

CHECKLIST –

SHAREHOLDERS' AGREEMENT

ISSUE / PRINCIPLE	DETAILS/COMMENTS
1 INITIAL CORPORATE STRUCTURE	
1.1 Names and addresses of the shareholders at the time that the Shareholders Agreement is entered into.	
1.2 Details of shareholdings – who will hold shares? Will shareholders hold different classes of shares with different rights attaching to them?(e.g. voting, dividends) Consider whether the directors are to be given authority at this stage for further shares to be issued, or whether it should require future shareholder consent.	
1.3 Details of the registered office and accounting reference date of the Company.	
2 SCOPE OF BUSINESS	
It is usual for the Shareholders' Agreement to set out the agreed definition of the business to be undertaken by the Company, and for any change to the nature of the business to be a "reserved matter" (see paragraph 4.3 below). Please confirm the nature of the business which the Company will be undertaking.	
3 THE DIRECTORS OF THE COMPANY	
3.1 Details of who the directors of the Company are to be.	
3.2 Confirmation of the right of particular shareholders to be directors - it is usual to find that the holders of shares above a certain level (e.g. 25%) have an automatic right to be appointed as a director of the Company.	
3.3 Details of any non-executive directors of the Company.	
3.4 Limitations on the number of directors (i.e. a maximum number?) and details of quorum requirements (i.e. how many directors need to be present at a meeting to transact business? Does this need to include any investor directors?)	

APPENDIX 1

EXAMPLE RESERVED MATTERS

Shareholder Matters

- 1 Any variation in the issued share capital of the Company or the creation or the granting of any options or other rights to subscribe for, or convert into, shares of the Company or the variation of the rights attaching to such shares.
- 2 The making of any material change in the nature of the business of the Company.
- 3 The giving of notice of any resolution to wind-up the Company or to appoint an administrator, or the filing of any petition for the appointment of an administrator or liquidator, or the making of an invitation to any person to appoint an administrative receiver or administrator.
- 4 The amendment of any provision of the Articles.
- 5 The declaration making or payment of any dividend or other distribution to the holders of the shares other than as expressly permitted under the Articles.
- 6 The appointment or removal of any director of the Company.
- 7 The establishment by the Company, or variation to the terms of any share option, shadow share option, profit sharing, bonus or incentive scheme.
- 8 The reduction of the Company's share capital, share premium account, capital redemption reserve or any other reserve.
- 9 Any disposal of the whole or substantially the whole of the business of the Company or any subsidiary of the Company.
- 10 The entry into, termination or variation of any contract or arrangement between the Company and a Shareholder or a director of the Company, including the waiver of any breach of such a contract or arrangement.

Financial Matters

- 11 The creation, extension or variation of any guarantee, save as:
 - 11.1 implied by law; or
 - 11.2 made in the normal course of the supply of goods and services by the Company.
- 12 The creation, extension or variation of any mortgage, charge or security interest over any asset of the Company.
- 13 The lending of money (except to a wholly-owned subsidiary for use in the normal course of trading).