

RNS Agreement



New Consultancy Agreement with Shellbay

AGRONOMICS LIMITED

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[Agronomics Limited](#)

("Agronomics" or the "Company")

New Consultancy Agreement and Related Party Transaction

Agronomics, a leading listed company in alternative proteins with a focus on cellular agriculture and cultivated meat, announces that it has agreed revised terms of its consultancy agreement with Shellbay Limited ("Shellbay"), principally concerning the fee arrangements in connection with the provision of consultancy services to the Company by Shellbay.

Background to and reasons for the changes to the agreement

The Company has since 2011 had a consulting agreement with Shellbay which is owned by Mr Jim Mellon, Director and 22.75% shareholder in the Company, as reported annually in the Company's Report and Accounts. In December 2019, following shareholder feedback and in consultation with the Company's advisers, the terms of this agreement were altered for the subsequent 12 months on the basis that from January 2021 new arrangements would be put in place to (i) ensure the terms of Shellbay's appointment were consistent with market standard terms for commensurate services; (ii) provide greater transparency and corporate governance regarding the role of Shellbay; and (iii) establish a remuneration structure fully aligned with shareholders, and acceptable to existing and future investors.

The independent Directors of the Company, being Mr Richard Reed and Mr David Giampaolo ("Independent Directors"), in consultation with the Company's Nominated Adviser, have now agreed terms of a new consulting agreement with Shellbay (the "**New Shellbay Agreement**"), effective from 1 July 2020 (the "**Effective Date**"), details of which are set out below.

Summary of the principal terms of the New Shellbay Agreement

Services to be provided

Under the terms of the New Shellbay Agreement Shellbay will provide certain consulting services including:

- Reviewing prospective asset purchases;
- Procuring and coordinating due diligence in relation to any target approved by the Company;
- Providing appropriate information to the Board in relation to any proposed acquisition or disposal opportunity;
- Providing transaction support services as requested by the Company;
- Assisting in operating, developing and commercialising any intellectual property and/or assets of the Company (including by way of joint venture, licensing agreement or other partnership);

- Developing new markets and/or territories for assets and/or intellectual property owned by the Company (including by way of manufacturing, distribution and/or branding partnerships);
- Supplying the Board with regular reports on the progress of companies and intellectual property where the Company has an interest (including any financings); and
- Assisting with recruitment of management teams and operational supply chain partners for relevant products and intellectual property.

Annual Fees and Expenses

Shellbay shall not be paid an annual consultancy fee (whether fixed or relating to the net asset value of the Company's assets) but the Company shall reimburse it for all reasonable and properly documented direct expenses incurred in performing the services (including the direct costs of remunerating employees and/or consultants), save that aggregate monthly expenses shall not exceed £20,000 other than with the consent of the Company.

Fee

Shellbay shall be entitled to an annual fee equal to the value of 15% of any increase between the Company's net asset value ("NAV") on a per issued share basis at the start of a reporting period and 30 June ("Closing NAV Date") each year during the term of the New Shellbay Agreement, with the first reporting period being from 1 July 2020 to 30 June 2021, and annually thereafter. The opening and closing NAV for each period will be based on the audited financial statements of the Company for the relevant financial year, with the opening NAV for each reporting period being the higher of (i) 5.86 pence per share (the highest annual audited NAV per share since the Company adopted its current investment policy and reported NAV per share in September 2019), and (ii) the highest NAV per share reported at a Closing Date for the previous reporting periods during the term of the agreement (establishing a rolling high-watermark for Shellbay to qualify for such fee). Any increase in NAV per share will then be applied to the issued share capital at the end of the relevant period for the purposes of determining the 15% fee. Any change in NAV per share that arises from funds raised at a premium or discount to the existing NAV per share will therefore be considered for the purposes of calculating Shellbay's fee by reference to the annual audited accounts (for clarity being an increase in respect of a premium and a decrease in respect of a discount).

The Independent Directors believe these are more appropriate incentivisation criteria than under the current agreement, under which the high water mark was reset at the price of each equity raise and have also noted that Shellbay has not historically charged any commission or fees in relation to its own fundraising efforts for the Company.

At the election of the Company, the performance fee shall be payable either in whole or in part by the issue of new shares at a price equal to the mid-price on the last day of the relevant Performance Period or grant of nil price warrants over shares; or in cash; or (with the agreement of Shellbay), in cash-equivalents (such as shares), and other assets held by the Company.

Shellbay has agreed with the Company that any fee due for the first reporting period will be taken in shares to the equivalent value of the fee (with shares issued at the mid-market price of Ordinary Shares at close of markets on the last day of the performance period, being 30 June 2021).

Other fees and expenses

The Company shall also pay to the Shellbay any additional fees as mutually agreed in connection with any proposed fundraising or strategic acquisition or disposal of an asset or any subsequent offer of shares.

Term

Save in limited circumstances where the appointment of Shellbay can be terminated for cause, or where Mr Mellon ceases to be a Director of the Company and hold greater than 10% of issued shares, the agreement can be terminated by either party on 12 months' notice after an initial 5 year period (the "Initial Period"). Where the New Shellbay Agreement is terminated prior to expiry of the Initial Period, other than for cause or with the agreement of Shellbay, Shellbay shall receive fees for the duration of the Initial Term in relation to assets held by the Company at such date (reflecting the fact that NAV increases may be recorded in relation to assets acquired during the terms of Shellbay's appointment after the termination date).

Related Party Transaction

Mr Jim Mellon and Mr Denham Eke are Directors of the Company and Mr Mellon is currently interested in 22.75 per cent. of the Company's ordinary shares (held by Galloway Limited ("**Galloway**"), which is indirectly wholly owned by Mr Jim Mellon, and of which Mr Denham Eke is a director). In addition, Galloway is the owner of 100% of the issued shares of Shellbay, and Mr Eke is its sole director.

Due to Mr Jim Mellon's and Mr Denham Eke's interests in the transaction, entering into the New Shellbay Agreement constitutes a related party transaction under the AIM Rules.

Accordingly, Mr Richard Reed and Mr David Giampaolo, being the Directors who are independent of the transaction, consider having consulted the Company's Nominated Adviser, that the terms of the transaction are fair and reasonable insofar as the Company's Shareholders are concerned.

Separately, it is also noted that the Board is actively seeking the appointment of an additional independent non-executive Director.

[About Agronomics](#)

Agronomics is a leading listed alternative proteins company with a focus on cellular agriculture and cultivated meat. The Company has established a portfolio of 16 companies at the Seed to Series B stage in this rapidly advancing sector. It seeks to secure a 5-10% initial ownership in technologies with defensible intellectual property that offer new ways of producing food and materials with a focus on products historically derived from animals. These technologies are driving a major disruption in agriculture, offering solutions to improve sustainability, as well as addressing human health, animal welfare and environmental damage. This disruption will decouple supply chains from the environment and animals, as

well as being fundamental to feeding the world's expanding population. A full list of Agronomics' portfolio companies is available at <https://agronomics.im/>.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

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