FEI/Duke 2002 Survey of Corporate Payout Policy

It is very important that you respond to this survey, whether your company currently pays dividends, repurchases shares, or neither.

Note that no company will be identified, discussed or analyzed individually.

Please answer all questions with respect to your primary class of shares and for open market repurchases.

1. During the past three years, my company has (check one)
   - [ ] both paid dividends and repurchased shares
   - [ ] only paid dividends
   - [ ] only repurchased shares
   - [ ] neither paid dividends nor repurchased shares

2a. Of funds that could be used to pay dividends, the most likely alternative use would be to: (check one)
   - [ ] retain as cash
   - [ ] invest more
   - [ ] mergers/acquisitions
   - [ ] repurchase shares
   - [ ] pay down debt
   - [ ] Other ___________

2b. Of funds that could be used to repurchase shares, the most likely alternative use would be to: (check one)
   - [ ] retain as cash
   - [ ] invest more
   - [ ] mergers/acquisitions
   - [ ] pay more dividends
   - [ ] pay down debt
   - [ ] Other ___________

For #3 and #4, provide separate answers related to your company’s current “dividend policy” (to the left) and “share repurchase policy” (to the right), even if your current policy is “zero dividend payout” or “do not repurchase shares.”

3. How important are the following factors to your company’s dividend / repurchase decisions?

<table>
<thead>
<tr>
<th>Dividends</th>
<th>Repurchases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Not at all Important</td>
<td>Very Important</td>
</tr>
<tr>
<td>-2</td>
<td>-1</td>
</tr>
<tr>
<td>A temporary change in earnings</td>
<td>A sustainable change in earnings</td>
</tr>
<tr>
<td>Having extra cash/liquid assets, relative to our desired cash holdings</td>
<td>Stability of future earnings</td>
</tr>
<tr>
<td>The dividend / repurchase policies of competitors or other companies in our industry</td>
<td>Flotation costs to issuing additional equity</td>
</tr>
<tr>
<td>Paying out to reduce cash, thereby disciplining our firm to make efficient decisions</td>
<td>Maintaining consistency with our historic dividend / repurchase policy</td>
</tr>
<tr>
<td>Personal taxes our stockholders pay when receiving dividends / repurchases</td>
<td>The possibility that paying dividends / repurchasing indicates to investors that we are running low on profitable investments</td>
</tr>
<tr>
<td>The availability of good investment opportunities for our firm to pursue</td>
<td>Attracting retail investors to purchase our stock</td>
</tr>
<tr>
<td>The influence of our institutional shareholders</td>
<td>Attracting institutional investors to purchase our stock</td>
</tr>
<tr>
<td>Merger and acquisition strategy</td>
<td>Attracting institutional investors because they monitor management decisions</td>
</tr>
<tr>
<td>Maintaining consistency with our historic dividend / repurchase policy</td>
<td>Market price of our stock (if our stock is a good investment, relative to its true value)</td>
</tr>
</tbody>
</table>
4. Do these statements agree with your company’s views?

<table>
<thead>
<tr>
<th>Dividends</th>
<th>Repurchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>2</td>
<td>-2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement</th>
<th>Dividends</th>
<th>Repurchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>We make dividend / repurchase decisions <em>after</em> our investment plans are determined</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend / repurchase decisions convey information about our company to investors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paying dividends/repurchasing makes a firm’s stock less risky (vs. retaining earnings)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There are negative consequences to reducing dividends / repurchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rather than reducing dividends / repurchases, we would raise new funds to undertake a profitable project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends / repurchases are as important now to the valuation of common stocks in our industry as they were 15 or 20 years ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We use our dividend / repurchase policy as one tool to attain a desired credit rating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We use our dividend / repurchase policy to make us look better than our competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We use dividends / repurchases, to show we can bear costs such as borrowing costly external funds or passing up investment, to make us look better than our competitors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. If you were hypothetically deciding to pay out capital for the first time, would your first payout be
- dividends only
- share repurchases only
- some combination of dividends and repurchases

6. Our stock is currently (check best box)
- greatly undervalued
- somewhat undervalued
- correctly valued
- somewhat overvalued
- greatly overvalued
- do not have publicly traded stock

7. Please fill in blanks:

Our company’s **credit rating** is approximately ________ (e.g., AA-, BBB+, no rating, etc.)

Our company’s **debt/total assets ratio** is approximately ________ (e.g., 0.0, 0.32, etc.)

Our company’s annual **dividends per share** during the last year was $__________ (e.g., $0, $0.50)

Our company’s income statement **EPS** during the last year was $__________ (e.g., –$0.25, +$0.55)

Our company’s **Price/Earnings ratio** over the past few years was approximately ________ (e.g., 18, n/a)

The **current price** for our **common stock** is $__________ (e.g., $25.12)

Compared to other companies in our industry, we rank our **future prospects** (0=worst, 100=best) _____ (e.g., 40, 82)

If you would like an advanced copy of the survey results, please provide us with your email address:

__________________________________
8. Please check one square from each category that best describes your company

<table>
<thead>
<tr>
<th>Ownership</th>
<th>CEO Age</th>
<th>CEO time in job</th>
<th>CEO Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public/NYSE</td>
<td>=39</td>
<td>&lt;4 years</td>
<td>High School</td>
</tr>
<tr>
<td>Public Nasdaq/Amex</td>
<td>=40-49</td>
<td>4-9 years</td>
<td>MBA</td>
</tr>
<tr>
<td>Private</td>
<td>=50-59</td>
<td>=10 years</td>
<td>Some college</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>non-MBA masters</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>College degree</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&gt;Masters degree</td>
</tr>
</tbody>
</table>

On a fully diluted basis, about what percentage of your common stock is owned by corporate insiders?

- <5%
- 5-10%
- 11-20%
- >20%

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Number of Employees</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$100 million</td>
<td>&lt;100</td>
<td>Retail and Wholesale</td>
</tr>
<tr>
<td>$100-499 million</td>
<td>100-499</td>
<td>Mining, Construction</td>
</tr>
<tr>
<td>$500-999 million</td>
<td>500-999</td>
<td>Tech (software/biotech/etc.)</td>
</tr>
<tr>
<td>$1-4.9 billion</td>
<td>=10,000</td>
<td>Communication/Media</td>
</tr>
<tr>
<td>&gt; $5 billion</td>
<td></td>
<td>Bank/Finance/Insurance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other</td>
</tr>
</tbody>
</table>

Answer #9 only if you paid dividends within the past 3 years

9a. When you make your dividend decisions, do you target

- level of dividends per share
- growth in dividends per share
- dividend yield
- dividends as a % of earnings
- Other ________________
- do not target at all

9b. Is the target in 9a part of

- a strict goal
- a somewhat strict goal
- a flexible goal
- not really a goal

9c. Do these statements describe factors that affect your company's dividend decisions?

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2</td>
<td>2</td>
</tr>
<tr>
<td>-1</td>
<td>1</td>
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<tr>
<td>0</td>
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<tr>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

- We consider the **level** of dividends per share that we have paid in recent quarters.
- We consider the **change** or growth in dividends per share.
- We try to maintain a smooth dividend stream from year-to-year.
- We try avoid reducing dividends per share.
- We pay dividends **to attract** investors subject to “prudent man” investment restrictions.
- The cost of raising external capital is smaller than the cost of cutting dividends.
- We pay dividends **to show** that our firm is strong enough to raise costly external capital if needed.
- We pay dividends **to show** that our stock is valuable enough that investors buy it even though they have to pay relatively costly dividend taxes.
- We pay dividends **to show** that our firm is strong enough to pass up some profitable investments.
- We are reluctant to make dividend changes that might have to be reversed in the future.

OTHER factors that affect our dividend policy are: __________________________________________________________
___________________________________________________________________________________________
8. Please fill in one square from each category that best describes your company

Ownership
- Public/NYSE
- Public Nasdaq/Amex
- Private

CEO Age
- 30-39
- 40-49
- 50-59
- 60

CEO time in job
- <4 years
- 4-9 years
- 10 years

CEO Education
- High School
- MBA
- Some college
- non-MBA masters
- College degree
- >Masters degree

On a fully diluted basis, about what percent of your common stock is owned by corporate insiders?
- <5%
- 5-10%
- 11-20%
- >20%

Revenues
- <$100 million
- $100-499 million
- $500-999 million
- $1-4.9 billion
- > $5 billion

Number of Employees
- <100
- 100-499
- 500-999
- 1,000-2,499
- 2,500-4,999
- 5,000-9,999
- =10,000

Industry
- Retail and Wholesale
- Mining, Construction
- Tech (software/biotech/etc.)
- Communication/Media
- Bank/Finance/Insurance
- Manufacturing
- Consulting/Service
- Public Utility
- Trans. & Energy
- Other

Answer #9a and #9b only if you have not paid dividends within the last 3 years

9a. We anticipate initiating dividends within
- 2 years
- 5 years
- 20 years
- 50 years
- possibly never

9b. What factors might get your company to seriously consider paying dividends in the future?

<table>
<thead>
<tr>
<th>Not at all Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2</td>
<td>2</td>
</tr>
<tr>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

A temporary increase in earnings
A sustainable increase in earnings
Our company having extra cash/marketable securities
The dividend policies of competitors or other companies in our industry
Paying dividends to reduce cash, thereby disciplining our firm to make efficient decisions
The influence of our institutional shareholders
The influence of our retail shareholders
To attract investors who will monitor or certify our decisions
Having fewer profitable investments available (e.g., as our industry matures)
Market undervaluation of our stock
To attract investors subject to “prudent man” investment restrictions to purchase our stock
To convey information about our stock to investors (if the market is not fairly valuing our firm).

OTHER factors that might get our company to seriously consider paying dividends are: _______________________
_____________________________________________________________________________________________
**Answer #10a and #10b only if you repurchased shares within the last 3 years**

10a. What percentage of your shares have you repurchased in the last 3 years?
- [ ] < 1%
- [ ] 1-3%
- [ ] 4-6%
- [ ] 7-9%
- [ ] 10% or more
- [ ] not sure

10b. For the actual number of shares you repurchase in a given year, do you target
- [ ] level of repurchases
- [ ] growth in repurchases
- [ ] repurchases as a % of earnings
- [ ] Other ________________
- [ ] do not target at all

10c. Is the target in 10b part of
- [ ] a strict goal
- [ ] a somewhat strict goal
- [ ] a flexible goal
- [ ] not really a goal

10d. How important are the following factors to your company’s share repurchase decisions?

<table>
<thead>
<tr>
<th></th>
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<th>Very Important</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>-2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>-1</td>
<td>2</td>
</tr>
<tr>
<td>Investors paying lower taxes on repurchases relative to dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing earnings per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulating shares to increase the chance of resisting a takeover bid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changing our debt-to-equity ratio so it is closer to our desired debt ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whether our stock is a good investment relative to other available investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offsetting the dilutionary effect of stock option plans or other stock programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using repurchases rather than dividends because stock options are not dividend protected</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling stockholders cashing out and taking some benefits of the repurchase program with them</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The float or overall liquidity of our stock</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The belief that well-informed investors benefit more from a repurchase program than do less-informed investors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

OTHER factors that affect our share repurchase policy are: ___________________________________________
___________________________________________________________________________________________

Your answer to #11 will only be used to gather publicly available data. No company will be identified by name or analyzed individually, nor will the information in this survey be shared with anyone except in aggregate form.

11. Our company’s stock ticker symbol is _________
   Our company name is __________________

THANK YOU FOR YOUR HELP!!

Other comments? ____________________________________________
**Answer #10a and #10b only if you have not repurchased shares within the last 3 years**

10a. We anticipate repurchasing shares within [ ] 2 years [ ] 5 years [ ] 20 years [ ] 50 years [ ] possibly never

10b. What factors might get your company to seriously consider repurchasing shares in the future?

<table>
<thead>
<tr>
<th>Not at all Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>-2       -1  0  1  2</td>
<td></td>
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</table>

- A temporary increase in earnings
- A sustainable increase in earnings
- Our company having extra cash/marketable securities
- The share repurchase policies of competitors or other companies in our industry
- Repurchasing shares to reduce cash, thereby disciplining our firm to make efficient decisions
- The relatively low taxes investors pay when selling shares (relative to receiving dividends)
- The influence of our institutional shareholders
- Having fewer profitable investments available (e.g., as our industry matures)
- Market undervaluation of our stock
- Increasing earnings per share
- Accumulating shares to increase the chance of resisting a takeover bid
- Offsetting the dilutionary effect of stock option plans or other stock programs
- To convey information about our stock to investors (if the market is not fairly valuing our firm)
- A change in the float or overall liquidity of our stock

**OTHER factors that might get our company to seriously consider repurchasing shares are:**

___________________________________________________________________________________________

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Other comments? ____________________________________________________________