

Shareholders' agreement: standard version

Agreement between shareholders for the regulation of

[Company name]

Dated: [date]

Agreement between shareholders for the regulation of

[Company name]

Contents

1. Definitions
 2. Interpretation
 3. Relationship of parties
 4. Shareholders' details
 5. Completion
 6. Special voting rights
 7. Appointment and removal of Directors
 8. Duties of Directors
 9. Proxy votes
 10. Company's obligations
 11. Shareholders' obligations
 12. Actions requiring 75% shareholder consent by law
 13. Dividend policy and procedure
 14. Actions requiring shareholders' consent
 15. Existing Intellectual Property
 16. New Intellectual Property
 17. Assets introduced by a shareholder
 18. Confidentiality
 19. General provisions relating to shares
 20. Exit provisions: co-operate to find buyer
 21. Share sale by single shareholder
 22. Procedure after transfer
 23. Shareholder's continuing rights and obligations
 24. Restrictions on shareholder after transfer
 25. Transfer of shares on death or incapacity
 26. Transfer of shares on bankruptcy
 27. Life insurance provision
 28. Publicity
 29. Conflict with the Articles
 30. Miscellaneous matters

Schedule 1 Existing IP owned by IP shareholder

Schedule 2 Ownership of assets

Schedule 2 Ownership of assets [REDACTED]
Schedule 3 Letter of instruction [REDACTED]

This agreement is dated: [■ ■ ■ ■]

The Company is: [company █ █ █ █] (█ █ █ " █ █ █ ")

The Company's registered office is: [REDACTED / REDACTED]

The Shareholders are:

[name] of [address]

[name] of [address]

[name] of [address]

[name] of [address]

The background to this agreement is:

These are the terms of the agreement:

1. Definitions

Act: means the Companies Act 2006 and any subsequent [REDACTED], [REDACTED]

Articles: means articles of .

Business: means the business of [state nature of business concisely].

Confidential Information: means all information, including:

information which may give a commercially competitive advantage to any other person. ■ ■ ■

A horizontal row of fifteen solid black squares, followed by a vertical ellipsis (three dots) indicating continuation.

information about staff, their performance and ■ ■
■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ,

data or information relating to suppliers, product plans, marketing strategies, finance, performance, operations, customer ■ ■ ■ ■ , ■ ■ ■ ■ ■ ■ ■ ■ , ■ ■ ■ ■ ■ ■ ■ ■ ■ ;

information created or arising from this agreement;

information, comment or implication published on
■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ;

Intellectual Property: means intellectual property of every sort, whether or not registered or registrable in any country,

including intellectual property of all kinds coming into existence after today; and including, among others, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

2. Interpretation

In this agreement unless the context otherwise requires:

3. Relationship of parties

4. Shareholders' details

The shareholders in the Company are:

5. Completion

6. Special voting rights

7. Appointment and removal of Directors

“ ” “ ”
” .

8. Duties of Directors

9. Proxy votes

10. Company's obligations

11. Shareholders' obligations

- 11.1. The shareholders agree to exercise their powers in relation ██████████
███████████
███████████
███████████.
- 11.2. Each shareholder undertakes with each of the other parties that whilst a shareholder remains ██████████
███████████
███████████, ██████████
███████████.

12. Actions requiring 75% shareholder consent by law

The following actions shall not be taken without ██████████
███████████ 75 % ██████████
███████████:

- 12.1. change the name of the Company;
- 12.2. change the Articles of the Company; and
- 12.3. pass any resolution for ██████████
███████████.

13. Dividend policy and procedure

The shareholders shall ██████████
███████████:

- 13.1. Dividends shall be ██████████
███████████.
- 13.2. The Company may by ordinary resolution declare dividends.
- 13.3. A dividend must not be declared unless the Directors ██████████
███████████.
███████████
- 13.4. No dividend shall be paid until the annual accounts ██████████
███████████
███████████ [███████].

14. Actions requiring shareholders' consent

15. Existing Intellectual Property

- 15.1. Schedule [1] of ■■■■■ .
■■■■■ ■■■■■ .
 - 15.2. Nothing in this agreement shall prevent a ■■■■■ .
■■■■■ ■■■■■ .
■■■■■ ■■■■■ .
 - 15.3. If any shareholder 'IP shareholder' owns Intellectual ■■■■■ ■■■■■ , ■■■■■ .
' ■■■■■ , ■■■■■ .
 - 15.4. In the absence of any other documented licence agreement between the Company and the IP shareholder, the ■■■■■ ■■■■■ .
■■■■■ ■■■■■ ■■■■■ .
■■■■■ ■■■■■ ■■■■■ .
■■■■■ ■■■■■ ■■■■■ .
■■■■■ £ [1] ■■■■■ .
 - 15.5. The IP shareholder may at any ■■■■■ ■■■■■ [6] ■■■■■ .
 - 15.6. If, on expiry of the [6] month notice period, ■■■■■ ■■■■■ .
■■■■■ ■■■■■ , ■■■■■ .
■■■■■ ■■■■■ :
 - 15.6.1 The IP shareholder shall have no claim, ■■■■■ .
■■■■■ ■■■■■ .
■■■■■ ■■■■■ .
■■■■■ ■■■■■ .
 - 15.6.2 The IP shareholder grants whatever licence to the Company as is necessary to enable the Company to ■■■■■ , ■■■■■ .
■■■■■ ■■■■■ , ■■■■■ .
■■■■■ ■■■■■ .
■■■■■ ■■■■■ .
■■■■■ ■■■■■ .
 - 15.6.3 All other deemed licences shall ■■■■■ , ■■■■■ .
■■■■■ ■■■■■ .
■■■■■ ■■■■■ .
 - 15.6.4 The Company will acknowledge that it ■■■■■ , ■■■■■ .
■■■■■ ■■■■■ .
■■■■■ ■■■■■ .

16. New Intellectual Property

17. Assets introduced by a shareholder

- 17.1. This paragraph does not apply to Intellectual Property.

- 17.2. The assets listed under the [2].
- 17.3. This paragraph applies to those assets and also .
- 17.4. Unless a clear intention of gift , .
- 17.5. Each shareholder, who has permitted assets of any description :
 - 17.5.1 is limited to ;
 - 17.5.2 prohibits reproduction in ;
 - 17.5.3 shall terminate at any time [].

18. Confidentiality

- 18.1. Each shareholder :
 - 18.1.1 not remove from Company's premises or copy or allow anyone else to copy ;
 - 18.1.2 in respect of any part of the Confidential Information of the Company, from today until ;
 - 18.1.3 comply with the law .

18.2. This paragraph does not apply to disclosure:

19. General provisions relating to shares

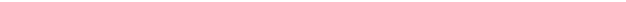
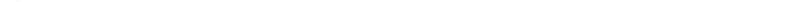
20. Exit provision: co-operate to find buyer

QR

- 20.3. procure some other avenue whereby any shareholder may dispose of shares at a [redacted] £[
10 , 000 , 000], [redacted]
■ .

21. Share sale by single shareholder

- 21.1. In this paragraph:

Sale Price: 


- 21.2. If a shareholder (the 'Seller') wishes to sell all or part of his/her shares in the Company, he/she must give notice in writing to the Company at least 12 months before the date of sale. The notice must state the number of shares to be sold and the price per share. The Company will then have the right to purchase the shares at the same price. If the Company does not exercise its right to purchase the shares within 30 days of receiving the notice, the Seller may sell the shares to a third party.

- ### 21.2.1 the number and classes of Sale Shares;

22. Procedure after transfer

23. Shareholder's continuing rights and obligations

24. Restrictions on shareholder after transfer

Each shareholder agrees that:

- [···] ;
- 24.3. ···
[··· , ···] , ··· , ··· ;
- 24.4. ··· [···] , ··· , ··· , ··· ;
- 24.5. ··· , ··· , ··· ; ···
- 24.6. ··· .

25. Transfer of shares on death or incapacity

In this paragraph:

· · · : ···
· · · · : ···
· · · · · : ··· .

Relevant Event: means any one of:

the death of a shareholder; or

· · ·
· · · ·
· · · · · ; · ·
· ·

.....

21
21
21
21
21

Grade Level	Percentage (%)
25.7	~95%
25.8	~90%
25.9	~90%
26.0	~90%
26.1	~90%
26.2	~90%
26.3	~90%
26.4	~90%
26.5	~90%

26. Transfer of shares on bankruptcy

27. Life insurance provision

In this paragraph:

Life Assured: means each of:

A decorative horizontal separator consisting of a series of black squares arranged in a grid pattern. The pattern is composed of several rows of squares, with the first row having a longer span than the subsequent ones.

27.3. (█ █ █ █ █ █ █ █ █ █ █ █ █ █ █) █ █ █ █

27.5. The Sum shall be payable to the Beneficiaries.

28. Publicity

A decorative horizontal border at the bottom of the page, featuring three rows of small black squares arranged in a grid pattern.

29. Conflict with the Articles

30. Miscellaneous matters

- 30.4. [REDACTED], [REDACTED]
[REDACTED], [REDACTED]
[REDACTED], [REDACTED]
[REDACTED]
[REDACTED].
- 30.5. [REDACTED]
[REDACTED], [REDACTED]
[REDACTED]
[REDACTED].
- 30.6. [REDACTED]
[REDACTED]
- .
- 30.7. [REDACTED]
[REDACTED] ([REDACTED]
[REDACTED]) 1999 / [REDACTED] ([REDACTED]) ([REDACTED])
[REDACTED] 2017 [REDACTED].
- 30.8. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED], [REDACTED] [72]
[REDACTED] [24] [REDACTED]
[REDACTED].
- 30.9. [REDACTED], [REDACTED]
[REDACTED] [REDACTED]
[REDACTED] / [REDACTED] / [REDACTED], [REDACTED]
[REDACTED]

Signed by [full name of a Director], duly authorised on behalf of the Company

Signed by [full name], a shareholder:

Signed by [full name], a shareholder:

Schedule 1: Existing IP owned by IP shareholder

Schedule 2: Ownership of assets used by the Company

Schedule 3: Letter of instruction to accountants for valuation

On the letterhead of the company

To: Bloggs accountants

Dear Sirs

Shares valuation - this company

[] %

To assist you we now enclose:

- [REDACTED]
[REDACTED], [REDACTED];
 - [REDACTED]
[REDACTED];
 - details of the current and forward order book;
 - budget for the next **[two]** years;

OR

Please make your valuation on the following assumptions:

3. [REDACTED]
[REDACTED]
[REDACTED], [REDACTED]
%].
4. [REDACTED]
[REDACTED] / [REDACTED], [REDACTED]
5. [REDACTED]
[REDACTED], [REDACTED] / [REDACTED]
[REDACTED]
6. [REDACTED]
[REDACTED]
[REDACTED], [REDACTED]:

6.1. depreciation,

6.2. salary payments to the directors,

6.3. other emoluments of the directors,
7. [REDACTED], [REDACTED]
[REDACTED] ([REDACTED]
[REDACTED]
[REDACTED]).
8. [REDACTED]
[REDACTED]
9. [REDACTED]
[REDACTED]
10. [REDACTED]
[REDACTED]
11. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- .
12. [REDACTED]
[REDACTED]
[REDACTED]

Yours faithfully,

Explanatory notes:

Shareholders' agreement: standard version

General notes

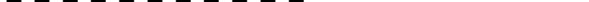
Recognition of our copyright in this document

Document review service

Please contact our support team at support@netlawman.co.uk for further information.

Using this document

1. This document has been drawn on the assumption that your company was formed after the 1st of January 2007. Accordingly, there is no reference ■ ■ ■
■ ■ ■ “ ■ ■ ■ ”

If your company was formed before that date and still uses old style Table A articles. 

If you have just formed your company, you will probably want to change your articles in any case. The default “model” version provided by Companies House is unnecessarily restrictive and inflexible and will make company administration more difficult for you. We explain more in an article at <https://www.netlawman.co.uk/ia/avoiding-conflict-shareholders-agreement-articles-association>.

Several versions are available from Net Lawman with our usual extensive notes and the minutes and notices needed to approve changing them. They can be found at <https://www.netlawman.co.uk/q/company-articles>.

2. Although all matters relating to the structure and management of a company must stay within the framework provided by the Act, this agreement is comparatively unregulated. It is therefore open to you to make whatever arrangements you wish. The starting point for this agreement should therefore be a "wish ■■■■■" ■■■■■ . ■■■■■ ■■■■■ !
■■■■■ , ■■■■■ ■■■■■ !
 3. There are also some important preliminary decisions relating to who does what, how the whole deal terminates, and what happens when someone dies or wants ■■■■■ . ■■■■■ .
 4. Before you can discuss the detail of this document, everyone involved should talk about the "exit strategy". We can advise confidently that there will be a dispute at some ■■■■■ , ■■■■■ ■■■■■ , ■■■■■ , ■■■■■ , ■■■■■ ■■■■■ .
 5. What we can do in this document is to give you ideas on how to minimise your disputes by advance agreement. Sadly, neither you nor we know what problems will arise. You cannot stop bad things from happening, but you can provide as best you can. That is what we try to do in ■■■■■ 25 ■■■■■ . ■■■■■ , ■■■■■ ■■■■■ ■■■■■ ■■■■■ .
 6. When two people each own 50% of the shares, you have stalemate from the start. This structure is sometimes essential, but avoid it if you can. Several clever ways have been devised to avoid conflict ■■■■■ ■■■■■ ■■■■■ .
 7. Other issues you should address are:
 - 7.1. What if the buying shareholder has no money?
 - 7.2. What if one of the shareholders is indispensable to the business, so that if he goes, ■■■■■ ■■■■■ ?

Paragraph specific notes

Notes following the numbered paragraphs

1. Definitions

2. Interpretation

3. Relationship of parties

4. Shareholders' details

5. Completion

The agreement does not of itself make things happen. So far as change must be made, it is likely to be through service contracts, minutes of meetings, and

6. Special voting rights

7. Appointment and removal of Directors

8. Duties of Directors

9. Proxy votes

10. Company's obligations

11. Shareholders' obligations

Edit as you require.

12. Actions requiring 75% shareholder consent by law

This paragraph is most important. In setting out these points, we are merely reminding all shareholders that these items require a 75% majority because the Companies Act says so. Any attempt to reduce it will be void. However, you can increase the 75% if you wish to do so. We have explained shareholders' statutory rights fully in our article at <https://www.netlawman.co.uk/ia/shareholders-rights>

13. Dividend policy and procedure

Payment of a dividend must accord with tax law and the Companies Act, S829 to 853. The tax element relates in part to the availability of profit out of which a dividend may be paid.

You do not have to include a dividend policy in a shareholders agreement. A young and expanding company may prefer to state categorically that no dividend shall

.....

The usual way to provide for an outside shareholder
.....

We recommend that you leave this paragraph substantially ,

14. Actions requiring shareholders' consent

The default position is that shareholders can do almost anything with a majority of over 50%. We
.....
..... 50 %.

You can set the percentage that you want and list the decisions that you want. You could include personal use of company jet or whether dogs
.....
.....
..... .

15. Existing Intellectual Property

When a company is first formed, it is usual, rather than exceptional, for it to use intellectual property owned by one of more of its new shareholders. That may be to exploit a patent, ,
..... , , , ,
..... " "
..... .

As new shareholders are brought in (and this agreement is required) IP ownership records become lost or ignored. At some stage, either the IP owner, or some other
.....
.....
..... .

This paragraph provides a route through the maze. The ideal provision is not one that needs to be in this agreement at all. It is to identify essential IP and make sure the owner either assigns it to
.....
.....
.....
..... .

Although the assumption here is for the IP owner to continue to allow the company to use his IP [REDACTED], [REDACTED]
[REDACTED]
[REDACTED].

16. New intellectual property

17. Assets introduced by a shareholder

18. Confidentiality

19. General provisions relating to shares

20. Exit provision: co-operate to find buyer

21. Share sale by single shareholder

The downside is that the " " " "

22. Procedure after transfer

There is no reason why you ██████████
███████████.
███████████.

The extent of these provisions is a matter of choice. If colleagues fall out, █ █
█ ██████████. █ ██████████.
█ ██████████, █ ██████████
█ ██████████. █ ██████████.
█ ██████████.

23. Shareholder's continuing rights and obligations

It is almost impossible to devise a deal whereby all shareholders are treated
equally because at the moment when one decides ██████████, ██████████
███████████. ██████████.
███████████. ██████████.
███████████, ██████████.
███████████. ██████████.
███████████. ██████████.
███████████. ██████████.
███████████.

24. Restrictions on shareholder after transfer

The carefully chosen wording of these restrictions is necessary to withstand
the general proposition that an agreement "in restraint of trade" ██████████
███████████.
███████████. ██████████.
███████████. ██████████.
███████████. ██████████.
███████████. ██████████.
███████████. ██████████.
███████████. ██████████.

25. Transfer of shares on death or incapacity

There are ██████████:

First, probate law will take precedence over anything you say here. Second, a
PR is also bound by the law and in ██████████, ██████████
███████████. ██████████ " ██████████ " ██████████
███████████. ██████████ " ██████████ " ██████████
███████████. ██████████ " ██████████ " ██████████
███████████.

.....

A PR is compelled to carry out [REDACTED], [REDACTED]
[REDACTED], [REDACTED]
[REDACTED].

26. Transfer of shares on bankruptcy

27. Life insurance provision

28. Publicity

We have no comment

29. Conflict with the Articles

30. Miscellaneous matters

Letter to accountant - valuers

End of notes