A CHECKLIST OF POINTS TO PONDER BEFORE YOU LAUNCH AN ODDLOT BUYBACK/ROUNDUP PROGRAM

1. Figure out the ownership level that makes for a "good investor" in your company. The right answer may surprise you. For a consumer-products or financial services company, an investment as little as $250 may be the right number, given the likelihood that they'll pass up other brands to buy from you, even when you're not the cheapest. We know another large and famous company who found that most of their odd-lotters were employees and/or their kids…whom they definitely didn't want to chase away and where they felt the annual carrying costs were very well worth the money spent.

2. Remember too that most of your investors are actually *worth* something in the marketplace if they are, or if you can turn them into *customers*. Telecom and cable companies, for example, place a cash value on customers at well over $1000 each.

3. Don't forget what it costs to *replace* an investor: It costs most companies well over $1000 to add a new investor via a "retail IR program".

4. Determine exactly how many "not-so-good investors" you really have – both on the registered investor side and on the street-side. You have to make the same offer available to both kinds of investors – and the "economics" are very different for registered vs. street-side investors but…

5. Keep in mind that *you* can determine the "class" to whom you want to present your offer. Your deal DOESN'T have to encompass ALL "odd-lotters". For most companies, the economic "sweet spot" is usually in the 1-10 share category, which equates to a holding of $30 - $300 of a $30 stock…so next…

6. Do the math! It generally costs a company well over $25 a year to service a registered holder - for transfer agent fees, printing and postage for dividend checks, annual meeting materials, etc. Street-name investors cost you a lot less (no T-A fees, no checks, statements or dividend postage) but you'll still pay around $10 a year for ADP distribution fees, annual meeting materials, postage and proxy voting charges.

7. Do a bit more math to set the fees to your class of odd-lotters (or maybe to subsidize the deal) so your company will max-out on the savings: Registered investors hold your stock for well over 12 years. Thus, why would you want to charge a 10 share holder of a $30 stock $15 to sell out…and watch most of them pass on the deal anyway…when you could pay $25 *yourself*, break even in one year and reap total savings of $250 assuming an average account-lifespan of only 11 years??? On the street-side, where the average holding period is generally shorter – let's say 6 years for sake of doing the math – if you were to pay the vendor a generous $25 and your annual carrying costs are $10 you'd break even in year-three and still be $30 ahead in year-six for every odd-lotter taken out.

8. Always include a "roundup option" – but do the math here too: Usually it will be very well worth your while to turn a $30 investor into a $500 or $1000 investor (go back to points 1, 2 and 3)…and for your company to pay for – or to heavily subsidize the costs of making it happen. There's nothing impermissible under the odd-lot rules to say that it's *free* to cash out - and will cost nothing, or let's say a flat $10 bucks to round-up. (Most DRPs, let's not forget, charge only $2.50 to $5 plus commissions of $.03-06 per share to buy more). So price your deal with your IR objectives - and your idea of a "good investor" - very much in mind.

9. Don't forget the fact that you have a DRP or DSPP if you do…and that most of these plans will let you sell-out for $10 - $15 and buy more for the fees noted in 8 above. At least twice we've blown the whistle on odd-lot deals that failed to tell holders that the company already had a much better deal out there! *You owe your holders this info, we say.*

10. And don't forget the DRS system, which most spun-off companies adopt from the getgo. Generally, the DRS system allows holders to sell through the agent for $10 plus brokerage commissions of a few cents more per share! We, in fact, could have sent our Medco shares via DRS to the DRS agent and done just that, rather than paying $65 through the oddlot deal or $19.95 to a discount broker.

The bottom line: In most cases these deals would be better for everyone - vendors included - if the issuer were to totally subsidize the program for the really small guys.