

The Brewers Roundtable With Brian



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DO YOU NEED A SHAREHOLDER AGREEMENT?

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Your brewery's up and running, and people are loving your beer. Do you really need that owner's agreement your lawyer keeps bugging you about?

An owner's agreement (known as either a "shareholder agreement" or an "operating agreement" depending on the type of company) lays out the rules of the game for running a business: who manages the company, how it is managed, and how it can be sold.

For example, what if your partner buys a piece of equipment you feel isn't necessary or that he paid too much for? An ownership agreement typically requires approval of all owners for certain actions, such as equipment purchases over a certain dollar

amount, bank loans, hiring, and other significant corporate actions. Having these restrictions in place reduces the likelihood of problems with your partners who might otherwise decide to do things on their own.

What if a partner decides to sell some of his ownership interest to his best buddy, but you're not a fan? An owner agreement could require him to first offer those shares to you and the other company owners so you can avoid having a new partner forced upon you.

The death of a partner can be a very disruptive event for a small business. Without an owner agreement, there almost certainly will be disputes with

the estate of your deceased partner as to when to buy his interest, how much to pay for it, and how long the payout should take. The estate might not even be willing to sell the interest if the executor of the estate feels that the best years of the company are still ahead. An owner agreement will address these issues and can even require that a life insurance policy be in place to fund the buyout to avoid financial stress on the company caused by buying the interest.

Many other provisions can be inserted to address the particular needs of a company. The point is, by planning for these issues ahead of time you can prevent problems down the road and have more certainty and control over the running of your business.

So, to answer the question posed at the beginning of this article, yes, if you care about the well-being of your business, you do need a shareholder agreement!

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