

Shareholders' Agreement of [Company name] company.**1 Partners to the Agreement**

[Company Name] [Company Type], a Company in planned to be registered in [Country, City] (hereinafter referred also as the Company) for [Summary of what company does] (hereinafter referred also as Company services),

Partners:

- a [Partner Name], [address], [Personal or Business ID if any] (hereinafter referred also as [initials])
- b [Partner Name], [address], [Personal or Business ID if any] (hereinafter referred also as [initials])
- c [Partner Name], [address], [Personal or Business ID if any] (hereinafter referred also as [initials])

2 Ownership of the shares

The ownership of the shares (total [Number of shares]) is presented in the table below.

Shareholder	Number of shares	%
[Partner Name]		
[Partner Name]		
[Partner Name]		

3 Background & Rational and the Spirit of this Agreement

This Shareholders' Agreement defines the co-operation principles between the Partners, and related measures and responsibilities.

The Partners have recognized a growing market opportunity to provide company services to [customer types] [In what markets]. The Partners have agreed upon pursuing this opportunity by their engagement with The Company.

The goal of the Partners is to develop The Company rapidly into [What type of Company is being target; size, scale, etc.]. The initial business outline is presented in the [Annex 1 ie. company presentation/business plan], and related revenue allocation structure is presented in Exhibit D. The Company develops the plan continuously based on the market feedback and opportunities.

The purpose of this Agreement is to protect the interests of the Partners. It is not meant to punish a Partner who unintentionally breaches this Agreement and discontinues his or her misconduct after notification from other Partners.

In this spirit, the Partners agree not to sell The Company's shares to outsiders when share disposal restriction provisions of this Shareholders' Agreement (hereinafter referred also as Agreement) restrict the selling of the shares.

4 *General Commitments*

The Partners agree to the following:

We, as the Partners to this Agreement, agree to conduct our tasks in the field of The Company's business operations in the interests of the Company. All immaterial and other property rights created during or directly related to The Company business development process will become property of The Company unless agreed otherwise in written by all Partners.

Tasks and/or roles of the Partners :

[Partner] [Role/Title]

Main tasks & responsibilities:

- manage the business
- etc

Related incentive plan presented in Exhibit C

[Partner] [Role/Title]

Main tasks & responsibilities:

- manage the business
- etc

Related incentive plan presented in Exhibit C

[Partner] [Role/Title]

Main tasks & responsibilities:

- manage the business
- etc

Related incentive plan presented in Exhibit C

5 *Proceedings*

By default, each Partner can freely vote in a shareholders' meeting. However, the Partners agree on two exceptions to the above:

Firstly, if more than 2/3 of the shares owned by the Partners are supporting certain voting behavior, then all Partners will vote in agreement with the 2/3 majority of Partners. The

purpose is to ascertain that the Partners will be unified, acting as a single group, even in the situations when there would be other shareholders in the Company than the Partners alone.

Secondly, certain decisions will require support by Partners holding at least 90% of all Partner shares; otherwise all Partners agree to vote against these decisions. The decisions are the following:

- Increasing and decreasing the share capital,
- Issuing new shares,
- Issuing convertible loans or options that can be transferred to shares,
- Selling all or a major part of the business of the company,
- Authorizing the Board to make decisions listed above.

To implement the proceedings describe above, the Partners agree to efficiently work together at the shareholders' meetings and before them. Any Partner may call the partners to meet in two week's notice, either in person if possible, or over internet/telephone, and otherwise following the protocols used for inviting a shareholders' meeting. The Partners will do their best effort to find meeting times – several meetings if necessary – to work out their common voting strategy. The Partners agree to participate in all shareholders' meetings, either in person or by proxy instructed to follow the proceedings describe above.

6 *Competition Restriction Clause*

The Partners who have an active role in The Company undertake not to compete in any way, directly or indirectly, with the business of The Company. Here, the following definitions are used:

- Active role in The Company is defined as being either employed by The Company, or acting as a Board director, advisor, or consultant for the company.
- The business of The Company is defined based on the strategy, business plans, customer relations and pipeline, product roadmaps, and IPR's of The Company at any given time.

If a Partner ceases to have an active role in The Company, then the Partner agrees not to compete in any way with the business of The Company as defined at that moment, during the following **[number of months ie. 12]**.

In addition to the above, all Partners (not just those having an active role in The Company) agree not to compete in any way with the business of The Company during the first **[number of months ie. 6]** after signing this Shareholders Agreement of the company.

If The Company decides to change its strategy, business plan or business focus, this change and new business plan must be communicated to each Partner. If a competitive situation follows from the change by The Company, this is not considered as a breach of this Competition Restriction Clause.

If one or several Partners materially breach this Competition Restriction Clause, and do not correct the breach within **[number of days ie. 30]** after being notified about the breach by The Company or other Partners having at least 2/3 of the remaining Partner shares, with shares of the Partner(s) breaching the Clause excluded, then following sanction will be applicable:

The Partner(s) breaching the Competition Restriction Clause agree to sell their shares at a price that is 10% of their fair market price (as defined in Clause 9 below), pro rata of the other Partners' ownerships. In addition, each Partner breaching the Clause agrees to pay [EUR ie 30,000 Euros] to The Company.

This breach shall be documented by the Board and it shall be proven to be harmful (e.g. The Company has lost business or competitive advantage) for The Company.

The Partners shall be deemed to have provided written consent in terms of this Chapter 6 to each Partner current ownership of and role/appointment in other companies/businesses and other activities as set forth in Exhibition B and each of the Partner shall not be in breach of this Chapter 6 in relation to any such ownership, role, appointment or activity.

7 Buy Back Option in normal Partner Exit Situation and Share Disposal Restrictions

The Partners undertake not to transfer their shares to third parties before [number of months ie. 36] of signing the shareholders Agreement for the first time, unless otherwise agreed in writing by the Partners holding at least 90% of the shares of the Company. Each Partner shall inform the other Partners about any intent to transfer the Partner's shares, and about the information to be given to third parties in connection with such intent to transfer shares.

The Partners to this Agreement have the right to buy shares back for a period of [number of months ie. 12] from resignation of a Partner, if the buyback has not materialized earlier.

8 Exit

In connection with the Liquidation Event, any Net Consideration shall be distributed pro-rata between the shareholders.

9 Abnormal Exit Situations

In the event that the Partner leaves the Company as a Bad Leaver, a defined percent as defined in Exhibit A of his shares shall be subject to mandatory transfer to the Company at their nominal value.

A bad leaver is any shareholder that discontinues to be employed by the Company, in a consultant-relation with the Company, a board member before the Milestones as described in the Exhibit A has been achieved for any of the following reasons:

- (a) does not contribute the agreed minimum time and/or effort to The Company an on-going bases, as agreed by partners, and continues to not contribute after notification from other Partners.
- (b) material breach of this Agreement;
- (c) gross misconduct or any serious or persistent breach of any obligation to the Company or any associated Company of the Company;
- (d) conviction of a criminal offence (for which a custodial sentence is imposed) by a court of competent jurisdiction; or

A Bad Leaver is determined by 3/4 of the Partners agreeing, backed with proper documentation.

10 *Rules Governing Share Disposal*

If any of the Partners, (the "Selling Partner"), negotiates with a third party/Partners ("the Buying Parties") on the transfer of its shares, the Selling Partner undertakes to promptly notify the other Partners in writing ("Tag-Along Notice") about such intent. Other Partners shall have the right, but not the obligation, to require the Selling Partner to cause that, either all, or proportionately the same amount of their shares, as the Selling Partner intends to transfer are purchased by that Buying Party/Partners ("Tag-Along Right") at the same consideration and otherwise on the same terms and conditions obtained by the Selling Party. In such share transfer, the Selling Partner shall make best efforts to find a third Partner to whom all of the shares could be transferred at market price. The other Partners respectively must inform the Selling Partner within *[number of days ie. 30]* from the receipt of the Tag-Along Notice whether they wish to use their respective Tag-Along Rights.

In the event that a group of owners holding majority of Company shares ("Majority Holders") have found a candidate ("Third Partner Offeror") who wishes bona fide to purchase all of the shares of the Company, the Majority Holders shall have the right but not the obligation, to require that the other Partners to this Agreement transfer their shares to the Third Partner Offeror ("Drag-Along Right") at the same consideration and otherwise on the same terms and conditions obtained by the Majority Holders. The Drag Along-Right shall be exercised by a notice submitted to the other Partners at least *[number of days ie. 30]* before the consummation of the transfer of shares from the Partners to the Third Partner Offeror.

A transfer of shares from a Partner to a third party must always happen simultaneously with the third party becoming also a partner in this Shareholders agreement, and the selling Partner is responsible to see that this happens.

11 *Market Value Determination*

If the shares are to be valued based on provisions of this Agreement, and if the Partners concerned cannot agree on what the market value for the shares will be, the market value shall be determined on the basis of an arms-length third Partner purchase offer for the shares. In the absence of such offer, a respectable financial advisor or investment bank appointed by the Board of Directors shall determine the market value.

12 *Disclaimers and Order of Interpretation*

The Agreement here is understood by all the Partners to contain all relevant questions currently concerning the governance of the Company.

This Agreement supersedes – only for the above-mentioned issues handled within this Agreement– any arrangements, understandings, promises or Agreements made or existing between the Partners hereto, prior to, or simultaneously with the Agreement and constitutes the entire understanding between the Partners hereto.

If this Agreement, related Agreements and documents or the Articles of Association are inconsistent with each other, the documents shall be interpreted in the following order:

1. this Agreement;
2. other Agreements or documents signed between the Partners
3. the Articles of Association of the Company.

If the Partners decide to modify this Agreement it has to be done in writing and signed by and on behalf of all Parties. In that Agreement there must be a clause mentioning that this is a modification to the existing shareholders Agreement or the modification must be otherwise evident by the circumstances.

13 *Other Shareholder Agreements*

The Partners understand and are aware that some of the Partners have existing shareholder agreements or competition restriction clauses in other companies. These agreements restrict competition. The Partners agree to make their best effort to avoid conflicts with these other shareholder agreements and competition restrictions. The Partners agree that if any Partner encounters liabilities from these agreements or restrictions, the Company will cover those liabilities, including but not limited to compensation payments and legal costs. The Board shall make the final decision, to what extent the Company covers the costs.

14 *Insight and confidentiality*

The Partners shall hold in confidence and shall not disclose to any third Partner without prior written consent of all the Partners the material contents of this Agreement unless disclosure is required by law, regulation, stock exchange rules or order of a court of competent jurisdiction.

The Partner under an obligation to make a disclosure as defined hereinabove shall use its best efforts to notify other Partners before making the disclosure.

The Partners shall not at any time hereafter disclose or communicate to any person (other than, where relevant, to their officers, employees or professional advisors, whose position makes it necessary to know the same) any confidential information concerning the business, accounts, financial or contractual arrangements or other dealings, transactions or affairs of the Company or any of its subsidiaries which may be within or which may come to its knowledge save for;

- a) such information that at the time of disclosure is public knowledge,
- b) when disclosure is required by law, regulation, stock exchange rules, or order of a court of a competent jurisdiction.

Any Partner wishing to disclose confidential information to a prospective transferee of shares and to their representatives and advisers shall first obtain an appropriate commitment as to confidentiality before making the disclosure.

15 *Communication among Partners to the Agreement*

Any communication between the Partners concerning this Agreement will be in writing and will be delivered in person or by e-mail in such a way that the recipient confirms having received the information, or sent by registered mail and fully prepaid in an envelope properly addressed to the address given by the Partner to the Company or to other Partners. Any such notice will be in the English language and will be considered to have been given at the time when actually delivered and confirmed by all Partners or in any other event between *[number of days ie. 14]* after it was mailed in the manner herein before provided.

16 *Costs*

Each of the Partners hereto will bear his/her or its own legal, accountancy and other costs, charges and expenses connected with the negotiation, preparation and implementation of this Agreement and any other Agreement incidental to or referred to in this Agreement.

17 *Assign Ability*

This Agreement cannot be assigned by any one of the Partners without the prior written consent of the other Parties.

18 *Disputes and Governing Law*

This Agreement will be governed by and constructed in accordance with the laws of *[Country]*. Any disputes arising out of this agreement shall be resolved in the *[District Court or other]* of *[City, Country]*.

19 *Term*

This Agreement becomes effective upon the signature by all Partners and shall be binding on each Partner as long as that Partner is the owner of the Shares or other Equity Securities. This Agreement shall, however, be terminated upon the consummation of a Trade Sale or an IPO.

Notwithstanding the aforesaid, Sections 7 - 10 (Competition Restriction Clause, Buy Back Option in normal Partner Exit Situation and Share Disposal Restrictions, Abnormal Exit Situations, and Rules Governing Share Disposal) and Sections 18 (Disputes And Governing Law) will be binding, to the extent applicable, upon the Party even if the Party has ceased to be a Party to this Agreement.

20 *Ancillary Provisions and Signature*

Except as otherwise provided herein, no addition, amendment to or modification of this Agreement will be effective, unless it is made in writing and signed by and on behalf of all Parties.

There will be no waiver of any term, provision or condition of this Agreement unless such waiver is evidenced in writing and signed by the waiving Parties.

No omission or delay on the part of any Partner hereto in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or Partial exercise of any such right, power or privilege preclude any other. The rights and remedies herein provided are cumulative with and not exclusive of any rights or remedies provided by law.

In the event that any of these terms, conditions or provisions will be determined invalid, unlawful or unenforceable to any extent, such term, condition or provision will be severed from the remaining terms, conditions and provisions which will continue to be valid to the fullest extent permitted by law.

This Agreement in has been executed in **[number of copies]** identical originals, and reviewed completely by the Parties, signed after approval and all pages in appendixes inclusive initialed by the Parties. The Company has received one and each Partner has received one original bearing the following legally binding signatures.

This Agreement contains the entire agreement and understanding of the parties hereto relating to the subject matter hereof, and merges and supersedes all prior and contemporaneous discussions, agreements and understandings of every nature between the parties hereto.

This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

[Partner & title/role]

[Partner & title/role]

[Partner & title/role]

Exhibit A

Before the Milestone 1 all (100%) of the shares shall be subject to mandatory transfer. After that the percents of the mandatory transfer, when each milestone is achieved, are the following:

- 1 Milestone 1 definition, ninety (90) percent of the shares shall be subject to mandatory transfer:
 - [time and/or development stage of company]
- 2 Milestone 2 definition, seventy (70) percent of the shares shall be subject to mandatory transfer:
 - [time and/or development stage of company]
- 3 Milestone 3 definition, fifty (50) percent of the shares shall be subject to mandatory transfer:
 - [time and/or development stage of company]
- 4 Milestone 4 definition, zero (25) percent of the shares shall be subject to mandatory transfer:
 - [time and/or development stage of company]

Exhibit B

Current Roles *[if any]*:

[Partner name]

- *[any role in other company/entity where having commitments]*
- *etc.*

[Partner name]

- *[any role in other company/entity where having commitments]*
- *etc.*

[Partner name]

- *[any role in other company/entity where having commitments]*
- *etc.*

*Exhibit C***Additional incentives *[Per partner if any]***

1 *[number of shares]* shares (or stock options representing equal amount of shares) from the allocated company incentive options pool after reaching the below targets:

- *[Additional target per person/role]*
- *[Additional target per person/role]*
- *[Additional target per person/role]*
- **etc.**

2 *[Additional external compensations if any]**

- *[Additional target per person/role]*
- *[Additional target per person/role]*
- **etc.**

**a separate agreement will be executed to cover *[type of]* incentives.*

Targets will be re-evaluated periodically and new targets with new incentives set as needed.

Exhibit D**Revenue allocations*****Initially after external third party costs are covered***

- [percentage ie. 25%] is kept for [company] administrative, marketing and development support
- [percentage ie. 75%] is used for operative Management and related costs as defined by [CEO or partners together]

Operative Management* and related costs revenue allocation

- [Person 1]
- [Person 2]
- etc.

After project related external third party costs and operative management allocations are covered

- [percentage ie. 75%] of the revenue is handled normally as company income
- up to [percentage ie. 25%] can be used for operative Management and related bonuses (case by case up front approval)

Company revenue is used to enable

- [investments in growth outline of targeted usage]
- [Other?]

**The personal maximum monthly compensation can be EUR [how much max.] (first calculated 25% for the company and then shared to sales and execution resources) if the company also reach its monthly revenue and profit target. If the company doesn't reach the targets, the personal maximum is EUR [how much min.]. If the company reaches at least 75% of its targets the personal maximum grown from [min to max] linearly, e.g. if the company reach the targets 87.5%, the personal maximum can be EUR [calculated based on percentage].*

Exhibit E**List of incentive structure for *[company]* additional team/resources *[if any]***

- 1 Option Compensation model *[if available]*
- 2 Revenue share model *[if available]*
- 3 Commission model *[if available]*