

## **§18.01 SAMPLE BUY-SELL PROVISIONS**

Every buy-sell agreement will differ depending on the facts and circumstances. The sample agreement is for a corporation and its shareholders. But many of the same concepts would be applicable for other types of entities.

The forms included in this chapter are only samples. For this reason, the inclusion of these forms does not constitute the rendition of any legal, business, or other professional advice or service. The forms in this chapter are available on our web site.

### **ABC BEVERAGE DISTRIBUTING AND EQUIPMENT COMPANY**

#### **TABLE OF CONTENTS**

- I. STOCK RESTRICTION AND LEGEND
- II. DEFINITIONS
  - 2.1 Eligible Shareholder
  - 2.2 The Creed
  - 2.3 Immediate Family
  - 2.4 Prime Rate
  - 2.5 Purchase Price
  - 2.6 Put or Put Option
  - 2.7 Value, Value Per Share, and Adjusted Net Worth
  - 2.8 Event Date
  - 2.9 Valuation Date
  - 2.10 Disability
  - 2.11 Retirement
  - 2.12 Terminated Shareholder
- III. PERMITTED TRANSFERS OF STOCK
  - 3.1 Stock Restricted to Eligible Shareholders
  - 3.2 Shareholder Right to Transfer
  - 3.3 Shareholder Must Become Signatory to Agreement
  - 3.4 Exception for C's Family
- IV. DISPOSITION OF SHARES UPON DEATH, DISABILITY, OR RETIREMENT
  - 4.1 Put to Corporation and Voting Shareholders
  - 4.2 Transfer to Eligible Shareholders and C's Escrow
  - 4.3 Shares not Disposed of
- V. DISPOSITION OF STOCK UPON TERMINATION OF EMPLOYMENT

- 5.1 Terminated Shareholder's Right
- 5.2 Prohibitions on Terminated Shareholder
- VI. RESTRICTION ON TRANSFER TO OR RETENTION OF STOCK BY INELIGIBLE SHAREHOLDERS
  - 6.1 Divorce
  - 6.2 Withdrawing Shareholder's Obligations
  - 6.3 First Option of Corporation
  - 6.4 Second Option of Shareholders
  - 6.5 Successive Sale to Third Party
  - 6.6 Resignation of Withdrawing Shareholder
- VII. CLOSING DATE
- VIII. METHOD OF PAYMENT
  - 8.1 Upon Death
  - 8.2 Upon Any Event Other Than Death
  - 8.3 Multiple Shareholders in Pay Status
- IX. RESTRICTIONS ON CORPORATION AND SHAREHOLDERS
  - 9.1 Corporate Restrictions
  - 9.2 Restrictions on Shareholders
- X. SUBSEQUENT SALE OF THE CORPORATION
- XI. INSURANCE
  - 11.1 Purchase of Insurance
  - 11.2 Subsequent Purchase of Policies by Shareholders
- XII. TERMINATION OF AGREEMENT
  - 12.1 Termination Events
  - 12.2 Insurance After Termination
  - 12.3 Multiple Events
  - 12.4 Existing Rights Not Affected
- XIII. MISCELLANEOUS
  - 13.1 Impairment of Capital
  - 13.2 Binding Effect
  - 13.3 Complete Agreement
  - 13.4 Governing Law
  - 13.5 Waiver of Breach
  - 13.6 Notices
  - 13.7 Authorization
  - 13.8 Construction
  - 13.9 Severability

13.10 Counterparts

13.11 Arbitration

13.12 Headings

13.13 Waiver of Conflict of Interest

EXHIBIT A Formula to Determine Value of Shares

EXHIBIT B Promissory Note

EXHIBIT C Guaranty

EXHIBIT D Security and Pledge Agreement

## SHAREHOLDERS AND CORPORATION AGREEMENT

THIS AGREEMENT is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and among A (“A”), B (“B”), C (“C”), A’s son (“A’s son”) and B’s daughter (“B’s daughter”) (hereinafter collectively referred to as the “Shareholders” and individually referred to as a “Shareholder”) and ABC BEVERAGE DISTRIBUTING AND EQUIPMENT COMPANY, a corporation organized under the laws of the State of North Carolina (hereinafter referred to as “Corporation”).

WITNESSETH:

WHEREAS, the Shareholders are the record owners of all of the issued and outstanding Voting (the “Voting Stock”) and Non-Voting (the “Non-Voting Stock”) common stock of the Corporation (collectively “the shares”) in the following numbers of shares and percentages:

Shareholder	Voting Stock	Non-Voting Stock	Total Shares	%
		# of Shares	# of Shares	
A	25.0	75.0	100	31.250
A’s son	2.5	7.5	10	3.125
B	25.0	75.0	100	31.250
B’s daughter	2.5	7.5	10	3.125
C	25.0	75.0	100	31.250
TOTAL	80.0	240.0	320.0	100%

WHEREAS, the parties believe it is in their mutual best interests and in the best interest of the Corporation to make certain restrictions on the transfer or other disposition of the shares; and

WHEREAS, the parties have signed the Wiser Family Business Creed (“the Creed”) and subscribe to the objectives and terms of the same, and desire to have this Agreement written and interpreted to carry out and continue the concepts of the Creed, incorporated herein.

WHEREAS, the parties desire to facilitate the harmonious and effective management of the policies and operations of the Corporation by restricting and limiting the transfer of the shares to Eligible Shareholders (as hereinafter defined); and

WHEREAS, the parties desire to provide a market for the sale of the shares upon the death, disability, or retirement of a Shareholder, if the Shareholder does not transfer his shares to a member of his Immediate Family (as hereinafter defined) who is an Eligible Shareholder, or an option to purchase shares that would otherwise pass to an Ineligible Shareholder;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement, the parties, intending to be legally bound, covenant and agree as follows:

### ARTICLE I

#### STOCK RESTRICTION AND LEGEND