

# Shareholder Agreement

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## SHAREHOLDERS AGREEMENT

This Shareholders Agreement (this "Agreement") is made and entered into as of [DATE], by and among [COMPANY NAME], a corporation organized under the laws of [STATE] (the "Company"), and the persons listed on Schedule A attached hereto (collectively, the "Shareholders" and each, a "Shareholder").

## RECITALS

A. The Shareholders are the record and beneficial owners of the issued and outstanding shares of capital stock of the Company as set forth on Schedule A.

B. The parties desire to set forth their agreements with respect to the ownership, management and transfer of shares of the Company and certain other matters as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

## 1. DEFINITIONS

1.1 Defined Terms. In addition to terms defined elsewhere in this Agreement, the following capitalized terms shall have the meanings set forth below:

- (a) "Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with such Person.
- (b) "Board" means the Board of Directors of the Company.
- (c) "Business Day" means a day other than a Saturday, Sunday or bank holiday in [STATE].
- (d) "Shares" means shares of the capital stock of the Company, including any class or series thereof.
- (e) "Transfer" means any sale, assignment, transfer, pledge, hypothecation, gift, issuance, or other disposition of any legal, beneficial or economic interest in Shares.
- (f) Other terms used in this Agreement shall have the meanings set forth in context or as set forth on Schedule B.

## 2. CAPITAL STRUCTURE

2.1 Authorized and Issued Shares. The authorized and issued capital stock of the Company, the record owners and the respective share ownership percentages are set forth on Schedule A.

2.2 Additional Issuances. No additional shares of any class shall be issued by the Company without the approval of Shareholders holding at least [PERCENTAGE]% of the outstanding Shares, except as provided in this Agreement or the Company's Certificate of Incorporation.

## 3. GOVERNANCE; BOARD OF DIRECTORS

3.1 Board Composition. The Board shall consist of [BOARD SIZE] directors. Shareholders holding [SPECIFY THRESHOLD] percent or more of the Shares shall have the right to appoint or elect [SPECIFIC NUMBER] directors as set forth on Schedule C.

3.2 Meetings and Voting. Directors shall be elected and removed in accordance with the Company's Certificate of Incorporation and Bylaws and this Agreement. Shareholders shall vote their Shares to cause the Board composition to reflect the appointment rights allocated under this Agreement.

3.3 Reserved Matters. Notwithstanding any other provision, the Company shall not, without the prior

written consent of Shareholders holding at least [PERCENTAGE]% of outstanding Shares, take any of the following actions: (a) amend the Certificate of Incorporation or Bylaws to adversely affect Shareholders' rights; (b) authorize additional classes of shares with rights senior to existing Shares; (c) enter into mergers, sales of all or substantially all assets, or dissolve the Company; or (d) incur indebtedness in excess of [DOLLAR AMOUNT].

#### **4. SHAREHOLDERS' RIGHTS AND OBLIGATIONS**

4.1 Preemptive Rights. Each Shareholder shall have the right (but not the obligation) to purchase its pro rata share of any new issuance of Shares by the Company to maintain its percentage ownership, subject to the terms and conditions set forth in the Company's Certificate of Incorporation and applicable law.

4.2 Dividends. The declaration and payment of dividends shall be in the discretion of the Board, subject to applicable law and any preferential rights of any class of Shares.

#### **5. RESTRICTIONS ON TRANSFER**

5.1 General Restriction. No Shareholder shall Transfer any Shares except in accordance with the terms of this Agreement.

5.2 Right of First Refusal (ROFR). Prior to any Transfer by a Shareholder (the "Selling Shareholder") of Shares to any third party (a "Proposed Transferee"), the Selling Shareholder shall give written notice (an "Offer Notice") to the Company and the other Shareholders specifying the Shares proposed to be transferred, the proposed price and other material terms. The Company and the other Shareholders shall have a period of [NUMBER] days to exercise a right to purchase such Shares on the same terms and conditions.

5.3 Tag-Along Rights. If one or more Shareholders (the "Selling Majority") propose to Transfer Shares to a third party and such Transfer would result in a change of control or sale of a majority of outstanding Shares, each other Shareholder shall have the right to participate on a pro rata basis in the sale on the same terms ("Tag-Along Right").

5.4 Drag-Along Rights. If Shareholders holding at least [PERCENTAGE]% of the outstanding Shares approve a sale of the Company, such Shareholders shall have the right to require the other Shareholders to sell their Shares on the same terms and conditions ("Drag-Along Right"), subject to customary protections for minority shareholders.

5.5 Permitted Transfers. Transfers to Affiliates, estate planning transfers to family members, or transfers pursuant to court order shall be permitted provided the transferee executes and delivers to the Company a written agreement to be bound by the terms of this Agreement and, if applicable, satisfies any ROFR procedures.

#### **6. BUY-SELL AND DEADLOCK**

6.1 Triggering Events. Upon the occurrence of certain events (including death, permanent disability, bankruptcy, material breach of this Agreement, or termination of employment) as set forth on Schedule D, the Company or remaining Shareholders may be required or have the option to purchase the departing Shareholder's Shares pursuant to this Section.

6.2 Valuation. The Purchase Price for Shares subject to a buy-sell shall be determined as follows: [INSERT VALUATION METHOD – e.g., FMV as of valuation date determined by independent appraiser, agreed formula, or specified multiple] (the "Valuation Method"). The party seeking valuation shall give notice to the other parties, and the valuation shall be completed within [NUMBER] days of such notice.

6.3 Payment Terms. Unless otherwise agreed, payment of the Purchase Price shall be made in cash at

closing. The parties may agree to deferred payments, promissory notes, or other arrangements as set forth in a separate sale agreement.

6.4 Deadlock. If the Shareholders or the Board are unable to resolve a deadlock on a matter that materially affects the Company for a period of [NUMBER] days, the parties agree to attempt in good faith to resolve the impasse through mediation. If mediation does not resolve the deadlock within [NUMBER] days, the parties shall follow the deadlock resolution procedure set forth on Schedule E (which may include buy-sell options, arbitration, or dissolution).

## **7. CONFIDENTIALITY**

7.1 Confidential Information. Each Shareholder agrees to keep confidential and not to disclose any non-public information regarding the Company, its business, operations, finances, trade secrets or proprietary information, except as required by law or as necessary to perform obligations under this Agreement.

7.2 Survivability. The obligations of confidentiality shall survive the termination of this Agreement for a period of [NUMBER] years.

## **8. NON-COMPETE AND NON-SOLICIT**

8.1 Non-Compete. During the term of Shareholder's ownership of Shares and for [NUMBER] years following the Transfer of all such Shareholder's Shares, no Shareholder shall, directly or indirectly, engage in any business that competes with the Company within [GEOGRAPHIC SCOPE], except with prior written consent of Shareholders holding at least [PERCENTAGE]% of outstanding Shares.

8.2 Non-Solicit. During the term of ownership and for [NUMBER] years thereafter, no Shareholder shall solicit for employment or engagement any employee, consultant, or independent contractor of the Company.

8.3 Enforceability. If any non-compete or non-solicit provision is found to be unenforceable for reason of duration, geographic scope or otherwise, the parties intend that such provision be reformed to the maximum enforceable scope.

## **9. REPRESENTATIONS AND WARRANTIES**

9.1 Company Representations. The Company represents and warrants to the Shareholders as of the date hereof that: (a) it is duly organized, validly existing and in good standing under the laws of [STATE]; (b) it has the requisite power and authority to enter into this Agreement; and (c) the execution and delivery of this Agreement and the performance by the Company do not contravene applicable law or any material agreement.

9.2 Shareholder Representations. Each Shareholder represents and warrants that: (a) such Shareholder has good and marketable title to the Shares set forth on Schedule A free and clear of all liens and encumbrances; (b) such Shareholder has full power and authority to enter into this Agreement and to perform its obligations hereunder; and (c) this Agreement constitutes a valid and binding obligation of such Shareholder, enforceable in accordance with its terms.

## **10. INDEMNIFICATION**

10.1 Indemnification by the Company. The Company shall indemnify and hold harmless each Shareholder (and their officers, directors, employees and agents), to the fullest extent permitted by law, from and against any loss, damage, liability or expense (including reasonable attorneys' fees) arising out of claims related to the Shareholder's status or actions as a Shareholder, except to the extent such claims arise from the Shareholder's gross negligence, willful misconduct or material breach of this Agreement.

10.2 Indemnification by Shareholders. Each Shareholder shall indemnify the Company and the other Shareholders for any loss arising out of the indemnifying Shareholder's breach of this Agreement or fraud.

## **11. LIMITATION OF LIABILITY**

11.1 Exclusion of Consequential Damages. Except for willful misconduct, fraud or gross negligence, no party shall be liable to any other party for punitive, exemplary, consequential, indirect or special damages.

## **12. TAX MATTERS**

12.1 Tax Returns and Allocations. The Company shall prepare and file all tax returns and make allocations of profits and losses in accordance with applicable law and the Company's governing documents. Shareholders shall cooperate in providing information reasonably necessary for tax compliance.

## **13. DISPUTE RESOLUTION**

13.1 Negotiation and Mediation. The parties shall first attempt to resolve disputes arising out of or relating to this Agreement by negotiation between senior executives. If unresolved within [NUMBER] days, the parties shall submit such dispute to mediation administered by [MEDIATION PROVIDER] in [CITY, STATE].

13.2 Arbitration. If mediation does not resolve the dispute within [NUMBER] days, any unresolved controversy or claim shall be finally resolved by binding arbitration administered by [ARBITRATION PROVIDER] under its rules then in effect, by a panel of [ONE/THREE] arbitrator(s) selected in accordance with such rules. The place of arbitration shall be [CITY, STATE]. Judgment on the arbitration award may be entered in any court having jurisdiction.

13.3 Injunctive Relief. Notwithstanding Section 13.1 and 13.2, any party may seek injunctive or other equitable relief from a court of competent jurisdiction to prevent irreparable harm.

## **14. NOTICES**

14.1 Method of Notice. Any notice required or permitted under this Agreement shall be in writing and shall be delivered personally, by nationally recognized overnight courier, by certified mail (return receipt requested), or by email with confirmation, to the addresses set forth on Schedule A or to such other address as a party may designate by written notice.

14.2 Effective Date. Notices shall be effective upon receipt (or refusal of delivery).

## **15. CONFIDENTIALITY OF AGREEMENT**

The terms of this Agreement shall be confidential and shall not be disclosed to any third party except as required by law, as necessary for tax or regulatory filings, or with the consent of the parties.

## **16. AMENDMENT**

This Agreement may be amended only by a written instrument executed by the Company and Shareholders holding at least [PERCENTAGE]% of the outstanding Shares, except that no amendment shall alter any right or obligation of any party without that party's written consent.

## **17. ASSIGNMENT**

Except as otherwise provided herein, no party may assign its rights or obligations under this Agreement without the prior written consent of the Company and Shareholders holding at least [PERCENTAGE]% of the outstanding Shares; provided that assignments to Affiliates or by operation of law shall be permitted if the assignee agrees in writing to be bound by this Agreement.

## 18. SEVERABILITY

If any provision of this Agreement is held to be invalid, illegal or unenforceable, the remaining provisions shall continue in full force and effect. The parties agree to negotiate in good faith to replace any invalid provision with a valid provision that achieves, to the extent possible, the original intent.

## 19. ENTIRE AGREEMENT

This Agreement (including the Schedules and Exhibits hereto) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to such subject matter.

## 20. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of [STATE] without regard to conflict of laws principles.

## 21. COUNTERPARTS; ELECTRONIC SIGNATURES

This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Signatures transmitted electronically or by facsimile shall be deemed original signatures.

## 22. MISCELLANEOUS

22.1 Further Assurances. Each party shall execute such other documents and take such other actions as may be reasonably necessary to effectuate the purposes of this Agreement.

22.2 Survival. The representations, warranties, covenants and agreements contained herein that by their nature survive termination shall survive any termination of this Agreement for the period specified herein.

IN WITNESS WHEREOF, the parties hereto have executed this Shareholders Agreement as of the date first above written.

[COMPANY NAME]

By: \_\_\_\_\_

Name: [AUTHORIZED SIGNATORY NAME]

Title: [TITLE]

Date: [DATE]

### SHAREHOLDERS:

\_\_\_\_\_  
[SHAREHOLDER 1 NAME]

Address: [SHAREHOLDER 1 ADDRESS]

Number of Shares: [NUMBER]

Date: [DATE]

\_\_\_\_\_  
[SHAREHOLDER 2 NAME]

Address: [SHAREHOLDER 2 ADDRESS]

Number of Shares: [NUMBER]

Date: [DATE]

(Additional signature blocks for each Shareholder as needed)

## SCHEDULE A — SHAREHOLDERS AND CAPITALIZATION

[List each Shareholder, address, number of Shares owned, class of Shares, and percentage ownership]

### **SCHEDULE B — ADDITIONAL DEFINITIONS**

[Insert any additional defined terms used in the Agreement]

### **SCHEDULE C — BOARD APPOINTMENT RIGHTS**

[Detail allocation of director appointment rights among Shareholders]

### **SCHEDULE D — BUY-SELL TRIGGERS**

[Specify triggering events that give rise to buy-sell obligations or options]

### **SCHEDULE E — DEADLOCK RESOLUTION**

[Specify deadlock procedures: buy-sell mechanism, Russian roulette, Texas shootout, arbitration, or dissolution]

Notes and Instructions for Use:

- Replace all bracketed placeholders (e.g., [COMPANY NAME], [STATE], [PERCENTAGE], [NUMBER]) with specific, accurate information before execution.
- Review and adapt restrictive covenants (non-compete, non-solicit, geographic and temporal scope) to ensure enforceability under applicable state law.
- Consider obtaining independent legal and tax advice regarding valuation methods, buy-sell mechanics, and tax consequences.
- This template is a starting point and should be tailored to the unique facts and objectives of the Company and the Shareholders.

This template is provided for informational purposes only and does not constitute legal advice. Consult a licensed attorney before signing any legal document.