DEPARTMENT OF THE TREASURY
John E. McCormac, CPA
State Treasurer

DIVISION OF PENSIONS AND BENEFITS
Frederick J. Beaver
Director

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST
COUNCIL
as of June 30, 2003

JOHN E. MCCORMAC
State Treasurer, Chairperson

HOLLY BAKKE
Commissioner
Department of Banking and Insurance

CHARLENE HOLZBAUR
Director & State Comptroller
Office of Management & Budget, Department of the Treasury

FREDERICK J. BEAVER
Secretary

TO THE HONORABLE
JAMES E. MCGREEVEY
GOVERNOR of the STATE OF NEW JERSEY

Dear Governor McGreevey:

The Council for the
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST
is pleased to present the Fiscal Year 2003 Annual Report in accordance with the provisions of N.J.S.A. 52:18A-111.

Respectfully submitted,

FREDERICK J. BEAVER
Secretary
There were no significant changes in legislation governing the Supplementary Annuity Collective Trust of New Jersey during fiscal year 2003.

**SIGNIFICANT LEGISLATION**

**MEMBERSHIP**

- As of June 30, 2003, the active contributing membership of the Trust totaled 4,537.
- The unit value was $47.9323, a decrease of $2.5881 from the June 30, 2002 value of $50.5204.
- There were 670 annuitants.
- The Trust’s assets totaled $131,858,026 at the close of the fiscal year 2003.
Independent Auditors' Report

The Council
Supplemental Annuity Collective
Trust of New Jersey:

We have audited the accompanying statements of fiduciary net assets of the State of New Jersey Supplemental Annuity Collective Trust (the Trust) as of June 30, 2003 and 2002, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Supplemental Annuity Collective Trust of New Jersey as of June 30, 2003 and 2002, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedule A is presented for purposes of additional analysis and is not a required part of the Trust. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

September 19, 2003
Our discussion and analysis of the Supplemental Annuity Collective Trust (the Trust)'s financial performance provides an overview of the Trust's financial activities for the fiscal year ended June 30, 2003 and 2002. Please read it in conjunction with the basic financial statements and financial statement footnotes that follow this discussion.

FINANCIAL HIGHLIGHTS

2003 - 2002
- Fiduciary net assets decreased by $12,047,481 as a result of this year's operations from $140,814,402 to $128,766,921.
- Additions for the year were $5,810,738, which are comprised of member contributions of $7,803,771 and investment losses of $(1,993,033). Revenues are higher compared to the prior year due to an improvement in the fair market value of the Trust’s investments although the fair value of investments overall are still lower than a year earlier. The increase is attributable to an overall improvement in the equity markets.
- Deductions for the year were $17,858,219, which are comprised entirely of benefit payments.
- As of June 30, 2000, the date of the most recent actuarial valuation, there was a surplus of $1,069,350 in the Variable Benefit Account to which annuity payments are charged. The surplus represents the overfunded amount of the Variable Benefit Account in comparison to the present value of benefits payable. The Variable Benefit Account has since been placed in balance through a redistribution of the Trust’s assets.

2002 - 2001
- Fiduciary net assets decreased by $44,359,037 as a result of the year's operations from $185,173,439 to $140,814,402.
- Additions for the year were $(26,472,478), which are comprised of member contributions of $8,413,708 and investment losses of $(34,886,186). Revenues were down compared to the prior year due to an additional decrease in the fair market value of the Trust’s investments. The decrease is attributable to an overall decline in the equity markets.
- Deductions for the year were $17,886,559, which are comprised entirely of benefit payments.
- As of June 30, 2000, the date of the most recent actuarial valuation, there was a surplus of $1,069,350 in the Variable Benefit Account to which annuity payments are charged.

THE STATEMENTS OF FIDUCIARY NET ASSETS AND THE STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

This annual report consists of two financial statements: The Statements of Fiduciary Net Assets and The Statements of Changes in Fiduciary Net Assets. These financial statements report information about the Trust and about its activities to help you assess whether the Trust, as a whole, has improved or declined as a result of the year's activities. The financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned, and expenses are recorded in the year they are incurred, regardless of when cash is received or paid.

The Statements of Fiduciary Net Assets show the balances in all of the assets and liabilities of the Trust at the end of the fiscal year. The difference between assets and liabilities represents the Trust's fiduciary net assets. Over time, increases or decreases in the Trust's fiduciary net assets provide one indication of
whether the financial health of the Trust is improving or declining. The Statements of Changes in Fiduciary Net Assets show the results of financial operations for the year. The statements provide an explanation for the change in the Trust's fiduciary net assets since the prior year. These two financial statements should be reviewed along with the information contained in the financial statement footnotes, including the required supplementary schedules, to determine whether the Trust is becoming financially stronger or weaker.

FINANCIAL ANALYSIS

STATEMENTS OF FIDUCIARY NET ASSETS

2003 - 2002
Total assets decreased by $10,100,635 or 7.1% from $141,958,661 to $131,858,026 between fiscal years 2002 and 2003 primarily due to a decrease in fair value of equities.

Total liabilities increased by $1,946,846 or 170.1% from $1,144,259 to $3,091,105 mainly due to securities purchased in transit.

Net assets decreased by $12,047,481 or 8.6% from $140,814,402 to $128,766,921.

2002 - 2001
Total assets decreased by $43,954,771 or 23.6% from $185,913,432 to $141,958,661 between fiscal years 2001 and 2002 primarily due to a decrease in investment earnings and poor investment performance.

Total liabilities increased by $404,266 or 54.6% from $739,993 to $1,144,259 mainly due to cash overdraft.

Net assets decreased by $44,359,037 or 24.0% from $185,173,439 to $140,814,402.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

2003 - 2002

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Contributions</td>
<td>$7,803,771</td>
<td>$8,413,708</td>
<td>($609,937)</td>
</tr>
<tr>
<td>Investment &amp; Other</td>
<td>(1,993,033)</td>
<td>(34,886,186)</td>
<td>32,893,153</td>
</tr>
<tr>
<td>Totals</td>
<td>$5,810,738</td>
<td>($26,472,478)</td>
<td>$32,283,216</td>
</tr>
</tbody>
</table>

Additions primarily consist of member contributions and earnings from investment activities. Total revenues increased by 122.0% between fiscal year 2002 and 2003 from ($26,472,478) to $5,810,738 primarily because of improved investment performance.

For the third consecutive year, there has been a negative investment return due to market conditions. However, that loss was significantly smaller in 2003 when compared to 2002. During fiscal year 2003, the overall investment return for the Trust was a negative 1.0%. The investment return was a negative 19.1% in the prior year.

2002 - 2001

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Contributions</td>
<td>$8,413,708</td>
<td>$7,735,592</td>
<td>$678,116</td>
</tr>
<tr>
<td>Investment &amp; Other</td>
<td>(34,886,186)</td>
<td>(18,240,659)</td>
<td>(16,645,527)</td>
</tr>
<tr>
<td>Totals</td>
<td>($26,472,478)</td>
<td>($10,505,067)</td>
<td>($15,967,411)</td>
</tr>
</tbody>
</table>
Total revenues decreased by 152.0% between fiscal year 2001 and 2002 from ($10,505,067) to ($26,472,478) primarily because of a decrease in investment earnings and poor investment performance.

During fiscal year 2002, the overall investment return for the Trust was a negative 19.1%. The investment return was a negative 8.7% in the prior year.

**DEDUCTIONS FROM FIDUCIARY NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>$17,858,219</td>
<td>$17,886,559</td>
<td>$(28,340)</td>
</tr>
</tbody>
</table>

Deductions consist entirely of retirement and other benefit payments made during the year. Total expenses slightly decreased by 0.2% between fiscal year 2002 and 2003 from $17,886,559 to $17,858,219 due to decrease in unit value.

**2002 – 2001**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>$17,886,559</td>
<td>$22,861,679</td>
<td>$(4,975,120)</td>
</tr>
</tbody>
</table>

Total expenses decreased by 21.8% between fiscal year 2001 and 2002 from $22,861,679 to $17,886,559. The decrease in expenses is mainly due to a decrease in investment earnings and poor investment performance and the proportional decline in participant accumulated account values upon the payment of benefits.

**RETIREMENT SYSTEM AS A WHOLE**

Members are 100% vested in the present value of their contributions and the Trust has assets sufficient to meet its benefit obligations.

**CONTACTING SYSTEM FINANCIAL MANAGEMENT**

The financial report is designed to provide our members, beneficiaries, investors and other interested parties with a general overview of the Trust’s finances and to show the Trust’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.
## STATE OF NEW JERSEY  
**SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

**Statements of Fiduciary Net Assets**

**June 30, 2003 and 2002**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments, at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Management Fund</td>
<td>7,191,603</td>
<td>2,517,369</td>
</tr>
<tr>
<td>Common stocks</td>
<td>121,534,925</td>
<td>138,280,317</td>
</tr>
<tr>
<td>Total investments</td>
<td>128,726,528</td>
<td>140,797,686</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued dividends</td>
<td>160,382</td>
<td>169,757</td>
</tr>
<tr>
<td>Participant contributions</td>
<td>483,956</td>
<td>484,252</td>
</tr>
<tr>
<td>Other</td>
<td>2,487,160</td>
<td>506,966</td>
</tr>
<tr>
<td>Total assets</td>
<td>131,858,026</td>
<td>141,958,661</td>
</tr>
</tbody>
</table>

| Liabilities:                 |               |               |
| Accounts payable and accrued expenses | 1,996,486 | 196,418 |
| Cash overdraft               | 179,451       | 457,860       |
| Withholdings payable        | 28,032        | 39,956        |
| Benefits payable            | 755,424       | 318,312       |
| Unclaimed accounts          | 131,712       | 131,713       |
| Total liabilities            | 3,091,105     | 1,144,259     |

| Net Assets:                  | $128,766,921  | $140,814,402  |
| Held in trust for pension benefits |             |               |

See accompanying notes to financial statements.
## STATE OF NEW JERSEY
### SUPPLEMENTAL ANNUITY COLLECTIVE TRUST

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2003 and 2002

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>$ 7,803,771</td>
<td>8,413,708</td>
</tr>
<tr>
<td>Investment income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (depreciation) in fair value of investments</td>
<td>(4,376,793)</td>
<td>(37,313,819)</td>
</tr>
<tr>
<td>Interest</td>
<td>63,473</td>
<td>112,138</td>
</tr>
<tr>
<td>Dividends</td>
<td>2,320,287</td>
<td>2,315,495</td>
</tr>
<tr>
<td><strong>Total additions</strong></td>
<td>5,810,738</td>
<td>(26,472,478)</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>17,858,219</td>
<td>17,886,559</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(12,047,481)</td>
<td>(44,359,037)</td>
</tr>
<tr>
<td><strong>Net assets - Beginning of year</strong></td>
<td>140,814,402</td>
<td>185,173,439</td>
</tr>
<tr>
<td><strong>Net assets - End of year</strong></td>
<td>$ 128,766,921</td>
<td>140,814,402</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
STATE OF NEW JERSEY
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST
Notes to Financial Statements
June 30, 2003 and 2002

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The financial statements of the Supplemental Annuity Collective Trust of New Jersey (the Trust) are prepared using the accrual basis of accounting and conform to the provisions of Government Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans".

Investment valuation
Investments, including short-term investments (State of New Jersey Cash Management Fund) are reported at fair value. Common stocks and State of New Jersey Cash Management Fund Units are stated at fair values. Investments in common stock traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Other listed securities for which no sale was reported on that date are stated at the last quoted bid price.

State of New Jersey Cash Management Fund units are stated at a cost of $1 per unit, which approximates quoted market value. Investment income is recognized when earned and is distributed daily on the basis of units of ownership.

Investment transactions and related investment income
Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are determined using the average cost method and recognized as investment income when they occur. Interest and dividend income is recorded on the accrual basis with dividends accruing on the ex-dividend date. Net appreciation (depreciation) in fair value of investments is the change in market value of the investments.

Administrative expenses
All expenses incurred in administering the Trust are borne by the State of New Jersey.

Unit valuation
Participants' net asset value per unit is determined on a monthly basis. Net asset value per unit is computed on the total value at the end of the month of the Trust's net assets divided by the total outstanding units of the Trust.

(2) DESCRIPTION OF THE TRUST

The following description of the Trust provides only general information. Participants should refer to the Trust's pamphlet, "Supplemental Annuities and Tax Sheltered Annuities for New Jersey Public Employees," for a more complete description of the Trust's provisions.

Organization
The Trust, a single-employer defined contribution plan, was established by Chapter 123, P.L. 1963 and amended by Chapter 90, P.L. 1965 and is available to active members of several state-administered retirement systems to provide specific benefits to supplement the guaranteed benefits that are provided by their basic retirement systems. Membership totaled 5,207 and 5,121 as of June 30, 2003, and 2002, respectively. Of that total, members receiving a monthly annuity benefit from the Trust were 670 and 697 as of June 30, 2003 and 2002, respectively. The Trust is administered by the State of New Jersey Division of Pensions and Benefits. The Trust is included along with other
state-administered pension trust and agency funds in the financial statements of the State of New Jersey. There are two active plans within the Supplemental Annuity System; the Regular Supplemental Annuity Plan that applies to all eligible employees and does not reduce the participant's taxable compensation, and the Tax Sheltered Supplemental Annuity Plan that pertains to eligible employees of public education institutions and reduces the participant's taxable income.

Benefits

Upon retirement, a participant is paid a single cash payment or may elect various forms of monthly annuities or reduced annuity payments with a beneficiary provision based on the value of the participant's account in the month of retirement. Upon the death of a participant, the designated beneficiary may elect to receive a lump sum equal to the account value or an annuity under any of the settlement options which a retiree could elect under the Trust. Upon termination of employment and withdrawal from the basic retirement systems, a participant must also withdraw his account under the Trust as a lump-sum settlement.

Contributions

Participants contribute through payroll deductions and may contribute from 1% to 10% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

Actuarial valuation

The act governing the Trust provides for an actuarial review of the Trust at least once in every three-year period. As of June 30, 2000, the date of the most recent actuarial valuation, there was a surplus of $1,069,350 in the Variable Benefit Account to which annuity payments are charged. The surplus represents the overfunded amount of the Variable Benefit Account in comparison to the present value of benefits payable. The 1983 Individual Annuity Tables projected to 1993 were used in valuing the present value of benefits payable for service annuitants and dependent beneficiaries.

Significant assumptions underlying the actuarial computation include: (a) assumed rate of return on investments of 4%; (b) assets valued at market; and (c) mortality, vesting, retirement age, and retirement estimates based on tables furnished by the actuary.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

(3) CASH AND CASH EQUIVALENTS

The Governmental Accounting Standards Board Statement 3 requires the bank balances of deposits to be categorized to indicate the level of risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name. Category 3 consists of deposits which are uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all state bank accounts as a whole, substantially all cash balances maintained in financial institutions as of June 30, 2003 are designated category 3.
(4) INVESTMENTS

The investment responsibility of the Trust is assigned to the State Investment Council (the Council) through the State of New Jersey, Department of the Treasury, Division of Investment (the Division) which issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290. All investments under the supervision of the Council must conform to standards of prudence set by State of New Jersey law, which mandate that the Division make investments in which fiduciaries of trust estates may legally invest.

The purchases, sales, receipts of income, and other transactions affecting investments are governed by custodial agreements between the Trust through the State Treasurer and custodian banks as agents for the Trust. State of New Jersey laws and policies set forth the requirements of the agreements and other particulars as to the size of the custodial institution, amount of the portfolio to be covered by the agreements and other pertinent matters.

Government Accounting Standards Board Statement No. 3 requires disclosure of the level of risk assumed by the Trust as of June 30, 2003, and 2002. Category 1 includes investments that are insured or registered or for which the securities are held by the Trust or its agent in the Trust's name. As of June 30, 2003, and 2002, all investments held by the Trust (other than State of New Jersey Cash Management Funds, which are not categorized) are classified as Category 1.

The Trust's portfolio of corporate equity and debt securities is maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the Trust. The custodian banks as agents for the state funds maintain internal accounting records identifying the securities maintained by the DTC as securities owned by the Trust.

Securities not maintained by the DTC are held in the name of a designated nominee representing the securities of the Trust that establishes the Trust's unconditional right to the securities.

(5) INCOME TAX STATUS

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the Trust is a qualified plan as described in Section 401(a) of the Internal Revenue Code. The Trust operates within the terms of the Trust and remains eligible under the applicable provisions of the Internal Revenue Code.
**STATE OF NEW JERSEY**
**SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Portfolio of Investment Securities

June 30, 2003

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Shares or Units</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott Laboratories</td>
<td>30,000</td>
<td>$420,750</td>
<td>$1,312,800</td>
</tr>
<tr>
<td>Advanced Micro Devices, Inc.</td>
<td>30,000</td>
<td>287,417</td>
<td>192,300</td>
</tr>
<tr>
<td>Agilent Technologies Inc.</td>
<td>14,111</td>
<td>159,275</td>
<td>275,870</td>
</tr>
<tr>
<td>Albertson's, Inc.</td>
<td>10,000</td>
<td>206,606</td>
<td>192,000</td>
</tr>
<tr>
<td>Alcoa Inc.</td>
<td>20,000</td>
<td>702,900</td>
<td>510,000</td>
</tr>
<tr>
<td>Alliant Techsystems Inc.</td>
<td>7,500</td>
<td>409,552</td>
<td>389,325</td>
</tr>
<tr>
<td>Altria Group Inc.</td>
<td>35,000</td>
<td>940,667</td>
<td>1,590,400</td>
</tr>
<tr>
<td>American Axle &amp; Manufacturing</td>
<td>13,000</td>
<td>316,755</td>
<td>310,700</td>
</tr>
<tr>
<td>American International Group, Inc.</td>
<td>50,696</td>
<td>491,489</td>
<td>2,797,405</td>
</tr>
<tr>
<td>American Power Conversion Corp.</td>
<td>5,000</td>
<td>49,138</td>
<td>78,050</td>
</tr>
<tr>
<td>Anadarko Petroleum Corp.</td>
<td>17,000</td>
<td>486,475</td>
<td>755,990</td>
</tr>
<tr>
<td>Analog Devices, Inc.</td>
<td>10,000</td>
<td>746,813</td>
<td>348,200</td>
</tr>
<tr>
<td>AOL Time Warner Inc.</td>
<td>165,000</td>
<td>2,321,751</td>
<td>2,654,850</td>
</tr>
<tr>
<td>Archer-Daniels-Midland Co.</td>
<td>53,603</td>
<td>610,852</td>
<td>689,871</td>
</tr>
<tr>
<td>AT&amp;T Corp.</td>
<td>6,290</td>
<td>193,419</td>
<td>121,083</td>
</tr>
<tr>
<td>AT&amp;T Wireless Services, Inc.</td>
<td>77,112</td>
<td>1,668,139</td>
<td>633,090</td>
</tr>
<tr>
<td>Bank New York Co., Inc.</td>
<td>35,000</td>
<td>238,337</td>
<td>1,006,250</td>
</tr>
<tr>
<td>Bank of America Corp.</td>
<td>15,000</td>
<td>896,250</td>
<td>1,185,450</td>
</tr>
<tr>
<td>Bausch &amp; Lomb Inc.</td>
<td>12,000</td>
<td>543,171</td>
<td>450,000</td>
</tr>
<tr>
<td>Baxter International Inc.</td>
<td>30,000</td>
<td>1,258,908</td>
<td>780,000</td>
</tr>
<tr>
<td>BellSouth Corp.</td>
<td>60,000</td>
<td>866,675</td>
<td>1,597,800</td>
</tr>
<tr>
<td>Berkshire Hathaway Inc.</td>
<td>315</td>
<td>336,300</td>
<td>765,450</td>
</tr>
<tr>
<td>Best Buy Co., Inc.</td>
<td>15,000</td>
<td>503,425</td>
<td>658,800</td>
</tr>
<tr>
<td>BMC Software Inc.</td>
<td>18,000</td>
<td>299,426</td>
<td>293,940</td>
</tr>
<tr>
<td>Boeing Company</td>
<td>9,000</td>
<td>292,295</td>
<td>308,880</td>
</tr>
<tr>
<td>Bristol-Meyers Squibb Co.</td>
<td>40,000</td>
<td>850,670</td>
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<td>540,900</td>
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<td>Number of Shares or Units</td>
<td>Cost</td>
<td>Fair Value</td>
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<tr>
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<td>Description</td>
<td>Number of Shares or Units</td>
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<td>Fair Value</td>
</tr>
<tr>
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<td>PepsiCo, Inc.</td>
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<td>Schering-Plough</td>
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<td>Scientific-Atlanta, Inc.</td>
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<td>Southern Co.</td>
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<td>SPX Corp.</td>
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<td>Timco Aviation Services Inc.</td>
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<td>Veritas Software Corp.</td>
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### Portfolio of Investment Securities

**June 30, 2003**

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<th>Cost</th>
<th>Fair Value</th>
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<td>Viacom Inc. Class B</td>
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<td>648,258</td>
<td>1,408,865</td>
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<td>Vishay Intertechology, Inc.</td>
<td>4,339</td>
<td>54,725</td>
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<td>Wal-Mart Stores, Inc.</td>
<td>50,000</td>
<td>608,125</td>
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<td>Wells Fargo &amp; Co.</td>
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<td>1,028,750</td>
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<td>Wendy's International, Inc.</td>
<td>24,000</td>
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<td>695,280</td>
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<td>Wyeth</td>
<td>15,000</td>
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<td><strong>Total Common Stock</strong></td>
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<td><strong>7,187,166</strong></td>
<td><strong>121,534,924.00</strong></td>
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<table>
<thead>
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<th>Description</th>
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<td><strong>7,187,166</strong></td>
<td><strong>7,191,603</strong></td>
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<td><strong>Total fund</strong></td>
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<td><strong>128,726,527</strong></td>
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