

---

## Minority Shareholder Protection: Key Principles

These principles apply to Japanese shareholders in a joint venture overseas. The principles cover both incorporated and unincorporated ventures.

---

### A. DECISION MAKING

#### **Corporate law requirements - incorporated ventures**

*Matters requiring director's approval*

*Matters requiring shareholders approval*

*Matters requiring special majority shareholders approval*

*Important shareholding levels*

#### **Agreement provisions – incorporated and unincorporated ventures**

*Additional protections*

*The organs*

*Forum shopping*

*Enshrining*

*Supermajorities*

*Deadlocks*

*Management structures*

*Delegation of decisions to management*

### B. PROTECTIONS WHERE MAJORITY HOLDER IS OPERATOR/MANAGER

#### **Duties at law**

*Duties of participants to each other*

*Partnerships*

*Directors*

*Operating committee members*

**Duties and liability under JVA/JOA**

*Authority*

*Standard of Care*

*Limitation on liability*

**Related Party Dealings**

*Need for protection*

**Access to Information**

*At law*

*Normal provisions in JVA/JOA*

**Protections against miss-performance**

*Limitations on authority*

*Name on title*

**C. EXITING THE JOINT VENTURE**

*A critical protection*

**Withdrawal**

**Dilution/Sole Risk**

*Dilution*

*Opt-out/Sole Risk*

**Sale**

*Restrictions on exit*

*Pre-emptive rights and the minority venturer*

**Rights on sale or change in control**

*Concern*

*Tag-along*

*Sale and change in control*

**Right to wind up**

**Situations where Minority venturer can be forced to sell**

*Compulsory Acquisition*

*Drag along*

**D. PROTECTING YOUR DIRECTORS/PARENT COMPANY**

**Exposure of directors**

*General*

*Insolvent trading*

*Dissent*

*Shadow Directorship*