

Case Study 14: Theta (Kininmonth) Family

Business not continuing

There were too many shareholders.

'He could see that it would be necessary one day, mainly because of the unequal shareholdings, so it was best to sell it at a time, and in a way, which would give the best result.'

The Kininmonth family purchased Mt Hesse in a walk-in-walk-out sale. They family wanted to keep farming, but it was unrealistic. There were too many shareholders, as the shares were handed on from generation to generation.

The business survived drought, rabbits, the depression, wool and cattle collapses and having a large slice resumed for solid settlement. It survived the wool collapses of the 1990's, when gross farm income went from over \$1 million to \$300,000 in one year. That was particularly difficult. But they made sure that the property was maintained. *'The gates were hanging and buildings had new spouts on them, all that sort of maintenance was done.'*

Although the shareholders were engaged and encouraged to visit the property, it was becoming obvious that as the next generation became involved, and the number of shareholders multiplied, that it would be difficult to provide sufficient returns. The very deliberate strategy was to sell when market conditions were right.

The sale was clever and the business was sold with the value paid for the intangible assets. *'In the end they had an inspection, we all had dinner together, and they accepted the pre-prepared contract, virtually without amendment.'*

A family member has remained as Manager for the new owners.

The key lessons from the Theta study are:

1. Keep the shareholders engaged.
2. Be aware of the dangers of parcels of shares becoming diluted.
3. Have a shareholder agreement which sets rules about the dilution of holdings.
4. Ensure that the business is 'sale ready'; that means having it ship shape.
5. If you sell, sell on a walk in walk out basis, where the intangibles are valued and paid for.
6. When selling a 'trophy property', manage the sale carefully.
7. In this case, unlike the family, the corporate owner is prepared to continually re-invest the annual profits.