



HOULIHAN LOKEY



Shareholder Agreements: A Valuation Perspective

Shareholder agreements can lead to problematic situations if, during the drafting of the governing documents, key considerations regarding valuation are not properly addressed. What are these valuation considerations that shareholders should be thinking about?

Problem

It is not uncommon for shareholders from a tightly held private company or joint venture arrangement to seek an exit from a business for a variety of reasons.

With no readily available liquid market for these securities, shareholders are left to ponder two questions:

1. What is the price?
2. What is the mechanism for determining said price?

In many cases, these questions are, to an extent, addressed in governing documents. Often, however, the language is overly ambiguous, which can potentially lead to unnecessary animus among the shareholders and bad outcomes for all parties involved.

Therefore, it is important for attorneys and their clients to not only fully understand the valuation issues at hand—preferably at the initial formation of the agreement—but also amend and restate existing agreements if appropriate.

Solution

Houlihan Lokey, a leading valuation and investment banking firm, has built a wealth of experience from navigating these shareholder agreement situations and has compiled best practices for managing through the complexities of these varied agreements.

We have prepared a [presentation](#) that provides helpful information in understanding the key nuts and bolts of valuation provisions in stockholder agreements, including:

- Who should perform the appraisal?
- What is the subject of the appraisal?
- Where will the information that serves as the basis of the appraisal come from?
- When is the appraisal date?
- Why is the appraisal being conducted?
- How should the value be determined?

This [presentation](#) can be useful not only in drafting agreements, but also upon the exercise of the shareholder agreement provisions that impact both buyer and seller.

No. 1 Global M&A Fairness Opinion Advisor Over the Past 20 Years

Source: Refinitiv (formerly known as Thomson Reuters)

2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

Advisor	Deals
Houlihan Lokey	76
PJT Partners Inc	43
Moelis & Co	36
Lazard	29
AlixPartners	19

2019 M&A Advisory Rankings All U.S. Transactions

Advisor	Deals
Houlihan Lokey	184
Goldman Sachs & Co	167
JP Morgan	141
Morgan Stanley	122
Evercore Partners	112

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If you have any questions or would like to schedule an in-depth presentation, please reach out to the contacts listed below.

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