBL	JABIL CIRCUIT INC	6.67
406	TWX	TIME WARNER INC	6.53
407	CCE	COCA-COLA ENTERPRISES	6.11
408	NI	NISOURCE INC	5.96
409	TSN	TYSON FOODS INC-CL A	5.7
410	VRSN	VERISIGN INC	5.55
411	MNST	MONSTER WORLDWIDE INC	5.54
412	TYC	TYCO INTERNATIONAL LTD	5.48

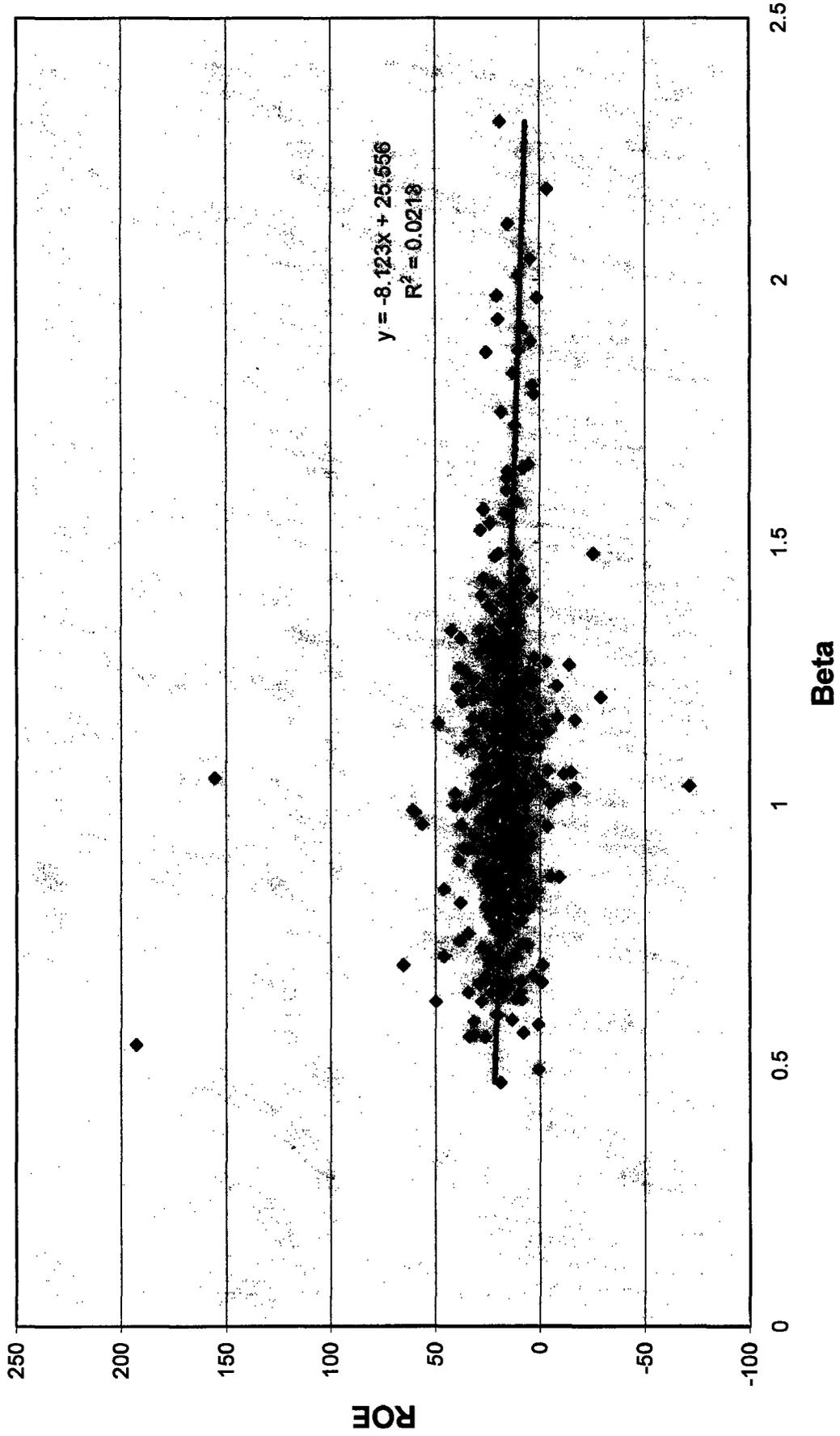
413	XL	XL CAPITAL LTD -CLASS A	5.46
414	DUK	DUKE ENERGY CORP	5.32
415	CMCSA	COMCAST CORP-CL A	5.04
416	TER	TERADYNE INC	5.03
417	BSX	BOSTON SCIENTIFIC CORP	4.78
418	STZ	CONSTELLATION BRANDS INC-A	4.76
419	KG	KING PHARMACEUTICALS INC	4.75
420	FRE	FREDDIE MAC	4.73
421	DDS	DILLARDS INC-CL A	4.57
422	AW	ALLIED WASTE INDUSTRIES INC	4.32
423	ETFC	E*TRADE FINANCIAL CORP	4.2
424	SOV	SOVEREIGN BANCORP INC	4.16
425	DTV	DIRECTV GROUP INC/THE	3.94
426	WMB	WILLIAMS COS INC	3.84
427	CTX	CENTEX CORP	3.59
428	OMX	OFFICEMAX INC	3.5
429	GENZ	GENZYME CORP	3.35
430	NOVL	NOVELL INC	3.34
431	GLW	CORNING INC	3.11
432	MBI	MBIA INC	2.89
433	AIV	APARTMENT INVT & MGMT CO -A	2.81
434	UNM	UNUM GROUP	2.29
435	IACI	IAC/INTERACTIVECORP	2.03
436	WPI	WATSON PHARMACEUTICALS INC	1.67
437	MTG	MGIC INVESTMENT CORP	1.53
438	CCU	CLEAR CHANNEL COMMUNICATIONS	1
439	MWV	MEADWESTVACO CORP	0.78
440	NEM	NEWMONT MINING CORP	0.75
441	TLAB	TELLABS INC	0.67
442	JNPR	JUNIPER NETWORKS INC	0.54
443	CA	CA INC	0.38
444	AYE	ALLEGHENY ENERGY INC	-0.67
445	RAI	REYNOLDS AMERICAN INC	-0.68
446	BIIB	BIOGEN IDEC INC	-1.12
447	EDS	ELECTRONIC DATA SYSTEMS CORP	-1.6
448	MU	MICRON TECHNOLOGY INC	-2.88
449	ABK	AMBAC FINANCIAL GROUP INC	-3.16
450	CMS	CMS ENERGY CORP	-3.23
451	SGP	SCHERING-PLOUGH CORP	-3.58
452	EK	EASTMAN KODAK CO	-3.87
453	BRCM	BROADCOM CORP-CL A	-4.68
454	TE	TECO ENERGY INC	-4.74
455	AMT	AMERICAN TOWER CORP-CL A	-7.88
456	DYN	DYNEGY INC-CL A	-8.23
457	MYL	MYLAN INC	-8.54
458	EP	EL PASO CORP	-8.91
459	JAVA	SUN MICROSYSTEMS INC	-11.2
460	S	SPRINT NEXTEL CORP	-13.79
461	IPG	INTERPUBLIC GROUP OF COS INC	-14.8
462	JDSU	JDS UNIPHASE CORP	-16.44
463	AMD	ADVANCED MICRO DEVICES	-16.66
464	CIEN	CIENA CORP	-25.26

465 LSI	LSI CORP	-28.76
466 THC	TENET HEALTHCARE CORP	-71.28

Includes only firms with meaningful ROE (must have positive equity)
Data Source: Bloomberg

5-Year Average ROE vs. Beta

Exhibit ___ (RH-6)



Name	Price to Book Ratio
1 WESTERN UNION CO	2330
2 TENET HEALTHCARE CORP	56.84
3 YUM! BRANDS INC	50.46
4 EMBARQ CORP	28.94
5 AUTOZONE INC	27.61
6 EXPRESS SCRIPTS INC	22.63
7 AMAZON.COM INC	21.67
8 NATIONAL SEMICONDUCTOR CORP	19.38
9 AVON PRODUCTS INC	18.96
10 COLGATE-PALMOLIVE CO	18.09
11 QWEST COMMUNICATIONS INTL	17.11
12 TRANE INC	16.74
13 H&R BLOCK INC	15.72
14 GILEAD SCIENCES INC	14.77
15 HERSHEY CO/THE	14.67
16 CONSOL ENERGY INC	13.37
17 PITNEY BOWES INC	12.14
18 ANHEUSER-BUSCH COS INC.	11.68
19 PAYCHEX INC	11.4
20 DELL INC	10.57
21 C.H. ROBINSON WORLDWIDE INC	10.35
22 WATERS CORP	10.07
23 ALTERA CORPORATION	10.02
24 MARRIOTT INTERNATIONAL-CL A	9.68
25 APOLLO GROUP INC-CL A	9.59
26 ALTRIA GROUP INC	9.27
27 CELGENE CORP	9.23
28 KELLOGG CO	9.02
29 APPLE INC	8.99
30 SIMON PROPERTY GROUP INC	8.63
31 MCGRAW-HILL COMPANIES INC	8.61
32 COACH INC	8.45
33 EXPEDITORS INTL WASH INC	8.35
34 CAMPBELL SOUP CO	8.3
35 INTL GAME TECHNOLOGY	7.92
36 WINDSTREAM CORP	7.81
37 SCHLUMBERGER LTD	7.66
38 GOOGLE INC-CL A	7.62
39 WRIGLEY WM JR CO	7.52
40 HJ HEINZ CO	7.51
41 DEAN FOODS CO	7.46
42 MEMC ELECTRONIC MATERIALS	7.4
43 PHILIP MORRIS INTERNATIONAL	7.28
44 MICROSOFT CORP	7.24
45 INTERCONTINENTALEXCHANGE INC	7.23
46 AUTODESK INC	7.17
47 SCHWAB (CHARLES) CORP	7.06
48 NORDSTROM INC	6.97
49 MONSANTO CO	6.88
50 ROCKWELL COLLINS INC.	6.85

51 BOEING CO	6.84
52 PEABODY ENERGY CORP	6.8
53 BMC SOFTWARE INC	6.74
54 MICROCHIP TECHNOLOGY INC	6.66
55 PRAXAIR INC	6.64
56 PEPSICO INC	6.54
57 COGNIZANT TECH SOLUTIONS-A	6.48
58 TERADATA CORP	6.46
59 VARIAN MEDICAL SYSTEMS INC	6.44
60 RANGE RESOURCES CORP	6.37
61 ESTEE LAUDER COMPANIES-CL A	6.33
62 TJX COMPANIES INC	6.31
63 UNITED PARCEL SERVICE-CL B	6.22
64 T ROWE PRICE GROUP INC	6.19
65 FLUOR CORP	6.13
66 AMERICAN TOWER CORP-CL A	5.89
67 FEDERATED INVESTORS INC-CL B	5.87
68 COCA-COLA CO/THE	5.87
69 INTL BUSINESS MACHINES CORP	5.84
70 INTL FLAVORS & FRAGRANCES	5.8
71 SYSCO CORP	5.77
72 SMITH INTERNATIONAL INC	5.69
73 ADOBE SYSTEMS INC	5.69
74 HALLIBURTON CO	5.67
75 BAXTER INTERNATIONAL INC	5.66
76 EXELON CORP	5.66
77 CATERPILLAR INC	5.53
78 ECOLAB INC	5.51
79 TOTAL SYSTEM SERVICES INC	5.42
80 ORACLE CORP	5.34
81 VERISIGN INC	5.34
82 NETAPP INC	5.22
83 DEERE & CO	5.21
84 STARWOOD HOTELS & RESORTS	5.18
85 JACOBS ENGINEERING GROUP INC	5.16
86 BROWN-FORMAN CORP-CLASS B	5.09
87 FORD MOTOR CO	5.06
88 AMERICAN EXPRESS CO	5.05
89 BARD (C.R.) INC	5.03
90 MEDTRONIC INC	5.02
91 LABORATORY CRP OF AMER HLDGS	4.97
92 INTUIT INC	4.96
93 SHERWIN-WILLIAMS CO/THE	4.95
94 STARBUCKS CORP	4.86
95 KIMBERLY-CLARK CORP	4.85
96 BECTON DICKINSON & CO	4.8
97 CISCO SYSTEMS INC	4.78
98 CAMERON INTERNATIONAL CORP	4.78
99 APPLIED BIOSYSTEMS GROUP	4.7
100 NVIDIA CORP	4.69
101 MERCK & CO. INC.	4.66
102 HONEYWELL INTERNATIONAL INC	4.66

103 DIRECTV GROUP INC/THE	4.66
104 MCDONALD'S CORP	4.64
105 ST JUDE MEDICAL INC	4.61
106 EMERSON ELECTRIC CO	4.58
107 LOCKHEED MARTIN CORP	4.58
108 EOG RESOURCES INC	4.58
109 GAMESTOP CORP-CLASS A	4.58
110 QUALCOMM INC	4.57
111 CB RICHARD ELLIS GROUP INC-A	4.55
112 ABBOTT LABORATORIES	4.54
113 PRECISION CASTPARTS CORP	4.51
114 XILINX INC	4.45
115 JOHNSON & JOHNSON	4.44
116 ALLERGAN INC	4.43
117 3M CO	4.39
118 NIKE INC -CL B	4.39
119 BRISTOL-MYERS SQUIBB CO	4.36
120 HERCULES INC	4.34
121 ROCKWELL AUTOMATION INC	4.33
122 QUESTAR CORP	4.3
123 APARTMENT INVT & MGMT CO -A	4.3
124 STRYKER CORP	4.29
125 TEXTRON INC	4.29
126 SIGMA-ALDRICH	4.27
127 ANALOG DEVICES	4.23
128 AKAMAI TECHNOLOGIES	4.17
129 MEDCO HEALTH SOLUTIONS INC	4.16
130 UNISYS CORP	4.13
131 AUTOMATIC DATA PROCESSING	4.1
132 GENERAL GROWTH PROPERTIES	4.07
133 MCCORMICK & CO-NON VTG SHRS	4.07
134 ELI LILLY & CO	4.05
135 NUCOR CORP	4.04
136 BEST BUY CO INC	4.03
137 EXXON MOBIL CORP	3.96
138 CORNING INC	3.95
139 DARDEN RESTAURANTS INC	3.93
140 BAKER HUGHES INC	3.92
141 HASBRO INC	3.92
142 PROCTER & GAMBLE CO	3.9
143 TEXAS INSTRUMENTS INC	3.89
144 OMNICOM GROUP	3.89
145 TRANSOCEAN INC	3.88
146 ABERCROMBIE & FITCH CO-CL A	3.86
147 SCHERING-PLOUGH CORP	3.84
148 ELECTRONIC ARTS INC	3.84
149 HOSPIRA INC	3.82
150 WEATHERFORD INTL LTD	3.79
151 AES CORP	3.78
152 HARLEY-DAVIDSON INC	3.76
153 AIR PRODUCTS & CHEMICALS INC	3.75
154 DU PONT (E.I.) DE NEMOURS	3.75

155 PALL CORP	3.71
156 ROBERT HALF INTL INC	3.71
157 AFLAC INC	3.71
158 AGILENT TECHNOLOGIES INC	3.68
159 KROGER CO	3.68
160 CITIZENS COMMUNICATIONS CO	3.64
161 BALL CORP	3.63
162 BIG LOTS INC	3.59
163 NATIONAL OILWELL VARCO INC	3.57
164 EBAY INC	3.57
165 XTO ENERGY INC	3.57
166 BROADCOM CORP-CL A	3.56
167 PLUM CREEK TIMBER CO	3.55
168 NORTHERN TRUST CORP	3.53
169 APPLIED MATERIALS INC	3.52
170 COSTCO WHOLESALE CORP	3.52
171 WAL-MART STORES INC	3.51
172 PACCAR INC	3.5
173 PATTERSON COS INC	3.5
174 GENERAL MILLS INC	3.49
175 EQUIFAX INC	3.47
176 VIACOM INC-CLASS B	3.45
177 FRANKLIN RESOURCES INC	3.44
178 NOBLE CORP	3.41
179 CITRIX SYSTEMS INC	3.4
180 WW GRAINGER INC	3.39
181 MANITOWOC COMPANY INC	3.38
182 BED BATH & BEYOND INC	3.38
183 COVIDIEN LTD	3.37
184 SARA LEE CORP	3.36
185 UNITED TECHNOLOGIES CORP	3.36
186 BOSTON PROPERTIES INC	3.35
187 WYETH	3.34
188 ALLEGHENY ENERGY INC	3.33
189 CUMMINS INC	3.33
190 BIOGEN IDEC INC	3.33
191 MILLIPORE CORP	3.31
192 TIFFANY & CO	3.31
193 HESS CORP	3.28
194 UNITED STATES STEEL CORP	3.28
195 INTEL CORP	3.27
196 ROHM AND HAAS CO	3.27
197 WHOLE FOODS MARKET INC	3.25
198 FISERV INC	3.25
199 YAHOO! INC	3.24
200 KIMCO REALTY CORP	3.22
201 ALLEGHENY TECHNOLOGIES INC	3.2
202 HEWLETT-PACKARD CO	3.2
203 BURLINGTON NORTHERN SANTA FE	3.2
204 CA INC	3.19
205 WASTE MANAGEMENT INC	3.19
206 PPL CORPORATION	3.16

207 CIENA CORP	3.13
208 GAP INC/THE	3.13
209 WENDY'S INTERNATIONAL INC	3.12
210 MURPHY OIL CORP	3.11
211 GOODRICH CORP	3.1
212 PUBLIC SERVICE ENTERPRISE GP	3.07
213 FOREST LABORATORIES INC	3.05
214 GENERAL DYNAMICS CORP	3.05
215 QLOGIC CORP	3.02
216 EW SCRIPPS CO-CL A	3.02
217 NOBLE ENERGY INC	3.02
218 PUBLIC STORAGE	3.01
219 ILLINOIS TOOL WORKS	2.99
220 US BANCORP	2.99
221 CSX CORP	2.99
222 PEPSI BOTTLING GROUP INC	2.98
223 EASTMAN CHEMICAL COMPANY	2.98
224 ZIMMER HOLDINGS INC	2.97
225 MYLAN INC	2.96
226 JANUS CAPITAL GROUP INC	2.96
227 OCCIDENTAL PETROLEUM CORP	2.94
228 BLACK & DECKER CORP	2.93
229 WALGREEN CO	2.92
230 MATTEL INC	2.92
231 BARR PHARMACEUTICALS INC	2.9
232 SLM CORP	2.9
233 NEW YORK TIMES CO -CL A	2.89
234 FREEPORT-MCMORAN COPPER	2.87
235 TARGET CORP	2.86
236 GENERAL ELECTRIC CO	2.86
237 TEREX CORP	2.86
238 DANAHER CORP	2.85
239 MONSTER WORLDWIDE INC	2.83
240 HOME DEPOT INC	2.81
241 ENTERGY CORP	2.81
242 STAPLES INC	2.8
243 LIMITED BRANDS INC	2.79
244 WILLIAMS COS INC	2.78
245 ITT CORP	2.78
246 EL PASO CORP	2.78
247 VORNADO REALTY TRUST	2.78
248 COOPER INDUSTRIES LTD-CL A	2.77
249 QUEST DIAGNOSTICS	2.77
250 BJ SERVICES CO	2.73
251 APACHE CORP	2.73
252 JUNIPER NETWORKS INC	2.72
253 DOMINION RESOURCES INC/VA	2.72
254 SAFEWAY INC	2.72
255 CENTERPOINT ENERGY INC	2.71
256 AVALONBAY COMMUNITIES INC	2.7
257 GENZYME CORP	2.68
258 STATE STREET CORP	2.68

259	PARKER HANNIFIN CORP	2.68
260	CARDINAL HEALTH INC	2.67
261	EMC CORP/MASS	2.66
262	GENUINE PARTS CO	2.65
263	PROGRESSIVE CORP	2.64
264	NEWMONT MINING CORP	2.61
265	FIRSTENERGY CORP	2.61
266	CHEVRON CORP	2.59
267	FAMILY DOLLAR STORES	2.58
268	POLO RALPH LAUREN CORP	2.57
269	FPL GROUP INC	2.55
270	KLA-TENCOR CORPORATION	2.53
271	TITANIUM METALS CORP	2.52
272	NEWELL RUBBERMAID INC	2.52
273	INTERPUBLIC GROUP OF COS INC	2.5
274	SNAP-ON INC	2.48
275	KOHL'S CORP	2.46
276	CONSTELLATION ENERGY GROUP	2.45
277	CHESAPEAKE ENERGY CORP	2.45
278	AMGEN INC	2.44
279	UNION PACIFIC CORP	2.44
280	RADIOSHACK CORP	2.42
281	DOVER CORP	2.42
282	PACTIV CORPORATION	2.41
283	EQUITY RESIDENTIAL	2.41
284	MCKESSON CORP	2.4
285	CIGNA CORP	2.39
286	AFFILIATED COMPUTER SVCS-A	2.39
287	SPECTRA ENERGY CORP	2.37
288	PPG INDUSTRIES INC	2.36
289	EATON CORP	2.36
290	ENSCO INTERNATIONAL INC	2.34
291	AVERY DENNISON CORP	2.33
292	LOWE'S COS INC	2.32
293	DEVON ENERGY CORPORATION	2.32
294	SUNOCO INC	2.31
295	NORFOLK SOUTHERN CORP	2.31
296	AON CORP	2.3
297	VF CORP	2.3
298	ARCHER-DANIELS-MIDLAND CO	2.3
299	PROLOGIS	2.29
300	NABORS INDUSTRIES LTD	2.29
301	STANLEY WORKS/THE	2.27
302	L-3 COMMUNICATIONS HOLDINGS	2.27
303	COMPUWARE CORP	2.26
304	AMERISOURCEBERGEN CORP	2.26
305	SOUTHERN CO	2.26
306	CONAGRA FOODS INC	2.25
307	LEXMARK INTERNATIONAL INC-A	2.25
308	VERIZON COMMUNICATIONS INC	2.21
309	JOHNSON CONTROLS INC	2.18
310	WELLS FARGO & COMPANY	2.18

311 RYDER SYSTEM INC	2.17
312 CINTAS CORP	2.16
313 AETNA INC	2.15
314 UNITEDHEALTH GROUP INC	2.14
315 RAYTHEON COMPANY	2.14
316 GOLDMAN SACHS GROUP INC	2.13
317 AT&T INC	2.13
318 THE WALT DISNEY CO	2.11
319 HUDSON CITY BANCORP INC	2.11
320 COVENTRY HEALTH CARE INC	2.09
321 FEDEX CORP	2.09
322 REYNOLDS AMERICAN INC	2.07
323 HCP INC	2.07
324 PFIZER INC	2.06
325 LEUCADIA NATIONAL CORP	2.06
326 KRAFT FOODS INC-CLASS A	2.03
327 GOODYEAR TIRE & RUBBER CO	2.02
328 EDISON INTERNATIONAL	2.02
329 CME GROUP INC	2.01
330 PRINCIPAL FINANCIAL GROUP	2.01
331 HUMANA INC	2
332 HARMAN INTERNATIONAL	1.99
333 PERKINELMER INC	1.97
334 ANADARKO PETROLEUM CORP	1.96
335 VULCAN MATERIALS CO	1.94
336 TERADYNE INC	1.93
337 MEREDITH CORP	1.92
338 NYSE EURONEXT	1.92
339 MOLEX INC	1.92
340 MARATHON OIL CORP	1.91
341 ALCOA INC	1.9
342 COCA-COLA ENTERPRISES	1.89
343 FIDELITY NATIONAL INFORMATIO	1.89
344 CVS CAREMARK CORP	1.88
345 LSI CORP	1.88
346 ASSURANT INC	1.87
347 DOW CHEMICAL	1.87
348 MARSH & MCLENNAN COS	1.86
349 NOVELL INC	1.84
350 FORTUNE BRANDS INC	1.82
351 BANK OF NEW YORK MELLON CORP	1.82
352 SEALED AIR CORP	1.82
353 J.C. PENNEY CO INC	1.81
354 WASHINGTON POST -CL B	1.81
355 NICOR INC	1.8
356 TORCHMARK CORP	1.78
357 SUN MICROSYSTEMS INC	1.76
358 MERRILL LYNCH & CO INC	1.76
359 TECO ENERGY INC	1.76
360 RR DONNELLEY & SONS CO	1.75
361 SEMPRA ENERGY	1.75
362 DEVELOPERS DIVERSIFIED RLTY	1.75

363	ROWAN COMPANIES INC	1.75
364	SAFECO CORP	1.75
365	HOST HOTELS & RESORTS INC	1.74
366	CLEAR CHANNEL COMMUNICATIONS	1.72
367	AMERICAN ELECTRIC POWER	1.71
368	NEWS CORP-CL A	1.68
369	P G & E CORP	1.68
370	DYNEGY INC-CL A	1.68
371	MASCO CORP	1.67
372	MORGAN STANLEY	1.67
373	WEYERHAEUSER CO	1.66
374	PNC FINANCIAL SERVICES GROUP	1.66
375	BEMIS COMPANY	1.65
376	THERMO FISHER SCIENTIFIC INC	1.64
377	CARNIVAL CORP	1.63
378	TYCO ELECTRONICS LTD	1.63
379	XEROX CORP	1.59
380	DISCOVER FINANCIAL SERVICES	1.59
381	M & T BANK CORP	1.59
382	NOVELLUS SYSTEMS INC	1.58
383	COMCAST CORP-CL A	1.57
384	WATSON PHARMACEUTICALS INC	1.57
385	EASTMAN KODAK CO	1.56
386	CONOCOPHILLIPS	1.54
387	BB&T CORP	1.54
388	CMS ENERGY CORP	1.53
389	SYMANTEC CORP	1.52
390	INGERSOLL-RAND CO LTD-CL A	1.51
391	ADVANCED MICRO DEVICES	1.51
392	PRUDENTIAL FINANCIAL INC	1.48
393	MOTOROLA INC	1.47
394	CONSTELLATION BRANDS INC-A	1.46
395	AMEREN CORPORATION	1.44
396	AMERIPRISE FINANCIAL INC	1.44
397	XCEL ENERGY INC	1.44
398	NORTHROP GRUMMAN CORP	1.43
399	VALERO ENERGY CORP	1.42
400	EXPEDIA INC	1.42
401	CHUBB CORP	1.4
402	ALLSTATE CORP	1.4
403	TYCO INTERNATIONAL LTD	1.37
404	METLIFE INC	1.37
405	SOUTHWEST AIRLINES CO	1.37
406	WHIRLPOOL CORP	1.36
407	MOLSON COORS BREWING CO -B	1.36
408	ALLIED WASTE INDUSTRIES INC	1.35
409	LOEWS CORP	1.34
410	LEGGETT & PLATT INC	1.34
411	COMPUTER SCIENCES CORP	1.33
412	SANDISK CORP	1.33
413	TYSON FOODS INC-CL A	1.33
414	FREDDIE MAC	1.31

415	PROGRESS ENERGY INC	1.31
416	HARTFORD FINANCIAL SVCS GRP	1.3
417	CONVERGYS CORP	1.3
418	JPMORGAN CHASE & CO	1.3
419	JDS UNIPHASE CORP	1.29
420	LINCOLN NATIONAL CORP	1.29
421	BOSTON SCIENTIFIC CORP	1.29
422	WELLPOINT INC	1.27
423	PEPCO HOLDINGS INC	1.27
424	FIFTH THIRD BANCORP	1.26
425	SEARS HOLDINGS CORP	1.25
426	AMERICAN INTERNATIONAL GROUP	1.25
427	BANK OF AMERICA CORP	1.25
428	CONSOLIDATED EDISON INC	1.24
429	CITIGROUP INC	1.24
430	KB HOME	1.24
431	MEADWESTVACO CORP	1.21
432	TESORO CORP	1.2
433	INTERNATIONAL PAPER CO	1.2
434	ACE LTD	1.2
435	TRAVELERS COS INC/THE	1.19
436	CENTEX CORP	1.19
437	LEGG MASON INC	1.18
438	WYNDHAM WORLDWIDE CORP	1.18
439	KEYCORP	1.18
440	LEHMAN BROTHERS HOLDINGS INC	1.17
441	SUPERVALU INC	1.17
442	DTE ENERGY COMPANY	1.16
443	INTEGRYS ENERGY GROUP INC	1.14
444	LIZ CLAIBORNE INC	1.13
445	SUNTRUST BANKS INC	1.13
446	OFFICE DEPOT INC	1.13
447	UNUM GROUP	1.12
448	CENTURYTEL INC	1.11
449	COMERICA INC	1.11
450	DUKE ENERGY CORP	1.11
451	CINCINNATI FINANCIAL CORP	1.1
452	AMBAC FINANCIAL GROUP INC	1.09
453	MACY'S INC	1.07
454	SPRINT NEXTEL CORP	1.07
455	ASHLAND INC	1.05
456	FANNIE MAE	1.03
457	ZIONS BANCORPORATION	1.02
458	ELECTRONIC DATA SYSTEMS CORP	1.01
459	PULTE HOMES INC	1.01
460	TIME WARNER INC	0.98
461	MARSHALL & ILSLEY CORP	0.97
462	PINNACLE WEST CAPITAL	0.96
463	NISOURCE INC	0.96
464	KING PHARMACEUTICALS INC	0.94
465	DR HORTON INC	0.94
466	MICRON TECHNOLOGY INC	0.93

467 AUTONATION INC	0.92
468 AMERICAN CAPITAL STRATEGIES	0.91
469 JABIL CIRCUIT INC	0.89
470 LENNAR CORP-CL A	0.85
471 CAPITAL ONE FINANCIAL CORP	0.84
472 WACHOVIA CORP	0.8
473 REGIONS FINANCIAL CORP	0.8
474 GENWORTH FINANCIAL INC-CL A	0.79
475 TELLABS INC	0.76
476 BRUNSWICK CORP	0.76
477 GANNETT CO	0.74
478 CBS CORP-CLASS B NON VOTING	0.74
479 JONES APPAREL GROUP INC	0.74
480 IAC/INTERACTIVECORP	0.71
481 E*TRADE FINANCIAL CORP	0.7
482 XL CAPITAL LTD -CLASS A	0.69
483 FIRST HORIZON NATIONAL CORP	0.66
484 OFFICEMAX INC	0.62
485 HUNTINGTON BANCSHARES INC	0.6
486 SOVEREIGN BANCORP INC	0.59
487 DILLARDS INC-CL A	0.58
488 WASHINGTON MUTUAL INC	0.52
489 CIT GROUP INC	0.39
490 MBIA INC	0.38
491 MGIC INVESTMENT CORP	0.37
492 NATIONAL CITY CORP	0.3
493 COUNTRYWIDE FINANCIAL CORP	0.27
494 BEAR STEARNS COMPANIES INC	0.14

Median 2.8

Source: Bloomberg

Beta Vs. Bond Rating

