

## Shareholder and partnership agreements

### What you need to look for

#### Will your shareholder or partnership agreement deliver what you need?

Most shareholder and partnership agreements cover a range of issues including things such as the percentage owned by each partner, management duties, frequency of meetings and so on.

However, in our experience the critical issue for most people in a business partnership, is “What happens if I need to exit the business?”

That exit could be for a range of reasons. It may be a change in personal circumstances. Perhaps you are no longer able to work or you may simply have lost interest in the business and want to do something else. And of course, what happens when one of you wants to retire and the others want to keep the business going?

#### Do you need a ‘business pre-nup’?

If you can't agree on how to split up assets in a personal relationship the Family Law Court will decide for you. However, if business partners don't agree when the partnership breaks up, what can they do? There is no Family Law Court equivalent for business partners.

The key to this is a good quality



shareholder or partnership agreement - one with comprehensive exit-focused solutions. Unfortunately, most of these agreements only provide a first right of refusal.

#### What is a First Right of Refusal?

Often a waste of time and money. If your agreement has one of these it means you must first offer your business partner the right to buy your share before anyone else.

That works for the remaining partner but if you are the one who wants to leave and your business partner refuses to buy your share – then what?

You have to find someone else not only willing to buy your share, but someone who is happy to work with your business partner. And of course, your business partner must be happy with them too! Not an easy task.

#### But we get along...

Of course – or you wouldn't have gone into business together. However, times change, circumstances change.

What if your business partner is ill and can no longer work? How long are you happy to support them? What if you no longer agree on the way forward?

Have you signed personal guarantees for business debts? Is there any obligation on your partners to have those removed if you leave the business?

You may of course be able to sort this all out amicably. But what if you can't?

#### Do you know what is in your business partner's Will?

Yes, it is a bit daunting. If the worst

happened and your business partner died, who would inherit their share of the business? Who would your new business partner be? Worse still, if they don't have a Will you could be dealing with a committee of family members who have inherited their equity in the business.

#### Free Shareholder or Partnership Agreement review

Would you like to know whether your shareholder or partnership agreement is appropriate?

Email a copy of your current agreement and we will provide you with a written report addressing the exit conditions, free of charge.

#### Free phone consultation with a lawyer

Would you like to know more about partnership rights and obligations? What would happen if one of you either wanted to, or had to, leave the business? Whether your business is owned by a company, trust or partners, an obligation free chat with one of our lawyers on the issues addressed by these agreements can help put you in the picture. Call us today to arrange a time.

#### The key to this is certainty

It's all about knowing what will happen if one of you either wants to, or has to, leave the business.

If you would like more information please call us on **03 8621 9000** or send us an email **info@irongrouplawyers.com**.