

Dividend Investing in the Post-Bubble Era

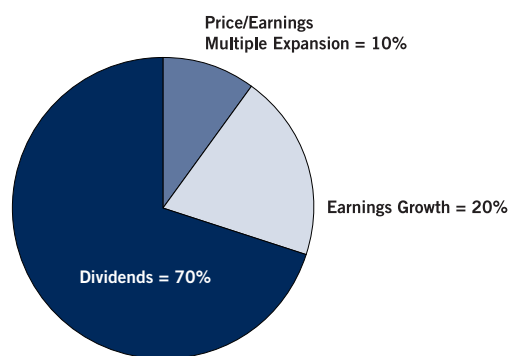
Introduction

Few issues are more important for investors to consider than the possibility that returns on U.S. stocks and bonds could be more modest in the coming years compared to the last 20 years. Economic growth is unlikely to match that of the late-1990s; therefore the investment climate could remain challenging. For equities, many important industries are still adjusting to the overinvestment that occurred during the technology and telecommunications bubbles. For bonds, interest rates are near levels not previously experienced in most investors' lifetimes.

We believe the key to outperforming in a potentially sub-par, yet volatile environment is to play the role of the tortoise. The goal is capital preservation, while seeking reasonable returns and shielding portfolios from big losses. Therefore, it is prudent to emphasize investments where returns are derived at least in part from periodic cash flows, rather than entirely from capital gains. These cash flows can help reduce price volatility in periods of rising and falling asset values. During sideways or sub-par markets, they can "pay you while you wait." Such cash flows can also help retirees fund lifestyle needs after paychecks stop.

Dividend-paying stocks provide an attractive periodic cash flow strategy. While dividend stocks have received attention due to the 2003 tax cut initiatives, we believe they deserve attention for other important reasons. Historically, dividends have contributed significantly to total equity returns and have outperformed non-dividend-paying stocks in up and down markets. In a post-bubble environment, dividends provide a more objective measure of financial health and encourage more effective corporate governance. We believe dividend stocks will be attractive long-term investments, regardless of tax policy.

Contributions to total returns in the last 100 years
(after inflation, including dividends)



Source: Robert Arnott and Peter Bernstein, *Forbes, The Great Stock Illusion*, 7/22/02

Dividends are more important in the post-bubble era

Dividends have contributed significantly to historical returns

Respected stock market historians generally agree that in the last 100 years, stocks have provided investors a real return of almost 7% per year, on average, inflation adjusted. Dividends contributed more than 70% of those returns, according to finance experts Robert Arnott and Peter Bernstein. They calculate that a paltry 20% came from earnings growth. The remaining



RBC Wealth Management™

returns came from price/earnings multiple expansion, which occurred mainly after 1982. These data are important because many market participants assume the opposite — that earnings growth has been the driver of returns. Jeremy Siegel of the Wharton School, widely recognized as one of the leading stock market historians and finance professors, and author of *Stocks for the Long Run*, generally agrees with the Arnott & Bernstein analysis that dividends, not earnings growth, have been the prime contributor to stock returns. Siegel said until the stock boom of the 1990s, about 75% of real equity returns came from dividends.

Considering these data and the potential for sub-par equity returns, the issue of dividend contributions becomes even more important. During periods of modest price appreciation, a dividend yield between 2-4% can potentially contribute upwards of 50% to total returns.

Dividends stocks have outperformed non-dividend stocks

Based on an academic study conducted from 1970, dividend stocks have generally outperformed non-dividend stocks. Professors Kathleen Fuller of the University of Michigan and Michael Goldstein of Babson College said dividend stocks on the NYSE, AMEX and NASDAQ returned 1.3% per month, on average, compared to 1.025% for non-dividend paying stocks from January 1970 to December 2000. One key reason for the outperformance is that dividends tend to signal the overall health of a company.

The bulk of the outperformance was generated in down markets, when portfolios were most vulnerable. From January 1970 to December 2000, dividend stocks lost 2.2% on average each month in down markets versus a loss of 3.1% for non-dividend paying stocks, according to the Fuller/Goldstein study. The data do not include the actual dividend payment. Factoring in the total return, dividend stocks would have held up even better. An example of this outperformance occurred in the most recent bear market. From 2000-2002, dividend paying stocks in the S&P 500 Index roughly broke even, according to Standard & Poor's. In contrast, the S&P 500 Index declined 39.5% from 2000 through 2002. Therefore non-dividend stocks fared even worse than the dismal performance of the Index.

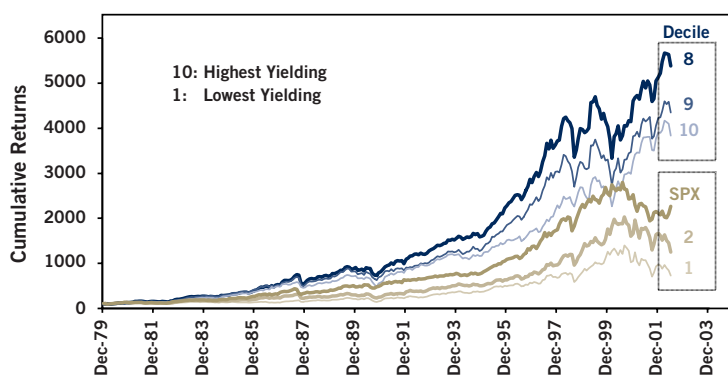
Warren Buffett, one of the greatest investors of all time, emphasizes that minimizing losses in bad markets is one of the most important factors in successful long-term investing. His theory is that the key to achieving significant gains in the market over time is not losing big in any one year. We believe dividend stocks can help investors achieve that goal, given the historical outperformance in down markets.

The Fuller/Goldstein study also reveals that dividend stocks outperformed in up markets, which contradicts the perception of many market participants. When the market traded higher from 1970 to 2000, dividend stocks posted slightly higher average monthly returns than non-dividend stocks at 3.83% vs. 3.79%, respectively. The Fuller/Goldstein data do not include the actual dividend payment, so the actual return of dividend stocks was even higher.

Stocks with attractive yields and low payout ratios have provided the best returns

Even though dividend stocks have outperformed the market, not all dividend stocks are equal. Based on a study conducted from 1980 to 2002, stocks with higher dividend yields have outperformed stocks with lower dividend yields, according to our correspondent firm Credit Suisse First Boston (CSFB). Stocks with higher dividend yields have also outperformed the S&P 500. In addition, quality matters. The CSFB study reveals three very important quality distinctions that investors should consider when selecting dividend stocks:

Back test of Dividend Yield Strategy
(equal-weighted decile performance, from January 1980 to June 2002
(universe: S&P 500))



Source: CSFB Quantitative and Equity Derivatives Strategy.

1) A firm's payout ratio is a key indicator of performance. Stocks with high dividend yields and low payout ratios outperformed stocks with high dividend yields and high payout ratios from January 1990 to June 2002. Stocks with low dividend yields and high payout ratios underperformed. CSFB said, "Companies earning just enough to pay dividends or paying most of their earnings as dividends...are vulnerable to competitive pressure as they do not have enough cash flow to support their operations."

2) Since 1980, stocks with the highest yields — often considered to be extreme yields — did not perform the best, as the decile 10 line on the graph indicates. Such stocks typically represent companies with distressed internal conditions. Stocks with slightly lower yields performed better, as the decile 8 and 9 lines indicate. These companies tend to have healthier internal conditions.

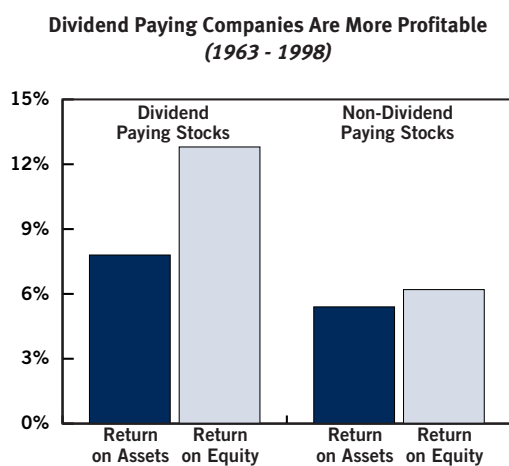
3) The lowest yielding dividend stocks have under-performed the S&P 500 since 1980.

Therefore, we believe investors should look for dividend stocks with the combination of above-average yields and low payout ratios. This combination often indicates quality because such companies can afford to pay the dividend.

Dividends are a better indicator of business strength and financial health

Historically, dividend-paying companies have been more profitable than non-dividend paying companies. Therefore, dividends have been a better indicator of business strength. Professors Eugene Fama of the University of Chicago and Kenneth French of the Massachusetts Institute of Technology analyzed profitability measures of return on assets (ROA) and return on equity (ROE) using Compustat data. They found that from 1963-1998, dividend-paying companies contributed higher ROA than non-dividend paying companies, on average, at 7.8% to 5.4%, respectively. Dividend paying companies also posted higher ROE than non-dividend paying companies, on average, at 12.8% vs 6.2%, respectively, as the chart on the following page illustrates.

Dividends also provide a more objective measure of financial health. The 1990s technology and telecommunications bubble encouraged many excesses, some of which influenced how investors analyzed and selected stocks. Wall Street became obsessed with year-over-year earnings growth above all other metrics including dividend analysis. The lust for earnings growth led investors away from what had been considered traditional stock analysis. “The focus on earnings instead of dividends stood in sharp contrast to the entire history of stock returns,” Professor Siegel wrote in a July 2002 editorial published in *The Wall Street Journal*.



Source: *Disappearing Dividends: Changing Firm Characteristics or Lower Propensity to Pay?* Eugene F. Fama, University of Chicago, and Kenneth R. French, Massachusetts Institute of Technology

Federal Reserve Chairman Alan Greenspan believes that traditional stock analysis, which includes dividend analysis, provides a better indication of financial strength. In March of 2002 he said, “Prior to the past several decades, earnings forecasts were not nearly so important a factor in assessing the value of corporations. In fact, I do not recall price-to-earnings ratios as a prominent statistic in the 1950s. Instead, investors tended to value stocks on the basis of their dividend yields ... firms competed on the basis of which one had the most conservative set of books.”

Greenspan believes cash dividends are much less subjective than earnings accounting, which can be more “ambiguous” and prone to manipulation. Dividends provide investors with a more objective means of evaluating the internal rate of return. They are often a measure of quality, as they can indicate that a corporation has a consistent stream of income, particularly when dividends are raised year after year. As the Fuller/Goldstein profitability study indicates, dividends are often an important signal of financial health.

Professor Siegel also recognizes the value of dividend analysis. He wrote, “Earnings are only a means to an end, and that end is to maximize the future cash returns received by investors ... dividends were the primary means that firms had to show that earnings were real.” Arnott and Bernstein agree. They wrote, “... the dividend is the one reliable aspect of stock ownership over the past two centuries...”

“The focus on earnings instead of dividends stood in sharp contrast to the entire history of stock returns.”

Professor Jeremy Siegel,
author of *Stocks for the Long Run*

Dividends are an important check on corporate governance

The bubble era was a brutal reminder that corporations can grossly misallocate resources, and at times, can mislead shareholders through balance sheet manipulation.

During the 1990s, the assumption had been that management “knew better” how to spend excess cash than shareholders. After the bubble burst, it became clear that the 1990s was rife with accounting gimmicks, bad mergers, poorly timed investments and unwise use of debt. The interests of shareholders were often misaligned with the interests of management, as some non-dividend paying companies squandered profits on ventures that failed to provide investors a decent return. “There’s an incredible arrogance in management thinking that their tenth-best idea is better than their shareholders’ first-best idea,” Arnott told *Fortune* in July of 2002.

The bubble era was also plagued by excessive issuance of options and equity, which diluted shareholders. Professor Siegel said, “Stock options worsened the trend toward substituting capital gains for dividends. Options became valuable only when the price of the stock rose; dividends were of no use to the option holder.”

For example, from 1998-2003, more than 56% of the income generated by the NASDAQ’s top 15 largest companies has benefited management in the form of stock options, rather than shareholders, according to a study conducted by Arne Alsin, fund manager and RealMoney.com columnist. Arnott and Bernstein characterize this transfer of wealth as “pirate capitalism” because excessive options significantly dilute shareholder equity. While dividends don’t guarantee protection from dilution, companies that pay dividends tend to have less cash to allocate toward stock options. Therefore this form of “pirate capitalism” occurs less frequently.

Aggressive stock buyback programs were also a characteristic of the great bull market of the 1990s. Buybacks (stock repurchases) rose at an annual rate of 26% between 1980-2000, mainly due to a regulatory change that tilted the bias toward repurchases and away from dividends. Beginning in 1997, the total value of buybacks began to exceed the value of dividends paid for the first time in history. Unfortunately, toward the end of the bubble, the bulk of the stock repurchases went to buy shares that were issued to cover executives’ options, thus failing to benefit shareholders.

In the last five years, more than 56% of the income generated by the NASDAQ’s top 15 largest companies benefited management rather than shareholders.

Source: RealMoney.com, The Cold, Hard Numbers on Stock Options, 1/29/03

Standard and Poor's said, "Any tightening of the accounting treatment for options or any increased scrutiny of corporate options-issuance practices by analysts could slow options award and share buybacks, making additional cash available for dividends." Siegel added, "I believe that option grants will go the way of the bear and will be far lower in future years."

Also, dividend-paying companies are less likely to dilute shareholders by issuing new equity. Almost two-thirds of new stock issuance comes from non-dividend paying companies, according to a study by Fama and French.

Overall, we believe dividend-paying companies have a better track record of managing resources, as the profitability data on page four indicate. They are less prone to distort earnings through accounting maneuvers and gimmicks because regular dividend payments discipline earnings accounting and discourage inefficient use of excess cash.

Thomson Financial Data on Insider Selling

Corporate executives sell less stock at companies that pay dividends. Among S&P 500 companies, the bigger the dividends have been, the less insiders have sold.

Dividend Yield	5-year Quarterly Average Sold	Number of Firms	% of Firms
None	\$8,446,128	150	30%
0.99% or Less	\$7,307,778	100	20%
1.00% to 1.99%	\$3,892,816	105	21%
2.00% to 2.99%	\$2,067,548	64	13%
3.00% to 3.99%	\$978,055	33	7%
4.00% and above	\$763,041	47	9%

Source: Thomson Financial; data from 1997-2002
 Note: Excludes Travelers Property Casualty Group.

Insiders sell less stock when dividends are paid

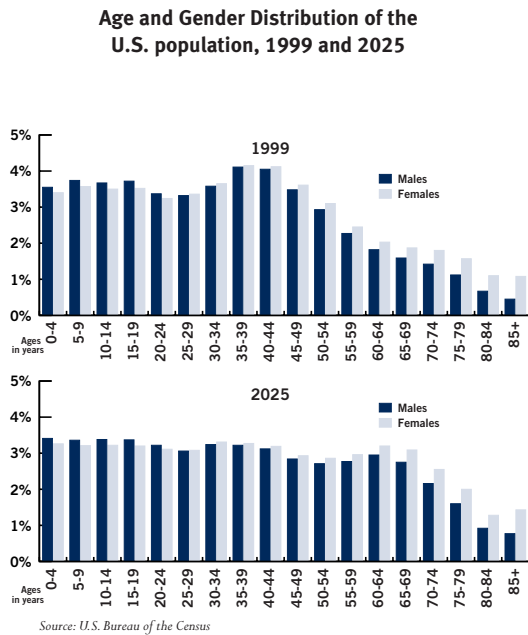
A 2003 study by Thomson Financial, an organization that closely monitors insider selling, concludes that the more companies pay in dividends, the less likely insiders will sell their stock, the *USA Today* reported.

For example, among companies that pay dividends of 3% or more annually, insiders sold \$1.74 million worth of stock, on average, each quarter. While these firms represent 16% of the study, they only represent 7.4% of total insider sales. In contrast, among companies that pay no dividends, insiders sold \$8.4 million, on average, each quarter of the last five years. While these firms represent 30% of the study, they represent 36% of insider sales. Thomson Financial concluded that healthy

dividends tend to encourage management to take a longer-term view of their business and their ownership stake.

These statistics are particularly notable since stocks with heavy insider selling tend to underperform the average New York Stock Exchange stock by 11% six months after the sales, according to a study co-authored by Carr Bettis of Arizona State University.

Demographic changes should make dividend stocks even more important as the highly populated baby boom generation approaches retirement age.



In 2008, when older baby boomers turn 62, major population shifts will start to take root in the United States. As this age group retires in greater numbers, the percentage of older Americans will increase dramatically. For example, only 12% of the U.S. population was age 65 or older in 2000. By 2030, after most boomers have retired, the proportion of Americans age 65 or older is projected to skyrocket to 20%, according to U.S. Census Bureau forecasts. America has never experienced a demographic shift of this magnitude. It is bound to have investment implications, in our opinion.

At the same time, life expectancy is projected to rise significantly. Between 2000 and 2050, the life expectancy for females in the United States is expected to increase from 80 to 87, according to the Census Bureau. The life expectancy for males is expected to rise from 74 to 81 during the same period. Therefore, retirees would need investments to provide a longer stream of income.

Also, retirees will be more dependent on income from non-traditional sources. In 1998, Social Security only funded 22% of the annual income needs for a retiree with income of \$32,000 or more (\$43,400 per couple), according to AmeriStat. Among all older adults, private pensions accounted for only 18% of income, AmeriStat reported.

We believe such demographic changes would alter investing patterns. With Social Security and private pensions failing to fully fund the lifestyles of older Americans, investments need to provide significant cash flow in retirement years. Longer retirements and longer life spans could encourage pre-retirees and early retirees to remain invested in equities at older ages compared to past decades, which could help support equity valuations. Retirees would be more dependent on investment returns to stretch their savings and maintain working-age standards of living. Dividend stocks and other periodic cash flow instruments provide critical solutions to help meet that need. Ultimately, we believe the shift in aging patterns would increase demand for dividend stocks.

Tax code provisions should not be overstated

Federal tax law has long influenced how corporations and investors view dividends. Regulatory changes in 1982 and tax code changes in 1986 discouraged companies from increasing or issuing dividends to shareholders. In 2003, the Bush Administration persuaded Congress to pass tax cuts that reversed the bias against dividends and made dividend stocks more attractive to investors.

The legislation lowered taxes on dividends to 15% from a top rate of 38.6% through 2008. For investors in the 15% and 10% marginal rate brackets, the dividend tax rate fell to 5% through 2007 and would fall to 0% in 2008. Investors are required to hold a stock for at least 60 days prior to the ex-dividend date in order to be eligible for the tax cut.

The provisions affect taxable accounts, which include about 50% of all dividend stocks. The lion's share of dividends in these accounts previously had been taxed at about 28.6%, so the 15% rate provides a meaningful reduction for investors. For example, an investor with \$3,000 in taxable dividend income would pay \$450 in taxes at the 15% rate compared to \$858 at the 28.6% rate. That's a 47.5% reduction. Many investors reaped the benefits of lower taxes on their 2004 returns.

The tax cut applies to dividend payments from domestic companies and "qualified" foreign companies. It does not apply to dividends paid into tax-free accounts such as 401(k) plans. Income from real estate investment trusts (REITs) and master limited partnerships (MLPs) are not eligible for the dividend tax cut.

The 2003 legislation also lowered the capital gains rate to 15%, which represents the first time since the late 1980s that capital gains and dividend tax rates have been at parity. Therefore, investors have less of a preference for capital gains over dividends.

Unfortunately, the dividend tax cuts automatically expire in 2008 unless Congress proactively renews them. Many leaders of the Democratic Party oppose renewing the tax cuts. Some members have even proposed reversing the dividend tax cuts before 2008. Specifically, they seek to raise dividend taxes on investors in the upper income brackets, at the very least.

We believe a reversal of the 2003 dividend tax cuts would be unfortunate in many ways. In our opinion, it could cause a short-term pullback in dividend-paying stocks and could reduce after-tax returns for some investors. However, even if taxes on dividends are raised for upper income investors and the tax code shifts back to a bias against dividends, we believe dividend stocks could still outperform over the long term. Favorable tax code provisions are not the primary reason to invest in dividend stocks. As was discussed earlier, dividend-paying companies tend to be more profitable and have stronger financial profiles than non dividend-paying companies. Also, demographic trends should contribute to stronger demand for dividend-paying stocks in the coming decades. Finally, on a historical basis, the performance of dividend stocks has not been dictated by the tax code.

On many occasions, these stocks have outperformed even when the tax code was bias against dividends. If taxation concerns cause a pullback in dividend-paying stocks, we would use it as a buying opportunity.

Dividend investing is more challenging in the post-bubble era

While we believe dividend stocks should play an important role in portfolios, we recognize that the current climate makes it tougher to find investment solutions for the following reasons.

Fewer companies pay dividends

The percentage of companies that pay dividends has declined dramatically in the past three decades. Of stocks traded on all major indices, only 39% paid dividends in 2003 compared to 72% in 1977, according to Standard & Poor's. The decline is partly due to factors already mentioned, such as the tax code's bias against dividends, but it is also due to other important issues.

The economic boom of the 1980s and 1990s transformed the characteristics of public companies. An explosion of entrepreneurial, growth-oriented companies occurred. In many cases, these companies came public in the start-up stage. They were unprofitable and in need of cash, so dividend payments were out of the question. The overwhelming majority of new companies traded on the NASDAQ. Therefore, the percentage of NASDAQ and AMEX companies that paid dividends plummeted from a peak of 63.4% in 1978 to 8.6% in 1999, according to a study by professors Fama and French.

Also, as these entrepreneurial firms grew into larger companies, it affected the composition of the S&P 500 Index. The percentage of dividend paying companies in the S&P 500 declined from 98% in 1970 to 94% in 1980 to 75% in 1999 to 70% in 2002.

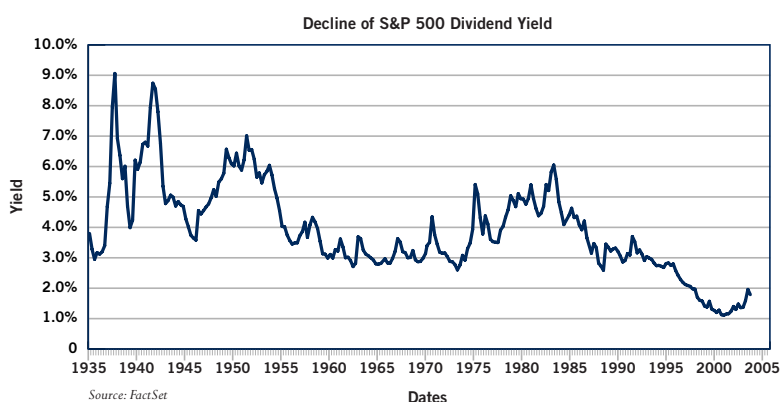
The percentages of S&P 500 dividend paying stocks declined from 98% in 1970 to 70% in 2002.

Sources: The Ups and Down of Dividend Preference, Kathleen Fuller of University of Michigan and Michael Goldstein of Babson College, 9/19/02; *New York Times*, Dividends End 2002 on a Strong Note, 1/2/03

This trend was not isolated to the technology-laden NASDAQ or the S&P 500. The percent of dividend paying firms listed on the NYSE fell from 88.6% in 1979 to 52.0% in 1999, its lowest level since the Great Depression.

We believe these trends may reverse in the coming decade because of economic and corporate life-cycle factors. The economic climate may be less friendly to smaller upstarts and entrepreneurial businesses. Therefore, we believe fewer new lists will occur compared to the past two decades. Also, as the companies that came public in the 1980s and 1990s begin to mature, many of them will start to pay modest dividends. For example, Microsoft, which came public in 1986, now pays a dividend to shareholders. While more companies are likely to pay dividends in the years ahead, the trend will take time to develop.

The S&P 500 dividend yield and payout ratio have fallen



Another reason dividend investing is more challenging is that the S&P 500 dividend yield (average yield for 500 stocks) collapsed in the latter half of the 20th century. According to Professor Siegel, the average dividend yield was 5.8% during the 19th century and the first half of the 20th century. But, the median dividend yield on S&P 500 dropped to 3.75% from 1946-1996. Most notably, in 1958, the S&P 500 dividend yield even fell below government bond and corporate bond yields.

Yields dropped further during the 1990s as stock prices soared and the percentage of dividend paying companies declined. At the peak of the equity market bubble, in March 2000, the yield fell to 1.2%. By the end of 2002, with the drop in stock prices, the S&P 500 dividend yield inched back up to 1.83%. Even so, this yield is remarkably low compared to the 1974 and 1982 bear markets when the S&P 500 yield was about 5% and 6%, respectively.

The portion of profits paid to investors in the form of dividends — payout ratios — has also declined. According to Fed Chairman Greenspan, the payout ratio averaged about 55% in past decades. Even though S&P 500 companies posted record earnings at the tail end of the bubble, payout ratios fell to around 35% in early 2003. Greenspan said, “The sharp fall in dividend payout ratios and yields has dramatically shifted the focus of stock price evaluation toward earnings.”

Even with the decline in the average yield and payout ratio, 116 stocks within the S&P 500 Index paid dividends of 3% or more in 2003 and 63 stocks paid 4% or more, according to Bloomberg.

Some traditional dividend payers have become distressed

Another challenge in finding quality dividend stocks occurred because industries that traditionally paid dividends changed their business models dramatically. From the early 1900s, utility and telecommunications companies had been reliable dividend payers. However, major regulatory changes and failed business strategies made it more difficult for some companies in these industries to pay dividends. Once reliable dividend payers became more distressed payers or eliminated dividends altogether.

In the 1990s, deregulation and re-regulation prompted companies to seek new, more risky growth opportunities just as Wall Street was clamoring for earnings growth. Some industry leading companies assumed more debt compared to past business structures in order to attempt to deliver double-digit earnings gains. As the opportunities failed to materialize, some companies cut dividends. For example, following waves of regulatory changes, intense competition and major strategic shifts by management, one of the stock market's most reliable dividend payers, AT&T, significantly cut its dividend in December of 2000.

Also, as profit pressures mounted, two leading companies in these industries — Enron and Worldcom — misled investors about their business models and earnings growth projections. Their unrealistic projections pressured competitors to chase business strategies that were ultimately doomed to fail. As Enron and WorldCom unraveled, weaknesses in the energy/utility and telecommunications industries were exposed. In some cases, debt ratings were slashed, stock prices collapsed, and dividends were significantly cut or eliminated by some companies in these industries.

While it is now more difficult to find dividend opportunities, your RBC Wealth Management Financial Consultant can direct you toward the more reliable dividend paying companies in these and other industries.

Conclusions

We recommend that equity portfolios include a greater share of dividend paying stocks, particularly considering that dividends have historically contributed about 70% of total equity returns, and have outperformed in up and down markets. Following the strong growth period of the 1990s, the economic and investing landscape has shifted. Therefore, it would be wise to adjust portfolios toward investments that provide periodic cash flow payments such as dividend stocks. In addition to their potential to outperform, dividend stocks provide investors with a more objective measure of quality. Historically, dividend-paying companies have been more profitable than non-dividend paying companies. Dividends provide an important check on corporate governance because they make it more difficult to distort earnings and encourage a more efficient use of excess cash. The financial performance of dividend paying companies tends to be more transparent. And, we believe dividend stocks will become even more attractive as the baby boom generation enters retirement age. While it is more challenging to invest in dividend stocks in the post-bubble environment because fewer companies pay dividends, there are many attractive opportunities for equity investors, particularly among healthy companies with attractive yields and low payout ratios.

Report first published in March 2003.

Updated in August 2004.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST.

Our Research Ratings Legend can be viewed at www.rbccmresearch.com/researchratings. The material contained herein has been prepared from sources and data that RBC Wealth Management, a division of RBC Capital Markets Corporation ("RBC WM"), Member NYSE/FINRA/SIPC, believes to be reliable and is intended solely for the use of RBC WM clients. However, this material does not purport to be a complete statement of all material facts related to any company, industry, or security mentioned, and RBC WM makes no representation or warranty as to the accuracy and completeness of this material. Further, the material and opinions provided herein are not intended as personalized investment advice. The investments and opinions presented do not constitute an individual recommendation and may not be suitable for individual clients. RBC WM urges each of its clients to assess the material presented in light of such client's specific circumstances, which may include, among other things, an evaluation of the client's investment goals, risk tolerance, age, income, liquidity needs and overall portfolio allocation. Historic performance should not be viewed as indicative of future results. This material is intended for informational purposes only and does not constitute, and should not be considered as an offer to buy or sell, or a solicitation of an offer to buy or sell securities or commodities, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under applicable securities laws. The opinions and estimates expressed herein reflect the judgments of the author(s) as of the date of this material and are subject to change without notice. RBC WM is not obligated to continue to offer opinions, estimates or other information regarding any company or security referenced herein, or to update any opinions, estimates or information contained in this material. Accordingly, the opinions, estimates and information contained herein may not reflect events occurring after the publication date. RBC WM, its officers, directors, subsidiaries, affiliates, and/or employees may from time to time have a corporate finance relationship with, and/or hold long or short positions in securities (or derivatives thereof) publicly or privately issued by companies mentioned in this report, and may sell or buy such securities for their own accounts or related accounts without notice to RBC WM clients. Any Canadian recipient of this report that is not a Designated Institution in Ontario or a Sophisticated Purchaser in Quebec (or similar permitted institutional purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada. Copyright © 2007 by RBC Capital Markets Corporation, all rights reserved.

RBC WM prepared this report and takes sole responsibility for its content and distribution. The content may have been based, at least in part, on material provided by Credit Suisse First Boston Corporation ("CSFB"), our correspondent research service. CSFB has given RBC WM general permission to use its research reports as source materials, but has not reviewed or approved this report, nor has it been informed of its publication. CSFB may from time to time have long or short positions in, effect transactions in, and make markets in securities referred to herein. CSFB may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report.