

- Shareholder Agreements are an important tool for corporations.
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The Importance of Shareholder Agreements

Shareholder agreements are an important corporate tool to control company ownership, address management issues, resolve disputes, provide liquidity, and plan for succession of ownership and management duties. Unlike LLC's and partnerships, corporations typically have a set of bylaws that outline the day-to-day governance and operation of the company, but may not address certain rights of shareholders. This is when a shareholders agreement between the "owners" of the company should come into place.

The first question to address is whether or not all or just some of the shareholders will be party to the agreement. Also to take into consideration is whether or not certain rights and obligations only apply to the original share-

holders but not their transferees. Finally, will the corporation retain any option rights.

One of the most important issues with shareholder agreements concerns restrictions on transfers. These can best be



handled thru "Buy-Sell Arrangements" which limit prospective owners, and provide liquidity along with an exit strategy for shareholders. Certain triggering events such as the death of a shareholder, termination of em-

ployment, or "third-party" offers must be adequately addressed in any buy-sell provisions. Additional triggering events to consider include bankruptcy, lien or foreclosure, and divorce.

Most shareholder agreements contain a "right of first refusal" or "right of first offer" provision to address the above triggering events. Issues concerning the purchase price must also be agreed upon in the shareholder agreement, such as offer price vs. book price or appraised value, fair market value, and any premium or discount terms.

Shareholder agreements can also address issues of confidentiality/non-disclosure, non-solicitation of employees and clients, non-compete clauses, and assignment of certain rights.

Condo/HOA Boards should follow their Bylaws

A recent Pennsylvania Commonwealth Court case, *River Park House Owners Association v. Crumley*, drove home the point that Condominium Association executive boards need to pay attention to their own bylaws before instituting new common expenses. In this particular case, the executive board of River Park House, a condominium development in Philadelphia,

entered into a new contract for cable television which required all of the residents to purchase cable in order for the entire building to get a deep discount. The previous cable television contract did not require all residents to purchase cable. The Condo Association was billed one monthly fee for all residents, and the board then added the cable charge to each unit owner's

monthly common expense fees. Unit owner Crumley refused to pay the cable television portion of his monthly fees. The court held that the narrow reading of common expense fees as outlined in the Association's bylaws did not permit cable television to be levied as a common expense. In essence, the condo board exceeded its authority under the Association bylaws.



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- This newsletter is only intended to provide general information and is not intended to provide specific legal advice.

Recent Athlete Endorsement Agreements!

Attorney Brian Koeberle has been busy negotiating a number of endorsement agreements this past year with prominent athletes, most notably:

- Justin Verlander
- Joey Votto
- Brett Keisel
- Marc-Andre Fleury
- Albert Pujols
- Mario Williams
- Rob Gronkowski
- Neil Walker

