**SHAREHOLDER RESTRICTION AND OPTION AGREEMENT**

This Shareholder Restriction and Option Agreement (“Agreement”) is entered into this \_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_, 200\_\_\_\_\_\_\_, by and among \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the “Company”), \_\_\_\_\_\_\_\_\_\_\_\_, and \_\_\_\_\_\_\_\_\_\_\_\_, in their individual capacities and as shareholders of the Company, and \_\_\_\_\_\_\_\_\_\_\_\_, as an employee of the Company.

**RECITALS**

The Shareholders and the Company believe it is in their and the Company’s best interest to restrict the free transferability of the shares to ensure continuity in the control and management of the Company.

The Shareholders and the Company further believe that it is in the Company’s best interests to establish a share option agreement to ensure a gradual transition of the ownership and management of the Company to \_\_\_\_\_\_\_\_\_\_\_\_, and to ensure adequate compensation to the current shareholders of the Company.

NOW, THEREFORE, the parties agree as follows:

**AGREEMENTS**

1. General Restriction on Issuance and Transfer. No share or any interest therein shall be validly issued, sold, assigned, awarded, pledged, encumbered, confirmed, or otherwise transferred, for consideration or otherwise, whether voluntarily, involuntarily, or by operation of law (collectively), a “Transfer”, except in accordance with the provisions of this Agreement. A purported transferee of a Transfer not made in accordance with the provisions of this Agreement shall not be recognized as a Shareholder of the Company for any purpose whatsoever. A Transfer or attempt to affect a Transfer subject to the provisions of this Agreement shall be deemed to occur whenever any interest in any share is transferred or is attempted to be transferred, voluntarily, involuntarily, or by operation of law, irrespective of whether any change in the record ownership of the shares occurs. The ownership of the Company is set out in Exhibit A, as further represented in the Corporate Record Book of the Company: No additional stock of the Company shall be issued without the express written consent of all of the Shareholders and \_\_\_\_\_\_\_\_\_\_\_\_ , except as specifically allowed by this Agreement in § 3.1.1.

2. Transfers to Company. Notwithstanding anything in this Agreement to the contrary, a Shareholder may affect a Transfer of all or any portion of his or her shares to the Company.

2.1 Right of First Refusal. In the event that any Shareholder desires to Transfer all or any portion of his or her shares subsequent to the execution of this Agreement (such Shareholder hereinafter referred to as the “Offering Shareholder” and such shares hereinafter referred to as the “Offered Shares”), said Offering Shareholder does hereby grant to the remaining Shareholders a right of first refusal to purchase all of the Offered Shares.

2.2 Notice. The Offering Shareholder shall provide written notice to the remaining Shareholders and to the Company of his intent to transfer the Offered Shares. The notice sent to the remaining Shareholders and to the Company shall contain the number and the class of shares of stock the Offering Shareholder desires to transfer, together with the terms and conditions of a third party offer, including the name, address, and telephone number of the third party to whom the stock is offered (a “Third Party Offer”), if any.

2.3 Irrevocable Offer to Sell. Such notice shall constitute an irrevocable offer to sell the Offered Shares first to the remaining Shareholders and then to the Company at the lesser of the price set forth in Article 6 or the Third Party Offer.

2.4 Shareholder’s Right of First Refusal. For a period of thirty (30) days after the receipt of the notice by the Offering Shareholder, the remaining Shareholders shall have the right to purchase all or any portion of the offered Shares at the lesser of the price as set forth in Article 6, and on payment terms in accordance with Article 7; or the price and terms set forth in the Third Party Offer.

2.5 Acceptance by Shareholders. In order to exercise its right of first refusal, the remaining shareholders must give written notice thereof to the Offering Shareholder and to the Company within thirty-five (35) days after the receipt of the notice by the Offering Shareholder.

2.6 Company’s Right of First Refusal. In the event the remaining Shareholders fail to exercise their right of first refusal for the Offered Shares, the Company shall have the right to purchase all or any portion of the Offered Shares at the lesser of the price as set forth in Article 7, and on payment terms in accordance with Article 8; or the price and terms set forth in the Third Party Offer.

2.7 Absence of Exercise of Right of First Refusal by Company and Shareholders. Upon the rejection or lapse of the right of first refusal to the remaining Shareholders and the Company, the Offering Shareholder shall, for a period of thirty (30) days thereafter be free to transfer such Offered Shares to the person or persons listed in the Third Party Offer, as long as the purchase price for the Offered Shares is not less than the price set forth in the Third Party Offer, if any, or as set forth in Article 6 in the event there is no Third Party Offer. No transfers of the Offered Shares shall be made after the end of the thirty (30) day period, nor shall any change in terms of transfer be permitted without a new notice of intention to transfer in compliance with this Agreement.

2.8 Transfers Without Notice. If any transfer shall be made by any Shareholder without giving prior notice as provided herein or before the time for acceptance of such offer expires, said transfer shall be deemed to be an offer to sell the Offered Shares to the Company in accordance with the provisions hereof, and the provisions hereof shall be binding upon the transferee or transferees or subsequent transferee or transferees. The relevant time periods of acceptance or rejecting such offer to sell shall commence upon receipt of actual notice of the transfer or upon request by the transferee to transfer the stock on the Corporate Record Book of the Company.

3. Death of Shareholder.

3.1. Purchase at Death. Upon the event of the death of any Shareholder, the Company shall have the right to purchase the decedent’s shares from his/her estate. In the event that the Company asserts this right, the estate shall sell such shares to the Company. The personal representative of the deceased Shareholder shall proceed with the probate of the estate and shall promptly transfer title of decedent’s shares to the Company. The sale of the shares of the deceased Shareholder shall be pursuant to the price and terms set forth in Sections 6 and 7 of this Agreement.

3.1.1 Death of [Stockholder who started business]. Upon the death of \_\_\_\_\_\_\_\_\_\_\_\_, [Employee] shall have the immediate right to exchange any nonvoting shares in her then possession for voting shares that had been held by \_\_\_\_\_\_\_\_\_\_\_\_, or alternatively, sufficient voting shares shall be issued by the Company to ensure that \_\_\_\_\_\_\_\_\_\_\_\_ maintains control of the Company. The purpose of § 3.1.1 is to ensure that the management and control of business operation passes from \_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_\_ regardless of any estate plans to the contrary. Should \_\_\_\_\_\_\_\_\_\_\_\_ not have sufficient nonvoting shares at the time of \_\_\_\_\_\_\_\_\_\_\_\_’s death so as to attain a majority of voting shares in the Company, upon said exchange of nonvoting for voting shares, \_\_\_\_\_\_\_\_\_\_\_\_ shall have the immediate right to acquire sufficient voting shares from \_\_\_\_\_\_\_\_\_\_\_\_ at the price as set out in Exhibit B so as to become the majority Shareholder of the Company. In the event that any questions arise in the application of this paragraph as it relates to § 3.1, the terms of § 3.1.1 shall control and take precedence over the terms of § 3.1.

3.1.2 Death of [Spouse of Shareholder who started company] . Upon the death of \_\_\_\_\_\_\_\_\_\_\_\_, any nonvoting shares in her then possessions shall pass to the heirs of \_\_\_\_\_\_\_\_\_\_\_\_. In the event that \_\_\_\_\_\_\_\_\_\_\_\_ owns any voting shares, at the death of \_\_\_\_\_\_\_\_\_\_\_\_ said voting shares shall be immediately exchanged for nonvoting shares and said nonvoting shares shall pass to the heirs of \_\_\_\_\_\_\_\_\_\_\_\_. The purpose of § 3.1.2 is to ensure that the management and control of business operation passes from \_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_\_ regardless of any estate plan of \_\_\_\_\_\_\_\_\_\_\_\_ to the contrary. In the event that any questions arise in the application of this paragraph as it relates to § 3.1, the terms of § 3.1.2 shall control and take precedence over the terms of § 3.1.

3.2. Collection of Insurance Proceeds. The Company shall collect, if any, the proceeds of the insurance policies on the life of the deceased Shareholder and upon receipt of title to decedent’s shares, shall pay such proceeds, or so much thereof as may be necessary, to the deceased Shareholder’s personal representative in payment for the decedent’s shares.

3.3 Payment of Balance. In the event the purchase price exceeds the insurance proceeds said excess shall be payable to the decedent’s estate in equal monthly payments over the repayment term together with interest equal to the prime lending rate established by the Company’s depository bank, plus one percent (1%). The initial repayment term shall be one hundred, twenty (120) months. The repayment term shall be reduced by one year for each full calendar year after the effective date of the Agreement. The obligation of the Company under this paragraph shall be evidenced by a non-negotiable promissory note. The terms of the promissory note shall indicate that the obligation may be satisfied at anytime by paying the remaining principal balance and accrued interest without prepayment penalty.

3.4 Security. The company shall deposit as a pledge with the personal representative of the deceased Shareholder the properly endorsed purchased shares. During any period that the Company is in default in any installment payment, the pledgee shall have the right to vote such pledged shares. Said pledged shares are to be released to the Company by the personal representative of the deceased Shareholder upon receipt of final payment on the Company’s obligation.

3.5. Limitations. In the event that the Company defaults on any payment for the purchase of any shares, the Company shall refrain from increasing salaries of executives, paying dividends, making “S” corporation distributions in excess of an amount equal to the income tax on “S” Corporation earnings attributable to the surviving Shareholders, or taking any action which does not fall within the usual normal course of its regular business. This limitation shall continue until the Company cures said default. The insurance payments shall be made within six (6) months of the death of the Shareholder and the first payment under the promissory note shall be made no later than six (6) months after the death of the Shareholder.

4. Life Insurance.

4.1 Acquisition of Life Insurance. The Company may take out insurance from time to time on the lives of the Shareholders in amounts reasonably and necessary to carry out its obligations under this Agreement. The Company shall name itself as the direct beneficiary under the policies for which it is the applicant, and it shall be the sole owner of the policies taken out by itself.

4.2 Payment of Premiums. The Company shall pay all premiums due on the policies taken out by itself on the lives of the Shareholders and shall exhibit proof of payment to each respective Shareholder within fifteen (15) days after the due date of each premium. If the Company fails to pay a premium within fifteen (15) days after the premium due date, any Shareholder may pay such premium. Such payment shall be considered a loan to the Company, and the Shareholder making the payment shall be entitled to recover such amount with interest from the date of payment at nine percent (9%) per annum.

5. Involuntary Transfers. Whenever any Shareholder has any notice or knowledge of any attempted, impending or consummated involuntary transfer of any of his shares, whether by operation of law or otherwise, he shall give immediate written notice thereof to the other Shareholders. If any shares are the subject of any such attempted, impending or consummated involuntary transfer, then within thirty (30) days of the date that the other Shareholders receive said notice or within thirty (30) days of the other Shareholder receiving actual knowledge of an Involuntary Transfer, the other Shareholders shall have the option to purchase all of the shares of said transferring Shareholder and the Transferring Shareholder shall sell to the other Shareholders said shares at the price and on terms set forth in Sections 6 and 7.

For the purpose of this Agreement, an involuntary transfer is defined as a bankruptcy (voluntary or involuntary) or assignment for benefit of creditors by any Shareholder, or the commencement of an action to foreclose a security interest or other lien on shares of any Shareholder, whether or not such security interest or other lien is in violation of this Agreement.

6. Purchase Price. Unless and until changed as hereafter provided, the purchase price of the stock of the Company held by each Shareholder is set forth on Exhibit B, attached hereto. Said purchase price includes an amount mutually agreed upon as representing the goodwill of the Company as a going concern. At the annual Shareholder meeting, the Shareholders may re-determine the value of each Shareholder’s shares, but in no event shall such value be more that which is set out in Exhibit B. Any re-determination of the value of Shareholder shares shall require a unanimous vote of all Shareholders of the Company.

7. Payment of Purchase Price. In the event of a Transfer of Shares as set out in Paragraphs 2,3, 5, or 8 of this Agreement, the purchase price shall be paid to the selling Shareholder in equal monthly payments over the repayment term together with interest equal to the prime lending rate established by the Company’s depository bank, plus one percent (1%). The initial repayment term shall be one hundred, eighty (180) months. equal monthly installments of principal, The repayment term shall be reduced by one year for each full calendar year after the effective date of the Agreement.

The obligation of the buying Shareholder(s) or the Company under this Section shall be evidenced by a non-negotiable promissory note payable to the selling Shareholder. The terms of the promissory note shall indicate that the obligation may be satisfied at anytime by paying the remaining principal balance and accrued interest without prepayment penalty.

The buying Shareholder(s) or the Company shall deposit as a pledge with the selling Shareholder the properly endorsed purchased shares. During any period that they buying Shareholder(s) or the Company is in default in any installment, payment, the pledgee shall have the right to vote such pledged shares. Said pledged shares are to be released to the buying Shareholder(s) or Company by the selling Shareholder upon receipt of final payment on the buying Shareholder’s(s’) or Company’s obligation.

8. Divorce/Court Order. If a court order, including but not limited to a court order issued pursuant to divorce or legal separation, causes any or all of the Shareholder’s interest in the shares to be transferred to the Shareholder’s spouse, then no such transfer shall be effective without such spouse first offering such interest as follows:

a. To the Shareholder, the entirety thereof on the same terms and for the same proportionate price as applies to the transfer by a Shareholder at death under the price of Section 6 and at terms under Section 7.

b. If the Shareholder fails to accept such offer and exercise the option to purchase within ninety (90) days of the date of the court order, then the terms of Section 2 shall apply with respect to the remaining Stockholders.

9. Management and Control. If a Shareholder’s rights as to management and control are in any way limited or terminated by court order, then the other Shareholder(s) or Company who are a party to this Agreement shall have the right to purchase such stock according to the procedure set forth pursuant to Section 2 as of the date of any court order limiting or terminating the Shareholder’s management and control rights. Such other Shareholder(s) or Company shall exercise such right within ninety (90) days of the date that he (they receive(s) notice of the court order. If the Shareholder(s) or Company do(es) not exercise his (their) (its) right to purchase the shares, the restrictions on such shares as imposed by this Agreement shall remain in effect. This Section is not applicable to court orders described in Section 10, which affect not only management and control but also ownership.

10. Termination of Employment: If a Shareholder’s employment with the Company is terminated for any reason and under any circumstance, the other Shareholder(s) or Company who are a party to this agreement shall have the obligation to purchase said stock according to the procedure set forth at Section 5 for Involuntary Transfers.

11. Shareholder Disability. Upon the passage of 180 days following the date on which a Shareholder becomes disabled, either partially or totally, for any reason whatsoever, as determined by (i) an insurer issuing a disability policy covering the disabled shareholder, whether or not paid for by the Company, or (ii) in the absence of a disability policy covering the disabled Shareholder, the unanimous vote of the board of directors of the Company, excluding the vote of the disabled Director of the Company, excluding the vote of the disabled Shareholder, if such disabled Shareholder is a Director. In either case, the determination of the insurer or the board of directors shall control and be binding upon the disabled Shareholder, the remaining Shareholders and the Company. The other Shareholders or Company who are a party to this agreement shall have the obligation to purchase such stock of the disabled Shareholder according to the procedure set forth at Section 5 for Involuntary Transfers.

12. Certificate Endorsement. Upon the execution of this Agreement, the certificates of stock subject hereto shall be surrendered to the Company for endorsement as follows:

“Stock Transfer Restriction: The shares represented by this certificate are subject to the terms of an agreement restricting transfer of shares dated this \_\_\_\_\_ day of November, 2006, a copy of which is on file at the offices of the Company’s registered agent, as from time to time amended.”

After endorsement the certificates shall be returned to the Shareholders. All stock hereafter issued to the Shareholders shall bear the same endorsement.

13. Subsequent Shares. This Agreement shall cover the shares currently owned by each Shareholder and any shares acquired after the execution of this Agreement, be it by additional purchase, operation of law, stock dividend, recapitalization or any other issuance. After-acquired shares (not received from the Company) shall be surrendered to the Company for the purpose of inserting the endorsement as set forth in Section 12.

14. Release of Liability. At the option of a selling Shareholder, the Company and the purchasing Shareholder(s) shall seek in good faith to obtain a release from any creditor of the Company for whom the selling Shareholder is guarantor.

15. Termination of Agreement. This agreement shall terminate upon the signed written agreement of all parties hereto.

16. Applicability. This Agreement shall bind the Shareholders and their respective heirs, executors, administrators and assigns, but nothing herein shall be construed as an authorization to any Shareholder to assign his rights or obligations thereunder.

17. Amendment. This Agreement may be altered or amended at any time by the consent of all parties hereto and shall be governed by and interpreted under the laws of the State of Minnesota.

18. Entire Agreement. This Agreement contains the entire agreement between the Company and the undersigned Shareholders of the Company, and any subsequent agreement shall be ineffective to change, modify or terminate this Agreement, in whole or part, unless such subsequent agreement is in writing and signed by all parties and shall be binding upon the executors, administrators, personal representatives, heirs, successors and assigns of each party.

19. Employee Compensation, Benefit, Non-Compete, Non-Disclosure, and Non-Solicitation Agreement. Exhibit C, entitled “Employee Compensation, Benefit, Non-Compete, Non-Disclosure, and Non-Solicitation Agreement” is herein incorporated by reference into this Agreement. In the event of any conflict between terms in the main body of this Agreement and terms in Exhibit C, the terms of Exhibit C shall control.

20.. Warranty of Capacity to Execute Agreement. Each party represents and warrants that they have the right and authority to execute this Agreement.

21. Comprehension of the Agreement. In entering into this Agreement, the Parties represent that they have had the opportunity to seek independent legal advice and that they have had the opportunity to completely read all terms of the Agreement, including all Exhibits, and they fully understand said terms and agree to be bound by said terms.

22. Headings. The headings and the sections of this Agreement are inserted for convenience only and shall not constitute a part hereof.

IN WITNESS WHEREOF, the parties have signed and sealed this Agreement.

Shareholders: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

Company: By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

President

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Secretary

**EXHIBIT A**

**SHAREHOLDERS OF [COMPANY NAME]**

As of the effective date of this Agreement, the shareholders of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ hereby warrant that the ownership interests of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. is set out as follows as also evidenced in the Corporate Record Book of the Company:

SHAREHOLDER SHARES

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Nonvoting Shares

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Nonvoting Shares

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Voting Shares

**EXHIBIT B**

The shareholders of the Company and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, an employee of the Company, herein agree that for the purposes of this Agreement the purchase price of the shares of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ shall be $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ per share.

**EXHIBIT C**

**EMPLOYEE COMPENSATION, BENEFIT NON-COMPETE AND NON-SOLICITATION AGREEMENT**

This Agreement is by and between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“the Company”), \_\_\_\_\_\_\_\_\_\_\_\_ , and \_\_\_\_\_\_\_\_\_\_\_\_ (“the Parties”). The purpose of this Agreement is to facilitate the gradual transition in ownership and management of the Company to \_\_\_\_\_\_\_\_\_\_\_\_ and to compensate the existing Shareholders of the Company fairly. For the purposes of this Agreement, Issued Shares shall mean shares issued by the Company regardless of whether said shares are owned by individual shareholders or held as treasury shares. The parties hereby agree as follows:

1. Compensation and Benefits of [Shareholder who started business]. \_\_\_\_\_\_\_\_\_\_\_\_ is to receive a management fee of $90,000.00 per year as an employee of the Company. In addition, the Company agrees to pay insurance premiums for medical/dental policies for \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ until each have attained the age of 65. At which time, the Company shall have no further responsibilities for paying any medical/dental premiums for \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ .

a. The Parties acknowledge that in the event of the death of \_\_\_\_\_\_\_\_\_\_\_\_, the management services that are referenced in this paragraph shall be provided by \_\_\_\_\_\_\_\_\_\_\_\_ or, if deceased, her immediate heirs at the same rate of compensation and subject to the same terms as those \_\_\_\_\_\_\_\_\_\_\_\_ is subject to.

2. Tax Liabilities. The Company agrees to distribute funds to each shareholder sufficient for each shareholder to pay their own tax liabilities for any undistributed profits due as a result of the s-corporation tax status. These distributions shall be made prior to the calculation of net profits due \_\_\_\_\_\_\_\_\_\_\_\_ under Section 6 of Exhibit C.

3. Accountant. For ease of administration of this Agreement, \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ agree to use the same certified public accounting firm as is then servicing the Company for the purpose of preparing their individual tax returns.

4. Reduction in Compensation of [Shareholder who started business]. . The annual management fee of \_\_\_\_\_\_\_\_\_\_\_\_ as an employee of the Company shall be reduced by the corresponding percentage of shares owned by \_\_\_\_\_\_\_\_\_\_\_\_ to Issued Shares. By way of illustration only, when \_\_\_\_\_\_\_\_\_\_\_\_ attains ownership 10% of Issued Shares, the annual compensation of \_\_\_\_\_\_\_\_\_\_\_\_ will be reduced by 10% to $81,000. This reduction shall become effective as of the date of the transfer of ownership of the corresponding shares to \_\_\_\_\_\_\_\_\_\_\_\_.

5. Compensation and Benefits of [Employee]. \_\_\_\_\_\_\_\_\_\_\_\_ shall receive a minimum base salary of $85,000.00 per year. In addition, \_\_\_\_\_\_\_\_\_\_\_\_ shall receive incentive compensation in the form of a 3% bonus on any gross sales over $216,000.00 per month. In addition, the Company agrees to pay premiums for medical, dental, life and disability insurance for \_\_\_\_\_\_\_\_\_\_\_\_ and her family. The Company shall provide \_\_\_\_\_\_\_\_\_\_\_\_ with a commercially acceptable vehicle for business purposes and shall pay all costs associated with this vehicle. \_\_\_\_\_\_\_\_\_\_\_\_ shall also receive the use of a 401 (safe harbor) retirement account and the Company will match up to 3% of her salary.

6. Additional Compensation of [Employee]. . After paying all reasonable and necessary business expenses specifically including but not limited to the compensation as set out above and including any mandatory contributions to existing employee retirement accounts, \_\_\_\_\_\_\_\_\_\_\_\_ will receive all remaining net profits of the Company. Said remaining net profits shall be calculated through a meeting of \_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_, and the then-current Certified Public Accountant servicing the Company. In the event that the Parties cannot agree on a specific amount of remaining net profits, then the Parties shall select, by unanimous consent, a Certified Public Accountant to calculate the remaining net profits of the Company. The selection of the Certified Public Accountant shall be done within ten (10) days of the date the Parties determine they cannot agreed on a specific amount of remaining net profits. This period shall be referred to as the Unanimous Consent Period. If the parties cannot agree on an Certified Public Accountant prior to the expiration of the Unanimous Consent Period, the Parties shall each select their own Certified Public Accountant. Each Certified Public Accountant shall meet either in person or by telephone and agree upon a third Certified Public Accountant who shall determine the amount of remaining net profits. The determination of this third Certified Public Accountant shall be binding upon the parties. \_\_\_\_\_\_\_\_\_\_\_\_ shall use at least eighty percent (80%) of after tax said remaining net profits to purchase shares of the Company held by \_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_ at the price of $\_\_\_\_\_\_\_\_\_\_\_\_ per share. In any event, \_\_\_\_\_\_\_\_\_\_\_\_ shall be required to purchase from \_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_ a minimum of $20,000 in Shares per fiscal year.

a. Obligation of \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ . Upon receipt of notice from \_\_\_\_\_\_\_\_\_\_\_\_ of her intent to exercise her option under this paragraph, \_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_ shall be obliged and bound to sell the corresponding number of shares to \_\_\_\_\_\_\_\_\_\_\_\_ at the price of $163 per share and shall take affirmative steps to forthwith consummate said transaction.

b. Order of Share Transfer. Except as otherwise allowed by §§3.1.1 and 3.1.2, for the first two fiscal years of this Agreement, \_\_\_\_\_\_\_\_\_\_\_\_ may exercise her option only with regard to nonvoting shares of the Company held by \_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_ . After the first two years, \_\_\_\_\_\_\_\_\_\_\_\_ shall have the right to exchange any nonvoting shares in her then possession for voting shares up to the corresponding percentage of her total ownership of the Company, inclusive of both voting and nonvoting shares.

7. Duty of Good Faith Upon Termination. The parties acknowledge that \_\_\_\_\_\_\_\_\_\_\_\_ is a key employee and that her separation from the Company will have a substantial fiscal impact on the Company. In the event of an involuntary or voluntary termination of employment with the Company, \_\_\_\_\_\_\_\_\_\_\_\_ agrees to participate in good faith efforts to sell the Company to a third party. \_\_\_\_\_\_\_\_\_\_\_\_ agrees to give a twelve (12) month notice prior to any voluntary separation from the Company. In the event \_\_\_\_\_\_\_\_\_\_\_\_ fails to give a twelve (12) month notice prior to a voluntary separation from the Company, the Company and any other Shareholder shall have the right to purchase any shares in her possession at a forty (40) % discount. In the event of a termination without cause, \_\_\_\_\_\_\_\_\_\_\_\_ shall be entitled to twelve (12) months of base compensation as outlined in paragraph 5.

8. Nondisclosure of Confidential Information During the term of employment and forever thereafter, \_\_\_\_\_\_\_\_\_\_\_\_ agrees to keep Confidential all information provided by the Company, excepting only such information as is already known to the public, and including any such information and material relating to any customer, vendor, licensor, licensee, or other party transacting business with the Company, and not to release, use, or disclose the same except with the prior written permission of the Company. \_\_\_\_\_\_\_\_\_\_\_\_ further agrees to consider all specific software, algorithms, computer processing systems, and techniques with which she becomes familiar as an employee of the Company to be confidential and the exclusive property of the Company which will not be converted or disclosed to anyone for any purpose whatsoever.  All records, files, memorandums, reports, price lists, customer lists, drawings, plans, sketches, documents, equipment, and the like,  relating  to the business of the Company, which \_\_\_\_\_\_\_\_\_\_\_\_ shall use or prepare or come into contact with, shall remain the sole property of the Company.

9. Possession of Company Property. \_\_\_\_\_\_\_\_\_\_\_\_ agrees that, upon request by the Company, and in any event upon termination of employment, \_\_\_\_\_\_\_\_\_\_\_\_ shall turn over to the Company all documents, papers, or other material in his possession or under his control which may contain or be derived from confidential information, together with all documents, notes, or other work product which is connected with or derived from \_\_\_\_\_\_\_\_\_\_\_\_ 's services to the Company whether or not such material is at the date hereof in her possession.  \_\_\_\_\_\_\_\_\_\_\_\_ agrees that she shall have no proprietary interest in any work product developed or used her and arising out of her employment by the Company.  \_\_\_\_\_\_\_\_\_\_\_\_ shall, from time to time as may be requested by the Company, do all things that may be necessary to establish or document the Company's ownership of any such work product, including, but not limited to, execution of appropriate copyright applications or assignments.

10. Covenant Not to Compete. This Covenant Not to Compete shall only apply if \_\_\_\_\_\_\_\_\_\_\_\_ is terminated for good cause. For a period of twelve (12) months from the date of any termination of \_\_\_\_\_\_\_\_\_\_\_\_ ’s employment with the Company, \_\_\_\_\_\_\_\_\_\_\_\_ shall not, directly or indirectly, accept employment with or render any services to any present or past customers of the Company, or render any services to, form an association with, any business competitive with the Company. For the purpose of this covenant, a business competitive with the Company is a business that markets printing services and has an office in a five (5) mile radius of the principal location of the Company. \_\_\_\_\_\_\_\_\_\_\_\_ acknowledges that the restrictions imposed by this Agreement are fully understood by her and will not preclude her from becoming gainfully employed following a termination of employment with the Company.

11. Covenant Not to Solicit. This Covenant Not to Solicit shall only apply if \_\_\_\_\_\_\_\_\_\_\_\_ is terminated for good cause. For a period of twelve (12) months from the date of any termination of \_\_\_\_\_\_\_\_\_\_\_\_ ’s employment with the Company, \_\_\_\_\_\_\_\_\_\_\_\_ shall not, directly or indirectly solicit, attempt to solicit or contact for the purpose of soliciting (for you or for any other person or business) any employee of the Company to terminate such person's employment by or consultancy to the Company. As used herein, the term solicit, shall include, without limitation, requesting, encouraging, assisting, or causing, directly or indirectly, any such employee or consultant to terminate such person's employment by or consultancy to Employer, affiliate, or subsidiary.

12. Survival of Covenants. The undertakings of sections 9, 10, and 11 of this Agreement shall survive the termination or cancellation of the Agreement or of the Employee's employment.

13. No Waiver. The failure of the Company to terminate this Agreement for the breach of any condition or covenant herein by \_\_\_\_\_\_\_\_\_\_\_\_ shall not affect the Company’s right to terminate for subsequent breaches of the same or other conditions or covenants.   The failure of either party to enforce at any time or for any period of time any of the provisions of this Agreement shall not be construed as a waiver of such provisions or of the right of the party thereafter to enforce each and every such provision.

14. Opportunity for Disclosure. Each party represents that they have had the opportunity to review any financial information of the Company that they wanted to prior to the execution of this Agreement. Each party warrants that any financial information so presented is accurate to a commercially reasonable degree of certainty as of the effective date of this Agreement.

15. Franchise. The parties acknowledge that the Company is a franchisee and subject to the terms of a franchise agreement.

IN WITNESS WHEREOF, the parties have signed and sealed this Agreement.

Shareholders: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

Company: By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

President

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Secretary

Employee: By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Spouse of Employee: By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_