

# Investor Attitudes Study

*Conducted for*



*Prepared by*

OPINION RESEARCH CORPORATION

*April 7, 2006*

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# Background and Methodology

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## **Background**

This program was conducted at the request of the New York Stock Exchange as input to issues under consideration concerning OBO/NOBO status. Questions concerning this survey should be directed to Mr. Stephen Walsh, Vice President, Operations for the NYSE, at (202) 656-6240.

## **Methodology**

This report presents the findings of 579 online surveys among investors 18 years of age and older in the United States who own individual stocks or bonds outside of a 401(k) or other retirement plan and have made at least one trade of an individual stock in the last 12 months. The survey was conducted from March 16 to 22, 2006.

The margin of error for results based on the entire sample is plus or minus four percentage points.

The Appendix has detailed information about the demographics of the sample, as well as profiles of a number of key subgroups.

## Executive Summary

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Overall, there is a great deal of confusion about the proxy voting process, even though most investors say they open and read at least some of their proxy statements, and nearly half claim to always vote on the issues identified. There is a clear preference for NOBO status, both among those who remember being given a choice when they purchased their stock, and when the issue is explained objectively and investors are asked to choose. Very few prefer OBO status, in particular if a \$25 annual fee is assessed to maintain the status (14%), much less a \$50 one (5%).

Other significant overall findings include:

- Just 20% remember being asked if they wanted their contact information provided to the companies whose stock they had purchased so the companies could communicate directly with them. Of those who do remember being asked, 79% provided their contact information. A similar percentage of those who say they were not asked or don't remember (71%), say they would have given their contact information if they had been asked.
- One in four (27%) is aware that if they don't vote their proxy, their shares are voted by their brokerage firm automatically in accordance with the company's Board of Directors.

## Executive Summary

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- Despite widespread ignorance of the proxy process, 63% of investors claim they open all proxy statements they receive and read through some or all of the information. In addition, more than four in ten (43%) say they always vote on the issues identified in the proxy statement.
- Given detailed information about the differences between OBO and NOBO status, by nearly a 2-1 margin (64%-36%), investors opt for NOBO. When a price tag is attached to maintaining OBO status, preference for this collapses from 36% to 14% (if there were a \$25 annual fee), to 5% if there were a \$50 fee.



# Detailed Findings



## **Detailed Findings:**

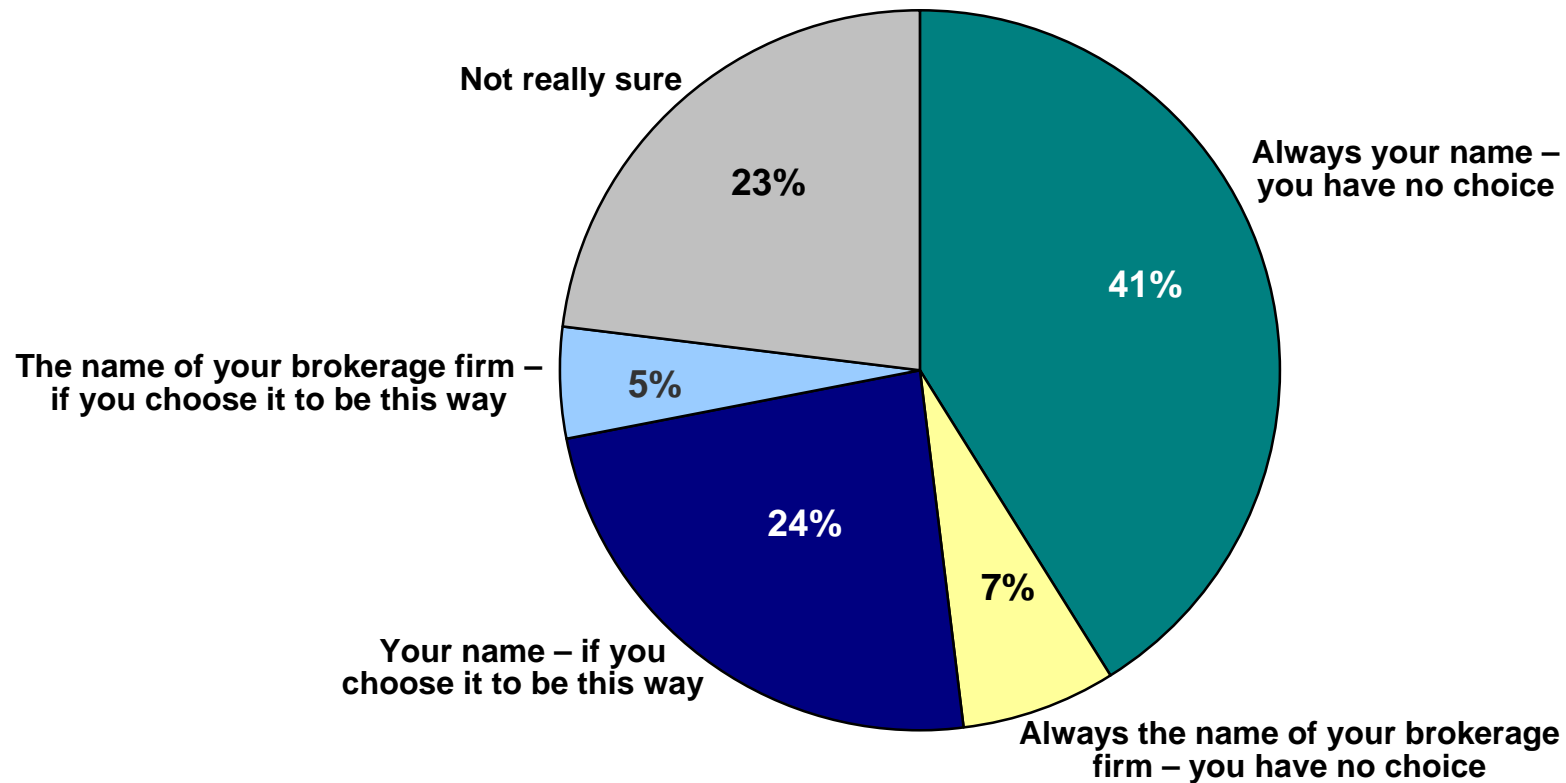
### **Stock Registration Process and Information Dissemination Preferences**

# Stock Registration

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Many investors are ignorant about the details of the stock registration process.

## In Whose Name is Stock Registered?



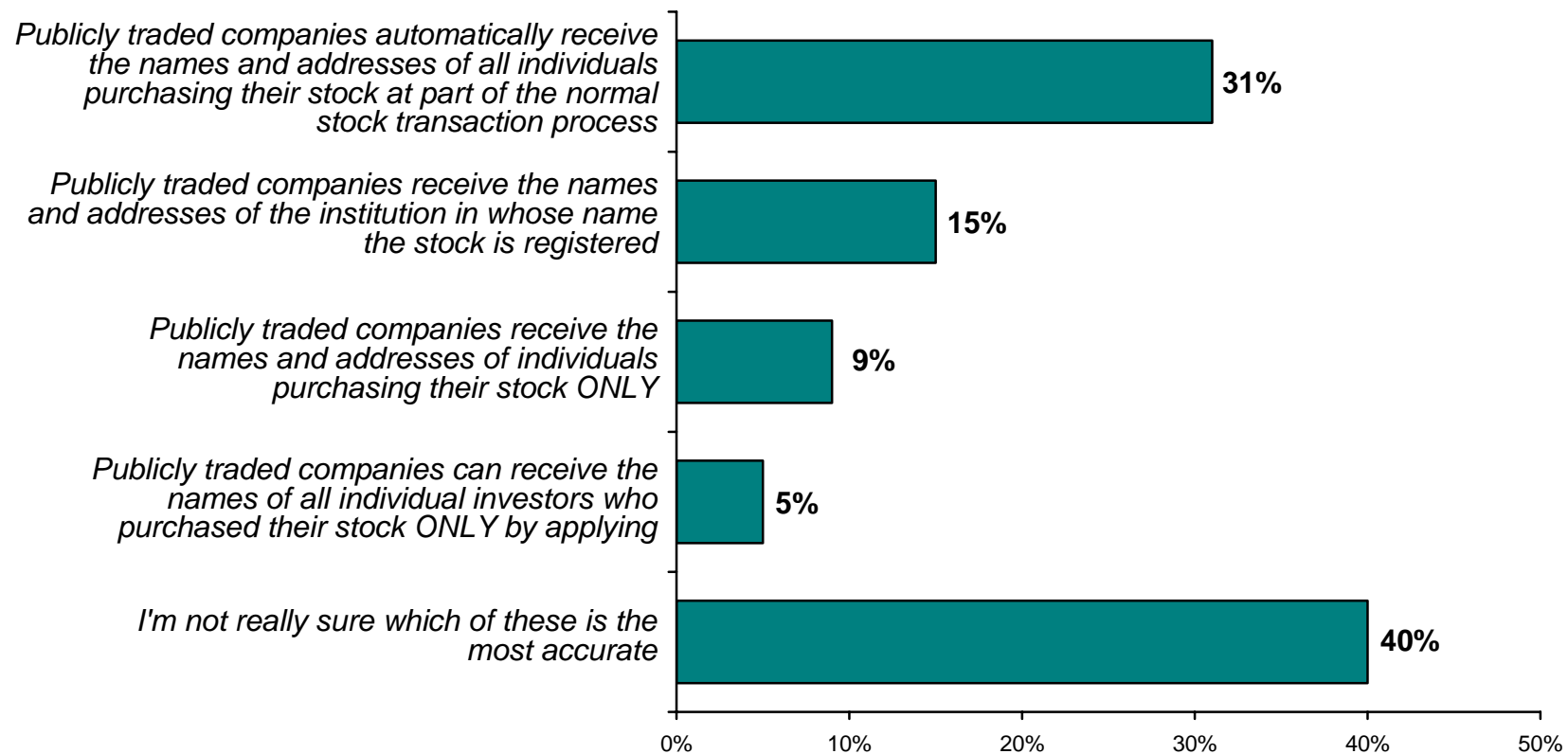
Q1: First, to the best of your knowledge, when you purchase a company's stock through your brokerage firm, in whose name is the stock actually registered?  
Base = Total (n=579)



# Stock Registration

Many investors are ignorant about the details of the stock registration process.

## Publicly Traded Companies Receive...

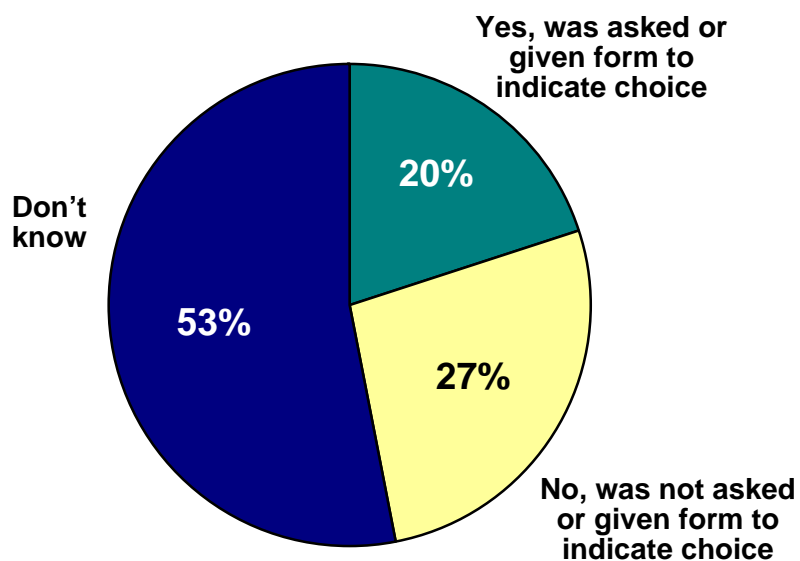


Q2: Second, which ONE of the following statements do you believe is the most accurate?

Base = Total (n=579)

## Remember Being Asked to Provide Contact Information to Company

Half don't remember if they were asked whether they wanted their contact information provided to companies whose stock they purchased. Even those with full service brokerage accounts and those who set up their account in person don't know if they were asked about this.



	Yes	No	Don't Know
<b>Where Have Account</b>			
Full Service Brokerage Firm	21%	25%	54%
Regular Discount Brokerage Firm	24%	29%	47%
Online Brokerage Firm	20%	30%	50%
Investment Division of Bank	33%	19%	48%
Independent Financial Advisor	33%	22%	45%
<b>How Set Up Account</b>			
In Person	23%	21%	56%
Telephone	23%	36%	41%
Online	18%	32%	50%

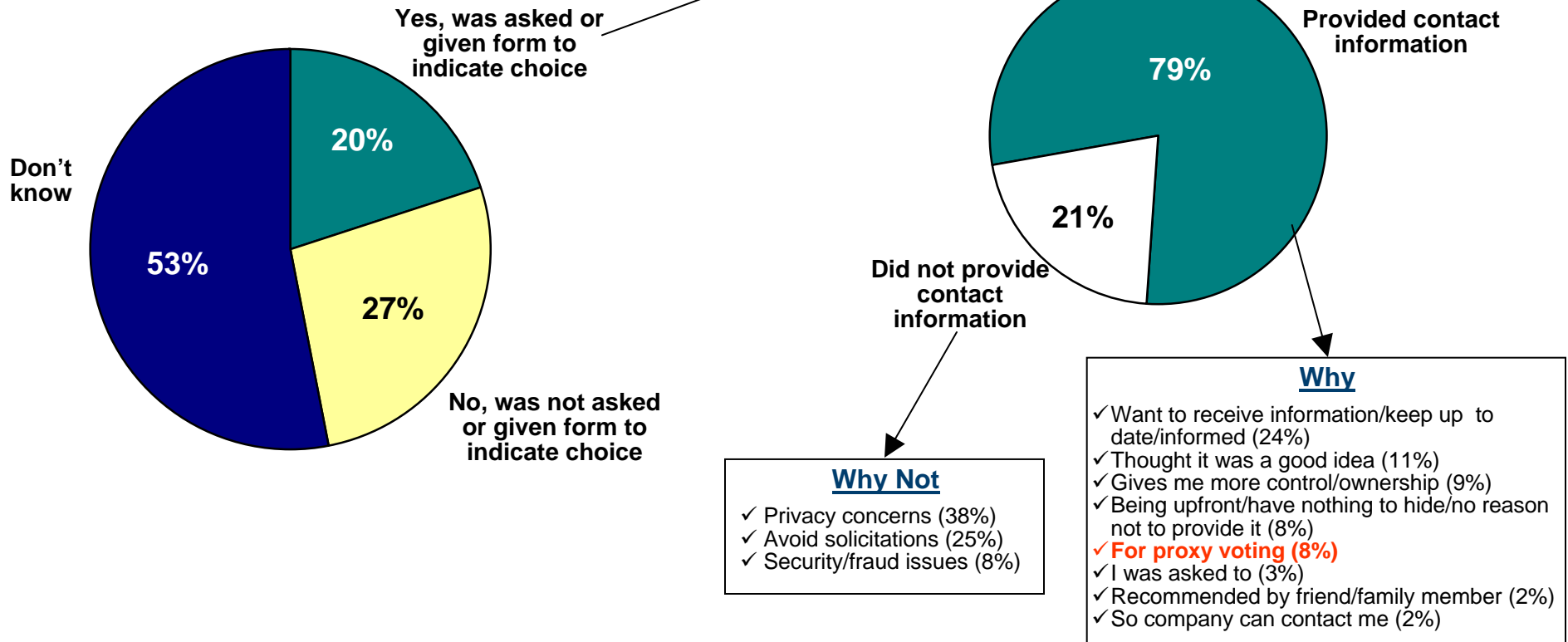
Q5: When you opened this account, do you recall being asked whether or not you wanted your contact information (name, address, and the number of shares of a stock you own or buy) to be provided to the public company or companies whose stock you bought to allow them to communicate directly with you about shareholder matters?

Bases = Total (n=579), have account with full service brokerage firm (n=259), have account with regular discount brokerage firm (n=92), have account with online brokerage firm (n=261), have account with the investment division of a major bank (n=52), have account with an independent financial advisor (n=49), set up account in person (n=252), set up account via telephone (n=100), set up account via the Internet (n=220)

# Decision on Whether to Provide Contact Information

Those who were asked their choice overwhelmingly opted to provide their contact information.

## Decision to Provide Information or Not



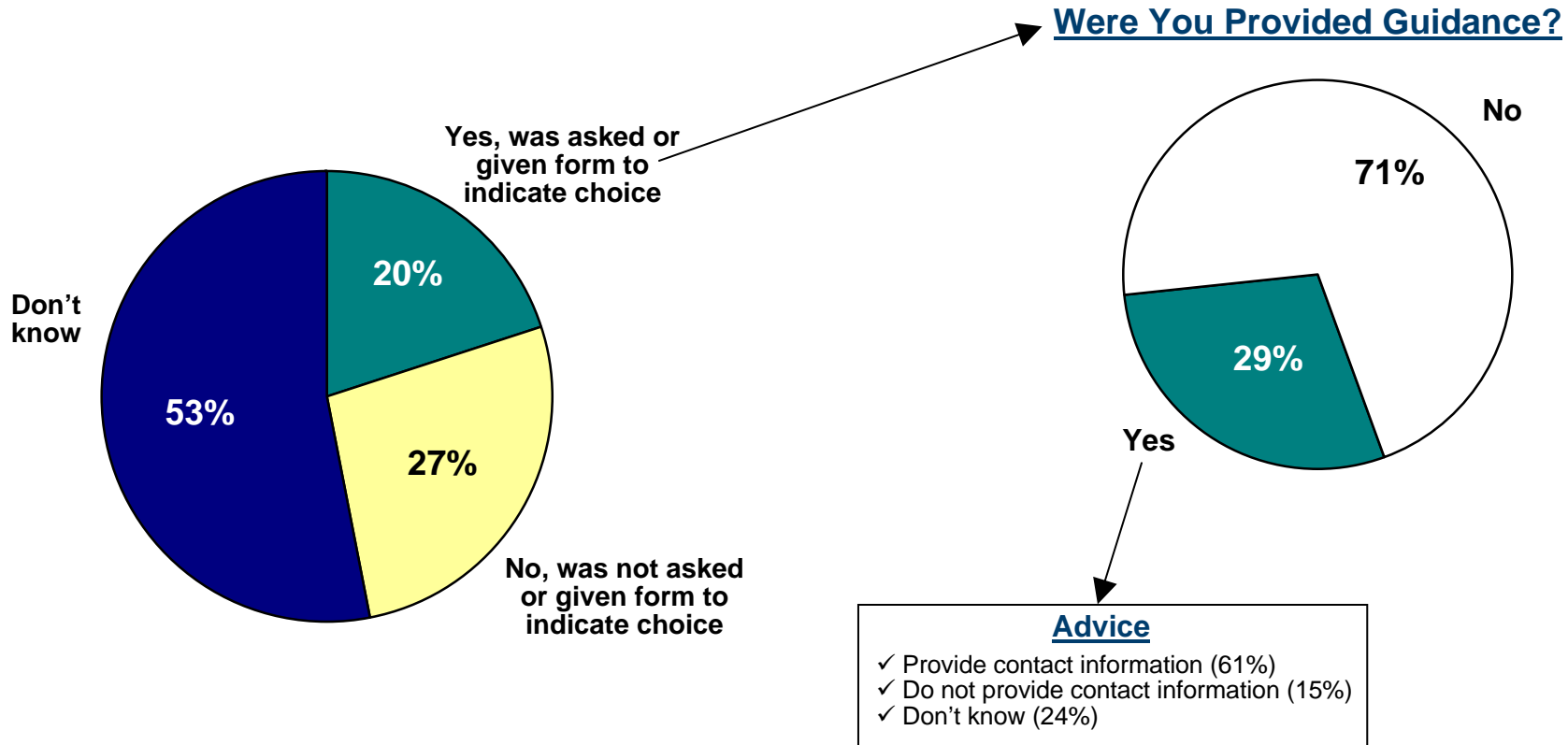
Q5a: Did you choose to provide your contact information to the company or companies whose shares you owned or purchased?

Q5b: Why did you make this decision?

Bases = Total (n=579), those who remember being asked or given form to indicate choice (n=114), those who provided information (n=90), those who did not provide information (n=24)

# Receiving Guidance on Decision

Most of those who remember being given a choice were not given any advice about how to answer the question.



Q5a: Did you choose to provide your contact information to the company or companies whose shares you owned or purchased?

Q5c: Did your broker or another individual at the brokerage firm give you any guidance in how you should answer this question?

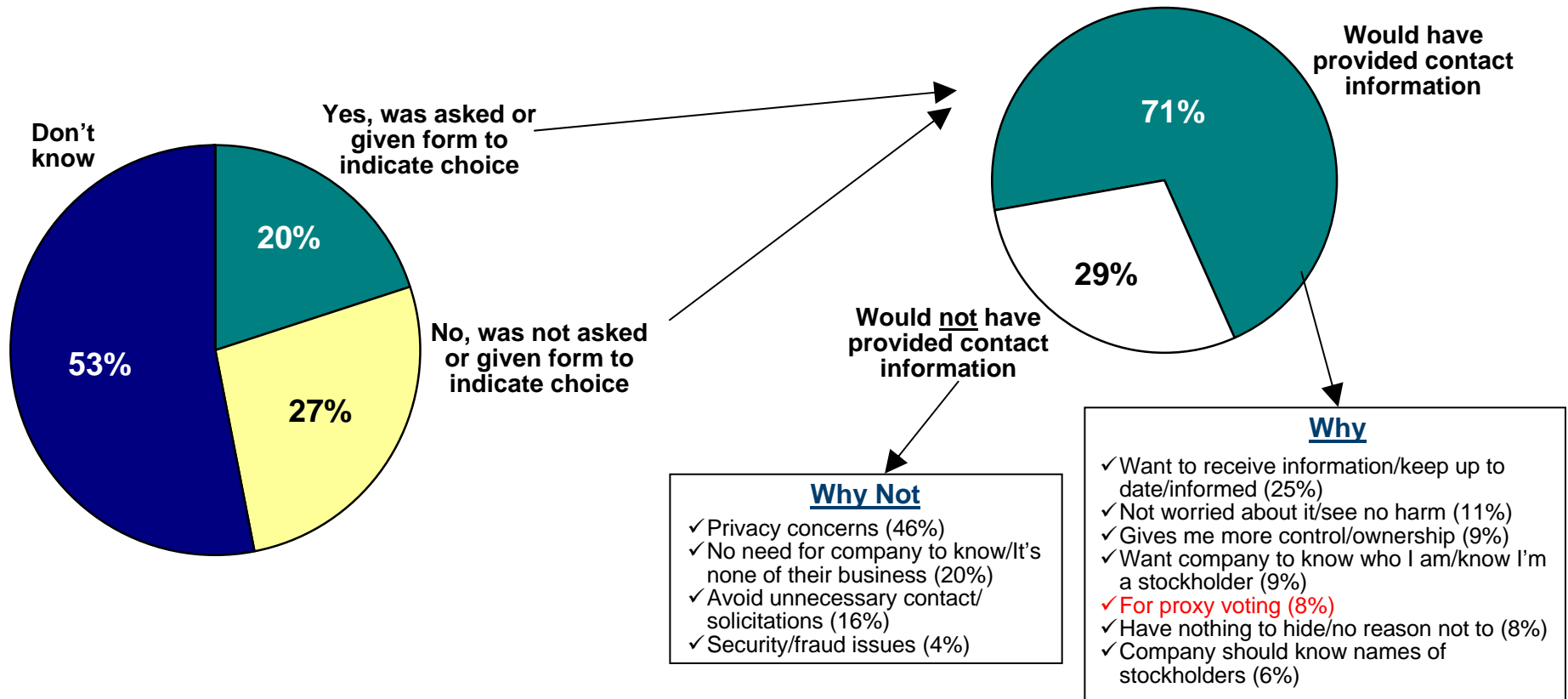
Q5d: Did they say you should provide your contact information or not provide the information?

Bases = Total (n=579), those who remember being asked or given form to indicate choice (n=114)

# Choice If Had Been Asked

By more than a 2-1 margin, those who were not asked their preference would have provided their contact information if they had been asked.

## Choice if Had Been Asked



Q5a: Did you choose to provide your contact information to the company or companies whose shares you owned or purchased?

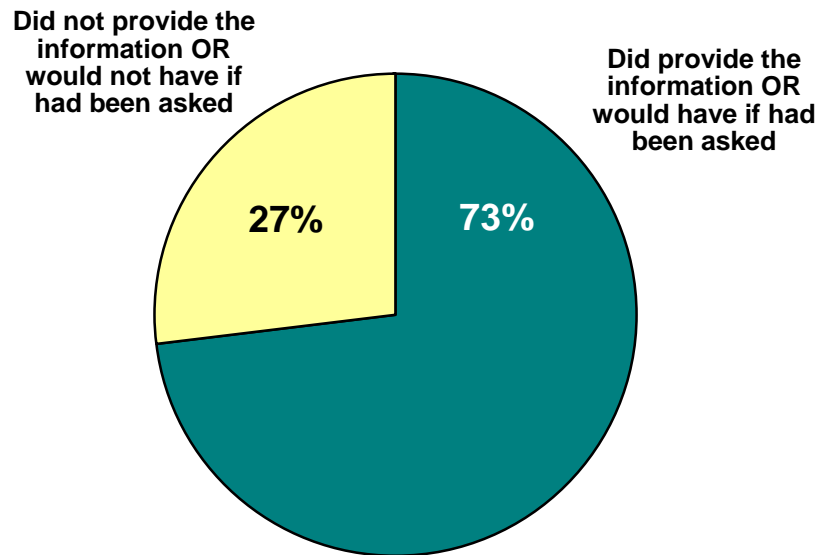
Q5d: If you had been asked, would you choice have been to provide your name and contact information to the public company or companies whose shares you bought or would you have opted NOT to provide this information to the public company or companies whose shares you bought?

Q5e: Why would this be your decision?

Bases = Total (n=579), those who do not remember being asked or given form to indicate choice or were not asked (n=465), would have provided information (n=330), would not have provided information (n=135)

## Choice If Had Been Asked

Combining results for those who were asked their preference for providing contact information and those who were not, nearly three in four investors either provided their contact information or would have if they had been asked their preference.



### Summary Results

- ✓ **73%** provided the information OR would have if they had been asked
- ✓ **27%** did not provided the information OR would not have if they had been asked

Q5: *When you opened this account, do you recall being asked whether or not you wanted your contact information (name, address, and the number of shares of a stock you own or buy) to be provided to the public company or companies whose stock you bought to allow them to communicate directly with you about shareholder matters?*

Q5a: *Did you choose to provide your contact information to the company or companies whose shares you owned or purchased?*

Q5d: *If you had been asked, would you choice have been to provide your name and contact information to the public company or companies whose shares you bought or would you have opted NOT to provide this information to the public company or companies whose shares you bought?*

Bases = Total (n=579)



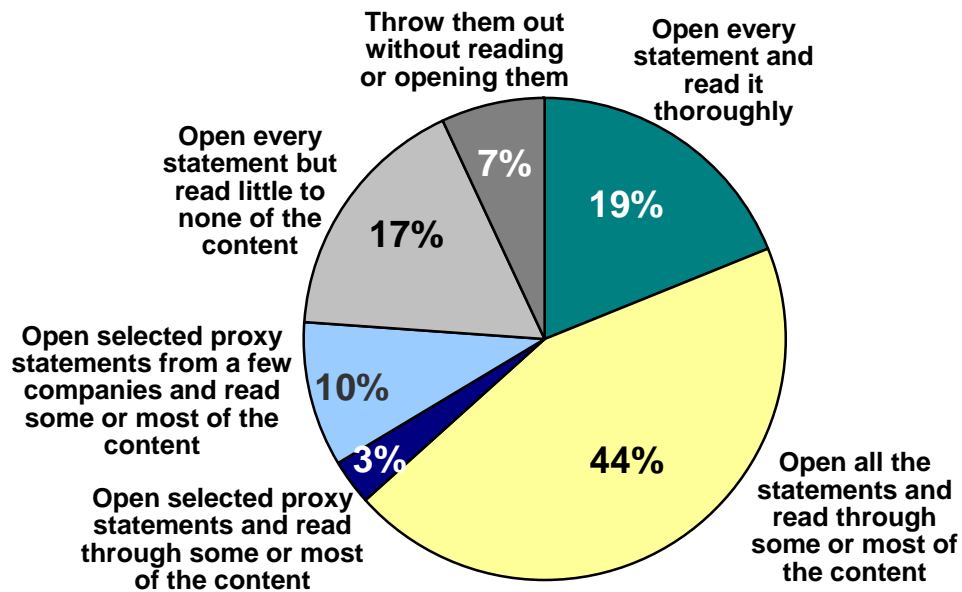
# Detailed Findings:

## Proxy Voting

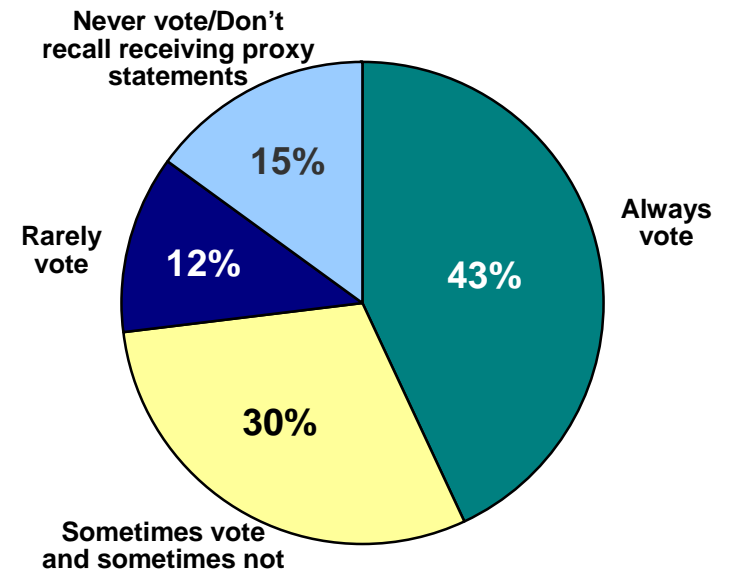
# Proxy Voting

Eighty-four percent recall receiving proxy statements in the past 12 months. Almost two in three claim they open all or most of them and more than four in ten say they always send in their proxy vote.

## What do you do when you receive them?



## Do you vote?



Q6: In the past 12 months, do you recall receiving any proxy statements for any of the stocks you own?

Q7: In general, which of the following best describes what you do when you receive proxy statements?

Q8: Which of the following best describes your voting behavior?

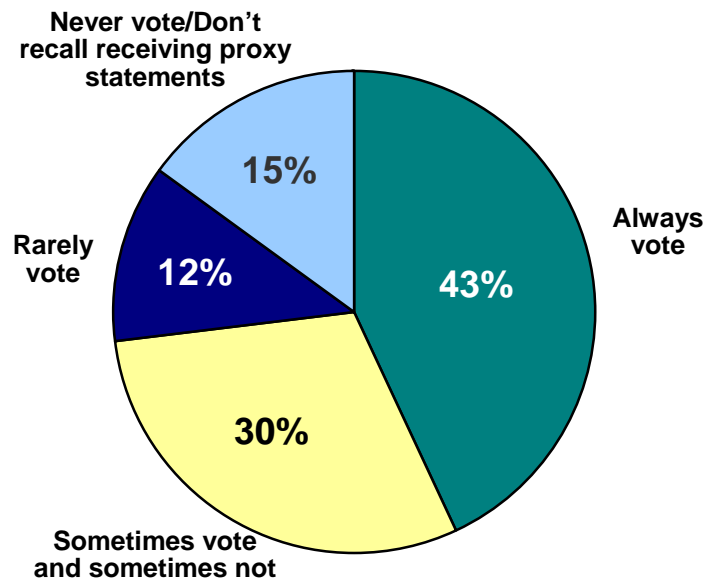
Base = Total (n=579)



# Who Votes?

As with political elections, age is the biggest determinant of the likelihood to cast a proxy vote.

## Do you vote?



## Who votes?

	Always/ Sometimes	Always	Sometimes
<b>Total</b>	<b>73%</b>	<b>43%</b>	<b>30%</b>
Men	79%	52%	27%
Women	66%	33%	33%
18-34	61%	24%	37%
35-54	70%	37%	33%
55+	85%	64%	21%
<\$300,000 invested	67%	36%	31%
\$300,000+ invested	83%	56%	27%
<20 trades a year	73%	41%	32%
20+ trades a year	76%	53%	23%

Q6: In the past 12 months, do you recall receiving any proxy statements for any of the stocks you own?

Q7: In general, which of the following best describes what you do when you receive proxy statements?

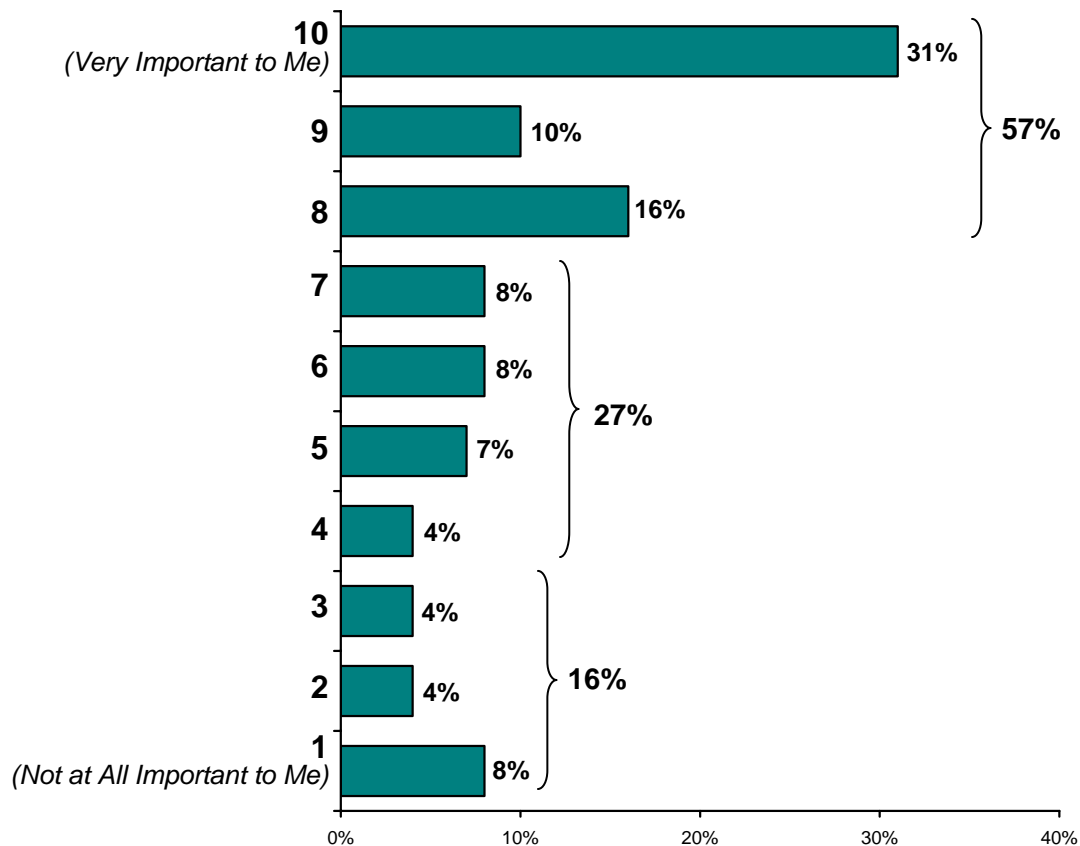
Q8: Which of the following best describes your voting behavior?

Base = Total (n=579)

# Why Is Proxy Voting Important or Not?

Most investors say proxy voting is important to them.

## How important is it to you personally?



## Why?

### Top 3 Box (57%)

- ✓ I am an owner/partial owner/shareholder of company (26%)
- ✓ Should have a say/want to have a say (25%)
- ✓ Influence how company is run (13%)
- ✓ Influence how my money is used/protect my investment (10%)
- ✓ Want to be informed/know what is going on (8%)
- ✓ Select appropriate/qualified board members (7%)
- ✓ Like/want to have the option to vote (5%)
- ✓ Make sure company is operating/managed properly (5%)
- ✓ My vote matters/makes a difference (5%)

### Middle 4 Box (27%)

- ✓ Own too few shares for vote to mean anything/make a difference (14%)
- ✓ My vote doesn't matter/make a difference (10%)
- ✓ Not familiar with issues being voted on (10%)
- ✓ Depends on the issue (8%)
- ✓ Like/want to have the option to vote (8%)
- ✓ Not familiar with board nominees (7%)
- ✓ Just not interested/don't care (6%)

### Bottom 3 Box (16%)

- ✓ Own too few shares for vote to mean anything/make a difference (20%)
- ✓ Not familiar with board nominees (16%)
- ✓ My vote doesn't matter/make a difference (11%)
- ✓ Not familiar with issues being voted on (8%)
- ✓ Just not interested/don't care (7%)

Q9a: Overall how important is to you personally that you be given the opportunity to vote on proxy statement issues such as the election of Board of Director members, ratification of the audit firm, and shareholder proposals?

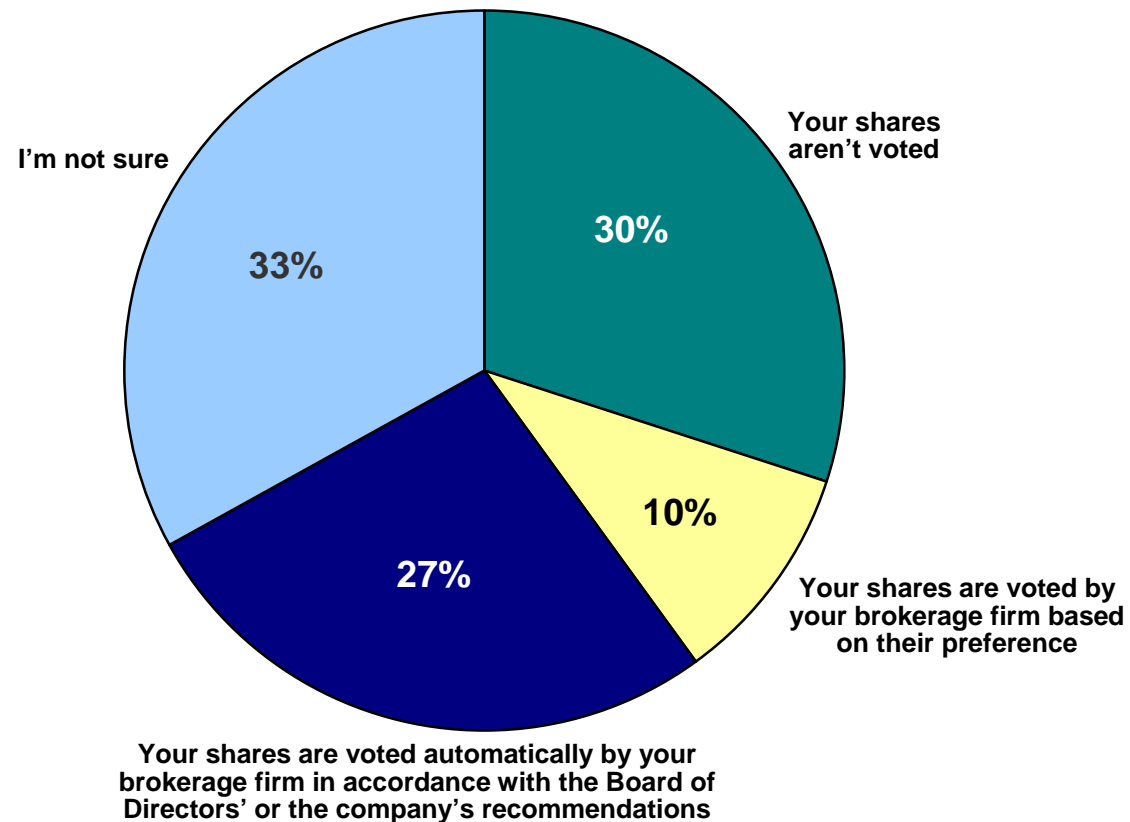
Q9b: Why do you say this?

Base = Total (n=579), rate voting 8-10 in importance (n=330), rate voting 4-7 in importance (n=154), rate voting 1-3 in importance (n=95)

## What Happens If You Don't Vote?

Few investors know what actually happens if they don't send in their proxy vote.

### In Whose Name is Stock Registered?



Q10: If you choose NOT to vote, which of the following best describes what happens to the voting of your shares?  
Base = Total (n=579)

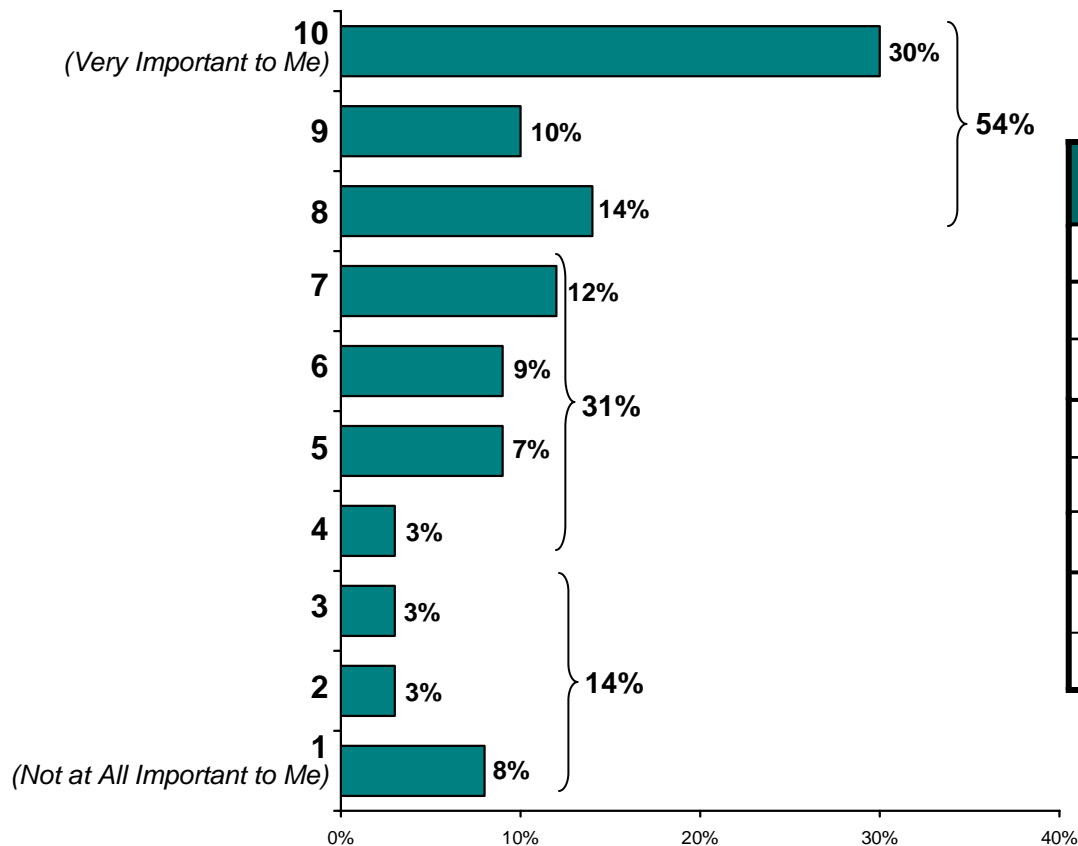


# Detailed Findings: OBO/NOBO Preference

# Importance of Companies Informing You Directly

More than half of investors say it is important to them that they be informed directly, not via a third party, about matters deemed important to shareholders.

## Importance of Being Informed Directly



	% Rating an 8-10
<b>Total</b>	<b>54%</b>
Men	58%
Women	49%
18-34	46%
35-54	49%
55+	65%
Aggressive investment style	61%
Moderate/conservative investment style	47%

Q11: Overall, how important is it to you that the publicly-traded companies you invest in have your contact information so they can inform you directly about matters deemed important to shareholders rather than having this information sent to you through a third party?

Bases: Total (n=579)

## OBO/NOBO Preference

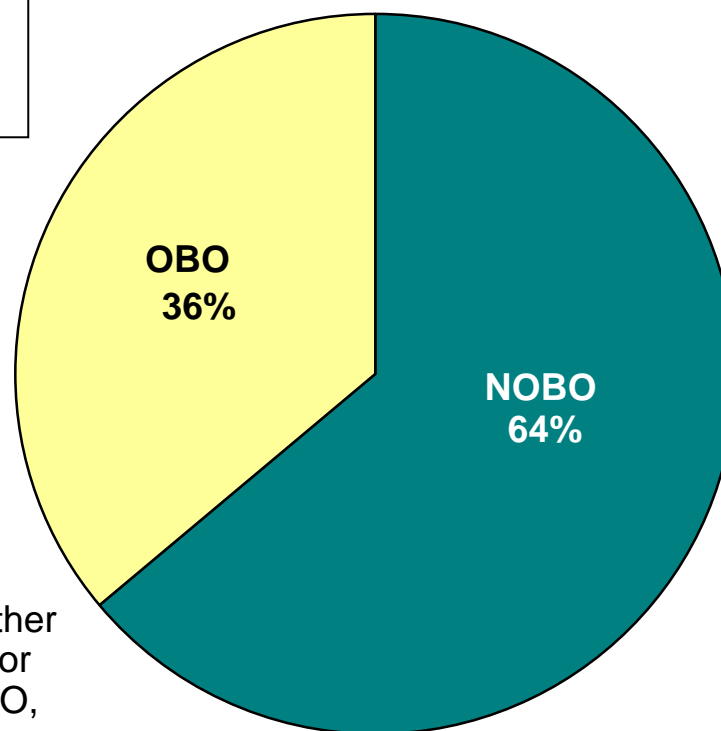
Given a comprehensive explanation of the difference between OBO and NOBO status, by nearly a 2-1 margin investors choose NOBO status. Those who pick OBO and NOBO are about equally strong in their opinions.

### Intensity of OBO Opinion

- ✓ 37% top 2 box
- ✓ 55% top 3 box

### Intensity of NOBO Opinion

- ✓ 33% top 2 box
- ✓ 50% top 3 box



Nearly half (44%) aren't sure whether most of their accounts are OBO or NOBO; 37% think most are NOBO, while 18% think most are OBO.

*There are no significant differences in opinion by any subgroup.*

Q12A: Knowing this, which is your preference? Would you prefer your status to be OBO ("objecting beneficial owner") or NOBO ("non-objecting beneficial owner")?

Q12B: How strongly do you feel about your opinion?

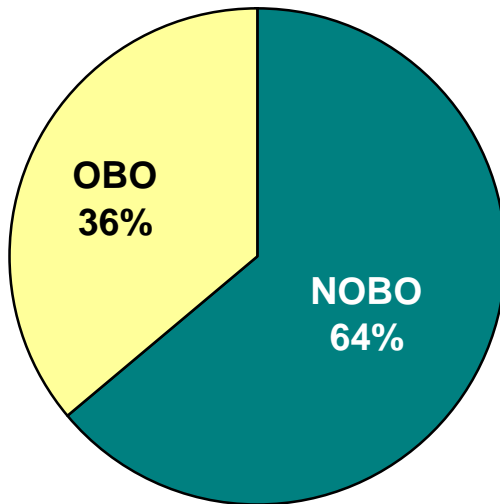
Q13: To the best of your knowledge, is the status on the majority of your brokerage accounts OBO or NOBO?

Bases: Total (n=579), prefer OBO (n=207), prefer NOBO (n=372)

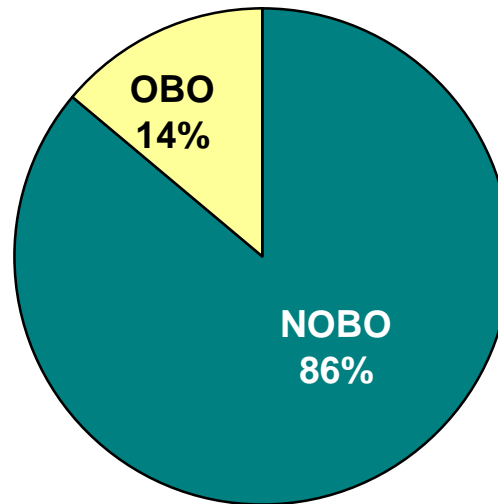
# OBO Preference Shrinks when Price Tag Is Attached

Preference for OBO status collapses when there is a \$25 or \$50 price tag to maintain it.

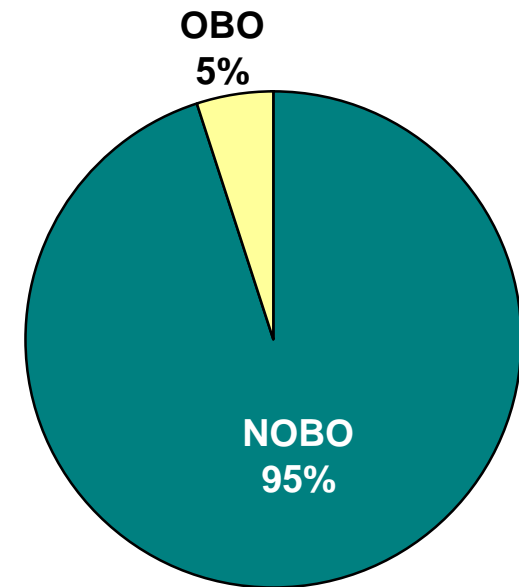
Initial Choice



\$25 Annual Fee



\$50 Annual Fee



Q12A: Knowing this, which is your preference? Would you prefer your status to be OBO (“objecting beneficial owner”) or NOBO (“non-objecting beneficial owner”)?

Q14A: If there was a modest annual fee of \$25 to preserve your OBO status, (e.g. where you don’t want your contact information disclosed) would you be willing to pay it?

Q14B: And what if the cost was \$50 per year? Would you be willing to pay this fee to maintain your OBO status?

Base: Total (n=579)



# Appendix



## Demographic Profile of the Sample

	Total
<b>Gender</b>	
Men	52%
Women	48%
<b>Age</b>	
18-34	24%
35-54	44%
55+	32%
Mean age	46 years old
<b>Current Value of Household Investments, Excluding Retirement Savings</b>	
Less than \$100,000	40%
\$100,000 - \$299,999	28%
\$300,000 or more	32%
Mean	\$154,000
<b>Types of Investments Owned</b>	
Individual stocks	100%
Stock mutual funds	65%
Bond mutual funds	33%
Individual bonds	33%
Options	13%

## Demographic Profile of the Sample

	Total
<b>Trades of Individual Stocks in Past 12 Months</b>	
5 or Fewer	39%
6-10	26%
11-19	17%
20 or more	18%
<b>Financial Institutions Where Hold Account</b>	
Full-service brokerage firm	45%
Online brokerage firm	45%
Regular discount brokerage firm	16%
Through investment division of major commercial bank	9%
Through an independent financial advisor	8%
<b>When Opened Account</b>	
Less than one year ago	18%
Between one year and two years ago	16%
More than two years ago but less than five years ago	23%
Five years ago or longer	39%
<b>How Opened Account</b>	
In person	44%
On the Internet	38%
On the telephone	17%

## Demographic Profile of the Sample

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	Total
<b>Number of Brokerage Accounts Have</b>	
One	20%
Two	26%
Three	22%
Four	10%
Five or more	22%
<b>Investment Style (10 = Aggressive, 1 = Conservative)</b>	
9-10	12%
7-8	34%
5-6	30%
3-4	16%
1-2	8%

## Demographic Profiles of Respondents by Number of Trades

	Total	<5 Trades a Year	6-10 Trades a Year	11+ Trades a Year
<b>Gender</b>				
Men	52%	48%	55%	53%
Women	48%	52%	45%	47%
<b>Age</b>				
18-34	24%	20%	27%	25%
35-54	44%	43%	46%	49%
55+	32%	37%	27%	26%
Mean age	46 years old	49 years old	43 years old	45 years old
<b>Current Value of Household Investments, Excluding Retirement Savings</b>				
Less than \$100,000	40%	44%	42%	32%
\$100,000 - \$299,999	28%	30%	23%	30%
\$300,000 or more	32%	26%	35%	38%
Mean	\$154,000	\$129,000	\$150,000	\$185,000
<b>Types of Investments Owned</b>				
Individual stocks	100%	100%	100%	100%
Stock mutual funds	65%	63%	66%	67%
Bond mutual funds	33%	30%	31%	38%
Individual bonds	33%	31%	25%	41%
Options	13%	6%	13%	20%

## Demographic Profiles of Respondents by Number of Trades

	Total	<5 Trades a Year	6-10 Trades a Year	11+ Trades a Year
<b>Financial Institutions Where Hold Account</b>				
Full-service brokerage firm	45%	44%	46%	45%
Online brokerage firm	45%	30%	52%	57%
Regular discount brokerage firm	16%	15%	12%	20%
Through investment division of major commercial bank	9%	9%	7%	10%
Through an independent financial advisor	8%	7%	11%	8%
<b>When Opened Account</b>				
Less than one year ago	18%	14%	18%	22%
Between one year and two years ago	16%	12%	19%	20%
More than two years ago but less than five years ago	23%	22%	29%	19%
Five years ago or longer	39%	43%	32%	39%
<b>How Opened Account</b>				
In person	44%	47%	44%	39%
On the Internet	38%	27%	42%	47%
On the telephone	17%	19%	13%	18%

## Demographic Profiles of Respondents by Number of Trades

	Total	<5 Trades a Year	6-10 Trades a Year	11+ Trades a Year
<b>Number of Brokerage Accounts Have</b>				
One	20%	23%	22%	17%
Two	26%	29%	28%	22%
Three	22%	19%	26%	21%
Four	10%	11%	7%	10%
Five or more	22%	18%	17%	30%
<b>Investment Style (10 = Aggressive, 1 = Conservative)</b>				
9-10	12%	4%	12%	21%
7-8	34%	33%	36%	35%
5-6	30%	28%	33%	29%
3-4	16%	22%	15%	10%
1-2	8%	13%	4%	5%