A.G. Edwards' first-quarter earnings were largely in line with our estimate. (Our presentation excludes two one-time gains associated with an accounting change and a favorable tax ruling, totaling $0.05 a share.) The company was, however, able to meet our bottom-line expectations despite missing our top-line call. Compensation expenses declined as a percentage of total revenues from the fourth quarter and, as a result, represent a lower percentage of total revenues in the year-ago quarter. Noncompensation expenses were up slightly sequentially, but were down 5% from the first quarter of fiscal 2004, reflecting the Gateway initiative to improve the efficiency of the communications infrastructure. Consequently, the company's net margin improved from 6.9% in the year-ago quarter to 8.3% in the most recent period. We have reduced our full-year revenue estimate, but kept our full-year earnings call intact, owing mostly to the improved expense controls at Edwards.

The company is relying less on commission revenues. For the first time revenues from fee-based assets surpassed billion in total client assets, more than 700 branch offices (staffed by about 6,000 financial consultants), 3.6 million clients, and 15,400 employees. Officers and directors own 1.3% of the common stock outstanding (5/05 Proxy). Chrmn & CEO: Robert L. Bagby, Inc.: Delaware. Address: 1 North Jefferson Avenue, St. Louis, MO 63101. Website: www.aeg.com. HAS approx 506.5 mil. Shares. Has approx 315 Institutions.