BUY-SELL AGREEMENT

This Buy-Sell Agreement (this “Agreement”) is made as of this 09 day of January, 2018 (the “Effective Date”), by and among ABC, Inc., a California corporation located at 1601 Frederick Street, West Sacramento, CA 95605 (the “Company”) and each of the individuals listed on Schedule A attached hereto (each a “Shareholder” and collectively, the “Shareholders”).

ARTICLE I
PURPOSE

1. **Shares.** The Shareholders own all of the outstanding shares of the Company (the “Shares”) in the amounts outlined in Schedule A.

2. **Purpose.** The Shareholders have entered into this agreement to:
- Restrict the transfer of the Shares by Shareholders
- Ensure any sale of the Shares is in accordance with established procedures
- Provide stability and continuity in the management of the Company
- Maintain ownership or control of the Company

ARTICLE II
RESTRICTIONS ON TRANSFER

1. **Restriction on Transfer.** Except as permitted in this Agreement, the parties will not sell, transfer, pledge, assign, hypothecate, encumber or alienate (each a “Transfer”) any of the Shares. Any Transfer not in accordance with this Agreement shall be void.

ARTICLE III
VOLUNTARY TRANSFERS

1. **Permitted Transfers.** The Shareholders shall not be allowed to Transfer any Shares except as provided in this Agreement.

2. **Notice of Transfer.** In the event a Shareholder wishes to sell any Shares (the “Offering Shareholder”), the Shareholder shall provide a written notice to the other Shareholders (the “Remaining Shareholders”) of its intention to sell the Shares (a “Notice of Transfer”). A Notice of Transfer shall specify the following:
- The name and address of the purchaser (the “Third Party Purchaser”)
- The number of shares being sold (the “Offered Shares”)
- The price per share
- The payment and other terms of the proposed sale

3. **Transfer of Shares.** For thirty (30) days after receipt of a Notice to Transfer, the Remaining Shareholders shall have the option to purchase the Offered Shares at the price and in accordance to the terms in the Notice to Transfer in proportion to their respective ownership interests of the outstanding Shares. If any Remaining Shareholder fails to give timely notice or declines to purchase its proportionate share, the other Remaining Shareholders shall have the option to purchase that Remaining Shareholder’s proportionate share of the Offered Shares, in proportion to their respective ownership interests of the

outstanding Shares. If the Remaining Shareholders elect to purchase less than all of the Offered Shares, the Offering Shareholder may sell the Offered Shares to the Third Party Purchaser at the price and in accordance to the terms in the Notice to Transfer.

4. **Duties of Transferees.** Unless otherwise provided in this Agreement, as a condition to any Transfer, each Third Party Purchaser and any other purchaser or subsequent transferee must agree to be bound by the terms of this Agreement.

ARTICLE IV
INVOLUNTARY TRANSFERS

1. **Involuntary Transfers.** The following events shall each constitute an "Involuntary Transfer Event" and the affected Shareholder shall be referred to as the "Withdrawing Shareholder" and the remaining Shareholders shall be referred to as the "Non-Withdrawing Shareholders": (1) the death of a Shareholder; (2) the total mental or physical disability of a Shareholder; (3) the termination of a Shareholder's employment with the Company; and (4) the bankruptcy or insolvency of a Shareholder.

2. **Sale of Shares.** Upon the occurrence of any of the events specified in Paragraph 1, the Withdrawing Shareholder or the personal representative of the Withdrawing Shareholder shall notify the Company of the Involuntary Transfer Event.

Upon receipt of such notice, the Company shall redeem or purchase for cancellation all of the Shares owned by the Withdrawing Shareholder within ten (10) days from receipt of the notice.

ARTICLE V
VALUATION OF SHARES

1. **Purchase Price.** The purchase price per share to be paid for any Transfer of Shares due to an Involuntary Transfer Event (the "Purchase Price") shall be the book value per share of the Shares.

2. **Valuation.** The book value of the Shares shall be determined by the Company's regular independent certified public account. If the Company does not have a regular independent certified public account, the Company shall select an independent certified public account. The book value shall be calculated in accordance with generally accepted accounting principles.

ARTICLE V
PAYMENT AND TRANSFER OF SHARES

1. **Payment.** The Purchase Price for the Transfer any Shares due to the death of a Shareholder shall be payable out of the proceeds of any life insurance policy required to be carried on the life of the Withdrawing Shareholder by the Shareholders or the Company. To the extent there is no life insurance policy or the life insurance proceeds are less than the Purchase Price, the remaining amount shall be payable in cash. All other payments shall be payable in cash.

2. **Transfer of Title.** The Selling Shareholder or Withdrawing Shareholder shall deliver the certificates representing the Shares being transferred, properly endorsed for transfer or accompanied by an assignment agreement to the transferee.

3. **Life Insurance.** The Company shall carry a life insurance policy on the life of each Shareholder. The Company shall be responsible for all premiums and costs related to such life insurance policy. Each life insurance policy shall carry a minimum payout of at least $10,000.00.

ARTICLE VI
TERM AND TERMINATION

1. **Term.** This Agreement shall be effective and binding upon the parties as of the Effective Date.

2. **Termination.** This Agreement will terminate in the event one of the following occurs:
   (A) Written consent of a majority of the Shareholders
   (B) Death or incapacity of all of the Shareholders
   (C) Bankruptcy, receivership or dissolution of the Company

ARTICLE VII
MISCELLANEOUS

1. **Amendments.** This Agreement may be amended or modified only by a written agreement signed by all of the parties.

2. **Notices.** Any notice or other communication given or made to any party under this Agreement shall be in writing and delivered by hand, sent by overnight courier service or sent by certified or registered mail, return receipt requested, to the Company at the address stated above and to the Shareholders at the address in the Company's records.

3. **No Waiver.** No party shall be deemed to have waived any provision of this Agreement or the exercise of any rights held under this Agreement unless such waiver is made expressly and in writing. Waiver by any party of a breach or violation of any provision of this Agreement shall not constitute a waiver of any other subsequent breach or violation.

4. **Assignment.** No party hereto shall have the right to assign its rights or delegate its duties hereunder without the written consent of the other parties, which consent shall not be unreasonably withheld.

5. **Severability.** If any provision of this Agreement is held to be invalid, illegal or unenforceable in whole or in part, the remaining provisions shall not be affected and shall continue to be valid, legal and enforceable as though the invalid, illegal or unenforceable parts had not been included in this Agreement.

6. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, heirs, administrators, executors, successors and permitted assigns.

7. **Headings.** The section headings herein are for reference purposes only and shall not otherwise affect the meaning, construction or interpretation of any provision in this Agreement.

8. **Governing Law.** The terms of this Agreement shall be governed by and construed in accordance with the laws of the State of California, not including its conflicts of law provisions.

9. **Disputes.** Any dispute arising from this Agreement shall be resolved in the courts of the State of California. If either party brings legal action to enforce its rights under this Agreement, the prevailing

party will be entitled to recover from the other party its expenses (including reasonable attorneys' fees and costs) incurred in connection with the action and any appeal.

10. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together, shall constitute one and the same document.

11. **Entire Agreement.** This Agreement contains the entire understanding between the parties and supersedes and cancels all prior agreements of the parties, whether oral or written, with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

ABC, Inc.		
Company Name	**Representative** Signature	**Representative** Name and Title

	Philip A Garza
Shareholder Signature	**Shareholder** Full Name

	Jamaal B Starkweather
Shareholder Signature	**Shareholder** Full Name

SCHEDULE A

NAME OF SHAREHOLDER	NUMBER OF SHARES
Philip A Garza	50
Jamaal B Starkweather	50

GENERAL INSTRUCTIONS

WHAT IS A BUY-SELL AGREEMENT?

A buy-sell agreement is a contract drawn up to protect a business in the event something happens to one of the owners. Also called a buyout, the agreement stipulates what happens with the shares of a business if something unforeseen occurs. This agreement also provides limitations as to how owners can sell or transfer shares of the company. The contract is written to provide better control and management of a company.

WHEN IS IT NEEDED?

Any company, even a small enterprise, could use a buy-sell agreement. They're especially important if there's more than one owner. The agreement would delineate how shares are sold in any situation - if a partner wants to retire, experiences a divorce, or passes away. This agreement would protect the company so that heirs or former spouse's rights could be accounted for without needing to sell the company.

Sole proprietors may find need for this agreement, as well. If, for example, an owner wanted a loyal employee to take over the company after their departure, this could be arranged through the buy-sell agreement. Buy-sell agreements can also be used to leave the business to an heir - this is often an excellent way to lower estate taxes that would burden the continuation of the business.

Buy-sell agreements are generally drawn up when a business is initially formed but they can be drawn up any time.

THE CONSEQUENCES OF NOT HAVING ONE

There are a number of ways a buy-sell agreement can protect a business, regardless of the type of corporation. Here are a few consequences a business might suffer without a contract in place:

- In the event that a business owner dies, legally his/her shares in the company would pass to the next of kin. As the next of kin control those shares, without an agreement, they might sell off the shares or seek to run the company in a way that wouldn't be in the best interest of the company, other shareholders, or employees.
- In the event of a divorce, a court could order that shares in a company be turned over to the ex spouse. Without an agreement in place, the company may not be able to retain ownership solely in the selected shareholders.
- If a co-owner wanted to retire or sell his/her shares, this agreement specifies how the shares are valued. Without an agreement, there are often disputes over the proper value of a company and there's no set agreement to meet the payment arrangements. In a worst case scenario, this situation could result in a dissolution of the company.
- If owners have a disagreement, without a contract to ensure that the shares of the company are properly sold and valued, one shareholder might sell shares to a competing entity or a party not approved by the remaining shareholders of the company.

WHAT SHOULD BE INCLUDED?

Each business is unique in structure. A business with multiple co-founders would have a more complicated buyout agreement. Whereas a sole proprietorship is often more simple to draft and execute. This list is meant to give you a general overview of clauses and scenarios which should be considered in most buy-sell agreements.

- Triggering Events
- Death of an Owner / Partner
- Divorce of an Owner
- Disability or Long Term Illness
- Personal Bankruptcy
- Internal Conflict Between Partners
- Retirement Specifications
- Early Buyout
- Payment Structure
- Fair Price Valuation
- Financing
- Right of First Refusal

A buy-sell agreement offers a concrete way to protect the future of your business and to ensure that it continues past your involvement.