

SHAREHOLDERS' AGREEMENT
M & M RECORDS, INC.

AGREEMENT made the ___ day of _____, 1993 by and among Connie Pano ("CP"), Scott Shultz ("SS"), Mike Gary ("MG") and Mark Shultz ("MS"). CP, SS, MG and MS are sometimes referred to hereinafter collectively as the "Founders", and each individually as a "Founder").

W I T N E S S E T H :

WHEREAS, CP and SS each wish to subscribe to purchase twenty (20) shares of the two hundred (200) shares of authorized capital stock of M&M Records, Inc. a New York corporation (the "Corporation"); and

WHEREAS, MG and MS each wish to subscribe to ten (10) shares of authorized capitol stock of the Corporation; and

WHEREAS, the Founders desire to enter into an agreement with respect to the organization of the Corporation and the transfer or other disposition of the shares of capital stock of the Corporation upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto agree as follows:

1. Issuance of Shares. CP and SS each hereby subscribe to purchase twenty (20) shares and MG and MS each hereby subscribe to purchase ten (10) shares of the Corporation's no-par common stock and agree to pay One (\$1.00) Dollar per share by _____, 1993 (which amounts shall be deposited in the Corporation's bank account to be established at a bank mutually agreed by the parties) in payment for such shares. The Corporation shall issue such shares to each such Founder after such Founder so pays the appropriate amount.

2. Purpose. The primary activity of the Corporation will be to evaluate and develop recording artists, to record, market and exploit master recordings embodying the performances of such recording artists and to engage in any other activities in the entertainment field as may be agreed to by the parties.

3. Non-Exclusivity of Parties' Obligations. Each of the parties, collectively and/or individually, may engage in any business or other activities which they deem appropriate, including, without limitation, serving as a consultant, officer or director, or making investment in, any other entity, whether or not related to the Corporation.

4. Management.

(a) The officers of the Corporation shall be as follows: President - Connie Pano; Vice President - Mark Schultz; Secretary - Mike Gary; Treasurer - Scott Schultz.

(b) Except as specifically provided for in a written budget mutually approved by the parties or as otherwise provided for by the prior written agreement of the parties:

(i) No liability, indebtedness or other obligation shall be incurred on the part of the Corporation, other than in the ordinary course of business and in an amount less than \$_____, nor shall any out-of-pocket expenses reimbursable by the Corporation be incurred by any party in excess of \$_____;

(ii) No assets of the Corporation may be sold or otherwise transferred, other than in the ordinary course of business; and

(iii) The signature of at least two (2) parties shall be required on checks or other instruments in order to bind the Corporation.

5. Board of Directors. The Board of Directors of the Corporation shall be composed of the following four (4) persons: CP, SS, MG and MS. Subject to the prior recoupment of any capital contributions, any distribution of the Corporation's profits to the parties shall be made according to their equity interests and shall be made in such amounts and at such times as shall be determined by the Board of Directors from time to time.

6. Funding. The sources and amounts of any funding for the Corporation, whether for day-to-day operations, acquisitions of Artists, Compositions or publishing rights, or otherwise, shall be determined by the mutual agreement of the parties.

7. Restriction on Transfer of Stock.

(a) The Founders each agree that they will not, so long as this agreement is in effect, directly or indirectly, sell, pledge, give, bequeath, transfer, assign or in any other way whatsoever encumber or dispose of (hereinafter collectively called "transfer") any of the shares of Common Stock (or any interest therein), or the stock certificate or certificates representing same, now or hereafter at any time owned by them, except as permitted by this agreement. The term "Common Stock" as used in this agreement shall include common stock certificates, scrip representing fractional shares of common stock, options and warrants for common stock or common stock received by way of dividend or upon an increase, reduction, substitution or reclassification of stock of the Corporation, or upon any reorganization of the Corporation.

(b) The Corporation shall not transfer on its books any certificates for shares of Common Stock owned by any Founder, nor issue any certificates in lieu of such shares, nor issue any new shares of Common Stock, unless each and all of the conditions hereof affecting such shares or certificates have been complied with.

8. Right of First Refusal on Transfer of Stock During Lifetime.

(a) If any Founder (hereinafter "Seller") desires to transfer all or any part of the shares of Common Stock owned by him, he shall first offer all of his Common Stock for sales to the Corporation by written notice to the Board of Directors. The foregoing notwithstanding, in the event MG shall be the Seller he shall first offer all of his Common Stock to MS and in the event MS shall be the Seller he shall first offer all of his Common Stock to MG. Thereafter MS or MG, as applicable, shall offer such shares to

the Corporation. The offer shall be at a price determined in accordance with the valuation provisions of paragraph 9 hereof. The Corporation may (or MS or MG, if applicable) may accept such offer with respect to all and not less than all of such shares by giving notice of acceptance in writing to the Seller within thirty (30) days after the giving of such offer and by paying in cash the entire purchase price on the date such notice of acceptance is given.

(b) (i) If such shares are not so accepted by the Corporation (or, if applicable, by MS or MG and, thereafter, by the Corporation) they shall be offered by written notice, at the price determined in accordance with the valuation provisions of paragraph 9 hereof, to the other Founders who at such time continue to own Common Stock in the Corporation (hereinafter "Remaining Founders"). Such Remaining Founders or any of them, may accept such offer with respect to all and not less than all of the shares by giving notice of acceptance in writing to the Seller within Thirty (30) days after the giving of such offer.

(ii) Upon the date that a notice of acceptance is given pursuant to (i) above, the entire purchase price, which shall be payable in cash, shall be due and payable.

(c) If, after the periods set forth in subparagraphs (a) and (b) above have expired, the offer to sell the shares remains unaccepted, the Seller thereafter, at any time within a period of six (6) months from the giving of the initial offer to the Corporation, may sell such unaccepted shares to any other person, provided that: (i) any such sale shall take place only after receipt of a bona fide arm's length written offer for the purchase of such shares, copies of which shall be delivered to the Board of Directors and the Remaining Founders; and (ii) the Corporation and the Remaining Founders shall, in turn, first each be given a thirty (30) day option to purchase such stock at a price and on the terms offered by such other person.

9. Valuation of Shares.

(a) For the purpose of the sale or transfer of shares subject hereto (other than pursuant to 8(c) above), the valuation of the shares shall be the "fair value" (defined below) of the shares, determined as of the last business day prior to the date on which the offer to sell is given pursuant to subparagraph 8(a) above, determined by the good faith determination of the Seller and the Remaining Founders. Notwithstanding the above, either the Seller or the Remaining Founders may, at any time after the commencement of such determination, submit such matter in dispute to the decision of an independent third-party mutually agreed to by the Seller and the Remainder Founders.

(b) "Fair value" of the shares shall take into account and be determined by the following factors, if and to the extent relevant: net asset value, investment value, market value, earnings and dividends, future prospects, capability of management and reputation of the Corporation, book value, goodwill and any other applicable factors.

10. Legend on Certificates. Each stock certificate issued to the Founders and any other stock certificates issued which are subject to the terms of this agreement, shall bear the following legend:

"Transfer of the shares represented by this certificate is restricted and the shares are subject to certain buy and sell options under an agreement dated _____, 1993. A copy of the agreement, which also affects other rights of the holder of these shares, is on file at the office of the Corporation".

11. Notices. Any and all notices or consents required or permitted to be given under any of the provisions of this agreement shall be in writing and shall be deemed to have been duly given when mailed to the address below written or to such new address as a party may designate by written notice given to the other party.

12. Term of Agreement.

(a) This agreement shall commence on the date hereof and shall continue in effect until such time as only one of the Founders continues to own shares of Common Stock and thereafter only for so long as: (i) the Corporation's and such Remaining Founder's rights pursuant to 8(a), (b) or (c) above to purchase the shares of a leaving Founder remain in effect and are either exercised or lapse and (ii) any other obligations hereunder of any party hereto to any other party hereto have been fully performed. After such exercise or lapse under (i) and performance under (ii), this agreement shall immediately terminate.

(b) Notwithstanding the foregoing, this agreement shall terminate immediately upon the voluntary or involuntary bankruptcy, receivership or dissolution of the Corporation.

13. Governing Law. This agreement shall be governed and construed in accordance with the laws of the State of New York relating to agreements to be wholly performed within such state.

14. Miscellaneous.

(a) This writing constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except by a written agreement signed by each of the parties hereto.

(b) No waiver of any breach or default hereunder shall be considered valid unless it is in writing, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

(c) If any provision of this agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other provision of this agreement.

(d) The parties hereto shall cooperate and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by the other party in order to carry out the provisions and purposes of this agreement.

(e) The number of shares of Common Stock subject to the provisions of this agreement shall be appropriately adjusted in the case of any subdivision or combination of the outstanding shares of Common Stock into a greater or smaller number of shares, or in the

event of recapitalization, reorganization, reclassification of shares, stock dividend, issuance of new shares to the Founders, or like event.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written.

By _____
Connie Pano

By _____
Scott Schultz

By _____
Mike Gary

By _____
Mark Schultz

ACCEPTED AND AGREED TO:

M&M RECORDS, INC.

BY _____
(Name) (Title)