



VCA Blog
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The Owner's Dilemma

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ALPHARETTA, GA – My partner David Esmie just coined a new phrase: The Owner's Dilemma.

We were talking about Venezuela's Supreme Court seizing power from the National Assembly in a continuation of the socialist movement started under Hugo Chaves and continued under his successor, the lesser-talented, ham-fisted Nicolas Maduro.



Source: <https://www.nytimes.com/2017/03/30/world/americas/venezuelas-supreme-court-takes-power-from-legislature.html>

I mentioned to David that Hugo had nationalized many industries, including the cash cow oil & gas industry and, of particular interest to me due to my past investments in a tiny gold miner Crystallex, the mining industry. Chavez and Maduro pander to the masses that foreign corporations are raping the natural resources from the country, impoverishing the great and free citizens of Venezuela. Money that should be lining the pockets of every Venezuelan instead are flowing to profiteering foreign capitalists. Crystallex fought in the Venezuelan courts, and won, to have their contracts with the Venezuelan government upheld. Crystallex had invested \$2 billion developing gold mines and told the new regime, "If you nationalize, we will walk. You do not have the expertise required to run the Los Cristinas mine".

Hugo nationalized, Crystallex walked and Venezuela now owns 100% of a giant hole in the ground. Not an ounce of gold has been mined. Not only does Venezuela not have the expertise to run a \$2 billion gold mine, with the crash in oil process, they no longer have the capital to even buy the expertise. Citizens wait in long lines to buy necessities of life and there are constant marches and riots.



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David commented, “That’s the owner’s dilemma – once you own it, you own it. You get 100%. You’ve got no one to blame if it doesn’t work out the way you want”.

So on Wednesday Venezuela’s Supreme Court dissolved the opposition-led National Assembly, consolidating near-dictator power in strongman Maduro. He now “owns” the problems bludgeoning the Venezuelan citizenry.

Maduro continues to round up scores of opposition leaders on charges of treason. I had lunch two years ago in Miami with the publisher of a Venezuelan newspaper who fled to the U.S. to avoid arrest and imprisonment at the hands of Chavez. He would have been long forgotten by now had he stayed, if he even survived.

People often like to romanticize the “dreamers”, the Hugo Chavezes, the Nicolas Maduros and Che Guevaras who “fight” to give the means of production to the working man. The problem is that unless you have a plan and the means to make those gifts productive, no one wins, everyone loses, prosperity sublimates.

The corollary in business (in the event that this is your first introduction to business principals) is that businesses with exceptional leaders, great business plans and relevance in the market succeed - - they thrive. In business you can’t survive by proclaiming your dominance and imprisoning your competition, no matter how much you may wish it to be so.

At Vertical Capital Advisors, we are most often engaged by industry leaders to be the bridge to the capital they need to fuel growth. We start with great leaders at great companies that have compelling, profitable business plans where the only missing ingredient is capital.

ABOUT VERTICAL

Vertical Capital Advisors is an Atlanta-area business advisory firm built on **creating tangible value** for our clients, serving clients in just about every industry. Our clients are both capital growers and capital allocators. How can Vertical help your firm maximize value?

Joe Briner
Managing Director
Vertical Capital Advisors LLC
briner@verticalcapitaladvisors.com
866-912-9543 ext 108