

## The benefits of shareholders' agreements



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Your business will undoubtedly face unforeseen circumstances, such as the death of a shareholder or even bankruptcy. Having a shareholder's agreement in place is a means of preparing for such events and resolving any disputes between shareholders in a consensual and efficient way, prior to legal proceedings.

Despite not being required by law, if your business is incorporated and has more than one shareholder, you should consider having a shareholders' agreement. By way of a shareholders' agreement, some or all shareholders of corporation consent to a predetermined set of rules. In the process, they therefore establish the solutions to problems that they foresee arising over the lifespan of the corporation. For instance, a typical clause in a shareholders' agreement is the "shotgun clause," which outlines procedure in the event of a dispute between shareholders and thus may be used to break a deadlock.

Certain developments, such as a public offering of shares, may compel you to consider concluding a shareholders' agreement. With a greater number of shareholders, it may be increasingly difficult to gain their consent required for the agreement.

A shareholders' agreement may be verbal. However, in written form, it is more easily proven in a court of law in the event of a dispute.

## **Our Corporate Services**

While shareholders' agreements usually have the same basic aims, the content of the document may have significant variations. Your business therefore should have one that is tailored to its particular needs. We consult with you and determine which clauses should be included in the shareholders' agreement.

To find out more about the additional corporate services that Eidelmann Law Firm offers, call **514 538-6966** or email **ae@eidelmannlaw.ca**

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