

# jackson smith

SOLICITORS

## NEWSLETTER

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### **Co-operative buyouts can prevent the loss of a vital community business, or the loss of jobs through the retirement of business owners or the insolvency of a company>>**

In 2004 the residents of the town of Kaniva in Victoria found themselves about to lose their only petrol station. Without the petrol station residents of the town would have had a ninety kilometre round trip to buy fuel.

The community banded together and formed a co-operative, with community members investing amounts ranging from \$500.00 to \$10,000.00, to purchase the petrol station.

The community saw this as a way of saving jobs, maintaining the value of their property in the town, and helping to secure their future.

In the United Kingdom in late 2003 the directors of a company that made double-glazed windows were looking to retire and sell their business.

One of the directors saw a newspaper article on employee buyouts, and it was arranged that the ninety employees of the company raise sufficient money to buy the business from the old shareholders.

In the same way as the petrol station example, a co-operative was formed and it was the co-operative that purchased the business, with the employees as members of the co-operative and purchasing shares.

Buyouts such as those described above are common in the United States and various European countries. In Spain for example, not only are such buyout co-operatives common, but there is a strong support network to assist them.

At Jackson Smith we are aware of the problems faced by rural communities because of the potential loss of vital businesses. We are aware that the average family business owner in Australia is fifty five years old, and that forty percent of business owners plan to leave their businesses within the next five years.

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Sixty six percent of these people are dependent on their business to fund their retirement, but only thirty eight percent of small business owners have a succession plan. Significantly, only twenty five percent of owners plan to pass their business on to family.

Jackson Smith has joined a group of business people and academics who are committed to assisting communities and groups of employees purchase businesses through a co-operative structure, in circumstances where there is a community need, the owners of the business wish to retire, or the business is insolvent.

We invite readers of this newsletter to let Peter Jackson of Jackson Smith know if the group can assist any business that would be helped by the co-operative structure.

>> Professional advice should be sought before applying the information in this newsletter to particular circumstances.

>> We hope that our newsletters are of interest to you. If you wish a particular topic examined, please let us know.

### **Where to find us >>**

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