

GENERAL INFORMATION FOR BOTH PARTIES

The Campbell Family have operated an orchard and small vineyard in the Granite Belt region since the 1960s. The family property comprises 120 hectares of stone fruit orchard and 60 hectares of vines. Increasingly, the emphasis of the business has been on quality rather than quantity.

The family business was established by Stuart and Irene Campbell. Stuart and Irene are in their 70s and, while interested in the business, now have a range of outside interests. At a time when the business is busier than ever before, Irene and Stuart are spending more and more time exploring the world or just lying on a beach somewhere.

Stuart and Irene have two children, Brenda (now 47 years old) and Andrew (45 years old). Brenda and Andrew are feuding in relation to the structure and direction of the family business and their disagreement has recently become very heated.

Andrew has worked in the family business since leaving school. He is the lynchpin of the business and has run it pretty much on his own for the past 5 years. Before that, he worked closely with his parents. The business currently employs 3 casual workers as well as several dozen pickers and sorters during the harvesting season.

Brenda went to university, studied business and ultimately completed an MBA. She now works for a large Brisbane-based manufacturing company.

Wine has been a booming industry over the past 10 years and this has seen the fortunes of Campbell's Wines and Fruits Pty Ltd increase significantly. Major deals with several leading British wine importers have enabled the family business to achieve profits that just could not have been imagined as recently as the mid-1990s. In 1999/2000, the business made

AUD\$1.2 Million. This increased to \$1.4 Million in 2000/2001 while the 2001/2002 result was \$1.2 Million.

However, concerns have recently been heard through the industry with some grape growers facing difficulties in getting contracts for their produce. This was not a problem for Campbell's Wines and Fruits Pty Ltd although the company has not yet been able to find a buyer for the current vintage.

The Campbells also grow some of Queensland's finest nectarines and peaches. The market for stone fruits continues to be strong. The stone fruit orchard used to be the mainstay of the family business but now plays a secondary role to the vineyard.

Campbell's Wines and Fruits Pty Ltd is a private company. Stuart and Irene each hold a 20% share, Andrew holds 45% and Brenda the remaining 15%. The shareholdings were adjusted some 10 years ago to recognise the extent of Andrew's contribution. Previously, Andrew and Brenda held equal shares of 30%.

Andrew recently advised his parents and Brenda that he wishes to have greater control over the business. After all, he is the one doing the lion's share of the management work. Stuart and Irene have indicated that they are happy for Andrew to have this greater control but Brenda has expressed strong reservations

Following recent disputes, both Andrew and Brenda have instructed lawyers and arrangements have been for those lawyers to meet with a view to identifying how the company might most effectively be managed.

CONFIDENTIAL INFORMATION

Lawyers Representing Andrew Campbell

Andrew Campbell loves his work and his key instruction to you is that he just wants to keep going with his current routine. He wants as little interference from his sister, Brenda, as possible.

Relations between Andrew and Brenda have taken a nose-dive recently. Over Christmas, the family gathered at the family property and an argument took place late on Christmas Day. Brenda was getting on Andrew's nerves, criticising decisions which had been taken by Andrew in relation to the installation of an expensive new automatic watering system for the vineyard. In the end, Andrew (who acknowledges having had a few wines by this stage) locked Brenda in the room she was staying in. This started as a joke but then Andrew decided he liked the idea of some peace and quiet. Brenda was kept in the room for some 10 minutes before Andrew let her out once she promised not to talk about the business for the rest of the day. Andrew told Brenda that he was simply playing a joke and apologised if Brenda had been worried or upset.

Brenda then abused Andrew in front of the 30 members of the extended family who were present. She criticised Andrew's ability as a winegrower and orchardist and his business skills. This was extremely embarrassing for Andrew with so many family and friends there. He has been waiting for Brenda to apologise but this hasn't happened as yet.

Andrew did not respond to Brenda's comments at the time. However, he was greatly angered by what she said and the following day, he spoke to her in strong terms regarding how she had abandoned the business to go to university. She wasn't there to help during the droughts of the late 70s and the mid 80s, the recession of the late 80s but has become increasingly interested in the business with the boom in the wine industry. As Andrew sees

it, his hard work has made a lot of money for Brenda but this seems to be conveniently ignored.

Andrew instructs that the arrangements for the business should have been sorted out more effectively when changes were made 10 years ago. At that time, Brenda was not very interested at all in the business. Andrew's parents have made it clear that they would be happy for Andrew to have greater control over the business. Andrew sees this as his parents indirect way of indicating that they are not happy with Brenda's behaviour at Christmas.

Andrew is happy to acknowledge that Brenda has made good use of her MBA skills to enhance the business in recent years. Brenda's marketing ideas have been particularly helpful for the business, with the development of very lucrative niche markets in the USA and Canada. Further, Brenda's son Paul has shown a real interest in the business. Andrew has been watching the enjoyment his parents have been getting from their new interests outside the business and this has prompted him to think about who will take over the reins from him when the time comes. Neither of Andrew's children (aged 22 and 19) appear interested in the business.

Young Paul is clearly the natural successor. Paul shows an enthusiasm for hard physical work and has made a series of useful suggestions to Andrew regarding possible solutions to problems facing the business. In particular, Paul's suggestions regarding focussing on specialist grape varieties including zinfandel appears likely to pay off handsomely for the Campbells.

Andrew would like to establish some protocol for future discussions with Brenda. He figures that the old family friend, Tom Harrison could be a helpful mediator for discussions regarding the family business. Word of any family disagreements seems to get around very quickly on the Granite Belt so Andrew wants to ensure that disagreements are kept private, unlike what Brenda did on Christmas Day.

Andrew would be prepared to look at buying Brenda out of the business. On his calculations, Brenda's 15% share is worth around \$1.2 Million. He would be prepared to pay as much as \$1.5 Million in order to get Brenda off his back. Andrew would be able to pay up to \$800,000 within 3 months with a preference that the balance be paid in 12 months time. To pay the balance any earlier than that would require borrowing funds from the bank at commercial rates of interest. Of course, any buy-out would be likely to cut Paul out from the business which is not what he wants to see.

Andrew expects that these issues may take some time to sort out but doesn't want the whole thing to drag out too long. He is expecting progress to be made at this meeting.

Your client has given you authority to provisionally agree with any other proposals not covered by the above as long as they are within the spirit of the above instructions.