Shareholders' Agreement

Agreement between shareholders for the regulation of

[Company name]

Dated: [date]

Ensuring that the members of a company have an agreement which regulates the manner in which they must act as shareholders of a company, and which allows a company to take appropriate action as and when this may be necessary, will ensure that unnecessary issues are avoided in the future, particularly as your company grows.

We have prepared this template can help you in creating a thorough agreement to which all the shareholders must agree.

The template has been designed so that you can put down elements that are pertinent to you, your company (limited by shares) and your fellow shareholders (both those currently members of the company and those that become members in the future).

We recommend that when utilising this template, you engage with a commercial lawyer to ensure that it fully confirms with what you require from a shareholders' agreement and in order that it complies with the provisions of the Companies Act 2006.

Your lawyer will also need to see your Articles of Association and Memorandum to make sure that this agreement, as far as it can, is consistent with those documents.

We offer a bespoke customisation service via our own commercial inhouse lawyer should you wish to engage with them. This template has been prepared with our own lawyer being fully engaged in its drafting; accordingly, we anticipate a significant saving can be made as against instructing a lawyer from an alternative law firm.

Please contact us to arrange an appointment to discuss your requirements.

publisher@gosellmybusiness.com

This agreement is dated: [date]

Parties:

(1) The several persons whose names and addresses are set out in Schedule 1 (the “**Shareholders**”);

(2) [Company Name] is a private company limited by shares incorporated and registered in England and Wales with company number [Company Number] whose registered office is at [Company Address] (the “**Company**”).

BACKGROUND

A. The Company is a private limited company incorporated in England and Wales on [date]. The Company has an issued share capital of £[Value of issued share capital], divided into [Number of shares] of £[value of each share], all of which are fully paid up.

B. Each Shareholder is (or will become as a result of entering into this Agreement) the registered owner if the number and class of Shares set out opposite their name in Schedule 1.

C. The parties have agreed to enter into this Agreement for the purpose of regulating the exercise of their rights in relation to the Company and for the purpose of making certain commitments as set out in this Agreement.

AGREED TERMS

1. Interpretation

1.1 The following definitions shall apply in this Agreement:

Act:	the Companies Act 2006.
Articles:	the articles of association of the Company.
Board:	the board of directors from time to time of the Company.
Business:	has the meaning given in clause 2.1.
Business Day:	a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business.

Confidential Information: means all information, including:

	personal data, as defined in applicable law, owned by any data subject whom a party to this agreement may contact in relation to the subject matter of this agreement or the business of the Company.
	information which may give a commercially competitive advantage to any other person. It includes among other things:
	information about staff, their performance and their personal contact information,
	data or information relating to suppliers, product plans, marketing strategies, finance, performance, operations, customer relationships, customer profiles, sales estimates, business plans;
	information created or arising from this agreement;
	information owned by a third party and in respect of which a party has an obligation of non-disclosure;
	information, comment or implication published on any Internet social medium;
	data or information relating to processes, formulae, procedures, designs, drawings, apparatus, specifications, and all other scientific and regulatory data;
	information about the Intellectual Property and the know-how of the Company.
Deed of Adherence:	a deed of adherence in such form as the Board (acting with Shareholder Consent) may reasonably require under which a person who acquires any Shares (whether by transfer or allotment) agrees with the Shareholders and the Company to become a party to, and to be bound by the terms of, this Agreement as a Shareholder.
Director/s:	means a director of the Company.

Encumbrance:	any interest or equity of any person (including any right to acquire, option, right of pre-emption, any agreement in respect of voting rights or commitment to give or create voting rights) or any mortgage, charge, pledge lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement.
Fair Price:	means the price of Sale Shares or Transfer Shares certified by an independent accountant instructed for the purpose of such valuation and based on the letter of instruction set out in Schedule 5.
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, trademarks, unregistered marks, designs, copyrights, software, domain names, discoveries, creations and inventions.
Shareholder:	each party from time to time to this Agreement (excluding the Company).
Shareholder Consent:	the prior written consent of the holder(s) for the time being of not less than [percentage]% by nominal value of all Shares held by the Shareholders.
Shares:	shares (of any class) in the capital of the Company from time to time.
Transfer Date:	means a date when a Shareholder transfers Shares, whether or not that transfer complies with the provisions of this Agreement.

1.2 Clause and Schedule headings shall not affect the interpretation of this Agreement.

1.3 References to clauses and Schedules are to clauses of and Schedules to this Agreement and references to paragraphs are to paragraphs of the relevant Schedule.

1.4 The Schedules for part of this Agreement and shall have effect as if set out in full in the body of this Agreement. Any reference to this Agreement includes the Schedules.

1.5 A reference to this Agreement or to any other agreement or document referred to in this Agreement is a reference to this Agreement or such other agreement or document as varied, superseded or novated (in each case, other than in breach of the provisions of this Agreement or document in question, as appropriate) from time to time.

1.6 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.7 Any reference to a person made in the agreement is to be understood as being gender-neutral.

1.8 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 a result of a merger, division, reconstruction or other re-organisation involving that person.

1.9 Unless the context requires otherwise, words importing the singular include the plural and vice versa, and pronouns importing a gender include each of the masculine, feminine and neuter genders.

1.10 Any agreement by any party not to do or omit to do something includes an obligation not to allow some other person to do or omit to do that same thing.

1.11 Except where stated otherwise, any obligation of any person arising from this agreement may be performed by any other person.

1.12 A reference to the knowledge, information, belief or awareness of any person shall be deemed to include the knowledge, information, belief or awareness that person would have if that person had made reasonable inquiries.

1.13 A reference to an act or regulation includes new law of substantially the same intent as the act or regulation referred to.

1.14 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 translation of this agreement in any other language, the English language version shall prevail.

2. Business of the Company

2.1 The business of the Company is to [business of the Company].

2.2 Each Shareholder shall use their reasonable endeavours to promote (so far as is lawfully possible in the exercise of their rights and powers as a shareholder of the Company) the success of and, subject to this Agreement, develop the Business, in each case for the benefit of the Company's shareholders as a whole.

2.3 Each Shareholder shall use their reasonable endeavours to procure (so far as is lawfully possible in the exercise of their rights and powers as a shareholder of the Company) that the Business is carried on in accordance with the objects in the Articles.

3. Company Obligations

3.1 The Company undertakes with each of the Shareholders to:

3.1.1 carry on the Business efficiently;

3.1.2 ensure that any decision reasonably likely to affect the Business (apart from day to day administration) is taken by the Directors or by the Shareholders at a general meeting;

3.1.3 maintain insurances appropriate and usual for the Business and its assets;

3.1.4 buy, sell and deal at all times and in all circumstances at the best price and on most favourable terms reasonably available;

3.1.5 keep accurate accounts and records of the Company and the Business and to make all information of every sort available to the Directors, in every case within a timescale appropriate to the subject matter;

3.1.6 provide each Shareholder within [number of weeks] of the end of each month with unaudited management accounts for that month;

3.1.7 deliver to each Shareholder, who owns at least [percentage]% of the Shares, as promptly as reasonably practicable such additional financial or other information as may be requested by that Shareholder upon giving reasonable prior written notice; and

3.1.8 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 Shareholders within 3 months after the end of the relevant accounting reference period.

3.2 The Company shall not take any of the actions set out in Schedule 2 without Shareholder Consent.

4. Transfer of Shares

4.1 No Shareholder shall create any Encumbrance over, transfer or otherwise dispose of or give any person any rights in or over any Share or any interest in any Share, except as permitted or required by this Agreement and the Articles.

4.2 Subject to clause 4.4, the Board shall register any duly stamped transfer made in accordance with this Agreement and the Articles, unless it suspects that the proposed transfer may be fraudulent.

4.3 If, following a transfer of Shares in accordance with this Agreement and the Articles, a Shareholder will hold no further Shares (excluding any Shares held by their personal representatives, successors and permitted assigns):

4.3.1 the Shareholder shall deliver, or procure that there is delivered, to the Company their resignation as a director of the Company and resignations from any directors appointed by them, such resignations to take effect at completion of the sale of the Shares; and

4.3.2 on completion of the transfer of Shares the Shareholder shall, subject to:

(a) clause 4.4; and

(b) those provisions of this Agreement referred to in clause 8.2, which shall continue in force in relation to that Shareholder,

automatically cease to be a party to this Agreement, but such cessation shall not affect any rights, remedies, obligations or liabilities of that Shareholder which existed at or before the date of cessation.

4.4 Subject to clause 4.5, no Shareholder shall, except with the prior written consent of the Board (acting with Shareholder Consent) sell, transfer or otherwise dispose of any Shares to any person who is not a party to this Agreement without first obtaining from that person a Deed of Adherence in favour of the other parties.

4.5 Nothing in clause 4.4 shall require the Company to enter into a Deed of Adherence in respect of any Shares it holds in treasury from time to time.

5. Issue of Further Shares

The Shareholders shall procure that the Company shall not, and the Company undertakes that it shall not, allot, issue, sell, transfer or otherwise dispose of any Shares (including any Shares held in treasury from time to time) to any person, unless that person is a party to this Agreement or has executed and delivered a Deed of Adherence in favour of the other parties to this Agreement.

6. Directors

6.1 Subject to clause 6.4, each Shareholder who owns at least [percentage]% of the Shares shall have the right to appoint and maintain in office one natural person as a director of the Company (including themselves) and to remove any director so appointed and, upon their removal whether by their appointer or otherwise, to appoint another person to act as a director in their place..

6.2 If, following a transfer of Shares in accordance with this Agreement and the Articles, a Shareholder will hold Shares which amount to less than [percentage]% of the total share capital of the Company, and has been appointed as a director of the Company, or has appointed a director, in accordance with clause 6.1, the Shareholder shall deliver, or procure that there is delivered, to the Company their resignation as a director of the Company and resignations from any directors appointed by them.

6.3 An appointment or removal in accordance with clause 6.1 and 6.2 shall be made by giving notice in writing to the Company, to each other Shareholder and, in the case of removal of a director, to the director being removed. The appointment or removal takes effect on the date which the notice is received by the Company or, if a later date is given in the notice, on that date.

6.4 A director who is not a Shareholder may be appointed only if such director's appointment is approved by Shareholders holding [percentage]% of the Shares. This provision over-rides any vote at a general meeting at which one or more Shareholders is absent.

6.5 A Shareholder removing a director under this clause 6 shall indemnify and keep indemnified the Company against any claim connected with the director's removal from office.

7. Share sale by single shareholder

7.1. In this clause:

Sale Notice: means a notice given by a Shareholder to the Company, specifying in respect of the Sale Shares, the information set out in this clause 7.

Sale Price: means the price specified in a Sale Notice.

Sale Shares: means the Shares which a Shareholder wishes to sell.

7.2 If a Shareholder (**Seller**) wishes to sell all or any of Shares, that Shareholder must first offer them to the remaining Shareholders by giving a Sale Notice to the Company. The Sale Notice must specify:

7.2.1 the number and classes of Sale Shares;

7.2.2 the Sale Price per share, at which the Sale Shares are offered for sale;

7.2.3 whether any third party has indicated a willingness to buy the Sale Shares within the period of [number of months] months prior to the date of the Sale Notice and if so the date of that indication;

7.2.4 the identity of any such third party and (if it is a company) the person(s) believed by the Seller to control that company;

7.2.5 all other terms relating to the proposed transaction; and

7.2.6 conformation that the prospective buyer agrees to enter a Deed of Adherence in favour of the Shareholders.

7.3 If the Seller asserts that the Sale Price is also a Fair Price, then the offer must be accompanied by a letter from a professionally qualified auditor/accountant confirming this to be the case.

7.4 The Sale Notice shall be conditional only upon acceptances being received for all of the Sale Shares.

7.5 The Sale Notice shall not be revocable except with the consent of the directors and shall the Company shall act as agent of the Seller for the sale of the Sale Shares.

7.6 Promptly after the Sale Notice is received, the directors shall send a copy of the Sale Notice to each Shareholder and a notice as to the number of such shares a Shareholder may buy, being a number in proportion to the Shares already held by that Shareholder.

7.7 A Shareholder wishing to accept any or all of the Shares offered to that Shareholder shall give written notice of acceptance to the Seller and to the Company within [number of days] days of receipt of the Sale Notice or notification of the Fair Price. Payment of the Sale Price shall be tendered with the notice of acceptance.

7.8 If such notice is not received by the Company within [number of days] days, that Shareholder is deemed to have declined the offer.

7.9 A notice of acceptance shall be irrevocable and shall give rise to a legally binding and unconditional contract between the Seller and the buying Shareholder, conditional only upon acceptances being received for all of the Sale Shares.

7.10 The Sale Shares shall be sold free from all charges and with full title guarantee at the Sale Price and together with all rights attaching to the Sale Shares on or after the date of the Sale Notice.

7.11 In exchange for the Sale Price, the Seller shall deliver to each buying Shareholder a signed share transfer form in respect of the Sale Shares bought by the Seller together with the share certificate(s) for the Sale Shares.

7.12 If the Seller fails to comply with the procedure set out in this clause 7, the Company may act as agent of the Seller without confirmation or further instruction.

7.13 If, in respect of all or any Sale Shares, the Seller's offer lapses or is declined by the Shareholders, then the Seller shall be entitled to transfer the entire legal and beneficial interest in all of the Sale Shares to the person specified in the Sale Notice.

7.14 No transfer to a third party shall be accepted by the Company until the transferee has executed and delivered a Deed of Adherence in favour of the other parties to this Agreement.

8. Exit provision: Co-operation to find Buyer

8.1 It is a condition of this Agreement that each Shareholder will co-operate with all other Shareholders and use their reasonable endeavours to:

8.1.1 sell the whole of the share capital of the Company to a third party within [number of years] years from the date of this Agreement or procure an alternative course of action which shall enable the Shareholders to sell the Shares held at the Fair Price; or

8.1.2 procure an alternative course of action which shall enable the Shareholders to sell the Shares at a Fair Price; such price to be based on the net asset value of the Company of £[amount], and without reference to a true valuation of the Company.

9. Transfer of shares on death or incapacity

9.1 In this clause:

PR: means the personal representatives or other person in control of the affairs of a Shareholder as a result of the happening of a Relevant Event.

Relevant Date: means the date of a Relevant Event.

Relevant Event: means any one of:

the death of a Shareholder; or

the registration of a lasting power of attorney in respect of the health and care or financial affairs of a Shareholder; or the certification of a Shareholder as a patient as defined by section 145 (1) of the Mental Health Act 1983.

Relevant Shares: means shares which are owned by a Shareholder whose affairs become subject to a Relevant Event.

9.2 A PR must, as soon as the relevance of this clause to their notice, notify the Directors of a Relevant Event whereupon the following provisions shall take effect.

9.3 The Relevant Shares shall not be re-registered in the name of any person unless the PR agrees to, and partakes in, the procedure as set out in this clause.

9.4 Notice of a Relevant Event by a PR shall be irrevocable and shall be deemed to constitute an unconditional offer for sale of the Relevant Shares at the Fair Price in accordance with the procedure set out in this clause.

9.5 Promptly after notice of a Relevant Event has been received by the Directors, the auditors of the Company shall be instructed to determine the Fair Price of the Relevant Shares. The cost of such work shall be payable by the PR.

9.6 Any such offer shall be deemed to have been made:

9.6.1 to the Company which shall have the right to accept any or all of the Relevant Shares (if it is lawfully able to do so) by written notice given by it to all Shareholders within [number of days] days of the notification of the value of the Relevant Shares; or

9.6.2 if or to the extent that any offer made to the Company is not accepted, then to all Shareholders in proportion to the number of shares owned by them at the date of the Relevant Event.

9.7 A Shareholder wishing to accept any or all of the Shares offered to that Shareholder shall give written notice of acceptance to the Company within [number of days] days of the notification of the Fair Price. If such notice is not received by the Company within [number of days] days, that Shareholder is deemed to have declined the offer.

9.8 A notice of acceptance shall be irrevocable and shall give rise to a legally binding and unconditional contract between the Company or the person giving it and the PR whereby the PR shall transfer to the Company or the Shareholder the appropriate Shares and the Company and the Shareholder shall pay the Fair Price.

9.9 If neither the Company nor the Shareholders accept the offer to buy the Relevant Shares, then the Company shall buy the Shares within six months of the offer having been made at the price of [percentage]% of the Fair Price.

10. Transfer of Shares on Bankruptcy

10.1 Where an order is made for the bankruptcy of any Shareholder, the remaining Shareholders shall offer to buy the Shares of the bankrupt Shareholder from that Shareholder's trustee in bankruptcy (the "**Trustee**") on the following terms:

10.2 The bankrupt Shareholder undertakes to notify the Company and each other Shareholder of the making of a bankruptcy order within [number of days] of it being made.

10.3 The Directors shall within [number of days] days of becoming aware of a bankruptcy order having been made against a Shareholder, send a notice to all Shareholders of the convening of a general meeting to be held within [number of days] days of the date of the notice.

10.4 At the general meeting, the Shareholders (barring the bankrupt Shareholder) shall:

10.4.1 nominate one of the Shareholders to be appointed to negotiate for and on behalf of all of the Shareholders and the Company with the Trustee; and

10.4.2 agree the Fair Price which shall be offered to the Trustee.

10.5 The nominated Shareholder shall make the offer to the Trustee within [number of days] days of the general meeting.

10.6 As between the remaining Shareholders, each shall be entitled to buy the Shares of the bankrupt Shareholder on a pro rata basis.

10.7 If any remaining Shareholder does not wish to buy proportionate number of Shares, a Shareholder need not do so. If a Shareholder does not, the Shares that would have constituted that Shareholder's entitlement shall be offered pro rata to the then remaining Shareholders.

11. Procedure after Transfer of Shares

11.1 If, at any time, and for any reason, a Shareholder ceases to be a Shareholder, that Shareholder will immediately:

11.1.1 resign as a Director and from any other office connected with the affairs of the Company without compensation for loss of office;

11.1.2 immediately transfer to whomever the Company directs, any Shares in any company held by that Shareholder as nominee of the Company;

11.1.3 irrevocably authorise the Company to appoint some other person to sign resignations on behalf of that Shareholder;

11.1.4 not from that time represent to anyone that the Shareholder is still a Director or Shareholder or associated with the Company;

11.1.5 return to the Company without request all property owned by the Company;

11.1.6 delete all Confidential Information from any computer disks, tapes or other media; and

11.1.7 not contact or communicate with any customer, supplier, or employee of the Company.

11.2 If a Shareholder fails to comply with any provision of this clause where compliance could be achieved by a third party acting with authority of the Shareholder, then that Shareholder shall irrevocably authorise the Company to appoint another Shareholder or Director to act in the name and behalf of that Shareholder to sign any document or do any such thing (without prejudice to any claims which a Shareholder may have against the Company arising out of this Agreement).

12. Restrictions on Shareholder after Transfer of Shares

12.1 Each Shareholder agrees that:

12.1.1 after the Transfer Date, the Shareholder will continue to acknowledge the ownership by the Company of any Intellectual Property rights of the Company at any time the Company may call upon that Shareholder to do so;

12.1.2 a Shareholder will not within [number of years] years of the Transfer Date directly or indirectly, advise, instruct, do or assist in any activity the effect of which is to promote the sale of any product or service which competes with any product or service offered for sale by the Company within the period of [number of years] years immediately preceding the Transfer Date;

12.1.3 the restrictions imposed by the last previous sub paragraph extend only to the area covered by the Counties of [name of relevant Counties] or such other areas, whether more or less in expanse, as contain one or more customers, suppliers, or clients of the Company;

12.1.4 a Shareholder will not within [number of years] years of the Transfer Date directly or indirectly, advise, instruct, do or assist in any activity the effect of which is to encourage any person to breach any contract between that person and the Company;

12.1.5 a Shareholder will not within [number of years] years of transfer, directly or indirectly, employ or provide work to any person who was employed by or who worked as a contractor for the Company within the period of [number of years] years immediately preceding the Transfer Date; and

12.1.6 the provisions of this clause are fair and reasonably required for the protection of the Company.

13. Shareholder's Continuing Rights and Obligations

13.1 This Agreement shall be binding upon the successors and permitted assignees of each Shareholder.

13.2 The rights and obligations of a Shareholder shall cease on the Transfer Date, except that the following obligations shall remain in full force and effect:

13.2.1 any right or obligation arising from this Agreement and outstanding and unsatisfied at the Transfer Date; and

13.2.2 any right or obligation arising from a Shareholder’s employment by the Company or connection with it.

14. Proxy Votes

14.1 Any action or decision which may be taken by a Shareholder at any time, may be taken by a proxy, appointed by that Shareholder.

14.2 A Shareholder may not appoint more than one proxy.

14.3 No person may act as proxy until the principal Shareholder has given at least seven days’ notice of proxy appointment in hard or soft copy to the Company and not less than [number of hours] hours’ notice to each Shareholder.

15. Dividend policy and procedure

15.1 The Shareholders shall use their reasonable endeavours to ensure that the Directors comply with the following provisions:

15.2 Dividends shall be paid only in accordance with the Act and the Articles.

15.3 The Company may by ordinary resolution declare dividends.

15.4 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.

15.5 No dividend may be paid until the annual accounts of the Company have shown a profit after tax of at least [sum] for at least [number of years] consecutive years.

16. Existing Intellectual Property

16.1 Schedule 3 of this Agreement records the ownership of Intellectual Property owned by any Shareholder (the "**IP Shareholder**").

16.2 Nothing in this Agreement shall prevent a Shareholder from entering into an arm's length agreement with the Company for use of the Intellectual Property.

16.3 If any IP Shareholder owns intellectual property which has been or is currently, used by the Company ("**SHIP**"), the following terms shall apply:

16.4 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 the terms and for the purposes in which it has hitherto been used, for the licence fee of £[amount] per year.

16.5 The IP Shareholder may at any time restrict any deemed licence on giving [number of months] months' written notice to the Company.

16.6 If, on expiry of the [number of months] month notice period, the IP Shareholder and the Company shall have failed to make a new agreement, the deemed licence shall be construed as a licence in the following terms:

16.7 The IP Shareholder shall have no claim, nor shall the Company suffer any loss in respect of the past use of the SHIP by the Company.

16.8 The IP Shareholder grants such licence to the Company as is necessary to enable the Company to maintain, and avoid breach of, every sub-licence of the SHIP to every customer or client to whom any formal or unrecorded licence has been granted in the course of the Business.

16.9 All other deemed licences shall terminate, so that the Company may not continue to use the SHIP.

16.10 The Company will acknowledge that it has no right or interest in the SHIP, except as stated in this clause.

17. New Intellectual Property

17.1 Each Shareholder agrees that whilst connected to the Company, a Shareholder may discover or create Intellectual Property. Each Shareholder agrees that if it is, or becomes, involved in any way with the creation or improvement or discovery of Intellectual Property the Shareholder will:

17.1.1 do its utmost to ensure that the Company acquires or retains the rights in that property;

17.1.2 inform the Company reasonably soon after any such creation or discovery; and

17.1.3 provide to the Company whatever full code, passwords, specification, description, text or drawings as are together necessary to enable the Intellectual Property to be used, registered or protected by the Company.

17.2 To make this effective, each Shareholder undertakes to do whatever is reasonably necessary or desirable to enable the intellectual property to be transferred into the name of the Company or otherwise to secure ownership by the Company.

17.3 If intellectual property owned by a Shareholder and used by the Company with the Shareholder's permission, is incorporated into an object or product which is clearly different from its original form, then the Shareholder who owns that intellectual property is deemed to have no claim on the new intellectual property formed, in part at least, from the original.

17.4 This clause does not apply to intellectual property created by a Shareholder in connection with a business which is not related to the Business of and is not in competition with it.

18. Assets introduced by a Shareholder

18.1 This clause does not apply to Intellectual Property.

18.2 The assets listed under the name of each Shareholder in Schedule 4 are owned by that Shareholder.

18.3 This clause applies to those assets, and any other assets, owned by a Shareholder, which are used by the Company from time to time.

18.4 Unless a clear intention of gift is shown, all such assets shall remain the property of the Shareholder who owns them.

18.5 Each Shareholder, who has permitted assets of any description to be used by the Company, hereby grants a licence to the Company for its continued use of the assets. The licence:

18.5.1 is limited to use by the Company in the Business;

18.5.2 prohibits reproduction in any form, of the asset licensed; and

18.5.3 shall terminate at any time on giving [number of months] months' notice in writing to the Company.

19. Status of this Agreement

19.1 Each Shareholder shall, to the extent that they are able to do so, exercise their voting rights and other powers of control lawfully available to them as a shareholder of the Company to procure that the provisions of this Agreement are properly and promptly observed and given full force and effect according to the spirit and intention of this Agreement.

19.2 If there is any inconsistency between any of the provisions of this Agreement and the provisions of the Articles, the provisions of this Agreement shall prevail as between the parties.

19.3 Each Shareholder shall, when necessary, exercise their powers of voting and any other rights and powers lawfully available to them as a shareholder of the Company to amend, waive, or suspend a conflicting provision in the Articles to the extent necessary to permit the Company and its Business to be administered as provided in this Agreement.

20. Confidentiality

20.1 Each party undertakes that it shall at all times:

20.1.1 keep confidential the terms of this Agreement and all confidential information, knowhow, or trade secrets in its knowledge or possession concerning the business, affairs, of the Company and any confidential information relating to any Shareholder;

20.1.2 not disclose any of the information referred to in clause 20.1.1 (whether in whole or in part) to any third party, except as expressly permits by clause 20.2;

20.1.3 not make any use of any of the information referred to in clause 20.1.1, other than to the extent necessary for the purpose of exercising or performing their rights and obligations under this Agreement; and

20.1.4 not remove from Company's premises or copy or allow anyone else to copy from any document, computer disk, tape or other tangible item which contains any Confidential Information except as may be necessary in the course of work for the Company.

20.2 Each party may disclose the information referred to in clause 20.1.1:

20.2.1 to its advisers who need to know such information for the purposes of exercising the party's rights or carrying out its obligations under or in connection with this Agreement. Each party shall ensure that the advisers to whom it discloses the confidential information comply with this clause;

20.2.2 as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority; and

20.2.3 with the prior written consent of the Board (acting with Shareholder Consent).

20.3 No party shall make, or permit any person to make, any public announcement, communication, or circular concerning this Agreement or except with the prior written consent of the Board (acting with Shareholder Consent).

20.4 The undertakings in clause 20.1.1 are given by each party to each other party and, in respect of undertakings relating to the trade secrets and confidential information of the Company, to the Company and apply to actions carried out by each Shareholder in any capacity and whether directly or indirectly, on the Shareholder's own behalf, on behalf of any other person or jointly with any other person.

21. Assignment and Other Dealings

21.1 No party shall assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any or all of their rights and obligations under this Agreement without Shareholder Consent (such consent not to be unreasonably withheld or delayed).

21.2 Each party confirms that they are acting on their own behalf and not for the benefit of any other person.

22. Entire Agreement

22.1 This Agreement constitutes the entire agreement between the parties and supersedes and extinguishes all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations, arrangements and understandings between them, whether written or oral, relating to its subject matter.

22.2 Each party acknowledges that in entering into this Agreement, they do not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement or those documents.

23. Variation and Waiver

23.1 No variation of this Agreement shall be effective unless it is in writing and signed by each of the parties for the time being (or their authorised representatives).

23.2 A waiver of any right or remedy under this Agreement or by law is only effective if it is given in writing and is signed by the party waiving such right or remedy. Any such waiver shall not be deemed a waiver of any subsequent right or remedy.

23.3 A failure or delay by any party to exercise any right or remedy provided under this Agreement or by law shall not constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict any further exercise of that or any other right or remedy. No single or partial exercise of any right or remedy provided under this Agreement or by law shall prevent or restrict the further exercise of that or any other right or remedy.

23.4 A person that waives a right or remedy provided under this Agreement or by law in relation to one person, or takes or fails to take any action against that person, does not affect its rights or remedies in relation to any other person.

24. Costs and expenses

Except as provided in this Agreement, each party shall pay its own costs and expenses incurred in connection with the negotiation, preparation, execution, and performance of this Agreement (and any documents referred to in it).

25. No partnership of agency

Nothing in this Agreement is intended to, or shall be deemed to, establish any partnership or joint venture between the parties or constitute any party the agent of another party.

26. Notices

26.1 Any notice given to a party under or in connection with this Agreement shall be in writing and shall be delivered by hand or by pre-paid first class post or other next working day delivery service to that party's address, or sent by email to that party's email address, in each case as specified in clause 26.2 (or to such other address or email address as that party may notify to the other party in accordance with this Agreement.

26.2 The addresses and email addresses for service of notices are:

In the case of the Company:

(a) address: its registered office address for the time being; and

(b) email address: (Company's email address).

In the case if a Shareholder:

(a) address: as set out opposite that Shareholder's name in Schedule 1; and

(b) email address: as set out opposite that Shareholder's name in Schedule 1.

26.3 A party may change its details specified in the above clause by giving notice, the change taking effect for the party notified of the change at 9.00am on the later of:

26.3.1 the date, if any, specified in the notice as the effective date for the change; or

26.3.2 the date two Business Days after deemed receipt of the notice.

26.4 Any notice or communication shall be deemed to have been received:

26.4.1 if delivered by hand, at the time the notice is left at the proper address;

26.4.2 if sent by pre-paid first class post or other next working day delivery service, at 9.00am on the second Business Day after posting; or

26.4.3 if sent by email, at the time of transmission, or, if this time falls outside of business hours in the place of receipt, when business hours resume. In this clause, business hours means 9.00am to 5.00pm Monday to Friday on a day that is not a public holiday in the place of receipt.

26.5 This clause does not apply to the service of any proceedings or other documents in any legal action.

27. Severance

27.1 If any provision or part-provision of this Agreement is or becomes invalid, illegal or unenforceable, it shall be deemed deleted, but that shall not affect the validity and enforceability of the rest of this Agreement.

27.2 If any provision or part-provision of this Agreement is deemed deleted under clause 27.1, the parties shall negotiate in good faith to agree a replacement provision that, to the greatest extent possible, achieves the intended commercial result of the original provision.

28. Third Party Rights

28.1 Unless it expressly states otherwise, this Agreement does not give rise to any rights under the Contracts (Right of Third Parties) Act 1999 to enforce any term of this Agreement.

28.2 The rights of the parties to terminate, to rescind or to vary this Agreement are not subject to the consent of any other person.

29. Counterparts

29.1 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

29.2 No counterpart shall be effective until each party has executed and delivered at least one counterpart.

30. Inadequacy of Damages

Without prejudice to any other rights or remedies that a party may have, each party acknowledges and agrees that damages alone would not be an adequate remedy for any breach of the terms of clause 20 by that party. Accordingly, each other party shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of clause 20 of this Agreement.

31. Governing Law and Jurisdiction

31.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales.

31.2 Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) that arises out of or in connection with this Agreement or its subject matter or formation.

This Agreement has been entered into on the date stated at the beginning of it.

Executed as a deed by [name of company] ……………………………………
acting by a director in the presence of: **Director**

………………………………………
Name: ……………………………...
Address: ……………………………
……………………………………….
Occupation: ………………………...

Executed as a deed by [name of shareholder] ……………………………………
in the presence of: **[name]**

………………………………………
Name: ……………………………...
Address: ……………………………
……………………………………….

Executed as a deed by [name of shareholder] ……………………………………
in the presence of: **[name]**

………………………………………
Name: ……………………………...
Address: ……………………………
……………………………………….
Occupation: ………………………...

Schedule 1: The Shareholders

Name	Address	Email address	Class of shares	Number of shares

Schedule 2: Matters requiring Shareholder Consent

1. Permit the registration (upon subscription or transfer) of any person as a member of the Company other than pursuant to an allotment or transfer permitted or required by, and made in accordance with, this Agreement or the Articles.

2. Alter its name or registered office.

3. Change the nature of its Business .

4. Enter into any arrangement, contract or transaction:

   4.1 with a value exceeding £[amount]; or

   4.2 which is outside the normal course of the Business; or

   4.3 which is otherwise than on arm's length terms.

5. Create of grant any Encumbrance over the whole or any part of the Business, its undertaking or assets or over any of the shares in its issued share capital from time to time.

6. Grant any rights (by licence or otherwise) in or over the Intellectual Property.

7. Incur any borrowings or issue any loan capital.

8. Make any loan, grant any credit or give any guarantee (other than in the normal course of trading) or indemnity.

9. Amalgamate or merge with any other company or business undertaking, form or acquire any subsidiary, directly or indirectly acquire shares in any other company or directly or indirectly participate in any partnership or joint venture.

10. Pass any resolution for its winding up or present any petition for its administration (unless it has become insolvent).

11. Appoint any agent or intermediary to conduct the whole or any part of the Business.

12. Declare any dividend or make any distribution.

Schedule 3: Intellectual Property

Schedule 4: Ownership of Assets used by the Company

Schedule 5: Letter of instruction to get a valuation

On the letterhead of the company

To: publisher@gosellmybusiness.com

Dear Sirs

Shares valuation – [name of company] (the "**Company**")

This letter is by way of instruction from the directors to you on behalf of the Company. The instruction is to place a value first on all the shares of the Company and second on a holding representing [percentage]% of the shares in issue.

To assist you we now enclose:

- the Company's accounts for the last three years in full not filed, version;
- monthly management accounts since the date of the last published accounts;
- details of the current and forward order book;
- budget for the next [number of years] years;

You may well need other documents, which we shall be pleased to supply on request.

We seek your advice as a preliminary point on the most appropriate basis of valuation, but in any event, we shall ask you to make appropriate adjustments for the items listed below:

OR

Please make your valuation on the following assumptions:

1. That the transaction is between a willing seller and a willing buyer at arm's length.
2. That any restrictions on the transfer of shares by this agreement or by the articles of the company are to be ignored.
3. That the appropriate yardstick for a valuation is the value placed on companies in the same business as the Company and whose shares are publicly listed, [discounted by x%].
4. That the appropriate yardstick for a valuation is a multiple of x times the net profit before / after tax, and after having made the adjustments listed below.

5. That the appropriate yardstick for a valuation is the net value of the assets of the Company, including/excluding all goodwill and intellectual property.

6. That the appropriate yardstick for a valuation is to take the average profit before tax of the last three years, then add back:

    6.1. depreciation,

    6.2. salary payments to the directors,

    6.3. other emoluments of the directors,

7. That the remuneration, benefits and pensions of directors are at market rates (which you may judge to be more or less that the figures paid and shown in the accounts).

8. That the Company is a going concern and will continue to be so.

9. That there is no outstanding or anticipated litigation not disclosed to you.

10. That no director is aware of any fact which may materially change your valuation.

11. That the directors believe it is unlikely that the shares of the Company will be offered for sale to the public and arrangements made for its shares to be traded in any public market within the next three years.

12. That they are aware of no approach which could result in an offer from a third party for all or a substantial proportion of the shares in the Company.

Yours faithfully,