Shareholders' Agreement

Made and signed in Rishon LeZion on ____________

Between: [redacted], ID No. ___
of [redacted]
(hereinafter - "Partner 1")

Of the One Part

And: [redacted], ID No. _
of ____ St.
(hereinafter - "Partner 2")

Of the Other Part

Whereas the parties wish to cooperate with each other, to establish and jointly manage a business of a company for the sale of furniture of various kinds **(hereinafter: "<u>the Joint Venture</u>");**

And Whereas the parties wish to carry out the Joint Venture through a limited liability company.

And Whereas for the purpose of carrying out the Joint Venture, the parties have established a limited company named [redacted], Company No. ___. **(hereinafter - "<u>the Company</u>") (<u>Certificate of Incorporation - attached as Appendix A, Articles of Association - attached as Appendix B</u>)**

And Whereas: the parties are partners in equal shares in all matters relating to the corporation and to the management of the Company's business.

And Whereas: the parties wish to regulate in this Agreement below their mutual obligations and rights in connection with the aforesaid;

Now therefore it is agreed, declared and stipulated between the parties as follows:

1. Preamble:

1.01 The preamble to this Agreement and the declarations of the parties therein constitute an integral part hereof.

1.02 The headings of the clauses in this Agreement are included for convenience of reference only. They do not constitute part of the contract and shall not be used for its interpretation.

2. The Company - [redacted]:

2.01 The Memorandum and Articles of Association of the Company, in the wording agreed between the parties, are attached as Appendices A and B to this Agreement and constitute an integral part hereof.

2.02 The Company is a private company limited by shares.

3. Objectives of the Company:

3.01 The objectives of the Company shall be:

a) Managing a business for the sale of furniture and furniture-related products.

b) Any other business matter to be agreed in the future by both parties jointly.

4. Shares:

4.01 The share capital of the Company is 1,000 shares of a par value of NIS 1 each.

4.02 The distribution of the shares in the Company is as follows:

a) Partner 1 - 100 ordinary shares.

b) Partner 2 - 100 ordinary shares.

c) 800 ordinary shares remain with the Company as unissued capital.

4.03 The parties confirm that they have paid to the Company the value of the issued capital that was issued by the Company to the parties.

4.04 The parties agree that any resolution constituting a change in the ratio of shareholdings in the Company as aforesaid shall require the consent of both parties jointly, including resolutions regarding an increase of the Company's capital, a reduction of the Company's capital, and the issuance of additional shares to any of the parties and/or to any third party.

4.05 The ordinary shares shall entitle their holders equally to the right to dividends and to a share in the Company's property, assets and rights upon its liquidation, such that the holder of ordinary shares shall be entitled, by virtue of his ownership of such shares, to a proportionate share of the rights attached to the ordinary shares, according to the ratio between the ordinary shares owned by him and all of the issued ordinary shares.

4.06 The parties shall not be entitled to transfer their shares to any third party except with the consent of the other party.

4.07 Notwithstanding the aforesaid, the parties shall be entitled to transfer their shares to their spouse married to them, even without obtaining the consent of the other party.

4.08 In any event of a transfer of shares, whether with or without the consent of the other party, the person to whom the shares were transferred shall step into the shoes of the partner who transferred the shares in all matters relating to this Agreement.

4.09 In the event of the death, God forbid, of one of the partners, the rights of the deceased partner shall be transferred to his estate.

5. Management, Administration and Board of Directors:

5.01 The Board of Directors of the Company shall consist of 2 members.

5.02 Each partner shall have the right to appoint one director only.

5.03 Upon the signing of this Agreement, each of the parties appoints himself as a director of the Company.

5.04 Subject to the provisions of this Agreement, the Board of Directors of the Company shall determine its policy, budget, modes of operation and engagements, and shall also determine the manpower required for carrying out its tasks, appoint the acting manager of the Company, and everything related to the day-to-day management of the Company.

5.05 The quorum for managing the Company's business shall be two directors present in person.

5.06 It is agreed between the parties that no resolution concerning a change in the capital structure of the Company, the scope and fields of its activity, or its liquidation shall be adopted except with the consent of both parties jointly.

5.07 The Company shall be bound in any matter whatsoever by the Company's stamp or its printed name together with the signature of two directors.

5.08 Any change in the signatory rights must be made with the consent of both parties and in writing.

5.09 The parties shall be entitled to determine by consent that, for certain matters and/or in respect of monetary withdrawals up to a certain amount, the signature of one partner together with the Company's stamp, or the signature of the acting manager of the Company together with the Company's stamp, shall suffice.

Such consent shall be made in writing.

6. Operation of the Company:

6.01 The Company shall carry out and execute the Joint Venture. The Company shall also act as the Board of Directors of the Company shall decide.

6.02 The Company shall employ skilled and suitable manpower as it shall require for the fulfillment and performance of its activities, as the management of the Company shall decide from time to time.

7. Day-to-Day Management of the Company:

7.01 The parties shall appoint an acting manager for the Company for the purpose of carrying out the day-to-day management of the Company, in accordance with and subject to the resolutions of the Board of Directors of the Company and the policy to be determined by the Board of Directors.

7.02 For the purpose of performing his duties, the acting manager shall be granted the following powers:

a) Day-to-day operation and management of the Company's store.

b) Management of the Company's inventory.

c) Orders from suppliers.

d) Day-to-day management and supervision of the Company's employees.

e) Management of the Company's petty cash.

7.03 The parties hereby appoint Mr. [redacted], ID No. __, to serve as the acting manager of the Company.

7.04 The Board of Directors of the Company shall have the authority to remove the acting manager from his position and to appoint another manager in his place.

7.05 The salary of the acting manager shall be determined by the Board of Directors.

8. Previous Agreements:

Should the Company and/or the parties have entered into any agreements while it was still in the process of incorporation, the Company ratifies the said agreements.

9. Investments and Profits:

9.01 For the purpose of establishing the Company and opening its business for the first time, Partner 2 shall invest the sum of __ ₪ in the Company. **(hereinafter - "<u>Partner 2's Loan</u>")**

9.02 Partner 2's Loan shall be repaid by the Company to Partner 2 in 60 equal and consecutive installments of _ ₪ each.

9.03 Should it become apparent that shareholders' loans are required for the Company's needs, the parties undertake to lend the Company any amount required, in direct proportion to their ownership of the Company's shares.

9.04 The parties' loans to the Company shall bear interest at a rate to be agreed from time to time. The date and manner of repayment of the loans shall be agreed between the parties or by the Board of Directors of the Company.

9.05 In the event that the Company requires funds for its operations by way of loans to be taken by the Company and/or by way of credit from banking institutions, and a guarantee or security is required of it for that purpose, the parties shall guarantee or provide the required securities in direct proportion to their ownership of the Company's shares.

9.06 Should one of the parties be required to pay any amount in respect of his guarantee as aforesaid, he shall be entitled to recourse against the other party in proportion to his share in the guarantee.

9.05 Should it become apparent that the Company requires financing as stated in clause 9.03 above, and one of the parties has not lent the Company the amount he is required to lend, or has not provided a guarantee or has not provided securities, the other party or parties, as the case may be, shall be entitled, but not obligated, to lend the

Company the amount owed by the other party or to guarantee the Company's obligations.

9.06 The profits of the Company in each balance-sheet year shall be distributed between the parties in accordance with the ratio of their shares in the Company, at the end of each year, out of the receipts in excess of the expenses and taxes. All of the above - unless the Board of Directors of the Company decides otherwise.

9.07 Out of the Company's profits, the parties' loans to the Company shall first be repaid to them, in direct proportion to the amounts of each of their loans, in the manner to be decided by the Board of Directors.

10. Accounts:

10.01 The Company shall open a separate bank account or accounts as it deems fit, and all payments made by the Company shall be by checks drawn on the said bank accounts, and the payment details shall be specified on the check stubs.

10.02 All of the Company's funds shall be deposited into the bank account immediately upon receipt, and all of the Company's expenses shall be made solely through the bank account.
Neither of the parties shall be entitled to retain in his possession funds, checks or bills of the Company without depositing them into the bank account within 72 hours of their receipt by him.

10.04 Small expenses shall be paid by the Company in accordance with procedures to be determined by the Board of Directors of the Company, out of a petty cash fund to be replenished from the bank accounts and covered by receipts, in accordance with the decisions of the acting manager.

10.05 All monies paid to the Company, without exception, shall be deposited into its accounts.

10.06 The Company shall have a separate accounting system and a separate archive.

10.07 The parties undertake to be honest and faithful towards one another and shall provide each other with correct and complete information on any matter relating to the Company.

10.08 Each party shall have a continuous and unlimited right to inspect and copy the Company's documents, its books of account and its archive.

10.09 An accountant shall be appointed for the Company.

10.10 The Company shall consult, as necessary, and shall receive, if it requires it, legal advice from an attorney with whom it deems fit to engage.

10.11 Replacement of the accountant and/or the attorney shall be made by the Board of Directors by a joint resolution of both parties.

11. Arbitration:

11.01 The parties hereby refer, and undertake to refer, all disagreements and/or disputes that may arise between them, or between them and the Company, arising from this Agreement or from its performance, or from the existence of the Company or its operation, or from their membership therein or the termination of their membership therein, from time to time, to the decision of a sole arbitrator to be agreed upon between the parties **(hereinafter - "the Arbitrator")** and his decision shall bind them. Should the parties fail to reach an agreement as to his identity, he shall be appointed by whoever serves at that time as the President of the Israel Bar Association.

11.02 The Arbitrator shall not be bound by time, by the laws of evidence, by the rules of procedure or by the substantive law, and may rule both according to law and by way of compromise.

11.03 The Arbitrator shall be entitled to grant interim orders, temporary decisions and partial awards until the final award is given in the arbitration.

11.04 The arbitration shall commence upon the delivery of the claimant's statement of claim in the arbitration to the Arbitrator, with a copy to the other party; from then on the Arbitrator shall determine the arbitration procedures.

11.07 The signature of the parties on this Agreement shall be deemed as the signature of the parties on an arbitration agreement within its meaning in the Arbitration Law, 5728-1968, and no additional document shall be required for the application of arbitration between the parties.

12. Miscellaneous:

12.01 The addresses of the parties for the purposes of this Agreement are as stated in the preamble to this contract, as long as no other notice has been given.

12.02 Any notice sent by one party to the other by registered mail to the above address shall be deemed to have reached its destination 72 hours after its delivery to the post office for dispatch.

12.03 The provisions of the Contracts Law (Remedies for Breach of Contract), 5731-1970, shall apply to a breach of this Agreement.

12.04 Exclusive jurisdiction shall be vested solely in the competent court in the Central District.

In witness whereof the parties have signed at the place and on the date first above written

______________________	______________________
Partner 1	Partner 2