

LATEST UPDATE – November 2008

Welcome to the November edition of our newsletter.

One of the most important activities any organisation should focus on during an economic downturn is the relationship they have with their clients. Those organisations that are planning, reviewing and focusing on products and services that are important to their clients right now, will be the successful organisations of the future.

One way that we believe we can add value to our clients is through a new special '*Business Development Series*'. The Series has been designed to deliver short practical seminars on topics relevant to your business and to your clients. The subject matter will not only cover technical issues but also growth strategies appropriate to the current economic climate.

The number of attendees will be limited to give each person the opportunity to engage the speaker and ask questions. Each seminar being held over the next 6 months will be followed by refreshments. Please scroll down to read how you can register your interest in attending one or more of the seminars in our Business Development Series.

One of our seminar presenters, Russell Wheeler BA. LLB. of Lexxon Lawyers Online has provided some valuable information on shareholder protection for this month's newsletter.

Russell is a solicitor with over 30 years of experience in business law ranging from negotiating and drafting contracts to resolving disputes.

Protection for shareholders in private companies

As professional advisers, we can't control the price of shares in listed companies, but we can help our clients protect the value of shares in private companies.

For example, few people are aware of how many jointly owned businesses fail, or fail to achieve their potential, because of problems between the shareholders. Typically these problems include disagreements, misunderstandings or just different (and often unrealised) expectations. The risk increases in more difficult financial times, like we are experiencing now.

"It won't happen to me"

When people go into business together, they rarely spend enough time thinking about what might go wrong and how to

prevent it, and they are confident that they will be able to sort out any internal problems by agreement. But things change, particularly if the business is not as successful as they expected, which often means self interest takes over, agreement cannot be reached and the problem suddenly gets a lot more serious.

The solution

This can be avoided by discussing the many 'what ifs' [e.g. What if we need more capital? What if there is a breakdown in the relationship? What if someone needs to bail out?] and agreeing in advance on a fall-back solution if the problem can't be resolved by agreement. Ideally, this should be done and recorded in a stakeholders' agreement before the business starts. But if it wasn't, the time to do it is now before things get worse.

The main causes of disputes

Apart from misunderstandings and unrealised expectations, there are many reasons that problems arise between the stakeholders in a business, such as:

- ❖ The minority shareholders end up with their shareholding being diluted.
- ❖ The majority are prevented from selling the business by the minority.
- ❖ Some of the shareholders get involved in a competing business.
- ❖ Deadlocks occur without any agreed deadlock breaking mechanism.

Another problem which is quite common is when minority shareholders are locked in with no-one prepared to buy their shares at a reasonable price. This often has disastrous consequences because, if a solution is not agreed to unanimously, a court will normally order the company to be wound up. A very costly outcome! This can be prevented by agreeing on 'exit' rights at the start. For example, the shareholders might agree that they will remain committed for a fixed time (e.g. 6 years) after which any shareholder can sell and be assured a fair price.

Information about how this can be achieved, and all those issues that need to be discussed and agreed on by the joint owners of a business, can be obtained by completing a short form on the "Contact Lexxon" page at www.lexxon.com.au and asking for our stakeholders' paper. This will help you guide your clients in their discussions before a stakeholders' agreement is agreed on.

Russell Wheeler
Lexxon Lawyers Online

The Corporate Express Business Development Series

We are always thinking about how we can add value to your business.

Over the next 6 months we will be conducting 5 short seminars on topics that are either integral or related to your core business.

The topics will be:

- *'Shareholder Agreements'* presented by Russell Wheeler of Lexxon Lawyers Online (see earlier article);
- *'Business Etiquette and Networking'* presented by Deanna Lane. Deanna is the principal of Braddock Lane & Associates, a specialist business consulting firm with 20 years experience in business development, marketing communication and professional development training programs with law firms, accounting firms and industry associations.
- *'New Developments for SMSFs'* presented by Greg Vale of Binetter Vale Lawyers, accredited specialists in business and personal tax. Binetter Vale Lawyers supply and update our SMSF deeds, upgrades, pension implementation packs, deeds of change of trustee and coming soon.....custodian deeds and loan agreements.
- *'Website Optimisation'* presented by Gary Ng Sales & Marketing Director of E-Web Design
- *'Tips for marketing in a new economic era'* presented by Deanna Lane of Braddock Lane & Associates.

Register your interest

Please either email charbel@corporateexpress.com.au or complete and fax this page to 02 9283 2294

Please register my interest in attending the following seminars in the current Series.

Name:.....

Firm:.....

Email:.....

- Shareholder Agreements ?
- Business Etiquette and Networking ?
- New Developments for SMSFs ?
- Website Optimisation ?
- Tips for marketing in a new economic era ?

Disclaimer

The information provided in this document is for your general information only. It is not intended that anyone adopt this information to their personal circumstances without first seeking professional advice.