



## ***FINANCE***

# Private Companies Attract Employees With Options

By Stephen Watkins  
For NewsUSA

(NU) - **Q:** I've been an investor for too long in a company that's underperforming. We need to be more competitive in hiring top talent. Is there a way we can provide tangible options to potential employees the way public companies can?

### **Guest Commentary**

- Michael Morgan, Orange Park, Fla.

**A:** Stock options are an advantage that public companies have when it comes to enticing potential employees. Private companies may have the ability to provide options or shares, but there are still questions of value and liquidity, if and when the employee decides to cash in the options.

Lawyers can draft up a number of different option plans, from phantom options to vested options, through buy/sell agreements. These options can confer the same rights as those of existing shareholders and company owners — or not. It is up to management to dictate the terms of the options. But the key to addressing your hiring issue would be to create a tangible incentive that includes performance-based value and ultimate liquidity.

In general, offering options provides workers at all levels

with “skin in the game.” To begin with, you need to establish your company's quantitative value — with periodic updates to determine performance gain or loss.

Based on your question, there seems to be a mechanism already in place for measuring company performance. I recommend quarterly Chartered Financial Analyst reviews for providing the most concrete company research and valuation. By evaluating data from a broad range of private and public companies, CFA reports offer benchmarks for investors, employees and stakeholders, and provide a good idea of how the financial community views a company's standing in its industry.

CFA quarterly reports not only demonstrate to the company owners and employees that they are working for shareholder value, it also shows the financial community at large that management is serious about creating value for all its stakeholders.

Ultimately, this exposure to the financial community can help create liquidity opportunities for shareholders and option holders. Since nobody wants options that are not liquid, exposure and credibility within the financial community provides a tremendous advantage for both shareholders and newly hired option holders.

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