**Shareholders Agreement**

|  |  |
| --- | --- |
| Place: | [insert information] |
| Date: | [insert information] |

The shareholders agreement (the **Agreement**) is entered between the following parties:

**Shareholder 1**

|  |  |
| --- | --- |
| Company name / name and surname: | [insert information] |
| Registration number / identity code / date of birth: | [insert information] |
| Registered address / residential address: | [insert information] |
| E-mail: | [insert information] |
| represented by legal / authorised representative:[[1]](#footnote-1) | |
| [name and surname] | |

**Shareholder 2**

|  |  |
| --- | --- |
| Company name / name and surname: | [insert information] |
| Registration number / identity code / date of birth: | [insert information] |
| Registered address / residential address: | [insert information] |
| E-mail: | [insert information] |
| represented by legal / authorised representative:1 | |
| [name and surname] | |

**Shareholder 3**

|  |  |
| --- | --- |
| Company name / name and surname: | [insert information] |
| Registration number / identity code / date of birth: | [insert information] |
| Registered address / residential address: | [insert information] |
| E-mail: | [insert information] |
| represented by legal / authorised representative:1 | |
| [name and surname] | |

Shareholder 1, Shareholder 2 and Shareholder 3 collectively referred to as the “**Parties**” or “**Shareholders**” and individually a “**Party**” or “**Shareholder**”,

WHEREAS:

1. The Shareholders wish to cooperate in good faith to ensure the development of the Business and the growth of the Company resulting in the increase in value of the Company’s shares for the benefit of its Shareholders;
2. The Shareholders want to set forth their mutual understanding regarding the principles of their co‑operation with respect to the affairs of the Company by concluding this Agreement,

The Parties conclude the following Agreement:

1. **Definitions**

The terms used in the Agreement shall have the following meanings:

|  |  |
| --- | --- |
| **Business** | [description on the Company’s business activities] as well as related activities. |
| **Company** | SIA [company name], [a limited liability company registered in the Republic of Latvia under registration number: [number]] / [a limited liability company to be registered in the Republic of Latvia],[[2]](#footnote-2) with registered address at [full address], and the share capital of EUR [number] which is divided into [number] shares with a nominal value of EUR [number] each. |

1. **Purpose and General Obligations**
   1. The purpose of this Agreement is to set out the principles of cooperation of the Shareholders, to determine the procedures for management of the Company, as well as to set out other obligations and liability of the Shareholders during the term of the validity of this Agreement.
   2. Each Party shall always undertake to do everything within its powers, including but not limited to passing or procuring the passing of resolutions and using its rights under this Agreement in a manner designed to procure that the provisions of this Agreement are observed and performed.
2. **Preliminary Actions [[3]](#footnote-3)**
   1. The Parties shall procure that as soon as possible following the execution of this Agreement the Company is established with the company name, registered address and share capital as indicated in Section 1, and with the composition of the Management Board of the Company as follows:
      1. [name and surname], identity code / date of birth: [insert information], as the chairman of the Management Board of the Company;
      2. [name and surname], identity code / date of birth: [insert information], as a member of the Management Board of the Company;
      3. [name and surname], identity code / date of birth: [insert information], as a member of the Management Board of the Company.
   2. The shares of the Company shall be divided between the Shareholders as follows:
      1. Shareholder 1 – proportion of shares and votes: [number]%;
      2. Shareholder 2 – proportion of shares and votes: [number]%;
      3. Shareholder 3 – proportion of shares and votes: [number]%.
   3. Each Shareholder will subscribe for and will pay up with a monetary contribution to the temporary bank account of the Company the nominal value of his shares of the Company. Whole payment for the share capital of the Company shall be made before registration of the Company with the Commercial Register.
3. **Business**
   1. The Business shall be carried out according to the following principles:
      1. the Company’s main business activity shall always be carrying out the Business;
      2. the Business shall be conducted in accordance with the annual strategy approved by the Shareholders;
      3. the Business shall be carried out on a financially profitable basis;
      4. the Company shall conduct its business with due diligence and efficiency and in accordance with sound and prudent financial and business practices;
      5. the Company shall conduct its business in accordance with this Agreement and applicable laws.
4. **Management and representation**
   1. The management bodies of the Company are the Shareholders Meeting and the Management Board.
   2. The Company shall be represented by [any Management Board member acting alone] / [[number] Management Board members together] / [all Management Board members together].
5. **Shareholders Meeting**
   1. The Shareholders Meeting has the competence set out by law and the Articles of Association, and it shall also adopt resolutions in the matters that must be resolved by the Shareholders Meeting pursuant to the terms and conditions of this Agreement. Furthermore, the following issues shall belong to the exclusive competence of the Shareholders Meeting:
6. adopting and amending strategic guidelines for the management of the Company;
7. adopting and amending the annual budget;
8. acquisition or disposal of an interest in another company;
9. establishing or liquidating a subsidiary;
10. obtaining, disposing or liquidating an enterprise or branch;
11. acquisition, disposal or encumbrance of immovables or registered movable property;
12. taking loans or obligations in excess of EUR [number];
13. issuing of loans, guaranteeing obligations or otherwise incurring obligations, if it is beyond the ordinary course of Business;
14. hiring, dismissing and amending employment terms, including remuneration package, of key employees;
15. concluding a transaction or series of related transactions (whether at one time or over a period of one year) beyond the ordinary course of Business or in value exceeding EUR [number];
16. concluding agreements regarding lease of premises;
17. concluding long term financial arrangements of the Company;
18. encumbering the property of the Company;
19. deciding issues regarding litigation or arbitration involving the Company, including the selection of advisors for the Company;
20. concluding any transaction with any officer, director, shareholder or other interested party, or any other party related, directly or indirectly, to any of these: establishment, incorporation, acquisition, sale or merger by Company or any of its subsidiaries of any new subsidiary or affiliate;
21. appointment of the representative of Company at the shareholders meeting of subsidiaries;
22. electing of the members of the supervisory and management boards of subsidiaries;
23. any change of the signatory rights in the Company or the subsidiaries;
24. any material changes in the nature or the termination of the Business or the commencement of any new business that is incidental or not ancillary to such business;
25. [description of other exclusive competence].[[4]](#footnote-4)
    1. The Shareholders Meeting shall be convened as required under the law. The notice of calling the Shareholders Meeting shall be sent via registered mail to the address set out in the list of shareholders at least two weeks (or possible longer term if required by the applicable law) prior to the scheduled Shareholders Meeting. In addition, the notice of calling the Shareholders Meeting shall be sent via e‑mail to the address set out in this Agreement on the same day of sending the notice via registered mail. Failure to send the notice in accordance with this Section is not considered a breach of this Agreement, if all Shareholders arrive and are present at the Shareholders Meeting and do not object to conducting the Shareholders Meeting before the Shareholders Meeting is opened.
    2. The Shareholders Meeting shall not have a quorum to adopt resolutions unless [all Shareholders] / [more than 50% of the share capital and votes] are represented at the meeting. The Shareholders Meeting shall adopt resolutions by simple majority or by majority required by applicable law.
26. **Management Board**
    1. The Management Board is responsible for the everyday management of the Company as well as has the competence set out by law.
    2. The Management Board shall consist of [number] members: [number] member(s) of the Management Board shall be nominated by the Shareholder 1, [number] shall be nominated by the Shareholder 2, and [number] shall be nominated by the Shareholder 3. The Parties shall procure that the persons so nominated are appointed to the Management Board.
    3. Each Management Board member shall have the power to convene Management Board meetings.
    4. The notice on convening the Management Board meeting of the Company shall be sent via e-mail at least 3 business days (or possible longer term if required by the applicable law) prior to the scheduled Management Board meeting. Failure to send the notice in accordance with this Section shall not be considered a breach of this Agreement, provided that all Management Board members are present at the meeting and do not object to conducting the meeting.
    5. The Management Board meeting shall not have a quorum to adopt resolutions unless [all Management Board members] / [more than 50% of the Management Board members] are present at the meeting. The Management Board shall adopt all its resolutions by [unanimous vote] / [simple majority].
    6. Provided all the Management Board members agree to it and sign a respective resolution, any Management Board meeting may also be held and resolutions passed via phone or in written form without convening a meeting at the request of any Management Board member.
27. **Transfer of shares [[5]](#footnote-5)**
    1. **General provisions**
       1. Each Shareholder agrees not to transfer any of its shares (in whole or in part) except as in strict compliance with all the terms, conditions and provisions of this Agreement.
       2. The Shareholders agree that in the event of any transfer of shares to a third party such transferee prior, and as a condition precedent, to such transfer shall have agreed to be bound by the terms of this Agreement applicable to the transferring Shareholder in writing by signing an accession deed reasonably acceptable to the Shareholders and in any case shall be deemed to have known and to be bound by the terms of this Agreement applicable to the transferring Shareholder.
       3. Each Shareholder shall procure that no encumbrance is created in respect of its shares without the prior written consent of the other Shareholders.
    2. **Right of First Refusal, Tag-Along Right, Drag-Along Right**
       1. The Shareholder (the **Selling Shareholder**) intending to transfer some or all of its shares shall notify other Shareholders and the Company of this intention at least 45 calendar days before the planned transaction (the **Planned Transaction Date**). Such notice shall identify the person intending to acquire the shares (the **Buyer**), the number of the shares for sale, the sale price for the shares for sale (the **Planned Sale Price**); the binding offer by the Buyer shall be enclosed in the offer. Upon receiving the notice, the other Shareholders shall be entitled:
          1. to exercise the **Right of First Refusal** by notifying the Selling Shareholder, the other Shareholders and the Company at least 15 calendar days prior to the Planned Transaction Date. Upon exercising the Right of First Refusal, the Shareholder has the right to purchase all the shares for sale for the Planned Sale Price on the Planned Transaction Date. The Selling Shareholder shall be obliged to sell, and such Shareholder shall be obliged to buy, the shares for sale for the Planned Sale Price on the Planned Transaction Date. If more than one Shareholder exercises the Right of First Refusal, the shares for sale shall be sold to, and purchased by, such Shareholders pro rata to their shareholdings in the Company;
          2. to exercise the **Tag-Along Right** by notifying the Selling Shareholder, the other Shareholders and the Company at least 15 calendar days prior to the Planned Transaction Date. Upon exercising the Tag-Along Right, the Shareholder has the right to sell the same proportion of its total shares as the Selling Shareholder to the Buyer on the Planned Transaction Date at the Planned Sale Price and on the same terms as the Selling Shareholder;
          3. to accept the proposed transaction by respective notice to the Selling Shareholder, the other Shareholders and the Company. Failure to present any notice shall be deemed as an acceptance. In the event of acceptance, the Shareholder is deemed to have waived its right of pre-emption under applicable laws and/or the Articles of Association as well as is deemed to have consented to a third-party transferee accessing the Agreement, and at the first request of the Selling Shareholder the Shareholder shall submit a respective written waiver. The waiver shall not be valid if the actual transaction between the Selling Shareholder with the Buyer is concluded on terms and conditions different from originally notified.
       2. In the event that (i) Shareholders holding shares representing 75% of all shares accept a *bona fide* offer to sell their shares to a third person, and (ii) such sale is conditioned upon the sale of all or any of the shares held by other Shareholders at the time of sale to such third person, the other Shareholders shall be required to sell their shares in such transaction on the same terms and conditions (**Drag-Along Right**). The Selling Shareholder(s) shall notify the other Shareholders and the Company of the exercise of the Drag-Along Right at least 45 calendar days prior to the Planned Transaction Date, and shall include the Planned Sale Price. Upon receiving the notice, the other Shareholders may exercise the Right of First Refusal set out above in this Section 8.
28. **Deadlock**
    1. The following events shall be considered as a **Deadlock**:
       1. any Shareholders Meeting fails to adopt a resolution requiring approval by a qualified majority of the Shareholders or any Management Board meeting fails to adopt a resolution due to absence of a quorum or otherwise for at least 3 consecutive occasions;
       2. any Shareholder has committed a material breach of the terms of the Agreement that has not been cured within 30 days of receipt of notice by any of the other Shareholders;
       3. any Shareholder has initiated legal action (civil, administrative or criminal proceedings) against any of the other Shareholders, their nominees to the Management Board or the Company.
    2. In the event of a Deadlock, any Shareholder (with respect to the circumstances described under Section 9.1.2 and 9.1.3, any Shareholder that is not responsible for the occurrence of the events considered a Deadlock) can serve notice to the other Shareholders to initiate the Deadlock resolution procedure.
    3. On declaration of a Deadlock, the Parties agree that the Parties shall within 5 business days as of such declaration enter in good faith into direct discussions for a period of 5 business days from the beginning of such discussions in order to agree on a mutually satisfactory resolution of the Deadlock. Should such discussions fail to result in a mutually satisfactory resolution of the Deadlock within a period of 5 business days from the beginning of such discussions, the Party declaring the Deadlock may give notice triggering the **Buy-Sell Mechanism**.
    4. To trigger the Buy-Sell Mechanism a Party (the **Triggering Party**) shall serve to the other Parties (the **Receiving** **Party**) a written notice (the **Trigger Notice**) indicating that it triggers the Buy-Sell Mechanism as well as its offered purchase price on a per share basis, which shall be equal to EUR [number] per share (the **Buy-Sell Price**).
    5. Within 5 business days of receipt of the Trigger Notice, the Receiving Party shall respond to the Triggering Party in writing declaring its intention (the **Buy-Sell Election**) to either:
       1. sell all of its shares to the Triggering Party at the Buy-Sell Price; or
       2. acquire all shares of the Triggering Party at the Buy-Sell Price.

and the Triggering Party, as well as the Receiving Party, shall be bound to proceed in accordance with the Buy-Sell Election.

* 1. The sale and purchase of the shares shall be made on a date agreed between the Parties or, in the absence of such agreement, on the 10th business day following the date of the Buy-Sell Election.
  2. Should the Receiving Party fail to respond within 5 business days of receipt of the Trigger Notice, the Triggering Party shall, within a further 5 business days period from the expiry of such period of 5 business days, make the Buy-Sell Election, advising the Receiving Party accordingly in writing and the Receiving Party shall be bound to proceed in accordance with such Buy-Sell Election as if such Buy-Sell Election had been made by the Receiving Party.
  3. For the purposes of this Section the Shareholders may cooperate and act jointly.

1. **Liability and remedies**

A Shareholder shall be liable for the actions of the members of the Management Board nominated by it, and for the actions of the representatives, employees, members of the governing bodies and advisors of the Shareholder and of other persons that the Shareholder uses for the performance of its rights and/or obligations or uses permanently in its economic activities as for its own actions.

1. **Notices**

Any notice or other formal communication under the Agreement must be in Latvian or English and in writing (which, for the purposes of this Section, includes e-mail, but not fax) and must be addressed as set out in the contact details of the Parties above or to such other address (contact details) of the Party as may be notified in writing (if the Party fails to inform about the change of its address, dispatch of the notice to the last known address shall be considered sufficient).

1. **Term and Termination of the Agreement**
   1. The Agreement shall enter into force on the date of its signature by the Parties.
   2. The Agreement may be terminated at any time by a mutual written agreement between the Parties.
   3. In case of the transfer of the entire share owned by one Party in accordance with this Agreement, this Agreement shall terminate with regard to the transferring Party and the third Person who received the Share shall be obliged to become party to this Agreement.
   4. For the avoidance of doubt, termination (including but not limited to cancellation) of this Agreement shall not affect the enforceability of the provisions the validity of which is expressly stated to be longer or the context of which requires the validity beyond termination of this Agreement.
2. **Miscellaneous**
   1. Unless the Parties have agreed otherwise, each Party shall pay its own costs and expenses in connection with negotiation, preparation, execution and/or performance of the Agreement and/or transactions contemplated under the Agreement, including but not limited to all fees and expenses of the representatives, agents, brokers, legal and financial advisers and authorities.
   2. The Agreement contains the entire understanding between the Parties hereto and supersedes any arrangements, understandings, promises or agreements made or existing between the Parties prior to the Agreement.
   3. Any amendments to the Agreement shall be made in writing and signed by the Parties.
   4. The failure of a Party to claim performance of any term of the Agreement shall not be considered a waiver of any right hereunder, nor shall it deprive that Party from the right to claim performance of that term.
   5. In case any of the provisions of the Agreement becomes or appears to be invalid or unlawful, it shall not affect the validity, lawfulness or enforceability of the remaining provisions hereof, and the Parties shall make their best efforts to replace such provision within reasonable time with another provision that complies with the applicable laws and is the most similar to the original provision and aim of the Parties.
   6. The Agreement shall be governed by the laws of the Republic of Latvia. Any disputes arising from and in connection with the Agreement shall be resolved by way of negotiations. If the Parties are not able to reach an agreement, the respective dispute or claim shall be resolved by the courts of the Republic of Latvia.
   7. The Agreement is prepared in English in 3 (three) copies, 1 (one) shall remain with the Shareholder 1, 1 (one) with the Shareholder 2, and 1 (one) with the Shareholder 3.

|  |  |  |
| --- | --- | --- |
| On behalf of the Shareholder 1 /  the Shareholder 1:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **[name and surname]** |  | On behalf of the Shareholder 2 /  the Shareholder 2:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **[name and surname]** |
| On behalf of the Shareholder 3 /  the Shareholder 3:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **[name and surname]** | | |

1. This section should be deleted if the Shareholder is a natural person. [↑](#footnote-ref-1)
2. Should be adjusted depending on whether the Agreement is concluded before or after the Company is established. [↑](#footnote-ref-2)
3. Section 3 should be deleted if the Agreement is concluded after the Company is established. [↑](#footnote-ref-3)
4. Section 6.1 can be amended as necessary. [↑](#footnote-ref-4)
5. Section 8 is optional. [↑](#footnote-ref-5)