

Contributions to Investigating Contemporary Criminal Offences Related to Management Buyouts

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This paper examines manager buyouts (MBO), which play an important role in the current negative financial status in Slovenia. Its purpose is to analyse the most notorious cases of MBO abuse in Slovenia with the help of court rulings and secondary sources. Thus, the authors try to find features of the studied cases and identify characteristics that they have in common. The aim of the paper is to identify the modus operandi of Slovenian managers that could contribute to future police investigations. The methodology consists of the descriptive method and analysis of relevant court rulings and secondary sources.

Due to the fact that the Slovenian equity market is not as developed as in other countries, irregularities can be seen, especially in financing buyouts or obtaining start-up capital. Incumbent managers either engage in linked reselling stock shares or real estate to the detriment of the target company and their subsidiaries, or borrow heavily after the buyout using the target company. There is a lack of transparency; a number of companies are used in the buyout process for the purpose of blurring the ties, which in the end lead to companies being controlled (in secret) by the incumbent managers conducting the buyout. In most of the cases analysed, the post buyout strategies were not detected, and most of the cases also include fraudulent conveyance to family members or other forms of hindering creditors. Incumbent managers usually do not invest much of their own equity into the buyout.

Key words: privatization, buyout, financial leverage, manager buyout

UDC: 343.37