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BULLETIN

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Shareholders Agreement

What is shareholders agreement?

The “Shareholders Agreement”, is an agreement that organize the management of the company, the rights and responsibilities of the shareholders, the prevention of possible disputes, and the protection of confidentiality among the shareholders. This agreement can provide flexibility between the shareholders that cannot be obtained from the Company's Articles of Association.

Due to its nature, the Shareholders' Agreement is effective and enforceable between the shareholders who are parties to the agreement. Since it is a relative agreement, the provisions of the agreement cannot be enforced against third parties.

The Shareholders' Agreement aims to treat each shareholder fairly and protect their rights. It includes safeguards such as fair and legitimate pricing of shares, a mechanism for shareholders to decide who the future shareholders will be, and minority positions.

Contents Of The Agreement

The nature and amount of the capital contributed to the company:

- To outline the number of shares and date of issuance, the shareholders and their percentage ownership
- Details about dividend payments and the distribution of earnings,

Management of the company:

Board members structure and names, meetings and voting rules

- Fair Market value,
- Arrangements for future capital contributions or financing,
- The law applicable to the shareholders' agreement,
- Ethical responsibilities,
- Senior Management and Corporate Governance responsibilities and rights,

Preemptive Rights and tag-along right:

Such rights could be agreed on in the SHA for example to maintain ownership percentages of current shareholders by giving them the right to purchase new issued shares.

- Exercise of Term and Termination rights,

Shareholders may also want to include who can be a shareholder in the future, what happens in cases where a shareholder (becomes disabled, passes away, resigns, or is fired)

In addition to these, the provisions of the Shareholders' Agreement will be explained in terms of its scope of regulation.

In Regulation Areas

1. The Management of the Company may be specially regulated;

The Management and administration of the Company shall be carried out by the Board of Directors. However, in some cases, Shareholders can agree that decisions they request shall be submitted for their approval. In such cases, the Shareholders may arrange for the decisions regarding the Management specified in the contract to be submitted to the approval of the Shareholders.

2. Securing the rights of Minority Shareholders;

The Shareholders may agree in the Shareholders' agreement that certain resolutions shall be taken by unanimous vote, provided that all Shareholders reserve certain resolutions with the Company. Therefore, the rights of minority shareholders over the Company can be protected. It is also regulated that Minority Shareholders may be granted " Preemptive Rights" in the event of a share transfer in the Company will be available.

Another provision that can protect minority shareholders is known as the "tag-along" provision. The provision applies when someone offers to purchase shares from a majority shareholder. The shareholder is not allowed to sell unless the same offer is made to all the other shareholders as well, including the minority ones. It ensures the minority shareholders are treated fairly. They should be able to receive the same returns as the majority ones.

3. Controlling Share Transfers;

The Shareholders Agreement guarantees the regulation of share transfers. In cases where a shareholder wishes to transfer his/her shares, a mechanism can be arranged that grants the other shareholders or the company (as the case may be) a "Tag-Along Right" or "Preemptive Right" over these shares. Likewise, it can be used to control and restrict the purchase of shares in the company. With this provision, the Company's shares can be controlled by the Shareholders.

4. Call-Put Options:

Shareholders can include the SHA some Options to give the right to a shareholder to buy (Call option) or sell (Put option) specific number of shares at a specific price on or before a determined date. Noted that this option is a right not an obligation to buy or sell.

5. Regulation of Non-Competition

If a Shareholder leaves the shareholding, the remaining shareholders may request that restrictions be placed on the departing shareholder's ability to establish or operate a competitor business. This restriction is beneficial for the future protection of the company's interests.

Or preventing the departed shareholder from working with a competitor firm in the same geographical area. It is important, as it protects the company and the interests of other shareholders.

6. Determination of Dispute Resolution;

In the event of a dispute between shareholders, special provisions may be established for the handling of such disputes. These may include the stage at which a dispute is referred to mediation, the appointment of an arbitrator or the court in charge.

7. Penal Clause regulation;

Compensation for damages arising from actions of shareholders against the company or shareholders may be specifically regulated.

Bonus- Deed of adherence:

It is a document to ensure new shareholders adhere to the existing shareholders' agreement.

Levent Mah. Manolyalı Sok. No: 12
Beşiktaş / İSTANBUL
+90 212 282 65 66
hatiplaw@bshkhatip.com