

AU-CPsha07

Shareholders' agreement: company has shareholder-directors and institutional investors

Agreement between shareholders for the regulation of

[Company name]

[Dated]

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This agreement is dated: []

The “Company” is: [Company/ Corporation name] (“the Company”) and that expression includes all subsidiaries and associates of the Company

The Company incorporated in Australia under the Corporations Act 2001 whose main place of business is [] []

The “Existing Shareholders” are those 1

The “Investor” is that 1

The background to this agreement is:

- A.** The Investor has subscribed for and bought Ordinary Shares of the Company [in accordance with a [] / []].
- B.** The Existing Shareholders are the beneficial and registered owners of all of the issued and outstanding Shares in the capital
- C.** As a result of the Investor’s subscription for those Shares, the parties now wish to enter into this agreement to regulate certain rights

These are the terms of the agreement:

1. Definitions

These definitions apply unless the context :

“Acceptable IPO” means an IPO with a market valuation of the Company of at least \$ [50 million], as certified by

“Associate” means:

a. the spouse or child of a ;

b. in the case of a corporate person, any other

person that directly or indirectly controls, is

With respect to any person that is owned by an investment fund, "Associate" also includes the general

For the purpose of this definition, "control" means having the power to direct or cause the direction of the management and policies of a person, whether through the

a. ownership directly or indirectly of 50% or more of the shares in issue

b. ownership directly or indirectly of 50% or more of the

c. the power directly or indirectly to appoint a majority of the members of the board of directors or similar governing body of such person,

"Business"

means the business of [state briefly nature of business] carried on by the /

"Confidential Information"

means all information about the Company and the other parties to this agreement but does not include information that it is reasonably necessary to disclose to a customer or other person in the usual course of business so far as that information is disclosed in those circumstances. It includes among other things: information about, businesses, methods of doing business, future

“Director”	means a director of the Company (including).
“Fair Price”	means the price of Sale Shares or Transfer Shares certified by the auditors of the Company or by accountants instructed for the purpose of such 4 .
“Financial Year”	means the financial year of the Company, which [31].
“Incapacity Event”	means any one of: the death of a Shareholder; or the registration of a lasting power of attorney in respect of ; the certification of a Shareholder as a patient.
“Incapacity Shares”	means Shares which are owned by a Shareholder whose affairs have .
"Intellectual Property"	means intellectual property of every sort, whether or not registered or registrable in any country, including intellectual property of kinds coming into existence after today; and including, among others, patents, trademarks, unregistered , , , - , , , , .
“IPO”	means an initial public offering of Shares on an internationally recognised stock .
“Ordinary Shares”	means the ordinary shares in the capital of the Company, each having a .
“PR”	means the personal representatives or other person in control of the affairs of a Shareholder

as

“Pro Rata Share”

means the proportion that the number of Shares held by a Shareholder bears to the aggregate number of Shares held by all Shareholders of

,
-

“Related Party”

means:

a. any Shareholder, Director or officer

;

b. any relative of a Shareholder, Director or

;

c. any person in which any Shareholder, Director or officer of the Company has any interest, other than a passive

5 %

;

d. any Associate of the Company or of a

.

“Shareholders”

means the holders of Shares from time to time, including any person who holds Shares

[

].

“Shares”

means the issued and outstanding Shares of the Company, [\[including any that are or may in future be, derived](#)

].

“Subsidiary”

means any over which the Company may or does

.

“Transfer Date”

means the date when a Shareholder transfers the last of

.

2. Interpretation

In this agreement unless the context otherwise requires:

- 2.1. A reference to a person includes a human individual, a corporate entity and any organisation
- 2.2. A reference to a person or party includes reference to that person's successors, legal representatives, permitted assigns and any person to whom rights and obligations are transferred or pass as
- 2.3. A references to a paragraph or schedule is to a paragraph or schedule to this agreement unless the context
- 2.4. The headings to the paragraphs and schedules (if any) to this agreement are inserted
- 2.5. Unless the context requires otherwise, words importing the singular include the plural and vice versa, and pronouns importing a
- 2.6. Any agreement by any party not to do or omit to do something includes an obligation not to allow some
- 2.7. [Except where stated otherwise], any obligation of any person arising from this
- 2.8. A reference to the knowledge, information, belief or awareness of any person shall be deemed to include the knowledge, information,
- 2.9. The words "without limitation" shall be deemed to follow any use of the words "
- 2.10. A reference to an act or regulation includes new law of substantially the same
- 2.11. This agreement is made only in the English language. If there is any conflict in meaning between the English language version of this agreement and any version or

- 2.12. Any reference used in this agreement has the same intent
2001 .
- 2.13. In calculations of Share numbers, a reference to a “fully diluted basis” means that the calculation should be made assuming that all outstanding options, warrants and other securities convertible into Ordinary Shares, have been so converted, and conversely, a reference

3. Relationship of parties

- 3.1. Nothing in this agreement shall create a partnership or agency or the relationship of employer and employee between any of the ,
- 3.2. [Other than matters contained in a loan agreement dated [date]], this agreement contains the entire agreement between the parties and supersedes all previous agreements and understandings between the parties. Each party acknowledges that, in entering into ,
- 3.3. Each Shareholder undertakes to use his best endeavours at all times to promote the ,
- 3.4. The Company warrants that it has authority to bind

4. Shareholders' warranties

- 4.1. “Each Shareholder now warrants that he/it has every authority and permission necessary to enable him/it to enter into this agreement and then to perform his/its obligations . /
- :
- 4.1.1 require him/it to obtain any future consent or approval or action ;

4.1.3 violate any law or contravene any judgement in any country in which _____ / _____.”

7. Proxy votes

7.1. Any action or decision which may be taken

7.2. A Shareholder

7.3. No person may act as proxy until his principal has

24

7.4. A director may be

2001 .

8. Company's obligations

8.1. The Company

:

8.1.1 carry on the Business efficiently;

8.1.2 ensure that any decision reasonably likely to affect the
()

;

8.1.3 maintain insurances

;

8.1.4 buy, sell and deal at all

8.2. Within seven days after registering any Transfer of Shares or other
Equity Securities on its books, the

8.3. A Shareholder may agree in writing that he shall have no right to
information relating

8.4. Each Shareholder agrees to exercise his powers in relation

8.5. Each Shareholder undertakes with each of the other parties that whilst he remains

9. Actions requiring Shareholder consent

The Shareholders, whether as Directors or Shareholders, will not permit the Company

75] % :

9.1. change the name of the Company;

9.2. change its constitution;

9.3. pass any resolution - ;

9.4. capitalise, repay or distribute money , ;

9.5. in any way change the quantity, structure, value, ;

9.6. change any contractual arrangement with any Director or Shareholder from that 10 % ;

9.7. except in emergency, appoint a new , ;

9.8. buy any new business or company or make a substantial investment

;

9.9. otherwise than in the normal course

,

;

9.10. enter into any merger, consolidation or sale of substantially all of

;

9.11. make any loan

;

9.12. make any acquisition, divestment or disposal of any property or assets
of the Company or any of

,

\$ [1] [20] %

;

9.13. spend capital money by the Company or any of its

\$ [100 , 000],

[];

9.14. borrow money or incur indebtedness,

,

\$[];

9.15. conduct any new transaction, or a series of

[12]

,

;

9.16. change any accounting policy

;

9.17. appoint new independent auditors.

10. Financial information for all Shareholders

The Company will:

10.1. keep proper,

;

10.2. prepare such accounts in respect of each accounting reference period as are required by ,

-

;

10.3. within [60] days after the end of each Financial Year, provide to each Shareholder

,

[

]

;

10.4. provide to each Shareholder within [2 weeks] of

,

,

;

10.5. provide to each Shareholder as promptly as

.

11. Information for the Investor

The Company will:

11.1. provide to any Director nominated by

;

11.2. before the commencement of each Financial Year, consult with and explain to ,

;

11.3. allow the Investor the right during normal business hours to

,

.

11.4. provide to the Investor the [

/

].

12. Assets introduced by a Shareholder

12.1. The assets listed under the
2 .

12.2. This paragraph applies to those assets and also
,

12.3. Unless a clear intention of gift
,

12.4. If any asset, being Intellectual Property, is incorporated into an object
which is
,

12.5. Each Shareholder who has permitted his assets of any description

12.5.1 is limited to
;

12.5.2 prohibits reproduction
;

12.5.3 shall terminate at any

13. Investor's right to subscribe for new Shares

13.1. The Company shall not issue securities of any kind ("New Securities")
to any (" ")

13.2. This restriction shall not apply to:

13.2.1 the issue of Ordinary Shares upon the conversion,
,
;

13.2.2 the issue of Ordinary Shares out of

14. Investor's right to subscribe procedure

14.1. Not less than [21] days before the proposed issue

,
(")

:

14.1.1 the number,

;

14.1.2 the consideration to be received by the Company;

14.1.3 the identity of the Securities Buyers.

14.2. If the Company fails to comply with the above notice ,

,

14.3. Within [15] days following delivery of the Issue Notice, the Investor must give written notice to

,

,

14.4. The Company may issue the remaining New Securities not taken up

()

14.5. The proposed issue must be made within [60] days after giving

60

,

14.6. In any event,

14.7. The requirement to offer Shares to the Investor, as prescribed above, does not

14.8. If any Shareholder declines to subscribe and pay for his Pro Rata

15. Transfers conditionally permitted

15.1. A Shareholder may not transfer any Share or any right or interest attached to

15.2. If any transfer is made by a Shareholder in

3.

15.3. The following Transfers may

:

15.3.1 a Transfer of

;

15.3.2 a sale of Shares

;

15.3.3 a transmission of Shares to the executor or administrator of a

/

;

15.3.4 a transfer of Shares

15.4. A Transferor must give prompt notice to the Company and to each other

16. Right of Preference when Shareholder sells

16.1. If a Shareholder proposes to transfer any Shares (the “

”),
(“ ”)

.

16.2. The Shareholder (the “Transferor”) must first

(“ ”)
(“ ”).

16.3. If there is a written agreement

,

.

16.4. The Transfer Notice will state:

16.4.1 the name of the Transferor;

16.4.2 the name and address of the proposed transferee;

16.4.3 the number of Transfer Shares;

16.4.4 the price that

;

16.4.5 the reduced number of

;

16.4.6 the expected

;

16.4.7 written confirmation that the transferee has been

;

16.4.8 that no consideration, tangible or

,

.

16.5. For a period of [\[30\]](#) days after delivery of the Transfer

(

“ ”),

.

16.6. First, each of the Other Shareholders shall have the right to buy a
number of Transfer Shares equal to the total number

.

(“ ”).

16.7. The Preference Right of each Other Shareholder shall be exercisable by (“ ”)

16.8. Each Acceptance Notice shall include a statement of:

16.8.1 the number of Shares

;

16.8.2 the number of

;

16.8.3 where applicable, the maximum

16.9. An Acceptance Notice shall be irrevocable and shall constitute a binding agreement by that Other Shareholder to buy the relevant number of Transfer Shares,

16.10. Each Other Shareholder shall have the

16.11. If the number of Remaining Transfer Shares is fewer than the aggregate number

16.12. If the Other Shareholders as a whole do not want to buy all of the Transfer Shares, (or the closing of the purchase of Transfer Shares

60

,)

17. Completion of the transfers

17.1. The transfer by the Transferor must be on exactly the same terms as were set out in the Transfer Notice

[60]

17.2. [The Transferor and the

].

17.3. Completion of all of the Transfers shall take place at approximately the same time

[60]

17.4. At completion, the Transferor shall deliver certificates [or other evidence acceptable

]

[

].

17.5.

17.6. If so required by any Other Shareholder,

17.7. Each Other

18. Tag-Along Right

18.1. If a Transferor proposes to transfer any ,

18.2. Each of the Shareholders other than the Transferor shall have the right (the "Tag-Along Right") ,

18.3. Within 30 days following the delivery of a Transfer Notice, each Shareholder who elects to exercise

18.4. That election notice shall be irrevocable and shall constitute

18.5. In order to be entitled to exercise his Tag-Along Right,

18.6. However, the electing Shareholder shall not be obliged to accept any liability

18.7. Where a Shareholder has properly elected to exercise his Tag-Along Right and the proposed

19. Drag-Along Right

19.1. In the event that the holders of at least [\[75\]](#) % of the outstanding Ordinary Shares calculated on an as-converted and non-diluted basis (the "Majority Holders")

19.1.1 sell all of his Ordinary Shares, free of any encumbrance or restriction, in -

(

);

19.1.2 vote his Shares in favour of that transaction;

19.1.3 take all actions (including executing documents)

;

19.1.4 appoint the Majority Holders, acting jointly,

.

19.2. As an exception, the Majority Holders shall not exercise the Drag-Along right unless the offer price per -

[100 %]

(

, ,

), [

/

].

The following provisions relating to disposal

.

20. Transfers and exit

20.1. A Shareholder may not assign, mortgage, charge, or ,

[75] %

.

20.2. The Shareholders agree that it is in the best

.

20.3. It is a condition of

:

20.3.1 sell the whole of the issued

[]

;

20.3.2 conduct an IPO [] ;

20.3.3 procure some other avenue ;

20.3.4 procure some other avenue whereby any Shareholder may
dispose of his \$[100
, 000],
.

20.4. This paragraph may be amended only
.

20.5. All the provisions of this agreement whereby a particular percentage
.

AND/OR

20.6. If by 31st December 2016, no offer satisfactory and acceptable to the
Investor has been made
,
\$[
]
.

20.7. Upon receipt of any such notice, the Company shall within [28]
,
.

20.8. If the Company shall fail to make the payment ,
.

20.9. The provisions in this paragraph shall
,
.

21. Transfer of Shares on death or incapacity

21.1. A PR must, as soon as this ,

21.2. Notice of an Incapacity Event by a PR shall be irrevocable and

21.3. Promptly after notice of an Incapacity Event has been received by the Directors,

21.4. Any such
:

21.4.1 to the Company which shall have the right to accept any or all
of the Transfer ()

[14]

;

21.4.2 if or to the extent that any offer made to the

,

21.5. A Shareholder wishing to accept any or all of the Shares offered to him
shall give written notice of

[21]

[21] ,

21.6. A notice of acceptance shall be irrevocable and shall give rise to a
legally binding and

21.7. If neither the Company nor the Shareholders accept the offer to sell the
Transfer [],
[90]%

22. Transfer of Shares on bankruptcy

22.1. If a bankruptcy order is made against any Shareholder,

:

22.1.1 [The remaining Shareholders
.]

22.1.2 The price
;

22.1.3 As between the remaining Shareholders, each shall be
,
;

22.1.4 If any remaining Shareholder does not wish to buy his
proportionate number of Shares,
.
.

23. Actions by former shareholder

23.1. On or immediately
:

23.1.1 [if a Director,] immediately resign as a Director
;

23.1.2 immediately transfer to whomever the Company
;

23.1.3 irrevocably authorise the Company to

;

23.1.4 not from that time represent to anyone

;

23.1.5 return to the Company without request all

;

23.1.6 delete all Confidential Information

,

;

23.1.7 not contact or communicate

,

,

;

23.2. If he fails to comply with any provision of this paragraph where compliance could be achieved by the signing of some document or doing of

,

(

).

24. Restrictions on Shareholder after transfer

Each Shareholder agrees:

24.1. after the Transfer Date to continue to acknowledge the ownership

;

24.2. that he will not within [three] years of the Transfer Date directly or indirectly, advise, instruct,

;

24.3. that the restrictions imposed by the last previous sub paragraph extend only to the [/]

24.4. that he will not within [\[three\]](#) years of the Transfer Date directly

24.5. that he will not within three years of the date of this agreement, directly

24.6. that if any provision of this paragraph shall be void in any

24.7. that the provisions of this

25. Shareholder's continuing obligations

25.1. This agreement shall be

25.2.

25.3.

25.3.1

25.3.2

26. IPO: Preference Right for Investor

26.1. [1 , 2016].

26.2. []-

26.3. [1 , 2016],

“ ”)

26.3.1 the estimated offering size;

26.3.2 -
;

26.3.3
;

“ ”).

26.4. 30
,

26.5.

26.6.

30

26.7.

90] %

26.8.

48

60

26.9.

27. Life insurance provision

In this paragraph:

“Beneficiaries”

The “Life Assured” means each of:

[] [] []
[] [] [];
[] [] []
[] [] [];
[] [] []
[] [] [].

The “Trigger Event”

Alternatively, the

“Trigger Event”

The “Sum”

27.1.

27.2.

27.3. ()

27.4.

27.5. The Sum shall be payable to the Beneficiaries.

27.6.

28. Publicity

29. Conflict with the constitution

29.1. , ;

29.2.

.

30. Confidential Information

30.1. , ,

:

30.1.1

;

30.1.2

(

)

;

30.1.3

,

,

[. . . .];

30.1.4

;

30.1.5

,

.

30.2. This paragraph does not apply to disclosure:

30.2.1

;

30.2.2

;

30.2.3

30.2.4

30.3.

30.4.

5

31. Termination

32. Breach of this agreement

32.1.

() 30

75 %

32.2.

32.3.

33. Severance and invalidity

33.1.

33.2.

34. Miscellaneous matters

34.1.

34.2.

34.3.

34.4.

34.5.

34.6.

.

34.7.

- .

It shall be deemed to have been delivered:

:

;

:

72

;

:

24

;

-

-

:

24

-

. [

-

.

,

].

34.8.

,

[

].

[

]

.

Signed by [\[full name\]](#), duly authorised on behalf of the Company

Witness to signature:

name:

Address:

Signed by [full name], a Shareholder:

Witness to signature:

name:

Address:

Signed by [full name], a Shareholder:

Witness to signature:

name:

Address:

Signed by [full name], a Shareholder:

Witness to signature:

name:

Address:

Schedule 1 Shareholders addresses for legal notices

The Investor

Address:

Attention:

Fax:

E-mail:

Shareholder

Address

Attention: CEO

Fax:

E-mail:

Shareholder

Address

Attention: CEO

Fax:

E-mail:

Shareholder

Address

Attention: CEO

Fax:

E-mail:

Schedule 2 Assets owned by Shareholders

Schedule 3 Draft supplementary agreement

Supplementary Agreement

This agreement is dated: [date]

$$\begin{array}{l} \text{“} \qquad \qquad \text{”} \qquad \qquad : [\qquad \qquad] \text{ (“ } \qquad \qquad \text{”)} \\ \qquad \qquad \qquad \qquad \qquad \qquad : \qquad [\qquad \qquad / \qquad \qquad] \qquad [\\ 1234567], \qquad \qquad \qquad [\qquad \qquad] \\ \qquad \qquad \qquad \qquad \qquad \qquad : [\qquad \qquad] \qquad [\qquad \qquad] \end{array}$$

The background to this agreement is:

A. [],

3.

B.

C.

These are the terms of the agreement:

1. Definitions

2. Promise to be bound

2.1.

2.2.

,

.

Signed by [full name], duly authorised on behalf of the Company

Witness to signature:

name:

Address

Signed by [full name], the New Shareholder:

Witness to signature:

name:

Address

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- %, [
4. / ,
5. , /
6. (,
) .
7. .
8. .
9. .
10. .
11. .

Yours faithfully,

Explanatory notes:

Shareholders' agreement: company has shareholder-directors and institutional investors

General notes

1. This document has been drawn primarily to cover the situation where a new large lender brings in cash and takes shares. However it is also suitable for any company/ corporation situation where the shareholders require checks and balances. All this means that there is very considerable scope for you to delete paragraphs you do not need. Like all Net Lawman documents, it contains many blue markings, to indicate places where text or figures are for your choice or insertions are required. There are also places where you may decide which of two alternative paragraphs you want. But that still leaves

2. Although all matters relating to the management, operation and structure of a company are regulated by statute, this agreement is comparatively unregulated. It is therefore open to the parties to make whatever arrangements they wish. The starting point for this agreement should therefore be a "wish list"

There are also some important preliminary decisions relating to who does what, how the whole deal terminates, and what happens when

Each director should also have a contract of employment / service agreement. Several contracts

3. When two people each own 50% of the shares, you have stalemate from the start. These structures are sometimes essential, but avoid it if you can. Several clever ways have been devised to avoid conflict but they are built on

4.1 What if the buying shareholder has no money?

4.2 What if one of the shareholders is indispensable to the business, so that if he goes, ?

4.3 What if one shareholder is also the main lender to the company and he
?

4. The document contains three “background” points (technically called “recitals”). The main purpose of the recitals is to set out the structure
5. We have kept the structure of the company simple in that there is provision for only one class of shares. Where there are two or more classes, complications arise not only in the agreement, but in the constitution too. If you would like advice on a more complicated share structure, we should be delighted

6. Exit strategy: some general points:

The transfer of shares is another issue requiring careful thought and the editing of this document to suit your precise requirements. A shareholder may want “out” because the relationship with colleagues has deteriorated, or he has difficulties in his private life, or wishes to live elsewhere, or has other pressing financial interests, or wishes to give shares to his children; a shareholder may die or become bankrupt. A matrimonial court may even order shares

!

It is almost impossible to devise a deal whereby all shareholders are treated equally because at the moment when one decides to sell, the common interest is broken. It is

The most common provision is for a transfer by gift to be permitted only to close family. However, if that means an aggressive outsider
50 %

We have provided in detail for a right of pre-emption in the event that a shareholder wishes to sell. We have given you a provision which marginally favours the continuing shareholders. By changing the instructions to the valuer-

Important: The Company’s constitution may restrict the right of a member to transfer his shares and may require him, in specified circumstances, to offer his shares for sale. Normally, such provisions would prohibit him from transferring his shares to an outsider at a given price unless existing members have been given an opportunity to purchase the shares at the same price and such remaining members have refused to purchase the shares. Where the

company's constitution contain such a provision either

().

An "outside" lender is certain to want to know when and how he will receive the return of his money lent and when and how he will receive money for his shares, for it is the increase in value of his shares that is likely

" "

The exit strategy should be set down in writing no matter how vaguely. The purpose is not only to safeguard the lender's position at law, but perhaps more importantly, to focus the minds of the executive team on the deadline for achievement of the promised results. The executive team should beware of too harsh

Paragraph specific notes

Notes referable to specific numbered paragraphs

1. Definitions

It is our policy to limit the number of definitions to the bare minimum. Those that we use are always very important. In this agreement however, a number of the definitions apply to one two specific paragraphs: those dealing with sales and transfers of shares. If you delete those paragraphs, then of course, the relevant items in the

We do provide long definitions occasionally, not because they are important to the meaning of the document but so that anyone signing the agreement cannot later deny that

If you feel that our definitions are unsuitable for your version, by all means edit the defined term. We suggest that you should then search the document to make sure your

Associate: we have not used the tax acts definition here because we wanted something wider,

2. Interpretation

There are some very important points here that affect many other parts of the document. Leave these items in place unless there is a good reason to edit or remove. We suggest that you read them a couple of times

!

3. Relationship of parties

This is a simple statement for the avoidance of doubt. Of course other documents may indeed create the relationships mentioned. For example, most directors will be employees. It is important however, that this document does not accidentally create other relationships. On the other hand, whilst it is important that this document is not confused with any other, there is no reason why it should not refer to other relevant documents, such as a long term purchase or sale contract with one shareholder. It may be that to become

4. Shareholders' warranties

This paragraph is drawn to refer to corporate shareholders and would provide the basis of a cause of action if a dispute arose as a result

We have provided a warrant against casting votes on the instruction of a third party because it is important to preserve the independence of the shareholders. All shareholders need to know

5. Appointment of Directors

This paragraph is drawn to protect the right of the investor to nominate

6. Directors' identity and responsibilities

The identity of the directors is an obvious requirement. It is good practice to specify areas of responsibility in some detail. It is certain that shareholders will

In many cases some of the shareholders will also be directors. This provision provides an opportunity for a non-director shareholder to pin down what each shareholder will do. No doubt this could also be covered in the directors' service contracts, but that document will reflect the whole of the job. Here we are identifying

7. Proxy votes

The question of absence through holidays or sickness is often overlooked. It is likely that the constitution covers the situation at meetings, but will not cover other situations. You need to be able to appoint someone to vote your shares if

A proxy votes his principal's shares. He stands in the shoes of the principal only for the purpose

8. Company's obligations

It is the Company that carries the primary responsibility for the items mentioned. It may well be

There is provision here for a shareholder to be denied access to passwords. At law, a director is responsible for every aspect of the affairs of the Company and so must have access to all information. The same does not apply to a shareholder.

9. Actions requiring shareholder consent

This paragraph is most important. Without the agreement, shareholders controlling 51% or more of the shares can do pretty much as they please. The main purpose of the agreement is to control and re-distribute that power. The first point to consider is therefore what percentage of votes (one per share, not one per person), should be sufficient to act against the wishes of a minority.

%!

75 %.

100

80 %

100 %.

75 %

This list has been drawn to include catch-all provisions. It

10. Financial information for all shareholders

We have provided a basic structure which

11. Information for the Investor

It is likely that the investor will have specific requirements, either as a matter of

12. Assets introduced by a Shareholder

Over time, shareholders tend to introduce assets for use in the Company. It might be a picture to hang on the office wall, or an old desk, or some graphic design or software. Later, arguments

This paragraph also grants a formal licence to

13. Investor's right to subscribe for new Shares

Prevents dilution of the investor's rights. This is not intended to be an absolute,

14. Investor's right to subscribe procedure

Follows from the previous paragraph.

15. Transfers conditionally permitted

Provides clarity on this subject and makes clear that contravention will result in a void transaction.

Note that the Investor may claim that its transferee is not

16. Right of Preference when Shareholder sells

(Also called a “right of pre-emption”.) Following from the previous provisions, this paragraph deals with any occasion where the investor may approve or may want a right of preference. You should consider exactly

17. Completion of the transfers

Follows from the previous paragraph.

18. Tag-Along Right

A concise and comprehensible procedure to protect the minority in the event that the majority wish to sell. We have suggested 75% as the appropriate trigger for this provision, but in many

5 %

, 35 %,

Bear in mind however, that any new shareholder is bound (in this)

”.

19. Drag-Along Right

If the Investor or indeed any large shareholder has a buyer conditionally on that buyer being able to buy all of the shares,

However, we have also provided that there shall be no drag-along unless the minority can take a profit.

20. Transfers and exit

If your situation does not envision an IPO or substantial sale,

We have offered two alternatives, but you may decide to draw your own. The first alternative states no transfer without consent and then provides what is essentially a statement of intent.

21. Transfer of shares on death or incapacity

If the transfer is by operation of law, (bankruptcy or death) you have less choice of your course of action.

A PR is compelled to carry

This provision is intentionally precise and thorough because

Since most shareholders' agreements are between small numbers of shareholders it is likely that they will be able to discuss any offer made and

90 %

22. Transfer of shares on bankruptcy

We are sometimes asked what steps should be taken when an court order is made, declaring a

However, the shareholders can agree with each other as to how they buy

We advise that you are

23. Actions by former Shareholder

The extent of these provisions is a matter of choice. If colleagues fall

24. Restrictions on shareholder after transfer

The carefully chosen wording of these restrictions is necessary to withstand the general proposition that an agreement “in restraint

25. Shareholder’s continuing obligations

It is almost impossible to devise a deal whereby all shareholders are treated equally because at the moment when one decides

26. IPO: Preference Right for Investor

Once again, we have provided a preference

27. Life insurance provision

This paragraph may be deleted if

“ ”

28. Publicity

We have

29. Conflict with the constitution

As stated ,

30. Confidential Information

It is for the parties to decide whether they think this provision

, ,

31. Termination

We have

32. Breach of this agreement

You may choose to deal with this

,

33. Severance and invalidity

This is

34. Miscellaneous matters

A number of important

Schedule1 Names and service addresses of Shareholders

For a human individual, use residential address. For a

,

Schedule 2 Assets owned by shareholder

We have no comment

Schedule 3 Draft supplementary agreement

We

Schedule 4 Draft letter to accountant for valuation

All good things come to an end. The “ ”

:

The valuation method

No matter what you put in the letter, or what valuation method you choose,

Remember, you are instructing the

Remember too, that there

End of notes