**SHAREHOLDER AGREEMENT**

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| **BETWEEN**  **Mr./Ms./M/S………...A**  **AND**  **Mr./Ms./M/S………...B**  **RE: Shares of ………....**  THIS AGREEMENT made the **………...** day of **………...** BETWEEN **………...** residing at **………...** (hereinafter referred to as "**………...A**") (which expression shall, unless repugnant to the context or meaning hereof**,** mean and include his heirs**,** executors, administrators and assigns) of the First Part.  And  **Mr./Ms/M/s………...** residing at **…………** (hereinafter referred to as "**………...B**") (which expression shall, unless repugnant to the context or meaning hereof**,** mean and include his heirs executors, administrators and assigns) of the Second Part.  And individually referred to as “Shareholder” or “Party” and collectively as “Shareholders” or “Parties”  **WHEREAS:**  A) The Shareholders hereto have agreed to jointly manage a company in India and incorporate under the laws of Companies Act 1956 (hereinafter refereed to as the “Company”.  B) Both/all the shareholders have agreed to become Equity Partners by investing in the shares of the Company subject to the condition that they shall enter into a Shareholders Agreement in terms of these presents;  C) The Shareholders hereto are desirous of recording the terms and conditions of their Agreement in writing;  NOW IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:-  1. OPERATION AND CONSTITUTION  (a). The Company shall be structured, capitalized, organized and managed in accordance with the terms of this Agreement and the Memorandum of Association (MoA) and Articles of Association (AoA).  (b). Company amends the MoA and AoA so that the provisions of the Constitution are not inconsistent with the provisions, spirit and intent of this Agreement.  (c). In the event that any of the provisions of this Agreement are inconsistent with the MoA and AoA or with any other document brought into existence as required by or consequent upon this Agreement, the terms of this Agreement shall prevail, to the extent of such inconsistency. The Shareholders shall use their best endeavors to ensure that any such inconsistency is resolved in favour of provisions of this Agreement.  2. NAME, PLACE AND BUSINESS  (a) The Shareholders shall jointly invest in the Company to be named as …………... and limited by shares under the Companies Act, 1956.  (b) The registered office of the Company shall be situated at …………..., or at such other places as may be mutually agreed upon between the Shareholders in writing.  (c) The Company shall carry on the business of …………… and ……………*{description of the business}*, either by itself or through other agencies or company industries and may carry on any other business as may be decided by the Shareholders from time to time hereto and shall ensure that no other business activity is undertaken by the Company at any time without the consent of both/all the Shareholders hereto.  3. SHARE CAPITAL  (a). The authorised share capital of the Company is Rs.…………... (Rupees …………... only) consisting of …………...(……………*{in words}*) equity shares of Rs.……. (Rupees ……) each.  (b). The subscription by …………...**A** hereto to the aforesaid authorised share capital of the Company shall be …………... (…………...) equity shares of Rs.……/- (Rupees ……… only) and the subscription by …………...**B** to the aforesaid authorised share capital of the Company shall be …………... (…………...) equity shares of Rs.……/-(Rupees ….. only).  (c). There shall be no further issue of capital without the consent of both/all the Shareholders hereto, and unless otherwise agreed upon in writing further investment shall be as mutually decided by both/all the Shareholders.  4. DIRECTORS  (a) The Board of Directors (“Board”) of the Company shall consist of …………...**A** and …………...**B**  ***OR*** *The Board of Directors (“Board”) of the Company shall not be less than two (2) and more than six(6) directors, and shall initially be fixed at four (4) directors.*  (b) Each of the Shareholders shall have the right to nominate two (2) Additional Directors onto the Board. Both Shareholders shall be entitled at any time to remove any of the representatives on the Board by written notice to the other party and to appoint another or other/s in their place.  (c) The day to day management of the Company shall be looked after by a Managing Director to be appointed unanimously by the Board.  (d) The quorum for a meeting of the Board will consist of two (2) Directors. If a quorum is not present on the date on which a meeting is convened, the meeting will automatically stand adjourned and shall be reconvened seven (7) days after the original meeting, and the Directors who are present at the reconvened meeting, not being less than two (2), as the case may be, will constitute a valid quorum. For the purposes of this Agreement, Directors shall mean the Directors of the Company from time to time.  (e) It is agreed as between the parties hereto that the position of Chairperson of the Company shall be held by **……..A** or a nominee of **……..A**. The Chairman of the Board shall also be the Chairman of all general meetings of the Company.  5. VOTING  The Shareholders hereto jointly and severally shall vote and act as members of the Company and with respect to the shares of the Company held by them, so as to ensure that Directors of the Company are at all times appointed and maintained in office in conformity with the provisions of this Agreement. If at any time the provisions of this Agreement are not fully complied with, the Shareholders jointly and severally agree to promptly take all necessary steps to ensure that the provisions of this Agreement hereof are fully implemented in letter and spirit.  6. AUDITORS  (a) The Auditors of the Company shall be M/s.………....  (b) The Auditors of the Company shall not be changed without the prior written consent of both/all Shareholders or the Directors.  7. SHARE SALE OR TRANSFER  (a). Any sale or transfer of shares in the Company by either party shall be as provided in Clause 7(b). If at any time during the continuance of this Agreement either of the Shareholders, desire to sell or transfer all or any of their respective shares held by them in the Company, they shall do so strictly in accordance with the provisions hereinafter written.  (b). If either of the Shareholders desires at any time to sell the whole or part of their shares in the Company, he shall first offer such shares in writing to the other. If the other does not accept in writing the offer within fifteen (15) days of receipt of the offer, the first party shall then be at liberty within thirty (30) days thereafter to sell the shares so offered to any other persons of its choice at the same price and on the same terms and conditions as contained in its written offer to the other party hereto in the first instance, failing which the procedure contained in this sub-clause will have to be repeated by a party desiring to sell his shares.  8.WORKING CAPITAL  ……..**A** will bring in further working capital to run an F & B Unit(s) at ……..*{address of registered office}*. ……….. Bank had advanced loans of about Rs. ……../-(Rupees ……..) to the Company which loans have to be repaid by them. ……..**B** will be bringing further moneys upto Rs. …….. (Rupees …….. Only) to repay the loan. The Balance Rs. ……../- has been secured with the collateral security provided by ……..**B**.  ……..**B** will be entitled to interest at the rate of ……..% per annum on the sums brought in by him or his Associates / concerns / businesses.  9. CONFIDENTIALITY  The Shareholders agree and undertake not to disclose or divulge directly or indirectly to any third party any trade or business secret or other secret or confidential information pertaining to the business, affairs or transactions of each other or of the Company or of their clients or customers, that may have been disclosed, imparted to or acquired by either of them from the other or from the Company.  10. COVENANTS  Both/All the Shareholders jointly and severally undertake:-  (a) that they shall ensure that they, their representatives, proxies and agents representing them at general meetings of the shareholders of the Company shall at all times exercise their votes in such manner so as to comply with, and to fully and effectually implement, the provisions of this Agreement.  (b) That if any resolution is proposed contrary to the terms of this Agreement, the Shareholders, their representatives, proxies and agents representing them shall vote against it. If for any reason such a resolution is passed, the Shareholders will, if necessary, join together and convene an extraordinary, general meeting of the Company in pursuance of section 169 of the Companies Act, 1956 for implementing the terms of this Agreement.  (c). They shall jointly and severally procure and/or ensure that the Director or Directors of its choice on the board of the Company shall at all times fully and effectually implement and comply with (including by exercise of voting rights at meetings of the Board or resolutions by circulation and on resolutions passed at a meeting of any Companies of the Directors) the provisions of this Agreement.  11.TERMINATION  This Agreement shall come into effect from the date mentioned above and shall remain in full force and effect until terminated upon the happening of any of the following events:  (a). If any of the Parties are declared insolvent or bankrupt, the Agreement shall stand terminated vis-a-vis that Party;  (b). If a trustee or receiver is appointed to take over the assets of any Party, the Agreement shall stand terminated vis-a-vis that Party;  (c). If the Company shall be otherwise dissolved or wound up, either voluntarily or involuntarily, or if an order shall be made or an effective resolution is passed for winding up the company  (d). If either of the Shareholders commit a breach of any of the terms or provisions of this Agreement and fail to rectify such breach within ……. (…….) days from the receipt of written notice from the non-breaching party, then the latter shall be entitled, without prejudice to its other rights and remedies under this Agreement or at law, to terminate the Agreement recorded herein by written notice.  12. MODIFICATIONS AND ALTERATIONS  No modification of alteration of this Agreement or any of its terms or provisions shall be valid or binding on …….**A** and/or …….**B** unless made in writing duly signed by both.  13. TRANSFER OF AGREEMENT  This Agreement is personal to …….**A** and …….**B** and shall not be transferred or assigned in whole or in part by either party without the prior written consent of the other.  14. JURISDICTION  This Agreement shall be governed by and construed in accordance with the laws of …….. State of India and the Parties hereto irrevocably submit to the sole and exclusive jurisdiction of the Courts at …….. In respect of any dispute or matter arising out of or in connection to this Agreement.  15. ARBITRATION  If any dispute or difference shall at any time arise between the Shareholders as to any terms, provisions or matters contained herein on as to their respective rights, claims, duties or liabilities hereunder or otherwise, howsoever in relation to or arising out of or concerning this Agreement, such dispute or difference shall be referred to the arbitration. The venue of such arbitration shall be in …….. unless otherwise agreed in writing. Such arbitration shall be held under and in accordance with the provisions of the Arbitration and Conciliation Act, 1996.  16. NOTICE  (a). All approvals, consents and notices required to be given or served hereunder by either Party hereto to the other shall be deemed to be given if the same has been delivered to, left at,sent by international courier, registered airmail or by facsimile by either Party to the other at their following respective addresses:  (i) If to ……..**A**  ……..*{address}*  (ii) If to ……..**B**  ……..*{address}*  17. ENTIRE AGREEMENT  This Agreement represents the entire agreement between the Parties hereto on the subject matter hereof and cancels and supersedes all prior agreements, arrangements or understandings, if any, whether oral or in writing, between the Parties hereto on the subject matter hereof.  IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first hereinabove written.  SIGNED AND DELIVERED by  ……..**A**  in the presence of  SIGNED AND DELIVERED by  ……..**B**  in the presence of  ……..**A** |