



Vol 1:

## BUSINESS DEVELOPMENT

# SHAREHOLDERS AGREEMENT A WAY TO MINIMIZE CONFLICT

A Shareholders Agreement is a formal agreement that sets out the rules associated with the management and ownership of the Company. Terms vary widely, but can include provisions and procedures for:

*Dispute resolution* to resolve any major dispute between shareholders, including when the exit of one shareholder becomes inevitable.

*Exit provisions* where one shareholder wishes to exit the Company.

*Offer to buy the business* Occasionally an offer may be made to purchase 100% of the business from a third party. You could require a dissenting shareholder to purchase the shares on the same terms and conditions.

*Employment arrangements* the roles to be performed by each working shareholder, lines of authority, the basis of remuneration, hours expected, and annual leave entitlements and requirements. Subsequent changes to working involvement in the business and if short-term or long-term changes occur.

\*Note - Many advisors recommend separate Employment Contracts including job descriptions, performance indicators and remuneration also exist.

*Company expenses* Individual thresholds for those Company expenses that can also be claimed by shareholders (e.g. motor vehicles, travel and entertainment).

*Introduction of additional working shareholders* - In a small closely held Company, working shareholders generally want to choose who they work with, rather than have business partners imposed on to them.

*Staff selection procedures*

*(Capital) expenditure levels* Thresholds requiring unanimous shareholder approval

*Drawings policy*

*Additional capital requirements*

*Dividend policy*

*Guarantee fee levels* When security provided is not relative to shareholding

Typically, a Buy / Sell Agreement is also in place that covers the uncertainty associated with the Company ownership upon death of a shareholder.

For further information regarding Shareholders Agreements please contact your Gosling Chapman advisor.

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## BUSINESS DEVELOPMENT

### LOOKING AT RAISING CAPITAL FOR YOUR BUSINESS

Currently the process for offering shares, or other securities, to public investors is dictated by the Securities Act. Unless an exemption is obtained from the Securities Commission, the requirement for an issuer (those who are seeking to raise capital) to prepare a full prospectus and investment statement, which needs to be audited and registered with the Competition Office. Therefore these requirements present significant compliance costs, which in some instances can be out of proportion to the amount of funds being raised.

For an exemption to be obtained, the Act presently requires that the targeted investors are either closely related to the existing business or are what are commonly referred to as habitual investors, i.e. put simply, those who are primarily in the business of investing money.

Exemption notices have also been given by the Securities Commission for schemes in raising capital, provided they comply with strict guidelines as to how these schemes are operated. Such schemes are often used by angel investors to find investment opportunities.

The Business Law Reform Bill, which is currently before Parliament, will significantly increase the ability of the Securities Commission to issue exemptions. In particular, exemptions will be available where the issue is to:

*wealthy and experienced investors.* i.e. those with over \$2 million in assets; gross income of over \$200,000 (for last two years as certified by a chartered accountant); someone whom a reasonable person would think had the experience to be able to assess the merit

offer, the value of the securities, the risks involved and be able to determine whether information, provided in any offer, is adequate for their own information requirements.

*Investors experienced in a similar business/industry*, noting that the definition of experienced is similar to that outlined above.

*Close business associates and relatives of both the company **and** directors of the*

The Securities Commission will also be able to issue exemptions for a particular transaction class of transaction, as opposed to just on the characteristics of the issuer seeking to raise capital.

Overall, should the bill proceed to law in its current format, the ability to gain an exemption should be a lot easier to obtain as the exemptions are available to a more clearly defined wider range of investors. Therefore the process for raising capital should be less onerous in terms of time and cost, for many seeking additional capital.

For more information on raising capital or on the progress of the bill, please contact Tim Herbert on (09) 300 5787, email [tim.herbert@goslingchapman.com](mailto:tim.herbert@goslingchapman.com)

Tim Herbert

## BUSINESS DEVELOPMENT

### CREATING A WOW FACTOR

Gosling Chapman has developed a marketing framework for clients that recognises the balance between customer retention and new customer marketing. The framework involves a 5 step plan. In this article we outline one of the tools used to retain customers.

#### **Customer Retention**

Keeping your customers requires more than satisfying them. Several studies have shown that 68% to 85% of customers who change suppliers were happy or very happy with their previous supplier when they switched. To turn satisfied customers into loyal advocates we need to do more than satisfy them, we need to WOW them.

Wowing customers is not about giving them a free pen or bottle of champagne at Christmas. It is about systematically turning your regular interactions with your customers into delightful experiences. This involves identifying how your people can demonstrate their superior understanding and care of customer needs, understanding what your customer is really buying from you, and defining what great service looks like.

Let's take an example of a mobile locksmith. There are a range of things that a customer might be buying:

Improved security of the premise

- Speed in securing the premise
- Access for key holders
- Minimal inconvenience in getting lock replaced/installed

To create a wow factor, our service delivery should provide for:

- A 2 hour response rate
- Choice with regard to lock to be installed, and good product information on benefits
- Follow up or onsite service offering spare keys
- Clean up after installation
- Check other security risks whilst on site
- Make it easy for the customer to select us again: stickers inside alarm box, leave card, annual service phone call to the customer to see if they require additional services measures etc

The key to wowing your customer is making sure that great service happens **every time** is where simple systems and regular in-house training of your people is required.

If you are interested in finding out more information on finding and keeping profitable contact either Dianne Ludwig, Jacinta Clark or Nici Wickes on (09) 303 4586, email [dianne.ludwig@goslingchapman.com](mailto:dianne.ludwig@goslingchapman.com), [jacinta.clark@goslingchapman.com](mailto:jacinta.clark@goslingchapman.com), or [nici.wickes@goslingchapman.com](mailto:nici.wickes@goslingchapman.com)

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## SENSITIVITY ANALYSIS - TOOLS

### Graphs Package

This is an Excel based spreadsheet package used primarily in conjunction with the year end accounts information. Examples of some of the reports produced are shown BELOW:

### Optimist

Optimist 3000 is a business diagnostic tool that produces sophisticated financial analysis of your accounting data. Optimist 3000 evaluates your business performance and identifies key drivers of your profit, cashflow and balance sheet.

Optimist helps you see the big picture in a matter of minutes before you start working on details.

Optimist 3000 can answer:

- Where are we making or losing money?
- What single item in the business has the biggest impact on cashflow?

Which product contributes most to the bottom line?

What is the maximum sales growth the business can realistically sustain in year?

What financial performance measures are required from finance, marketing and c

What is the financial impact on cash flow if I increase my volume?

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## Who We Are

Gosling Chapman specialises in business consultancy and advisory services for corporates, family managed businesses, private clients and professional partnerships. The firm also offers a complete traditional chartered accountancy services. Established in 1984 the firm has over 90 staff and sev



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