you legal

Winning at Business

Why you need an up to date Shareholder's Agreement

Set the rules before you play the game

Winning at Business

So, you've started a business with others and everything is going great, but you do have questions that you're not sure about, such as:

- **Who owns the ideas you are developing?**
- **What are the boundaries between business and your personal life?**
- **You want what is fair, but how will you know you are winning at the game of business, unless you know what the rules are?**

Set the Rules Before You Play the Game

A Shareholder's Agreement allows you and your fellow shareholders to agree on the rules of play in your business, including everything from management and board composition to valuation buy-ins and income distribution. **It is a contract between each shareholder of your company.**

A Shareholder's Agreement becomes useful:

- **When a shareholder wants to exit the business.** They can be required to offer their shares to existing shareholders at a specified price. This can prevent a situation where shares are sold or transferred to someone who is incompatible with the business. A Shareholder's Agreement details how a valuation of equity is to be calculated and how any shared assets will be handled.
- **Provisions can be drafted** to ensure shares are offered to existing shareholders if one of the shareholders (God-forbid) unexpectedly dies or is incapacitated in some way.

Set Up Your Business for Success

One of the **biggest advantages** of drafting a Shareholder's Agreement is not only the certainty it provides, but the actual process of discussing concerns openly with your fellow owners can reduce the risk of disputes long term.

Any Shareholder's Agreement worth its weight in gold will also set out the process for mediation and/or arbitration in the event a dispute does arise.

Dealing with these situations quickly and effectively can mean the difference between a business that continues to prosper versus one that flounders.

An Agreement can also detail when a company will buy-back shares. **Buy-backs can sometimes force a company into cashflow problems** as it tries to secure funds to pay the shareholder or shareholder's estate.

To avoid this, most Shareholder's Agreements have a buy-back that occurs over time. In some circumstances, it might be appropriate to provide that shares are purchased using the proceeds of a life insurance policy.

Our Tailored Solution

Together with you, we will determine:

- What stage your business is at
- The nature and clarity of your current business plan
- How many shares and of what type are currently on issue
- The roles in the company
- The process of decision making at both director and shareholder level
- The agreed process for shared owner decision making
- How shareholders transfer their shares
- The situations in which people may be required to contribute extra funds to the company
- How and when to limit individual owner rights for the good of the team

The process will allow us to ensure that both you and your business partners are fully informed and protected.

Our Expertise:

For a fixed fee - our solution for your Shareholder's Agreement includes:

- drafting of the document; and
- one round of amendments following feedback

Shareholder's Agreement	Basic	Standard	Premium
Up to 3 Shareholders	X		
Up to 5 Shareholders		X	
Up to 7 Shareholders			X

How Do We Work?

1. We listen to your requirements

2. We identify the specific You Legal advocate with the right experience to meet your needs

3. We provide a cost estimate by email

4. You talk to, and approve the selected advocate

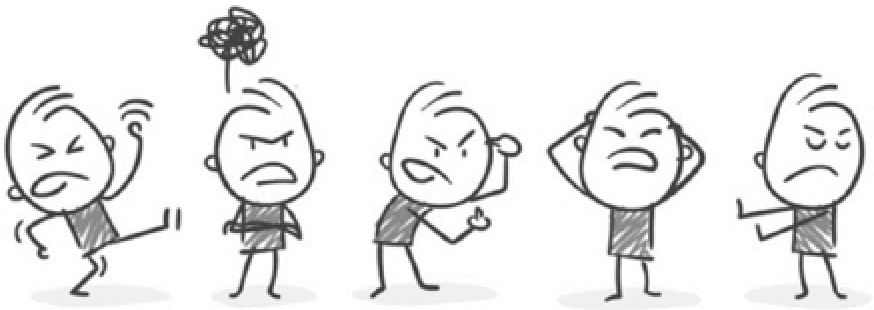
5. We agree the best working model and react to your feedback throughout

Avoid Disputes: Get It in Writing

In some cases, once a Shareholder's Agreement is prepared and signed, it is a document that sits at the back of a filing cabinet, rarely seeing the light of day. It is usually only when a question is raised that someone digs around and finds the Shareholder's Agreement to get the answer.

You and your fellow shareholders probably have a verbal agreement. That in the event of something happened, you have an "agreed" process you would follow. As we all know, however, in times of stress and uncertainty our memories don't always serve us well.

A Shareholder's Agreement is like an insurance policy, if something unexpected happens there is a process to follow and an agreement in writing to rely on.



Legally speaking, without the ability to rely on a **signed Agreement**, things can become very uncertain, very quickly.

It doesn't always have to be the result of a breakdown in a working relationship either, it can be something unexpected, a change in circumstance, a health-related issues, a family matter or any number of external events that means a shareholder can no longer fulfill their duties.

What Do Our clients Say?

"You Legal has been fantastic since my first contact last year. Quality work. Beyond expectation. Fast communication. Clear communication. Consistent follow up. Thanks for all that you do.

Your team is, without a doubt, creating a Legal Firm which key stakeholders actually enjoy working with."

Adam Christopher Bugaj, Director, Fit Camp Transformation Centre

What Do Our clients Say?

"The best thing about You Legal is that it is a personalised legal company and the communication is impeccable, I could not fault it.

Whilst you don't meet a lawyer and feel like you're on the clock, there's a lot of effort and care behind the scenes, it's not the old archaic model.

I definitely recommend You Legal. If you're operating your own company and providing services, You Legal is aware, they know what needs to be done and they're connected."

Dr. Jamie Lea Whyte, Director, Virtue Vax

VIRTUEVAX

Example: Setting Your Game Plan

We recently had a client who was a fast growth start up. The company had three equal founders, including our client, and had a Shareholder's Agreement in place which they had all worked through closely.

Two of the original founders had worked as start-up founders before and did not have a Shareholder's Agreement the first time around, an experience that made them understand the importance of having one.

After six months of working together, it was agreed that one of the founders was not a fit for the culture and values of the business that was being created and opted to leave the business. As a result, the other shareholders acquired the shares of the leaving shareholder using the valuation method, this had been set out in their Shareholder's Agreement.

There was no quibbling about value or process, as it was clearly laid out in the document. The sale proceeded, and the remaining shareholder carried on running and growing the business.

Common falsely believed myths

- **I'm in business with my mate, so I don't need a written agreement.**

  This is one of the biggest mistakes ever made in business. Regardless of who you are setting up with, get everything in writing, even if it's something you draft yourself.

- **A Shareholder's Agreement is only for large corporations.**

  Disputes can occur, as can unexpected events, regardless of the size of your business.

- **It will mean a HUGE legal bill.**

  That is why at You Legal we provide fixed fee solutions, so it won't break the bank and you know what you're paying up front.

Book your FREE tailored consultation today!

Lawyers don't give anything away for free.... right? Usually, but not today! We're passionate about our integrity, so we want to make sure that you need us before we send you an invoice. Have a question raised by this brochure?

You can ask us personally, just book here:

Schedule Your Call

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