What's It Worth?
Business Valuations, Mergers, Acquisitions, and Consulting
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Where Do You Stand with your Shareholders?

Over the past several years, I have worked with presidents of companies that did not have a handle on: 1.) who really owned the company; 2.) when the shareholders wanted to be bought out and 3.) how to discern the difference between employee efforts and capital investments of the shareholders who worked in the company. Now you may say this is impossible. Just read below and you may find signs that you are in the same position.

Who really owns the company? When you start off in your company, it actually can be fairly easy for the lines to get blurred. Paper work is filed with the state in the beginning, then changes are made, things happen, but it is never documented. Time flies and then an event happens; someone dies, gets divorced, wants to retire, a new partner enters the scene, someone gets sick…life happens. Then questions need to be the answer and not only did you fail to provide for a comprehensive buy sell agreement, you are not even sure anymore as to who owns what percentage of stock. By the way, it has nothing to do with how smart you are…it has to do with following through the detail that most despise…the devil is in the details.

When do the shareholders want to be bought out? From the inception of the company, everyone needs to have some idea of when they wish to exit and pull their money and or time out of the business. This is so important to avoid mis-communication between the shareholders down the road. These decisions will help define everyone's expectation of equity now and in the future.

When you start a company, part of your efforts are that of an investor, you are providing capital and intellectual capital which you should benefit from by receiving dividends on a regular basis and equity appreciation when you sell and exit the company. Don't confuse either of these with blood, sweat and tears. These three items are needed, but you do not get paid for these. Cash is king and if it is not showing on the bottom line, then your blood, sweat and tears are not worth anything when it comes to the value of the company. Also, all employee acts have a value. Make sure the company pays for it as it goes. If it can, create a loan, or pay the individual with equity. In this manner, when it is time to divide the wealth, it is clean cut process and everyone should be happy.

Capital Endeavors, Inc.
P.O. Box 895, 232-C Crogan Street, Lawrenceville, GA 30046
Web: www.capitalendeavors.com Email: davidstill@capitalendeavors.com
PHONE: 770-962-8399 FAX: 770-962-8640