

**PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED**  
**SHAREHOLDERS AGREEMENT**

**1. Outline**

Unlike a Partnership a Company exists as a legal entity which means that it can sue and be sued in its own name. In effect, the Law treats the Company as if it is a living breathing individual.

The Company is of course controlled by its Board of Directors but they in turn are ultimately subservient to the Shareholders who, as a group, own the business and therefore have the ability to determine the way in which it is run.

The Companies Act 2006 contains Model Articles of Association which are a set of basic Rules of governance relating to a Company and its affairs. In the absence of any other agreement, what the Shareholders can and cannot do, and how they do it in relation to the Company will be determined by those Articles.

In a Company that has more than one Shareholder it is very important that the Shareholders understand firstly how their relationship with each other works and secondly how they are to run the Company and manage its affairs. For this purpose, Shareholders often enter into an Agreement called (rather obviously) a "Shareholders Agreement" which in effect is a book of rules. It is an agreement between the owners of a business as to how they relate to each other and how the business is to be managed.

PFC's Shareholders Agreement is a lengthy and complex document but this outline is intended to give a brief overview of its principal terms.

**2. Directors**

2.1 The Board of Directors has the responsibility for the day to day supervision and management of the Company and its business. This means that on a day to day basis it is the Directors who take decisions about the Company's trading activities. In order to place some control on that power, however, the Shareholders Agreement determines that there are certain things that the Board cannot do without Shareholder consent. There are two lists of such matters one consisting of actions that require 90% of the Shareholders to agree and the other 75%.

- (i) Examples of decisions that would require a 90% shareholder majority would be changing the Articles of Association of the Company or the rights attaching to any shares, change in the nature of the Company's business or starting any new business or subsidiary;

amalgamating or merging with another company; acquiring or disposing of any material asset (excluding players) other than in the ordinary course of business.

(ii) Examples of matters requiring 75% would be adopting or amending a business plan; altering the mandate on any of the Company's bank accounts; terminating any arrangements, contracts or transactions material in the nature of the Company's business; transfer by any shareholder of his shares or the granting of security over them.

2.2 There must be no fewer than three nor more than ten Directors. Of those not less than two or more than three must come from the PST. Between one and three will be taken from the Presidents (the so called HNW's) and the Board may appoint additional Directors as it deems appropriate. Directors do not have to be Shareholders.

2.3 Any Director (including PST Directors) wishing to disclose any information concerning the business and affairs of the Company (including to the PST) shall do so as the Board agrees from time to time taking into account the nature and commercial sensitivity of the information.

2.4 Any Director may only be appointed or remain as such as long as they are approved by the relevant football authority – (currently the Football League); the PST can remove any PST Director at any time as can the Presidents in respect of any President Director

### **3 Decision making by Shareholders**

3.3 A Shareholders Meeting is of course a meeting of those Shareholders whose names appear on the list attached (together with any others of course who buy ordinary shares in the Company). The quorum for a Shareholders Meeting, that is to say the minimum number of people who must be present for the meeting to be valid is six and at least one of those must be a duly authorised representative of the PST.

3.4 Any meeting that has less than the required quorum cannot make any valid decisions.

3.5 The Chairman (currently Iain McInnes) will chair all Shareholders Meetings but when he is unable to attend the Board will appoint another Director to act as Chairman.

3.6 Voting at a Shareholders Meeting is on a show of hands and so everyone who is present has one vote. A Shareholder can demand a vote by a poll in which case each shareholder has one vote for each of his shares. This means the PST would have one vote for each ordinary share that it owns in the business which in turn is the product of each fan who has contributed £1,000. That £1,000 has been used to buy one ordinary share in the Company.

#### **4 Management and Money**

- 4.1 It is important to note that there is no obligation on any of the Shareholders by which they can be compelled to provide any further money to the Company. This of course does not mean that they may not do so but if they do then the terms of any such further contribution will be a matter for the Board.

#### **5 Business Plan**

- 5.1 The Board must produce a Business Plan each year. There is no right for that plan to be disclosed to outsiders save as is required by any relevant Football Authority. Its disclosure will therefore be a matter for a decision by the Board.

#### **6 Restrictions on Shareholders**

- 6.1 No shareholder may hold any material interest in any other football club
- 6.2 There are provisions restricting Shareholders from enticing away from the Company any of its employees

#### **7 Deadlock**

- 7.1 In the unlikely event that the Shareholders as a group are unable by virtue of a deadlock to make a decision there are procedures set out in the Shareholders Agreement as to how a deadlock is resolved.

#### **8 Dividends**

- 8.1 Most trading companies pay their Shareholders a dividend which represents a share in the profits made by the Company. It is very specifically and clearly provided in the Shareholders Agreement that under no circumstances will any dividend be payable on any share to any shareholder.

#### **9 Transfers of Shares**

- 9.1 There are very lengthy provisions dealing with the circumstances in which any shareholder may transfer his or her shares in the Company but the basic rule is that share transfers can only be

made with the authority of 75% of the Shareholders (that of course means the other shareholders not including the one wishing to transfer).

9.2 There are provisions compelling a transfer of shares if a Shareholder becomes bankrupt or is no longer acceptable to the Football Authorities etc and there are provisions that would allow a shareholder to transfer all or part of his or her shares to a family member or into a family trust if they wished subject to the same restrictions as above.

9.3 The Club cannot be sold without the consent of at least 75% of the Shareholders agreeing. If 75% do resolve to sell their shares there are provisions by which they can compel the remaining 25% to join in.

9.4 Even if a Shareholder wishes to transfer his shares to an outsider and the other shareholders are prepared to agree, the selling shareholder must first offer his shares to the other shareholders.

## **10 Further Share Issues**

10.1 It was agreed that for the period of one year after completion (i.e. to the 19 April 2014) any share issued by the Company must be issued at the subscription price of £1,000 per share and the PST has an absolute right to subscribe for shares on this basis at any time and in any number up to that date.

10.2 After the 19 April 2014 the Board of Directors has the authority to issue shares to anyone else wishing to buy into the Company upon such terms and at such price as they deem appropriate. The issue of shares is therefore at the discretion of the Board after that date but of course the Board are ultimately subject to the control of the Shareholders.

## **11 Final Matters**

There are a whole raft of standard clauses in the remaining part of the Agreement as is normal in any Shareholders Agreement. They include such matters as variation. The Agreement can only be varied in writing and signed by or on behalf of all the parties – no variations to the Agreement can be effected without everyone's consent. There is a declaration that the Shareholders are not in partnership with each other and further that they will all behave in good faith and in the interests of the Company

## **12 Deed of Adherence**

In the event that any new Ordinary Shareholder joins the Company and subscribes for shares that new Shareholder is compelled to sign a Deed of Adherence by which they undertake to be bound by the terms of the Shareholders Agreement as if they had originally been a party to it.

Verisona Law  
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