

How To Turn Odd Lots Into Charitable Gifts

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Barbara Vogelstein and Margaret Thorne have found something to import from England that may ultimately prove a lot more rewarding than tea or toffee. It's called ShareGift, and it's a way of raising money for charity by collecting odd lots of stocks that tend otherwise to collect dust.

Here's the concept. Historically, shareholders were charged an arm and a leg to trade odd lots of stock (less than 100 shares). As a result, investors who found themselves with small numbers of shares tended to ignore them. Such holdings, which may arise from an acquisition or merger, bankruptcies, or employee and shareholder reinvestment programs, are likely to sit idle in accounts.

The problem for corporations is that they naturally have to treat such holders just the way they do large investors, which costs money and time. According to Ms. Vogelstein, a Georgeson study estimates that corporations can spend as much as \$20 a year to communicate with each shareholder. For large companies that have millions of shareholders, that can add up. Odd lot holders rarely vote their shares, which makes the expense of reaching out to those owners especially wasteful from management's viewpoint.

Enter ShareGift, an organization that helps corporations gather up odd lots and offer shareholders a way to convert their shares into charitable donations. This can be done in a number of ways. For instance, in the process of a transaction, when a company solicits shares to complete an acquisition, the proxy material would give investors the option of checking a box to donate shares to ShareGift. Also, companies occasionally offer to buy out odd lot holders. In such a process, the holder might again be offered the charity option.

How much is at stake? Ms. Vogelstein was introduced to the concept by an English friend, Viscountess Mackintosh of Halifax, who started ShareGift in Britain in 1996. That organization today collects some \$5 million a year that is then distributed to dozens of charities. Ms. Mackintosh's program has worked with more than half the corporations listed on the UK FTSE 100 index, including Barclays, British Telecom, and Marks & Spencer.

As Ms. Vogelstein points out, the capital markets in America are five times larger than those of Britain, and America arguably has a more established philanthropic tradition. In other words, the potential is huge. She and Ms. Thorne have been developing the American organization for less than a year, but have made substantial headway. Since Ms. Mackintosh has already proven the concept in Britain, the American team does not have to start at the grassroots level. It does not hurt that both are well-known figures

professionally and socially, and both are married to high-profile individuals with substantial reach into the corporate community.

Ms. Vogelstein, chairman and founder of ShareGift USA, spent nearly 25 years in the venture capital industry, where for many years she was a partner at Warburg Pincus then at Apax Partners in London. She is married to John Vogelstein, vice chairman of Warburg Pincus and chairman of New Providence Asset Management.

Ms. Thorne was formerly a vice president at Citibank in the corporate lending area, and for the past 10 years has been active in New York City philanthropic activities, including serving as chairman of the Bronx Preparatory Charter School. Ms. Thorne's husband is head of the private equity operation at Merrill Lynch.

To date, the ShareGift USA team has signed up two corporations, Gannett and Circuit City. The associate general counsel of Gannett, Todd Mayman, describes the experience with ShareGift as quite positive. In the course of an odd lot buyback program, Gannett was able to reduce the number of shareholders of record by about 10,000, saving the company at least \$50,000 a year. Of the number that participated, 4% chose to tender their shares to ShareGift and receive a charitable donation. "It was about the number that we anticipated," said Mr. Mayman, who dealt with ShareGift through D.F. King, a proxy solicitation firm. Interestingly, the program was cost-free for Gannett, since D.F. King shouldered the costs in return for transaction fees on the other end.

The initial involvement concerned share buyback programs, but Ms. Vogelstein makes it clear that mergers and acquisitions are likely to emerge as more significant sources of contributions. As AT&T proceeds with its buyout of BellSouth, for instance, the ShareGift folks hope to participate. This would be an ideal transaction, since historically the telephone companies were widely held by retail investors, many of whom might own odd lots.

The main impediment appears to be inertia. For corporations, there is little downside. Not only does the company benefit from reduced shareholder maintenance, but they are also contributing to worthy causes.

At present, the organization has identified five well-regarded national charities that appear to line up well with the main philanthropic interests of Americans. They include Scholarship America, the American Heart Association, Childhelp USA, the National Council on Aging, and the Sierra Club. Over time, as the contributions become larger, the list will grow. Eventually corporations may have the option of choosing causes of their own, as is the case in Britain.

A possible obstacle to growth is that it has become easier over time to trade small numbers of shares. With online trading and lower commissions, investors are not as disadvantaged as they once were, which might argue for more aggressive odd lot management.

Nonetheless, millions of investors allow these small holdings to lie fallow. As Ms. Vogelstein says, "We want to be the pre-eminent national organization collecting odd lots and donating the proceeds to charity. It's an idea that deserves to happen." Indeed.

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