

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE: ATMOS ENERGY COPORATION

DOCKET NO. 05-00258

AFFIDAVIT

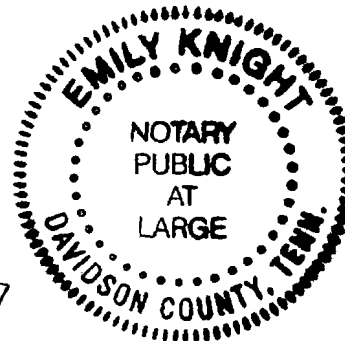
I, Stephen N. Brown, Economist, for the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Rebuttal Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.


STEPHEN N. BROWN

Sworn to and subscribed before me
this 18 day of August, 2006.


NOTARY PUBLIC

My commission expires: Sept. 22, 2007



My Commission Expires SEPT. 22, 2007

I. Introduction

Q_1. Please state your name.

A_1. Steve Brown.

Q_2. Are you the same Steve Brown who gave direct testimony representing the opinion of the CAPD in this proceeding of the Tennessee Regulatory Authority (TRA)?

A_2. Yes, I am.

Q_3. What testimony are you giving now?

A_3. I am giving rebuttal testimony.

Q_4. Whose testimony are you rebutting?

A_4. I am rebutting the testimony of several witnesses who have provided direct testimony for Atmos. They are Dr. Donald A. Murry and Laurie M. Sherwood I am also rebutting the testimony of Mr. Jerry Kettles of the TRA Investigative staff.

My opinion is that the just and reasonable rates in Tennessee cannot be set on the basis of the testimony given by Mr. Kettles, Dr. Murry, and Laurie Sherwood.

II. The Equity Costs Of Mr. Kettles and Dr. Murry, 10.75% and 12%, Are Unreasonable and Are Windfall Profits To Atmos

Mr. Kettles and Dr. Murry disregard normal financial principles that establish an equity return. They dismiss the usual and accepted Discounted Cash Flow analysis because it provides a lower return, thus it must be wrong, according to them. Mr. Kettles says in his direct testimony, at page 14 lines 11-12, that "it is impossible to ignore the low valuation results given by the DCF when using dividend growth." Dr. Murry says in his direct testimony, at page 21, lines 10 and 6, and at page 22 lines 16 and 17: that "The DCF is theoretically sound... [but] when key assumptions [are] not realized in practice [the DCF] leads to incorrect measures of the cost of equity... misunderstanding of the DCF results can virtually assure that a regulated company will not earn its allowed return..." Thus the DCF must be wrong because it provides for lower returns.

The witnesses remedy their problem by employing a peculiar form of the CAPM analysis to propel the equity return to near 12 percent in Mr. Kettles' case and about 13 percent in Dr. Murry's. Each witness then exercises his judgment to step away from the calculated result: Mr. Kettles recommends an equity return of 10.75 percent and Mr. Murry recommends 12 percent.

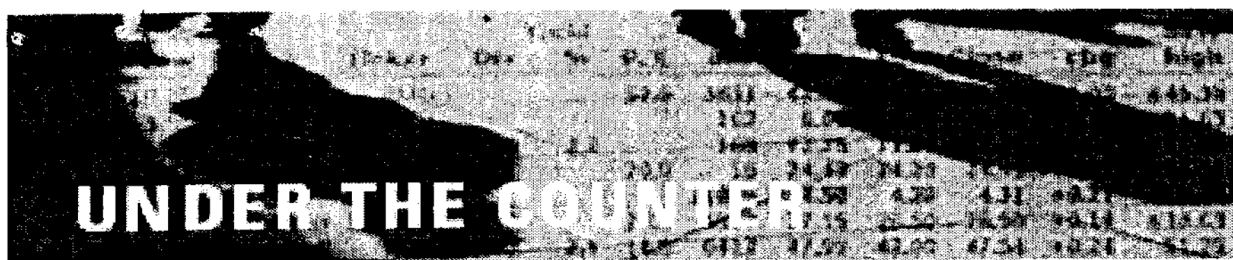
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2 Such judgment may appear as graceful
3 forbearance, but their recommendations are
4 extreme. Their equity returns are far
5 removed from the market's equity costs, so
6 much so that Mr. Kettles' and Dr. Murry's
7 recommendations will create windfall
8 profits in Tennessee for Atmos, if the
9 company is granted such an equity return.

10
11 Such a return would be a windfall for
12 Atmos because equity returns are
13 declining. Both witnesses rely on the
14 Ibbotson Yearbook and its well-known
15 author, Roger Ibbotson, as authoritative
16 sources for data and equity costs:

- 17
18 • *"I used the Ibbotson's 2004 Stock, Bonds, Bills and Inflation*
19 *Yearbook" [Kettles, Response To CAPD Discovery item 9];*
20
21 • *"Ibbotson Associates...is the common source of data for the risk*
22 *premium used in the CAPM analysis method" [Murry, Direct,*
23 *Page 30, Lines 18-19].*
24

25
26 However, both Mr. Kettles and Dr. Murry
27 are out-of-touch with the message that
28 Professor Ibbotson is sending to the
29 investment community. No where in their
30 testimonies do they show an understanding
31 that the tide of equity returns has
32 changed, that the market norm is
33 approaching 9 percent, as supported not
34 only by my direct testimony and the
35 discovery herein, but also by their own
36 authoritative source, Ibbotson. The next
37 several pages show the tide-change, which
38 has been known since December 2005, seven
39 months before they filed their testimonies
40 in July 2006.
41
42

1



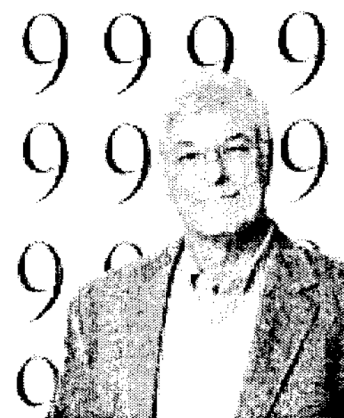
« Bonus Feedback from the Trenches? | Main | AIG To Enable HF Managers To Cover Their Asses »

DECEMBER 14, 2005

Ibbotson Dials It Down, No Longer "Mr. Ten Percent"

Roger Ibbotson was one half of the team to make arguably the most impressive market prediction in history. In 1974, along with fellow U Chicagoan Rex Sinquefeld, Ibbotson forecasted that the DJIA, then in the 800s, would reach 9,218 at the end of 1998 and 10,000 by November 1999. These calls were built on the assumption that long-term stock returns would exceed 10% so it's no small news in academic and financial circles that Ibbotson--a devotee of efficient market theory and CAPM--has dialed down this growth rate to 9.27%. ← ↑

The 9% Prediction [Fortune]



2

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9% Forever?

That's economist Roger Ibbotson's forecast for stock market returns. **HE'S BEEN RIGHT--very right--in the past. So how come some people think we shouldn't believe him anymore?**

By JUSTIN FOX
December 26, 2005

FORTUNE

(FORTUNE Magazine) – In May 1974, in the depths of the worst bear market since the 1930s, two young men at a University of Chicago conference made a brash prediction: The Dow Jones industrial average, floundering in the 800s at the time, would hit 9,218 at the end of 1998 and get to 10,000 by November 1999.

You probably have a good idea how things turned out: At the end of 1998, the Dow was at 9,181, just 37 points off the forecast. It hit 10,000 in March 1999, seven months early. Those two young men in Chicago in 1974 had made one of the most spectacular market calls in history.

What became of them after that? One, Rex Sinquefeld, went on to found a mutual fund company that now manages more than \$80 billion. The other, Roger Ibbotson, kept making market forecasts, forecasts of long-run stock and bond returns that have become deeply woven into the fabric of American life. Simply put, if you believe that stocks are fated to return 10% on average over the long haul, Ibbotson is probably the reason why.

It's hard to overestimate the influence of those numbers. The forecasts and historical return data churned out by Ibbotson Associates transformed the pension fund business in the late 1970s and 1980s, leading managers to make an epic shift out of bonds and into stocks. They formed the inescapable backdrop to the 1990s personal investing boom, as brokers, financial planners, and journalists endlessly repeated the Ibbotson mantra of double-digit stock market returns as far as the eye could see. Lately the Ibbotson forecasts have been finding their way into 401(k)s, as Ibbotson and other firms using similar methods build portfolios for those who opt not to build their own. Ibbotson even sells hundreds of thousands of

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8/10/2006

written with Dartmouth's Kenneth French, Fama has argued that the capital asset pricing model, or at least its 1970s corollary that the risk premium is constant, doesn't match the facts. "My own view is that the risk premium has gone down over time basically because we've convinced people that it's there," Fama says. Ibbotson's stock market forecasting model is thus a victim of its own success.

Ibbotson agrees that Fama has a point, and that he can no longer bank on the historical equity premium to predict future returns. The alternative he has come up with is an estimate based on fundamentals. He takes the 10.31% annual return on stocks from 1925 through the present and strips out the tripling of the market's price/earnings ratio that's occurred since then. "We think of that as a windfall that you shouldn't get again," he says. The drivers of stock returns that remain are dividends, earnings growth, and inflation. Make a forecast of future inflation using current bond yields, assume that dividend and earnings growth history will repeat themselves, and you get a long-run equity-return forecast of 9.27%. When Ibbotson and his company's director of research, Peng Chen, first ran the numbers in 2001, the gap between the new forecast and the one using the equity premium method was more than a percentage point. Because P/Es have dropped since then, the gap has shrunk. But Ibbotson's revised forecasting method doesn't insulate him from criticism any more than the old way. In fact, it invites new criticism.

The most persistent challenger has been Rob Arnott, a Pasadena money manager and editor of the Financial Analysts Journal, who thinks future equity returns could be below 6%. (See "Dueling Market Forecasts" chart.) The big difference between his forecast and Ibbotson's is that Arnott uses the current dividend yield (1.76%) as a starting point, while Ibbotson goes with the much higher long-term average yield (4.23%). Ibbotson believes the historical number provides a better picture of what investors think is ahead. He still relies on the assumption that markets are efficient, so current dividend yields must be low for a reason--his guess is that investors are expecting big growth in earnings (and dividends) in the future. Arnott, whose research has shown that low yields in the past were followed by slow earnings growth, thinks that's balderdash. "One of my biggest beefs with the academic community is the notion that theory is fact," he complains. "When they find evidence that contradicts the theory, instead of saying, 'Wonderful, let's improve the theory,' they throw it out because it conflicts with theory."

The Historical S&P500 Return Is 10.31% Not 12.5% As Dr. Murry and Mr. Kettles Suggest In Their Testimonies and CAPM Analyses

Ibbotson's Long-Term Equity Forecast is 9.27%, Not 10.75% As Mr. Kettles Recommends, Nor 12% As Dr. Murry Recommends

Below 6% Is One Well Known Possibility

Given the currency of the Ibbotson cache and the broad coverage given to his dramatic reduction of equity returns, it is surprising that such news does not appear in the testimonies of Mr. Kettles and Dr. Murry, despite their several proclamations of allegiance to the "long-term:"

- *"I used long-term forecasts of growth in earnings per share and dividends per share in my calculations" [Kettles, Direct, Page 13 lines 3-4];*

- *“Averaging the two returns provides a broader measure of long-term growth across ... the market as a whole” [Kettles, Response To CAPD Discovery item 9];*
- *“I chose... the risk free rate based upon ... long-term treasury bills” [Kettles, Direct, Page 10, Lines 19-20];*
- *“Recognizing that rates from this proceeding will be in effect for a number of years, I also recognized prices over a longer time period” [Murry, Direct, Page 27, Lines 2-4];*
- *“The CAPM method primarily provides a longer-term perspective...” [Murry, Direct, Page 30, Lines 25-26];*
- *“For this case...the capital costs of regulated utilities...will continue to increase into the foreseeable future” [Murry, Direct, Page 4, Lines 3-7];*

III. How Mr. Kettles and Dr. Murry Reached Their Results – The Market Return.

The table on the next page compares the Risk premium methods of each witness.

Mr. Kettles' and Dr. Murry's replies to discovery about their "Market Returns" appear on the next page.

CAPD Witness Brown - Rebuttal: Docket 05-00258

DR Responses to CAPD Set #2
Docket No. 05-00258

**SECOND DISCOVERY REQUEST OF THE CONSUMER ADVOCATE AND
PROTECTION DIVISION TO ATMOS ENERGY CORPORATION**

Murry
Reply

PART II: QUESTIONS REGARDING COST OF CAPITAL

5. For Dr. Murry's Schedule DAM-24, please provide the data and calculations that led to the figure of "14.85%" shown under the column titled "total Market Returns."

RESPONSE:

The "14.85%" shown under the column titled "Total Market Returns" is the simple average of "Large Company Stocks: Total Returns (Arithmetic Mean)" of 12.3% and "Ibbotson Small Company Stocks: Total Returns (Arithmetic Mean)" of 17.4% from Table 2-1 of Ibbotson Associates' SBBI Valuation Edition 2006 Yearbook as attached.

QUESTION 7. On page 11, lines 8 and 9 of the Prefiled Direct Testimony of Staff Witness Jerry

Kettles, he determined that "a risk premium of 7% is appropriate based upon a prevailing market return of 12.5%"

(i) Did Staff Witness Kettles calculate the value of the "prevailing market return of 12.5%"?

(ii) If the response to (i) is "yes," then please note the work papers where Mr. Kettles made this calculation and explain all of the calculations that he used to determine the "the "prevailing market return of 12.5%"?

(iii) If the response to (i) is "no," then please identify Mr. Kettles' source and explain how he used this source to make this determination.

RESPONSE: (i) No.

(ii) N/A

(iii) I used the Ibbotson's 2004 Stock, Bond, Bills and Inflation Yearbook. Data through 2003 are included in the calculations provided. The 2004 Yearbook was the most recent edition available to the analyst. The 12.5% return statistic is derived by looking at the central tendency several long term measures of market returns. All data are provided in the attached sheets from the Ibbotson's publication referenced above. First, I looked at arithmetic mean of large company stock returns for 1926 to 2003. This return is reported as 12.4%.

I reviewed the returns for holding investments 20 years as detailed in Table 2.11. Over the most recent time period reported, 1984 to 2003, large company stocks grew 12.99 percent. Over the same time frame, small company stocks grew 12.35%. Averaging the two returns provides a broader measure of long term growth across both large and small companies which should be indicative of the growth in the market as a whole. 7

Mr. Kettles' and Dr. Murry's procedures suffer from several infirmities. Each calculates an average of 2 measures so different in content that it is improper to average them.

- *In Mr. Kettles case 12.5 equals $(12.35 + 12.99)/2$. The first number is an arithmetic average of so-called "small company" returns from the time period 1983-2004 while the second number is the arithmetic average of the S&P500 returns from 1983-2004;*
- *In Dr. Murry's case 14.85 equals $(17.4 + 12.3)/2$ where the first number is an arithmetic average of so-called "small company" returns from the time period 1982-2005 while the second number is the arithmetic average of the S&P500 returns from 1926-2005, more than a 50-year difference in time frames.*

The S&P500 is an index of stock returns, but the "small company" data happens to be the equity returns to just one mutual fund out of nearly 1800 that specialize in "small company" investments, and which investors can buy shares in the United States.

The particular fund that Mr. Kettles and Dr. Murry employ is "U.S. DFA Micro Cap Mutual Fund." The next page shows how that fund compares to others with regard to the fund name, the initial investment required by the fund, and the start date of the fund. The data source is Morningstar.com.

Ordered By Name

	Fund Name	Category	Initial Investment	Start Date
1	ABN AMRO/TAMRO Small Cap I	Small Blend	2000000	2005/01/04
2	ABN AMRO/TAMRO Small Cap N	Small Blend	2500	2000/11/30
3	Agile Multi-Strategy	Small Blend	2500	2000/11/30
4	AM Opportunities I A	Small Blend	1000	1998/06/29
.....				
.....				
93	DFA U.S. Micro Cap	Small Blend	2000000	1981/12/22
94	DFA U.S. Small Cap	Small Blend	2000000	1981/12/22
1784	WM Small Cap Value A	Small Value	1000	1996/12/23
1785	WM Small Cap Value A Load Waiv	Small Value	1000	1996/12/23
1786	WM Small Cap Value B	Small Value	1000	1996/12/23
1787	WM Small Cap Value C	Small Value	1000	1996/12/23
1788	WM Small Cap Value R	Small Value	1000	1996/12/23
1789	WM Small Cap Value R	Small Value	1000	1996/12/23

Ordered By Minimum Investment

	Fund Name	Category	Initial Investment	Start Date
1	MassMutual Premier Small Cap V	Small Blend	100,000,000	1997/12/30
2	MassMutual Premier Small Compa	Small Blend	100,000,000	1998/07/17
3	MassMutual Select Small Compan	Small Blend	100,000,000	1998/07/17
4	MassMutual Select Emerging Gro	Small Growth	100,000,000	1984/06/01
5	MassMutual Select Small Cap Gr	Small Growth	100,000,000	1984/06/01
6	MassMutual Select Small Compan	Small Growth	100,000,000	1984/06/01
.....				
69	DFA Tax-Managed U.S. Small Cap	Small Blend	2,000,000	2003/06/02
70	DFA U.S. Micro Cap	Small Blend	2,000,000	1981/12/22
71	DFA U.S. Small Cap	Small Blend	2,000,000	1981/12/22
1717	Goldman Sachs Small Cap Value	Small Value	0	1997/08/15
1718	Hartford Select SmallCap Value	Small Value	0	1997/08/15
1786	Principal Inv SmallCap Value A	Small Value	--	1994/03/31
1787	Principal Inv SmallCap Value I	Small Value	--	1994/03/31
1788	Principal Inv SmallCap Value P	Small Value	--	1994/03/31
1789	Principal Inv SmallCap Value S	Small Value	--	1994/03/31

Ordered By Start Date

	Fund Name	Category	Initial Investment	Start Date
1	T. Rowe Price Small-Cap Stock	Small Blend	2500	1968/06/01
2	Thrivent Partner Small Cap Gro	Small Growth	500000	1960/06/03
3	Tamarack Small Cap Growth I	Small Growth	250000	1960/06/03
4	TCM Small Cap Growth	Small Growth	100000	1960/06/03
5	The Boston Co Small Cap Growth	Small Growth	100000	1960/06/03
6	The Boston Co Small Cap Tax-Se	Small Growth	100000	1960/06/03
7	The Boston Company Small/Mid C	Small Growth	100000	1960/06/03
25	Vanguard Explorer	Small Growth	3000	1967/12/11
26	Pioneer Growth Opportunities Y	Small Growth	5000000	1968/01/18
27	Pioneer Growth Opportunities I	Small Growth	0	1968/01/18
28	FPA Capital	Small Value	1500	1968/02/01
29	AllianceBernstein Small Cap Gr	Small Growth	2500	1969/02/12
30	AllianceBernstein Small Cap Gr	Small Growth	2500	1969/02/12
31	Lord Abbett Developing Growth	Small Growth	1000	1973/10/10
32	Lord Abbett Developing Growth	Small Growth	1000	1973/10/10
33	Merrill Lynch Value Opportunit	Small Blend	1000	1978/05/05
34	Jennison Small Company B	Small Growth	1000	1980/11/13
35	DFA U.S. Micro Cap	Small Blend	2000000	1981/12/22
36	DFA U.S. Small Cap	Small Blend	2000000	1981/12/22

Mr. Kettles and Dr. Murry are arbitrary to pick just 1 fund while ignoring the rest. Their use of the "U.S. DFA Micro Cap Mutual Fund" shows their continued reliance on the Ibbotson Yearbook as an authoritative source. However, one of the DFA Fund's compensated directors is also the author of the Ibbotson Yearbook:

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As filed with the U.S. Securities and Exchange Commission on August 4, 2006
File No. 2-73948
File No. 811-3258

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 [X]
Pre-Effective Amendment No. []
Post-Effective Amendment No. 82 [X]

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 [X]
Amendment No. 83

(Check appropriate box or boxes.)

DFA INVESTMENT DIMENSIONS GROUP INC.
(Exact Name of Registrant as Specified in Charter)

Set forth below is a table listing, for each Director entitled to receive compensation, the compensation received from the Dimensional Funds during the fiscal year ended November 30, 2005 and the total compensation received from all four registered investment companies for which the Advisor serves as investment advisor during that same fiscal year. The table also provides the compensation paid by each Dimensional Fund to the Funds' Chief Compliance Officer for the fiscal year ended November 30, 2005.

Name and Position	Aggregate Compensation from DFAIDG*	Pension or Retirement Benefits as Part of Expenses	Estimated Annual Benefit upon Retirement	Total Compensation from Funds and DFA Fund Complex Paid to Directors+
George M. Constantinides..... Director	\$56,820	N/A	N/A	\$117,500
John P. Gould..... Director	\$56,820	N/A	N/A	\$117,500
Roger G. Ibbotson..... Director	\$59,238	N/A	N/A	\$122,500

The DFA fund's prominence in Dr. Murry's and Mr. Kettles' analyses is directly related to the prominence of the Ibbotson's Yearbook's author and is not related to any independent analysis of small-company funds by either witness.

Q_5. In your opinion does the Ibbotson Yearbook make a representation that its data on small company stocks constitutes either an index or a "small company" market that can be added to the S&P500 index to create a "Total Market."

A_5. No. In my opinion the Ibbotson Yearbook does not make such a claim. The Yearbook clearly explains that the returns are for just one mutual fund. The 2005 Yearbook says at pages 63 and 61:

- *"For 1982-March 2001 the small company stock return series was the total return achieved by the DFA Small Company 9/Fund...For April 2001 to December 2004 is the total return achieved by the DFA Micro Cap Fund."*

The Yearbook does not suggest nor recommend the calculations made by Mr. Kettles and Dr. Murry. There are also several facts that should prevent any reasonable equity-return analysis from including such an average:

- *The S&P500 Index in any year represents about 45% of entire market's value. The S&P500's Market Value In May 2006 was \$12,348,770 millions, but DFA Micro Cap Mutual Fund value was only \$4,419 millions, thousands of times smaller than the S&P500's value;*

- *Mr. Kettles' figure of 12.99 and Dr. Murry's figure of 12.35 represent the arithmetic average of the S&P 500 equity returns. The arithmetic average is the "fool's gold" I referred to in my direct testimony. It is "fool's gold" because it overstates the S&P500 real equity returns by about 2.5%. The general public, financial writers and stock brokers are not fools: they believe that 10% is the real historical return of the S&P500.*

Professor Ibbotson is known as "Mr. 10%" not "Mr. 12%" as shown at page 4 of this rebuttal testimony. Other examples appear in my Rebuttal Schedule 1.

Other factors that prevent Mr. Kettles' and Dr. Murry's "market returns" from being a basis for just and reasonable rates in Tennessee include:

- *The initial investment in the DFA fund is \$2 million, thus ordinary investors are denied access to the fund;*
- *The fund engages in capital gains speculation because less than 30% of the fund's holdings pay dividends[refer to Brown Rebuttal Schedule 2;*
- *Although Mr. Kettles and Dr. Murry chose comparable companies because such companies paid dividends, their actual approach disregards the comparable-company principle, because the small-company fund (DFA) they employ contains only a small percentage(30%) that pay dividends.*

From Kettles Direct page 9:

1 Q: DID YOU EXCLUDE ANY COMPANIES IN THE VALUE LINE NATURAL
2 GAS DISTRIBUTION INDUSTRY GROUP?

3 A: Yes. I removed SEMCO Energy and Southern Union because they have an
4 inconsistent history of dividend payments. Although I can still compute equity costs
5 using the CAPM model for these two companies, the lack of dividend data precluded
6 calculations under the DCF model.

From Murry Direct page 11, lines 8 - 16:

SELECTION OF COMPARABLE COMPANIES

Q. What criteria did you use to select the utilities that you identified as comparable to Atmos Energy for your analysis?

A. Using criteria that were similar to the characteristics of Atmos Energy, I selected a group of local gas distribution utilities for comparative analysis. I first selected the comparable companies from a group of gas distribution companies reported by *Value Line*. Second, because of the importance of size in determining the cost of capital of a utility, I limited the group of distribution companies to firms with a market capitalization of at least \$1 billion. Third, I excluded companies that do not pay a dividend, and finally, I limited this

IV. Mr. Kettles and Dr. Murry Improperly Apply a Beta Based On the New York Stock Index To The Market Return Of The S&P500 Index.

Q_6. In your opinion, do Mr. Kettles and Dr. Murry apply the correct beta to their CAPM model?

A_6. No. In my opinion neither witness applies the proper beta. A fundamental problem in Mr. Kettles' and Dr. Murry's analyses, after all their efforts to explain their "market returns," is silent substitution of another index into their calculations. Their testimonies are filled with references to Value Line, and there is no doubt they apply Value Line's betas, which are based on the New York Stock Exchange, as Value Line's website explains:

Address  http://www.valueline.com/sup_glossb.html

Beta—a relative measure of the historical sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Index. A Beta of 1.50 indicates a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Index. The "Beta coefficient" is derived from a regression analysis of the relationship between weekly percentage changes in the price of a stock and weekly percentage changes in the NYSE Index over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are adjusted for their long-term tendency to converge toward 1.00.

Q_7. **In your opinion are the S&P500 Index and the New York Stock Exchange Index reasonable substitutes for each other?**

A_7. No. In my opinion one cannot be a reasonable substitute for the other. My Schedules 8 and 9 in my direct testimony show the composition of the S&P500, the NYSE, and the portion of companies that pay dividends. The NYSE index and the S&P500 index are not the same nor similar.

For example, I use NASDAQ.com's betas because they are based on the S&P500. These betas average to just .33, as shown in my direct testimony, Schedule 12 and 13. In contrast, Dr. Murry's average beta from the NYSE index is .91, as shown in his schedule DAM-23. Mr. Kettles' average NYSE beta is .87 and appears in his schedule JLK-5.

1 As I have already shown in my direct
2 testimony at page 12 and in Schedule 8
3 attached to my direct testimony, in the
4 past five years only one-half of the
5 companies listed on the New York Stock
6 Exchange pay dividends. Therefore, one-
7 half of the price-movement on the NYSE is
8 attributable to capital-gains speculation.
9 In contrast, only one-fourth of the
10 companies on the S&P500 Index are subject
11 to that wealth-creation path. In contrast
12 to the NYSE index, the S&P500 index is
13 representative of income-oriented, safety-
14 conscience, dividend-recipient investors
15 who do not chase after capital-gains. This
16 behavior underlies the differences between
17 my beta of .33, Mr. Kettles beta .87, and
18 Dr. Murry's beta of .91.

19
20 Clearly, when comparing the comparable
21 companies to the NYSE, they are going to
22 appear volatile, or risky. But when the
23 comparable companies are compared to the
24 S&P500 Index, as is the case with the
25 NASDAQ.com betas I have used, the risk
26 drops substantially.

27
28 Dr. Murry distinguishes between the DCF
29 analysis and CAPM analysis by saying the
30 DCF analysis is "the more volatile..
31 analysis" [Murry Direct, page 27, line
32 28], but in almost the same lines he says
33 the "Beta is the measure of the
34 volatility, as a measure risk, of a given
35 security to the market as a whole" [Murry
36 Direct, page 27, lines 20-21].
37

1 This argument has no merit. If anything,
2 he has made the opposite case by his
3 choices of betas and his silent selection
4 of the NYSE index. In Tennessee, Atmos'
5 business is not subject to the wild risk-
6 rides of the NYSE index, contrary to the
7 implication of Value Line's beta. Change
8 here is incremental and slow, as slow as
9 the NSDAQ.com's betas.

10
11 Furthermore, there is evidence that the
12 NYSE index method of valuation changed in
13 2003, as shown on the next two pages which
14 are available at the NYSE's website. Thus
15 Value Line's beta, which is based on five
16 years dating to 2001, is derived from data
17 treated in dissimilar ways before and
18 after 2003.
19



NYSE Composite Index Methodology Guide

nyseindexes.com



1. Index Overview and Description

The New York Stock Exchange (NYSE) Composite Index (Symbol: NYA), established in 1966, is designed to measure the performance of all common stocks listed on the NYSE, including ADRs, REITs and tracking stocks. It is a measure of the changes in aggregate market value of approximately 2,000 NYSE-listed U.S. and non-U.S. stocks, adjusted to eliminate the effects of capitalization changes, new listings and delistings. The index is weighted using free-float market capitalization, and calculated on both price and total return basis.

In an effort to modernize and align its index methodology with those of other popular broad-based U.S. indexes, the Exchange reintroduced the NYSE Composite Index in January 2003 under a new methodology that is fully transparent and rule-based. The NYSE Composite is calculated and maintained by Dow Jones Indexes. A comparison of the index's old versus new methodology is summarized in the following table.

	Old Methodology	New Methodology
Security class for eligible inclusion		
Common stocks	Yes	Yes
ADRs	Yes	Yes
Tracking Stocks	Yes	Yes
REITs	Yes	Yes
Closed-end funds	Yes	No
ETFs	Yes	No
Preferred stocks	No	No
Derivatives	Yes	No
Shares of beneficial interest	Yes	No
Trust units	Yes	No
Limited partnerships	Yes	No
Weighting	Full market capitalization	Float-adjusted market cap
Base Date	December 31, 1965	December 31, 2002
Base Value	50	5,000
Maintained/Calculated by	Securities Industry Automation Corp.	Dow Jones Indexes
Reconstitution/Rebalancing	Ongoing	Ongoing
Share Updates (<10%)	Daily	Quarterly
Return Calculations	Price return index	Price and total return indexes

Value Line's
Beta Straddles
Both Methods

V. Mr. Kettles' Riskfree Rate of 5.50% and Dr. Murry's Riskfree Rate of 5.35% Improperly Apply Risk-Determined Rates As Riskfree Rates In Their CAPM Analyses.

Q_8. In your opinion, did Mr. Kettles and Dr. Murry employ a riskfree rate in their CAPM analyses?

A_8. No, in my opinion they did not. Their risk free rates show the contradiction inherent in the CAPM model: it leads to the absurd results that interest rate and rates of return do not reflect risk. Consider Mr. Kettles' reply to CAPD discovery, as shown on the next page.

QUESTION 15. Refer to Mr. Kettles' Schedule JLK-3 and either admit or deny the following:

- a. Notes with GS6M interest are more risky than notes with a GS20 interest rate.
- b. The risk of a note with a GS6M interest is equal to the risk of a note with a GS20 interest rate.
- c. The interest rate applied to a note is not related to the risk of the note.

RESPONSE: Each response below refers to the default risk of the respective government security.

a. Deny.

b. Admit.

c. Admit.

These Notes Have Equal Risk,
According To Mr. Kettles

Selected Interest Rates - Percent										Exhibit 1 Schedule JLK-3
Time	GS3M	GS6M	GS1	GS3	GS5	GS7	GS10	GS20	GS30	AAA
2004-05-01	1.04	1.33	1.78	3.10	3.85	4.31	4.72	5.46	#N/A	6.04
2004-06-01	1.29	1.64	2.12	3.26	3.93	4.35	4.73	5.45	#N/A	6.01
2004-07-01	1.36	1.70	2.10	3.05	3.69	4.11	4.50	5.24	#N/A	5.82
2004-08-01	1.50	1.76	2.02	2.88	3.47	3.90	4.28	5.07	#N/A	5.65
2004-09-01	1.68	1.91	2.12	2.83	3.36	3.75	4.13	4.89	#N/A	5.46
2004-10-01	1.79	2.05	2.23	2.85	3.35	3.75	4.10	4.85	#N/A	5.47
2004-11-01	2.11	2.32	2.50	3.09	3.53	3.88	4.19	4.89	#N/A	5.52
2004-12-01	2.22	2.50	2.67	3.21	3.60	3.93	4.23	4.88	#N/A	5.47
2005-01-01	2.37	2.68	2.86	3.39	3.71	3.97	4.22	4.77	#N/A	5.36
2005-02-01	2.58	2.85	3.03	3.54	3.77	3.97	4.17	4.61	#N/A	5.20
2005-03-01	2.80	3.09	3.30	3.91	4.17	4.33	4.50	4.89	#N/A	5.40
2005-04-01	2.84	3.14	3.32	3.79	4.00	4.16	4.34	4.75	#N/A	5.33
2005-05-01	2.90	3.17	3.33	3.72	3.85	3.94	4.14	4.56	#N/A	5.15
2005-06-01	3.04	3.22	3.36	3.69	3.77	3.86	4.00	4.35	#N/A	4.96
2005-07-01	3.29	3.53	3.64	3.91	3.98	4.06	4.18	4.48	#N/A	5.06
2005-08-01	3.52	3.78	3.87	4.08	4.12	4.18	4.26	4.53	#N/A	5.09
2005-09-01	3.49	3.79	3.85	3.96	4.01	4.08	4.20	4.51	#N/A	5.13
2005-10-01	3.79	4.13	4.18	4.29	4.33	4.38	4.46	4.74	#N/A	5.35
2005-11-01	3.97	4.30	4.33	4.43	4.45	4.48	4.54	4.83	#N/A	5.42
2005-12-01	3.97	4.33	4.35	4.39	4.39	4.41	4.47	4.73	#N/A	5.37
2006-01-01	4.34	4.47	4.45	4.35	4.35	4.37	4.42	4.65	#N/A	5.29
2006-02-01	4.54	4.69	4.68	4.64	4.57	4.56	4.57	4.73	4.54	5.35
2006-03-01	4.63	4.79	4.77	4.74	4.72	4.71	4.72	4.91	4.73	5.53
2006-04-01	4.72	4.90	4.90	4.89	4.90	4.94	4.99	5.22	5.06	5.84
2006-05-01	4.84	5.01	5.00	4.97	5.00	5.03	5.11	5.35	5.20	5.95

Given Mr. Kettles' admission that the interest rates in his schedule are unrelated to risk and that the risk of a 6-month note (GS6M) is equal to the risk of 20 year note (GS20), there is no good reason to accept 5.5% as a risk free rate. Based on Mr. Kettles' assumptions, he could have used a number from the GS3M or GS6M column and calculated a much lower CAPM rate than he did. My opinion is to disregard his CAPM analysis as a basis for setting just and reasonable rates.

Now consider Dr. Murry's determination of a risk free rate, which he explains in response to CAPD's discovery:

PART II: QUESTIONS REGARDING COST OF CAPITAL

4. For Dr. Murry's Schedule DAM-23, please provide the data and calculations that led to the figure of "5.35%" shown under the column titled "Total Market Returns," and that led to the figure of "7.1%" shown under the column labeled "Equity Risk Premium," and that led to the several figures under the column labeled "Size Premium."

RESPONSE:

Dr. Murry's Schedule DAM-23 has no column titled "Total Market Returns." The "5.35%" is the yield on a 20-Year Treasury Bond as reported by the Federal Reserve Statistical Release H.15 for May 2006. Please see the attached. The 7.1 % figure under the column labeled "Equity Risk Premium" and the figures under the column labeled "Size Premium" came from Table C-1 of Ibbotson Associates' SBBI Valuation Edition 2006 Yearbook. Please see the attached.

The arbitrary nature of Dr. Murry's time frames is now clear:

- *The market return is based on 80 years of the S&P500 Index and 22 years of the DFA mutual fund returns;*
- *The Beta Is Based on 5 years of data from the New York Stock Index;*
- *In contrast, the risk free rate is based on just a single month.*

Dr. Murry's risk free rate is not derived from the same time frame as his market return, and that lack of consistency is a severe problem in his CAPM analysis. Instead of basing the risk free rate on a long-term set of data, as in his "market return" where he uses 80 years, he uses a single number from just one month. The risk free rate and the market return should be derived from the same time frame. To do otherwise is to be arbitrary. For example, did Dr. Murry choose 5.35% because it is 5.35%, or because it applies to a 20-year term, or because the note's payer happens to be the U.S. government, or because it was available in May 2006?

VI. The DCF Works Properly, Provides Reasonable Results, And Reveals A Company's Policy Of Reinvestment In Its Own Business, A Policy Not Revealed In A Risk Premium Analysis

Q_9. In your opinion does the DCF work properly?

A_9. Yes. In my opinion it works well, providing results consistent with my risk premium analysis. In other words my DCF analysis confirms my risk premium analysis and vice-versa. The table on the next page is taken from my direct testimony, Schedule 6, the lower right corner.

Is There A Trend? -- Direction	Dividend Growth By Company		Dividend Yield:	Range Of Suggested DCF Equity Returns To The Stock Holder
-	Average	Median	On 2006, May 17	Dividend Yield + Div. Growth
Yes - Up	4.86%	3.19%	4.07% Highest	8.93%
Yes - Up	0.56%	0.00%	4.62%	5.18%
Yes - Up	0.65%	0.56%	4.29%	4.94%
Yes - Up	3.84%	3.97%	3.18%	7.15%
Yes- Down	1.41%	0.54%	4.66%	6.07%
Yes- Down	1.47%	1.37%	3.97%	5.44%
Yes- Down	1.74%	1.91%	6.05%	7.96%
Yes - Up	4.47%	4.03%	3.94%	8.41%
None	0.00%	0.00%	2.98% Lowest	2.98%
Yes - Up	1.32%	1.18%	4.78%	6.10%

Based on the values in this table, I chose a DCF return of 8 percent. Here are the results of my risk premium analysis from my direct testimony, Schedule 14:

Debt	Nasdaq Beta	Premium =	Risk	Equity
Cost		9.93% - 3.72%	Premium	Cost
(a)	(b)	(c)	(d)=(b)X(c)	(e)=(a)+(d)
5.92%	0.332	6.21%	2.06%	8.03%

The table below is taken from my direct testimony Schedule 8, which displays dividend payout ratios for the dividend paying companies in each category.

Median Dividend PayOut Ratio By Fiscal Year					
Stock Exchange And Stock Category In Brown's Direct, Schedule 8					
	Current	Prior	Year 3	Year 4	Year 5
(1) - ALL	34%	35%	35%	36%	38%
(2) - AMEX	41%	44%	43%	45%	48%
(3) - NNM	34%	35%	33%	34%	36%
(4) - NSC	35%	35%	31%	35%	34%
(5) - NYSE	32%	32%	36%	36%	39%
(6) - OTC	40%	40%	38%	37%	37%
(7) - S&P 500	28%	27%	31%	34%	37%
(8) - Comparables	66%	66%	73%	76%	71%

My DCF return for the comparable companies is 8 percent. This return is just as it should be because the comparable group has a very high dividend payout ratio, paying out most of their earnings. This is a substantial contrast with the S&P500. Thus the comparable group dividend payout ratio is on the down-side of the S&P500's, just like the comparables have an average beta, which is only .35. Thus Atmos and the comparables are only one-third as risky as a typical S&P500 company. They are low-risk monopolies which pass through cost increases via the PGA and uncollectible accounts expense to captive customers.

1 Thus a major difference between my
2 analyses and those of Mr. Kettles and Dr.
3 Murry is that my DCF casts a very broad
4 net and in so doing confirms the accuracy
5 of the DCF model and my risk premium
6 model, each supports the other and
7 provides consistent results.
8

9 In contrast, Dr. Murry and Mr. Kettles
10 apply the DCF to a handful of companies
11 and pronounce it wrong, and rush to their
12 CAPM models to reach their conclusions.
13 There is no justification for Dr. Murry
14 and Mr. Kettles recasting the DCF by using
15 earnings growth (refer to Kettles' Direct
16 page 13 and Murry's Direct page 27) to
17 provide Atmos with a higher return. By
18 using earnings growth instead of dividend
19 growth, these witnesses are treating Atmos
20 as if it is at the head-of-the-line in the
21 NYSE or the S&P500. These witnesses also
22 ignore the information provided by the
23 dividend payout ratio.
24

25 **Q_10. In your opinion, what is the economic**
26 **significance of the dividend payout**
27 **ratios?**
28

29 **A_10.** In my opinion the payout ratio measures
30 the company's reinvestment in itself, and
31 indicates if the company sees itself
32 operating in a competitive market or as a
33 monopoly. Atmos and its comparables
34 reinvest just a tiny fraction of earnings.
35 They have themselves in the long-term
36 position of passing on so much of their
37 profit that they can not easily increase
38 dividends. Atmos, being a monopoly, seeks
39 to raise prices to its captive customers
40 to achieve dividend growth and to fund
41 stock issues. Dr. Murry says at page 10:

21 **Q. Why are these economic conditions important to this proceeding?**

22 A. The rates set in this proceeding will be in effect during a period of rising inflation and
 23 interest rates. During this period, the Company has plans to issue common stock over the
 24 time that these rates will be in effect. Rising inflation and rising interest rates adversely
 25 affect a gas utility's debt and securities, thereby increasing the risk to common
 26 stockholders that they will achieve their anticipated returns on investment. As the FOMC

VII. Capital Structure And the DCF Are Tied Together: A Company's Payout Ratio Determines Retained Earnings And The Equity Ratio.

11 **A_11.** What economic significance does Dr. Murry
 12 assign to the low dividend growth rates of
 13 his comparable companies?

15 **Q_11.** Dr. Murry interprets low dividend growth
 16 rates as a sign of prudence. At page 25,
 17 lines 19-21 he says

- *"Under ... competitive circumstances prudent boards of directors are likely to conserve cash and refrain from increasing dividends."*

22 **Q_12.** In your opinion, would such a policy, if
 23 followed, increase a company's equity
 24 ratio?

26 **A_12.** Yes. In my opinion this policy would
 27 improve the equity ratio if in fact the
 28 company followed its own policy.

30 **Q_13.** What do Dr. Murry and Ms. Laurie Sherwood
 31 testify to regarding Atmos' equity ratio
 32 and capital structure?
 33

1 **A_13.** They make several statements regarding
2 capital structure and the equity ratio. At
3 page 4, lines 10-15 of his testimony Dr.
4 Murry says:

- 5
6 • *".. the current common stock equity ratio is temporarily much*
7 *lower than it has been historically... and much lower than other,*
8 *typical gas distribution utilities. This low common equity ratio is*
9 *an anomaly... Atmos Energy's management has set a target... of*
10 *50 percent common stock and long-term debt 50 percent long-term*
11 *debt."*

12
13 In her testimony Ms. Sherwood makes a
14 similar statement from page 4 line 22 to
15 page 5 lines 1-6:

- 16
17 • *"Atmos Energy will use internally generated cash flows and*
18 *ongoing additions to shareholders equity [and] plans to return its*
19 *capital structure to near its permanent target of 50 percent*
20 *shareholders equity and 50 percent debt."*

21
22 **Q_14.** **In your opinion is it reasonable to accept**
23 **these statements as a basis for setting**
24 **just and reasonable rates in Tennessee?**
25

A_14. No. In my opinion it is not reasonable to accept these statements because they are very inaccurate: 1) Atmos' current equity ratio is not an anomaly with respect to its own equity ratio, as shown in the table on next page; 2) Dr. Murry's comparison of Atmos' equity ratio to other equity ratios is not based on capital structures inclusive of short-term debt, as shown on the following page, and there is a huge difference in equity ratios when short-term debt is included in capital structure; 3) Claims like Ms. Sherwood's have been made before by Atmos and its predecessor, as shown by the SEC 10-K reports I display on pages 33-34 of this rebuttal, but such claims have not been lived up to.

Atmos - History Of Capital Structure By Fiscal Year

Capital Structure Components As Of:	Short-Term Debt: Notes Due	Short-Term Debt: Current Portion of Long-Term Debt	Long-Term Debt	Common Equity	Preferred	Total
2005: Sep 30	3.7%	0.1%	55.5%	40.7%	0	100.0%
2004: Sep 30	0.0%	0.3%	43.1%	56.7%	0	100.0%
2003: Sep 30	6.4%	0.5%	46.7%	46.4%	0	100.0%
2002: Sep 30	10.3%	1.6%	47.5%	40.6%	0	100.0%
2001: Sep 30	13.4%	1.4%	46.2%	39.0%	0	100.0%
2000: Sep 30	24.7%	1.7%	34.7%	38.8%	0	100.0%
1999: Sep 30	18.2%	1.9%	39.1%	40.8%	0	100.0%
1998: Sep 30	2.1%	7.0%	45.8%	45.1%	0	100.0%
1997: Sep 30	20.7%	1.9%	36.8%	40.5%	0	100.0%
1996: Dec 31	17.1%	2.0%	40.0%	40.9%	0	100.0%
Median				→ 40.7%		
Average				→ 42.9%		

40.7% Is Not An "Anomaly"

56.7% Is The Anomaly

Value Line's capital structures do not include short-term debt, as Dr. Murry has already testified in TRA Docket 03-00313:

Rebuttal Testimony of Donald A. Murry
Docket No. 03-00313
Page 10 of 13

Danielsen, and Kamerschen, Public Utilities Reports, Inc., Second Edition, March 1988, Pg. 312).

How one determines equity ratios and capital structures depends on how one defines them. As Dr. Brown himself noted, *Value Line* does not include short-term debt in its reported capital structures. This is not unusual as short-term debt is usually not a component of the permanent capital structure.

The capital structures in Dr. Murry's Schedule DAM-6 do not include short-term debt, but in every SEC 10-K filed since 1996, Atmos includes short-term debt in the capital structure. Clearly, Atmos tells the world that the company's capital structure includes short-term debt, as do all the comparable companies. Thus Mr. Kettles and Dr. Murry are mistaken to remove short-term debt from Atmos' capital structure.

1

Atmos Energy Corporation Comparable Gas Companies Comparison of Common Equity Ratios						Schedule DAM-6
Company	2002	2003	2004	2005	2006E	Forecast '09-'11
Atmos Energy	46.1%	49.8%	56.8%	42.3%	43.0%	45.0%
AGL Resources	41.7%	49.7%	46.0%	48.1%	50.0%	52.0%
New Jersey Resources	49.4%	61.9%	59.7%	58.0%	58.0%	63.0%
NICOR, Inc.	64.5%	60.3%	60.1%	62.5%	63.5%	65.5%
Peoples Energy	59.3%	53.3%	49.2%	47.2%	46.7%	47.4%
Piedmont Natural Gas Company	56.1%	57.8%	56.4%	58.6%	59.0%	60.0%
Southwest Gas	34.1%	34.0%	35.8%	36.2%	36.5%	41.1%
WGL Holdings, Inc.	52.4%	54.3%	57.2%	58.6%	59.0%	59.0%
Comparable Companies' Averages	51.1%	53.0%	52.1%	52.7%	53.2%	55.4%
Source: Value Line Investment Survey						

There is a striking difference between Value Line's capital structure for NICOR and NICOR's capital structure from the SEC Form 10-K, an audited report, displayed in Brown's Direct, Schedule 3 page 3 of 10:

NICOR : Consolidated Capitalization				
(In Millions of \$)				
Capital Structure Components As Of:	2005: Dec 31	2004: Dec 31	2003: Dec 31	3_Yr Av. Cap Structure
Short-Term Debt: Notes Due	586	490	575	550
Short-Term Debt: Current Portion of Long-Term Debt	0	0	0	0
Long-Term Debt	486	495	497	493
Common Equity	811.3	749	755	772
Preferred	0.6	2	2	1
Total	1,884	1,736	1,828	1,816
RATIOS:				
Short-Term Debt: Notes Due	31.1%	28.2%	31.4%	30.3%
Short-Term Debt: Current Portion of Long-Term Debt	0.0%	0.0%	0.0%	0.0%
Long-Term Debt	25.8%	28.5%	27.2%	27.1%
Common Equity	43.1%	43.2%	41.3%	42.5%
Preferred	0.0%	0.1%	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%

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 PUBLIC DOCUMENT COUNT: 19
 CONFORMED PERIOD OF REPORT: 19970930
 FILED AS OF DATE: 19971222
 SROS: NYSE

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME: ATMOS ENERGY CORP
 CENTRAL INDEX KEY: 0000731802
 STANDARD INDUSTRIAL CLASSIFICATION: NATURAL GAS DISTRIBUTION [4924]
 IRS NUMBER: 751743247
 STATE OF INCORPORATION: TX
 FISCAL YEAR END: 0930

FILING VALUES:

FORM TYPE: 10-K
 SEC ACT:
 SEC FILE NUMBER: 001-10042
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STREET 1: 1800 THREE LINCOLN CTR
 STREET 2: 5430 LBJ FREEWAY
 CITY: DALLAS
 STATE: TX
 ZIP: 75240
 BUSINESS PHONE: 2149349227

Earlier Claims
 Like Ms.
 Sherwood's:

1997

31

<PAGE>

The following table reflects the Company's capitalization, including short-term debt except for the portion related to current storage gas.

<TABLE>
 <CAPTION>

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	<C>	<C>	<C>	<C>
	(In thousands)			
Working capital				
Short-term debt(1)	\$ 48,122		\$ 43,350	
Short-term debt	119,178	15.6%	85,138	12.0%
Long-term debt	318,182	41.6%	292,841	41.4%
Shareholders' equity	327,260	42.8%	329,582	46.6%
Total capitalization	\$764,620	100%	\$707,561	100%

</TABLE>

(1) Includes short-term borrowings associated with working gas inventories.

As of the end of fiscal 1997, the debt to capitalization ratio had increased to 57.2% from 53.4% in 1996. The increase was primarily due to increased cash requirements related to merger and integration costs and CSI investments in 1997, as well as the effects of the charges and reserves previously discussed. The Company plans to decrease the debt to capitalization ratio to nearer its target of 50% over the next three years through cash flow generated from operations, issuance of new common stock under its Direct Stock Purchase Plan and ESOP, recovery of CSI and merger/integration costs and possibly from the sale of certain real estate assets.

In Every SEC 10K
 Filing Since 1996,
 Atmos Has
 Represented Its
 Capital Structure
 As Including
 Short-Term Debt

1
 2
 3

1995

-----BEGIN PRIVACY-ENHANCED MESSAGE-----

Proc-Type: 2001,MIC-CLEAR

Originator-Name: webmaster@www.sec.gov

Originator-Key-Asymmetric:

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MIC-Info: RSA-MD5, RSA,

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ACCESSION NUMBER: 0000950144-96-001135

CONFORMED SUBMISSION TYPE: 10-K

PUBLIC DOCUMENT COUNT: 9

CONFORMED PERIOD OF REPORT: 19951231

FILED AS OF DATE: 19960322

SROS: NASD

FILER:

COMPANY DATA:

COMPANY CONFORMED NAME: UNITED CITIES GAS CO
 CENTRAL INDEX KEY: 0000101105
 STANDARD INDUSTRIAL CLASSIFICATION: NATURAL GAS DISTRIBUTION [4924]
 IRS NUMBER: 361801540
 STATE OF INCORPORATION: IL
 FISCAL YEAR END: 1231

FILING VALUES:

FORM TYPE: 10-K
 SEC ACT: 1934 Act
 SEC FILE NUMBER: 000-01284
 FILM NUMBER: 96537691

BUSINESS ADDRESS:

STREET 1: 5300 MARYLAND WAY
 CITY: BRENTWOOD
 STATE: TN
 ZIP: 37027
 BUSINESS PHONE: 6153735310

MAIL ADDRESS:

STREET 1: 5300 MARYLAND WAY
 CITY: BRENTWOOD
 STATE: TN

United Cities Gas Company (Cities) and its subsidiaries (collectively, the company) is primarily a distributor of natural and propane gas serving approximately 335,000 customers in parts of ten states. The financial condition and results of operations of the company are significantly affected by the weather and the regulatory environment in the eight states in which it distributes natural gas. The following discussion focuses on the financial condition and results of operations for the company for the past three years and its capital expenditure plans for the foreseeable future.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1995, the company's capitalization ratios consisted of 47% common stock equity and 53% long-term debt. The company's goal is to maintain a common stock equity ratio of approximately 50% through increased retained earnings and the issuance of stock through the employee stock purchase, customer stock purchase, dividend reinvestment and long-term stock plans. This should enable the company to maintain its current credit integrity and continue to allow access to relatively low cost financing.

VIII. Inflation Is Not Raising Atmos' Capital Cost

Q_15. In your opinion is Dr. Murry accurate, when he asserts that inflation is increasing capital costs?

A_15. No. In my opinion he is not accurate. His guesswork on page 9 of his direct testimony regarding actions of the Federal Reserve has already proved incorrect. At least for the time being, the Reserve has stopped raising interest rates. Also, from 2001 through much of 2005 interest rates were at record lows and waves of refinancing occurred. Sensibly enough, Atmos took advantage of these interest rates to lower the company's debt cost, as have many companies. Atmos has a \$400 million note due in 2009. After that, the next due date is 2011. If Atmos needs rate increases to cover any change in its capital costs, I have no doubt it will promptly file a petition to raise rates in Tennessee. On the other hand Dr. Murry does not acknowledge one of the central reasons that brought this current docket into being - the long history of Atmos overearning in Tennessee, an overearning caused in part by the overstatement of debt costs he applied in the last rate-case, as shown in my direct testimony page 4.

IX. Value Line's Forecasts Are An Improper Basis To Set Just And Reasonable Rates In Tennessee

Q_16. What does Dr. Murry testify to regarding Atmos' projected common equity returns?

A_16. At page 4, lines 10-15 of his testimony Dr. Murry says:

- “... Value Line predicts a return on common stock for the comparable companies of 11.5 percent in 2006... In the same publication Value Line forecasts return of only 8.5 percent for Atmos Energy. In short, the common stock earnings of Atmos Energy are currently lower than... the group of comparable companies...”

His schedule DAM-8 is shown below:

<div>Atmos Energy Corporation</div> <div>Comparable Gas Companies</div> <div>Schedule DAM-8</div> <div>Comparison of Returns on Common Equity</div>							
Company	2002	2003	2004	2005	2006E	Five Year Average	Forecast '09-'11
Atmos Energy	10.4%	9.3%	7.6%	8.5%	8.5%	8.9%	10.5%
AGL Resources	14.5%	14.0%	11.0%	12.9%	13.0%	13.1%	12.0%
New Jersey Resources	15.7%	15.6%	15.3%	17.0%	16.0%	15.9%	14.5%
NICOR, Inc.	17.5%	12.3%	13.1%	12.5%	13.0%	13.7%	13.5%
Peoples Energy	12.3%	12.3%	9.4%	10.8%	9.0%	10.8%	14.5%
Piedmont Natural Gas Company	10.6%	11.8%	11.1%	11.5%	11.0%	11.2%	12.5%
Southwest Gas	6.5%	6.1%	8.3%	6.4%	8.5%	7.2%	9.5%
WGL Holdings, Inc.	7.2%	14.0%	11.7%	12.0%	10.0%	11.0%	11.0%
Comparable Companies' Averages	12.0%	12.3%	11.4%	11.9%	11.5%	11.8%	12.5%

Source: Value Line Investment Survey

However, neither Dr. Murry nor Mr. Kettles evaluate the accuracy of Value Line's Forecasts. To remedy that problem I have evaluated Value Line's equity return forecasts with regard to Atmos, shown in the following table. Value Line's source pages are attached as my Rebuttal Schedule 3. Clearly, Value Line's forecasts are so inaccurate that they should not be a basis for setting just and reasonable rates in Tennessee.

Value Line Makes Very Inacurate Forecasts Of Atmos' Equity Return

Date	Forecast Period	Forecasted Return to Common Equity To Atmos	Fiscal Year	Actual Return In Fiscal Year	Source: SEC 10-K filings	Error: Ratio Of Forecast To Actual Minus 1
1995 June 30	98-00	11.0%	1998			
1996 June 28	99-01	11.5%	1999	4.7%	10-K For 2003, Sep. 30	145%
1997 June 27	00-02	13.5%	2000	9.3%	10-K For 2003, Sep. 30	45%
1998 June 26	01-03	15.0%	2001	10.4%	10-K For 2005, Sep. 30	44%
1999 June 25	02-04	16.5%	2002	9.9%	10-K For 2005, Sep. 30	67%
2000 June 23	03-05	14.5%	2003	9.9%	10-K For 2005, Sep. 30	46%
2001 June 22	04-06	17.5%	2004	9.1%	10-K For 2005, Sep. 30	92%
2002 June 21	05-07	14.0%	2005	9.0%	10-K For 2005, Sep. 30	56%
2003 June 20	06-08	14.5%				
2004 June 18	07-09	9.5%				
2005 June 17	08-10	9.0%				
2006 March 17	09-11	10.5%				

These results are not surprising. For example, economists Eugene Fama and Kenneth R. French authored an article, "The Equity Premium" which was published in the Journal of Finance in mid 2002. The authors wrote:

- "Moreover, though the issue is controversial... Claus and Thomas find that analysts' forecasts are biased; they tend to be substantially above observed growth rates.... In short, we find no evidence to support a forecast of strong future dividends or earnings growth..." [The Equity Premium by Eugene Fama and Kenneth French in The Journal of Finance, Vol. 67, No. 2, April 2002, p.639, p. 651]*

1 This directly contradicts Dr. Murry's assertion
2 at page 24 line 4 of his direct testimony that
3 "analysts['] growth rate forecasts are the best
4 source for growth measures." I also note that
5 the article I refer to is far more recent than
6 the sources Dr. Murry relies on in his
7 footnotes on page 24.
8

9 Finally, Value Line's ever-present disclaimer
10 cannot be ignored. The publisher tells the
11 people who rely on its data: "Factual material
12 is obtained from sources believed to be
13 reliable and is provided without warranties of
14 any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR
15 ANY ERRORS OR OMISSIONS HEREIN [sic]."
16

17 Value Line's disclaimer is no different than
18 the disclaimer made by Atmos, which I show in
19 my direct testimony, Schedule 2. Neither Atmos
20 nor Value Line nor the witnesses who rely on
21 Atmos and Value Line have any responsibility
22 for wayward forecasts and arbitrary
23 predictions. It is Tennessee's ratepayers who
24 pay the price for inaccuracy.
25

26 This is all the more reason to base Tennessee's
27 just and reasonable rates on the verified data
28 in the independently audited SEC 10-K reports,
29 as I have done.
30

31 This concludes my rebuttal testimony at this
32 time.
33
34

THE WALL STREET JOURNAL

MONEY & INVESTING

TUESDAY, MARCH 13, 1990

Mutual Funds	C18	Odd-Lot Trading	C5
Reading Stocks	C8	OTC Focus	C8
New Securities Issues	C17	Stock Market Data Bank	C1
NYSE/Amex Bonds	C16	Treasury/Agency Issues	C15
NYSE Highs & Lows	C3	U.S. Regional Markets	C5
NYSE Stocks	C1	World Markets	C19

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Sizzling Stock Funds Can Often Give Warmth to Tardy Investors

MUTUAL FUNDS

By JONATHAN CLEMENTS

Staff Reporter of THE WALL STREET JOURNAL
NEW YORK—Never buy last year's hot fund. Don't run with the crowd. Be a contrarian.

If you follow mutual funds closely, that's the sort of advice you've probably heard time and again.

One little problem: It's bad advice. The fact is, the top-scoring stock mutual funds tend to do pretty well in the year after they topped the performance charts.

Imagine the following investment strategy. On Jan. 1 of each year, you put \$1,000 into each of the previous year's 10 top performing stock funds, and then hold on for the rest of the year. At year's end, you roll over your investment into the new list of top performers.

If you had followed this strategy over the past decade, your \$10,000 initial investment would have ballooned into \$56,180, according to Chicago's Morningstar Inc., which tracks and analyzes mutual fund performance.

For comparison, a \$10,000 investment in the stocks that make up the Standard & Poor's 500-stock index would have left you

with \$50,388 at the end of 10 years, or \$5,792 less than with the hot-fund strategy.

But most fund investors didn't even do that well. A \$10,000 investment in the average stock fund would have turned into \$42,233 by the end of the decade. That's because most fund managers underperform the market averages, once you deduct expenses.

"Everyone says, 'Never buy the hot funds,' but it's clearly not a disastrous strategy," says Morningstar President Joe Mansueto.

The trick, it seems, is to avoid the specialty funds, like gold funds or those that invest in single-industry sectors. If you had avoided the specialty funds, and instead just bought the previous year's top-performing diversified stock funds, you would have seen your initial \$10,000 investment grow to \$70,450.

Why do hot funds do so well in the year after they topped the performance charts? "It's impossible to distinguish between luck and skill," says Mr. Mansueto.

Maybe not, but you do see a lot of funds with fine long-term records, including Lindner, Pennsylvania Mutual, Windsor, Vanguard High-Yield, Mutual Qualified and Sequola.

The conventional wisdom says that the best fund managers plod along year af-

ter year, often unnoticed because they produce consistently good but never spectacular results. For example, the decade's top-performing stock fund, Peter Lynch's Fidelity Magellan, never made it onto an annual top-ten list.

But it seems that top fund managers may well have a blowout year every once in a while, so avoiding a fund just because it was among the top performers could be a costly mistake.

But even stock funds with mediocre long-term records tend to do well in the year after they top the performance charts.

Sheldon Jacobs, editor of No-Load Fund Investor, a mutual fund newsletter, thinks he knows why. He attributes the continuing success of top-performing fund managers partly to ability and partly to stock-market trends. "Some of these market trends are pretty long-lived," he notes. "The value managers, for instance, have been doing well for quite some while."

During the past decade, there were periods that favored different types of stock-pickers. Small-company funds did well in the early 1980s, international stock funds roared ahead in 1985 and 1986, and, most recently, the market has favored buyers of

1989's Top Ten Performers

And how they have fared in 1989 and through the first two months of this year

FUND	PERFORMANCE 1989 AND FEB.
Alger Small Capitalization	64.5% -2.6%
American Telecom. Income	53.9 -12.9
Fidelity Energy Service	59.4 2.4
Fidelity Medical Delivery	58.0 -12.6
Financial Strategic Health	59.5 -5.0
G.T. America Growth	54.8 -4.3
G.T. Japan Growth	60.7 -3.5
Strategic Investments	61.2 -7.8
United Services Gold Shares	64.7 -5.7
Vista Growth & Income	56.9 0.2

When Figuring the Rate of Return . . .

Don't Be Confused By the Sales Hype

YOUR MONEY MATTERS

By JAMES A. WHITE

Staff Reporter of THE WALL STREET JOURNAL
When it comes to investments, you start with some money, you end with some money, and the difference determines your rate of return. What could be simpler?

Try brain surgery.

Mutual funds, banks, brokers, insurance companies and money managers use all sorts of methods to calculate investment returns. While the different approaches are usually perfectly legitimate, they can make comparisons difficult.

Sales hype is behind much of the confusion. "The performance figures that investment managers are reporting are put together for one reason, and that is marketing," says David T. Ferrier, a Merrill Lynch & Co. vice president.

But investors aren't helpless. Those who take a little time to get a bet-

Investment-Return Averages Can Mask Wide Swings

Here are six sets of investment returns totaling 27% over three years. While the average return in each case is 9% a year, compound annual returns vary. Looking at average and compound returns together gives an indication of year-to-year performance swings

	INVESTMENT PERFORMANCE					
First year	9%	5%	0%	0%	-1%	-6%
Second year	9%	10%	7%	0%	-1%	-8%
Third year	9%	12%	20%	27%	29%	40%
Average return	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Compound return	9.00%	8.96%	8.69%	8.29%	8.13%	6.96%

Source: Salomon Brothers Inc.

ter, or annualized, rate of return. This figure is the rate at which \$1 would have to grow in each of several periods to reach an ending amount.

Unlike the average, the compound return takes into account the sequence of earnings or losses. That's because a gain or loss in any one year directly affects the amount of money left to build up in the next and subsequent years. Thus a big gain in an earlier year generates a higher compound return than if the same gain had occurred more recently.

In addition, the bigger the swings in returns from one period to the next, the lower the returns compared with average calculations.

Both return calculations can be useful in checking an investment's track record. "The average return is going to give you some information about what is most likely

ance of the investment manager. Because the manager can't control the size and timing of money flowing in and out of an account, a time-weighted calculation can be made to figure the value of \$1 invested for the entire period, eliminating distortions from cash flows.

"For the question of how my investment manager is doing, you want a time-weighted return," says Catherine A. Higgins, a benefits-plan consultant at Towers Perrin's TPF&C unit. "Then for the question of how is my money doing, you might want to calculate the dollar-weighted rate of return."

The difference between the return calculations is illustrated by two investors, each of whom opens a \$100 account with a money manager. The manager buys two shares of the same \$50 stock for each client. A year later, each share has risen

Dollar Rise Continues Against Yen

U.S. Currency Hits Three-Year High; Stocks, Bonds Drift

MONDAY'S MARKETS

By DOUGLAS R. SEASE

Staff Reporter of THE WALL STREET JOURNAL
Stock and bond investors sat back to assess what appears to be a budding economic rebound, resulting in very active trading in both markets. But the dollar continued climbing, reaching a three-year high against the Japanese yen.

Currency traders said the dollar's recent push higher in the face of concerned selling by central banks has demonstrated the ineffectiveness of intervention in controlling the currency. With investment flowing out of Japan and West Germany because of uncertainties about economic and political policies, traders said it is difficult to predict how much higher the dollar might go.

The Dow Jones Industrial Average traded in a narrow range all day, ending up a scant 3.18 points at 2655.71. Broader

GETTING STARTED



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LOW
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87.35
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89-4
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9.0%
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242
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234
230
226

LOW
58.10
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3.97
69.00

performance.
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Vanguard High-Field, Mutual Qualified the and Sequola.
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Docket No. 05-00258
Exhibit CAPD-SB
Rebuttal Testimony
Schedule 1
Page 2 of 7

When Figuring the Rate of Return . . .

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YOUR MONEY MATTERS

By JAMES A. WHITE

Staff Reporter of THE WALL STREET JOURNAL

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Sales hype is behind much of the confusion. "The performance figures that [investment] managers are reporting are put together for one reason, and that is marketing," says David T. Ferrier, a Merrill Lynch & Co. vice president.

But investors aren't helpless. Those who take a little time to get a better understanding of risk-and-return statistics can reduce their chances of falling victim to inflated sales pitches. Here are some basics:

Average vs. Compound Returns: If three years of returns on an investment total 27%, did the investment earn 9% a year or 6.96% a year? Both answers, and numerous others, are correct, as the nearby table illustrates.

The difference arises from the use of two types of return calculations. The simplest is the "average," where the returns for any number of past periods are added up and divided by the number of periods.

The second calculation, more widely used by investment firms, is the "com-

Investment-Return Averages Can Mask Wide Swings

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pound," or annualized, rate of return. This figure is the rate at which \$1 would have to grow in each of several periods to reach an ending amount.

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In addition, the bigger the swings in returns from one period to the next, the lower the returns compared with average calculations.

Both return calculations can be useful in checking an investment's track record. "The average return is going to give you some information about what is most likely to happen, but used together with the compound return, you also get the idea of the risk involved, so it is nice to look at both," says Mr. Ferrier.

Time vs. Dollar Weighting: While average and compound calculations produce different returns over several periods, the choice between so-called time-weighted and dollar-weighted calculations produces different return figures for the same period.

The dollar-weighted, or internal, calculation shows the change in value of a portfolio for the average funds invested in the period, including cash added or withdrawn by the investor. That sounds like it covers all the bases, but those cash flows can be a problem in calculating the true perform-

ance of the investment manager. Because the manager can't control the size and timing of money flowing in and out of an account, a time-weighted calculation can be made to figure the value of \$1 invested for the entire period, eliminating distortions from cash flows.

"For the question of how my investment manager is doing, you want a time-weighted return," says Catherine A. Higgins, a benefits-plan consultant at Towers Perrin's TPF&C unit. "Then for the question of how is my money doing, you might want to calculate the dollar-weighted rate of return."

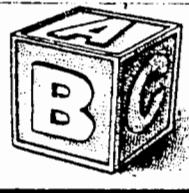
The difference between the return calculations is illustrated by two investors, each of whom opens a \$100 account with a money manager. The manager buys two shares of the same \$50 stock for each client. A year later, each share has risen to \$100. Client A adds \$100, which the manager uses to buy another share of the same stock. Finally, after another year, the stock is back to \$50.

On a time-weighted basis, the return on both accounts is zero because \$1 invested at the start of the period was still \$1 at the end. But on a dollar-weighted basis, Client A's account shows a negative 18.1% return, as the \$150 invested fell to \$100. Client B, with \$100 at the start and the end of the period with no cash flows, had a zero dollar-weighted return.

Over short periods of, say, a month, or when there aren't cash flows, the differences between time-weighted and dollar-weighted calculations usually aren't significant.

Please Turn to Page C11, Column 4

GETTING STARTED



Here's an Option for Betting on Rates

By STANLEY W. ANGRIST

Staff Reporter of THE WALL STREET JOURNAL

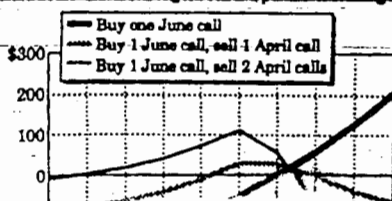
You don't need a bond to bet on your opinion of where interest rates are headed.

With the introduction last year of long-term interest rate options on the Chicago Board Options Exchange, it's relatively easy to make an investment play.

These options, commonly called by their ticker symbol, LTX, are unlike in that they trade on a composite interest rate, rather than on the price of an under-

Interest Rate Strategies

Profit-and-loss results, as of April 20, of three strategies in long-term interest rate options traded on the Chicago Board Options Exchange



would lose their total investment.

The second strategy offers an opportunity for an investor to reduce the cost of purchasing a June call. It produces a small profit if the investor wishes to close out a trade in April should interest rates remain close to current levels.

It works like this: Buy one June 87.5 call for 1.8125 (\$181) and simultaneously sell one April 87.5 call for 0.8125 (\$81.25). If rates stay about where they are and the index is under 87.5 on April 20, the April call will expire worthless.

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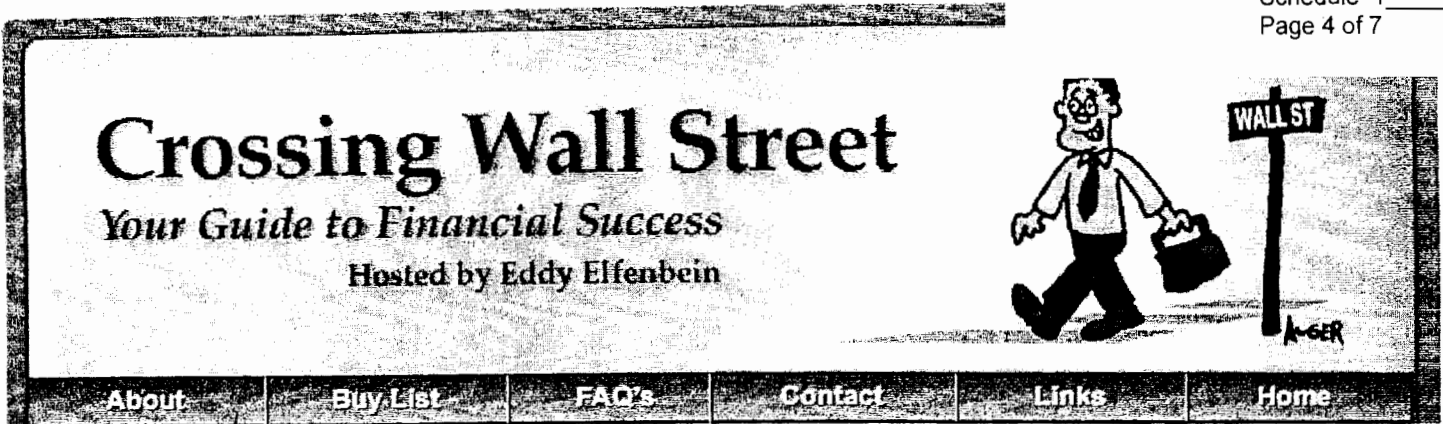
Appendix C

Is Sold in T

The distortion is greater with bigger numbers. A 50% loss on \$100 followed by a

"By looking at only raw rates of return, you often have a very incomplete picture why the manager earned what he did," says Ms. Higgins of TPF&C. "You need to know the kinds of risk that a manager took to get that rate of return."

The joint vent American unit a management in the main part of ucts group, and Inc., an investme management buy



« [Sorry, Folks](#) | [Main](#) | [First-Quarter Summary](#) »

April 01, 2006 Ibbotson Yearbook

I just got my copy of the *2006 Ibbotson Yearbook* in the mail. Ibbotson is a money management firm in Chicago that's best known for keeping long-term performance information on the stock market (the company was recently bought by Morningstar).

The yearbook tracks the monthly performance of stocks, bonds, treasuries and inflation since 1925. It's a fascinating resource. The yearbooks are available at many libraries, but being a data junkie, I like to get my own copy. You can order a copy [here](#).

The data confirms that the stock market is the best place to be. Over the last 80 years, large-cap stocks have gone up an average of 10.36% a year (dividends and capital gains). One dollar invested in 1925 would be worth over \$2,600 today. On average, the market doubles every seven years. Nothing beats it.

When you look at the long-term chart, even ugly periods like 1987 appear as minor blips. It's true that bear markets can be painful, but the long-term data is clear. The market goes up, up and up. The only hitch is that you have to be patient.

Stocks are also big winners against bonds. Long-term corporate bonds have averaged 5.92% a year. Long-term Treasuries have average 5.47% a year, and T-Bills have returned just 3.71% a year.

Ibbotson also looks at small-cap stocks, and that group has done even better than the large-caps. Since 1926, small-caps have averaged 12.64% a year. By small-cap, Ibbotson generally means stocks that are in the smallest 20% of the market's universe, although they've recently altered their criteria.

Ibbotson also breaks out the performance of each size decile, or 10% slice of the market. What's interesting is that the returns are almost perfectly rank-ordered—the smallest 10% has done the best, and the largest 10% has done the worst.

Since 1926, the smallest decile has returned an average of 13.96% a year. My only caution about micro-cap investing is that although the "outperformance premium" is very real, it's not very well-behaved. The relative performance is *highly* cyclical. It's either feast or famine.

Micro-caps badly trailed the market during the 1990's, but over the last seven years, micro-caps have been stellar performers. Since 2000, the micro-cap decile is up 211%. This may be the most underreported market event of this decade.

It's almost like there's an invisible bull market going on. Interestingly, the peewees started to cream the big boys in 1999 *before* the market peaked.. Although the **S&P 100** (^OEX) is still about 29% off its all-time high, the broader indexes have been hitting new all-time highs lately. Very soon, the **Wilshire 5000 Total Return Index** (^DWCT) will hit an all-time high.

Another interesting aspect of small-caps is that the outperformance doesn't comport with the Capital Asset Pricing Model. In English, this means that the small-caps have done even better than their risk behavior suggests.

Something else I noticed from the Ibbotson data is that, in recent decades, long-term Treasuries have been surprisingly competitive against stocks. Mind you, the stock market is still the big winner. But since 1968, long-term Treasuries have averaged 8.69% a year, which is pretty good compared with the 10.52% for large-cap stocks.

Over the long-term, large-caps have averaged 4.63% a year better than long-term T-bonds. Given the current yield of the 10-year Treasury of 4.85%, this implies a market return of about 9.7% (i.e., $1.0463 * 1.0485$).

The yearbook also includes a section with data going back to 1815. Personally, I tend to be skeptical of those types of studies since the capital markets were so underdeveloped. During the 19th century, most stocks traded at par, meaning \$100 a share. Investors were interested in dividends, not capital gains. The idea of continuously rising indexes is fairly new. Back then, stocks traded much like bonds, except that management decided what the dividend (often annual or semi-annual) would be.

Since there was little inflation (before the Fed) and generous dividend payouts, stock prices had little reason to advance much. By Ibbotson's numbers, the after-inflation return of the market over the last 80 years is only 7.10%.

Sometimes I think we'd be better off the old way. Imagine a world without inflation and you owned a stock that almost always traded around \$100, and every six months you got a check for \$3.50 a share. Booyah!

Posted by edelfenbein at April 1, 2006 02:42 PM



Attention Readers...

Gold Breaks \$500 an Ounce!

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- » CONTESTS
- » MY eALERTS



FINANCIAL DATA

			GET QUOTE
Dow	11051.05		+182.67
Sp 500	1260.91		+20.62
Tsx	11625.16		+206.83
Tsx ven	2500.61		+3.32
Crude oil	75.09		+0.04
Natural gas	6.609		+0.004

IT WORKS UNTIL IT DOESN'T

Tuesday, March 14, 2006

Over the weekend the Internet died. Its death was sudden, and for that reason our personal loss was particularly tragic.

Our computer had shown no signs of illness. The browser moved briskly between the websites of major retailers, sites I keep forgetting to block when my wife is out of town. Google searches were made with ease, bookmarked recipes were found, Dallas Mavericks schedules were checked, and weather forecasts noted.

Then, suddenly, there was no connection. No news. No weather. Even spam couldn't get through. Things had worked fine for months and months. And then they didn't.

So I called our DSL provider's tech support and got Carl. Carl sounded competent, but anyone who believes "Carl" was this guy's real name would take a firearm safety course from Dick Cheney.

I knew what Carl was going to tell me - that there was a configuration problem. It's always a configuration problem. Every six months the Wicked Witch of the Internet flies over our house under cover of darkness and casts a spell on our machine so that things suddenly need to be "reconfigured." There can be no other explanation unless Carl is sabotaging us so he can work on his English.

I don't mind talking to Carl, but it would be nice if we had an early warning system. The computer should come with a siren that goes off 10 minutes before the reconfiguration curse hits. Then we would know to forget about poking around on eBay. We might even make plans to go outside for change. Maybe take a walk. Maybe walk all the way down the street and use the neighbor's computer to see what bowling shirts eBay has in my size.

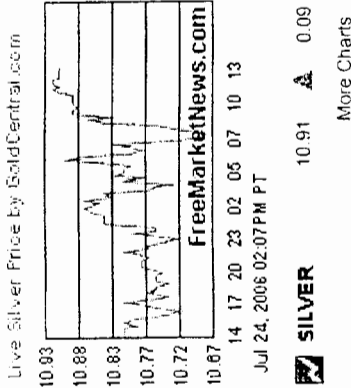
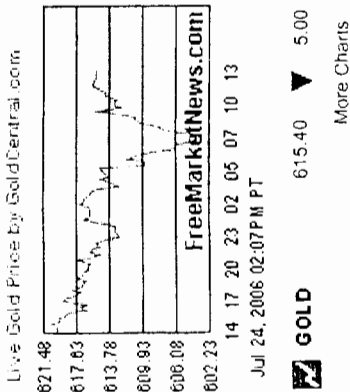
Kenneth Solow and Michael Kitces appreciate that things don't always work forever. Like asset allocation. In their article in the March issue of the *Journal of Financial Planning*, the duo dare to suggest that traditional allocation models might not fare so well in a secular bear market.

As executives for a wealth advisory group, Solow's and Kitces's interest in asset allocation is more than

EMAIL THIS TO A FRIEND PRINTABLE VERSION

It works until it doesn't

Quotes delayed at least 20 minutes



academic. They fear that if their clients' money is allocated under traditional assumptions, then their returns may fall well short of expectations. After all, asset allocation decisions often are determined by evaluating a client's goals and using historical returns from various asset classes to achieve them.

Solow and Kitces figure that the assumed returns for the equity segment of client's asset mix are now around 9%-10% a year. That sounds reasonable because stocks have delivered 9-10% over the long term.

What makes Solow and Kitces question those assumptions is their suspicion that stocks are in a secular bear market. If that's the case, stocks could provide returns well below 10% for years to come. In fact a secular bear market can last as long as a client's time horizon. The last secular bear, for example, lasted from 1966-1981. And while investors are intrigued with Japanese stocks today, the Japanese bear market dragged on for almost 15 years.

Solow and Kitces understand that it is hard for investment professionals to shake the idea that stocks won't deliver 10% over the next several years. But they remind advisors that 1982-2000 was an enormous growth period for the financial planning industry. It's probably no coincidence that it was also a period of rising stock prices, thanks in large part, to rising PE ratios. Those 18-years of stock market history must seem long term to those who witnessed it, so plugging in 10% equity returns into asset allocation models can make perfect sense. The history of long term market cycles, our dynamic duo argue, has proven otherwise.

Still, the idea of plugging in sub-10% equity returns into an asset allocation model can sound ridiculous to advisors who quote Roger Ibbotson's numbers in their sleep, whether or not they had Jack-in-the-Box tacos for supper. But the Ibbotson's numbers, while accurate, require a disclaimer or two. Here's a suggested one: Don't bet on a repeat performance.

Ed Easterling, renowned chronicler of secular bull and bear markets and world class number cruncher, has some interesting insights into the Ibbotson equity numbers. In an article that appeared on this website last fall, Ed acknowledged that the annualized total return from stocks from 1926 through 2004 was sure enough 10.4%. And, yes, the period under consideration was "long term." But Ed's sharp eye noticed that stocks in 1926 were much cheaper than in 2004. PEs started the period at 10.4 and wound up at 20. That PE expansion accounted for 0.9% of Ibbotson's 10.4% long term return from stocks. Since PEs are still high, investors banking on continued multiple expansion to drive stock market returns are more optimistic than American idol competitors.

Similarly, Easterling notes that the dividend yield averaged 4.5% over Ibbotson's measurement period. With yields today closer to 2.5% (at best), that's another 2% we can lop off the 10.4% historic return. That takes our best case return below 8%. And if PEs contract, rather than remain at today's elevated levels, annual returns will fall further, even if the period under consideration is a long one. The way Ed sees it, the only way for a new secular bull market to begin is to start from lower valuation levels. And that means slogging through a secular bear market to get there.

What does all this have to do with asset allocation? If the odds are that stock market returns will come in lower than "average" over the next several years, then expectations for portfolios with traditional equity asset allocations will have to come down. Either that or the odds will increase that return objectives will not be met. That makes Solow and Kitces wonder if the traditional allocation model should be altered, either by including

Portfolio Of DFA Micro Cap Fund Used As "Small
Companies" By Dr. Murry and Mr. Kettles

Security Type	Count	Value
Non-Income Producing Security.	1,783	\$3,073,095,270
Total or Partial Securities on Loan.	32	\$70,106,259
Security purchased with cash proceeds from securities on loan.	678	\$1,275,904,691
	2,469	\$4,419,106,220

In Percentages:

Security Type	Count	Value
Non-Income Producing Security.	72%	70%
Total or Partial Securities on Loan.	1%	2%
Security purchased with cash proceeds from securities on loan.	27%	29%
	100%	100%

PricewaterhouseCoopers LLP

Docket No. 05-00258
Exhibit CAPD-SB____
Rebuttal Testimony____
Schedule 2_____
Page 2 of 59

February 14, 2003

Mr. Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549-0609

Re: File No. S7-51-02

Dear Mr. Katz:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Commission's Proposed Rule: *Shareholder Reports and Quarterly Portfolio Disclosure of Registered Management Investment Companies* (the "proposal" or the "proposed rule").

We agree with the proposed rule's objectives that shareholder reports should be streamlined, useful and understandable to investors. Further, we agree that shareholder reports should provide investors with information to better evaluate a fund's risk profile and investment strategy. In particular, we support the Commission's efforts to improve the disclosures provided by registered management investment companies about their portfolio investments. The observations and suggestions that follow highlight several matters we bring to your attention for consideration to further the Commission's objectives. In these observations, we address certain of the matters upon which the Commission requested comment in its proposed rule. At a later date we would also encourage the Commission to consider a broader review of Regulation S-X, especially Article 6, to determine whether other aspects of the SEC's rules can be streamlined or enhanced, particularly where there is divergence from the AICPA Audit and Accounting Guide *Audits of Investment Companies* (the "AICPA Guide"), as revised in late 2000.

Summary Schedule for Investments

In general, we support the use of a summary schedule of investments in the financial statements of an investment company delivered to shareholders, and believe that the Commission has struck a reasonable balance by requiring the inclusion of a full portfolio schedule in Form N-CSR and requiring delivery of a full portfolio schedule to investors upon request should they desire this information. As discussed in more detail below, however, we believe that the summary schedule should permit greater flexibility in presentation by the fund and should be more consistent with the condensed portfolio of investments prescribed by the AICPA Guide. Inconsistencies between the Commission's requirements and those of the AICPA Guide could make preparation of financial statements more difficult by requiring preparers of financial statements to conform to multiple sets of rules. Since the AICPA Guide has been subjected recently to public comment, it reflects a current consensus as to preferable disclosure. In areas where existing literature can be conformed while still serving to protect the shareholders' interests, we support convergence of existing standards.

1. Are the proposals to require funds to disclose their 50 largest holdings and holdings accounting for one percent (and greater) of net assets appropriate?

Yes. We believe that the proposed requirements (i.e., fifty largest issuers and investments in issuers whose fair values aggregate more than one percent of net assets) are appropriate

minimum standards. However, we believe there may be instances where a company may want to take advantage of using a summary schedule and present information with respect to a greater number of issuers than proposed Rule 12-12C. Accordingly, we are suggesting that the requirements of the rule be clarified to allow an investment company to disclose a larger number of holdings (for example, 75 or 100 largest issuers) and/or use a lower threshold than one percent of investments by issuer in preparing the summary schedule of investments. The final rule should make clear, however, that an investment company must consistently apply a largest issuer/percent of net assets disclosure rule within any fund's summary portfolio, and may not selectively include only certain issuers that fall below that threshold.

2. As proposed, securities disclosed in the summary schedule would be identified in order of descending value (largest holding to smallest). Should we adopt a different approach?

Yes. We are concerned that a descending value approach would be inconsistent with the requirements of the AICPA Guide, which calls for a presentation organized by asset class, industry or other relevant classification. We also believe the presentation format should provide registrants with flexibility to present the information in the most meaningful manner given the type and circumstances of the individual fund, so investors can easily identify which are the largest issuers and how they are affecting the portfolio composition. We suggest the rule be modified to allow the summary portfolio to be organized in the manner that the investment company believes is most meaningful in the circumstances, so long as the minimum portfolio disclosure requirements are met. We believe that the financial statements, including the summary portfolio, should be sufficient to present the fund in a meaningful way to the reader, without any additional information that may be required or presented elsewhere in the shareholder report.

3. Should we allow the use of a summary portfolio schedule with respect to other investments in addition to investments in securities of unaffiliated issuers?

Yes. Consistent with the AICPA Audit Guide, we believe that the summary schedule tests (i.e., fifty largest issuers and investments in issuers whose fair values aggregate more than one percent of net assets) should be applied to the fund's entire portfolio of investments, including short sales, investments in affiliated issuers, written options, futures, forwards and other investment-related liabilities. The rule should explicitly state that long and short positions in any one issuer should be considered separately in applying the one percent issuer test.

We believe that the definition of an "affiliated" investment is too broad to provide meaningful information to investors and to segregate such securities in a separate schedule in the financial statements is not useful to investors. Presentation of a summary of investments in securities of unaffiliated issuers with a separate full listing of investments in affiliated issuers or other types of investments will complicate the presentation and make it more difficult for an investor to assess the portfolio risks and characteristics. In many cases an "affiliated" investment simply represents a statutory definition of ownership of more than five percent of the shares of another company, but the fund and the issuer are neither "related parties" under Statement of Financial Accounting Standards No. 57, nor affiliated under a more common understanding of the word.

We believe that a summary schedule of investments that treats each investment in the portfolio consistently will better serve investors in understanding a fund's overall risk profile and investment strategy.

4. Are there any modifications in the format of the proposed summary schedule that would be appropriate, such as eliminating or revising to indicate by appropriate symbols non-income producing securities?

We believe the current disclosure requirements for non-income producing securities and restricted securities provide the investor only limited information in evaluating a fund's risk profile or investment strategy. For example, a non-income producing security can be either a stock that has not paid a dividend in the past year, or a bond that has ceased accrual because the collection of principal and interest is in doubt. Each of these examples has very different implications to an investor. We are recommending that the proposed rule and Regulation S-X Rule 12-12, footnotes 5 and 6 be modified to eliminate the current requirements regarding non-income producing securities and restricted securities, for both the summary schedule of investments and the full portfolio presentation.

We do believe that certain information about securities held will help investors understand a fund's risk profile more clearly. Information about (1) securities valued at fair value by or at the direction of the Board, (2) defaulted debt securities, and (3) securities of persons where a "control" (as opposed to an "affiliate") relationship exists (as defined by the 1940 Act) is useful information to investors. We recommend the proposed and current rules be modified to require disclosure in the summary and complete portfolio of the (a) total investment value and (b) percentage of net assets of the securities that conform to each such category. We do not believe that disclosure of individual securities that meet these criteria is necessary. Further, omitting the requirement for disclosure at an individual security level is most appropriate when an issuer presents a summary schedule of investments.

5. Should we require a shareholder report covering more than one fund to use the same type of portfolio schedule (summary or complete) for all funds included in the report?

No. We believe inclusion of multiple funds in one shareholder report should not restrict the issuer's choices of presentation of the portfolio for any fund. Many series funds that prepare a common annual report have portfolios of widely varying numbers of securities. We believe that requiring all funds included in a shareholder report to use the same format (i.e. summary schedule or full portfolio) may result in investment companies including the full portfolio of investments for each fund in the report in circumstances where one fund is considered best presented using the full portfolio disclosure. We believe that the rules should allow each fund the flexibility to use the most meaningful presentation for its individual type and characteristics, regardless of the presentation used by other funds in the shareholder report.

6. Is the information with respect to a money market fund in either a complete or the proposed summary portfolio schedule sufficiently important that it should be delivered to all investors in the fund?

Yes. We believe that all funds should be required to present a separate schedule of investments. An exemption for money market funds, or any other type of fund, would imply that portfolio information for that fund, or type of fund, is less important. We believe portfolio holdings are an important element of all investment company financial statements. Additionally, an exception would result in financial statement disclosure requirements for registered investment companies that are less comprehensive than the requirements under generally accepted accounting principles as outlined in the AICPA Guide.

Further, we believe it is particularly important to provide regular dis market fund portfolios directly to fund investors so they can consider routinely. Eliminating the requirement to report portfolio holdings in money market funds could send an implicit message to shareholders that they need not inform themselves about the fund's credit quality, maturity and diversification characteristics. In fact, there is no assurance that securities will continually maintain their ratings, and history has shown that investment-grade securities held by money market funds have, on occasion, suddenly and unexpectedly become impaired or defaulted. We are concerned that, without routine disclosure, investors may only consider portfolio disclosure upon media reports that an issuer of securities held by money market funds is experiencing financial difficulty - a time when the disclosure is likely to be evaluated neither completely nor objectively.

We believe that the proposed rules to permit funds to include a summary portfolio schedule provide a means by which money market funds, and indeed all funds, could provide information to investors regarding the fund's significant investments and overall risks while still allowing the benefits of streamlining disclosures and reducing costs.

Other Matters

1. Is Form N-CSR the appropriate location for funds that include a summary portfolio schedule in their shareholder reports to disclose their complete portfolio schedules.

We recommend that the rules provide additional guidance clarifying required auditor reporting on the full portfolio of investments to be filed with the Commission and available to investors. The proposal indicates that the full portfolio of investments related to a fund's annual report must be audited when a summary portfolio of investments is included in the financial statements in the annual shareholder report; however, it does not address the manner of auditor reporting on such schedule. We believe that the full portfolio of investments should be reported on by the fund's independent accountants as a supplementary schedule to the audited financial statements filed with the Commission, as is currently the practice for reporting on additional schedules filed by operating companies with the Commission (e.g., schedules required by Form 10-K).

2. Should we require the proposed summary portfolio schedule and/or the complete portfolio schedule to identify securities acquired within a designated number of days before the end of the reporting period?

No. The Commission requested comment as to whether disclosure of security acquisitions within a set number of days (e.g., 20 days, 10 days, etc) would inhibit portfolio manipulation practices such as "window dressing" or "portfolio pumping". While we cannot comment on the prevalence of such practices nor have we considered the means of reducing this practice, we note that the proposed disclosure on which the Commission seeks comment implies that all trading activity before a reporting date should be presumed to represent portfolio manipulation. In addition, the proposed rule currently suggests disclosure would only be required for securities *acquired* prior to the reporting date. We believe limiting disclosure to security acquisitions that occur during an arbitrarily determined time frame prior to the reporting date may be too narrow a view of the ways in which manipulation might occur; for example, allegations of "window dressing" often involve the *disposal* of poorly-performing or otherwise "undesirable" positions close to period-end.

We also believe that any such disclosure, if required, should be included in management's

discussion of fund performance rather than in the fund's financial statement or summary schedule of investments). The evaluation of the impact and a discussion of the related investment transactions in the context is more appropriately addressed by management as part of a substantive discussion of factors affecting fund performance rather than a listing of such transactions in financial statements.

3. Should we require management discussion of fund performance ("MDFP") in annual reports to shareholders?

Yes. Including the MDFP in the annual report is the prevalent industry practice and aids investors in evaluating a fund's performance over the prior year. We agree with the Commission's conclusion that the MDFP need not be a part of a fund's prospectus as it is more appropriately a report on past stewardship. We have seen wide variability in the nature and depth of information that is included in the MDFP. We would support an initiative by the Commission to increase transparency around fund performance by undertaking a separate study to identify the information that should be included in the MDFP to make it more consistently useful to the reader. That study should include input from the key constituents, including shareholders, analysts, advisers, preparers and other users of fund annual reports. The result of that study should be a comprehensive statement (preferably a through rulemaking proposal) of the Commission's expectations for the contents of MDFP. As the proposal release itself demonstrates, currently those expectations appear in fragmentary form, through enforcement actions and published staff views. A formal statement of MDFP expectations would give preparers comprehensive guidance that would promote greater consistency and transparency of disclosure.

Also, as proposed, MDFP continues only to be required for open-end investment companies. Under the Commission's stated rationale MDFP should equally be required for shareholder reports of closed-end investment companies. This, too, should be considered for future rulemaking.

* * *

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the staff may have. Please do not hesitate to contact Chip Voneiff (312-298-4815) or Richard Grueter (617-439-7414) regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

http://screen.morningstar.com/AdvFunds/Results.html#AnchorResult

View Favorites Tools Help

Results: 16625-16649 out of 21201
Go to Fund # Find a fund:
First Previous 25 Next 25 Last
Go Go
Ticker/lookup

Web assistant

• Scoring technology

• Risk management

• Fraud

• And more



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nd Name	YTD Return (%)	Morningstar Category	Total Assets (\$ mil)	Min Initial Purchase (\$)	Non-US Stock (%)	Role in Portfolio	Fund Inception Date	P/E Ratio
Columbia Small Cap Core Z	3.25	Small Blend	1,322	1,000,000	1.61	Supporting	12-11-92	19.25
Columbia Small Cap Index A	3.17	Small Blend	1,452	1,000	0.14	--	10-09-96	18.40
Columbia Small Cap Index Z	3.32	Small Blend	1,452	1,000	0.14	--	10-15-96	18.40
Constellation Small Cap Value	4.93	Small Blend	249	2,500	1.62	Supporting	03-04-02	18.66
Credit Suisse Trust Small Cap	2.97	Small Blend	29	0	0.00	--	11-30-01	18.82
CRM Small Cap Value Instl	-0.42	Small Blend	790	1,000,000	3.94	Supporting	01-28-98	19.50
CRM Small Cap Value Inv	-0.59	Small Blend	790	2,500	3.94	Supporting	09-29-95	19.50
Delaware Small Cap Core A	5.50	Small Blend	33	1,000	0.00	--	12-29-98	19.36
Delaware Small Cap Core A Load	5.50	Small Blend	33	1,000	0.00	--	12-29-98	19.36
Delaware Small Cap Core C	5.06	Small Blend	33	1,000	0.00	--	08-01-05	19.36
Delaware Small Cap Core I	5.59	Small Blend	33	1,000,000	0.00	--	12-28-98	19.36
Delaware Small Cap Core R	5.51	Small Blend	33	0	0.00	--	08-01-05	19.36
Delaware Small Cap Value A	6.11	Small Blend	757	1,000	0.79	Supporting	06-24-87	19.60
Delaware Small Cap Value A Load	6.11	Small Blend	757	1,000	0.79	--	06-24-87	19.60
Delaware Small Cap Value B	5.63	Small Blend	757	1,000	0.79	Supporting	09-06-94	19.60
Delaware Small Cap Value C	5.67	Small Blend	757	1,000	0.79	Supporting	11-29-95	19.60
Delaware Small Cap Value Instl	6.28	Small Blend	757	1,000,000	0.79	Supporting	11-09-92	19.60
Delaware Small Cap Value R	5.96	Small Blend	757	0	0.79	Supporting	06-02-03	19.60
DFA Tax-Managed U.S. Small Cap	2.02	Small Blend	1,416	2,000,000	0.00	--	12-15-98	19.62
DFA U.S. Micro Cap	1.37	Small Blend	4,302	2,000,000	0.11	Specialty	12-22-81	18.92
DFA U.S. Small Cap	2.44	Small Blend	2,849	2,000,000	0.07	--	04-01-92	17.66
Direction Evolution Small Cap I	--	Small Blend	53	10,000	0.00	--	01-23-06	--
Direction Small Cap Bull 2.5X I	-12.64	Small Blend	4	10,000	0.00	--	02-19-99	--
Dreman Contrarian Small Cap Va	14.97	Small Blend	6	2,500	4.22	--	12-31-03	19.50
Dreyfus Emerging Leaders	-2.10	Small Blend	557	2,500	1.61	Supporting	09-29-95	16.10

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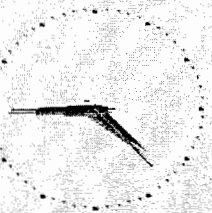
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August 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-3258

DFA INVESTMENT DIMENSIONS GROUP INC.

(Exact name of registrant as specified in charter)

1299 Ocean Avenue, Santa Monica, CA

(Address of principal executive offices)

90401

(Zip code)

Catherine L. Newell, Esquire, Vice President and Secretary

DFA Investment Dimensions Group Inc.,

1299 Ocean Avenue, Santa Monica, CA 90401

(Name and address of agent for service)

Registrant's telephone number, including area code: 310-395-8005

Date of fiscal year end: November 30

Date of reporting period: February 28, 2006

ITEM I. SCHEDULE OF INVESTMENTS.

DFA Investment Dimensions Group Inc.
Form N-Q
February 28, 2006
(Unaudited)

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Definitions of Abbreviations and Footnotes

Schedules of Investments

U.S. Large Company Portfolio
Enhanced U.S. Large Company Portfolio
U.S. Large Cap Value Portfolio
U.S. Small XM Value Portfolio
U.S. Small Cap Value Portfolio
U.S. Core Equity 1 Portfolio
U.S. Core Equity 2 Portfolio
U.S. Vector Equity Portfolio
U.S. Small Cap Portfolio
U.S. Micro Cap Portfolio
DFA Real Estate Securities Portfolio
Large Cap International Portfolio
International Core Equity Portfolio
International Small Company Portfolio
Japanese Small Company Portfolio
Asia Pacific Small Company Portfolio
United Kingdom Small Co. Portfolio
Continental Small Company Portfolio
DFA International Small Cap Value Portfolio
Emerging Markets Portfolio
Emerging Markets Value Portfolio
Emerging Markets Small Cap Portfolio
Emerging Markets Core Equity Portfolio
DFA One-Year Fixed Income Portfolio
DFA Two-Year Global Fixed Income Portfolio
DFA Five Year Government Portfolio
DFA Five-Year Global Fixed Income Portfolio
DFA Intermediate Government Fixed Income Portfolio
DFA Short-Term Municipal Bond Portfolio
Tax-Managed U.S. Marketwide Value Portfolio
Tax-Managed U.S. Small Cap Value Portfolio
Tax-Managed U.S. Small Cap Portfolio
Tax-Managed DFA International Value Portfolio
Tax-Managed U.S. Equity Portfolio
LWAS/DFA International High Book to Market Portfolio
VA Small Value Portfolio
VA Large Value Portfolio
VA International Value Portfolio
VA International Small Portfolio
VA Short-Term Fixed Portfolio
VA Global Bond Portfolio

Notes to Schedules of Investments

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Security Valuation Note
Federal Tax Cost Note

The DFA Investment Trust Company

Schedules of Investments

The U.S. Large Company Series
The Enhanced U.S. Large Company Series
The U.S. Large Cap Value Series
The U.S. Small XM Value Series
The U.S. Small Cap Value Series
The U.S. Small Cap Series

The U.S. Micro Cap Series
The DFA International Value Series
The Japanese Small Company Series
The Asia Pacific Small Company Series
The United Kingdom Small Company Series
The Continental Small Company Series
The Emerging Markets Series
The Emerging Markets Small Cap Series
The DFA One-Year Fixed Income Series
The DFA Two-Year Global Fixed Income Series
The Tax-Managed U.S. Marketwide Value Series
The Tax-Managed U.S. Equity Series

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Organizational Note
Security Valuation Note
Federal Tax Cost Note

Dimensional Emerging Markets Value Fund Inc.

Schedule of Investments

Notes to Schedule of Investments

Organizational Note
Security Valuation Note
Federal Tax Cost Note

**DFA INVESTMENT DIMENSIONS GROUP INC.
THE DFA INVESTMENT TRUST COMPANY
DIMENSIONAL EMERGING MARKETS VALUE FUN**

DEFINITIONS OF ABBREVIATIONS AND FOOTNOTES

Schedules of Investments

Investment Abbreviations

FHLMC	Federal Home Loan Mortgage Corporation
STRIPS	Separate Trading of Registered Interest and Principal of Securities
TIPS	Treasury Inflation-Protected Securities
ADR	American Depositary Receipt

Investment Footnotes

- † See Security Valuation Note within the Notes to Schedules of Investments.
 - †† Securities have been fair valued. See Security Valuation Note within the Notes to Schedules of Investments.
 - * Non-Income Producing Security.
 - # Total or Partial Securities on Loan.
 - (R) Restricted Security.
 - ☐ Security purchased with cash proceeds from securities on loan.
 - ## See Federal Tax Cost Note within the Notes to Schedules of Investments.
 - ^ Denominated in local currency or the Euro, unless otherwise noted.
 - (A) Denominated in U.S. Dollars.
 - Denominated in Canadian Dollars.
 - @ Denominated in Euro Currency.
 - ☐ Denominated in Japanese Yen.
 - ☐ Denominated in Swedish Krona.
 - ☐ Denominated in Swiss Francs.
 - ☐ Denominated in Danish Krone.
-

THE U.S. MICRO CAP SERIES
SCHEDULE OF INVESTMENTS
February 28, 2006
(Unaudited)

	Shares	Value †
COMMON STOCKS — (90.7%)		
Information Technology — (21.3%)		
* 24/7 Real Media, Inc.	4,040	\$ 35,673
* # 8X8, Inc.	84,000	141,120
* Acacia Research-Acacia Technologies	85,983	713,659
* # Access Integrated Technologies, Inc.	131,300	1,495,507
* # ACE*COMM Corp.	78,700	234,526
* Actel Corp.	217,296	3,170,349
* ActivCard Corp.	297,378	1,088,403
* Actuate Corp.	532,935	2,067,788
* Adaptec, Inc.	941,038	5,890,898
* ADDvantage Technologies Group, Inc.	2,300	12,903
* ADE Corp.	119,445	3,951,241
* Adept Technology, Inc.	6,000	49,080
* Advanced Digital Information Corp.	540,889	4,684,099
* Advanced Energy Industries, Inc.	225,617	3,230,835
* # Advanced Photonix, Inc.	68,300	196,704
* Advanced Power Technology, Inc.	73,800	1,122,498
* Advent Software, Inc.	220	6,116
* Aehr Test Systems	58,000	217,500
* Aeroflex, Inc.	177,958	2,313,454
* Aetrium, Inc.	87,300	468,801
* Agile Software Corp.	481,142	3,339,125
* Agilysys, Inc.	233,195	3,332,357
* Airspan Networks, Inc.	348,411	2,142,728
* Allen Organ Co. Class B	4,700	274,950
* Alliance Semiconductor Corp.	274,070	715,323
* Allied Motion Technologies, Inc.	34,580	153,189
* Altiris, Inc.	249,984	4,952,183
* American Software, Inc. Class A	277,700	1,888,360
* American Technical Ceramics Corp.	68,100	942,504
* Amistar Corp.	27,800	124,405
* Ampex Corp. Class A	7,565	153,948
* Amtech Systems, Inc.	23,599	206,645
* # Anadigics, Inc.	301,510	1,902,528
* Analex Corp.	63,600	169,176
* Analysts International Corp.	190,092	515,149
* Analytical Surveys, Inc.	5,670	8,448
* Anaren, Inc.	145,846	2,505,634
* Ansoft Corp.	114,500	4,484,965
* Answerthink, Inc.	385,844	2,361,365
* APA Enterprises, Inc.	41,400	51,750
* Apogee Technology, Inc.	4,500	3,915
* Applied Films Corp.	116,501	2,237,984
* Applied Innovation, Inc.	142,200	581,598

* Applix, Inc.	121,600	786,752
* # Ardent Communications, Inc.	20,000	16
* Ariba, Inc.	638,460	6,512,292
* Arris Group, Inc.	27,775	352,465
* Art Technology Group, Inc.	661,318	1,937,662
* # Artisoft, Inc.	23,716	21,819
* Aspen Technology, Inc.	386,012	4,624,424
* Astea International, Inc.	21,160	406,907
* Astro-Med, Inc.	54,422	544,220
* Asyst Technologies, Inc.	423,794	4,136,229
* Atari, Inc.	872,971	746,390
* Atheros Communications	158,977	3,271,747
* Authentidate Holding Corp.	247,600	626,428
* Autobyte, Inc.	258,326	1,206,382
* # Avanex Corp.	419,889	596,242
* Avici Systems, Inc.	110,715	399,681
* Aware, Inc.	185,640	1,000,600
* Axcelis Technologies, Inc.	99,374	686,674
* Axesstel, Inc.	159,000	221,010
* AXS-One, Inc.	207,600	529,380
* AXT, Inc.	167,012	486,005
* # Bankrate, Inc.	137,603	4,974,348
Bel Fuse, Inc. Class A	42,550	1,208,420
Bel Fuse, Inc. Class B	93,150	3,084,197
* Bell Industries, Inc.	88,500	221,250
* Bell Microproducts, Inc.	228,950	1,375,990
* Bitstream, Inc.	81,600	656,880
* Black Box Corp.	133,230	6,365,729
* Blackboard, Inc.	180,724	5,206,658
* Blonder Tongue Laboratories, Inc.	76,300	167,860
* Blue Coat Systems, Inc.	113,665	2,413,108
* Bogen Communications International, Inc.	64,200	393,225
* Bookham, Inc.	482,642	3,368,841
* Borland Software Corp.	274,688	1,458,593
* Bottomline Technologies, Inc.	200,088	2,455,080
* # BroadVision, Inc.	226,173	122,133
* BSQUARE Corp.	83,125	274,313
* Cabot Microelectronics Corp.	213,801	7,294,890
* CalAmp Corp.	200,084	2,010,844
* California Micro Devices Corp.	194,900	1,186,941
* Callidus Software, Inc.	125,200	500,800
* CallWave, Inc.	171,041	774,816
* CAM Commerce Solutions, Inc.	30,173	665,315
* Captaris, Inc.	221,800	871,674
* Carreker Corp.	200,274	1,185,622
* Carrier Access Corp.	234,130	1,194,063
* Cass Information Systems, Inc.	375	12,469
* Catalyst Semiconductor, Inc.	143,742	725,897
* Catapult Communications Corp.	120,658	1,678,353
* C-COR, Inc.	364,456	2,587,638
* Celeritek, Inc.	66,157	8,600
* CellStar Corp.	1,652	5,369
* Centillium Communications, Inc.	351,310	1,039,878
* # Cenuco, Inc.	117,200	391,448
* CEVA, Inc.	164,618	992,647

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* CGI Holding Corp.	21,600	40,392
* Cherokee International Corp.	61,709	316,567
* Chordiant Software, Inc.	694,745	2,299,606
* Ciber, Inc.	487,964	2,825,312
* Ciprico, Inc.	49,200	289,296
* Cirrus Logic, Inc.	760,259	5,770,366
* Clarus Corp.	138,650	989,961
* ClearOne Communications, Inc.	32,300	92,055
* Cognitronics Corp.	82,975	249,755
* Cohu, Inc.	194,879	4,115,844
* Comarco, Inc.	63,800	762,410
* # Commerce One, Inc.	4,800	0
* Communications Systems, Inc.	118,400	1,414,880
* Computer Horizons Corp.	298,100	1,386,165
* Computer Task Group, Inc.	176,900	714,676
* Comtech Telecommunications Corp.	118,047	3,698,413
* Concur Technologies, Inc.	294,602	4,466,166
* Concurrent Computer Corp.	453,900	1,189,218
* # Convera Corp.	413,672	4,053,986
* Corillian Corp.	318,441	1,229,182
* Cosine Communications, Inc.	64,479	148,946
* Covansys Corp.	330,147	4,945,602
* # C-Phone Corp.	23,600	189
* # Cray, Inc.	549,513	1,077,045
* Critical Path, Inc.	1,910	611
* Crossroads Systems, Inc.	110,627	96,245
* CSP, Inc.	78,328	440,203
* CTS Corp.	280,819	3,468,115
* CVD Equipment Corp.	16,700	67,969
* Cyberoptics Corp.	77,532	1,195,543
* Cybersource Corp.	517,800	4,328,808
* Daktronics, Inc.	170,100	6,028,344
* Data I/O Corp.	77,000	316,470
* Data Systems & Software, Inc.	86,500	178,190
* Datalink Corp.	63,300	335,490
* Dataram Corp.	83,150	403,278
* Datastream Systems, Inc.	126,600	1,283,724
* # DataTRAK International, Inc.	43,350	325,125
* Datawatch Corp.	18,488	65,632
* Delphax Technologies, Inc.	52,900	153,410
* Digi International, Inc.	192,910	2,096,932
* Digimarc Corp.	153,994	1,141,096
* Digital Angel Corp.	316,300	1,233,570
* Digital Theater Systems, Inc.	135,575	2,501,359
* Diodes, Inc.	198,975	7,517,276
* Ditech Communications Corp.	273,760	2,822,466
* DocuCorp International, Inc.	103,300	803,158
* Document Sciences Corp.	15,400	117,040
* Dot Hill Systems Corp.	389,946	2,636,035
* DPAC Technologies Corp.	3,630	581
* DSP Group, Inc.	248,427	6,682,686
* Dynamics Research Corp.	70,675	964,007
* EasyLink Services Corp.	27,519	21,740
* Echelon Corp.	353,837	2,866,080
* eCollege.com, Inc.	192,900	3,979,527

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* #	EDGAR Online, Inc.	186,600	765,060
*	Edgewater Technology, Inc.	71,420	423,521
*	EFJ, Inc.	226,174	2,623,618
*	Elecsys Corp.	1,000	4,150
*	Electro Scientific Industries, Inc.	254,986	6,364,451
*	Electroglas, Inc.	178,700	788,067
	Electro-Sensors, Inc.	3,450	14,283
*	eLoyalty Corp.	45,342	611,210
*	Embarcadero Technologies, Inc.	228,802	1,567,294
* #	EMCORE Corp.	426,241	3,303,368
*	EMS Technologies, Inc.	124,099	2,171,733
*	En Pointe Technologies, Inc.	57,200	136,708
* #	Endwave Corp.	82,900	772,628
*	Enterasys Networks, Inc.	7,112	98,715
*	Entrust, Inc.	528,064	1,953,837
*	Epicor Software Corp.	464,927	5,774,393
*	EPIQ Systems, Inc.	158,450	3,481,147
*	ePlus, Inc.	68,296	962,974
*	ESS Technology, Inc.	285,693	1,068,492
*	Evans & Sutherland Computer Corp.	99,800	613,770
*	Evolving Systems, Inc.	71,600	202,628
*	Exar Corp.	321,263	3,999,724
*	Excel Technology, Inc.	106,096	3,168,027
*	Extreme Networks, Inc.	1,089,770	5,045,635
*	Ezenia!, Inc.	2,900	9,570
* #	FalconStor Software, Inc.	426,253	3,964,153
*	Fargo Electronics	111,100	2,103,123
* #	Faro Technologies, Inc.	102,275	1,635,377
*	FEI Co.	286,241	5,727,682
*	Finisar Corp.	331,550	921,709
*	Firstwave Technologies, Inc.	19,200	36,480
*	Forgent Networks, Inc.	263,300	473,940
*	Forrester Research, Inc.	187,403	4,237,182
	Frequency Electronics, Inc.	89,100	1,158,300
*	FSI International, Inc.	263,071	1,554,750
*	Genesis Microchip, Inc.	284,600	6,118,900
*	Gerber Scientific, Inc.	161,800	1,681,102
	Gevity HR, Inc.	245,268	6,175,848
*	Giga-Tronics, Inc.	49,100	122,750
*	Glenayre Technologies, Inc.	544,109	2,122,025
* #	Global e-Point, Inc.	18,731	71,178
* #	Global Imaging Systems, Inc.	52,125	1,881,713
*	Globecomm Systems, Inc.	99,800	654,688
* #	GlobeTel Communications Corp.	708,400	2,089,780
*	Globix Corp.	61,500	113,775
*	Glowpoint, Inc.	128,139	78,485
*	GSE Systems, Inc.	37,054	61,139
*	GTSI Corp.	84,700	642,873
*	Halifax Corp.	8,650	27,940
*	Harmonic, Inc.	650,598	3,753,950
*	Hauppauge Digital, Inc.	83,200	341,120
*	HEI, Inc.	69,716	205,662
*	hi/fn, Inc.	100,094	703,661
*	HomeStore, Inc.	779,589	4,849,044
*	Hypercom Corp.	464,700	3,573,543

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* HyperFeed Technologies, Inc.	10,730	10,730
* I.D. Systems, Inc.	69,038	1,509,171
* # Ibis Technology Corp.	94,530	323,293
* iCAD, Inc.	37,500	55,875
* Identix, Inc.	739,167	6,038,994
* iGATE Capital Corp.	436,615	2,903,490
* ImageWare Systems, Inc.	75,300	161,895
* I-many, Inc.	175,900	277,922
* Immersion Corp.	212,630	1,526,683
* Indus International, Inc.	507,010	1,774,535
* # Infocrossing, Inc.	173,289	2,037,879
* InFocus Corp.	345,588	1,403,087
Inforte Corp.	89,173	369,176
* InfoSpace, Inc.	165,300	3,985,383
infoUSA, Inc.	370,489	4,353,246
* Innodata Isogen, Inc.	201,520	620,682
* Innovex, Inc.	156,000	669,240
* InPlay Technologies, Inc.	8,800	26,664
* Insightful Corp.	40,100	122,305
* InsWeb Corp.	12,966	33,193
Integral Systems, Inc.	118,700	3,324,787
* Integral Vision, Inc.	21,100	37,980
* Integrated Silicon Solution, Inc.	291,231	1,840,580
* # Intelli-Check, Inc.	82,000	476,420
* Intelligent Systems Corp.	38,100	102,870
* Intelligroup, Inc.	116,800	176,368
* Interactive Intelligence, Inc.	127,242	1,151,540
* Interland, Inc.	144,645	837,495
* Interlink Electronics, Inc.	100,780	321,488
* International Microcomputer Software, Inc.	3,900	4,212
* Internet Capital Group, Inc.	347,425	3,161,568
* Internet Commerce Corp.	13,900	58,658
* Interphase Corp.	62,700	385,605
Inter-Tel, Inc.	231,647	4,547,231
* Intervideo, Inc.	121,386	1,351,026
* Intervoice, Inc.	336,642	2,885,022
* Interwoven, Inc.	366,429	3,187,932
* Intest Corp.	33,300	148,851
* Intevac, Inc.	181,500	3,980,295
* Intrado, Inc.	157,089	4,030,904
* IntriCon Corp.	46,700	275,530
* # Intrusion, Inc.	20,825	40,401
* INX, Inc.	36,000	246,600
* Iomega Corp.	448,491	1,255,775
* ioWorldMedia, Inc.	11,633	4,072
* iPass, Inc.	257,900	1,903,302
* # IPIX Corp.	2,000	3,740
* # Island Pacific, Inc.	41,900	6,704
* Iteris, Inc.	27,300	58,695
* iVillage, Inc.	641,143	5,225,315
* IXYS Corp.	292,923	3,134,276
* Jaco Electronics, Inc.	63,009	224,944
* JDA Software Group, Inc.	230,611	3,166,289
* # JMAR Industries, Inc.	189,000	211,680
* Jupitermedia Corp.	296,731	4,403,488

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* Keane, Inc.	16,900	198,406
Keithley Instruments, Inc.	126,000	1,900,080
* Kemet Corp.	666,900	5,942,079
* Key Tronic Corp.	96,300	375,570
* Keynote Systems, Inc.	64,500	725,625
* Kintera, Inc.	54,204	119,249
* Knova Software, Inc.	2,530	6,325
* Kopin Corp.	608,310	2,646,149
* Kulicke & Soffa Industries, Inc.	460,297	5,155,326
Landauer, Inc.	82,000	3,772,000
* Lantronix, Inc.	15,000	33,750
* LaserCard Corp.	104,450	1,908,302
* Lattice Semiconductor Corp.	515,519	2,345,611
* # Lawson Software, Inc.	783,049	6,225,240
* LeCroy Corp.	110,588	1,636,702
* # Level 8 Systems, Inc.	26,400	660
* # Lexar Media, Inc.	713,656	4,781,495
* Lightbridge, Inc.	236,720	2,322,223
* LightPath Technologies, Inc.	8,650	39,185
* Lionbridge Technologies, Inc.	501,910	3,593,676
* Littlefuse, Inc.	194,198	5,581,251
* Logic Devices, Inc.	45,800	51,754
* LogicVision, Inc.	156,450	212,772
* Logility, Inc.	135,600	1,459,056
* LoJack Corp.	155,600	3,539,900
* LookSmart, Ltd.	174,103	800,874
* LTX Corp.	504,626	2,856,183
* # Lumera Corp.	6,050	25,410
* Magma Design Automation, Inc.	310,384	2,675,510
* MAI Systems Corp.	18	54
* Management Network Group, Inc.	90,999	218,398
* Manatron, Inc.	115	886
* Manhattan Associates, Inc.	244,670	5,155,197
* Manugistic Group, Inc.	453,822	844,109
* Mapinfo Corp.	184,031	2,482,578
* # Marchex, Inc. Class B	143,797	3,154,906
* Mastec, Inc.	435,000	5,633,250
* MatrixOne, Inc.	350,600	2,128,142
* Mattson Technology, Inc.	458,717	5,541,301
Maximus, Inc.	144,800	5,286,648
* Maxwell Technologies, Inc.	145,532	2,670,512
* McDATA Corp. Class A	650,897	2,876,965
* MDI, Inc.	107,900	117,611
* Measurement Specialties, Inc.	78,500	1,916,970
* Mechanical Technology, Inc.	127,427	470,206
* MedQuist, Inc.	133,500	1,869,000
* Mentor Graphics Corp.	61,891	695,036
* Mercury Computer Systems, Inc.	160,794	2,772,089
* Merix Corp.	169,700	1,642,696
Mesa Laboratories, Inc.	27,800	410,884
* MetaSolv, Inc.	357,366	929,152
Methode Electronics, Inc.	214,671	2,634,013
* Metrologic Instruments, Inc.	195,758	4,386,937
* Micro Linear Corp.	109,300	169,415
* Microtune, Inc.	437,888	2,364,595

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* #	Mindspeed Technologies, Inc.	869,486	3,234,488
*	MIPS Technologies, Inc.	368,092	3,091,973
*	MIVA, Inc.	266,097	1,162,844
*	Mobility Electronics, Inc.	261,390	2,464,908
*	Mobius Management Systems, Inc.	174,400	1,117,904
*	Mocon, Inc.	72,775	657,158
*	Moldflow Corp.	95,062	1,337,522
*	Monolithic System Technology, Inc.	262,730	1,899,538
*	Motive, Inc.	79,300	263,276
*	MRO Software, Inc.	228,587	3,369,372
*	MRV Communications, Inc.	892,751	2,615,760
* #	MSC Software Corp.	171,500	3,121,300
*	MSGI Security Solutions, Inc.	904	3,300
* #	MTI Technology Corp.	3,300	4,290
*	MTM Technologies, Inc.	44,200	176,800
*	MTS Systems Corp.	188,648	7,455,369
*	Nanometrics, Inc.	119,851	1,591,621
*	Napco Security Systems, Inc.	220,140	3,348,329
*	Neoforma, Inc.	156,824	1,554,126
* #	NeoMagic Corp.	59,413	406,979
*	Neoware Systems, Inc.	165,288	4,054,515
*	Net Perceptions, Inc.	13,400	9,916
*	NETGEAR, Inc.	292,137	5,013,071
*	Netguru, Inc.	44,000	18,049
*	NetIQ Corp.	369,160	4,171,508
*	Netlogic Microsystems, Inc.	162,408	5,741,123
*	NetManage, Inc.	79,784	434,823
*	Netopia, Inc.	129,756	454,146
*	NetRatings, Inc.	322,530	4,202,566
*	NetScout Systems, Inc.	244,501	1,652,827
*	Network Engines, Inc.	253,558	552,731
*	Network Equipment Technologies, Inc.	175,900	719,431
*	Newport Corp.	343,442	6,092,661
*	NIC, Inc.	535,448	3,218,042
*	NMS Communications Corp.	425,008	1,513,028
* #	Novatel Wireless, Inc.	254,894	2,079,935
*	Nu Horizons Electronics Corp.	129,666	1,131,984
*	Nuance Communications, Inc.	896,457	9,592,090
*	NumereX Corp. Class A	102,700	843,167
* #	NYFIX, Inc.	214,349	1,421,134
*	O.I. Corp.	25,700	308,403
*	Omtool, Ltd.	30,770	216,005
*	Online Resources Corp.	218,331	2,772,804
*	Onvia, Inc.	4,998	30,638
*	ONYX Software Corp.	158,840	619,476
*	Open Solutions, Inc.	172,800	4,691,520
*	OpenTV Corp.	159,125	420,090
*	Oplink Communications, Inc.	26,257	429,302
*	OPNET Technologies, Inc.	176,937	1,698,595
*	Opware, Inc.	874,228	6,880,174
*	OPTi, Inc.	118,200	196,212
*	Optical Cable Corp.	48,605	244,483
*	Optical Communication Products, Inc.	268,845	760,831
*	OSI Systems, Inc.	134,842	2,797,972
*	Overland Storage, Inc.	114,500	980,120

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* OYO Geospace Corp.	41,100	1,947,729
* Packeteer, Inc.	240,255	2,873,450
* Panavision, Inc.	13,000	48,750
* PAR Technology Corp.	119,250	2,146,500
* Park Electrochemical Corp.	177,700	5,130,199
* # Parkervision, Inc.	184,875	1,497,488
* # Path 1 Network Technologies, Inc.	48,700	109,575
* Paxar Corp.	210,700	4,041,226
* PC Connection, Inc.	183,980	1,008,210
* PC-Tel, Inc.	165,043	1,246,075
* PDF Solutions, Inc.	228,546	3,860,142
* Peerless Systems Corp.	101,700	759,699
* Pegasus Solutions, Inc.	151,187	1,396,968
* Pegasystems, Inc.	308,786	2,525,869
* Pemstar, Inc.	154,237	356,287
* Perceptron, Inc.	76,350	621,489
* Perficient, Inc.	203,920	2,226,806
* Performance Technologies, Inc.	131,275	1,037,073
* Pericom Semiconductor Corp.	222,280	2,002,743
* Pervasive Software, Inc.	225,700	956,968
* Pfsweb, Inc.	113,830	184,416
* Phoenix Technologies, Ltd.	215,269	1,491,814
* Photon Dynamics, Inc.	115,000	2,436,850
* Photronics, Inc.	169,808	2,983,527
* Pinnacle Data Systems, Inc.	4	15
* Pixelworks, Inc.	113,400	511,434
* Planar Systems, Inc.	125,339	1,947,768
* PLATO Learning, Inc.	192,430	1,524,046
* Plexus Corp.	188,489	6,325,691
* PLX Technology, Inc.	239,630	2,894,730
* Porta Systems Corp.	1,490	238
* Portal Software, Inc.	265,283	856,864
* PortalPlayer, Inc.	29,400	742,644
* Power Integrations, Inc.	254,101	6,309,328
* # Powerwave Technologies, Inc.	215,792	3,167,827
* Presstek, Inc.	285,029	3,611,317
* Printronix, Inc.	67,150	992,477
* Private Business, Inc.	8,305	12,541
* Procom Technology, Inc.	4,800	4,032
* Programmers Paradise, Inc.	48,200	603,464
* # Proxim Corp.	20,861	417
* QAD, Inc.	286,435	2,291,480
* # Quality Systems, Inc.	6,109	422,865
* Qualstar Corp.	100	415
* Quantum Corp.	1,635,900	5,840,163
* QuickLogic Corp.	240,758	1,206,198
* # Quokka Sports, Inc.	480	4
* Quovadx, Inc.	202,907	578,285
* Radiant Systems, Inc.	264,131	3,771,791
* RadiSys Corp.	181,968	3,319,096
* Radyne Corp.	71,000	996,840
* RAE Systems, Inc.	450,200	1,629,724
* Raindance Communications, Inc.	157,500	417,375
* (R) Ramtron International Corp.	185,100	373,902
* # Redback Networks, Inc.	349,716	6,627,118

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* Relm Wireless Corp.	47,941	516,804
* REMEC, Inc.	212,010	281,973
# Renaissance Learning, Inc.	255,124	4,344,762
* Repton Electronics, Inc.	2,178	1,339
* # Research Frontiers, Inc.	6,000	25,080
* RF Monolithics, Inc.	83,500	469,270
Richardson Electronics, Ltd.	114,004	964,474
* RightNow Technologies, Inc.	276,896	4,566,015
* Rimage Corp.	92,225	2,008,661
* Riverstone Networks, Inc.	1,100	1,166
* Robotic Vision Systems, Inc.	3,401	4
* Rofin-Sinar Technologies, Inc.	132,600	6,985,368
* Rogers Corp.	130,300	6,389,912
* Rudolph Technologies, Inc.	205,609	3,388,437
* S1 Corp.	525,090	2,163,371
* Saba Software, Inc.	210,252	1,307,767
* Safeguard Scientifics, Inc.	586,100	1,113,590
* SafeNet, Inc.	155,951	3,886,299
* SatCon Technology Corp.	151,700	280,645
* SBE, Inc.	34,600	42,212
* SBS Technologies, Inc.	134,522	1,491,849
* ScanSource, Inc.	108,980	6,332,828
* Schmitt Industries, Inc.	17,800	114,276
* Scientific Learning Corp.	1,900	9,975
* Scientific Technologies, Inc.	38,400	248,448
* SCM Microsystems, Inc.	104,624	360,953
* Seachange International, Inc.	241,603	2,176,843
* Secure Computing Corp.	454,105	5,494,671
* Segue Software, Inc.	102,300	868,527
* Selectica, Inc.	261,300	718,575
* Semitool, Inc.	278,862	3,522,027
* SI International, Inc.	99,836	3,250,660
* Sigma Designs, Inc.	195,500	2,873,850
* Sigmatel, Inc.	52,102	560,097
* Sigmatron International, Inc.	18,200	196,014
* Silicon Graphics, Inc.	144,400	58,626
* Silicon Storage Technology, Inc.	672,340	3,038,977
* SimpleTech, Inc.	345,934	1,439,085
* Simulations Plus, Inc.	600	2,250
* Sipex Corp.	223,709	671,127
* Sirenza Microdevices, Inc.	315,293	2,547,567
* SM&A	167,293	1,124,209
* Smith Micro Software, Inc.	121,400	1,088,958
* Somera Communications, Inc.	78,249	40,689
* Sonic Foundry, Inc.	95,300	116,266
* Sonic Solutions, Inc.	198,250	3,598,238
* SonicWALL, Inc.	568,082	3,811,830
* SpectraLink Corp.	167,700	2,074,449
* Spectrum Control, Inc.	118,900	885,805
* SPSS, Inc.	158,369	5,169,164
* SRS Labs, Inc.	131,100	780,045
* Staktek Holdings, Inc.	342,770	1,895,518
* Standard Microsystems Corp.	185,239	6,023,972
* StarTek, Inc.	128,800	2,537,360
* SteelCloud, Inc.	75,500	126,085

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	Exhibit CAPD-SB _____	248,846	2,724,864
	Rebuttal Testimony _____	80,613	2,214,439
	Schedule 2 _____	832,637	4,279,754
	Page 22 of 59	118,468	797,290
* Stellent, Inc.		58,283	250,617
* Stratasys, Inc.		33,700	178,610
* Stratex Networks, Inc.		275,600	479,544
* Stratos International, Inc.		36,507	94,918
* SumTotal Systems, Inc.		149,071	3,901,188
* # Sunair Electronics, Inc.		115,600	3,892,252
* Sunrise Telecom, Inc.		332,662	1,373,894
* Suntron Corp.		342,162	4,557,598
* Superior Essex, Inc.		397,352	3,564,247
* Supertex, Inc.		213,462	5,014,222
* SupportSoft, Inc.		56,400	1,041,708
* Sykes Enterprises, Inc.		235,169	1,650,886
* Symmetricom, Inc.		93,662	1,592,254
* Synaptics, Inc.		15,500	34,875
* SYNEX Corp.		61,195	1,955,792
* Synplicity, Inc.		241,590	2,309,600
* Syntel, Inc.		7,300	25,185
* Taitron Components, Inc.		340,500	7,450,140
* TALX Corp.		81,200	872,900
* # Taser International, Inc.		3,000	1,770
* Technical Communications Corp.		250,015	525,032
* Technitrol, Inc.		386,300	1,560,652
* TechTeam Global, Inc.		125,075	391,485
* Tegal Corp.		636,441	1,705,662
* # TeleCommunication Systems, Inc.		217,400	1,169,612
* # Telkonet, Inc.		53,500	989,750
* Telular Corp.		249,298	383,919
* Terayon Communication Systems, Inc.		227,700	1,766,952
* # Terremark Worldwide, Inc.		169,900	1,291,240
* Tessco Technologies, Inc.		57,160	135,469
* Therma-Wave, Inc.		38,600	621,460
* TheStreet.com, Inc.		115,895	1,651,504
* Tier Technologies, Inc. Class B		16,373	46,991
* TII Network Technologies, Inc.		84,500	799,370
* TNS, Inc.		42,500	216,750
* Tollgrade Communications, Inc.		3,800	1,254
* Track Data Corp.		7,545	44,893
* Transact Technologies, Inc.		1,384	2,284
* Transcat, Inc.		58,900	100,130
* Trans-Industries, Inc.		115,370	2,143,575
* Trans-Lux Corp.		142,455	3,980,193
* Transmeta Corp.		2,041	776
* Transwitch Corp.		774,853	3,672,803
* # Travelzoo, Inc.		14,400	35,640
* # Trident Microsystems, Inc.		100,400	509,028
* Tripath Technology, Inc.		364,041	4,699,769
* Triquint Semiconductor, Inc.		409,184	1,153,899
* Troy Group, Inc.		255,098	765,294
* TSR, Inc.		388,250	3,847,558
* TTM Technologies, Inc.		337,502	3,773,272
* Tumbleweed Communications Corp.		205,544	4,809,730
* Tut Systems, Inc.			
* Tyler Technologies, Inc.			
* Ulticom, Inc.			
* Ultimate Software Group, Inc.			

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* Ultra Clean Holdings, Inc.	6,800	58,480
* Ultratech, Inc.	185,302	3,704,187
United Online, Inc.	551,253	6,620,549
* # Universal Display Corp.	248,733	3,532,009
* # USDATA Corp.	24,040	721
* # VA Software Corp.	367,930	1,365,020
* Veeco Instruments, Inc.	257,996	5,183,140
* # VendingData Corp.	107,000	292,110
* # Verilink Corp.	154,542	122,088
* # Verso Technologies, Inc.	31	54
* Viasat, Inc.	238,652	6,407,806
* Vicon Industries, Inc.	44,450	142,240
* Video Display Corp.	96,880	871,920
* Viewpoint Corp.	364,721	379,310
* Vignette Corp.	257,760	4,149,936
* # Viisage Technology, Inc.	126,908	2,332,569
* Virage Logic Corp.	195,435	2,153,694
* # Vitech America, Inc.	94,080	118
* Vitesse Semiconductor, Inc.	890,611	2,805,425
* Vitria Technology, Inc.	255,603	697,796
* Vodavi Technology, Inc.	26,400	150,216
* # Vyyo, Inc.	108,616	773,346
* WatchGuard Technologies, Inc.	275,184	1,117,247
* webMethods, Inc.	472,366	3,514,403
* WebSideStory, Inc.	160,718	2,518,451
* Westell Technologies, Inc.	467,927	2,222,653
* White Electronics Designs Corp.	198,856	1,203,079
* Winland Electronics, Inc.	5,300	21,518
Wireless Telecom Group, Inc.	220,500	610,785
* Witness Systems, Inc.	279,103	6,539,383
* WJ Communications, Inc.	266,742	496,140
Woodhead Industries, Inc.	157,850	2,288,825
* # WorldGate Communications, Inc.	24,000	26,400
X-Rite, Inc.	180,300	2,298,825
* Zhone Technologies, Inc.	842,221	2,055,019
* # Zix Corp.	229,525	383,307
* Zomax, Inc.	265,192	543,644
* Zones, Inc.	147,800	996,172
* Zoran Corp.	331,275	6,552,620
* Zygo Corp.	158,765	2,729,170
Total Information Technology		<u>1,036,549,214</u>
Health Care — (16.1%)		
* A.D.A.M., Inc.	5,100	54,896
* Abaxis, Inc.	157,500	3,463,425
* Abiomed, Inc.	229,189	2,383,566
* # Able Laboratories, Inc.	106,239	10,624
* # Acacia Research-CombiMatrix	195,451	336,176
* Acadia Pharmaceuticals, Inc.	192,318	2,879,000
* Accelr8 Technology Corp.	10,362	33,158
* Accelrys, Inc.	220,300	1,365,860
* Access Pharmaceuticals, Inc.	104,500	25,080
* Acusphere, Inc.	99,134	577,951
* Adolor Corp.	345,556	9,492,423
* Advanced Magnetix, Inc.	77,700	1,942,500

* Advancis Pharmaceutical Corp.	20,897	45,973
* ADVENTRX Pharmaceuticals, Inc.	593,500	2,807,255
* Air Methods Corp.	97,280	2,306,509
* # Akorn, Inc.	262,300	1,219,695
* # Aksys, Ltd.	202,580	346,412
* Albany Molecular Research, Inc.	260,040	2,623,804
* # Align Technology, Inc.	546,119	4,456,331
* Alliance Imaging, Inc.	354,000	2,081,520
* Allied Healthcare International, Inc.	238,700	1,155,308
* Allied Healthcare Products, Inc.	65,800	369,796
* Allos Therapeutics, Inc.	310,583	1,000,077
* # Allscripts Healthcare Solutions, Inc.	356,418	6,682,837
* Almost Family, Inc.	11,500	164,093
* Alnylam Pharmaceuticals, Inc.	276,273	4,442,470
* Alteon, Inc.	231,200	62,424
* # Amedisys, Inc.	139,047	4,474,532
* America Services Group, Inc.	78,250	1,412,412
* American Caresource Holding, Inc.	204	1,197
* American Claims Evaluation, Inc.	3,100	6,665
* American Dental Partners, Inc.	93,900	1,223,517
* American Retirement Corp.	243,341	6,550,740
* American Shared Hospital Services	27,470	184,049
* AMICAS, Inc.	424,814	2,085,837
* AMN Healthcare Services, Inc.	254,300	5,274,182
* Amsurg Corp.	165,884	3,634,518
* Analogic Corp.	119,909	6,469,091
* Angeion Corp.	1,294	5,254
* AngioDynamics, Inc.	83,311	2,091,939
* Anika Therapeutics, Inc.	90,320	1,239,190
* # Antigenics, Inc.	373,378	2,281,340
* AP Pharma, Inc.	193,400	427,414
* # Apton Corp.	251,671	37,751
* Applied Imaging Corp.	10,350	19,665
* # Aradigm Corp.	29,208	104,565
* Arena Pharmaceuticals, Inc.	393,660	6,971,719
* Argonaut Technologies, Inc.	38,048	10,844
* Ariad Pharmaceuticals, Inc.	511,548	3,432,487
* Arqule, Inc.	292,915	1,575,883
* Array BioPharma, Inc.	339,847	3,075,615
* # Arrhythmia Research Technology, Inc.	18,975	186,904
* Aspect Medical Systems, Inc.	176,540	4,729,507
* # AtheroGenics, Inc.	335,631	5,410,372
* Atrion Corp.	15,400	1,148,624
* ATS Medical, Inc.	94,000	258,500
* Auxilium Pharmaceuticals, Inc.	85,500	624,150
* AVANIR Pharmaceuticals Class A	232,975	3,993,191
* Avant Immunotherapeutics, Inc.	408,574	804,891
* # AVI BioPharma, Inc.	447,999	3,427,192
* Avigen, Inc.	177,750	1,013,175
* # AXM Pharma, Inc.	105,600	40,128
* Bentley Pharmaceuticals, Inc.	192,250	3,425,895
* Beverly Enterprises, Inc.	99,500	1,229,820
* Bioanalytical Systems, Inc.	8,700	54,810
* # BioCryst Pharmaceuticals, Inc.	254,100	5,054,049
* Bioenvision, Inc.	351,558	2,960,118

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* Bio-Imaging Technologies, Inc.	95,426	395,064
# BioLase Technology, Inc.	156,852	1,203,055
* BioMarin Pharmaceutical, Inc.	593,701	7,765,609
* Bio-Reference Laboratories, Inc.	113,757	1,957,758
* BioSante Pharmaceuticals, Inc.	165,400	678,140
* BioScrip, Inc.	322,146	2,309,787
* BioSpecifics Technologies Corp.	5,100	4,437
* BioSphere Medical, Inc.	130,324	990,462
* # BioTime, Inc.	2,700	1,080
* Bioveris Corp.	9,200	39,652
* Bovie Medical Corp.	23,300	69,900
* # Bradley Pharmaceuticals, Inc.	137,049	1,617,178
* # BriteSmile, Inc.	4,700	5,452
* Bruker BioSciences Corp.	778,461	3,479,721
* # Caliper Life Sciences, Inc.	286,995	1,902,777
Cambrex Corp.	232,100	4,298,492
* CancerVax Corp.	200,300	518,777
* Candela Corp.	197,102	3,774,503
* Cantel Medical Corp.	136,234	2,332,326
* Capital Senior Living Corp.	204,900	2,202,675
* Caprius, Inc.	100	175
* Caraco Pharmaceutical Laboratories, Ltd.	229,650	2,888,997
* Cardiac Science Corp.	100,814	1,008,140
* CardioDynamics International Corp.	326,305	424,196
* Cardiotech International, Inc.	169,560	490,028
* CareCentric, Inc.	33,815	50,722
* # Cell Genesys, Inc.	402,669	2,834,790
* # Cell Therapeutics, Inc.	475,279	917,288
* Cellegy Pharmaceuticals, Inc.	177,900	106,740
* Cepheid, Inc.	376,895	3,452,358
* Cerus Corp.	197,331	2,137,095
* Chad Therapeutics, Inc.	20,300	68,614
* Cholestech Corp.	129,100	1,492,396
* Ciphergen Biosystems, Inc.	199,606	349,310
* # Clariant, Inc.	44,200	49,504
# Clinical Data, Inc.	14,108	321,662
CNS, Inc.	140,800	2,927,232
* Collagenex Pharmaceuticals, Inc.	151,200	2,003,400
* # Columbia Laboratories, Inc.	369,063	1,671,855
Computer Programs & Systems, Inc.	93,393	4,292,342
* Conceptus, Inc.	255,872	3,666,646
* Connetics Corp.	234,214	3,719,318
* Conor Medsystems, Inc.	63,600	1,637,700
* # Coraetus Genetics, Inc.	3,614	18,359
* # Corcept Therapeutics, Inc.	171,000	829,350
* Corgentech, Inc.	32,435	285,428
* # Cortex Pharmaceuticals, Inc.	242,740	679,672
* Corvel Corp.	18,600	362,700
* Cotherix, Inc.	110,900	1,277,568
* # Critical Therapeutics, Inc.	190,113	1,034,215
* Criticare Systems, Inc.	105,200	526,000
* Cross Country Healthcare, Inc.	271,881	4,978,141
* CryoLife, Inc.	188,550	839,047
* CuraGen Corp.	443,627	2,213,699
* # Curative Health Services, Inc.	115,100	14,387

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* Curis, Inc.	404,216	1,010,540
* Cutera, Inc.	104,149	2,821,396
* Cypress Bioscience, Inc.	254,616	1,522,604
* # Cytogen Corp.	115,245	371,089
* # CytRx Corp.	6,400	8,704
* Datascope Corp.	130,262	4,969,495
* Daxor Corp.	46,300	944,520
* Del Global Technologies Corp.	78,521	319,973
* Dendreon Corp.	596,449	2,904,707
* Dendrite International, Inc.	382,080	5,081,664
* DepoMed, Inc.	358,450	2,347,847
* # Dialysis Corporation of America	30,600	385,560
* Digene Corp.	194,863	8,079,020
* Discovery Laboratories, Inc.	499,871	3,794,021
* Discovery Partners International, Inc.	202,933	487,039
* Diversa Corp.	385,734	3,051,156
* DJ Orthopedics, Inc.	190,200	6,634,176
* DOV Pharmaceutical, Inc.	184,323	3,548,218
* # Durect Corp.	522,070	2,970,578
* DUSA Pharmaceuticals, Inc.	149,035	1,080,504
* Dyax Corp.	330,775	1,984,650
* # Dynacq Healthcare, Inc.	67,234	220,796
* Dynavax Technologies Corp.	79,890	482,536
* # Elite Pharmaceuticals, Inc.	145,900	342,865
* Embrex, Inc.	120,100	1,433,153
* Emeritus Corp.	145,800	3,630,420
* Emisphere Technologies, Inc.	203,328	1,276,900
* Encore Medical Corp.	576,921	3,438,450
* Encysive Pharmaceuticals, Inc.	465,306	4,234,285
* # Endocare, Inc.	71,300	231,725
* Endologix, Inc.	319,152	1,557,462
* Enpath Medical, Inc.	14,307	133,627
* # Entremed, Inc.	382,681	941,395
* Enzo Biochem, Inc.	248,363	3,270,941
* Enzon Pharmaceuticals, Inc.	13,300	89,908
* EP Medsystems, Inc.	193,300	545,106
* # Epicept Corp.	35,693	116,359
* EPIX Pharmaceuticals, Inc.	195,231	849,255
* eResearch Technology, Inc.	435,053	6,399,630
* Ergo Science Corp.	36,350	30,897
* # ev3, Inc.	168,300	2,803,878
* Exact Sciences Corp.	228,983	588,486
* Exactech, Inc.	76,400	970,280
* Exelixis, Inc.	670,373	7,280,251
* E-Z-EM, Inc.	95,424	1,953,329
* First Horizon Pharmaceutical Corp.	270,576	5,552,220
* Five Star Quality Care, Inc.	174,050	1,444,615
* # Genaera Corp.	178,100	309,894
* Gene Logic, Inc.	259,660	991,901
* Genesis HealthCare Corp.	7,149	284,173
* Genitope Corp.	61,835	563,317
* Genta, Inc.	425,721	1,187,762
* Gentiva Health Services, Inc.	190,234	3,169,298
* GenVec, Inc.	312,609	631,470
* # Geron Corp.	563,904	5,052,580

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* Greatbatch, Inc.	190,500	4,211,955
* # GTC Biotherapeutics, Inc.	145,853	180,858
* GTx, Inc.	72,900	788,778
* Hanger Orthopedic Group, Inc.	178,800	1,088,892
* Harvard Bioscience, Inc.	269,311	1,343,862
* HealthAxis, Inc.	5,710	7,708
* HealthExtras, Inc.	143,223	4,434,184
* HealthStream, Inc.	14,400	43,488
* HealthTronics, Inc.	270,505	1,966,571
* # Hemispherx Biopharma, Inc.	478,000	1,591,740
* Hi-Tech Pharmacal Co., Inc.	105,275	2,593,976
* HMS Holdings Corp.	176,900	1,521,340
* Hollis-Eden Pharmaceuticals, Inc.	159,368	1,015,174
* Hooper Holmes, Inc.	518,200	1,471,688
* Horizon Health Corp.	128,350	2,961,034
* Icagen, Inc.	19,600	155,818
* ICU Medical, Inc.	122,126	4,286,623
* # IDM Pharma, Inc.	5,338	32,028
* I-Flow Corp.	190,740	2,618,860
* Illumina, Inc.	341,537	8,685,286
* # Immtech International, Inc.	87,764	678,416
* Immunicon Corp.	57,604	182,605
* ImmunoGen, Inc.	348,229	1,591,407
* # Immunomedics, Inc.	475,808	1,370,327
* IMPATH Bankruptcy Liquidating Trust	70,200	140,400
* IMPATH, Inc.	70,200	0
* # Implant Sciences Corp.	95,100	397,518
* Incyte Corp.	637,623	3,749,223
* Indevus Pharmaceuticals, Inc.	416,932	2,518,269
* # Inhibitex, Inc.	97,500	791,700
* Innovative Clinical Solutions, Ltd.	610	2
* # Inovio Biomedical Corp.	12,700	38,354
* # Insite Vision, Inc.	179,500	265,660
* # Insmmed, Inc.	462,593	1,142,605
* Inspire Pharmaceuticals, Inc.	336,570	1,699,678
* IntegraMed America, Inc.	45,048	496,879
* # Intermagnetics General Corp.	32,277	949,589
* # InterMune, Inc.	289,020	5,508,721
* # Interpharm Holdings, Inc.	139,900	221,042
* IntraBiotics Pharmaceuticals, Inc.	50,457	171,554
* IntraLase Corp.	40,600	752,318
* # Introgen Therapeutics, Inc.	242,422	1,437,562
* Inverness Medical Innovations, Inc.	2,955	78,278
* Iomed, Inc.	59,100	183,210
* Iridex Corp.	66,215	546,274
* IRIS International, Inc.	150,250	3,415,182
* Isis Pharmaceuticals, Inc.	638,288	5,131,836
* # Isolagen, Inc.	217,800	481,338
* # Ista Pharmaceuticals, Inc.	183,528	1,123,191
* # I-Trax, Inc.	261,700	879,312
* IVAX Diagnostics, Inc.	47,200	156,704
* iVow, Inc.	1,935	10,991
* Kendle International, Inc.	123,600	3,924,300
* Kensey Nash Corp.	122,700	3,003,696
* # KeraVision, Inc.	7,800	4

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* Keryx Biopharmaceuticals, Inc.	327,994	5,595,578
Kewaunee Scientific Corp.	19,400	179,062
* Kosan Biosciences, Inc.	259,502	1,274,155
* La Jolla Pharmaceutical Co.	19,455	105,057
* Lannet Co., Inc.	185,770	1,449,006
* # Large Scale Biology Corp.	148	53
* # Laserscope, Inc.	170,850	3,736,489
* Lectec Corp.	22,437	10,994
* Lexicon Genetics, Inc.	558,005	2,287,820
* Lifecell Corp.	289,385	6,383,833
* Lifecore Biomedical, Inc.	116,800	1,527,744
* Lifeline Systems, Inc.	120,573	5,748,921
* # Ligand Pharmaceuticals, Inc. Class B	39,100	486,795
* # Lipid Sciences, Inc.	188,800	498,432
* Luminex Corp.	279,613	3,914,582
* # Mannkind Corp.	40,482	699,934
* Matria Healthcare, Inc.	166,212	7,191,993
* # Matritech, Inc.	257,800	206,240
* Matrixx Initiatives, Inc.	91,900	2,365,506
* Maxygen, Inc.	267,702	2,082,722
* MedCath Corp.	135,338	3,101,947
* # Med-Design Corp.	40,420	24,252
* Medical Action Industries, Inc.	92,400	2,188,032
* Medical Staffing Network Holdings, Inc.	218,900	1,125,146
* MEDTOX Scientific, Inc.	35,472	296,191
* Memory Pharmaceuticals Corp.	72,251	174,125
* Memry Corp.	166,100	365,420
* Merge Technologies, Inc.	126,953	2,454,001
* Meridian Bioscience, Inc.	229,350	5,112,211
* Merit Medical Systems, Inc.	219,806	3,132,235
* Metabasis Therapeutics, Inc.	28,834	266,714
* Metropolitan Health Networks, Inc.	383,900	825,385
* # Microslet, Inc.	57,900	111,168
* Microtek Medical Holdings, Inc.	377,345	1,328,254
* # Milestone Scientific, Inc.	27,100	28,184
* Molecular Devices Corp.	145,166	4,620,634
* Molina Healthcare, Inc.	87,400	2,483,034
* # Momenta Pharmaceuticals, Inc.	123,718	2,949,437
* Monogram Biosciences, Inc.	789,657	1,571,417
* MTS Medication Technologies	1,200	7,908
* Myriad Genetics, Inc.	250,755	6,439,388
* Nabi Biopharmaceuticals	145,797	599,226
* # Nanogen, Inc.	341,867	861,505
* # Natestch Pharmaceutical Co., Inc.	181,720	3,812,486
* National Dentex Corp.	41,100	822,000
National Healthcare Corp.	7,400	300,070
National Home Health Care Corp.	24,566	275,719
* National Medical Health Card Systems, Inc.	43,121	1,304,410
National Research Corp.	52,950	1,133,130
* Natus Medical, Inc.	157,941	3,152,502
* Neogen Corp.	72,905	1,654,943
* Neopharm, Inc.	204,032	2,064,804
* NeoRx Corp.	99	133
* Neose Technologies, Inc.	180,947	591,697
* Neurobiological Technologies, Inc.	14,600	56,210

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* Neurogen Corp.	305,732	2,060,634
* Neurometric, Inc.	107,872	3,874,762
* New Brunswick Scientific Co., Inc.	75,600	548,856
* # NitroMed, Inc.	185,853	2,183,773
* NMT Medical, Inc.	109,300	2,601,340
* North American Scientific, Inc.	105,700	242,064
* # Northfield Laboratories, Inc.	230,132	2,409,482
* NovaMed, Inc.	192,747	1,426,328
* # Novavax, Inc.	434,139	2,518,006
* Noven Pharmaceuticals, Inc.	188,739	2,844,297
* Novoste Corp.	18,102	50,143
* NPS Pharmaceuticals, Inc.	406,275	6,232,259
* Nutraceutical International Corp.	99,877	1,435,232
* # Nutrition 21, Inc.	1,085	1,356
* NuVasive, Inc.	230,333	4,258,857
* Nuvelo, Inc.	354,452	6,075,307
* NWH, Inc.	14,700	183,015
* # OCA, Inc.	340,700	129,466
* # Occulogix, Inc.	49,200	179,088
* Odyssey Healthcare, Inc.	302,633	5,695,553
* Omnicell, Inc.	231,951	2,681,354
* Optical Sensors, Inc.	1,133	3,116
* Option Care, Inc.	289,613	4,060,374
* OraSure Technologies, Inc.	391,476	3,726,852
* Orchid Cellmark, Inc.	173,715	1,162,153
* Orthologic Corp.	336,100	1,946,019
* # Oscient Pharmaceutical Corp.	582,501	1,176,652
* Osteotech, Inc.	151,125	690,641
* Oxigene, Inc.	187,462	729,227
* # Pain Therapeutics, Inc.	387,164	4,177,500
* # PainCare Holdings, Inc.	409,400	1,252,764
* # Palatin Technologies, Inc.	505,437	1,516,311
* Palomar Medical Technologies, Inc.	150,071	4,794,768
* Panacos Pharmaceuticals, Inc.	428,366	3,118,504
* Parexel International Corp.	231,506	5,931,184
* Patient Infosystems, Inc.	408	510
* PDI, Inc.	112,894	1,096,201
* Pediatric Services of America, Inc.	61,800	786,714
* Penwest Pharmaceuticals Co.	193,234	4,492,691
* Per-Se Technologies, Inc.	287,261	7,256,213
* Pharmacopia Drug Discovery, Inc.	103,050	497,732
* Pharmacyclics, Inc.	163,254	775,457
* Pharmanetics, Inc.	1,500	165
* Pharmion Corp.	11,000	181,720
* PhotoMedex, Inc.	344,874	769,069
* Point Therapeutics, Inc.	5,640	18,330
* Possis Medical, Inc.	159,600	1,492,260
* Pozen, Inc.	249,396	4,334,502
* PRAECIS Pharmaceuticals, Inc.	42,820	255,207
* # Premier Laser Systems, Inc. Class A	16,400	8
* Progenics Pharmaceuticals, Inc.	216,488	6,386,396
* Providence Service Corp.	83,117	2,562,497
* ProxyMed, Inc.	26,939	166,214
* Psychemedics Corp.	49,039	880,250
* QuadraMed Corp.	197,437	345,515

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* Questcor Pharmaceuticals, Inc.	124,400	131,864
* Quidel Corp.	292,800	3,291,072
* # Quigley Corp.	68,595	805,991
* Radiation Therapy Services, Inc.	196,336	5,573,979
* Radiologix, Inc.	176,100	332,829
* Regeneration Technologies, Inc.	246,883	1,814,590
* Regeneron Pharmaceuticals, Inc.	440,944	7,218,253
* RegeneRx Biopharmaceuticals, Inc.	9,400	29,610
* RehabCare Group, Inc.	118,700	2,395,366
* # Renovis, Inc.	255,645	5,537,271
* Repligen Corp.	266,100	1,184,145
* Res-Care, Inc.	235,177	4,301,387
* Retractable Technologies, Inc.	14,500	57,710
* Rigel Pharmaceuticals, Inc.	194,036	1,843,342
* Rita Medical Systems, Inc.	353,044	1,320,385
* Rochester Medical Corp.	48,400	544,016
* Rural/Metro Corp.	110,300	950,786
* Salix Pharmaceuticals, Ltd.	1,650	26,004
* Sangamo BioSciences, Inc.	221,132	1,406,400
* # Santarus, Inc.	373,339	2,796,309
* Savient Pharmaceuticals, Inc.	254,600	1,316,282
* Schick Technologies, Inc.	47,200	2,048,008
* SciClone Pharmaceuticals, Inc.	383,250	900,638
* Seattle Genetics, Inc.	364,440	1,924,243
* Senesco Technologies, Inc.	39,100	62,169
* Sequenom, Inc.	137,880	89,622
* SeraCare Life Sciences, Inc.	98,258	1,101,472
* Serologicals Corp.	235,506	5,696,890
* # SFBC International, Inc.	136,782	3,228,055
* # Sirna Therapeutics, Inc.	510,260	3,138,099
* Sonic Innovations, Inc.	154,712	668,356
* SonoSite, Inc.	138,870	5,604,793
* # Sonus Pharmaceuticals, Inc.	192,175	1,106,928
* Span-American Medical System, Inc.	36,600	493,734
* Spectranetics Corp.	230,402	2,640,407
* # Spectrum Pharmaceuticals, Inc.	136,651	731,083
* SRI/Surgical Express, Inc.	38,400	235,008
* Staar Surgical Co.	218,175	1,771,581
* StemCells, Inc.	17,500	63,525
* Stereotaxis, Inc.	67,000	886,410
* Stratagene Corp.	67,744	709,280
* Strategic Diagnostics, Inc.	161,000	598,920
* Sun Healthcare Group, Inc.	188,689	1,203,836
* SunLink Health Systems, Inc.	33,465	327,957
* # SuperGen, Inc.	438,456	2,231,741
* # SurModics, Inc.	142,478	5,522,447
* Symbion, Inc.	189,394	4,465,911
* Synovis Life Technologies, Inc.	101,700	960,048
* Synthetech, Inc.	81,550	28,543
* # Tanox, Inc.	354,312	6,760,273
* Theragenics Corp.	260,500	880,490
* Third Wave Technologies, Inc.	298,239	921,529
* Thoratec Corp.	116,143	2,336,797
* Threshold Pharmaceuticals, Inc.	47,400	713,370
* Titan Pharmaceuticals, Inc.	219,900	760,854

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* TLC Vision Corp.	125,065	739,134
* Trestle Holdings, Inc.	1,340	302
* # Trimeris, Inc.	193,054	2,420,897
* TriPath Imaging, Inc.	294,398	1,904,755
* Tripos, Inc.	47,700	150,255
* TriZetto Group, Inc.	360,555	6,042,902
* U.S. Physical Therapy, Inc.	105,273	2,026,505
* Urologix, Inc.	108,800	408,000
Utah Medical Products, Inc.	53,100	1,752,831
* # Vascular Solutions, Inc.	112,197	794,355
* Vaxgen, Inc.	129,700	1,485,065
* Ventiv Health, Inc.	243,217	6,776,026
* Viasys Healthcare, Inc.	10,400	303,472
* Vical, Inc.	248,541	1,170,628
* Virbac Corp.	29,500	126,850
* Vision-Sciences, Inc.	23,250	43,245
* VistaCare, Inc.	120,421	1,631,705
* Vital Images, Inc.	111,029	3,686,163
Vital Signs, Inc.	110,885	5,661,788
* Vivus, Inc.	359,235	1,181,883
West Pharmaceutical Services, Inc.	23,694	765,079
* Xenogen Corp.	500	2,015
Young Innovations, Inc.	1,010	34,037
* # Zevex International, Inc.	28,036	436,240
* # Zila, Inc.	403,921	1,510,665
* Zoll Medical Corp.	83,529	2,192,636
Total Health Care		<u>786,893,210</u>
Industrials — (14.8%)		
* 3-D Systems Corp.	110,010	2,090,190
* AAON, Inc.	141,725	3,099,526
* AAR Corp.	254,237	6,434,738
* Ablest, Inc.	13,500	115,425
Abrams Industries, Inc.	18,810	78,250
* ABX Air, Inc.	80,792	647,952
* Accuride Corp.	178,500	2,020,620
Aceto Corp.	194,062	1,437,999
* Active Power, Inc.	430,950	2,008,227
* Aerosonic Corp.	33,500	236,175
* AirNet Systems, Inc.	96,100	328,662
Alamo Group, Inc.	71,400	1,703,604
* # Allied Defense Group, Inc.	50,640	1,159,656
* # Allied Holdings, Inc.	10,200	8,670
Ambassadors International, Inc.	71,000	1,255,280
American Ecology Corp.	146,598	2,788,294
* American Locker Group, Inc.	32,200	167,440
* # American Science & Engineering, Inc.	75,500	5,744,795
* # American Superconductor Corp.	282,074	2,843,306
American Woodmark Corp.	129,320	4,396,880
Ameron International Corp.	66,700	3,961,980
* AML Communications, Inc.	61,500	70,725
Ampco-Pittsburgh Corp.	81,300	1,651,203
Amrep Corp.	63,610	1,982,088
Angelica Corp.	49,300	989,944
* APAC Customer Services, Inc.	311,389	604,095

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Apogee Enterprises, Inc.	246,500	4,261,985
Applied Signal Technologies, Inc.	101,600	2,381,504
* Argon ST, Inc.	187,895	5,582,360
* # Armstrong Holdings, Inc.	27,400	28,496
* # Arotech Corp.	49,700	22,141
* Artesyn Technologies, Inc.	219,200	2,389,280
Art's-Way Manufacturing Co., Inc.	100	588
* Astec Industries, Inc.	182,283	6,547,605
* Astronics Corp.	50,436	669,992
* # ASV, Inc.	222,942	7,174,274
* # ATA Holdings Corp.	152,521	1,144
* Avalon Holding Corp. Class A	15,475	72,733
* Axsys Technologies, Inc.	77,800	1,287,590
* AZZ, Inc.	59,726	1,361,156
Badger Meter, Inc.	129,000	6,893,760
* Baker (Michael) Corp.	77,014	2,129,437
* Baldwin Technology Co., Inc. Class A	131,900	745,235
Barnes Group, Inc.	160,872	6,174,267
* Barrett Business Services, Inc.	92,700	2,231,289
BlueLinx Holdings, Inc.	241,400	3,833,432
* # BOLDER Technologies Corp.	40,300	204
Bowne & Co., Inc.	252,968	3,766,694
* BTU International, Inc.	78,200	1,142,502
* Butler International, Inc.	69,690	221,616
C&D Technologies, Inc.	206,300	1,761,802
* Cannon Express, Inc.	50	0
* # Capstone Turbine Corp.	905,071	2,860,024
Cascade Corp.	116,650	6,049,469
* Casella Waste Systems, Inc. Class A	211,356	2,990,687
* Catalytica Energy Systems, Inc.	58,500	77,220
* CBIZ, Inc.	645,723	4,687,949
* CD&L, Inc.	88,500	250,455
CDI Corp.	174,370	4,270,321
* Celadon Group, Inc.	133,650	3,220,965
Central Parking Corp.	282,132	4,598,752
* Cenveo, Inc.	467,200	6,582,848
CERBCO, Inc. Class A	3,500	2,433
Champion Industries, Inc.	92,800	575,824
* Channell Commercial Corp.	23,800	122,570
Chase Corp.	24,200	359,370
Chicago Rivet & Machine Co.	20,000	397,000
CIRCOR International, Inc.	131,311	3,624,184
* Clean Harbors, Inc.	167,615	5,527,943
* Coinstar, Inc.	226,262	5,837,560
Collins Industries, Inc.	299	2,123
* Columbus McKinnon Corp.	160,600	4,320,140
* Comforce Corp.	108,466	297,197
Comfort Systems USA, Inc.	336,100	3,693,739
* Commercial Vehicle Group, Inc.	74,600	1,365,180
* Competitive Technologies, Inc.	102,100	500,290
* Compudyne Corp.	56,171	374,661
CompX International, Inc.	9,500	161,880
* COMSYS IT Partners, Inc.	15,207	177,466
* Conrad Industries, Inc.	18,700	35,530
* Consolidated Graphics, Inc.	120,000	6,128,400

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* Continental Airlines, Inc.	151,803	3,537,010
* Cornell Companies, Inc.	106,200	1,434,762
* Corpro Companies, Inc.	42,775	39,353
* # CoStar Group, Inc.	46,900	2,420,509
* Covenant Transport, Inc. Class A	91,000	1,410,500
* CPI Aerostructures, Inc.	47,933	469,743
* CRA International, Inc.	97,778	4,571,122
* Cross (A.T.) Co. Class A	130,300	592,865
* Crown Andersen, Inc.	10,900	3,979
Cubic Corp.	234,750	5,075,295
* # Delta Air Lines, Inc.	176,600	89,183
* DHB Industries, Inc.	326,400	1,517,760
* DiamondCluster International, Inc.	286,934	2,803,345
* Distributed Energy Systems Corp.	325,311	3,035,152
* # Document Securities Systems, Inc.	107,861	1,376,306
* Driver-Harris Co.	9,898	1
* Ducommun, Inc.	93,900	2,077,068
* Duratek, Inc.	124,000	2,718,080
* Dynamex, Inc.	97,808	1,987,459
# Dynamic Materials Corp.	29,400	961,380
Eastern Co.	33,900	732,240
Ecology & Environment, Inc. Class A	13,900	144,421
EDO Corp.	177,600	5,173,488
* Electro Rent Corp.	220,862	3,290,844
ElkCorp	177,600	6,411,360
* Encore Wire Corp.	219,225	6,837,628
* EnerSys	58,100	788,998
* ENGGlobal Corp.	227,700	2,299,770
Ennis, Inc.	223,100	4,399,532
* EnPro Industries, Inc.	184,800	6,055,896
* Environmental Tectonics Corp.	59,600	305,152
Espey Manufacturing & Electronics Corp.	41,000	696,180
* Essex Corp.	170,290	3,831,525
* Evercel, Inc.	2,566	2,053
* # Evergreen Solar, Inc.	518,500	8,083,415
* Exponent, Inc.	70,900	2,254,620
* ExpressJet Holdings, Inc.	448,700	3,374,224
* EXX, Inc. Class A	1,900	3,990
* EXX, Inc. Class B	100	215
Federal Signal Corp.	64,200	1,149,822
* Fiberstars, Inc.	63,709	560,639
* First Aviation Services, Inc.	1,700	6,843
* First Consulting Group, Inc.	205,425	1,283,906
* Flanders Corp.	251,600	2,755,020
* # Flow International Corp.	265,892	3,475,208
* # FLYi, Inc.	158,993	715
* Foster (L.B.) Co. Class A	120,700	1,820,156
* # Frontier Airlines, Inc.	278,557	2,005,610
* Frozen Food Express Industries, Inc.	161,875	1,887,463
* # FuelCell Energy, Inc.	422,090	4,697,862
* Gehl Co.	105,603	3,494,403
* General Cable Corp.	320,901	8,664,327
* General Employment Enterprises, Inc.	17,700	28,320
* # Genesee & Wyoming, Inc.	35,650	1,630,988
* Global Payment Technologies, Inc.	52,900	116,935

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* Global Power Equipment Group, Inc.	Exhibit CAPD-SB_____	337,800	1,709,268
Gorman-Rupp Co.	Rebuttal Testimony_____	87,125	1,983,836
* GP Strategies Corp.	Schedule 2_____	134,200	966,240
* Graftech International, Ltd.	Page 34 of 59	861,500	4,393,650
Graham Corp.		26,080	475,960
Greenbrier Companies, Inc.		134,900	5,096,522
* Griffon Corp.		264,650	6,224,568
Hardinge, Inc.		83,500	1,388,613
* Hawaiian Holdings, Inc.		588,481	2,912,981
* Hawk Corp.		77,600	1,187,280
Healthcare Services Group, Inc.		236,100	4,358,406
Heico Corp.		71,500	2,103,530
Heico Corp. Class A		85,281	2,218,159
* Heidrick & Struggles International, Inc.		163,619	6,053,903
* Henry Bros. Electronics, Inc.		4,000	24,000
* Herley Industries, Inc.		111,272	2,093,026
* Hirsch International Corp. Class A		4,550	5,688
* Hi-Shear Technology Corp.		45,350	160,539
* Hub Group, Inc. Class A		169,994	7,088,750
* Hudson Highland Group, Inc.		213,167	3,536,441
* Hudson Technologies, Inc.		25,484	42,558
* Hurco Companies, Inc.		54,700	1,575,360
* Huttig Building Products, Inc.		117,900	1,022,193
* ICT Group, Inc.		107,062	2,541,652
* II-VI, Inc.		258,604	4,704,007
* Industrial Distribution Group, Inc.		81,400	625,152
* Infrasure Services, Inc.		341,200	6,097,244
* Innotrac Corp.		156,400	581,808
* Innovative Solutions & Support, Inc.		35,850	505,844
* Insituform Technologies, Inc. Class A		238,060	6,406,195
* Integrated Electrical Services, Inc.		278,800	269,042
International Aluminum Corp.		18,750	740,625
* International Shipholding Corp.		51,200	798,208
Interpool, Inc.		165,800	3,252,996
* Intersections, Inc.		55,088	501,852
* # Ionatron, Inc.		631,599	7,238,125
* Jacuzzi Brands, Inc.		542,022	5,300,975
* JPS Industries, Inc.		24,500	74,725
* Kadant, Inc.		106,800	2,017,452
Kaman Corp. Class A		210,335	4,776,708
* Key Technology, Inc.		37,000	421,430
* Kforce, Inc.		341,259	4,132,646
* Korn/Ferry International		319,500	6,725,475
* K-Tron International, Inc.		55,500	2,214,450
* KVH Industries, Inc.		127,100	1,334,550
* LaBarge, Inc.		211,950	3,548,043
* Ladish Co., Inc.		121,900	2,680,581
Lawson Products, Inc.		7,500	265,425
* Layne Christensen Co.		159,000	4,434,510
* Learning Tree International, Inc.		147,695	1,729,508
Lindsay Manufacturer Co.		96,700	2,369,150
* LMI Aerospace, Inc.		73,222	1,073,149
LSI Industries, Inc.		260,130	4,042,420
* Lydall, Inc.		141,300	1,253,331
* Lynch Corp.		39,334	346,139

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* M&F Worldwide Corp.	168,000	2,772,000
* Mac-Gray Corp.	116,200	1,394,400
* Magnetek, Inc.	241,500	966,000
* MAIR Holdings, Inc.	151,940	776,413
* Marten Transport, Ltd.	178,200	4,168,098
* Maxco, Inc.	18,800	108,382
McGrath Rentcorp.	203,971	5,613,282
* # MCSi, Inc.	2,000	10
* Meadow Valley Corp.	22,900	347,393
* # Medialink Worldwide, Inc.	51,600	231,684
* Merrimac Industries, Inc.	14,265	129,526
* Mesa Air Group, Inc.	331,800	3,789,156
Met-Pro Corp.	195,848	2,659,616
* MFRI, Inc.	31,800	227,688
* # Microvision, Inc.	165,441	572,426
* Middleby Corp.	97,100	9,195,370
* # Midwest Air Group, Inc.	136,700	732,712
* Milacron, Inc.	429,434	691,389
* # Millennium Cell, Inc.	165,950	272,158
* Miller Industries, Inc.	99,200	2,529,600
* Misonix, Inc.	52,650	309,582
* Mobile Mini, Inc.	133,808	7,289,860
* # Modtech Holdings, Inc.	106,312	824,981
* Moore Handley, Inc.	1,500	13,425
* Morgan Group Holding Co.	3,300	363
* MTC Technologies, Inc.	125,911	3,473,884
Mueller (Paul) Co.	26,300	848,175
Multi-Color Corp.	33,102	919,574
* M-Wave, Inc.	2,600	1,768
* Nashua Corp.	54,500	371,200
* National Patent Development Corp.	109,400	156,442
* National Technical Systems, Inc.	83,600	431,376
* NCI Building Systems, Inc.	19,000	1,095,920
* NCO Group, Inc.	247,375	5,558,516
* New Horizons Worldwide, Inc.	74,975	44,985
* North America Galvanizing & Coatings, Inc.	56,500	132,775
* # Northwest Airlines Corp.	439,643	167,064
* NuCo2, Inc.	134,813	4,037,649
* Odyssey Marine Exploration, Inc.	335,300	1,257,375
* Old Dominion Freight Line, Inc.	74,122	1,953,856
* Omega Flex, Inc.	115,650	2,095,578
* On Assignment, Inc.	226,785	2,515,046
* Orbit International Corp.	14,582	199,336
* # Orbital Sciences Corp.	487,000	7,417,010
Outlook Group Corp.	36,600	387,960
* P.A.M. Transportation Services, Inc.	60,952	1,281,821
* Paragon Technologies, Inc.	39,425	401,347
* Park-Ohio Holdings Corp.	125,525	2,600,878
* Patrick Industries, Inc.	44,000	483,340
* Patriot Transportation Holding, Inc.	31,700	2,147,992
* Peerless Manufacturing Co.	19,500	341,250
* Pemco Aviation Group, Inc.	250	4,540
* # Perini Corp.	224,900	6,834,711
* Pico Holdings, Inc.	116,690	3,940,621
* Pinnacle Airlines Corp.	166,200	1,254,810

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* # Plug Power, Inc.	659,946	3,359,125
Portec Rail Products, Inc.	50,000	714,000
* Powell Industries, Inc.	58,418	1,317,326
* Power-One, Inc.	741,198	4,202,593
* PPT Vision, Inc.	11,750	7,050
Preformed Line Products Co.	5,600	229,880
* # PRG-Schultz International, Inc.	442,420	212,362
Providence & Worcester Railroad Co.	11,400	185,364
# PW Eagle, Inc.	81,336	1,796,712
* Quality Distribution, Inc.	3,744	41,034
Quipp, Inc.	14,300	154,083
Quixote Corp.	74,957	1,682,785
* RailAmerica, Inc.	294,366	2,914,223
Raven Industries, Inc.	356,440	12,575,203
* RCM Technologies, Inc.	91,800	558,144
* Refac	8,519	69,004
* RemedyTemp, Inc.	72,900	765,450
* Republic Airways Holdings, Inc.	351,391	4,926,502
* Riviera Tool Co.	7,000	4,410
Robbins & Myers, Inc.	113,900	2,389,622
* Rush Enterprises, Inc. Class A	135,475	2,506,288
* Rush Enterprises, Inc. Class B	54,500	941,215
Schawk, Inc.	168,300	4,182,255
Schuff International, Inc.	53,200	455,392
* SCS Transportation, Inc.	112,832	3,049,849
* Secom General Corp.	1,000	1,400
* # Servotronics, Inc.	24,804	171,148
* SIFCO Industries, Inc.	45,775	193,628
* Simclar, Inc.	23,400	82,134
* Sirva, Inc.	120,600	964,800
* Sitel Corp.	624,700	2,261,414
* SL Industries, Inc.	91,885	1,387,464
* Smithway Motor Xpress Corp. Class A	35,000	329,700
* SOURCECORP, Inc.	137,152	3,511,091
* SPACEHAB, Inc.	93,900	69,486
Sparton Corp.	88,544	762,364
* Spherion Corp.	474,893	4,739,432
* # Spherix, Inc.	103,300	258,250
* # Spire Corp.	102,842	1,028,420
* # Standard Automotive Corp.	21,700	2
* Standard Parking Corp.	40,079	857,290
Standard Register Co.	209,300	3,436,706
Standex International Corp.	109,300	3,483,391
Starrett (L.S.) Co. Class A	35,900	520,550
* Sterling Construction Co., Inc.	69,400	1,278,348
Stewart & Stevenson Services, Inc.	227,111	7,823,974
* Stonepath Group, Inc.	214,900	128,940
* Strategic Distribution, Inc.	27,770	271,313
Sun Hydraulics, Inc.	93,047	2,115,889
Supreme Industries, Inc.	92,383	691,025
Sypris Solutions, Inc.	147,386	1,528,393
* SYS	95,500	372,450
* TB Wood's Corp.	26,300	315,600
* Team, Inc.	73,600	2,178,560
* TeamStaff, Inc.	16,600	27,722

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	Exhibit CAPD-SB _____	60,800	378,784
	Rebuttal Testimony _____	49,100	383,471
	Schedule 2 _____	95,121	2,150,686
	Page 37 of 59	484,051	5,978,030
		78,100	3,647,270
		87,800	256,376
		92,800	2,097,280
		144,400	3,409,284
		35,100	257,634
		51	189
		53,350	925,089
		44,600	1,186,360
		42,500	395,250
		15,900	159,318
		94,300	891,135
		111,550	1,234,859
		288,350	4,757,775
		131,000	3,404,690
		122,500	5,126,625
		59,300	533,700
		1,350	8,640
		230,866	3,070,518
		41,100	2,156,106
		67,769	521,144
		100,900	1,721,354
		125,000	1,556,250
		124,900	6,452,334
		420	9,694
		217,100	877,084
		56,221	0
		100,052	2,944,530
		67,400	155,020
		12,804	277,207
		187,820	6,831,013
		35,700	113,526
		57,100	216,980
		186,800	5,979,468
		264,654	5,263,968
		127,204	3,043,992
		300	12,090
		275,040	5,492,549
		78,722	1,220,191
		93,900	2,586,945
		142,850	629,954
		18,448	31,362
		67,300	640,023
		109,900	403,333
		29,871	258,982
		303,000	1,324,110
		750	5,640
			<u>720,589,398</u>
Total Industrials			
Consumer Discretionary — (13.6%)			
* # 1-800 CONTACTS, Inc.		95,765	1,293,785
* 1-800-FLOWERS.COM, Inc.		249,248	1,590,202

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* 4Kids Entertainment, Inc.	109,800	1,866,600
* 99 Cents Only Stores	11,500	130,870
* A.C. Moore Arts & Crafts, Inc.	146,578	2,638,404
* Acme Communications, Inc.	120,000	440,400
Acme United Corp.	30,407	399,852
* ACT Teleconferencing, Inc.	139	22
* Advanced Marketing Services, Inc.	135,675	542,700
AFC Enterprises, Inc.	250,828	3,897,867
* Aftermarket Technology Corp.	190,763	4,139,557
* Alderwoods Group, Inc.	238,934	4,080,993
Aldila, Inc.	47,233	1,525,626
* All American Semiconductor, Inc.	45,140	212,609
* Alliance Gaming Corp.	398,600	5,899,280
* Alloy, Inc.	77,864	1,025,469
Ambassadors Group, Inc.	181,454	4,389,372
* American Biltrite, Inc.	57,750	657,772
* # America's Car-Mart, Inc.	85,256	1,570,416
* AMS Health Sciences, Inc.	46,700	32,690
* Applica, Inc.	159,500	326,975
Arctic Cat, Inc.	106,282	2,550,768
Ark Restaurants Corp.	22,500	686,250
* Arlington Hospitality, Inc.	22,265	100
* Asbury Automotive Group, Inc.	288,800	5,530,520
* Ashworth, Inc.	132,600	1,108,536
* Audiovox Corp. Class A	165,885	2,118,351
* # Avatar Holdings, Inc.	47,325	2,642,155
* Bakers Footwear Group, Inc.	53,995	1,185,190
* Ballantyne of Omaha, Inc.	134,235	543,652
* # Bally Total Fitness Holding Corp.	333,000	2,640,690
Bandag, Inc.	5,300	226,681
* Barry (R.G.) Corp.	163,435	1,052,521
Bassett Furniture Industries, Inc.	105,200	2,029,308
Beasley Broadcast Group, Inc.	63,743	863,080
* Benihana, Inc.	11,500	305,325
* Benihana, Inc. Class A	42,335	1,135,425
* Big Dog Holdings, Inc.	5,700	57,285
* Birks & Mayors, Inc.	13,946	85,768
* BJ's Restaurants, Inc.	200,072	5,079,828
Blair Corp.	20,786	857,422
* Blount International, Inc.	258,000	4,215,720
* Bluegreen Corp.	243,129	3,858,457
* Bombay Co., Inc.	302,900	957,164
Bon-Ton Stores, Inc.	123,400	3,358,948
Books-A-Million, Inc.	171,700	1,981,418
Bowl America, Inc. Class A	55,406	781,225
* Boyds Collection, Ltd.	9,300	1,116
* Broadview Media, Inc.	15,800	47,400
Brown Shoe Company, Inc.	143,600	6,849,720
* Buca, Inc.	132,551	750,239
Buckle, Inc.	104,400	3,993,300
* CabelTel International Corp.	3,430	14,783
* Cache, Inc.	138,606	2,408,972
Cadmus Communications Corp.	78,484	1,485,702
* California Coastal Communities, Inc.	89,433	3,442,276
* California Pizza Kitchen, Inc.	170,631	5,129,168

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* Canterbury Park Holding Corp.	400	5,940
* Capital Pacific Holdings, Inc.	87,000	1,522,500
Carmike Cinemas, Inc.	90,243	2,149,588
* Carriage Services, Inc.	143,700	712,752
* Casual Male Retail Group, Inc.	285,140	2,597,625
* Catalina Lighting, Inc.	11,080	99,720
Cato Corp. Class A	268,200	5,597,334
* Cavalier Homes, Inc.	161,000	1,138,270
* Cavco Industries, Inc.	24,212	1,114,963
* CD Warehouse, Inc.	5,600	11
* Champps Entertainment, Inc.	110,585	891,315
# Charles and Colvard, Ltd.	154,398	2,164,660
* Charlotte Russe Holding, Inc.	194,700	3,543,540
* Chaus (Bernard), Inc.	1,760	1,654
* Checkers Drive-In Restaurants, Inc.	100,830	1,481,193
Cherokee, Inc.	26,855	1,034,992
Christopher & Banks Corp.	314,500	6,896,985
* Chromcraft Revington, Inc.	100,600	1,307,800
Churchill Downs, Inc.	18,300	733,281
Coachmen Industries, Inc.	117,100	1,381,780
Coast Distribution System, Inc.	40,600	294,350
* Cobra Electronics Corp.	114,900	1,336,287
* Collectors Universe, Inc.	73,782	1,095,663
Collegiate Pacific, Inc.	87,800	913,120
* Concord Camera Corp.	156,186	171,805
* Congoleum Corp. Class A	35,300	79,425
* # Conn's, Inc.	182,751	6,807,475
* Cost Plus, Inc.	158,499	3,041,596
* Cost-U-Less, Inc.	13,600	108,256
Courier Corp.	141,318	5,577,821
CPI Corp.	48,519	851,508
Craftmade International, Inc.	61,350	1,116,570
* CSK Auto Corp.	355,700	5,659,187
CSS Industries, Inc.	39,550	1,218,140
* Culp, Inc.	152,480	754,776
Cutter & Buck, Inc.	111,600	1,334,736
* # Cybex International, Inc.	80,350	481,296
* Cycle Country Accessories Corp.	42,200	158,250
* Daily Journal Corp.	200	8,000
* # Dave & Busters, Inc.	121,200	2,181,600
Deb Shops, Inc.	108,401	3,430,892
* Deckers Outdoor Corp.	64,900	2,200,110
Decorator Industries, Inc.	20,587	171,284
* dELiA*s, Inc.	142,905	1,273,284
Delta Apparel, Inc.	77,280	1,197,840
* Delta Woodside Industries, Inc.	47,500	14,725
* # Design Within Reach, Inc.	47,075	298,926
* Diedrich Coffee, Inc.	28,025	117,144
* Digital Generation Systems, Inc.	226,500	147,225
* Dixie Group, Inc.	98,600	1,615,068
* # Dominion Homes, Inc.	63,300	607,680
Dover Downs Gaming & Entertainment, Inc.	92,545	1,536,247
Dover Motorsports, Inc.	143,200	711,704
* Drew Industries, Inc.	188,000	6,100,600
* drugstore.com, Inc.	721,983	1,819,397

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* Duckwall-ALCO Stores, Inc.	41,000	991,790
* Dura Automotive Systems, Inc.	130,900	299,761
* E Com Ventures, Inc.	10,825	188,355
* Educate, Inc.	276,800	2,383,248
Educational Development Corp.	15,400	123,970
* ELXSI Corp.	7,100	20,590
* EMAK Worldwide, Inc.	58,100	478,744
* Emerging Vision, Inc.	145,200	18,876
* Emerson Radio Corp.	207,078	662,650
* Emmis Communications Corp. Class A	281,532	4,608,679
* Enesco Group, Inc.	122,400	228,888
* # Escala Group, Inc.	241,364	5,997,895
* # Everlast Worldwide, Inc.	5,600	91,840
* Fab Industries, Inc.	40,200	0
* # Factory 2-U Stores, Inc.	23,754	48
* Fairchild Corp. Class A	148,929	354,451
* Famous Dave's of America, Inc.	93,130	1,286,125
* Featherlite, Inc.	78,600	389,070
Fedders Corp.	261,382	384,232
Federal Screw Works	33,750	540,000
* Finlay Enterprises, Inc.	79,800	676,704
Flanigan's Enterprises, Inc.	20,600	199,202
* Fleetwood Enterprises, Inc.	552,599	6,244,369
Flexsteel Industries, Inc.	60,900	861,735
* Foamex International, Inc.	58,149	4,361
* Footstar, Inc.	83,700	389,205
* Fountain Powerboat Industries, Inc.	35,700	265,608
* Fox & Hound Restaurant Group	74,831	1,213,759
* Franklin Covey Co.	181,100	1,407,147
* Franklin Electronic Publishers, Inc.	81,300	345,525
Fred's, Inc.	326,896	4,566,737
* Friedman's, Inc. Class A	131,800	0
* Friendly Ice Cream Corp.	24,500	238,140
Frisch's Restaurants, Inc.	63,868	1,334,841
* Gaiam, Inc.	3,551	49,004
* GameTech International, Inc.	80,200	384,960
Gaming Partners International Corp.	60,361	829,964
* # Gander Mountain Co.	36,851	246,533
* # Genesco, Inc.	147,400	5,984,440
Gentek, Inc.	89,184	1,690,929
* G-III Apparel Group, Ltd.	61,470	982,905
* Gottschalks, Inc.	129,300	1,177,923
Gray Television, Inc.	309,200	2,603,464
Gray Television, Inc. Class A	41,200	335,986
* Group 1 Automotive, Inc.	186,300	7,131,564
* # GSI Commerce, Inc.	344,299	5,491,569
* Gymboree Corp.	278,700	6,371,082
* Ha-Lo Industries, Inc.	8,600	0
* Hampshire Group, Ltd.	25,400	620,522
Hancock Fabrics, Inc.	182,600	757,790
Handleman Co.	154,905	1,522,716
* Harolds Stores, Inc.	41,537	31,153
* Harris Interactive, Inc.	535,104	3,007,284
* Hartmarx Corp.	295,600	2,562,852
* Hastings Entertainment, Inc.	93,100	492,499

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* Hastings Manufacturing Co.	6,400	192
Haverty Furniture Co., Inc.	136,600	1,946,550
Haverty Furniture Co., Inc. Class A	12,000	170,520
* Hayes Lemmerz International, Inc.	99,300	310,809
* Hollywood Media Corp.	285,997	1,389,945
* # Home Solutions of America, Inc.	258,240	1,510,704
* Hot Topic, Inc.	15,900	209,562
* Iconix Brand Group, Inc.	313,563	4,195,473
ILX Resorts, Inc.	25,700	265,738
* Image Entertainment, Inc.	187,920	638,928
* IMPCO Technologies, Inc.	219,480	1,373,945
* # Infosonics Corp.	46,900	555,765
* Insignia Systems, Inc.	51,150	69,155
* Interface, Inc. Class A	409,067	4,532,462
* Interstate Hotels & Resorts, Inc.	224,450	1,072,871
* INVESTools, Inc.	395,550	3,065,512
* # Isle of Capri Casinos, Inc.	179,570	5,442,767
J. Alexander's Corp.	104,700	839,694
* J. Jill Group, Inc.	168,450	3,980,473
* Jaclyn, Inc.	20,027	163,220
* Jakks Pacific, Inc.	191,156	4,744,492
* Jameson Inns, Inc.	180,949	477,705
* Jennifer Convertibles, Inc.	42,300	206,212
* Jo-Ann Stores, Inc.	166,300	2,211,790
* Johnson Outdoors, Inc.	52,800	943,008
* Jos. A. Bank Clothiers, Inc.	144,759	6,457,699
Journal Register Co.	345,300	4,440,558
* K2, Inc.	361,763	4,124,098
Kellwood Co.	136,000	3,500,640
Kenneth Cole Productions, Inc. Class A	119,000	3,273,690
* Keystone Automotive Industries, Inc.	141,700	6,263,140
Kimball International, Inc. Class B	199,304	2,824,138
* Kirkland's, Inc.	124,214	650,881
Knappe & Vogt Manufacturing Co.	27,588	508,723
Koss Corp.	84,000	2,310,000
* # Krause's Furniture, Inc.	23,000	116
* # Krispy Kreme Doughnuts, Inc.	469,300	3,167,775
* LaCrosse Footwear, Inc.	20,518	243,754
* Lakeland Industries, Inc.	27,167	523,780
* Lakes Entertainment, Inc.	153,500	1,519,650
Landry's Restaurants, Inc.	34,900	1,077,363
* Lazare Kaplan International, Inc.	67,400	556,050
# La-Z-Boy, Inc.	407,700	6,502,815
* Lenox Group, Inc.	122,050	1,630,588
Levitt Corp. Class A	132,000	3,070,320
Libbey, Inc.	98,300	870,938
* Liberty Homes, Inc. Class A	200	1,304
Lifetime Brands, Inc.	89,052	2,010,794
Lithia Motors, Inc. Class A	119,400	3,825,576
* LKQ Corp.	309,142	6,807,307
* Lodgenet Entertainment Corp.	149,942	2,135,174
* Lodgian, Inc.	78,198	980,603
Lone Star Steakhouse & Saloon, Inc.	134,758	3,633,076
* LOUD Technologies, Inc.	22,580	331,926
* Luby's, Inc.	224,150	3,342,076

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M/I Homes, Inc.	126,500	5,328,180
* Mace Security International, Inc.	111,638	259,000
* # Magna Entertainment Corp.	15,700	105,347
* Main Street Restaurant Group, Inc.	150,323	826,776
Marine Products Corp.	103,005	1,261,811
* MarineMax, Inc.	154,176	4,757,871
* Marisa Christina, Inc.	47,800	25,812
* Max & Erma's Restaurants, Inc.	20,844	227,200
* McCormick & Schmick's Seafood Restaurants, Inc.	124,601	2,919,401
McRae Industries, Inc. Class A	8,800	92,620
* Meade Instruments Corp.	152,660	435,081
* Mediacom Communications Corp.	61,392	346,251
* Merisel, Inc.	5	37
* Mestek, Inc.	115,650	1,495,354
* Midas, Inc.	123,100	2,343,824
* Mikohn Gaming Corp.	188,125	1,493,712
* Mity Enterprises, Inc.	40,550	763,962
Monaco Coach Corp.	227,200	3,251,232
* Monarch Casino & Resort, Inc.	164,200	4,402,202
Monro Muffler Brake, Inc.	90,797	3,285,035
* Morgan's Foods, Inc.	500	2,675
* Mossimo, Inc.	149,150	938,153
* Mothers Work, Inc.	36,400	905,996
* Motorcar Parts of America, Inc.	24,500	330,750
Movado Group, Inc.	185,800	4,050,440
# Movie Gallery, Inc.	69,211	220,783
* MTR Gaming Group, Inc.	240,536	2,398,144
* # Multimedia Games, Inc.	224,709	2,379,668
* Nathan's Famous, Inc.	52,600	644,350
National Presto Industries, Inc.	2,200	96,250
* National RV Holdings, Inc.	102,650	665,172
* Nature Vision, Inc.	500	5,550
* # Navarre Corp.	226,457	867,330
* # Navigant International, Inc.	104,400	1,148,400
Nelson (Thomas), Inc.	126,800	3,708,900
* Nevada Gold & Casinos, Inc.	117,950	1,114,627
* New Frontier Media, Inc.	202,063	1,440,709
* # Nitches, Inc.	33,639	255,656
Nobel Learning Communities, Inc.	49,600	471,200
Nobility Homes, Inc.	43,800	1,121,280
Noble International, Ltd.	111,923	1,718,018
* NTN Communications, Inc.	363,891	505,808
* O'Charleys, Inc.	164,261	2,917,275
* Odd Job Stores, Inc.	86,200	18,102
* Ohio Art Co.	3,600	18,000
* # Oneida, Ltd.	103,200	58,824
* Opinion Research Corp.	27,500	151,525
Orleans Homebuilders, Inc.	144,000	2,813,760
* Outdoor Channel Holdings, Inc.	80,501	1,056,173
* # Overstock.com, Inc.	14,692	330,570
Oxford Industries, Inc.	91,800	4,202,604
* P & F Industries, Inc. Class A	600	7,710
* # Palm Harbor Homes, Inc.	196,234	4,111,102
* Papa John's International, Inc.	63,198	2,079,214
* Paxson Communications Corp.	343,100	325,945

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* PC Mall, Inc.	98,900	611,202
* # Pegasus Communications Corp.	56,640	169,354
* Perry Ellis International, Inc.	76,400	1,681,564
* PetMed Express, Inc.	209,674	3,918,807
* Phoenix Footwear Group, Inc.	50,000	267,500
* Phoenix Gold International, Inc.	3,600	1,224
* Pinnacle Entertainment, Inc.	20,600	577,830
* Playboy Enterprises, Inc. Class B	242,980	3,367,703
* Point.360	84,700	192,269
* Pomeroy IT Solutions, Inc.	105,149	977,886
# Pre-Paid Legal Services, Inc.	125,300	4,524,583
* PRIMEDIA, Inc.	55,604	125,665
* Princeton Review, Inc.	136,941	729,896
* Proliance International, Inc.	63,000	330,750
* QEP Co., Inc.	15,606	166,984
* # Quaker Fabric Corp.	147,950	418,698
* # Quantum Fuel Systems Technologies Worldwide, Inc.	367,283	1,663,792
* R&B, Inc.	138,600	1,470,546
* RC2 Corp.	175,880	6,336,956
* Reading International, Inc. Class A	142,163	1,150,099
* Reading International, Inc. Class B	10,140	79,599
* Red Lion Hotels Corp.	118,800	1,384,020
* # RedEnvelope, Inc.	79,718	770,076
* Regent Communications, Inc.	551,100	2,518,527
* Rentrak Corp.	104,800	1,120,312
* Rent-Way, Inc.	199,600	1,351,292
* Restoration Hardware, Inc.	289,400	1,556,972
* # Retail Ventures, Inc.	349,556	4,635,113
* Rex Stores Corp.	141,475	2,167,397
* Riviera Holdings Corp.	66,300	1,064,115
* Rockford Corp.	57,550	230,775
* Rocky Shoes & Boots, Inc.	34,200	811,908
* Rubio's Restaurants, Inc.	75,400	772,850
* Russ Berrie & Co., Inc.	153,400	2,084,706
* Russell Corp.	251,800	3,595,704
* Ryan's Restaurant Group, Inc.	312,542	4,128,680
* S&K Famous Brands, Inc.	24,600	409,590
* Safety Components International, Inc.	1,180	17,552
* Saga Communications, Inc. Class A	128,041	1,212,548
* Salem Communications Corp.	153,513	2,146,112
* # Salton, Inc.	105,300	150,579
* Schieb (Earl), Inc.	71,500	250,250
* Select Comfort Corp.	59,533	2,175,931
* # Sharper Image Corp.	108,800	1,283,840
* Shiloh Industries, Inc.	129,300	2,107,590
* Shoe Carnival, Inc.	123,800	2,781,786
* Shoe Pavilion, Inc.	5,700	44,232
* Sinclair Broadcast Group, Inc. Class A	236,777	1,702,427
* # Six Flags, Inc.	545,500	5,755,025
* Skechers U.S.A., Inc. Class A	190,900	4,047,080
* Skyline Corp.	59,179	2,374,261
* # Smith & Wesson Holding Corp.	333,300	1,666,500
* Smith & Wollensky Restaurant Group, Inc.	52,300	309,093
* Sonesta International Hotels Corp. Class A	900	23,298
* Source Interlink Companies, Inc.	378,269	4,066,392

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* Southern Energy Homes, Inc.	120,525	723,150
* Spanish Broadcasting System, Inc.	284,671	1,597,004
* SPAR Group, Inc.	1,000	1,150
Spartan Motors, Inc.	111,201	1,193,187
* Sport Chalet, Inc. Class A	98,875	802,865
* Sport Chalet, Inc. Class B	14,125	113,000
* Sport Supply Group, Inc.	63,100	283,950
* Sport-Haley, Inc.	32,100	162,105
* Sportsman's Guide, Inc.	64,350	1,627,411
Stage Stores, Inc.	134,704	3,927,969
* Stamps.com, Inc.	204,998	6,602,986
Standard Motor Products, Inc.	149,800	1,589,378
Stanley Furniture, Inc.	141,600	3,610,800
Star Buffet, Inc.	16,400	140,220
* Steinway Musical Instruments, Inc.	79,000	2,603,050
Steven Madden, Ltd.	123,500	3,958,175
Stewart Enterprises, Inc.	472,798	2,397,086
* Stoneridge, Inc.	176,600	1,049,004
* Strattec Security Corp.	40,900	1,654,814
Stride Rite Corp.	319,000	4,434,100
Sturm Ruger & Co., Inc.	219,300	1,578,960
* Sunterra Corp.	171,409	2,571,135
# Superior Industries International, Inc.	233,900	5,040,545
Superior Uniform Group, Inc.	86,600	959,528
Syms Corp.	143,200	2,090,720
* # Syntax-Brilliant Corp.	177,221	763,823
* Systemax, Inc.	198,400	1,378,880
* Tag-It Pacific, Inc.	124,800	62,400
Tandy Brand Accessories, Inc.	56,877	614,840
* Tandy Leather Factory, Inc.	20,600	131,222
* # Tarrant Apparel Group	232,085	269,219
* Tenneco Automotive, Inc.	132,900	3,010,185
The Hallwood Group, Inc.	2,653	395,297
The Marcus Corp.	175,700	2,886,751
The Pep Boys - Manny, Moe & Jack	61,800	970,260
* The Rowe Companies	120,268	211,672
* The Sports Authority, Inc.	201,900	7,387,521
* The Sports Club Co., Inc.	142,200	133,668
* The Steak n Shake Co.	220,100	4,012,423
* # TiVo, Inc.	698,065	3,874,261
Traffix, Inc.	142,900	743,080
* Trans World Entertainment Corp.	218,126	1,308,756
* Triple Crown Media, Inc.	35,250	236,175
* Tropical Sportswear International Corp.	160	0
* Trump Entertainment Resorts, Inc.	64	1,184
* Tweeter Home Entertainment Group, Inc.	213,025	1,712,721
* Ultimate Electronics, Inc.	2,190	0
* Unifi, Inc.	401,500	1,232,605
Unifirst Corp.	87,300	2,925,423
* United Retail Group, Inc.	118,000	1,952,900
* Universal Electronics, Inc.	118,120	2,121,435
Value Line, Inc.	500	16,925
* ValueVision Media, Inc. Class A	326,922	4,155,179
* # Varsity Group, Inc.	112,719	453,130
* Vertrue, Inc.	83,697	3,687,690

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* Virco Manufacturing Corp.	155,131	860,977
* Waxman Industries, Inc.	975	6,435
Wellco Enterprises, Inc.	10,600	133,560
* # Wells-Gardner Electronics Corp.	61,341	145,378
* West Marine, Inc.	149,302	1,921,517
* Western Metals Corp.	75,000	47,250
* # Wet Seal, Inc. Class A	536,622	2,849,463
Weyco Group, Inc.	6,600	127,314
* # Whitehall Jewelers, Inc.	153,200	246,652
* Wilsons The Leather Experts, Inc.	331,620	1,110,927
* Winmark Corp.	51,900	1,170,345
* WisdomTree Investments, Inc.	6,700	22,110
* Young Broadcasting, Inc. Class A	127,936	387,646
* Zapata Corp.	106,880	647,693
Total Consumer Discretionary		<u>664,637,537</u>
Financials — (12.0%)		
* 1st Constitution Bancorp	1,750	32,069
1st Independence Financial Group, Inc.	3,700	68,508
1st Source Corp.	174,211	4,642,723
# 21st Century Holding Co.	54,434	909,048
* A. B. Watley Group, Inc.	9,900	178
Abigail Adams National Bancorp, Inc.	1,512	20,639
Access National Corp.	7,343	77,836
* ACE Cash Express, Inc.	120,520	2,968,408
Advanta Corp. Class A	70,883	2,308,659
Advanta Corp. Class B Non-Voting	139,913	4,906,749
* Aether Holdings, Inc.	376,214	1,286,652
Alliance Financial Corp.	157	5,040
Amcore Financial, Inc.	154,024	4,606,858
* AMEN Properties, Inc.	12,375	68,496
Ameriana Bancorp	20,350	258,547
* # American Business Financial Services, Inc.	4,890	59
American Equity Investment Life Holding Co.	461,500	6,179,485
* American Independence Corp.	14,817	177,804
* American Physicians Capital, Inc.	65,365	3,221,841
American Physicians Services Group, Inc.	36,700	474,898
American River Bankshares	178	4,810
* American West Bancorporation	84,438	2,136,281
Ameris Bancorp	106,037	2,438,851
* AmeriServe Financial, Inc.	176,775	802,558
Anchor Bancorp Wisconsin, Inc.	163,718	4,985,213
* Argonaut Group, Inc.	183,908	6,716,320
Arrow Financial Corp.	89,759	2,406,439
ASB Financial Corp.	4,400	89,100
# ASTA Funding, Inc.	119,593	4,164,228
* Atlantic American Corp.	157,725	408,508
Atlantic Coast Federal Corp.	7,071	102,883
Baldwin & Lyons, Inc. Class B	73,900	1,829,025
BancFirst Corp.	1	85
* Bancinsurance Corp.	39,480	193,452
Bancorp Rhode Island, Inc.	175	5,994
* Bancshares of Florida, Inc.	20,660	454,520
Bank of Commerce Holdings	1,700	16,940
Bank of Granite Corp.	48,385	948,346

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#	Bank of the Ozarks, Inc.	147,215	5,234,965
	Banner Corp.	116,190	3,718,080
	Bay View Capital Corp.	47,010	804,341
	Berkshire Hills Bancorp, Inc.	4,700	155,335
	Beverly Hills Bancorp, Inc.	108,555	1,126,801
*	BFC Financial Corp.	11,500	69,115
*	BNS Holding, Inc. Class A	26,480	152,260
	Boston Private Financial Holdings, Inc.	73	2,235
	Bristol West Holdings, Inc.	267,600	4,961,304
	Brooke Corp.	41,571	468,094
	Bryn Mawr Bank Corp.	5,720	124,238
	BWC Financial Corp.	1,499	52,600
	C&F Financial Corp.	100	3,969
	California First National Bancorp	79,100	1,067,850
	Camco Financial Corp.	17,489	246,770
	Camden National Corp.	10,700	357,166
	Capital Bank Corp.	200	3,112
	Capital City Bank Group, Inc.	9,115	318,296
	Capital Corp. of the West	76,290	2,566,396
*	Capital Crossing Bank	86,700	2,782,203
	Capital Properties, Inc.	138	4,185
	Capital Southwest Corp.	200	19,270
	Capital Title Group, Inc.	80,565	506,754
	Capitol Bancorp, Ltd.	90,100	3,904,934
	Cardinal Financial Corp.	214,385	2,636,935
	Carrollton Bancorp	200	3,031
	Cash America International, Inc.	258,540	6,928,872
*	Cash Systems, Inc.	5,300	37,895
	Cavalry Bancorp, Inc.	300	7,503
	Center Bancorp, Inc.	10,799	122,137
	Center Financial Corp.	119,307	2,764,343
	Centerstate Banks of Florida, Inc.	3,300	126,027
	Central Bancorp, Inc.	10,000	285,000
	Central Virginia Bankshares, Inc.	2,000	55,600
*	Centrue Financial Corp.	3,000	79,410
	Century Bancorp, Inc. Class A	7,600	213,028
*	Ceres Group, Inc.	269,929	1,460,316
	CFS Bancorp, Inc.	81,073	1,190,152
	Citizens First Bancorp, Inc.	56,138	1,615,652
	Citizens South Banking Corp.	41,974	524,675
* #	Citizens, Inc.	318,408	1,693,931
	City Holding Co.	159,119	5,793,523
	Clark, Inc.	144,300	1,523,808
*	CNA Surety Corp.	184,680	3,209,738
	CNB Financial Corp.	800	11,280
	CoBiz, Inc.	40,375	769,144
	Cohen & Steers, Inc.	25,400	570,738
	Colony Bankcorp, Inc.	1,200	29,400
	Columbia Banking System, Inc.	139,128	4,664,962
	Commercial Bancshares, Inc.	34,453	1,226,871
	Commercial National Financial Corp.	1,600	28,496
	Commonwealth Bankshares, Inc.	300	8,257
	Community Bancorp, Inc.	3,557	124,139
	Community Bank System, Inc.	262,900	5,697,043
	Community Banks, Inc.	5,814	161,920

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Community Bankshares, Inc.	2,730	42,588
Community Trust Bancorp, Inc.	65,037	2,062,974
Community West Bancshares	23,300	330,743
Consolidated-Tokoma Land Co.	28,400	1,846,000
* Consumer Portfolio Services, Inc.	17,500	119,000
Cooperative Bankshares, Inc.	8,450	182,266
* Covanta Holding Corp.	1	13
* Cowlitz Bancorporation	700	9,919
Crawford & Co. Class A	94,400	569,232
Crawford & Co. Class B	132,500	802,950
* Credit Acceptance Corp.	82,695	1,954,910
# Delta Financial Corp.	170,900	1,565,444
Dime Community Bancshares	326,574	4,467,532
* Dollar Financial Corp.	24,500	346,675
Donegal Group, Inc. Class A	109,806	2,684,757
Donegal Group, Inc. Class B	25,520	580,452
EMC Insurance Group, Inc.	106,000	2,599,120
* Encore Capital Group, Inc.	198,655	3,424,812
Enterprise Financial Services Corp.	300	8,007
* Epoch Holding Corp.	75,975	417,862
ESB Financial Corp.	94,531	1,117,356
* eSpeed, Inc.	242,175	2,012,474
Exchange National Bancshares, Inc.	400	11,900
* EZCORP, Inc. Class A Non-Voting	91,900	1,987,797
Federal Agriculture Mortgage Corporation	84,400	2,520,184
Federal Trust Corp.	2,000	24,320
Fidelity Bancorp, Inc.	645	12,448
Fidelity Bankshares, Inc.	193,261	6,170,824
Fidelity Southern Corp.	82,500	1,464,375
Financial Federal Corp.	229,450	6,408,538
* Financial Industries Corp.	9,148	78,673
Financial Institutions, Inc.	2,254	43,096
* Firebrand Financial Group, Inc.	75,400	5,655
* # First Acceptance Corp.	347,887	4,261,616
First Albany Companies, Inc.	96,420	556,343
First Bancorp	92,300	2,051,829
* First Bank of Delaware	50,014	117,033
First Busey Corp.	61,988	1,265,175
* First Cash Financial Services, Inc.	274,854	4,787,957
First Charter Corp.	267,409	6,554,195
First Community Bancorp	70,971	4,238,388
First Community Bancshares, Inc.	99,461	3,244,418
First Defiance Financial Corp.	68,292	1,884,176
First Federal Bancshares of Arkansas, Inc.	46,800	1,078,740
First Federal Bankshares, Inc.	200	4,540
First Federal of Northern Michigan Bancorp, Inc.	400	3,760
First Financial Bancorp	51,043	863,137
First Financial Bankshares, Inc.	700	25,606
First Financial Corp.	29,647	850,869
First Financial Holdings, Inc.	122,500	3,959,200
First Franklin Corp.	800	12,720
First Indiana Corp.	154,125	4,252,309
* First Investors Financial Services Group, Inc.	43,200	321,840
First Keystone Financial, Inc.	16,500	322,575
First M&F Corp.	3,100	109,569

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* First Mariner Bancorp, Inc.	21,748	403,860
First Merchants Corp.	158,562	4,084,557
First Mutual Bancshares, Inc.	31,471	799,049
First National Lincoln Corp.	200	3,509
First Oak Brook Bancshares, Inc.	50,044	1,346,684
First PacTrust Bancorp, Inc.	13,213	385,687
First Place Financial Corp.	133,211	3,182,411
* First Regional Bancorp	457	38,251
First South Bancorp, Inc.	2,454	86,381
First State Bancorporation	152,036	3,925,570
First United Corp.	17,800	384,658
Firstbank Corp.	20,838	488,944
FirstBank NW Corp.	32,194	595,267
* FirstCity Financial Corp.	91,295	1,071,803
Flag Financial Corp.	42,725	747,687
Flushing Financial Corp.	175,312	2,906,673
FMS Financial Corp.	8,400	161,700
# FNB Corp. NC	10,700	221,704
FNB Corp. VA	400	13,592
FNB Financial Services Corp.	10,625	169,469
Foothill Independent Bancorp	53,772	1,422,269
* FPIC Insurance Group, Inc.	91,297	3,208,177
* Franklin Bank Corp.	205,674	3,508,798
Fulton Financial Corp.	1	25
Gateway Financial Holdings, Inc.	70,950	1,201,183
GB&T Bancshares, Inc.	20,750	432,637
German American Bancorp	10,624	141,299
Glacier Bancorp, Inc.	144,269	4,550,244
Gold Banc Corporation, Inc.	247,235	4,521,928
Great Southern Bancorp, Inc.	92,587	2,608,176
Greater Community Bancorp	3,477	52,294
Greene County Bancshares, Inc.	71,186	2,050,157
* Greenville First Bancshares, Inc.	1,320	31,601
* Grubb & Ellis Co.	177,552	2,040,960
GS Financial Corp.	6,400	111,648
Guaranty Bancshares, Inc.	1,600	34,000
Guaranty Federal Bancshares, Inc.	18,100	513,316
Harleysville Group, Inc.	234,319	6,169,619
Harleysville National Corp.	230,425	5,103,914
Harleysville Savings Financial Corp.	300	5,232
Harrington West Financial Group, Inc.	175	2,828
Heartland Financial USA, Inc.	8,307	179,431
Heritage Commerce Corp.	81,536	1,872,882
Heritage Financial Corp.	87,885	2,372,895
HF Financial Corp.	30,020	571,881
Hingham Institution for Savings	5,350	204,744
HMN Financial, Inc.	33,100	1,067,475
Home Federal Bancorp	37,400	953,700
HopFed Bancorp, Inc.	4,544	72,699
Horace Mann Educators Corp.	23,400	436,410
Horizon Financial Corp.	86,462	2,098,433
IBERIABANK Corp.	83,800	4,840,288
IBT Bancorp, Inc.	1,176	44,300
Independence Holding Co.	31,524	701,409
Independent Bank Corp. MA	135,500	4,105,650

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Independent Bank Corp. MI	204,572	5,517,307
Infinity Property & Casualty Corp.	159,371	6,320,654
Integra Bank Corp.	154,355	3,332,524
Interchange Financial Services Corp.	158,363	3,013,648
Investors Title Co.	19,800	855,875
Irwin Financial Corp.	246,700	4,943,868
* ITLA Capital Corp.	51,800	2,397,304
Jefferson Bancshares, Inc.	500	6,725
* Kennedy-Wilson, Inc.	76,600	1,168,150
Kent Financial Services, Inc.	50,712	124,752
K-Fed Bancorp	2,312	28,364
KNBT Bancorp, Inc.	91,406	1,446,043
* # LaBranche & Co., Inc.	166,500	2,355,975
* Ladenburg Thalmann Financial Services, Inc.	67,599	44,615
Lakeland Bancorp, Inc.	16,512	257,257
Lakeland Financial Corp.	200	8,760
Leesport Financial Corp.	751	18,775
LNB Bancorp, Inc.	13,195	254,663
LSB Bancshares, Inc.	35,887	645,966
LSB Corp.	16,200	283,643
LSB Financial Corp.	200	6,094
Macatawa Bank Corp.	57,411	2,098,372
Main Street Banks, Inc.	169,716	4,385,461
MainSource Financial Group, Inc.	241	4,405
* MarketAxess Holdings, Inc.	14,600	191,990
* Marlin Business Services, Inc.	100,774	2,317,802
MASSBANK Corp.	31,624	1,043,592
Mayflower Co-Op Bank Middleboro	450	5,850
* Mays (J.W.), Inc.	2,700	49,302
MBT Financial Corp.	136,322	2,290,210
MCG Capital Corp.	24,600	376,380
* Meadowbrook Insurance Group, Inc.	236,200	1,563,644
Medallion Financial Corp.	149,400	1,813,716
Mercantile Bank Corp.	5,082	197,334
* Mercer Insurance Group, Inc.	5,400	100,440
Merchants Bancshares, Inc.	49,218	1,197,966
Merchants Group, Inc.	15,700	467,860
Meta Financial Group, Inc.	16,500	346,500
MetroCorp Bancshares, Inc.	23,000	571,550
MFB Corp.	8,500	261,970
MicroFinancial, Inc.	31,000	113,150
Midland Co.	88,300	2,973,061
MidSouth Bancorp, Inc.	130	3,570
Mid-State Bancshares	199,487	5,739,241
Midwest Banc Holdings, Inc.	191,763	4,928,309
Monroe Bancorp	1,000	15,660
MutualFirst Financial, Inc.	3,200	69,120
Nara Bancorp, Inc.	158,679	2,772,122
National Security Group, Inc.	12,600	208,137
National Western Life Insurance Co. Class A	2,600	579,956
* Navigators Group, Inc.	145,998	6,847,306
NBC Capital Corp.	801	19,633
NBT Bancorp, Inc.	228,310	5,223,733
NetBank, Inc.	112,237	836,166
New Hampshire Thrift Bancshares, Inc.	3,200	48,320

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NewMil Bancorp, Inc.	44,100	1,342,845
* Newtek Business Services, Inc.	240,727	445,345
* North Bay Bancorp	1,500	44,250
North Central Bancshares, Inc.	17,500	670,250
North Valley Bancorp	1,400	24,640
Northeast Bancorp	12,600	282,240
Northrim BanCorp, Inc.	35,097	816,012
Northway Financial, Inc.	200	7,440
NYMAGIC, Inc.	71,700	1,806,840
Oak Hill Financial, Inc.	17,278	544,257
OceanFirst Financial Corp.	112,591	2,668,407
* Ocwen Financial Corp.	542,903	5,331,307
Ohio Valley Banc Corp.	300	7,545
Old Second Bancorp, Inc.	15,800	504,336
Omega Financial Corp.	19,800	643,896
PAB Bankshares, Inc.	2,018	42,055
Pacific Continental Corp.	50	855
* Pacific Mercantile Bancorp	72,974	1,331,775
* Pacific Premier Bancorp, Inc.	24,817	297,804
Pamrapo Bancorp, Inc.	37,600	759,373
Park Bancorp, Inc.	800	26,532
Parkvale Financial Corp.	50,395	1,407,028
Partners Trust Financial Group, Inc.	348,129	4,100,960
PAULA Financial	49,300	96,135
Peapack-Gladstone Financial Corp.	12,500	353,125
* Penn Treaty American Corp.	141,650	1,473,160
Pennfed Financial Services, Inc.	120,200	2,233,316
Penns Woods Bancorp, Inc.	132	5,081
* Pennsylvania Commerce Bancorp, Inc.	800	24,800
Peoples Bancorp, Inc. IN	1,100	23,650
Peoples Bancorp, Inc. OH	53,416	1,573,635
PFF Bancorp, Inc.	182,300	5,729,689
Pinnacle Bancshares, Inc.	1,500	20,700
* Pinnacle Financial Partners, Inc.	74,144	1,961,850
* Piper Jaffray Companies, Inc.	133,500	6,632,280
Placer Sierra Bancshares	5,200	136,656
* PMA Capital Corp. Class A	282,456	2,717,227
Pocahontas Bancorp, Inc.	51,900	670,548
* Portfolio Recovery Associates, Inc.	135,128	6,609,110
* Premier Financial Bancorp, Inc.	6,600	101,442
Presidential Life Corp.	226,349	4,959,307
Princeton National Bancorp, Inc.	100	3,310
ProCentury Corp.	11,881	146,374
Prosperity Bancshares, Inc.	152,150	4,391,049
Provident Financial Holdings, Inc.	72,400	2,157,520
Provident New York Bancorp	375,184	4,472,193
* PSB Bancorp, Inc.	11,000	139,150
Pulaski Financial Corp.	73,100	1,195,185
Rainier Pacific Financial Group, Inc.	24,447	381,373
Renasant Corp.	28,287	975,053
Republic Bancorp, Inc. Class A	94,949	1,898,980
* Republic First Bancorp, Inc.	56,015	789,811
* Rewards Network, Inc.	227,850	1,793,179
Riverview Bancorp, Inc.	34,700	881,380
Rome Bancorp, Inc.	24,316	285,713

Royal Bancshares of Pennsylvania, Inc. Class A	16,400	397,700
* RTW, Inc.	46,750	475,447
Rurban Financial Corp.	10	128
Sanders Morris Harris Group, Inc.	166,786	2,665,240
Sandy Spring Bancorp, Inc.	130,164	4,616,917
SCBT Financial Corp.	2,430	85,050
* SCPIE Holdings, Inc.	28,300	643,542
* Seabright Insurance Holdings	44,600	740,806
Seacoast Banking Corp. of Florida	148,879	4,010,800
Security Bank Corp.	3,940	90,738
Shore Financial Corp.	60	1,030
* Siebert Financial Corp.	42,300	107,950
Sierra Bancorp	5,050	126,351
Simmons First National Corp. Class A	126,724	3,607,832
Sound Federal Bancorp, Inc.	108,828	2,217,915
* # South Street Financial Corp.	500	4,625
* Southcoast Financial Corp.	7,711	189,691
Southern Community Financial Corp.	4,000	37,600
Southside Bancshares, Inc.	4,217	84,804
Southwest Bancorp, Inc.	123,931	2,712,850
Southwest Georgia Financial Corp.	52	1,297
* Standard Management Corp.	69,015	53,832
State Bancorp, Inc.	5,289	83,936
Sterling Bancorp	314,128	6,389,364
Sterling Bancshares, Inc.	394,957	7,038,134
Sterling Financial Corp. (PA)	6,938	143,131
Stewart Information Services Corp.	52,200	2,450,790
* Stifel Financial Corp.	95,192	3,648,709
* Stratus Properties, Inc.	53,950	1,257,305
Suffolk Bancorp	83,353	2,859,841
Summit Bancshares, Inc.	78,222	1,430,680
Summit Bank Corp.	12,600	199,206
* Sun American Bancorp	700	3,836
* Sun Bancorp, Inc.	165,851	3,449,701
SWS Group, Inc.	70,349	1,714,405
Synergy Financial Group, Inc.	9,245	123,513
Taylor Capital Group, Inc.	23,477	886,257
Teche Holding Co.	2,700	109,620
* Texas Capital Bancshares, Inc.	33,900	731,562
Texas United Bancshares, Inc.	481	9,139
TF Financial Corp.	13,944	397,404
* The Banc Corp.	174,001	1,987,091
* The Bancorp, Inc.	36,033	755,972
* The Enstar Group, Inc.	2,206	175,774
* The Intergroup Corp.	6,300	92,610
The Savannah Bancorp, Inc.	100	3,560
* The Washtenaw Group, Inc.	2,000	180
TIB Financial Corp.	739	22,879
TierOne Corp.	157,824	5,208,192
Timberland Bancorp, Inc.	36,300	969,210
Tompkins County Trustco, Inc.	12,020	560,973
Tower Financial Corp.	200	3,299
Tower Group, Inc.	82,900	1,499,661
* Tradestation Group, Inc.	373,338	5,928,607
* # Trenwick Group, Ltd.	12,662	16

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* Triad Guaranty, Inc.	12,100	549,219
Trico Bancshares	117,322	3,036,293
* Unico American Corp.	114,100	1,089,655
Union Bankshares Corp.	21,961	990,661
# Union Bankshares, Inc.	800	17,496
Union Community Bancorp	3,000	80,580
* United America Indemnity, Ltd.	79,809	1,815,655
* United Capital Corp.	90,008	2,427,516
United Community Financial Corp.	266,802	3,265,656
United Financial Corp.	3,300	73,029
* United PanAm Financial Corp.	39,483	1,062,093
United Security Bancshares	7,403	295,972
Unity Bancorp, Inc.	16,785	253,453
Univest Corporation of Pennsylvania	5,141	125,800
Unizan Financial Corp.	100,034	2,730,928
USB Holding Co., Inc.	28,081	616,677
Vail Banks, Inc.	100	1,550
* Valley Bancorp	1,500	58,116
* Vesta Insurance Group, Inc.	256,100	230,490
* Virginia Commerce Bancorp, Inc.	66,361	2,408,904
Virginia Financial Group, Inc.	1,300	52,000
Wainwright Bank & Trust Co.	1,112	11,342
Washington Banking Co.	23,121	433,288
Washington Savings Bank, FSB	43,368	364,291
Washington Trust Bancorp, Inc.	116,260	3,158,784
Wayne Savings Bancshares, Inc.	98	1,471
Wesbanco, Inc.	192,520	6,112,510
West Bancorporation	131,433	2,444,654
West Coast Bancorp	129,745	3,501,818
Westbank Corp.	10,363	161,456
* Western Sierra Bancorp	10,562	454,483
Westfield Financial, Inc.	1,350	33,426
Westwood Holdings Group, Inc.	7,498	146,211
Willow Grove Bancorp, Inc.	108,746	1,846,507
Wilshire Bancorp, Inc.	211,802	4,077,188
* Wilshire Enterprises, Inc.	130,375	1,089,935
* World Acceptance Corp.	177,000	4,563,060
WSFS Financial Corp.	12,200	735,538
WVS Financial Corp.	500	8,300
Yardville National Bancorp	84,198	3,026,918
Ziegler Companies, Inc.	4,200	102,480
Total Financials		<u>584,113,866</u>
Materials — (3.8%)		
* AEP Industries, Inc.	75,251	2,025,757
* AK Steel Holding Corp.	22,000	244,200
AMCOL International Corp.	259,000	7,150,990
* American Pacific Corp.	66,400	380,472
# American Vanguard Corp.	75,596	2,170,361
Arch Chemicals, Inc.	208,149	5,873,965
Atlantis Plastics, Inc.	34,800	309,720
* Badger Paper Mills, Inc.	200	28
Bairnco Corp.	105,300	1,016,145
Balchem Corp.	84,175	1,807,237
* Brush Engineered Materials, Inc.	169,200	2,945,772

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* Buckeye Technologies, Inc.	266,790	2,350,420
Calgon Carbon Corp.	345,000	2,684,100
* Canyon Resources Corp.	176,800	144,976
* Carastar Industries, Inc.	206,198	2,097,034
Castle (A.M.) & Co.	140,627	3,982,557
* CFC International, Inc.	4,552	75,245
Chesapeake Corp.	151,722	2,001,213
* Coeur d'Alene Mines Corp.	103,600	573,944
Compass Minerals International, Inc.	25,500	636,225
* Constar International, Inc.	102,821	364,912
* Continental Materials Corp.	14,900	417,200
* Core Molding Technologies, Inc.	76,597	609,712
CPAC, Inc.	51,978	211,031
Crown Resources Corp.	13,540	37,912
Deltic Timber Corp.	108,200	5,654,532
* Detrex Corp.	10,200	63,240
* Devcon International Corp.	29,000	254,040
# Empire Resources, Inc.	84,800	1,799,456
* Environmental Technologies Corp.	39,700	0
Ferro Corp.	50,700	1,018,056
# Flamemaster Corp.	189	888
Friedman Industries, Inc.	152,403	1,164,359
Gibraltar Industries, Inc.	249,490	6,364,490
Glatfelter (P.H.) Co.	338,800	5,569,872
Hawkins, Inc.	92,485	1,290,166
* Hecla Mining Co.	1,031,500	5,136,870
* ICO, Inc.	165,818	684,828
* Impreso, Inc.	31,500	54,180
* Keystone Consolidated Industries, Inc.	11,000	286
* Landec Corp.	215,221	1,560,352
* Lesco, Inc.	87,900	1,428,366
* # Liquidmetal Technologies, Inc.	106,651	155,710
* Material Sciences Corp.	131,800	1,714,718
* Maxxam, Inc.	20,900	674,025
Metal Management, Inc.	219,097	6,180,726
* # Mines Management, Inc.	108,917	832,126
* Mod-Pac Corp.	26,617	293,852
Myers Industries, Inc.	307,347	4,917,552
* # Nanophase Technologies Corp.	140,015	989,906
Nevada Chemicals, Inc.	1,400	11,200
* NewMarket Corp.	150,200	5,177,394
Niagara Corp.	75,500	1,321,250
# NL Industries, Inc.	155,800	2,055,002
NN, Inc.	132,800	1,638,752
* Northern Technologies International Corp.	26,400	199,056
* Northwest Pipe Co.	48,100	1,273,207
Olympic Steel, Inc.	78,200	2,061,352
* OM Group, Inc.	207,500	4,401,075
* Omnova Solutions, Inc.	325,000	1,972,750
Packaging Dynamics Corp.	32,980	457,433
Penford Corp.	57,700	915,988
* Pioneer Companies, Inc.	101,852	3,067,782
* PolyOne Corp.	254,700	2,223,531
Pope & Talbot, Inc.	123,700	936,409
Quaker Chemical Corp.	82,400	1,647,176

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Roanoke Electric Steel Corp.	87,400	2,442,830
Rock of Ages Corp.	32,900	167,790
Rock-Tenn Co. Class A	279,000	3,660,480
Rotonics Manufacturing, Inc.	1,600	5,120
# Royal Gold, Inc.	186,500	5,861,695
* RTI International Metals, Inc.	134,100	5,638,905
Ryerson Tull, Inc.	192,600	4,861,224
Schulman (A.), Inc.	248,233	5,816,099
Schweitzer-Maudoit International, Inc.	120,200	3,089,140
* Senomyx, Inc.	217,763	3,540,826
* Solitario Resources Corp.	2,937	5,668
Spartech Corp.	262,800	6,359,760
Steel Technologies, Inc.	102,018	2,814,677
Stepan Co.	37,900	1,012,309
* Stillwater Mining Co.	81,500	1,060,315
Summa Industries, Inc.	31,800	246,450
* Synalloy Corp.	87,058	1,131,754
* Terra Industries, Inc.	698,000	4,948,820
* U.S. Concrete, Inc.	316,366	3,964,066
* UFP Technologies, Inc.	11,800	34,463
* United States Lime & Minerals, Inc.	22,152	572,363
* Universal Stainless & Alloy Products, Inc.	55,300	1,075,032
Vulcan International Corp.	8,251	447,617
Wausau-Mosinee Paper Corp.	372,900	4,847,700
* Webco Industries, Inc.	3,750	278,438
Wellman, Inc.	250,200	1,571,256
* Williams Industries, Inc.	5,800	12,006
* # Zoltek Companies, Inc.	171,500	2,960,090
Total Materials		<u>185,699,974</u>
Energy — (3.8%)		
* Abraxas Petroleum Corp.	371,800	2,115,542
Adams Resources & Energy, Inc.	68,250	1,794,292
* Allis-Chalmers Energy, Inc.	144,200	2,364,880
* # American Oil & Gas, Inc.	208,925	835,700
* Arena Resources, Inc.	115,500	3,372,600
* # AstroPower, Inc.	14,986	0
* Atlas America, Inc.	103,378	6,925,292
Barnwell Industries, Inc.	62,137	1,422,937
* Bolt Technology Corp.	47,800	579,336
* # BPZ Energy, Inc.	2,616	9,444
* Brigham Exploration Co.	400,071	3,428,608
* Bristow Group, Inc.	156,241	4,665,356
* Callon Petroleum Co.	159,900	2,827,032
* Carrizo Oil & Gas, Inc.	213,381	4,969,643
Castle Energy Corp.	62,013	1,392,192
* Clayton Williams Energy, Inc.	95,573	4,154,558
* # Contango Oil & Gas Co.	130,100	1,494,849
* Dawson Geophysical Co.	65,700	1,752,219
* # Delta Petroleum Corp.	16,493	321,778
* # Dune Energy, Inc.	74,287	244,404
* Edge Petroleum Corp.	149,785	4,184,993
* # Endeavour International Corp.	610,360	1,879,909
* FX Energy, Inc.	253,648	1,402,673
* Gasco Energy, Inc.	746,600	4,263,086

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* #	Giant Industries, Inc.	103,900	6,046,980
*	Goodrich Petroleum Corp.	219,100	5,297,838
*	GSV, Inc.	5,340	774
	Gulf Island Fabrication, Inc.	108,001	2,454,863
*	Gulfmark Offshore, Inc.	179,600	4,924,632
*	Harvest Natural Resources, Inc.	487,800	4,395,078
* #	Horizon Offshore, Inc.	160,309	145,881
*	Infinity, Inc.	110,747	952,424
* #	Input/Output, Inc.	701,200	5,301,072
#	Lufkin Industries, Inc.	96,300	4,984,488
	Maritrans, Inc.	100,400	2,285,104
	MarkWest Hydrocarbon, Inc.	85,531	1,956,949
* #	Matrix Service Co.	194,300	2,150,901
* #	McMoran Exploration Co.	218,000	3,856,420
*	Meridian Resource Corp.	700,172	2,968,729
*	Mexco Energy Corp.	1,400	13,300
*	Miller Petroleum, Inc.	1,921	2,228
*	Mitcham Industries, Inc.	90,200	1,510,850
*	NATCO Group, Inc. Class A	163,600	4,054,008
* #	Natural Gas Services Group	79,300	1,566,175
*	Newpark Resources, Inc.	759,500	5,665,870
*	NS Group, Inc.	43,400	1,770,286
*	OMNI Energy Services Corp.	132,145	548,402
	Panhandle Royalty Co.	1,200	23,064
*	Parallel Petroleum Corp.	301,786	5,133,380
*	Parker Drilling Co.	582,700	5,389,975
*	Petrohawk Energy Corp.	290,821	3,673,069
*	Petroleum Development Corp.	139,678	6,007,551
*	Pioneer Drilling Co.	3,700	53,243
*	Rentech, Inc.	974,200	3,789,638
	Resource America, Inc.	168,780	2,771,368
*	Royale Energy, Inc.	43,302	265,008
* #	Syntroleum Corp.	488,696	4,310,299
*	T-3 Energy Services, Inc.	9,270	131,541
*	Tengasco, Inc.	733	557
* #	Teton Energy Corp.	93,200	650,536
*	TETRA Technologies, Inc.	145,752	5,480,275
*	TGC Industries, Inc.	119,940	1,049,475
* #	Toreador Resources Corp.	41,700	1,249,749
* #	Transmeridian Exploration, Inc.	765,700	4,326,205
*	TransMontaigne, Inc.	381,160	2,873,946
* #	Tri-Valley Corp.	175,800	1,448,592
*	U.S. Energy Corp. Wyoming	71,870	390,973
*	VAALCO Energy, Inc.	499,300	3,270,415
*	Warren Resources, Inc.	373,300	5,461,379
*	Westmoreland Coal Co.	71,600	1,741,312
	World Fuel Services Corp.	163,300	4,947,990
Total Energy			<u>183,694,115</u>
Consumer Staples — (2.8%)			
*	Advanced Nutraceuticals, Inc.	475	1,548
	Alico, Inc.	53,400	2,415,282
	Alliance One International, Inc.	627,924	2,794,262
#	American Italian Pasta Co.	130,900	569,415
	Andersons, Inc.	54,700	3,076,875

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* Atlantic Premium Brands, Ltd.		27,000	23,220
* Boston Beer Co., Inc. Class A		131,700	3,520,341
* Bridgford Foods Corp.		91,467	594,535
* Cagle's, Inc. Class A		94,800	632,316
Calavo Growers, Inc.		34,730	343,480
Cal-Maine Foods, Inc.		178,300	1,141,120
* Carrington Laboratories, Inc.		83,665	380,508
CCA Industries, Inc.		52,530	568,900
* # Central European Distribution Corp.		40,031	1,677,699
* # Chattem, Inc.		110,117	4,293,462
* Cruzan International, Inc.		58,560	1,657,248
* Cuisine Solutions, Inc.		75,900	758,241
* Darling International, Inc.		545,700	2,390,166
* Elizabeth Arden, Inc.		229,962	5,611,073
Farmer Brothers Co.		300	6,525
* Female Health Co.		44,000	72,600
* Foodarama Supermarkets, Inc.		20,700	1,086,750
* Fresh Brands, Inc.		59,300	418,065
* Galaxy Nutritional Foods, Inc.		37,700	39,585
* # Gardenburger, Inc.		33,700	505
* Genesee Corp. Class B		800	1,288
* Glacier Water Services, Inc.		24,500	612,500
Golden Enterprises, Inc.		62,000	186,062
* Green Mountain Coffee, Inc.		65,900	2,702,559
* Griffin Land & Nurseries, Inc. Class A		23,400	742,950
* Hain Celestial Group, Inc.		282,480	6,593,083
* Hines Horticulture, Inc.		195,700	726,047
* IGI, Inc.		16,400	26,240
# Imperial Sugar Co. (New)		69,917	1,831,825
* Imperial Sugar Co. (Old)		74,200	0
Ingles Market, Inc. Class A		106,298	1,754,980
* Integrated Biopharma, Inc.		91,675	550,050
Inter Parfums, Inc.		176,100	3,081,750
* Interstate Bakeries Corp.		238,400	1,704,560
J & J Snack Foods Corp.		166,400	5,649,280
* Katy Industries, Inc.		76,100	272,438
Lance, Inc.		259,421	5,639,813
* # Lifeway Foods, Inc.		4,100	47,314
# Mannatech, Inc.		5,200	69,628
# Marsh Supermarkets, Inc. Class A		17,700	154,096
# Marsh Supermarkets, Inc. Class B		29,800	233,036
* Maui Land & Pineapple Co., Inc.		47,700	1,806,876
* # Medifast, Inc.		109,800	767,502
MGP Ingredients, Inc.		151,200	2,015,496
* Monterey Pasta Co.		135,300	529,023
Nash Finch Co.		98,600	3,056,600
National Beverage Corp.		258,900	2,236,896
* Natrol, Inc.		99,700	219,340
* Natural Alternatives International, Inc.		48,800	415,776
* # Natural Health Trends Corp.		26,600	240,464
Nature's Sunshine Products, Inc.		153,100	2,598,107
Oil-Dri Corp. of America		56,300	1,056,188
* Omega Protein Corp.		186,300	1,171,827
* Parlux Fragrances, Inc.		90,500	3,130,395
* Pathmark Stores, Inc.		455,924	4,586,595

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* Peet's Coffee & Tea, Inc.	122,049	3,654,147
* Pizza Inn, Inc.	39,700	110,366
* Playtex Products, Inc.	545,600	5,728,800
* PriceSmart, Inc.	165,600	1,324,800
* Pyramid Breweries, Inc.	45,000	108,900
* Redhook Ale Brewery, Inc.	64,300	224,150
Reliv International, Inc.	135,830	1,790,239
Rocky Mountain Chocolate Factory, Inc.	76,147	1,171,902
* San Filippo (John B.) & Son, Inc.	57,900	845,340
Sanderson Farms, Inc.	157,009	3,661,450
* Scheid Vineyards, Inc.	14,500	90,625
* Schiff Nutrition International, Inc.	70,700	375,417
Scope Industries	16,650	1,165,500
* Seneca Foods Corp. Class A	200	3,930
* Seneca Foods Corp. Class B	6,800	134,640
* Smart & Final Food, Inc.	258,700	3,906,370
Spartan Stores, Inc.	174,103	2,052,674
* # Star Scientific, Inc.	543,917	1,452,258
Stephan Co.	33,500	116,245
Tasty Baking Co.	80,500	576,380
The Topps Co., Inc.	300,847	2,430,844
* Tofutti Brands, Inc.	7,300	21,681
United-Guardian, Inc.	39,320	426,622
* # USANA Health Services, Inc.	7,000	302,050
# Vector Group, Ltd.	298,686	5,558,546
* Vermont Pure Holdings, Ltd.	20,600	36,668
WD-40 Co.	143,612	4,384,474
* Wild Oats Markets, Inc.	256,676	4,607,334
* # Winn-Dixie Stores, Inc.	624,600	227,979
Total Consumer Staples		<u>136,974,636</u>
Utilities — (1.4%)		
American States Water Co.	147,800	5,097,622
* Aquila, Inc.	125,500	489,450
Artesian Resources Corp. Class A	800	23,685
California Water Service Group	153,547	6,719,217
Cascade Natural Gas Corp.	99,500	1,950,200
Central Vermont Public Service Corp.	140,100	2,999,541
CH Energy Group, Inc.	93,900	4,610,490
Chesapeake Utilities Corp.	53,375	1,610,324
Connecticut Water Services, Inc.	93,287	2,365,758
Delta Natural Gas Co., Inc.	20,000	517,800
# Empire District Electric Co.	226,500	5,010,180
Energy West, Inc.	11,941	112,126
EnergySouth, Inc.	76,425	2,282,815
* Environmental Power Corp.	81,300	739,830
Florida Public Utilities Co.	34,200	485,640
Green Mountain Power Corp.	59,100	1,666,620
Laclede Group, Inc.	187,400	6,313,506
Maine & Maritimes Corp.	29,300	509,820
MGE Energy, Inc.	180,459	6,048,986
Middlesex Water Co.	58,700	1,132,910
Otter Tail Corp.	46,924	1,461,683
RGC Resources, Inc.	4,698	115,195
SEMCO Energy, Inc.	271,520	1,520,512

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		Exhibit CAPD-SB_____	6,100	313,174
		Rebuttal Testimony_____	164,164	4,695,090
		Schedule 2_____	182,302	3,294,197
		Page 58 of 59	101,661	5,210,126
			39,567	1,008,959
			9,198	246,690
Total Utilities				<u>68,552,146</u>
Telecommunication Services — (1.1%)				
*	@Road, Inc.		539,818	2,785,461
	Alaska Communications Systems Group, Inc.		367,765	4,078,514
*	Boston Communications Group, Inc.		131,800	221,424
* #	Broadwing Corp.		641,415	5,747,078
*	Cogent Communications Group, Inc.		157,251	1,124,345
*	Covista Communications, Inc.		21,500	26,338
	CT Communications, Inc.		163,574	2,165,720
	D&E Communications, Inc.		113,800	1,155,070
	FairPoint Communications, Inc.		19,600	275,772
*	General Communications, Inc. Class A		454,735	5,115,769
*	GoAmerica, Inc.		117	469
	Hector Communications Corp.		25,200	696,780
	Hickory Tech Corp.		13,293	106,078
*	LCC International, Inc. Class A		144,400	433,200
*	Lynch Interactive Corp.		461	976,390
* #	Metro One Telecommunications, Inc.		80,441	47,468
*	Moscow CableCom Corp.		15,000	118,200
* #	Network Plus Corp.		10,000	11
	North Pittsburgh Systems, Inc.		130,562	2,655,631
*	Pac-West Telecomm, Inc.		174,200	165,490
*	Premiere Global Services, Inc.		532,725	4,373,672
* #	Primus Telecommunications Group, Inc.		57,379	49,920
*	Rural Cellular Corp. Class A		116,750	1,687,038
*	Shared Technologies Cellular, Inc.		24,600	25
	Shenandoah Telecommunications Co.		700	30,499
*	SunCom Wireless Holdings, Inc.		539,200	916,640
	SureWest Communications		124,197	3,139,700
*	TALK America Holdings, Inc.		250,356	2,135,537
*	Time Warner Telecom, Inc.		197,966	2,500,311
*	UbiquiTel, Inc.		554,645	5,418,882
*	US LEC Corp.		247,100	523,852
*	Wireless Facilities, Inc.		571,704	2,572,668
*	Xeta Corp.		85,700	168,829
Total Telecommunication Services				<u>51,412,781</u>
Other — (0.0%)				
* (R)	Big 4 Ranch, Inc.		35,000	0
*	Breed Technologies, Inc.		5,600	67
*	Bush Industries, Inc. Escrow Shares		2,300	53
*	Celebrity, Inc. Escrow Shares		13,500	0
*	Cygnus, Inc. Escrow Share		600	0
*	DLB Oil & Gas, Inc.		7,600	0
*	ePresence, Inc. Escrow Shares		191,500	24,895
* #	EquiMed, Inc. Nevis		6,533	1
*	Hoenig Group Escrow Shares		61,000	0
*	iGo Escrow Share		11,200	0

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* (R) Noel Group, Inc.	43,600	469
* Petrocorp, Inc. Escrow Shares	37,100	2,226
* Starbiz Restrictive Shares	2	0
* StorageNetworks, Inc. Escrow Shares	56,400	1,528
* Swisher International, Inc.	8,500	57,800
Total Other		<u>87,039</u>

TOTAL COMMON STOCKS

4,419,203,916

RIGHTS/WARRANTS — (0.0%)

* American Banknote Corp. Warrants Series 1 10/01/07	205	0
* (R) American Banknote Corp. Warrants Series 2 10/01/07	205	0
* # Angeion Corp. Warrants 10/31/07	1,294	0
* (R) Del Global Technologies Corp. Warrants 03/28/08	4,265	8,956
* Imperial Credit Industries, Inc. Warrants 01/31/08	1,010	0
* Optical Cable Corp. Warrants 10/24/07	655	0
* # RCN Corp. Warrants 12/21/06	3	0
* Tengasco, Inc. Warrants 09/12/08	2,306	0
* Trump Entertainment Resorts, Inc. Warrants 05/23/06	7,028	24,598

TOTAL RIGHTS/WARRANTS

33,554

Face
Amount
(000)

BONDS — (0.0%)

* (R) Del Global Technologies Corp. Subordinated Promissory Note 6.000%, 03/28/07	\$ 9	0
--	------	---

TEMPORARY CASH INVESTMENTS — (9.3%)

<input type="checkbox"/> Repurchase Agreement, Merrill Lynch Triparty Repo 4.54%, 03/01/06 (Collateralized by \$327,410,000 U.S. Treasury Note 4.625%, 02/29/08, valued at \$326,745,353) to be repurchaed at \$320,376,659	320,336	320,336,261
<input type="checkbox"/> Repurchase Agreement, Merrill Lynch Triparty Repo 4.52%, 03/01/06 (Collateralized by \$102,610,000 U.S. Treasury Note 4.375%, 12/15/10 & Tennessee Valley Authority 4.875%, 12/15/16, valued at \$100,288,916) to be repurchased at \$98,193,854	98,182	98,181,527
Repurchase Agreement, PNC Capital Markets, Inc. 4.40%, 03/01/06 (Collateralized by \$34,261,000 FHLMC Notes 4.00%, 09/22/09, valued at \$33,789,911) to be repurchased at \$33,294,069	33,290	33,290,000

TOTAL TEMPORARY CASH INVESTMENTS

451,807,788

TOTAL INVESTMENTS - (100.0%)

(Cost \$3,832,607,014)##

\$ 4,871,045,258

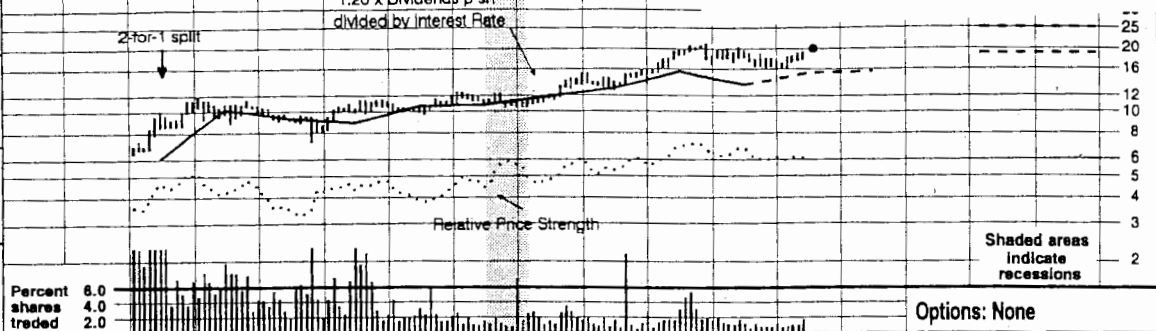
ATMOS ENERGY CORP. NYSE-ATO

 RECENT PRICE **20** P/E RATIO **14.5** (Trailing: 20.8 Median: NMF) RELATIVE P/E RATIO

TIMELINESS (Relative Performance Next 12 Mos.) **4** Below Average
SAFETY (Scale: 1 Highest to 5 Lowest) **2** Above Average
BETA .55 (1.00 = Market)

1998-00 PROJECTIONS
 Ann'l Total
 Price 25 Gain 10% Return 4%
 High 19 Low 19 (+25%) (-5%)

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

Institutional Decisions
 3Q 4Q 1Q 2Q
 to Buy 8 9 12
 to Sell 13 11 7
 Hld's(000) 2778 2786 3105
 Percent shares traded 6.0 4.0 2.0


Options: None

Atmos Energy's history dates back to 1906 and the Texas Panhandle. Over the years, through various mergers and business combinations, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987 and Greeley Gas in 1993.

CAPITAL STRUCTURE as of 3/31/95
 Total Debt \$138.3 mill. Due in 5 Yrs \$59.0 mill.
 LT Debt \$131.3 mill. LT Interest \$12.4 mill.
 Incl. \$6.3 mill. capitalized leases.
 (LT interest earned: 2.7x; total interest coverage: 2.6x)
 Leases, Uncapitalized Annual rentals \$5.1 mill.
 Pension Liability None
 Pfd Stock None

Common Stock 15,413,011 shs.

CURRENT POSITION	1993	1994	3/31/95
Cash Assets (\$mill)	.8	2.8	6.2
Other	57.5	50.5	56.1
Current Assets	58.3	53.3	62.3
Accts Payable	28.4	22.0	39.5
Debt Due	42.0	22.1	7.0
Other	17.9	20.1	34.3
Current Liab.	88.3	64.2	80.8
Fix. Chg. Cov.	301%	221%	278%

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '92-'94 to '98-'00
Revenues	--	-2.5%	4.0%
"Cash Flow"	--	3.0%	5.0%
Earnings	--	-5%	7.0%
Dividends	--	4.5%	4.5%
Book Value	--	4.5%	11.5%

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1992	106.7	116.1	58.4	58.9	340.1
1993	130.7	166.2	91.2	71.5	459.6
1994	145.5	186.9	90.0	77.4	499.8
1995	117.8	157.3	95.0	84.9	455
1996	170	210	95.0	85.0	560

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1992	.46	.81	d.11	d.19	.97
1993	.48	.97	.06	d.26	1.22
1994	.47	.87	d.08	d.29	.97
1995	.42	.91	.10	d.18	1.25
1996	.55	1.10	.05	d.20	1.50

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1991	.20	.20	.20	.207	.81
1992	.207	.207	.207	.213	.83
1993	.213	.213	.213	.22	.86
1994	.22	.22	.22	.23	.89
1995	.23	.23			

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	VALUE LINE PUB., INC.	98-00
Revenues per sh ^A	50.71	38.58	37.88	35.41	37.46	38.46	33.04	32.46	31.94	32.64	28.90	34.55		40.00
"Cash Flow" per sh ^B	1.95	1.64	2.14	2.57	2.48	2.68	2.38	2.63	2.39	2.21	2.45	2.75		3.20
Earnings per sh ^C	1.25	.63	.88	1.52	.89	.98	.80	.97	1.22	.97	1.25	1.50		1.90
Div'ds Decl'd per sh ^C	.55	.67	.67	.67	.75	.77	.80	.83	.86	.88	.92	.96		1.15
Cap'l Spending per sh	2.13	2.54	2.61	2.19	2.37	2.77	2.97	3.18	2.99	3.29	3.80	4.00		4.30
Book Value per sh	6.47	6.69	6.94	8.37	8.50	8.71	8.88	9.17	9.64	9.78	10.95	12.40		17.25
Common Shs Outst'g ^D	5.66	6.13	6.15	9.12	9.14	9.15	10.17	10.48	14.38	15.35	15.75	16.20		17.50
Avg Ann'l P/E Ratio	6.1	16.2	11.1	6.4	11.9	11.7	14.4	14.2	14.7	19.3				12.0
Relative P/E Ratio	.50	1.10	.74	.53	.90	.87	.92	.86	.87	1.21				.90
Avg Ann'l Div'd Yield	7.1%	6.5%	6.8%	6.8%	7.1%	6.7%	6.9%	6.0%	4.9%	4.7%				5.9%
Revenues (\$mill) ^A	287.1	236.4	232.9	322.8	342.4	352.0	336.1	340.1	459.6	499.8	455	560		700
Net Profit (\$mill)	7.1	3.7	5.4	10.6	8.1	9.0	7.9	10.0	17.0	14.7	19.5	24.0		33.0
Income Tax Rate	41.5%	39.7%	49.0%	38.0%	31.4%	32.2%	27.5%	32.7%	37.7%	35.6%	38.0%	38.0%		38.0%
Net Profit Margin	2.5%	1.6%	2.3%	3.3%	2.4%	2.5%	2.4%	2.9%	3.7%	2.9%	4.3%	4.2%		4.5%
Long-Term Debt Ratio	12.0%	45.2%	48.3%	51.4%	54.2%	51.7%	52.3%	49.7%	43.3%	48.1%	47.0%	46.0%		44.0%
Common Equity Ratio	88.0%	54.8%	51.7%	48.6%	45.8%	48.3%	47.7%	50.3%	56.7%	51.9%	53.0%	54.0%		56.0%
Total Capital (\$mill)	41.6	74.8	82.5	156.9	169.7	165.2	189.5	190.8	244.6	287.9	330	370		535
Net Plant (\$mill)	55.4	109.5	116.0	188.7	194.8	194.9	205.7	219.4	299.3	327.4	370	415		570
% Earned Total Cap'l	17.3%	6.4%	8.6%	9.6%	7.3%	8.1%	6.6%	7.9%	9.2%	7.2%	8.0%	8.5%		8.0%
% Earned Net Worth	19.2%	9.0%	12.7%	13.9%	10.4%	11.2%	8.8%	10.4%	12.3%	9.8%	11.0%	12.0%		11.0%
% Earned Comm Equity	19.2%	9.0%	12.7%	13.9%	10.4%	11.2%	8.8%	10.4%	12.3%	9.8%	11.0%	12.0%		11.0%
% Retained to Comm Eq	10.8%	NMF	3.1%	7.9%	1.6%	2.4%	--	1.6%	5.6%	.9%	3.0%	4.0%		4.0%
% All Div'ds to Net Prof	44%	104%	76%	43%	84%	79%	100%	85%	54%	91%	75%	65%		61%

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through four regulated natural gas utility divisions: Energas Co. in West Texas (309,496 customers), Western Kentucky Gas Utility (164,828), Trans Louisiana Gas (70,361), and Greeley Gas (104,634). Combined 1994 volume handled: 151 Bcf. Breakdown: 62% residential and commercial,

38% industrial and other. '94 depreciation rate 3.5%. Has 1,709 employees, 19,881 common stockholders. Lee E. Schlessman owns about 6.9%, all other officers and directors about 2.7%. (12/94 Proxy) Chairman and Chief Executive Officer: Charles Vaughan. President: Robert Stephens, Inc.: Texas. Address: P.O. Box 650205, Dallas, TX 75265. Telephone: 214-934-9227.

Atmos Energy is beginning to see some benefits from its merger with The Greeley Gas Company. Despite much warmer than normal weather in the March period, Atmos reported solid earnings gains compared to the year ago quarter. In fact, if the weather had been normal, management estimates that the quarter's share net would have been 19¢ higher. One of the factors that contributed to the positive comparison was streamlining at Greeley. Annual operating expenses were reduced by \$1.6 million. In addition, customer growth remains well above the industry average, especially at the previously underserved Greeley territories. In the past year, 11,284 customers have been added. This large addition to the customer base bodes well for results going forward. All told, due to the better than expected quarter, we are raising our fiscal 1995 (ends September 30th) earnings estimates by 10¢, to \$1.25 a share. Further, we look for continued improvement next year with share net reaching \$1.50.

A large rate case has been filed in Kentucky. Management is seeking \$7.7 million in rate relief. If the entire amount

were approved, approximately 30¢ could be added to the bottom line. More likely, only a portion of the request for rate relief will be approved. A final determination by the Kentucky Public Service Commission is expected by the end of this year. Our estimates assume equitable treatment.

Sales to irrigation pumps could provide a decent return this summer. This business is unregulated and can achieve margins higher than those at the core utility business. Crop plantings have increased this year, and so far in 1995, the weather has been drier than usual. In past years, these sales have accounted for about 15%-30% of the bottom line.

These shares sell at a premium to other natural gas utilities. Still, we think this equity will provide income-oriented investors with decent risk-adjusted total returns out to 1998-2000. Atmos has, in the past, successfully expanded its operations more aggressively than its industry peers. And considering the recent success of the Greeley merger, we would not be surprised to see more acquisitions in the future.

Thomas A. Mullé

June 30, 1995

(A) Fiscal year ends Sept. 30th.

(B) Based on avg. shrs. out. '93 quarters don't add due to change in shrs. out. Next earnings report due early August. (C) Next div. meeting

about August 10th. Goes ex about August 20th. Approximate div. pmt. dates: 10th of March, June, Sept., Dec. (D) Div. reinvestment plan avail. (3% discount). (E) In millions, ad-

justed for stock splits. (F) Prior years are not comparable due to acquisition using pooling of interest method.

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

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ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE **25** P/E RATIO **15.5** (Trailing: 15.2 Median: 14.0) REL P/E

TIMELINESS 3 Average
(Relative Price Performance Next 12 Mos.)
SAFETY 2 Above Average
(Scale: 1 Highest to 5 Lowest)
BETA .55 (1.00 = Market)

1999-01 PROJECTIONS			
	Price	Gain	Ann'l Total Return
High	35	(+40%)	12%
Low	25	(Nil)	4%

Insider Decisions											
	A	S	O	N	D	J	F	M	A		
to Buy	0	0	0	0	0	0	0	0	0		
Options	0	0	0	0	0	0	0	0	0		
to Sell	1	2	0	0	0	0	0	4	1		

Institutional Decisions			
	3Q'95	4Q'95	1Q'96
to Buy	12	18	21
to Sell	16	24	15
Hld's(000)	2541	2921	2988

Atmos Energy's history dates back to 1906 and the Texas/Panhandle. Over the years, through various mergers and business combinations, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987 and Greeley Gas in 1993.

CAPITAL STRUCTURE as of 3/31/96
Total Debt \$157.4 mill. **Due in 5 Yrs** \$47.0 mill.
LT Debt \$125.3 mill. **LT Interest** \$10.3 mill.
 Incl. \$6.3 mill. capitalized leases.
 (LT interest earned: 3.0x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals \$6.6 mill.
Pension Liability None
Pld Stock None

Common Stock 15,941,815 shs.

CURRENT POSITION (SMILL)	1994	1995	3/31/96
Cash Assets	2.8	2.3	3.8
Other	50.5	45.9	82.1
Current Assets	53.3	48.2	85.9
Accts Payable	22.0	24.9	53.3
Debt Due	22.1	40.5	32.1
Other	20.1	22.0	44.5
Current Liab.	64.2	87.4	129.9
Fix. Cha. Gov.	281%	306%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '83-'85 to '99-'01
Revenues	-5.0%	-3.5%	3.5%
"Cash Flow"	2.0%	-1.5%	5.0%
Earnings	-1.0%	-	10.5%
Dividends	5.0%	4.0%	5.0%
Book Value	4.5%	3.0%	10.5%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A				Full Fiscal Year
	Dec.31	Mar.31	Jun.30	Sep.30	
1993	130.6	166.2	91.2	71.4	459.4
1994	145.5	186.9	90.0	77.4	499.8
1995	117.8	157.3	84.6	76.1	435.8
1996	130.5	191.1	86.0	77.4	485
1997	145	200	90.0	80.0	515

Fiscal Year Ends	EARNINGS PER SHARE ^A				Full Fiscal Year
	Dec.31	Mar.31	Jun.30	Sep.30	
1993	.46	.75	.06	d.08	1.19
1994	.47	.87	d.08	d.29	.97
1995	.42	.90	.01	d.11	1.22
1996	.59	1.15	d.03	d.16	1.55
1997	.65	1.17	d.03	d.14	1.65

Calendar	QUARTERLY DIVIDENDS PAID ^{Per}				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
1992	.207	.207	.207	.213	.83
1993	.213	.213	.213	.221	.86
1994	.22	.22	.22	.23	.89
1995	.23	.23	.23	.24	.93
1996	.24	.24			

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through four regulated natural gas utility divisions: Energas Co. in West Texas (310,765 customers), Western Kentucky Gas Utility (168,529), Trans Louisiana Gas (70,570), and Greeley Gas (108,250). Combined 1995 volume handled: 140 Bcf. Breakdown: 61% residential and commercial,

Atmos Energy's bottom line grew by almost 32% during the first half of the fiscal year (ends September 30th). Weather conditions returned to normal after last year's warm winter that hampered results. Furthermore, several other factors have helped lift earnings as well. Rate increases are boosting profits in a few states. And benefits from the merger with Greeley Gas are also helping comparisons. Expenses remain well under control. All told, we have boosted our fiscal '96 net estimate by a nickel, to \$1.55 a share and look for earnings to reach \$1.65 in 1997.

Management has filed a sizable rate case in its Texas service area. The company is seeking a \$7.7-million increase. Usually only a portion of such a request is granted, but except for taxes, any hike generally would flow directly to the bottom line. Due to the uncertainty of the timing and size of the increase, we are excluding the effects of case until it is approved sometime this fall.

Atmos is on the lookout for acquisitions. Customer growth at existing operations is slower than the industry average,

39% industrial and other. '95 depreciation rate 4.1%. Has 1,646 employees, 23,625 common stockholders. Lee E. Schlessman owns about 6.4%, all other officers and directors about 2.0%. (12/95 Proxy) Chairman: Charles Vaughan. Chief Operating Officer and President: Robert Stephens, Inc.: Texas. Address: P.O. Box 650205, Dallas, TX 75265. Telephone: 214-934-9227.

so these transactions are attractive and help ensure continued earnings growth. During the past decade, three large purchases have successfully been integrated. In the past, extensive cost cutting and rate relief have often followed the deals. Plus stronger marketing muscle often boosts growth at these units. Acquisitions have also increased the diversification of this utility. It currently operates in six states, each with its own rate board, economic growth, and, to some extent, different weather.

Atmos is well positioned to benefit from deregulation of the natural gas utility industry. Expenses on a per customer basis are well below the industry average. In addition, management's aggressiveness should make it a tough competitor as markets open. Due to the company's past success, the stock sells at a premium to most of its utility peers; however, we think that total returns over the next 3 to 5 years still look worthwhile. Moreover, the Above-Average Safety rank and high marks for Stock Price Stability add to its appeal for conservative accounts.

Thomas A. Mullé

(A) Fiscal year ends Sept. 30th.
(B) Next div. meeting about Aug. 10th. Goes ex
about Aug. 20th. Approximate div. pmt. dates:
10th of March, June, Sept., Dec. ■ Div. rein-

(C) In millions, adjusted for stock splits.
(D) Prior years are not comparable due to acquisition using pooling of interest method.

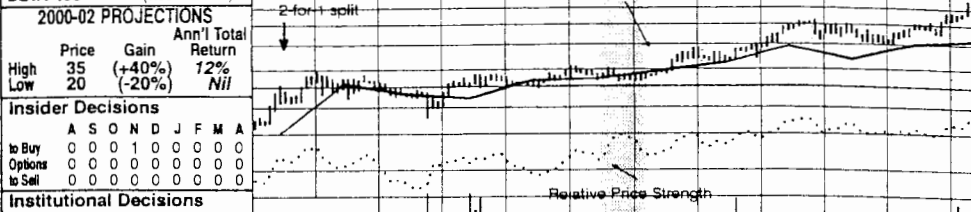
Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	85
Earnings Predictability	65

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ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 25 P/E RATIO 15.6 (Trailing: 18.0 Median: 14.0) RELATIVE P/E RATIO 0.1

TIMELINESS (Relative Price Performance Next 12 Mos.)	5 Lowest	High: 11.8	10.5	11.5	12.0	12.5	15.3	15.9	21.2	20.3	23.0
SAFETY (Scale: 1 Highest to 5 Lowest)	3 Average	Low: 8.8	7.2	8.2	9.8	10.4	10.5	12.7	15.2	15.9	16.1
BETA .55	(1.00 = Market)										



2000-02 PROJECTIONS	Ann'l Total	Price	Gain	Return
High	35	(+40%)	72%	
Low	20	(-20%)	Nil	

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

Institutional Decisions	20% 30% 40%	Percent	6.0
to Buy	31	21	20
to Sell	14	20	18
Not Traded	3134	3252	3351

Atmos Energy's history dates back to 1906 and the Texas Panhandle. Over the years, through various mergers and business combinations, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987 and Greeley Gas in 1993.

CAPITAL STRUCTURE as of 3/31/97
Total Debt \$211.0 mill. Due in 5 Yrs \$41.0 mill.
LT Debt \$157.3 mill. LT Interest \$11.5 mill.
Incl. \$5.7 mill. capitalized leases.
(LT interest earned: 3.0x; total interest coverage: 2.8x)
Leases, Uncapitalized Annual rentals \$7.4 mill.
Pension Liability None
Pfd Stock None

Common Stock 16,171,715 shs.

CURRENT POSITION	1995	1996	3/31/97
Cash Assets (\$mill.)	2.3	5.7	6.5
Other	45.9	112.4	89.1
Current Assets	48.2	118.1	95.6
Accts Payable	24.9	67.7	40.8
Debt Due	40.5	60.3	53.7
Other	22.0	32.2	42.7
Current Liab.	87.4	160.2	137.2
Fix. Chg. Cov.	306%	285%	227%

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '94-'96
of change (per sh)			
Revenues	-4.0%	-3.5%	5.0%
"Cash Flow"	3.5%	--	8.0%
Earnings	3.0%	7.0%	10.0%
Dividends	4.5%	3.5%	4.0%
Book Value	4.5%	3.5%	6.5%

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1994	145.5	186.9	90.0	77.4	499.8
1995	117.8	157.3	84.6	76.1	435.8
1996	130.5	191.1	93.6	68.5	483.7
1997	157.7	199.8	90.0	72.5	520
1998	175	205	95.0	80.0	555

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1994	.47	.87	d.08	d.29	.97
1995	.42	.90	.01	d.11	1.22
1996	.59	1.15	.02	d.25	1.51
1997	.55	1.07	.03	d.10	1.55
1998	.60	1.25	.02	d.12	1.75

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1993	.213	.213	.213	.221	.86
1994	.22	.22	.22	.23	.89
1995	.23	.23	.23	.24	.93
1996	.24	.24	.24	.25	.97
1997	.25	.25			

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
37.88	35.41	37.46	38.46	33.04	32.46	31.94	32.67	28.08	30.19	31.80	33.30	
2.14	2.57	2.48	2.68	2.38	2.63	2.39	2.19	2.55	2.80	2.90	3.10	
.88	1.52	.89	.98	.80	.97	1.19	.97	1.22	1.51	1.55	1.75	
.67	.67	.75	.77	.80	.83	.86	.88	.92	.96	1.00	1.05	
2.61	2.19	2.37	2.77	2.97	3.18	2.67	3.29	4.05	4.84	5.20	5.40	
6.94	8.37	8.50	8.71	8.88	9.17	9.64	9.78	10.20	10.75	11.45	12.30	
6.15	9.12	9.14	9.15	10.17	10.48	14.38	15.30	15.52	16.02	16.35	16.65	
11.1	6.4	11.9	11.7	14.4	14.2	14.7	19.2	15.0	15.1			
.74	.53	.90	.87	.92	.86	.87	1.26	1.00	.95			
6.8%	6.8%	7.1%	6.7%	6.9%	6.0%	4.9%	4.7%	5.0%	4.2%			
232.9	322.8	342.4	352.0	336.1	340.1	459.4	499.8	435.8	483.7	520	555	
5.4	10.6	8.1	9.0	7.9	10.0	17.0	14.7	18.8	23.9	25.0	29.0	
49.0%	38.0%	31.4%	32.2%	27.5%	32.7%	37.7%	35.5%	33.8%	35.7%	36.0%	36.0%	
2.3%	3.3%	2.4%	2.5%	2.4%	2.9%	3.7%	2.9%	4.3%	5.0%	4.8%	5.2%	
48.3%	51.4%	54.2%	51.7%	52.3%	49.7%	43.3%	48.0%	45.3%	41.5%	42.0%	42.5%	
51.7%	48.6%	45.8%	48.3%	47.7%	50.3%	56.7%	52.0%	54.7%	58.5%	58.0%	57.5%	
82.5	156.9	169.7	165.2	189.5	190.8	244.6	287.9	289.6	294.6	325	360	
116.0	188.7	194.8	194.9	205.7	219.4	299.3	327.4	363.3	413.6	455	500	
8.6%	9.6%	7.3%	8.1%	6.6%	7.9%	9.2%	7.2%	8.9%	10.6%	9.5%	10.0%	
12.7%	13.9%	10.4%	11.2%	8.8%	10.4%	12.3%	9.8%	11.9%	13.9%	13.5%	14.0%	
12.7%	13.9%	10.4%	11.2%	8.8%	10.4%	12.3%	9.8%	11.9%	13.9%	13.5%	14.0%	
3.1%	7.9%	1.6%	2.4%	--	1.6%	5.6%	1.3%	2.9%	5.1%	4.5%	5.5%	
76%	43%	84%	79%	100%	85%	54%	86%	76%	64%	65%	60%	

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through four regulated natural gas utility divisions: Energas Co. in West Texas (311,713 customers), Western Kentucky Gas Utility (170,733), Trans Louisiana Gas (79,826), and Greeley Gas (110,131), total: 672,403. Combined 1996 volume handled: 144 Bcf. Breakdown: 44%, residential; 18%,

Atmos Energy's bottom line dropped during the first half of the year. For the six months ending March 31, 1997, ATO's net income was down 5%, to \$26.2 million, on an 11% increase in sales. Warmer winter temperatures (on average, 5% higher than year-earlier levels) were the principal cause of the ebbing profits. This was offset somewhat by rate increases and a rise in the number of customers.

Atmos has revamped its executive ranks. In early March, Robert W. Best assumed the posts of chairman, C.E.O., and president. Previously, Mr. Best was a vice president at Consolidated Natural Gas in Pennsylvania. In April, the company hired a new chief financial officer, Larry Dagley, who had held the same position at Southern California Gas, the nation's largest gas distributor. The management restructuring coincides with the beginning of gas utility deregulation and, more importantly, with the company's doubling in size as a result of the merger.

The company has extended its merger agreement with United Cities. Atmos has moved back the closing date of its

commercial; 38%, industrial and other. '96 depreciation rate 3.7%. Has 1,650 employees, 28,625 common stockholders. Lee E. Schlessman owns about 6.4%, all other officers and directors about 7.9%. (12/96 Proxy) Chairman, C.E.O., & President: Robert Best. Inc.: Texas. Address: P.O. Box 650205, Dallas, TX 75265. Telephone: 972-934-9227.

\$337 million merger to August 31st. It was approved by shareholders in November. By April, the merger had been approved by all states except Illinois. The Illinois commission denied the okay pending additional information on the benefits to ratepayers. Given the size of the customer base (Illinois represents 3%) we doubt the company will let this be an obstacle. The merger will position ATO as the 15th largest distributor in customers terms, and the largest in terms of geographic reach (13 states). With the merger's completion likely by July, we expect to see the majority of the cost savings in '98 and '99. *Note: Our estimates will not reflect the merger until completed.*

Atmos is a favorable selection for investors looking for an aggressive utility. ATO's acquisition strategy of buying geographically diverse gas distributors, wringing out inefficiencies, and optimizing synergies has been very successful. Expenses on a per-customer basis are the lowest in the industry. Its prospects and the good current yield might well result in a worthwhile total return for shareholders.

David Rosenfield June 27, 1997

(A) Fiscal year ends Sept. 30th. Next earnings report due late July.

(B) Next div. meeting about Aug. 10th. Goes ex about Aug. 20th. Approximate div. pmt. dates:

10th of March, June, Sept., Dec. ■ Div. reinvestment plan avail. (3% discount).

(C) In millions, adjusted for stock splits.
(D) Prior years are not comparable due to ac-

quisition using pooling of interest method.

Company's Financial Strength	B++
Stock's Price Stability	75
Price Growth Persistence	80
Earnings Predictability	60

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ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 26 P/E RATIO 16.9 (Trailing: 18.3 Median: 15.0) RELATIVE P/E RATIO 1.0

TIMELINESS 5 Lowered 3/19/99 High: 11.5 12.0 12.5 15.3 15.9 21.2 20.3 23.0 31.0 30.5 32
SAFETY 2 Raised 6/25/99 Low: 8.2 9.8 10.4 10.5 12.7 15.2 15.9 16.1 20.9 22.1 24
TECHNICAL 4 Lowered 6/4/99

BETA .55 (1.00 = Market)

LEGENDS
1.70 x Dividends p sh
divided by Interest Rate
..... Relative Price Strength
3-for-2 split 5/94
Options: No
Shaded area indicates recession

2002-04 PROJECTIONS

Price Gain Return
High 50 (+90%) 21%
Low 35 (+35%) 11%

Insider Decisions

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

Institutional Decisions

2Q1998 3Q1998 4Q1998
to Buy 45 46 55
to Sell 24 27 26
Hld's(000) 9724 10049 10602

Atmos Energy's history dates back to 1906 and the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, and United Cities Gas in 1997.

CAPITAL STRUCTURE as of 3/31/99
Total Debt \$517.7 mill. Due in 5 Yrs \$195.0 mill.
LT Debt \$386.6 mill. LT Interest \$25.0 mill.
(LT interest earned: 4.1%; total interest coverage: 3.5x) (49% of Cap'l)

Leases, Uncapitalized Annual rentals \$9.6 mill.
Pfd Stock None

Common Stock 30,868,815 shs. (51% of Cap'l)

as of 4/30/99

MARKET CAP: \$800 million (Small Cap)

CURRENT POSITION 1997 1998 3/31/99

(SMILL.)
Cash Assets 6.0 4.7 14.6
Other 137.7 102.7 142.6
Current Assets 143.7 107.4 157.2
Accounts Payable 62.6 44.7 71.7
Debt Due 182.5 124.2 131.1
Other 68.1 55.2 63.8
Current Liab. 313.2 224.1 266.6
Fix. Chg. Cov. 272% 401% 365%

ANNUAL RATES Past Past Est'd '96-'98
of change (per sh) 10 Yrs. 5 Yrs. to '02-'04
Revenues -2.5% -2.0% 5.0%
"Cash Flow" 3.5% 4.0% 11.0%
Earnings 4.5% 9.5% 11.5%
Dividends 4.0% 4.0% 4.5%
Book Value 4.5% 4.0% 8.5%

QUARTERLY REVENUES (\$mill.)
Fiscal Year Ends Dec.31 Mar.31 Jun.30 Sep.30 Full Fiscal Year
1996 130.5 191.1 93.6 68.5 483.7
1997 280.6 362.6 143.7 119.9 906.8
1998 295.3 288.6 137.3 127.0 848.2
1999 210.2 261.4 133.4 125 730
2000 280 315 175 150 920

EARNINGS PER SHARE
Fiscal Year Ends Dec.31 Mar.31 Jun.30 Sep.30 Full Fiscal Year
1996 .59 1.15 .02 d.25 1.51
1997 .62 1.14 d.10 d.32 1.34
1998 .68 1.25 .04 d.13 1.84
1999 .50 1.01 .01 d.17 1.35
2000 .69 1.35 .06 d.10 2.00

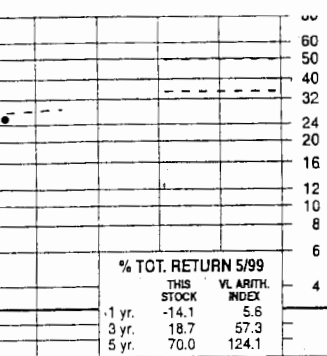
QUARTERLY DIVIDENDS PAID
Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year
1995 .23 .23 .23 .24 .93
1996 .24 .24 .24 .25 .97
1997 .25 .25 .255 .265 1.02
1998 .265 .265 .265 .275 1.07
1999 .275 .275

(A) Fiscal year ends Sept. 30th.
(B) Diluted shrs. Excludes nonrecurring losses: '97, '93c; '99, 7c. Next eggs report due late July.
(C) Next div. meeting about Aug. 10th. Goes ex

about Aug. 20th. Approximate div. pmt. dates: 10th of March, June, Sept., Dec. • Div. reinvestment plan avail. (3% discount).
(D) In millions, adjusted for stock splits.

(E) Years prior to 1994 are not comparable due to acquisition using pooling of interest method.
(F) Atmos completed its merger with United Cities Gas Company in July, 1997.

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1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	VALUE LINE PUB. INC. 02-04
37.46	38.46	33.04	32.46	31.94	32.67	28.08	30.19	30.59	27.90	23.55	29.20	Revenues per sh ^A
2.48	2.68	2.38	2.63	2.39	2.19	2.55	2.80	2.85	3.38	3.15	4.00	"Cash Flow" per sh
.89	.98	.80	.97	1.19	.97	1.22	1.51	1.34	1.84	1.35	2.00	Earnings per sh ^B
.75	.77	.80	.83	.86	.88	.92	.96	1.01	1.06	1.10	1.15	Div'ds Decl'd per sh ^C
2.37	2.77	2.97	3.18	2.67	3.29	4.05	4.84	4.13	4.44	2.75	2.30	Cap'l Spending per sh
8.50	8.71	8.88	9.17	9.64	9.78	10.20	10.75	11.04	12.21	12.75	13.80	Book Value per sh
9.14	9.15	10.17	10.48	14.38	15.30	15.52	16.02	29.64	30.40	31.00	31.50	Common Shs Outst'g ^D
11.9	11.7	14.4	14.2	14.7	19.2	15.0	15.1	17.9	15.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio
.90	.87	.92	.86	.87	1.26	1.00	.95	1.03	.81			Relative P/E Ratio
7.1%	6.7%	6.9%	6.0%	4.9%	4.7%	5.0%	4.2%	4.2%	3.7%			Avg Ann'l Div'd Yield
342.4	352.0	336.1	340.1	459.4	499.8	435.8	483.7	906.8	848.2	730	920	Revenues (\$mill) ^A
8.1	9.0	7.9	10.0	17.0	14.7	18.8	23.9	39.2	55.3	40.0	65.0	Net Profit (\$mill)
31.4%	32.2%	27.5%	32.7%	37.7%	35.5%	33.8%	35.7%	37.5%	36.5%	36.5%	36.5%	Income Tax Rate
2.4%	2.5%	2.4%	2.9%	3.7%	2.9%	4.3%	5.0%	4.3%	6.5%	5.8%	6.9%	Net Profit Margin
54.2%	51.7%	52.3%	49.7%	43.3%	48.0%	45.3%	41.5%	48.1%	51.8%	53.0%	51.0%	Long-Term Debt Ratio
45.8%	48.3%	47.7%	50.3%	56.7%	52.0%	54.7%	58.5%	51.9%	48.2%	47.0%	49.0%	Common Equity Ratio
169.7	165.2	189.5	190.8	244.6	287.9	289.6	294.6	630.2	769.7	845	885	Total Capital (\$mill)
194.8	194.9	205.7	219.4	299.3	327.4	363.3	413.6	849.1	917.9	950	1000	Net Plant (\$mill)
7.3%	8.1%	6.6%	7.9%	9.2%	7.2%	8.9%	10.6%	8.3%	9.0%	6.5%	9.0%	Return on Total Cap'l
10.4%	11.2%	8.8%	10.4%	12.3%	9.8%	11.9%	13.9%	12.0%	14.9%	10.5%	14.5%	Return on Shr. Equity
10.4%	11.2%	8.8%	10.4%	12.3%	9.8%	11.9%	13.9%	12.0%	14.9%	10.5%	14.5%	Return on Com Equity
1.6%	2.4%	--	1.6%	5.6%	1.3%	2.9%	5.1%	3.9%	6.3%	2.0%	6.0%	Retained to Com Eq
84%	79%	100%	85%	54%	86%	76%	64%	67%	58%	81%	57%	All Div'ds to Net Prof

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through five regulated natural gas utility divisions: Energas Co. in West Texas (300,000 customers), Western Kentucky Gas Utility (176,000), Trans Louisiana Gas (81,000), Greeley Gas (115,000), and United Cities Gas (316,000). Combined 1998 volume handled: 159 Bcf. Breakdown: 46%, residential; 23%, commercial; 31%, industrial and other. '98 depreciation rate 3.3%. Has 2,193 employees, 36,949 common stockholders. Officers and directors own approx. 1.2% of common stock (12/98 Proxy). Chairman, C.E.O., & President: Robert Best, Inc.: Texas. Address: P.O. Box 650205, Dallas, TX 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy Corp. is having a rough year, as earnings for the first six months, ended March 31st, slid 22% versus last year's tally. (Our figures exclude a 7¢ charge in the second quarter of '99 from a lawsuit in Louisiana). The major detractor to performance continued to be abnormal weather, as temperatures were 16% warmer than usual and 13% warmer than last year's first six months. In light of the company's lower-than-expected results during the first half (where natural gas consumption tends to be the highest), we expect share net to decline over 25%, to \$1.35, in 1999. Assuming a return to more normal weather patterns in the coming heating season, the bottom line should rebound sharply in fiscal 2000.

Despite the company's lower first-half results, there were some bright spots. Its customer base in Colorado, mid-Tennessee, and Kansas (currently comprising over 300,000 people, in all) continued to expand during the period, reflecting heavy industrial activity in those areas. In addition, Atmos' non-utility operations posted respectable results, as they added 12% to net income for the first six months.

A major contributor in this segment was 45%-owned Woodward Marketing, which provides natural gas services for local distribution companies (LDCs) and municipalities. ATO also benefited from weather normalized rates in Tennessee and Georgia (normalization means that customers pay more than their actual usage for gas when temperatures are warmer than usual and vice versa).

The company's future appears bright. We believe ATO's ability to successfully integrate acquired firms is a key competitive advantage and may result in steady earnings gains in the coming years. Moreover, we view its significant non-utility operations as a major plus. In 1998, they added about 20% to net income and we believe that further expansionary efforts could enable them to contribute between 25% to 30% annually going forward.

These shares are ranked to lag the market over the coming year. But they offer good total-return potential over the 3- to 5-year period. Income-oriented investors should note the stock's attractive dividend yield, based on a growing payout.

Frederick L. Harris, III June 25, 1999

Company's Financial Strength B++
Stock's Price Stability 85
Price Growth Persistence 75
Earnings Predictability 60

To subscribe call 1-800-833-0046.

ATMOS ENERGY CORP. NYSE-ATO

RECENT
PRICE

19

P/E
RATIO

17.4

(Trailing: 27.1
Median: 15.0)RELATIVE
P/E RATIO

1.2

TIMELINESS	5	Lowered 3/19/99	High:	12.0	12.5	15.3	15.9	21.2	20.3	23.0	31.0	30.5	32.3	33.1
SAFETY	3	Lowered 6/23/00	Low:	9.8	10.4	10.5	12.7	15.2	15.9	16.1	20.9	22.1	24.8	19.1
TECHNICAL	5	Lowered 6/9/00	LEGENDS											
BETA	.55	(1.00 = Market)	1.70 x Dividends p sh divided by Interest Rate Relative Price Strength											
2003-05 PROJECTIONS			3-for-2 split 5/94 Options: No Shaded area indicates recession											
Price	40	(+110%)	Ann'l. Total											
Gain	25	(+30%)	Return											

2003-05 PROJECTIONS

High	40	(+110%)	Ann'l. Total
Low	25	(+30%)	Return

Insider Decisions

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

Institutional Decisions

3Q1999	4Q1999	1Q2000	Percent
to Buy	42	41	35
to Sell	28	36	42
Hld's(000)	10673	12025	12043

Percent	6.0
shares	4.0
traded	2.0

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001

30.46 33.04 32.46 31.94 32.67 28.08 30.19 30.59 27.90 22.09 26.70 29.05

2.68 2.38 2.63 2.39 2.19 2.55 2.80 2.85 3.38 2.62 2.80 3.85

.98 .80 .97 1.19 .97 1.22 1.51 1.34 1.84 .81 .85 1.80

.77 .80 .83 .86 .88 .92 .96 1.01 1.06 1.10 1.14 1.18

2.77 2.97 3.18 2.67 3.29 4.05 4.84 4.13 4.44 3.53 2.35 2.30

8.71 8.88 9.17 9.64 9.78 10.20 10.75 11.04 12.21 12.09 13.15 13.75

9.15 10.17 10.48 14.38 15.30 15.52 16.02 29.64 30.40 31.25 32.00 32.70

11.7 14.4 14.2 14.7 19.2 15.0 15.1 17.9 15.4 33.0 33.0 33.0

.87 .92 .86 .87 1.26 1.00 .95 1.03 .80 1.89 1.89 1.89

6.7% 6.9% 6.0% 4.9% 4.7% 5.0% 4.2% 4.2% 3.7% 4.1% 4.1% 4.1%

352.0 336.1 340.1 459.4 499.8 435.8 483.7 906.8 848.2 690.2 855 950

9.0 7.9 10.0 17.0 14.7 18.8 23.9 39.2 55.3 25.0 30.0 60.0

32.2% 27.5% 32.7% 37.7% 35.5% 33.8% 35.7% 37.5% 36.5% 35.0% 37.0% 37.0%

2.5% 2.4% 2.9% 3.7% 2.9% 4.3% 5.0% 4.3% 6.5% 3.6% 3.5% 6.3%

51.7% 52.3% 49.7% 43.3% 48.0% 45.3% 41.5% 48.1% 51.8% 50.0% 47.0% 48.0%

48.3% 47.7% 50.3% 56.7% 52.0% 54.7% 58.5% 51.9% 48.2% 50.0% 53.0% 52.0%

165.2 189.5 190.8 244.6 287.9 289.6 294.6 630.2 769.7 755.1 795 855

194.9 205.7 219.4 299.3 327.4 363.3 413.6 849.1 917.9 965.8 975 990

8.1% 6.6% 7.9% 9.2% 7.2% 8.9% 10.6% 8.3% 9.0% 5.1% 5.0% 8.5%

11.2% 8.8% 10.4% 12.3% 9.8% 11.9% 13.9% 12.0% 14.9% 6.6% 6.5% 13.0%

11.2% 8.8% 10.4% 12.3% 9.8% 11.9% 13.9% 12.0% 14.9% 6.6% 6.5% 13.0%

2.4% 1.6% 5.6% 1.3% 2.9% 5.1% 3.9% 6.3% NMF NMF 4.5%

79% 100% 85% 54% 86% 76% 64% 67% 58% NMF NMF 66%

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Revenues per sh ^A	35.10
"Cash Flow" per sh	5.05
Earnings per sh ^{A B}	2.40
Div'ds Decl'd per sh ^C	1.35
Cap'l Spending per sh	3.70
Book Value per sh	16.45
Common Shs Outst'g ^D	36.50
Avg Ann'l P/E Ratio	14.0
Relative P/E Ratio	.95
Avg Ann'l Div'd Yield	4.0%
Revenues (\$mill) ^A	1280
Net Profit (\$mill)	90.0
Income Tax Rate	37.0%
Net Profit Margin	7.0%
Long-Term Debt Ratio	49.0%
Common Equity Ratio	51.0%
Total Capital (\$mill)	1190
Net Plant (\$mill)	1200
Return on Total Cap'l	8.5%
Return on Shr. Equity	14.5%
Return on Com Equity	14.5%
Retained to Com Eq	6.5%
All Div'ds to Net Prof	56%

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through five regulated natural gas utility divisions: Energas Co. in West Texas (312,000 customers), Western Kentucky Gas Utility (178,000), Trans Louisiana Gas (80,000), Greeley Gas (204,000), and United Cities Gas (255,000). Combined 1999 volume handled: 144 MMcf. Breakdown: 48%, residential; 23%, commercial; 29%, industrial and other. '99 depreciation rate 4.0%. Has 2,062 employees, 35,179 common stockholders. Officers and directors own approx. 1.4% of common stock (12/99 Proxy). Chairman, CEO, & President: Robert Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, TX 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy is having a difficult year so far. Earnings for the first six months of fiscal 2000 (ends September 30th) were around 7% lower than the prior-year period, attributable partly to weather that was 19% warmer than normal and 3% warmer than last year. The company also was hurt to a certain extent by regulatory lag resulting from capital investments not yet included in rates. Assuming that the above factors persist, we think Atmos may be in for another year of lackluster earnings results. **Meanwhile, the company has continued down the acquisition trail.** Atmos recently announced it would purchase Louisiana Gas Service Company, a division of Citizens Utilities Company, and LGS Natural Gas Company, a subsidiary of Citizens Utilities Company. Management plans to finance the \$375 million deal with debt. (Our estimates and projections will reflect the transaction when it is completed, expected over the next 12 months.) We look for the deal to be accretive to the company's share net by around \$0.03 in the first year after closing, with a steady increase thereafter. The purchase would make Atmos the largest natural gas distributor in Louisiana, with roughly 360,000 customers (more than quadruple the current level). **We believe Atmos will generate solid earnings gains over the 2003-2005 horizon.** We see ATO's ability to successfully integrate acquired firms as a key competitive advantage and may greatly bolster results in the coming years. (Future acquisitions have been excluded from our presentation, though.) Moreover, we think its significant non-utility operations are a major plus. Their contribution to total net income has averaged around 20% annually over the years, and we believe further expansionary efforts could enable this figure to rise even higher going forward. At the company's current configuration, we look for earnings to grow around 10% annually over the coming 3- to 5-year period. **These shares offer a good total return.** The high dividend yield is the result of the low share price and poor earnings coverage, but we expect profits to pick up next year. Growth in the payout should be above the group norm.

Frederick L. Harris, III

June 23, 2000

(A) Fiscal year ends Sept. 30th.
(B) Diluted shrs. Excl. nonrecurring losses: '97, 53c; '99, 23c. Next exgs. report due late July.
(C) Next div. meeting about Aug. 10th. Goes ex

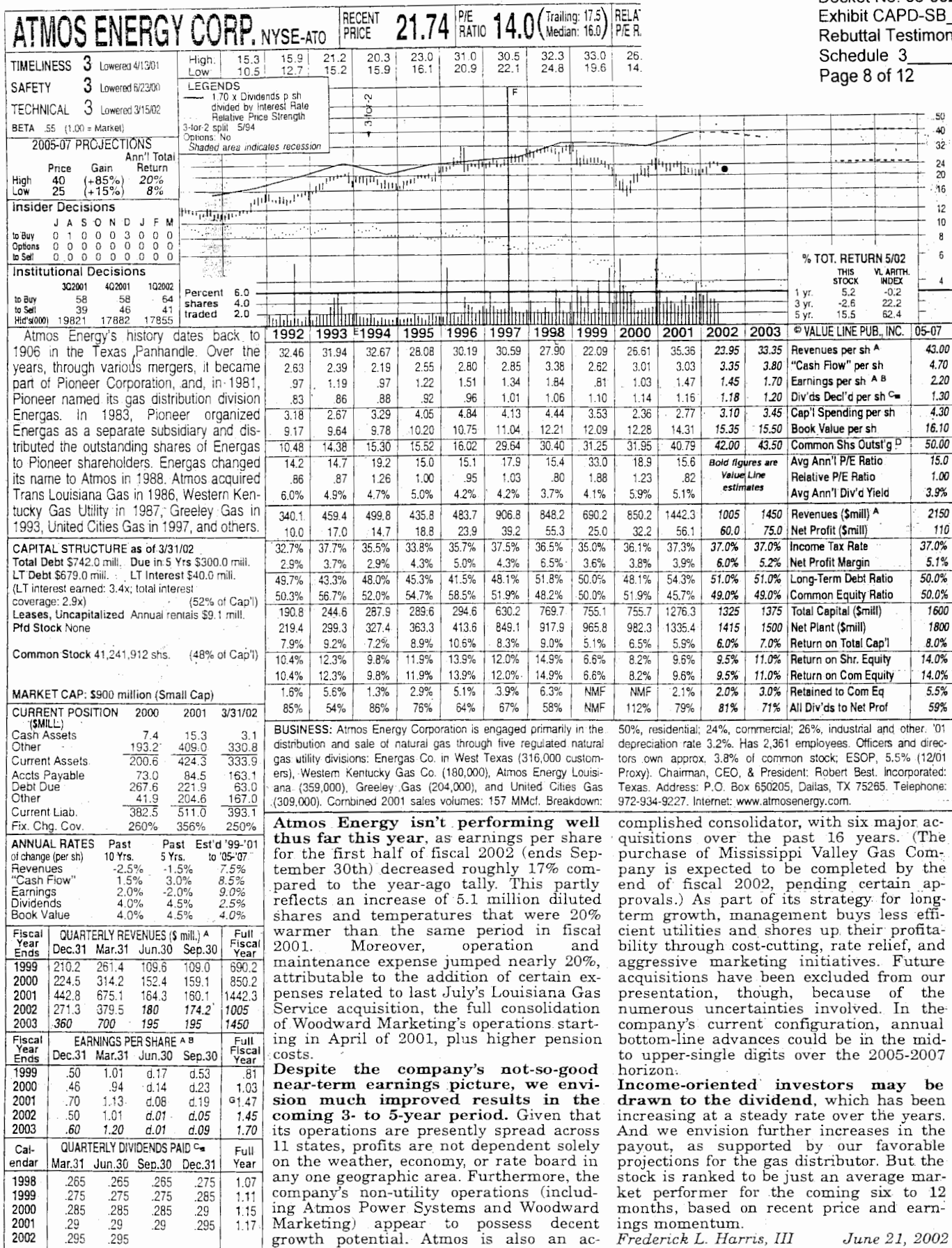
about Aug. 20th. Approximate div. prmt. dates: 10th of March, June, Sept., and Dec. Div. reinvestment plan avail. (3% discount).
(D) In millions, adjusted for stock splits.

(E) Years prior to 1994 are not comparable due to acquisition using pooling of interest method.
(F) Atmos completed its merger with United Cities Gas Company in July, 1997.

Company's Financial Strength B+
Stock's Price Stability 90
Price Growth Persistence 50
Earnings Predictability 45

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(A) Fiscal year ends Sept. 30th.

(B) Diluted shrs. Excl. nonrec. items: '97, d53c; '99, d23c; '00, 12c. Next egs. rpt. due late July.

(C) Next div. meeting early Aug. Goes ex late

(D) In millions, adjusted for stock splits.

(E) Years prior to 1994 are not comparable due

(F) ATO completed United Cities merger 7/97.

(G) Ctrs don't add due to change in shrs out.

Company's Financial Strength

Stock's Price Stability

Price Growth Persistence

Earnings Predictability

B+

90

25

50

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ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE **25.45** P/E RATIO **14.7** (Trailing: 15.8 Median: 16.0) RELATIVE P/E RATIO **0.88**

TIMELINESS 3 Lowered 4/13/03
SAFETY 3 Lowered 6/23/00
TECHNICAL 3 Lowered 4/4/03
BETA 60 (100 = Market)

LEGENDS
1.70 x Dividends p sh
divided by Interest Rate
Relative Price Strength
3-for-2 split 5/94
Options: No
Shaded area indicates recession

2006-08 PROJECTIONS

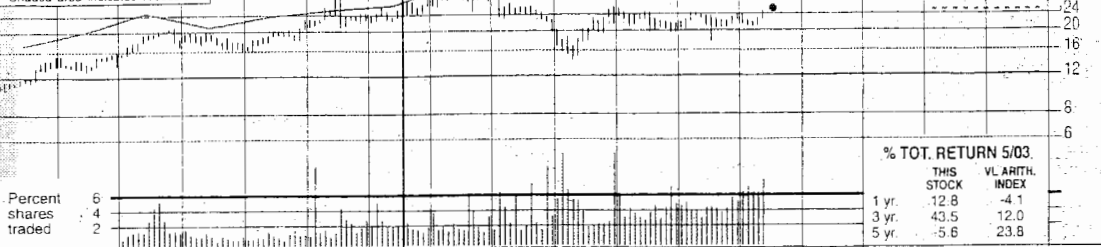
	Price	Gain	Ann'l Total Return
High	35	(+40%)	13%
Low	25	(Nil)	5%

Insider Decisions

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

Institutional Decisions

	3Q2002	4Q2002	1Q2003
to Buy	50	60	65
to Sell	54	36	40
Hld's(000)	17,199	16,646	16,559



Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

CAPITAL STRUCTURE as of 3/31/03
Total Debt \$903.1 mill. Due in 5 Yrs \$230.0 mill.
LT Debt \$864.2 mill. LT Interest \$50.0 mill.
(LT interest earned: 2.9x; total interest coverage: 2.6x) (55% of Cap'l)
Leases, Uncapitalized Annual rentals \$9.6 mill.
Pfd Stock None
Pension Assets-9/02 \$209.9 mill. Oblig. \$226.2 mill.
Common Stock 45,681,715 shs. as of 5/1/03
MARKET CAP: \$1.2 billion (Mid Cap)

CURRENT POSITION (\$MILL.)

	2001	2002	3/31/03
Cash Assets	15.3	46.8	63.2
Other	409.0	283.2	595.6
Current Assets	424.3	330.0	658.8
Accts Payable	84.5	135.6	474.7
Debt Due	221.9	167.8	38.9
Other	204.6	159.7	158.3
Current Liab.	511.0	463.1	671.9
Fix. Chg. Cov.	356%	259%	265%

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '00-'02
of change (per sh)			
Revenues	-2.0%	-1.0%	1.5%
"Cash Flow"	2.0%	3.0%	6.0%
Earnings	3.5%	-5%	10.0%
Dividends	4.0%	4.0%	2.0%
Book Value	4.0%	5.0%	3.0%

QUARTERLY REVENUES (\$ mill.)^A

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2000	224.5	314.2	152.4	159.1	850.2
2001	442.8	675.1	164.3	160.1	1442.3
2002	271.3	379.5	161.8	138.2	950.8
2003	401.5	700.4	218.1	190	1510
2004	415	685	230	195	1525

EARNINGS PER SHARE^{A,B}

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2000	.46	.94	d.14	d.23	1.03
2001	.70	1.13	d.08	d.19	1.47
2002	.50	1.01	.08	d.14	1.45
2003	.60	1.24	d.01	d.13	1.70
2004	.63	1.17	.08	d.13	1.75

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1999	.275	.275	.275	.285	1.11
2000	.285	.285	.285	.29	1.15
2001	.29	.29	.29	.295	1.17
2002	.295	.295	.295	.30	1.19
2003	.30	.30			

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	06-08
Revenues per sh ^A	31.94	32.67	28.08	30.19	30.59	27.90	22.09	26.61	35.36	22.82	31.45	29.90	30.50
"Cash Flow" per sh ^{A,B}	2.39	2.19	2.55	2.80	2.85	3.38	2.62	3.01	3.03	3.39	3.45	3.60	4.45
Earnings per sh ^{A,B}	1.19	.97	1.22	1.51	1.34	1.84	.81	1.03	1.47	1.45	1.70	1.75	2.35
Div's Decl'd per sh ^C	.86	.88	.92	.96	1.01	1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.32
Cap'l Spending per sh	2.67	3.29	4.05	4.84	4.13	4.44	3.53	2.36	2.77	3.17	3.25	3.45	3.85
Book Value per sh	9.64	9.78	10.20	10.75	11.04	12.21	12.09	12.28	14.31	13.75	15.10	14.70	16.10
Common Shs Outst'g ^D	14.38	15.30	15.52	16.02	29.64	30.40	31.25	31.95	40.79	41.68	48.00	51.00	60.00
Avg Ann'l P/E Ratio	14.7	19.2	15.0	15.1	17.9	15.4	33.0	18.9	15.6	15.2	15.2	15.2	13.0
Relative P/E Ratio	.87	1.26	1.00	.95	1.03	.80	1.88	1.23	.80	.80	.80	.80	.85
Avg Ann'l Div'd Yield	4.9%	4.7%	5.0%	4.2%	4.2%	3.7%	4.1%	5.9%	5.1%	5.4%	5.4%	5.4%	4.4%
Revenues (\$mill) ^A	459.4	499.8	435.8	483.7	906.8	848.2	690.2	850.2	1442.3	950.8	1510	1525	1830
Net Profit (\$mill)	17.0	14.7	18.8	23.9	39.2	55.3	25.0	32.2	56.1	59.7	80.0	90.0	140
Income Tax Rate	37.7%	35.5%	33.8%	35.7%	37.5%	36.5%	35.0%	36.1%	37.3%	37.1%	37.5%	37.5%	37.5%
Net Profit Margin	3.7%	2.9%	4.3%	5.0%	4.3%	6.5%	3.6%	3.8%	3.9%	6.3%	5.3%	5.9%	7.7%
Long-Term Debt Ratio	43.3%	48.0%	45.3%	41.5%	48.1%	51.8%	50.0%	48.1%	54.3%	53.9%	55.0%	54.0%	52.0%
Common Equity Ratio	56.7%	52.0%	54.7%	58.5%	51.9%	48.2%	50.0%	51.9%	45.7%	46.1%	45.0%	46.0%	48.0%
Total Capital (\$mill)	244.6	287.9	289.6	294.6	630.2	769.7	755.1	755.7	1276.3	1243.7	1595	1620	2000
Net Plant (\$mill)	299.3	327.4	363.3	413.6	849.1	917.9	965.8	982.3	1335.4	1300.3	1485	1530	1875
Return on Total Cap'l	9.2%	7.2%	8.9%	10.6%	8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	6.0%	6.5%	8.0%
Return on Shr. Equity	12.3%	9.8%	11.9%	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	11.0%	12.0%	14.5%
Return on Com Equity	12.3%	9.8%	11.9%	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	11.0%	12.0%	14.5%
Retained to Com Eq	5.6%	1.3%	2.9%	5.1%	3.9%	6.3%	NMF	NMF	2.1%	1.9%	3.5%	3.5%	6.5%
All Div's to Net Prof	54%	86%	76%	64%	67%	58%	NMF	112%	79%	82%	71%	70%	56%

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through five regulated natural gas utility operations: Louisiana Division (370,012 utility meters in service in 2002), Texas Division (313,340), Mid-States Division (310,630), Colorado-Kansas Division (216,980), and Kentucky Division (178,379). Combined 2002 sales volumes: 145 MMcf. Break-

down: 53%, residential; 25%, commercial; 22%, industrial and other. '02 depreciation rate 3.8%. Has 2,340 employees. Officers and directors own approx. 4.1% of common stock; ESOP, 5.8% (12/02 Proxy). Chairman, CEO, & President: Robert Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, TX 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy's utility operations performed well during the first half of fiscal 2003 (ends September 30th). This can be attributed, in large part, to additional volumes brought about by last year's acquisition of Mississippi Valley Gas. Too, results here benefited from an increase in base charges (mainly in Louisiana), because of an annual rate stabilization filing that became effective last November.

But some unusual circumstances kept a lid on earnings during that period. Cold temperatures led to higher demand for gas, but the company was unable to withdraw the needed volumes from storage facilities due to regulatory limitations. As a result, it had to purchase gas at rising prices to meet contractual requirements. Management contends that it plans to mitigate the impact these events could have on future results by negotiating new contracts that transfer the risk of volatile gas prices to customers. The company states further that it is also considering acquiring high deliverability storage to boost supply during prolonged periods of cold weather. At this point in time, we

look for consolidated share net to rise to around \$1.70 in fiscal 2003. (Our figure excludes a \$0.17-a-share charge due to an accounting change.)

We envision solid bottom-line gains for the company over the 2006-2008 horizon. With utility operations spread across 12 states, it is not dependent on the economy, weather, or rate commissions in any one region of the country. Furthermore, Atmos' non-utility operations (such as gas marketing and trading) appear to have decent growth prospects. These factors should help earnings advance roughly 10% annually over the coming 3- to 5-year period. (Future acquisitions may render our figures conservative.)

The main attraction of this equity is the dividend yield. And our favorable projections for Atmos indicate that further increases in the payout are likely. **These shares look to be steady performers, reflecting the essential service the company provides.** But the equity is not a standout for relative price performance in the year ahead or over the 2006-2008 period.

Frederick L. Harris, III June 20, 2003

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '97, d53c; '99, d23c; '00, 12c; '03, d17c. Next egs. rpt. due late July. (C) Next div. meeting mid-Aug. Goes ex late (D) In millions, adjusted for stock splits. (E) Years prior to 1994 are not comparable due to acquisition using pooling of interest method. (F) ATO completed United Cities merger 7/97. (G) Qtrs don't add due to change in shrs out.

Company's Financial Strength

Stock's Price Stability	B+
Price Growth Persistence	20
Earnings Predictability	55

To subscribe call 1-800-833-0046.

ATMOS ENERGY CORP. NYSE-ATO

RECENT

PRICE 24.50

P/E

RATIO 15.6

(Trailing: 14.9)

RELATIVE

P/E RATIO

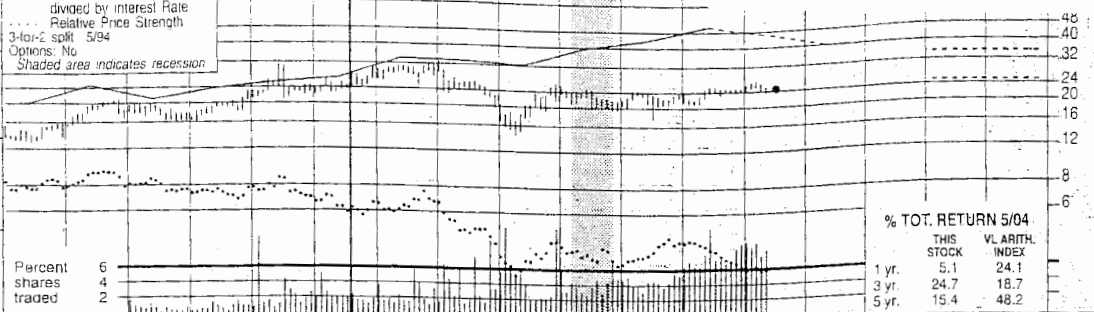
TIMELINESS 5 Lowered 4/8/04
SAFETY 3 Lowered 6/23/00
TECHNICAL 3 Raised 1/16/04
BETA .65 (1.00 = Market)

LEGENDS
 1.70 x Dividends p sh
 divided by Interest Rate
 Relative Price Strength
 3-for-2 split: 5/94
 Options: No
 Shaded area indicates recession

2007-09 PROJECTIONS
 Price 35 Gain (+45%) Ann'l Total
 Low 25 (Nil) 13% 5%

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

Institutional Decisions
 3Q2003 4Q2003 1Q2004
 to Buy 61 82 81
 to Sell 51 40 41
 Held (000) 19508 18460 20243



Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

CAPITAL STRUCTURE as of 3/31/04
 Total Debt \$872.7 mill. Due in 5 Yrs \$150.0 mill.
 LT Debt \$864.6 mill. LT Interest \$50.0 mill.
 (LT interest earned: 3.3x; total interest coverage: 3.0x) (48% of Cap'l)
 Leases, Uncapitalized Annual rentals \$10.3 mill.
 Pfd Stock None
 Pension Assets-9/03 \$322.7 mill. Oblig. \$330.3 mill.
 Common Stock 52,319,505 shs. as of 5/3/04
MARKET CAP: \$1.3 billion (Mid Cap)

CURRENT POSITION 2002 2003 3/31/04 (\$MILL.)
 Cash Assets 46.8 15.7 115.0
 Other 283.2 442.3 525.5
 Current Assets 330.0 458.0 640.5
 Accts Payable 135.6 179.9 366.0
 Debt Due 167.8 127.9 8.1
 Other 159.7 127.9 171.8
 Current Liab. 463.1 435.7 545.9
 Fix. Chg. Cov. 259% 382% 370%

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Past Est'd '01-'03 to '07-'09
 Revenues 1.5% 5.0% 5.0%
 "Cash Flow" 2.5% 1.5% 3.5%
 Earnings 4.5% -5% 5.0%
 Dividends 3.5% 3.0% 2.5%
 Book Value 5.0% 5.5% 6.5%

QUARTERLY REVENUES (\$mill.)
 Fiscal Year Ends Dec.31 Mar.31 Jun.30 Sep.30 Full Fiscal Year
 2001 442.8 675.1 164.3 160.1 1442.3
 2002 271.3 379.5 161.8 138.2 950.8
 2003 680.4 1194.1 488.5 436.9 2799.9
 2004 763.6 1117.5 497.5 436.4 2815
 2005 725 1180 530 465 2900

EARNINGS PER SHARE
 Fiscal Year Ends Dec.31 Mar.31 Jun.30 Sep.30 Full Fiscal Year
 2001 .70 1.13 d.08 d.19 \$1.47
 2002 .50 1.01 .08 d.14 1.45
 2003 .60 1.24 .05 d.05 \$1.71
 2004 .57 1.12 Nil d.14 1.55
 2005 .59 1.13 .02 d.09 1.65

QUARTERLY DIVIDENDS PAID
 Calendar Mar.31 Jun.30 Sep.30 Dec.31 Full Year
 2000 .285 .285 .285 .29 1.15
 2001 .29 .29 .29 .295 1.17
 2002 .295 .295 .295 .30 1.19
 2003 .30 .30 .30 .305 1.21
 2004 .305 .305

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
Revenues per sh ^A	32.67	28.08	30.19	30.59	27.90	22.09	26.61	35.36	22.82	54.39	52.15	50.90	57.75
"Cash Flow" per sh	2.19	2.55	2.80	2.85	3.38	2.62	3.01	3.03	3.39	3.23	3.30	3.50	3.95
Earnings per sh ^{A B}	.97	1.22	1.51	1.34	1.84	.81	1.03	1.47	1.45	1.71	1.55	1.65	2.05
Div'ds Decl'd per sh ^C	.88	.92	.96	1.01	1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.35
Cap'l Spending per sh	3.29	4.05	4.84	4.13	4.44	3.53	2.36	2.77	3.17	3.10	3.25	3.35	3.90
Book Value per sh	9.78	10.20	10.75	11.04	12.21	12.09	12.28	14.31	13.75	16.66	17.35	16.85	21.45
Common Shs Outst'd ^D	15.30	15.52	16.02	29.64	30.40	31.25	31.95	40.79	41.68	51.48	54.00	57.00	65.00
Avg Ann'l P/E Ratio	19.2	15.0	15.1	17.9	15.4	33.0	18.9	15.6	15.2	13.4	13.4	13.4	15.0
Relative P/E Ratio	1.26	1.00	.95	1.03	.80	1.88	1.23	.80	.83	.76	.76	.76	1.00
Avg Ann'l Div'd Yield	4.7%	5.0%	4.2%	4.2%	3.7%	4.1%	5.9%	5.1%	5.4%	5.2%	5.2%	5.2%	4.5%
Revenues (\$mill) ^A	499.8	435.8	483.7	906.8	848.2	690.2	850.2	1442.3	950.8	2799.9	2815	2900	3300
Net Profit (\$mill)	14.7	18.8	23.9	39.2	55.3	25.0	32.2	56.1	59.7	79.5	85.0	95.0	135
Income Tax Rate	35.5%	33.8%	35.7%	37.5%	36.5%	35.0%	36.1%	37.3%	37.1%	37.1%	37.5%	37.5%	37.5%
Net Profit Margin	2.9%	4.3%	5.0%	4.3%	6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	2.9%	3.2%	4.1%
Long-Term Debt Ratio	48.0%	45.3%	41.5%	48.1%	51.8%	50.0%	48.1%	54.3%	53.9%	50.2%	49.0%	50.0%	48.0%
Common Equity Ratio	52.0%	54.7%	58.5%	51.9%	48.2%	50.0%	51.9%	45.7%	46.1%	49.8%	51.0%	50.0%	52.0%
Total Capital (\$mill)	287.9	289.6	294.6	630.2	769.7	755.1	755.7	1276.3	1243.7	1721.4	1835	1920	2700
Net Plant (\$mill)	327.4	363.3	413.6	849.1	917.9	965.8	982.3	1335.4	1300.3	1516.0	1690	1770	2200
Return on Total Cap'l	7.2%	8.9%	10.6%	8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	6.2%	6.0%	6.5%	5.5%
Return on Shr. Equity	9.8%	11.9%	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	9.0%	10.0%	9.5%
Return on Com Equity	9.8%	11.9%	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	9.0%	10.0%	9.5%
Retained to Com Eq	1.3%	2.9%	5.1%	3.9%	6.3%	NMF	NMF	32.1%	1.9%	2.8%	2.0%	2.5%	3.5%
All Div'ds to Net Prof	86%	76%	64%	67%	58%	NMF	112%	79%	82%	70%	79%	75%	66%

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through six regulated natural gas utility operations: Louisiana Division (370,639 utility meters in service in 2003), Mid-States Division (311,393), Texas Division (309,668), Mississippi Division (281,285), Colorado-Kansas Division (220,645), and Kentucky Division (179,168). Combined 2003

sales volumes: 185 MMcf. Breakdown: 53%, residential; 25%, commercial; 22%, industrial and other. 2003 depreciation rate 3.5%. Has 2,900 employees. Officers and directors own approx. 3.9% of common stock (12/03 Proxy). CEO: Robert Best, Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy's share earnings in fiscal 2004 (ends September 30th) are running behind last year's. Total throughput for the utility businesses has been lower of late, partly reflecting warmer temperatures (which have particularly afflicted the Mid-States, Louisiana, and Texas divisions). The decrease in throughput is also attributable to the impact of conservation efforts and the continued introduction of more efficient gas appliances. Furthermore, Atmos' bottom line is being squeezed by the dilutive effect of an increased share count. On a positive note, within the non-utility segment, the key natural gas marketing operation is benefiting partly from better use of managed proprietary and third-party storage assets. Warmer weather has been somewhat of an offset here, though. At this time, we believe that consolidated share net will decline roughly 10% to \$1.55, in fiscal 2004. But assuming a return to normal temperatures, plus continued strength of the natural gas marketing unit, Atmos Energy's bottom line ought to rise to \$1.65 next year.

The company stands to generate

decent, if less than spectacular, earnings gains out to the end of this decade. With utility operations currently serving some 1.7 million customers across 12 states, it is not dependent on the economy or rate commissions in any one region of the country. Too, Atmos' non-utility operations appear to have healthy growth prospects. These factors should enable share earnings to advance in the upper-single-digit range over the 2007-2009 horizon. (Future acquisitions are excluded from our presentation, however, because of the many uncertainties associated with that strategy.)

Income-oriented accounts may be attracted to the stock's dividend, which increased at a steady rate in previous years. We look for further hikes in the payout, too, as supported by our favorable projections. Earnings coverage looks to be adequate.

But these shares are presently ranked 5 (Lowest) for Timeliness. That's based on their poor recent price action and the company's weak near-term earnings picture.

Frederick L. Harris, III June 18, 2004

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '97, d53c; '99, d23c; '00, d2c; '03, d17c. Next egs. rpt. due early Aug. (C) Dividends historically paid in early March, June, Sept., and Dec. (D) Div. reinvestment plan. (3% discount). Direct stock purchase plan avail. (E) In millions, adjusted for stock splits. (F) Qtrs don't add due to change in shrs out: (F) ATO completed United Cities merger 7/97.

Company's Financial Strength 84+
 Stock's Price Stability 95
 Price Growth Persistence 20
 Earnings Predictability 55

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ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE

28.16

P/E RATIO 17.3

(Trailing: 15.0)
(Median: 16.0)

RELATIVE P/E RATIO

TIMELINESS 4 Lowered 5/20/05
SAFETY 3 Lowered 6/23/00
TECHNICAL 3 Lowered 8/6/04
BETA .70 (1.00 = Market)

LEGENDS
 1.70 x Dividends 0 sh
 divided by Interest Rate
 Relative Price Strength
 3-for-2 split 5/94
 Options: No
 Shaded area indicates recession

2008-10 PROJECTIONS

Price 35
 High 35
 Low 25

Gain (+25%)
 (-10%)

Insider Decisions

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

Institutional Decisions

302004 402004 102005
 to Buy 106 130 104
 to Sell 32 36 69
 Held(000) 29466 43075 43561

Percent 6
 shares 2
 traded 2

Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

CAPITAL STRUCTURE as of 3/31/05
 Total Debt \$2260.7 mill. Due in 5 Yrs \$800.0 mill.
 LT Debt \$2254.8 mill. LT Interest \$135.0 mill.
 (LT interest earned: 3.3x; total interest coverage: 3.1x)
 Leases, Uncapitalized Annual rentals \$9.7 mill.
 Pfd Stock None
 Pension Assets-9/04 \$346.2 mill. Oblig. \$313.0 mill.
 Common Stock 79,939,319 shs.
 as of 4/25/05
MARKET CAP: \$2.3 billion (Mid Cap)

CURRENT POSITION

2003 2004 3/31/05
 Cash Assets 15.7 201.9 264.1
 Other 442.3 475.2 913.7
 Current Assets 458.0 677.1 1177.8
 Accts Payable 179.9 185.3 533.2
 Debt Due 127.9 5.9 5.9
 Other 127.9 223.3 298.8
 Current Liab. 435.7 414.5 837.9
 Fix. Chg. Cov. 382% 384% 385%

ANNUAL RATES Past Past Est'd '02-'04
 of change (per sh) 10 Yrs. 5 Yrs. to '08-'10
 Revenues 2.5% 9.0% 10.5%
 "Cash Flow" 3.0% 1.5% 12.0%
 Earnings 4.0% 3.5% 6.5%
 Dividends 3.5% 2.5% 2.0%
 Book Value 5.5% 6.5% 8.5%

QUARTERLY REVENUES (\$ mill.)^A

Fiscal Year Ends Dec.31 Mar.31 Jun.30 Sep.30 Full Fiscal Year
 2002 271.3 379.5 161.8 138.2 950.8
 2003 680.4 1194.1 488.5 436.9 2799.9
 2004 763.6 1117.5 546.1 492.8 2920.0
 2005 1368.6 1685.1 1100. 1071.3 5225
 2006 1425 1425 1425 1425 5700

EARNINGS PER SHARE^{A B E}

Fiscal Year Ends Dec.31 Mar.31 Jun.30 Sep.30 Full Fiscal Year
 2002 .50 1.01 .08 d.14 1.45
 2003 .60 1.24 .09 d.05 1.71
 2004 .57 1.12 .09 d.11 1.58
 2005 .79 1.11 d.03 d.17 1.70
 2006 .72 1.20 Nil d.07 1.85

QUARTERLY DIVIDENDS PAID^C

Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year
 2001 .29 .29 .29 .29 1.17
 2002 .295 .295 .295 .30 1.19
 2003 .30 .30 .30 .305 1.21
 2004 .305 .305 .305 .31 1.23
 2005 .31 .31 .31 .31 1.23

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas through seven regulated natural gas utility operations: Louisiana Division, Mid-Texas Division, West Texas Division, Mid-Tex Division, Mississippi Valley Gas Company Division, Colorado-Kansas Division, and Kentucky Division. Combined 2004 sales volumes: 173 MMcf. Breakdown: 53%, residen-

Atmos Energy's earnings have been higher in fiscal 2005 (ends September 30th) compared to the prior-year tally. The performance of the utility division has been boosted, in large part, by the recent acquisition of TXU Gas Company (estimated to add between \$0.05 and \$0.10 to share net this year). Rate increases in Mississippi and west Texas, plus cost-containment initiatives, have also helped here, though warmer weather has proven somewhat of an offset. Within the non-utility segment, results for the natural gas marketing unit have been strong lately. That reflects improved profitability from certain restructured asset-management transactions (held back partially by an unfavorable mark-to-market effect on increased physical volumes in storage). At this juncture, we expect consolidated share net to rise in the mid- to upper-single-digit range in fiscal 2005. Synergies from the TXU purchase may enable the bottom line to reach \$1.85 a share next year.

We are constructive about the company's 3- to 5-year prospects. With utility operations now serving around 3.2 million customers across 12 states, Atmos is not

dependent on the economy or rate commissions in any one region of the country. Moreover, the non-utility segments (including pipeline and storage operations) possess decent growth potential. Lastly, management will undoubtedly stick to its winning strategy of purchasing less-efficient utilities and shoring up their profitability through cost-cutting efforts, rate relief, and aggressive marketing initiatives. (Many uncertainties prevent us from including future acquisitions, however.) In Atmos' present configuration, share earnings stand to increase between 5% and 10% annually out to the end of this decade.

Income-oriented accounts may be drawn to the high dividend yield. The payout has risen at a steady rate over the past 16 years. And our projections suggest that additional hikes in the distribution are likely.

But the stock's long-term total-return potential is unspectacular, as capital appreciation possibilities are limited at the current quotation. What's more, these shares are untimely.

Frederick L. Harris, III

June 17, 2005

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '97, d53c; '99, d23c; '00, 12c; '03, d17c. Next egs rpt. due early Aug. (C) Dividends historically paid in early March, June, Sept., and Dec. (D) Div. reinvestment plan. (3% discount). Direct stock purchase plan avail. (E) In millions, adjusted for stock splits (F) Qtrs may not add due to change in shrs out. (F) ATO completed United Cities merger 7/97.

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Company's Financial Strength 8+
 Stock's Price Stability 95
 Price Growth Persistence 25
 Earnings Predictability 55

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ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE 26.15 P/E RATIO 14.1 (Trailing: 14.2 Median: 16.0) RELATIVE P/E RATIO 0.6

TIMELINESS 3 Raised 2/17/06
SAFETY 2 Raised 12/16/05
TECHNICAL 3 Raised 12/30/05
BETA .70 (1.00 = Market)

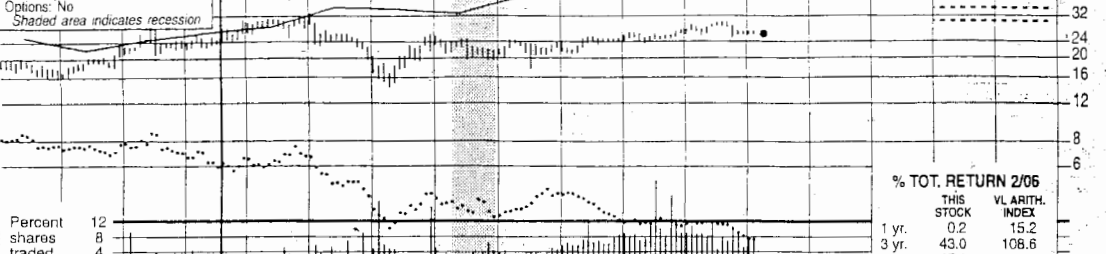
High: 23.0 31.0 30.5 32.3 33.0 26.3 25.8 24.5 25.5 27.6 30
 Low: 16.1 20.9 22.1 24.8 19.6 14.3 19.5 17.6 20.8 23.4 25

LEGENDS
 1.70 x Dividends p sh
 divided by Interest Rate
 Relative Price Strength
 3-for-2 split 5/94
 Options: No
 Shaded area indicates recession

2009-11 PROJECTIONS
 Price 35 Gain (+35%)
 High 30 Low 30
 Ann'l Total Return 12% 8%

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

Institutional Decisions
 202005 3Q2005 4Q2005
 to Buy 104 102 93
 to Sell 72 67 91
 Hld's(000) 41588 43139 43022



Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

CAPITAL STRUCTURE as of 12/31/05
 Total Debt \$2658.8 mill. Due in 5 Yrs \$860.0 mill.
 LT Debt \$2181.5 mill. LT Interest \$135.0 mill.
 (LT interest earned: 2.7x; total interest coverage: 2.6x)
 Leases, Uncapitalized Annual rentals \$15.3 mill.
 Pfd Stock None
 Pension Assets-9/05 \$355.9 mill. Oblig. \$359.9 mill.
 Common Stock 80,922,830 shs.
 as of 1/31/06
MARKET CAP: \$2.1 billion (Mid Cap)

CURRENT POSITION	2004	2005	12/31/05
(\$MILL.)			
Cash Assets	201.9	40.1	49.5
Other	475.2	1224.3	2126.8
Current Assets	677.1	1264.4	2176.3
Accts Payable	185.3	461.3	1170.4
Debt Due	5.9	148.1	477.3
Other	223.3	503.4	402.0
Current Liab.	414.5	1112.8	2049.7
Fix. Chg. Cov.	384%	395%	390%

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05
of change (per sh)			
Revenues	6.0%	16.5%	12.5%
"Cash Flow"	3.5%	2.0%	8.0%
Earnings	4.0%	6.5%	7.0%
Dividends	3.0%	2.0%	2.0%
Book Value	6.5%	8.5%	5.0%

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2003	680.4	1194.1	488.5	436.9	2799.9
2004	763.6	1117.5	546.1	492.8	2920.0
2005	1371.0	1687.8	909.9	1004.6	4973.3
2006	2283.8	2500	1800	1901.2	8485
2007	2200	2200	2200	2200	8800

Fiscal Year Ends	Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
2003	.60	1.24	..	d.05	1.71
2004	.57	1.12	.09	d.11	1.58
2005	.79	1.11	.06	d.21	1.72
2006	.88	1.08	.05	d.16	1.85
2007	.85	1.17	.08	d.10	2.00

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.295	.295	.295	.30	1.19
2003	.30	.30	.30	.305	1.21
2004	.305	.305	.305	.31	1.23
2005	.31	.31	.31	.315	1.25
2006	.315				

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	VALUE LINE PUB., INC.	09-11
Revenues per sh ^A	30.19	30.59	27.90	22.09	26.61	35.36	22.82	54.39	46.50	61.75	103.50	104.75	Revenues per sh ^A	110.00
"Cash Flow" per sh ^A	2.80	2.85	3.38	2.62	3.01	3.03	3.39	3.23	2.91	3.90	3.95	4.30	"Cash Flow" per sh ^A	5.25
Earnings per sh ^A	1.51	1.34	1.84	.81	1.03	1.47	1.45	1.71	1.58	1.72	1.85	2.00	Earnings per sh ^A	2.50
Div's Decl'd per sh ^C	.96	1.01	1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28	Div's Decl'd per sh ^C	1.35
Cap'l Spending per sh	4.84	4.13	4.44	3.53	2.36	2.77	3.17	3.10	3.03	4.14	5.00	5.90	Cap'l Spending per sh	7.30
Book Value per sh	10.75	11.04	12.21	12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.85	21.40	Book Value per sh	24.10
Common Shs Outst'g ^D	16.02	29.64	30.40	31.25	31.95	40.79	41.68	51.48	62.80	80.54	82.00	84.00	Common Shs Outst'g ^D	100.00
Avg Ann'l P/E Ratio	15.1	17.9	15.4	33.0	18.9	15.6	15.2	13.4	15.9	16.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
Relative P/E Ratio	.95	1.03	.80	1.88	1.23	.80	.83	.76	.84	.84			Relative P/E Ratio	.85
Avg Ann'l Div'd Yield	4.2%	4.2%	3.7%	4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%			Avg Ann'l Div'd Yield	4.2%
Revenues (\$mill) ^A	483.7	906.8	848.2	690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	8485	8800	Revenues (\$mill) ^A	11000
Net Profit (\$mill)	23.9	39.2	55.3	25.0	32.2	56.1	59.7	79.5	86.2	135.8	150	170	Net Profit (\$mill)	250
Income Tax Rate	35.7%	37.5%	36.5%	35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.5%	37.5%	Income Tax Rate	38.0%
Net Profit Margin	5.0%	4.3%	6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	1.8%	1.9%	Net Profit Margin	2.3%
Long-Term Debt Ratio	41.5%	48.1%	51.8%	50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	57.0%	Long-Term Debt Ratio	55.0%
Common Equity Ratio	58.5%	51.9%	48.2%	50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	43.0%	Common Equity Ratio	45.0%
Total Capital (\$mill)	294.6	630.2	769.7	755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3980	4180	Total Capital (\$mill)	5350
Net Plant (\$mill)	413.6	849.1	917.9	965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3675	3975	Net Plant (\$mill)	5000
Return on Total Cap'l	10.6%	8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	5.5%	6.0%	Return on Total Cap'l	6.5%
Return on Shr. Equity	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.0%	9.5%	Return on Shr. Equity	10.5%
Return on Com Equity	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.0%	9.5%	Return on Com Equity	10.5%
Retained to Com Eq	5.1%	3.9%	6.3%	NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	2.5%	3.5%	Retained to Com Eq	5.0%
All Div's to Net Prof	64%	67%	58%	NMF	112%	79%	82%	70%	77%	73%	69%	63%	All Div's to Net Prof	54%

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to 3.2 million customers via seven regulated natural gas utility operations: Louisiana Division, Mid-States Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky Division. Combined 2005 gas volumes: 296 MMcf. Breakdown: 55%, resi-

dential; 31%, commercial; 10%, industrial; and 4% other. 2005 depreciation rate 3.7%. Has around 4,330 employees. Officers and directors own approximately 2.6% of common stock (12/05 Proxy). Chairman and Chief Executive Officer: Robert W. Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

Atmos Energy Corporation's share net for the first quarter of fiscal 2006, ends September 30th, was 11% better than the year-ago tally. The bread and butter utility operation was aided largely by temperatures that were 7% colder, adjusted for jurisdictions with weather-normalized rates. But results here continued to suffer from the impact of Hurricane Katrina, leading us to believe that this year's earnings will be reduced by roughly \$0.10 a share as a result. (Atmos lost some 40,000 customers indefinitely due to the storm.) Within the nonutility segment, the pipeline and storage unit enjoyed increased throughput on the Atmos Pipeline-Texas system, plus expanded margins for transportation and related services. But profits for the natural gas marketing business were squeezed by a sharp rise in operating expenses, reflecting greater headcount and higher regulatory compliance costs.

That said, the bottom line may advance in the upper-single-digit range, to around \$1.85 a share, in fiscal 2006. Additional improvement in operating margins may enable earnings per share to

reach \$2.00 next year. We are constructive about the company's 3- to 5-year prospects. With the utility division now serving some 3.2 million customers across 12 states, Atmos is not dependent on the economy or rate commissions in any one region of the country. Moreover, the non-utility operations (contributing between 15% and 35% of net income historically), possess decent growth potential, overall. Lastly, management will undoubtedly stick to its successful strategy of purchasing less-efficient utilities and shoring up their profitability through cost-cutting efforts, rate relief, and aggressive marketing initiatives. (Many uncertainties prevent us from including future acquisitions, however.) In the company's present configuration, share net may rise around 8% annually over the 2009-2011 timeframe. The stock offers a high yield, a well-covered payout, and modest dividend growth. But performance-wise, these shares are presently hovering near our 3- to 5-year Target Price Range, and are ranked only 3 (Average) for Timeliness.

Frederick L. Harris, III March 17, 2006

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March, June, Sept., and Dec. ■ Div. reinvestment plan. Direct stock purchase plan avail. (D) In millions, adjusted for stock splits. (E) Qtrs may not add due to change in shrs

outstanding. (F) ATO completed United Cities merger 7/97.

Company's Financial Strength B+
 Stock's Price Stability 100
 Price Growth Persistence 25
 Earnings Predictability 60

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