

BUY SELL AGREEMENT

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BUY AND SELL AGREEMENT

THIS AGREEMENT is made and entered into this ___ day of _____, 20__, by and between _____, a California Corporation, with its principal executive office at _____, California ("Corporation"); _____ ("Majority Shareholder"), and _____ (collectively, "Minority Shareholders" and individually, as a "Minority Shareholder").

Majority and Minority Shareholders shall hereinafter be collectively referred to as the "Shareholders."

The Shareholders own all of the outstanding shares of the Corporation as follows:

Name of Shareholder	Number of Shares
TOTAL	

Purpose of Agreement

The purpose of this Agreement is as follows:

1. To provide continuity in the management and policies of the Corporation;
2. To restrict the disposition of stock by the Shareholders; and
3. To ensure that all sales of stock in the corporation are transacted according to the provisions set forth herein.

ARTICLE I

TRANSFER RESTRICTION

1.1 Restriction on Transfer. To accomplish the purpose of this Agreement, any transfer, sale, assignment, hypothecation, encumbrance or alienation of any of the shares of the Corporation other than according to the terms of this Agreement shall be void and transfer no right, title or interest in or to said shares, or any of them, to the purported transferee, buyer, assignee, pledgee or encumbrance holder.

1.2 Agreement Available for Inspection. An original copy of this Agreement duly executed by the Corporation and by the Shareholders shall be delivered to the Secretary of the Corporation, to be maintained by him at the principal executive office of the Corporation, and made available for inspection by any person requesting it.

1.3 Legend on Share Certificates. The Shareholders agree, immediately upon execution of this Agreement, to present the certificates representing the shares of stock in the Corporation presently owned or hereafter acquired by him to the Secretary of the Corporation and cause the Secretary of the Corporation to stamp on the certificate in a prominent manner the following legend:

The transfer, sale, assignment, hypothecation, encumbrance or alienation of the shares represented by this certificate is restricted by a Buy and Sell Agreement among all the shareholders of this corporation and this corporation dated _____, . A copy of the Buy and Sell Agreement is available for inspection during normal business hours at the principal office of this corporation, _____, California. All the terms and provisions of the Buy and Sell Agreement are hereby incorporated by reference and made a part of this certificate.

1.4 Gift to Revocable Living Grantor Trust of Shareholder. Notwithstanding any other provision contained herein, any Shareholder may, during his lifetime or upon his death, gratuitously transfer part of his shares of stock to a revocable living grantor trust, without the consent of the Corporation or any other Shareholder. No Shareholder may, however, totally divest himself of stock pursuant to this Section by a transfer during his lifetime.

Any Shareholder who transfers shares pursuant to this Section 1.4 shall cause his transferee to execute this Agreement if said transferee is not already a party hereto. If any transferee fails to execute this Agreement, the transfer shall be considered as made in violation of this Agreement pursuant to Section 1.1 herein.

ARTICLE II

DEATH, DISABILITY OR EMPLOYMENT TERMINATION

2.1 Purchase and Sale of Shares of Deceased, Disabled or Terminated Shareholder. Upon the death of any Minority Shareholder, (hereinafter referred to as the "Deceased Minority Shareholder,") the death of the Majority Shareholder (hereinafter referred to as the "Deceased

Majority Shareholder") the physical or mental disability of any Minority Shareholder which results in the inability of the Shareholder to perform his normal duties of employment for the Corporation for a period of three (3) months or more (hereinafter referred to as a "Disabled Minority Shareholder"), or the termination, for any reason, of a Minority Shareholder's employment with the Corporation (hereinafter referred to as the "Terminated Minority Shareholder"), the individuals hereinafter specified shall purchase, and the Deceased, Disabled or Terminated Shareholder, or his legal representative shall sell to said individuals, all of the Corporation's shares of stock owned by the Deceased, Disabled or Terminated Shareholder at the time of his death, disability or termination of employment for the purchase price and upon the terms and conditions hereinafter set forth.

The termination of the Majority Shareholder's employment with the Corporation shall not give rise to any rights under this Agreement.

2.2 Death, Disability or Termination of Minority Shareholder. Upon the death, disability or termination of employment of a Minority Shareholder, the Majority Shareholder shall have the option to purchase all or any portion of the shares of stock of the Deceased, Disabled or Terminated Minority Shareholder on the terms and conditions hereinafter set forth.

If the Majority Shareholder declines to exercise his option to purchase the stock, in whole or in part, the Corporation shall thereafter have the option to purchase any remaining shares of stock owned by the Deceased, Disabled or Terminated Minority Shareholder. If the Corporation is unwilling or unable to purchase any or all of the remaining shares, the Majority Shareholder shall purchase any and all remaining shares of stock owned by the Deceased, Disabled or Terminated Minority Shareholder. In any case, the Majority Shareholder and the Corporation shall purchase all, but not less than all, of the Deceased, Disabled or Terminated Minority Shareholder's shares of stock.

2.3 Death of Majority Shareholder. Upon the death of the Majority Shareholder the Minority Shareholders shall have the option to purchase all or any portion of the shares of stock owned by the Deceased Majority Shareholder at the time of his death on the terms and conditions hereinafter set forth.

If the Minority Shareholders elect to exercise their options each Minority Shareholder shall be entitled to purchase his proportionate share of the shares of stock owned by the Deceased Majority Shareholder at the time of his death. A Minority Shareholder's proportionate

share shall be defined as his percentage ownership of the remaining shares of stock. Should any Minority Shareholder elect to purchase less than all of his proportionate share of stock, the remaining Minority Shareholders shall have the option to purchase any or all of the remaining shares of stock not purchased by said Minority Shareholder. If the Minority Shareholders decline to exercise their option to purchase the shares of stock, in whole or in part, the Corporation shall thereafter have the option to purchase the remaining shares of the corporation's stock owned by the Deceased Majority Shareholder at the time of his death. If the Corporation is unwilling or unable to purchase any or all of the shares of stock, the Minority Shareholders shall purchase any remaining shares of the Deceased Majority Shareholder. In any case, the remaining Minority Shareholders and the Corporation shall purchase all, but not less than all, of the Deceased Minority Shareholder's shares of stock.

2.4 Purchase Price and Determination of Value of Stock. Upon the occurrence of any event specified in Section 2.1 herein, the purchase price of the shares shall be their value, which is and shall be determined as follows:

A. The Corporation and the Shareholders mutually agree that unless and until a new value is established as herein provided, the value of said shares shall be _____ Dollars (\$_____) per share. Such value, as agreed upon and as may be redetermined hereafter, is and shall be inclusive of an amount representing the value of the good will of the Corporation. Within thirty (30) days following the end of each fiscal year, the Corporation and the Shareholders shall agree upon the value of each share of stock and such value shall be endorsed on Exhibit A, attached hereto. If the parties fail to redetermine a value for a particular year, the last previously stipulated value shall control except that if the parties have not so stipulated a value within the six (6) months following the end of the fiscal year in which the value was last stipulated as herein required, the value of each share owned by a Deceased, Disabled or Terminated Shareholder shall be agreed upon by the Deceased, Disabled or Terminated Shareholder or his legal representative (hereinafter referred to as the "Selling Shareholder") and the parties purchasing the shares of stock (hereinafter referred to as the "Purchasers"). If said parties are unable to come to an agreement within ninety (90) days after such death, disability or termination from employment, the value of each share of the Deceased, Disabled or Terminated Shareholder shall be determined by appraisal. The Purchasers and the Selling Shareholder or his legal representative shall each name one (1) appraiser; if the two (2)

appraisers cannot agree upon the value of the shares of stock, the previously selected appraisers shall appoint a third appraiser. If the third appraiser agrees with either of the originally asserted appraisals of the first two appraisers, the value established by such agreement shall be binding on all parties. If there is no such agreement, the middle value (the average of the original two (2) appraised values) shall be binding on all parties.

2.5 Payment of Purchase Price to Disabled Minority Shareholders. Upon the determination that a Minority Shareholder is physically or mentally disabled, as defined in Section 2.1 herein, the Purchasers shall pay to the Disabled Minority Shareholder an amount equal to twenty-five percent (25%) of the purchase price, in cash, as a down payment within thirty (30) days from the expiration of one calendar year from the date of the disabling occurrence. The balance of the purchase price shall be paid in sixty (60) equal monthly installments of principal and interest beginning on the first day of the calendar month immediately following the disbursement of the down payment. Said payments shall be evidenced by a promissory note on the terms specified in Section 2.8 herein and shall be secured by a pledge of the stock.

2.6 Payment of Purchase Price to Terminated Minority Shareholder. Upon the termination of a Minority Shareholder's employment with the Corporation, the value of the Terminated Minority Shareholder's shares of stock shall be determined as provided in Section 2.4 herein, and said value shall thereafter represent the purchase price of the shares. The Purchasers of the Terminated Minority Shareholder's shares of stock shall not be required to make any payments of principal or interest to the Terminated Minority Shareholder prior to the expiration of two (2) calendar years from the date of termination. On the first day of the calendar month immediately following the expiration of said two (2) year period the Purchasers shall pay to the Terminated Minority Shareholder an amount equal to twenty-five percent (25%) of the purchase price in cash, as a down payment. The balance of the purchase price shall be paid in sixty (60) equal monthly installments of principal and interest beginning on the first day of the calendar month immediately following the disbursement of the down payment. Said payments shall be evidenced by a promissory note on the terms specified in Section 2.8 herein and shall be secured by a pledge of the stock.

2.7 Payment of Purchase Price to Estate of Deceased Shareholder.

A. The purchase price payable to the estate of a Deceased Shareholder for the shares of stock owned by the Shareholder shall be paid to the estate of the Deceased Shareholder upon:

1. The estate of the Deceased Shareholder becoming capable in the opinion of legal counsel for the Corporation of transferring to the Corporation full legal and equitable tax-free title to the shares of the Deceased Shareholder; and

2. Delivery to the Secretary of the Corporation of the certificate representing the shares of the Deceased Shareholder properly endorsed in the manner required to transfer full legal and equitable tax-free title to those shares to the Purchasers.

B. In order to assure that all or a substantial part of the purchase price for the shares of a Deceased Shareholder will be available immediately in cash upon his death, the Corporation or any Shareholder may procure and purchase insurance upon the life of any Shareholder. Any insurance policies procured or purchased under the terms of this Agreement shall be recorded on the attached Exhibit B.

C. The Corporation or Shareholder purchasing the insurance shall be the sole owner of all policies issued to it which are subject to this Agreement.

D. Upon the death of a Shareholder, the owner of any insurance policy insuring the life of the Deceased Shareholder agrees to collect the proceeds of the policy or policies payable to it by reason of the Shareholder's death and to pay as much of the proceeds as are necessary to purchase any shares of stock it has elected to purchase to the estate of the Deceased Shareholder at the purchase price determined under section 2.4 of this Agreement. Any excess proceeds shall be retained by the owner of the insurance policy.

E. In the event the purchase of the Deceased Shareholder's shares of stock is not funded by insurance or in the event the insurance proceeds do not equal or exceed twenty-five percent (25%) of the purchase price, Purchasers shall pay to the estate of the Deceased Shareholder an amount equal to the difference between the insurance proceeds received and twenty-five percent (25%) of the purchase price, in cash, as a down payment, within ninety (90) days from the date of death. The balance of the purchase price shall be paid in sixty (60) equal monthly installments of principal and interest beginning on the first day of the month immediately following the disbursement of the down payment. Said payments shall be

evidenced by a promissory note on the terms specified in Section 2.8 herein and shall be secured by a pledge of the stock.

F. The estate of the Deceased Shareholder shall save, defend and hold the Purchasers harmless from any and all costs and expenses required for securing any court orders, court decrees, court approvals, inheritance tax clearances and estate tax clearances required to enable the estate of the Deceased Shareholder to transfer to the Purchasers full legal and equitable tax-free title to the shares of the Deceased Shareholder.

G. The term "estate of the Deceased Shareholder" as used in this Agreement shall mean and include as those terms are understood under California law:

1. The duly appointed and qualified executor, executrix, administrator, administratrix, administrator with the Will annexed or administratrix with the Will annexed of the estate of the Deceased Shareholder;

2. The surviving joint tenant of the Deceased Shareholder where shares of the Corporation are owned by the Deceased Shareholder and a person who is not active in the business of the Corporation as joint tenants; and

3. Any other person who may, because of the community property or other law of any jurisdiction, acquire without formal probate proceedings any right, title or interest in or to the shares of the Deceased Shareholder by reason of his death.

H. Promissory Notes. The unpaid balance of the purchase price resulting from any purchase of stock as a result of the death, disability or termination from employment of any Shareholder shall be evidenced by a negotiable promissory note secured by a pledge of the stock being purchased, made by the Purchasers to the order of the Deceased, Disabled or Terminated Shareholder, or his legal representative, with interest at the rate of _____ percent (___%) per annum, with full privilege of prepayment of all or any part of the principal at any time without penalty or bonus. Such notes shall provide that in the event of default in payment of principal, the note shall become due and payable immediately. Further, each note shall provide for reasonable attorney's fees and costs in the event suit is instituted to enforce its terms.

ARTICLE III

TRANSFER DURING LIFE

3.1 Sale of Shares During Shareholder's Life. In the event that any Shareholder desires to dispose of any of his shares of stock in the Corporation during his lifetime, he shall first offer to sell such shares to any remaining Shareholders and the Corporation by giving them written notice to that effect. Such notice shall specify the purchase price, terms of payment and the number of shares offered for sale and shall be given in the manner prescribed by Section 4.5 herein. Any remaining Shareholders shall have the option for thirty (30) days after receipt of such notice to purchase his proportionate share, as defined in Section 2.2 herein, of the shares of stock offered for sale, upon the terms and conditions specified in said notice. However, if any remaining Shareholder declines to purchase his full proportionate share of the shares of stock, the remaining shares may be purchased by the remaining Shareholders. At the end of their option period, the Shareholders shall notify the Corporation of the number of shares they have elected not to purchase, if any, and the Corporation shall have the option for an additional thirty (30) days after such notification to purchase all of the shares not purchased by the Shareholders. If all, and not less than all, of the offered shares are not purchased by the Corporation and/or the remaining Shareholders before the expiration of the second time period set forth above, for thirty (30) days after the expiration of said second time period, the offering Shareholder shall be under no obligation to sell any of the offered shares to the Corporation or the remaining Shareholders, but may dispose of such shares in any lawful manner, except that he shall not sell any such shares to any other person on terms and conditions more favorable than those offered to the remaining Shareholders and the Corporation without first giving the remaining Shareholders and the Corporation notice and the right to purchase the shares of stock for the option periods specified herein and at the purchase price and upon the terms offered by such other person. If all of the offered shares are not disposed of by the offering Shareholder before the expiration of the third time period specified above, said shares may not be sold unless and until they have been offered to the Shareholders and the Corporation for preferential acquisition pursuant to the provisions of this Section 3.1.

ARTICLE IV
GENERAL PROVISION

4.1 Insufficient Corporate Funds. If the Corporation does not have a sufficient source of funds from which it may lawfully purchase the Deceased, Disabled or Terminated Shareholder's shares of stock, the Deceased, Disabled or Terminated Shareholder or his legal representative and the other Shareholders shall promptly take measures to vote their respective holdings of stock and to take such steps as may be appropriate or necessary in order to enable the Corporation to lawfully purchase and pay for all of the Deceased, Disabled or Terminated Shareholder's shares of stock.

4.2 Voting and Dividend Rights. The Purchasers of a Deceased, Disabled or Terminated Shareholder's shares of stock shall be entitled to vote as many shares as each is obligated to purchase. Until full payment of the purchase price is made, all dividends and distributions on the stock shall be applied toward the purchase price as a prepayment on the balance due. All such payments shall be applied first to principal then to unpaid interest.

4.3 Common Disaster Provision. In the event of the simultaneous deaths of all of the Shareholders, or in the event of the deaths of all of the Shareholders within thirty (30) days after the death of the first Shareholder to die, the estate of each Shareholder shall own its respective shares of the Corporation, and the proceeds of insurance owned by him, free of the terms of this Agreement.

4.4 Specific Performance. The parties hereby declare that it is impossible to measure in money the damages that will accrue to a party hereto or to the executor, administrator or personal representative of a decedent by reason of a failure to perform any of the obligations under this Agreement. Therefore, if any party hereto or his legal representative shall institute any action or proceeding to enforce the provisions hereof, any party hereto or his legal representative against whom such action or proceeding is brought hereby waives the claim or defense that an adequate remedy at law exists.

4.5 Notices. Any and all notices, designations, consents, offers, acceptances or any other communications provided for herein shall be personally served or shall be given in writing by registered or certified mail, and shall be addressed in the case of a Shareholder to his address appearing on the stock register of the Corporation, or his residence, or to such other address as

may be designated by him, and to the Corporation at its principal office. All mailed notices shall be deemed to be received two (2) working days after the postmark date.

4.6 Attorney's Fees. In any suit brought to enforce the provisions of this Agreement or for the breach or to restrain the breach of any of the terms of this Agreement, the prevailing party shall be entitled to receive from the other parties hereto named in such suit or arbitration a reasonable attorney's fee, whether incurred before, during or after trial or before, during or after appeal, or in collection, as determined by the Court in such suit or in a separate proceeding to recover same.

4.7 Termination. This Agreement shall terminate upon the occurrence of any of the following events:

- A. The filing of a petition by the Corporation or a complaint against the Corporation for bankruptcy, the appointment of a receiver for the Corporation, an assignment for the benefit of the Corporation's creditors or the dissolution of the Corporation;
- B. The ownership of all of the Corporation's stock by one Shareholder; or
- C. The voluntary agreement of all Shareholders.

Upon termination of this Agreement, the Secretary of the Corporation shall, upon tender of the certificates of stock, delete the legend endorsed thereon pursuant to this Agreement.

4.8 Disposition of Insurance Policies and Share Certificates Upon Termination. Upon termination of this Agreement for any of the reasons specified in Section 4.7 herein, each Shareholder shall have the option for thirty (30) days after such termination, to purchase any or all policies on his own life which are owned by the Corporation or the Shareholders that at the time of such termination were subject to this Agreement. Additionally, any Shareholder who sells all of his shares of stock in the Corporation under the terms and conditions set forth in Section 3.1 above shall also have an option for thirty (30) days after such sale, to purchase any or all policies on his own life owned by the Corporation or the Shareholders that at the time of sale were subject to this Agreement. The purchase price for said policies shall be paid in cash and shall be equal to the cash surrender value of the policy reduced by any unpaid loans made against the policy. Any policy not purchased by the Shareholders within the above-stated time period may be surrendered for its cash surrender value or otherwise disposed of by its Owner.

4.9 Liability of Insurers. No insurance company which has issued or shall issue a policy or policies subject to this Agreement shall be under any obligation with respect to the

performance of the terms and conditions of this Agreement. Any such company shall be bound only by the terms of the policy or policies which it has issued or shall hereafter issue and shall have no liability except as set forth in its policies.

4.10 Invalid Provisions. Invalidity or unenforceability of any particular provision of this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted and shall not affect the validity or enforceability of any other provision.

4.11 Modifications. No modification of this Agreement and no waiver of any right created hereunder shall be valid unless the same be in writing and signed by all parties hereto.

4.12 Agreement Binding on Successors. Subject to the restrictions on transfer contained herein, this Agreement shall be binding on the executors, administrators, heirs, personal representatives, successors, donees and assigns of all parties hereto. Anyone accepting delivery of a share or shares of the Corporation's stock, hereby agrees and consents to be bound by and to honor the terms, conditions and covenants contained herein.

4.13 Time of Essence. Time is of the essence of this Agreement.

4.14 Entire Agreement. The parties hereto agree that this document contains all of the provisions of the Agreement between the parties hereto and that no promise, agreement or representation not contained herein shall be binding on any party.

4.15 Execution of Documents. The parties hereto agree to execute any and all documents or agreements which may be necessary to effectuate the purpose or terms of this Agreement.

4.16 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Further, the place of performance and transaction of business shall be in the County of Sacramento, State of California, and in the event of litigation or arbitration, the exclusive venue and place of jurisdiction shall be in the County of Sacramento, State of California.

4.17 Security Laws. The obligations hereunder are subject to the granting of appropriate permits, consents and/or orders of the Commissioner of Corporations of California, if any such permits, consents or orders are then required. All parties hereto and their heirs, personal representatives and assigns shall cooperate in the execution of all documents necessary, and the taking of any corporate actions necessary to obtain any such permit, consent and/or order.

4.18 Trade Secrets. The Transferor, Terminated or Disabled Shareholder, as the case may be, agrees not to directly or indirectly divulge, communicate, use to the detriment of Corporation or for the benefit of any other person or persons, or misuse in any way, any confidential information or trade secrets of the Corporation, including personal information, forms, know how, customer lists or other technical data. The Shareholders acknowledge that the remedy at law may be inadequate to remedy a breach or intended breach of this Section and, therefore, consent to temporary or permanent injunctive relief to prevent such breach.

4.19 Gender. As used in this Agreement, the masculine, feminine or neuter gender, and the singular or plural number, shall be deemed to include the others whenever the context so requires.

Executed this ____ day of _____, at _____, _____ County, California.

CORPORATION:

By: _____

Its: _____

SHAREHOLDERS:

CONSENT OF SPOUSES

I acknowledge that I have read the foregoing Buy and Sell Agreement and that I know its contents. I am aware that by its provisions my spouse is to sell of all his or her shares of the Corporation (including my community property interest therein), upon an occurrence of any event specified therein. I hereby consent to such sale, approve of the provisions of said Buy and Sell Agreement, and agree that I will not bequeath said shares or any of them or any interest in them by my Will if I predecease my spouse. I direct that the residuary clause in my Will shall not be deemed to apply to my community interest in such shares.

Dated: _____

Dated: _____

Dated: _____

EXHIBIT A

Pursuant to Section 2.4 of this Agreement, the parties do hereby agree that as of the ____ day of _____, the value of the shares of _____ is _____ Dollars (\$ _____) per share.

Executed this ____ day of _____, at _____, _____ County, California.

CORPORATION:

By: _____

Its: _____

SHAREHOLDERS:

EXHIBIT B
INSURANCE POLICIES