

16-10a-627 Restrictions on transfer or registration of shares or other securities.

- (1) The articles of incorporation, the bylaws, an agreement among shareholders, or an agreement between one or more shareholders and the corporation may impose restrictions on the transfer or registration of transfer of shares of the corporation. A restriction does not affect shares issued before the restriction was adopted unless the holders of the shares are parties to the restriction agreement or voted in favor of the restriction or otherwise consented to the restriction.
- (2) A restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is authorized by this section and its existence is noted conspicuously on the front or back of the certificate, or if the restriction is contained in the information statement required by Subsection 16-10a-626(2). Unless so noted, a restriction is not enforceable against a person without knowledge of the restriction.
- (3) A restriction on the transfer or registration of transfer of shares is authorized:
 - (a) to maintain the corporation's status when it is dependent on the number or identity of its shareholders;
 - (b) to preserve entitlements, benefits, or exemptions under federal, state, or local laws; and
 - (c) for any other reasonable purpose.
- (4) A restriction on the transfer or registration of transfer of shares may:
 - (a) obligate the shareholder first to offer to the corporation or other persons, separately, consecutively, or simultaneously, an opportunity to acquire the restricted shares;
 - (b) obligate the corporation or other persons, separately, consecutively, or simultaneously, to acquire the restricted shares;
 - (c) require, as a condition to a transfer or registration, that any one or more persons, including the corporation or any of its shareholders, approve the transfer or registration, if the requirement is not manifestly unreasonable; or
 - (d) prohibit the transfer or the registration of a transfer of the restricted shares to designated persons or classes of persons, if the prohibition is not manifestly unreasonable.
- (5) The description of the restrictions on the transfer or registration of transfer of shares in Subsection (4) is not exhaustive.
- (6) For purposes of this section, "shares" includes a security convertible into or carrying a right to subscribe for or acquire shares.

Enacted by Chapter 277, 1992 General Session