



American Shareholders Association
 1920 L Street, NW, Suite 200
 Washington, DC 20036
 202.549.7803 • Fax 202.785.0261

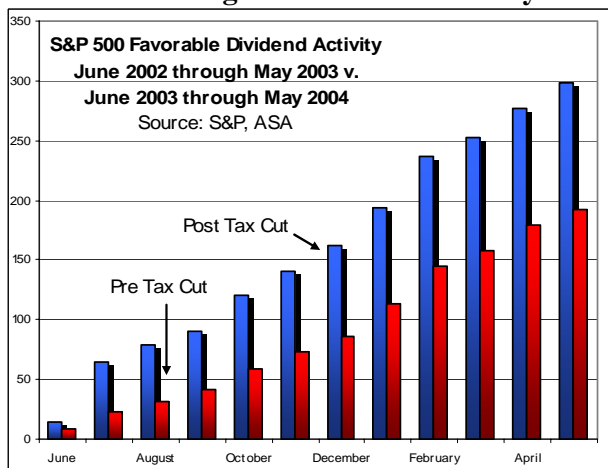
Jobs and Growth Tax Relief Reconciliation Act

ASA Dividend Scorecard – June 4, 2004

One Year Later, Dividend Tax Cut Is A Major Success

On May 28, 2003 President Bush signed into law the most pro-growth tax cut since Ronald Reagan's historic tax cut in 1981. The centerpiece of the tax cut was the significant reduction on the double taxation of dividend income and then equalizing the capital gains tax rate with the dividend tax rate. In the tax cut's first full year, S&P 500 favorable dividend activity increased by 55.2% over the previous 12 month period, the 25 year decline of dividend payers has been reversed, the number of companies paying a dividend is set to increase for the second consecutive year, 38 S&P 500 companies increased their dividend more than once, and personal dividend income is booming. With corporate profits way up and businesses flush with cash, the lower tax on dividends has worked to significantly increase dividend activity. Without question, the tax cuts on capital gains and dividends should be made permanent.

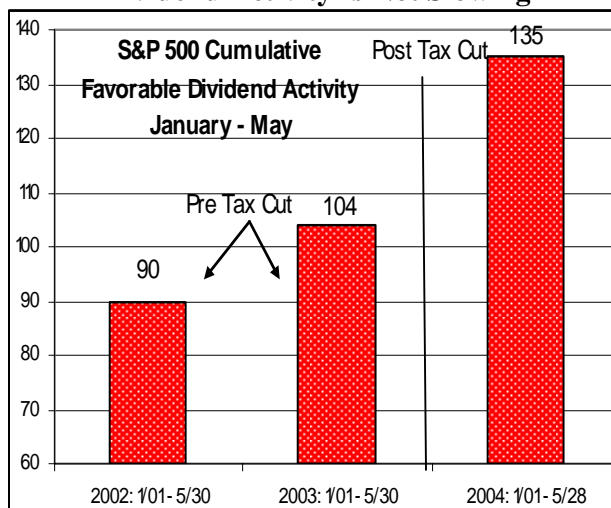
Tax Cut Ignites Dividend Activity



One Year Later: Favorable Dividend Activity Up 55.2%

The accelerating pace of favorable dividend activity continued in May with 22 favorable dividend actions, compared to just 13 in the same month last year. May completed the full 12 month term since the tax cut was put into place. In this 12 month period, a total of 298 favorable dividend actions (increases and initiations) were taken on the S&P 500 compared to just 192 in the previous 12 month period. As such, favorable dividend activity is up 55.2 percent since the tax cut was put into place. 21 total companies initiated a first time dividend during this time, but with 2 suspensions a net 19 companies are now paying a dividend (5.4% increase). 234 companies in the S&P 500 increased their dividends over the past year with 34 increasing their dividend twice, 3 companies increasing their dividend three times and one company increasing their dividend in all four quarters.

Dividend Activity Is Not Slowing

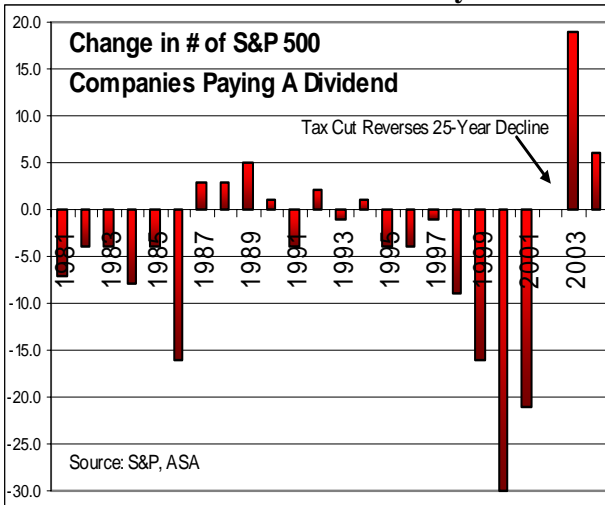


Heightened Dividend Activity Continues

One month following the tax cut enactment dividend activity soared. 179 total companies increased their dividend in July 2003, the most since 1979. 44 S&P 500 companies increased their dividend that month compared to just 15 increases in July 2002. As such, analysts expected companies to adjust to the new tax changes, increase or initiate dividend, and activity would slow. However, activity continues to soar. The chart on the left examines dividend activity in the first five months of 2002, 2003, and 2004 which demonstrates the substantial increase that has taken place since the tax cut was put into place. The heightened activity is not just the result of the tax cut, but other factors such as a rebounding economy and improving cash flows have helped to keep the pace going. Without the tax cut, however, this current level of dividend activity would not be occurring as the prohibitively high double tax made dividend issuance relatively inefficient.

American Shareholders Association is a non-partisan, not-for-profit organization dedicated to analyzing legislation affecting shareholders. To educate U.S. investors, ASA reports the public positions of elected representatives on these issues to its members. For more information please contact Daniel Clifton at (202) 549-7803 or by email at dclifton@americanshareholders.com

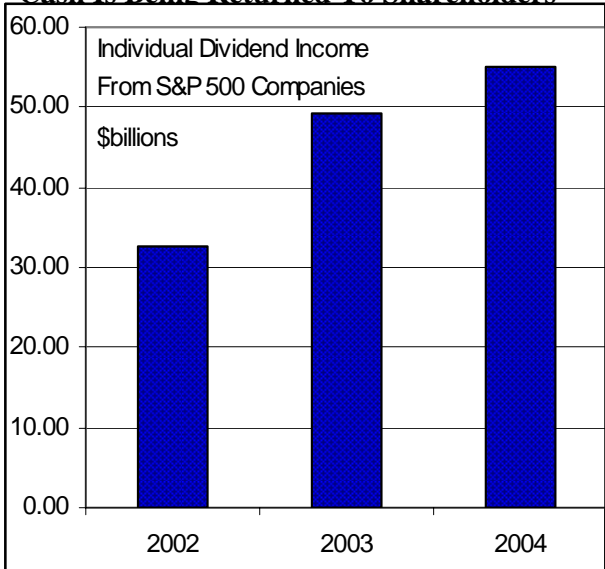
Dividends Are Back In Style



More Companies Actually Paying Dividends

The most positive development from the dividend tax cut is the reversal in the 25 year decline of companies paying a dividend. As the chart on the left shows, the number of S&P 500 companies paying a dividend significantly declined, from 469 in 1980 to 351 in 2002. However, the tax cut coupled with strong cash flow reversed this trend as 19 more firms paid dividends in 2003. Placing this number in context, the last year an increase occurred was 1994 and that was a net increase of one company. The largest one year increase in that time was 5 in 1989. Yet, four times as many companies initiated a dividend in 2003. The 21 total initiations are the most in 24 years. In the first five months of 2004, a net 6 companies on the S&P have initiated a dividend for shareholders. If this trend holds up it will be the first time in 15 years, the number of companies paying a dividend on the S&P 500 has increased two consecutive years.

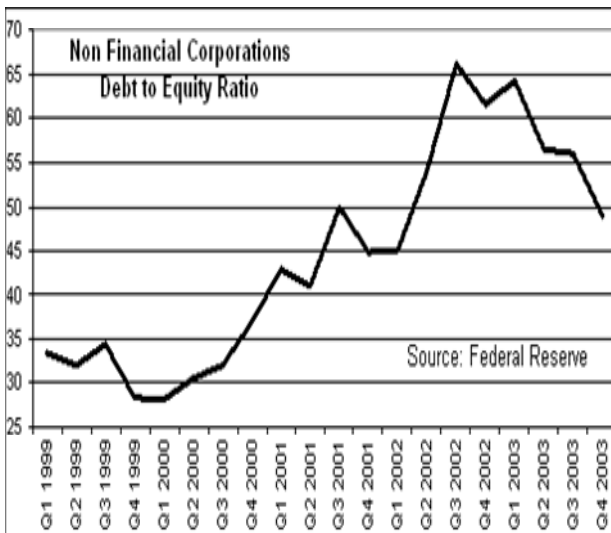
Cash Is Being Returned To Shareholders



Dividend Income is Booming

Increasing dividend payments and record growth of dividend initiations translates into significant more cash for shareholders. Real personal dividend income increased 5.8 percent in 2003, by far exceeding the 4.5 percent annual average since 1990. Through April of this year, personal dividend income is already up 2.5 percent and is exceeding last year's growth rate for the same time period. According to S&P, *net individual* dividend income increased by 50 percent in 2003 from \$32.7 billion to \$49.1 billion. A recent Lehman Brothers report forecasts S&P 500 firms dividend payments to increase from \$147 billion in 2002 to \$160 billion in 2003 to \$184 billion in 2004. S&P also issued a similar forecast and makes the point the payout of cash will be roughly double the amount issued 10 years ago. But at the same time, the S&P forecast of the 2004 indicated dividend rate continues to be revised upward as dividend activity booms. The upward revisions will lead to additional \$6.4 billion of new cash for shareholders.

Debt to Equity Ratio Dropping



More Dividends Coming: Companies Flush With Cash

Due to strong corporate profits and aggressive cost cutting, cash flow of non financial corporations has exceeded capital spending for three straight quarters. As a result, non-financial companies on the S&P 500 are sitting on more than \$500 billion of cash and 122 companies now have more cash and short-term securities than long-term debt. 36 companies in the Index have no long term debt. As a result, the debt to equity ratio for non-financial corporations has precipitously dropped and we expect this continue in the future. Moreover, ASA has long argued that the dividend tax cut in of itself will help reduce the debt to equity ratio for companies. Reductions in debt and strong cash flow are recipes for new business investment, increased M&A activity, and increasing dividend payouts to shareholders. As shareholders see cash flow rising, expect significant dividend payouts to continue in the future including technology companies which historically have not paid dividends.