

# Client Alert

A report  
for clients  
and friends  
of the Firm      March 2008

## Recent Focus on Charitable Donations of Stock by Corporate Insiders

On March 5, *The Wall Street Journal* reported that a recent study raises questions about the propriety of charitable donations of stock by corporate insiders. The study examined 151 cases in which chief executive officers and chairmen donated more than \$1,000,000 of their companies' stock to charity. In about 60% of the cases examined, the study found that the share price fell relative to the market after the date of the gift. The corporate insiders benefitted from the timing of their donations because a charitable deduction equals the price of the stock on the day of the gift. The implication of the findings is that some of the corporate insiders' donations were either backdated to when the stock price was trading higher, or the donors possessed adverse non public information when they gifted their stock.

There is absolutely nothing wrong with corporate insiders donating their companies' stock to charity when the share price is high; indeed, it is smart financial planning. *The Wall Street Journal* article, however, focuses a spotlight on this practice and could lead to greater scrutiny by government investigators. As was the case with stock options investigations, media coverage of a specific corporate practice can be the prelude to government investigations and private securities litigations. To be prepared for these potential events or to learn more about the legal issues involved, contact the following Proskauer Rose attorneys.

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### Client Alert

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