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Summary Terms for a Shareholder’s Agreement

THIS AGREEMENT made as of the \_\_\_\_ day of [], 200[].

A M O N G:

[Insert: Investor], (“Shareholder”)

- and -

[Insert: Full Legal Name of the Company] (the “Company”)

(Collectively the Company and the Shareholder are the “Parties”).

WHEREAS the Shareholders, as of the date hereof, are the registered and beneficial owners of

[Insert: total number of shares of the investors group] the issued and outstanding shares in

the capital stock of the Company, a company formed under the laws of the Province of

Ontario;

AND WHEREAS the Shareholders have agreed to appoint the Voting Trustee as the Shareholders’ voting trustee on the terms and conditions hereinafter contained;

AND WHEREAS the shareholders wish to enter into this Agreement for the purpose of

restricting the transfer of shares in the capital stock of the Company, and regulating certain

other matters in connection with the business and affairs thereof and of the Company;

NOW THEREFORE in consideration of the foregoing and mutual covenants and agreements

contained herein, the parties agree as follows:

**Article 1. Authorized and Issued Capital:**

The parties hereto acknowledge that the authorized capital of the Company consists of an unlimited number of shares of the following classes:

Common

Series A preferred

of which the shares issued and the outstanding as fully-paid and non-assessable and any option to acquire shares in the capital of the Company are set out under Schedule “A.”

**Article 2. Defined Terms**:

•“Agreement” means this agreement including all schedules and exhibits to this

agreement and includes any and every agreement made at any time

(whether past, present or future) which amends or supplements or restates any agreement which is,

or is included in, this Agreement;

•“Articles” shall mean the articles of incorporation of the Company dated [];

•“Book Value per Share” means the book value of the equity of the Company on the relevant date divided by the number of shares on a fully diluted basis.

•“Business Day” means every day except Saturdays, Sundays and statutory holidays in

the Province of Ontario;

•“Notice” shall mean an instrument in writing;

**Article 3. Term of this Agreement:**

This Agreement shall take effect on the date hereof and shall continue in force until the earlier of:

•the date this Agreement is terminated by written agreement of the Parties;

•the date on which there is only one

Shareholder;

•the date there is an initial public offering of shares of the Company;

•the date on which all of the shares of the Company are acquired by a reporting issuer

within the meaning of the Securities Act (Ontario);

•the sale of all of the shares ofthe Company to a third party; or

•the date on which the Company is dissolved, wound up, makes an assignment in

bankruptcy or has a receiving order in bankruptcy made against it.

**Article 4. Business and Affairs of the Company**:

4.0The business and affairs of the Company shall be managed by a Board of Directors. The

Board of Directors shall initially consist of five directors, including (i) the CEO, (ii) One outside

Director selected by the management group, (iii)1 person designated by the [Insert Angel

Group name] holders of the Series A Preferred Stock (the “Voting Trustee”) and (iv) two

individuals knowledgeable in the industry who are not otherwise affiliated with the Company

who are approved by the other two statutory directors (the CEO and the Voting Trustee). The

initial Voting Trustee will be designated by the Investors during preparation of documents.

Subsequently, any Director that resigns will designate a successor, subject to approval by the

Investors. Three (3) directors shall constitute a quorum for the transaction of any business at

any meeting of the board of directors. At all meetings of the board of directors, every motion

to be carried must receive a majority of the votes cast, subject to the provisions of subparagraphs 4.4 and 4.5. Unless otherwise agreed, board meetings will be held at the head office of the Company.

4.1

In the event that the Voting Trustee of the Series A Preferred Shareholders shall fail to vote and act as a director to carry out the provisions of this agreement, then the shareholders agree to exercise their right as shareholders of the Company and in accordance with the Articles of the Company to remove such Voting Trustee from the Board and to elect in the place or stead thereof such individual who will use his/her best efforts to carry out the provisions of this agreement but only in the event that the Shareholders whose Voting Trustee has been removed fails to appoint a successor within a period of fourteen days from the date such Voting Trustee has been removed.

4.2

The election, appointment and determination of officers and the auditors and advisors of the Company, the defining of their duties and functions and the salaries and remuneration to be paid to them will be a function of the board of directors. Until changed by the board of directors, the Officers of the Company and their annual salaries shall be:

Office Held: Name: Annual Salary ($C):

CEO

CFO

And so on...

All direct out-of-pocket expenses will be reimbursed provided these fall within guidelines set out by the Board of Directors from time to time. Until otherwise agreed, each officer of the Company will commit to spending his/her full time on the affairs of the Company. Until changed by the board of directors, the auditors and advisors of the Company shall be:

•Auditor: [Insert]

•Legal Advisors: [Insert]

4.3

There shall be kept, in such bank or banks (including trust companies) as may be determined by the board of directors, bank accounts of the Company in which shall be deposited all monies received by the Company in the course of carrying on business from time to time. All payments on account of the Company shall be made by cheques drawn on the bank account and all cheques, drafts or other instruments drawn and made for the purposes of the business of the Company shall be executed by such directors, officers or employees as may from time to time be authorized so to do by the board of directors.

4.4

All parties who are employees of or consultants to the Company shall use their best efforts to

promote and maintain the interests of the Company.

4.5

Subject to paragraph 3.6, all decisions relating to the management and control of the business of the Company shall be determined by the board of directors of the Company, provided always that the fo

llowing matters shall be determined by a Special Directors' Resolution:

•any capital expenditures greater than $2,000;

•any lease commitments greater than $2,000;

•the acquisition of any business interests by the Company;

•the elections of officers of the Company;

•the payment of any cash dividends or stock dividends to Shareholders of the Company;

•the issuance of any debt obligations of the Company;

•the disposal of the whole or any part of the business, undertaking, or assets of the Company outside the normal course of business of the Company;

•the transfer of any shares of the Company;

•changes or variations in the objects or powers of the Company;

•the liquidation or winding up of the Company;

•the approval of any contracts or transactions outside the normal course of business;

•the execution of any contract involving a consideration greater than $5,000 within the

normal course of business;

•the lending of money by the Company;

•the guarantee by the Company of the debts or obligations of any other person, firm or body corporate;

•any non-budgeted expenditures greater than $1,000;

•business plan and/or budgets.

4.6

The following decisions shall be determined by a Unanimous Directors' Resolution:

•alterations, variations or changes to the authorized or issued capital of the Company;

•the salaries and bonuses of officers and directors of the Company;

•the issue, redemption or purchase of any Shares; and

•changes in the number of directors of the Company.

4.7

The board of directors shall meet at least four times during each fiscal year of the Company. Any director can call a meeting provided 10 days notice is given. Notice may be waived. During the first year from the date of this agreement, the board of directors shall meet on a monthly basis. Directors may elect to attend a board meeting by telephone conference call.

4.8

Each Shareholder shall, for so long as s/he is the owner of shares of the Company devote such of his/her business, time and energy as may be reasonably required to carry on the business of the Company and the Shareholder shall use his/her best efforts, skill and abilities to promote the interests of the Company. Each Shareholder agrees that he/she will not engage, without the consent of the other Shareholders, in a business that is directly competitive to that of the Company.

4.9

The Company agrees to provide to the Shareholders

•audited financial statements or Reviewed (as determined by Investors) for each fiscal year within 90 days after the end of the fiscal year and management-prepared quarterly financial statements for the first three quarters of the year within 30 days after the end of each quarter;

•annual budgets at least 30 days prior to the beginning of each fiscal year;

•quarterly updates on progress and accomplishments and anticipated progress against target in next period;

•notification of any material defaults or litigation; and any other information reasonably requested; and

•The voting trustee also will have standard inspection and visitation rights.

4.10

The Parties agree that a Company Business Plan will be prepared and maintained on an on-going basis with at least annual reviews and updates. This Business Plan will define the operational details of the Company and will include, but not be limited to, items such as: budgets, forecasts, capital expenditures, salaries and wages, hours of operation, market information (products, services, pricing, discounts, etc). The Plan will serve the purpose of giving management direction as to the day-to-day operation of the Company.