Company descriptions

Kelly G. Shaver
College of Charleston
shaverk@cofc.edu
www.cofc.edu/~shaverk

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More than meets the eye...

- “Company description, how hard can it be?”
- Harder than you think
- So we’ll go through the sections now
- But you will need much more information – and will need to make several important decisions before this section can really be completed
What is involved?

- Company name (meaningful, Web)
- Company location (where and why)
- Ownership (principals, investors, problems of non-citizens)
- Products or services
- Company mission
- Milestones achieved to date (!)
What’s in a name?

- Is it descriptive?
- Is it sufficient for expansion?
- Do you own the domain name?
- The issue of DBA
- Make sure all name appear in the business plan in some form (potentially in an appendix)
The mission statement

- A source of consternation for the company, and revenue for consultants
- A balance between what the marketers want it to say, and what those responsible for delivering are comfortable with having it say
- Limit to a few key sentences
- At least imply measurable objectives
Legal description choices

- Sole proprietorship
- Partnership
- S corporation
- LLC
- C corporation
Sole proprietorship

- One owner
- Unlimited personal liability
- Income and losses “pass through” to owner and are taxed at personal rates
- Upside: owner gets all profits
- Downside: no tax breaks, total responsibility, personal finances at risk, difficult to raise capital
Partnership (LLP)

- Two or more owners
- Income/losses pass through, taxed at personal rates
- One partner has unlimited liability, others may have less
- Partners may contribute capital
- Limited partners may not participate in management
S corporation

- Up to 75 shareholders
- Income and losses pass through
- Limited liability, tax benefits of a partnership (flexibility in allocation of profits and losses to partners)
- May limit future financing options (because of limit on shareholders)
LLC

- Unlimited members
- Income and losses pass through, flexible allocations
- Limited liability
- Taxed as partnership, not corporation; lots of flexibility
- Need care in forming operating agreement
C corporation

- Unlimited shareholders
- Losses are corporate, dividend income taxed at corporate and personal levels
- Extremely limited liability
- Continuous existence, transferable ownership
- Very heavily regulated, “double taxation”
Range of legal issues

- Who are the owners?
- What written agreements are there?
- Patents, trademarks, other protections for intellectual property
- What are investments to date?
- What are liabilities to date?
- Are there strategic partners?
Management

- Who are the principals?
- What are their roles in the company?
- Is there an advisory board (legal, accounting, "arms-length" people)
- Are there vacancies on the team in terms of uncovered responsibilities?
- How do you propose to cover them?
What have you already done?

- Is there a proprietary technology?
- Have you raised any seed funding?
- Do you have strategic partners?
- Do you have interested customers?
- What is your stage of development?
  - Seed, Early Stage, Expansion, or Established (maintaining a market share)