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Are all shareholders on the same page?

By Andrew Skinner - 11 Sep 2020

When starting a new business with another person, or introducing a new shareholder, there are many aspects of the business competing for your time. Often the relationship between shareholders may be overlooked as you just want to get on with things. However, over time you might find that you and your other shareholders have quite different ideas for the direction of the business and how it should be managed. Agreeing a robust shareholders agreement from the outset should help to avoid problems in the future.

Recently we have been advising a number of clients on shareholders agreements. These agreements are really interesting to prepare because each shareholder relationship is unique. We often start by providing clients with a questionnaire which asks a number of key questions such as:

- Who are the proposed shareholders and how many shares do each of them hold?
- Who will be the directors and how are the directors appointed or removed?
- How will decisions be made by the Board?
- How will the company be funded and what is the dividend policy?
- Will any decisions be reserved for shareholders over and above the "major transactions" under the Companies Act?
- What restrictions will there be on the issue or sale of shares (known as "pre-emptive rights")?

The responses to these questions make the owners think about the governance and direction of the business. But what happens if a dispute arises? A well-prepared shareholders agreement should include a process for resolving disputes and, if necessary, a mechanism for resolving deadlocks that have the potential to damage the business.

If you would like to know more about shareholders agreements contact [Andrew Skinner](#) today.

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