



**TO:** U.S. Private Clients of Oliver Capital Management, Inc.  
**FROM:** Mark K. Oliver, President – Senior Investment Advisor  
**DATE:** October 22, 2006  
**RE:** **Third Quarter (Q3) 2006 Quarterly Report, including the Strategically Engineered Portfolio Program (SEPP) Performance Report and related materials.**

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**Dear Oliver Capital Management Private Client:**

There are two sections to the following Q3 - 2006 Quarterly Report:

1. The Strategically Engineered Portfolio Program (SEPP) Performance and Statistical Information;
2. The Economy, The Markets and Business in general.

**THE STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)**

Oliver Capital Management's **model Strategically Engineered Portfolio Program (SEPP)** had a very solid **third quarter (Q3 – 2006)**, tallying up a satisfying total gross return of ~3.04%. The average total gross return of the four major market indexes (the S & P 500, the Dow Jones Industrial Average, the NASDAQ Composite and the Russell 3000) for Q3 - 2006 was ~4.65%. The primary reason for the model SEPP's underperformance in Q3 – 2006 is precisely what has enabled it to outperform the major markets benchmarks for the past six years, year in and year out: an overweighting in the mid-cap and small cap sectors, relative to large cap. **The following performance information illustrates this phenomenon quite well.** As I've stated before, we should not expect to outperform every single quarter of every single year, but rather 2 out of 3 quarters, or in yearly terms, 2 out of 3 years, on average.

**The year to date (YTD), 1 year, 3 year and 5 year average annual gross total returns of the model Strategically Engineered Portfolio Program (SEPP) are still handily outperforming the average gross total return of all four major market indexes (i.e., the S & P 500, the Dow Jones Industrial Average, the NASDAQ Composite and the Russell 3000).** Please refer to the performance data contained in the following pages for more detailed performance related information.

Another key, value-added feature of the SEPP strategy is investing 10% of client portfolio assets into the worst-performing market sector for the trailing twelve month period every January, when we re-balance the six core portfolios that make up the SEPP. **As you are very likely aware, the Strategically Selected Contrarian Portfolio for 2006 (bought for Oliver Capital Management clients in January of this year) is the Telecommunications Portfolio**, as it was the worst-performing market sector of the US economy in 2005 (out of 11 total). **For the third straight quarter, I'd like to again point out that our Strategically Selected Contrarian Portfolio (the telecommunications index) is the best performing SEPP portfolio year to date, out of all seven of the SEPP asset classes, with a gross total return of approximately +21.76% through September 30<sup>th</sup>, 2006. That's more than three times the average return of all four major market indexes during the same time period!!!** While there are still three months remaining in 2006, **it is always gratifying to see our**

**contrarian approach working**, no matter which time periods we are comparing. **Please refer to the attached SEPP Performance Report for more detailed performance information.**

I have also enclosed a report listing the TOP 20 HOLDINGS for each of the seven model SEPP portfolios (as of 09/30/2006), so that you may have a better understanding of some of the companies you actually own within the SEPP.

## **THE ECONOMY, THE MARKETS AND BUSINESS IN GENERAL**

**The FED's streak has been broken!** I am referring to the seventeen consecutive quarter point (0.25%) interest rate increases at each of the last seventeen FOMC meetings prior to Q3 - 2006. **At both the August 8<sup>th</sup> and September 20<sup>th</sup> Fed meetings, the Fed voted to hold interest rates steady at 5.25%**, hopeful that an "economic soft-landing" will play out over the coming months (as opposed to a "hard-landing"). In other words, the Fed is not panicking about inflation at this time and is taking a "wait and see" approach with respect to interest rates and the economy.

Much of the motivation behind the decision to hold interest rates at their current level stems from a perceived "moderation in economic growth" (i.e., less inflationary concern), possibly reflecting a cooling of the housing market and moderately falling energy prices (oil and natural gas prices, in particular).

The end of the year is fast approaching. I am looking forward to compiling your **2006 Year End Report**, in addition to rebalancing the six core SEPP portfolios back to their original benchmark weightings, which will occur in January of 2007. Moreover, it is always an exciting time of year as we get to "find out" what the Strategically Selected Contrarian Portfolio will be in 2007 (depending upon which market sector ends up as the worst performing sector in 2006).

In the meantime, please do not hesitate to call or e-mail me if you have any thoughts or questions about the information contained in this report, or about any other aspect of your investment portfolios and financial goals.

Very truly yours,



**Mark K. Oliver**  
**President – Senior Investment Advisor**



## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP) THIRD QUARTER PERFORMANCE REPORT AS OF SEPTEMBER 30, 2006

Model SEPP Portfolio Component	Weight	Third Quarter 2006 Gross Total Return as of 9/30/2006	Year to Date Gross Total Return as of 9/30/2006	One Year Average Annual Gross Return as of 9/30/2006	Three Year Average Annual Gross Return as of 9/30/2006	Five Year Average Annual Gross Return as of 9/30/2006
Large Cap Portfolio	10.00%	5.63%	8.45%	10.67%	12.20%	6.88%
Mid-Cap Portfolio	20.00%	-1.12%	3.03%	6.42%	15.09%	12.92%
Small-Cap Portfolio	20.00%	-0.92%	6.60%	6.96%	17.22%	14.87%
International Portfolio	10.00%	3.86%	14.33%	18.96%	22.03%	14.12%
Aggregate Bond Portfolio	10.00%	3.73%	2.87%	3.36%	3.10%	4.81%
Select Dividend Portfolio	20.00%	6.25%	11.14%	10.28%	16.51%	12.96%
Strategically Selected Sector Portfolio*	10.00%	8.80%	21.76%	25.54%	18.98%	4.71%
<b>Oliver Capital Management Model SEPP Portfolio</b>		<b>3.04%</b>	<b>8.90%</b>	<b>10.59%</b>	<b>15.40%</b>	<b>11.20%</b>

Index / Benchmark	Symbol	Weight	Third Quarter 2006 Gross Total Return as of 9/30/2006	Year to Date Gross Total Return as of 9/30/2006	One Year Average Annual Gross Return as of 9/30/2006	Three Year Average Annual Gross Return as of 9/30/2006	Five Year Average Annual Gross Return as of 9/30/2006
S&P 500	SPX	100.00%	5.60%	8.32%	10.51%	12.02%	6.69%
Dow Jones Industrial Average	DJIA	100.00%	4.53%	10.65%	12.86%	10.15%	7.79%
NASDAQ	NASDAQ	100.00%	3.90%	2.20%	4.68%	7.84%	8.27%
Russell 3000	RUA	100.00%	4.57%	7.81%	9.94%	12.72%	7.80%
<b>Average of all Four (4) Major Market Indexes</b>			<b>4.65%</b>	<b>7.25%</b>	<b>9.50%</b>	<b>10.68%</b>	<b>7.64%</b>

\* In 2001 through 2005, the Strategically Selected Sector Portfolios were telecommunications, technology, technology, telecommunications and then technology again, respectively. In 2006, the Strategically Selected Sector Portfolio is telecommunications.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. The results and conclusions made herein are not intended to recommend any specific investment or type of investment, and should not be construed as such. The performance numbers contained herein are that of the Model SEPP as of the printing of this report and do not necessarily reflect that of any OCM client portfolio. All performance data above, for both the Model SEPP and Indexes, have been adjusted for ETF expense ratios and are based on Gross Total Return which includes capital appreciation and assumes all dividends and interest are reinvested. One cannot invest directly in an index. Market returns are based upon the midpoint of the bid/ask spread at 4:00 PM Eastern time (when NAV is normally determined for most iShares), and do not represent the returns one would receive if shares were traded at other times.

Before making any investment, all aspects associated with it, including, but not limited to, applicable fees, charges, expenses and tax implications, should be considered. The information and results contained herein are based upon data obtained from sources we believe to be reliable (including, but not limited to, Ibbotson Associates, Barclays Global Investors, SEI); however, Oliver Capital Management, Inc., and/or its affiliates, do not guarantee the completeness or accuracy thereof. **All SEPP and Index performance returns above do not reflect all management fees, transaction costs and/or expenses.**

## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

### Performance Summary (Years 2000 through September 30, 2006)

Oliver Capital Management	2000 Total Return	2001 Total Return	2002 Total Return	2003 Total Return	2004 Total Return	2005 Total Return	2006 Total Return	Trailing 3 Year Avg. Annual Return*	Trailing 5 Year Avg. Annual Return*
<b>Model SEPP Portfolio</b>	<b>15.28%</b>	<b>0.01%</b>	<b>-13.23%</b>	<b>33.15%</b>	<b>16.87%</b>	<b>7.23%</b>	<b>8.90%</b>	<b>15.40%</b>	<b>11.20%</b>
Index	2000 Total Return	2001 Total Return	2002 Total Return	2003 Total Return	2004 Total Return	2005 Total Return	2006 Total Return	Trailing 3 Year Avg. Annual Return*	Trailing 5 Year Avg. Annual Return*
S&P 500	-13.38%	-14.88%	-23.37%	26.38%	8.97%	4.91%	8.32%	12.02%	6.69%
Dow Jones Industrial Avg.	4.71%	-5.43%	-15.01%	28.26%	5.29%	1.37%	10.65%	10.15%	7.79%
Nasdaq	-39.21%	-21.05%	-31.53%	50.01%	8.56%	1.37%	2.20%	7.84%	8.27%
Russell 3000	-7.44%	-11.46%	-21.55%	31.04%	11.91%	6.13%	7.81%	12.72%	7.80%
<b>Average of All Indexes</b>	<b>-12.76%</b>	<b>-12.46%</b>	<b>-22.55%</b>	<b>34.50%</b>	<b>9.16%</b>	<b>3.53%</b>	<b>7.25%</b>	<b>10.68%</b>	<b>7.64%</b>

\* As of September 30, 2006

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## STRATEGICALLY ENGINEERED PORTFOLIO PROGRAM (SEPP)

### Performance Detail Showing Gross Total Return of \$1,000,000 Invested in Model SEPP (Years 2000 through September 30, 2006)

Oliver Capital Management Model SEPP Portfolio	Weight (%)	Amount (\$)	2000	2000	2001	2001	2002	2002	2003	2003	2004	2004	2005	2005	2006	2006
			Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars
Large Cap Portfolio	10%	100,000	-9.10%	90,900	-11.89%	80,092	-22.10%	62,392	28.68%	80,286	10.88%	89,021	4.91%	93,392	8.45%	101,283
Mid-Cap Portfolio	20%	200,000	17.51%	235,020	-0.60%	233,610	-14.52%	199,690	35.62%	270,819	16.48%	315,450	12.56%	355,071	3.03%	365,829
Small-Cap Portfolio	20%	200,000	11.80%	223,600	6.54%	238,223	-14.62%	203,395	38.78%	282,272	22.65%	346,206	7.68%	372,795	6.60%	397,400
International Portfolio	10%	100,000	-14.17%	85,830	-21.72%	67,188	-15.64%	56,680	38.59%	78,552	20.25%	94,459	13.54%	107,249	14.33%	122,618
Aggregate Bond Portfolio	10%	100,000	11.63%	111,630	8.44%	121,052	10.25%	133,459	4.10%	138,931	4.34%	144,961	2.43%	148,483	2.87%	152,745
Select Dividend Portfolio	20%	200,000	24.86%	249,720	13.09%	282,408	-3.94%	271,281	30.16%	353,100	18.14%	417,152	3.79%	432,962	11.14%	481,194
Strategically Selected Portfolio*	10%	100,000	56.08%	156,080	-12.77%	136,149	-38.66%	83,514	51.05%	126,147	18.70%	149,737	3.31%	154,693	21.76%	188,354
<b>Model SEPP Totals</b>		<b>\$ 1,000,000</b>	<b>15.28%</b>	<b>1,152,780</b>	<b>0.01%</b>	<b>1,158,722</b>	<b>-13.23%</b>	<b>1,010,410</b>	<b>33.15%</b>	<b>1,330,107</b>	<b>16.87%</b>	<b>1,556,986</b>	<b>7.23%</b>	<b>\$ 1,664,645</b>	<b>8.90%</b>	<b>\$ 1,809,423</b>

  

Index	Weight (%)	Amount (\$)	2000	2000	2001	2001	2002	2002	2003	2003	2004	2004	2005	2005	2006	2006
			Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars	Total Return	Dollars
S & P 500	25%	250,000	-9.10%	227,250	-11.89%	200,230	-22.10%	155,979	28.68%	200,714	10.88%	222,552	4.91%	233,479	8.32%	252,904
Dow Jones Industrial Avg.	25%	250,000	4.71%	261,775	-5.43%	247,561	-15.01%	210,402	28.26%	269,861	5.29%	284,137	1.72%	289,024	10.65%	319,805
NASDAQ	25%	250,000	-39.21%	151,975	-21.05%	119,984	-31.53%	82,153	50.01%	123,238	8.56%	133,787	1.37%	135,620	2.20%	138,604
Russell 3000	25%	250,000	-7.44%	231,400	-11.46%	204,882	-21.55%	160,730	31.04%	210,620	11.91%	235,705	6.13%	250,154	7.81%	269,691
<b>Average of All Indexes</b>		<b>\$ 1,000,000</b>	<b>-12.76%</b>	<b>872,400</b>	<b>-12.46%</b>	<b>763,721</b>	<b>-22.55%</b>	<b>609,264</b>	<b>34.50%</b>	<b>804,433</b>	<b>9.16%</b>	<b>876,181</b>	<b>3.53%</b>	<b>\$ 908,277</b>	<b>7.25%</b>	<b>\$ 981,004</b>

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**2006 Strategically Engineered Portfolio Program (SEPP)  
Top Twenty Holdings Report**

**LARGE CAP PORTFOLIO  
TOP 20 HOLDINGS AS OF 9/30/2006**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 EXXON MOBIL CORP.	XOM	NYSE
2 GENERAL ELECTRIC CO.	GE	NYSE
3 CITIGROUP INC.	C	NYSE
4 BANK OF AMERICA CORP.	BAC	NYSE
5 MICROSOFT CORP.	MSFT	NASDAQ
6 PFIZER INC.	PFE	NYSE
7 PROCTER GAMBLE CO.	PG	NYSE
8 JOHNSON JOHNSON	JNJ	NYSE
9 AMERICAN INTL GROUP	AIG	NYSE
10 JPMORGAN CHASE CO.	JPM	NYSE
11 ALTRIA GROUP INC.	MO	NYSE
12 CHEVRON CORP.	CVX	NYSE
13 CISCO SYSTEMS INC.	CSCO	NASDAQ
14 AT&T INC.	T	NYSE
15 INTL BUSINESS MACHINES	IBM	NYSE
16 WELLS FARGO	WFC	NYSE
17 WAL-MART STORES INC.	WMT	NYSE
18 INTEL CORP.	INTC	NASDAQ
19 VERIZON COMMUNICATIONS	VZ	NYSE
20 PEPSICO INC.	PEP	NYSE

**MID CAP PORTFOLIO  
TOP 20 HOLDINGS AS OF 9/30/2006**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 COGNIZANT TECHNOLOGY	CTSH	NASDAQ
2 PEABODY ENERGY CORP.	BTU	NYSE
3 EXPEDITORS INTERNATIONAL	EXPD	NASDAQ
4 PRECISION CASTPARTS CORP.	PCP	NYSE
5 NOBLE ENERGY INC.	NBL	NYSE
6 CH ROBINSON WORLDWIDE	CHRW	NASDAQ
7 SMITH INTERNATIONAL INC.	SII	NYSE
8 FIDELITY NATIONAL FINANCIAL	FNF	NYSE
9 MICROCHIP TECHNOLOGY INC.	MCHP	NASDAQ
10 VARIAN MEDICAL SYSTEMS	VAR	NYSE
11 QUESTAR CORP.	STR	NYSE
12 ENSCO INTERNATIONAL INC.	ESV	NYSE
13 LAM RESEARCH CORP.	LRCX	NASDAQ
14 EVEREST RE GROUP LTD.	RE	NYSE
15 MEMC ELECTRONIC MAT	WFR	NYSE
16 ABERCROMBIE FITCH	ANF	NYSE
17 DEVELOPERS DIV REALTY	DDR	NYSE
18 HARRIS CORP.	HRS	NYSE
19 WR BERKLEY CORP.	BER	NYSE
20 AMERICAN EAGLE OUTFITTERS	AEOS	NASDAQ

**S&P SMALL CAP PORTFOLIO  
TOP 20 HOLDINGS AS OF 9/30/2006**

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 HELIX ENERGY SOLUTIONS	HLX	NYSE
2 RESMED INC.	RMD	NYSE
3 ENERGEN CORP.	EGN	NYSE
4 GLOBAL PAYMENTS INC.	GPN	NYSE
5 FRONTIER OIL CORP.	FTO	NYSE
6 CERNER CORP.	CERN	NASDAQ
7 CIMAREX ENERGY CO.	XEC	NYSE
8 IDEXX LABORATORIES INC.	IDXX	NASDAQ
9 ESSEX PROPERTY TRUST	ESS	NYSE
10 RESPIRONICS INC.	RESP	NASDAQ
11 CARPENTER TECHNOLOGY	CRS	NYSE
12 MANITOWOC CO.	MTW	NYSE
13 SOUTHERN UNION CO.	SUG	NYSE
14 NVR INC.	NVR	AMEX
15 UGI CORP.	UGI	NYSE
16 TRIMBLE NAVIGATION LTD.	TRMB	NASDAQ
17 LANDSTAR SYSTEM INC.	LSTR	NASDAQ
18 KILROY REALTY CORP	KRC	NYSE
19 MAVERICK TUBE CORP.	MVK	NYSE
20 EAST-WEST BANCORP INC.	EWBC	NASDAQ

**INTERNATIONAL PORTFOLIO  
TOP 20 HOLDINGS AS OF 9/30/2006**

<u>Name</u>	<u>Ticker</u>
1 BP PLC	BP
2 HSBC HOLDINGS PLC	HSBA
3 GLAXOSMITHKLINE PLC	GSK
4 TOYOTA MOTOR CORP.	TM
5 TOTAL SA	FP
6 NESTLE SA	NESN
7 ROYAL DUTCH SHELL	RDSA
8 NOVARTIS AG	NOVN
9 ROCHE HOLDING AG	ROG
10 MITSUBISHI UFJ FINANCIAL GROUP	MTSBF
11 UBS AG	UBSN
12 VODAFONE GROUP PLC	VOD
13 ROYAL BANK OF SCOTLAND	RBS
14 ASTRAZENECA PLC	AZN
15 ROYAL DUTCH SHELL	RDSB
16 SANOFI-AVENTIS	SAN
17 BANCO SANTANDER CENTRAL	SAN
18 BNP PARIBAS	BNP
19 NOKIA OYJ	NOK
20 ENI SPA	ENI



**2006 Strategically Engineered Portfolio Program (SEPP)  
Top Twenty Holdings Report**

**AGGREGATE BOND PORTFOLIO**  
TOP 20 HOLDINGS AS OF 9/30/2006

<u>Name</u>	<u>Credit Rating (S&amp;P)</u>
1 FNMA TBA 30YR	AAA
2 UNITED STATES TREAS	TSY
3 FNMA TBA 30YR	AAA
4 FHLMC GOLD TBA 30 YR	AAA
5 UNITED STATES TREAS	TSY
6 UNITED STATES TREAS	TSY
7 FEDERAL HOME LN MTG	TSY
8 UNITED STATES TREAS	TSY
9 FNMA TBA 30YR	AAA
10 FHLMC GOLD TBA 30 YR	AAA
11 UNITED STATES TREAS	TSY
12 FEDERAL NATL MTG ASS	TSY
13 FNMA TBA 15YR	AAA
14 UNITED STATES TREAS	TSY
15 FEDERAL HOME LN MTG	TSY
16 FHLMC GOLD TBA 30 YR	AAA
17 UNITED STATES TREAS	TSY
18 FHLMC GOLD TBA 15YR	AAA
19 FEDERAL NATL MTG ASS	TSY
20 FHLMC GOLD TBA 15YR	AAA

**SELECT DIVIDEND PORTFOLIO**  
TOP 20 HOLDINGS AS OF 9/30/2006

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 ALTRIA GROUP INC.	MO	NYSE
2 BANK OF AMERICA CORP.	BAC	NYSE
3 PNC FINANCIAL SERVICES	PNC	NYSE
4 PINNACLE WEST CAPITAL	PNW	NYSE
5 MERCK & CO.	MRK	NYSE
6 FIRSTENERGY CORP.	FE	NYSE
7 DTE ENERGY CO.	DTE	NYSE
8 FPL GROUP INC.	FPL	NYSE
9 KINDER MORGAN INC.	KMI	NYSE
10 AT&T INC.	T	NYSE
11 COMERICA INC.	CMA	NYSE
12 KEYCORP	KEY	NYSE
13 LINCOLN NATIONAL CORP.	LNC	NYSE
14 UNITRIN INC.	UTR	NYSE
15 GENERAL MOTORS CORP.	GM	NYSE
16 NATIONAL CITY CORP.	NCC	NYSE
17 BELLSOUTH CORP.	BLS	NYSE
18 BRISTOL-MYERS SQUIBB	BMJ	NYSE
19 AMSOUTH BANCORP	ASO	NYSE
20 PPG INDUSTRIES INC.	PPG	NYSE

**US TELECOMMUNICATIONS SECTOR PORTFOLIO**  
TOP 20 HOLDINGS AS OF 9/30/2006

<u>Name</u>	<u>Ticker</u>	<u>Market</u>
1 AT&T INC.	T	NYSE
2 VERIZON COMMUNICATIONS INC.	VZ	NYSE
3 SPRINT NEXTEL CORP.	S	NYSE
4 BELLSOUTH CORP.	BLS	NYSE
5 ALLTEL CORP.	AT	NYSE
6 NII HOLDINGS INC.-CLASS B	NIHD	NASDAQ
7 QWEST COMMUNICATIONS	Q	NYSE
8 CENTURYTEL INC.	CTL	NYSE
9 BCE INC.	BCE	NYSE
10 CITIZENS COMMUNICATIONS CO.	CZN	NYSE
11 EMBARQ CORP.	EQ	NYSE
12 US CELLULAR CORP.	USM	AMEX
13 LEUCADIA NATIONAL CORP.	LUK	NYSE
14 NTL INC.	NTLI	NASDAQ
15 TELEPHONE DATA SYSTEMS	TDS	AMEX
16 TELEPHONE DATA SYSTEMS (B)	TDS/S	AMEX
17 AMERICAN TOWER CORP.	AMT	NYSE
18 LEVEL 3 COMMUNICATIONS	LVL3	NASDAQ
19 WINDSTREAM CORP.	WIN	NYSE
20 CINCINNATI BELL INC.	CBB	NYSE