IE-CPsha07

# Shareholders' agreement: professional investors

**Agreement for the regulation of [Company name]**

Dated: [date]

**Agreement between shareholders for the regulation of**

[Company name]

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**Agreement between shareholders for the regulation of**

[Company name]

This agreement is dated: [ ■ ■ ■ ■ ]

The Company is: [company ■ ■ ■ ■ ] ( ■ ■ ■ ■ " ■ ■ ■ ■ ")

The Company's registered office is: [■ ■ ■ ■ ■ ■ ■ ■ / ■ ■ ■ ■ ]

**The Existing Shareholders are:**

[name] of [ ■ ■ ■ ■ ]

[name] of [ ■ ■ ■ ■ ]

[name] of [ ■ ■ ■ ■ ]

**The Investor is:**

[DEF] Limited, a company incorporated in England and Wales [under company registration number [number]] ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ [ ■ ■ ■ ■ ■ ■ ■ ■ ].

**The background to this agreement is:**

A. The Company is a private limited company, number [1234567], incorporated ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ [ ■ ■ ■ ■ ].

B. The Investor has subscribed for and bought [500] shares of €[1] each [in accordance with ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ / ■ ■ ■ ■ ] ■ ■ ■ ■ ■ ■ ■ ■ [ ■ ■ ■ ■ ].

C. The parties have agreed these terms in order to ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ .

**These are the terms of the agreement:**

## 1. Definitions

These definitions apply unless the context ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ :

| | |
|---|---|
| "Act" | means the Companies Act 2014 and any subsequent additions, ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ . |


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"Business" means the business of [state [redacted]].

"Confidential Information" means all information, including:

information which may give a commercially competitive advantage to any other person. [redacted]:

information about staff, their performance and their personal contact information, data or information relating to suppliers, product plans, marketing strategies, finance, performance, [redacted];

information created or arising from this agreement;

information owned by a third party and in respect of which a party [redacted].

information, comment or implication published on [redacted].

data or information relating to processes, formulae, procedures, designs, drawings, apparatus, [redacted];

information about the Intellectual Property and the know- [redacted].

[It does not include information that it is reasonably necessary to disclose to a customer or other person in the usual course [redacted].]

"Constitution" means the constitution of the Company.

"Director" means a director of the Company.

"Existing Shareholders" means shareholders other than the Investor.

"Fair Price" means the price of Transfer Shares certified by an independent accountant instructed for the purpose of such valuation and based [redacted]


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[redacted] [ 3 ].

"Intellectual Property" means intellectual property of every sort, whether or not registered or registrable in any country, including intellectual property of all kinds coming into existence after today; and including, among others, patents, [redacted].

"Shareholders" means the holders of shares in the Company from time to time, including any person who holds shares by operation [redacted].

"Transfer Date" means a date when the ownership of one of more shares, changes, whether or not [redacted].

## 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 [redacted].

2.2. a reference to one gender shall include any or all genders and a reference to the singular may be interpreted [redacted].

2.3. 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 [redacted].

2.4. a references to a paragraph or schedule is to a paragraph or schedule to this agreement unless the context [redacted].


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2.5. the headings to the paragraphs and schedules (if any) to this agreement are inserted [redacted].

2.6. any agreement by any party not to do or omit to do something includes an obligation not to allow some [redacted].

2.7. [except where stated otherwise,] any obligation of any person arising from this [redacted].

2.8. a reference to the knowledge, information, belief or awareness of any person shall be deemed to include the knowledge, information, [redacted].

2.9. a reference to an act or regulation includes new law of substantially the same [redacted].

2.10. 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 [redacted], [redacted].

## 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 [redacted], [redacted].

3.2. 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 this agreement, it does not [redacted], [redacted]:

3.2.1 loan agreement;

3.2.2 [other documents]


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# 4. Shareholders' details

4.1. The Existing Shareholders in the Company are:

| Name of shareholder | Number of shares |
|---|---|
| ABC | 100 |
| DEF | 200 |
| GHI | 200 |

4.2. The Investor owns [500] shares [redacted] € 1 [redacted].

# 5. Completion

The parties agree to give effect to this [redacted]:

5.1. to conduct such business of the Company and sign such resolutions and minutes as may be necessary [redacted].

5.2. The Company shall not be obliged to issue shares to a Shareholder unless payment of the specified price is made [redacted].

# 6. Special voting rights

6.1. Every reference on this agreement to a percentage of voting rights shall be construed as a reference to rights and percentages of the total [redacted], [redacted].

6.2. A shareholder shall be treated as present whether in person, by proxy, by alternate director or [redacted].

6.3. The foregoing provision does not apply to a vote on any issue [redacted].


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## 7. Appointment and removal of Directors by Existing Shareholders

7.1. Each Existing Shareholder who owns at least [5] % of the voting shares of the Company may be a director [redacted].

7.2. If an Existing Shareholder shall reduce his holding of voting shares so that his residual holding is less than [5]% of all the voting shares of the Company, then he shall resign as a Director and the provisions of paragraphs [28, 29 and 30] shall apply. *Note: you may need to change* [redacted] *".*

7.3. To nominate some person other than himself, an Existing Shareholder shall write to the [company secretary] [redacted] [redacted] [redacted].

7.4. A Director who is not a Shareholder may be appointed only if his appointment is approved [redacted] [ 80 ] % [redacted].

7.5. A Director may be removed by a vote to that effect at [redacted].

## 8. Appointment and removal of nominee Director by Investor

8.1. The Investor shall nominate one director.

8.2. The Investor may remove or replace the director nominated [redacted]:

8.2.1 provide sufficient representation to constitute a quorum, and


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8.2.2 subject to there being a [redacted], [redacted].

8.3. The Investor agrees to indemnify the Company against all cost and [redacted].

# 9. Duties of Directors

9.1. After completion of this agreement, [redacted].

9.2. The Directors of [redacted]:

[Name], [redacted]......

[Name], [redacted]......

[Investor's nominee [redacted]], [redacted].
.

# 10. Proxy votes

10.1. Any action or decision which may be taken [redacted], [redacted], [redacted].

10.2. A Shareholder [redacted]
.

10.3. No person may act as proxy until his principal has given seven [redacted] [ [redacted] / [redacted] [ 48 ] [redacted] .]

# 11. Actions requiring 75% shareholder consent by law

11.1. The following actions shall not be taken without [redacted] 75 % [redacted]:

11.1.1 change the name of the Company;


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11.1.2 adopt or amend the Constitution of the Company;

11.1.3 release of Company's right to purchase own shares;

11.1.4 re-allotment [redacted] - [redacted] ;

11.1.5 assignment of a Director's office to another;

11.1.6 financial assistance [redacted] ;

11.1.7 reduction or [redacted] ;

11.1.8 distribution of pre-acquisition profits;

11.1.9 pass any resolution for [redacted] - [redacted] .

## 12. Actions requiring shareholder consent by agreement

The following matters require the consent of [redacted] [ 65 ] % [redacted] :

12.1. to capitalise, repay or distribute money [redacted] , [redacted] .

12.2. to change the financial year of [redacted] ;

12.3. to permit the registration ([redacted] ) [redacted] ;

12.4. in any way, to change the quantity, structure, [redacted] , [redacted] , [redacted] ;

12.5. to change any contractual arrangement with [redacted] ;


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12.6. except in emergency, to appoint a [redacted] , [redacted] .

12.7. to sell, transfer, lease, [redacted] ;

12.8. to buy any new business or company or make a substantial investment [redacted] ;

12.9. otherwise than in the normal course [redacted] , [redacted] .

12.10. to factor or [redacted] ;

12.11. to spend capital money by the Company for any [redacted] € [ 100 , 000 ], [redacted] [ [redacted] ];

12.12. to borrow money or incur indebtedness, [redacted] , [redacted] € [ [redacted] ];

12.13. to conduct any new transaction, or a [redacted] 12 [redacted] , [redacted] ;

12.14. to appoint new auditors.

12.15. [Add other matters]

## 13. Company's obligations

The Company [redacted] :

13.1. carry on the Business efficiently;

13.2. ensure that any decision reasonably likely to affect the [redacted] ( [redacted] ) [redacted] ;


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13.3. maintain insurances [redacted] .

13.4. buy, sell and deal at all [redacted] .

13.5. keep accurate accounts and records of the Company and the Business [redacted] , [redacted] ;

13.6. deliver to each Shareholder as promptly as reasonably practicable [redacted] ; [redacted]

13.7. prepare such accounts in respect of each accounting reference period as are [redacted] 3 [redacted] .

## 14. Shareholders' obligations

14.1. The Shareholders agree to exercise their powers in relation [redacted] .

14.2. Each Shareholder undertakes with each of the others that whilst he remains a [redacted] , [redacted] .

## 15. Information for the Investor

In addition to [redacted] :

15.1. provide to any Director nominated by [redacted] ;


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15.2. before the commencement [redacted], [redacted]

to the Investor all forward plans and budgets, [redacted];

15.3. provide to the Investor the [[redacted] / [redacted]].

## 16. Deadlock

16.1. A deadlock will occur if the Existing Shareholders [redacted].

16.2. Following terms apply if a deadlock occurs:

16.2.1 the Investor will issue a notice ("Deadlock [redacted]") [redacted];

16.2.2 The Investor and the Company shall [redacted]; [redacted]

16.2.3 [if no agreement can be reached, the parties [redacted] - [redacted], [redacted]].

## 17. Existing Intellectual Property

17.1. Schedule [1] of [redacted].

17.2. Nothing in this agreement shall prevent a [redacted].

17.3. If any shareholder (the "IP shareholder") [redacted], [redacted] ("[redacted]"), [redacted].


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17.4. In the absence of any other documented licence agreement between the Company and the IP shareholder, the [redacted] €[ 1 ] [redacted] .

17.5. The IP shareholder may at any [redacted] [ 6 ] [redacted] .

17.6. If, on expiry of the [6] month notice period, [redacted] :

17.6.1 The IP shareholder shall have no claim, [redacted] .

17.6.2 The IP Shareholder grants whatever licence to the Company as is necessary to enable the Company to [redacted] , [redacted] - [redacted] .

17.6.3 All other deemed licences shall [redacted] , [redacted] .

17.6.4 The Company will acknowledge that it [redacted] , [redacted] .

## 18. New Intellectual Property

18.1. Each shareholder understands that whilst associated with the Company, he may discover or [redacted] . [redacted] :

18.1.1 do his utmost to [redacted] ;


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18.1.2 inform the Company [redacted];

18.1.3 provide to the Company whatever full code, passwords, specification, [redacted], [redacted], [redacted].

18.2. To make this effective each shareholder now undertakes to do whatever is [redacted].

18.3. If Intellectual Property owned by a shareholder and used by the Company with his permission, is incorporated into [redacted], [redacted], [redacted], [redacted].

18.4. This paragraph does not apply to Intellectual Property created by [redacted].

## 19. Assets introduced by a shareholder

19.1. This paragraph does not apply to Intellectual Property.

19.2. The assets listed under the [redacted] 2 [redacted].

19.3. This paragraph applies to those assets and also [redacted], [redacted].

19.4. Unless a clear intention of gift [redacted], [redacted].

19.5. Each Shareholder, who has permitted his assets of any description [redacted], [redacted]


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[redacted]

19.5.1 is limited to [redacted];

19.5.2 prohibits reproduction [redacted], [redacted];

19.5.3 shall terminate at any time [redacted] [ [redacted] ].

## 20. Assets and Intellectual Property introduced by the Investor

If at any time the Company uses any asset or [redacted].

## 21. Confidentiality

21.1. The parties are aware that they will each have access to [redacted]. [redacted], [redacted]:

21.1.1 not remove or copy or allow anyone else to copy from any document, [redacted], [redacted];

21.1.2 in respect of any part of the Confidential Information of the other, from today until [redacted], [redacted].

21.2. This paragraph does not apply to disclosure:

21.2.1 made with the consent [redacted].


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21.2.2 of information or knowledge which [redacted].

21.2.3 as may be [redacted].

## 22. Dividend policy and procedure

22.1. The Shareholders shall [redacted].

22.2. Dividends shall be [redacted].

22.3. The Company may by ordinary [redacted], ([redacted]).

22.4. A dividend must not be declared unless the Directors [redacted]. [redacted].

22.5. No dividend shall be paid until the annual accounts [redacted] [[redacted]] [redacted].

22.6. Provided the Directors act in good faith, they do not incur any liability [redacted]-[redacted].

22.7.

## 23. General provisions relating to shares

23.1. No party shall assign, mortgage, [redacted], [redacted], [redacted]:

23.1.1 after [date]; or

23.1.2 by completion of the business for which the Investor [redacted] [[redacted]


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[redacted]];

AND/OR

23.1.3 without the prior written [redacted] [ 80 ]% [redacted].

23.2. A Shareholder may freely dispose of some or all of his shares to [his spouse or [redacted], [redacted], [redacted]/[redacted]/[redacted], [redacted]].

23.3. The Investor may dispose of all or any of its shares, [redacted]. [redacted].

23.4. A Shareholder may at any time transfer shares [redacted].

23.5. No transfer shall be accepted and / or registered by [redacted].

## 24. Exit provision: co-operate to find buyer

It is a condition of this agreement [redacted]-[redacted]:

24.1. sell the whole of the [redacted] [ [redacted] ] [redacted]; [redacted]

24.2. procure some other avenue whereby [redacted]; [redacted]

24.3. procure some other avenue whereby any Shareholder may dispose of his shares at a [redacted] € [ 10 , 000 , 000 ], [redacted].


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# 25. Share sale by single shareholder

25.1. In this paragraph:

"Sale Notice" means a notice given [redacted], [redacted], [redacted].

"Sale Price" [redacted].

"Sale Shares" [redacted].

25.2. If a Shareholder (the "Seller") wishes to sell all or [redacted], [redacted]. [redacted]:

25.2.1 the number and classes of Sale Shares;

25.2.2 the Sale Price per [redacted], [redacted];

25.2.3 whether any third party has indicated a willingness to buy the [redacted] 3 [redacted];

25.2.4 the identity of any such third party and ( [redacted] ) [redacted] ( [redacted] ) [redacted];

25.2.5 all other terms relating to the proposed transaction.

25.2.6 conformation that the [redacted].

25.3. If the Seller asserts that the Sale Price is [redacted], [redacted] / [redacted].

25.4. The Sale Notice shall be [redacted].

25.5. The Sale Notice shall not be revocable except with [redacted]


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[redacted].

25.6. [redacted], [redacted], [redacted].

25.7. [redacted] [21] [redacted]. [redacted].

25.8. [redacted] [21] [redacted], [redacted].

25.9. [redacted], [redacted].

25.10. [redacted].

25.11. [redacted], [redacted] ([redacted]) [redacted].

25.12. [redacted], [redacted].

25.13. [redacted], [redacted]


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[redacted].

## 26. “Tag-along” right

26.1. [redacted] [ 51 ] % [redacted] (" [redacted] ") [redacted] (“ [redacted] ”), [redacted] (" [redacted] ") [redacted].

26.2. [redacted] ( [redacted] " [redacted] - [redacted] ") [redacted], [redacted], [redacted], [ [redacted] / [redacted] ].

26.3. [redacted] 30 [redacted], [redacted] - [redacted], [redacted] - [redacted].

26.4. [redacted].

26.5. [redacted] - [redacted], [redacted].

26.6. [redacted].

26.7. [redacted] - [redacted]


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[redacted]

## 27. “Drag along” right

27.1. [redacted] [ 51 ] % [redacted] (“[redacted]”) [redacted] (“[redacted]”) [redacted] (“[redacted]”) [redacted] (“[redacted]”) [redacted] .

27.2. [redacted] :

27.2.1 [redacted] );

27.2.2 vote his shares in favour of that transaction;

27.2.3 [redacted] ( [redacted] ) [redacted] ;

27.2.4 [redacted] .

## 28. Procedure after transfer

28.1. [redacted]


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[redacted] [ 5 ]% [redacted] , [redacted] :

28.1.1 [redacted] ;

28.1.2 [redacted] , [redacted] ;

28.1.3 [redacted] ;

28.1.4 [redacted] ;

28.1.5 [redacted] , [redacted] ;

28.1.6 [redacted] , [redacted] , [redacted] ;

28.2. [redacted] , [redacted] ( [redacted] ).

## 29. Restrictions on Shareholder after transfer

Each Shareholder agrees that:

29.1. [redacted] , [redacted] ;

29.2. [redacted] [ [redacted] ] [redacted] , [redacted] , [redacted] , [redacted]


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[redacted].

29.3. [redacted] [redacted], [redacted], [redacted] [redacted], [redacted], [redacted];

29.4. [redacted] [redacted] [redacted], [redacted], [redacted], [redacted] [redacted];

29.5. [redacted], [redacted], [redacted] [redacted];

29.6. [redacted].

## 30. Shareholder's continuing rights and obligations

30.1. [redacted].

30.2. [redacted], [redacted] [redacted]:

30.2.1 [redacted];

30.2.2 [redacted];


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# 31. Transfer of shares on death or incapacity

In this paragraph:

"[redacted]" [redacted].

"[redacted]" [redacted].

"[redacted]" [redacted]:

the death of a Shareholder; or

[redacted]; [redacted]

[redacted] 2 [redacted] 2001 .

"[redacted]" [redacted].

31.1. [redacted], [redacted], [redacted].

31.2. [redacted] - [redacted], [redacted], [redacted].

31.3. [redacted].

31.4. [redacted], [redacted]. [redacted].


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31.5. [redacted]:

31.5.1 [redacted] ([redacted]) [redacted] 14 [redacted]; [redacted]

31.5.2 [redacted], [redacted].

31.6. [redacted] 21 [redacted]. [redacted] 21 [redacted], [redacted].

31.7. [redacted].

31.8. [redacted], [redacted] [ 90 ]% [redacted].

## 32. Transfer of shares on bankruptcy

32.1. [redacted], [redacted]:


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32.1.1 [[redacted]].

32.1.2 [redacted];

32.1.3 [redacted], [redacted], [redacted];

32.1.4 [redacted], [redacted]. [redacted], [redacted].

## 33. Life insurance provision

In this paragraph:

"[redacted]" [redacted].

[redacted]"[redacted]" [redacted]:

[[redacted]][redacted][[redacted]][redacted][[redacted]]

[[redacted]][redacted][[redacted]][redacted][[redacted]]

[[redacted]][redacted][[redacted]][redacted][[redacted]]

"[redacted]" [redacted].


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[redacted]

33.1. [redacted]

33.2. [redacted]

33.3. [redacted]

33.4. [redacted]

33.5. The Sum shall be payable to the Beneficiaries.

33.6. [redacted]

33.7. [redacted]

## 34. Publicity

[redacted]


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## 35. Conflict with the Constitution

[redacted], [redacted]:

35.1. [redacted], [redacted];

35.2. [redacted].

## 36. Miscellaneous matters

36.1. [redacted], [redacted].

36.2. [redacted].

36.3. [redacted], [redacted], [redacted], [redacted].

36.4. [redacted], [redacted].

36.5. [redacted].

36.6. [redacted]. [redacted], [redacted].

36.7. [redacted].

36.8. [redacted]


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[redacted] - [redacted].

It shall be deemed to have been delivered:

[redacted]: [redacted];

[redacted]: [redacted] 72 [redacted];

[redacted] - [redacted] [redacted] - [redacted]: [redacted] 24 [redacted] [redacted] - [redacted].

36.9. [redacted], [redacted].

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

Signed by [full name], an Existing Shareholder:

Signed by [full name], an Existing Shareholder:

Signed by [full name], an Existing Shareholder:

Signed by [full name], duly authorised on behalf of [DEF], the Investor:


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## Schedule 1: Existing IP owned by IP shareholder

[ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ]



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## Schedule 2: Ownership of assets used by the Company


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## Schedule 3 - Letter of instruction to accountants for valuation

On the letterhead of the company

To: [Bloggs accountants]

Dear Sirs

Shares valuation - this company

[redacted].

[redacted] [ [redacted] ] % [redacted].

To assist you we now enclose:

- [redacted], [redacted];
- [redacted];
- details of the current and forward order book;
- budget for the next [two] years;

[redacted].

[redacted], [redacted]:

*OR*

Please make your valuation on the following assumptions:

1. [redacted].
2. [redacted].


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3. [redacted], [redacted] %].

4. [redacted] / [redacted], [redacted].

5. [redacted], [redacted] / [redacted].

6. [redacted], [redacted]:

   6.1. depreciation,

   6.2. salary payments to the directors,

   6.3. other emoluments of the directors,

7. [redacted], [redacted] ([redacted]).

8. [redacted].

9. [redacted].

10. [redacted].

11. [redacted].

12. [redacted].


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Yours faithfully,


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# Explanatory notes:

**Shareholders' agreement: professional investors**

## General notes

1. Although all matters relating to the structure and management of a company must stay within the framework provided by the Act, this agreement is comparatively unregulated. It is therefore open to you to make whatever arrangements you wish. The starting point for this agreement should therefore be a "wish ■ ■ ■ ■ " ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ . ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ , ■ ■ ■ ■ ■ ■ ■ ■ !

2. The agreement provides for special terms likely to be required to protect the interest of what we have named an "Investor". There are two ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ . ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ . ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ !

Before you can discuss the detail of this document, everyone involved should talk about the “exit strategy”. We can advise confidently that there will be a dispute at some ■ ■ ■ ■ , ■ ■ ■ ■ ■ ■ ■ ■ ■ , ■ ■ ■ ■ , ■ ■ ■ ■ , ■ ■ ■ ■ ■ ■ ■ ■ .

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

## 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 ■ ■ ■

To avoid that issue, we have provided that any motion relating to anything mentioned in this agreement shall be decided only by a real majority. That is to say, the guys who [redacted] .

Remember however, that good modern constitution allows for meetings to take place via telecoms software even if the participants are scattered over the whole world. A shareholder will also be "present" [redacted] .

## 7. Appointment and removal of Directors by Existing Shareholders

In a small, private company it is usual for every shareholder to also be a director. We have provided for that. If a shareholder does not wish to be [redacted] , [redacted] .

We have included an important provision for a shareholder with a very small holding of shares to be excluded from the power to appoint a director. You may think this is unnecessary right now, but consider a situation where a shareholder might die and his shares [redacted] . [redacted] .

As you would expect, it is reasonable to provide for a shareholder to lose his right to appoint a director when he sells his shares. However, you also need to cover the possibility that a shareholder may mischievously decide to sell most of his shares, keeping just one or more. That means he would still be entitled [redacted] , [redacted] , [redacted] . [redacted] .

To prevent this, we have provided that the right to appoint a director is removed when a shareholder no longer holds a given percentage of shares. We have suggested 5%, but it [redacted] .

Remember that the actual appointment or removal must take place within the framework of the Companies Act, that is, by [redacted] .

## 8. Appointment and removal of nominee Director by Investor

This paragraph provides a framework within which you can decide what you will allow to an investor. You [redacted] .

## 9. Duties of Directors


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The identity of the directors is an obvious requirement. It is good practice to specify areas of responsibility. The details of the terms of ■ ■ ■

■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ . ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ , ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■

may be to exploit a patent, [redacted] , [redacted] , [redacted] , [redacted] , [redacted] , [redacted] " [redacted] " [redacted] .

As new shareholders are brought in (and this agreement is required) IP ownership records become lost or ignored. At some stage, either the IP owner, or some other [redacted] . [redacted] .

This paragraph provides a route through the maze. The ideal provision is not one that needs to be in this agreement at all. It is to identify essential IP and make sure the owner either assigns it to [redacted] . [redacted] - [redacted] .

Every binding agreement must be for value (consideration). It is quite acceptable if that value is very low - [redacted] € 1 . [redacted] , [redacted] .

Although the assumption here is for the IP owner to continue to allow the company to use his IP [redacted] , [redacted] .

## 18. New intellectual property

The scope and potential value of intellectual property is very wide. It is sometimes difficult to identify, let alone track. The provisions in this agreement are therefore thorough. As long as we do not know today what [redacted] , [redacted] . [redacted] .

## 19. Assets introduced by a shareholder

Over time, shareholders tend to introduce physical assets for use in the company. It might be a picture to hang on the office wall, or an old desk. Later, arguments arise over ownership. [redacted] , [redacted] , [redacted] , [redacted] . [redacted] , [redacted] .


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This paragraph grants a formal licence to the [redacted] .

## 20. Assets and Intellectual Property introduced by the Investor

This is simple statement to avoid any doubt to use any asset or intellectual property [redacted] . [redacted] .

By all means edit [redacted] .

## 21. Confidentiality

It is for the parties to decide whether they think this provision is appropriate. This happens where software, customer lists, and designs creep out of the business [redacted] . [redacted] . [redacted] .

## 22. Dividend policy and procedure

You do not have to include a dividend policy in a shareholders agreement. A young and expanding company may prefer to state categorically that no dividend shall [redacted] . [redacted] , [redacted] - [redacted] .

The usual way to provide for an outside shareholder [redacted] .

Payment of a dividend must accord with tax law and the Companies Act, Section 12. The tax element relates in part to the availability of profit out of which a dividend may be [redacted] . [redacted] . [redacted] .

Payment of a dividend must [redacted] .

We have not provided for an interim dividend because interim accounts are required in order [redacted] . [redacted] .

## 23. General provisions relating to shares

This is a menu of matters you will include or delete or edit as you decide. In any small private company, the eternal fear is that a substantial shareholder will give her shares to her child or children who will then "interfere" in the


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management of [redacted] . [redacted] " [redacted] " [redacted] . [redacted] , [redacted] .

## 24. Exit provision: co-operate to find buyer

You can decide now exactly what will be the future of the company or you [redacted] - [redacted] .

Practically, we advise that you do not bind yourselves to a drastic termination unless that is the clear purpose of the company. However, you should use this paragraph [redacted] , [redacted] , [redacted] . [redacted] ? [redacted] , [redacted] .

## 25. Share sale by single shareholder

We have provided in detail for a right of pre-emption in the event that a shareholder wishes [redacted] . [redacted] . [redacted] . [redacted] . [redacted] - [redacted] .

The downside is that the [redacted] " [redacted] ".

The draft [redacted] .

## 26. "Tag-along" right

This is [redacted] :

Large shareholder agrees sale of controlling interest to a [redacted] . [redacted] - [redacted] , [redacted] .

We have suggested 51% as the appropriate trigger for this provision, because [redacted] , [redacted] 51 %, [redacted]


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[redacted]

To an Investor, however, an ability to sell his [redacted]

## 27. "Drag along" right

This provision is activated when a seller has found a buyer who is interested [redacted]

It provides that the (majority) selling shareholder [redacted]

However, we have also provided that there shall be [redacted]

If you wish [redacted]

## 28. Procedure after transfer

It is not unknown for a shareholder with a grievance to retain a small number of shares, [redacted]

There is no reason why you [redacted]

The extent of these provisions is a matter of choice. If colleagues fall out, [redacted]


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[redacted]

## 29. Restrictions on shareholder after transfer

The carefully chosen wording of these restrictions is necessary to withstand the general proposition that an agreement "in restraint of trade" [redacted]

## 30. Shareholder's continuing rights and obligations

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

## 31. Transfer of shares on death or incapacity

There are [redacted]:

First, probate law will take precedence over anything you say here. Second, A PR is also bound by the law [redacted]

A PR is compelled to carry out [redacted]


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In practice, a PR will usually [redacted] - [redacted] - [redacted] .

This provision is intentionally precise and thorough because [redacted] .

Since most shareholders' agreements are between small numbers of shareholders it is likely that they will be able to discuss any offer made and [redacted] . [redacted] , [redacted] 90 % [redacted] . [redacted] , [redacted] .

## 32. Transfer of shares on bankruptcy

We are sometimes asked what steps should be taken when a court order is made, declaring a [redacted] . [redacted] . [redacted] , [redacted] . [redacted] .

However, the shareholders can agree with each other as to how they buy [redacted] , [redacted] . [redacted] .

In our experience, a trustee in [redacted] . [redacted] .

## 33. Life insurance provision

This paragraph may be deleted if [redacted] " [redacted] " [redacted] .

## 34. Publicity


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We have no comment.

**35. Conflict with the Constitution**

As stated [redacted] .

**36. Miscellaneous matters**

A number of special points. We have identified each of these as important to [redacted] .

**Letter to accountant - valuers**

All good things come to an end. The " [redacted] " [redacted] :

1. The valuation method [redacted] .

2. No matter what you put in the letter, or what valuation method you choose, [redacted] .

3. Remember, you are instructing the [redacted] .

4. Remember too, that there [redacted] .

# End of notes


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