

## Exiting a problem minority shareholder

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Helping the shareholders and directors of a building services company deal with a problematic minority shareholder

### The challenge: how to take decisive action without strengthening the minority shareholders claim

Our clients were the majority shareholders and directors of a building services holding company which owned a trading company. The other director and minority shareholder was in breach of a shareholders agreement and agreements with regard to accounting between the parties. The majority shareholders had lost trust in the individual and wanted to remove him as an employee and director of both companies, and ultimately as a shareholder of the holding company. The risk was that the robust action which the majority shareholders wanted to take would give the minority shareholder legal claims he could use to contest his removal.

### Our approach: using the Articles of Association

The combination of a historic shareholders agreement and old fashioned Articles of Association enabled a board meeting to be held in the absence of the minority shareholder (who was out of the country) and by way of carefully structured board meetings / written resolutions, the minority shareholder was removed as a director and employee with immediate effect from both the holding and trading company, without having to employ the statutory procedure or giving the notice which that requires.



## The outcome: negotiating from a better position

The result was that the minority shareholder was removed swiftly and our clients, majority shareholders, were able to negotiate acceptable terms for the acquisition of the minority shareholder's shares. Having the minority shareholder removed allowed the remaining shareholders to focus their time and energy on running the company.

## How we made a difference

By understanding our clients' objectives, and using our knowledge and experience, we were able to find a solution which met their commercial needs, whilst denying the minority shareholder legal ammunition to counter-attack.