



Longbow Asset Management Company

Quarterly Investment Note July 29, 2007

In reaction to last week's sharp stock market decline which saw the *Dow Jones Industrial Average* suffer its worst weekly loss since the week ended March 28, 2003, according to *The Wall Street Journal*, many investors may seek out high quality large capitalization companies, many of which pay dividends, in the weeks and months ahead in the face of tightening credit conditions, weak U.S. housing data, and an overall nervousness about the U.S. and other global economies.

Not surprisingly, evidence from numerous published studies, in addition to common logic, suggests that investors prefer firms which follow a stable and predictable dividend policy, regardless of market conditions. At Longbow, dividends play an important role in our clients' common stock strategy, as we invest in large, well established U.S. based publicly traded companies, the majority of which pay dividends.

We recognize that many clients rely on dividends to meet expenses (much like they rely on the interest payments from fixed income securities) and that they would be seriously inconvenienced if their portfolio's dividend stream was unstable.

Dividends are the offspring of earnings which represent earned capital that is being returned to shareholders. Thus, it follows that dividend stability and growth are predicated on earnings stability and growth. Below, we highlight the dividend accomplishments of four of our companies:

Kinder Morgan Energy Partners L.P. (NYSE: KMP) **Price per Share on 07/27/07: \$53.00; Dividend Yield: 6.20%**

Kinder Morgan Energy Partners (also known as KMP) based in Houston, Texas is one of the largest publicly traded pipeline master limited partnerships in America with an enterprise value of approximately \$20 billion. KMP is the largest independent transporter of refined petroleum products in the United States, a major transporter and storage operator of natural gas in the Texas, Rocky Mountain and Midwest areas, the largest transporter and marketer of CO₂ for enhanced oil recovery (EOR) projects in North America, the largest independent terminal operator in North America, and a major transporter of crude oil and petroleum products from Alberta to British Columbia and Washington state.

On July 27, 2007, KMP paid a quarterly cash distribution to investors of \$0.85 per unit, which represented a 5% increase over the \$0.81 per unit distribution paid during the same quarter in 2006.

Apartment Investment and Management Company (NYSE: AIV) **Price per Share on 07/27/07: \$42.64; Dividend Yield: 5.50%**

Apartment Investment and Management Company (also known as AIMCO), one of the largest owner/operators of apartment homes in the U.S., with nearly 1,370 geographically diverse communities that include approximately 240,000 units in 47 states, the District of Columbia and Puerto Rico, operates as a real estate investment trust (REIT). AIMCO engages in the acquisition, ownership, management and redevelopment of apartment communities. AIMCO's assets total approximately \$11 billion, with more than \$13 billion in assets under management.

In addition to an ongoing annual dividend of \$2.40 per share (paid quarterly), the future looks bright according to an *Investors Business Daily* article from July 17, 2007 which reported the recent subprime market woes in the mortgage

sector could give the apartment market a big boost leading to impressive gains for those companies operating as apartment REITs, including AIMCO. The article also mentioned that foreclosures often drive apartment rentals higher as people that have lost their houses still need a place to live. Rented apartments are where those bailing from mortgages are likely to go.

TECO Energy, Inc. (NYSE: TE)

Price per Share on 07/27/07: \$16.26; Dividend Yield: 4.70%

TECO Energy, Inc. is an energy-related holding company based in Tampa, Florida. In addition to the regulated Florida operations of [Tampa Electric](#) and [Peoples Gas](#) which combined serve nearly one million commercial and residential customers in a 2,000 square mile West Central Florida service area, TECO Energy businesses are engaged in coal and synthetic fuel production in Kentucky (*TECO Coal*); river and ocean transportation on the Mississippi River, the Gulf of Mexico and throughout the world (*TECO Transport*); and power generation and distribution in Guatemala (*TECO Guatemala*).

On May 2, 2007, TECO raised its quarterly dividend nearly 3 percent from the previous quarter to 19.5 cents per share bringing the annual dividend rate to 78 cents. The dividend news followed TECO's first-quarter profit report which rose 32 percent, as stronger earnings from its synthetic fuel business helped offset a mild winter that dampened demand from its electric and natural gas customers, an important fact that could prove beneficial for shareholders in future quarters as it highlights the advantage of having three dynamic and viable businesses outside of the domestic utility markets.

AT&T Inc. (NYSE: T)

Price per Share on 07/27/07: \$39.24; Dividend Yield: 3.60%

AT&T Inc. is the largest communications holding company in the United States and worldwide, by revenue. Operating globally under the AT&T brand, AT&T is recognized as the leading worldwide provider of IP-based communications services to businesses and the leading U.S. provider of wireless (*AT&T Wireless* formerly *Cingular Wireless* which holds an exclusive three year agreement to sell the *iPhone* from *Apple* (*NASDAQ: AAPL*) in the U.S.), high speed Internet access (including a strategic initiative with *Yahoo! Inc.* (*NASDAQ: YHOO*)), local and long distance voice, and directory publishing and advertising services (including *Yellow Pages*).

Ironically, since the 1984 Department of Justice's antitrust decision to divest the former AT&T into twenty-two separate Regional Bell Operating Companies (RBOCs), including *Southwestern Bell* (the initial RBOC, later known as *SBC*, connected to the new AT&T), ten RBOCs have become a part of the new AT&T Inc. with the completion of the 2006 acquisition of *BellSouth* (and, besides AT&T, only two of the original RBOCs remain today, *Qwest* (*NYSE: Q*) and *Verizon* (*NYSE: VZ*)). Following the Bellsouth merger in December 2006, AT&T raised its quarterly dividend by nearly 7 percent for an annualized dividend of \$1.42 per share (or a quarterly rate of \$0.355 per share).

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Each of our firm's clients is unique and each has different investment goals. We work efficiently and in a disciplined manner to design investment solutions to meet our clients' needs. We invite you to call our office at (918) 295-9929 or send an e-mail message to jakedollarhide@lbamc.com if you have any questions or need assistance anytime. We are always available to help and we appreciate your trust and confidence.