

*Your Guide
to Buying
Stocks Without
a Broker*

DRIP
Investor®

Dividend Reinvestment Plan Starter Guide

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1

Getting Started In DRIPs

Investing in dividend reinvestment plans (DRIPs) is an increasingly popular way for individuals to invest in the stock market. DRIPs, offered by about 1000 companies and closed-end funds, are programs which allow current shareholders to purchase stock directly from a company, bypassing the broker and brokerage commissions. Investors purchase shares with dividends that the company reinvests for them in additional shares. Most dividend reinvestment plans also permit investors to make voluntary cash payments directly into the plans to purchase shares.

DRIPs have many attractions for individual investors:

- ▶ In most cases, companies charge no commissions for purchasing stocks through their DRIPs, and those that do charge only a nominal fee.
- ▶ Most DRIPs permit investors to send optional cash payments (OCPs), in some cases for as little as \$10, directly to the company to purchase additional shares. If your investment isn't enough to purchase a whole share, the company will purchase a fractional share, and the fractional share is entitled to that fractional part of the dividend. The OCP option gives small investors the ability to buy attractive blue-chip stocks when they otherwise might not be able to afford them.
- ▶ A number of DRIPs permit participants to purchase stock at discounts to prevailing market prices. These discounts are usually 3 to 5 percent but may be as high as 10 percent. While most discounts apply only to shares purchased with reinvested dividends, some firms also apply the discount to purchases made with optional cash payments.

Joining a DRIP is easy. Here are step-by-step instructions on enrolling in a DRIP.

1 *Picking a stock.*

When hunting for DRIP investments, be sure to focus only on those companies which offer the best long-term investment prospects. Just because a firm offers a DRIP

does not make it a good investment. Investing in a DRIP of a bad company is a losing proposition, even if you are able to invest commission free. Concentrate your investment search on those companies with strong finances, favorable growth opportunities, and consistent earnings and dividend records. A good source for investment ideas is *DRIP Investor* and its sister publication, *Dow Theory Forecasts*. Sample issues of these newsletters are available upon request by calling (800) 233-5922.

2 *Once you receive the certificates, notify the company of your desire to join the DRIP.*

Helpful resources in determining whether a company offers a DRIP are *Buying Stocks Without A Broker* (McGraw-Hill), *No-Load Stocks* (McGraw-Hill), and *Directory of Dividend Reinvestment Plans* (Horizon Publishing). These books are available by calling (800) 233-5922. You can also contact the company's shareholder services department to check if the firm offers a dividend reinvestment plan.

3 *Know the plan specifics and eligibility requirements before investing.*

DRIPs may differ dramatically from one company to another. Although most DRIPs require shareholders to own only one share in order to enroll, others may require investors to own as many as 50 shares in order to be eligible. Also, while most programs charge no fees for participating in their DRIPs, some companies do charge commissions and fees. The timing and frequency of optional cash purchases differs between plans. How do you find out about the particulars? Call the company, talk to the shareholder services department, and get a copy of the plan prospectus, which provides all of the details concerning the plan. Remember — it is important to know the specifics of the plan, especially eligibility requirements, before investing in the stock. You don't want to buy one share of stock only to find out afterwards that you need 10 shares in order to enroll in the DRIP.

4 *Buying the first share or shares.*

In order to be eligible to enroll in most dividend reinvestment plans, you must be a shareholder of record of the company. In other words, you have to own at least one share of stock in order to join, and the stock must be registered in your name, not the “street,” or brokerage, name. This is critical to understand in order to join a DRIP — the initial share or shares of stock you purchase in order to become eligible to join the DRIP must be REGISTERED IN YOUR NAME, NOT “STREET” NAME OR THE NAME OF YOUR BROKERAGE FIRM.

Several ways to get that first share in order to join a DRIP are explored later in this booklet.

5 *Once you’ve selected a stock investment, determine if the firm offers a DRIP.*

Request a DRIP enrollment form and a prospectus if you haven’t received them already. In many cases, once a company has record of a new shareholder, the firm will automatically send the investor information about joining the DRIP. Once you have received the enrollment form, fill it out carefully. Be sure to specify on the enrollment form if you want all or just part of your dividends reinvested, as some companies permit partial dividend reinvestment. Return the completed enrollment form to the company. Once the company receives your application, you can begin investing via the DRIP.

6 *Know the plan’s rules governing optional cash payments.*

Once you’ve enrolled in a DRIP, you’ll probably be anxious to begin investing via optional cash payments (OCPs). Make sure you know the various rules and restrictions governing OCPs. These rules are detailed in the company’s DRIP prospectus. In most cases, companies invest optional cash payments once a month, often around the first or last business day of the month. In order to be eligible to invest with an OCP in a particular month, the money must be received by the firm some specified number of days prior to the investment date. Don’t send the money too far in advance of this date, as funds received by the company for OCP do not receive interest while awaiting investment. Also, make sure that your investment falls within the minimum and maximum OCP limits permitted in the plan.

7 *Keep good records.*

Companies and their transfer agents do their best to help dividend reinvestment plan participants keep track of their investments. Investors receive statements, usually after each investment with dividends and optional cash payments. Make sure you keep track of this information, especially your cost basis for each purchase of stock. This information is essential when you sell shares and need to determine your cost basis for tax purposes.

Also, at the end of the year, companies send 1099 forms showing the amount of dividend income that was reinvested during the year. This information is important since such dividends are taxable income each year even though the dividends were reinvested in additional shares.

DRIP Investor has devised an excellent manual DRIP record-keeping system that will help you keep track of your DRIP investments in an easy and orderly fashion. Contact us for further information about the record-keeping system at (800) 233-5922.

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Why You Don't Need Wall Street

Exxon Mobil offers what I call a No-Load Stock™ plan that permits investors to make first-time purchases of stock (minimum \$250) directly through the company — and Exxon will pick up the commissions. In effect, individuals no longer need a broker to buy Exxon stock.

A perfect world, if you're a small investor — but not if you're a stock broker who depends on investors' commissions for a living.

Other interesting features of the plan include the ability to set up an IRA with Exxon to purchase Exxon shares, optional purchases of Exxon stock after the initial purchase for as little as \$50 at a crack, the ability to sell Exxon stock through the company for a modest fee, and safekeeping services for your certificates. Exxon is not the first company to offer direct-purchase for first-time buyers. However, Exxon's high profile helped the plan generate ample media attention. By itself, Exxon's new plan isn't the death knell for the brokerage community. However, those on Wall Street who downplay the long-term implications of Exxon's no-load stock plan may be making a big mistake.

Decline Of The Middleman

One doesn't have to be Peter Drucker to see that the role of the middleman in America is coming under closer scrutiny. The signs are everywhere:

- ▶ You see it in retailing. **Wal-Mart** is phasing out business with all middlemen.
- ▶ You see it in real estate. Many of us have sold a home or know someone selling a home without using a real estate agent.
- ▶ You see it in insurance with various no-load insurance products.
- ▶ And you see it in the financial markets, with no-load mutual funds, dividend reinvestment programs, and Exxon's no-load stock plan, which is an expansion of its dividend reinvestment plan.

Why the growing disdain for the middleman? When you strip everything away, middlemen merely bring buyers and sellers together. There was a time when such

services were needed due to the high cost of communications and information. But that's no longer the case. Information and computing power are cheap and readily available to anyone with a phone and a computer. Why pay someone for services you can do yourself?

Sure, many investors need guidance and can benefit from a relationship with a broker. However, a growing number of investors feel they don't need a broker. The growth of discount and deep-discount brokerage firms indicates that more investors are comfortable making their own investment decisions. Why? Because information on investments is relatively cheap and available.

Furthermore, a strong case can be made that brokers don't even want to do business with individual investors and are, in effect, charging them out of the market with rising commissions and nuisance fees. For example, many brokers charge \$15 or more, on top of commissions, simply to send stock certificates to investors who want to have stock registered in their own name as opposed to "street" name.

What's In It For A Company?

Obviously, the benefits of a DRIP/No-Load Stock plan for an individual investor are many. However, what does a company get out of offering a plan? Plenty, which is why plans similar to Exxon's will become more prevalent in the future.

One reason companies offer DRIPs and direct-purchase plans is that they improve shareholder relationships. Because of the low financial requirements to invest via a DRIP, the plans allow even the smallest investors to invest in the stock market. Companies believe that such services build goodwill with shareholders — goodwill that can translate into a number of benefits. One could argue that Exxon's Valdez incident a few years ago didn't exactly endear the company with investors, so its direct-purchase plan could be one way to help rebuild investor support.

The synergy between shareholder and customer can be a big benefit. **McDonald's** aggressively promotes its DRIP, and many of its shareholders are in its program. In

an industry as competitive as fast food, the use of a DRIP to build awareness and reinforce customer relationships is an interesting and effective strategy. Exxon's direct-purchase plan followed a similar plan by Texaco (now Chevron), so it is possible that there might have been competitive reasons that entered into Exxon's decision to implement a plan. Indeed, new Exxon shareholders represent individuals who are likely to be buyers of Exxon gasoline. These new shareholders also represent an interesting market for Exxon credit cards and other corporate products.

The changing competitive landscape for many industries is also causing companies to consider DRIPs and no-load stock plans. Many regulated industries, such as electric and natural gas, banking, and telecommunications, are seeing regulatory barriers to entry falling. Indeed, open banking, utility, and telephone markets are only a matter of time. In an environment in which companies' monopoly positions are threatened, firms are considering every possible way to retain existing customers while gaining new ones. DRIPs offer an effective tool for turning customers into shareholders, which should help customer retention as new competitors enter the market.

Another benefit a company may derive from its DRIP is a more diverse and stable shareholder base. Many corporations and management are under the gun from shareholder activists, who have been demanding to have their voices heard concerning the operations of these companies. Individual investors tend to be more loyal than institutions and generally less vocal, which is one reason companies like to have a good representation of individual investors in their shareholder mix. Widely dispersed ownership of stock also makes it more difficult for companies or investment groups to acquire large blocks that could be used in a takeover battle.

Raising Equity Capital

Perhaps the most compelling reason a company would offer a DRIP/direct-purchase program — and one which should be a concern to investment bankers — is that the plans are an effective way to raise equity capital.

Many companies issue new shares in their DRIPs, thereby raising equity capital in a way that is similar to floating stock via an investment banker.

One clue as to a DRIP's efficiency in raising capital is that such heavy capital users as utilities — water, electric, and natural gas — and banks dominate the list of companies offering DRIPs.

Revenge Factor

To say that investors, corporate America, and Wall Street have a tenuous relationship would be an understatement. On the one hand, individual investors and corporations have traditionally needed brokers and investment bankers to gain access to financial markets. Yet, both investors and corporations often feel like money trees for Wall Street firms. Also, plenty of resentment remains due to the merger and acquisition mania, balance-sheet leveraging, and insider-trading scandals of the last decade — activities for which many investors and companies blame Wall Street.

Because of the often strained relationship between investors, corporate America, and Wall Street, it's not a stretch to believe that anytime investors and corporations can "stick it" to brokers and investment bankers, they will do so. Direct-purchase plans and self-underwritings via DRIPs and no-load stock plans are effective ways for investors and corporations to gain a little revenge on Wall Street and save brokerage and underwriting fees in the process.

3

3 Ways To Save On First-Time Broker Commissions

Anyone who has used DRIPs to accumulate stock can attest to the many benefits afforded investors who use these vehicles — investing commission free, buying shares at a discount in some instances, and investing for as little as \$10 at a time. However, if there is one hitch to the plans, it is the fact that, in most cases, only current shareholders may participate.

Fortunately, most companies require shareholders to have only one share in order to enroll in their DRIP. However, getting that first share can sometimes present problems, particularly for small investors who may not have a big investment fund to start in DRIPs. This chapter examines a number of ways to get that first share and offers ideas on how to save or eliminate commissions on initial stock purchases.

Competitive Shopping

The quickest way to buy the first few shares in order to enroll in a dividend reinvestment plan is through a stock broker. Unfortunately, this may be the most costly way. Minimum commissions for some brokers, regardless of the size of the transaction, may be \$35 or more. Another potential problem is that you may have trouble finding a broker who will buy just one share of stock for you, especially if it is a stock with limited liquidity or trading activity.

Nevertheless, investors should not immediately abandon using brokers for first-time purchases, as there are ways to limit their bite. First, if you have an established relationship with a broker, it's quite possible that he or she might give you a break on buying one share. A friend of mine is a fairly active player in the market, much to his broker's delight. Because he has given his broker a fair amount of business over the years, the broker charged him just \$5 to purchase a share or two in a couple of companies. While your broker may not do the same, it's at least worth asking. Business remains quite competitive within the brokerage community for individual investors these days, so you might be pleasantly surprised.

If you are a novice investor looking to get into the market for the first time, you obviously don't have any leverage with a broker. However, you still can shop

around for the best commission rates.

When I was in the process of purchasing five shares of four different companies, I called a number of brokers — both discount and full service — to compare rates. Interestingly, the best rate I found on such small purchases was from a full-service broker — roughly \$15-\$17 per company. It seems that full-service brokers have a bit more flexibility in setting commission rates than discounters, which explains why they may have lower rates on small purchases. However, for larger purchases, discounters seem to have better rates. It may even be the case that brokers within the same firm will charge different commissions.

My suggestion for getting the best price from a broker is calling a half dozen to see what they will charge you for your purchase. If you don't have any clout with a broker, I suggest you start your search by calling a "deep" discount broker, such as **T.D. Ameritrade** (800-934-4448). You could also call some of the large, discount brokers, such as **Charles Schwab** (800-435-4000) and **Fidelity Brokerage** (800-544-7272).

Keep in mind that most brokerage firms have a minimum commission rate regardless of the number of shares purchased. Also remember that if your plans include enrolling in a DRIP, have the stock registered in your name, not the "street" name. Don't be surprised if the broker charges you an additional fee to register the stock in your name.

Another thing to keep in mind is that, even if you're lucky to get a rate below \$20 for the purchase of one share, it will seem like a lot relative to the cost of the stock. Indeed, your commission could easily amount to 25%-50% of the entire purchase. However, remember that once you have a share and enroll in the DRIP, you won't have to pay commissions again. In those terms, the up-front commission is really a small price to pay for a lifetime of commission-free investing in that particular stock.

The Buddy System

Another strategy for getting those first shares is to team up with a few friends to make the initial purchase.

It can work like this:

Say five of you — perhaps it's an investment club — decide to buy a stock. With five people, you probably could afford to buy at least 20 shares of most stocks since you're dividing the cost. Since the brokerage commission will be split five ways, it should be minor on a per-person basis. When you make the purchase, register the stock in only one person's name. After the stock is registered, go through the transfer agent to transfer shares into the names of the remaining four people, which will then allow them to enroll in the DRIP.

A similar transaction is to find a friend or relative who already has shares in a company you like. Buy one share of stock directly from the individual and go through the transfer agent to have that share transferred into your name. In this way, you are a shareholder of record and thus allowed to enroll in the DRIP.

I have transferred shares, and it is an easy process. However, I suggest you inquire with the company and/or transfer agent before buying the stock to see if there will be any problems implementing this strategy.

Invest Directly With No-Load Stocks™

No-load mutual funds have been one of the greatest success stories in the financial markets in the last decade. While no-load funds have many attractions, their primary draw, in my opinion, is their convenience. "No load," especially to small investors, means no brokers and no brokerage fees. In short, "no load" really means "no-hassle" investing.

If only investing in individual common stocks were as simple, right? Well, the fact is No-Load Stocks™ do exist, but don't expect to hear about them from your broker.

A growing number of companies are taking their DRIP programs one step further by permitting investors to bypass the broker altogether, even for first-time purchases. These are what I call No-Load Stocks.™

No-load stocks come in two types: those which permit all investors to make initial purchases directly; and those which allow only corporate customers or residents in the state in which the company is headquartered to participate.

Investing in no-load stocks is as easy as investing in no-load mutual funds. All it requires is calling or writing the company and requesting information and an application. Once the information is received, investors merely have to fill out the application form and return it to the company along with their check for the initial investment. Some no-load stocks have initial investment minimums of as little as \$50. Following the initial investment, investors may make additional purchases with optional cash payments and reinvested dividends. In most cases, the companies charge no fees for these services, and those that do have only nominal fees.

The number of no-load stocks, especially those open to all investors, pales in comparison to the thousands of stocks on the three major exchanges. However, the list is not without its quality issues. Some of my favorites include **Exxon Mobil** and **PepsiCo**.

NO-LOAD STOCKS™

(minimum initial investment is in parentheses)

U.S. firms which permit initial stock purchases directly:

Stock (minimum \$ investment)	Phone Number	Stock Symbol	Stock (minimum \$ investment)	Phone Number	Stock Symbol
Acadia Realty (\$250)	800-278-4353	AKR	Brown Shoe (\$250)	866-353-7849	BWS
Acadia Realty (\$250)	800-278-4353	AKR	Brunswick (\$500)	800-546-9420	BC
Acuity Brands (\$500)	800-432-0140	AYI	Buckeye Partners (\$250)	800-519-3111	BPL
ADC Telecomm. (\$500)	800-929-6782	ADCT	Burger King (\$250)	800-524-4458	BKC
Aetna (\$500)	800-446-2617	AET	Calamos Asset Mgt. (\$200)	800-432-8224	CLMS
Aflac (\$1,000)	800-235-2667	AFL	California Water Svc. (\$250)	888-888-0316	CWT
AGL Resources (\$250)	800-468-9716	AGL	Campbell Soup (\$500)	800-780-3203	CPB
Air Products (\$500)	877-322-4941	APD	CapLease (\$100)	866-706-0513	LSE
Alaska Comm. (\$250)	866-353-7849	ALSK	Carpenter Tech. (\$250)	800-278-4353	CRS
Allegheny Technol. (\$250)	866-353-7849	ATI	Carriage Services (\$250)	877-611-8040	CSV
Allete (\$250)	800-535-3056	ALE	Carver Bancorp (\$250)	800-278-4353	CARV
Alliant Energy (\$250)	800-356-5343	LNT	Cascade Financial (\$250)	866-353-7849	CASB
Allstate (\$500)	800-355-5191	ALL	Cash America (\$250)	866-353-7849	CSH
Altria (\$500)	800-442-0077	MO	Caterpillar (\$250)	866-353-7849	CAT
AMCOL International (\$250)	888-444-0058	ACO	CBS (\$250)	866-595-1717	CBS
Ameren (\$250)	800-255-2237	AEE	CenterPoint Energy (\$250)	800-231-6406	CNP
Amer. Elec. Power (\$250)	800-328-6955	AEP	Central Pacific Fin'l (\$250)	800-468-9716	CPF
American Express (\$1,000)	800-463-5911	AXP	Central VT Pub. Svc. (\$250)	800-937-5449	CV
Amer. States Water (\$500)	888-816-6998	AWR	CH Energy Group (\$100)	800-428-9578	CHG
American Water (\$100)	888-556-0423	AWK	Chase Corp. (\$250)	800-278-4353	CCF
Ameriprise Financial (\$1,000)	866-337-4999	AMP	Chevron (\$250)	866-353-7849	CVX
AMETEK (\$250)	877-854-0864	AME	CIGNA (\$250)	866-353-7849	CI
Andersons (\$250)	312-360-5260	ANDE	Cincinnati Financial (\$25)	866-638-6443	CINF
Anworth Mtg. Asset (\$1,000)	877-248-6410	ANH	Cisco Systems (\$500)	800-254-5194	CSCO
Aon (\$250)	800-446-2617	AON	Clearwater Paper (\$250)	866-353-7849	CLW
Applied Industrial (\$250)	800-988-5291	AIT	Clorox (\$250)	888-259-6973	CLX
Aqua America (\$500)	800-205-8314	WTR	CMS Energy (\$250)	517-788-1868	CMS
Arbitron (\$500)	800-524-4458	ARB	Coca-Cola (\$500)	888-265-3747	KO
Arch Chemicals (\$500)	866-857-2223	ARJ	Colgate-Palmolive (\$500)	800-756-8700	CL
Arrow Financial (\$300)	800-937-5449	AROW	Colonial Prop. Trust (\$200)	800-730-6001	CLP
Arthur J. Gallagher (\$250)	312-360-5386	AJG	Columbus McKinnon (\$250)	800-278-4353	CMCO
Arvin Meritor (\$500)	866-517-4570	ARM	Community Bank Sys. (\$250)	800-278-4353	CBU
Ashland (\$500)	800-622-6757	ASH	ConocoPhillips (\$250)	866-353-7849	COP
AT&T (\$500)	800-351-7221	T	Cooper Tire & Rubber (\$250)	888-294-8217	CTB
Atmos Energy (\$1,250)	800-543-3038	ATO	Costco Wholesale (\$250)	866-353-7849	COST
Avery Dennison (\$500)	877-498-8861	AVY	Cracker Barrel (\$250)	800-278-4353	CBRL
Avis Budget Group (\$250)	866-353-7849	CAR	CSX (\$500)	800-521-5571	CSX
Avista (\$250)	800-642-7365	AVA	Curtiss-Wright (\$250)	800-278-4353	CW
Badger Meter (\$100)	877-248-6415	BMI	CVS Caremark (\$100)	877-287-7526	CVS
Bank of America (\$1,000)	800-642-9855	BAC	Darden Restaurants (\$1,000)	877-602-7596	DRI
Bank of NY Mellon (\$1,000)	888-643-4269	BK	DCT Industrial (\$250)	866-485-0444	DCT
Bank of SC (\$250)	800-568-3476	BKSC	Deere & Co. (\$500)	800-268-7369	DE
Banner (\$250)	800-697-8924	BANR	Dell (\$250)	877-739-9991	DELL
Bard (C.R.) (\$250)	800-446-2617	BCR	Diebold (\$500)	800-432-0140	DBD
Barnes Group (\$250)	866-353-7849	B	Dime Community (\$300)	800-278-4353	DCOM
Beazer Homes (\$250)	888-777-0316	BZH	Discover (\$500)	866-353-7849	DFS
Becton, Dickinson (\$250)	877-498-8861	BDX	Disney (Walt) (\$250)	818-553-7200	DIS
Best Buy (\$500)	877-498-8861	BBY	Dollar General (\$250)	866-927-3314	DG
BioMed Realty (\$100)	800-524-4458	BMR	Dominion Resources (\$40)	800-552-4034	D
Black Hills (\$250)	800-468-9716	BKH	Domino's Pizza (\$65)	877-272-9616	DPZ
Blyth Inc. (\$250)	800-446-2617	BTH	Dover (\$500)	866-353-7849	DOV
Bob Evans Farms (\$250)	866-714-7298	BOBE	DPL (\$250)	800-736-3001	DPL
BorgWarner (\$500)	866-353-7849	BWA	Dr Pepper Snapple (\$250)	877-745-9312	DPS
Boston Beer (\$500)	888-877-2890	SAM	Duke Energy (\$250)	800-488-3853	DUK
Boston Properties (\$250)	888-485-2389	BXP	Duke Realty (\$250)	800-278-4353	DRE
Bowen & Co. (\$500)	800-524-4458	BNE	Eastern (\$250)	800-278-4353	EML
BRE Properties (\$500)	800-842-7629	BRE	Eastman Chemical (\$250)	877-322-4908	EMN
Brink's (\$250)	866-673-8058	BCO	Eastman Kodak (\$150)	800-253-6057	EK
Bristol-Myers Squibb (\$250)	800-356-2026	BMJ	Eaton (\$100)	866-353-7849	ETN
Brookline Bancorp (\$250)	800-278-4353	BRKL			

Continued on page 12

U.S. firms which permit initial stock purchases directly:

Continued from page 11

Stock (minimum \$ investment)	Phone Number	Stock Symbol	Stock (minimum \$ investment)	Phone Number	Stock Symbol
Edison Int'l (\$1,000)	800-347-8625	EIX	Kaman (\$250)	866-353-7849	KAMN
Education Realty (\$300)	866-659-2645	EDR	Kellogg (\$50)	877-910-5385	K
Eli Lilly (\$1,000)	800-833-8699	LLY	Kelly Services (\$250)	866-353-7849	KELYA
Emerson Electric (\$250)	866-353-7849	EMR	KeyCorp (\$250)	800-539-7216	KEY
Energen (\$250)	888-764-5603	EGN	Kilroy Realty (\$750)	888-816-7506	KRC
Entergy (\$1,000)	866-353-7849	ETR	Kimberly-Clark (\$250)	800-730-4001	KMB
Entertainment Prop. (\$200)	800-884-4225	EPR	Kimco Realty (\$100)	866-557-8695	KIM
Equifax (\$500)	866-665-2279	EFX	Kite Realty Group (\$250)	800-820-8521	KRG
Equity Residential (\$250)	800-337-5666	EQR	Kraft Foods (\$500)	866-655-7238	KFT
Essex Property (\$2,500)	312-360-5354	ESS	Liberty Property Tr. (\$1,000)	800-944-2214	LRY
Estee Lauder (\$250)	888-860-6295	EL	Limited Brands (\$200)	866-875-7975	LTD
Exxon Mobil (\$250)	800-252-1800	XOM	Lincoln National (\$500)	866-353-7849	LNC
FBL Financial (\$250)	866-892-5627	FFG	Liz Claiborne (\$500)	866-828-8170	LIZ
Federal Signal (\$1,000)	800-622-6757	FSS	Lockheed Martin (\$250)	888-548-7701	LMT
FedEx (\$1,000)	800-446-2617	FDX	Lowe's Companies (\$250)	877-282-1174	LOW
Ferrellgas Partners (\$1,000)	800-730-6001	FGP	Lubrizol (\$250)	800-278-4353	LZ
Fifth Third Bancorp (\$250)	888-294-8285	FITB	Macerich (\$250)	800-567-0169	MAC
First American (\$250)	800-468-9716	FAF	Mack-Cali Realty (\$2,000)	888-632-6848	CLI
First Comm. Fin'l (\$500)	800-524-4458	FCF	Macy's (\$500)	800-432-0140	M
First Fin'l Holdings (\$250)	800-368-5948	FFCH	Maine & Maritimes (\$250)	800-893-4814	MAM
First Niagara Fin'l (\$250)	877-785-9670	FNFG	Marriott Int'l (\$350)	866-353-7849	MAR
FirstEnergy (\$250)	800-736-3402	FE	Marsh & McLennan (\$500)	800-457-8968	MMC
Flowserve (\$100)	800-468-9716	FLS	Massey Energy (\$250)	800-813-2847	MEE
Ford Motor (\$500)	800-279-1237	F	Mattel (\$500)	888-909-9922	MAT
Frontier Commun. (\$250)	877-770-0496	FTR	McCormick & Co. (\$500)	877-778-6784	MKC
GenCorp (\$500)	800-524-4458	GY	McDermott Int'l (\$500)	800-947-4542	MDR
General Electric (\$250)	800-786-2543	GE	McDonald's (\$500)	800-621-7825	MCD
General Mills (\$250)	800-670-4763	GIS	McGraw-Hill (\$500)	888-201-5538	MHP
Genworth Financial (\$200)	800-524-4458	GNW	MDU Resources (\$250)	877-536-3553	MDU
Glimcher Realty (\$50)	800-738-4931	GRT	MeadWestvaco (\$500)	866-455-3115	MWV
Goodyear (\$250)	800-317-4445	GT	Medtronic (\$250)	888-648-8154	MDT
Gorman-Rupp (\$500)	800-622-6757	GRC	Merck (\$350)	800-522-9114	MRK
Granite Construction (\$3,000)	800-368-5948	GVA	Met-Pro (\$1,000)	800-278-4353	MPR
Great Atl. & Pac. (\$250)	800-278-4353	GAP	MFA Financial (\$1,000)	866-353-7849	MFA
Great Plains Energy (\$500)	800-884-4225	GXP	MGE Energy (\$250)	800-356-6423	MGEE
Halliburton (\$500)	866-353-7849	HAL	Microsoft (\$250)	800-285-7772	MSFT
Hanesbrands (\$250)	800-697-8592	HBI	MidSouth Bancorp (\$1,000)	866-353-7849	MSL
Harley-Davidson (\$500)	866-360-5339	HOG	Millipore (\$250)	800-278-4353	MIL
Hawaiian Elec. Indust. (\$250)	866-672-5841	HE	Modine Mfg. (\$500)	800-468-9716	MOD
HCP (\$750)	866-857-2227	HCP	Molex (\$500)	312-360-5315	MOLX
Health Care REIT (\$1,000)	888-216-7206	HCN	Monsanto (\$250)	866-353-7849	MON
Heinz (H.J.) (\$250)	800-253-3399	HNZ	Morningstar (\$250)	866-303-0659	MORN
Hershey Company (\$250)	866-353-7849	HSY	Motorola Solutions (\$1,000)	866-353-7849	MSI
Hill-Rom (\$250)	800-716-3607	HRC	National Fin'l Part. (\$500)	866-353-7849	NFP
Holly (\$250)	888-777-0317	HOC	National Fuel Gas (\$1,000)	800-648-8166	NFG
Home Depot (\$500)	800-577-0177	HD	National Retail Prop. (\$100)	800-278-4353	NNN
Home Properties (\$1,000)	877-305-4111	HME	Nationwide Health (\$750)	800-524-4458	NHP
Hudson City Bancorp (\$250)	800-719-9059	HCBK	NCR (\$250)	800-627-2303	NCR
IBM (\$500)	888-426-6700	IBM	NewBridge Bancorp (\$250)	800-633-4236	NBBC
IdaCorp (\$200)	800-565-7890	IDA	Newell Rubbermaid (\$250)	877-233-3006	NWL
Imation (\$500)	800-432-0140	IMN	Newport (\$250)	800-468-9716	NEWP
Infinity Prop. (\$250)	866-624-4112	IPCC	NextEra Energy (\$100)	888-218-4392	NEE
Integrus Energy (\$100)	800-236-1551	TEG	Nike (\$500)	800-401-3439	NKE
Intel (\$250)	800-298-0146	INTC	NiSource (\$250)	866-353-7849	NI
International Paper (\$500)	866-353-7849	IP	Norfolk Southern (\$250)	866-272-9472	NSC
Intersil (\$250)	877-208-9537	ISIL	NorthStar Realty (\$250)	866-668-8560	NRF
iStar Financial (\$100)	800-317-4445	SFI	Northwest Natural Gas (\$250)	888-777-0321	NWN
ITC Holdings (\$250)	877-373-6374	ITC	NV Energy (\$250)	877-778-6783	NVE
ITT Corporation (\$500)	800-254-2823	ITT	OGE Energy (\$250)	866-353-7849	OGE
J.P. Morgan Chase (\$250)	866-353-7849	JPM	Old National Bancorp (\$500)	800-677-1749	ONB
Jeffersonville Bancorp (\$250)	800-278-4353	JFBC	Old Republic Int'l (\$1,000)	800-468-9716	ORI
Johnson Controls (\$250)	877-602-7397	JCI	Omega Healthcare (\$250)	800-519-3111	OHI
Jones Lang LaSalle (\$250)	866-353-7849	JLL			

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U.S. firms which permit initial stock purchases directly:

Continued from page 12

Stock (minimum \$ investment)	Phone Number	Stock Symbol	Stock (minimum \$ investment)	Phone Number	Stock Symbol
Omnicom (\$250)	866-353-7849	OMC	Sovran Self Storage (\$100)	800-278-4353	SSS
ONEOK (\$250)	866-235-0232	OKE	Spartan Motors (\$250)	888-888-0145	SPAR
Oshkosh (\$100)	866-222-4059	OSK	Stanley Black & Decker (\$250)	888-660-5513	SWK
Owens & Minor (\$200)	800-524-4458	OMI	Staples (\$250)	866-353-7849	SPLS
Pacific Capital (\$250)	866-353-7849	PCBC	Starbucks (\$500)	888-835-2866	SBUX
Parkway Properties (\$250)	800-468-9716	PKY	State Street (\$250)	800-278-4353	STT
Patriot Coal (\$250)	866-621-2787	PCX	Steel Dynamics (\$250)	877-282-1168	STLD
Paychex (\$250)	877-814-9688	PAYX	Sterling Bancorp (\$500)	866-353-7849	STL
Peabody Energy (\$500)	866-621-2789	BTU	Stewart Information (\$50)	866-353-7849	STC
Penney (J.C.) (\$250)	800-565-2576	JCP	Sunoco (\$250)	800-948-2504	SUN
Penn. Real Est. Inv. (\$250)	800-468-9716	PEI	Supervalu (\$250)	877-536-3555	SVU
People's United Fin'l (\$250)	800-953-2592	PBCT	Synovus Financial (\$250)	866-353-7849	SNV
PepsiCo (\$250)	800-226-0083	PEP	Target (\$500)	866-353-7849	TGT
PerkinElmer (\$250)	866-353-7849	PKI	Taubman Centers (\$250)	888-877-2889	TCO
Pfizer (\$500)	800-733-9393	PFE	TCF Financial (\$250)	800-443-6852	TCB
PG&E (\$250)	866-353-7849	PCG	Teleflex (\$250)	800-278-4353	TFX
Phillip Morris Int'l (\$500)	877-745-9350	PM	Texas Instruments (\$250)	800-981-8676	TXN
Piedmont Natural Gas (\$250)	800-937-5449	PNY	Tiffany (\$250)	866-353-7849	TIF
Pier 1 Imports (\$500)	800-842-7629	PIR	Tim Hortons (\$250)	800-697-8078	THI
Pinnacle West (AZ) (\$50)	800-457-2983	PNW	Timken (\$1,000)	800-622-6757	TKR
Plum Creek Timber (\$500)	800-254-4961	PCL	Tompkins Trustco (\$100)	877-573-4008	TMP
PMI Group (\$250)	888-999-0030	PMI	Total System Services (\$250)	866-353-7849	TSS
PNM Resources (\$50)	877-663-7775	PNM	Transocean (\$500)	866-353-7849	RIG
Popular (\$100)	877-764-1893	BPOP	TrustCo Bank of NY (\$50)	800-937-5449	TRST
Potlatch (\$250)	866-593-2351	PCH	Twin Disc (\$250)	888-213-0965	TWIN
PPG Industries (\$500)	866-353-7849	PPG	Tyco Int'l (\$2,500)	866-353-7849	TYC
Pride International (\$1,000)	800-278-4353	PDE	Tyson Foods (\$250)	877-498-8861	TSN
Procter & Gamble (\$250)	800-742-6253	PG	U.S. Bancorp (\$250)	866-353-7849	USB
Progress Energy (\$250)	866-290-4388	PGN	UGI (\$1,000)	800-850-1774	UGI
ProLogis (\$200)	800-956-3378	PLD	UIL Holdings (\$250)	800-278-4353	UIL
Public Svc. Enterprise (\$250)	800-242-0813	PEG	Umpqua Holdings (\$250)	866-353-7849	UMPQ
Qualcomm (\$500)	800-619-9612	QCOM	Union Pacific (\$250)	800-317-2512	UNP
Quanex Building Products (\$250)	800-468-9716	NX	UniSource Energy (\$250)	866-537-8709	UNS
Quest Diagnostics (\$100)	800-622-6757	DGX	United Parcel (\$250)	800-758-4674	UPS
Questar (\$250)	866-877-6324	STR	United Technologies (\$250)	800-488-9281	UTX
Qwest Communications (\$500)	877-268-2263	Q	Unitrin (\$500)	877-282-1168	UTR
Realty Income (\$250)	877-218-2434	O	USG (\$500)	877-360-5385	USG
Regions Financial (\$1,000)	800-524-2879	RF	Valmont Industries (\$500)	866-886-9962	VMI
Resource Capital (\$100)	866-709-7699	RSO	Valspar (\$1,000)	866-353-7849	VAL
Reynolds American (\$500)	800-524-4458	RAI	Vectren (\$500)	866-614-9636	VVC
Robbins & Myers (\$500)	800-622-6757	RBN	Ventas (\$250)	800-622-6757	VTR
Rockwell Auto. (\$1,000)	866-353-7849	ROK	Verizon (\$250)	800-631-2355	VZ
Rockwell Collins (\$1,000)	888-253-4522	COL	Vulcan Materials (\$250)	866-886-9902	VMC
Ryder System (\$250)	800-733-5001	R	Walgreen (\$250)	888-368-7346	WAG
Safeway (\$2,500)	877-498-8861	SWY	Wal-Mart Stores (\$250)	800-438-6278	WMT
Sanderson Farms (\$500)	866-353-7849	SAFM	Washington REIT (\$250)	800-519-3111	WRE
Sara Lee (\$250)	866-353-7849	SLE	Waste Management (\$500)	866-353-7849	WM
SCANA (\$250)	800-763-5891	SCG	Weingarten Realty (\$250)	800-550-4689	WRI
Schnitzer Steel (\$500)	800-468-9716	SCHN	Wells Fargo (\$250)	877-840-0492	WFC
Scripps (E.W.) (\$250)	866-293-4224	SSP	Westamerica Bancorp (\$100)	877-588-4258	WABC
Scripps Networks (\$250)	866-353-7849	SNI	Westar Energy (\$250)	800-527-2495	WR
Sealed Air (\$1,000)	800-648-8381	SEE	Weyerhaeuser (\$500)	866-353-7849	WY
Sempra Energy (\$500)	877-773-6772	SRE	WGL (\$250)	800-330-5682	WGL
Simon Property (\$500)	866-353-7849	SPG	Whirlpool (\$250)	877-498-8861	WHR
Skyworks Solutions (\$1,000)	877-366-6437	SWKS	Williams Cos. (\$250)	800-884-4225	WMB
Smucker (J.M.) (\$250)	800-456-1169	SJM	Windstream (\$250)	800-697-8153	WIN
Snap-on (\$500)	800-446-2617	SNA	Wisconsin Energy (\$250)	800-558-9663	WEC
Sonoco Products (\$250)	800-524-4458	SON	World Wrestling (\$250)	888-556-0424	WWE
South Jersey Inds. (\$100)	888-754-3100	SJI	Yahoo (\$250)	877-946-6487	YHOO
Southern Co. (\$250)	800-554-7626	SO	Yum! Brands (\$250)	888-439-4986	YUM
Southern Union (\$250)	800-736-3001	SUG	Zep (\$250)	866-353-7849	ZEP
Southwest Airlines (\$250)	866-877-6206	LUV			
Southwestern Energy (\$250)	800-446-2617	SWN			

4

Starter Portfolios For DRIP Investors

Let's face it, for many of us money is so tight that investing in anything except the essentials is almost a laughable concept. Oh sure, if you're real careful with your money, you might end up with an extra \$100 or \$200 each month. But what can you do with that piddling amount, other than put it in the bank?

How about No-Load stocks?

With just \$350, you can invest in a couple of quality no-load stocks, and with a little bit more, you can build positions in several issues.

"Starter" Portfolios

The following are "starter" portfolios based on their minimum initial investments.

\$250 Portfolio

Walgreen

Comments: Is this portfolio properly diversified? Of course not. Is this an example of putting all of your eggs in one basket? Perhaps. But it's a start, and it's tough to overstate the importance of getting started in any investment program. So many times individuals with limited funds never get into the game since they feel they never have enough to start. That's not the case with no-load stocks. It is better to start and diversify as your funds grow than never start at all. Furthermore, with just your \$250 investment, you're buying into a blue-chip company. Walgreen is a leading drugstore chain. Minimum initial investment is \$250.

\$350 Portfolio

Disney (Walt)
Walgreen

Comments: If you have a few more dollars to invest, you can add another quality no-load stock to the portfolio. Since a number of no-load stocks have \$100 minimums, you have a variety from which to choose. One of my favorites in this price range is Walt Disney. Disney will waive its \$1,000 minimum if an investor agrees to

automatic monthly investments of at least \$100. Disney has a good market position and favorable long-term growth prospects. The total amount you need to make minimum monthly investments in Disney is \$100.

\$600 Portfolio

Disney (Walt)
Exxon Mobil
Walgreen

Comments: With an additional \$250, you could add Exxon to your portfolio. Exxon is one of the top no-load stocks in the market. The issue combines worthwhile growth potential with an attractive yield. Exxon also offers a number of appealing options in its no-load stock program, such as an IRA and automatic investment services. How much would you need to invest in each of these companies on a monthly basis? Just \$250.

\$1,600 Portfolio

Aflac
Disney (Walt)
Exxon Mobil
Walgreen

Comments: For investors with slightly deeper pockets, you can add Aflac, a leading insurance company. Minimum initial investment in Aflac is \$1,000.

\$2,100 Portfolio

Aflac
Becton, Dickinson
Disney (Walt)
Exxon Mobil
PepsiCo
Walgreen

Comments: The additions to this portfolio are Becton, Dickinson, one of the top health-care companies, and PepsiCo, a leading consumer-products company. Becton, Dickinson has strong positions in a variety of

health-care markets. Minimum initial investment is \$250. PepsiCo has an outstanding record of earnings and dividend growth. Minimum initial investment is \$250.

What I hope these “starter” portfolios show is that it doesn’t take \$5,000 or more to start investing in stocks. With as little as \$100 to \$250, you can begin investing

in good, sound stocks. And with less than \$2,500, you can create a surprisingly diversified portfolio of six companies as well as add to the portfolio each month with reasonable amounts of money.

Buying Stocks At A Discount Through DRIPs

Few DRIP topics generate as much interest as the ability to buy stock through a DRIP at a discount to the market price. The notion of buying stock in some cases at 95 cents on the dollar seems too good to be true. However, buying stocks at a discount is possible through several of the 900 plus DRIP plans, and some of the discount plans are especially lucrative.

Discounts are usually in the 3%-5% range. Most companies which offer discounts apply the discounts only to shares purchased with reinvested dividends. However, a number of companies apply the discounts to stock purchased with both reinvested dividends and optional cash investments.

What's In It For The Company?

To new DRIP investors, the notion of companies allowing DRIP participants to purchase stock at a discount goes counter to the notion that companies want to maximize their stocks' purchase prices. However, companies which offer discounts derive an important benefit — the ability to raise money more cheaply than via traditional capital-raising avenues.

A company that issues stock through a DRIP becomes, in effect, its own underwriter, thus eliminating the middleman's fees. Now, if a company can induce more investors to purchase stock through its DRIP via a 3%-5% discount, the company can sell more stock and still do it in a more cost-effective manner than going through an investment banker.

Benefits To Investors

The biggest benefit from buying stock at a discount through a DRIP is the ability to accumulate shares more cheaply than buying the stock outside the DRIP. The discount, in effect, provides an "instant" profit as well as a cushion against price declines. Discounts also provide a boost to the stock's yield.

Poor Man's Arbitrage

Another way some investors profit from DRIP discounts is by taking advantage of arbitrage opportunities the plans offer. Arbitrage in the investment world, in its

simplest form, is the practice of taking advantage of price discrepancies in different markets for the same security.

DRIPs with discounts on optional cash payments are tailor-made for arbitrage because the shares purchased through a DRIP are cheaper than shares purchased on the open market. Consequently, it is not uncommon for investors to perform the following "poor man's arbitrage":

- 1) Enroll in a DRIP which offers a discount on optional cash investments.
- 2) Purchase the maximum amount of stock permitted via optional cash payments.
- 3) Immediately sell the stock (in many cases via a "short sale") in the open market to capture the price differential.

Such activity presents a quandary for companies. On the one hand, companies like discounts because they enhance DRIPs' ability to raise money. On the other hand, such arbitrage activity can heighten the stock's volatility. Furthermore, some companies resent the fact that arbitrage activity is being conducted by professional investors and brokerage firms when their plans are intended primarily for small investors. For that reason, most companies reserve the right to terminate a DRIP account if the firm believes the account is being used to arbitrage the discount.

If you plan to attempt this type of arbitrage, keep in mind the following:

- *The arbitrage is best done using DRIPs which offer discounts on optional cash investments.* The profit potential from arbitrage the discount on reinvested dividends is limited unless you hold many shares.
- *Consider the amount of optional cash payments permitted and how often OCPs are invested.* The larger the maximum amount of optional cash payments permitted in the plan, the larger the potential profit. Also, it is better to be able to take advantage of the arbitrage monthly instead of quarterly since you triple your profit opportunities.

► *Size of discount.* Obviously, profit potential is greater with a 5% discount than a 3% discount.

► *Pricing periods.* This is perhaps the most crucial point to consider, and the one that is making the “poor man’s arbitrage” more difficult. Many companies with discounts have implemented multiday pricing periods — 5-10 days and even longer in some cases — which are used to determine the purchase price in the DRIP (pricing periods are explained in the company’s DRIP prospectus). What these pricing periods do is make it more difficult to determine at what price you’ll be purchasing shares. For example, if I know the company buys stock on the last day of the month with optional cash payments and the purchase price will be the average price on that day, then I know at what price I must short the stock in the market in order to lock up a profit. However, when a company uses a pricing period to compute the price — for example, the purchase price is the average of the high and low price per day over a 10-day period — it makes it more difficult to determine my purchase price.

Also, such pricing periods may distort the size of the discount. For example, let’s say a stock’s average price during a 10-day pricing period is \$10. However, on the close of the tenth day, the stock is trading for \$9. The discount (let’s say 5%) would be applied to the average price over the 10-day period (\$10), giving DRIP participants a purchase price of \$9.50 (\$10 multiplied

by 0.95). However, in this scenario, you’d be better off buying the stock at the market price since it is cheaper than the “discounted” price. Conversely, it is possible that a 5% discount can expand to 10% or more if the stock jumps sharply at the end of a pricing period. Understanding how the pricing period works is critical to a successful arbitrage.

► *Trading volume of the stock.* If you plan to short the stock in the market in order to lock up your profit, make sure the daily trading volume of the stock is sufficient to support short selling. In some cases it may be difficult to execute the short sale if the stock is thinly traded.

► *Commissions matter.* Keep in mind that commissions you pay to sell the stock on the open market reduce your profit spread. Make sure you are not paying too much in commissions.

As you can see, the “poor man’s arbitrage” may not be as simple as it appears at first blush. For that reason, I usually recommend that individual investors view the discount as a nice bonus and leave the arbitrage activity to more sophisticated investors.

The following list highlights some of the DRIPs that offer discounts. **Since companies change their discount options frequently, investors should obtain a copy of the company’s DRIP prospectus before investing.**

Buying Stocks at a Discount

Anadarko Petroleum Corp. (NYSE: APC)
(888) 470-5786 (866) 353-7849
Discount: 5 percent discount on reinvested dividends.

Aqua America (NYSE: WTR)
(610) 527-8000 (800) 205-8314
Discount: 5 percent discount on reinvested dividends.

Atmos Energy Corp. (NYSE: ATO)
(972) 934-9227 (800) 382-8667 (800) 543-3038 (800) 774-4117
Discount: 3 percent discount on reinvested dividends.

Ball Corp. (NYSE: BLL)
(303) 469-3131 (800) 446-2617
Discount: 5 percent discount on reinvested dividends.

Capital One Financial Corp. (NYSE: COF)
(800) 685-4518 (800) 446-2617
Discount: Up to 3 percent during certain market periods.

Cathay Bancorp, Inc. (NASDAQ: CATY)
(213) 625-4700
Discount: 5 percent discount on reinvested dividends.

CBL & Associates Properties, Inc. (NYSE: CBL)
(423) 855-0001
Discount: 5 percent discount on reinvested dividends.

Entergy Corp. (NYSE: ETR)
(800) 225-1721
Discount: Up to 3 percent discount on OCPs.

Equity Residential Properties Trust (NYSE: EQR)
(800) 337-5666
Discount: Up to 5 percent discount on OCPs.

First Commonwealth Financial Corp. (NYSE: FCF)
(800) 524-4458
Discount: 5 percent discount on reinvested dividends and OCPs.

Health Care REIT, Inc. (NYSE: HCN)
(888) 216-7206
Discount: 4 percent discount on reinvested dividends and OCPs.

Healthcare Realty Trust, Inc. (NYSE: HR)
(615) 269-8175
Discount: 5 percent discount on reinvested dividends.

Home Properties of NY, Inc. (NYSE: HME)
(877) 305-4111
Discount: 3 percent discount on reinvested dividends and OCPs.
OCP: \$50 to \$5000 per month.

Independent Bank Corp. (MA) (NASDAQ: INDB)
(781) 878-6100 (800) 426-5523
Discount: 5 percent discount on reinvested dividends and OCPs.
OCP: \$25 to aggregate total of dividends earned in year.

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iStar Financial, Inc. (NYSE: SFI)
(877) 602-5287

Discount: Up to 3 percent discount on reinvested dividends and OCPs.

Kennametal, Inc. (NYSE: KMT)
(800) 756-3353

Discount: 5 percent discount on reinvested dividends.

Liberty Property Trust (NYSE: LRY)
(800) 944-2214

Discount: 3 percent discount on reinvested dividends.

Media General, Inc. (NYSE: MEG)
(804) 649-6000 (800) 937-5449

Discount: 5 percent discount on reinvested dividends.

Met-Pro Corp (NYSE: MPR)
(800) 278-4353

Discount: 3 percent discount on reinvested dividends.

Middlesex Water Co. (NASDAQ: MSEX)
(800) 368-5948

Discount: Up to 5 percent discount on reinvested dividends and OCPs.

Monmouth Real Estate Investment Corp. (NYSE: MNR)
(732) 577-9997 (800) 526-0801

Discount: 5 percent discount on reinvested dividends and OCPs.
OCP: \$500 to \$1000 per month.

Omega Healthcare Investors, Inc. (NYSE: OHI)
(800) 519-3111

Discount: 5 percent discount on reinvested dividends.

Parkway Properties, Inc. (NYSE: PKY)
(601) 948-4091 (877) 588-4124 (800) 468-9716

Discount: Up to 3 percent discount on reinvested dividends and OCPs.

Piedmont Natural Gas Co., Inc. (NYSE: PNY)
(704) 364-3120 (800) 693-9917 (800) 937-5449

Discount: 5 percent discount on reinvested dividends.

PMC Commercial Trust (ASE: PCC)
(972) 349-3200 (800) 937-5449

Discount: 2 percent discount on reinvested dividends and OCPs.

Popular, Inc. (NASDAQ: BPOP)
(787) 765-9800 (877) 764-1893

Discount: 5 percent discount on reinvested dividends.

ProLogis Trust (NYSE: PLD)
(303) 375-9292 (800) 956-3378

Discount: 2 percent discount on reinvested dividends and OCPs.

Redwood Trust, Inc. (NYSE: RWT)
(415) 389-7373 (888) 877-2882 (888) 472-1955

Discount: 2 percent discount on reinvested dividends; up to 2 percent on OCPs.

Saul Centers, Inc. (NYSE: BFS)
(301) 986-6000

Discount: 3 percent discount on reinvested dividends.

South Jersey Industries, Inc. (NYSE: SJI)
(609) 561-9000 (888) 754-3100

Discount: 2 percent discount on reinvested dividends and OCPs.

Telephone & Data Systems, Inc. (ASE: TDS)
(877) 337-1575

Discount: 5 percent discount on reinvested dividends.
OCP: \$10 to \$5000 per quarter.

TriCo Bancshares (NASDAQ: TCBK)
(530) 898-0300 (800) 522-6645

Discount: 4 percent discount on reinvested dividends.
OCP: \$100 to \$1000 per quarter.

UMH Properties, Inc. (ASE: UMH)
(732) 577-9997 (800) 526-0801

Discount: 5 percent discount on reinvested dividends.

Urstadt Biddle Properties, Inc. (NYSE: UBA)
(203) 863-8200 (800) 524-4458

Discount: 5 percent discount on reinvested dividends.

Westar Energy, Inc. (NYSE: WR)
(800) 527-2495

Discount: Up to 3 percent discount of reinvested dividends and OCPs.

6

DRIPs For Kids

Introducing the stock market to youngsters has become a growth market of sorts in recent years. Indeed, there are now summer camps that teach kindergarten capitalists how to invest. There are even investment books written specifically for kids.

I think there are two important factors to consider when initiating an investment program for kids. First, the learning process is enhanced if the child is able to invest in a company in which he or she can relate. In other words, don't expect your child to show much interest in his or her holding in some obscure biotechnology company. Instead, invest in a company in which your youngster uses or is familiar with the product. I'm not advocating that you invest in a lousy toy company, for example, just because junior plays with the toys. But there are plenty of consumer-products and services concerns which are quality investments and are familiar to your child or grandchild.

The second important point is that you should choose an investment in which the child can contribute. Here is where DRIPs offer a big advantage over other investments. Indeed, with the minimum optional cash payment being \$10-\$25 for most companies, even children with small piggy banks can participate in their own investment program.

The following stocks represent issues well suited for a kid's portfolio due to their familiar products and services. In addition to these stocks, individuals might want to consider any of the No-Load Stocks™ which permit first time purchases directly. These stocks make it especially easy to open up an account, and the initial minimums are usually small. Three stocks in this group that are especially appropriate for kids is Disney (Walt), Harley-Davidson, and PepsiCo.

■ **Disney** offers an especially attractive holding for a child. Disney's media assets are first rate, especially its ESPN brand. And its park business has good prospects. The firm's movie business should also do well. The stock will be volatile, but long-term prospects are bright. For enrollment information call (818) 553-7200.

■ Technology companies have been putting up good numbers lately, as there appears to be a revival in corporate IT spending. One firm that should take advantage of the uptick in technology spending is **Microsoft**. The company's new operating system, Windows 7, is seeing solid demand, and the release of Office 2010 should be another winner. Per-share profits should return to the growth track this fiscal year. The company's huge cash flow should fuel a dividend increase this year, and I wouldn't be surprised if the firm implemented a special dividend before year-end. A strong breakout above \$32 would be especially bullish.

Microsoft is seeing strong demand for its new Windows 7 product. The firm should see ample demand for the Office 2010 product as corporations continue to loosen their IT spending purse strings.

Microsoft has handily beaten analysts' consensus earnings estimates in the last four quarters, and that trend should continue this year. For fiscal 2011, the consensus estimate is \$2.58 per share.

Finances remain solid. At the end of 2010, the company had cash and short-term investments of \$41 billion. That cash hoard provides a tremendous amount of flexibility in terms of funding acquisitions and stock buybacks. The cash hoard should also go toward boosting the dividend.

Microsoft offers excellent growth at a value price. I expect a rotation in the market toward higher-quality stocks as the year progresses, which should put Microsoft in the sweet spot. The stock is an attractive buy for any DRIP investor. Please note that Microsoft offers a direct purchase plan whereby any investor may buy the first share and every share directly from the company. For enrollment information call (800) 285-7772.

■ **PepsiCo** is a company in which nearly every youngster has come in contact with at one time or another. Although the firm is best known for its soft drink business, snack foods under the Frito-Lay banner are the biggest money maker. The company has expanded its product line with the addition of Gatorade, the popular

sports drink.

PepsiCo has experienced price drops in the past only to snap back over time. The firm is taking measures to improve profitability. Furthermore, international operations offer a big opportunity for growth. Long-term

investors who want a quality stock should take a look at these shares. PepsiCo permits any investor to buy stock directly, the first share and every share. Minimum initial investment is \$250. For enrollment information call (800) 226-0083.

Global Investing Through DRIPs

Global investing has been one of the hot topics in investing over the last decade. One reason is that it has been shown that it's possible for investors to increase portfolio returns without increasing total risk by including foreign investments in a portfolio.

Historically, overseas investing was pretty much the private domain of institutional investors with access to foreign exchanges. However, that situation has been changing with the growth of such investment vehicles as global closed-end funds and ADRs. And what is especially significant for DRIP investors is that a number of ADRs offer dividend reinvestment plans.

ADRs

ADRs, or American Depositary Receipts, are issued by U.S. banks against the actual shares of foreign companies held in trust by a branch or correspondent institution overseas. Oftentimes, ADRs are not issued on a share-for-share basis. Instead, one ADR may be the equivalent of five or ten ordinary shares of the company.

The growth of ADRs has been impressive over the last decade. Why the growing popularity of ADRs? Convenience is a major reason. Investors can buy and sell ADRs like ordinary shares, eliminating the need for currency transactions. Also, commission rates to purchase ADRs can be much smaller than would be charged if the securities were purchased on foreign markets. In addition, since the ADRs are traded in the U.S., transactions are usually settled within three days. On some foreign

exchanges, settlement of trades can take two weeks or longer. Dividends on ADRs are paid in dollars.

There are two types of ADRs — sponsored and unsponsored plans. Unsponsored ADRs are created in response to investors' demand. The foreign company okays the creation of ADRs but does not play an active role in the program. In sponsored programs, the foreign company appoints a bank to service its ADR holders. The company pays for the cost of the program and agrees to provide ADR holders with financial reports.

Although ADRs offer plenty of pluses for investors, there are some things to consider before investing. Currency fluctuations will have an impact on ADRs' performances. When local currencies strengthen versus the dollar, the return on the ADR is boosted. Thus, if you're fortunate enough to own shares of a country whose stock market is rising and whose currency is strengthening against the dollar, then you're getting a double-powered boost to a portfolio. Conversely, if the dollar is strengthening against the nation's currency of your ADR, returns will suffer.

Many foreign companies, such as GlaxoSmithKline and Sony, allow investors to make even their initial purchase of stock directly, without a broker. To obtain enrollment information online for many direct-purchase ADR programs, visit www.adr.com and www.bankofny.com.

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Answers To Frequently Asked DRIP Questions

Q *Do companies change their DRIPs?*

A It is not uncommon for firms to make changes in their DRIPs. Common changes are the implementation of fees, a change in the number of shares needed to be eligible for enrollment, or a change in the DRIP discount policy. Companies usually will notify you in writing when changes are made.

Q *How do I transfer shares in my plan to another person so that person can become eligible to enroll in a DRIP?*

A The process of transferring shares is relatively simple, although it may differ slightly depending on the company and its transfer agent. Generally speaking, individuals who want to transfer shares from an existing DRIP account need to obtain a “stock power” form from a brokerage firm or bank which conducts transfers. Fill out the “stock power” form and include the name, address, and social security number of the individual to whom you are transferring the shares. You must have a “medallion” signature guarantee on the stock power. This guarantee is usually available at a bank or brokerage firm. When you have completed the form and obtained a “medallion” signature guarantee, return it to the company or its transfer agent. The transfer agent will process the form and send certificates and, in most cases, information on enrolling in the DRIP to the party who is receiving the transferred shares. For further information about transferring shares, contact the company’s shareholder services department or its transfer agent.

Q *In a dividend reinvestment plan, who holds the certificates?*

A When you make your initial purchase of stock through a broker in order to enroll in the DRIP, you will likely receive the certificate for those shares. If you do not want to hold the certificates, ask the company if it offers safekeeping services. Many DRIPs provide safekeeping at no cost. If the company offers safekeeping, follow the instructions for submitting the certificates for safekeeping. Shares purchased through the DRIP are held by the company in “book entry” form. Invest-

tors who want to take possession of certificates should notify the company, and the firm will send certificates to you.

Q *Will I pay taxes on my dividends, even though they are being reinvested by the company?*

A Yes. You can’t dodge the tax man in a DRIP. However, the maximum tax rate on dividends, as a result of the new tax law, is 15%.

Q *Can I sell stock through the DRIP?*

A Most dividend reinvestment plans permit investors to sell their shares directly through the plan. DRIP participants who want to sell stock must notify the company, usually in writing. A growing number of companies also provide selling via the telephone. In most cases, the firm will charge a nominal fee to sell the stock. Selling shares through a DRIP may take 5-10 business days for the transaction to be completed and additional days for funds to be remitted. Investors who want to sell shares more quickly should request that the company send their shares in certificate form. When the shares are received, the investors can sell the stock through a broker. This may be more costly but is a quicker way to sell stock and receive the proceeds of the sale.

Q *How do you determine the cost basis of your shares when you sell them?*

A The cost basis on the shares you purchase in DRIPs is the cost of the stock on the date the shares were purchased by the company. This date is reported on the DRIP statements companies send investors following every purchase made in a plan. Because these statements contain a bounty of information, especially concerning the cost basis of shares purchased, it’s important that investors keep these statements and record the information.

One tip that may help to make it easier to figure out your cost basis on shares purchased in a DRIP is the following: When you decide to sell shares in a particular DRIP, sell all of the shares in the plan. If you sell all of your shares, your cost basis is simply the sum of the

money you spent to make your initial purchase, the money invested with optional cash investments, and the amount of dividends that were reinvested. You don't need to use the "specific share" method or the "first-in, first out" method. Simply total up all of the money you sent in optional cash payments as well as the total of dividends reinvested (plus the amount of your initial purchase), and that's your total cost. Deduct that cost from the sale proceeds, and that's your gain or loss.

Q *You've told me all the good things about DRIPs. What are the potential negatives of DRIP investing?*

A One potential negative of the plans is that you lose control over the precise price at which stock is bought and sold. Indeed, you may like the stock price of a company today. But by the time the stock is purchased with your dividends or optional cash payments, the price may be higher. However, it is also possible that the price may be lower. Over the long term, such price fluctuations should not have much impact on a portfolio. Because of this timing issue, dividend reinvestment plans are not suited for traders. Another potential negative is that investing in DRIPs requires record-keeping disciplines. Good records are necessary for tax purposes, especially for determining your cost basis on shares when it comes time to sell stock.

Q *I've heard that only big, New York Stock Exchange companies offer DRIPs. Are there any Nasdaq companies offering DRIPs?*

A While the majority of firms offering DRIPs trade on the New York Stock Exchange, a growing number of Nasdaq issues, including **Intel**, **Dell**, **Microsoft**, and **Paychex**, have implemented DRIPs. Look for more Nasdaq issues to offer DRIPs in the months and years ahead.

Q *I'm interested in including my DRIPs in an Individual Retirement Account. How can I do this?*

A Because of the long-term nature of DRIP investing, dividend reinvestment plans are excellent vehicles for an Individual Retirement Account. Unfortunately, it's difficult to have DRIPs in a self-directed IRA since it's difficult to find a custodian for the account. Traditionally, brokers provide custodial services, but they generally will not provide custodial services for DRIP investments. However, some companies, such as Altria, McDonald's and Exxon Mobil, have taken it upon themselves to offer an IRA option for their DRIP participants.

Q *I see that Charles Schwab, the big discount broker, offers a program whereby the company provides dividend reinvestment services on over 3500 stocks. Is this an attractive way to invest in a DRIP?*

A The dividend reinvestment programs offered by Schwab and other brokers do offer a way to reinvest dividends in hundred of companies. However, there are some downsides to these plans. First, you must have your stock registered in the broker's name to take advantage of its service. Doing this eliminates your participation in company-sponsored DRIP programs. Perhaps the biggest drawback concerns optional cash payments. Under Schwab's and other broker programs, any additional cash investments will incur the broker's commission rates, which means that if you want to invest, say, \$50 per month in a stock, it will cost you the brokerage firm's minimum commission of perhaps \$30 or more per investment. Compare that to the little or no fees charged on optional cash payments in company-sponsored dividend reinvestment plans, and the attraction of brokerage "DRIP" plans diminishes.

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