

SHAREHOLDER AGREEMENT CHECKLIST



- 1. Parties
- 2. Effective Date of Agreement
- 3. Shareholdings?
- 4. Capital Contributions?
- 5. Number of Directors?
- 6. Who will comprise the Initial Board?
- 7. Quorum — number required for a valid meeting of the Board?
- 8. Any casting or deciding vote?
- 9. Officers?
- 10. Role of Officers?
- 11. Bank and Signing Authority?
- 12. Name of Auditor/Accountant. Is auditor required? Fiscal Year
- 13. Restriction on transfer or encumbrance of shareholdings? Transfer of shareholder loans/debt?
- 14. Management — roles in management
- 15. Control Provisions — in addition to provisions of Ontario/Federal Acts:
 - Amendment to Articles
 - Compensation of Directors
 - Issue/redemption/purchase of securities
 - Incurring indebtedness
 - Declaration of dividends/dividend policy
 - Capital expenditures, new business ventures
 - Disposition of substantially all assets of the business/change of business
 - Corporate guarantees
 - Failure to meet guarantee obligation/commitment — what consequence?

- 16. Valuation on Death, Disability of Shareholder**
 - Retirement, bankruptcy or death of partner results in forced sale to remaining shareholders?
 - Notice period, agreement that other shareholders time to buy out etc.
 - Method of valuation?
 - How funded? On death? Insolvency? Disability?
 - Any mandatory retirement?
 - Right of first refusals?

- 17. Sale of Shares to Third Parties Generally**
 - Right of First Refusal
 - “Shotgun”
 - “Put” provision (usually to create liquidity for a minority shareholder)
 - “Call” provision (usually to give a majority shareholder the right to remove a minority shareholder in specific circumstances)
 - “Piggy back” (to ensure protection of minority shareholders)
 - “Carry Along” (to increase flexibility for majority for sale)
 - Restrictions on transfer

- 18. Closing mechanics in event of sale under any conditions**

- 19. Spousal contracts**

- 20. Income tax issues re valuations now and in future?**

- 21. Non-competition after buy-out**

- 22. Mediation/Arbitration clause. Best efforts to resolve disputes etc.?**

- 23. General Contract Provisions:**
 - Term
 - Arbitration/mediation procedure
 - Counterparts
 - Time of essence
 - Entire agreement
 - Binding on heirs etc.
 - Currency
 - Governing law
 - Notice Provisions