

Shareholder Survey Planning Guide 2003

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Introduction

Individual shareholders are important members of the corporate family. What they think and what they experience provide useful input into corporate decision-making. Shareholder surveys provide information from shareholders' perceptions and demographics and their interactions with the corporation and its transfer agent.

Our Shareholder Survey Program was developed with the Rutgers University Graduate School of Management and Corporate Investor Communications, Inc. (now Georgeson Shareholder Communications). It provides a key feedback tool for corporate management.

Shareholder Survey Objectives

The survey was developed to achieve these objectives:

- ❖ Assess shareholder loyalty.
- ❖ Improve annual meeting planning by having “back-pocket” facts available to answer shareholder questions.
- ❖ Measure shareholders' perception of transfer agent performance.
- ❖ Identify shareholder demographics such as occupation, age, and sex.
- ❖ Identify shareholder perceptions of your company as an investment.
- ❖ Identify shareholder perceptions of management.
- ❖ Compare your company's results year to year, against peers, and against the universe of surveys we conduct.
- ❖ Gauge your response capability in case of a takeover or merger.
- ❖ Measure the effectiveness of your shareholder communications.
- ❖ Obtain shareholder-customer perceptions of your products or services.
- ❖ Show your interest in shareholders. Sending the survey tells shareholders that you want their opinions. Even those that do not reply are pleased.

Assess shareholder loyalty

Shareholder loyalty is not tangible but plays an important role in acquisitions, mergers, and times of crisis. Take two examples. How would individual shareholders react when you are faced with an unfriendly takeover? How strongly would they support you if you encountered a product safety or ecological issue? The survey asks shareholders how they rate their investment, how long they generally hold their investments, their satisfaction with the stock price, and what they think of your company's future and of management. It can tell you how different shareholder-employees are from other shareholders.

Improve annual meeting planning by having “back-pocket” facts available to answer shareholder questions

When a shareholder gets up at the annual meeting and berates management for low dividends, excessive executive compensation, poor performance, or corporate citizenship, an effective rebuttal would be to say, “Well, our recent survey of shareholders doesn’t agree with your conclusion.” Conversely, if the survey does show shareholder concerns, you can effectively prepare for the question.

Measure shareholders’ perception of transfer agent performance

If you offer a full array of shareholder services, including dividends and dividend reinvestment, 10-20% of your shareholders will initiate contact each year with your transfer agent (excluding proxies) and 100% will receive something from your transfer agent. How did these contacts go?

You probably evaluate your transfer agent yourself. You may participate in our annual *Transfer Agent Comparison Survey*. You also get letters, e-mails, and phone calls from shareholders. But does your perception of the transfer agent square with your shareholders’ perceptions?

Some transfer agent errors are easy to spot. One company we know pays a dividend twice a year. Their transfer agent sent out 1099s to shareholders and the system picked up the last four dividends. Everyone’s 1099 was overstated by 100%. In this case the company also got 100% feedback.

Other errors are harder for a company to notice. You cannot assume that all shareholders complain to you if they are dissatisfied with your transfer agent. If it’s annoying but not serious, you may never hear of it. The survey asks questions about the transfer agent that give you facts you need for a sit-down with your agent, if one is required.

Identify shareholder demographics such as occupation, age, and sex

Shareholders do not think alike. They vary by age, sex, and occupation. By obtaining shareholder demographics, we can distinguish and rank shareholder perceptions. We can also identify and quantify shareholder relations demographic problems.

Here are two examples.

We surveyed the shareholders of a utility. We found them to be strong supporters of the company and its management. They were confident of the company’s future, they strongly approved of management’s performance, and they valued the company as an investment. There was just one problem. They were very old. In ten years many of them will be gone and the group coming up behind them were less loyal and far smaller.

The same company found that female shareholders were more enthusiastic supporters than male shareholders. However, male shareholders outnumbered female shareholders almost two to one.

Identify shareholder perceptions of the company as an investment

We ask shareholders about dividend levels, stock price, what they see as the future of the company, riskiness of the stock, how they rate the company as an investment, and what attracted them to the stock. When the answers are summed up, you have a clearer picture of your shareholder population's view of their investment.

Identify shareholder perceptions of management

We ask shareholders to rate the dividend reinvestment plan, executive compensation as compared with other companies, and management's performance. This provides a useful tool when planning.

Compare your company's results year to year, against peers, and against the universe of surveys we conduct

How you stand with shareholders against prior management, against peer companies, and against all those who take our survey tells you 1) if you need to take action, or 2) whether or not you have a problem at all.

Gauge your response capability in case of a takeover or merger

Having a base line of shareholder perceptions will stand you in good stead when and if you are involved with a merger, acquisition, or takeover event.

Measure the effectiveness of the company's shareholder communications

We ask shareholders to rate the Annual Meeting of Shareholders, the Annual Report, other shareholder publications, and the company's website. We also ask them about proxy voting online and by phone.

Obtain shareholder-customer perceptions

If you count your customers among your shareholders, we ask them as customers to rate your company and its products.

Planning the Shareholder Survey

The survey package is quite simple. It includes the one-page survey form, a letter from the CEO (we can provide a sample), and a business reply envelope. The package can be mailed along with another shareholder mailing or as a stand-alone mailing. The timing is up to you but we suggest you start with a benchmarking survey. This desensitizes shareholders so subsequent surveys held when crisis comes aren't overly alarming. Surveys can be held on a regular basis, when changing transfer agents, or facing a merger, acquisition, or corporate crisis.

A stand-alone mailing costs more but will probably yield a higher return. With little encouragement, the survey should pull a 10% response. However, many exceed 20%. When we prepare your survey report, we will include the standard deviation and confidence interval for each scorable question. The survey can be sent to all shareholders or a segmented sample, such as number of shares held.

To prepare for the survey, you should requisition labels or download a file of your shareholders' names and addresses from your transfer agent. You can mail the package yourself or, for stand alone surveys, we can mail it. We will provide business reply envelopes or a master form that you can use to reprint them. We will need to know exactly how many shareholder survey packages are mailed. You can also add street holders to the mailing if you wish by contacting ADP. It is important, however, that all replies come back to Stockholder Consulting Services. If you want, we can offer shareholders the option of using our online survey capability.

The survey has twenty-five standard questions. We can add or subtract questions to customize the survey for you. The survey form also has space for shareholders to present a problem to you for discussion or resolution. In this case, the shareholder will be asked to include his or her name, address, and phone number.

Asking shareholders to tell you what they think of you creates a positive reaction among shareholders ... even among those that don't respond!

The Shareholder Survey Report

You should allow six to eight weeks from the mailing date of the survey to the time we send you the report.

The report will include the scores for each question on a scale from 1 (very dissatisfied) to 5 (very satisfied). The report will also include our findings and recommendations. The survey forms will be packaged and sent to you and those with comments will be flagged.

At year-end, if you wish, we will send you a comparison of your results with those received by all participating companies so you can compare yourself against the

universe of replies for that year. 2001 was our start up year so survey results for last year will be combined with 2002.

Your report is confidential and the results will not be disclosed to anyone outside of Stockholder Consulting Services. Your totals will be merged with totals from other participating companies to form an annual universe of survey replies. If this universe grows large enough, so individual company totals cannot be discerned, we would then publish totals by industry.

Summary

Stockholder Consulting Services has been in business since 1987 and running surveys since 1993. We have an established reputation as a credible and unbiased supplier of consulting and survey information. Shareholder surveys are an inexpensive way to gain valuable knowledge from an important component of your corporate family. You can use them to compare yourself against the universe of participants and against your own scores in prior years.

To learn more about our Shareholder Survey Program and to request a proposal, please contact:

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