



Shareholders Agreement

Do you run a small or medium sized limited company?

Does more than one person hold shares in your company?

Are you a minority shareholder in a company?

If the answer to any these questions is yes, then a Shareholders Agreement is vital for you.

Why do you need a Shareholders Agreement?

A Shareholders Agreement is a contract between you and your fellow shareholders. It regulates the rights and duties of the shareholders and governs the affairs of the company. Basically, it deals with all the 'what ifs...' allowing you to plan for every eventuality and giving you certainty and peace of mind.

What does a Shareholders Agreement cover?

A Shareholders Agreement can cover any matters you want it to cover. We will help you decide what provisions need to be included in your Shareholders Agreement and ensure that the contents of the Agreement work appropriately with the company's Articles of Association.

Typical agreements will answer the following questions:

- What activities will the company undertake?
- What happens to a shareholder's shares in the company if they die or lose capacity or become bankrupt?
- What happens if a shareholder wants to sell their shares? Can they sell them to anybody or do they have to offer them to existing shareholders first?
- Can somebody still remain a shareholder even if they are no longer a Director of the company or employed by the company?
- Can you prevent a fellow shareholder from

selling shares to just anybody?

- Can the company issue further shares and if so, to whom?
- Which matters require consent of the shareholders?
- Do directors have to hold a certain amount of shares?
- How are decisions to be made?

Protection of Minority Shareholders

Shareholders Agreements are essential for protecting the rights of minority shareholders. Often important decisions about the company can be made by the majority alone, leaving little scope for input from the minority shareholder. Shareholders Agreements can rectify this by containing rights of veto for the minority shareholder in respect of, for example, buying or selling the business of the company, buying or selling company property or appointing or removing a director.

Impact on death

Often when a shareholder dies, their shares will pass to their estate in accordance with their Will or with the Rules of Intestacy. This can cause issues. The surviving shareholders may not wish the family of the deceased shareholder to be involved in the running of the company.

In the case of minority shareholders, the family may wish to sell the shares but be unable to find a buyer or be offered an unrealistically low value

by the surviving shareholder meaning they lose out financially. Difficult situations like this can be mitigated by having a professionally drafted Shareholders Agreement in place.

Difference between a Shareholders Agreement and Articles of Association

The company will have Articles of Association which may or may not cover some of the issues above.

Unlike Articles of Association, a Shareholders Agreement is only binding between you and the other shareholders who are a party to it. It does

not bind any future shareholders.

If you feel that any of the points raised are applicable to your situation and would like further advice on how a Shareholders Agreement could benefit you, then please do not hesitate to contact Marina MacLennan or Ciaran Keane on 01179292811.

For more information on Shareholders Agreements please follow the link wards.uk.com/service/commercial-services

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