

SHAREHOLDERS' AGREEMENT

THIS AGREEMENT, made this _____ day of _____, 20____, by and between [insert name of first Shareholder], (herein after referred to as "Shareholder A"), [insert name of second Shareholder], (herein after referred to as "Shareholder B"), and [insert name of third Shareholder] (herein referred to as "Shareholder C").

WITNESSETH:

THAT WHEREAS, the parties are in the process of associating as the sole shareholders in a Company to be known as XYZ, Inc ("Company").

NOW, THEREFORE, in consideration of the mutual promises contained below, the parties agree as follows:

- 1. General Manager.** It is agreed that Shareholder A shall serve as general manager of the Company under the direction and supervision of the Board of Directors overseeing and directing the daily operations of the Company and performing such duties as shall be delegated to him by the Board of Directors. In performing his duties, Shareholder A shall use his best efforts to promote the interests of the Company and shall take no action to the detriment thereof.
- 2. Compensation.** It is agreed that Shareholder A shall receive the sum of _____ (US\$_____) monthly as gross salary for the services as general manager. Shareholder A salary hereunder shall be accounted for as an item of operating expense to be subtracted from receivables in determining profit to be divided among the shareholders hereto.
- 3. Profits.** For so long as Shareholder A serves as general manager of the Company and for so long as Shareholder A holds FIFTY percent (50%) of the outstanding stock of Company, each party hereto shall be entitled to exactly FIFTY percent (50%) of the net profit of the Company payable no more frequently than quarterly.
- 4. Employment Termination.** Either party hereto, or the Company acting through its Shareholders, shall have the right to terminate Shareholder A's employment as general manager upon thirty (30) days written notice.
- 5. Non-Competition.** Each party hereto agrees that for so long as both parties continue to be a Shareholder, owner, or in control of any shares of stock in Company, neither party will be engaged, employed, concerned, or financially interested, directly or indirectly, in the same or similar businesses that are being conducted by Company within [describe scope of jurisdiction subject to the non-compete, such as "within the geographical boundaries of the state of Colorado"] ("Jurisdiction"), nor shall he in any way compete with Company within said Jurisdiction.
- 6. Stock Transfers.** Neither party may sell or otherwise transfer any interest in their stock in Company unless such stock is offered for sale at the price at which such stock is being offered to

any third party; first, to Company and, if Company does not exercise its option to so purchase, then to the remaining Shareholders of record.

Such offer shall be made in writing by the selling Shareholder to the secretary of the Company and the Company shall have fifteen (15) days from the receipt thereof to manifest in writing an acceptance of said offer. If the Company does not respond within the manner and time required herein, the selling Shareholder shall make such an offer in writing to the then remaining Shareholders and any one or more of them shall have fifteen (15) days from their receipt thereof to manifest in writing their acceptance of said offer.

Should either the Company or the then remaining shareholders fail to accept such offer made as described above, then the selling Shareholder shall be free to sell to any third party the same number of shares as were offered to the Company and/or the Shareholders in accordance with the provisions of the above paragraph.

7. **Buy-Sell.** Should any of the conditions by applicable state law entitling a shareholder to initiate a proceeding for dissolution, either party hereto, not in default hereunder, may give notice in writing to the other party hereto of his desire to transfer his stock to said other, stating in the notice the sum of money which he is willing either to give for the other parties' shares in the Company or to accept for his shares in it if the other party so elects. The party receiving such a notice shall, within ninety (90) days from the date thereof, elect either to sell his shares to the other or to purchase the shares of the other at the sum specified in the notice, and shall notify the party giving the notice of his intention to buy such parties' shares or to sell his own. If the party to whom said notice is given fails to make an election in writing within ninety (90) days after the service of the notice, then the party giving notice may elect whether he will sell his shares or purchase those from the other party upon the terms contained in the notice. When a determination has been made as above provided, the party selling shall convey his shares to the party purchasing upon the payment of the purchase price and shall thereupon retire from any office or position held in the Company. It is fully understood that the provisions of this paragraph shall, as well as any other provision of this Agreement, be enforceable by a Court of competent jurisdiction at the instance of either party. It is, accordingly, the intention of the parties that should either party refuse to buy or sell although the other party has fully complied with the provisions of this paragraph in exercising his options hereunder, such other shall, without limiting his remedies, be entitled to proceed in a Court of equity to seek specific performance of the provisions hereof.

8. **Company Approval.** The parties agree that they and each of them shall do all things necessary in order to effect the Company's approval and ratification of this Agreement. Such efforts shall include the voting of their respective shares in favor of a corporate resolution to be bound by the terms hereof.

9. **Severability.** The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

10. **Entire Agreement.** This Agreement contains the entire understanding of the parties. It may not be changed orally, but only by an Agreement in writing signed by both parties hereto.

11. **Waiver.** The failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

IN WITNESS WHEREOF, the parties have hereto caused this Agreement to be duly executed as of the day and year first above written.

Shareholder A

Shareholder B

Shareholder C