

SHAREHOLDERS' AGREEMENT
ABC, Inc.
a California Corporation

1. Purpose:

Until otherwise amended, supplemented, or replaced by a subsequent instrument this agreement (*The Agreement*) shall govern voluntary and involuntary transfers of the totality of ABC, Inc. (CA _____) (*The Company*) common shares held by the signatories hereunder as well as providing for special protection to minority shareholders.

To be valid and be implemented by *The Company* – *when The Company's action is required to implement The Agreement* --, The Agreement shall be notified to *The Company's* secretary by providing *The Company* a certified copy thereof.

Any supplement, modification, nullification of *The Agreement* shall be notified to *The Company's* secretary in the same manner and form.

2. Parties:

The parties to *The Agreement* are:

- Mr. XX
- Mr. YY
- Mr. ZZ

3. Representations:

The parties herein represent and warrant that, as of the date of *The Agreement*, the parties together own or control 100% of *The Company's* issued and authorized common shares.

The parties herein represent and warrant that 100% of the common shares subject matter of *The Agreement* is free and clear of any lien, attachment, seizure, or court order altering the shares' rights.

The parties herein represent and warrant that they own / control *The Company's* common shares subject matter of *The Agreement* for themselves and for investment purpose.

The parties herein represent and warrant that, for securities laws purposes, they are accredited investors.

The parties herein represent and warrant that, prior to entering into this *Agreement*, the parties have been advised by their respective counsels and / or professional advisors.

4. Share Transfers:

a. *Death, Incompetence, Insanity, or bankruptcy of a Shareholder:*

In case of death, incompetence, insanity (*incompetence or insanity to be established by judicial determination*) or bankruptcy (*as established by the filing of an involuntary bankruptcy petition (not withdrawn or rejected within ninety (90) days or by the filing of a voluntary bankruptcy petition*) of or by any of the parties herein (*Shareholder*), the *Company* and \ or its assignee will have the obligation, to acquire the shareholder's equity interest represented by such shareholder's issued and outstanding shares of stock.

Upon shareholder's death, incompetence, insanity or bankruptcy, such shareholder's (i) successor(s), (ii) administrator(s), (iii) conservators, (iv) guardians (v) trustee(s), (vi) beneficiary(ies) of the estate, (vii) beneficiary(ies) of any prior gifted shares ownership, or (ix) such other Person as has the legal right to control the disposition of such shares, including in the case of any bankruptcy, the debtor in possession shall offer for sale to the shares owned by such shareholder.

The offer shall be: (i) In writing, (ii) dated, and (iii) delivered to the Board of Directors no more than thirty (30) days after the date of the death, incompetency, insanity, or bankruptcy of such shareholder. Such an offer shall be open for a sixty (60) days period.

Should the Shareholder's representative not provide such offer within such thirty (30) day time period, the Company shall have the right to submit an offer to purchase at such price and on such terms as the Board of Directors may reasonably determine, such offer to be submitted not later than thirty (30) days from the date on which the Board of Directors is given notice by the shareholder's representative of the bankruptcy, death, incompetency or insanity of such shareholder.

The Company's offer to purchase shall contain: (i) the price offered for the shares, (ii) a Board of Director's resolution to the effect that the purchase of the shares shall not interfere with the Company's ability to operate in a regular manner and to meet its debts as they become due, and (iii) reasonable payment terms *(such as to allow the Company to legally purchase such shares without adverse impact to the financial condition of the Company)*.

The shareholder's representative shall thereafter have thirty (30) days in which to accept or reject such an offer. If the offer is not rejected within such thirty (30) day period, then it shall be deemed to have been accepted by the shareholder's representative.

Should the Company and the shareholder's representative reach agreement as to price and terms, the parties will endeavor in good faith to close the transaction within thirty (30) days after the documentation and written acceptance of such terms.

Should the Company and the shareholder's representative not be able to agree as to the price and/or terms, the fair value and sale terms will be determined by an appraiser acceptable to the Company and to the shareholder's representative.

If the Company and the shareholder's representative cannot agree as to such an appraiser, then the appraiser shall be selected by the shareholder's representative from a list of three (3) appraisers provided by the Company; or if the shareholder's representative has not given notice to the Company of its selection from such list of appraisers within thirty (30) days of the delivery of such list to the shareholder's representative, an appraiser from such list will be selected by the Board of Directors.

The determination of such appraiser shall be final and binding, and not subject to appeal, except in the case of fraud or manifest error having a material effect upon the determination made by such appraiser.

In the case of the bankruptcy of any party herein, should there be any conflict between the above and applicable bankruptcy laws, applicable bankruptcy laws shall control, and the above shall be deemed modified to the extent permitted to comply with such laws while still addressing the concerns of the parties hereto.

b. Voluntary share transfers:

Prior to any sale or disposition – *even partial* – of any of the common shares of The Company, any of the parties herein shall notify in writing the other parties, and The Company of the terms of the contemplated transaction, including (i) the price per common share, (ii) the number of shares, (iii) payment and re-payment terms, (iv) identity of the parties to the contemplated transaction, (v) the contemplated closing date, and (vi) how the remaining common shares – *if any* – of stock shall be handled by the initiating party after closing. Such notice shall include a certified copy of the term sheet between seller and buyer.

Within ten business days, the other parties to This Agreement AND The Company shall have the right, but not the obligation, to match the terms contained in the notice sent by seller and close the contemplated transaction under identical or better terms for seller.

The party using this right of first refusal shall notify in writing the seller of his decision to proceed with the contemplated transaction. Such notice shall include the contemplated transaction terms, namely (i) the price per common share, (ii) the number of shares, (iii) payment and re-payment terms, (iv) identity of the parties to the contemplated transaction, (v) the contemplated closing date.

Should seller proceed without first offering to its counterparts the opportunity to close the contemplated transaction, seller AND buyer / lender shall be jointly liable for liquidated damages to the benefit of the counterparties herein equal to 50.00% of the total consideration paid for the shares sold in contravention to The Agreement. These monies shall be deemed shareholders' fair compensation for relinquishing their rights to facilitate the contemplated transaction.

c. Involuntary Liens, Attachments & Seizures

Should any share of common stock be subject to any involuntary mechanism that deprives the holder of said shares of the rights listed in the corporate By-Laws or any other pertinent document, shareholder whose shares are subject matter of such mechanism shall notify the Board of Directors of the existence and the scope of such lien, attachment, seizure, or mechanism.

Notice of the lien, attachment, seizure, or any other impeding mechanism may also be given to The Board of Directors by the Person seeking such lien, attachment, seizure, or any impeding mechanism (*Creditor*).

Upon receipt of the notice of lien, seizure or attachment or any involuntary impeding mechanism, The Board of Directors shall (I) suspend the voting rights of the shareholder who's shares of common stock are subject to the adverse remedy sought by a third party for a period of no less ninety (90) days and no more than one hundred eighty (180) days from the date of the notice, and (ii) seek, draft and implement actions aimed at protecting the Company's interests.

Such actions are of protective nature only. They cannot reduce or alter such shareholder's rights.

Any foreclosure or other realization upon such shares of common stock by any Person who is not party to The Agreement shall be deemed to be a transaction subject to the buy-out rights set forth in Section 4.b above.

5. Minority shareholder's interest protection:

Any shareholder whose rights have not been treated proportionally to shareholder's equity interests with other shareholders' interests¹, for a period equal or greater to one year, shall have the right to request from The Company (*for 50% of the purchase price*) and co-shareholders (*held liable proportionally to their ownership interests to cover 50% of the total purchase price*), to purchase the requesting shareholders' equity interest for a price based on a minimum valuation of 6 x EBDITA.

This Company and co-shareholders' mandatory buy/sell agreement shall be consummated and liquidated no later than 90 days after the written purchase request made to the Board of Directors.

Any delay in the resolution of this compelled buy/sell transaction sourced in The Company's and the parties other than the requesting minority shareholder shall bear a late fee equal to 1% per day of the total consideration to be paid pursuant to this provision (*to be allocated between The Company and co-shareholders in the same manner principal of the purchase price is allocate*).

6. Tag Along Rights:

In case of any Transfer in one or more related Transactions by one or more shareholders and/or assignees of shares of common stock representing (25%) or more of the aggregate outstanding shares of common stock, such shareholders shall notify the Board of Directors and minority shareholders the terms of the contemplated transaction. Such notice shall be in writing and supplemented with a certified copy of the term sheet covering the contemplated transaction.

In such occurrence, minority shareholders shall have the right (*but not the obligation*) to proportionally participate in the projected Transfer by including their own shares of common stock in such Transfer in consideration of the receipt of a proportionate share of the consideration to be paid in such Transaction.

Such election to participate must be provided to the Company within thirty (30) days of receipt by such shareholders from the Company of a detailed written description of the Transfer and all relevant and material terms and conditions thereof.

7. Drag Along Rights:

If at any time the Board of Directors elects to enter into to a transaction (*each, a "Drag Along Transaction"*) with any unaffiliated third party pursuant to which such third party agrees to purchase a majority of the shares in a bona fide transaction, then the Board of Directors shall have the right (*a "Drag Along Right"*) to compel each shareholder to sell their shares in a proportion of their shares equal to the proportion of all of the shares being sold in the Drag Along Transaction on terms and conditions specified by the Board of Directors for the Drag Along Transaction; provided that the shareholders shall receive the identical form of consideration for their respective shares, pro rata based on the offered price for the shares they sell in the Drag Along Transaction.

¹ For interpretation purposes, this provision applies to the following corporate "incidents": (i) alteration and \ or discard of minority shareholder's proportional voting rights, (ii) restriction or non- access to corporate records and accounting, (iii) non-proportional dividends, and \ or any other benefit provided to other shareholders by The Company, and (iv) detrimental modifications to corporate governing documents

Each Drag Along Right may be exercised by the Board of Directors by providing each shareholder with written notice (*the "Drag Along Notice"*) setting forth (i) the time and place of the closing of the Drag Along Transaction, which time and place shall be no less than thirty (30) days after the date of the applicable Drag Along Notice and (ii) actually and timely pay the expected consideration to be paid at the closing of such Drag Along Transaction.

8. General Provisions:

a. *Notices*

Any notice (*including requests, demands, or other communications*) to be sent by one party to another party in connection with this Agreement must be in writing and delivered personally, by reputable overnight courier, by certified mail (*or equivalent service offered by the postal service from time to time*) or date stamped electronic transmission to the following addresses or as otherwise notified in accordance with this Section: (i) if to the Company, notices must be sent to the Company's principal executive office; and (ii) if to a shareholder, notices must be sent to the shareholder's last known address for notice on record. Any party to this Agreement may change its notice address by sending written notice of such change to the Company in the manner specified above.

b. *Entire Agreement.*

This Agreement along with the Certificate of Incorporation and current By-Laws constitute the entire agreement among shareholders herein and replace and supersede all prior written and oral understandings and agreements with respect to the subject matter of this Agreement, except as otherwise required by applicable laws.

c. *Governing Law;*

This Agreement will be construed and enforced in accordance with the laws of the state of California.

d. *Severability:*

If any provision of this Agreement is held to be unenforceable by a court of competent jurisdiction for any reason whatsoever, (i) the validity, legality, and enforceability of the remaining provisions of this Agreement (*including without limitation, all portions of any provisions containing any such unenforceable provision that are not themselves unenforceable*) will not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the unenforceable provision will be deemed modified and replaced by a provision that approximates the intent and economic effect of the unenforceable provision and the Agreement will be deemed amended accordingly.

e. *Further Action.*

Each party herein agrees to perform all further acts and execute, acknowledge, and deliver any documents which may be necessary, appropriate, or desirable to carry out the provisions of this Agreement.

f. Attorney Fees.

In the event that any of the parties must resort to legal action to enforce the provisions of The Agreement or to defend against such suit, the losing party shall be responsible for costs and the winning party's reasonable attorney fees, court fees and expert witness fees.

g. Confidentiality.

The Agreement and any instrument incorporated by reference shall be kept by the parties in strictest confidentiality. They can be disclosed to third parties for legal advice, financial, accounting and/or tax matters only.

h. Jurisdiction.

In case of litigation, the courts located in the County of Los Angeles, California shall have exclusive jurisdiction.

i. Electronic Counterparts.

This agreement can be executed in separate electronic counterparts, that altogether shall constitute the Agreement.

SIGNATURES