

## **Odd-lot twist**

### **Companies, shareholders and charities are all winners with ShareGift USA, writes Neil Stewart**

US companies cleaning up their shareholder registers have a new, CSR-friendly option in ShareGift USA. This British import - it has been going in the UK since 1996 - is based on a simple but effective idea: companies invite investors with a small number of shares to give them to ShareGift, then ShareGift bundles up the shares and sells them to raise cash for charity.

'It's not that we're Robin Hood. This is win-win-win: ShareGift helps individual investors, it helps corporations, and it helps charities. Everyone gets something out of it,' says Margie Thorne, who, along with Barbara Vogelstein, took inspiration from ShareGift's founder, Lady Claire Mackintosh, and launched ShareGift USA in 2004.

Vogelstein points out that ShareGift raises around \$5 mn a year in the UK, a market one fifth the size of the US, so the potential here is huge. She emphasizes that 100 percent of the money goes straight to charity: 'We're as lean and mean as we can possibly be.'

The two founders both come from the Street. Vogelstein has 25 years of experience in venture capital, while Thorne worked in corporate lending at Citibank. They have selected a group of charities in key areas - all well-known with a high efficiency rating - and they're open to adding to or omitting from the list for a specific corporate program.

### **No offense but...**

Odd-lot shareholders are those with less than 100 shares, usually from an inheritance, merger, spin-off or stock distribution. They're rarely active investors, they tend to ignore shareholder communications, and they may only be holding onto their shares because a broker's fee could be more than they're worth.

The problem is that odd-lot holders can represent less than 2 percent of shares outstanding but half the total number of holders, and each shareholder can cost around \$19 to maintain and service, according to a study conducted by the New York Stock Exchange in 1997. DF King's Gordon Stevenson reckons that dropping a single registered holder saves a company an average of \$12. Any company with 5,000 to 10,000 odd-lot shareholder can do the math.

One solution is to get odd-lot investors to increase their holdings, which makes for a straightforward message: 'Here's an easy way to buy more shares,' and that is usually choice number one in any odd-lot program. The IR challenge is how to communicate choice number two: 'If you don't buy more shares, then we'd rather you sell out and go away. We'll foot the broker's bill.' As a new, third choice, ShareGift softens that potentially harsh message.

ShareGift USA's two programs completed to date were for Gannett and Circuit City. The latter, after more than 20 years on the NYSE, had amassed more than 3,000 odd-lot accounts, and when it was time for a cleanup, a board member suggested ShareGift. 'It's something a little bit different - not just a purchase or a sale but an opportunity to donate to a cause,' says Bill Cimino, Circuit City's director of corporate communications. 'And it really helped the message. It's not that we didn't want people to continue to be shareholders, but for some, the shares were just sitting there, stuck in limbo. The feedback was that people liked having the ShareGift option.'

### **\$1 mn post 9/11**

The idea of a charity choice is not entirely new to the US. Shareholder Communications Corp, now Georgeson Shareholder Communications, pioneered odd-lot programs in 1980 and in 1987 founder Al Miller developed a 'charity checkoff' feature. Ron Boronkay, now executive VP of Georgeson, designed the prototypes for Neiman Marcus in 1989, McDonald's in 1992, and a handful of others over the years. Georgeson's most successful charity program was for AT&T Wireless, spun-off from AT&T in 2001 and later bought by Cingular Wireless. In a November 2001 odd-lot program, around 5 percent of participating AT&T Wireless shareholders donated their shares, raising over \$1 mn for the American Red Cross Liberty Fund. 'This was a very large donation at a time when a charity checkoff made good sense so people could help out the victims of 9/11,' Boronkay says.

Since 1998 Georgeson has been working with ShareGift in the UK, with 20 to 30 projects a year bringing in donations of around £1 mn. Boronkay has high hopes for ShareGift USA. 'We expect the growing focus on corporate social responsibility will make the charity checkoff concept as popular here in the US as it is in the UK,' he says.

For DF King, the proxy solicitor that worked with ShareGift USA on its first two programs, there is an altruistic motive, but there's also a business rationale: 'It's one more way to get companies' attention when talking about odd-lot programs. In addition to the company saving money, there's also the chance to do some good,' Stevenson says.

ShareGift's big gift could come from post-merger cleanups, which target the acquired company's registered shareholders who haven't exchanged their old stock certificates a year after a merger. Does the name AT&T spring to mind? This telecoms giant, the former SBC, should by now be thinking about a cleanup, which could give ShareGift USA a huge boost. AT&T would benefit, former AT&T shareholders would benefit, but, above all, charity would benefit.

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