

- **Rights of Promoter**

The rights of promoters are, as follows:

Right of indemnity:

Where more than one person act as the promoters of the company, one promoter can claim against another promoter for the compensation and damages paid by him. Promoters are severally and jointly liable for any untrue statement given in the prospectus and for the secret profits.

Right to receive the legitimate preliminary expenses:

A promoter is entitled to receive the legitimate preliminary expenses which he has incurred in the process of formation of the company such as cost of advertisement, fee of solicitor and surveyors. The right to receive the preliminary expenses is not a contractual right. It depends upon the discretion of the directors of the company. The claim for expenses should be supported by vouchers.

Right to receive the remuneration:

A promoter has no right against the company for his remuneration unless there is a contract to that effect. In some cases, articles of the company provide for the directors paying a specified amount to promoters for their services but this does not give the promoters any contractual right to sue the company. This is simply an authority vested in the directors of the company.

However, the promoters are usually the directors, so that in practice the promoters will receive their remuneration.

The remuneration may be paid in any of the following ways:

1. A commission may be paid to the promoter on the purchase price of the business or property taken over by the company through him.
2. The promoters may be granted by the company a lump sum amount.
3. The promoters may be given fully or partly paid shares in consideration of their services rendered.
4. The promoter may be given a commission at a fixed rate on the shares sold.
5. The promoter may purchase the business or other property and sell the same to the company at an inflated price. He must disclose this fact.
6. The promoters may take an option to subscribe within a fixed period for a certain portion of the company's unissued shares at par.