

## Shareholder Agreement

This Shareholder Agreement (hereinafter referred to as "Agreement"), effective as of the date set forth below, is made by and between the following parties: \_\_\_\_\_, incorporated in Alabama, with a principal place of business located at the following address: and the following parties, who will hereinafter be collectively known as "Shareholders": \_\_\_\_\_, located at the following address: \_\_\_\_\_, located at the following address:

### RECITALS:

*WHEREAS. Shareholders are each and all the shareholders of the Corporation;*

*WHEREAS. the Shareholders and Corporation would like to enter into this Agreement to establish an understanding for the management and control of the Corporation, including for such affairs as general business management, profits, shares, and assets;*

*NOW, therefore, in consideration of the promises and covenants contained herein, as well as other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the Parties do hereby agree as follows:*

### Article 1 - SHARES:

The Shareholders each own the following number of shares of common stock, corresponding to the listed approximate percentage ownership of the Corporation:

\_\_\_\_\_ : 123 shares, 12% ownership

\_\_\_\_\_ : 12 shares, 12% ownership

The shares held by Shareholders as listed above account for all of the issued and outstanding capital stock of the Corporation. The Shareholders each acknowledge their receipt of certificates representing the shares, and the Corporation acknowledges that it has received full consideration for all of the shares. All shares of the Corporation (those listed above and any additional shares that may be issued) are subject to this Agreement.

### Article 2 - MANAGEMENT AND CONTROL:

**a) DIRECTORS:** Each Shareholder will be a Director of the Corporation ("Director" or "Directors"), subject to the terms and conditions of this Agreement. Together, the Shareholders will make up the Board of Directors ("Board").

Shareholders will have one regularly scheduled meeting, annually. Any Shareholder is entitled to authorize any other Shareholder to act as a proxy at any meeting, so long as specific written instructions are provided by the authorizing Shareholder.

The primary responsibility of the Board will be to protect the interests of the Corporation as a whole and unique body, separate and apart from the interests of any one or group of Shareholders, and ensure that the Corporation obeys all applicable laws and acts ethically at all times, as well as adheres to its corporate purpose.

Specifically, the Board shall have the ability and authority to perform the following acts:

- I) Run the business of the Corporation according to the law and sound business practices;
- II Determine the current assets of the Corporation for the purposes of establishing if and when distributions will be made;
- III) Maintain records, books, and all other documents required for corporate accountability as required by the state of Alabama;
- IV) Send the Shareholders a report, at least annually, for approval of distributions and other financial accountability;
- V) File any and all legal and maintenance documents for the Corporation as required by the state of Alabama;

The Board shall be elected each year at the annual meeting of the Shareholders held the prior year.

**b) OFFICERS:** The officers of the Corporation ("Officers") will be as follows:

**President:**

**Vice President:**

**Treasurer:**

**Secretary:**

The President will also be referred to as the Chief Executive Officer ("CEO") of the Corporation and will be responsible for running and managing the day-to-day operations of the Corporation. The President will be responsible for reporting to the Board on a regular basis. The President may undertake the following actions as part of the President's everyday duties:

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The President agrees to draw a reasonable salary as voted upon by the Board.

The Vice President may undertake the following actions as part of the Vice President's everyday duties:

To assist the President assuring the health of the corporation

The Vice President's salary will be as follows: \$250,000 (two hundred fifty thousand US dollars).

The Treasurer may undertake the following actions as part of the Treasurer's everyday duties:

Assure the financial health and prosperity of the corporation

The Treasurer's salary will be as follows: \$150,000 (one hundred fifty thousand US dollars).

The Secretary may undertake the following actions as part of the Secretary's everyday duties:

Keep track of meetings and administration

The Secretary's salary will be as follows: \$75,000 (seventy-five thousand US dollars).

Shareholders of the Corporation may be employed as Officers, so long as they own stock in the Corporation and are able to perform their duties in accordance with the terms and conditions of this Agreement and any Articles of Incorporation or Bylaws.

Officers may be terminated for being convicted by a court of competent jurisdiction of any felonious offense, not performing any of their responsibilities in full, or engaging in any misconduct or behavior constituting a breach of this Agreement, including the improper transfer or sale of shares. In the event of such termination, all Officers hereby agree that the terminated Officer's shares shall be subject to immediate purchase by the Corporation and/or distribution to remaining Shareholders on a pro rata basis, or subject to disposal in any manner in the Corporation's sole and exclusive discretion, as voted on by a simple majority of shares in the Corporation.

### **Article 3 - CORPORATE LIMITS:**

The Corporation may not undertake certain actions without the approval of all Shareholders. Such actions include, but may not be limited to: mergers or consolidations of the Corporation or by and between the Corporation and other entity; amendment or repeal of the Articles of Incorporation of the Corporation; issuance of new shares of any class; transfer of all, or substantially all, the assets of the Corporation; amendment of this Shareholder Agreement; or voluntary dissolution of the Corporation; as these issues may arise throughout the life of the Corporation.

### **Article 4 - CAPITAL FUNDS:**

If a simple majority of Shareholders decide, through a special vote, that the Corporation may require additional funds to meet any obligations of creditors or to continue to maintain the corporate business, Shareholders may choose, through a 2/3 majority vote, whether to issue an interest-free loan to the Corporation on a pro rata basis or whether to grant the Corporation the ability to issue new shares, which the existing Shareholders will then purchase.

## **Article 5 - DISTRIBUTIONS:**

The Corporation may, but is not required to, issue distributions to its shareholders from time to time.

For the purposes of issuing dividends, the Board must ensure that prior to any issuance, the net income of the Corporation for the prior fiscal year was positive. Net income shall be defined as the gross income of the Corporation less the Corporation's expenses, as determined by generally accepted accounting principles (GAAP).

Such distributions may take the form of monetary dividends. In the event that the Corporation chooses to issue such dividends, the decision will be made by the Board, including when and what amount of dividends will be issued.

## **Article 6 - TRANSFER OF SHARES:**

Shares may be transferred only in the following manner:

The Shareholder or Shareholders wishing to sell, transfer, or otherwise dispose of their shares (hereinafter the "Seller") shall first offer the shares back to the Corporation. The Seller shall hold such offer open to the Corporation for a period of 30 days. The offer of sale must be in writing and must list the name and contact information of the offeree and the offeror, the number of shares being offered, the price at which the Shares shall be sold, the date by which the offer must be accepted, and any additional terms.

Should the Corporation refuse the offer of sale, the Seller must then offer the shares to other current Shareholders in proportion to the number of shares already held by the other Shareholders. The Seller shall hold such offer open to the other Shareholders for a period of 30 days. The offer of sale must be in writing and must list the name and contact information of the offeree and the offeror, the number of shares being offered, the price at which the Shares shall be sold, the date by which the offer must be accepted, and any additional terms.

Offers not explicitly accepted are deemed to have been declined.

The Corporation shall have a duty to purchase any shares held by a Shareholder in the following situations:

- a) If the Shareholder was employed by the Corporation in any capacity and was required to terminate the employment relationship;
- b) If the Shareholder was adjudicated incompetent or was required to have a guardian or guardians appointed for the Shareholder by any competent court of law;
- c) If the Shareholder applies for any bankruptcy proceeding or bankruptcy-related proceeding, such as the appointment of a trustee, or attempts to make any assignment for the

benefit of creditors, or if the shares are purported to be transferred without the consent of the Shareholder, such as through an involuntary proceeding;

d) If the Shareholder dies;

The Corporation shall purchase each and all of the Shareholder's shares in any such situation as described above, and may not purchase only a proportion of the shares. The Corporation shall do so by serving a written notice upon the legal representative of the Shareholder or Shareholder's estate as soon as is practicable after the Corporation receives notice of any such triggering event.

#### **Article 7 - VALUATION:**

If any duty of the Corporation to purchase shares is triggered, the shares shall be sold at a Fair Market Value, as hereinafter defined.

"Fair Market Value" of the shares will be a value price set by the Shareholders each year, at the annual meeting. The Fair Market Value will be determined by a majority of Shareholders and will be communicated to the Officers and Directors of the Corporation in writing within 10 business days of the annual meeting.

If the Shareholders cannot come to an agreement on the Fair Market Value for the shares annually, then the Fair Market Value will be determined by the request of an officer of the Corporation at the time a duty to purchase is triggered. The requesting officer, which may be any of the Officers of the Corporation, will submit such a request to the Shareholders along with a list of two outside financial services firms. The Shareholders will vote upon which firm to use, and such firm shall set the Fair Market Value of the shares using GAAP.

The Shareholders shall not have the ability to dispute the Fair Market Value set by the outside financial services firm after such price is set.

#### **Article 8 - DISPUTE RESOLUTION:**

Should there be a dispute between any Shareholders of the Corporation, the Shareholders shall first attempt to resolve it in good faith amongst themselves. If such good faith resolution is unsuccessful, the Shareholders shall then submit the issue to mediation in accordance with the then-existing statutory rules of mediation.

Any Shareholder may object, in writing, to the choice of a mediator within 15 days of such choice being made. If any such objection is made, an alternate mediator must be chosen. If no mediator is agreed upon, any party may apply to a court of competent jurisdiction for the appointment of a mediator.

If such mediation is also not successful, the Shareholders shall then be permitted to submit the issue to binding arbitration in accordance with the laws of the state of Alabama and any applicable Federal rules and statutes.

Any Shareholder may object, in writing, to the choice of an arbitrator within 15 days of such choice being made. If any such objection is made, an alternate arbitrator must be chosen. If no arbitrator is agreed upon, any party may apply to a court of competent jurisdiction for the appointment of an arbitrator.

The Shareholders hereby agree that the arbitrator's decision shall be final and binding and that any such judgment may be entered into any court of competent jurisdiction within the state of Alabama.

#### **Article 9 - NON-COMPETITION:**

Shareholders each hereby acknowledge and agree that any and all business opportunities which are similar to the business of Corporation and which may come before Shareholder during the time period that Shareholder remains a Shareholder of the Corporation or is employed in any capacity by the Corporation or is acting as a Director or Officer of the Corporation are the exclusive opportunities and property of the Corporation and Shareholder shall not usurp any such opportunity.

Shareholders also agree that Shareholder will not, while Shareholder remains a Shareholder of the Corporation or is employed in any capacity by the corporation or is acting as a Director or Officer of the Corporation and for a period of one (1) year thereafter organize, begin, or join any business activity which competes directly with the business activities of the Corporation within 50 miles of any of the Corporation's offices, solicit any of Corporation's Shareholders, Officers, Directors or Employees to leave the Corporation or otherwise commercially compete with the Corporation in any way.

#### **Article 10 - CONFIDENTIAL INFORMATION:**

All parties to this Agreement hereby covenant and agree not to release or otherwise disclose any Trade Secret or Confidential Information, as hereinafter defined, throughout the duration of this Agreement and for Trade Secret Information, forever thereafter. Trade Secret Information includes, but is not limited to, any formula, process, method, pattern, design, or other information that is not known or reasonably ascertainable by the public, consumers, or competitors through which, and because of such secrecy, an economic or commercial advantage can be achieved. Confidential Information shall be defined as any information which is confidential and commercially valuable to the Corporation. Confidential Information may be in the form of documents, techniques, methods, practices, tools, specifications, inventions, patents, trademarks, copyrights, equipment, algorithms, models, samples, software, drawings, sketches, plans, programs or other oral or written knowledge and/or secrets and may pertain to, but is not limited to, the fields of research and development, forecasting, marketing, personnel, customers, suppliers, intellectual property and/or finance or any other information which is confidential and

commercially valuable to the Corporation. Confidential Information shall not mean any information which:

- a) is known or available to the public at the time of disclosure or became known or available after disclosure through no fault of any Shareholder,
- b) is already known, through legal means, to public third-parties not subject to this Agreement and not employed at the Corporation;
- c) is given by the Corporation to third parties, other than parties to this Agreement, without any restrictions;
- d) is given to any Shareholder by any third party who legally had the Confidential Information and the right to disclose it; or
- e) is developed independently by any Shareholder and the Shareholder can show such independent development.

**Article 11 - ENDORSEMENT:**

The following notice and endorsement will be printed on all share certificates issued by the Corporation:

*The shares listed in this certificate are subject to a Shareholder Agreement, executed by the Corporation and all shareholders. Such Shareholder Agreement may restrict the right of sale of the shares. A copy of the full Shareholder Agreement may be requested from the Board of Directors at any time.*

**Article 12 - TERMINATION:**

This Agreement shall automatically terminate, with all obligations and rights hereunder also terminating, in the following situations:

- a) The dissolution of the Corporation, whether voluntary or involuntary;
- b) The adjudication of the Corporation as bankrupt, or any assignment by the Corporation for the benefit of creditors; or
- c) By written agreement of each and every Shareholder.

**Article 13 - DISSOLUTION:**

The Corporation shall not be permitted to voluntarily dissolve itself without the consent of the Shareholders. Such consent may be granted only by the approval of all Shareholders. by a majority of all Shareholders. At the dissolution of the Corporation, certain winding up procedures

shall be commenced, and the Corporation will completely cease any business activities with the exception of the winding up of affairs. Such winding up activities may include:

- a) Settling any debts of the Corporation, including payment or collection;
- b) Defending any legal action brought against the Corporation;
- c) Assessing and collecting any unlawful distributions;
- d) Selling or transferring all or substantially all of the assets of the Corporation; and/or
- e) Employing additional agents or temporary staffers necessary to assist in the winding up affairs.

Any remaining assets of the Corporation after the winding up shall first be distributed to ensure all debts of the Corporation are paid, with the exception of debts to any Shareholder. Following that, debts to Shareholders will be paid subject to any subordination agreements. If any funds remained, Shareholders shall be paid the purchase price of the shares actually paid and then any dividends.

**Article 14 - AMENDMENT:**

No amendment to this Agreement shall be valid without written agreement of all Shareholders of the Corporation.

**Article 15 - ARTICLES & BYLAWS:**

The Articles of Incorporation and Bylaws for the Corporation shall each be read, individually and collectively, as subject to the provisions of this Agreement. Neither shall be edited, adjusted or repealed in whole or in part without written agreement of each and all of the Shareholders, as stated elsewhere in this Agreement.

**Article 16 - WARRANTIES:**

The Shareholders and Corporation each agree that no other contractual agreement or reason of law prevents either from entering into this Agreement and being contractually bound to each and all of the terms and conditions herein. The Corporation especially warrants that it has corporate authority to enter into and be bound by the obligations of this Agreement.

**Article 17 - GENERAL PROVISIONS:**

- a) GOVERNING LAW: This Agreement shall be governed in all respects by the laws of the state of Alabama and any applicable federal law. All Parties consent to jurisdiction under the



state and federal courts within the state of Alabama. The Parties agree that this choice of law, venue, and jurisdiction provision is not permissive, but rather mandatory in nature.

b) **FILING:** This Agreement shall be filed with the Secretary of the state of Alabama initially and will continue to be filed from time to time with any amendments or additional parties, such as Shareholders who have newly purchased their shares.

c) **THIRD PARTIES:** This Agreement shall not confer any benefits on any third parties, nor any rights or remedies, express or implied.

d) **LANGUAGE:** All communications made or notices given pursuant to this Agreement shall be in the English language.

e) **ASSIGNMENT:** This Agreement, or the rights granted hereunder, may not be assigned, sold, leased or otherwise transferred in whole or part by either Party.

f) **NO WAIVER:** None of the terms of this Agreement shall be deemed to have been waived by any act or acquiescence of any Party. Only an additional written agreement can constitute waiver of any of the terms of this Agreement between the Parties. No waiver of any term or provision of this Agreement shall constitute a waiver of any other term or provision or of the same provision on a future date. Failure of any Party to enforce any term of this Agreement shall not constitute waiver of such term or any other term.

g) **SEVERABILITY:** If any provision or term of this Agreement is held to be unenforceable, then this Agreement will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable. If a court declines to amend this Agreement as provided herein, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining terms and provisions, which shall be enforced as if the offending term or provision had not been included in this Agreement.

h) **ENTIRE AGREEMENT:** This Agreement constitutes the entire agreement between the Parties and supersedes any prior or contemporaneous understandings, whether written or oral.

i) **HEADINGS:** Headings to this Agreement are for convenience only and shall not be construed to limit or otherwise affect the terms of this Agreement.

j) **COUNTERPARTS:** This Agreement may be executed in counterparts, all of which shall constitute a single agreement. If the dates set forth at the end of this document are different, this Agreement is to be considered effective as of the date that all Parties have signed the agreement, which may be the later date.

k) **NOTICES ELECTRONIC COMMUNICATIONS PERMITTED:** Any notice to be given under this Agreement shall be in writing and shall be sent by first class mail or air mail to the address of the relevant Party set out at the head of this Agreement. Notices sent as above shall be deemed to have been received 3 working days after the day of posting (in the case of inland first class mail), or 7 working days after the date of posting (in the case of air mail). In

proving the giving of a notice, it shall be sufficient to prove that the notice was left, or that the envelope containing the notice was properly addressed and posted, as the case may be.

***EXECUTION OF SHAREHOLDERS:***

\_\_\_\_\_  
**Signature:**

\_\_\_\_\_  
**Date:**

\_\_\_\_\_

\_\_\_\_\_  
**Signature:**

\_\_\_\_\_  
**Date:**

\_\_\_\_\_