

SHARES & YOUR RIGHTS!

PART 1 - THE MAIN TYPES OF SHARES TYPICALLY ISSUED

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At some point in your life, you may have been a shareholder of a company. Most likely your fellow shareholders were family, colleagues or bosom pals and buddies. Either that, or this is a decision you are about to make. Whatever the case, this series of articles is for you as we go through some common issues that shareholders in Botswana face and things that you should know.

First, let us make sure that you have a good handle on the basics.

In Botswana, companies are generally free to create different classes of shares, provided that shares of the same class have the same rights, preferences, limitations, *et cetera*. A company's constitution or shareholders' agreement must set out a distinguishing designation for each class and detail the terms applicable.

Shares are typically classified according to the rights attached to them and are divided into two main categories, *i.e.* **ordinary shares** and **preference shares**.

"Ordinary shares" typically refer to shares that are fully participating as regards dividends, capital and surplus assets. Where there are preference shares, ordinary shares confer on their holders the residue of the rights with regard to dividends and/or repayment of capital.

"Preference shares" refer to shares that enjoy preferential rights regarding dividends and/or return on capital. Preference shares can be redeemable or unredeemable, and voting or non-voting. Loaded voting rights are permissible.

Where the issued share capital of a company is divided into different classes of shares, the company may not

take action, which varies the rights attached to a class of shares unless the variation is approved by a special resolution or with the consent in writing of the holders of seventy-five percent of the shares of that class.

Thank you for reading if you got this far. Trust me... it gets better. Join us next week, as we jump into share transfer in Botswana and give a primary introduction into preemptive rights.

I am [Msiya Kindiano](#), partner and head of the dispute resolution department at [Bookbinder Business Law](#). I have acted for a large number of clients in local, cross-border and international arbitrations, as well as conventional dispute resolution proceedings involving company law.

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