

Recommendation of the Month King Pharmaceuticals (KG) (NYSE) - \$14.40

King Pharmaceuticals is a branded drug manufacturer that has experienced rapid growth over the last 10 years. The company has annual revenues of approximately \$1.1 billion and has a market capitalization of \$3.4 billion. The company is expected to earn \$1.55 per share in 2004 up 15% from 2003. The company has been subject to an SEC investigation during 2003 regarding its accounting of certain contract revenues. The Company's internal investigation has revealed \$46 million in accounting errors and they restated their 2002 results to reflect the item. As a result of the SEC probe the stock has been hit and based on its earnings is trading at a very attractive P/E multiple of about 11 on 2003 earnings. In our view the stock is a compelling value at its current price of \$14.40. The addition of King Pharmaceuticals to our portfolio represents a continuation of last month's theme of drug companies that we believe will participate in the coming expansion of global health care services.



www.kingpharm.com

King Pharmaceuticals began operations in January 1994 after the founders, the Gregory family, purchased the Bristol facility and assumed contracts to manufacture pharmaceutical products for such prominent companies as SmithKline Beecham Corporation, predecessor to GlaxoSmithKline, and Novartis. Bringing to the business a variety of professional backgrounds, including pharmaceuticals, law and marketing, the brothers made certain commitments of principle at the onset to guide the company as it pursued its goals:

- Act always with honesty, ethical and moral standards;
- Adhere to standards of integrity in business and in products that benefit patients and inspire trust in King's good name;
- Embrace a hands-on work ethic and a commitment to King's success;
- Exercise community stewardship by pursuing growth to provide more jobs for more families;
- Share the blessings of success by giving first to the community and then to the world.

Recommended Changes

Home Depot (HD) - Change in Recommendation from Hold to BUY - Current Price - \$36.77
In last month's newsletter we changed our recommendation of Home Depot from Buy to Hold due to the stock nearing our price target. In early December the stock came under selling pressure and dropped to under \$35 per share. This now puts Home Depot more than 10% from our \$40 price target and therefore we are moving the stock back to a Buy recommendation.

Stock Performance Update

This month's clear winner in our investment portfolio was Norfolk Southern which is turning out to be the "little engine that could." As of December 12th, the stock has risen to \$23.61, up more than 25% from our purchase in August. Devon Energy has also surged more than 15% from our October purchase, reflecting the continued high price for both oil and natural gas.

Washington Mutual issued an earnings warning for the 4th quarter reflecting a slow-down in the mortgage refinancing business.

They also announced a layoff of 3,200 people in the mortgage arm of the business. The stock dropped by more than 10% on the news to \$39.83 per share. Current estimates for 2004 earnings are between \$4.30 and \$4.80 per share. At its current price we view the stock as a strong buy.

Our positions in United Illuminating and General Electric moved upward reflecting improving fundamentals. SBC Communications continues to trade in the range of between \$22 and \$25 per share. The market

appears to remain confused as to who will be the winners and losers in the telecommunications revolution. There has been a lot of talk lately about telephone service coming over our internet connection. We are of the belief that while SBC's business will change over the next few years it will emerge as one of the winners. We continue to recommend the stock.

The following is an update of our current stock recommendations:

Current Stock Recommendations

Company	Symbol	Month Recommended	Original Buy Price	Price as of 12/1/03	Current Recommendation
McKesson	MCK	November 2003	\$29.00	\$29.83	BUY
Devon Energy	DVN	October 2003	\$46.85	\$50.57	BUY
Marathon Oil	MRO	September 2003	\$29.15	\$30.05	BUY
Norfolk Southern	NSC	August 2003	\$18.97	\$21.81	BUY
SBC Communications	SBC	June 2003	\$26.00	\$23.20	BUY
Home Depot	HD	January 2003	\$22.00	\$36.77	BUY
United Illuminating	UIL	November 2002	\$32.00	\$41.05	BUY
General Electric	GE	April 2002	\$33.00	\$29.03	BUY
Washington Mutual	WM	March 2002	\$33.50	\$45.37	BUY

Prior Completed Transactions

Company	Symbol	Month Recommended	Month Sold	Buy Price	Sell Price	% Gain (Loss)
Halliburton	HAL	February 2002	June 2003	\$13.60	\$23.71	74%
NASDAQ 100	QQQ	May 2002	October 2003	\$30.53	\$35.21	15%
Intel	INTC	June 2002	October 2003	\$21.00	\$31.92	52%