

STARTING A BUSINESS TOGETHER: CONSIDERATIONS FOR POTENTIAL BUSINESS PARTNERS

Business of the Company

- What are the parties' objectives? What will each party personally have to do to help the Company achieve its targets? Does that match your partners' expectations?

Funding of the Company

- In what proportions (if at all) will the parties provide initial finance?
- What arrangements will there be for on-going funding; Company losses; and/or development and expansion costs?
- Other than your time and (possibly) money, what else will you provide to the business? IP (brand/logo/marketing collateral), client contacts, etc. Will you continue to own these or will they become Company property?
- Are you willing and able to give personal guarantees to secure borrowings if required?

Day to day running of the business

- How are you going to work together on a day to day basis? How often will you get together in person? In between those meetings, how often do you plan to communicate?
- How will decisions be made and recorded?
- Can you both sign contracts or otherwise make commitments? If so what limits are there on your authority?
- Who's going to do the admin stuff, e.g. processing client and supplier invoices?
- Are you both going to be directors (in the legal sense) and do you understand the implications/responsibilities?
- If you are not going to be devoting all of your time to this business, do you all understand how much time you need to put in? Are there any limits on what you can do outside this business, i.e. non-compete restrictions?

- Do you both understand how and when you will be remunerated and are you entirely comfortable with it? Will you split costs based on your shareholding? Do you understand each other's needs to take cash out of the business?
- What expenses will the Company reimburse and when? Phone, travel, computer equipment, etc.

Shareholders

- What voting rights will the parties have as shareholders?
- Will the minority shareholder have protection against majority decision at shareholder and/or director level by any requirements for unanimity; requirements for special majorities; or rights of veto.

Exit/Transfers of shares

- What will happen if one party wants to sell out? Will the Company be wound up?
- If share transfers are allowed, should other parties have rights of first refusal? Should some transfers be free of pre-emption rights e.g. transfers to family?
- To what extent will the identity of any third party purchaser be relevant to arrangements for permitting?
- How will shares be valued for the purposes of the transfer provisions? Should it be different depending on circumstances so as to discourage one of you from walking away?
- What will happen in relation to the continuing use by the Company of assets contributed or licensed by the outgoing shareholder or any monies owed by the Company to that shareholder (or vice versa)?
- What (if any) arrangements will apply for requiring or enabling the transfer of shares held by a party who is in breach of the Shareholders agreement, and will the price of shares differ from the price for a "good leaver"?



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