

# News with Clout

Restructuring Insolvency and Turnarounds

## WHY BUY LOCAL

There is no simple way to express this without sounding petulant, but it happens frequently and the damage is more severe than it needs to be. That is people go out of town (region) for insolvency advice and appointments and the stakeholders suffer.

There is a classic example we have recently been exposed to that has given us the opportunity to compare our work and the cost thereof to our city counterparts. We previously conducted a Voluntary Administration of a licenced club. This involved trading the business on and implementing various controls, orchestrating a proposal to be put to creditors for a trade out of the situation, under a Deed of Company Arrangement, and a variation of that Deed by creditors on 2 additional occasions as well as monitoring the trading of the Club over a two year period.

There has been a recent appointment of a city firm to a licenced club in our area which involved a shut down after a week of trading which in terms of time spent by Administrators staff is much less. There was some negotiation in a bid to try to resurrect the organisation to no avail and \$245,000 was charged for a 3 month period with an estimate provided of \$55,000 for the liquidation. This brought total likely fees to \$300,000. We incurred fees of \$221,000 for 2 years.

It should also be mentioned that costs for travel and accommodation was in excess of \$6,000 which would have been avoided had they gone locally.

Are directors and their advisors doing the right thing by stakeholders going out of town to the big smoke? Clearly the answer is no given the glaringly obvious disparity between fees. The reasons why going local makes sense in this context is obvious to any advisors.

The reason why they go out of town more often than not, we are told is privacy. With respect, we find such a reason offensive as confidentiality is a core value of this practice. In any event if they have nothing to hide going out of town makes no sense. In fact there have been numerous controversial issues, which have not needed an appointment that we have become privy to that never see the light of day.

Yes we are all professionals and yes we are all human. Surely it can be seen that given geographical proximity to the stakeholders, there is an increased probability that the appointee will have more care, sensitivity, where he can, and reasonableness with regard to fees. This is even ignoring the differing cost structures of city versus country practises.

Integrity is also more likely assured when using a local. That is not to say the operators in capital cities want for integrity as a key facet of their operations, but using a local accentuates the probability of that being the case. Practically to go local for the initial advice also saves the directors time and travel expenses too. Contact is also face to face.

As ever we welcome your enquiries and appreciate your support!



# NEWS WITH CLOUT

Offering Corporate & Personal Solvency Solutions

---

**Apart from Formal Insolvency Services at Clouts we also Offer:-**

Orchestrating Informal Arrangements with Creditors

Monitoring Businesses in Workout Situations

Conducting Negotiations with Secured & Unsecured Creditors

Business Risk Minimisation Reviews

Forensic Accounting Assignments

Business Valuations

Internal Control Reviews

Small Business Courses

***Official Website***

**[www.cloutassociates.com.au](http://www.cloutassociates.com.au)**

***Mid North Coast Office***

Tel: (02) 6650 5888

Fax: (02) 6651 9393

***Northern Rivers Office***

Tel: 1300 886 006

Fax: (02) 6674 1979

Email: [admin@cloutassociates.com.au](mailto:admin@cloutassociates.com.au)

***Clout & Associates Senior Representatives***

Morgan Chubb

Email: [mjchubb@cloutassociates.com.au](mailto:mjchubb@cloutassociates.com.au)

David Morgan

Email: [dmorgan@cloutassociates.com.au](mailto:dmorgan@cloutassociates.com.au)