

Shareholders' Agreement Checklist

| | | |
|--------------------------|---|---|
| <input type="checkbox"/> | Dividend Policy | Is there a pre-agreed proportion of the profits to be paid out as dividends? |
| <input type="checkbox"/> | Confidentiality Policy | This is an obligation on shareholders to keep information regarding the company confidential. |
| <input type="checkbox"/> | Financing Policy | Will monies be provided to the company by the shareholders in the future? |
| <input type="checkbox"/> | Issuing further shares | This is the 'non-dilution' clause which is a clause that protects shareholders from their share in the company being diluted and enables them to maintain their percentage share in the company. |
| <input type="checkbox"/> | Appointment of Directors | Should the shareholders have a right to appoint directors to the company? |
| <input type="checkbox"/> | Directorships | Should a shareholder still be allowed to be a director if they sell their shares? |
| <input type="checkbox"/> | Chairman | Should there be a named person who is chairman, or should this position be given on a rotating basis? |
| <input type="checkbox"/> | Casting Vote | Will the chairman have the deciding vote when there is an equal amount of? |
| <input type="checkbox"/> | Pre-emption rights | This is where a shareholder wants to dispose of their shares, he must offer the shares to the remaining shareholders before they are made available to anybody else. |
| <input type="checkbox"/> | Permitted and prohibited transfers | Where a shareholder is permitted to freely transfer their shares to a particular group of people (e.g. spouse or children) without getting approval from the other shareholders or prohibited from transfer. |
| <input type="checkbox"/> | Drag-along rights | This enables a majority shareholder to force a minority shareholder to join in the sale of a company. |
| <input type="checkbox"/> | Tag-along rights | If a majority shareholder sells their stake, this right protects the minority shareholder and allows them to join the transaction and sell their stake on the same terms and conditions as would apply to the majority shareholder. |
| <input type="checkbox"/> | Compulsory Share Transfers | A set of clauses that determine the circumstances where a shareholder is required to transfer their shares to the remaining shareholders (usually on leaving the company). |
| <input type="checkbox"/> | Deed of adherence | If a new shareholder joins the company, you need them to become a party to the shareholders' agreement. |
| <input type="checkbox"/> | Share options | This is a right to buy shares in the company at a fixed price sometime in the future. The right to buy could be triggered by a certain set of requirements being met. |
| <input type="checkbox"/> | Deadlock resolution | Where shareholders are unable to agree, this clause which determines how the disagreement should be resolved. |
| <input type="checkbox"/> | Restrictive Covenants | A clause contained to prevent a shareholder from competing with the company after they have left. |
| <input type="checkbox"/> | Shareholder protections | Should certain decisions made by the board of directors be subject to consent from the shareholders? |