

SPECIMEN SHAREHOLDERS' AGREEMENT

CRISS-CROSS PURCHASE ON CRITICAL ILLNESS OR DEATH – PERSONALLY-OWNED INSURANCE

This Specimen Agreement illustrates the buy-sell arrangement on the critical illness or death of an individual shareholder of a corporation whereby such shareholder's shares will be purchased by the other shareholder.

Disclaimer

This Specimen Shareholders' Agreement is made available by The Standard Life Assurance Company for discussion purposes only. This document must not be relied upon as professional advice of any kind whatsoever. You must consult your own legal and other professional advisers for advice with respect to your particular circumstances.



This agreement made the _____ day of _____, 200_____.

BETWEEN:

INDIVIDUAL 1,

(hereinafter referred to as "Individual 1")

of the, _____

of _____, in the Province of _____,

and **INDIVIDUAL 2,**

(hereinafter referred to as "Individual 2")

of the, _____

of _____, in the Province of _____,

and **OPCO,**

(hereinafter referred to as the "Corporation")

a corporation Incorporated under

the laws of, _____,

WHEREAS Individual 1 and Individual 2 (which parties, together with any other shareholders who become a party to this Agreement, are collectively referred to as the "Shareholders" and individually referred to as a "Shareholder") are the legal and beneficial owners of the issued and outstanding shares in the capital stock of the Corporation as set out in Section 3.1 hereof;

AND WHEREAS the parties wish to enter into this Agreement to define the rights of the Shareholders with respect to the transfer of shares in certain circumstances;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of mutual covenants and agreements herein contained and the sum of Five Dollars (\$5.00) now paid by each of the parties hereto to the others (the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto), the parties hereto covenant and agree with each other as follows:

ARTICLE 1 - DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Agreement, unless the context otherwise requires, the following words and phrases shall have the following meanings:

- (a) **"this Agreement"** means this agreement as it may be amended, supplemented or restated from time to time and includes any schedule and any instrument supplemental hereto;
- (b) **"Arm's-length"** has the same meaning as that term is given in the Tax Act;
- (c) **"Business Day"** means any day other than a Saturday or a Sunday or a statutory or civic holiday in the _____ City/Town of _____, in the Province of _____;
- (d) **"Common Share"** means a Common Share in the capital stock of the Corporation and **"Common Shares"** means Common Shares in the capital stock of the Corporation and **"Common Share"** and **"Common Shares"** include both present and future Common Shares issued by the Corporation;
- (e) **"Cashable Safe Investments"** means an interest-bearing account with, or cashable guaranteed investment certificates issued by, a chartered bank or trust company licensed or otherwise authorized under the laws of Canada or a Province to carry on its business in Canada, a deferred annuity issued by a life insurer licensed or otherwise authorized under the laws of Canada or a Province to carry on a life insurance business in Canada (provided that the funds are credited to and invested in cashable interest bearing accounts, other than segregated funds), or in cashable interest bearing instruments of the Government of Canada or of any Province;
- (f) **"Critically Ill"** in respect of an individual means that the individual has been diagnosed with or has had surgery in respect of a critical illness covered under any one or more of the Insurance Policies;
- (g) **"Critical Illness Insurance Threshold"** in respect of an individual is _____ percent (_____ %) of the sum of all amounts each of which is a lump sum critical illness benefit that could become payable under each Insurance Policy as a consequence of such individual becoming Critically Ill (excluding, for greater certainty, any amount that could become payable as a consequence of the death of such individual) and that has been paid or that shall be due and owing by the insurer thereunder where there is no reasonable basis to expect that any portion of such critical illness benefit will not be paid on a timely basis by that insurer;
- (h) **"Date of Closing"** means the date specified in each of Sections 5.4, 6.4 or 7.4 or such earlier or later date as may be agreed upon by the parties to the subject transaction;
- (i) **"Insurance Policy"** means any insurance policy that is subject to this Agreement and **"Insurance Policies"** means all the insurance policies that are subject to this Agreement;
- (j) **"Encumbrances"** means charges, liens, security interests, mortgages, claims and encumbrances of every nature and kind whatsoever;
- (k) **"person"** includes an individual, a firm, a corporation, a syndicate, a partnership, a trust, an association, a joint venture and any form of incorporated or unincorporated organization or entity and every other legal or business entity whatsoever;
- (l) **"Place of Closing"** means the registered office of the Corporation or such other place as may be agreed to by the parties to the subject transaction;
- (m) **"Prime Rate"** means the prime lending rate of interest expressed as a rate per annum that the Corporation's Canadian banker establishes on the day in question as the reference rate of interest in order to determine the interest rates such bank will charge on that date on Canadian Dollar commercial loans in Canada;
- (n) **"Promissory Note"** means a promissory note providing that
 - (i) the principal amount owing shall be paid in the manner specified in the Section pursuant to which the note is executed and delivered with interest on the unpaid amount from the Time of Closing of such transaction at a rate per annum equal to the Prime Rate plus _____ percent (_____ %),
 - (ii) the interest rate shall be determined at the Date of Closing, and redetermined on each anniversary of such date thereafter,

- (iii) interest under the note shall be payable at the same time as the instalment payments of the balance of the principal amount owing,
 - (iv) the maker of the promissory note may, at any time, and from time to time, prepay all or any part of such instalments in reverse order from which they are due and the outstanding interest, without notice or bonus,
 - (v) payments and prepayments shall be applied firstly in reduction of interest and secondly in reduction of principal, and
 - (vi) default on any payment of principal or interest, if such default continues for a period of more than thirty (30) days, shall, at the option of the holder of the promissory note, cause the entire balance thereof to mature.
- (o) **"Tax Act"** shall mean the Income Tax Act R.S.C. 1985, (5th Supplement), c.1;
 - (p) **"Time of Closing"** means _____ a.m./p.m. on the Date of Closing or such earlier or later time on the Date of Closing as may be agreed to by the parties to the subject transaction;
 - (q) **"Total Available Partial Proceeds"** at a particular time in respect of a person has the meaning assigned in Section 8.8.

1.2 PAYMENTS

All dollar amounts referred to herein are expressed in terms of Canadian dollars.

1.3 SUBDIVISIONS

The division of this Agreement into articles, sections and other subdivisions and the insertion of headings is for convenience of reference only and shall not affect the interpretation or construction of this Agreement. Any reference to a particular "Article", "Section" or other subdivision or schedule is to the specified Article, Section or other subdivision or schedule of this Agreement unless otherwise expressly stated.

1.4 GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Province of _____ and the laws of Canada applicable therein.

1.5 CONSTRUCTION OF WORDS, ETC.

In this Agreement, words importing the use of any gender shall include all genders and words in the singular shall include the plural and vice versa.

1.6 CALCULATION OF TIME

When calculating the period of time within which or following which any act is to be done or step taken pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is a not a Business Day, the period in question shall end on the next Business Day.

1.7 REFERENCES TO STATUTES

Unless otherwise provided, any references herein to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory body shall be construed as a reference thereto as amended or re-enacted from time to time or as a reference to any successor thereto.

ARTICLE 2 - TERMINATION OF PRIOR AGREEMENTS

2.1 TERMINATION

All agreements between some or all of the parties hereto to purchase and/or sell any share in the capital stock of the Corporation (whether written or oral), other than _____, are hereby terminated.

ARTICLE 3 - SHARE OWNERSHIP

3.1 AUTHORIZED CAPITAL AND SHARES OF THE CORPORATION

The Shareholders acknowledge and agree that the authorized capital of the Corporation consists of an unlimited number of Common Shares, of which the following Common Shares are issued and outstanding as fully-paid and non-assessable to the following parties hereto:

<u>NAME</u>	<u>NO. OF SHARES</u>
Individual 1	_____ Common Shares
Individual 2	_____ Common Shares

3.2 ENDORSEMENT OF CERTIFICATES OF THE CORPORATION

All share certificates issued by the Corporation to the Shareholders shall have the following legend imprinted thereon:

“The shares evidenced by this certificate are subject to restrictions on their transfer as contained in a Shareholders’ Agreement and in applicable law. A full copy of the text thereof is obtainable on demand and without fee from the Corporation.”

3.3 SUBMISSION OF CERTIFICATES FOR ENDORSEMENT

The Shareholders shall submit the certificates representing the Common Shares held by each of them prior to the execution of this Agreement to the Corporation in order that the legend set forth in Section 3.2 may be imprinted thereon.

3.4 REPRESENTATIONS AND WARRANTIES REGARDING COMMON SHARES

Each of the Shareholders hereby represents and warrants to and covenants with each of the other parties that the Common Shares held by such Shareholder are and shall be owned beneficially by the said Shareholder and not as nominee of any person and free and clear of all Encumbrances.

ARTICLE 4 - RESTRICTIONS ON SHARE TRANSFERS

4.1 RESTRICTION ON ISSUANCE OF SHARES OF THE CORPORATION

Except as otherwise provided in this Agreement, the Corporation shall not issue any additional shares or grant any option or other right to acquire additional shares without the prior unanimous written consent of all the Shareholders and without ensuring that any person to whom shares will be issued is or will become a party to this Agreement.

4.2 RESTRICTIONS ON TRANSFER OF SHARES OF THE CORPORATION

Except as otherwise provided in this Agreement, no Shareholder shall transfer by way of sale, gift or otherwise, or encumber by pledge, assignment, mortgage, charge or otherwise, or otherwise dispose of or cease to be the holder of any of the Common Shares of which such Shareholder is at any time the registered or beneficial owner, without the prior written consent of the other Shareholder.

4.3 BECOMING A PARTY OR PERMITTED TRANSFER OF COMMON SHARES

In the case of any permitted transfer of Common Shares, no Shareholder shall transfer any of such Shareholder’s shares unless the transferee is already or becomes a party to this Agreement upon completion of the applicable transaction.

ARTICLE 5 - RIGHT OF FIRST REFUSAL

5.1 RECEIPT OF OFFER

If a Shareholder (hereinafter referred to in this Article as the “**Offeror**”) receives a bona fide offer (hereinafter referred to in this Article as the “**Initial Offer**”) from any person (hereinafter referred to in this Article as the “**Third Party**”) dealing at Arm’s-length with the Offeror, to purchase all of the Common Shares owned by the Offeror, which is acceptable to the Offeror, the Offeror shall send a true copy of the Initial Offer and a notice (hereinafter referred to in this Article as the “**Subsequent Offer**”) to the other Shareholder offering to sell such shares (such shares being hereinafter referred to in this Article as the “**Purchased Shares**”) to the other Shareholder (hereinafter referred to in this Article as the “**Offeree**”) on the same terms and conditions (including, without limitation, the purchase price) as are contained in the Initial Offer. The Offeree shall be entitled to accept the Subsequent Offer within _____ (_____) days from the date upon which such notice was received by the Offeree.

5.2 ACCEPTANCE OF SUBSEQUENT OFFER

If the Subsequent Offer is accepted by the Offeree within the time provided in Section 5.1, the Offeror shall sell and the Offeree shall purchase the Purchased Shares on the terms and conditions contained in the Subsequent Offer.

5.3 NON-ACCEPTANCE OF SUBSEQUENT OFFER

If, during the time period provided in Section 5.1, the Offeree shall not have accepted the Subsequent Offer, then the Offeror shall be entitled to sell the Purchased Shares in accordance with the Initial Offer, provided that the transaction is completed not later than _____ (_____) days following the last day on which the Offeree is entitled to accept the Subsequent Offer. The Offeree shall be entitled to require proof that the sale took place in accordance with the Initial Offer.

5.4 CLOSING

The closing of any transaction of purchase and sale made pursuant to the Subsequent Offer shall take place at the Place of Closing on the date (the “**Date of Closing**”) which is _____ (_____) days after the acceptance of the Subsequent Offer.

ARTICLE 6 - CRITICAL ILLNESS ARRANGEMENTS

6.1 CRITICAL ILLNESS

If a Shareholder shall become Critically Ill and the Critical Illness Threshold in respect of such Shareholder is satisfied (such Shareholder being hereinafter referred to in this Article as the “**Critically Ill Shareholder**”), the Critically Ill Shareholder shall be obligated to sell to the other Shareholder (hereinafter referred to in this Article as the “**Purchasing Shareholder**”) and the Purchasing Shareholder shall be obligated to purchase from the Critically Ill Shareholder, all of the Common Shares owned by the Critically Ill Shareholder, free and clear of all Encumbrances, upon the terms and conditions hereinafter set forth.

6.2 PURCHASE PRICE

The purchase price (hereinafter referred to in this Article as the “**Purchase Price**”) for the Common Shares to be purchased and sold under this Article shall be determined in accordance with the provisions of Article 9.

6.3 PAYMENT OF PURCHASE PRICE

The Purchase Price shall be paid and satisfied by the Purchasing Shareholder in the following manner:

- (a) the Purchasing Shareholder shall deliver to the Critically Ill Shareholder at the Time of Closing a certified cheque payable to or to the order of the Critically Ill Shareholder in an amount equal to the lesser of the Purchase Price and the sum of the total of the insurance proceeds received by the Purchasing Shareholder under all Insurance Policies before the Time of Closing as a consequence of the Critically Ill Shareholder becoming Critically Ill (other than insurance proceeds subject to Section 8.8) and the Total Available Partial Proceeds at the Date of Closing in respect of the Critically Ill Shareholder; and
- (b) the Purchasing Shareholder shall execute and deliver to the Critically Ill Shareholder at the Time of Closing a Promissory Note payable to or to the order of the Critically Ill Shareholder in the principal amount equal to the portion of the Purchase Price, if any, not paid by certified cheque pursuant to Subsection 6.3(a). The principal amount owing under such Promissory Note shall be paid in _____ (_____) equal consecutive _____ monthly/yearly instalments commencing _____ month(s)/year from the Date of Closing of the transaction of purchase and sale contemplated in this Article.

6.4 CLOSING

The transaction of purchase and sale contemplated in this Article shall take place at the Place of Closing on the date (the “**Date of Closing**”) which shall be the later of,

- (a) the date that is _____ (_____) days following the date on which all of the Common Shares owned by the Critically Ill Shareholder are subject under this Article to obligations to be purchased and sold; and
- (b) the date that is _____ (_____) days following the date on which the purchase price for such Common Shares is finally determined in accordance with Article 9.

6.5 POST-CLOSING

The Purchasing Shareholder shall immediately pay any insurance proceeds received by the Purchasing Shareholder after the Time of Closing under any Insurance Policy as a consequence of the Critically Ill Shareholder becoming Critically Ill to the Critically Ill Shareholder on account of the amount owing on the Promissory Note referred to in Subsection 6.3(b).

6.6 SUSPENSION OF APPLICATION OF ARTICLE 6

If a Shareholder dies at any time before the Date of Closing of a transaction of purchase and sale pursuant to provisions of this Article, the provisions of Article 7 shall apply and provisions of this Article (save and except for this Section) shall be suspended.

ARTICLE 7 - SURVIVORSHIP ARRANGEMENTS

7.1 DEATH

In the event of the death of a Shareholder (hereinafter referred to in this Article as the “**Deceased Shareholder**”), the personal representatives of the Deceased Shareholder (such personal representatives being hereinafter referred to in this Article as the “**Vendor**”) shall be obligated to sell to the surviving Shareholder (hereinafter referred to in this Article as the “**Purchasing Shareholder**”) and the Purchasing Shareholder shall be obligated to purchase from the Vendor, all of the Common Shares owned by the Deceased Shareholder as at the date of death of the Deceased Shareholder, free and clear of all Encumbrances, upon the terms and conditions hereinafter set forth.

7.2 PURCHASE PRICE

The purchase price (hereinafter referred to in this Article as the “**Purchase Price**”) for the Common Shares to be purchased and sold under this Article shall be determined in accordance with the provisions of Article 9.

7.3 PAYMENT OF PURCHASE PRICE

The Purchase Price shall be paid and satisfied by the Purchasing Shareholder in the following manner:

- (a) the Purchasing Shareholder shall deliver to the Vendor at the Time of Closing a certified cheque payable to or to the order of the Vendor in an amount equal to the lesser of the Purchase Price and the total of the insurance proceeds received by the Purchasing Shareholder under all Insurance Policies before the Time of Closing as a consequence of the death of the Deceased Shareholder under all Insurance Policies; and
- (b) the Purchasing Shareholder shall execute and deliver to the Vendor at the Time of Closing a Promissory Note payable to or to the order of the Vendor in the principal amount equal to the portion of the Purchase Price, if any, not paid by certified cheque pursuant to Subsection 7.3(a). The principal amount owing under such Promissory Note shall be paid in _____ (_____) equal consecutive _____ monthly/yearly instalments commencing _____ month(s)/year from the Date of Closing of the transaction of purchase and sale contemplated in this Article.

7.4 CLOSING

The transaction of purchase and sale contemplated in this Article shall take place at the Place of Closing on the date (the "Date of Closing") which shall be the later of,

- (a) the date that is _____ (_____) days following the date on which all of the Common Shares owned by the Deceased Shareholder as at the date of such Deceased Shareholder's death are subject under this Article to obligations to be purchased and sold; and
- (b) the date that is _____ (_____) days following the date on which the purchase price for such Common Shares is finally determined in accordance with Article 9.

7.5 POST-CLOSING

The Purchasing Shareholder shall immediately pay any insurance proceeds received by the Purchasing Shareholder after the Time of Closing as a consequence of the death of the Deceased Shareholder under all Insurance Policies to the Vendor on account of the amount owing on the Promissory Note referred to in Subsection 7.3(b).

ARTICLE 8 - CRITICAL ILLNESS AND LIFE INSURANCE

8.1 INSURANCE POLICIES

Each Shareholder shall own and maintain in full force and effect in the manner hereinafter provided the Perspecta Universal Life Insurance Policy on the life of the other Shareholder issued by The Standard Life Assurance Company with the Protecta 75 Critical Illness Insurance rider under which the individual insured is the other Shareholder and listed in Schedule "A" and Schedule "B". Each such policy shall be subject to the provisions of this Agreement.

8.2 ADDITIONAL INSURANCE

Each Shareholder shall, from time to time, purchase such additional critical illness insurance coverage on the other Shareholder as the Shareholders consider necessary or advisable to provide funds to purchase Common Shares in the event of the critical illness of such other Shareholder. All additional insurance policies acquired to provide such funding shall be listed in Schedule "A" and shall be subject to the provisions of this Agreement. Each Shareholder shall, from time to time, purchase such additional life insurance coverage on the life of the other Shareholder as the Shareholders consider necessary or advisable to provide funds to purchase Common Shares in the event of the death of the other Shareholder. All life insurance policies acquired to provide such funding shall be listed in Schedule "B" and shall be subject to the provisions of this Agreement.

8.3 COLLECTION OF PROCEEDS ON CRITICAL ILLNESS

Upon a lump sum critical illness benefit becoming payable under any Insurance Policy under which the person insured is a Shareholder (hereinafter referred to in this Section as the "Insured Shareholder") as a consequence of the Insured Shareholder becoming Critically Ill, the other Shareholder (hereinafter referred to in this Section as the "Policy Owning Shareholder"), shall proceed immediately to collect the insurance proceeds payable under such policy to the Policy Owning Shareholder. Upon receipt of the said proceeds of insurance, the Policy Owning Shareholder shall immediately advise the Insured Shareholder or such Shareholder's personal representatives of such receipt.

8.4 COLLECTION OF PROCEEDS ON DEATH

Upon the death of a Shareholder, the surviving Shareholder shall proceed immediately to collect the insurance proceeds payable to such Shareholder as a result of the death under all Insurance Policies. Upon receipt of the said proceeds of insurance, such Shareholder shall immediately advise the personal representatives of the deceased Shareholder of such receipt.

8.5 OWNERSHIP AND MAINTENANCE OF POLICIES

Each Shareholder shall ensure that each Insurance Policy under which the person insured is other Shareholder is at all times in good standing and in full force and effect, shall at all times be the policy owner of each such policy, shall be entitled at all times to receive the insurance proceeds payable under each such policy as a consequence of the other Shareholder becoming Critically Ill or dying under each such policy and shall not, except as permitted under this Agreement or done with the consent of the other Shareholder, assign, transfer, dispose of, surrender, borrow against or upon, pledge, in any way encumber or exercise any right of ownership in respect of, or otherwise deal in any manner whatever with each such policy.

8.6 PREMIUMS

Each Shareholder shall pay each premium as such premium becomes due under each Insurance Policy owned by such Shareholder. If requested by the Shareholder who is the person insured under such a policy, the Shareholder who owns the policy shall provide such person insured with proof of payment of any premium. If a Shareholder fails to pay all or part of any premium under any Insurance Policy owned by such Shareholder within _____ (_____) days of the due date, the other Shareholder shall have the right to pay the unpaid premium or portion thereof and to be reimbursed by the Shareholder who owns the policy.

8.7 ASSISTANCE

The Shareholders shall do all things that may be necessary or desirable (including, without limiting the generality of the foregoing, the taking of such medical examinations and tests by the Shareholders as may be requested by the insurer with which critical illness insurance and/or life insurance has been or will be purchased), to assist in connection with acquiring critical illness insurance coverage and/or life insurance coverage for the purposes of this Agreement, making a claim for benefits under any Insurance Policy or replacing, converting or dealing in any manner whatever with any Insurance Policy.

8.8 PARTIAL INSURANCE PROCEEDS RECEIVED

If a Shareholder becomes Critically Ill (such Shareholder being hereinafter referred to in this Section as the "**Critically Sick Shareholder**") and as a result thereof a lump sum critical illness benefit becomes payable under any Insurance Policy to the other Shareholder (the other Shareholder being hereinafter referred to in this Section as the "**Recipient**") but the Critical Illness Insurance Threshold has not been met, then the following paragraphs shall apply to such benefit (such benefit being hereinafter referred to in this Section as the "**Partial Proceeds**" in respect of the Critically Sick Shareholder) when received by the Recipient:

- (a) The Recipient shall not commingle the Partial Proceeds with respect to the Critically Sick Shareholder with any other money or funds of the Recipient (except any other Partial Proceeds in respect of the Critically Sick Shareholder and interest earned in respect of such proceeds), but shall hold, invest and reinvest such Partial Proceeds in Cashable Safe Investments provided that the full amount of the Partial Proceeds in respect of the Critically Sick Shareholder and any interest earnings in respect of such Partial Proceeds are immediately available to the Recipient or available to the Recipient on not less than _____ (_____) days' notice, without reduction for any reason (including, without limiting the generality of the foregoing, the application of any charges or market value adjustment), other than nominal administration or surrender charges. The Recipient may use funds invested or reinvested to pay any taxes imposed by a governmental authority on the Recipient in respect of the Partial Proceeds in respect of the Critically Sick Shareholder and any interest earnings in respect of such Partial Proceeds;
- (b) The Recipient shall apply all of the Partial Proceeds in respect of the Critically Sick Shareholder and any interest earnings in respect of such Partial Proceeds, net of any amounts used by the Recipient to pay such taxes and any taxes that the Recipient will be required to pay in respect of such Partial Proceeds and interest earnings, (the total of all such Partial Proceeds and interest net of such taxes paid or that will be required to be paid at a particular time being referred to as the "**Total Available Partial Proceeds**" at that time in respect of the Critically Sick Shareholder) as is necessary to satisfy all or part of the purchase price in respect of the purchase and sale of Common Shares owned by the Critically Sick Shareholder in accordance with Section 6.3; and
- (c) When all of the Partial Proceeds in respect of the Critically Sick Shareholder and interest earnings in respect of such Partial Proceeds or the part thereof remaining are not and will not be required by the Recipient to satisfy all or part of such purchase price in accordance with Section 6.3, then this Section shall no longer apply to such proceeds and interest earnings and shall be retained by the Recipient for the Recipient's own use absolutely.

8.9 EXCESS INSURANCE PROCEEDS RECEIVED

Subject to Section 8.8, any insurance proceeds received by a Shareholder under any Insurance Policy in excess of the amount necessary to complete the purchase and sale of Common Shares as provided for in Article 6 or 7 shall be retained by such Shareholder.

8.10 TERMINATION

In the event that this Agreement terminates or terminates as it relates to a particular Shareholder, each Shareholder in respect of whom this Agreement shall have terminated (hereinafter referred to in this Section as the "**Purchaser**") shall have the option to acquire absolutely each Insurance Policy under which the person insured is the Purchaser from the other Shareholder (hereinafter referred to in this Section as the "**Vendor**") within _____ (_____) days of the termination. The purchase price for each such policy shall be equal to the greater of the unearned premium in respect of such policy, such policy's cash surrender value, if any, at the time of the transfer (net of any outstanding policy loans) and the sum of \$1.00. Upon payment of such price for the policy, the Vendor shall immediately transfer and assign to such policy to the Purchaser and if the policy is in the possession of the Vendor or the Corporation, such person shall deliver the same to the Purchaser.

ARTICLE 9 - VALUATION

9.1 VALUATION

Upon the occurrence of an event giving rise to the purchase and sale of the Common Shares under Article 6 or 7, the Corporation and the Shareholders shall cause the accountants of the Corporation (hereinafter referred to as the "**Valuator**") to determine the fair market value of the Common Shares. The fair market value arrived at by the Valuator shall be binding upon all of the parties hereto. The fees and disbursements of the Valuator shall be paid by the Corporation.

9.2 VALUATION PRINCIPLES

In determining the fair market value of the Common Shares, the Valuator shall:

- (a) not take account of any premium for control or discount for minority; and
- (b) not take account of the occurrence of a Shareholder becoming Critically Ill or the death of a Shareholder or the imminent possibility of a Shareholder becoming Critically Ill or the death of a Shareholder.

9.3 PURCHASE PRICE OF COMMON SHARES

The purchase price for Common Shares being purchased and sold pursuant to Article 6 or 7 shall be equal to the fair market value of all the Common Shares as determined by the Valuator, divided by the number of issued and outstanding Common Shares as of the date of the occurrence of the event giving rise to the purchase and sale of such shares and multiplied by the number of such shares being purchased and sold.

ARTICLE 10 - GENERAL SALE PROVISIONS

10.1 APPLICATION OF ARTICLE

Except as may be otherwise provided in this Agreement, the provisions of this Article shall apply to any sale of Common Shares pursuant to Articles 5, 6 or 7, mutatis mutandis.

10.2 USE OF DEFINED TERMS

For the purpose of this Article, the term **"Date of Closing"** shall have the meaning attributed to such term in Articles 5, 6 or 7, as the case may be. The terms **"Vendor"** and **"Purchaser"**, as used in this Article, shall respectively mean any person obligated to sell Common Shares and any person obligated to purchase Common Shares pursuant to Article 5, 6 or 7, as the case may be, and the Common Shares to be sold by a Vendor to a Purchaser pursuant to Article 5, 6 or 7, as the case may be, shall be referred to in this Article 10 as the **"Purchased Shares"**.

10.3 VENDOR'S OBLIGATION AT CLOSING

At the Time of Closing, the Vendor shall:

- (a) deliver to the Corporation the signed resignations of the Vendor and the Vendor's nominees, if any, as directors, officers and employees of the Corporation, as the case may be;
- (b) assign and transfer the Purchased Shares to the Purchaser and deliver the required share certificate(s) duly endorsed for transfer into the name of such Purchaser;
- (c) do all the things required in order to deliver good and marketable title to the Purchased Shares to the Purchaser, free and clear of all Encumbrances;
- (d) provide the Purchaser with evidence reasonably satisfactory to the Purchaser that the Vendor is not then a "non-resident" of Canada within the meaning of the Tax Act; and
- (e) deliver to the Corporation and the Purchaser a release by the Vendor and the Vendor's nominees in their respective capacities as a director, officer, shareholder and employee of the Corporation of all claims against the Corporation and the Purchaser in their respective capacities as a shareholder, director, officer or employee of the Corporation, except for any claims which might arise out of the transactions of purchase and sale herein contemplated.

10.4 PURCHASER'S OBLIGATIONS AT CLOSING

At the Time of Closing, the Purchaser shall:

- (a) deliver to the Vendor and the Vendor's nominees a release by the Purchaser and the Purchaser's nominees in their respective capacities as a director, officer, employee and shareholder of the Corporation of their respective claims against the Vendor and the Vendor's nominees in their respective capacities as a director, officer, employee or shareholder of the Corporation, except for any claims which may arise out of the transaction of purchase and sale herein contemplated; and

- (b) cause the Corporation to deliver to the Vendor and the Vendor's nominees a release by the Corporation of all its claims against the Vendor or the Vendor's nominees with respect to any matter or thing arising as a result of the Vendor or the Vendor's nominees being a shareholder, director, officer or employee of the Corporation, as the case may be.

ARTICLE 11 - GENERAL CONTRACT PROVISIONS

11.1 TERMINATION

This Agreement shall take effect on the date hereof and shall continue in force until the earlier of (a) the date on which the Agreement is terminated by written agreement of each of the Shareholders, and (b) the date on which there is only one Shareholder. Notwithstanding the foregoing, the provisions of Sections 6.5, 7.5, 8.3, 8.4, 8.10 and 11.2 and any other obligations under this Agreement which by their terms survive the termination of this Agreement shall survive the termination of this Agreement.

11.2 FURTHER ASSURANCES

The parties hereto agree to execute and deliver all such documents and do all such other acts and things as may be necessary or desirable to more completely and effectively carry out the terms and intention of this Agreement. The Shareholders agree to cause the Corporation to act in the manner contemplated by this Agreement and, to the extent permitted by law, cause the board of directors of the Corporation so to act.

11.3 OTHER SHARES OF THE CORPORATION

The parties hereto agree that the provisions of this Agreement relating to Common Shares shall apply mutatis mutandis to any shares or securities into which such Common Shares may be converted, changed, reclassified, redivided, redesignated, subdivided or consolidated, to any shares or securities which are received by the parties hereto as a stock dividend or distribution payable in shares or securities of the Corporation and to any shares or securities of the Corporation or of any successor or continuing company or corporation to the Corporation which may be received by the parties hereto on a reorganization, amalgamation, consolidation or merger, statutory or otherwise.

11.4 NOTICES

Any notice or communication required or permitted to be given to any party under this Agreement shall be in writing and may be given by hand delivery to the party or sent by facsimile or similar means of recorded electronic communication or by mailing the same by prepaid registered mail, return receipt requested (except as otherwise specifically provided), addressed as follows:

- (a) to Individual 1 at: _____
Fax: _____
- (b) to Individual 2 at: _____
Fax: _____
- (c) to the Corporation at: _____
Fax: _____

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the fifth day following the date of mailing; provided, however, that if at the time of mailing or within three days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be hand delivered or transmitted by means of recorded electronic communication as aforesaid.

Any party may at any time change such party's address for receiving any notice or other communication from time to time by giving notice to the other parties in accordance with this section.

11.5 TIME OF THE ESSENCE

Time shall be of the essence of this Agreement and every part hereof and no extension or variation of this Agreement shall operate as a waiver of this provision.

11.6 ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties hereto with respect to all of the matters herein and shall not be modified or amended or assigned except with the consent in writing of all the parties hereto.

11.7 BINDING EFFECT

This Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, executors, administrators, legal representatives, successors and permitted assigns.

11.8 TELEFAX/COUNTERPARTS

This Agreement may be executed by telefax or in one or more counterparts, each of which when so executed shall constitute an original and all of which together shall constitute one and the same instrument.

11.9 ACKNOWLEDGEMENT

Each of the parties hereto acknowledges and agrees that such party has been given the opportunity to obtain independent legal advice in connection with this Agreement and all of its terms.

IN WITNESS WHEREOF the parties have duly executed this Agreement.

SIGNED, SEALED AND DELIVERED

in the presence of:

INDIVIDUAL 1

INDIVIDUAL 2

OPCO Per:

President

Schedule "A"

CRITICAL ILLNESS INSURANCE

Individual Insured

Life Insurer

Policy No.

Insurance Proceeds

SPECIMEN

Schedule "B"
LIFE INSURANCE

Life Insured Life Insurer Policy No. Insurance Proceeds-Death

SPECIMEN