SHAR

This note sets out matters which relation to joint ventures and oth transaction will differ and the list of the investors to address the issue settled in principle before the docur

Throughout this note references available from Simply-docs in or requirements. Simply-docs provid complexity: "Basic"; "Standard"; Agreements are designed to favo your preference.

A. Documentation

When making arrangement consider all of the following

- A.1 Shareholders' Agre in the joint venture and/or operation of for potential disa dissolution of the ve are not public docu House and so it wi The important dist company and a bre whereas a Shareho amongst themselve breach. Put sim Shareholders' Agre the company will be obligations under it procedure where a
- A.2 Company Constitu Association. The incorporated since subscribers. All the stating that any p precedence over t Articles and the Sha
- A.3 Service Agreements are to be employed
- A.4 Ancillary documenta standard trading ter

В. The Company

B.1 In the United King

ENTS

in the documentation produced in nies. The circumstances of each xhaustive. The purpose is to allow erms so that the structure can be

hareholders' Agreements that are which is most suitable for your ments in three different levels of n, the Long-form Shareholders' minority shareholder according to

company it is advisable to properly

tween all of the holders of shares terms relating to the establishment eement should essentially legislate tion through management and ote that Shareholders' Agreements ed to be registered at Companies hird party that one is in existence. es regulate the operation of the forced against the company itself, tes the behaviour of shareholders ceable against the shareholder in overned by statutory rules and contractual rules. In some cases, ers' Agreement but the company's reholders cannot use the statutory

Memorandum and Articles of f little importance for companies it only contains information about ler Agreements contain a clause onflict with the Articles will take any inconsistencies between the ould be avoided.

the Company and individuals who the Company.

ments, conditions of employment, be required.

etween a public company and a



private company.

B.2 A private company
Companies limited
not used for a tradii
unincorporated joint
certain circumstance

B.3 A company can be from a company for company, which ta Companies House

C. Parties to a Shareholders' A

The parties will comprise:-

- C.1 The shareholders expected to support
- C.2 The directors if t undertake specific duties as directors/e
- C.3 The Company but or vice versa. See t

usual vehicle for a joint venture. entities are available but they are bs, Limited Liability Partnerships or le as alternatives to a company in

ready made form ("off the shelf") it online) or incorporated as a new s in England & Wales (although ration Service for a higher fee).

nt company or other party which is

ne investors and are expected to enture over and above their usual

ations with regard to the investors

D. Corporate Administration fo

- D.1 What is the Compar
- D.2 Who is to be the (located? Since Aprone director must be company secretary.
- D.3 Where is the Comp
- D.4 Are there to be any
- D.5 Does the Compa registrations?
- D.6 Is the Company to that should be trans
- D.7 Who will be the Con
- D.8 Who will be the Cor a year not more th more than £2.8 milli
- D.9 What will be the C financial year end (

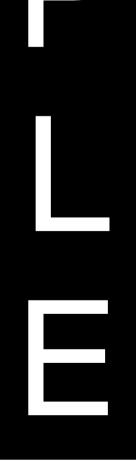
y business names?

where will its registered office be ot required to have a secretary but the duties that are required of a

ular licences, authorisations or

ark registrations, or are there any

- limited companies with turnover in alance sheet total for the year not equirement for an audit.
- The default position is that the reference date") will fall at the end



of the month in whi may elect to shorte are limits to the num

D.10 Is the Company to d

D.11 Does the Company

E. Tax

Tax considerations will influthis aspect in detail. In the resident companies there and should take advice from

- E.1 Is it intended that the Scheme? If so, do Company also qual "Standard" or "Lon obligation on the mouth the Company's and to facilitate the
- E.2 Is it intended that t interest rather that Interest may be tax
- E.3 Do individual inves finance their investn
- E.4 Do individual invest There may be adv outset.
- E.5 Are employees to obtaining their shar income tax). The st
- E.6 Does it suit employ rather than having s
- E.7 Is there scope for a
- E.8 Do UK corporate in to transfer tax los transferred, what pa

F. Finance

- F.1 How much is being obligation to provide
- F.2 Is the investment to how are they to be

prporated. However, the company g reference period, although there done in any financial year.

what terms?

on scheme?

is note is not intended to deal with nich are conducted through UK tax which investors ought to consider, professional:-

fy under the Enterprise Investment e eligible for EIS relief? Does the f? If so you should use either the lder Agreements, which place an e business in a manner consistent alifying for relief under the scheme elief.

rofit should be reduced by paying loan stock rather than shares)? ends are not.

f on personal borrowing used to with pension arrangements.

ngements to benefit their families? re given to family members at the

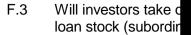
ree investors may be treated as employment (and hence subject to minimise the risk.

ons to acquire shares in the future t?

of group relief or consortium relief npany? If tax losses are to be

tor and when? Is there to be an future?

sh or services/assets? If the latter



- F.4 If further cash calls their part of the cal suffer some form of
- F.5 Will the Company funding? If guaran liability in the ratios is
- F.6 Are any borrowing concerning the rank
- F.7 What is the timetable

G. Shares

- G.1 Are further issues of consent by the investment be offered first to each Shareholder Agreed rights issue basis.
- G.2 Where new shares holders):-
 - (a) what proced day offer pe
 - (b) are different
 - (c) are shares v they are offe shares? Are available to
- G.3 Should the board had (for example to according to existing me
- G.4 Are there to be excert for example to emay available for such ex
- G.5 Are the shares to I class carry? Will the when a holder of on into the class which whoever the holder

H. <u>Pre-emption</u>

It is usual to restrict the sha

e shares (not subject to EIS relief), se) or other types of security?

stors under any obligation to meet are they simply diluted or will they

ank borrowings or other external the investors agree to share any

there any special arrangements

vestments?

altogether or permitted subject to es are permitted must new shares ghts issue basis? All Simply-docs ditional shares to be issued on a

of rights (i.e. pro rata to existing

r to existing members (e.g. a thirty ons permitted);

lealt with separately;

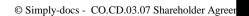
t taken up by the member to whom her members who apply for excess re not taken up on the rights issue

res to outsiders in return for assets s an exception to any pre-emptive sent would be required?

s can be issued or options granted, ntage of share capital should be

sses? If so, what rights will each the nature of the holder (so that of another class they are converted will the classes remain distinct

er shares by imposing pre-emption



rights (i.e. a requirement the Simply-docs Shareholder As The Long Shareholder Agaspects of a transfer.

- H.1 Are any types of tr pre-emption proced
 - (a) transfers to need to be s
 - (b) transfers to
 - (c) transfers wir involved cea returned to t
 - (d) transfers ap

The exceptions at Agreements.

- H.2 An investor wishir shareholders. If the class are usually gillines:-
 - (a) The investo number of s
 - (b) Within a giv other sharel period (agai in respect of shares on of holdings.
 - (c) If the remains price is too requiring the extended unthe auditor's shares as a valuation of specific professions.

If the audito opportunity auditor's val

(d) If the other the seller ca price not le shareholders

red first to other shareholders). All emption rights on share transfers. detail however on the procedural

rithout needing to comply with the

the exact extent of the family will

s, provided that if the companies e same group the shares must be

najority of the other shareholders.

ided in the Long Shareholders'

t offer them first to the other of shares the holders of the same common procedure is along these

notice to the company stating the price he wants.

the Company offers the shares to ed by the seller. Within a further shareholders can accept the offer res. If there is competition for the burchasers pro rata to their existing

of them consider that the asking before the end of the offer period auditor. The offer period is then has been obtained. The basis of for example, the fair value of the and a willing buyer based on a ing concern basis (sometimes a whether the holding is a majority or

the offer price the seller has the ceeds the price will be set at the

to acquire all the shares on offer uring a period of say 3 months at a the other shareholders. If other r in respect of some but not all of

the shares t sell all of the

H.3 Are there likely to I shares for sale? The dies or, being a come where an individual dismissed with or we valuation or possible imposed.

H.4 If the seller is unable sit tight? In circums are closely involved has the ultimate rigother way to realist market in the share other rather less drawn offer his shares not accept, he then

H.5 The pre-emption pro

- (a) a requireme proportion o what proport the remaining
- (b) a further sta can re-purch can do so w
- (c) a requireme specified pe obliged to oprevents a disposing of Company af
- (d) a requireme they operate will procure same price;
- (e) a requireme all the share their shareh

Rights of Certain Sharehold

It may be that certain Share is providing the majority of this shares. A minority share company may also wish to his role in the management

ometimes nevertheless allowed to

h a member is bound to offer his a shareholder, being an individual, n or receivership. It can also apply ployee, whether he resigns or is price is then fixed at the auditor's e some degree of penalty is to be

hares does he then simply have to relatively few investors all of whom partnership), the seller sometimes any on the basis that there is no re there is unlikely to be a ready liquidation is not realistic there are can help. For example, one party others on the basis that if they do shares at that same price.

nied by the following:

er acquires more than a specified 30 and 50 per cent depending on I) he must make an offer to buy out

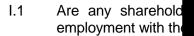
cedure in which the Company itself f it has the available resources and ts for the re-purchase of shares;

whose holding falls to less than a ed share or of his original holding is he pre-emption procedure. This rery small number of shares after tactic to keep an interest in the

rtain investors, (for example where ell their shares to an outsider they buy out the other members at the

shes to acquire a minority holding, right to sell a proportionate part of

ts if they are to invest. A party who istance may require the right to sell rks or provides expertise to the services are refused and he loses



- I.2 Are any sharehold breached?
- I.3 Are any shareholde upon their death?
- I.4 Are there to be an shareholder sells his

J. Board of Directors

If you wish to make provision should use either the Simple

- J.1 Who are to be the fi
- J.2 Will the investors had number of directors hold a minimum number of directors hold a minimum number of available of Agreement which shareholders to be a
- J.3 Is the quorum to b directors to be presented.
- J.4 If a quorum is not p say seven days ar constitute a quorum this dispensation ap
- J.5 Will all directors h majority? Certain m two thirds) or of nar Section L below.
- J.6 What period of notice be called at less not
- J.7 Can directors appo and if so is board an

K. General Meetings

- K.1 Are the shares to arrangements?
- K.2 What is to be t considerations apply

o sell shares if they retire from wrongfully or unfairly dismissed?

sell shares if the agreement is

igh their estate) to sell their shares

ong provisions where the majority

ors and how and when it meets you Shareholder Agreements.

rs themselves or to appoint a given to resign if the investor ceases to other circumstances? A separate which can be incorporated into the certain shareholder or class of

Will the quorum require specific

ow the meeting to be adjourned for sent at the adjourned meeting to nan the stipulated quorum). Often ourned meeting.

matters be decided by a simple oproval of a particular majority (say spect is dealt with in more detail in

d meetings? Can urgent meetings rs' consent required?

siders be appointed as alternates

Are there to be weighted voting

nolders' meetings? The same

K.3 Apart from matters law, are there any similar majority?

K.4 Who should have th

L. Management

The Basic Shareholder Ag company, stating merely t Shareholder Agreements responsibility of the day to a Annual Business Plans and Board as and when require

- L.1 Who is to have retained themselves are not
- L.2 What (if any) role w extent are they to Company?
- L.3 What matters will be How will the execution
- L.4 What financial and a respect of which pe
- L.5 Are executives to ha

M. Reserved Matters

- M.1 The investors are various things which Restrictions range shares to matters business activities.
- M.2 The restrictions will the other. This can all or a given proposimited to fundamer matters which are o any veto at Board to the Board without investors or a given
- M.3 The usual restriction
 - (a) changes in the shares;
 - (b) changes in t
 - (c) major chang

e votes of members as a matter of nvestors would want to require a

al meetings?

vision for the management of the Board. The Standard and Long ake more provisions, laying the Executive Directors, legislating for and obliging them to report to the

iy management? If the investors anagers appointed and removed?

ay in the management and to what igation to provide services to the

rd to the executive management? the Board?

to be prepared for the investors, in roduced?

nd if so on what terms?

e to prevent the Company doing of their interest in the Company. In directly affect the value of the ant a veto over the Company's

investors' consent in one form or rement for prior written approval of this can be unwieldy and may be ting the value of the shares. For re it is often more practical to apply rious matters cannot be passed by directors representing particular

as follows:-

Company or the rights attached to

cles of Association;

nt of the business;



(d) the sale of a

- (e) the acquisiti property;
- (f) borrowing or giving secu parties;
- (g) transactions
- (h) the issue of
- (i) the appointn
- (j) the appointn
- (k) capital comr
- (I) transactions expenditure
- (m) the acquisiti the formation
- (n) litigation (oth
- (o) profit sharing
- (p) approval of
- (q) service agre
- (r) dividends; a
- (s) the winding

N. <u>Dividends</u>

- N.1 It makes sense to a a particular percer distribution in any y Company distribution at least some incom
- N.2 Where all the invest flexibility in the extra pension contribution

O. Restraint of Trade

The Basic Shareholder Ag whatever restrictions are p Agreements do contain no

ısiness;

w business and the acquisition of

ne ordinary course of business and e guarantees in respect of third

rs and senior executives:

s/bankers;

level:

course of business or involving

r interests in other companies and

ets;

alary levels;

sort of insolvency procedure.

the outset. It is often provided that Company's profits available for dividends. This does not stop the t allows shareholders to be sure of

Company, do you wish to allow for company (for example bonuses or ractive in terms of taxation)?

the actions of the parties beyond e Standard and Long Shareholder licitation clauses placing restraints on the parties' future condu

To what extent are the participation in the Compan

- O.1 no interest or invol small shareholdings
- O.2 no solicitation of bus
- O.3 no disclosure or mis
- O.4 no use of the Com the investor leaves t
- O.5 investors may be r their association.

The period and extent of t RTPA and European legisla

Where the investor is a co an obligation on the Compa

P. Period

- P.1 Does the Company provide a winding investors agree other
- P.2 If the Company doe any of its assets circumstances. Sh acquiring assets or an end?
- P.3 The investors may exchange. If this is

Q. New Investors

Where new investors are may be required to enable This will usually be in the febe permitted to acquire shaparty to the shareholders' a

tivities both during and after their ons are as follows:-

g company or activity (apart from

mation;

on of commercial connection after

pany's services exclusively during

be settled. Registration under the sidered.

ay need to be extended to impose tions on its employees.

i? If so it may be necessary to a particular occasion (unless the

ne investors acquire its business or entitled to preference in these ne other hand be prohibited from once the joint venture has come to

ompany on a recognised stock should be made.

npany in the future, a mechanism on to be extended to include them. nce. Conversely no person should Company without agreeing to be a