



LEWISBROWNLEE

CHARTERED ACCOUNTANTS & TAX ADVISERS

SHAREHOLDER AGREEMENTS

FOR COMPANIES



01243 782 423 | www.LewisBrownlee.co.uk | info@LewisBrownlee.co.uk

While we believe this information to be complete and accurate Lewis Brownlee, its staff and agents cannot be held responsible for any inaccuracies or omissions. © 2021, Lewis Brownlee. All rights reserved.

Please note no responsibility for loss occasioned by any person acting or refraining from action as a result of this material or any related files can be accepted by the author or Lewis Brownlee.

INTRODUCTION

For limited companies, when it comes to making decisions, Company Law states shareholders who own more than 50% can pass a motion at a company meeting regardless of the views of other shareholders and if shareholder(s) owns more than 75% of the shares they control the company outright and can veto the decisions of all other shareholders.

This may not suit all business situations, especially where you have two or more founders holding equal share capital or a group of owners with varying amounts of capital, some of whom are directors and some who are not, but who are all working together for the company's success.

A shareholders' agreement is entered into between all or some of the shareholders in a company. It regulates the relationship between the shareholders, the management of the company, ownership of the shares and the protection of the shareholders. They also govern the way in which the company is run.

A shareholders agreement can help define how a business makes decisions to the benefit of all owners and is recommended where:

- A small number of owners want to reach collective and fair decisions for the benefit of all
- Some owners may want to be able to influence decisions that are particularly relevant to them
- Some shareholders may not be directors and cannot influence operations on a day-to-day basis

Typically, it is seeking to deal with the three "D's" of death, disability and disagreement. It may also cover a variety of other significant areas for example, retirement and buy back of shares.

Our view is that every agreement is individual to each set of shareholders and legal advice is generally advised. It is possible for shareholders to draft their own agreements using resources such as those provided by online document providers. There are several providers of online forms but as we said just above legal advice is recommended to help you draft an agreement.

A properly drawn up and comprehensive agreement can protect minority interests, clarify who makes decisions, empowers all participants, acts as a record of agreement, can help keep your affairs more private and can offer flexibility if and when situations such as retirement, death, disability and disagreements arise.

KEY AREAS FOR ANY SHAREHOLDER AGREEMENT

This is not a comprehensive list as each situation is different, but it may help you collect the thoughts of all shareholders before you draw up an agreement.

1. Company details including structure, directors and officers
2. Purpose and aims of the company
3. Equity split of shareholders
4. Parties to the agreement
5. Shareholders rights, obligations, and commitments
6. Decision making processes on major issues, required voting majorities and day to day operating decisions
7. Restrictions on the sale of shares
8. Rights of first refusal and pre-emptive rights to acquire shares on leaving, retirement, death or disability
9. Death, disability, and other retirement compensation payments
10. Management contracts, director approval and remuneration amounts
11. Insurance and other protective requirements
12. Professional advisers and change of professional advisers
13. Dispute resolution
14. Changes to and termination of the agreement
15. Buy out provisions for leaving shareholders
16. Valuation of shares on changes and valuations of the business

SUMMARY

Our view is that a shareholders agreement is an essential document for any limited company and an equitably drafted agreement should provide comfort to all parties to the agreement.

Please talk to us if you need help in planning for an agreement, especially where there are several shareholders, a new company is being formed, a shareholder wants to sell their shares or pass them to their children, someone is nearing retirement, or the company has borrowed money from a shareholder. We can help with share and company valuations and putting the shareholders wishes into an agreement with a local solicitor.

WATCH OUR VIDEO

Our Managing Director Sarah Alexander provides a brief overview of Shareholder Agreements for companies. To see our other YouTube videos you can subscribe to our channel here: <https://lblink.uk/YouTubeChannel>



Our Contact details:

01243 782 423

www.LewisBrownlee.co.uk

info@LewisBrownlee.co.uk

Services we offer include:

Audit & Assurance
Year-End Accounts
Cash Flow Forecasting
Management Accounts
Tax Planning & Returns
Outsourced Back Office
Payroll & Benefits-in-Kind
Virtual Finance Directors
Virtual Financial Controllers
Business Advisory & Transformation
Cloud Based Accounting & App-Stacking



LEWIS BROWNLEE

CHARTERED ACCOUNTANTS & TAX ADVISERS

INFO@LEWISBROWNLEE.CO.UK | 01243 782 423 | WWW.LEWISBROWNLEE.CO.UK

While we believe this information to be complete and accurate Lewis Brownlee, its staff and agents cannot be held responsible for any inaccuracies or omissions. © 2020, Lewis Brownlee. All rights reserved.

Lewis Brownlee (Chichester) Limited, Chartered Accountants, Registered Auditors and Tax Advisers.

Registered to carry on audit work in the UK and licensed to carry out the reserved legal activity of non-contentious probate in England and Wales by the Institute of Chartered Accountants in England and Wales.

Registered office at Appledram Barns, Birdham Road, Chichester, West Sussex, PO20 7EQ. Registered in England under company no 8656313.