

# ASSET LOCK:

## THE DIFFERENT APPROACHES AND THE POSSIBLE ISSUES

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# AGENDA

## Focus

### Agenda

1. How to design an asset lock?
2. How does an asset lock affect the company?
3. How does an asset lock affect governance?
4. How does an asset lock affect the financing of the company?

# SETTING UP AN ASSET LOCK

- No or some dividend?
  - Should (full) lock only set in at a later stage?
  - Same for all shareholders/members?
- Preventing other distributions
- Enforcement
- National or EU solution?
- How is asset lock adopted?
  - New corporate form/label or registration/individual solution
  - Majority required to adopt asset lock (protection of minority)

# HOW DOES IT AFFECT THE COMPANY?

- Less pressure for dividends
  - More long-term, sustainable business activity?
  - Will allow more investments in business (may safeguard company)
  - Different purpose or distribution purpose may be adopted
- May attract different shareholders/members (and employee/consumers etc)
  - But may make it difficult to finance the company (later)
- May ensure other benefits (tax, procurement etc.)

# GOVERNANCE

- **How are shareholders/members affected?**
  - Will they have an incentive to hold management accountable (and participate in AGM)?
    - No (pecuniary) reward for being active
    - Would it help to allow some dividend?
    - Strengthening the business or pursuing adopted purpose may be incentive
  - Incentive to participate in management (and being paid)
  - Should there be restriction on what they can decide? (change of purpose etc.)
  - Should they be allowed to sell their shares (a different kind of market for corporate control?)

# GOVERNANCE 2

- **How does asset lock affect directors?**
  - Duty to enforce asset lock
  - Need to adopt a purpose (other than 'interest of the company')?
    - May incentivize directors
    - May make it possible to balance enterprise and purpose
  - Remuneration
    - Cap on salary?
    - Equity based bonus does not make sense
    - Profit based bonus?
  - Enforcement of duties

# FINANCING THE COMPANY

- Can it prove difficult to attract traditional investors?
  - Will it be helpful to allow some dividend to be paid?
  - Should profit-based loans be allowed?
  - Use 'normal' company for business activities and allow traditional investors in without losing control
    - A/B shares or other control enhancing mechanisms may be useful
    - How does it affect how the business is run?
    - How does it affect the influence of the shareholders/members in the asset locked holding company?

# THANK YOU FOR YOUR ATTENTION