

**STOCK RESTRICTION AGREEMENT  
OF**

\_\_\_\_\_.

THIS STOCKHOLDERS' AGREEMENT ("Agreement") made this \_\_ day of June, 2011 by and among **the undersigned stockholders (herein collectively "Stockholders")** and \_\_\_\_\_ a corporation organized and existing under the laws of Montana with its principal place of business at \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Corporation").

WHEREAS, the Stockholders are the owners of all of the issued and outstanding capital stock ("Stock") of the Corporation as set forth on the attached Exhibit A;

WHEREAS, the Stockholders believe it to be in their best interests and in the best interests of the Corporation that the transfer of such stock be restricted.

IT IS THEREFORE AGREED:

1. All Shares Subject To Agreement. All shares of Stock at any time held or owned by a Stockholder or by his legal representative shall be subject to this Agreement and to all the obligations and restrictions hereof.

2. Restriction On Transfers; Permitted Estate Planning Transfers. No Stockholder shall voluntarily or involuntarily transfer or encumber any of the shares of Stock at any time held, owned, or hereafter acquired by him, or any interest therein, except in accordance with and subject to this Agreement. When used in this Agreement "transfer" shall mean sell, assign, convey, donate, bequeath, transfer or otherwise dispose (otherwise than by an involuntary transfer) and "encumber" shall mean mortgage, pledge, hypothecate or otherwise encumber or contract to encumber; provided, however, nothing herein shall restrict a transfer to (a) a surviving spouse, either directly, or in trust to a qualified Subchapter S Trust provided that such trust shall terminate upon the death of the surviving spouse, or, (b) a transfer to a lineal descendant of a stockholder. A lineal descendant shall mean a child, grandchild or great grandchild of a stockholder.

3. Right of First Refusal. If any Stockholder (the "Selling Stockholder") desiring to dispose of all, but not less than all, of his shares of Stock in the Corporation shall receive a bona fide offer in writing from a financially capable purchaser to purchase all, but not less than all, of the Selling Stockholder's shares of Stock, the Selling Stockholder shall give written notice to the other Stockholders and the Corporation of his intention to make such transfer stating the name and address of the proposed transferee, the number of shares of Stock (the "Offered Stock") then held or owned by the Selling Stockholder and the price to be paid therefor and the terms of payment.

The Corporation, upon receipt of such notice of transfer, shall have the option

("First Option") to purchase all, but not less than all, of the offered Stock at the price and upon the terms bona fide offered by the proposed transferee. The First option shall be exercisable within the thirty (30) day period ("First Option Period") after the date of receipt of such notice and shall be exercised by the sending of a notice to the Selling stockholder with a copy to the other Stockholder. In determining whether or not the Corporation shall exercise the First Option, the Selling Stockholder shall vote the Offered Stock and the Selling Stockholder and the directors elected by the Selling Stockholder on the Board of Directors shall vote, as directed by a vote of the other Stockholders.

In the event the Corporation does not exercise the First Option, then the other Stockholders shall have the option, exercisable upon written notice to the Selling Stockholder within twenty (20) days after the expiration of the First Option Period (the "Second Option Period"), to purchase pro rata, in proportion to their respective holdings of Stock, all, but not less than all, of the Offered Stock at the price and upon the terms bona fide offered by the proposed transferee. In the event any of the other Stockholders do not elect to purchase his proportionate share, the other Stockholders who elected to purchase the Offered Stock shall have the option to purchase the shares of Stock which such other Stockholders did not elect to purchase, pro rata, in proportion to their respective holdings of Stock or in any other percentage which they decide.

If the Corporation and the other Stockholders elect not to, or fail to, exercise their options to purchase all the Offered Stock, the Selling Stockholder may make the proposed transfer of the Offered Stock to the proposed transferee in accordance with the terms of the bona-fide offer within the twenty (20) day period following the expiration of the Second Option Period. The proposed transferee shall become a party to this Agreement with respect to the Offered stock and shall execute a duplicate of this Agreement. If the proposed transfer of the Offered Stock is not consummated within such twenty (20) day period, the terms and conditions of this Section shall again apply to the Offered Stock.

4. Involuntary Transfers. An "involuntary transfer" shall mean any transaction, proceeding or action by or in which any Stockholder shall be deprived or divested of any right, title or interest in or to any of his Stock (including, without limiting the generality of the foregoing, seizure under levy of attachment or execution, transfer in connection with bankruptcy or other court proceeding to a trustee in bankruptcy or receiver, or any transfer to a state or to a public officer or agency pursuant to any statute pertaining to escheat or abandoned property) other than one occasioned by the death or the incompetence or incapacity of a Stockholder.

If there shall be an involuntary transfer of any shares of Stock of any Stockholder to any person:

a. The transferee shall take and hold the shares of Stock subject to this Agreement and to all the obligations and restrictions upon the Stockholder from whom the shares of Stock was acquired, and shall observe and comply with this Agreement and with such

obligations and restrictions.

b. The Stockholder from whom said Stock was transferred (the "Transferring Stockholder"), or the transferee, shall forthwith give notice to the other Stockholders and the Corporation stating when the involuntary transfer occurred, the reason therefor, the number of shares transferred (the "Transferred Stock"), and the address and capacity of the transferee. The Corporation, upon receipt of such notice of transfer, shall have the option ("First Option") to purchase all, but not less than all, of the Transferred Stock and any shares of Stock remaining in the ownership of Transferring Stockholder (the "Remaining Stock"), at a price equal to the net worth (assets less liabilities) at book value per share of Stock (the "Involuntary Transfer Purchase Price"), valued as of the date of the involuntary transfer and determined by the regularly retained accountant of the Corporation. The First Option shall be exercisable within the thirty (30) day period ("First Option Period") after the date of receipt of such notice and shall be exercised by the sending of notices to the transferee and Transferring Stockholder with a copy to the other Stockholders. In determining whether or not the Corporation shall exercise the First Option, the transferee shall vote the Transferred Stock and the Transferring Stockholder shall vote the Remaining Stock and the Transferring Stockholder and the transferee and the directors elected by them on the Board of Directors shall vote, as directed by a vote of the other Stockholders.

In the event the Corporation does not exercise the First Option, the other Stockholders shall have the option ("Second Option"), exercisable upon written notice within twenty (20) days after the expiration of the First Option Period (the "Second Option Period") to purchase, pro rata, in proportion to their respective holdings of Stock, all, but not less than all, of the Transferred Stock and the Remaining Stock at the Involuntary Transfer Purchase Price. In the event any of the other Stockholders do not elect to purchase their proportionate share, the other Stockholders who elected to purchase the Transferred Stock and Remaining Stock shall have the option to purchase, pro rata, in proportion to their respective holdings of Stock or in any other percentage which they decide, that portion of the Transferred Stock and Remaining Stock which such other Stockholders elected not to purchase.

c. Payment for the Transferred Stock and Remaining Stock purchased shall be made in ten (10) consecutive annual installments. The first installment shall be paid by the Corporation or the purchasing Stockholders, as the case may be, to the transferee and Transferring Stockholder not later than ninety (90) days after the expiration of the Second Option Period. The remaining nine (9) installments of the Involuntary Transfer Purchase Price shall be paid, together with interest at the highest U.S. Money Center Commercial prime rate for corporate loans as reported in the Money Rates Section of the Wall Street Journal, Denver edition, adjusted from time to time on a daily basis ("Prime Rate") on the unpaid balance, and evidenced by promissory notes in the form of Schedule B delivered to the transferee and the Transferring Stockholder by the Corporation or the purchasing Stockholders, as the case may be, contemporaneously with the first installment.

d. If the Corporation and the other Stockholders elect not to, or fail to, exercise their options to purchase the Transferred Stock and Remaining Stock, transferee shall become a party to this Agreement with respect to the Transferred Stock and shall execute a duplicate of this Agreement and the Transferring Stockholder shall continue to be subject to the terms of this Agreement with respect to the Remaining Stock in the same manner as if no involuntary transfer had been made.

#### 5. Death of a Stockholder.

a. Unless a Stockholder makes a Permitted Estate Planning Transfer under paragraph 2 of this agreement, upon the death of any Stockholder, the surviving Stockholders may elect to purchase all of such decedent's shares of Stock as set forth in paragraph c of this Section 5. The purchase price (the "Purchase Price") for the decedent's shares of Stock shall be determined in accordance with the provisions of Section 7 except that in no case shall the price paid for the decedent's shares of Stock be less than the value of the insurance policy held by the surviving Stockholders on the life of the deceased Stockholder.

b. Upon payment of the Purchase Price to the estate of the deceased Stockholder and delivery of the promissory notes, if required as set forth below, the estate of the deceased Stockholder shall deliver to the surviving Stockholders, duly endorsed in blank for transfer, the Stock of the deceased Stockholder free and clear of all encumbrances.

c. The Purchase Price shall be paid by the surviving Stockholders, pro rata, in proportion to their respective holdings of Stock to the estate of the deceased Stockholder in five (5) consecutive annual installments. The first installment shall be paid by the surviving Stockholders to the decedent's Stockholder's estate no later than ninety (90) days after the determination of the Purchase Price. The remaining four (4) installments shall be paid, together with interest at the Prime Rate on the unpaid balance and evidenced by a promissory note by each surviving Stockholder in the form of Schedule B. The note shall be delivered to the payees thereof and shall be secured by the shares of Stock pursuant to commercially reasonable escrow provisions.

#### 6. Transfer of Stock due to Incapacity or Termination of Employment of a Stockholder.

a. Upon the transfer of Stock to a conservator of a Stockholder or the termination of employment of a Stockholder from the Corporation for any reason (except due to such Stockholder's death), the Corporation shall have the option to purchase from such Stockholder (the "Terminated Stockholder") or his legal representative, as the case may be, all, but not less than all, of the Terminated Stockholder's shares of Stock (the "Offered Stock") at the purchase price (the "Purchase Price") determined in accordance with the provisions of Section 8. This option ("First Option") shall be exercisable within thirty (30) days after the date of the determination of the Purchase Price (the "First Option Period"). In determining whether or not the Corporation shall exercise the First Option,

the Terminated Stockholder shall vote the Offered Stock and the Terminated Stockholder and the directors elected by the Terminated Stockholder shall vote as directed by a vote of the other Stockholders.

b. In the event the Corporation does not exercise the First Option, the other Stockholders shall have the option, ("Second Option") exercisable upon written notice within twenty (20) days after the expiration of the First Option Period to purchase, pro rata, in proportion to their respective holdings of Stock, all, but not less than all, of the Offered Stock at the Purchase Price. In the event any of the other Stockholders do not elect to purchase their proportionate share, the other Stockholders who elected to purchase the Offered Stock shall have the option to purchase, pro rata, in proportion to their respective holdings of Stock or in any other percentage which they decide, that portion of the Offered Stock which such other Stockholders elected not to purchase.

c. Payment for the Offered Stock shall be made in five (5) consecutive annual installments. The first installment shall be paid by the Corporation or the purchasing Stockholders, as the case may be, to the Terminated Stockholder or his legal representative no later than ninety (90) days after the determination of the Purchase Price. The remaining four (4) installments of the Purchase Price shall be paid together with interest at the Prime Rate on the unpaid balance and shall be evidenced by promissory notes in the form of Schedule B. Each note shall be delivered to the Terminated Stockholder by the Corporation or each of the purchasing Stockholders, as the case may be, secured by the shares of Stock pursuant to commercially reasonable escrow provisions.

7. Purchase Price. The purchase price per share of Stock to be paid on any purchase pursuant to Sections 6 or 7 shall be the Agreed Value (as determined in Section 9), or, if no Agreed Value has been determined by the Stockholders, the purchase price shall be calculated based on the fair market value of the Stockholder's block of stock. The application of discounts for minority ownership, lack of marketability, or lack of control in the determination of fair market value shall be in the discretion of the appraiser according to appraisal industry standards. Unless a single appraiser has been agreed to by all parties, the fair market value shall be determined as follows: within sixty (60) days of the date of death, disability, the transfer of Stock to a conservator or termination of employment, as the case may be, the deceased Stockholder's estate, the Terminated Stockholder or his legal representative, as the case may be, shall choose one appraiser and the Corporation or other Stockholders shall choose a second appraiser. The two appraisers shall determine the fair market value of the Stock in the Corporation. In the event that the two appraisers fail within sixty (60) days of their appointment to determine such value, a third appraiser shall be appointed by the two appraisers within fifteen (15) days after the expiration of the aforesaid sixty (60) day period and a majority of the three appraisers shall reach a decision within forty five (45) days after the appointment of the third appraiser and shall notify all the Stockholders of the value of a share of Stock in the Corporation. The cost of all appraisers shall be jointly shared by the selling Stockholder and the Corporation.

8. Agreed Value. The Stockholders may at any time fix an agreed value (the "Agreed Value") of a share of Stock by a Certificate of Agreed Value signed by all the Stockholders in t any time when it becomes necessary to determine the value of a share of Stock and a Certificate of Agreed Value is in existence and such Certificate of Agreed Value is dated within one year of the date as of when the value is to be determined, then the Agreed Value set forth in such certificate shall be conclusive as the value and shall be accepted as the value as of the date on which the value shall be required or made for the purposes of Section 8. In no event shall a certificate of agreed value be effective unless signed by all the Stockholders. The Stockholders may at any time execute a new certificate of agreed value which shall automatically replace all prior certificates of agreed value, and in no event shall any but the last certificate of agreed value be effective, if at all, for the purposes herein specified.

9. Restrictive Legend. An executed counterpart of this Agreement shall be filed with the Secretary of the Corporation and kept with the records of the Corporation at its office. An officer of the Corporation shall endorse on the face or back of each certificate of Stock, heretofore or hereafter issued to any Stockholder, legends substantially as follows:

*The Stock represented by the within certificate is issued, accepted and held subject to the terms of a Stockholders' Agreement dated [date]. A copy of such Agreement has been filed at the office of the Corporation. This Certificate and the stock represented hereby are not subject to sale, assignment, transfer, encumbrance or other disposition, except as provided in such Agreement; to all of which Agreement the holder hereof, by the acceptance hereof, agrees. The securities represented by this Certificate have been acquired for investment and have not been registered under the Securities Act of 1933, as amended, or under any state securities laws. These securities may not be sold or transferred in the absence of such registration or an opinion of counsel satisfactory to Corporation that no registration is required.*

10. Term. All rights and obligations of any party under this Agreement shall terminate upon the occurrence of any of the following events:

- a. Cessation of the Corporation's business;
- b. Bankruptcy, general assignment for benefit of creditors, receivership, or dissolution of the Corporation;
- c. The disposal by all but one of Stockholders of their Stock in the Corporation pursuant to this Agreement;
- d. The voluntary agreement of all parties who are then bound by the terms hereof.

11. Notices. All notices and other communications hereunder shall be given in

writing, shall be personally delivered or sent by certified mail, postage, prepaid, shall be deemed given on the date of delivery or of mailing, and shall be addressed as first set forth above.

12. Partial Invalidity. If any provision of this Agreement, or the application of such provision to any person or circumstances, shall be held invalid by a court of competent jurisdiction, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

13. Entire Agreement. This Agreement and the documents referred to herein contain the entire agreement among the parties with respect to the matters contemplated herein, and may not be amended, supplemented or discharged, and no provision hereof may be modified or waived, except expressly by an instrument in writing signed by all of the parties hereto.

14. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of Montana applicable to agreements made and to be performed entirely in such State.

15. Succession. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors, assigns, distributees and legal representatives, subject to the terms hereof, but in no event shall options to purchase granted hereunder to Stockholders be assignable except to transferees of Stock who become parties hereto.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute the same instrument.

WITNESS the execution of this Agreement as of the day and year first above written.

\_\_\_\_\_  
Entity Name

By: \_\_\_\_\_  
Its: \_\_\_\_\_, President

\_\_\_\_\_, *Stockholder*

\_\_\_\_\_, *Stockholder*

\_\_\_\_\_, *Stockholder*

\_\_\_\_\_, *Stockholder*

\_\_\_\_\_, *Stockholder*

\_\_\_\_\_, *Stockholder*

\_\_\_\_\_, *Stockholder*





## SCHEDULE B.

U.S. \$[number]  
[city and state of execution]  
[date of execution]

FOR VALUE RECEIVED, the undersigned ("Maker") promises to pay to the order of [Name of Lender], an individual residing at [address] (the "Noteholder") or at such other place as the holder hereof may designate in writing, the principal sum of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) together with interest at the highest U.S. Money Center commercial prime rate of interest for corporate loans as reported in the Money Rates section of the Wall Street Journal, [city] edition, adjusted from time to time on a daily basis. Principal shall be payable in [number] consecutive equal [annual/monthly/quarterly] principal installments of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) together with interest in arrears, with the first installment due [date] and the remaining installments due on [date] thereafter; except that, unless sooner paid, all principal hereunder shall be due and payable on [date].

Maker shall have the right at any time to prepay the entire outstanding amount of this Note. Maker shall have the right to make a partial prepayment of this Note at any time.

Maker will be in default if:

1. Maker does not make any payment within [number] days of the date due;
2. The Maker shall be unable to pay its or his debts as they mature or shall make an assignment for the benefit of any of its or his creditors;
3. A proceeding in bankruptcy or for reorganization of the Maker or the readjustment of any of their respective debts under Title 11 of the United States Code, as amended, or any part thereof, or under any other laws, whether state or federal, for the relief of debtors now or hereafter existing, shall be commenced by the Maker or shall be commenced against the Maker and shall not be discharged within [number] days of its commencement;
4. A receiver or trustee shall be appointed for the Maker or for any substantial part of its assets, or any proceeding shall be instituted for, in the case the Maker is a Corporation, the dissolution or the full or partial liquidation of the Corporation, and such receiver or trustee shall not be discharged within [number] days of his appointment, or such proceeding shall not be discharged within [number] days of its commencement;
5. A judgment creditor of the Maker shall obtain possession of any of its or his assets by any means including, without limitation, levy, restraint, or replevin;

6. The validity or enforceability of this Note, or any lien contemplated hereby shall be contested by the Maker.

7. The Maker, if an individual, dies.

Then, at the option of Noteholder, immediately and without notice to Maker upon the occurrence of an event of default specified in the foregoing subparagraphs of this Note, the obligation of Maker hereunder shall immediately become due and payable without further action of any kind, and this Note shall become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by Maker.

The Maker further promises to pay all costs and expenses, including reasonable attorney fees, which may be incurred by the Noteholder in collecting any sums due under this Note or in bringing any action to foreclose the lien securing this Note or in protecting or sustaining any lien, security agreement or Escrow Agreement.

Failure by the holder hereof to insist upon performance in accordance with the terms of this Note or the lien securing this Note shall not be deemed a waiver of any other obligation under this Note or the lien securing this Note.

Noteholder reserves the right to pledge, hypothecate or otherwise dispose of this Note. Any subsequent holder of this Note shall not be subject to (and the Maker expressly waives as against such subsequent holder) any defenses, set-offs, counterclaims or other objections to the payment of this Note.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof.

Any notice to Maker provided for in this Note shall be given by mailing such notice by certified mail addressed to Maker at the address stated below, or to such other address as Maker may designate by notice to the Noteholder. Any notice to the Noteholder shall be given by mailing such notice by certified mail, return receipt requested, to the Noteholder at the address stated above in this Note, or at such other address as may have been designated by notice to Maker.

This Note is to be governed by and construed in accordance with the laws of [state] for all purposes.

[This Note is secured by an Escrow Agreement dated [date] between the Maker and Noteholder.]

[name of Maker]  
[signature]

Address of Maker: [address]

SCHEDULE C. ESCROW AGREEMENT

The Stock Escrow Agreement [TO BE INSERTED]

SCHEDULE D. CERTIFICATE OF AGREED VALUE

Pursuant to Section 8 of the Stockholders' Agreement dated as of [date], by and among the undersigned, being all of the Stockholders of \_\_\_\_\_ (the "Corporation"), hereby fix the Agreed Value of each share of Stock of the Corporation at \_\_\_\_\_ dollars (\$ \_\_\_\_\_).

This Certificate may be executed in counterparts, each of which so executed shall be deemed an original, but all of which, taken together, shall constitute one and the same Certificate, binding upon the parties hereto, and their successors, heirs and assigns.

Dated this \_\_ day of June, 2011.

\_\_\_\_\_  
  
\_\_\_\_\_