

## SHAREHOLDERS AGREEMENTS



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Peter and Tony owned a food supply business which supplied all major supermarket chains. Both of them paid an integral role in the operation of the business and consulted each other on business decisions on a day to day basis. Unfortunately six months ago Tony suffered a serious motor accident, his injuries included brain damage and partial paralysis. After the initial shock and Tony's prognosis became clearer Peter realised he was effectively on his own. Three months after the accident Peter received a letter from Tony's wife's solicitor as she had been appointed Manager of Tony's affairs under Court Order. Peter had never really got on with Tony's wife and was now having to consult her in business decisions that she knew nothing about. Peter sought his own legal advice and the first question he was asked was "do you have a Shareholders Agreement", unfortunately he did not.

Craig and Steve have been in business together running a printing business for 7 years which has been very successful and enabled them to enjoy their interests outside of work. Craig loved skydiving. Unfortunately Craig died in a parachuting accident and all his property passed to his wife Mary. Steve got on with Mary but did not want to be in business with her. Luckily Craig and Steve had entered into a Shareholders Agreement that covered serious injury or incapacitation and death.

As provided in that Agreement a life insurance policy over Craig's life was cashed in and the money was used to purchase Craig's shares from his estate. The Shareholders Agreement made this compulsory upon the death of either Craig or Steve.

Thankfully Steve was able to carry on with his business without any interference and avoided the significant legal costs in trying to resolve shareholder disputes with his late business partner's surviving wife. Unfortunately Peter did not have that luxury and because he and Tony were equal shareholders Tony's wife now had equal rights in relation to the business. She didn't want to sell her shares because she wanted to retain the income that Tony had been providing to the family and wanted to be involved in the business.

The conflict between her and Peter started affecting the business. Staff were leaving and contracts were being cancelled because the relationships were not being maintained as they dealt with the conflict. All of this could have been avoided if they had a Shareholders Agreement as Craig and Steve had.

If you are in business with others you should avoid the risk of these matters arising by entering into a Shareholders Agreement that cover these issues and covers anyone wanting to sell their shares and exit the business. It is very difficult to resolve these types of issues without a Shareholders Agreement. If you would like any further information in relation to Shareholders Agreements please contact Eugene Collins or Hannah Nimot.

**20 MINUTE FREE**

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