

CASE STUDY MATERIALS

January 2011
Level 6
PRACTICE OF COMPANY & PARTNERSHIP LAW
Subject Code L6-16

ilex



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INSTITUTE OF LEGAL EXECUTIVES

UNIT 16 – PRACTICE OF COMPANY & PARTNERSHIP LAW*

CASE STUDY MATERIALS

Information for Candidates on Using the Case Study Materials

- This document contains the case study materials for your examination.
- In the examination, you will be presented with a set of questions which will relate to the case study materials. You will be required to answer all the questions on the examination paper.
- You should familiarise yourself with the case study materials prior to the examination, taking time to consider the themes raised in the materials.
- You should take the opportunity to discuss the materials with your tutor/s either face to face or electronically.
- It is recommended that you consider the way in which your knowledge and understanding relates to the case study materials.

Instructions to Candidates Before the Examination

- You will be provided with a clean copy of the case study materials in the examination.
- You are **NOT** permitted to take your own copy of the case study materials or any other materials including notes or text books into the examination.
- In the examination, candidates must comply with the ILEX Examination Regulations.

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* This unit is a component of the following ILEX qualifications: **LEVEL 6 CERTIFICATE IN LAW, LEVEL 6 PROFESSIONAL HIGHER DIPLOMA IN LAW AND PRACTICE** and the **LEVEL 6 DIPLOMA IN LEGAL PRACTICE**

ADVANCE INSTRUCTIONS TO STUDENTS

You work in the Corporate Department of Kempstons LLP, Solicitors, The Manor House, Bedford, MK42 7AB.

You arrive at work to find the following memo awaiting your attention:

KEMPSTONS LLP

INTERNAL MEMORANDUM

To: Trainee Legal Executive
From: Joanna
Date: (Today)
Matter: **Sonali Shah, GSA Partnership (GSA)**

Ms Shah is a client of the firm and has instructed us to act for her in two matters, one relating to a partnership dispute and the other in relation to the incorporation of that partnership and its ongoing management. Please consider the issues arising from these matters. Ms Shah will be calling in and I will need you to prepare so that you are able to assist me in discussing these matters with her. I've attached copies of the relevant documents.

Joanna

You find the following documents attached to the memo:

- DOCUMENT 1** Email (File of Sonali Shah)
- DOCUMENT 2** Attendance Note (File of GSA)
- DOCUMENT 3** Email (File of Sonali Shah)
- DOCUMENT 4** Letter from Sonali Shah, partner of GSA (File of Sonali Shah)
- DOCUMENT 5** Partnership Deed (File of Sonali Shah)

DOCUMENT 1

EMAIL

From: jn@kempstonsllp.com
To: legalexec@kempstonsllp.com
Date: 3 December 2010
Re: **Sonali Shah, GSA Partnership (GSA)**

I had a meeting with Sonali Shah earlier this week who needs advice in relation to problems she is having with her partnership, GSA Partnership (GSA).

We acted for Sonali when the partnership was formalised two years ago and I had not heard from her since that time until she rang the day before yesterday. The other partners are being independently represented.

GSA Partnership (GSA) is the name of a business run by Sonali Shah, her sister Asma Ismailjee, together with their daughters Bansi Shah and Poonam Verma, and Olga Sheperdson. The business was originally started by Sonali and Asma's father and, when he retired some time ago, they took it over; it was at this point their daughters Bansi and Poonam became involved although nothing was formalised in writing. It was only when Olga Sheperdson joined the partnership two years ago that the partnership agreement was formalised. Currently GSA operates from premises in south west London.

GSA specialises in a technique known as 'glittering'; a process that apparently involves the application of fine particles of glitter to cloth or objects using glue and 40,000 volts of electricity to create a sparkling coat known as glitter. GSA developed a new process which meant that their glitter does not rub loose, which was then patented in 2005. The patent is registered in Asma's sole name, and it is obviously this patent that is the basis of its success.

Sonali has asked for a meeting next week in order that she can discuss the options open to her under the partnership agreement vis-à-vis her sister. I requested a copy of the final version of partnership deed from Sonali, which she has now provided (**Document 5**).

In the meantime please make sure that you are fully conversant with the attached.

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DOCUMENT 2

ATTENDANCE NOTE

Date: 1 December 2010

Client Sonali Shah

File No. 00001289/SG

Matter **Sonali Shah, GSA Partnership** - Partnership Dispute

Meeting with Sonali Shah (SS).

SS explained that she is having problems with her partnership, GSA Partnership (GSA). SS explained that since I had been involved last, the business still maintained its market share in the glittering business.

SS explained that the partnership problems have been in relation to Asma. When Olga joined, Asma was originally opposed to the idea of introducing a non-family member, Olga, into the partnership and the formalising of the running of the partnership as a result. Olga insisted on a formal partnership deed and Asma went along with it because this is what Sonali, Bansi and Poonam wanted. Each partner took independent legal advice at the time.

In any event, as a result of the negotiation of the deed, and Asma's attitude, you will see that the resulting deed is not as comprehensive as one would usually expect. This and any consequent risks were explained at the time to SS and she accepted the deed as drafted.

Olga has been a great success since she joined the business; her suggestions and proposals have all resulted in improvements to the business and the running of GSA. Her expertise, particularly in relation to marketing and product development, has made Asma seem out of touch. In addition Asma has found it difficult to cope with what is, in effect, the new management style of GSA. This has resulted in heated arguments between Asma and Olga and some between Asma and SS. SS admitted that the position before the partnership was formalised was much more relaxed; for example partnership money was often used by the partners for non-partnership purposes, but it was always repaid and no one minded.

Asma is not happy with her involvement in GSA at the moment. The death of her husband leaving nothing but debts seven months ago has only aggravated her problems. Probably as a result of these issues her commitment to the business has faltered. Over the last six months she has missed more partnership meetings than she attends. At many of the meetings which she has attended she has been generally rather unhelpful and sometimes positively aggressive towards Olga. In addition, she has been off sick with depression on three occasions over the last six months, amounting to six weeks in all. She has always kept the other partners informed of her illness but it has meant more work for the rest of the partners and they have not really known what to do about it. As it happens, when Asma was last off sick the other partners found that it did not really interfere with the business at all as the others had got used to it.

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In November GSA's accountants who have been preparing accounts for the second financial year which ended on 31 October 2010 discovered a problem with the accounts. Items amounting to £17,546 had been bought with a credit card over the last ten months but there was no record of these items having ever been delivered to or used by GSA. After further investigation it was discovered that all of the items had been acquired by Asma with her partnership credit card. Olga confronted her and asked her for an explanation. When Asma angrily refused to explain, Olga said that she had to pay the money back immediately. Asma has simply said that in her opinion she has done nothing wrong and she does not have to answer to Olga. This disagreement has now escalated involving all the partners. They have told Asma orally that she must pay back the £17,546 but Asma has simply ignored their demands which were made in a partners' meeting in early November 2010.

At the last partners' meeting on 30 November 2010, which Asma did not attend despite being notified in good time in the usual way, the problems with Asma were openly discussed. It transpired that there were more problems than originally thought; Poonam confided that her mother was in serious financial difficulties and that her mother had only that very day received a statutory demand for payment of a £2,500 debt. It was noted that Asma had fully drawn her profit entitlement. The conclusion of all of the others including Poonam was that something needed to be done and that, for the sake of the business and Asma, it was probably time for Asma to leave the business and to do so as soon as possible. Poonam said that she would not be happy at forcing her mother out and would try to discuss the position with her mother as tactfully as possible. So far this approach has met with little success and Olga is getting impatient. It didn't help that Poonam told her mother that Sonali was going to take legal advice.

SS wants to know what the options are in relation to her sister. She knows that her own daughter Bansi will go along with whatever she decides but they both want to be as fair to Asma as possible, but she is aware that Olga has finally lost all patience with Asma.

Amongst other things, what does concern SS is that her sister has possession of all the relevant papers for the patent which is registered in Asma's name. She also still has the credit card. Whatever happens, it is vital that, if Asma does leave, the partnership credit card is returned and that she executes an assignment of the patent (and returns all related papers) into the names of the remaining partners.

She wants us to review the deed accordingly, which she will forward in due course.

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DOCUMENT 3

EMAIL

From: jn@kempstonsllp.com
To: legalexec@kempstonsllp.com
Date: 6 December 2010
Re: **Sonali Shah**

Please see the attached letter and enclosure received today from Ms Shah (**Documents 4 and 5**).

I have also just spoken to Ms Shah and she has confirmed that in regard of both matters, we will be advising her in her personal capacity. Accordingly, I have opened two separate files; I will let you have the file and matter references in due course.

I also took the opportunity to enquire more about the proposed share capital of the company. I have suggested that it will be easier to use a private limited company, off the shelf. I will provide one of our stock of private limited shelf companies for it to be adapted accordingly. These are always incorporated with a share capital available to the directors for allotment of £10,000 of 10,000 £1 ordinary shares. The first two shares will already be allotted to me and Jonas Smyth (our property partner) as the first directors and subscribers. It will also have the Model Articles for private limited companies as its articles of association. The company's articles will then need altering in accordance with the new requirements.

As we were discussing the issue of shares, Ms Shah also mentioned that when she retires she may well transfer her ordinary shares to her daughter. She is undecided on this but will be looking to us for advice.

Ms Shah has said that she will confirm next week's appointment with us in the next day or so, but in the meantime please make sure that you are fully conversant with the attached.

Joanna

DOCUMENT 4

GSA Partnership
3 Horse Lane
London SW5 1GH

Ms J Norman
Kempstons LLP, Solicitors
The Manor House
Bedford
MK42 7AB

3 December 2010

Dear Ms Norman

I refer to our earlier meeting yesterday.

Partnership dispute

As requested, please find enclosed a copy of the partnership deed for GSA Partnership, as signed by all the partners. I hope that this should be sufficient for the purposes of our next meeting.

Proposal for the Partnership business

The problems with Asma have meant that we have all been considering what is best for the business, particularly as we are being affected by cheap imports which, although of inferior quality, are well marketed. Profits have been marginally down over the last six months and future orders are slow.

Bansi, Poonam and Olga have for some time wanted to pursue other applications for glittering and have come up with a proposal. The proposal consists of two separate but related business ideas:

- (i) A bespoke glittering service: a market that GSA has not taken full advantage of as of yet, but market research indicates there is potentially an extremely lucrative market provided that it is marketed and priced properly; and
- (ii) A retail outlet supported by an internet sales outlet: the retail outlet would require new premises and we have already sourced potential premises near Covent Garden, which will require an initial investment of around £120,000 to cover the first six months' rent and basic refurbishment.

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I am in agreement with these proposals, and we, that is Bansi, Poonam, Olga and I, want to be sure that problems such as those that have arisen with Asma do not arise again. We have therefore decided that once we have secured the departure of Asma, it is probably appropriate that we no longer operate as a partnership, but rather seek to incorporate the business.

Our initial thoughts are that we should establish a company, to be called GSA Limited, to purchase our partnership assets from us, although we are not currently sure how we should go about this or how we can secure additional funding.

In any event, the structure that we are proposing is:

Me:	Managing Director £55,600 salary	Shareholding: 42,000 ordinary shares of £1 each 100,000 preference shares of £1 each
Bansi	Finance Director £45,000 salary	15,000 ordinary shares of £1 each
Poonam	Director (Internet) £45,000 salary	15,000 ordinary shares of £1 each
Olga	Marketing Director £50,000 salary	28,000 ordinary shares of £1 each

The salaries are weighted according to our perceived responsibilities within the new business; accordingly as the person with the most experience of the business, and due to my intended percentage holding, I will take more.

In addition, I have agreed to take a service contract fixed for six years, as this will take me up to retirement. At that point I will most likely step down from the management of the business, but will probably retain my share interest.

In relation to my shareholding, this again is to reflect my current contribution in the partnership. However, to reflect that I also have a part share in the glitter patent, I will be allotted an additional 100,000 preference shares; these are not intended to have voting rights, but will pay a cumulative fixed dividend of 5.4% for a period of 5 years at which point they will convert into ordinary shares.

To help establish the retail outlet proposal, Olga and I have agreed to loan the business a further £60,000 each to secure the necessary lease and to help fund the refurbishment. These loans will be interest free, but certainly from my perspective I will be looking to secure it. Accordingly, once the company has acquired the assets of the partnership the loan will be secured over the freehold premises from

GSA Partnership

Partners: Sonali Shah, Bansi Shah, Asma Ismailjee, Poonam Verma, Olga Sheperdson

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which the partnership currently operates.

I will arrange an appointment to see you next week, as I would like to talk to you through, but I am sure you will agree these are sensible precautions in relation to the future management of the business.

Yours sincerely

Sonali Shah

Sonali Shah

Enclosure:

Partnership Deed, GSA Partnership, dated 21st December 2008

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GSA Partnership
Partners: Sonali Shah, Banshi Shah, Asma Ismailjee, Poonam Verma, Olga Sheperdson

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GSA Partnership

Partners: Sonali Shah, Banshi Shah, Asma Ismailjee, Poonam Verma, Olga Sheperdson

DOCUMENT 5

PARTNERSHIP DEED

Date: 21st December 2008

Between:

Sonali Shah

and

Asma Ismailjee

and

Bansi Shah

and

Poonam Verma

and

Olga Sheperdson



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THIS DEED is made the 21st day of December 2008

BETWEEN the parties whose names and addresses are set out in the first schedule

WHEREAS:

- (1) Sonali Shah and Asma Ismailjee have for many years been carrying on in partnership the business of commercial glitterers
- (2) The parties to this Deed now wish to carry on in partnership the business of commercial glitterers previously carried on by Sonali Shah and Asma Ismailjee
- (3) The said parties wish their partnership to commence on 1st January 2009

THIS DEED WITNESSES as follows:

Interpretation

In this Deed and the schedules to it the following terms shall unless the context otherwise requires have (whether with or without the definite article) the following meanings:

the Accountants	Pinkertons or any other firm of chartered accountants approved by the Partners to be appointed as accountants to the Firm
Audited Accounts	the accounts of the Partnership prepared and audited in accordance with clause 17
Commencement Date	1 st January 2009
Continuing Partners	those Partners (or where the context admits only one remaining Partner that Partner) who were members of the Partnership immediately prior to the Succession Date and are not the Outgoing Partners
this Deed	this partnership deed as the same may be amended or supplemented from time to time
Financial Year	the period from 1 st January to 31 st December (inclusive) or such other period as the Partners may agree from time to time
Firm	the Partnership firm
Firm Name	the name mentioned in clause 3.1 or such other name as may be chosen as the Firm Name under that clause from time to time
IT(TOI)A 2005	the Income Tax (Trading and Other Income) Act 2005
Outgoing Partner	a Partner who ceases to be a member of the Partnership by her death or as a result of her retirement or expulsion in accordance with any provision of this Deed and including (where the context admits) the personal representatives trustee in bankruptcy or receiver of any such Partner
Partners	the parties to this Deed and such other persons as may be admitted to the Partnership including (where such have been appointed) their respective personal representatives trustees in bankruptcy receivers and administrators
Partnership	the partnership carried on under this Deed
Partnership Bank	Firstbank plc or such other bank as the Partners may choose from time to time
Partnership Interest Rate	the base lending rate of the Partnership Bank plus 2% or such other rate as the Partners may from time to time agree
Premises	The leasehold property known as 3 Horse Lane London SW5 1GH and in addition to or in substitution for such premises such other property as the

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	Partners shall agree
Profits	the distributable profits of an income nature of the Firm in any Financial Year as shown in the Audited Accounts
Succession Date	in respect of an Outgoing Partner the date of her death retirement or expulsion (as the case may be)
Tax	income tax capital gains tax value added tax national insurance contributions (whether employer's employee's or self-employed) business rates (where levied in respect of premises) where leviable on the Partners by reference to the Partnership in respect of the Partnership business
Term	the period from the Commencement Date expiring on 30 th June 2012

1.2 In this Deed:

- 1.2.1 reference to any statutory provision shall include any statutory provision which amends or replaces it and any subordinate legislation made under it
- 1.2.2 the feminine includes the masculine

Nature of business and duration

2.1 The Partners shall with effect from the Commencement Date carry on the business of commercial glitterers in partnership. The Partnership shall continue for the Term and thereafter unless terminated as provided below. The termination of the Partnership with regard to a Partner shall not terminate the Partnership with regard to the remaining Partners

2.2 The nature of the Partnership business may be changed only by the unanimous vote of the Partners

3 Firm Name

3.1 The Firm Name of the Partnership shall be GSA Partnership and the Partnership shall be known by and contract in the name of and conduct its business using only the Firm Name from time to time. Each of the Partners acknowledges that all proprietary and other rights in the Firm Name are vested exclusively in the Firm

3.2 The Partners shall comply with the provisions of the Business Names Act 1985 and any regulations or orders from time to time made thereunder

3.3. The Firm Name may be changed only by the agreement of the Partners

4 Place of business and partnership property

4.1 The Partnership business shall be carried on at the Premises and such other premises as the Partners shall from time to time agree

4.2 Immediately on the execution of this Deed the Partners shall take up a lease of the Premises for a term of four (4) years from 1st January 2009 at a yearly rent of fifty thousand pounds (£50,000) The signed lease shall form part of the Partnership property and the cost of all rent rates repairs insurances and other outgoings and expenses relating to the Premises or to any other property acquired for the purpose of the Partnership business shall be borne by the Partnership

5 Partners' duties

Each Partner shall devote such time and attention to the Partnership as is necessary (except when absent as provided in clauses 10 or when incapacitated as provided in clause 11)

6 Restrictions

Except where otherwise provided below no Partner shall without the consent of all of the others:

6.1 enter into any bond or bail or become guarantor for any person

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- 6.2 use to the detriment or prejudice of the Partnership or except within her authority as a Partner shall not divulge to any person any trade secret or any other confidential information concerning the Partnership's business investments or affairs of the Partnership or any of its clients which may come to her knowledge while he is a Partner and which shall not have become public knowledge (otherwise than through her default)

7 Limits of authority

- 7.1 Except where otherwise provided below no Partner shall without the consent of the others:
- 7.1.1 take any person into executive employment or appoint any person as an agent of the Partnership
 - 7.1.2 terminate the employment of any employee or agent of the Partnership except where in the circumstances instant dismissal is appropriate
 - 7.1.3 lend any of the money of the Partnership to any person or persons or use the name or any other property of the Partnership other than for the purposes of the Partnership business
 - 7.1.4 give any security or promise for the payment of money on account of the Partnership or enter into any guarantee for the indebtedness of the Partnership other than in the ordinary course of business or with the approval of the other Partners
 - 7.1.5 draw accept or indorse any cheque or other bill of exchange or promissory note on account of the Partnership unless authorised in accordance with the then current mandate of the Partnership Bank account
 - 7.1.6 compromise compound or release any debt due to the Partnership except in the ordinary course of business for any single transaction up to a limit of £2000
 - 7.1.7 assign mortgage or charge the Profits or Partnership assets or any part of them or her interest in the Partnership or any part of it
- 7.2 Any Partner committing a breach of any of the above provisions of this clause 7 or the provisions of clause 6 shall indemnify and keep the other Partners indemnified from and against all losses damages actions proceedings costs and expenses arising directly or indirectly out of such breach without prejudice to any power of expulsion vested in the Partners by this Deed or otherwise

8 Third party assurance

Should the Partnership Bank or any other person require one or more of the Partners to guarantee the Partnership's indebtedness (present future actual or contingent) or require one or more of the Partners to stand as surety for any such indebtedness the decision to accede to such a request shall require the consent of the Partners

9 Insurance

The Partnership shall effect and maintain in its name all such insurance policies in such amount of cover against claims in the conduct of its business and otherwise as the Partners shall from time to time decide

10 Holidays

In each calendar year each Partner shall be entitled to take annual holidays of up to 5 weeks in addition to public and religious holidays. A Partner may not take more than 2 weeks consecutively. A Partner must agree when she takes her holiday with the other Partners. If a Partner does not take her full 5 weeks then that Partner may with the consent of the other Partners carry forward into the next calendar year up to one-half of her entitlement

11 Illness

A Partner who is incapacitated by reason of illness accident or other cause from carrying out her duties under this Deed shall produce such evidence as the other Partners may reasonably require of her incapacity

12 Capital

- 12.1 Each Partner shall on or before 1st January 2009 contribute the cash sums or assets and interests as the case may be set out in the second column of the third schedule below

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- 12.2 All Partnership assets including goodwill and the premises in which the Partnership business from time to time be carried on shall be Partnership property and shall (unless otherwise agreed) belong to the Partners jointly or shall (if vested in any individual Partner) be held by her in trust for all of the Partners and the other Partners shall indemnify such Partner against all liability which may arise whether directly or indirectly out of such ownership
- 12.3 Profits and losses of a capital nature shall be shared by the Partners in the same proportions as their respective capital contributions
- 12.4 Except with the agreement of all the other Partners no Partner may withdraw capital from the Firm

Profits, losses and liabilities

- 13.1 The Profits for each Financial Year shall belong to the Partners in such proportions as are set out in the second schedule or as shall otherwise be agreed by all of the Partners from time to time
- 13.2 All losses and all liabilities of an income nature of the Firm shall unless otherwise agreed by all of the Partners be borne by the Partners in the same proportions as those in which they would have been entitled to share in the Profits for the Financial Year during which such losses or liabilities are incurred

14 Drawings

Each Partner may draw out of the Partnership Bank account on account of her entitlement to her share of the Profits on the first day of each month such monthly sum and such additional drawings as may be agreed in advance by the Partners

15 Books of account

Proper books of account shall be kept by the Partners showing all receipts and payments on behalf of the Firm and all such other matters transactions and things as are usually written and entered into similar books of account. Such books of account shall not be removed from the Partnership Premises. Each Partner shall by herself or by her duly authorised representative have free access to such records and shall be entitled to take copies of them for the period during which he is a Partner and for 2 years after her Succession Date

16 Banking

All money and securities belonging to the Partnership shall be paid into the Partnership Bank account at or deposited for safe custody with the Partnership Bank. All cheques on the Partnership Bank account shall be drawn in the name of the Partnership

17 Annual accounts

- 17.1 As at the last day of each Financial Year the Partnership shall instruct the Accountants to take an account of the assets and liabilities of the Firm and of all dealings and transactions of the Firm during the Financial Year and of all matters and things usually contained in accounts of a like nature taken by persons engaged in a like business including without limitation due provision for Tax for which the Partnership is liable to account and in taking such account a fair and reasonable valuation shall be made of all items.
- 17.2 The balance sheet shall be signed by all of the Partners and the Audited Accounts shall then become binding on each of them except that any Partner may require the rectification of any manifest error discovered in any of the accounts within 6 months of the date when the balance sheet was signed by all of the Partners

18 Management

- 18.1 Except where otherwise provided in this Deed all matters relating to the management and conduct of the affairs of the Partnership and any agreement consent decision or approval required by this Deed to be made or given by the Partners shall be decided by votes taken at a

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meeting of the Partners. Except as provided in clause 18.2 or 18.3 at all meetings each Partner shall be entitled to one vote and resolutions shall be passed by a simple majority vote except as provided in clause 18.2. All meetings of Partners shall be convened on not less than 14 clear days notice given to each of the Partners wherever he may then be. The necessary quorum for all meetings shall be not less than two-thirds in number of the Partners at that time entitled to attend and vote at the meeting present in person or by proxy (who shall be another Partner appointed by a written instrument signed by the absent Partner and presented to the meeting). It shall not be necessary to give notice of a meeting to any Partner for the time being absent from the United Kingdom

- 18.2 At a Partners' meeting those matters for which under this Deed the approval consent agreement or decision of all of the Partners is required shall be resolved only by a unanimous vote of all those Partners present or voting by proxy
- 18.3 At a meeting of Partners at which a resolution for the expulsion of any Partner is sought the Partner in question shall be entitled to be advised a reasonable time beforehand of the grounds of her proposed expulsion and to attend the meeting and be heard. No single resolution for expulsion shall relate to more than one Partner. For such a resolution to be effective three quarters of the Partners other than the Partner whose expulsion is sought must vote in favour of the resolution whether attending the meeting or voting by proxy

19 Retirement

- 19.1 Any Partner may on 1st July 2012 or thereafter retire from the Partnership on giving not less than 3 months' previous notice in writing to the other. The date of expiration of such notice shall be her Succession Date. The giving of notice shall be without prejudice to any provision in this Deed entitling the other Partners to terminate the Partnership in respect of her or to expel her during the currency of the notice. For the avoidance of doubt a Partner may serve notice of retirement to expire on 30th June 2012
- 19.2 If a Partner who has given a notice under clause 19.1 dies during the currency of the notice then the notice shall become void
- 19.3 A Partner shall retire at the end of the Financial Year during which she reaches the age of 65 years as if she had given notice under clause 19.1 to that effect
- 19.4 Following service of a notice under clause 19.1 the other Partners may at any time thereafter suspend such Partner from the Partnership upon such terms as they in their absolute discretion may decide and which terms shall be notified in writing to all Partners

20 Expulsion

- 20.1 If any Partner shall:
- 20.1.1 commit a serious breach of any of the provisions in this Deed or of any duties implied by law which in either case has as its object or result the material disadvantage of the Partnership
 - 20.1.2 fail to account for money received by her in respect of any Partnership transaction or
 - 20.1.3 fail to pay to the Partnership within 30 days of being requested in writing to do so any sum owed by her to the Partnership or
 - 20.1.4 have no reasonable prospect of paying or be unable to pay her debts the amount or aggregate amount of which equals or exceeds the bankruptcy level (within the meaning of the Insolvency Act 1986 Section 267) or enter into a compromise for the benefit of her creditors generally or
 - 20.1.5 be convicted of any criminal offence other than a minor motoring offence or
 - 20.1.6 become a patient within the meaning of the Mental Health Act 1983 Section 94(2) or Section 145(1)

then the other Partners (but only if they are more than one) may convene a Partners' meeting which shall be conducted in accordance with the provisions of clause 18.3 and having so resolved may at any time within 3 months after becoming aware of such breach or other ground by notice

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in writing given to the Partner concerned expel her from the Partnership and the date of such notice shall be her Succession Date

- 20.2 Expulsion under clause 20.1 shall be without prejudice to any claim the other Partners may have against the expelled Partner in respect of any act or omission leading to that Partner's expulsion

21 Termination and Option to Purchase

The Continuing Partners shall have an option to purchase the share of the Outgoing Partner in the Partnership such option to be exercised by written notice given to the Outgoing Partner at any time within 3 months prior to or 2 months after the Succession Date subject to the following conditions:

- 21.1 On the Succession Date the Partnership shall be terminated but only as to the Outgoing Partner and it shall continue as between the Continuing Partners
- 21.2 The Outgoing Partner shall be entitled to her share of the Profits for the Financial Year during which the Succession Date occurs apportioned on a daily basis for the period from the commencement of such Financial Year to the Succession Date
- 21.3 The Partnership shall instruct the Accountants to prepare as quickly as is reasonably practicable a balance sheet as at the Succession Date and a profit and loss account for the period from the date of the last Audited Accounts (or from the commencement of the Partnership if no Audited Accounts have been adopted) to the Succession Date
- 21.4 An Outgoing Partner's share of the Profits to the Succession Date shall be paid to her not later than 12 months from the Succession Date together with interest from the Succession Date at the Partnership Interest Rate
- 21.5 The Continuing Partners shall within 24 months after the Succession Date pay to the Outgoing Partner a sum equal to the balance then standing to the credit of the Outgoing Partner's capital account together with interest from the Succession Date at the Partnership Interest Rate but excluding any value attached to goodwill as at the Succession Date. The Outgoing Partner shall not be entitled to any further capital payment in connection with her ceasing to be a Partner
- 21.6 The Outgoing Partner shall on or before her Succession Date deliver up to the Continuing Partners lists of clients correspondence and all other documents papers and records (in whatever form these may be stored) which may have been prepared by her or have come into her possession while she was a Partner and she shall not retain copies of them. Title and copyright of all such documents shall vest in the Partnership
- 21.7 The Outgoing Partner shall sign execute and do all such documents deeds acts and things as the Continuing Partners may reasonably request for the purpose of enabling the Continuing Partners to recover and get in the book debts and other assets of the Partnership or for the purpose of appointing a new trustee of any of the Partnership property or for the purpose of conveying assigning or transferring to the Continuing Partners any of the Partnership property which immediately prior to the Succession Date is vested in the Outgoing Partner as one of the Partners or in trust for the Partnership
- 21.8 In consideration of the covenants by the other Partners contained in this Deed each of them the Outgoing Partner and the Continuing Partners irrevocably appoints each and any of the other Outgoing and Continuing Partners her attorney for the purpose of signing executing and doing all notices documents deeds acts and things at any time required to be signed executed or done by her

22 Dissolution

- 22.1 The Partnership may be dissolved by not less than three quarters of the Partners at any time after the 30th June 2012 giving at least 3 months' notice in writing to the other Partner of their intent and upon the expiry of such notice the dissolution shall take effect. For the avoidance of doubt notice of dissolution may be served to expire on 30th June 2012

Turn over

CASE STUDY MATERIALS

22.2 Upon the expiry of a notice under clause 22.1 or if the Partnership shall otherwise be dissolved, the winding up of the business and undertaking of the Partnership shall be administered in accordance with the Partnership Act 1890 Section 44

23 Covenants

Each Partner covenants with all the other Partners that:

23.1 (except when the Partnership is dissolved) she will not after her Succession Date either for herself or for or jointly or in conjunction with or on behalf of any other person firm or company represent herself as a Partner in an employee of or a consultant to the Partnership or that she is in any way connected with or has authority to bind the Partnership

23.2 (except when the Partnership is dissolved) she will not after his Succession Date either for herself or for or jointly or in conjunction with or on behalf of any other person firm or company use the Firm Name or any name which may in any way (whether visually audibly or otherwise) be confused with the Firm Name

24 Notices

Any notice given by any of the Partners shall be served by pre-paid recorded delivery post or by telex or by facsimile transmission to the address or number of the Partner to be served as set out in this Deed or as may be notified for that purpose from time to time. Any such notice shall be deemed to be effectively served:

24.1 in the case of service by pre-paid recorded delivery post 48 hours after it has been placed in the post

24.2 in the case of service by telex or facsimile transmission on the next following day

and in each case notice shall be deemed given both in the jurisdiction of despatch and in that of receipt. A notice given by more than one Partner may be in one or more copies each signed by one or more of them

IN WITNESS whereof this Deed has been executed the day and year first above written

FIRST SCHEDULE

The Parties

Partner's name

Partner's address

Sonali Shah

2 Hampstead Villas London NW3 7GH

Bansi Shah

13 Flask Walk London NW3 5GH

Asma Ismailjee

Tulips Heron Lane London NW2 5FT

Poonam Verma

13A Eagle Mansions London NW1 5DF

Olga Sheperdson

4 Holbrook Gardens London EC1 5DF

SECOND SCHEDULE

Division of Profits

Partner's name

Profit share

Sonali Shah

30 %

Bansi Shah

10 %

Asma Ismailjee

30 %

Poonam Verma

10 %

Olga Sheperdson

20 %

THIRD SCHEDULE

Contribution and Division of Capital

Partner's name

Capital £

Sonali Shah

500,000 (share of all assets of existing partnership business including the patent)

Bansi Shah

50,000 (cash)

Asma Ismailjee

500,000 (share of all assets of existing partnership business including the patent)

CASE STUDY MATERIALS

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