

TRANSFER PRACTICE

The Junco exercise

Transfer your transaction-analysis skills to a new fictional corporate matter.

Attempt after B20 or before B24 readiness. This is a disclosed, ungraded exercise with original fictional extracts, not an unseen exam. Use the stated England-and-Wales company/contract context and make no title, tax or clearance certification.

Instruction and transaction steps

Junco has 1,000 issued ordinary shares, each assumed to carry one vote. Buyer first purchases 450 existing shares, then proposes subscribing for 250 newly issued equal-ranking shares. The primary subscription price is expressly £500,000 in this exercise. No options or other issues are assumed. The pricing model states enterprise value £1m less included debt £200,000 plus included cash £50,000, with no working-capital adjustment. Secondary consideration is 45% of that reference equity value.

Buyer proposes £1m available funding. Uses include the secondary payment, £500,000 primary cash, £20,000 fees and the whole £200,000 existing lender payoff. For this explicit scenario, target cash and primary subscription cash remain in the business and are not available for payoff. Availability and legal authority for all funding still require evidence.

J1 — customer extract

Prior written consent is required for a transaction or connected series resulting in another person holding more than half of the target's voting rights. The signed agreement grants a termination right if that condition is breached. A sales note describes the proposal as "only a 45% acquisition."

J2 — software rights extract

A supplied instrument identifies the commissioned code and records the consultant's signed assignment of the specified copyright to Junco. A separate third-party library licence permits use by Junco only and requires permission for affiliate access. Buyer's integration plan anticipates use by two group service companies.

J3 — lender and authority records

Lender's signed payoff letter requires receipt of £200,000 before release becomes effective. An email says the parties aim to close on Friday. A board paper describes the primary issue as a proposal; underlying allotment/pre-emption and other approval evidence must be established from the complete corporate file.

Your output

Show both ownership stages, the price bridge and funded-use comparison. Write four prioritised findings, one alternative transaction response and one specific referral. Explain what is supported and what remains unresolved. Do not carry Meridian's option discrepancy into this different case or repeat "contractor invoice only" when the supplied evidence differs.

Feedback — compare after attempting

Buyer moves from $450/1,000 = 45\%$ to $700/1,250 = 56\%$. The connected-series wording therefore deserves analysis across both steps; the sales note's single percentage is incomplete. Reference equity is £850,000 and the 45% secondary payment £382,500. Cash uses are $£382,500 + £500,000 + £20,000 + £200,000 = £1,102,500$, producing a £102,500 gap against the stated £1m funding. The £200,000 price deduction did not fund the payoff.

The signed assignment is materially stronger evidence than an invoice, subject to its actual scope and chain. The separate library's affiliate restriction remains relevant to integration. A Friday target and a signed payoff letter do not prove payment, release or corporate authority. A good report updates its conclusions to the actual evidence instead of importing a familiar case's red flags.

Independent variation: issue the 250 new shares to a different investor. Recalculate Buyer's percentage and identify which consent, funding and approval assumptions must be reopened. Do not infer the outcome under every control regime solely from the revised share percentage.