

Putting in place a Shareholder Agreement, Will and Lasting Power of Attorney secures your business and protects those closest to you.

Why set up a Shareholders Agreement?

The main reason to put a shareholders' agreement in place straight away is that it is quicker, cheaper and easier to do so than trying to negotiate with a business partner after a dispute arises. When you form your company it is essential that the shareholding proportions of the company are documented and a clear set of rules set out about who has the voting rights and operational control of the business.

How Shareholders are at risk

Very few private limited companies understand the risks they are exposing themselves to by not having a formal agreement in place to set out the ground rules for the ownership of their business. Although most shareholders believe they will always get along, situations will almost always arise that the shareholders didn't ever contemplate.

The issues that can be addressed in a shareholders agreement include

- **Directors:** Who is on the board and what level of agreement is required to appoint new directors?
- **Information:** The right to information about the company's affairs and duties of confidentiality in relation to it.
- **Voting:** Commonly a shareholders' agreement will list certain major issues on which the shareholders must be either unanimous or achieve a majority vote before a decision can be taken. Issuing new shares and major capital expenditure are two examples.
- **Exit:** This is at the heart of any shareholders' agreement. You need to think about what happens on death if someone is critically ill, if someone wishes to leave or if one partner stops pulling their weight. You also need to think hard about how a departing shareholders' "share" in the business is valued and who pays them.
- **Dividends:** Setting expectations about the degree of profit that will be distributed and the amount to be put back into the business.
- **Share Transfers:** Shareholders may want a right of refusal if one of the other shareholders wishes to sell to an unknown or unwanted third party.

The use of a shareholders agreement can save you time, money, aggravation and, most importantly, protects your business.

Contact us

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Visit us at www.legalmatters.co.uk

Will and Lasting Power of Attorney

Holding shares in and running a business add further responsibility to your life with little time to consider the consequences if you have an accident, become ill or pass away. Our Shareholder Protection service adds essential Will and Lasting Power of Attorney planning contained in our Estate Protection solutions – see our website for further details.

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