

# SHAREHOLDER AGREEMENT

This Shareholder Agreement (this "Agreement") is entered into and made effective as of (the "Effective Date"), by and among the shareholders listed in Section 1 (collectively, the "Shareholders," and individually, a "Shareholder") and [COMPANY NAME], a C Corp organized under the laws of the State of [STATE], with its principal office at [PRINCIPAL OFFICE ADDRESS] (the "Company"). The Shareholders and the Company are each a "Party" and together the "Parties."

## Recitals

WHEREAS, the Company is a closely held C Corp duly organized and validly existing under the laws of the State of [STATE];

WHEREAS, the Shareholders own all of the issued and outstanding shares of the Company;

WHEREAS, the Shareholders and the Company desire to set forth their respective rights and obligations regarding the operation, management, and control of the Company, the ownership and transfer of shares, and the harmonious conduct of the Company's business; and

WHEREAS, the Shareholders intend this Agreement to govern their relationship as shareholders and to promote stability, continuity, and the long-term success of the Company.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows.

## 1. Parties and Shares

The Company has **1000** issued and outstanding shares of common stock, constituting a single class of stock. The Shareholders, their addresses, and their shareholdings are as follows:

Shareholder	Address	Shares	Ownership %	--- --- --- ---		<b>[SHAREHOLDER 1 FULL LEGAL NAME]</b>	<b>[SHAREHOLDER 1 ADDRESS]</b>	<b>[SHAREHOLDER 1 NUMBER OF SHARES]</b>	100%	
<b>[SHAREHOLDER 2 FULL LEGAL NAME]</b>	<b>[SHAREHOLDER 2 ADDRESS]</b>	<b>[SHAREHOLDER 2 NUMBER OF SHARES]</b>	2%							

The Shareholders represent and warrant that the shares listed above constitute ALL of the issued and outstanding shares of the Company as of the Effective Date. All such shares, and any additional shares of capital stock of the Company hereafter acquired by any Shareholder (by purchase, gift, inheritance, exercise of option, conversion of debt, stock split, dividend, or otherwise), shall be subject to this Agreement.

**Securities law compliance.** The Shareholders represent that all shares of the Company have been issued in compliance with applicable federal and state securities laws, including a valid exemption from registration under the Securities Act of 1933 (15 U.S.C. §77a et seq.), such as Regulation D Rule 506(b) (17 CFR §230.506(b)) or Section 4(a)(2).

**Certificate legend.** Each certificate representing shares subject to this Agreement (or, for uncertificated shares, the Company's stock register) shall bear the following restrictive legend:

*THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A SHAREHOLDER AGREEMENT DATED , A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH AGREEMENT RESTRICTS THE TRANSFER OF THESE SHARES AND PROVIDES FOR CERTAIN RIGHTS AND OBLIGATIONS AMONG THE SHAREHOLDERS. THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAW AND MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH SUCH LAWS AND THIS SHAREHOLDER AGREEMENT.*

## 2. Governance

### 2.1 Board and Management

**Management.** The Shareholders shall collectively manage the Company through the board of directors. No Shareholder shall have unilateral authority to bind the Company outside the ordinary course of business without the voting threshold specified in Section 2.2.

**Waiver of annual meetings.** The Shareholders and directors waive the requirement of annual, regular, or special meetings. Any action may be taken by written consent executed in accordance with the applicable threshold, consistent with the corporate statute of the State of [STATE]. Notwithstanding the foregoing, the Shareholders shall consent to any resolution required by a financial institution, governmental agency, or auditor.

### 2.2 Voting Thresholds

**Ordinary decisions.** Except as otherwise provided, decisions of the Shareholders shall be made by a simple majority of the shares entitled to vote.

**Fundamental decisions.** Notwithstanding the foregoing, the following actions require the unanimous written consent of all Shareholders:

1. Amendment of the Articles of Incorporation, Bylaws, or this Agreement;
2. Merger, consolidation, conversion, or reorganization of the Company;
3. Sale, lease, or exchange of all or substantially all of the Company's assets;
4. Voluntary dissolution or winding up of the Company;

5. Authorization or issuance of any new class or series of shares;
6. Incurrence of indebtedness in excess of an amount agreed in writing by the Shareholders;
7. Redemption or repurchase of any shares (other than as expressly permitted by this Agreement);
8. Change to the Company's principal line of business;
9. Removal or replacement of the Managing Shareholder.

**Proxy.** Any Shareholder may authorize another person to act as the Shareholder's proxy by written instrument specifying the scope of authority. Proxies are revocable unless expressly stated to be irrevocable and coupled with an interest.

### 3. Distributions and Dividends

**Net Income.** "Net Income" means gross income of the Company less expenses, determined on an accrual basis in accordance with generally accepted accounting principles (GAAP).

**Distributions.** Subject to the solvency limitations below, the Company shall distribute Net Income to the Shareholders annually, pro rata in accordance with each Shareholder's ownership percentage, unless the Managing Shareholder (or, in the absence of a Managing Shareholder, the Shareholders) determines in good faith that retention of such amounts is necessary to meet the Company's obligations or to maintain its sound financial condition.

**Solvency limitation.** No distribution shall be made if, after giving effect to the distribution, (a) the Company would be unable to pay its debts as they become due in the ordinary course of business, or (b) total assets would be less than total liabilities plus any liquidation preference of preferred shares.

### 4. Books, Records, and Information Rights

The Company shall maintain complete and accurate books, records, and accounts as required by law. The Company shall cause an annual report to be prepared, regardless of any waiver in the Bylaws.

**Information rights.** Each Shareholder is entitled to:

1. Annual financial statements within ninety (90) days after fiscal year-end;
2. Quarterly unaudited financial statements within forty-five (45) days after each quarter-end;
3. Copies of all federal and state tax returns within thirty (30) days after filing;
4. A current capitalization table upon written request;
5. Access, upon reasonable written notice and during normal business hours, to the Company's books, records, facilities, and personnel — all consistent with, and in addition to, the statutory inspection rights under applicable state law.

## 5. Transfer Restrictions

Except as expressly permitted by this Agreement, no Shareholder may sell, assign, transfer, pledge, hypothecate, encumber, or otherwise dispose of any shares of the Company. **Any purported transfer in violation of this Agreement is VOID and of no force or effect**, and shall transfer no right, title, or interest to the purported transferee.

**Permitted transfers.** A Shareholder may transfer shares without compliance with the right of first refusal (but subject to all other provisions of this Agreement, including execution of a Deed of Adherence if applicable) to: (a) a revocable trust for the Shareholder's benefit; (b) the Shareholder's spouse, descendants, or parents, or to a trust for their benefit, for bona fide estate-planning purposes; or (c) a wholly-owned entity of the Shareholder.

### 5.1 Right of First Refusal

If a Shareholder (the "Selling Shareholder") receives a bona fide written offer from a third party (the "Third-Party Offer") to purchase all or any portion of the Selling Shareholder's shares and wishes to accept such offer, the Selling Shareholder shall deliver written notice to the Company and the other Shareholders (the "Offer Notice"), attaching the Third-Party Offer and specifying the proposed transferee, price, and terms.

The other Shareholders shall have a period of thirty (30) days from receipt of the Offer Notice to elect, by written notice, to purchase all (but not less than all) of the offered shares on the same terms as the Third-Party Offer, pro rata in accordance with their respective ownership percentages (excluding the Selling Shareholder). If the other Shareholders do not elect to purchase all offered shares, the Company shall have an additional fifteen (15) days to elect to purchase any unpurchased shares.

If the right of first refusal is not fully exercised, the Selling Shareholder may complete the sale to the third party, at no less than the price and on terms no more favorable than the Third-Party Offer, within ninety (90) days thereafter. If the sale is not completed within such ninety-day period, the right of first refusal shall revive.

### 5.2 Tag-Along Rights

If one or more Shareholders holding in the aggregate more than fifty percent (50%) of the outstanding shares (the "Selling Majority") propose to sell shares to a third party, each other Shareholder (each a "Tag-Along Shareholder") may, by written notice delivered within fifteen (15) days after receiving notice of the proposed sale, elect to participate in the sale on the same terms and conditions and at the same per-share price.

### 5.5 Deed of Adherence

**No transfer or issuance of shares shall be effective unless and until the transferee or new holder has executed and delivered to the Company a Deed of Adherence in the form attached hereto as Exhibit**

A, agreeing to be bound by this Agreement as if an original party.

## 6. Buy-Sell Triggers

Upon the occurrence of any of the following events as to a Shareholder (a "Triggering Event"), the Company (or, at the Company's election, the remaining Shareholders) shall have the option to purchase the affected Shareholder's shares at the price determined under Section 8:

1. Death of a Shareholder;
2. Permanent disability, as certified by two (2) independent physicians;
3. Divorce, to the extent the decree awards any portion of the Shareholder's shares to the non-Shareholder spouse;
4. Personal bankruptcy, insolvency, or assignment for the benefit of creditors;
5. Termination as an officer, director, or employee of the Company for cause;
6. Voluntary withdrawal of a Shareholder with ninety (90) days' prior written notice.

**Payment terms.** The purchase price shall be paid (a) in cash at closing, (b) from life-insurance proceeds (in the case of death), or (c) at the Company's election, in equal monthly installments over thirty-six (36) months with interest at the Applicable Federal Rate (AFR) published by the IRS under IRC §1274(d).

## 7. (Reserved)

## 8. Share Valuation

**Independent appraisal.** The purchase price of shares shall equal the fair market value determined by an independent appraiser mutually selected by the selling and purchasing Parties. If the Parties cannot agree on an appraiser within fifteen (15) days, each Party shall select an appraiser, and the two appraisers shall jointly select a third, whose determination shall be final and binding.

## 9. Shotgun Buy-Sell

## 10. Deadlock Resolution

## 11. Dissolution and Winding Up

**Voluntary dissolution.** Requires consent at the fundamental-decision threshold in Section 2.2. Upon dissolution, assets shall be distributed: (1) creditors (other than Shareholders); (2) senior Shareholder debts; (3) accrued interest on Shareholder debts; (4) principal of Shareholder debts; (5) undistributed net profits; (6) capital contributions; (7) remaining assets pro rata by share ownership, subject to mandatory statutory priority under the State of [STATE].

## 12. Special Provisions

## 13. State-Specific Overlays

## 14. Dispute Resolution

**Arbitration.** Any dispute shall be resolved by binding AAA arbitration seated in [VENUE CITY], [STATE]. Either Party may seek injunctive relief in a court of competent jurisdiction.

## 15. General Provisions

**Governing Law.** This Agreement shall be governed by the laws of the State of [STATE] without regard to conflict-of-laws principles.

**Amendment.** By written instrument signed by all of the Shareholders and acknowledged by the Company.

**Severability; Waiver; Entire Agreement; Notices; Counterparts; Electronic Signatures; Binding Effect; Assignment.** Customary provisions apply. Electronic signatures are valid under the federal ESIGN Act (15 U.S.C. §7001 et seq.) and UETA as adopted in [STATE].

### Signatures

IN WITNESS WHEREOF, the Parties have executed this Shareholder Agreement as of the Effective Date.

#### THE COMPANY:

[COMPANY NAME]

\_\_\_\_\_  
PRINTED NAME

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

#### THE SHAREHOLDERS:

[SHAREHOLDER 1 FULL LEGAL NAME]

\_\_\_\_\_  
PRINTED NAME

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

**[SHAREHOLDER 2 FULL LEGAL NAME]**

\_\_\_\_\_ PRINTED NAME

\_\_\_\_\_ SIGNATURE

\_\_\_\_\_ DATE

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### **Exhibit A — Deed of Adherence**

This Deed of Adherence is entered into as of \_\_\_\_\_, **20**, by **[Name of New Shareholder]** (the "New Shareholder") in favor of **[COMPANY NAME]** and the Shareholders party to the Shareholder Agreement dated .

1. The New Shareholder shall be bound by all provisions of the Shareholder Agreement as if an original party;
2. The New Shareholder shall be entitled to all rights and shall assume all obligations of a Shareholder thereunder;
3. This Deed is governed by the law of the State of [STATE].

Signature: \_\_\_\_\_ Printed name: \_\_\_\_\_ Address: \_\_\_\_\_  
Shares acquired: \_\_\_\_\_

Acknowledged by the Company: \_\_\_\_\_