

SHAREHOLDERS' AGREEMENT

THIS AGREEMENT made effective the _____ day of _____, _____.

BETWEEN:

[CORPORATION]
(the "Corporation")

- and -

[SHAREHOLDERS]

- and -

[NOMINEES]

ARTICLE 1 - RECITALS

1.1 The parties to this Agreement are the Company, its shareholders, and the Nominees for such shareholders.

1.2 The parties wish to provide for the orderly management of the Company's affairs and the respective rights and obligations of the shareholders of the Company.

NOW THEREFORE, in consideration of the mutual promises set out in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Shareholders and the Company agree as follows:

ARTICLE 2 – DEFINITIONS, APPLICATION AND TERM

Definitions

2.1 All defined terms as set out in this Agreement from time to time shall have the meanings ascribed to them whether or not their definition occurs before or after the first use of that term.

2.2 In addition, the following terms shall have the meanings hereinafter set out:

- (a) "Act" shall mean the Ontario *Business Corporations Act* as amended from time to time.
- (b) "Business Day" shall mean any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.
- (c) "Commitment Date" shall mean the * months from the effective date of this Agreement as first set out above.
- (d) "Deadlock" shall include any situation where:
 - (i) a Shareholder or Nominee is refusing to attend or vote at a properly called meeting of Shareholders, or
 - (ii) a director is refusing to attend or vote at a properly called meeting of directors, or
 - (iii) the Shareholders, Nominees or directors are unable to agree on any issue that cannot be resolved through the voting mechanism set out in this Agreement and is not something that can be resolved by arbitration,

and also includes any other situation specifically constituting a "Deadlock" set out elsewhere in this Agreement.

- (e) "Default" shall include any situation where:
- (i) a Shareholder, Nominee or appointed director or officer is failing to comply with their obligations under this Agreement, is refusing to attend a meeting duly called for Company business for the purpose of frustrating the quorum, voting or decision-making requirements for that meeting, is failing to participate in the management and affairs of the Company as required under this Agreement, or breaches any statutory or fiduciary duty owed to the Company or its Shareholders; and
 - (ii)
 - (iii) a Shareholder, Nominee or appointed director or officer who is also an employee of the Company commits an act or fails to act in such a way that the Company has Just Cause for terminating the employment of that person;

and also includes any other situation specifically constituting a "Default" as set out elsewhere in this Agreement.

- (f) "Disability" with respect to any person shall include:
- (i) the permanent disability or mental incapacity of the person such that he or she cannot fulfil his or her obligations hereunder, or
 - (ii) the occurrence of any illness, disability or mental incapacity which has lasted or is likely to last more than twelve months such that the person cannot fulfil his or her obligations hereunder.
- (g) "Fair Market Value" shall mean the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market between informed and prudent parties acting at arm's length and under no compulsion to transact.
- (h) "GAAP" shall mean the accounting principles described as generally accepted accounting principles by the Canadian Institute of Chartered Accountants which are applicable as of the effective date of any calculation required under this Agreement.
- (i) "Investment" shall mean all of a Shareholders' shares, options, rights, warrants or other securities in the Company, any sums the Company may owe the Shareholder from time to time for any reason (other than unpaid wages or salaries) including but not limited to unpaid management bonuses, dividends, shareholder loans, and all shareholder rights of any kind or any rights under this Agreement or any other investment in the Company in the Company of any kind whatsoever, less any monies the Shareholder owes the Company for any reason.
- (j) "Just Cause" for terminating employment of a person shall mean just cause as such term is defined, interpreted and applied in the courts of the province of Ontario at the time of termination, including but not limited to wilful insubordination, stealing from the Company or misappropriating Company assets or opportunity.
- (k) "Related Person" shall mean any "affiliate", "associate", "related person" or "subsidiary" of a Shareholder, as those terms are defined in the Act.
- (l) "Shareholder" shall mean the Shareholders defined below as well as all other or subsequent shareholders of the Company, whether they execute or agree to be bound by the terms of this Agreement or not.
- (m) "Special Majority" shall mean any Shareholder or group of Shareholders holding at least *% of the voting shares and securities of the Company.

Binding on All Shareholders

2.3 This Agreement shall apply to and be binding upon all Shareholders of the Corporation whether they execute or otherwise agree to be bound by this Agreement or not.