

Business Exits – Expect the Unexpected

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General advice warning

The following information is provided as an information service only and therefore does not constitute financial advice and should not be relied upon as financial product advice. None of the information provided takes into account your personal objectives, financial situation or needs. You must determine whether the information is appropriate in terms of your particular circumstances. For financial product advice which takes account of your particular objectives, financial situation or needs, you should consider seeking independent financial advice from an Australian Financial Services Licensee before making a financial decision.

MPR Private Client Services

- Investment planning
- Business succession planning
- Personal and business risk protection strategies
- Estate planning and the use of legal structures
- Superannuation and retirement planning

Overview

- Exit events
- Consequences
- Tools and strategies
 - Structure
 - Agreements
 - Funding

Your current position

- If there was an unplanned exit, would your business be able to:
 - continue to operate?
 - find a suitable replacement?
 - manage the financial and legal consequences?

Why it's important

- Realise return on investment
- Funding retirement

When will it become an issue?

- Voluntary
 - Retirement
 - Disagreement between partners
 - Seeking lifestyle changes
- Involuntary
 - Death
 - Total and permanent disablement
 - Critical illness

The consequences

The consequences

- Change of Owner
 - Transmitted by will or by agreement or change of control in shareholding entity
 - Entitlements vs Contribution
 - Problems with non controlling shareholding

The consequences

- Buy out
 - Valuation
 - Payment terms
 - Funding the purchase price
 - Tax

The consequences

- Loss of key person
- Disruption to business
- Shareholder loans
 - At Call
 - No Agreement
- Bank Loans
 - Security & Guarantees

The consequences

- Separating ownership from at risk entities
- Ensure separation of business and personal assets
- Understand the tax and commercial implications of the business structure

Tools and strategies

Agreement
Funding

Agreements

Tools and strategies

- How is a buy sell agreement funded?
 - Business cash flow
 - Borrowings
 - New partner (Kim)
 - Buy/Sell insurance policy

Tools and strategies

- What are the insurance policies available?
 - Ownership protection
 - Keyman insurance

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BUSINESS SUCCESSION PLANNING

A brief overview

Presentation by John
Sinisgalli
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Business Succession Planning

Compulsory Buy Out or Sale Provisions

- Buy/Sell Agreement
 - When to negotiate?
 - Basic Terms of Buy/Sell Agreement
 - Variations to Terms

Business Succession Planning

Structures

- Company
- Discretionary Trust
- Unit Trust

Business Succession Planning

Problems with Buy/Sell Agreements

- Disputes
- Change of Circumstances
- Funding
- Other Exit Events
- Estate Planning

Business Succession Planning

Estate Planning

- Trusts
- Wills
- Testamentary Trusts
 - Benefits
 - Disadvantages