

how a shareholder agreement sets you up for success

If you're running a company or partnership and you haven't created an official shareholder agreement document, signed by all partners or directors, you're missing an important opportunity to set your business up for success.

This is particularly important when you have non-working directors, silent partners or investors as shareholders in your business.

Shareholder agreements are all about protecting your business from expensive and upsetting disputes into the future. You only have to look at the messy ongoing conflict over the founding of Facebook to see why they matter.

"People avoid shareholder agreements because they see them as 'planning the divorce before you get married.'" said Simon Allsop, Managing Director of *myaccounts*. "But a shareholder agreement is not just about what happens if someone dies or someone wants out. It forces you to talk through all the potential scenarios you may face – including what will happen if the company is a huge success. The document is in fact your official plan for success."

Simon says that success causes more conflict between shareholders than failure. "A good shareholder agreement ensures everything has been properly communicated and agreed at the very beginning of your relationship," he said. "It covers how matters such as growth, distributing profits and cashing in will be managed when you succeed."

Your shareholder agreement should be written up by lawyers representing every party – including the company itself. That does not mean that it has to be written in legalese – it can be written in plain English so that everybody understands.

"Shareholder agreements are not set in stone," said Simon. "If everyone agrees to a change, changes can always be made."

The areas your shareholder agreement should cover:

- The scope of the company's operations including the contributions that each of the shareholders have made and will make to the operations.
- How the business will be administered and organized – including the share structure.
- How the company will be financed.
- The intellectual property owned by the business
- Strategic and operational decision-making – and how deadlocks will be resolved.
- Voluntary and involuntary withdrawal of a shareholder.
- How to manage a shareholder in default.
- What to do if a shareholder becomes sick, or disabled, or dies, and whether insurance is needed to cover this possibility.

head office:

Level 3, 53 Walker Street
North Sydney NSW 2060

postal address:

PO Box 411
North Sydney NSW 2059

p: 1300 784 122
f: 1300 785 133

e: info@myaccounts.biz
w: www.myaccounts.biz