

Management Rights Letter

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General Information

Management Rights Letter

This Management Rights Letter is from a company who issues stock and an investor who acquires that company's stock and desires to participate in the management of the company. This letter sets out the specific rights granted to investor and the right to attend company board meetings. It also includes the rights of investor to examine the company's financial statements and the disclosure of confidential information.

This Management Rights Letter clearly and succinctly spells out the rights granted to investor by the issuing company. A well-written Management Rights Letter will prove invaluable in the event there are disagreements or misunderstandings regarding the investor's rights.

Instructions and Checklist

Promissory Note - Line of Credit

- The parties should read the document carefully.
- Insert all requested information in the spaces provided on the form.
- This form contains the basic terms and language that should be included in similar agreements.
- Read the "Confidential Information" provision carefully. If there are disagreements, they will likely focus on this provision.
- This management letter must be signed by an officer of the company who issues the stock and "agreed to and accepted" by the investor and an officer of the issuing company.
- The parties should retain either an original or copy of the management letter.
- All legal documents should be kept in a safe location such as a fireproof safe or safe deposit box.

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Insert Company Name & Address

Date: _____

Insert the name and address of the Investor

Re: Management Rights Letter

Ladies and Gentlemen,

On the date specified herein, _____ (Insert the name of the investor) (herein after referred to as the “Investor”), acquired certain _____ (Insert the nature of the stock or shares so acquired by the investor) of _____ (Insert the name of the Issuer) (hereinafter referred to as the “Issuer”) , a corporation registered in accordance with the laws of _____ having its registered office at _____ (Insert the registered office address). By virtue of such investment the Investor seeks to obtain contractual rights to participate substantially in, or substantially influence the conduct of, the management or participate in the management of the affairs of the Issuer. The Issuer has further agreed to provide certain rights in favor of the Investor and the same are:

1. Issuer grants the Investor the right to consult with and to advise the management of the Issuer with regard to major business issues which include the annual operating plans formulated by the management. Issuer's management shall meet with the Investor each year and such meeting would take place at Issuer's facilities at mutually agreeable times. The meeting shall be for consultation, advice and to review the progress in achieving the plans so formulated.
2. Investor is further granted the right to examine the books of accounts and records of the

Issuer. This right includes the right to inspect the Issuer's facilities, other properties etc. The Investor can choose to exercise or to not exercise the right so granted. The Investor could also request for information concerning the general status of the Issuer's financial condition and operations, at reasonable intervals of time. But the Issuer is not placed at any obligation to reveal any information concerning any of the facilities or any information which is highly confidential proprietary information, the access to which or the disclosure of such information would adversely affect the attorney-client privilege between Issuer and its counsel.

3. If Investor is not represented on the Issuer's Board of Directors (herein after referred to as the "Board"), then the Issuer shall invite a representative of Investor in order to attend all meetings of the Board in a non-voting observer capacity. The Issuer shall further provide such representative with copies of all notices, minutes, consents and other material that the Issuer provides to its directors, on the condition that such representative shall hold all such documents in confidence and trust. The representative shall act in a fiduciary manner with regard to all information so received. The representative may be further denied access to any material or meeting or any portion thereof if the Issuer believes or upon advice of counsel believes that such exclusion/denial is reasonably necessary to preserve the attorney-client privilege, to protect highly confidential proprietary information, or for other similar reasons. On reasonable notice and at a scheduled meeting of the Board or such other time, as the Board may determine in its sole discretion, the representative may address the Board, with regard to the Investor's concerns regarding the major business issues facing the Issuer.
4. The Issuer shall further deliver to the Investor:

 - a. Within _____ days after the end of each fiscal year of the Issuer, a consolidated balance sheet of the Issuer and consolidated statements of income and cash flows of the Issuer for the year then ended, prepared in conformity with generally accepted accounting principles in the United States.
 - b. _____ days prior to the end of each fiscal year, a budget and business plan for the next fiscal year as prepared by the Issuer.

5. Investor and the representative of the Investor further agree to hold in confidence and trust and not use or disclose any confidential information provided to or learned by the Investor or the representative in connection with its rights so provided by virtue of this letter.
6. The rights granted herein shall terminate and be of no further force or effect upon the consummation of the sale of the Issuer's securities pursuant to a registration statement filed by the Issuer under the United States Securities Act of 1933, as amended, or under other applicable local law, in connection with the firm commitment underwritten offering of its securities to the general public.
7. The confidentiality provisions hereof will survive any such termination.

Kindly acknowledge your agreement to the terms specified herein by signing this letter as provided below.

Very Truly Yours,

(Name of the Issuer/ Corporation Name)

(Signature of the officer on behalf of the issuer)

(Name of such officer)

(Title of such officer)

AGREED TO AND ACCEPTED ON THIS THE _____ DAY OF _____, 20__

By: _____
(Name of the Investor/ Corporation Name)

(Signature of the officer on behalf of the issuer)

(Name of such officer)

(Title of such officer)