

SHAREHOLDERS AGREEMENT

THIS AGREEMENT is made effective the ____ day of _____, _____ by and among [list shareholders] and any subsequent person or entity holding common stock of the Company, (hereinafter sometimes referred to individually as a "Shareholder" and collectively as the "Shareholders") and [COMPANY], a [jurisdiction] corporation (the "Company").

WHEREAS the parties hereto wish to ensure the successful management and control of the Company, and to provide for an orderly and fair disposition of shares of common stock of the Company now or hereafter owned by any Shareholder;

NOW THEREFORE, in consideration of the mutual promises of the parties hereto, and intending to be legally bound, the parties hereby agree as follows:

1. Definitions

Unless otherwise provided herein, wherever used in this Agreement, the following words or phrases shall have the following meanings:

- (a) "Buyer" means any party to this Agreement who purchases an Offering Shareholder's Shares pursuant to this Agreement;
- (b) "Continuing Shareholders" means all Shareholders other than an Offering Shareholder;
- (c) "Disability" of a particular person means the inability, either physically or mentally, of such person to maintain his employment or other relationship with the Company (including without limitation, fulfilling his duties as an officer, director, consultant, joint venturer, independent contractor, or promoter to or of the Company) or to conduct his normal daily activities on behalf of the Corporation for any six (6) consecutive month period;
- (d) "Management Shareholder" means [names of shareholders acting as management];
- (e) "Non-management Shareholder" means any Shareholder other than a Management Shareholder;
- (f) "Offering Shareholder" means any Shareholder or [his/her] personal representatives, heirs, administrators and executors, as the case may be, who offers to sell all or any portion of his Shares to the Company, the Continuing Shareholders or a third party, pursuant to the terms hereof;
- (g) "Shares" means shares of Common Stock of the Company now or hereafter owned by any Shareholder.

2. Purchase for Investment

Each Shareholder represents and warrants that he is acquiring and has acquired his Shares for his own account for investment and not for resale or distribution thereof or with any present intent of selling any portion thereof.

3. Transfers of Shares

A Shareholder may not transfer, give, convey, sell, pledge, bequeath, donate, assign, hypothecate, mortgage, encumber or otherwise dispose of any Shares except as hereinafter set forth:

- (a) *Transfers to the Company.* Notwithstanding anything to the contrary contained in this Agreement, a Shareholder may give, sell, transfer or otherwise dispose of all or any portion of his Shares to the Company at such price and on such terms and conditions as the Shareholder and the Board of Directors of the Company may agree.

- (b) *Transfer to Third Parties.* Except as provided for in subparagraph (a) above, a Shareholder desiring to dispose of some or all of his Shares (the "Offered Shares") may do so only pursuant to a bona fide offer to purchase (the "Offer") and upon compliance with the following provisions. The Offering Shareholder shall first give written notice to the Company and the other Shareholders of his intention to dispose of his Shares, setting out the number of Offered Shares, the proposed purchase price per Offered Share and the name of the proposed purchaser and attaching an exact copy of the Offer received by the Offering Shareholder.
- (i) Company's Right to Purchase: The Company shall have the exclusive right to purchase all of the Offered Shares on the same terms and at the same proposed purchase price per Share as set out in the Offer. The Company shall exercise this right to purchase by giving written notice to the Offering Shareholder (with a copy thereof to each of the Continuing Shareholders) within thirty (30) days after receipt of the notice from the Offering Shareholder (the "30 Day Period") that the Company elects to purchase the Offered Shares subject to the Offer and setting forth a date and time for closing which shall be not later than _____ days after the date of such notice from the Company. At the time of closing, the Offering Shareholder shall deliver to the Company certificates representing the Offered Shares to be sold, together with stock powers duly endorsed in blank. The Offered Shares shall be delivered by the Offering Shareholder free of any and all liens and encumbrances. All transfer taxes and documentary stamps shall be paid by the Offering Shareholder.
- (ii) Continuing Shareholders' Right to Purchase: If the Company fails to exercise its right to purchase pursuant to subparagraph (i) above, the Continuing Shareholders shall have the right for an additional period of thirty (30) days (the "Additional 30 Day Period") commencing at the expiration of the 30 Day Period to purchase the Offered Shares on the same terms and at the same proposed purchase price per Offered Share as set out in the Offer. The Continuing Shareholders shall exercise this right to purchase by giving written notice to the Offering Shareholder prior to the expiration of the Additional 30 Day Period that they elect to purchase the Offered Shares and setting forth a date and time for closing which shall be not later than _____ days after the expiration of the Additional 30 Day Period. Any purchase of Offered Shares by all or some of the Continuing Shareholders shall be made in such proportion as they might agree among themselves or, in the absence of any such agreement, pro rata in proportion to their ownership of Shares of the Company (excluding the Offering Shareholder's Shares) at the time of such offer, but in any event one or more of the Continuing Shareholders must agree to purchase all of the Offered Shares. At the time of closing, the Offering Shareholder shall deliver to the purchaser(s) certificates representing the Offered Shares, together with stock powers duly endorsed in blank. The Offered Shares shall be delivered by the Offering Shareholder free and clear of any and all liens and encumbrances. All transfer taxes and documentary stamps shall be paid by the Offering Shareholder.
- (iii) Performance of Acceptance: When exercising the rights granted in subparagraphs (i) and (ii) hereof, the Buyer must elect to purchase all of the Offered Shares for the price and upon the same terms for payment of the price as are set forth in the Offer; provided, however, that if said offer received by the Offering Shareholder shall provide for any act or action to be done or performed by the party making such Offer at any time before or within thirty (30) days after the last day for exercise of the Buyer's right to purchase pursuant to subparagraphs (i) and (ii) hereof, then the Buyer shall be deemed to have complied with the terms and conditions of such Offer if the Buyer does or performs such act or action within thirty (30) days after the last day for exercise of Buyer's right to purchase pursuant to subparagraphs (i) and(ii) hereof.
- (iv) Sale to Third Party: If neither the Company nor any of the Continuing Shareholders elect to purchase all of the Offered Shares, the Offering Shareholder may accept the Offer which the Offering Shareholder mailed with his notice to the Company pursuant to subparagraph 3(b) hereof and transfer all (but not less than all) of the Offered Shares

pursuant thereto on the same terms and conditions set forth in such Offer, provided that any transferee of such Offered Shares shall be bound by this Agreement as provided herein, and further provided that if such sale is not completed within one hundred twenty (120) days after the date notice is received by the Company under subparagraph 3(b) hereof, all of such Offered Shares shall again become subject to the restrictions and provisions of this Agreement.

- (v) Right of Co-Sale: Notwithstanding any other provision hereof, in the event the Offering Shareholder receives an Offer from an unaffiliated third party (the "Offeror") to purchase from such Shareholder not less than ____% of the Shares owned by the Offering Shareholder and the Offering Shareholder intends to accept such Offer, the Offering Shareholder shall, after complying with the provisions of subparagraphs (i) and (ii) above and before accepting such Offer, forward a copy of such Offer to the Company and each of the Continuing Shareholders. The Offering Shareholder shall not sell any such Shares to the Offeror unless the terms of the Offer are extended by the Offeror to the Continuing Shareholders pro rata in proportion to their ownership of Shares of the Company (excluding the Offering Shareholder's Shares) at the time of such Offer. The Continuing Shareholders shall have _____ days from the date of the foregoing Offer to accept such Offer.
- (c) [list shareholders to whom this paragraph applies] may each during their lifetimes transfer all, but not less than all, of their Shares to said Shareholder's spouse or a lineal descendant of such Shareholder, so long as prior to such transfer (i) the transferee, the Company, and all of the Continuing Shareholders amend this Agreement to the reasonable satisfaction of all such parties so as to provide the parties to this Agreement with the rights, remedies and effect provided in this Agreement as if no such transfer had occurred, and (ii) the proposed transferee consents in writing to be bound by all of the terms and conditions of this Agreement.

4. Right of First Refusal

- (a) Except in the case of Excluded Securities (as defined below), the Company shall not issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange:
 - (i) any shares of Common Stock or any other equity security of the Company which is convertible into Common Stock or any other equity security of the Company;
 - (ii) any debt security of the Company which is convertible into Common Stock or any other equity security of the Company; or
 - (iii) any option, warrant or other right to subscribe for, purchase or otherwise acquire any equity security or any such debt security of the Company;

unless in each case the Company shall have first offered to sell to each Shareholder, pro rata in proportion to such Shareholder's then ownership of Shares of the Company, such securities (the "Offered Securities") (and to sell thereto such Offered Securities not subscribed for by the other Shareholders as hereinafter provided), at a price and on such other terms as shall have been specified by the Company in writing delivered to such Shareholder (the "Stock Offer"), which Stock Offer by its terms shall remain open and irrevocable for a period of 10 days (subject to extension pursuant to the last sentence of subparagraph 4(b) below) from the date it is delivered by the Company to the Shareholder.

THIS IS A 10-PAGE DOCUMENT.