



MEMO

To: Board of Directors
From: Company Secretary
Subject: **SHARE SPLIT / SUB-DIVISION**

To facilitate the company's proposed capital restructure I suggest that the existing 2 shares of \$1 each be subdivided and split into 20 shares (i.e., a 10 for 1 share split); total paid up capital would remain at \$2, so each share will have a paid up amount of 10¢.

Section 254H of the Corporations Act provides that *".....a company may convert all or any of its shares into a largernumber of shares by [ordinary] resolution passed at a general meeting [of shareholders]"* and that *".....the conversion takes effect [either] on the day the resolution is passed or a later date specified in the resolution....."*.

Procedure

The process to achieve the share split is as follows:

1. (a) The board should resolve to convene an [extraordinary] general meeting of shareholders ('EGM') to consider the share split and authorise the Company Secretary to issue a Notice of Meeting to all shareholders, the directors and the auditor (as required).

(b) Alternatively, where appropriate, the board might simply recommend that the shareholder sign a resolution approving the share split.
2. (a) Where applicable, prepare and post out the Notice to shareholders with a suitable explanatory letter/memorandum giving the requisite minimum notice period (i.e. 21 days – sec.249H(1) – or 28 days for an Australian stock exchange listed company – sec.249HA).

(b) The notice period may be shortened (in other than listed companies) if shareholders with at least 95% of the shares agree – sec.249H(4).
3. (a) Hold the EGM for shareholders to vote in favour of the resolution (i.e., greater than 50% as an ordinary resolution).

(b) If there is only 1 shareholder in a company that shareholder may pass the resolution by recording it in writing and signing that record – sec.249B – in lieu of holding a meeting.

(c) If the company is a proprietary limited company (Pty Ltd) then, rather than holding a meeting, those shareholders too may pass the resolution by recording it in writing and signing that record – sec.249A – but in such case all



shareholders must sign and the resolution is not passed until the [date the] last shareholder signs.

Sample shareholder resolution wording:

That, in accordance with Section 254H(1) of the Corporations Act, the Company convert its existing share capital comprising two (2) ordinary shares each fully paid into a larger number by splitting each share into 10 shares making a total of twenty (20) shares, with effect from the date of this declaration.

4. (a) Prepare and lodge a Form 2205 “Notification of Resolutions Regarding Shares” (including Attachment 1) with ASIC within 1 month of the date the resolution is passed.

(b) The Attachment 1 (to Form 2205) requires details of the ‘top 20’ shareholders to also be lodged with ASIC for Pty Ltd companies. ASIC does not record any shareholder details for public companies.
5. Update the Share Register to record the share split and prepare a new Share Certificate.
6. A suitable ‘shareholder letter’ could be despatched after the EGM/resolution, designed to inform all shareholders of the outcome of the meeting as well as informing them of their new resultant holding (ie, with attached Share Certificate or Holding Statement).

DISCLAIMER

The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.