



## MEMO

To: Board of Directors  
From: Company Secretary  
Subject: **SHARES**

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Most companies are formed on the basis of a group of investors – shareholders (also called members) – being issued with shares to indicate their investment in the company.

Some companies are formed without shares, their members simply providing a 'guarantee' that in the event of the company being wound up they will contribute up to the amount of the guarantee to assist with meeting the company's debts. Companies limited by guarantee are 'not-for-profit' or charities, and the amount of the guarantee is usually limited to a few dollars.

Shares can be issued either fully-paid or partly-paid.

With fully-paid shares in a [proprietary or public] 'limited' company the shareholder has no obligation in any circumstance to contribute any further capital to the company.

With partly-paid shares the shareholder is obligated to pay the unpaid amount of the shares when called to do so if the company is a [proprietary or public] 'limited' company; such amount is a specialty debt owed to the company. However, if the company is a 'no liability' company then the shareholder has no obligation to pay a call.

On the other hand, if the company is 'unlimited' there is no limit on the liability of shareholders, whether they hold fully-paid or partly-paid shares; they remain committed to contribute to the company until all debts contracted from when they become a shareholder are cleared.

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### **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.*

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