

## **AGREEMENT FOR SALE OF SHARES**

**THIS AGREEMENT** made effective as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**BETWEEN:**

**VENDOR**  
[address]  
(the "Vendor")

**OF THE FIRST PART**

- and -

**PURCHASER**  
[address]  
(the "Purchaser")

**OF THE SECOND PART**

- and -

**PRINCIPAL**  
[address]  
(the "Principal")

**OF THE THIRD PART**

**WHEREAS:**

- A. The Vendor is the beneficial owner and owner of record of \_\_\_\_\_ Class "\_\_\_\_" [common] shares of CORPORATION, which shares represent all of the issued and outstanding shares in the capital of CORPORATION;
- B. CORPORATION carries on business in \_\_\_\_\_ under the trade name of [trade name];
- C. PRINCIPAL is the sole director of CORPORATION and the principal of the Vendor;
- D. The Vendor has provided to the Purchaser and the Purchaser has relied upon unaudited financial statements and notes thereto attached as Schedule "\_\_\_\_" hereto;
- E. The Vendor is desirous of selling and the Purchaser is desirous of purchasing all of the Vendor's right, title and interest in and to all of the issued and outstanding shares in the capital of CORPORATION on the terms and conditions hereinafter set forth.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the parties hereby agree as follows:

## ARTICLE 1 – DEFINED TERMS

1.01 Where used herein or in any amendments hereto, the following terms shall have the following meanings:

- (a) “Accountant” means the firm of [accountants], Chartered Accountants;
- (b) “Bank” means the [bank], which bank is providing a portion of the Purchase Price by way of loan to the Purchaser;
- (c) “Business” means the business of \_\_\_\_\_ operated by the Corporation;
- (d) “Closing Date” means the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ or such earlier or later date as may be mutually agreed upon by the parties hereto;
- (e) “Consulting Agreement” means that consulting agreement respecting services to be provided by PRINCIPAL subsequent to the Closing attached as Schedule “\_\_\_” hereto;
- (f) “Corporation” means CORPORATION;
- (g) “Effective Date” means the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_;
- (h) “Financial Statements” means those internally generated (ie. prepared by management) balance sheets of the Corporation and the accompanying statements of income and retained earnings as reported by the Corporation for the year ended \_\_\_\_\_ which statements are attached as Schedule “\_\_\_” hereto;
- (i) “Purchaser” means PURCHASER;
- (j) “Purchase Price” means the amount of \_\_\_\_\_ THOUSAND (\$\_\_\_\_\_) DOLLARS payable pursuant to Clause 3.01 hereof;
- (k) “Purchaser’s Counsel” means [lawyers], [address];
- (l) “Promissory Note” means that form of promissory note attached as Schedule “\_\_\_” hereto;
- (m) “Release “ means that form of release attached as Schedule “\_\_\_” hereto;
- (n) “Restrictive Covenant” means that form of covenant attached as Schedule “\_\_\_” hereto;
- (o) “Review Engagement Financial Statement” means financial statements produced by the Accountant on a review engagement basis as of \_\_\_\_\_;
- (p) “Shares” means the \_\_\_\_\_ Class “\_\_\_” [common] shares in the share capital of the Corporation issued and outstanding in the name of the Vendor;

- (q) “Trade Name” means the words [trade name];
- (r) “Vendor” means VENDOR;
- (s) “Vendor Take-back” means the amount of \$\_\_\_\_\_ being a portion of the Purchase Price to be paid to the Vendor over time subsequent to the Closing Date in accordance with the provisions of Article 3; and
- (t) “Vendor’s Counsel” means the law firm of [lawyers], [address].

1.02 The following schedules are attached hereto, form part of and are incorporated in this Agreement:

- Schedule “\_\_\_” - Unaudited Financial Statements of the Corporation;
- Schedule “\_\_\_” - Restrictive Covenant;
- Schedule “\_\_\_” - Consulting Agreement;
- Schedule “\_\_\_” - Release; and
- Schedule “\_\_\_” - Form of Promissory Note.

1.03 The headings of the Articles of this Agreement are inserted for convenience of reference only and shall not affect the meaning, interpretation or construction thereof.

1.04 Whenever the singular or masculine or neuter is used in this Agreement the same shall be construed as meaning the plural or feminine or body politic or corporate and vice versa as the context requires.

1.05 Except as otherwise provided for herein, “this Agreement”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder” and similar expressions refer to this Agreement and not to any particular section, subsection, paragraph, subparagraph, clause, subclause or other portions thereof.

## **ARTICLE 2 – PURCHASE OF SHARES**

2.01 Subject to the terms and conditions hereof, the Vendor hereby covenants and agrees to sell, assign and transfer to the Purchaser and the Purchaser hereby covenants and agrees to purchase from the Vendor all of the Shares of the Corporation owned by the Vendor, which represent all of the issued and outstanding shares of the Corporation at and for the Purchase Price subject to adjustments, if any, to be paid and satisfied as provided in Article 3 hereof.

## **ARTICLE 3 – PAYMENT OF THE PURCHASE PRICE**

3.01 The Purchase Price for the Shares will, subject to the provisions of Article 6, be paid and satisfied by the Purchaser by delivery to or on the account of the Vendor the following:

- (a) a deposit of \$\_\_\_\_\_ paid to Vendor’s Counsel in trust on or before \_\_\_\_\_ and thereafter, subject to satisfaction or waiver of the conditions contained in Article 6 or,

if the Purchaser should otherwise refuse to complete the closing of the transaction contemplated herein for reasons other than due to the act or omission of the Vendor or an arm's-length third party to the Purchaser, then such deposit will be released to the Vendor on the Closing Date;

- (b) an amount of \$\_\_\_\_\_, subject to receipt of loan proceeds from the BANK, to be paid to the Vendor on the Closing Date subject to the adjustment in accordance with Section 3.02 and satisfaction or waiver of the conditions contained in Article 6 hereof; and
- (c) the Promissory Note securing the Vendor Take-back, which Promissory Note will provide for payment of the principal of the Vendor Take-back together with interest thereon as follows:
- (d) the Promissory Note will be in the form attached as Schedule “\_\_\_”, and will be in the face amount of \$\_\_\_\_\_ with interest accruing on such face amount at the rate of \_\_\_\_\_ (\_\_\_%) per cent above the prime bank leading rate of the \_\_\_\_\_ Bank, as charged from time to time to its preferred commercial customers in \_\_\_\_\_, as stated and adjusted by the \_\_\_\_\_ Bank;
- (e) payments of interest only on the outstanding balance of the Promissory Note will be payable on the \_\_\_\_\_ day of each and every month commencing on the first month after the Closing Date but calculated from the Effective Date (i.e. the first interest payment will include interest accrued from \_\_\_\_\_);
- (f) the principal in the amount of \$\_\_\_\_\_ will be payable in \_\_\_\_\_ monthly payments, in the amount of \$\_\_\_\_\_ commencing \_\_\_\_\_ and will be due and payable on the \_\_\_\_\_ day of each and every month thereafter until the Promissory Note is paid out;
- (g) some or all of the principal balance owing under the Promissory Note may be prepaid at any time without bonus or penalty and the interest due will be adjusted accordingly, however all other payment terms will remain as set forth herein;
- (h) from time to time prior to the due date of the Promissory Note, a monthly payment of principal may be postponed for a one (1) month period provided that such postponed payment is made together with the next subsequent monthly payment when due which combined payment will include a \$\_\_\_\_\_ late payment fee;
- (i) if Purchaser should at any time prior to the due date of the Promissory Note, postpone \_\_\_\_\_ (\_\_\_\_\_) consecutive monthly payments of principal then the second postponed payment will incur a late payment fee of \$\_\_\_\_\_ (in addition to the first month's late payment fee) and if payment of the \_\_\_\_\_ postponed payments together with the requisite late payment fees is not made to the Vendor within \_\_\_\_\_ days after the end of the second month for which a payment was due then, subject to subparagraph 3.01 (c)(vii) below, such non-payment will be considered an event of default and all sums

due under the Promissory Note will become immediately due and payable; provided however that,

- (j) in the event that the Purchaser has prepaid any portion of the outstanding principal of the Promissory Note, then a default of the Promissory Note under subparagraph 3.01 (c)(vi) will be deferred until such time as payment arrears under the Promissory Note equals the amount of Purchaser prepayments at which time the Purchaser will have \_\_\_\_\_ days to bring current all payment arrears, interest and late payment fees (\$\_\_\_\_\_ per month after the first month) or the Promissory Note will be deemed in default and all amounts due thereunder will become immediately due and payable.

3.02 The Purchase Price paid pursuant to Section 3.01 will upon payment be allocated by the parties and directed to payment of the following:

- (a) \$\_\_\_\_\_ to payment of Corporation's corporate income taxes as indicated on the Financials;
- (b) \$\_\_\_\_\_ to be credited to repayment of shareholder loans to the Vendor by the Corporation; and
- (c) the balance of the Purchase Price in the amount of \$\_\_\_\_\_ being allocated to the purchase of the Shares.

3.03 Prior to the Closing Date the Vendor will cause the Accountants to prepare closing period financial statements in a manner and to an extent consistent with the Financial Statements in accordance with generally accepted accounting principles. Such closing period financial statements will review the financial transactions of the Corporation from the Effective Date to the extent reasonably possible up to the Closing Date. To the degree that the closing period financial statements differ from the Financial Statements and to the extent that there have been any payments into or out of the Corporation, other than in the ordinary course of business (eg. to trade creditors, rent, employees' salaries, etc.), there will be an adjustment to the portion of the Purchase Price due to the Vendor pursuant to paragraph 3.01 (b) above and; without in any way restricting the generality of the foregoing, there specifically will be an adjustment made respecting each of the following:

- (a) inventory adjustment;
- (b) independently verified change in valuation of fixed assets;
- (c) any repayment of shareholder or inter-company loans by the Corporation other than pursuant to the allocation in 3.02 above;
- (d) any dividend payments to shareholders of the Corporation;
- (e) any bonuses or directors fees paid by the Corporation since the Effective Date;
- (f) capital expenditures by the Corporation in excess of \$\_\_\_\_\_ since the Effective Date.

**THIS IS A 15-PAGE DOCUMENT.**