

PROBLEM

Our client was the founder and CEO of a biotechnology company. He learned that the Board intended to take the company public in six months, and the company's complex structure meant that compensation talks would be equally complicated. Going in alone or uneducated could mean not only getting a bad deal for himself, but also not understanding how it would impact the company he created.

SOLUTION

Our client's company had a complex structure that included dozens of subsidiaries. The plan for the IPO called for the company and its subsidiaries to be rolled up and converted to a "C" corporation. His equity was held in two different classes plus several equity awards that were not yet fully earned, none of which had vested. Altogether, he owned about 15% of the company.

We built two financial models to assist our client in negotiating his compensation. One model focused on his personal balance sheet, cash flow, taxes, and risk exposures, which allowed us to project how various packages would impact his after-tax wealth. The other model focused on the company's IPO and allowed us to examine the impact of various compensation packages on the company. The company model helped both the client and his attorney understand exactly how his 15% equity stake in the company was being treated in the IPO.

For more information about planning for business transactions, contact Jayson DeAngelis at 781-314-1316 or jdeangelis@ballentinepartners.com.



RESULT

In our conversations, many at night or on weekends, the team was able to use the integrated model to get accurate answers to a wide range of the client's "what if?" questions in real time. This allowed him to go into negotiating sessions with a detailed understanding of the impact of each "ask." In fact, he had the upper hand because his information was more comprehensive and accurate than the company's. He was able to navigate an extremely complex negotiation successfully and marveled at the advantages of having access to accurate, timely information.

Disclosure Information:

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