

**Growth shares are a special type of share that only deliver value once the company has grown beyond its current value to a specified hurdle level. As a result, employees can purchase growth shares much more cheaply than full value ordinary shares, but still benefit from capital gains tax treatment on the sale of the shares.**

Growth shares can provide a favourable tax treatment and financial outcome for employees and non-employees. They are capable of being used in conjunction with an Enterprise Management Incentive (EMI) plan, or outside of EMI where the qualifying conditions of an EMI plan are not met, including under a Company Share Option Plan (CSOP).

Growth shares can be appealing to existing shareholders in ring-fencing existing and potentially an element of future value for themselves and incentivising participants to grow business value.

The tax treatment results from general tax principles, rather than a specific UK government approved plan. Consequently, any company that can offer growth shares (within the laws of where the company is incorporated) can potentially create a growth share plan and allow its UK participants to benefit.

The key considerations for designing a Growth Share Plan are:

- what is the target for the company value, above which holders of growth shares will receive value on a sale?
- what is the market value of the growth shares, factoring in the impact of the hurdle?
- what percentage of the company's growth above the target will be available for participants?
- how will leavers be treated?
- will there be any entitlement to dividends or other value before an exit?

Key Features	How can RM2 Help?
<ul style="list-style-type: none"><li>♦ Protects existing shareholders from dilution.</li><li>♦ Incentive to grow value to hurdle.</li><li>♦ Shares purchased for or taxed on full (albeit low) initial value, not options.</li><li>♦ No or reduced tax until dividends are paid or the shares are sold.</li><li>♦ Favourable tax treatment on sale proceeds.</li><li>♦ Flexibility in design parameters, relative to EMI or CSOP.</li></ul>	<ul style="list-style-type: none"><li>♦ Review, analyse and understand objectives and expectations; provide Feasibility Study &amp; financial modelling.</li><li>♦ Define how growth should be linked to the value received by participants.</li><li>♦ Design the detailed share rights and draft relevant documentation.</li><li>♦ Provide the growth share valuation opinion or liaise with valuers.</li><li>♦ Advise on and implement advanced features, eg multiple growth measures, dividends, early liquidity events &amp; internal markets.</li><li>♦ Employee communications</li></ul>