Guidance Notes: Re

1. Introduction

This Guidance Note is design of re-classifying shares accord shares.

The process of converting is designation, re-classification, designation in the Companie share re-classification. In orc share re-classification will be

2. Re-classification of shares

Companies may seek to re-cl simply for administrative, his to hold different classes of s company has two sharehold nominal value of £1 each. Th shares and 50 "B" shares.

Although the Companies Ac section 636 of the Companie Companies if a new name or shares. The Companies Act t will not always remain ordina

As the Companies Act 2006 the classification of a share, articles require a higher majo whether they state a specif particular procedure, that pro

In order to comply with secti or other designation of class one month of the conversion

Note that shares are also sor a business. Investors are ofter rights attaching to them. Wh note, the issuing of preferen those preference shares is be

3. Class rights & consents

It is more than likely that so way not only to create differ



res and Class Consents

cedural steps involved in the process he rights of the newly re-classified

s or group into another is called ref shares. It is referred to as share rerocess is more usually referred to as within this guidance note, the term

e or re-organisation of a company or th shareholders choosing or needing of a re-classification may be where a en them 100 ordinary shares with a p re-classify those shares into 50 "A"

ly cater for a conversion of shares, company must notify the Registrar of ned to any class or description of its e that, for example, ordinary shares assified.

cial resolution is required to change assumed to be sufficient unless the ation must **always** be checked to see ng shares. If the articles do state a owed.

Act 2006, form SH08 (notice of name filed with Companies House within

w for an investor to be brought into which will usually have preferential to what is described in this guidance the specific class rights attaching to ance note.

re re-classification will wish, in some or alter or vary the rights attaching to

the newly created classes of shares will, following the re shares. However on the bas attaching to them, they wil following re-classification *un* each new class with rights ar consent is where the holders of the rights of their shares.

Section 630 of the Companie to shares to be varied eithe where the company's article relevant class *consent* to the company wants to different example, the "A" shares gre relevant class (shareholder) of

Usual examples of where rig and rights to capital on a win of the Companies Act 2006 re three-quarters in nominal va passed at a separate general

Form SH10 (notice of parti required to be filed with Co variation is made.

Note that class rights and class thought needing to be given the consent in order to make the event of any doubt, it is r

4. Amending the Articles of Ass

As the rights attaching to association, (although they n as a shareholders' agreement

A company may, by special and/or class rights varied, if articles of association and file resolution and an amended being passed. The articles w been amended to allow for changes made to reflect the rights will need to be include

5. Alteration to share capital

When re-classifying shares, share capital must be consi



ove example, the 50 "A" and 50 "B" itute separate classes or groups of ordinary shares had the same rights ive these same rights and liabilities consent is sought in order to credit n one another. Shareholder (or class) ass of shares *consent* to the variation

ass rights) allows the rights attaching pvision of the company's articles; or n, if the holders of the shares of the consent procedure. Therefore if the d "A" and "B" shares to allow, for e "B" shares, it will need to obtain

d to differ relate to voting, dividends sent procedure set out in section 630 n writing from the holders of at least of that class, or a special resolution that class sanctioning the variation.

ts attached to shares) will also be month from the date on which the

nd complicated area of the law with ught from and the timing of seeking unduly prejudiced by the process. In egal advice is sought.

ained in the company's articles of s also be in a separate contract, such n may also need to be amended.

ticles. Once shares are re-classified these changes into the company's panies House. A copy of the relevant cles must be filed within 15 days of of our re-classification package have s – A & B Shares – and subsequent company's constitution. Any specific p meet the needs of each company.

e is an alteration to the company's Companies Act 2006 (alteration of share capital of a limited con its share capital, for exampl does **not** include converting capital. However, if the numb a conversion of shares, the **accepted** that section 617 wi

In the example above, when shares (notwithstanding the to the share capital and so i methods of altering share ca case be considered.

6. Statement of Capital

A statement of capital must changes to its share capital a class of shares:

- Particulars of any vot
- Particulars of any rigling a distribution;
- Particulars of any rig distribution (includin
- Whether the shares of the company or th

Therefore if following a share relevant change, see above However in the example use capital to be filed at this stag statement of capital within the new class of shares. The rementioned above will therefore statement of capital is require House website, www.compare

7. Simply Docs package of docu

We have put together a pad below in relation to the re-c This may however be adapte

The assumptions made in dra

- A company has 1 cla each with the same r new classes of 50 "A'
- The company has 2 s classification that on will hold 50 "B" share

ermitted ways a company may alter tal to allot new shares. Section 617 thod of a company altering its share inal value remain the same following n of share capital and it is **widely**

e shares and the overall number of he same, there will be no alteration tents in connection with the various will be relevant, but this **must** in any

Companies House when any relevant the following details regarding each

as regards dividends to participate in

as regards capital to participate in a

liable to be redeemed at the option

in accompanying allotment (or other ent of capital will need to be filed. tion will not require a statement of n the next annual return is filed, the to reflect the rights attaching to each ting to the "A" and "B" shares as ore details are available as to when a o be included within it on Companies

der

ect a particular scenario as outlined accompanying change of class rights.

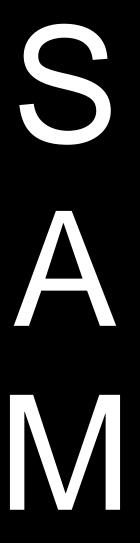
each with a nominal value of £1 and wishes to re-classify the shares into 2 each still with a nominal value of £1. 50 shares and it is proposed post re-'A" shares and the other shareholder

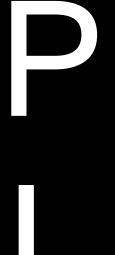
- The company's articl variation of class right
- The re-classification Companies Act 2006.
- The rights attaching shareholder consent.
- The nominal value ar requiring no alterati Companies Act 2006.
- The articles of associ

On this basis the procedura change of class rights are:

- Convening a board m class rights. Adjourn passed and consents classification and va relating only to the re class rights. However
- Passing an ordinary reasonable
- Obtaining the necess of the Companies Ac nominal value of the
- Amending the company newly re-classified sh
- Filing the relevant re name or other design variation of rights at time limits.
- Writing up the com cancelling the old sha

Note that in providing this guidanc classifying shares have not been on necessary. In addition, as this is a pr the assumptions we have made or in legal advice.





etely silent as to re-classification and

o comply with section 636 of the

will be amended, requiring relevant

main the same after re-classification, re capital under section 617 of the

rdingly.

enable a share re-classification and

vant re-classification and variation of for the necessary resolutions to be ning the meeting to approve the reb have a stand-alone board minute nen there is no proposed variation of mited circumstances.

me or classification of the shares.

sent in accordance with section 630 holders of at least three-quarters in

by special resolution to include the ing to them.

of association, form SH08 (notice of Id form SH10 (notice of particulars of Impanies House within the relevant

the re-classified shares as well as new ones.

cations that may be relevant in reent tax advice should be sought if f the law, whether your scenario fits ed to consider seeking independent