

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT made on _____.

BETWEEN:

_____ of _____
OF THE FIRST PART

_____ of _____
OF THE SECOND PART

_____ of _____
(the "Corporation")
OF THE THIRD PART

Background

- A. The Corporation is incorporated under the California Corporations Code (the "Act").

- B. The Act permits the Shareholders to enter into a shareholder agreement in writing to restrict the powers of the directors of the Corporation to manage the business and affairs of the Corporation and to confer certain of the powers normally possessed by the directors of the Corporation on the Shareholders.

- C. The Shareholders have decided to enter into this agreement (the "Agreement") to govern their respective interests, obligations, liabilities, ownership and rights in the Corporation and to provide for the better government of the Corporation.

- D. All of the Shareholders have executed this Agreement.

- E. The Corporation has executed this Agreement for the purpose of acknowledging notice of this Agreement and, where permitted by law, for the purpose of agreeing to give effect to the terms of this Agreement.

IN CONSIDERATION OF the premises and mutual covenants and agreements in this Agreement, the sufficiency of which is hereby acknowledged, the parties agree as follows:

Interpretation

1. In this Agreement

- a. "Articles" are the Corporation's Articles of Incorporation or Articles of Amalgamation, as the case may be;
- b. "Board" means the board of directors of the Corporation;
- c. "Business Day" means a day other than a Saturday or Sunday or statutory holiday;
- d. "By-laws" means the by-laws of the Corporation as of the date of this Agreement and as may be amended from time to time;
- e. "Fair Market Value" means the fair market value as determined by this Agreement;
- f. "Financial Statements" means the financial statements of the Corporation, prepared in accordance with generally accepted accounting principles;
- g. "Party" or "Parties" means all of the Shareholders and the Corporation;
- h. "Share" or "Shares" refers to one or more shares in the capital of the Corporation;
- i. "Shareholder" means any one of the Shareholders who is or later becomes a Shareholder in the Corporation;
- j. "Shareholders" mean any two or more of the Shareholders who are or later become Shareholders in the Corporation.

Shareholder Agreement

2. This Agreement restricts the Board's power to manage and supervise the Corporation to the extent necessary to effect the Shareholders' objectives as such objectives are set out in this Agreement and transfers such powers to the Shareholders. The Shareholders acknowledge that to the extent the Board's powers are restricted and transferred to the Shareholders, the obligations and liabilities of the Board, and the individual directors thereon, are also transferred to the Shareholders.

By-laws and Articles

3. The By-laws will be read as being subject to the provisions of this Agreement. The By-laws will not be amended or repealed except by written Agreement of all of the Shareholders.
4. The Articles will be read as being subject to the provisions of this Agreement. The Articles will not be amended or repealed except by written Agreement of all of the Shareholders.

Warranties

5. The Corporation warrants that it has the necessary corporate power and authority to enter into this Agreement and to perform its obligations under this Agreement.
6. Each Shareholder warrants that he or she is not prevented by reason of law or any other contractual agreement from entering into this Agreement.

Management of the Corporation

7. The Board will consist of a number of directors equal to the number of Shareholders, and each Shareholder will be entitled to appoint one person to the Board and will have the sole right to remove and replace such appointee.

Capital Requirements of the Corporation

8. If all of the Shareholders determine by written resolution that the Corporation requires additional funds to meet the Corporation's obligations to its creditors or to achieve the purpose for which the Corporation was incorporated the Shareholders will at the request of the board and on a pro rata basis, subscribe and pay for additional Shares in the Corporation in an amount that is sufficient to enable the Corporation to meet such obligations or objectives, as the case may be.

Pre-Emptive Rights

9. Subject to the limitations on pre-emptive rights in the Act, and subject to the Articles, any Shares issued by the Corporation will be offered and issued in accordance with the following provisions:
 - a. The Shares will be offered first to the Shareholders of the class of Shares being issued (the "First Offer") on a pro rata basis.
 - b. Any Shares remaining after the First Offer will be offered on an equal basis to the other Shareholders of that class (the "Second Offer") for not less than the subscription price specified in the First Offer and on terms not more favorable than those in the First Offer.
 - c. Any Shares remaining after the Second Offer will be offered on an equal basis to all Shareholders in the Corporation (the "Third Offer") for not less than the subscription price specified in the Second Offer and on terms not more favorable than those in the First Offer.
 - d. Any Shares remaining after the Third Offer may be offered to any person or persons (the "Final Offer") for not less than the subscription price specified in the Third Offer and on terms not more favorable than those in the First Offer.
10. The First Offer, the Second Offer, the Third Offer and the Final Offer (collectively and individually the "Offer") will be in writing and will specify:
 - a. the subscription price at which the Shares are offered;

- b. the date by which the Offer must be accepted, which will be not less than 10 Business Days from the date on which the Offer is made;
 - c. the terms of the Offer; and
 - d. the closing date for the transaction, which will be between 30 and 90 Business Days from the date on which the Offer is accepted.
11. If the Offer is not accepted within the time period specified for accepting the Offer, the Offer will be deemed to be declined.
12. Shares will not be issued unless:
- a. the subscriber is a party to this Agreement; or
 - b. the subscriber agrees to be bound by and to become a party to this Agreement and gives a written and legally binding undertaking to be bound by and become a party to this Agreement.

Restrictions on Transfer or other Disposal of Interest

13. Shareholders will not and will not agree to directly or indirectly sell, assign, transfer, give, pledge, hypothecate or otherwise dispose of or in any other way encumber any Shares or any interest in any Shares and will not create any security interest in or grant any option with respect to any Shares or any interest in any Shares, except in accordance with the express provisions of this Agreement or except with the prior written approval of all of the Shareholders.

Death or Incapacity of Shareholder

14. If a Shareholder dies or becomes incapable (the "Incapacitated Shareholder") of performing duties that the Shareholder is required to perform as a director or officer or as otherwise imposed by this Agreement by reason of sickness, injury, mental or physical incapacity ("Incapacity") and it appears as though the Incapacitated Shareholder will not recover so as to be able to perform those duties within 90 days of the Incapacity, the other Shareholders will purchase all of the Incapacitated Shareholder's Shares at Fair Market Value as soon as practicable but not later than 6 months after the Incapacity. If there is more than one other Shareholder purchasing the Incapacitated Shareholder's Shares, each Shareholder will, subject to the prior written agreement of the other purchasing Shareholders, purchase an equal amount of the Incapacitated Shareholder's Shares. Each Shareholder may obtain insurance on the life of any other Shareholder in an amount not exceeding the estimated Fair Market Value of that Shareholder's Shares. The proceeds from any such life insurance will be used for the sole purpose of purchasing a deceased Shareholder's Shares.

Shot Gun Provision

15. If any of the Shareholders have a dispute (a "Material Dispute") regarding:
- a. the manner in which the affairs of the Corporation are to be conducted, or
 - b. the business in which the Corporation should engage, or
 - c. any other matter where the disagreement is of such a nature that it is likely to prejudice the operations or profitability of the Corporation

and if the Material Dispute cannot be resolved after negotiation for a period of not less than thirty (30) days, then any Shareholder (the "Initiating Shareholder") may initiate a forced buy or sell agreement (the "Shot Gun Provision").

16. If there are only two Shareholders to this Agreement at the time this Shot Gun Provision is utilized, the Initiating Shareholder will give a written offer (the "Offer") to the other Shareholder (the "Offeree") specifying the price per Shares (the "Price") at which the Initiating Shareholder is willing to:

- a. sell all of the Shares owned by the Initiating Shareholder, or
 - b. purchase all of the Shares owned by the Offeree.
17. The Offeree will, within 15 Business Days of receiving the Offer, give notice to the Initiating Shareholder indicating that the Offeree has elected to either:
- a. purchase the Initiating Shareholder's Shares at the Price, or
 - b. sell the Offeree's Shares at the Price.
18. If the Offeree does not respond to the Offer before 5 o'clock in the afternoon on the 15th Business Day after the date on which the Offer was received, the Offeree will be deemed to have agreed to sell the Offeree's Shares to the Initiating Shareholder at the Price.
19. If the Offeree elects to purchase the Initiating Shareholder's Shares, the Offeree will tender a certified check for the Price within 10 Business Days of notifying the Initiating Shareholder that the Offeree has elected to purchase the Initiating Shareholder's Shares, and the Initiating Shareholder will transfer or cause to be transferred to the Offeree all of the Initiating Shareholder's Shares on receipt of the Price.
20. If the Offeree elects or is deemed to elect to sell the Offeree's Shares to the Initiating Shareholder, the Initiating Shareholder will tender a certified cheque for the Price within 10 Business Days of either the date on which the Initiating Shareholder receives notice that the Offeree has elected to sell the Offeree's Shares or the date on which the Offeree is deemed to have elected to sell the Offeree's Shares to the Initiating Shareholder, and the Offeree will transfer or cause to be transferred to the Initiating Shareholder all of the Offeree's Shares on receipt of the Price.

21. Failure to make a payment required by this Shot Gun Provision or failure to transfer Shares as required by this Shot Gun Provision will be deemed to be a breach of contract and the non-defaulting party will, in addition to any other remedies available by statute or at law or equity, be entitled to and may elect to, by written notice within 30 Business Days of the default, purchase the defaulting party's Shares at 75% of the Price.
22. If there are more than two Shareholders to this Agreement, the Initiating Shareholder may make an Offer to one of the other Shareholders, and the procedure in this Shot Gun Provision will apply as if there were only two Shareholders. The Initiating Shareholder may also make an offer to the other Shareholders as a group, and the other Shareholders will either come to an agreement among themselves to buy the Initiating Shareholder's Shares or will, as a group, elect to sell all of their Shares to the Initiating Shareholder, and the procedure in this clause will apply.

Right of First Refusal

23. Shareholders are prohibited from selling, transferring or otherwise disposing of their Shares or any interest in their Shares unless:
 - a. the Shares are first offered at not more than Fair Market Value to the Shareholders of the class of Shares being sold on a pro rata basis ("Offer One"); and
 - b. Shares remaining after Offer One are offered to all other Shareholders on an equal basis ("Offer Two") for not less than the price specified in Offer One and on terms not more favorable than those in Offer One.
24. Shares remaining after Offer Two may be offered to any person or entity (the "Third Party Offer") for a period of 180 days from the date on which Offer Two was made for not less than the price specified in Offer Two and on terms not more favorable than those in Offer One.
25. Offer One, Offer Two and the Third Party Offer (collectively and individually the "Offer") will be in writing and will specify:
 - a. the price at which the Shares are offered; and

- b. the date by which time the Offer must be accepted, which will be not less than 10 Business Days from the date on which the Offer is made; and
 - c. the terms of the Offer; and
 - d. the closing date for the sale of the Shares, which will be between 30 and 90 Business Days from the date on which the Offer is accepted.
26. Any Offer not accepted within the time period specified for accepting the Offer will be deemed to be declined.
27. If a transaction involving the sale of Shares to a person, firm, partnership, association, or other entity that was not previously a Shareholder of the Corporation (a "Third Party") will result in the Third Party acquiring 50% or more of the Shares in the Corporation, the selling Shareholder or Shareholders ("Selling Shareholder") will not be entitled to sell the Shares unless the Third Party offers the following option to each remaining Shareholder ("Remaining Shareholder").
- a. The Third Party will offer to purchase any Remaining Shareholder's Shares. This offer will remain open for a period of 90 days from the date on which the Third Party first acquires Shares in the Corporation.
 - b. If the Remaining Shareholder is selling Shares of the same class and series as the Shares purchased by the Third Party, the price will be the same.
 - c. If the Remaining Shareholder is selling Shares of a class or series other than the Shares purchased by the Third Party, the price will be the Fair Market Value of the Shares. If the Fair Market Value of the Shares is unknown, the Third Party will bear the cost of determining the Fair Market Value of the Shares.

- d. The Third Party will purchase the Remaining Shareholder's Shares on terms that are substantially similar to and not less favorable to the Remaining Shareholder than those in the transaction between the Selling Shareholder and the Third Party.

Valuation

28. The Fair Market Value of the Shares will be set by the Shareholders on an annual basis and will be communicated by way of a Shareholders Resolution declaring that the Shareholders agree that the Fair Market Value of each Shares of each class and series is a specified amount.

29. At the date of this Agreement the Fair Market Value of the Shares is as follows:

_____.

30. If the Shareholders cannot agree on the Fair Market Value of the Shares or fail to set the Fair Market Value on an annual basis for whatever reason, the Fair Market Value will be determined as follows:
 - a. the Shareholder or Shareholders desiring the valuation will give written notice to all other Shareholders that a valuation is required (the "Valuation Notice").

 - b. the Valuation Notice will specify the reason for the valuation and will name 3 firms or persons that specialize in and have substantial experience in business valuation that are at arm's-length from all Parties (the "Potential Valuators").

 - c. the Shareholders receiving the Valuation Notice will select one of the Potential Valuator's to act as the valuator (the "Valuator").

 - d. the Valuator will value the Shares in accordance with generally accepted accounting principles in the jurisdiction in which the Corporation is incorporated or continued.

 - e. the Shareholders will share the cost of valuating the Shares, and each Shareholder will pay an equal amount of the cost of valuation.

Dividends

31. Subject to corporate law solvency requirements and to the extent permitted by law and after payment of any shareholder loans and after establishing sufficient reserves for the normal operation of the Corporation's business activities and debt serving requirements, all of the Corporation's profits will be distributed by way of dividend. Dividends will be distributed annually.

Conflict of Opportunities and Non-Competition

32. Each Shareholder agrees any business opportunity that comes to the attention of the Shareholder while the Shareholder is a Shareholder, director, officer or employee of the Corporation and that is similar to or that relates to the current or anticipated business opportunities of the Corporation or that arises out the Shareholder's connection with the Corporation, belongs to the Corporation.
33. Each Shareholder agrees that while a Shareholder, director, officer or employee of the Corporation and for a period of 6 months after ceasing to be a Shareholder, director, officer or employee of the Corporation, the Shareholder will not, solely or jointly with others:
 - a. undertake, plan, organize or be involved in any way with any business or any business activity that competes with the current or anticipated business of the Corporation in the geographic area in which the Corporation carries on its usual business;
 - b. be directly or indirectly involved with a business that is in direct competition with the business of the Corporation in the geographic area in which the Corporation carries on its usual business; or
 - c. divert or attempt to divert from the Corporation any business the Corporation enjoyed, solicited, or attempted to solicit from its customers, prior to the Shareholder ceasing to be a Shareholder.
34. Each Shareholder agrees that for so long as the Shareholder is a Shareholder, director, officer or employee of the Corporation, the Shareholder will not engage or participate in any other business activities that conflict with the best interests of the Corporation.

Non-Solicitation

35. Each Shareholder agrees that while a Shareholder, director, officer or employee of the Corporation and for a period of 6 months after ceasing to be a Shareholder, director, officer or employee of the Corporation, the Shareholder will not in any way, directly or indirectly, induce any Shareholder, director, officer or employee of the Corporation to leave their position with the Corporation or to compete in any way with the Corporation and will not interfere with the Corporation's relationship with its other Shareholders, directors, officers or employees. Such enticement or interference would be harmful and damaging to the Shareholders and to the Corporation.

Notice of this Agreement on Shares

36. Shares certificates will have subscribed on them the following notice or a notice that is substantially similar to the following notice:

The Shares represented by this certificate are subject to the provisions of a Shareholder Agreement, made on _____, which restricts the right to sell, transfer or encumber any shares in the Corporation, including the shares represented by this certificate. Notice of the said agreement is hereby given. A copy of the said agreement may be obtained by sending a written request to the Board of Directors for the Corporation.

Effective Date and Term

37. This Agreement will come into effect on the date of its execution.
38. This Agreement will remain in effect until the _____ or until the earliest of
- a. the date specified in a written agreement, signed by all of the Shareholders, terminating this Agreement;
 - b. the date on which there is only one Shareholder in the Corporation; or
 - c. the bankruptcy, winding-up or dissolution of the Corporation.

But in any event, this Agreement will not last longer than 10 years unless it is renewed by the Shareholders.

Address for Notice

39. Service of all notices under this Agreement will be sufficient if delivered personally or mailed certified, return receipt requested, postage prepaid, to the following addresses:

_____ : _____

_____ : _____

_____ : _____

Any Shareholder may, on written notice to all other Shareholders and the Corporation, change the Shareholder's address for notice under this Agreement. If the Corporation's registered address changes, the Corporation may, on written notice to all Shareholders, change its address for notice under this Agreement.

Severability

40. If there is a conflict between any provision of this Agreement and its governing legislation (the "Legislation"), the Legislation will prevail and this Agreement will be amended in order to comply with the Legislation. Further, any provisions required by the Legislation are incorporated into this Agreement.

41. If there is a conflict between any provision of this Agreement and any form of Agreement prescribed by the Legislation, that prescribed form will prevail and such provisions of the Agreement will be amended or deleted as necessary in order to comply with that prescribed form. Further, any provisions that are required by that prescribed form are incorporated into this Agreement.

42. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Agreement and the remaining provisions had been executed by the Parties subsequent to the expungement of the invalid provision.

General Provisions

43. This Agreement will not be amended or modified except by the written agreement of all the Shareholders. All Shareholders, without the consent of the Corporation, may modify, amend or rescind this Agreement.

44. This Agreement constitutes the entire agreement between the Parties and supersedes any previous agreement or representation with respect to the matters set forth in this Agreement, and there are no conditions, warranties, representations, agreements, express or implied, relating to such matters.

45. This Agreement will be construed in accordance with and governed by the laws of the State of California.

46. Headings are inserted for the convenience of the Parties and for the purpose of interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa. Words in the neuter mean and include the masculine and feminine and vice versa.

47. This Agreement will inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns, as the case may be, of the Parties.

48. This Agreement may be executed in counterparts. Facsimile signatures are binding and are considered to be original signatures.

49. Time is of the essence in this Agreement.

50. The Parties will do all acts and things and execute all documents that are reasonably necessary or advantageous to enforce this Agreement according to its tenor and intent and each Party will bear that Party's own expenses in connection with the same.
51. All dollar amounts in this Agreement refer to U.S. dollars, and all payments required to be paid under this Agreement will be paid in U.S. dollars unless the Parties agree otherwise.
52. No Party will be liable in damages or have the right to terminate this Agreement for any delay or default in performance if such delay or default is caused by conditions beyond that Party's control including, but not limited to acts of God or government restrictions, wars, insurrections, natural disasters, such as earthquakes, hurricanes or floods and/or any other cause beyond the reasonable control of the Party whose performance is affected.

IN WITNESS WHEREOF the Parties have executed this Agreement on this _____.

Printed Name

Signature

Printed Name

Signature

Printed Name

Signature