



Longbow Asset Management Company

Quarterly Investment Note May 17, 2005

Evidence from numerous published studies, in addition to common logic, suggests that investors prefer firms which follow a stable and predictable dividend policy. At Longbow, dividends play an important role in our clients' common stock strategy.

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. They represent earned capital that is being returned to shareholders. Thus it follows that dividend stability and growth are predicated on earnings stability and growth.

Also of importance, dividends temper the ability of a company's management to squander capital by investing in poor projects or needlessly expanding through ill-advised acquisitions.

In our common stock portfolio, we invest in large, well established U.S. based publicly traded companies for clients, the majority of which pay dividends.

Below, we highlight the dividend accomplishments of four of our companies:

Southern Co. (NYSE: SO)

Price per Share on 05/16/05: \$33.91; Dividend Yield: 4.40%

The Atlanta-based energy holding company is one of the largest producers of electricity in the U.S. It serves nearly 4.2 million customers and produces annual revenues approaching \$12 billion. Interestingly, in its mission to be the customer satisfaction leader, Southern is known for electric retail prices which are 15% below the national average through its efficient network of high quality, low cost assets.

On May 2, 2005, the company increased its quarterly dividend \$0.015 to \$0.3725 per share. This is the fourth consecutive year that Southern Company has raised its dividend, and the current quarter is the 230th consecutive quarter - dating back to 1948 - that the company will have paid a dividend on the company's common stock to its shareholders.

AmSouth Bancorporation (NYSE: ASO)

Price per Share on 05/16/05: \$26.34; Dividend Yield: 3.80%

Birmingham-based bank, AmSouth, known as "the relationship people," operates in Florida, Tennessee, Alabama, Mississippi, Louisiana and Georgia with \$50 billion in assets with more than 685 branch offices and 1,240 ATMs. Small businesses, the fastest growing segment of the U.S. economy, are one of AmSouth's key customer segments and a critical profitability driver.

On April 21, 2005, AmSouth increased its per share dividend from \$0.24 to \$0.25, which marked the 34th consecutive year of increasing the annual dividend payment to shareholders.

Wrigley (Wm.) Jr. (NYSE: WWY)

Price per Share on 05/16/05: \$69.19; Dividend Yield: 1.7%

Founded in 1891, Wrigley is the world's leading manufacturer and marketer of gum, with sales in over 180 countries, commanding global and U.S. market shares of 40 percent and 60 percent, respectively. Its well-known brands include *Doublemint*, *Big Red*, *Juicy Fruit*, *Winterfresh*, *Extra*, *Hubba Bubba*, *Orbit* and *Eclipse* in chewing gum and *Life Savers*, *Crème Savers* and *Altoids* in confectionary items.

On January 26, 2005, the company declared a quarterly dividend of \$0.28 per share on its common stock which represented an impressive 19 percent increase from \$0.23 per share. The company has paid dividends since 1913, almost as long as it has been making and selling chewing gum.

Microsoft Corp. (NASDAQ: MSFT)

Price per Share on 05/16/05: \$25.49; Dividend Yield: 1.3%

The world's largest software company develops PC (personal computer) software including the Windows operating system (e.g. Windows XP and Windows 2000) and the Office application suite (e.g. Word, Excel and PowerPoint).

In 2003, almost 20 years after going public, Microsoft started paying a dividend on its shares of common stock. Then, in 2004, the company continued its commitment of returning value to shareholders by announcing a \$30 billion stock buyback plan, a \$32 billion special dividend (paid on December 2, 2004 at \$3.00 per share), and the doubling of its regular dividend (to \$0.32 annually or \$0.08 per quarter). Even after all of that, Microsoft still holds over \$37.5 billion in cash and equivalents with no debt and a commitment to future increases in the regular dividend.

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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.