

## **ANNEX A – NEW ARTICLES**

**COMPANY: FOUR PAWS GROOM SCHOOL HEREFORDSHIRE**

**COMPANY NUMBER: 13422900**

### **1 Article 1. Definitions and interpretation**

**The following definitions are added to Article 1:**

**Bad Leaver**

a Shareholder who becomes the subject of a Default Notice under Article 26C due to a Mandatory Transfer Event in circumstances where the other Shareholders, acting reasonably and in good faith, consider that the Defaulting Shareholder's breach is liable to cause material damage to the business or financial standing of the Company or a Group company or is liable to bring the Company or a Group company into disrepute;

**Insolvency Event**

means in relation to any person each and either of the following events:

(a) that person circulating a proposal in relation to, or entering into, any composition or arrangement with its creditors; or

(b) a Court in England or Wales issuing a bankruptcy order against that person;

**Mandatory Transfer Event**

means, in relation to any Shareholder:

(a) the death of the Shareholder; or

(b) the Shareholder suffering from a mental disorder and being admitted to hospital, or by reason of her mental health, being subject to a Court Order which wholly or partly prevents that member from personally exercising any powers or rights which that Member would otherwise have and that condition continues for a continuous period of at least 6 months;

(c) an Insolvency Event occurring in relation to the Shareholder; or

(d) the Shareholder or any alternate director appointed by that Shareholder breaching any material provision of this agreement or the Articles, which breach has not been remedied to the reasonable satisfaction

of the other Shareholders within 10 Business Days of a notice from the other Shareholders to the Shareholder in breach requesting such remedy;

**Special Majority Consent**

means

- (a) in relation to the Board, the consent of a majority of the eligible Directors voting on the matter in question; and
- (b) in relation to the Shareholders, the consent of all those Shareholders who between them hold not less than 65% of the voting rights of the Company.

**17 Article 17. Appointment of Directors**

**Article 17 is amended by deletion of Article 17.1 from the 2021 Model Articles and addition of the following:**

17.1 Subject to a unanimous resolution by the Shareholders to the contrary, the maximum number of Directors (excluding alternate directors) at any one time is 3.

17.2 Each Shareholder:

17.2.1 may from time to time appoint a person to be a Director so that at any one time the maximum number of Directors appointed by that Shareholder is that number specified opposite its name below; and

17.2.2 is taken to have appointed as a Director, and to have given notice under Article 17.3 in relation to, the person specified opposite its name below and the persons named as Directors below are to be the only Directors at the date of this Agreement.

| Shareholder           | Number of Directors | Appointee             |
|-----------------------|---------------------|-----------------------|
| Fem Pamala Gresty     | 1                   | Fem Pamala Gresty     |
| Belinda Louise Morris | 1                   | Belinda Louise Morris |
| Sarah Ann Mackay      | 1                   | Sarah Ann Mackay      |

17.3 The appointment and removal of a Director shall be made by notice in writing served on the Company and shall take effect at the time it is served on the Company.

17.4 Articles 17.2 and 17.3 in the Model Articles shall be renumbered 17.5 and 17.6

**18 Article 18.**

**The following Articles are added at 18(g) to 18(j) of the Model Articles:**

- 18(g) Termination of a directorship may be in accordance with this Shareholders' Agreement or any signed and dated written Director's Service Agreement that may be in existence between the parties.
- 18(h) The Directors shall not be subject to retirement by rotation and shall not be removed except by the Shareholder who appointed the relevant Director.
- 18(i) The same person may be appointed a Director by more than one Shareholder, in which case the removal of that person as a Director by one Shareholder does not affect the appointment of that person as a Director by the other Shareholder.
- 18(j) A Director may, with the prior written and continuing consent of the Shareholder which appointed that Director, appoint a person to be an alternate director in its place during any period which the Director thinks fit.

## **26 Article 26. Restrictions on transferring or charging shares**

**The following Article is added to Article 26:**

- 26(6) Each Shareholder shall not at any time transfer or otherwise dispose of (or purport to transfer or otherwise dispose of) any Shares or any interest in or option over any Shares in any case other than in accordance with the Articles.

## **26(A) Article 26(A). Rights of first refusal on shares**

**This Article 26A is added to the Model Articles after Article 26:**

- 26A.1 Any Shareholder wishing to assign, transfer or otherwise deal with the legal or beneficial title to any of his Shares (Sale Shares) shall first give notice to the Company (Transfer Notice) of his intention to do so, which notice shall set out the nature of the proposed dealing, specifying the number and class of such Shares, the identity of the proposed transferee (as applicable), and the price per Sale Share at which he wishes to deal with that interest. The Company will forthwith notify the other Shareholders.
- 26A.2 Once given, or deemed to have been given, a Transfer Notice may not be revoked without the prior approval of the Company.
- 26A.3 A Shareholder may not voluntarily serve more than one Transfer Notice in any period of 6 months without the consent of the Company.
- 26A.4 Upon a Transfer Notice or deemed Transfer Notice being given, the Company will have the option to purchase the Sale Shares from the Seller at the lower of the price stated in the Transfer Notice (if any) and the price to be determined in accordance with Article 26B.
- 26A.5 The Company will have 14 days from the date of determination of the price payable for the Sale Shares in which to decide and give written notice on whether it exercises its option to purchase some or all of them.
- 26A.6 If the Company does not exercise the option in respect of all of the Sale Shares during this period, the Directors shall offer the remaining Sale Shares to the other Shareholders (Other Shareholders) on the same terms in proportion to the relative holdings of Ordinary Shares of the Other Shareholders. The Other Shareholders will have a further 14 days within which to exercise such option by giving written notice to the Company to this effect. Another Shareholder may, in his notice, indicate that he is willing to purchase more than his

proportion of the Sale Shares in the event that not all of the Other Shareholders wish to take up their offer.

- 26A.7 Promptly following the end of the option periods referred to in Articles 26A.5 and 26A.60, the Board shall allocate the Sale Shares to the Company and the Other Shareholders in accordance with their acceptance notices but so that no Other Shareholder shall be obliged to acquire more Sale Shares than he has indicated a willingness to do so. Notice of the allocation will be given to all Shareholders.
- 26A.8 The Seller (or his executors or personal representative) will be bound to transfer the Sale Shares comprised in the allocation notice on the date specified in the allocation notice which will be not less than 7 and not more than 14 days after it is given. If the Seller (or his executors or personal representative) defaults in transferring any such Sale Shares, the Company may authorise some person to execute a transfer of such Sale Shares in favour of the purchaser(s.) The Company will be entitled to receive (on trust for the Seller or his estate) and give a valid receipt for so much of the purchase price for the Sale Shares as is paid to it by the purchaser(s).
- 26A.9 Where the Company is the purchaser, the purchase price for the Sale Shares being acquired will be payable in full on completion of the transfer. Where an Other Shareholder is the purchaser, the purchase price for the Sale Shares being acquired will, unless otherwise agreed by all of the Shareholders, be payable over 24 months from the date of completion by 4 equal 6 monthly instalments, the first such instalment being payable on the date 6 months from completion.
- 26A.10 If a Seller shall fail for any reason to transfer any Sale Shares to the purchasers pursuant to this Article, each Director is hereby given an irrevocable power of attorney by each Shareholder (by way of security for the performance of his obligations under this Article) to execute any necessary transfers on behalf of the Seller and to deliver the transfers to the relevant purchasers. The Company may receive the purchase money from the purchasers on behalf of the Seller and the receipt of the Company for such money shall constitute a good discharge to the purchasers. The Company shall hold the relevant purchase money on trust for the Seller (but without interest) and the Company shall not pay such money to the Seller until he or she has delivered the share certificate(s) in respect of the relevant Sale Shares (or a suitable indemnity in a form reasonably satisfactory to the Directors) to the Company.
- 26A.11 In the event that any or all of the Sale Shares are not purchased after the preceding provisions of this Article have been followed, the Seller (or his executors or personal representative) may within the period of 30 days from the expiry of the relevant option period (or last of them if more than one applies) dispose of any interest in any such remaining Sale Shares on such terms as they see fit but at a price not lower than the price at which the Sale Shares were offered to Company and subject to the transferee first entering into a Deed of Adherence.
- 26A.12 The Directors may, in their absolute discretion, decline to register any transfer of any Sale Share (whether or not it is a fully paid share) which is effected or purported to be effected other than in accordance with this Article or Article 29.A (Drag Along).
- 26A.13 Upon a Seller ceasing to be a Shareholder, for whatever reason, the remaining Shareholders shall each use their respective best endeavours to procure the release of the Seller from any personal guarantees and indemnities given by him in respect of the Company or a Group company.

**26(B) Article 26(B). Valuation of the sale shares**

**This Article 26B is to be added to the Model Articles after Article 26A**

- 26B.1 Where the Seller is a Bad Leaver, the aggregate price payable for her Sale Shares shall be calculated in the same manner as set out in Article 26B but subject to a reduction as follows:
- 26B.1.1 where the date of the Transfer Notice or deemed Transfer Notice is within 1 year of the date of this agreement, the aggregate price payable for the Bad Leaver's Shares shall be one quarter (25%) of the aggregate price determined in accordance with Article 26B.2 or £2,500, whichever is the lower amount;
  - 26B.1.2 where the date of the Transfer Notice or deemed Transfer Notice is after 1 year but within 2 years of the date of this agreement, the aggregate price payable for the Bad Leaver's Shares shall be one quarter (25%) of the aggregate price determined in accordance with Article 26B.2 or £5,000, whichever is the lower amount;
  - 26B.1.3 and where the date of the Transfer Notice or deemed Transfer Notice is after 2 but within 4 years of the date of this agreement, the aggregate price payable for the Bad Leaver's Shares shall be one quarter (25%) of the aggregate price determined in accordance with Article 26B.2, or £7,500 whichever is the lower amount;
  - 26B.1.4 where the date of the Transfer Notice or deemed Transfer Notice is after 4 years of the date of this Agreement, the aggregate price payable for the Bad Leaver's Shares shall be one quarter (25%) of the aggregate price determined in accordance with Article 26B.2 or £10,000, whichever is the lower amount;
- 26B.2 Where the Seller is leaving on good or normal terms the price for the Sale Shares is to be determined in accordance with this Article 26B.2 the figure as being the price which represents the value/price of the Sale Shares is determined as follows:
- 26B.2.1 based on the most recent trading net profits of the annual accounts;
  - 26B.2.2 calculating the value of each Share by dividing the annual net profits of the Company by the number of Shares and ascribing that value to each Share
  - 26B.2.3 and taking no additional account of any value for goodwill;
  - 26B.2.4 as a worked example of Article 26B.2 if the net profits for the most recent annual accounts are shown as £90,000 and there are 3 Shares in the Company, the value of each Share is £30,000.
- 26B.3 Save as provided under Article 26C (Mandatory Transfer Event), the cost of obtaining the valuation of Shares shall be borne by the Company.
- 26B.4 The accountants shall act as experts and not as arbitrators so that any provision of law or statute relating to arbitration shall not apply.
- 26B.5 The Directors shall as soon as they receive the valuation, furnish a copy of it to the Seller or his executors or personal representatives (as the case may be) and to the Company and each Shareholder.
- 26B.6 The decision of the Accountants shall be final and binding on the Shareholders, save in the event of fraud, perversion, manifest bias or manifest error.

26B.7 If the Company's accountants are unable or unwilling to act in this regard, the price will be determined by an independent expert to be appointed on the application of the Board to the president for the time being of the Institute of Chartered Accountants in England and Wales. If the Independent Expert is or becomes unable or unwilling to act in this matter, the President referred to above will have the power to appoint a replacement.

26B.8 If a Shareholder resigns as a director or employee and she is not a Bad Leaver the valuation of the leaver's Shares shall be carried out in accordance with Article 26B.2.

**29(A) Article 29(A). Drag along**

**This Article 29A is to be added to the Model Articles after Article 29**

29A.1 If any Shareholder(s) (on their own or acting in concert with one or more other Shareholders) (Seller(s)) proposes to sell or transfer Shares (Sale Shares) representing more 65% of all the issued Ordinary Shares of the Company at the time of the proposed sale or transfer to a person who is a bona fide third party buyer at arm's length (Buyer) the following provisions of this Article will apply.

29A.2 The Seller(s) will have the right to give the Company not less than 28 days prior written notice (Sale Notice) of the proposed sale or transfer. The Sale Notice will include details of:

29A.2.1 the Sale Shares;

29A.2.2 the proposed price for each Sale Share to be paid by the Buyer;

29A.2.3 details of the Buyer; and

29A.2.4 the place, date and time of completion of the proposed sale (being a date not less than 28 days from the service of the Sale Notice) (Drag Along Completion).

29A.3 Immediately on receipt of a Sale Notice, the Company will give notice in writing (Drag Along Notice) to each of the Shareholders other than the Seller(s) (the Drag Along Shareholders) giving the details contained in the Sale Notice and requiring each of them at the Drag Along Completion to sell to the Buyer all Shares held by them.

29A.4 The Seller(s) may withdraw a Sale Notice any time prior to the actual Drag Along Completion by written notice to the Company to that effect and, on service of that notice, each Drag Along Notice will no longer be binding and will cease to have any effect but the Seller(s) may not then proceed with the proposed Drag Along Completion. Further Drag Along Notices may be served at any time.

29A.5 In the event of the proposed sale or transfer proceeding, each Drag Along Shareholder who is given a Drag Along Notice must sell (or procure the sale of) all the Shares held by him to the Buyer at the time of the Drag Along Completion (or at such other time as the Buyer and the Drag Along Shareholders agree) at the price per Sale Share as set out in the Drag Along Notice and otherwise on the same terms as the sale of Sale Shares.

29A.6 If any of the Drag Along Shareholders fails to comply with the terms of Article 29A.5 in any respect:

29A.6.1 the Company will be unconditionally constituted the agent of each defaulting Drag Along Shareholder for the sale of the Shares referred to in his Drag Along Notice in accordance with that notice and will be authorised to transfer, and complete the

transfer of, those Shares (including to execute and deliver any stock transfer form in respect thereof);

29A.6.2 the Company may receive the necessary purchase money in trust for each defaulting Drag Along Shareholder and the receipt by the Company of that purchase money will constitute a good and valid discharge to the Buyer;

29A.6.3 against receipt by the Company of the purchase money (in trust for the defaulting Drag Along Shareholder,) and notwithstanding (if such is the case) that the defaulting Drag Along Shareholder has failed to deliver up the relevant share certificate(s), the Company will cause the Buyer to be registered as the holder of the relevant Shares and, after such registration, the validity of the proceedings will not be questioned by any person; and

29A.6.4 the Company will not be required to pay the purchase monies to a defaulting Drag Along Shareholder until he delivers a share certificate or suitable indemnity and necessary transfers to the Company in respect of the Shares subject to the Drag Along Notice.

29A.7 The expression price per Sale Share (or an expression to that effect) used in Articles 29A.2 and 29A.5 will be deemed to include an amount equal to the relevant proportions of any other consideration (in cash or otherwise) received or receivable by the Seller(s) for their Shares in question which, having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the price paid or payable for the specified Shares and, in the event of disagreement, the calculation of the price will be referred to a chartered accountant or other expert (acting as an expert and not as arbitrator) nominated by the parties concerned (or in the event of disagreement as to nomination, appointed by the President or a senior officer for the time being of the Institute of Chartered Accountants in England and Wales) whose decision shall, in the absence of fraud or manifest error, be final and binding.

### **13 Article 13. Deadlock provisions**

#### **This Article 13 replaces Article 13 (Casting Vote) in the Model Articles**

- 13.1 In this Article a Deadlock Event shall occur where no quorum is present at a properly convened Board meeting, or a meeting of the board of directors of any Group Company, in which case the Deadlock Event shall be deemed to arise on the date of the inquorate meeting, provided that there shall be no Deadlock Event if a meeting is inquorate because the person (or an alternate director appointed by such person) who convened the meeting or proposed a resolution to be passed at such meeting does not attend.
- 13.2 Any Shareholder may, within 20 Business Days of the Deadlock Event having been deemed to arise, serve notice on the other Shareholders (Deadlock Notice) stating that in his opinion a deadlock has occurred and identifying the matter giving rise to the deadlock. If no Deadlock Notice is served within that period of 20 Business Days, the Deadlock Event is deemed to have lapsed.
- 13.3 The Shareholders undertake that upon service or receipt of a Deadlock Notice (as the case may be) they shall:
- 13.3.1 as soon as reasonably practicable, and in any event within 10 Business Days of service or receipt of a Deadlock Notice (as the case may be) each serve on the other

Shareholders a statement or memorandum setting out their position on the matter giving rise to the deadlock and their reasons for adopting that position; and

13.3.2 use all reasonable endeavours in good faith to resolve the deadlock.

- 13.4 If the Shareholders are unable to resolve the deadlock within 20 Business Days of the date of service of the Deadlock Notice then any Shareholder may within a further period of 20 Business Days give written notice (Expert Notice) to the Company and the other Shareholders requiring that the relevant Deadlock Event be referred to an expert (Expert) for final determination.
- 13.5 The Expert shall be such person as shall be nominated in writing by the Shareholders or, failing such nomination within 10 Business Days after the date of the Expert Notice, appointed by the chairman or managing director of the Manchester Chamber of Commerce on the application at any time of either Shareholder. The Expert shall be engaged by the Shareholders on such terms as they see fit or, failing such agreement within 10 Business Days of the identity of the Expert being agreed or determined as aforesaid, on such terms nominated by the chairman or managing director of the Manchester Chamber of Commerce on the application at any time of either Shareholder.
- 13.6 The decision of the Expert (who shall be deemed to act as an expert and not as an arbitrator) shall be final and binding on the Shareholders, save in the event of fraud or manifest error, and his costs in connection with the resolution of the deadlock shall be borne by the Shareholder(s) named by the Expert (taking into account the conduct of the Shareholders and the merits of their respective arguments in relation to the deadlock) or, where no such Shareholder(s) is named by the Expert, by the Shareholders in proportion to the number of Shares they hold in the Company.
- 13.7 The Shareholders and the Company shall supply the Expert with any information which he may reasonably request in connection with his determination. The Expert shall give due weight to any written representations put forward by a Shareholder (which representations are received by the Expert within such time limit as he may determine and have notified to the Shareholders) but the Expert need not give any reasons for his decision.
- 13.8 The Expert shall determine what course of action in all the circumstances it would be appropriate for the Company to take in its best interests. In reaching his determination, the Expert shall, so far as possible, balance the interests of each Shareholder fairly but he shall not put the interests of any Shareholder before those of the Company. In giving his decision the Expert shall be entitled to specify any matters which he considers, in his absolute discretion, should be implemented or otherwise transacted in order to give commercial efficacy to his determination.

#### **26(C) Article 26(C). Mandatory transfer event**

**This Article 26C is added to the Model Articles after Article 26B:**

- 26C.1 If a Mandatory Transfer Event occurs in relation to a Shareholder (in this Article the Defaulting Shareholder) then:
- 26C.2 the other Shareholders may, without prejudice to any other rights or remedies which he may have, at any time within 20 Business Days of becoming aware of the relevant Mandatory Transfer Event serve written notice (Default Notice) on the Defaulting Shareholder and the Company requiring either:



26C.2.1 that the Defaulting Shareholder sell all (but not some) of the Shares held or beneficially owned by the Defaulting Shareholder (Default Shares) in which case the provisions of Article 26A (but not Article 26A.11) shall apply and save that the Defaulting Shareholder shall bear the costs of any valuation required under Article 26B in the case of a Mandatory Transfer Event (c) or (d); or

26C.2.1 that the Company be wound up; and

26C.3 upon the service of a Default Notice:

26C.3.1 no further Shares shall be issued or required to be offered (under this agreement or any provision of the Articles) to the Defaulting Shareholder;

26C.3.2 the Defaulting Shareholder shall forthwith cease to be required in order to form a quorum at meetings of Shareholders or to be entitled to exercise any voting rights in respect of the Shares registered in his or their name and the decision of the other Shareholders on such issues shall prevail in all cases. Any matter requiring Specified Majority Consent of the Shareholders shall be determined as if the Defaulting Shareholder did not hold any Ordinary Shares;

26C.3.3 the Defaulting Shareholder and any alternate director appointed by him shall forthwith cease to be required in order to form a quorum at any Board meeting or to be entitled to exercise any vote at a meeting of the Board; and

26C.3.4 save as set out in this Article, a Defaulting Shareholder may not sell or dispose of his Shares or any interest in them.

26C.4 If no Default Notice is served within the period of 20 Business Days referred to in Article 26C, the relevant Mandatory Transfer Event is deemed to have lapsed.

13.9 If a Shareholder becomes aware of any event which gives rise to, or which may with the passing of time give rise to, a Mandatory Transfer Event in respect of a Shareholder, that Shareholder shall forthwith give notice thereof to the Directors and the other Shareholders.

## **27 Article 27. Transmission of Shares**

**The following Article is added at Article 27(4) of the Model Articles:**

27(4) Each Shareholder will not, without the prior consent of each other Shareholder, create any charge, security, lien or encumbrance over, transfer (either or both of the legal and beneficial ownership) or otherwise dispose of the whole or any part of such Shareholder's interest in or grant any option over any Shares to any person, except where permitted or required by the Articles.