

BUSINESS MONDAY

LIVEWIRE

ROBIN LAWSON

Sometimes, cash not best payment

Blackstone Marketing's R.L. Pitcher of Boxboro calls himself a "turnaround specialist" who helps companies get onto a profitable track. Because of the nature of his clients, it's not unusual for him to accept alternative payment other than cash — in particular, stock or options to purchase stock. Is that a wise route for other office-at-home businesses?

"I've made out well," says Pitcher. "There was only one instance when I couldn't make it work. But there is no magic formula to determining the right opportunity. You must be in a position where you're able to walk away from a client without making any money. You're rolling the dice and betting against yourself."

In any case, he adds, the project should be exciting and interesting. At the very least, you should be getting free training in a product or technology with which you have had very little experience. Robert Adelson, a partner with the Boston law firm Lawson & Weitzen, says experience may be reason alone to consider taking stock or options as payment. "Evaluate the true currency of your compensation. Your payment may be more than stock. Perhaps your client is developing a technology which could lead you to other assignments. Or there's an opportunity to make worthwhile contacts with the company's board of directors or advisers."

Agreeing to be paid in stock is a strategic investment decision, says Adelson, who specializes in employment and consulting agreements. Not every client will succeed. "You should start the relationship feeling confident in the firm and your ability to make a contribution. And make sure you have a solid commitment that places a real value on your services. If not, you will undermine your standing with the firm and the overall value of your work experience."

What type of stock should you accept? As a consultant, you're most likely to be offered common stock. Adelson offers a rule of thumb: if the stock has a high value, take options. If it has a low value, take stock now. This has largely to do with tax implications.

A few things to watch for:

- Make sure your contract protects against dilution — issuance of a large number of shares which deflates the value of the stock.

- Include cash-out protection. If the company is acquired and there's a change of control, you should be able to cash out your shares along with the people who hired you.

- Incorporate some milestones into your contract which spell out when your shares can be vested. Your objective may be tied to profits, for example, or to an initial public offering.

Valuing the stock, Adelson says, is never a clear science. He says you should consider the company's status, market share, products, capital and management savvy. You should also consider where you rank within the company, and the expectations others have of your contribution. The higher your rank, the higher the expectations, the more stock you should receive. With a startup, you should receive more stock the earlier you get involved. "Consider yourself, in effect, new capital coming in. Don't be bashful about asking for a significant amount. Remember: your contribution will make everyone's stock more valuable."

Robin Lawson has worked primarily in an office-at-home since 1983. Her business, MarkeTalk, specializes in marketing communications and copywriting. Please forward story ideas to: marketalk@compuserve.com.

Coming out of field, one r

Ira Magaziner, a little-known Providence-based consultant until 1992, made his name as the coordinator of President Bill Clinton's health care reform drive. As laudable as its motives were, we can all be thankful that effort went down in flames. It would have effectively nationalized a medical system that is the envy

STOCK FOR PAY: QUESTIONS?

- ▼ AS AN ENTREPRENEUR - HOW DO YOU RECRUIT TOP TALENT, USING YOUR COMPANY STOCK?
- ▼ AS A CONSULTANT OR AN EMPLOYEE - IS STOCK A GOOD DEAL?
- ▼ WHAT TERMS TO INCLUDE WHEN ONE IS PAID IN STOCK OR OPTIONS?

FOR THESE AND OTHER ISSUES OF EXECUTIVE COMPENSATION, FINANCE AND CONTRACTING, FOR STARTUP AND EMERGING COMPANIES, YOU CAN REACH --

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