

The Passionate Shepherd

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A minority shareholder may petition the court under section 994 of the Companies Act 2006 in circumstances where the company's affairs have been conducted in a manner which is unfairly _____ (1) to the shareholder's membership interest. A successful petition may result in the court invoking an order whereby the court may grant relief as it sees fit. Frequently, the type of order sought will be to provide the petitioner with an exit route from the company by providing that the shares of the aggrieved shareholder be purchased by those responsible for the _____ (2) of the unfairly conduct, namely the _____ (3) shareholder(s)/ director(s) of the company. The section 994 provision subjects the legal rights of the membership to _____ (4) constraints and to this end a membership interest is founded on a petitioner's relationship, as a shareholder, with the other members of the company, a relationship based on mutual trust and understanding. This type of personal relationship may be apt to describe the internal workings of a private company but is _____ (5) in the context of a public company. Accordingly, the section 994 provision will almost _____ (6) be confined to the protection of shareholder interests in the context of a private company.

To _____ (7) a finding of unfairly prejudicial conduct, the petitioner must show that the conduct of the company's affairs resulted in more than a trivial assault on the substance of his/her membership. The alleged unfairly prejudicial conduct must affect a membership interest or there must be evidence to establish the _____ (8) of a threatened act. A shareholder's interest in a company is not subject to expectations founded on a general concept of fairness (ie expectations unrelated to the legal rights of membership (O'Neill v Phillips (1999))). However, a minority shareholder may have grounds to complain of an act of unfairly prejudicial conduct in circumstances where there has been a breach of the legal rules which governed the manner in which the affairs of the company should be conducted, or _____ (9), but more exceptionally, where equitable considerations make it necessary to abandon the _____ (10) of strict legal rights with an objective of preventing unfairness.

A minority shareholder may also seek relief under section 122(1)(g) of the _____ (11) Act 1986. Here, a company may be wound up on the premise that its liquidation would provide a just and equitable remedy (Ebrahimi v Westbourne Galleries (1973)). Unfairly prejudicial conduct and conduct justifying a winding up order under section 121(1)(g) will often be _____ (12).

section 994.

PREJUDICE

**INSTIGATE
MAJOR**

EQUITY

**PLACE
EXCLUDE**

SUBSTANCE

LIKE

ALTERNATE

APPLY

SOLVE

DISTINGUISH