Shareholders' Cross Option Agreement

IMPORTANT NOTES
Before completing the Shareholders' Cross Option Agreement, please read the following notes.

1. This documentation has been produced for consideration by you and your legal advisers. The legal and tax effects of the cross option agreement will depend on your individual circumstances and L&G (as defined in clause 1 of the cross option agreement) and its advisers accept no responsibility for ensuring that the cross option agreement meets your requirements.
2. Ensure that you fully understand the terms of the cross option agreement and how it works: see further the technical guide (across all three Agreements). If you are in any doubt about the terms, it is your responsibility to seek legal or tax advice as appropriate. Failure to understand the terms of the cross option agreement may affect its suitability and effectiveness.
3. You should also ensure you have read and understood all the literature relating to your chosen policy for this cross option agreement.
4. This cross option agreement is designed for shareholders of limited companies. It is not designed to be used for members of limited liability partnerships or partners of a partnership.
5. L&G has drafted this cross option agreement to reflect the law at the time of this publication. L&G and its advisers cannot accept any responsibility for loss, damage or other claim that may arise from the use of this cross option agreement or the way in which you complete it. We therefore strongly recommend that you consult your own legal or tax adviser before proceeding.
6. Use CAPITALS and black or blue ink throughout. If you make a mistake while completing the cross option agreement, please correct the error by crossing out (do not use correction fluid) and the shareholders should initial the change.
7. The cross option agreement should be retained by the shareholders and kept with the company's Articles of Association. It should not be returned to L&G.

Shareholders' Cross Option Agreement

This Agreement is made on the

day of 20

by		of		of the first part
and		of		of the second part
and		of		of the third part
and		of		of the fourth part

(hereinafter together called 'the Shareholders' and individually 'the Shareholder') who are all Shareholder in the company known as

Limited (CRN) (hereinafter called 'the Company')

WHEREAS the Shareholders desire entering into such share purchase arrangement as is indicated by the Shareholders' initials in either or both of the boxes in paragraphs A. and B. below.

A. On the death of a Shareholder his personal representatives shall have the option to sell his shares in the Company (hereinafter called 'Shares') to the surviving Shareholders and the surviving Shareholders shall have the option to purchase the deceased Shareholder's Share from his personal representatives on the terms set out in this Agreement

[Shareholders' initials]

B. On a Shareholder suffering from any illness or disability that gives rise to any payment under any Critical Illness Policy or Terminal Illness Policy (as hereinafter defined) effected by him with L&G (as hereinafter defined), the Shareholder in respect of whom the Critical Illness or Terminal Illness (as hereinafter defined) payment is made shall have the option to sell his Shares to the other Shareholders on the terms set out in this Agreement

[Shareholders' initials]

Now it is hereby agreed as follows:

1. DEFINITIONS

In this Agreement unless the context otherwise requires the singular includes the plural and the masculine the feminine and the neuter and the following terms shall have the following meanings:

'Agreed Value' means

a. in relation to the death of a Shareholder, the Specified Value if the death occurs within three years of the date hereof and otherwise means the Fair Value

b. in relation to the Critical Illness or Terminal Illness of a Shareholder, the Specified Value if the Payment Date is within three years of the date hereof and otherwise means the Fair Value

'Critical Illness' means any condition that gives rise to a payment of benefit under any Critical Illness Policy and 'Critically Ill' shall be construed accordingly.

'Terminal Illness' means any condition that gives rise to a payment of benefit under any 'Terminal Illness Policy' and 'Terminally Ill' should be construed accordingly.

'Critical Illness Policy' means any policy evidencing a contract with L&G which provides Critical Illness cover which is effected by a Shareholder in accordance with the terms of this Agreement.

'Terminal Illness Policy' means any policy evidencing a contract with L&G which provides Terminal Illness cover which is effected by a Shareholder in accordance with the terms of this Agreement.

'Fair Value' means the value specified in the Second Schedule hereto.

'L&G' or **'Legal & General'** means Legal & General Assurance Society Limited.

'Life Policy' means a contract of life insurance effected by a Shareholder on his own life in accordance with the terms of this Agreement.

'Payment Date' means the date of receipt of the amount of cover paid by L&G in settlement of a claim in respect of a Critical Illness under any Critical Illness Policy or Terminal Illness under any Terminal Illness Policy.

'Policy(ies)' means one or more Life Policies and/or one or more Critical Illness or Terminal Illness Policies as appropriate.

'Relevant Proportion' means the proportion specified in the Third Schedule hereto.

'Specified Value' means the value specified in the First Schedule hereto.

2. AGREEMENT

2.1 Each of the Shareholders hereby agrees

a. to grant options to the other Shareholders

b. to effect one or more

(i) Life Policies and/or

(ii) Critical Illness Policies and/or Terminal Illness Policies

c. to request that the Policies are issued subject to trust for the primary benefit of the other Shareholders and to maintain the Policies

d. where applicable, to co-operate fully in pursuing any claim under a Critical Illness Policy in respect of the Critical Illness of the Shareholder or any claim under a Terminal Illness Policy in respect of the Terminal Illness of the Shareholder in the manner hereinafter appearing and in consideration of each of the other Shareholders agreeing to do the same

2.2 Without prejudice and subject to all the terms and provisions of the remaining parts and clauses of this Agreement, all of clause 3 and clause 4.1 shall apply only if the boxes in paragraph A. of the Recital have been initialled by the Shareholders and clause 4.2 shall apply only if the boxes in paragraph B. of the Recital have been initialled by the Shareholders.

3. CALL OPTION

3.1 On the death of any Shareholder the surviving Shareholders shall if they together so elect by written notice to the deceased Shareholder's personal representatives [whether or not they have obtained a grant of representation] within three months from the date of the said death be entitled to purchase the deceased Shareholder's Shares from the deceased Shareholder's personal representatives for the Agreed Value whereupon the deceased Shareholder's personal representatives shall sell the said Shares to the surviving Shareholders on the terms hereinafter appearing.

3.2 Where on the death of any Shareholder there is more than one surviving Shareholder and the option conferred by clause 3.1 is exercised by all the surviving Shareholders each of the surviving Shareholders shall pay to the deceased Shareholder's personal representatives the Relevant Proportion of the Agreed Value and in consideration of such payment shall become entitled to the Relevant Proportion of the deceased Shareholder's Shares or as near thereto as may be possible.

3.3 Where on the death of any Shareholder there is more than one surviving Shareholder and one or more (but not all) of the surviving Shareholders wish to exercise the option conferred by clause 3.1 such of the surviving Shareholders as do wish to exercise that option may do so and such of the surviving Shareholders as do not wish to exercise the said option need not do so and in such a case the Relevant Proportion of the Agreed Value of the Shares to be paid by each of the surviving Shareholders exercising the option and the Relevant Proportion of the Shares of the deceased Shareholder to which each of the surviving Shareholders becomes entitled shall be paid and receivable as if the other Shareholders did not exist (unless inter se the surviving Shareholders exercising the option agree otherwise).

4. PUT OPTIONS

4.1 On the death of any Shareholder the deceased Shareholder's personal representatives shall if they so elect by written notice delivered to the surviving Shareholders within six months after the date of the said death sell the deceased Shareholder's Share to the surviving Shareholders for the Agreed Value and on the exercise of such option the surviving Shareholders shall purchase the said Shares from the deceased Shareholder's personal representatives on the terms hereinafter appearing provided that this option will not apply where prior to his death the Shareholder has exercised the option conferred by clause 4.2 hereof.

4.2 In the event of the Critical Illness or Terminal Illness of any Shareholder that Shareholder or his legally empowered representative (but only during the lifetime of the Critically Ill or Terminally Ill Shareholder) shall if an election by written notice to the other Shareholders is given within six months from the Payment Date sell the Shares of the Critically or Terminally Ill Shareholder to the other Shareholders for the Agreed Value whereupon the other Shareholders shall purchase the said Shares from the Critically Ill or Terminally Ill Shareholder on the terms hereinafter appearing.

4.3 Where on the death, Critical Illness or Terminal Illness of any Shareholder there is more than one other Shareholder and the option conferred by clause 4.1 or 4.2 is exercised, each of the other Shareholders (unless inter se they agree otherwise) shall pay to the personal representatives of the deceased Shareholder or the Critically Ill or Terminally Ill Shareholder (as the case may be) his Relevant Proportion of the Agreed Value and in consideration of such payment shall become entitled to his Relevant Proportion of the Share of the deceased Shareholder or the Critically Ill or Terminally Ill Shareholder (as the case may be) or as near thereto as may be possible.

5. LIFE POLICIES, CRITICAL ILLNESS POLICIES AND TERMINAL ILLNESS POLICIES

5.1 Each Shareholder shall no later than one month after the date of this Agreement effect:

a. a Life Policy (where the boxes in paragraph A. of the Recital are initialled) and/or

b. a Critical Illness Policy and Terminal Illness Policy (where the boxes in paragraph B. of the Recital are initialled)

with such amount of cover under each as the Shareholders shall agree between them as being appropriate in the context of the commercial arrangement between them and such Policies shall be written subject to a trust under which the Beneficiaries (as defined in the said trust) are the Shareholders for the time being of the Company.

5.2 Each Shareholder shall pay promptly (or permit to be deducted and paid over to L&G from any sums due to him from the Company) all premiums due from him in respect of the Policies.

5.3 Each Shareholder on becoming Critically Ill or Terminally Ill will co-operate with the remaining Shareholders in pursuing the claim under the Critical Illness or Terminal Illness Policy and will be notified immediately on L&G settling the claim under the said Policy.

Shareholders' Cross Option Agreement continued

6. AMOUNT OF COVER LESS/GREATER THAN AGREED VALUE

If on the death, Critical Illness or Terminal Illness of any Shareholder the option under clause 3.1, 4.1 or 4.2 is exercised and for any reason the amount of cover payable under the Policy(ies) is

a. less than the Agreed Value of that Shareholder's Shares the balance of the Agreed Value shall be paid in

[state number and frequency] equal instalments and the outstanding amount from time to time shall

[bear interest at]/[not bear interest]*

b. more than the Agreed Value of that Shareholder's Shares the other Shareholders shall [retain the said excess without any obligation in the case of a deceased Shareholder to the personal representatives or family thereof and in the case of a Critically Ill or Terminally Ill Shareholder that Shareholder]/[pay over the said excess to the personal representatives of the deceased Shareholder or the Critically Ill or Terminally Ill Shareholder (as the case may be) as though the Agreed Value was equal to the amount of cover]*

* [delete as appropriate].

7. EFFECT OF AGREEMENT

7.1 Nothing in this Agreement shall in any way whatsoever prevent or hinder any Shareholder from disposing charging encumbering or otherwise dealing in any way with his Shares during his lifetime

7.2 This Agreement shall:

a. bind the Shareholders and their respective personal representatives

b. cease to bind any Shareholder and his personal representatives on the earlier of

(i) him ceasing to be a Shareholder in the Company

(ii) the Company being dissolved or a resolution being passed that it shall be liquidated

7.3 If this Agreement conflicts with the provisions of the Company's articles of association or any other agreement between the Shareholders relating to their Shares, this Agreement shall prevail.

The First Schedule

8. SPECIFIED VALUE

The Specified Value of the Shares of each Shareholder shall be:

Shareholder	Specified Value

The Second Schedule

9. FAIR VALUE

The Fair Value of the Shares of each Shareholder shall be the Relevant Proportion of the market value of the Company as at the date of the Shareholder's death or the Payment Date (as the case may be) (such Fair Value of the Shares not to be discounted for a minority holding) as determined by an independent auditor or professional valuer agreed between the Shareholders and appointed by all the Shareholders including the personal representatives of the deceased Shareholder or the Critically Ill or Terminally Ill Shareholder (as the case may be) and in the absence of any such determination the Fair Value of the Shares shall be the Relevant Proportion of the said market value as determined by a chartered accountant nominated by the President for the time being of the Institute of Chartered Accountants in England and Wales.

The Third Schedule

10. RELEVANT PROPORTION

1. Subject to paragraph 2 of this Schedule, the Relevant Proportion in respect of each Shareholder shall be proportionate to their Shareholding in the Company in the accounting period during which

(i) in a case where an option under clause 3.1 or 4.1 is exercised, the death referred to in clause 3.1 occurs and

(ii) in a case where an option under clause 4.2 is exercised, the Payment Date occurs

2. In calculating the Relevant Proportion, it shall be assumed, except for the purposes of the Second Schedule to this Agreement, that the Shareholder in respect of whose Shares any option is being exercised, had no right to the income profits of the Company

a. on or immediately before his death where the option is being exercised under clause 3.1 or 4.1 hereof,

b. on the Payment Date, where the option is being exercised under clause 4.2 hereof

Signatures

IN WITNESS whereof the said Shareholders have hereunto set their hands the day and year first before written.

SIGNED by the said

Name of Shareholder

Signature of Shareholder

Name of witness

Signature of witness

Address of witness

Postcode

SIGNED by the said

Name of Shareholder

Signature of Shareholder

Name of witness

Signature of witness

Address of witness

Postcode

SIGNED by the said

Name of Shareholder

Signature of Shareholder

Name of witness

Signature of witness

Address of witness

Postcode

Signatures continued

SIGNED by the said

Name of Shareholder	
Signature of Shareholder	
Name of witness	
Signature of witness	
Address of witness	
Postcode	

Alternative formats

If you would like a copy of this in large print, braille, PDF or in an audio format, call us on **0370 010 4080**. We may record and monitor calls. Call charges will vary.

legalandgeneral.com

Legal and General Assurance Society Limited
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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

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