

Situation

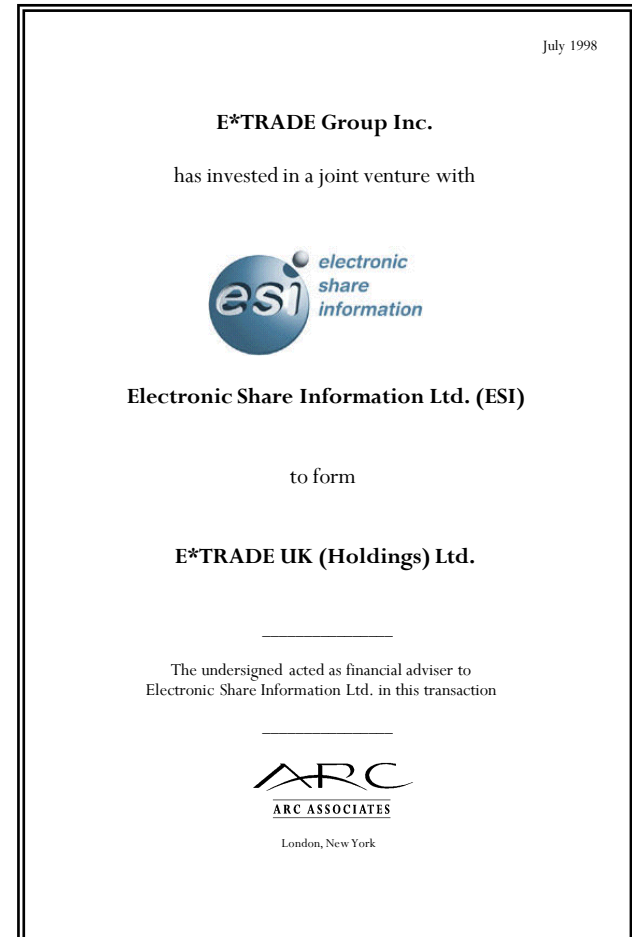
- Since 1994, Electronic Share Information Ltd (ESI) has been a market leader in offering information services over the Internet
 - As of June 1998, the company had approximately 180,000 registered users
- In 1997, ESI's board decided to offer brokerage services in addition to information services over the Internet. As a result of this decision, the board was keen to find a strategic partner in the US that had already been successful in online trading in the competitive US market
 - In mid-1997, on behalf of the majority ESI shareholder, ARC Associates made the initial contact with a significant E*TRADE Group Inc. shareholder and subsequently received a mandate to advise ESI on a potential strategic investment by E*TRADE

Approach

- After the initial ARC contact, ESI management and E*TRADE management developed a joint operating plan, and consequently agreed a memorandum of understanding at the end of January 1998
- ARC Associates then worked both with ESI shareholders and management and with E*TRADE management to agree on the terms and conditions of the valuation and the terms of the Shareholders' Agreement

The Transaction

- E*TRADE invested in a new holding company called E*TRADE UK (Holdings) Ltd (ETUK) in return for a shareholding of approximately 28% in ETUK on a fully-diluted basis
 - The investment consisted of a combination of cash and a contribution of assets-in-kind



Transaction Value: \$6m