

# **Appendix 3: Sample Shareholder Agreement**

**(1) DOUGLAS LIMITED**

**(2) Shareholder 2**

**(3) Shareholder 3**

**(4) Company 4**

**(5) VCPE Fund I Limited Partnership**

**(6) VCPE Fund II Limited Partnership**

**SHAREHOLDERS AGREEMENT**

## **CONTENTS**

### **Subject**

- 1 Definitions and interpretation
- 2 Board of directors
- 3 Business management and staff
- 4 Share transfers
- 5 Restricted transfers
- 6 Pre Emption Rights
- 7 Mutual undertakings concerning the Company
- 8 Release on transfers of shares to third parties
- 9 Commencement and termination
- 10 Deadlock
- 11 Representations and warranties
- 12 Ancillary provisions

### **SCHEDULES**

- 1 Articles
- 2 Major decisions

## AGREEMENT

### BETWEEN :

- (1) **DOUGLAS LIMITED**, a Company incorporated in [•], having its registered office at [•] ("Company");
- (2) **Shareholder 2**, whose principal address is [•] ("S2");
- (3) **Shareholder 3**, whose principal address is [•] ("S3");
- (4) **Company 4**, a Company incorporated in [•], having its registered office at [•]; ("Co4");
- (5) **VCPE Fund I Limited Partnership**, a Company incorporated in [•], having its registered office at [•]; ("VCPE1")
- (6) **VCPE Fund II Limited Partnership**, a Company incorporated in [•], having its registered office at [•]; ("VCPE2")

## 1 DEFINITIONS AND INTERPRETATIONS

In this agreement, unless inconsistent with the context or otherwise defined:

1.1 the following expressions have the following meanings:

"Accounting Date"	31st December
"Affiliated Companies"	in relation to any company, the ultimate holding company of such company, and any company in which such holding company holds or controls not less than 20% of the issued share capital;
"this Agreement"	this agreement (and schedules) as varied from time to time pursuant to its terms;
"Articles"	the articles of association of the Company

	in the form set out on Schedule 1;
<b>"Auditors"</b>	the auditors of the Company for the time being;
<b>"Board"</b>	the board of Directors of the Company from time to time;
<b>"Business"</b>	the commercial operation of the Company and any other business as the Board may hereinafter agree;
<b>"Confidential Information"</b>	<p>all information not at present in the public domain used in or otherwise relating to the business, customers or financial or other affairs of the Company including, but not limited to, information relating to:-</p> <ul style="list-style-type: none"> <li>(a) marketing, distribution and production of any products or services including, without limitation, client names and lists, any other client data, market reports, pricing, research, surveys and advertising or other promotional material; or</li> <li>(b) future projects, business development or planning, commercial relationships and negotiations; or</li> <li>(c) any Intellectual Property rights and know-how of the Company;</li> </ul>
<b>"Controlling Shareholder"</b>	in relation to any company, any person who is or group of persons acting in concert who are together entitled to exercise control of 30% or more of the voting rights at general meetings of that company or who is in a position to control the majority of the board of directors of that company;
<b>"Group"</b>	in relation to a company, the group of companies comprising that company and any company which is from time to time a

	holding company of that company or a subsidiary of that company or of such holding company and "Group Company" means any company in the same Group as that company;
<b>"Independent Expert"</b>	a partner of an international firm of chartered accountants of international repute appointed by agreement between the shareholders;
<b>"Insolvency Event"</b>	in respect of any company, that such company has ceased to trade or has had a receiver or manager appointed over the whole or any part of its assets or undertakings, or has become insolvent (unless liquidation is for the purpose of a solvent reconstruction or amalgamation);
<b>"Intellectual Property"</b>	all or any inventions, know-how, patents, trademarks, copyrights or other intellectual property rights registered or unregistered of the Company, now or in the future;
<b>"Listing"</b>	a listing on [•] or any other stock exchange approved by the Board;
<b>"Major Decision"</b>	the decisions listed in Schedule 2 that require a two-thirds majority of the votes cast at a meeting of the Board of Directors;
<b>"Offer Price"</b>	the offer price determined in accordance with clause 5.3 of this Agreement;
<b>"Offered Shares"</b>	the total number of Shares to be transferred as specified in the Transfer Notice;
<b>"Parties"</b>	the Parties to this Agreement; and
<b>"Party"</b>	means any one of them;
<b>"Pro-Rata Entitlement"</b>	of a shareholder in relation to Offered Shares means the proportion thereof which the number of Shares held by the shareholder bears to the total number of Shares held by all shareholders entitled to

the Offered Shares;

**"Shareholders"** the holders of Shares in the Company and any other person who, as a transferee or allottee of shares from such Shareholders or the Company, is required to enter into a covenant to comply with the terms of this Agreement;

**"Shares"** the ordinary shares of par value [•] each in the capital of the Company;

**"Subsidiary and holding company"** shall have the same meaning attributed to them in the [citation to applicable law];

**"Taxation"** includes all forms of tax, levy, duty, charge, impost, fee, deduction or withholding of any nature now or hereafter imposed by any authority in any part of the world; and

**"Working Day"** any week day (except Saturdays, Sundays and public holidays);

1.2 references to clauses and the schedules are to clauses of and the schedules of this Agreement;

1.3 words importing gender include each gender;

1.4 references to persons include bodies corporate, firms and unincorporated associations;

1.5 The singular includes the plural and vice-versa;

1.6 clause headings are included for the convenience of the Parties only and do not affect its interpretation; and

1.7 references to any part of any statute or statutory instrument include any statutory amendment, modification or re-enactment in force from time to time and references to any statute include any statutory instrument or regulations made under it.

## 2 **BOARD OF DIRECTORS**

2.1 Appointment and removal of directors

- 2.1.1 The Board of the Company shall consist of up to [•] directors appointed by the Shareholders.
- 2.1.2 Shareholders holding no less than [•]% of the issued share capital of the Company may appoint one (1) director for the first ten (10) % block of Shares (or any part thereof) held, and one (1) additional director for each additional ten (10) % block of Shares held.
- 2.1.3 Any such appointment as is referred to in clauses 2.1.1 and 2.1.2 above shall be effected by written notice to the Company and the appointer may, in like manner, at any time and from time to time remove from office any director appointed by it and shall remove such a director if its holding of Shares falls below ten (10) % or a multiple thereof. Any appointer removing a director shall be responsible for and shall indemnify and hold harmless the other Shareholders and the Company against any claim for unfair or wrongful dismissal or otherwise arising out of such removal.

## 2.2 Initial directors

Until such time as the Board of Directors is appointed pursuant to clause 2.1 above, the following persons shall act as Directors of the Company:

- 2.2.1 CEO of Company 4
- 2.2.2 Shareholder 2
- 2.2.3 Shareholder 3
- 2.2.4 Chairman of VCPE1
- 2.2.5 Chairman of VCPE2

## 2.3 Quorum

The quorum for all board meetings shall be a simple majority of all board members, present at the commencement and for the duration of the meeting. If there is no quorum present at any board meeting such meeting shall be adjourned to the time and date three (3) days later at which adjourned meeting any two directors shall constitute a quorum; save that where, in the case of a board meeting in which a Major Decision is to be considered, no quorum is present, such meeting will be adjourned to the time and date fourteen (14) days later at which adjourned meeting any two directors shall constitute a quorum.

## 2.4 Directors' fees

No directors' fees shall be paid to persons appointed as directors of the Company, but this provision shall be without prejudice to the terms of any contract of service held by any such person.

2.5 Disclosure of information

Each director shall be entitled to disclose any information relating to the Company and its business, affairs and financial position to the Shareholders which appointed him.

2.6 Decisions

All decisions of the Board shall be made by simple majority except for Major Decisions which shall require the approval of two-thirds (2/3) of the votes cast at a meeting of the Board of Directors.

**3 BUSINESS, MANAGEMENT AND STAFF**

3.1 Notwithstanding the generality of the memorandum of association of the Company, the principal activities of the Company shall be the Business

3.2 It is the intention of the Shareholders that the Company shall operate so far as practicable as a self-sufficient unit in the contracting and performance of its activities, as specified in clause 4.1.

3.3 The Company shall recruit and employ such staff as it considers necessary for the proper conduct of the Business.

**4 SHARE TRANSFERS**

4.1 Prohibition

4.1.1 Except in the case of a transfer of Shares by a Shareholder to:

- (a) (where the Shareholder is an individual) the Shareholder's spouse, issue or predecessor (whether inter-vivos or upon the death of the Shareholder); or
- (b) (where the Shareholder is a corporation) a Subsidiary of the Shareholder or the Shareholder's Holding Company

none of the Shareholders shall, without the prior written consent of the Company, sell or transfer any Shares to any US resident or citizen or to any entity owned by a US citizen or to any competitor of the company before the occurrence of the earliest of the following events:

4.1.1.1 a transfer of the entire business of the Company to an independent third party;

4.1.1.2 the effective date of a Listing of the Company's shares pursuant to a registration statement filed with the Securities and Exchange Commission; or

4.1.1.3 January 1, 2011.

4.1.2 None of the Shareholders shall, without the prior written consent of the Company, directly or indirectly assign, pledge, charge or give the whole or any part of its interest in, or otherwise grant any interest of any kind in any of its Shares or the other certificates representing any Shares, now or in the future held by it (hereinafter a "Transfer") other than pursuant to a transfer expressly permitted by this Agreement and the Articles.

#### 4.2 Registration of transfers

The Shareholders hereby covenant and undertake with each other to comply with the terms of this Agreement and the Articles relating to the Transfer of Shares and to take all such steps as may be required to effect due registration of any Transfers effected in accordance with this Agreement and/or the Articles.

#### 4.3 Transfers and Allotments to third parties

On any Transfer by a Shareholder of its Shares in the Company or any allotment by the Company of Shares to a third party, as a condition precedent to the registration of such Transfer or Allotment, the buyer or subscriber for its Shares shall deliver to the Company a duly executed deed (with such changes or amendments thereto as may be required by the existing Shareholders) agreeing to observe and perform all the relevant obligations under this Agreement.

### 5 **RESTRICTED TRANSFERS**

#### 5.1 Other than in the case of a transfer of Share by a Shareholder to:

5.1.1 (where the Shareholder is an individual) the Shareholder's spouse, issue or predecessor (whether inter-vivos or on the death of the Shareholder); or

5.1.2 (where the Shareholder is a corporation) a subsidiary of the Shareholder or the Shareholder's holding Company;

and subject to the provisions in this Agreement, the Shareholders shall procure that, except in accordance with clause 5.2 to 5.8 below:

5.1.3 no Shares shall be transferred by any Shareholder; and

5.1.4 no Shares or options shall be issued, allotted or granted by the Company.

5.2 5.2.1 Transfer Notice

5.2.2 Any Shareholder proposing to transfer some or all of his Shares (the "Transferor") shall send a Transfer Notice by registered mail or by personal service to the Company. A copy of the Transfer Notice shall be sent to each Shareholder (other than the Transferor).

5.2.3 If a Transferor is required by this Agreement to transfer some or all of his Shares, then he is deemed to have given a Transfer Notice to the Company and to the other Shareholders that he wishes to sell the Offered Shares at the Offer Price determined in accordance with clause 5.3 below.

5.2.4 The Transfer Notice shall constitute the Shareholders (other than the Transferor) the agent of the Transferor for the sale of the Offered Shares at the Offer Price. Such Shareholders shall appoint the directors as their representatives who shall deal with the proposed transfer in accordance with this clause 5. Save as provided in clause 5.5.3 below, once a Transfer Notice has been issued it shall not be withdrawn except with the sanction of the Board.

5.2.5 In the case of an allotment or issue of shares or the granting of options by the Company, the Company shall be deemed to have given the Transfer Notice.

5.3 Offer Price

5.3.1 The Offer Price shall be:

5.3.1.1 such price as is agreed in writing by all the Shareholders; or

5.3.1.2 in default of such agreement, such price as shall be determined by a valuer (the "Valuer") pursuant to clauses 5.3.2 and 5.3.3 below.

- 5.3.2 The Valuer shall be the Auditors or, if the Auditors are unable or unwilling to act, or do not make their determination within thirty-five (35) days, or such reasonable additional period as the Board may agree, after the giving of the Transfer Notice, the Independent Expert.
- 5.3.3 The Valuer shall certify in writing the sum which in his opinion represents the fair value of the price per Share as between a willing vendor and a willing purchaser, making appropriate adjustments where any of the issued Shares is not fully paid up. The Valuer shall act as an expert, not an arbitrator. The Valuer's certificate shall be final and binding on all concerned.
- 5.3.4 All expenses, including the Valuer's fees, shall be borne by Transferor (or by the Company in the case of any issue of shares).
- 5.3.5 Where the Valuer decides the Offer Price, the Transferor may, if the Offer Price is not acceptable to him revoke the Transfer Notice by giving notice in writing to the Board within a period of fourteen (14) days after the Valuer's certificate shall have been issued. Except as otherwise expressly provided in this clause 5.3.5, a Transfer Notice shall not be revocable, except with the consent of the Board, who may impose any condition to the consent as they think fit.

#### 5.4 Invitation

- 5.4.1 Within seven (7) days of receipt of the Transfer Notice and the determination of the Offer Price (if applicable), the Board shall write to each Shareholder entitled hereto inviting them to apply for the Offered Shares.
- 5.4.2 Each invitation shall specify:
  - 5.4.2.1 the name of the Transferor (or specifying an issue of Shares by the Company, as the case may be);
  - 5.4.2.2 the number of Offered Shares;
  - 5.4.2.3 the Offer Price; and
  - 5.4.2.4 the number of Offered Shares which would be allocated to the particular Shareholder if he applied for his Pro Rata Entitlement.

It shall invite the Shareholder to apply in writing to the Company stating the maximum number of Offered Shares, whether more or less than his Pro Rata Entitlement, which he wishes to purchase, such application to be received within fourteen (14) days from the date of the invitation.

## 5.5 Allocation and Sale

5.5.1 At the end of such period of fourteen (14) days the Board shall allocate the Offered Shares as follows:-

5.5.1.1 first to each applicant, his Pro Rata Entitlement or the number of Offered Shares for which he applied if that is less.

5.5.1.2 second, if any Offered Shares remain unallocated, to each applicant for Offered Shares in excess of his Pro Rata Entitlement, the amount of his excess application. Where there are insufficient Offered Shares to meet all such excess applications in full they shall be met in proportion to the existing shareholding of each such applicant, save that no applicant shall be required or entitled to take more of the Offered Shares than he shall have applied for

Where such allocation would give rise to an entitlement to share fractions, the Board shall make such adjustments as they shall consider equitable.

5.5.2 If the Transferor has otherwise complied with all the pre-emption provisions of this clause and some or all of the Offered Shares are not allotted, the Company shall have an option exercisable within twenty-one (21) days of the Board making their final allocation pursuant to clause 5.5.1 to buy back all or part of the unallocated Shares whether for cancellation or otherwise.

5.5.3 Within seven (7) days of the end of such period of twenty-one (21) days referred to in clause the Board shall give notice in writing to the Transferor of the allocations so made or that none has been made. If some or all of the Offered Shares are not allocated and the Transferor is not required by this Agreement to transfer his Shares, the Transferor may within fourteen (14) days of the receipt of such notice, by notice in writing to the Company, withdraw the Transfer Notice in respect of all or any of the unallocated Shares or alternatively transfer the unallocated Shares to a third party pursuant to clause 5.6. If he does so, the Board shall, as soon as

practicable, give notice in writing of such withdrawal to each applicant.

5.5.4 If the Offered Shares are all allocated then as soon as practicable after the end of the period of twenty-one (21) days referred to above, and if some but not all are allocated but the Transferor does not withdraw the Transfer Notice then after the end of such period of twenty-one (21) days, the Board shall give notice in writing to the applicants of the allocations made.

#### 5.6 Third Party Transfers

If some or all of the Offered Shares are not allocated under clauses 5.1 to 5.5 hereof, the Transferor may, within the period of twenty-eight (28) days from the date on which he receives the notification from the Board under clause 5.5.3, transfer or allot (as the case may be) the unallocated Shares or any of them to any person or persons at a price not less than the Offer Price and on the same terms and conditions as the offers to the Shareholders.

#### 5.7 Completion

Subject as provided below, the Transferor shall be bound on receipt of the Offer Price for each of allocated Offered Shares to transfer or allot (as the case may be) them to the Shareholders whom they have allocated. Completion shall take place as soon as reasonably practicable and, in any event, within sixty (60) days of the closing of all offers and at a time and place to be appointed by the Board and notified to the Transferor and the Shareholders to whom Shares have been allocated. At completion: -

5.7.1 Each such Shareholder shall pay the Offer Price for the Shares allocated to him.

5.7.2 The Transferor shall both execute appropriate stock transfer forms and supply the relevant share certificate or, in the case of the Company, allot and issue the relevant Shares and issue share certificates in respect thereof.

5.7.3 The Transferor and the person named as transferee in any transfer shall bear equally all stamp duty, if any, in respect of the relevant transfer and the Company shall bear any capital duty.

5.7.4 The Transferor shall pay the Board the expenses of the transfer. Subject to the transfers being presented duly stamped the Shareholders shall procure that each transferee shall be registered in the register of members as holder of the relevant Shares and issued with an appropriate share certificate.

## 5.8 Default

If the Transferor, after becoming bound under this clause 6 to transfer any Offered Shares, makes default in so doing, the Board shall authorize some person to execute the appropriate stock transfer forms. The Board shall receive the purchaser money on behalf of the Transferor. The receipt of the Board for the purchase shall be a good discharge to each purchaser, and no purchaser shall be bound to see to the application thereof. After the name of a purchaser has been entered into the register of members pursuant to a transfer so executed, the validity of the transfer and registration shall not be questioned by any person.

## 6 PRE-EMPTION RIGHTS

Until, but not including 1 January 2011, the Shareholders shall procure that, in the event of an offering of new Shares by the Company, other than an offering of Shares to the public, each existing shareholder shall be offered new Shares in proportion to the Shareholder's existing shareholding.

## 7 MUTUAL UNDERTAKINGS CONCERNING THE COMPANY

### 7.1 Decisions

Each Shareholder undertakes with the others to procure that the directors nominated by it shall not do anything which shall from time to time be declared by the Shareholders in writing to require the two-thirds (2/3) majority approval of the Board (which at the date of this Agreement shall be those matters set out in Schedule 2, any of which may be varied at any time by the written agreement of the Shareholders). Any director of the Company may convene a board meeting for the purpose of resolving any such matter in issue.

### 7.2 Exercise of voting rights

Each Shareholder undertakes with the other:

7.2.1 to exercise all voting rights and powers of control available to it in relation to the Company so as to give full effect to the terms of this Agreement;

7.2.2 to procure that the directors of the Company nominated by it and its other representatives will give due consideration to all reasonable proposals put forward at meetings of the Board and other meetings of the Company for the proper development and conduct of the

relevant Business as contemplated in this Agreement;

7.2.3 (except where specific time periods are referred to in this Agreement) to respond to any communication received from the other and/or any of the Company within ten (10) Working Days of its receipt;

7.2.4 to procure that all third parties directly or indirectly under its control shall refrain from acting in a manner which will hinder or prevent the Company from carrying on the Business in a proper and reasonable manner; and

7.2.5 generally to use its reasonable endeavors to promote the Business and the interests of the Company.

### 7.3 Conflicts

In the event of any conflict between the terms of this Agreement and those of the memorandum of association of the Company or the Articles then, as between the Shareholders, the terms of this Agreement shall prevail and the Shareholders shall each take all such steps as lie within their respective powers to procure and effect any amendment or alteration to such memorandum of association or the Articles as may be necessary, to carry out the intention and terms of this Agreement.

### 7.4 Joint obligations

Whenever in this Agreement an obligation is imposed on the Company, such obligation shall be construed and applied so as to impose on the Shareholders, as between themselves, a joint obligation (additional to that of the Company) to procure, so far as they are able, that the Company shall perform its obligation.

### 7.5 Company's obligations

Except where to do so would constitute an unlawful fetter on its powers, the Company undertakes with each of the Shareholders to be bound by and to comply with the provisions of this Agreement insofar as they relate to the Company respectively and to act in all respects in the manner contemplated by this Agreement.

### 7.6 Conduct of claims

If any dispute occurs between the Company and a Shareholder or any member of such Shareholder's Group including, without limitation, any dispute arising out of or in connection with any agreement entered into

before, on or after the date of this Agreement or this Agreement, then (but only in relation to matters concerning such dispute):

7.6.1 such Shareholder shall not be allowed to exercise its voting rights in the Company; and

7.6.2 the quorum requirements for all or that part of meetings of Shareholders, directors or any committee of directors of the company at which such dispute is to be discussed or in relation to which resolutions are to be passed shall be varied accordingly so as to permit the other Shareholders to exercise control over the Company for all purposes relating to the dispute concerned.

## 8 **RELEASE ON TRANSFER OF SHARES TO THIRD PARTY**

8.1 Upon any transfer of all Shares by a Transferor being accepted for registration in accordance with the Articles, this Agreement or otherwise by agreement between the Shareholders, the Transferor shall:

8.1.1 resign or procure the resignation of its nominees as directors of the Company in either case acknowledging that they have no claim against the Company; and

8.1.2 unless the transferee of such shares (in this clause 8 a "Transferee") is a member of the Transferor's Group, the Transferor and each member of the Transferor's Group shall be entitled to be repaid any indebtedness to it of the Company within twenty (20) Working Days of the registration of such transfer subject, however, where such indebtedness arises from a loan by the Transferor (or any member of the Transferor's Group) to fund the working capital of the Company to a loan in the amount of such indebtedness being made on the same terms to the Company by the Transferee; and

8.1.3 unless the Transferee is a member of the Transferor's Group, the Transferor and each member of the Transferor's Group shall be entitled, where possible and appropriate, to be released from any guarantees given by it in relation to any activities undertaken by the Company (subject in all cases to the liability under such guarantees being assumed by the Transferee) failing which the other Shareholder and the Transferee shall (a) jointly use all reasonable endeavors to obtain the release of the Transferor (or member of the Transferor's Group) from such guarantees and (b) pending the obtaining of such release, jointly and severally indemnify and hold harmless the Transferor in respect of its continuing liability under such guarantees.

- 8.2 Subject to the performance of any obligations (including obligations of confidentiality) remaining to be performed after the event, and to any rights of the Parties in respect of antecedent breaches or non-observance of this Agreement, this Agreement shall terminate in respect of the Company as between (1) the Transferor and (2) the other Parties upon the Transferor ceasing to be a holder of all its Shares in the Company so as to release the Transferor from any further obligation or liability to any of the other Parties who shall each likewise be released from any further liability or obligation towards such Transferor, except as provided in clause 8.1.3.

## 9 COMMENCEMENT AND TERMINATION

- 9.1 This Agreement shall commence on the date of its signature by the Parties and (subject to the terms of this clause) shall continue thereafter until the first to occur of the following: -

- 9.1.1 the date of commencement of the Company's winding up; or
- 9.1.2 the date on which all the Shareholders agree to terminate this Agreement; or
- 9.1.3 the date of registration of a transfer of Shares resulting in all shares in the Company being held by or on behalf of one Shareholder; or
- 9.1.4 the Effective Date of a Listing being obtained for the Shares or the shares of any holding company of the Company;

subject to (a) the relevant provisions of this Agreement and (b) the performance of any obligations or the exercise of any rights respectively remaining to be performed or exercised after the event and to any rights of the Parties in respect of antecedent breaches or non-observance of this Agreement.

- 9.2 If any Shareholder (the "Defaulting Shareholder") shall:-

- 9.2.1 commit a material breach (including, for the avoidance of doubt, any breach of clause 4.1) or shall commit persistent breaches of this Agreement, a Loan Note Agreement or any other agreement contemplated herein which, if capable of remedy, shall not have been so remedied within thirty (30) days of any of the other Shareholders (the "Other Shareholders") serving notice on the Defaulting Shareholder requiring such remedy ( the "Remedial Period"); or
- 9.2.2 be the subject of an Insolvency Event; or

9.2.3 suffer a change in its Controlling Shareholder;

each hereafter being referred to as an "Event of Default"), then the Defaulting Shareholder shall not, as from the date of the Event of Default or if the case of a persistent breach which has not been duly remedied on or before the expiry of the Remedial Period, as from the date of expiry of the Remedial Period, (i) exercise its right to attend and vote at general meetings of the Company; nor (ii) transfer any of its shares, and any of the Other Shareholders may, without prejudice to any other rights and remedies which they may have, serve a written notice on the Defaulting Shareholder ( a "Default Notice").

9.3 In the event that any one of the Shareholders (the "Terminating Shareholder") serves a Default Notice on the Defaulting Shareholder pursuant to clause 9.2 then the Defaulting Shareholder shall without prejudice to any other remedy be deemed to have granted to the other Shareholders ( the "Remaining Shareholders") an option ("Option") to purchase all but not some of its shares of the Company for the price per Share ("Default Price") determined in accordance with clause 9.4 pro rata to their existing holdings of Shares in the Company or in such other proportions as they may agree.

9.4 The Default Price shall be determined in US\$ by the Valuer as at the date of the Default Notice as being a value equivalent to 50% of the net asset value of the Company (excluding intangible assets) per Share calculated in accordance with the normal accounting principles of the Company. In so determining the Default Price the Valuer shall act as an expert and not as an arbitrator. In the absence of manifest error the certificate of the Valuer shall be conclusive and binding on the Shareholders. The Shareholders shall forthwith upon service of the Default Notice instruct the Valuer to determine the Default Price accordance with this clause and to provide a certificate to each of the Shareholders in respect of the same within 2 months of instruction. The cost of obtaining such certificate shall be borne by the Company.

9.5 The Option may be exercised by the Remaining Shareholders after receipt of the Valuer's certificate by notice in writing to the Defaulting Shareholder but before the expiration of 3 months after the date of the certificate. Seven days after the Remaining Shareholders give notice in writing that they wish to exercise the Option:-

9.5.1 the Remaining Shareholders shall pay to the Defaulting Shareholder the Default Price in respect of each of the Defaulting Shareholder's Shares of the Company;

- 9.5.2 the Defaulting Shareholder shall transfer to the Remaining Shareholders its Shares free from any encumbrance by delivering to the Remaining Shareholders duly executed and (where necessary) stamped transfers and share certificates in respect of the Defaulting Shareholder's Shares in such proportions as the Remaining Shareholders may prescribe and the Shareholders shall procure that, subject to the same being duly stamped, the Board registers such transfers; and
- 9.5.3 on a transfer in accordance with this clause of Shares of the Company from the Defaulting Shareholder to the Remaining Shareholders:-
- 9.5.3.1 the Defaulting Shareholder shall repay all loans, loan capital, borrowings and indebtedness in the nature of borrowings outstanding to the Company from that Shareholder (together with any accrued interest thereon);
- 9.5.3.2 the Company shall, to the extent it is reasonably capable of doing so, repay all loans, loan capital, borrowings and interest in the nature of borrowings outstanding and due to the Defaulting Shareholder from the Company at the date of the transfer (together with any accrued interest thereon);
- 9.5.3.3 the Defaulting Shareholder shall procure the removal of any Directors or Secretary of the Company appointed by it; and
- 9.5.3.4 the Defaulting Shareholder shall co-operate by doing all such things and executing all such documents as the Remaining Shareholders may reasonably require in such form as the Remaining Shareholders may require; and upon completion of the transfers referred to in this clause 9 and compliance by the Remaining Shareholders with their respective obligations under clause 10, this Agreement shall be terminated as between the Defaulting Shareholder and the Remaining Shareholders forthwith (save as otherwise set out in this Agreement and without prejudice to any rights arising prior to the date of termination.)

## 10 DEADLOCK

- 10.1 Whenever a matter is submitted to a Board meeting pursuant to clause 7.1

and the directors at that board meeting are also unable to arrive at a decision on the matter by reason of a disagreement between the directors then a deadlock shall be deemed to have occurred in relation to that matter.

10.2 If a deadlock is deemed to have occurred, the Shareholders shall meet together with a view to negotiating in good faith so as to resolve such deadlock in the best interests of the Company and so as to maintain the Company as a going concern but, in the absence of agreement, the matter shall be referred to an Independent Expert for determination in the best interests of the Company.

10.3 The expenses of the Independent Expert shall be borne by the Company.

## 11 REPRESENTATIONS AND WARRANTIES

11.1 Each of the Shareholders and the Company represents and warrants to the Shareholders:-

11.1.1 it is duly incorporated and validly subsisting under the laws of its place of incorporation and has the corporate power and authority to accept the terms of this Agreement (and the agreements annexed hereto) and perform its obligations under it;

11.1.2 its entry into this Agreement (and the agreements annexed hereto) has been duly and valid authorized and all requisite corporate action has been taken in order to make such entry valid and binding upon it in accordance with the terms of this Agreement;

11.1.3 the entry into this Agreement (and the agreements annexed hereto) and the consummation of the transactions contemplated by it will not:

(a) breach or conflict with any provision of its certificate of incorporation or memorandum and articles of association or equivalent constitutional document or result in a breach of, conflict with or constitute a default under any mortgage, indenture, agreement or other instrument, laws, statutory instruments or regulations, to which it is a party or by which it, or any of its properties or assets, is bound; or

(b) violate any order, judgement or decree of any court or governmental agency to which it is a party or by which it, or any of its properties or assets, is bound.

## 12 ANCILLARY PROVISIONS

12.1 Waiver

No delay or failure by any Shareholder or the Company to exercise any of their respective powers, rights or remedies under this Agreement shall operate as a waiver of them, nor shall any single or partial exercise of any such powers, rights or remedies preclude any other or further exercise of them. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law. No waiver by any Party of any breach by any other Party of any provision of this Agreement shall be deemed to be a waiver of any subsequent breach of that or any other provision of this Agreement.

12.2 Assignment

Except as otherwise expressly provided in this Agreement, no Party shall assign, encumber, dispose of or otherwise transfer its rights under this Agreement or purport to transfer any burden imposed on it under this Agreement without the prior written consent of the other Parties, which may be withheld in their absolute discretion.

12.3 Severability

If any part of this Agreement is found by any court or other competent authority to be invalid, unlawful or unenforceable then such part shall be severed from the remainder of this Agreement which shall continue to be valid and enforceable to the fullest extent permitted by law.

12.4 Costs and expenses

The Company shall bear all its own costs associated with the negotiation and preparation of this Agreement and shall reimburse **[the investors]** for their reasonable costs and expenses in the same regard.

12.5 Entire Agreement

12.5.1 This Agreement and any agreements referred to herein supersede any agreements made or existing between the Parties before or simultaneously with this Agreement (all of which shall be deemed to have been terminated by mutual consent with effect from the commencement date of this Agreement but without prejudice to the rights and liabilities of the Parties accrued before such date) and constitutes the entire understanding between the Parties in relation to its subject matter.

12.5.2 Except as otherwise permitted by this Agreement, no change to its terms shall be effective unless it is in writing and signed by or on

behalf of all Parties.

12.6 Exclusion of Warranties

In entering into this Agreement, each Party acknowledges that it does not do so on the basis of, and does not rely on any representation, warranty or other provision except as expressly provided in this Agreement.

12.7 Partnership

Nothing in this Agreement shall create or be deemed to create a partnership or the relationship of principal and agent or employer and employee between any of the Parties and no Party shall be responsible for the acts or omissions of the employees or representatives of the other Parties.

12.8 Confidentiality

12.8.1 Each of the parties hereto shall keep and shall procure the Company to keep and shall procure that their respective agents and employees and the agents and employees of the Company shall keep, confidential all Confidential Information until the same shall have become generally known to companies or other persons engaged in similar business otherwise than through disclosure on the part of any of the Parties hereto or their respective agents or employees or the agents or employees of the Company Provided that this shall not apply to any disclosures or communications to a Shareholder's professional advisers, required by law or by any applicable stock exchange.

12.8.2 Any inventions, ideas, data, know-how, technologies, applications, methods, designs, processes or discoveries of any nature acquired or developed by, or under the direction of or on behalf of, the Company shall be the property of the Company and the Parties agree to cooperate to ensure that all necessary steps are taken to secure registration of the rights to the Intellectual Property in the name of the Company.

12.9 Announcements

No announcement or circular in connection with this Agreement or any matter arising from this Agreement shall be made or issued by or on behalf of any Party without the prior written consent of the other Parties which shall not be unreasonably withheld. The restrictions in this clause 12.9 shall not apply to any statement which is required to be made by law or in

accordance with the rules from time to time in force of any applicable Stock Exchange provided that such statement is only issued after prior consultation (where reasonably practicable) with the other Parties.

#### 12.10 Counterparts

12.10.1 This Agreement may be executed in any one or more number of counterparts each of which, when executed, shall be deemed to form part of and together constitute this Agreement.

12.10.2 This Agreement shall be immediately binding and effective when each of the Parties has unconditionally executed either this Agreement or any of those counterparts.

#### 12.11 Notices

12.11.1 Any notice required or permitted under the terms of this Agreement shall (unless otherwise provided by this Agreement) be in writing and shall be sufficiently given if delivered by hand or sent by recorded delivery prepaid mail or facsimile transmission to the respective Parties as follows:

Need to insert names/addresses here (we will give later) or to such other address or facsimile number as may from time to time by notice be designated by any Party.

12.11.2 Any such notice shall be in the English language and shall be deemed (in the absence of proof to the contrary) to have been received and given:

- (a) in the case of delivery by hand, at the time of delivery;
- (b) in the case of recorded delivery pre-paid mail, three (3) days after the date of mailing; and
- (c) in the case of facsimile, at the time of transmission and receipt of correct answerback if within normal business hours of the addressee and, if not, at 09.30 hours local time on the next following Working Day.

#### 12.12 Governing law

12.12.1 This Agreement shall be construed and take effect in all respects in accordance with the laws of the [●].

12.12.2 The courts of [•] shall have non-exclusive jurisdiction in relation to all disputes or matters arising hereunder, and the parties irrevocably submit themselves to the non-exclusive jurisdiction of [•] courts sitting [•], for the resolution of any disputes arising under or in connection with this Agreement.

**SCHEDULE 1**

ARTICLES  
(to be attached)

## SCHEDULE 2

### Major Decisions

1. The issue of new Shares, including options and issues to strategic partners.
2. Any consolidation, merger or sale of the Company or other transaction where control of the Company is transferred.
3. Any acquisition or disposal of assets which is equal in value to more than one-third of the issued share capital of the Company, including any premium.
4. Material capital structure changes, including major financing.