

SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT, dated as of _____, 20____, by and among AMERICAN ASSOCIATION OF ORTHODONTISTS INSURANCE COMPANY (A RISK RETENTION GROUP), an Arizona licensed risk retention group captive insurer formed pursuant to the Federal Liability Risk Retention Act of 1986 (the “**Corporation**”), and the person who also executes this Agreement and is listed on the signature page hereto (the “**Shareholder**”), and each and every other shareholder becoming a party to or otherwise bound by this Agreement (collectively, the “**Shareholders**”), all of whom then hold or own Shares (defined below), or an interest in (including, without limitation, a subscription for) Shares, of common stock, ten dollars (\$10.00) par value per Share (the “**Common Stock**”), of the Corporation.

W I T N E S S E T H:

WHEREAS, the Shareholder has subscribed to purchase Common Stock of the Corporation (such Shares, together with any additional Shares in the capital of the Corporation hereafter acquired by the Shareholder, are hereinafter collectively referred to as the “**Shares**”); and

WHEREAS, each of the parties hereto desires to promote the interests of the Corporation and the mutual interests of the Shareholders by establishing certain terms and conditions upon which the Shares will be held, including provisions relating to the election of directors and approval of various corporate actions; and

WHEREAS, the Shareholder has agreed to enter into this Agreement in connection with its subscription to purchase Shares for the benefit of the Company and all other Shareholders of the Corporation.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Shareholder and the Corporation agree as follows:

ARTICLE I

Voting Rights

A. Corporate Governance.

1. The Shareholder agrees to take, and cause the directors and officers of the Corporation to take, all lawful actions to fix the number of directors at not less than

ten (10) or more than fifteen (15). The number of directors may be changed from time to time by the Shareholders or the Board of Directors within the limits prescribed by the Articles of Incorporation or Domestication. At least one (1) member of the Board of Directors shall be a resident of the State of Arizona.

2. The Shareholder agrees to vote all Shares held by such Shareholder for the election of the directors of the Corporation properly nominated by the AAOIC Board of Directors.
3. The directors shall be elected at the annual meeting of shareholders or by unanimous written consent of the shareholders each year. Unless another method is prescribed by a voting agreement or shareholders agreement between all the shareholders, at each election for directors, shareholders are entitled to cumulate their votes as provided by Arizona law.
4. The terms of the Board of Directors shall be three (3) years in length and shall be staggered in the manner provided by A.R.S. § 10-806. The terms of the directors shall expire at the annual shareholders meeting.
5. Each director elected shall hold office until the expiration of his or her term and thereafter until his or her successor is elected and qualified, unless sooner displaced or becomes ineligible. Any director may resign at any time by giving written notice of his or her resignation to the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective is not specified therein, it shall take effect immediately upon its receipt by the President or the Secretary. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
6. Subject to any limitation imposed by applicable law, the holders of a majority of the shares then entitled to vote at an election of directors may, at a meeting, remove a director or directors, for cause. A director may be removed by the shareholders only at a meeting called for that purpose, and the notice of that meeting must state that a purpose of the meeting is the removal of the Director. The Arizona resident director may be removed with or without cause by the Board of Directors, provided that such removal for cause may be made only after giving such director reasonable notice and an opportunity to be heard and another Arizona resident director is elected to replace such removed director.
7. Vacancies, by death, resignation, removal or otherwise, and newly created directorships resulting from any increase in the authorized number of directors, shall be filled by the shareholders, or (though less than a quorum) by a majority vote of the remaining directors or by the sole remaining director. If no directors remain, the vacancies shall be filled by the shareholders at a special meeting called for that purpose. The director(s) so chosen shall hold office until the next election of directors when their successor(s) are duly elected and qualified, unless sooner displaced.

8. The affirmative vote of two-thirds (2/3) of the Shares entitled to vote shall be required to amend the *Articles of Incorporation or Articles of Domestication* of the Corporation unless such amendment relates to any of the following, which may be adopted by a two-thirds (2/3) vote of the Board of Directors: deleting the name and address of the initial registered agent; deleting the name and address of the initial registered office of the Corporation (if a change is on file with the Secretary of State); changing each issued and unissued authorized Shares of an outstanding class of Common Stock into a greater number of whole Shares if the Corporation only has Shares of that class outstanding; changing the name of the Company by substituting the word “corporation,” “incorporated,” “company,” “limited,” or the abbreviation “corp.,” “inc.,” “co.,” or “ltd.,” for a similar word or abbreviation in the name, or by adding, deleting, or changing a geographical attribution for the name; or any other change expressly permitted by Arizona law to be adopted by the Corporation’s Board of Directors.

B. Restrictions on Transfer.

1. The Shareholder shall not sell, assign, pledge, hypothecate, encumber or otherwise transfer (any of which is hereafter referred to as a “**Transfer**”) any of his or her Shares.

2. Shares shall be held in book entry form.

C. Further Agreements.

1. Each of the parties hereto agrees that the Shares held by the Shareholder or any other Shareholder shall not be subject to any preemptive or other similar rights.

2. Each of the parties hereto agrees to take, and to cause to be taken, all such actions as shall be necessary to implement the provisions of this Agreement and the purposes to be achieved by such provisions, and further agrees not to take any action, or to omit to take any action, if the taking of such action or the omitting to take such action could result (whether intentionally or unintentionally, directly or indirectly) in any violation of any provision of this Agreement or the frustration of any of the purposes to be achieved by any such provision.

ARTICLE II

Redemption of Common Stock

A. Capital Contributions.

The Shareholder will be required to contribute as capital to the Corporation twenty dollars (\$20.00) (the “**Capital Contribution**”) for which the Corporation shall issue two Shares of Common Stock based on the par value of such Shares.

B. Cancellation of Coverage.

Upon advance written notice to the Corporation, the Shareholder may cancel his or her insurance coverage. In such event, and subject to Section E of this Article II, the Corporation shall have the right to redeem the Shares of Common Stock held by the Shareholder.

C. Termination of Coverage.

Subject to Section E of this Article II, the Corporation shall have the right to repurchase all Shares of Common Stock held by the Shareholder for an amount in cash equal to his or her Total Capital Contribution previously paid in upon the occurrence of any of the following:

1. the death of the Shareholder;
2. the disability of the Shareholder;
3. the retirement of the Shareholder from the practice of orthodontics; or
4. the termination of the Shareholder's insurance coverage by the Corporation for any reason.

==

D. Qualified Redemption Offset.

Notwithstanding any other provision of this Agreement, no Shares shall be redeemed by the Corporation and no payments shall be made by the Corporation to the Shareholder if the Board, in its sole discretion, believes such payments would materially adversely affect the Corporation's financial condition. In addition, all amounts due the Corporation for any reason from the Shareholder may be offset against any distribution to the Shareholder.

ARTICLE III

Miscellaneous

A. Amendments, Termination, etc.

1. This Agreement may not be changed, waived, discharged or terminated, in whole or in part, except by (a) an instrument in writing signed by the Shareholder and the Corporation, or (b) a duly authorized amendment to the Bylaws of the Corporation.

2. If, for any permitted reason, the transferor no longer holds any Shares or rights to acquire Shares, such transferor shall no longer be deemed a Shareholder for purposes of this Agreement.

3. This Agreement replaces all prior Agreements.

B. Notices.

All notices, requests, demands and other communications required or permitted hereunder shall be posted on the AAOIC website and shall be deemed, unless otherwise specified herein, to have been duly given to the shareholder. Notice to the Corporation, at its registered office which is currently 401 N. Lindbergh Blvd., St. Louis, Missouri 63141, attention: Chairman. Any notice to the Corporation shall be copied to its General Counsel at the same address.

C. Binding Effect; Benefit.

This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the parties hereto, and their respective successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

D. Assignability.

. The Corporation may assign this Agreement without obtaining the prior consent of the Shareholder.

E. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

F. Applicable Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the state of Arizona, without regard to principles of conflicts of laws.

ARTICLE IV

Investment Representations

The shareholder represents to the corporation and all other shareholders that he or she has acquired the shares solely for investment for the shareholder's own account as principal and not with a view to, or for resale in connection with, the distribution or other disposition thereof, and that no other person (defined below) has a direct or indirect beneficial interest in such shareholder's shares. For the purposes of this agreement, the term “**person**” shall mean any firm, corporation, partnership or other business, entity or person.

The shareholder represents and warrants to the corporation and all other shareholders that:

1. The shareholder has been provided with and thoroughly reviewed the confidential information circular of the corporation and has been provided with the opportunity to obtain a copy of the corporation's *bylaws*, and to seek advice of counsel and to ask any and all questions relating to any matter set forth in these documents prior to entering into this agreement and purchasing the shares.

2. He or she fully understands all terms, provisions and implications of the material set forth in this agreement, the confidential information circular and the *bylaws*.

3. There is no guarantee or promise of return on the investment made by the shareholder as evidenced by the shares, and that such investment is speculative in nature; and

4. Neither the shares nor any other shares of common stock held by other shareholders has been or will be registered with, or reviewed or approved by, the United States securities and exchange commission, the Arizona Commissioner of Securities or any other state securities commissioner.

IN WITNESS WHEREOF, the undersigned have hereto set their hands as of the dates set forth by their signatures below.



AMERICAN ASSOCIATION OF
ORTHODONTISTS INSURANCE COMPANY
(A RISK RETENTION GROUP)

By: T.R. Pracht, D.D.S., M.S.
Signature
Name: Terry R. Pracht, DDS, MS
Title: Chairman, Board of Directors & CEO
Date: _____

SHAREHOLDER

Signature

Print Name: _____

Date: _____