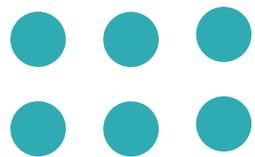




Shared Ownership

- **Presented by Jo Tomlinson**
- Owner and MD of Business Works UK
- Certified Quickbooks Trainer



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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.

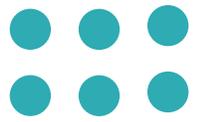


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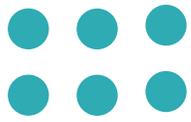
Company Structure

- Limited Company
- Sole Trader Partnership
- LLP



Classes of Shares

- 
- Ordinary
 - Alphabet
 - Preference



Classes of Shares

- 
- Control
 - Risk v Return
 - Tax Efficiency



Super-Majority

75% or more

Can pass a special resolution alone:

- Altering the articles of association
- Change the company name
- Approve share buyback
- Influence director appointments and removals
- Wind up the company



Controlling Interest

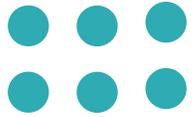
Over 50% of shares – majority

- Appointing and removing directors
- Authorising directors to allot shares
- Approve loans to directors



Over 25%

- Right to block a special resolution
- Strong negotiating position



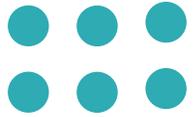
Minority Shareholder

- **Over 15%** - can apply to the court to object to variations in the rights of their share class
- **Over 5%** - Request a general meeting
- Require circulation of a written resolution to other shareholders



Minority Shareholder Rights

- **Right to Vote:**
 - Minority shareholders have the right to vote on company matters at general meetings, with voting power proportional to their shareholding.
- **Right to Dividends:**
 - They have the right to receive declared dividends, provided the company has distributable profits.
- **Right to Information:**
 - They have the right to inspect certain company records and financial statements, such as the register of members, meeting minutes, and statutory accounts, though access to other records may not be automatic and can be restricted by confidentiality.
- **Right to a Share Certificate:**
 - Every shareholder is entitled to a share certificate.
- **Right to a Poll Vote:**
 - Shareholders with 10% or more of voting rights can demand a poll vote at a general meeting.



Minority Shareholder Rights

Protection Against Unfair Prejudice

- **Section 994 Companies Act 2006:**

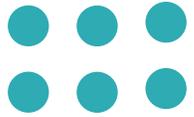
- This key provision allows a minority shareholder to petition the court if they believe their interests have been unfairly prejudiced.

- **Examples of Unfair Prejudice:**

- Exclusion from management, improper allocation of profits, or dilution of their ownership through a share issue.

- **Court Remedies:**

- The court has wide discretion and can order remedies such as compensation or require the majority shareholders to buy out the minority shareholder's shares at a fair value.



Minority Shareholder Rights

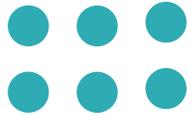
- **Action is Key:**
 - Courts may reject applications if a shareholder has been inactive and allowed objectionable behaviour to continue for too long.
- **Documentation:**
 - Proving unfair prejudice often requires access to and documentation of company records.
- **Professional Advice:**
 - Given the complexities, seeking legal advice is recommended to understand specific rights and protections.



Person of Significant control (PSC)

Directors and PSC's are declared on Companies House.

- **Shareholding:**
 - The individual directly or indirectly holds more than 25% of a company's shares.
- **Voting Rights:**
 - The individual directly or indirectly holds more than 25% of the company's voting rights.
- **Board Appointments:**
 - The individual holds the right to appoint or remove the majority of the company's board of directors.
- **Significant Influence or Control:**
 - The individual otherwise has the right to exercise, or actually exercises, significant influence or control over the company's activities.



Shareholder's Agreements

It is a private, legally binding contract between a company's shareholders. It sets out rights, obligations and responsibilities. It also looks at the company's management and operations. It is crucial for protecting shareholder interests



Shareholder's Agreements

- **Protects interests:**
 - Ensures fair treatment for all shareholders and clearly defines their rights and obligations.
- **Manages disputes:**
 - Provides a framework and procedure for resolving conflicts between shareholders, minimizing costly legal battles.
- **Regulates share transfers:**
 - Establishes rules for buying and selling shares, preventing unwanted third parties from becoming shareholders.
- **Defines management and operations:**
 - Outlines procedures for important decisions, such as appointments, distribution policies, and reserved matters.
- **Provides clarity and certainty:**
 - Replaces informal verbal agreements with a clear, documented framework, reducing ambiguity.



Shareholder's Agreements

Key elements to include

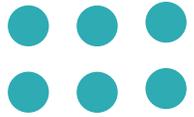
- **Share rights and obligations:** Outlines what each shareholder can and cannot do.
- **Share transfers:** Specifies the rules and procedures for transferring shares.
- **Board and management structure:** Details how the company will be run.
- **Director appointments:** Sets out the process for appointing directors.
- **Decision-making processes:** Defines which matters require shareholder approval and the required thresholds for voting.
- **Dispute resolution:** Provides a method for resolving disagreements.
- **Veto rights:** Grants certain shareholders the right to block specific key decisions.



Common Issues

Extracting Funds

- Dividends issued per share
 - Alphabet Shares
- Payroll



Common Issues

Conflict Resolution

- Agree upfront a 3rd party who will be used to mediate
- Have a minority shareholder, who's voting rights can create a majority.
- Have a 51% shareholder
- Include in the shareholders agreement, what will happen if agreement can not be reached.



Common Issues

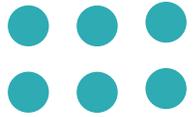
Business Debts

- Directors and shareholders can be personally liable for business debts
 - Include rules in the shareholders agreement around who is authorized to establish new company liabilities. This generally falls into 3 areas:
 - Hiring new people
 - Capital purchases
 - Operational purchases



Common Issues

- **Communication** – as with all things, communication is key. It is important to align vision and decision making
 - Ensure clear agreements are documented for all important decisions
 - Regular meetings to discuss all aspects of the business
 - Agreement of roles and responsibilities
 - Include all these items in the shareholders agreement



Joint and Several

This is a legal term that relates to agreements entered into by two or more people. It means that each individual will have liability for the whole sum.



Shareholders or Partnership Agreement

- Get one
- Do it early
- Have it witnessed
- Amend if necessary



Resources



1. MTD
2. Accessing Capital for Growth
3. Forecasting
4. How much is your business worth
5. Selling some or all of your shares
6. Shared Business Ownership
7. Profitability
8. Project Evaluation
9. Directors Loans v Dividends
10. Cash flow v Profit

Thank

You



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