OUR DIVIDEND GROWTH NEWSLETTER

Valuentum Securities

Stock Analysis: From Value through Momentum Investing

May 1, 2012
Volume 1 Issue 5

Valuentum Securities Inc.
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Portfolio Return	Benchmark Return	Outperformance
6.01%	6.37%	-0.36%

Portfolio Inception Date: January 1, 2012

Inside This Issue

Our Methodology Continues to Identify Dividend-Growth Gems

By Brian Nelson, CFA

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The month of April could best be described as mixed for our Dividend Growth portfolio. On one hand, four portfolio holdings raised their dividends by a nice clip. Chevron (CVX) increased its payout by more than 10%, while both J&J (JNJ) and Procter & Gamble (PG) raised their respective dividends 7%. Kinder Morgan Partners (KMP) also upped its distribution by 5%. In fact, we couldn't be happier with how well our methodology is identifying dividend-growth gems.

However, we did hit a few speed bumps, as a couple firms underperformed the benchmark and Republic (RSG), Hasbro (HAS), and Superior (SUP) posted relatively weak quarterly results. However, we're still holding strong with these firms in our portfolio. We may, however, look to trim our weighting in them or in firms that are nearing their fair value (KMP, EMR) in favor of other firms on our watch list. All things considered, we remain on track to deliver on our goal of an average annual rate of return in the high-single-digits over rolling 3-5 year periods into the future.

Please see *Our Dividend Growth Portfolio* on page 5

Largest Portfolio Holding Microsoft Posts Excellent Fiscal Third-Quarter Results

By Valuentum Analysts

Microsoft (MSFT) reported fiscal-year 2012 third-quarter results that support our thesis on the company and the broader economy. Revenue was up 6% compared to the same quarter last year, and operating income grew by 12%. Though 6% revenue growth may not sound impressive, it was not only better than expected, but it was also driven by upside surprises in unexpected segments.

The business division saw revenue increase 9% from the same period last year, which isn't typical for the unit so far into the Microsoft Office release cycle. Additionally, Windows revenue was up 4%, even in the

Please see *Microsoft's Fiscal Third-Quarter Results…*on page 4

Recent Dividend Hikes by Firms in our Portfolio

By Valuentum Analysts

Dividend Growth Gem P&G Increases Dividend for 56th Consecutive Year; Ups Payout 7%

P&G's dividend increase of 7% was roughly in line with our expectations of high-single-digit growth.

-- Business Wire (Friday, April 13)

"The Procter & Gamble Company announced that its Board of Directors declared an increase in the quarterly dividend from $0.525 to $0.562 per share on its Common Stock…This represents a 7% increase compared to the prior quarterly dividend…

P&G has been paying a dividend for 122 consecutive years since its incorporation in 1890. This marks the 56th consecutive year that the Company has increased the dividend."

Distributions by Kinder Morgan Partners Advanced 5%

Kinder Morgan boosted its distribution 5%, in-line with what we were expecting.

-- Business Wire (April 18)

"Kinder Morgan Energy Partners…increased its quarterly cash distribution per common unit to $1.20 ($4.80 annualized) payable on May 15, 2012, to unitholders of record as of April 30, 2012. This represents a 5 percent increase over the first quarter 2011 cash distribution per unit of $1.14 ($4.56 annualized) and is up from $1.16 per unit ($4.64 annualized) for the fourth quarter of 2011. KMP has increased the distribution 43 times since current management took over in February of 1997."

Portfolio Holding Chevron Announces 11.1% Increase in Quarterly Dividend

Chevron increased its dividend 11%, which was slightly better than our expectations.

-- Business Wire (April 25)

"The Board of Directors of Chevron Corporation…declared a quarterly dividend of ninety cents ($0.90) per share, payable June 11, 2012, to holders of common stock as shown on the transfer records of the Corporation at the close of business on May 18, 2012. The amount represents an 11.1 percent increase in the company's quarterly dividend.

Chairman and CEO John Watson said, "We continue to share our success with our shareholders in the form of meaningful dividend growth. This reflects the strength of our current portfolio and our confidence in the company's compelling growth prospects. Of note, 2012 marks 100 years of continuous dividend payments to our shareholders."

Chevron has increased its annual dividend 25 consecutive years.

Dividend Growth Gem Johnson & Johnson Hikes Dividend 7%

Johnson & Johnson (JNJ) boosted its dividend 7%, and we continue to expect strong growth in its payout in coming years.

-- PR Newswire (April 26)

"...the Board of Directors voted to increase the quarterly dividend for the 50th consecutive year from 57 cents per share to 61 cents per share. The dividend will be payable on June 12, 2012."

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$37.00 - $61.00	HEALTHY	GOOD / 2.1	EXCELLENT

Concerns about Hasbro's First-Quarter Results Overblown; We Expect a Strong Back Half of 2012

By Valuentum Analysts

Toy-maker Hasbro reported disappointing first quarter results. Though we were not happy with the performance in the quarter, we maintain our view that the firm's dividend growth profile ($1.44 annual payout; 3.9% yield) remains strong. Our $49 per share fair value estimate of Hasbro remains unchanged (the firm is currently trading in the mid-$30s).

Hasbro's net revenue in the first quarter fell 3%, and the company did little to adjust its cost structure effectively to mitigate the earnings decline. Earnings fell into the red, with the company posting a $0.02 per share net loss during the quarter (it had earned $0.12 per share in the same period a year ago). Excluding severance-related costs, earnings per share came in at $0.04 (consensus estimates were at $0.08 per share).

One of the bright spots, however, was that its international business continues to perform well, with revenue advancing 14% in the quarter. Sales in the company's US and Canada segment dropped 16% from the same quarter last year, despite Preschool growth (namely from Sesame Street).

Though Hasbro is off to a slow start in 2012, management still believes that it will achieve revenue and earnings for the year (absent foreign currency impacts). With the company launching four major motion pictures in the coming months (Battleship, Avengers, The Amazing Spider-Man, and GI Joe: Retaliation), we think profitable growth is achievable.

Plus, we don't have any qualms with the company's quarterly cash dividend of $0.36 per share, which was recently increased 20%. We would not be surprised to see its payout rise to above $1.60 per share in coming years.

Click the link below to view our full 16-page Equity Report on Hasbro (HAS):

http://www.valuentum.com/downloads/20111216_2/download

Investment Considerations	
DCF Valuation	UNDERVALUED
Relative Valuation	ATTRACTIVE
ValueCreation™	EXCELLENT
ValueRisk™	MEDIUM
ValueTrend™	NEGATIVE
Cash Flow Generation	STRONG
Financial Leverage	LOW
Growth	MODEST
Technical Evaluation	BULLISH
Relative Strength	WEAK
Money Flow Index (MFI)	NEUTRAL
Upside/Downside Volume (U/D)	IMPROVING
Near-term Technical Support, 10-week MA	36.00

DCF = Discounted Cash Flow; MFI, U/D = Please see glossary. MA = Moving Average

Dividend Safety / Cushion — GOOD / 2.1

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Hasbro scores a 2.1 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Hasbro registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $1.63 per share within the next several years.

Risk of Capital Loss — LOW

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Hasbro registers a score of LOW on our scale.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$33.00 - $49.00	HEALTHY	EXCELLENT / 4.2	EXCELLENT

***Microsoft's Fiscal Third-Quarter Results…* from page 1**

face of the well-documented global hard drive support shortage. Windows 7 enterprise penetration reached 40% globally, which is far more impressive than the adoption of Vista.

Servers and tools also performed well, with revenue up 14% from the same period a year ago. We think business investments in SQL and system centers suggest that companies are making technology infrastructure investments that will boost productivity. This could mean that businesses are feeling more optimistic about workloads and activity in the near- and intermediate-term.

Further, Microsoft continues to throw off plenty of cash. Cash flow from operations came in at over $9 billion in the third quarter, and the company has now generated nearly $24 billion in operating cash flow for the year. This is precisely why the acquisition of Skype last year seems miniscule to us, and why we aren't too worried about its acquisition of a patent portfolio from AOL (AOL).

Going forward, we think Ultrabooks, Windows 8, and strong demand from enterprises will fuel growth in fiscal year 2013. We think Windows 8, and its integration as a mobile, desktop, and tablet operating system, could help take back some the consumer mindshare the company has lost in recent years to Apple (AAPL) and Google (GOOG).

We think Microsoft's dividend ($0.80 annual payout; 2.5% yield) will expand in coming years as long as its cash generating prowess remains robust (which we think it will). We're expecting double-digit growth in the dividend for some time to come. The firm continues to be the largest holding in the portfolio of our Dividend Growth Newsletter. And the shares still look undervalued, in our view. The shares are trading in the low-$30s, and we think a $41 price tag is more appropriate.

Dividend Strength Dividend Growth

Dividend Safety	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record **HEALTHY**

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Jun-97	0.00	0.0	0.33	0.0%
Jun-98	0.00	0.0	0.42	0.0%
Jun-99	0.00	0.0	0.71	0.0%
Jun-00	0.00	0.0	0.85	0.0%
Jun-01	0.00	0.0	0.69	0.0%
Jun-02	0.00	0.0	0.71	0.0%
Jun-03	0.08	0.0	0.92	8.7%
Jun-04	0.16	100.0	0.75	21.3%
Jun-05	0.34	112.5	1.12	30.4%
Jun-06	0.34	0.0	1.20	28.3%
Jun-07	0.39	14.7	1.42	27.5%
Jun-08	0.43	10.3	1.87	23.0%
Jun-09	0.50	16.3	1.62	30.9%
Jun-10	0.52	4.0	2.10	24.8%
Jun-11	0.61	17.3	2.69	22.7%
Jun-12	*0.80*	*31.1*	*2.72*	*29.4%*
Jun-13	*0.90*	*12.0*	*3.04*	*29.5%*
Jun-14	*1.00*	*12.0*	*3.28*	*30.6%*
Jun-15	*1.12*	*12.0*	*3.48*	*32.3%*
Jun-16	*1.26*	*12.0*	*3.64*	*34.6%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Microsoft , please visit our website at www.valuentum.com

Despite Lackluster Results, J&J Remains a Solid Dividend-Growth Holding

By Valuentum Analysts

Johnson & Johnson (JNJ) issued relatively uneventful first-quarter results. We don't expect to make a change to our fair value estimate, and we continue to like the company as a holding in the portfolio of our Dividend Growth Newsletter.

First-quarter revenue was roughly flat from the same period a year ago, as domestic sales declines and a negative currency impact more than offset international strength. Net earnings in the quarter were also less-than-compelling with earnings per share advancing a meager 1.5%, to $1.37. However, J&J did update its earnings guidance for the full year to as much as $5.17 per share at the high end of the range, but most of the revision was driven by non-operational currency impacts.

We were somewhat disappointed in the performance of the company's consumer division, which experienced declines on a global scale (both domestically and internationally). The firm continues

Please see *Despite Lackluster Results…*on page 12

Our Dividend Growth Portfolio

Portfolio Return	Benchmark Return	Outperformance
6.01%	6.37%	-0.36%

Portfolio Inception Date: January 1, 2012

DIVIDEND GROWTH PORTFOLIO -- as of April 30, 2012 Dividend Growth Portfolio Inception Date: January 1, 2012

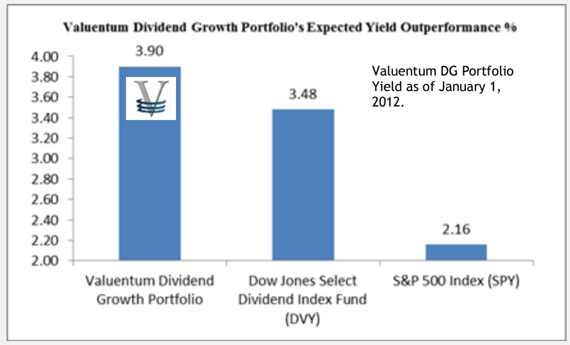
Company Name	First Purchase	Avg Cost ($)	# of Shares	Total Cost ($)	Last Close	Current Value ($)	% of Portfolio	Exp. Yrly Div's ($)
Altria (MO)	12/30/2011	29.65	202	5,996.30	32.21	6,506.42	6.1%	331.28
Chevron (CVX)	12/30/2011	106.40	56	5,965.40	106.56	5,967.36	5.6%	201.60
ConocoPhillips (COP)	12/30/2011	72.87	89	6,492.43	71.63	6,375.07	6.0%	234.96
Emerson Electric (EMR)	12/30/2011	46.59	97	4,526.23	52.54	5,096.38	4.8%	155.20
Energy Transfer (ETP)	12/30/2011	45.85	142	6,517.70	49.63	7,047.46	6.6%	508.36
Hasbro (HAS)	12/30/2011	31.89	220	7,022.80	36.74	8,082.80	7.6%	316.80
Intel (INTC)	12/30/2011	24.25	289	7,015.25	28.40	8,207.60	7.7%	242.76
Johnson & Johnson (JNJ)	12/30/2011	65.08	107	6,970.56	65.10	6,965.70	6.6%	261.08
Kinder Morgan (KMP)	12/30/2011	84.95	65	5,528.75	82.44	5,358.60	5.1%	312.00
Medtronic (MDT)	12/30/2011	38.25	157	6,012.25	38.20	5,997.40	5.7%	152.29
Microsoft (MSFT)	12/30/2011	25.96	308	8,002.68	32.01	9,859.08	9.3%	246.40
Proctor & Gamble (PG)	12/30/2011	66.71	105	7,011.55	63.64	6,682.20	6.3%	236.25
PP&L (PPL)	12/30/2011	29.42	238	7,008.96	27.35	6,509.30	6.1%	342.72
Republic Services (RSG)	12/30/2011	27.55	236	6,508.80	27.37	6,459.32	6.1%	207.68
Superior Industries (SUP)	12/30/2011	16.54	423	7,003.42	17.11	7,237.53	6.8%	270.72
Cash				2,363.42		3,661.25	3.5%	4,020.10
Dividend Growth Portfolio				100,000.00		**106,013.47**	100.0%	**3.79%**
Benchmark: Dow Jones Select Dividend Index (DVY)				100,000.00	56.69	**106,371.58**		**3.33%******

UR = Under Review

** Upper bound of fair value range noted.

**** The yield an investor would have received if they had held the fund over the last 12 months assuming the most recent NAV.

This portfolio is not a real money portfolio. Data as of March 30, 2012. Cost basis includes commissions. Results include divdends, but no interest received on cash balance.



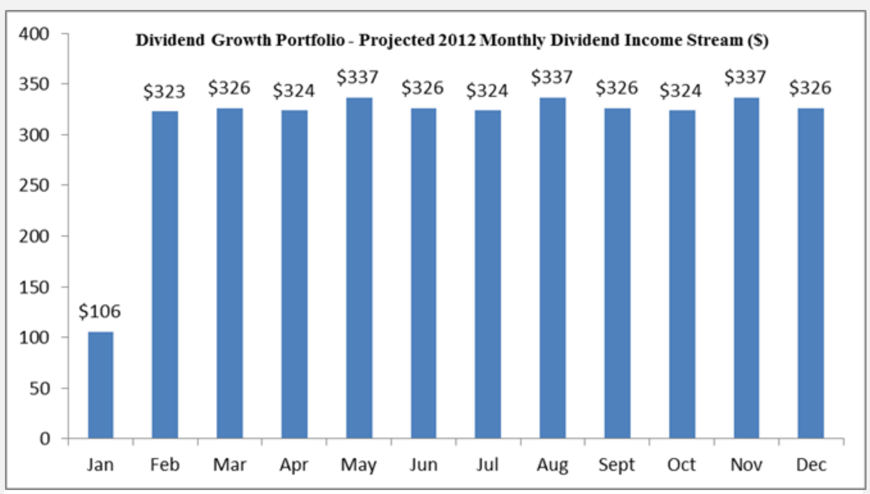
We expect our Dividend Growth portfolio to garner an income stream higher than that of the Dow Jones Select Dividend Index Fund (DVY) and the S&P 500 Index (SPY) in coming periods.

DIVIDEND GROWTH PORTFOLIO – as of April 30, 2012

CompanyName	Yrly Div's Paid ($) / Shr	Div Yield %	Ex Div Date	Next Pay Date (cycl)	Div Cushion™	Div Safety	LT Div Growth Rate %	Fair Value	VBI Score	Price/Fair Value
Altria (MO)	1.64	5.09%	13-Jun-12	10-Jul-2012 (quart)	1.3	GOOD	5.0	$35.00	7	0.92
Chevron (CVX)	3.60	3.38%	18-May-12	11-Jun-2012 (quart)	3.1	EXCELLENT	8.0	$132.00	3	0.81
ConocoPhillips (COP)	2.64	3.69%	mid May 2012	early Jun 2012 (quart)	1.7	GOOD	8.0	$88.00	4	0.81
Emerson Electric (EMR)	1.60	3.05%	early May 2012	mid-Jun-2012 (quart)	1.9	GOOD	8.0	$51.00	7	1.03
Energy Transfer (ETP)	3.58	7.21%	early May 2012	May-2012 (quart)	1.6	GOOD	5.0	$53.00	3	0.94
Hasbro (HAS)	1.44	3.92%	27-Apr-2012	15-May-2012 (quart)	2.1	GOOD	8.0	$49.00	9	0.75
Intel (INTC)	0.84	2.96%	early May 2012	1-Jun-2012 (quart)	3.2	EXCELLENT	8.0	$35.00	9	0.81
Johnson & Johnson (JNJ)	2.44	3.75%	24-May-2012	12-Jun-2012 (quart)	2.5	GOOD	8.0	$79.00	6	0.82
Kinder Morgan (KMP)	4.80	5.82%	26-Apr-2012	15-May-2012 (quart)	1.5	GOOD	5.0	$82.00	6	1.01
Medtronic (MDT)	0.97	2.54%	4-Apr-2012	27-Apr-2012 (quart)	2.8	EXCELLENT	8.0	$51.00	9	0.75
Microsoft (MSFT)	0.80	2.50%	15-May-12	14-Jun-2012 (quart)	4.2	EXCELLENT	12.0	$41.00	6	0.78
Proctor & Gamble (PG)	2.25	3.54%	25-Apr-12	15-May-2012 (quart)	1.5	GOOD	8.0	$65.00	7	0.98
PP&L (PPL)	1.44	5.27%	early June 2012	early July 2012 (quart)	-1.8	VERY POOR	3.0	$38.00	7	0.72
Republic Services (RSG)	0.88	3.22%	late Jun 2012	mid July 2012 (quart)	1.3	GOOD	6.0	$42.00	9	0.65
Superior Industries (SUP)	0.64	3.74%	4-Apr-12	20-Apr-2012 (quart)	3.3	EXCELLENT	5.0	$17.00	6	1.01

Though we have minor exceptions for diversification (e.g. utilities), each firm when entered into our Dividend Growth portfolio above meets our demanding criteria (attractively valued, strong Valuentum Dividend Cushion™, solid dividend-growth potential). The mix of mature high-yielders and long-term dividend-growers provides a good balance and consistent estimated monthly dividend income stream, as revealed by the graph to the right.

Since the previous edition of our newsletter, we've received (or have in receivables) quarterly dividend payments from Hasbro, Kinder Morgan, Medtronic, P&G, and Superior to the tune of ~$322.



January is impacted by a few equities whose ex-dividend dates occurred in December before their purchase date. Adjusting for this, the payout would be $324 in January, consistent with April, July, and October. The payouts for May/Aug/Nov have been adjusted from the graph found in the preceding month's newsletter due to announced dividend increases from Hasbro and PPL. Projections as of Jan 1, 2012.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$32.00 - $53.00	HEALTHY	GOOD / 1.3	EXCELLENT

Republic Services Posts Weak First-Quarter Results

By Valuentum Analysts

Needless to say, we were quite surprised with the poor first-quarter performance from Republic Services (RSG) late last week. The sudden retirement of CFO Tod Holmes (effective May 1, 2013) didn’t help the matter either, as we’d fathom that the accounting issues at Waste Management (WM) from yesteryear were running rampant in investors’ minds, particularly with Republic recently acquiring the assets of Allied Waste. We don’t think there are accounting issues at Republic, but we weren’t pleased with the pricing trends at the business. And while we’re reiterating our view that the firm’s shares remain significantly underpriced, we may trim our position in our Dividend Growth portfolio in coming days (and perhaps with the proceeds add another high-VBI, high-yielder).

The trash taker’s revenue advanced 0.9%, as core pricing jumped 0.6% and volume edged up 0.2% -- net acquisitions, fuel-recovery fees, and recycling commodities pricing rounded out the balance of the top-line increase. Collection and disposal revenues advanced at a decent pace, though the company experienced the biggest head winds at its recycling business, where total revenue fell to $124.1 million from $137.8 million in the same period a year ago. Much of this decline, we suspect, was due to lower recycling commodities pricing, which offered a 0.8 percentage-point head wind to revenue expansion.

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Jan-00	0.00	0.0	0.00	0.0%
Dec-98	0.00	0.0	1.13	0.0%
Dec-99	0.00	0.0	1.14	0.0%
Dec-00	0.00	0.0	1.26	0.0%
Dec-01	0.00	0.0	0.73	0.0%
Dec-02	0.00	0.0	1.44	0.0%
Dec-03	0.06	0.0	1.33	4.5%
Dec-04	0.30	400.0	1.53	19.6%
Dec-05	0.33	10.0	1.17	28.2%
Dec-06	0.39	18.2	1.38	28.3%
Dec-07	0.49	25.6	1.51	32.5%
Dec-08	0.70	42.9	0.37	189.2%
Dec-09	0.76	8.6	1.30	58.5%
Dec-10	0.78	2.6	1.32	59.1%
Dec-11	0.84	7.7	1.56	53.8%
Dec-12	***0.88***	***4.8***	***2.02***	***43.6%***
Dec-13	*0.93*	*6.0*	*2.26*	*41.2%*
Dec-14	*0.99*	*6.0*	*2.25*	*43.9%*
Dec-15	*1.05*	*6.0*	*2.23*	*46.9%*
Dec-16	*1.11*	*6.0*	*2.20*	*50.4%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

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On the bottom line, the company’s adjusted net income dropped 11.8%, with earnings per share coming in at $0.38 during the quarter. Operating income fell to $326.9 million from $376.2 million in the same period a year ago (a decline of over 13%) as both cost of operations and overheard costs outpaced the top-line expansion. Adjusted EBITDA also performed poorly, with its EBITDA margin dropping 2.5 percentage points from the same period a year ago. The biggest changes in cost drivers, ex-fuel, were maintenance and repair expenses and labor. We think the higher maintenance-and-repair costs are largely due to the ongoing improvement of Allied’s fleet of aging trucks, though management pointed to the higher cost of tires across its supplier base. Selling, general, and administrative costs (overhead) also increased rather aggressively, with salaries hurting margins by roughly 0.7 percentage points. Management attributed this increase to an increased sales staff to retain business from predators. We weren’t very happy at all with this reference on the call:

“…we're very good at understanding, by market, who's taking share at our expense, and we have a sales staff that is targeted at saving business from those, call it, predators, and also making sure that we're selling accordingly into their lines of business. Because we can't just simply watch share leave as the total pie really isn't growing very much. So that all impacts churn. But again, we're very consistently using our ROI tools, our whole strategy and our compensation programs, and personally, the out-of-pie philosophy is very grounded in ROI. But we've got a good -- we always fight a good competitive fight.”

Please see *Republic Services Posts Weak First-Quarter Results…*on page 8

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$61.00 - $129.00	HEALTHY	GOOD / 2.5	GOOD

3M Issues 1Q Results; Raises Guidance

By Valuentum Analysts

3M (MMM) issued strong first-quarter results that revealed expansion in almost every business segment. The company's performance was one of the better ones we've seen from industrial firms so far this quarter. We also liked GE's (GE) report and Honeywell's (HON) report and were quite pleased with the recently upwardly-revised outlooks from Parker-Hannifin (PH) and Illinois Toolwork (ITW). 3M's management followed the lead of its industrial peers and also raised the lower end of its full-year 2012 earnings-per-share outlook range. Our $95 fair value estimate of the company remains unchanged, however (the shares are trading in the high-$80s). Please view 3M's dividend profile ($2.36 annual payout; 2.6% yield) in the image to the right.

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				
Good			■	
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Dividend Track Record **HEALTHY**

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-97	1.06	0.0	2.53	41.9%
Dec-98	1.10	3.8	1.49	73.8%
Dec-99	1.12	1.8	2.17	51.6%
Dec-00	1.16	3.6	2.32	50.0%
Dec-01	1.20	3.4	1.79	67.0%
Dec-02	1.24	3.3	2.50	49.6%
Dec-03	1.32	6.5	3.02	43.7%
Dec-04	1.44	9.1	3.75	38.4%
Dec-05	1.68	16.7	4.16	40.4%
Dec-06	1.84	9.5	5.06	36.4%
Dec-07	1.92	4.3	5.60	34.3%
Dec-08	2.00	4.2	4.89	40.9%
Dec-09	2.04	2.0	4.52	45.1%
Dec-10	2.10	2.9	5.63	37.3%
Dec-11	2.20	4.8	5.96	36.9%
Dec-12	***2.31***	***5.0***	***6.36***	***36.3%***
Dec-13	*2.45*	*6.0*	*6.97*	*35.1%*
Dec-14	*2.60*	*6.0*	*7.34*	*35.4%*
Dec-15	*2.75*	*6.0*	*7.65*	*36.0%*
Dec-16	*2.92*	*6.0*	*7.90*	*36.9%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on 3M , please visit our website at www.valuentum.com

On a reported basis, net revenue advanced 2.4% thanks to an 8.6% jump in its Industrial and Transportation segment, a 5.5% improvement in its Safety, Security, and Protection Services division, and modest increases in its Consumer/Office and Health Care segments. Importantly, strength in the company's industrial division was driven mainly by double-digit increases in aerospace and automotive OEM (original equipment makers). As expected, however, revenue in 3M's Electro-Communications and Display/Graphics segment fell due to the firm's dwindling competitive position within the consumer electronics space (specifically with LCD TV film). In all, the firm's first-quarter net income jumped 4% on a year-over-year basis, with earnings per share coming in at $1.59, up almost 7% from the same period a year ago (consensus was at $1.48 per share).

Looking ahead, 3M expects organic sales volume growth of 2% to 5% during the year, and operating margins to be between 21% to 22.5%. The company's full-year 2012 earnings-per-share guidance range is now $6.35 to $6.50 (was $6.25 to $6.50). We think the firm's report bodes well for a continued strengthening in the domestic economy, and we're watching its dividend closely.

United Tech's HVAC Orders Represent Another Positive Data Point on US Housing

By Valuentum Analysts

Industrial conglomerate, United Technologies (UTX), posted mixed first-quarter results Tuesday that showed strength in its residential HVAC and commercial aerospace businesses but weakness in its Otis elevator division. Though we weren't pleased by order trends in China and Europe, we are sticking with our $110 fair value estimate for the firm (the shares are trading in the low-$80s).

Dividend Safety / Cushion **EXCELLENT / 3**

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. United Technologies scores a 3 on our Dividend Cushion™, which is EXCELLENT.

The firm's net sales fell 2% in the period thanks to divestitures and currency headwinds, though organic sales did edge up a meager 1%. The firm's segment operating margin dropped 10% mainly because of higher

Please see *United Tech's HVAC Orders...*on page 10

Republic Services Posts Weak First-Quarter Results… **from page 6**

Cash flow from operations dropped to $334.2 million from $433.7 million (a fall of nearly 23%), but the biggest driver behind the decline had to do with a line item called 'restructuring and synergy-related expenditures'. We found it interesting to see this line item under working capital items on the cash flow statement. Though we plan to reach out to management, we think the firm should have taken a charge on the income statement, as restructuring isn't an expense, and such a cost should be above the line. Alternatively, the company could be throwing cash at a previous charge, but we'll dig a bit deeper on this unusual line item. Free cash flow fell to just $64.8 million in the quarter, down from $143.4 million in the same period a year ago. Adjusted free cash flow (which considers equipment received instead of purchased) came in at $175.3 million and compares to $272.8 million in the same period a year ago.

Looking ahead, the company's outlook for the remainder of 2012 was a bit grim. Republic expects adjusted free cash flow to be at the lower end of its previous guidance range of $775 million to $800 million. Management now expects diluted earnings per share to be in the range of $1.86 to $1.90 (was $1.98 to $2.02 per share). Republic now thinks revenue expansion for the year will be roughly 1% consisting of 1 percentage point of expansion from core price, with volumes being flat (was 1-1.5% from core price and 0.5% from volume). Management also lowered its EBITDA margin expectation for the year and noted that it would benefit from a lower tax rate than previously expected. We would have witnessed an even greater downward earnings-per-share revision were it not for this tax-rate tailwind.

All things considered, we didn't like the quarter, thought the "predatory price" and "competitive fight" references were discouraging, and didn't feel comfortable with where the company accounted for its restructuring charge ("expenses"). We continue to evaluate our position in Republic.

Starbucks Issues Strong Fiscal 2Q Results; Raises Guidance

By Valuentum Analysts

Starbucks (SBUX) posted solid fiscal 2012 second-quarter results. Though we liked the quarter, we think the share price is a bit ahead of the company's valuation. We'll likely be raising our fair value estimate for Starbucks after factoring in the stronger-than-expected performance, but we still believe the shares are significantly overpriced. Please view our thoughts on its dividend profile ($0.68 annual payout; 1.2% yield) to the right.

The coffee chain's revenue advanced 15% thanks to global comparable sales growth of 7% driven almost entirely by increased traffic. Starbucks' China business did quite well, too, notching its seventh consecutive quarter of comparable sales growth exceeding 20%. Further, the company continues to experience strong sales of its Starbucks- and Tazo-branded K-Cup packs, with revenue in its Channel Development segment jumping almost 60%. During the quarter, Starbucks opened the doors on 176 net new stores across the globe. And all of this translated into bottom-line expansion of 18% at the company, with earnings per share coming in at $0.40 (consensus was at $0.39 per share). The earnings expansion would have been greater were it not for rising coffee costs that mitigated sales leverage during the period.

Dividend Safety / Cushion **EXCELLENT / 3.6**

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Starbucks scores a 3.6 on our Dividend Cushion™, which is EXCELLENT.

Dividend Growth Potential **EXCELLENT**

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Starbucks registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $0.93 per share within the next several years.

Please see *Starbucks Issues Strong Fiscal 2Q Results…*on page 12

Stocks with High VBI Ratings and Strong Dividend Growth Prospects

By Valuentum Analysts

The table to the right showcases firms in our coverage universe that have high Valuentum Buying Index™ ratings and strong dividend growth prospects. The table represents a list of interesting dividend-paying stocks that are among the most timely investment opportunities based on our stock-selection methodology.

Though our dividend-growth portfolio (see page 5) is fully-invested, we may swap in firms on this list or firms on our dividend-growth watch list (see page 11) at the right price or if our analyst team determines that a new add has more potential total return opportunity than a current holding.

Click on the link below to learn more about our innovative, forward-looking Valuentum Dividend Cushion™ (the scores on the column furtherst to the right):

http://www.valuentum.com/articles/20111126

Click on the link below to learn more about our innovative, forward-looking Valuentum Buying Index™ (the scores in the column titled VBI):

http://www.valuentum.com/articles/20110622

To access a firm's dividend report, please click on the link below:

http://www.valuentum.com/categories/20111110

Name	Symbol	Dividend Yield	VBI	Div Growth	Div Cushion
Omega Healthcare	OHI	7.90%	9	EXCELLENT	2.2
Altria Group	MO	5.70%	7	EXCELLENT	1.3
Kinder Morgan	KMP	5.40%	6	GOOD	1.5
Verizon Comm	VZ	5.00%	6	GOOD	1.7
Avon Products	AVP	4.80%	7	GOOD	1.4
Lorillard	LO	4.60%	6	EXCELLENT	1.5
Lockheed Martin	LMT	4.50%	6	EXCELLENT	1.5
Merck	MRK	4.40%	6	GOOD	2.4
Olin Corp	OLN	4.30%	7	GOOD	1.8
Paychex	PAYX	4.30%	6	GOOD	2.7
Philip Morris	PM	4.00%	6	EXCELLENT	1.3
Mattel	MAT	3.80%	6	EXCELLENT	1.9
Superior	SUP	3.70%	6	GOOD	3.3
Abbott Laboratories	ABT	3.60%	6	EXCELLENT	2
Sysco	SYY	3.60%	6	GOOD	1.3
Spectra Energy	SE	3.60%	6	GOOD	1.3
Sonoco	SON	3.50%	7	GOOD	1.4
Strayer Education	STRA	3.50%	6	EXCELLENT	2.1
Johnson & Johnson	JNJ	3.50%	6	EXCELLENT	2.5
Dr Pepper Snapple	DPS	3.50%	7	EXCELLENT	1.3
Chicago Rivet	CVR	3.50%	6	EXCELLENT	3.5
Williams Co	WMB	3.40%	6	EXCELLENT	1.8
US Ecology	ECOL	3.40%	6	GOOD	1.3
Raytheon	RTN	3.30%	7	EXCELLENT	2.7
Northrop Grumman	NOC	3.30%	6	EXCELLENT	2.5
Hasbro	HAS	3.30%	9	EXCELLENT	2.1
Emerson Electric	EMR	3.30%	7	EXCELLENT	1.9
Procter & Gamble	PG	3.20%	7	EXCELLENT	1.5
Rio Tinto	RIO	3.20%	9	EXCELLENT	3.1
Intel	INTC	3.00%	9	EXCELLENT	3.2
Linear Technology	LLTC	3.00%	6	EXCELLENT	2
Automatic Data Processing	ADP	3.00%	6	EXCELLENT	2.3
Packaging Corp	PKG	3.00%	6	GOOD	1.2
Taiwan Semiconductor	TSM	2.90%	6	EXCELLENT	2.2
Molex	MOLX	2.90%	6	EXCELLENT	2.4
Molson Coors	TAP	2.90%	6	EXCELLENT	2
Republic Services	RSG	2.90%	9	EXCELLENT	1.3
BHP Billiton	BHP	2.90%	6	EXCELLENT	1.6
Coca-Cola	KO	2.90%	6	EXCELLENT	1.9
Siemens	SI	2.90%	6	GOOD	3.3
Harris Corp	HRS	2.80%	7	EXCELLENT	1.7
PF Chang's China Bistro	PFCB	2.80%	6	EXCELLENT	3
Eaton	ETN	2.80%	6	EXCELLENT	1.6
General Dynamics	GD	2.80%	6	EXCELLENT	2.7
Whirlpool	WHR	2.80%	7	EXCELLENT	1.3
United Parcel Service	UPS	2.80%	6	GOOD	1.9
Air Products & Chemicals	APD	2.80%	7	GOOD	1.1
Magna Intl	MGA	2.80%	7	GOOD	6.2
Guess	GES	2.70%	7	GOOD	4.3
PPG Industries	PPG	2.70%	7	GOOD	2.1
Staples	SPLS	2.70%	7	GOOD	3.5
KLA-Tencor	KLAC	2.70%	6	EXCELLENT	3.6
3M	MMM	2.60%	6	GOOD	2.5
Walgreen	WAG	2.60%	6	EXCELLENT	2.3
Applied Materials	AMAT	2.60%	6	EXCELLENT	4.8
Illinois Tool Works	ITW	2.60%	7	EXCELLENT	2
Medtronic	MDT	2.60%	9	EXCELLENT	2.8
Washington Post	WPO	2.50%	6	GOOD	2.9
Microsoft	MSFT	2.50%	6	EXCELLENT	4.2
Scotts Miracle-Gro	SMG	2.50%	6	EXCELLENT	1.4
Analog Devices	ADI	2.50%	6	EXCELLENT	3.7
Colgate-Palmolive	CL	2.50%	6	EXCELLENT	1.8
McCormick	MKC	2.50%	6	EXCELLENT	1.4
Honeywell	HON	2.50%	7	EXCELLENT	2.5

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$171.00 - $257.00	HEALTHY	EXCELLENT / 3.9	EXCELLENT

IBM Increases Dividend; Annual Yield Still Not That Attractive

By Valuentum Analysts

IBM (IBM) boosted its dividend 13%, and we continue to expect double-digit growth in its payout in coming years. However, we like the dividend profiles of a few of its tech peers better, namely Microsoft and Intel. Please view our dividend profile ($3.40 annual payout; 1.64% annual yield) of IBM to the right.

-- BusinessWire (April 24)

"The IBM (IBM) board of directors today declared a regular quarterly cash dividend of $0.85 per common share, payable June 9, 2012 to stockholders of record May 10, 2012…

(The) dividend declaration represents an increase of $0.10, or 13 percent higher than the prior quarterly dividend of $0.75 per common share…

This is the 17th year in a row that IBM has increased its quarterly cash dividend, and the ninth year in a row of double-digit percent increases. IBM has increased its dividend by over 600 percent since the beginning of 2000…

With the payment of the June 9th dividend, IBM will have paid consecutive quarterly dividends every year since 1916."

Click the link below to read our most recent earnings note on IBM:

http://www.valuentum.com/articles/20120418

Dividend Safety / Cushion	EXCELLENT / 3.9
We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. IBM scores a 3.9 on our Dividend Cushion™, which is EXCELLENT.	

Dividend Growth Potential	EXCELLENT
We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. IBM registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $4.39 per share within the next several years.	

United Tech's HVAC Orders… **from page 7**

research and development costs, but on a reported basis, the company's operating margin came in at 13.7% (versus 13.3% in the year-ago period). Earnings per share advanced 24%, to $1.31 per share in the quarter thanks primarily to a boost in other income, lower interest expense, and a lower tax rate – all lower earnings quality items. Consensus estimates for the period were at $1.21 per share.

United Tech's new equipment order trends weren't as robust as that of previous periods, but the firm saw strength in its residential HVAC business (up 10%) and commercial aerospace, which held the line on substantial order increases from the same period a year ago. Interestingly, the strength in the company's HVAC business further supports our thesis that the domestic housing market is firming, a view that was reinforced by D.R. Horton's (DHI)'s strong home orders and low cancellation rate. The only weak spot as it relates to new equipment orders at United Tech was at Otis, where orders dropped 9% from the same period a year ago due to a slow start to the year in China.

Looking ahead, United Tech reaffirmed its earnings-per-share outlook for the year of $5.30 to $5.50 (flat to up 4%), and we think this range is certainly achievable. Commercial aerospace performance (Pratt & Whitney), augmented by its recent acquisition of Goodrich, should be a key driver to the jet-engine maker's earnings trajectory in coming periods. Still, we remain on the sidelines as its dividend profile ($1.92 annual payout; 2.3% yield) does not yet meet our needs.

Our Dividend Growth Watch List

By Valuentum Analysts

Our dividend-growth watch list continues to be filled with potential ideas for your portfolio. We may replace firms held in our portfolio with companies found in the table below should their dividend growth potential (and/or total return potential) become relatively more attractive than portfolio constituents'. We continue to scour our coverage universe for firms to add to our dividend-growth watch list, which we update in every edition of our Dividend Growth Newsletter.

DIVIDEND GROWTH WATCH LIST - as of April 30, 2012

Company Name	Yrly Div's Paid ($)/Shr	Div Yield %	Div Cushion™	Div Safety	LT Div Growth Rate %	Fair Value	VBI Score	Price/Fair Value	Last Close ($)
ADP (ADP)	1.58	2.84%	2.3	GOOD	8.0	$48.00	6	1.16	55.62
Analog Devices (ADI)	1.20	3.08%	3.7	EXCELLENT	8.0	$42.00	6	0.93	38.98
Avon Products (AVP)	0.92	4.26%	1.4	GOOD	5.0	$25.00	7	0.86	21.60
Boeing (BA)	1.76	2.29%	3.0	EXCELLENT	6.0	$76.00	6	1.01	76.80
Chicago Rivet (CVR)	0.60	3.19%	3.5	EXCELLENT	8.0	$17.00	6	1.11	18.80
Coca-Cola (KO)	2.04	2.67%	1.9	GOOD	8.0	$71.00	6	1.07	76.32
Colgate-Palmolive (CL)	2.48	2.51%	1.8	GOOD	10.0	$75.00	6	1.32	98.94
Collectors Universe (CLCT)	1.30	8.08%	UR	UR	UR	UR	UR	UR	16.09
Deere (DE)	1.84	2.23%	1.5	GOOD	8.0	$91.00	3	0.91	82.36
DuPont (DD)	1.64	3.07%	1.7	GOOD	5.0	$60.00	4	0.89	53.46
Eaton (ETN)	1.52	3.15%	1.6	GOOD	7.0	$52.00	6	0.93	48.18
Exxon Mobil (XOM)	2.28	2.64%	3.3	EXCELLENT	4.0	$80.00	3	1.08	86.34
General Dynamics (GD)	2.04	3.02%	2.7	GOOD	8.0	$73.00	6	0.92	67.50
Genuine Parts (GPC)	1.98	3.06%	1.7	GOOD	5.0	$47.00	4	1.38	64.78
H&R Block (HRB)	0.80	5.44%	2.5	GOOD	8.0	$20.00	4	0.74	14.70
Harris (HRS)	1.32	2.90%	1.7	GOOD	6.0	$49.00	7	0.93	45.54
Honeywell (HON)	1.49	2.46%	2.5	GOOD	8.0	$62.00	7	0.98	60.66
IBM (IBM)	3.00	1.45%	3.9	EXCELLENT	10.0	$214.00	6	0.97	207.08
Eli Lilly (LLY)	1.96	4.74%	1.7	GOOD	5.0	$47.00	3	0.88	41.39
Lockheed Martin (LMT)	4.00	4.42%	1.5	GOOD	8.0	$72.00	6	1.26	90.54
Lorillard (LO)	6.20	4.58%	1.5	GOOD	7.0	$101.00	6	1.34	135.29
Mattel (MAT)	1.24	3.69%	1.9	GOOD	8.0	$33.00	6	1.02	33.60
McDonalds (MCD)	2.80	2.87%	1.3	GOOD	5.5	$95.00	4	1.03	97.45
Molex (MOLX)	0.80	2.90%	2.4	GOOD	8.0	$26.00	6	1.06	27.59
Merck (MRK)	1.68	4.28%	2.4	GOOD	5.0	$45.00	6	0.87	39.24
Northrop Grumman (NOC)	2.00	3.16%	2.5	GOOD	8.0	$67.00	6	0.94	63.28
Olin Corp (OLN)	0.80	3.82%	1.8	GOOD	UR	$22.00	7	0.95	20.96
Owens & Minor (OMI)	0.88	3.01%	2.0	GOOD	10.0	$32.00	3	0.91	29.24
Paychex (PAYX)	1.28	4.13%	2.7	GOOD	5.0	$30.00	6	1.03	30.98
PF Changs (PFCB)	1.10	2.77%	3.0	EXCELLENT	8.0	$34.00	6	1.17	39.69
Phillip Morris (PM)	3.08	3.44%	1.3	GOOD	5.0	$69.00	6	1.30	89.51
Raytheon (RTN)	2.00	3.69%	2.7	GOOD	8.0	$50.00	7	1.08	54.14
Sonoco (SON)	1.20	3.62%	1.4	GOOD	5.0	$37.00	7	0.90	33.13
St. Jude (STJ)	0.92	2.38%	2.5	GOOD	10.0	$46.00	6	0.84	38.72
Sysco (SYY)	1.08	3.74%	1.3	GOOD	5.0	$28.00	6	1.03	28.90
Texas Instr (TXN)	0.68	2.13%	2.9	EXCELLENT	8.0	$33.00	6	0.97	31.94
United Technologies (UTX)	1.92	2.35%	3.0	EXCELLENT	12.0	$110.00	7	0.74	81.64
UPS (UPS)	2.28	2.92%	1.9	GOOD	5.0	$72.00	6	1.09	78.14
Verizon (VZ)	2.00	4.95%	1.7	GOOD	5.0	$41.00	6	0.98	40.38

UR = Under Review

To access the dividend reports of companies on our watch list, please click here.

Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential
$66.00 - $110.00	HEALTHY	GOOD / 1.7	EXCELLENT

We Still Like ConocoPhillips as a Dividend-Growth Idea

By Valuentum Analysts

Below we provide information on ConocoPhillips' (COP) spin-off of Phillips 66. We expect to receive 1 share of Phillips 66 (PSX) for every two shares we own of the parent company. This transaction will be reflected in our portfolio once it is complete.

Conoco's 3-Year Repositioning Plan

"Completion of the repositioning into two independent, leading energy companies is set for May 1, 2012. ConocoPhillips shareholders as of the record date of April 16, 2012, will receive the distribution of Phillips 66 common stock after market close on April 30, 2012. When-issued trading for Phillips 66 commenced on April 12, and will continue through the distribution date. Phillips 66 will trade on the New York Stock Exchange under the ticker symbol PSX…"

***Despite Lackluster Results, J&J Remains a Solid Dividend–Growth Holding…* from page 4**

to feel the pain in the suspension of its manufacturing facilities at McNeil, and strength in its Neutrogena skin care products did little to mitigate the overall business decline.

Pharmaceutical sales did little to impress, as well, with global revenue in that segment advancing a modest 1.2% versus the prior-year quarter. However, international sales advanced 16.5% in this segment, offsetting a 10.8% decline in revenue on the domestic front. The firm noted particular strength in international markets from Remicade (which treats a number of immune-mediated, inflammatory diseases) and Velcade (which treats multiple myeloma). Zytiga (which treats metastatic prostate cancer), Stelara (which treats plaque psoriasis) and Incivo (which treats chronic hepatitis C virus) were other strong performers in J&J's pharma segment during the period.

Revenue in the company's medical devices segment was roughly flat, though in this case, domestic sales offset declines in international sales. The biggest cause for the lack of growth in this segment was the firm's decision to exit the drug-eluting stent market in the middle of last year.

All things considered, we're more fans of J&J's dividend growth prospects at this time than anything else. And while we were not pleased with the firm's quarterly performance, we still think it is a strong holding in the portfolio of our Dividend Growth Newsletter.

***Starbucks Issues Strong Fiscal 2Q Results; Raises Guidance…* from page 8**

Looking ahead, we expect continued strong performance at Starbucks through the course of fiscal 2012. For one, management now anticipates the opening of 1,000 net new stores globally during the fiscal year and thinks revenue expansion will be in the low teens. The company's operating margin should expand modestly from the same period a year ago, despite higher commodity costs (which should ease in the back half of the year). Starbucks also raised its expectations for earnings per share to the range of $1.81 to $1.84, representing growth of more than 20% at the high end.

Though we think this range is achievable, it disappointed most investors, which were anticipating even greater profit growth. We remain on the sidelines with respect to the company's shares solely on the basis of valuation. The firm's dividend growth profile, while robust, does not offset the fact that its payout does not yet stack up to other more attractive consumer names.

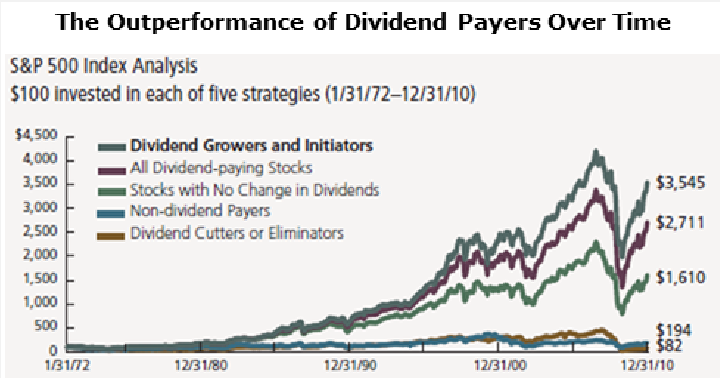
Click the following link to view Starbuck's full 16-page Equity Report:

http://www.valuentum.com/downloads/20110921_9/download

About Our Valuentum Dividend Cushion™

By Valuentum Analysts

History has revealed that the best performing stocks during the previous decades have been those that shelled out ever-increasing cash to shareholders in the form of dividends. In a recent study, S&P 500 stocks that initiated dividends or grew them over time registered roughly a 9.6% annualized return since 1972 (through 2010), while stocks that did not pay out dividends or cut them performed poorly over the same time period.



Source of the chart data: Ned Davis Research, 12/31/10. Image Source: Capital Markets Perspectives, "Investing for Dividend Growth", Oppenheimer Funds. Based on an equal-weighted geometric average of total return of dividend-paying historical S&P 500 Index stocks, rebalanced annually. The chart uses actual annual dividends to identify dividend-paying stocks and changes on a calendar-year basis. Past performance does not guarantee future results.

Such analysis is difficult to ignore, and we believe investors may be well-rewarded in future periods by finding the best dividend-growth stocks out there. As such, we've developed a rigorous dividend investment methodology that uncovers firms that not only have the safest dividends but also ones that are poised to grow them long into the future.

How did we do this? Well, first of all, we scoured our stock universe for firms that have cut their dividends in the past to uncover the major drivers behind the dividend cut. This is what we found out: The major reasons why firms cut their dividend had to do with preserving cash in the midst of a secular or cyclical downturn in demand for their products/services or when faced with excessive leverage (how much debt they held on their respective balance sheets).

The Importance of Forward-Looking Dividend Analysis

Armed with this knowledge, we developed the forward-looking Valuentum Dividend Cushion™, which is a ratio that gauges the safety of a dividend over time.

Most dividend analysis that we've seen out there is backward-looking – meaning it rests on what the firm has done in the past. Although analyzing historical trends is important, we think assessing what may happen in the future is even more important. The S&P 500 Dividend Aristocrat List, or a grouping of firms that have raised their dividends for the past 25 years, is a great example of why backward-looking analysis can be painful.

In fact, one only has to look over the past few years to see the removal of such big names from the Dividend Aristocrat List like General Electric (GE) and Pfizer (PFE) to understand that backward-looking analysis is hardly worth your time. After all, you're investing for the future, so the future is all you should care about. We want to find the stocks that will increase their dividends for 25 years into the future, not use a rear-view mirror to build a portfolio of names that may already be past their prime dividend growth years.

Please see *About Our Valuentum Dividend Cushion…*on next page

***About Our Valuentum Dividend Cushion…* from previous page**

The Valuentum Dividend Cushion™ measures just how safe the dividend is in the future. It considers the firm's net cash on its balance sheet and adds that to its forecasted future free cash flows and divides that sum by the firm's future expected dividend payments. At its core, it tells investors whether the firm has enough cash to pay out its dividends in the future, while considering its debt load. If a firm has a Valuentum Dividend Cushion™ above 1, it can cover its dividend, but if it falls below 1, trouble may be on the horizon.

In fact, the Valuentum Dividend Cushion™ would have caught every dividend cut made by a non-financial, operating firm that we have in our database, except for one (Marriott). But interestingly, our Valuentum Dividend Cushion™ indicated that Marriott should have never cut its dividend, and sure enough, two years after the firm did so, it raised it to levels that were higher than before the cut.

Here are the results of our study (a Valuentum Dividend Cushion™ below 1 indicates the dividend may be in trouble). The Valuentum Dividend Cushion™ score shown in the table below is the measure in the year before the firm cut its dividend, so it represents a predictive indicator:

The Valuentum Dividend Cushion Caught These Dividend Cuts in Advance

A Valuentum Dividend Cushion Score Below 1 Indicates a Firm's Dividend is At Risk in the Years Ahead

Dividend Cutter	Cut Date	Dividend Cushion (Before Cut)	Reason for Dividend Cut
Avery Dennison (AVY)	31-Jul-09	0.66	Reduced dividend to support debt-reduction efforts.
ConAgra Foords (CAG)	16-Mar-06	-0.59 (1)	Restructuring, divestitures.
Constellation (CEG)	18-Feb-09	-4.36	Refocus on core business of generating and selling power.
DR Horton (DHI)	6-May-08	-0.03	Housing turmoil.
Gannett Co. (GCI)	25-Feb-09	-0.06	Excessive debt; preserve cash amid downturn of newspaper industry.
La-Z-Boy (LZB)	17-Feb-09	0.89	Suspended dividend to preserve cash amid downturn in home furnishings.
Marriott Intl (MAR)	1-May-09	2.18 (2)	Suspended dividend in the wake of weak business travel, but dividend achieved record highs again, May 6, 2011.
Masco Corp (MAS)	11-Feb-09	-0.74	Cut dividend to ensure ability to fund operations and service debt coming due.
New York Times (NYT)	20-Nov-08	0.04	Effort to preserve cash. Downturn in newspaper industry. Loss of investment-grade credit rating.
Pfizer (PFE)	26-Jan-09	0.54	Bought Wyeth to diversify revenue base. Raised $22 billion+ in debt.
Sara Lee Corp (SLE)	8-Aug-06	0.70	Streamlining operations, business unit divestitures to raise cash.
Sunoco Inc. (SUN)	6-Oct-09	-0.85 (3)	Poor margins, overseas competition.
SuperValu (SVU)	20-Oct-09	-5.78	Rising unemployment, competition from Wal-Mart, etc.
Valero Energy (VLO)	27-Jan-10	0.15	Lower demand for gas and diesel.
Vulcan Materials (VMC)	14-Oct-11	-1.42	Free up much-needed cash amid downturn in aggregate demand.

(1) Forecast period for ConAgra, 2007 through 2011.
(2) Marriott is an instance where management prematurely cut its dividend, in our opinion. The Cushion reflected little risk at the time of cut, and sure enough Marriott restored its payout to record high
(3) Forecasts adjusted to reflect Sunoco's poor free cash flow trends beyond last reported year.
Backtesting Methodology: Net balance sheet (year prior to dividend cut). Free cash flow for years beginning in year of dividend cut through reported years. If reported years do not total five, last reported year is extrapolated for remainder of forecast period. Dividends paid reflects what the dividends would be ex dividend cut.

At the very least, using the Valuentum Dividend Cushion™ can help you avoid firms that are at risk of cutting their dividends in the future. And we are the only firm out there that does this type of in-depth analysis for you. Plus, we not only provide the actual Valuentum Dividend Cushion™ number for our subscribers in our dividend reports and newsletter, but we also scale the safety of a firm's dividend in simple terms: Excellent, Good, Poor, Very Poor.

Please see *About Our Valuentum Dividend Cushion…*on next page

About Our Valuentum Dividend Cushion… from previous page

But What about the Growth of a Firm's Dividend?

It takes time to accumulate wealth through dividends, so dividend growth investing requires a long-term perspective. As a result, we assess the long-term future growth potential of a firm's dividend. And we don't just take management's word for what they will do with their dividend. Instead, we dive into the financial statements and make our own forecasts of the future to see if what they're saying is actually achievable. We use our Valuentum Dividend Cushion™ as a way to judge the capacity for management to raise its dividend – how much cushion it has – and we couple that assessment with the firm's dividend track record, or management's willingness to raise the dividend.

In many cases, we may have a different view of a firm's dividend growth potential than what may be widely held in the investment community. That's fine by us, as our dividend-growth investment horizon is often longer than others. We want to make sure that the firm has the capacity and willingness to increase the dividend years into the future and will not be weighed down by an excessive debt load or cyclical or secular problems in fundamental demand for their products/services.

Plus, we don't use fancy language for what we think of its future growth. We scale our assessment in an easily-interpreted fashion: Excellent, Good, Poor, Very Poor.

What are the Dividend Ideas We Seek to Deliver to You in Our Newsletter?

First of all, we're looking for stocks with dividend yields that are greater than the average of the S&P 500, or about 2% (but preferably north of 3%). This excludes many names, but we think such a cutoff eliminates firms whose dividend streams aren't yet large enough to generate sufficient income. Second, we're looking for firms that register an 'EXCELLENT' or 'GOOD' rating on our scale for both safety and future potential growth. And third, we're looking for firms that have a relatively lower risk of capital loss, as measured by our estimate of the company's fair value.

Yields to Avoid

By Valuentum Analysts

As many investors know, firms can often become cheap for good reasons. That is, they are not trading cheaply because of Mr. Market's irrational behavior, but instead are trading at depressed levels due to deteriorating underlying fundamental characteristics that actually justify its current share price, even if traditional valuation techniques (read multiple analysis) suggest the firm's shares are inexpensive. On a similar note, firms that boast high dividend yields may do so because the market has little confidence in the sustainability of its dividend and believes a cut may be just around the corner.

Though we fall short of saying the following list of firms will slash their respective dividends anytime soon, our dividend-cut predictive indicator—the Valuentum Dividend Cushion™--indicates that the firms below are at significant risk for a dividend cut in coming years. We think the dividend-growth investor should steer clear of the following firms' shares:

Centurylink CTL FAIRLY VALUED — Buying Index™ 7 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$37.10	$28.00 - $46.00	HEALTHY	VERY POOR / -0.4	VERY POOR	7.82%

Supervalu SVU FAIRLY VALUED — Buying Index™ 3 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$7.00	$6.00 - $10.00	RISKY	VERY POOR / -12.5	VERY POOR	5.00%

Dover Downs DDE FAIRLY VALUED — Buying Index™ 7 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$2.38	$2.00 - $5.00	RISKY	VERY POOR / -1.7	VERY POOR	5.04%

Intl Paper IP FAIRLY VALUED — Buying Index™ 7 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$29.60	$26.00 - $50.00	HEALTHY	VERY POOR / 0	VERY POOR	3.55%

Mueller Water MWA FAIRLY VALUED — Buying Index™ 3 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$2.17	$1.00 - $3.00	HEALTHY	VERY POOR / -11.1	VERY POOR	3.23%

Pitney Bowes PBI FAIRLY VALUED — Buying Index™ 3 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$18.64	$14.00 - $24.00	HEALTHY	VERY POOR / -1	VERY POOR	7.94%

R.R. Donnelley RRD UNDERVALUED 1.2% — Buying Index™ 6 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$14.82	$15.00 - $25.00	HEALTHY	VERY POOR / -1.1	VERY POOR	7.02%

To access the full dividend reports on the above companies, please click the following link:

http://www.valuentum.com/categories/20111110

Yields to Consider

By Valuentum Analysts

Provided below is a list of the top 100 firms with the best dividend growth profiles within our coverage universe (as of the beginning of this quarter). The list below is an excerpt (page) from our quarterly *Dividend100* publication. Financial advisor clients receive this publication as part of their membership. For more information on our *Dividend100* publication, please contact us at info@valuentum.com or click the following link (data as of April 1).

Company Name	Symbol	Industry	Investment Style	Mkt Cap (USD - mil)	Dividend Yield	Price/Fair Value	VBI
Altria Group	MO	Tobacco	LARGE-CAP VALUE	60,207.8	5.7%	0.83	7
Avon Products	AVP	Luxury Goods	MID-CAP VALUE	7,190.6	5.5%	0.64	6
Verizon Comm	VZ	Telecom Services - diversified	LARGE-CAP VALUE	113,263.3	5.0%	0.98	6
Eli Lilly	LLY	Pharmaceuticals	LARGE-CAP VALUE	43,414.2	5.0%	0.84	3
H&R Block	HRB	Personal Services	MID-CAP VALUE	5,055.6	4.9%	0.82	4
Lorillard	LO	Tobacco	LARGE-CAP CORE	17,167.4	4.6%	1.12	6
Lockheed Martin	LMT	A&D Prime	LARGE-CAP CORE	30,081.2	4.5%	1.23	6
Merck	MRK	Pharmaceuticals	LARGE-CAP VALUE	120,307.2	4.4%	0.86	6
Paychex	PAYX	Staffing Services	LARGE-CAP CORE	10,893.7	4.3%	1.00	6
Bristol-Myers Squibb	BMY	Pharmaceuticals	LARGE-CAP CORE	56,734.6	4.1%	1.32	1
Philip Morris	PM	Tobacco	LARGE-CAP CORE	142,423.4	4.0%	1.12	6
Mattel	MAT	Leisure	LARGE-CAP VALUE	11,386.5	3.8%	0.99	6
Superior	SUP	Auto Parts Suppliers	SMALL-CAP CORE	460.0	3.7%	1.01	6
Intel	INTC	Broad Line Semiconductors	LARGE-CAP VALUE	129,470.1	3.7%	0.61	9
DuPont	DD	Chemicals - broad	LARGE-CAP BLEND	41,511.3	3.6%	0.75	4
ConocoPhillips	COP	Major Oil & Gas	LARGE-CAP VALUE	108,176.9	3.6%	0.82	6
Sysco	SYY	Food Retailers	LARGE-CAP CORE	17,837.4	3.6%	1.08	6
Sonoco	SON	Paper Products	MID-CAP VALUE	3,379.8	3.5%	0.89	7
Strayer Education	STRA	Education Services	SMALL-CAP CORE	1,541.9	3.5%	1.31	6
Johnson & Johnson	JNJ	Household Products	LARGE-CAP VALUE	181,244.1	3.5%	0.82	6
Chicago Rivet	CVR	Auto Parts Suppliers	NANO-CAP CORE	16.7	3.5%	1.01	6
Hillenbrand	HI	Personal Services	SMALL-CAP VALUE	1,411.1	3.4%	0.88	3
Raytheon	RTN	A&D Prime	LARGE-CAP CORE	18,164.4	3.3%	1.03	7
Northrop Grumman	NOC	A&D Prime	LARGE-CAP VALUE	16,828.4	3.3%	0.89	6
Republic Services	RSG	Environmental Services	LARGE-CAP VALUE	10,313.0	3.3%	0.69	6
Hasbro	HAS	Leisure	MID-CAP VALUE	5,354.8	3.3%	0.75	9
Emerson Electric	EMR	Electrical Equipment	LARGE-CAP VALUE	37,019.5	3.3%	0.96	7
Procter & Gamble	PG	Household Products	LARGE-CAP VALUE	194,853.3	3.2%	1.00	7
Rio Tinto	RIO	Mining - diversified	LARGE-CAP VALUE	108,501.3	3.2%	0.66	9
Chevron	CVX	Major Oil & Gas	MEGA-CAP VALUE	204,091.8	3.2%	0.85	6
Flowers Foods	FLO	Food Products	MID-CAP CORE	2,611.3	3.2%	1.18	3
Microsoft	MSFT	Software	MEGA-CAP VALUE	216,715.5	3.2%	0.65	3
American Eagle	AEO	Specialty Retail - apparel	MID-CAP VALUE	2,823.4	3.1%	0.78	4
Methode Electronics	MEI	Electronic Suppliers	SMALL-CAP BLEND	339.4	3.1%	1.00	3
Linear Technology	LLTC	Specialized Semi's	MID-CAP CORE	7,721.0	3.0%	1.01	6
Automatic Data Processing	ADP	Staffing Services	LARGE-CAP CORE	26,150.8	3.0%	1.09	6
Packaging Corp	PKG	Containers & Packaging	MID-CAP CORE	2,754.0	3.0%	1.12	6
Taiwan Semiconductor	TSM	Integrated Circuits	LARGE-CAP CORE	72,420.7	2.9%	1.16	6
Molex	MOLX	Electronic Suppliers	MID-CAP CORE	4,801.5	2.9%	1.05	6
McDonald's	MCD	Restaurants	LARGE-CAP CORE	103,384.7	2.9%	1.09	7
Genuine Parts	GPC	Specialty Retail - auto	MID-CAP CORE	9,789.7	2.9%	1.31	4
BHP Billiton	BHP	Mining - diversified	MEGA-CAP CORE	210,547.7	2.9%	1.07	6
Harris Corp	HRS	Communications Equipment	MID-CAP VALUE	4,976.2	2.8%	0.80	7
Eaton	ETN	Electrical Equipment - industrial	LARGE-CAP VALUE	16,425.0	2.8%	0.93	6
General Dynamics	GD	A&D Prime	LARGE-CAP VALUE	26,700.6	2.8%	1.00	6
Whirlpool	WHR	Household Durables	MID-CAP VALUE	5,532.9	2.8%	0.76	7
United Parcel Service	UPS	Air Freight & Logistics	LARGE-CAP CORE	74,382.5	2.8%	1.03	6
Owens & Minor	OMI	Medical Equipment	SMALL-CAP VALUE	1,788.7	2.8%	0.89	3
Air Products & Chemicals	APD	Chemicals - broad	LARGE-CAP CORE	18,108.7	2.8%	1.08	7
Coca-Cola	KO	Beverages - nonalcoholic	LARGE-CAP GROWTH	158,504.0	2.8%	1.06	6
Wal-Mart	WMT	Food Retailers	MEGA-CAP VALUE	205,000.7	2.7%	0.91	4
KLA-Tencor	KLAC	Semi Equipment	MID-CAP VALUE	8,914.5	2.7%	0.86	6
Brinker	EAT	Restaurants	MID-CAP CORE	2,224.0	2.7%	1.10	6
3M	MMM	Conglomerates	LARGE-CAP VALUE	63,077.9	2.6%	0.92	6
Applied Materials	AMAT	Semi Equipment	LARGE-CAP VALUE	16,265.9	2.6%	0.76	6
Illinois Tool Works	ITW	Machinery & Tools	LARGE-CAP CORE	28,041.6	2.6%	1.07	7
Home Depot	HD	Specialty Retailers	LARGE-CAP CORE	74,891.9	2.6%	1.19	5
Medtronic	MDT	Medical Devices	LARGE-CAP VALUE	40,931.5	2.6%	0.74	9
Hershey Foods	HSY	Food Products - Large	LARGE-CAP CORE	13,715.1	2.6%	1.24	1
Washington Post	WPO	Media - newspapers	MID-CAP CORE	3,437.1	2.5%	1.22	6
Scotts Miracle-Gro	SMG	Chemicals - agriculture	MID-CAP CORE	3,152.4	2.5%	1.11	6
Analog Devices	ADI	Integrated Circuits	LARGE-CAP VALUE	12,261.6	2.5%	0.95	6
Colgate-Palmolive	CL	Household Products	LARGE-CAP CORE	47,641.4	2.5%	1.24	6
McCormick	MKC	Food Products	MID-CAP CORE	6,795.6	2.5%	1.05	6
Honeywell	HON	Conglomerates	LARGE-CAP VALUE	48,081.8	2.5%	0.98	7
Texas Instruments	TXN	Broad Line Semiconductors	LARGE-CAP VALUE	33,709.3	2.4%	0.87	3
Smucker	SJM	Food Products	MID-CAP CORE	9,324.9	2.4%	1.05	6
Pentair	PNR	Electrical Equipment	MID-CAP VALUE	3,295.6	2.4%	0.92	4
St. Jude	STJ	Medical Devices	LARGE-CAP VALUE	11,517.5	2.4%	0.76	6
Target	TGT	Food Retailers	LARGE-CAP VALUE	36,506.5	2.4%	0.85	3
Gap	GPS	Specialty Retail - apparel	LARGE-CAP VALUE	12,134.1	2.4%	0.86	6
United Technologies	UTX	Conglomerates	LARGE-CAP BLEND	73,512.4	2.4%	0.74	7
Exxon Mobil	XOM	Major Oil & Gas	MEGA-CAP CORE	390,731.6	2.4%	1.02	6
Boeing	BA	A&D Prime	LARGE-CAP BLEND	56,407.2	2.3%	0.99	6
Baxter Intl	BAX	Medical Instruments	LARGE-CAP CORE	33,881.8	2.3%	1.00	6
Insperity	NSP	Staffing Services	SMALL-CAP BLEND	648.2	2.3%	0.85	6
Intl Flavors	IFF	Chemicals - broad	MID-CAP CORE	4,359.8	2.3%	1.04	3
AVX Corp	AVX	Electronic Suppliers	MID-CAP VALUE	2,237.2	2.3%	0.82	3
Newmont Mining	NEM	Metals & Mining - gold	LARGE-CAP BLEND	30,985.0	2.3%	0.65	6
Corning	GLW	Electronic Suppliers	LARGE-CAP VALUE	21,038.1	2.3%	0.95	4
Becton, Dickinson	BDX	Medical Instruments	LARGE-CAP CORE	19,189.3	2.3%	1.09	6
Snap On	SNA	Machinery & Tools	MID-CAP VALUE	3,561.2	2.2%	0.92	7
Deere	DE	Machinery - agriculture	LARGE-CAP VALUE	31,105.5	2.2%	0.81	6
Stanley Works	SWK	Machinery & Tools	LARGE-CAP BLEND	11,274.5	2.2%	0.85	7
Ritchie Bros	RBA	Luxury Goods	MID-CAP GROWTH	2,180.8	2.2%	1.09	6
Johnson Controls	JCI	Auto Parts Suppliers	LARGE-CAP VALUE	22,925.4	2.2%	0.98	6
Manpower	MAN	Staffing Services	MID-CAP VALUE	3,033.5	2.1%	0.72	3
Amgen	AMGN	Biotechnology	LARGE-CAP VALUE	65,234.0	2.1%	0.80	6
Kohl's	KSS	Multiline Retail	LARGE-CAP VALUE	14,372.8	2.1%	0.73	6
Caterpillar	CAT	Machinery - agriculture	LARGE-CAP BLEND	56,402.7	2.1%	0.79	6
Rockwell Automation	ROK	Electrical Equipment - industrial	LARGE-CAP CORE	11,759.7	2.1%	1.08	6
Xilinx	XLNX	Specialized Semi's	MID-CAP CORE	9,768.1	2.1%	1.18	6
VF Corp	VFC	Luxury Goods	LARGE-CAP CORE	15,288.2	2.1%	1.07	7
Kaiser Aluminum	KALU	Aluminum	SMALL-CAP GROWTH	902.4	2.1%	1.03	6
Lowe's	LOW	Specialty Retailers	LARGE-CAP CORE	38,161.6	2.1%	1.18	6
Tupperware	TUP	Containers & Packaging	MID-CAP VALUE	3,775.7	2.0%	0.91	6
Robert Half	RHI	Staffing Services	MID-CAP GROWTH	4,054.4	2.0%	1.08	6
Parker-Hannifin	PH	Electrical Equipment	LARGE-CAP VALUE	12,363.2	2.0%	0.74	3
Dover	DOV	Machinery & Tools	LARGE-CAP VALUE	12,203.4	2.0%	0.92	7
Apple	AAPL	Computer Hardware	MEGA-CAP BLEND	510,630.8	1.9%	0.86	5

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 20-Apr-2012

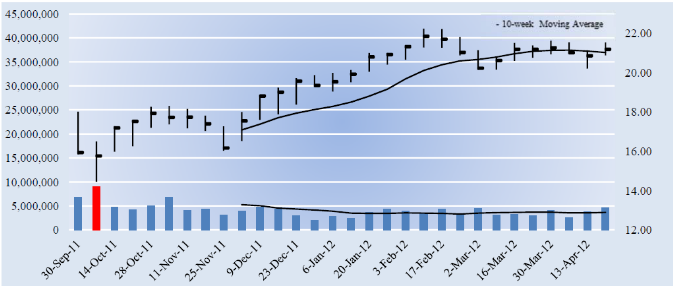
Omega Healthcare OHI UNDERVALUED 8.6%

Buying Index™ 9 | Value Rating ✓

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$21.18	$23.00 - $38.00	HEALTHY	GOOD / 2.2	EXCELLENT	7.93%

We think Omega Healthcare is a slam-dunk dividend play. The firm is undervalued, its yield is attractive, and the dividend has strong growth prospects, in our opinion.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	**7.93%**
Annual Dividends per Share	**$1.68**
Initial Annual Div's Paid, $10k Investment	**$793.20**
Dividend Track Record	**HEALTHY**
Dividend Safety	**GOOD**
Valuentum Dividend Cushion™	**2.2**
Dividend Growth Potential	**EXCELLENT**
Risk of Capital Loss	**LOW**
ValueRisk™ (Equity Margin of Safety)	**MEDIUM**

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Growth

Dividend Safety	Very Poor	Poor	Good	Excellent
Excellent				
Good				■
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Company Vitals

Market Cap (USD)	$2,164
Avg Weekly Vol (30 wks)	4,112
30-week Range (USD)	14.45 - 22.23
Valuentum Sector	Financials
Last Fiscal Year Revenue	291
Last Fiscal Year EPS	0.51
Last Fiscal Year EBITDA	263
Forward Revenue Growth (5-yr)	6.2%
Forward EPS Growth (5-yr)	28.2%

Dividend Vitals

Current Annual Dividend Yield %	7.9%
Annual Dividends Per Share	1.68
Forward Dividend Payout Ratio	81.1%
3-yr Historical Dividend CAGR	11.9%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	263.5%
15-yr Hist Median Div Payout Ratio	0.0%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	529.50	42.00
50	1,059.00	84.00
100	2,118.00	168.00
200	4,236.00	336.00
300	6,354.00	504.00
400	8,472.00	672.00
500	10,590.00	840.00
1,000	21,180.00	1,680.00
2,000	42,360.00	3,360.00
5,000	105,900.00	8,400.00
10,000	211,800.00	16,800.00
50,000	1,059,000.00	84,000.00
100,000	2,118,000.00	168,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion GOOD / 2.2

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Omega Healthcare scores a 2.2 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Omega Healthcare registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $2.29 per share within the next several years.

Risk of Capital Loss LOW

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Omega Healthcare registers a score of LOW on our scale.

Dividend Track Record HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-97	NA	0.0	NA	0.0%
Dec-98	NA	0.0	NA	0.0%
Dec-99	NA	0.0	NA	0.0%
Dec-00	NA	0.0	NA	0.0%
Dec-01	NA	0.0	NA	0.0%
Dec-02	NA	0.0	NA	0.0%
Dec-03	NA	0.0	NA	0.0%
Dec-04	NA	0.0	NA	0.0%
Dec-05	NA	0.0	NA	0.0%
Dec-06	NA	0.0	NA	0.0%
Dec-07	NA	0.0	NA	0.0%
Dec-08	1.19	0.0	0.93	128.0%
Dec-09	1.20	0.8	0.87	137.9%
Dec-10	1.37	14.2	0.52	263.5%
Dec-11	1.55	13.1	0.46	337.0%
Dec-12	***1.68***	***8.4***	***2.07***	***81.1%***
Dec-13	*1.81*	*8.0*	*2.15*	*84.3%*
Dec-14	*1.96*	*8.0*	*2.06*	*95.3%*
Dec-15	*2.12*	*8.0*	*1.93*	*109.6%*
Dec-16	*2.29*	*8.0*	*1.78*	*128.3%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Omega Healthcare, please visit our website at www.valuentum.com

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 13-Apr-2012

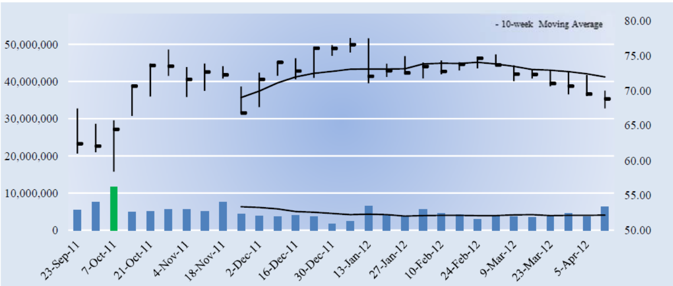
Royal Dutch Shell RDS FAIRLY VALUED

Buying Index™ 4 **Value Rating**

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$68.80	$68.00 - $104.00	HEALTHY	GOOD / 1.6	GOOD	4.88%

Royal Dutch Shell stands out to us as one of the better income plays on the market today. We'd consider adding it to our dividend growth portfolio.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	4.88%
Annual Dividends per Share	$3.36
Initial Annual Div's Paid, $10k Investment	$488.37
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.6
Dividend Growth Potential	GOOD
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	LOW

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Safety \ Dividend Growth	Very Poor	Poor	Good	Excellent
Excellent				
Good			■	
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Company Vitals

Market Cap (USD)	$214,037
Avg Weekly Vol (30 wks)	4,759
30-week Range (USD)	58.37 - 77.53
Valuentum Sector	Energy
Last Fiscal Year Revenue	484,489
Last Fiscal Year EPS	4.97
Last Fiscal Year EBITDA	68,888
Forward Revenue Growth (5-yr)	5.3%
Forward EPS Growth (5-yr)	3.8%

Dividend Vitals

Current Annual Dividend Yield %	4.9%
Annual Dividends Per Share	3.36
Forward Dividend Payout Ratio	59.8%
3-yr Historical Dividend CAGR	0.0%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	51.2%
15-yr Hist Median Div Payout Ratio	0.0%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	1,720.00	84.00
50	3,440.00	168.00
100	6,880.00	336.00
200	13,760.00	672.00
300	20,640.00	1,008.00
400	27,520.00	1,344.00
500	34,400.00	1,680.00
1,000	68,800.00	3,360.00
2,000	137,600.00	6,720.00
5,000	344,000.00	16,800.00
10,000	688,000.00	33,600.00
50,000	3,440,000.00	168,000.00
100,000	6,880,000.00	336,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — GOOD / 1.6

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Royal Dutch Shell scores a 1.6 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — GOOD

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Royal Dutch Shell registers an GOOD rating on our scale, and we think the firm's annual dividend will be $4.08 per share within the next several years.

Risk of Capital Loss — MEDIUM

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Royal Dutch Shell registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
NA	0.00	0.0	0.20	0.0%
NA	0.00	0.0	0.26	0.0%
NA	0.00	0.0	0.34	0.0%
NA	0.00	0.0	0.46	0.0%
NA	0.00	0.0	0.59	0.0%
NA	0.00	0.0	0.74	0.0%
NA	0.00	0.0	1.00	0.0%
NA	0.00	0.0	1.31	0.0%
NA	0.00	0.0	1.65	0.0%
NA	0.00	0.0	1.92	0.0%
Dec-07	2.88	0.0	9.98	28.9%
Dec-08	3.20	11.1	8.52	37.6%
Dec-09	3.36	5.0	4.08	82.4%
Dec-10	3.36	0.0	6.56	51.2%
Dec-11	3.36	0.0	9.94	33.8%
Dec-12	***3.36***	***0.0***	***5.62***	***59.8%***
Dec-13	*3.53*	*5.0*	*6.07*	*58.1%*
Dec-14	*3.70*	*5.0*	*6.16*	*60.1%*
Dec-15	*3.89*	*5.0*	*6.13*	*63.4%*
Dec-16	*4.08*	*5.0*	*5.98*	*68.3%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Royal Dutch Shell, please visit our website at www.valuentum.com

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

Valuentum's Stock Dividend Research — Visit us at www.valuentum.com — (10=best) — Data as of 2-Mar-2012

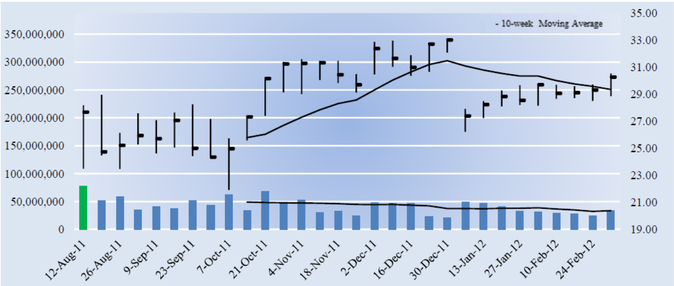
Williams Co WMB FAIRLY VALUED

Buying Index™ 6 — Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$30.26	$23.00 - $38.00	HEALTHY	GOOD / 1.8	EXCELLENT	3.44%

Williams Co stands out to us as one of the better income plays on the market today. We'd consider adding it to our dividend growth portfolio.

Stock Chart (weekly)



Key Dividend Considerations

Current Annual Dividend Yield	**3.44%**
Annual Dividends per Share	**$1.04**
Initial Annual Div's Paid, $10k Investment	**$343.69**
Dividend Track Record	**HEALTHY**
Dividend Safety	**GOOD**
Valuentum Dividend Cushion™	**1.8**
Dividend Growth Potential	**EXCELLENT**
Risk of Capital Loss	**MEDIUM**
ValueRisk™ (Equity Margin of Safety)	**MEDIUM**

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Dividend Strength

Dividend Growth

Dividend Safety	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Company Vitals

Market Cap (USD)	$18,101
Avg Weekly Vol (30 wks)	41,514
30-week Range (USD)	21.9 - 33.11
Valuentum Sector	Energy
Last Fiscal Year Revenue	7,930
Last Fiscal Year EPS	1.33
Last Fiscal Year EBITDA	3,482
Forward Revenue Growth (5-yr)	4.3%
Forward EPS Growth (5-yr)	6.5%

Dividend Vitals

Current Annual Dividend Yield %	3.4%
Annual Dividends Per Share	1.04
Forward Dividend Payout Ratio	69.1%
3-yr Historical Dividend CAGR	33.2%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	58.2%
15-yr Hist Median Div Payout Ratio	0.0%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	756.50	26.00
50	1,513.00	52.00
100	3,026.00	104.00
200	6,052.00	208.00
300	9,078.00	312.00
400	12,104.00	416.00
500	15,130.00	520.00
1,000	30,260.00	1,040.00
2,000	60,520.00	2,080.00
5,000	151,300.00	5,200.00
10,000	302,600.00	10,400.00
50,000	1,513,000.00	52,000.00
100,000	3,026,000.00	104,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — GOOD / 1.8

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Williams Co scores a 1.8 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — EXCELLENT

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Williams Co registers an EXCELLENT rating on our scale, and we think the firm's annual dividend will be $1.64 per share within the next several years.

Risk of Capital Loss — MEDIUM

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Williams Co registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
Dec-97	NA	0.0	1.04	0.0%
Dec-98	NA	0.0	0.32	0.0%
Dec-99	NA	0.0	0.36	0.0%
Dec-00	NA	0.0	1.95	0.0%
Dec-01	NA	0.0	1.67	0.0%
Dec-02	NA	0.0	-1.14	0.0%
Dec-03	NA	0.0	-0.03	0.0%
Dec-04	0.08	0.0	0.18	44.4%
Dec-05	0.25	212.5	0.53	47.2%
Dec-06	0.35	40.0	0.55	63.6%
Dec-07	0.39	11.4	1.40	27.9%
Dec-08	0.43	10.3	2.26	19.0%
Dec-09	0.44	2.3	0.75	58.7%
Dec-10	0.49	11.4	-1.87	-26.2%
Dec-11	0.78	59.2	1.34	58.2%
Dec-12	***1.04***	***33.3***	***1.50***	***69.1%***
Dec-13	*1.16*	*12.0*	*1.69*	*69.1%*
Dec-14	*1.30*	*12.0*	*1.77*	*73.8%*
Dec-15	*1.46*	*12.0*	*1.81*	*80.6%*
Dec-16	*1.64*	*12.0*	*1.82*	*90.1%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Williams Co, please visit our website at www.valuentum.com

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

Valuentum's Stock Dividend Research | Visit us at www.valuentum.com | (10=best) | Data as of 2-Mar-2012

Spectra Energy SE FAIRLY VALUED

Buying Index™ 6 | Value Rating

Last Close	Stock Fair Value Range	Dividend Track Record	Dividend Safety / Cushion™	Div Growth Potential	Dividend Yield
$31.47	$24.00 - $40.00	HEALTHY	GOOD / 1.3	GOOD	3.56%

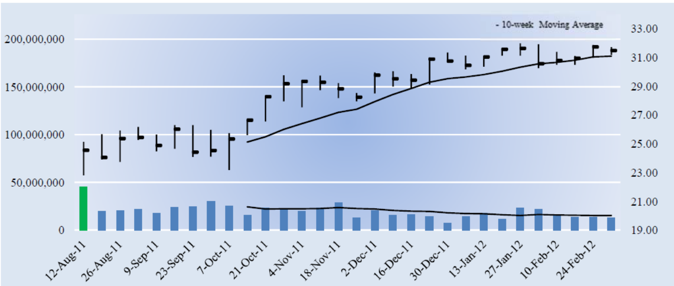
Spectra Energy stands out to us as one of the better income plays on the market today. We'd consider adding it to our dividend growth portfolio.

Key Dividend Considerations

Current Annual Dividend Yield	3.56%
Annual Dividends per Share	$1.12
Initial Annual Div's Paid, $10k Investment	$355.89
Dividend Track Record	HEALTHY
Dividend Safety	GOOD
Valuentum Dividend Cushion™	1.3
Dividend Growth Potential	GOOD
Risk of Capital Loss	MEDIUM
ValueRisk™ (Equity Margin of Safety)	MEDIUM

The Valuentum Dividend Cushion is a ratio that compares the firm's excess cash and cash flow to its future dividend stream. A score above 1 indicates cash flow is sufficient to cover future dividends (higher is better).

Stock Chart (weekly)



Dividend Strength

Dividend Growth

Dividend Safety	Very Poor	Poor	Good	Excellent
Excellent				
Good				
Poor				
Very Poor				

Firms that have safe and growing dividends score at the top right of our scale.

Company Vitals

Market Cap (USD)	$20,550
Avg Weekly Vol (30 wks)	19,725
30-week Range (USD)	22.8 - 31.98
Valuentum Sector	Energy
Last Fiscal Year Revenue	5,351
Last Fiscal Year EPS	1.77
Last Fiscal Year EBITDA	2,480
Forward Revenue Growth (5-yr)	7.0%
Forward EPS Growth (5-yr)	5.1%

Dividend Vitals

Current Annual Dividend Yield %	3.6%
Annual Dividends Per Share	1.12
Forward Dividend Payout Ratio	58.7%
3-yr Historical Dividend CAGR	3.8%
15-yr Historical Dividend CAGR	NA
3-yr Hist Median Div Payout Ratio	62.5%
15-yr Hist Median Div Payout Ratio	0.0%

NMF = Not Meaningful; Est. = Estimated; FY = Fiscal Year

Initial Annual Income Per Investment ($)

# of Shares	Investment ($)	Annual Div's ($)
25	786.75	28.00
50	1,573.50	56.00
100	3,147.00	112.00
200	6,294.00	224.00
300	9,441.00	336.00
400	12,588.00	448.00
500	15,735.00	560.00
1,000	31,470.00	1,120.00
2,000	62,940.00	2,240.00
5,000	157,350.00	5,600.00
10,000	314,700.00	11,200.00
50,000	1,573,500.00	56,000.00
100,000	3,147,000.00	112,000.00

Initial annual income is based on the firm's current forward annual dividend yield and could be subject to change.

Dividend Safety / Cushion — GOOD / 1.3

We assess the safety of a firm's dividend by adding the company's net cash to our forecast of its free cash flows over the next five years. We then divide that sum by the total expected dividends over the next five years. This process results in our Dividend Cushion™ ratio. A Dividend Cushion™ above 1 indicates a firm can cover its future dividends with net cash on hand and future free cash flow, while a score below 1 signals trouble may be on the horizon. And by extension, the greater the score, the safer the dividend, as excess cash can be used to offset any unexpected earnings shortfall. Spectra Energy scores a 1.3 on our Dividend Cushion™, which is GOOD.

Dividend Growth Potential — GOOD

We judge the future potential growth of the dividend by evaluating the capacity for future increases, as measured by the Dividend Cushion™, and management's willingness to consistently raise the dividend, as measured by the firm's dividend track record. Spectra Energy registers an GOOD rating on our scale, and we think the firm's annual dividend will be $1.36 per share within the next several years.

Risk of Capital Loss — MEDIUM

We assess the risk of capital loss based on our analysis of a firm's intrinsic value at this point in time. If the stock is undervalued (based on our DCF process), we think the risk of failing to recoup one's original capital investment (ex dividends) is relatively LOW. If the stock is fairly valued (it falls within our fair value estimate range), we think the likelihood of losing capital (ex dividends) is MEDIUM. If the stock is trading above our estimate of its intrinsic value, we think the likelihood of losing at least a portion of one's original investment (ex dividends) is HIGH. Spectra Energy registers a score of MEDIUM on our scale.

Dividend Track Record — HEALTHY

Fiscal Year	Div's/Share ($)	Div Growth %	EPS ($)	Payout Ratio
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
NA	0.00	0.0	0.00	0.0%
Dec-07	0.88	0.0	1.49	59.1%
Dec-08	0.96	9.1	1.81	53.0%
Dec-09	1.00	4.2	1.31	76.3%
Dec-10	1.00	0.0	1.60	62.5%
Dec-11	1.06	6.0	1.77	59.9%
Dec-12	***1.12***	***5.7***	***1.91***	***58.7%***
Dec-13	*1.18*	*5.0*	*2.06*	*57.1%*
Dec-14	*1.23*	*5.0*	*2.16*	*57.1%*
Dec-15	*1.30*	*5.0*	*2.24*	*58.0%*
Dec-16	*1.36*	*5.0*	*2.28*	*59.7%*

Light green shading denotes a dividend increase, while light red shading denotes a dividend decrease. Heavy green shading denotes a significant dividend increase, while heavy red shading denotes a significant dividend decrease or an excessive payout ratio. NA = Not Applicable.

To view our full 16-page equity report on Spectra Energy , please visit our website at www.valuentum.com

Please select the following link to view the full 16-page report:

http://www.valuentum.com/categories/20110609

Our Methodology – The Valuentum Buying Index

By Valuentum Analysts

But how, you will ask, does one decide what [stocks are] "attractive"? Most analysts feel they must choose between two approaches customarily thought to be in opposition: "value" and "growth,"...We view that as fuzzy thinking...Growth is always a component of value [and] the very term "value investing" is redundant.

-- Warren Buffett, Berkshire Hathaway annual report, 1993

At Valuentum, we take Buffett's thoughts one step further. We think the best opportunities arise from a complete understanding of all investing disciplines in order to identify the most attractive stocks at any given time. Valuentum therefore analyzes each stock across a wide spectrum of philosophies, from deep value through momentum investing. We think companies that are attractive from a number of investment perspectives--whether it be growth, value, income, momentum, etc.--have the greatest probability of capital appreciation and relative outperformance. The more deep-pocketed institutional investors that are interested in the stock for reasons based on their respective investment mandates, the more likely it will be bought and the more likely the price will move higher to reflect its true intrinsic value (buying a stock pushes its price higher). On the other hand, we think the worst stocks will be shunned by most investment disciplines and display expensive valuations, poor technicals and deteriorating momentum indicators.

As such, the Valuentum Buying Index (VBI) combines rigorous financial and valuation analysis with an evaluation of a firm's technicals and momentum indicators to derive a score between 1 and 10 for each company (10=best). The VBI places considerable emphasis on a firm's DCF valuation, its relative valuation versus peers (both forward PE and PEG ratios), as well as its technicals in order to help investors pick the best entry and exit points on the most interesting stocks. We believe our methodology helps identify the most attractive stocks at the best time to buy, helping to avoid value traps and lagging performance due to the opportunity cost of holding a stock with great potential but at an inopportune time.

A Rigorous, Discounted Cash Flow Valuation Assessment

Our methodology starts with in-depth financial statement analysis, where we derive our ValueCreation, ValueRisk, and ValueTrend ratings, which together provide a quantitative assessment of the strength of a firm's competitive advantages. After evaluating historical trends, we then make full annual forecasts for each item on a company's income statement and balance sheet to arrive at a firm's future free cash flows. We derive a company-specific cost of equity (using a fundamental beta based on the expected uncertainty of key valuation drivers) and a cost of debt (considering the firm's capital structure and synthetic credit spread over the risk-free rate), culminating in our estimate of a company's weighted average cost of capital (WACC). We don't use a market price-derived beta, as we embrace market volatility, which provides investors with opportunities to buy attractive stocks at bargain-basement levels.

We assess each company within our complete three-stage free cash flow to the firm (enterprise cash flow) valuation model, which generates an estimate of a company's equity value per share based on its discounted future free cash flows and the company's net balance sheet impact, including other adjustments to equity value (namely pension and OPEB adjustments). Our ValueRisk rating, which considers the underlying uncertainty of the capacity of the firm to continue to generate value for shareholders, sets the margin of safety bands around this fair value estimate. For firms that are trading below the lower bound of our margin of safety band, we consider these companies undervalued based on our DCF process. For firms that are trading above the higher bound of our margin of safety band, we consider these companies overvalued based on our DCF process.

Our Methodology – The Valuentum Buying Index **continued on next page**

Our Methodology – The Valuentum Buying Index (cont.)

A Forward-Looking Relative Value Assessment

Our discounted cash-flow process allows us to arrive at an absolute view of the firm's intrinsic value. However, we also understand the critical importance of assessing firms on a relative value basis, versus both their industry and peers. Many institutional money-managers--those that drive stock prices—pay attention to a company's price-to-earnings (PE) ratio and price-earning-to-growth (PEG) ratio in making buy/sell decisions. With this in mind, we have included a forward-looking relative value assessment in our process to further augment our rigorous discounted cash-flow process. If a company is undervalued on both a price-to-earnings ratio and a price-earnings-to-growth (PEG) ratio versus industry peers, we would consider the firm to be attractive from a relative value standpoint.

Avoiding Value Traps and Opportunity Cost

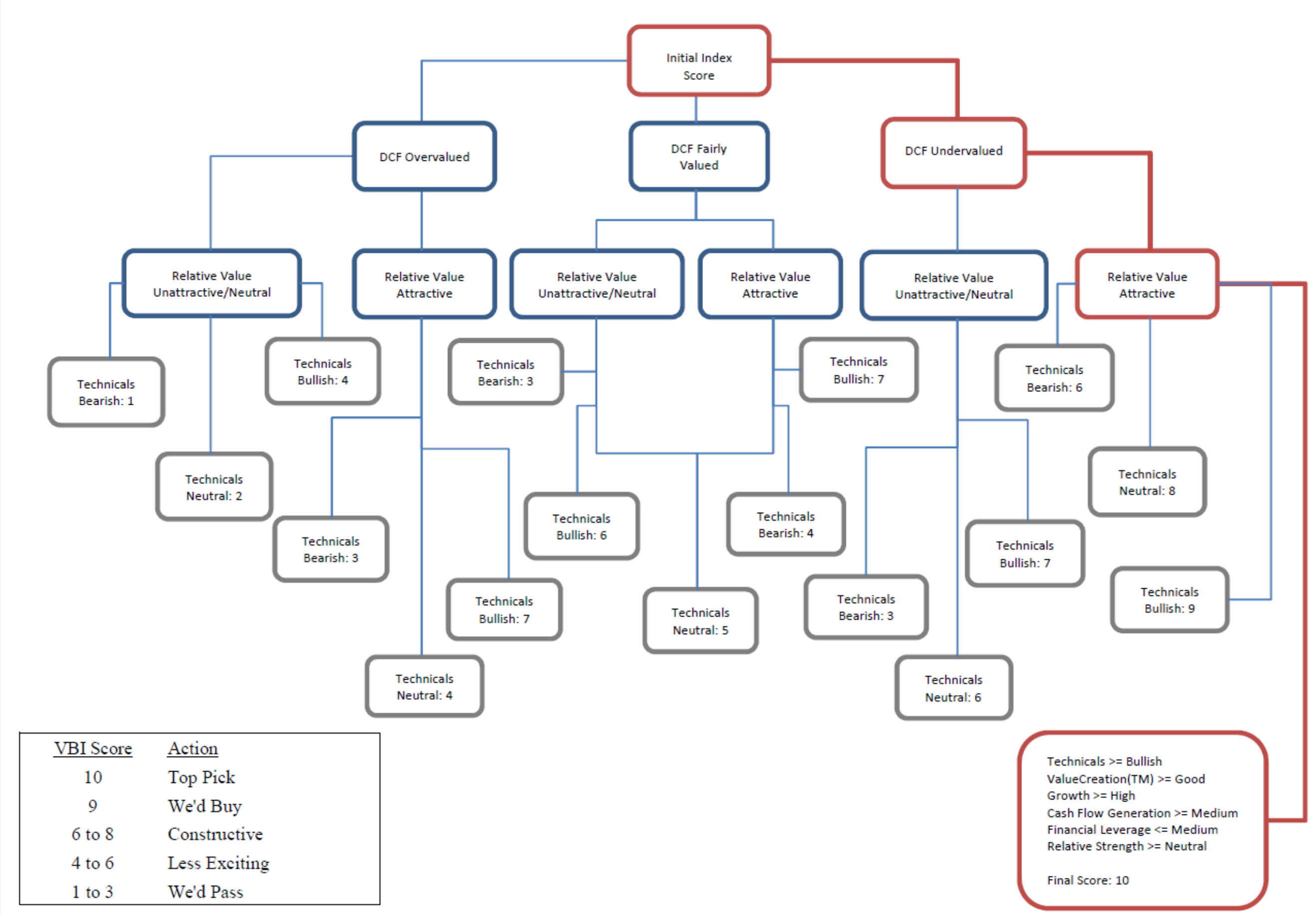
Once we have estimated a firm's intrinsic value on the basis of our discounted cash-flow process, determined if it is undervalued according to its firm-specific margin of safety bands, and assessed whether it has relative value versus industry peers, we then evaluate the company's technical and momentum indicators to pin-point the best entry and exit points on the stock (but only after it meets our stringent valuation criteria). Rigorous valuation analysis and technical analysis are not mutually exclusive, and we believe both can be used together to bolster returns. An evaluation of a stock's moving averages, relative strength, upside-downside volume, and money flow index are but a few considerations we look at with respect to our technical and momentum assessment of a company's stock. We embrace the idea that the future is inherently unpredictable and that not all fundamental factors can be included in a valuation model. By extension, we use technical and momentum analysis to help safeguard us against value traps, falling knives, and the opportunity cost of holding an undervalued equity for years before it converges to fair value. Other research firms do not consider opportunity cost as a legitimate expense for investors.

Putting It All Together - the Valuentum Buying Index

Let's follow the red line on the flow chart on the next page to see how a firm can score a 10, the best mark on our index (a "Top Pick"). First, the company would need to be 'UNDERVALUED' on a DCF basis and 'ATTRACTIVE' on a relative value basis. The stock would also have to be exhibiting 'BULLISH' technicals. The firm would need a ValueCreation rating of 'GOOD' or 'EXCELLENT', exhibit 'HIGH' or 'AGGRESSIVE' growth prospects, and generate at least a 'MEDIUM' or 'NEUTRAL' assessment for cash flow generation, financial leverage, and relative price strength.

This is a tall order for any company, but we're looking to deliver the very best of ideas to our clients and subscribers. Firms that don't make the cut for a 10 are ranked accordingly, with the least attractive stocks garnering a score of 1 ("We'd sell"). Most of our coverage universe falls between 3 and 7, but at any given time there could be large number of companies garnering either high or low scores, especially at market lows or tops, respectively.

Our Methodology – The Valuentum Buying Index (cont.)



VBI Score	Action
10	Top Pick
9	We'd Buy
6 to 8	Constructive
4 to 6	Less Exciting
1 to 3	We'd Pass

Valuentum Dividend Growth Newsletter: Volume 1, Issue 5

Valuentum's Dividend Growth Newsletter is published monthly. To receive this newletter on a monthly basis, please subscribe to Valuentum by visiting our website at http://www.valuentum.com. Or contact us at info@valuentum.com.

Fair Value Range. The fair value range represents an upper bound and lower bound, between which we would consider the firm to be fairly valued. The range considers our estimate of the firm's fair value and the margin of safety suggested by the volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow (the determinants behind our ValueRisk™ rating).

ValueRisk™. This is a proprietary Valuentum measure. ValueRisk™ indicates the historical volatility of key valuation drivers, including revenue, gross margin, earnings before interest, and enterprise free cash flow. The standard deviation of each measure is calculated and scaled against last year's measure to arrive at a percentage deviation for each item. These percentage deviations are weighted equally to arrive at the corresponding fair value range for each stock, measured in percentage terms. The firm's performance is measured along the scale of LOW, MEDIUM, HIGH, and VERY HIGH. The ValueRisk™ rating for each firm also determines the fundamental beta of each firm along the following scale: LOW (0.85), MEDIUM (1), HIGH (1.15), VERY HIGH (1.3).

Dividend Track Record. We assess each firm's dividend track record based on whether the fundamentals of the firm have ever forced it to cut its dividend. If the firm has ever cut its dividend (within the last 10 years), we view its track record as RISKY. If the firm has maintained and/or raised its dividend each year (over the past 10 years), we view its track record as HEALTHY.

Dividend Safety. We measure the safety of a firm's dividend by adding its net cash to our forecast of its future cash flows and divide that sum by our forecast of its future dividend payments. This process results in a ratio called the Dividend Cushion™. Scale: Above 2.75 = EXCELLENT; Between 1.25 and 2.75 = GOOD; Between 0.5 and 1.25 = POOR; Below 0.5 = VERY POOR.

Valuentum Dividend Cushion™. This is a proprietary Valuentum measure that drives our assessment of the firm's Dividend Safety rating. The forward-looking measure assesses dividend coverage via the cash characteristics of the business.

Dividend Growth Potential. We blend our analysis of a firm's Dividend Safety with its historical Track Record, while also considering historical dividend growth trends. We believe such a combination captures a firm's capacity (cash flow) and willingness (track record) to raise its dividend in the future. Scale: EXCELLENT, GOOD, POOR, VERY POOR.

Risk of Capital Loss. We think capital preservation is key for the dividend investor. As such, we evalute the risk of capital loss by assessing the intrinsic value of each firm based on our discounted cash-flow process. If a firm is significantly OVERVALUED, we think the risk of capital loss is HIGH. If a firm is FAIRLY VALUED, we think the risk of capital loss is MEDIUM, and if a firm is UNDERVALUED, we think the risk of capital loss is LOW.

Dividend Strength. Our assessment of the firm's dividend strength is expressed in a matrix. If the safety of a firm's dividend is EXCELLENT and its growth prospects are also EXCELLENT, it scores high on our matrix (top right). If the firm's dividend safety and the potential future growth are VERY POOR, it scores lower on our scale (bottom left).