

Diversified Stock Income Plan

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Quarterly report

The Diversified Stock Income Plan (DSIP) is a pre-selected, regularly reviewed list of stocks with attractive yields, chosen because of the likelihood of the companies to potentially raise annual dividends with consistency. With a diversified package of such stocks, we are seeking a relatively low-risk way for mostly conservative income and growth-oriented equity investors to potentially keep up with the rising cost of living.

Investment criteria

The analysts who choose stocks for DSIP utilize a philosophy and methodology that focuses upon finding companies that are fundamentally sound, have reasonable valuations and have the potential to continue to raise their dividends every year in an effort to help long-term income and growth-oriented investors' objectives to be met over time. Our definition of long-term for DSIP is five years or more.

Therefore, if what appears to be a fundamentally sound, reasonably valued stock has an attractive current yield (greater than 1%) and our analysts feel comfortable with the company's outlook for regular dividend growth, it may be included on the DSIP List. A stock may be removed from the DSIP List if the stock is no longer considered capable of meeting the DSIP criteria, or if current market or industry trends, conditions or developments make a security less attractive for DSIP purposes. Our analysts utilize a variety of high-quality sources of information on common stocks when choosing stocks for the DSIP List.

The Diversified Stock Income Plan is considered appropriate for mostly long-term conservative equity investors seeking some income from their equity portfolios. It may also be appropriate for more aggressive investors who prefer to keep a portion of their portfolios in less aggressive equity securities. The decision as to whether a particular security is suitable for a particular client's portfolio should be made by investors and their financial advisors, with full consideration given to existing portfolio holdings.

Proper diversification is also extremely important. We understand the thirst for good yield, but be careful about confining a portfolio to only the highest yielding investments. Remember that yields that are significantly greater than the risk-free rate, i.e., the prevailing yield on U.S. Treasury securities, frequently signal a higher degree of risk, including the risk that the dividend may not be sustainable. It is our opinion that a properly diversified DSIP portfolio should contain companies from several sectors, different business types within the sectors, and across the yield spectrum. Diversification does not guarantee a profit or protect against loss. The diversification of the DSIP List is presented in Figure 1 on page 2.

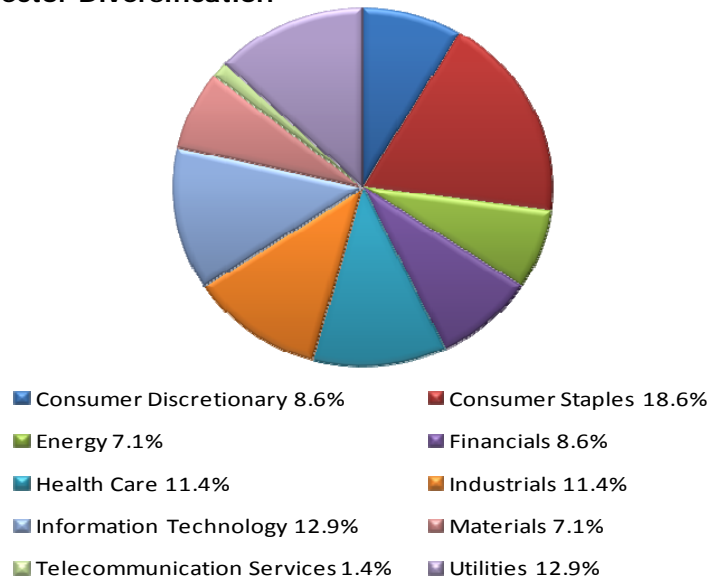
The importance of growth

Companies that are able to increase earnings and dividends over time should see stock prices increase over time. No one has control over what stock prices do. But, if we can invest in companies for which we have reasonable confidence that their products and services will remain in demand in both difficult and favorable economic times, thereby having the potential to consistently increase earnings and dividends, over time the stock prices should have the potential to increase also. Rising dividends have tended to cushion the fall of stock prices in challenging markets. If one can lose less money, one shouldn't have to work as hard to make it back. Obviously there are no assurances that stock prices will rise or that dividend income will increase, so it's important to realize that stock prices could drop and dividends could be reduced or eliminated.

Please see pages 14-16 of this report for Important Disclosures, Information, Risk Factors and Disclaimers and Analyst Certification

All prices as of 10/4/11 unless otherwise noted

Figure 1 DSIP Sector Diversification



Source: Wells Fargo Advisors

History has shown that investing in stocks of good quality companies has helped investors build wealth over time, although there is no guarantee that this will be the case going forward. Getting paid cash dividends up to four times a year and prospects for getting dividend increases at least once a year from a properly diversified portfolio should, we hope, help investors get in and stay in the market to participate in the wealth-building potential of good quality common stocks, even in uncertain or volatile markets. We consider the potential for consistent dividend increases to be tangible evidence of the high caliber of the companies on the DSIP List.

The DSIP strategy emphasizes owning a piece of great businesses. Try to ignore the stock market and instead focus on the companies, many of which have products or services that most readers know and patronize, and that pay dividends while waiting for stock prices to reflect the direction of earnings over the long term.

Our analysts have scrutinized the dividend stability and long-term growth potential for every company on the list. The DSIP List, therefore, includes only the stocks of those companies for which we believe the likelihood for regular dividend increases is high and which we consider appropriate for long-term income and growth-oriented investors with a multi-year investment horizon.

On the tables starting on page 11, we have a column of the estimated earnings per share (EPS) growth rates. When estimated earnings and

dividend growth rates differ, because over long periods of time stock prices historically have moved up in line with earnings growth, we believe it is more accurate to estimate annual total returns using the EPS growth estimate. Therefore, we would calculate estimated annual total return by summing the estimated annual EPS growth rate and the current yield. For real estate investment trusts (REITs), the number in the Estimated Annual EPS Growth column applies to estimated funds from operations (FFO). We continue to include our estimated annual dividend growth rate so as to offer our most accurate information about how much we expect the company to raise its dividend each year.

(There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.)

Consider dividend reinvestment

One way to potentially enhance total return is to reinvest cash dividends to buy more shares of stock. The Wells Fargo Advisors dividend reinvestment program allows for automatic reinvestment of dividends into additional shares of the stock. If the dividends are reinvested on a day when the share price is low, more shares are purchased. A systematic investment plan does not guarantee a profit or protect against loss in a declining market. You should consider your ability to continue investing through periods of low price

levels. If the dividends are reinvested on a day when the share price is high, fewer shares are purchased. Investors who reinvest dividends, as well as investors who want to initiate or add to stock positions, should actually welcome market pullbacks. Ask your Financial Advisor about this service that allows you to take advantage of the growth potential of your dividend income. We realize that you might choose to take delivery of cash dividends. Please understand, however, that you will not have the opportunity to take advantage of the compounding effect of dividend reinvestment, which will affect your total return.

Dividend tally

In Figure 2 below, we list chronologically the dividend increases announced in the third quarter and Figure 3 on pages 4 and 5 is a chronological list of the increases in the first nine months of

2011. As of September 30, 2011, 47 of the companies on the DSIP List announced 52 dividend increases; the average annualized increase was 13.4%. According to Thomson Baseline, Standard & Poor’s 500 (S&P 500) dividends paid in the first nine months of 2011 of \$19.15 increased about 14.7% from the comparable period of 2010 dividends paid of \$16.70.

Since the inception of the DSIP List in 1993, 95% of the companies on the list have raised their annual dividends each year since becoming eligible¹. It is our opinion that no individual investor should have owned all these stocks. By owning a well-diversified subset of companies on the DSIP List, however, investors should have received a representative share of such dividend increases, thereby potentially allowing them to stay ahead of the rising cost of living.

Figure 2 Dividend Announcements (third quarter 2011)

Company Name	Symbol	Declaration Date	Record Date	Payable Date	New Annual Dividend Rate	Previous Annual Dividend Rate	Annualized Increase
AptarGroup Inc.	ATR	7/19/2011	8/2/2011	8/23/2011	\$0.88	\$0.72	22.2%
Kellogg Company	K	7/22/2011	9/1/2011	9/15/2011	\$1.72	\$1.62	6.2%
J.M. Smucker Co.*	SJM	7/22/2011	8/12/2011	9/1/2011	\$1.92	\$1.60	20.0%
Norfolk Southern Corp.^	NSC	7/26/2011	8/5/2011	9/10/2011	\$1.72	\$1.44	19.4%
Intel Corp.§	INTC	7/27/2011	8/7/2011	9/1/2011	\$0.84	\$0.63	33.3%
Harris Corp.	HRS	8/2/2011	9/7/2011	9/16/2011	\$1.12	\$1.00	12.0%
Illinois Tool Works Inc.	ITW	8/5/2011	9/30/2011	10/12/2011	\$1.44	\$1.36	5.9%
Realty Income Corporation**	O	9/19/2011	10/3/2011	10/17/2011	\$1.74225	\$1.72725	0.9%
McDonald's Corp.	MCD	9/22/2011	12/1/2011	12/15/2011	\$2.80	\$2.44	14.8%
Accenture plc	ACN	9/27/2011	10/14/2011	11/15/2011	\$1.35	\$0.90	50.0%
Average:							18.5%

* SJM increased its dividend after only 2 quarters. The increase over the previous quarter was 9.1%.

^ NSC increased its dividend after only 2 quarters. The increase over the previous quarter was 7.5%.

§ INTC increased its dividend after only 2 quarters. The increase over the previous quarter was 15.9%.

**O increased its dividend after only 1 quarter. The increase over the previous quarter was 0.2%

Sources: Wells Fargo Advisors, company reports

¹ Past performance does not guarantee future results.

Figure 3 Dividend Announcements (year to date 2011)

Company Name	Symbol	Declaration		Payable Date	New	Previous	Annualized Increase
		Date	Record Date		Annual Dividend Rate	Annual Dividend Rate	
Polaris Industries Inc	PII	1/20/2011	2/1/2011	2/15/2011	\$1.80	\$1.60	12.5%
Intel Corporation	INTC	1/24/2011	2/7/2011	3/1/2011	\$0.72	\$0.63	15.0%
Kimberly Clark	KMB	1/25/2011	3/4/2011	4/4/2011	\$2.80	\$2.64	6.1%
Norfolk Southern Corp.^	NSC	1/25/2011	2/4/2011	3/10/2011	\$1.60	\$1.36	17.6%
Praxair, Inc.	PX	1/26/2011	3/7/2011	3/15/2011	\$2.00	\$1.80	11.1%
Energen Corp.	EGN	1/26/2011	2/15/2011	3/1/2011	\$0.54	\$0.52	3.8%
J.M. Smucker Co.^	SJM	1/28/2011	2/11/2011	3/1/2011	\$1.76	\$1.40	25.7%
Commerce Bancshares, Inc.	CBSH	1/28/2011	3/11/2011	3/28/2011	\$0.92	\$0.895	2.8%
United Parcel Service, Inc.	UPS	2/3/2011	2/14/2011	3/2/2011	\$2.08	\$1.88	10.6%
Jack Henry & Associates	JKHY	2/4/2011	2/22/2011	3/10/2011	\$0.42	\$0.38	10.5%
Owens & Minor, Inc.	OMI	2/7/2011	3/15/2011	3/31/2011	\$0.80	\$0.71	13.0%
Northeast Utilities	NU	2/8/2011	3/1/2011	3/31/2011	\$1.10	\$1.03	7.3%
3M Co.	MMM	2/8/2011	2/18/2011	3/12/2011	\$2.20	\$2.10	4.8%
Sigma-Aldrich Corp.	SIAL	2/9/2011	3/1/2011	3/15/2011	\$0.72	\$0.64	12.5%
SCANA Corporation	SCG	2/11/2011	3/10/2011	4/1/2011	\$1.94	\$1.90	2.1%
ConocoPhillips*	COP	2/11/2011	2/22/2011	3/1/2011	\$2.64	\$2.00	32.0%
Abbott Laboratories	ABT	2/18/2011	4/15/2011	5/16/2011	\$1.92	\$1.76	9.1%
NextEra Energy	NEE	2/18/2011	3/4/2011	3/15/2011	\$2.20	\$2.00	10.0%
Novartis AG	NVS	2/22/2011	2/28/2011	4/8/2011	\$2.35	\$1.95	20.5%
Nordstrom, Inc.**	JWN	2/23/2011	3/4/2011	3/15/2011	\$0.92	\$0.64	43.8%
Colgate-Palmolive Co.	CL	2/24/2011	4/26/2011	5/16/2011	\$2.32	\$2.12	9.4%
General Dynamics Corp.	GD	3/2/2011	4/8/2011	5/6/2011	\$1.88	\$1.68	11.9%
Wal-Mart Stores, Inc.	WMT	3/3/2011	3/11/2011	4/4/2011	\$1.46	\$1.21	20.7%
Piedmont Natural Gas	PNY	3/4/2011	3/25/2011	4/15/2011	\$1.16	\$1.12	3.6%
Realty Income Corp.~	O	3/16/2011	4/1/2011	4/15/2011	\$1.73	\$1.72	0.9%
Air Products and Chemicals, In	APD	3/17/2011	4/1/2011	5/9/2011	\$2.32	\$1.96	18.4%
Procter & Gamble Co	PG	4/11/2011	4/29/2011	5/16/2011	\$2.10	\$1.93	9.0%
United Technologies Corp	UTX	4/13/2011	5/20/2011	6/10/2010	\$1.92	\$1.70	12.9%
International Business Machin	IBM	4/26/2011	5/10/2011	6/10/2011	\$3.00	\$2.60	15.4%
Costco Wholesale Corp	COST	4/26/2011	5/13/2011	5/27/2011	\$0.96	\$0.82	17.1%

(continued on next page)

Sources: Wells Fargo Advisors, company reports

Figure 3 Dividend Announcements (continued)
(year to date 2011)

Company Name	Symbol	Declaration Date	Record Date	Payable Date	New Annual Dividend Rate	Previous Annual Dividend Rate	Annualized Increase
W.W. Grainger, Inc	GWW	4/27/2011	5/9/2011	6/1/2011	\$2.64	\$2.16	22.2%
Exxon Mobil Corp	XOM	4/27/2011	5/13/2011	6/10/2011	\$1.88	\$1.76	6.8%
Chevron Corp	CVX	4/27/2011	5/19/2011	6/10/2011	\$3.12	\$2.88	8.3%
Johnson & Johnson	JNJ	4/28/2011	5/31/2011	6/14/2011	\$2.28	\$2.16	5.6%
PepsiCo, Inc.	PEP	5/4/2011	6/3/2011	6/30/2011	\$2.06	\$1.92	7.3%
FactSet Research Systems Inc	FDS	5/9/2011	5/31/2011	6/21/2011	\$1.08	\$0.92	17.4%
Analog Devices, Inc.	ADI	5/17/2011	5/27/2011	6/15/2011	\$1.00	\$0.88	13.6%
Clorox Company	CLX	5/18/2011	7/27/2011	8/12/2011	\$2.40	\$2.20	9.1%
Target Corporation	TGT	6/8/2011	8/18/2011	9/10/2011	\$1.20	\$1.00	20.0%
National Fuel Gas Company	NFG	6/9/2011	6/30/2011	7/15/2011	\$1.42	\$1.38	2.9%
Realty Income Corporation~	O	6/21/2011	7/1/2011	7/15/2011	\$1.74	\$1.72	0.9%
General Mills Inc.	GIS	6/28/2011	7/11/2011	8/1/2011	\$1.22	\$1.12	8.9%
AptarGroup Inc.	ATR	7/19/2011	8/2/2011	8/23/2011	\$0.88	\$0.72	22.2%
Kellogg Company	K	7/22/2011	9/1/2011	9/15/2011	\$1.72	\$1.62	6.2%
J.M. Smucker Co. ²	SJM	7/22/2011	8/12/2011	9/1/2011	\$1.92	\$1.60	20.0%
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Harris Corp.	HRS	8/2/2011	9/7/2011	9/16/2011	\$1.12	\$1.00	12.0%
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Accenture plc	ACN	9/27/2011	10/14/2011	11/15/2011	\$1.35	\$0.90	50.0%
Average:							13.4%

[^] NSC increased its dividend after only 2 quarters. The increase over the previous quarter is 11.1%.

^{^^} SJM increased its dividend after only 3 quarters. The increase over the previous quarter is 10.0%

^{*} COP increased its dividend after only 3 quarters. The increase over the previous quarter is 20.0%.

^{**} JWN increased its dividend after only 3 quarters. The increase over the previous quarter is 15.0%.

[~] O increased its dividend after only 1 quarter. The increase over the previous quarter is 0.2%.

² SJM increased its dividend after only 2 quarters. The increase over the previous quarter was 9.1%.

³ NSC increased its dividend after only 2 quarters. The increase over the previous quarter was 7.5%.

⁴ INTC increased its dividend after only 2 quarters. The increase over the previous quarter was 15.9%.

Sources: Wells Fargo Advisors, company reports

Lest readers think it's easy to find companies that are raising dividends in this environment, look at Figure 4 on page 7 from Standard & Poor's Monthly Dividend Action Report. This table shows that in the first nine months of 2011, more companies increased dividends than in the first nine months of 2009 and 2010, but there were fewer dividend increases than in the first nine months of every year between 2004 and 2008. Similarly, although fewer companies decreased or omitted dividends in the first nine months of 2011 than in the first nine months of 2009 and 2010, there were still more companies that cut or omitted dividends than in the first nine months of 2004 through 2007. S&P's Dividend Action Report goes back to 2004 and shows that the peak 12-month period ending in September for dividend increases was 2006 when there were 1,989 dividend increases. Although there was an improvement in the number of companies that increased dividends the past 12 months, this number is still roughly 30% below the 2006 level.

The average compounded annual total return, i.e., price movement plus dividends, of common stocks as measured by the S&P 500 over the past 85 years through year 2010 has been about 9.9%. Over the past decade through September 30, 2011, however, the S&P 500's total return was an average annual compounded rate of 1.95%. As a result, a lot more attention is being given to dividends lately. Less mention is usually made, however, to rising dividends. Besides, as Figure 4 shows, it is difficult to find companies capable of consistently increasing dividends. That is our primary objective with DSIP, and we will continue to work hard to try to provide this guidance.

Volatility redux

From 1926 through 2010, the annual standard deviation of large company stocks as represented by the S&P 500 averaged 20.4%. (In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.) The Chicago Board Options Exchange (CBOE) Volatility Index, ticker symbol VIX, measures market expectations of near-term volatility conveyed by stock index option prices. For the full year 2010, the closing VIX averaged 22.6, not far off the historic eight and one-half decade average standard deviation for the S&P 500 of 20.4%, despite a spike in volatility during the second quarter of 2010 when we last wrote about this topic. The VIX trended down for the remainder of 2010, closing the year at 17.8, well below the

historical average. The VIX bounced around in the 15-20 area for much of the first half of 2011 as well. Only 18 (14.4%) out of the 125 trading days in the first half of 2011 had a closing VIX above the long-term average volatility (20.4%).

Market volatility returned with a vengeance in the third quarter, just ended, however. Of the 64 trading days in the quarter ended September 30, 2011, 49 or 77% had a closing VIX above the historic average 20.4%. The VIX hit an interim high of 48.0 on August 8, 2011, a 50% move from the prior day's close! The closing VIX for the third quarter averaged 30.6 versus an average of 18.0 through the first half of the year (+68.3%).

In terms of the well-known Dow Jones Industrial Average (DJIA), 56% of the (64) trading days in the third quarter and 35% of the trading days (189) in the first nine months of 2011 had triple-digit absolute price moves (greater than or equal to 100 points). In the third quarter alone, on 18 of the 64 trading days, the DJIA moved more than 200 points in a day; including nine 300-plus point moves (six closing down) and three 500-plus point move days, all three down days. The biggest one-day move, 634.76 (-5.55%) on August 8, 2011 was to the downside as well. In Figure 5 on page 8, the VIX versus the DJIA for the first nine months of the year, shows the strong inverse relationship between the popular "blue chip" index's price action and the VIX "fear index." On Figure 5, read the values of the CBOE VIX from the left vertical axis and the DJIA from the right vertical axis.

The third quarter of 2011 ended with the 10-year U.S. Treasury bond yield below 2% at 1.92%. Clearly the resumption of extreme volatility, along with the uncertainty of the economies and financial markets worldwide, has driven many investors to the perceived conservative value of U.S. government bonds. Although there is a place for bonds in many investors' portfolios because they offer diversification and income, bonds generally offer no potential for growth of income.

We believe that preservation of principal is very important. And all investors should assess—and/or reassess—how much of their savings and portfolios they feel comfortable having in securities for which prices fluctuate. Yet, if investors were so scared of the volatility that they were not invested in the stock market, especially if those investors typically reinvest dividends, being out of the stock market prevents participating in the potential to benefit from the wealth compounding effect of dividend reinvestment. (Please see the section on Dividend Reinvestment.)

Figure 4 Standard & Poor's Monthly Dividend Action Report

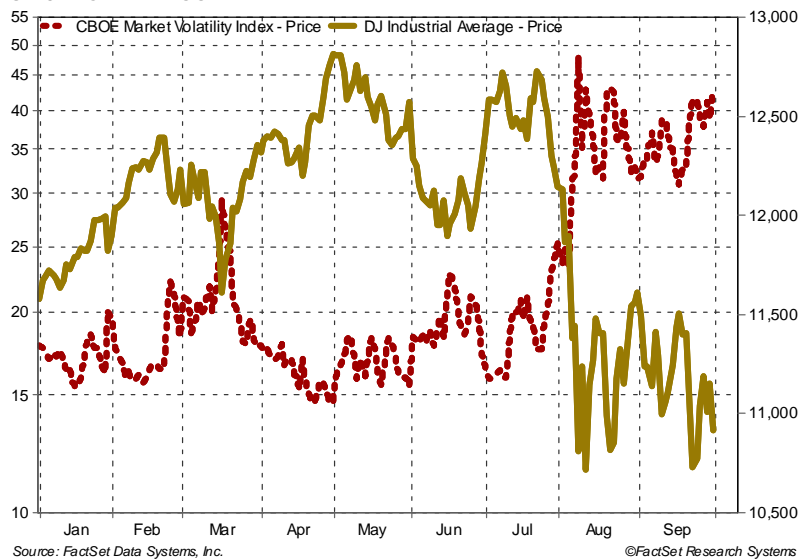
	Increases								Decreases								Omitted							
	2011	2010	2009	2008	2007	2006	2005	2004	2011	2010	2009	2008	2007	2006	2005	2004	2011	2010	2009	2008	2007	2006	2005	2004
January	136	86	82	178	199	222	200	197	8	14	62	16	3	1	1	1	1	3	30	4	2	0	1	4
February	181	135	85	204	246	237	239	191	3	10	79	8	5	7	4	7	5	8	52	16	2	2	2	0
March	96	63	26	93	176	167	155	120	4	6	81	14	5	3	5	2	9	7	63	25	2	4	2	3
April	127	105	59	157	182	191	179	159	6	10	76	16	4	1	2	4	2	6	37	12	2	2	0	3
May	166	94	54	130	160	178	162	124	5	10	64	19	4	2	7	1	3	3	20	14	1	4	3	3
June	66	52	34	65	106	114	120	104	3	2	38	18	1	1	4	2	2	3	15	18	6	4	5	6
July	115	81	54	128	142	133	151	167	6	7	35	21	4	7	0	4	0	7	11	14	1	5	1	1
August	108	87	51	92	134	155	132	118	1	6	28	23	3	6	5	8	8	3	13	20	3	3	2	2
September	50	42	34	44	80	89	108	106	6	9	16	28	3	1	3	2	2	3	10	32	7	3	11	1
October		119	87	97	159	158	155	150		8	12	37	2	3	5	0		3	7	44	5	5	5	0
November		137	75	71	153	171	182	142		2	22	53	5	9	2	1		7	12	53	17	9	4	4
December		86	58	51	120	154	166	167		4	14	42	5	2	6	3		4	7	59	18	3	4	2
Year-to-Date Total	1,045	745	479	1,091	1,425	1,486	1,446	1,286	42	74	479	163	32	29	31	31	32	43	251	155	26	27	27	23
Year / Year % Change	40%	56%	-56%	-23%	-4%	3%	12%		-43%	-85%	194%	409%	10%	-6%	0%		-26%	-83%	62%	496%	-4%	0%	17%	
12-Month Total	1,387	965	698	1,523	1,908	1,989	1,905		56	122	611	175	46	42	35		46	69	407	195	43	40	33	
Year / Year % Change	44%	38%	-54%	-20%	-4%	4%			-54%	-80%	249%	280%	10%	20%			-33%	-83%	109%	353%	8%	21%		

Source: Standard & Poor's

Dividends can be increased, decreased or totally eliminated at any point without notice.

- *ASE – American Stock Exchange
- NYSE – New York Stock Exchange
- NGM – Nasdaq Global Market
- NNM – Nasdaq National Market
- NSC – Nasdaq Small Cap Market

Figure 5 VIX and DJIA Price



It is obviously difficult for an investor to successfully time investments in such a volatile market. History has shown that investing in stocks of good-quality companies has helped investors build wealth over time although there is no guarantee that this will be the case going forward. Historically, the dividend component has accounted for about 45% of the roughly 9.9% annualized total return for the S&P 500. The annualized return consists of both capital appreciation and dividends. Getting paid cash dividends up to four times a year, along with prospects for getting dividend increases at least once a year from a properly diversified portfolio should, we hope, help investors get in and stay in the market to participate in the wealth-building potential of good quality common stocks, even in volatile markets. We consider the potential for consistent dividend increases to be tangible evidence of the high caliber of the companies on the DSIP List.

Volatility breeds opportunity

In several of our quarterly reports dating back to early 2009, we wrote about the rare opportunity to invest in common stocks presented by the fact that the yield on the S&P 500 exceeded the yield on the 10-year U.S. Treasury bond. We explained that until the late 1950’s, stocks routinely traded with yields greater than the yield on the long-term government bond but that the relationship flipped beginning in 1959 when investors decided that stock price appreciation potential was the reward for assuming greater levels of price volatility and risk.

As of September 30, 2011, the average yield for all the stocks on our DSIP List was about 3.2%, greater than the yield of the S&P 500 (approximately 2.2%) as well as the 10-year Treasury bond yield (1.92%), not to mention the extremely low current yields of money market funds and other cash alternatives. Of course, you should keep in mind that the S&P 500 is an unmanaged index and is unavailable for direct investment. U.S. Treasury bonds provide safety of principal if held to maturity, guaranteed semi-annual income and portfolio diversification. The income, however, is fixed at the coupon rate indicated at initial investment; income from bonds cannot grow. We project, on the other hand, that the dividends of the companies on our DSIP List have the potential to increase at an average annual rate of roughly 6%. Therefore, according to the Rule of 72—a shortcut for determining how long it would take to double one’s money at a given rate of return—if the companies on the DSIP List do actually increase their dividends an average 6% per year, we estimate an investor in a well-diversified portfolio of stocks from the DSIP List should have the potential to double his/her dividend income in about 12 years. As you will see on the table of Dividend Announcements on pages 8 and 9, however, the DSIP companies that have announced dividend increases so far this year have raised them an average of 13.4% versus the dividends paid a year earlier. Past performance, of course, is no assurance of future increases, but if companies could continue to increase dividends at that rate, an investor’s income would double in about five and a half years.

When times are this uncertain and the day-to-day volatility of the stock market is as scary as it has been, we know that it is difficult to invest in common stocks. In fact, continued uncertainty may well increase the flight to safety and, thus, the demand for government bonds, driving bond yields even lower. But time and time again, history has shown that typically when it has been the most difficult to invest in stocks, the long-term return potential has been the greatest. In times such as these, keep in mind that the DSIP strategy emphasizes owning a piece of great businesses. Try to ignore the stock market and instead focus on the companies, many of which have products or services that most readers know and patronize, and that pay dividends while waiting for stock prices to reflect the direction of earnings over the long term.

Addition to the DSIP List

Southern Company was added to the Utilities sector on July 13, 2011. Southern Company is a regional electric utility headquartered in Atlanta, Georgia. With more than 42,000 megawatts of electric generating capacity, Southern Company is one of the largest generators of electricity in the nation. The company's regulated utilities operating in four states—Alabama Power in Alabama, Georgia Power in Georgia, Gulf Power in northwest Florida and Mississippi Power in southeast Mississippi – serve approximately 4.4 million customers and account for roughly 90% of earnings.

In addition to the regulated utilities, Southern also owns Southern Power, a competitive-market subsidiary, which constructs, acquires, owns, and manages generation assets and sells electricity at market-based rates in the wholesale market. Southern Power has generation capacity of 7,700 megawatts. Other major subsidiaries include Southern Nuclear, the licensed operator of Southern Company's nuclear generating plants; SouthernLINC Wireless, a communications network in the Southeast and Southern Telecom, a fiber optic wholesaler.

Our correspondent research providers note several attractive investment features of Southern Company, which include: above peer average earnings per share (EPS) growth prospects due to the geographically desirable markets in which Southern operates (U.S. Southeast), favorable state regulatory relationships reflected in its allowed return on equity, a strong operating track record produced by a deep and stable management team and an above average current yield.

Business risks include the following: operating in a highly regulated industry; penalties as a result of failure to comply with applicable state and/or federal rules or regulations, which could materially affect the company's financial condition; a potentially hostile regulatory environment; risks associated with general economic conditions, customer growth rates, and weather within its service territory, as well as environmental issues, electricity rates and coal prices; the company is involved with nuclear energy generation and construction and, thus, is exposed to the associated risks.

Southern Company has increased EPS at a compound annual growth rate (CAGR) of 4.5% over the past 10 years. The consensus forecast is for 6.0% annual long-term EPS growth. The current annual dividend of \$1.89 yields 4.5%. The company has paid dividends since 1948 and has increased its dividend each year since 2002 and at a 4% average CAGR.

Deletions from the DSIP List

There were no deletions from the DSIP List during the third quarter.

Important DSIP List developments

On July 14, **ConocoPhillips** announced plans to separate into two stand-alone, publicly traded companies. Pursuant to this plan, the company will distribute, via a tax-free spinoff, one share of a newly created company for each two shares of COP owned. The new company will consist of ConocoPhillips' refining, marketing, transportation, midstream and chemicals businesses. ConocoPhillips (COP) will retain the exploration and production businesses. The transaction is expected to close in the second quarter of 2012.

On July 20, **Ecolab** announced the acquisition of Nalco Holdings. Nalco is the leading global provider of water management services. Under the terms of the transaction, Nalco shareholders will have the option of receiving either 0.7005 shares of Ecolab or \$38.80 in cash for each share held of Nalco. The total consideration paid to Nalco shareholders will be 70% Ecolab shares (about \$3.8 billion, 69 million shares) and 30% cash (about \$1.6 billion). The transaction is expected to close prior to year-end 2011.

Also on July 20, **Polaris Industries** announced that its board of directors approved a two-for-one

split of the company's shares. The split was subsequently executed on September 12 in the form of a 100% stock dividend.

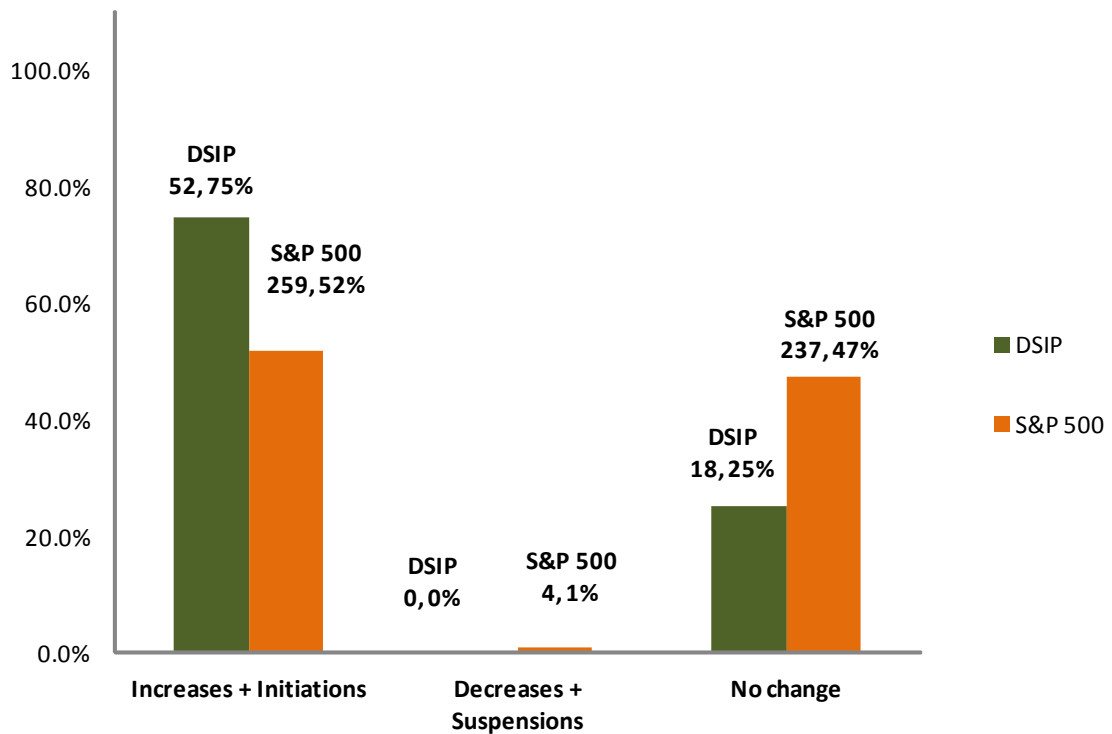
On September 22, **United Technologies** announced plans to acquire aerospace firm Goodrich Corp for \$127.50 per share in cash. United Technologies will issue both debt (75% of

total consideration) and equity (25%) to finance the transaction. Goodrich brings to United Technologies a well-established position in the aerospace market with complementary products and high aftermarket content as well as solid growth prospects. The deal is expected to close in mid-2012.

Figure 6 Dividend Record (year to date 2011)

	Increases + Initiations	Decreases + Suspensions	No change	Total # of Companies *
DSIP	52 74.7%	0 0.0%	18 25.3%	70
S&P 500	259 51.8%	4 0.8%	237 47.4%	500

* The average number of companies on the list over the time period.



Source: Standard & Poor's, Wells Fargo Advisors

Dividends can be increased, decreased or totally eliminated at any point without notice.

Figure 7 Current DSIP List

Sector	Ticker	Disclosures	10/4/11 Price (\$)	Market Cap (mil\$)	Annual Div (\$)	Yield (%)	Est Annual Div Growth (%)	Est Annual EPS Growth* (%)	Div Cycle	Date Added To DSIP	Dividends	
											Raises Since Added to DSIP	Consecutive Annual Increases for Company (1)
CONSUMER DISCRETIONARY												
Johnson Controls ^	JCI	M	27.56	18,734	0.64	2.3	7	17	Jan	12/15/2005	3	1
McDonald's Corporation	MCD	M	86.48	89,226	2.80	3.2	8	10	Mar	9/16/2004	7	35
Nordstrom Inc. ^	JWN		48.44	10,299	0.92	19	9	10	Mar	4/17/2006	4	2
Polaris Industries	PII		50.17	3,468	0.90	18	8	17	Feb	1/8/2002	9	16
Target Corporation	TGT		49.47	33,403	120	2.4	7	11	Mar	6/20/2006	5	39
V.F. Corporation	VFC	M	123.63	13,564	2.52	2.0	7	13	Mar	10/3/2008	3	38
CONSUMER STAPLES												
Brown-Forman Corp.	BF'B		69.41	10,001	128	18	7	10	Jan	5/31/2007	4	27
Clorox	CLX		65.24	8,577	2.40	3.7	6	10	Feb	9/16/2005	7	35
Colgate-Palmolive Company	CL		88.42	43,016	2.32	2.6	8	10	Feb	9/16/2005	6	48
Costco Wholesale Corp.	COST		81.65	35,747	0.96	12	8	13	Feb	6/25/2008	3	6
General Mills Inc.	GIS		38.04	24,509	122	3.2	6	8	Feb	6/25/2008	4	8
Kellogg	K	M	53.20	19,259	172	3.2	6	8	Mar	4/3/2006	6	7
Kimberly-Clark	KMB		70.38	27,575	2.80	4.0	6	6	Jan	1/3/1999	12	39
McCormick & Company Inc.	MKC	M	46.14	6,103	1.12	2.4	8	8	Jan	5/31/2007	4	25
PepsiCo Inc.	PEP	3	60.45	95,668	2.06	3.4	6	10	Mar	8/10/1994	17	39
Procter & Gamble Company	PG	3M	63.37	174,126	2.10	3.3	6	10	Feb	11/23/1998	13	55
Smucker (J.M.) Company	SJM		71.44	8,133	192	2.7	7	7	Mar	10/3/2008	4	14
SYSCO Corporation	SYU		25.51	15,120	104	4.1	5	5	Jan	2/6/1997	15	41
Wal-Mart Stores	WMT	M	52.88	182,258	146	2.8	6	10	Jan	9/21/2004	7	37
ENERGY												
Chevron Corporation	CVX	3	91.48	183,233	3.12	3.4	4	4	Mar	4/22/2002	9	24
ConocoPhillips	COP		62.27	85,498	2.64	4.2	4	1	Mar	10/30/2002	9	11
Energen Corporation	EGN	M	40.94	2,951	0.54	13	4	6	Mar	8/24/1994	17	29
Exxon Mobil Corporation	XOM	3	72.83	354,108	188	2.6	4	7	Mar	5/11/1995	13	29
Royal Dutch Shell \$	RDSA		61.11	110,579	2.86	4.7	3	4	Mar	4/19/2002	8	9
FINANCIALS												
AFLAC Inc.	AFL		36.13	16,879	120	3.3	6	12	Mar	11/1/2006	5	28
Brown & Brown, Inc.	BRO		17.72	2,533	0.32	18	5	12	Feb	10/3/2008	3	17
Commerce Bancshares	CBSH		35.79	3,108	0.92	2.6	4	7	Mar	4/13/1997	15	43
Eaton Vance	EV		22.35	2,622	0.72	3.2	7	9	Feb	1/12/2001	11	29

Figure 7 Current DSIP List (continued)

Sector	Ticker	Disclosures	10/4/11 Price (\$)	Market Cap (mil\$)	Annual Div (\$)	Yield (%)	Est Annual Div Growth (%)	Est Annual EPS Growth* (%)	Div Cycle	Date Added To DSIP	Dividends	
											Raises Since Added to DSIP	Consecutive Annual Increases for Company (1)
REITS												
Corporate Office Properties Trust	OFC	M	22.27	1601	165	7.4	4	7	Jan	11/28/2003	7	13
Realty Income Corporation	O	M	31.71	4,023	174	5.5	4	4	Monthly	3/13/2007	21	16
HEALTH CARE												
Abbott Laboratories	ABT		50.50	78,607	192	3.8	5	9	Feb	6/25/2008	3	39
Baxter International Inc.	BAX		54.00	30,686	124	2.3	7	9	Jan	10/3/2008	3	4
Becton, Dickinson & Co.	BDX	M	72.34	15,730	164	2.3	8	10	Mar	15/2007	4	38
Eli Lilly^	LLY		36.73	42,522	196	5.3	1	-5	Mar	6/7/2004	5	0
Johnson & Johnson	JNJ	3	62.17	170,368	2.28	3.7	6	6	Mar	6/25/2008	3	49
Novartis AG ~	NVS		55.47	134,598	2.01	3.6	5	4	Annual	9/16/2005	6	14
Owens & Minor Inc.	OMI		28.78	1835	0.80	2.8	7	10	Mar	4/21/2006	5	13
Teva Pharmaceutical Ind. Ltd-	TEVA		35.85	33,707	0.88	2.5	12	9	Mar	5/3/2011	0	12
INDUSTRIALS												
3M Company	MMM	3	72.01	51,094	2.20	3.1	5	14	Mar	3/2/2005	6	53
Emerson Electric	EMR	3	42.13	31,374	138	3.3	6	15	Mar	11/30/1993	17	54
General Dynamics Corporation	GD	M	57.11	20,660	188	3.3	6	7	Feb	6/25/2008	3	20
W.W. Grainger Inc.	GWW		149.44	10,445	2.64	18	7	13	Mar	7/10/2006	5	40
Illinois Tool Works	ITW	M	4185	20,566	144	3.4	5	15	Jan	3/2/2005	6	47
Norfolk Southern Corp.	NSC		61.75	21,475	172	2.8	5	14	Mar	7/31/2003	13	10
United Parcel Service, Inc. ^	UPS	M	64.06	62,829	2.08	3.2	6	12	Mar	3/7/2007	3	2
United Technologies	UTX		69.54	63,192	192	2.8	6	13	Mar	9/20/2001	9	17
INFORMATION TECH												
Accenture Ltd.	ACN		54.26	37,760	135	2.5	6	11	Semi	6/25/2008	4	5
Analog Devices Inc.	ADI		32.31	9,675	100	3.1	5	10	Mar	6/28/2007	3	7
Automatic Data Processing Inc.	ADP		47.33	23,176	144	3.0	5	10	Jan	11/25/2003	7	36
FactSet Research Systems	FDS		89.95	4,057	108	12	8	15	Mar	2/6/2009	3	12
Harris Corp.	HRS		34.28	4,121	112	3.3	5	9	Mar	8/29/2008	3	10
Intel Corp.	INTC	3	21.22	111,426	0.84	4.0	6	10	Mar	2/20/2007	5	7
Int'l Business Machines	IBM	3M	174.74	208,688	3.00	17	6	12	Mar	7/20/2000	11	16
Jack Henry & Associates Inc.	JKHY		28.93	2,499	0.42	15	8	12	Mar	11/11/1999	11	8
Paychex Inc. ^	PAYX		25.90	9,386	124	4.8	2	10	Feb	5/7/2001	7	0
MATERIALS												
Air Products and Chemicals	APD		76.51	16,307	2.32	3.0	6	13	Feb	7/5/2006	5	29
AptarGroup	ATR		44.65	2,982	0.88	2.0	6	9	Feb	12/4/2006	4	17
Ecolab Inc.	ECL		49.69	11,526	0.70	14	8	14	Jan	3/6/2007	4	19
Praxair Inc	PX	3M	94.95	28,690	2.00	2.1	7	12	Mar	6/15/2006	4	18
Sigma-Aldrich Corporation	SIAL	M	62.31	7,607	0.72	12	8	8	Mar	8/25/2003	8	35

Figure 7 Current DSIP List (continued)

Sector	Ticker	Disclosures	10/4/11 Price (\$)	Market Cap (mil\$)	Annual Div (\$)	Yield (%)	Est Annual Div Growth (%)	Est Annual EPS Growth* (%)	Div Cycle	Date Added To DSIP	Dividends	
											Raises Since Added to DSIP	Consecutive Annual Increases for Company (1)
TELECOMMUNICATIONS												
AT&T	T	3M	28.31	167,765	172	6.1	3	5	Feb	6/25/2008	3	27
UTILITIES												
MDU Resources Group Inc.	MDU		19.01	3,589	0.65	3.4	3	6	Jan	2/23/1999	13	20
National Fuel Gas Co.	NFG		47.86	3,959	142	3.0	4	1	Jan	11/30/1993	18	41
New Jersey Resources	NJR		42.76	1,772	144	3.4	5	4	Jan	2/16/1996	16	16
NextEra Energy, Inc.	NEE	3M	53.01	22,388	2.20	4.2	5	5	Mar	5/10/1994	18	17
Northeast Utilities	NU	M	31.27	5,531	1.10	3.5	5	8	Mar	6/7/2004	7	12
Piedmont Natural Gas Co.	PNY		28.04	2,024	1.16	4.1	4	5	Jan	11/30/1993	18	33
SCANA	SCG	M	39.37	5,080	194	4.9	3	5	Jan	2/8/2002	10	11
South Jersey Industries Inc.	SJI		49.43	1,485	146	3.0	5	8	Apr	3/29/2004	7	12
Southern Company	SO	M	41.81	35,852	189	4.5	4	6	Mar	7/13/2011	0	10

* For REITs, the number in the Est. EPS Growth column applies to estimated Funds From Operations (FFO).

(1) Company consecutive dividend increases determined on calendar year basis.

- Dividend does not reflect the foreign tax withholding.

^ Company paid dividends at the same rate for calendar years 2008 and 2009. Before 2009, the number of consecutive annual dividend increases were 33 for JCI, 12 for JWN, and 6 for UPS.

^^ Company paid dividends at the same rate for calendar years 2009 and 2010. Before 2010, the number of consecutive annual dividend increases were 42 for LLY and 20 for PAYX.

§ Dividend does not reflect the foreign tax withholding. Royal Dutch Shell has two classes of shares (RDS'A, RDS'B). Dividends on both classes are paid in U.S. dollars. A foreign tax is withheld from the Class A shares but not from the Class B shares. The Class B shares may be more appropriate for tax-deferred accounts. Consult your tax advisor for details.

Dividend and EPS growth estimates come from a variety of sources, including the portfolio strategists who choose stocks for DSIP.

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Sources: Wells Fargo Advisors, company reports

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