**SHAREHOLDER AGREEMENT**

# **Next2Friends Limited**

**Co Reg No:5911232**

DEFINITIONS AND INTERPRETATION

In this Agreement the following words and expressions shall have the following meanings:-

**“Board”,** the Board of Directors of the Company for the time being.

**“Commencement Date**”, the date of this Agreement.

**“Equity Share Capital”** the meanings respectively attached to such expressions by Section 155 Companies Act, 1963.

**“IPR”,** intellectual property rights including, without limitation, copyright (present and future), moral rights, patents, trade marks, design rights and database rights (whether or not any of these is registered and including any applications for registration of any such rights), know-how, confidential information and trade secrets and all rights or forms of protection of a similar nature or having similar effect to any of these which may exist anywhere in the world.

**“Prohibited Area”,** the United Kingdom, Europe, the United States and any area in the world in which the Shareholder may during the last twelve months of his service with the Company be actively engaged on behalf of the Company in respect of which it would be reasonable having regard to such activity for the protection of the business interests of the Company to impose on the Shareholder the restrictions in relation thereto herein contained.

**“Products”,** any products, publications or services of a type which on the date of termination of this Agreement is produced and/or marketed by the Company the production or marketing of which the Shareholder shall be or have been engaged to promote under this Agreement or in relation to the production and/or marketing of which the Shareholder shall have obtained special knowledge, trade secrets or other confidential information from the Company..

**“Restricted Business**”, the development of social networking and or real time and or location based media broadcasting and file sharing software packages and or services for sale to business and private individuals carried out by the Company with which the Shareholder was concerned or involved or for which the Shareholder was responsible in the course of his tenure with the Company during the twelve-month period immediately prior to the termination of his employment.

This agreement is made between the shareholders of the company to stipulate and clarify key issues in the running of the company and its relationship to, and the rights of its, shareholders above the legal requirements of the Company Laws of England. It is a confidential internal company document and not available for public inspection. It is –if legally possible- to be implemented and in and complements the Memorandum and Articles of Association and regards the shareholders who have signed up to it.

The directors and shareholders agree that without the written permission of shareholders representing 66% of the ordinary equity of the company, or as specifically stated otherwise in this agreement:

**1. The Directors shall not:**

1. Enter any new loan agreements, debentures or provide any guarantees or indemnities
2. Deviate materially from the business plan or enter any new area of business
3. Transfer, lease, assign, grant any license over any material company property other than the sale of current assets in the normal course of trading
4. Establish any subsidiary
5. Authorise any increase in the authorised share capital of the company
6. Agree to merger, the sale or takeover of the companies business
7. Authorise any share option schemes or revise director emoluments

**2. The directors shall:**

1. **Hold a quarterly shareholder meeting**, with a maximum of 120 days between meetings, and a minimum of 4 meetings per calendar year.
2. **At each shareholder meeting, the time, date and place for the next meeting shall be agreed** and each director and investor representative shall be notified at least 21 days prior to it.
3. **Circulate an agenda** at least one week in advance of the meeting, including minutes from the last shareholder meeting for approval. The agenda will include a review of research and development, trading activities, and financial status, as well as any other material issues that are proposed for inclusion by directors and / or shareholders representing 5% of issued shares. Proposed agenda items should be proposed to the chairman at least 21 days prior to the meeting.
4. **Present a brief monthly management report**, including a set of management accounts, covering progress in relation to plan, prospects for the business, and highlighting any key or material issues faced by the company.

**3. Banking Arrangements / Transfer of Funds**

1. The Company shall have 2 authorised signatories to all bank accounts, who must be directors, and shall be registered by the directors with the company’s banks.
2. In the normal running of the business one ‘cheque book’ / register of payments shall be used and kept by the Financial Directorwho will usually make routine payments.
3. Any cheques or transfers in excess of $5,000 or equivalent currency value shall be required to be signed / authorised by two signatories, and any over $50,000 or equivalent currency value must additionally be approved by the shareholders.

**4. Share Issues and Sale of Shares by the company or shareholders**:

1. Transfer of shares from an existing shareholder. Any transfer, must be approved by the shareholders under the 66% rule. Such consent shall not be unreasonably withheld.
2. Any sale of shares must be approved, such consent will not be reasonably withheld, and existing shareholders shall have first refusal to purchase the shares under the same terms. Any issue / sale of shares by the company shall be offered to the existing shareholders under the same terms and they will have a pre-emptive right to purchase such shares.

**5. In the event of shareholder incapacity**,

1. The **shareholder shall nominate a representative** in writing, to vote on matters relating to the company on his / her behalf in the event of their incapacity until he/she issues written instructions to the contrary or legal clarity is established between his estate and its benefactors. In the event of no such representative being available, then a spouse, or next of kin, shall be asked to act. They shall have the right to attend board meetings. This representative shall be held liable by any party to this agreement, or any party acting in behalf of the shareholders benefactors, for any consequences of their decision-making.
2. **The shareholders will accept the representative’s authority to vote** on any matters of company policy.
3. **The normal management of the company shall continue** to under the normal decision-making process. The directors shall be reasonable and consider the interests of the absent shareholder and act in good faith. They shall not be liable if decisions made were not to the maximum benefit of the absent shareholder.

**6. Removal and suspension of rights (to represent the company) of Directors**

In addition to the provisions under the Articles of Association, a director may be removed from the office of director or his/her rights to legally represent the company can be suspended if: another director and/or shareholders representing at least 20% of the ordinary equity propose his / her removal or suspension of rights in writing; this shall be put to a vote in a regular shareholder meeting and can be confirmed by a simple majority vote of over 60%.

**7. Minority Protection**

To change the following rights shall require a unanimous vote by all shareholders holding 10% or more of the issued equity of the company who are party to this agreement, and a majority of at least at least two-thirds of the voting equity of the company.

**8. Dividend Policy**

It is not expected that the company will produce a dividend over the next two years. After that any shareholder, or shareholders acting as one through written authority, representing at least 20% of the ordinary voting equity of the company shall have the right to insist that at least 20%of profits available for distribution in the accounting period, are distributed by way of cash dividends within 6 months of the end of that accounting period – providing it is lawful to do so.

**9. Shareholder and director confidentially obligations.**

To keep all matters relating to the company confidential except where disclosure is required by law, or as part of the process of seeking personal advice on the investment from professional advisers, whom the shareholder warrants will ensure confidentiality.

**10. Term and Termination**

1. This Shareholder agreement shall come into full force and effect on the date of signature.
2. This Shareholder agreement shall terminate when all the rights, obligations and undertakings contained herein have been embodied into the articles of incorporation and ancillary (definitive) Agreements or until such time as the Parties may otherwise mutually agree.

**11. Breach**

1. This agreement shall terminate 30 days after the Party in breach has been given written notice of that Party's breach of any material provision of this agreement, unless the delinquent Party has cured its breach within the notice period;
2. at the option of either Party to this agreement upon 10 days' written notice of termination, if the other Party commits an act of insolvency;
3. Each Party's right to terminate as expressed in this agreement shall be in addition to any other rights provided by English law.

**12. Severability, entire agreement and survival.**

1. Any clause of this agreement which may be invalid or significantly impractical during the process of incorporation shall be capable of being severed from this agreement without in any way affecting the remainder of this agreement provided that the essentials for the existence of such clause are still contained in this agreement after such severance.
2. This agreement together with its appendices constitutes the entire agreement between the Shareholders and shall be the exclusive memorial thereof and shall not be capable of being added to, subtracted from, altered, varied, modified or cancelled except by a written agreement; no signatory shall be bound by any undertakings, representations, warranties or promises which are not recorded in this agreement.

**13. Protective Covenants**

1. The Shareholder shall not, except as authorised or required by his duties, reveal to any person, persons or company any confidential information including, without limitation, any of the trade secrets, secret or confidential operations, processes or dealings or any information concerning the organisation, business, finances, transactions or affairs of the Company which may come to his knowledge during the period of his employment hereunder and shall keep with complete secrecy all such or other confidential information entrusted to him and shall not use or attempt to use any such information in any manner which may injure or cause loss either directly or indirectly to the Company or its or their business or businesses or may be likely so to do. This restriction shall continue to apply after the termination of this Agreement without limit in point of time but shall cease to apply to information or knowledge which may reasonably be said to have come into the public domain other than by reason of breach of this Agreement.
2. The Shareholder shall not during the continuance of this Agreement make or compile otherwise than for the benefit of the Company any notes or memoranda or electronically stored information relating to any matter within the scope of the business of the Company or concerning any of the dealings or affairs of any Member of the Company nor shall the Shareholder either during the continuance of this Agreement or afterwards use or permit to be used any such notes or memoranda or information otherwise than for the benefit of the Company, it being the intention of the parties hereto that all such notes or memoranda or information shall be the property of the Company and left at its registered office upon the termination of the employment of the Shareholder hereunder.

**14. Proprietary Rights**

1. Any discovery or invention or process or improvement in procedure made or discovered by the Shareholder (whether or not in conjunction with any other person or persons) while in the role as a Shareholder of the Company in connection with or in any way affecting or relating to the business of the Company capable of being used or adapted for use therein or in connection therewith shall forthwith be disclosed to the Company and shall belong to and be the absolute property of the Company or other person, persons or company as the Company may nominate for the purpose.
2. Any IPR developed in whole or in part by the Shareholder in connection with his duties pursuant to this Agreement or otherwise arising out of this Agreement shall immediately vest in the Company absolutely.
3. The Shareholder, if and whenever required so to do (whether during or after the termination of his tenure) shall without charge and at the expense of the Company or its nominee apply or join in applying for letters patent or other form of protection for any IPR referred to in this Section and shall execute all instruments and do all things considered necessary in the absolute discretion of the Company in relation to the said letters patent or other IPR, including vesting such letters patent or other IPR when obtained and all right and title to and interest in the same in the Company (or its nominee) absolutely and as sole beneficial owner.
4. The Shareholder hereby irrevocably appoints the Company to be his attorney in his name and on his behalf to execute and do any such instruments or things and generally to use his name for the purpose of giving to the Company (or its nominee) the full benefit of the provisions of this Section and in favour of any third party a certificate in writing signed by any Shareholder or the Secretary of the Company that any instrument or act falls within the authority hereby conferred shall be conclusive evidence that such is the case.
5. To the extent that the Shareholder cannot assign any IPR to the Company (or its nominee), it is agreed that any such right (including, where applicable, any moral right, such as a right of paternity or integrity) shall be waived and under no circumstances shall any such right be exercised against the Company or any nominee of any of them.

**15. Restrictive Covenants**

Since the Shareholder has obtained and is likely to obtain in the course of his tenure hereunder knowledge of trade secrets of the Company particularly in the field of the Products and also other confidential information of such companies as aforesaid, the Shareholder hereby agrees with the Company that in addition to the restrictions contained within this agreement, he will be bound by the following restrictions:-

1. if any of such companies as aforesaid shall have obtained trade secrets or other confidential information from any third party under an agreement including restrictions on disclosure known to him, he will not without the consent of the Company at any time (during or after the termination of his service hereunder) infringe such restrictions; and
2. he will not during the currency of this Agreement and for a period of two years from the date of termination of this Agreement for whatever reason within the Prohibited Area either directly or indirectly, on his own behalf or on behalf of any other person, firm or company, approach or solicit or assist in soliciting in competition with the Company the custom or business of any person, firm or company with which the Company has transacted business or to which any such company has provided services at any time during the two year period immediately preceding the date of termination of this Agreement or represent himself as being in any way connected with, or interested in, the business of the Company and;
3. otherwise than through the Company, he will not during the currency of this Agreement and for a period of two years from the date of termination of this Agreement for whatever reason within the Prohibited Area either as principal, partner, agent, Shareholder, director or otherwise howsoever either directly or indirectly carry on or assist in carrying on within the Prohibited Area the Restricted Business (other than as a holder of no more than 5% in nominal value of any class of securities of a company quoted on a recognised stock exchange); and
4. he will not during the course of the currency of this Agreement and for a period of two years from the date of the termination of this Agreement for whatever reason within the Prohibited Area directly or indirectly, either on his own behalf or on behalf of any other person, firm or company, solicit, entice away or engage the services of any person who was during the two years period immediately preceding the date of termination of this Agreement a director, manager or servant of or a consultant to the Company .

**We agree to be bound by this agreement:**

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| Director / Shareholder Name: | Signature: Lawrence Botley | Date:17 September 2007 |
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An original copy should be given to every shareholder / director party to this agreement, plus one kept by the company secretary or the company’s lawyers in the company file.

**Appendices:**

a. Memorandum of Association for Next2Friends Limited