NIRI lets members accept stock as pay for services

By Craig McGuire

VIENNA, VA: The National Investor Relations Institute's Board of Directors has reversed its longstanding policy against IR consultants accepting stock for services – a decision that already has some pros rethinking their compensation strategies.

Woody Wallace, founder and chairman of The Investor Relations Company and a member of NIRI's Senior Seminar, said that until the recent NIRI decision, he never considered swapping stock for services, even though he'd seen some of his colleagues make millions doing so.

Recently, Wallace was approached by a small investment bank in Atlanta looking to exchange up to 350,000 shares valued at $1 a share for a year's worth of IR services. "We're seriously considering this, but we wouldn't be if it wasn't for the nod from NIRI," he said. "It's not a done deal. But let's face it: they're a small company who can't afford the services, and this could turn out to be a tremendous account for us."

NIRI's original rationale behind the prohibition was to prevent the appearance of conflicts of interest and to address concern over the SEC's investigation of consultants who allegedly promoted stocks in order to artificially inflate their prices. While those situations have not changed significantly, NIRI has acknowledged that stock is the preferred "currency" of many new economy start-ups.

"We also found that the policy was forcing companies to go to stock promoters flying under an IR banner," said NIRI prexy Lou Thompson. "As a result of the rule, the companies were not availing themselves of legitimate, sound IR consulting."

Regardless of the NIRI decision, there are still those in the IR community – like Rein Nomm, president of IR consultancy Rein Nomm & Associates – who will not take stock in client companies. Nomm, a former president of NIRI's Michigan chapter, said aside from the obvious conflicts of interest, "A lot of [the stock] turns out to be worthless paper."

Nomm even claims to regularly turn away business from smaller "bulletin board" companies. He pointed out that most NYSE- and Nasdaq-listed companies still pay cash for services.

"I really hope this is not the way this industry is headed," he said. "That's just not the way I want to do business."

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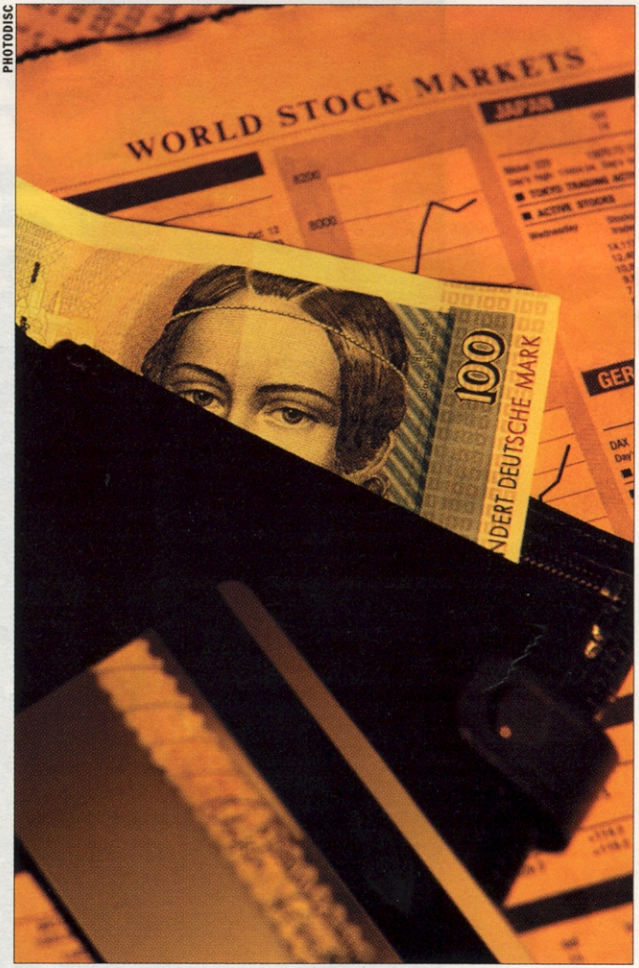

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