

Shareholders' agreements: a founders' guide to getting it right early

Build on strong foundations with clear rules and shared expectations

A shareholders' agreement governs the key rights, responsibilities and rules between co-founders, early employees and investors. It's not just legal – it's strategic. Get this right early to align your team, avoid conflict, and protect your long-term vision.

Here are some of the most important questions founders should ask when putting a shareholders' agreement in place.

1. Equity ownership & structure

- Are equity percentages clear, including any option pool or employee incentives?
- Are any shares subject to vesting or leaver provisions?
- Have anti-dilution protections been agreed (if investors are involved)?

2. Board & decision-making

- Who appoints directors and how are seats allocated across founders/investors?
- Are founders' board rights preserved even if shareholding dilutes over time?
- What decisions require board vs shareholder-level approval?

3. Founder protection & leaver provisions

- What happens to shares if a founder leaves – and what's the price mechanism?
- Are there clear good leaver/bad leaver definitions?
- Are non-compete, non-solicit and IP assignment clauses reasonable and enforceable?

4. Reserved matters (investor/shareholder vetoes)

- Is there a defined list of actions requiring investor/founder consent?
- Are reserved matters too broad or overly restrictive for day-to-day ops?
- Do vetoes require majority or unanimous consent?

5. Transfers, exits & liquidity

- Are there pre-emption rights on share transfers and new share issues?
- Are drag-along and tag-along provisions clearly drafted?
- What rules govern exits – who controls the process and timing?

6. Dividends & distributions

- Is there a defined dividend policy, even if distributions are unlikely near term?
- Do any investors have preferred dividend rights?

7. Confidentiality & IP

- Does the agreement confirm that IP is owned by the company?
- Are all parties bound by appropriate confidentiality and non-compete terms?

8. Future rounds & scaling

- Does the agreement anticipate future investment (e.g. new classes, consents)?
- Can the agreement adapt over time – or will it need to be replaced?
- Have future founder dilution and investor protections been considered?

Final thoughts

A well-drafted shareholders' agreement won't guarantee harmony – but it will give you clarity, structure, and a way to navigate the pressure points that come with building something ambitious. Get aligned early, and keep your legal foundations as strong as your product.

Let's talk

At Ashfords, we help founders put in place shareholders' agreements that balance founder control, investor expectations, and long-term flexibility. Whether you're bootstrapping or raising, our venture team knows what market-standard looks like.

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Pragmatic legal advice for ambitious founders



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