

## 10 Essential Provisions for a Unanimous Shareholders' Agreement

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Whether you're launching a new corporation or managing an existing one, a **Unanimous Shareholders' Agreement (USA)** is essential. Without it, default legislation governs shareholder rights and responsibilities which may not reflect your business goals. A well-drafted USA promotes stronger relationships and provides clarity during disputes or unexpected situations.

Below are 10 key provisions to consider when negotiating a USA:

### 1. Sale of Shares

Shareholders are often allowed to transfer their shares to a holding company they control without consent from others. However, you may want to restrict sales to third parties unless other shareholders consent or have the first right to purchase those shares.

### 2. Sale of the entire corporation

If a bona fide third-party offer to purchase the entire corporation arises, will unanimous consent be required? Or should there be a mechanism to compel holdouts to agree under certain conditions?

### 3. Valuation of Shares

Agreeing on a valuation method upfront prevents disputes. Will you use a Chartered Business Valuator or an industry-specific formula based on earnings or other metrics?

### 4. Departure of Shareholders

Plan for both expected and unexpected departures:

- **Death:** Will the estate inherit shares, or will the corporation buy them out? If bought out, will payment be immediate or made over time?
- **Disability:** How will you balance business continuity with fair treatment of the disabled shareholder?

- **Retirement:** What notice is required and what are the payment terms for their shares?

## **5. Confidentiality, Non-Competition, and Non-Solicitation**

If a shareholder leaves, should they be prohibited from disclosing trade secrets, competing with the corporation, or soliciting clients?

## **6. Board Composition and Management**

Define who can act as directors, meeting frequency, and notice requirements for board meetings.

## **7. Shareholder Control**

Specify which decisions require:

- Unanimous shareholder approval
- Unanimous director approval
- Special majority (e.g., two-thirds)
- Simple majority
- Individual discretion without input from others

## **8. Capital Contributions and Funding**

How will you handle cash calls? What happens if a shareholder cannot meet the required contribution?

## **9. Dispute Resolution**

Outline how disagreements will be resolved - mediation, arbitration, or a buyout mechanism. This ensures deadlocks don't paralyze the business.

## **10. Amendment of the USA**

Determine the process and approvals required to amend the agreement in the future.

## **Final Thoughts**

A well-drafted USA removes uncertainty and protects your business from future conflicts. When you meet with a lawyer, you don't need all the answers - your Meighen Haddad LLP lawyer will guide you through each provision and tailor the agreement to your business needs.

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