Shareholders' agreement: single majority owner retains control

Agreement between shareholders for the regulation of

[Company name]

Dated: [date]

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Schedule 1	Intellectual Property owned by shareholder
Schedule 2	ownership of assets used by the Company
Schedule 3	Letter of instruction to accountants for valuation

This agreement is dated:			[date]						
The (Compa	ny is:	[company name] ("the Company")						
The (Compa	ny's registered office is:	[company r/o]						
The S	Shareh	olders are:							
[nam	e]		of [address]						
[nam	e]		of [address]						
The I	oackgr	ound to this agreement	is:						
Optio	on 1: =								
1.	[ABC] has • • • • • • • • •							
2.	The Company is a limited company, number [1234567], incorporated in New Zealand on [date]								
3.	Befor	re completion of this agre	ement:						
	3.1	the Company has a sha ordinary shares of \$ 1 e	are capital of \$ [1000] made up as to [1000] each.						
	3.2	all issued shares are ■	;						
	3.3	the shareholdings ■ ■ ■							
4.		parties have agreed these een them.	e terms in order to regulate the relationship						
Optio	on 2: ■								
5.	The	shareholders ■ ■ ■ ■ ■							
	.								
6.	The (Company is a ■■■■■							
	• • •								
7.	Befor	re completion of this agre	ement:						

- 7.1 the Company has a share capital of \$ [1000] made up as to [1000] ordinary shares of \$ 1 each.
- 7.2 all issued shares are fully paid or credited as fully paid;
- 7.3 the shareholdings in the Company is as set out in this agreement.

8.	•							I	-	•								

These are the terms of the agreement:

1. Definitions

"Director"

"Fair Price"

These definitions	apply unl	ess the (context re	quires a	different in	nterpretation
THOSE GOINING	appry arm	OOO tilo v		quii oo u	annoront n	ito protation

"Business" means the business of [state nature of business concisely].

"Confidential Information" means all means a

means a director of the Company.

means the price of Sale Shares or Transfer

by independent accountant instructed for the

Shares certified by the auditor of the Company or

	purpose of such valuation and based on the letter of instruction set out in Schedule [3].
"Intellectual Property"	means
"PR"	means the
"Sale Notice"	means a notice given by a shareholder to the Company, specifying the details of Sale Shares.
"Sale Price"	means the price specified in a Sale Notice.
"Sale Shares"	means the shares which a shareholder wishes to transfer by gift or sale, or otherwise to dispose of.
"Transfer Date"	means the date when a shareholder transfers the last of his shares in the Company.
"Transfer Event"	means any one of:
	the death of a shareholder; or
	the
	■ ■ ■ ■ ■; or
	the
"Transfer Shares"	means shares which are owned by a shareholder whose affairs become subject to a Transfer Event.

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 the singular may be interpreted where appropriate as a
2.3.	a reference to a • • • • • • • • • • • • • • • • • •
2.4.	a references to a paragraph or schedule is to a paragraph or schedule to this agreement unless the context •••••••••••••••••••••••••••••••••••
2.5.	the headings to the paragraphs and schedules (if any) to this agreement are inserted ••••••••••••••••••••••••••••••••••••
2.6.	unless the context requires otherwise, words importing the singular include the plural and vice versa, and pronouns importing a I I I I I I I I I I I I I I I I I
2.7.	any agreement by any party not to do or omit to do something includes an obligation not to allow some
2.8.	[except where stated otherwise], any obligation of any person arising from this
2.9.	a reference to the knowledge, information, belief or awareness of any person shall be deemed to include the knowledge, information,
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

3.	Rel	ationship of parties									
	3.1.	•	create a partnership or agency or the mployee between any of the , .								
	3.2.	supersedes all previous agreer	ntire agreement between the parties and nents and understandings between the ges that, in entering into this agreement,								
	3.3.		o use his best endeavours at all times to								
4.	Issı	uance of shares									
	[Use this paragraph if the company is new and shares have ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■										
	The		res of \$1 each will be issued to ■ ■ ■ ■ ■								
		Name of shareholder	Number of shares								
		Pat	800								
		Joe	200								
5.	Sha	areholders' details									
	_	this paragraph if the company is	already operational and you ■ ■ ■ ■ ■								
	The	shareholders in the Company are	:								
		Name of shareholder	Number of shares								
		ABC	800								

DEF 200

6.	Cor	npletio	on									
	The parties agree to give effect to this E E E E E E E E E E E E E E E E :											
	6.1.	and mi	duct such business of the Company and sign such resolutions inutes as may be necessary and to instruct the [company ary] to write up the									
	6.2.		hareholder shall receive for such number of shares as is set out this name in paragraph 4 I I I I I I I I I I I I I I I I I I									
	6.3.		ompany shall not be obliged to issue shares to a shareholder payment of the specified price is made									
7.	Cor	npany	's use of money									
	The (Company I ■ ■ ■ ■	y will use the money from the shares solely to									
8.	Dire	ector r	nay delegate									
	8.1.	admini	et to the Constitution, the Director may delegate common strative matters to any [
		8.1.1	by whatever means									
		8.1.2	to whatever extent									
		8.1.3	on whatever terms as he thinks fit.									
		For the	e purpose of this paragraph the "■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■									

8.1.4 dealing with employees

		8.1.5	making arrangements for meetings,
		8.1.6	banking matters,
		8.1.7	preparation of annual budget estimates,
		8.1.8	maintenance of books of accounts / annual accounts,
		8.1.9	keeping the members informed.
	8.2.		irector so specifies, any such delegation may authorise further tion of the directors'
	8.3.	The Dir	rector may revoke any delegation in whole or part,
9.	Prox	ky vot	es
	9.1.	•	tion or decision which may be taken by a shareholder at any hay be taken • • • • • • • • • • • • • • • • • • •
	9.2.	A share	eholder may not appoint more = = = = = = = = = = .
	9.3.	notice o	son may act as proxy until his principal has given seven days of his appointment in hard or soft copy to the Company [
10.	Con	npany	's obligations
	10.1.	The Co ■ :	ompany undertakes with the each
		10.1.1	carry on the Business efficiently;
		10.1.2	ensure that any decision reasonably likely to affect the Business (apart from day to day administration) is taken ■ ■
			■■■■;
		10.1.3	maintain insurances appropriate and usual for \blacksquare \blacksquare \blacksquare \blacksquare \blacksquare \blacksquare \blacksquare

			best = = = = = = = = = = = = = = = = = = =					
		10.1.5	keep accurate accounts and records of the Company and the Business and to make all information of every sort available to the Director,					
		10.1.6	deliver to each shareholder as promptly as reasonably practicable such additional financial or other information as may be requested • • • • • • • • • • • • • • • • • • •					
		10.1.7	prepare such accounts in respect of each accounting reference period as are required by statute and procure that such accounts are audited and submitted to the 3					
11.	Sha	reholo	ders' obligations					
	11.1.		areholders agree to exercise their powers in relation to the ny to procure that the Company complies with the					
	11.2.	he rem	Each shareholder undertakes with each of the other parties that whilst he remains a party to this agreement he will not cast any of the voting rights exercisable					
		■,■■						
12.	Divi	dend	policy and procedure					
	12.1.	Dividen	nds shall be paid only in accordance with					
	12.2.		end must not be declared unless the Director has made a nendation as to its amount. Such a					

10.1.4 buy, sell and deal at all times and in all circumstances at the

12.3.	No dividend shall be paid until the annual accounts of the Company have shown a profit after tax of at $\blacksquare \blacksquare \blacksquare$
Acti	ons requiring shareholder consent
Comp	hareholders, whether as directors or shareholders, will not permit the eany to take any of the following steps without consent of shareholders ogether hold
13.1.	change the name of the Company;
13.2.	adopt a constitution after registration and change or revoke • • • • • •
13.3.	approve a major transaction or amalgamation of the Company
13.4.	pass any resolution for winding-up the Company • • • • • • • • • • • • • • • • • • •
13.5.	put into liquidation
Exis	sting Intellectual Property
•	shareholder (the "IP shareholder") owns Intellectual Property ("SHIP") is used by the Company,
14.1.	The Company and its Directors shall be entitled to allow the continued
14.2.	In the absence of any other documented licence agreement between the Company and the IP shareholder, the IP shareholder shall be deemed to have granted a licence to the Company in terms which
14.3.	The IP shareholder may terminate any deemed licence on giving [3] ■
14.4.	If, in the course of business, the Company has permitted any client or customer to use any SHIP which may have become incorporated in that product or service, the IP shareholder who claims ownership of that SHIP shall be deemed to have granted licences to the Company in

14.

14.5.	In the c	circumstances of the last preceding sub paragraph, ■ ■ ■ ■ ■ ■ ■				
	14.5.1	Schedule [1] of this agreement correctly records the ownership of				
	14.5.2	nothing in this agreement shall prevent an IP shareholder from taking any legal action against any person for breach ••••••••••••••••••••••••••••••••••••				
	14.5.3	nothing in this agreement shall prevent a shareholder from entering into an arm's length agreement with • • • • • • • • • • • • • • • • • • •				
New	ı Intell	ectual Property				
15.1.	Each shareholder understands that whilst associated with the Company, he may discover or create Intellectual Property. Each shareholder now agrees that if he is or becomes involved					
		:				
	15.1.1	do his utmost to ensure that the Company acquires or ••••;				
	15.1.2	inform the Company reasonably soon after any ■ ■ ■ ■ ■ ■ ■ ■ ■ ■				
	15.1.3	provide to the Company whatever full code, passwords, specification, description, text or drawings as are together necessary to enable the				
15.2.		ke this effective each shareholder now undertakes to do				
15.3.	If Intelle	ectual Property owned by a shareholder and used by the				

Company with his permission, is incorporated into \blacksquare \blacksquare \blacksquare \blacksquare \blacksquare \blacksquare \blacksquare

	15.4.	This paragraph does not apply to Intellectual Property created by						
16.	Assets introduced by a shareholder							
	16.1.	This paragraph does not apply to Intellectual Property.						
	16.2.	The assets listed under the 						
	16.3.	This paragraph applies to those assets and also						
	16.4.	Unless a clear intention of gift						
	16.5.	Each shareholder, who has permitted his assets of any description						
		16.5.1 is limited to ———————————————————————————————————						
		16.5.2 prohibits reproduction • • • • • • • • • • • • • • • • • • •						
		16.5.3 shall terminate at any time						

17. Confidentiality

17.1. Each shareholder agrees and undertakes that he will:

		17.1.1	not remove from Company's premises or copy or allow anyone else to copy from					
		17.1.2	in respect of any part of the Confidential Information of the Company, from today until					
	17.2.	This pa	aragraph does not apply to disclosure:					
		17.2.1	made with the consent of the proper					
		17.2.2	of information or knowledge which I I I I I I I I I I I I I I I I I I					
		17.2.3	as may be •••••••••••••••••••••••••••••••••••					
18.	 Exit strategy Option 1: ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■							
			75 % = = = = = = = = = = = = .					
	Optio	n 2: thi:	s option = = = = = = = = = = = = = = = = = = =					
	18.2.	A shar	reholder may dispose of all or any of his shares, to any					

Option 3: provides a concise and comprehensive procedure to ■ ■ ■ ■					
18.3.	In the event that the holders of at least 75 % of shares • • • • • • • • • • • • • • • • • • •				
18.4.	Each of the shareholders other than the Transferor shall have the right (the "Tag-Along Right")				
18.5.	Within 30 days following the delivery of Transfer Notice, each shareholder who elects to exercise				
18.6.	That election notice shall be irrevocable and shall constitute I I I I I I I I I I I I I I I I I I				
18.7.	In order to be entitled to exercise his Tag-Along Right,				
18.8.	However, the electing shareholder shall not be obliged to accept any liability				
18.9.	Where a shareholder has properly elected to exercise his Tag-Along Right and the proposed				
Optio	n 4: it provides a framework where a majority shareholder wants to				

		In the event that the holders of at least 50 % of shares calculated on an as-converted and non-diluted basis (the "Majority Holders") accept an offer
		18.10.1 sell all of his shares, free of any encumbrance or restriction, in
		18.10.2 vote his shares in favour of that transaction; 18.10.3 take all actions (including executing documents)
		18.10.4 appoint the Majority Holders, acting jointly,
19.	Trar	nsfer of shares and right of pre-emption
	19.1.	A shareholder may at any time transfer shares • • • • • • • • • • • • • • • • • • •
	OR	
	19.2.	A shareholder may freely dispose of some or all of his shares to his [spouse

19.3.	9.3. If a shareholder wishes to dispose of all or any of his shares, [= =						
	••:						
19.4.		lling shareholder (
19.5.	The Sa	le Notice must specify:					
	19.5.1	the number and classes of •••••(••••••••••••••••••••••••••••••					
	19.5.2	The Sale Price per share, being the price at which the					
		■ ■);					
	19.5.3	whether any third party has indicated a willingness to buy the					
		;					
	19.5.4	the identity of any such third party and (
	19.5.5	a summary of the terms of purchase put forward					
19.6.	■,■■	eller asserts that the Sale Price is • • • • • • • • • • • • • • • • • •					
19.7.	The Sa	lle Notice shall be					
19.8.	The Sa	lle Notice shall not be revocable except with ■ ■ ■ ■ ■ ■ ■ ■					

19.9. Promptly after the Sale Notice is received, the Directors shall send a copy of
19.10. A shareholder wishing to accept any or all of the shares offered to him shall give written notice of
19.11. If such notice is not received by •••••[21]••••,
19.12. A notice of acceptance shall be irrevocable and shall give rise to , , , , , , , , , , , , , , , , , , ,
19.13. The Sale Shares shall be sold free from all charges and with
19.14. In exchange for the Sale Price, the Seller shall deliver to each
19.15. If the Seller fails to comply with the \blacksquare
19.16. If in respect of all or any Sale Shares the Seller's offer lapses or is ■ ■
Procedure after transfer

20.1. On or immediately **•••••••••••**

.....:

20.

		20.1.1	immediately resign as a director of the Company ; • • • •
		20.1.2	immediately transfer to whoever the Company \blacksquare \blacksquare \blacksquare , \blacksquare \blacksquare \blacksquare
		20.1.3	irrevocably authorise the Company to •••••• ; ••••
		20.1.4	not from that time represent to anyone • • • • • • • • • • • • • • • • • • •
		20.1.5	return to the Company without request all
		20.1.6	delete all Confidential Information
		20.1.7	not contact or communicate • • • • • • • • • • • • • • • • • • •
	20.2.	complia	ils to comply with any provision of this paragraph where ance could be achieved by the signing of some document or if a second s
21.	Trar	nsfer o	of shares on death or incapacity
	21.1.	A PR m	nust, as soon as this
	21.2.	Notice	of a Transfer Event by a PR shall be irrevocable and

21.3.	Promptly after notice of a Transfer 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 • • • (• • • • • • • • • • • • • • •
	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],
21.6.	A notice of acceptance shall be irrevocable and shall give rise to a legally binding and unconditional
21.7.	If neither the Company nor the shareholders accept the offer to sell the Transfer • • • • • • • • • • • • • • • • • • •
	••••• [90 %] •••••••••••••••••••••••••••••••••••
Trar	sfer 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. Restrictions on shareholder after transfer

Each shareholder agrees that:

23.1.	after the Transfer Date to continue to acknowledge the ownership ■ ■
23.2.	he will not within [three] years of the Transfer Date directly or indirectly, advise, instruct,
23.3.	the restrictions imposed by the last ••••••••••••••••••••••••••••••••••••
23.4.	he will not within [three] years of the Transfer Date directly or \blacksquare \blacksquare \blacksquare ,

	23.5.		ot within	n three year	rs of transf	er, direct	y or indire	ectly, emp	oloy =
	23.6.			of this ■ ■ ■		••••	••••	••••	•••
24.	Shareholder's continuing obligations								
	24.1.	This agr	eement	shall be			••••		
	24.2.	No trans	No transfer shall be accepted by the Company						
	24.3. The rights a								
		24.3.1	any righ	nt or obligat	ion = = =				
		24.3.2		nt or obligat					
25.	Life insurance provision								
	In this	paragrap	oh:						
	"Bene	eficiary"							
	The "	Life Assu	red"	means:					
]				.[
	The "	Trigger E	vent"						

.......................

The "	'Sum"						
25.1.							
25.4.	••••••						
25.5.	The Sum shall be payable to the Beneficiary.						
25.6.							
Pub	licity						
Conflict with the Constitution							

27.

21

	27.1.
	27.2.
28.	Breach of this agreement
	28.1.
	28.2.
29	Dispute Resolution
23.	
30.	Severance and invalidity
	30.1.
	,
	,
	30.2.

31. Miscellaneous matters

31.1.	
31.2.	
31.3.	
31 <i>1</i>	
51.4.	
	•
31.5.	
31.6.	•••••
	It shall be deemed to have been delivered:
	,
	72;
31.7.	,

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

Schedule 1 – Intellectual Property owned by shareholder

[Provide the list of any intellectual property owned by shareholder being used by the company]

Schedule 2 - ownership of assets used by the Company

Schedule 3 - Letter of instruction to accountants for valuation

On the letterhead of the company	
To: Bloggs accountants	
Dear Sirs	
Shares valuation - this company	
	•
To assist you we now enclose:	
• • • • • • • • ;	•••
• • • • • • • • • • • • • • • • • • • •	
;	
 details of the current and forward order book; 	
budget for the next [two] years;	
	• • •
== :	
OR	
Please make your valuation on the following assumptions:	
1.	•••
2.	

3.			
4.			, - , -
5.			,/
6.			
	6.1	depreciation,	
	6.2	salary payments to the directors,	
	6.3	other emoluments of the directors,	
7.			
		■ ■).	
8.	•••		
9.			• • • • • • • • • • • • • • • • • • • •
10.			• • • • • • • • • • • • • • • • • • • •
11.			
12.			• • • • • • • • • • • • • • • • • • • •

Yours faithfully,

Explanatory notes:

Shareholders' agreement: single majority owner retains control

General notes

1.	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"
2.	There are also some important preliminary decisions relating to who does what, how the whole deal terminates, and what happens when ••••••••••••••••••••••••••••••••••••
3.	The document contains four preliminary points which are technically called "recitals". The main purpose of the recitals in this case is to set out the structure of the company before the agreement becomes effective. It is
	We have provided two options in the background paragraph. Use ■ ■ ■ ■ ■

Paragraph specific notes

Notes following the numbered paragraphs

4. 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

5. Interpretation

6. Relationship of parties

This is a simple statement for the avoidance of doubt. Of course other documents may indeed create the relationships mentioned. 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 fully effective,

7. Issuance of shares

This is optional paragraph. Use it if the company is new and shares have not yet been issued **\Barger \Barger \B**

8. Shareholders' details

9. Completion

The agreement does not of itself make things happen. So far as change must be made, it is likely to be through service contracts, minutes of meetings, and so on. It is therefore important to specify and list the actions to be taken to complete the agreement.

10. Company's use of money

Minority shareholders will be best protected if all parties are clear as to what Director may delegate Every part of this paragraph may be edited to suit your requirement. This is suitable in the structure where a director holds majority shares in the . . However, it is far safer to appoint sufficient numbers of directors to cover any problems with absence. **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 you are unable to do so. Like most of the provisions of this agreement, the parties will refer only in A proxy votes his principal's shares. He stands in the shoes of the principal only for the purpose of voting. He is not expected to contribute to **\| \| \| \| \| \| \| \|** The minimum period prescribed by law for a proxy notice $\blacksquare \blacksquare \blacksquare \blacksquare 48 \blacksquare \blacksquare \blacksquare \blacksquare$. Company's obligations The company and the shareholders are parties. Although the company can act only through its directors, it does have a separate legal identity. It is the

13.

11.

12.

company that carries the primary responsibility for the items mentioned. It may well be that the proper

14. Shareholders' obligations

This provision is intended to prevent a shareholder from acting secretly on behalf of a predator - - - - - - - - - - - - - - - - - .

Edit as you require.

15. Dividend policy and procedure

Payment of a dividend must accord with tax law and the Companies Act. section 52 to 54. The tax element relates in part to the availability of profit out of which a dividend may be paid. If the accounts of the company show a net

	•••.
	Payment of a dividend must also accord with
	We have not provided for an interim dividend because interim accounts are required in order to show that an interim dividend is justified.
	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
	The usual way to provide for an outside shareholder
	We recommend that you leave this paragraph substantially
16.	Actions requiring shareholder consent
	This paragraph is most important.
	We have only included the matters that require a special resolution with a 75% majority as a matter of law. Any
17.	Existing Intellectual Property
	When a company is first formed, it is usual, rather than exceptional, for it to use intellectual property owned by one of more of its new shareholders. That may be to exploit a

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

This paragraph provides a route through the maze. It is entirely optional and
New intellectual property
The scope and potential value of intellectual property is very wide. It is also difficult to track. The provisions in this agreement are therefore thorough. As long as we do not know today what intellectual property
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 grants a formal licence to the s s s s s s s s s s
Confidentiality
It is for the parties to decide whether they think this provision is appropriate. This happens where software, customer lists, and designs creep
Exit strategy
You do not have to have an exit strategy, but we strongly • • • • • • • • • • • • • • • • • • •
It is likely that circumstances will arise as the years pass, when one or more shareholders would
This paragraph covers:

19.

20.

21.

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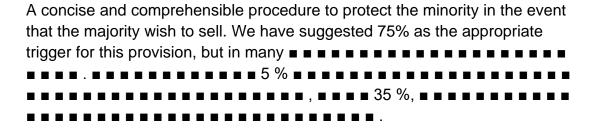
- when the company continues in operation, but one or more shareholders decides to retire or encash their investment, or go their own way, or feels forced to leave by the others.
- where the company has served its purpose: it was set up for a single venture and that venture is now complete. You will then wind up the company and distribute its assets.

We have provided three options. You may choose the option that best suits your requirement. However, you may draw a strategy of your own.

The **first option** states no transfer without consent.

The **second option** makes arrangements for the departing shareholder to be bought out by the others.

The **third option** provides a concise and comprehensive procedure to protect the minority in the event that the majority wishes to sell. This is called a "tagalong right".



The **fourth option** provides a framework where a majority shareholder wants to sell his shares and has the power to insist that the other shareholders will sell their shares as well as part of the same deal. This arrangement is known as a "drag-along right".

If any large shareholder has a buyer conditionally on that buyer being able to buy all of the shares, you would need this paragraph. Without it, the buyer would be left with minority shareholders whose rights reduced his freedom of action.

However, we have also provided that there shall be no drag-along unless the minority can take a profit. How much profit is up to you? We have also left open the basis of calculation of the profit.

22. Transfer of shares and right of pre-emption

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,
The most common provision is for a transfer • • • • • • • • • • • • • • • • • • •
We have provided in detail for a right of pre-emption in
We advise against deleting this paragraph unless The draft
The draft Important: A company's constitution may restrict the right of a shareholder to transfer his shares and may require him, in specified circumstances, to offer his Important: A company's constitution may restrict the right of a shareholder to transfer his shares and may require him, in specified circumstances, to offer his Important: A company's constitution may restrict the right of a shareholder to transfer his shares and may require him, in specified circumstances, to offer his Important: A company's constitution may restrict the right of a shareholder to transfer his shares and may require him, in specified circumstances, to offer his Important: A company's constitution may restrict the right of a shareholder to transfer his shares and may require him, in specified circumstances, to offer his Important: A company's constitution may restrict the right of a shareholder to transfer his shares and may require him, in specified circumstances, to offer his Important: A company's constitution may restrict the right of a shareholder to transfer his shareholder him, in specified circumstances, to offer his a shareholder him, in specified circumstances, to offer his a shareholder him

23.	Procedure after transfer
	The extent of these provisions is a matter of choice. If colleagues fall \blacksquare \blacksquare \blacksquare
24.	Transfer of shares on death or incapacity
	If the transfer is by operation of law, (bankruptcy • • • • • • •) • • • • •
	,
	A PR = = = = = = = = = = = = = = = = = =
	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
25.	Transfer of shares on bankruptcy
	We are sometimes asked what steps should be taken when a court order is
	made, declaring a

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

26.	Restrictions on shareholder after transfer
	The carefully chosen wording of these restrictions is necessary to withstand the general proposition that an agreement "in restraint • • • • • • • • • • • • • • • • • • •
	•.
27.	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
28.	Life insurance provision
	This paragraph provides = = = = = = = = = = = = = = = = = = =
	By all • • • • • • • • • • • • • • • • • •
29.	Publicity
	We have no comment
30.	Conflict with the Constitution
	As stated • • • • , • • • • • • • • • • • • • •
31.	Breach of this agreement

	You may choose to deal with this
32.	Dispute resolution
	There are many ways to settle a dispute. But an action in court is the least desirable because it takes a long
33.	Severance and invalidity
	This is
34.	Miscellaneous matters
	A number of special points. We have identified each of these as important to
Letter	r to accountant - valuers
All god	od things come to an end. The " ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
35.	The valuation method
36.	No matter what you put in the letter, or what valuation method you choose, ■
37.	Remember, you are instructing the

38.	Remember too, that there

End of notes