

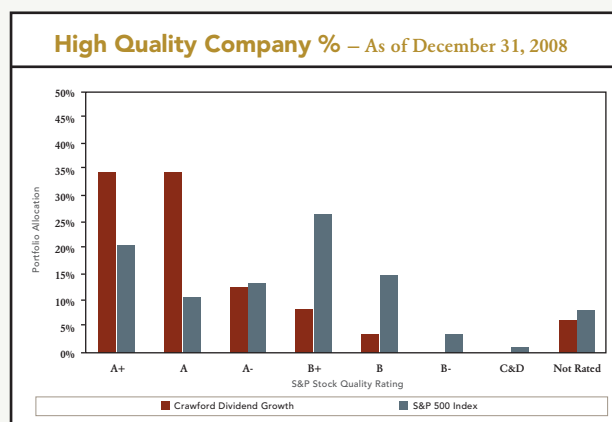
UPDATE TO FRIENDS OF CRAWFORD INVESTMENT COUNSEL

For calendar year 2008 Crawford Investment Counsel's Balanced account composite, comprised of an aggregate asset mix of roughly 60% equity oriented investments and 40% fixed income investments, returned -16.0% net of fees. We are never pleased to report negative returns, but in the extreme investment environment of last year, we are pleased that our clients were able to preserve significant amounts of their capital due to our quality focus and defensive posture. Our clients are well positioned to participate should we experience the recovery we expect while still maintaining a measure of defensiveness.

Our definition of quality revolves around consistency and predictability in the business model, and strength and flexibility in the balance sheet.

A number of factors contributed to our strong relative returns in 2008. First and foremost, our emphasis on quality was the most constructive element in the portfolios. Emphasizing quality is nothing new for our firm; we have always focused our efforts on owning the highest quality equity and fixed income instruments. Our definition of quality revolves around consistency and predictability in the business model, and strength and flexibility in the balance sheet. In fact, the majority of the companies in our Corporate Bond universe also meet our rigorous Dividend Growth Equity screens. This creates a synergy that allows us to research the entire capital structure of the companies we own and ensures that we are balancing the risk/reward tradeoffs of owning equity vs. debt for our clients. During the recent extreme risk taking years, quality was shunned by many professional investors. However, during times of financial stress such as 2008, it was the only place to be to provide the defensiveness necessary to protect capital. It is our firm belief that quality will continue to be favored in the years ahead and will be a driving force behind our selection of investments across our Fixed Income, Equity, and Diversified Portfolio Groups.

Specifically in fixed income, our quality bias oriented us to Treasuries and agencies and in high grade corporate and municipal bonds for 2008. Even though spreads widened during the year, the absence of high risk bonds in our portfolios was rewarded handsomely as investors found their appetite for risk shrinking rapidly. Our Taxable Bond composite returned 7.1% last year, and our National Municipal Bond Composite returned 5.2%; both figures are net of all fees and transaction costs.



As we analyze the portfolios of many new prospects who are currently considering our firm, we continue to see the same recurring portfolio construction error. Far too many firms invested their client's capital in what equated to "equity risk" even though it was shrouded in a "fixed income" wrapper. Quality and safety were sacrificed within the fixed income allocation by these firms in favor of seeking a modest amount of increased yield. This ultimately resulted in continued illiquidity; erosion of diversification, and correlation breakdown whereby the client's fixed income acted exactly the same as their equity allocation. Firms that shunned high quality fixed income in 2008 subjected their "balanced" clients to the equivalent of 100% equity risk and the subsequent equity-like returns as low quality fixed income had similar losses to the equity markets. In equities, our Dividend Growth and Core Equity approaches kept the focus squarely on quality, its most inherent characteristic. In addition, active

moves to reduce and eliminate all bank exposure early, and channel those funds into health care and consumer staples, were major contributors to returns. Our Dividend Growth composite returned -26.7% for the year compared to -37.6% for the benchmark, a full 10.9% more capital preserved. Our Core Equity Strategy ended up performing better than our Dividend Growth strategy due to the increased technology exposure that strategy held. We continue to favor quality, liquidity and transparency in both proprietary equity strategies as well as via the equity strategies we deploy in client's accounts using outside managers and diversifying strategies.

The overall economic environment will remain challenging for businesses for several years to come but will provide opportunities from which our clients will benefit.

Our economic forecast sees the economy beginning to recover in late 2009 or early 2010. We believe that both monetary and fiscal stimulus have worked in the past, and will work this time. It will require some time to take hold, but it stands to reason that if enough liquidity is pumped into the economy, at some point it will start to take effect. Even so, the overall economic environment will remain challenging for businesses for several years to come but will provide opportunities from which our clients will benefit. We believe our portfolios are properly positioned to withstand the challenges that lie ahead. When we survey the list of our holdings, we see investments in the debt and equity of companies that are not going away. Although their earnings may decline over the short term, they will make it through this recession and most if not all will continue to raise their dividends. We expect all will pay their debts. Equities will discount the recovery in advance. They always do and we do not see that changing. Investing in companies that have stable businesses, strong balance sheets, and credit access will be the best way of negotiating through the challenging times ahead. As long as volatility persists, there is a role for fixed income as a moderator of volatility, but again, the key is to be invested in only the strongest and highest quality issues.

Many of the trusted advisors with which our firm works on behalf of our clients, as well as many direct new prospects have asked us to analyze their existing portfolios and make recommendations for improvement of quality and cash flow. This is especially useful in light of the complete breakdown of the diversification models that were in vogue over the past several years. Our Diversified Portfolio Group in coordination with our Equity and Fixed Income Research teams has developed a process for helping clients reassess their allocations as well as analyze the implementation of their allocations. We would welcome the opportunity to speak to you if you would like us to perform an analysis for you or your client. Much of our allocation focus for private clients, as well as foundations and endowments, is focused on making certain that entities have enough cash flow to support their lifestyles and missions over the next 18 to 24 months. We believe this is a more prudent approach rather than making allocation decisions based strictly on relative value or historical correlations. By analyzing the interaction of a client's Balance Sheet (net worth), Income Statement (spending policy), and Cash Flows, we believe we can construct a portfolio, which when implemented with high quality investments, will meet client objectives.

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