

Employee Share Ownership Plan (Private Company)

of

(the "Company" or "Corporation")

Date of Adoption: _____, 2____

ARTICLE 1 - PURPOSE OF THE PLAN

This article of the Plan may be omitted - The following is an example which should be altered as necessary.

- 1.1 The purpose of this employee share ownership plan is to:
- (a) give the Company's employees an opportunity to participate in the ownership of their employer;
 - (b) encourage teamwork and cooperation among all members and units of the Company;
 - (c) improve organizational performance;
 - (d) improve the Company's ability to retain a skilled work force; and
 - (e) provide an additional source of equity capital to the Company.

ARTICLE 2 - PLAN DEFINITIONS AND INTERPRETATION

- 2.1 In this Plan, the following terms have the following meanings:
- (a) "Act" means the *Employee Investment Act*, R.S.B.C. 1996, c.112, as amended from time to time, including the Regulations;
 - (b) "Administrator" means any administrator designated under the Act;
 - (c) "Constitution" means the Notice of Articles, Articles, or other constitutional documents of the Company;
 - (d) *(optional - there may be Securities Act implications to including Dedicated Contractors in the Plan)*
"Dedicated Contractor" means a proprietorship, partnership or Company which:
 - (i) provides services to the Company or a predecessor or an affiliate thereof under a contract; and

- (ii) receives not less than 90% of its total annual revenue from the contract with the Company or a predecessor or an affiliate thereof;
- (e) *(optional)*
"Dedicated Contractor Employee" means an individual who is:
 - (i) resident in British Columbia;
 - (ii) is not a major shareholder of the Company or the affiliate; and
 - (iii) has been employed by a Dedicated Contractor for at least six months for an average of at least 20 hours each week;
- (f) "Eligible Employee" means
 - (i) all Tax Credit Eligible Employees; and
 - (ii) any additional group of employees of the Company or of affiliates of the Company that the Company's board of directors defines from time to time ("Other Eligible Employees");who have been employed by the Company (or by a predecessor or an affiliate of the Company) for a period of at least *(insert 0 to 24 months)*;
- (g) "Employee Shareholders" means, at any relevant time, those persons who own Shares purchased under this Plan;
- (h) "Financial Statements" means the most recent financial statements of the Company;
- (i) "Ministry" means the branch or division of the British Columbia government charged with the administration of the Act;
- (j) "Offering" means the offering period specified in the Share Offering Document during which Eligible Employees will be extended an offer to purchase Shares under this Plan;
- (k) "Plan" means this employee share ownership plan as amended from time to time in accordance with its provisions;
- (l) "Purchase Form" means the form of Share purchase in use at the time of purchase as found on the Ministry's website;
- (m) "Purchase Price" means the purchase price for Shares purchased by an Eligible Employee under the Plan, calculated by multiplying the number of Shares purchased by the Share Value in effect during the applicable Offering;
- (n) "Redemption Date" means *(insert one or more dates annually chosen by the Company)*;
- (o) "Regulations" means the regulations enacted pursuant to the Act in force from time to time;
- (p) "Request for Redemption" means a request by an Employee Shareholder for redemption of Shares in the form found on the Ministry's website;

- (q) "Seasonal Part Time Employee" means a part time employee who has worked for not less than 3 months each year for 2 or more consecutive years;
- (r) "Share Offering Document" means the offering and information document delivered to Eligible Employees in connection with an offering of Shares under this Plan, in the form accepted for filing by the Administrator for that offering;
- (s) "Share Value" means the value per Share in Canadian dollars determined from time to time as set forth in the Share Offering Document;
- (t) "Shares" means shares of the Company (describe the class of shares);
- (u) (*optional*)
"Take-Along Offer" means a third party offer made to holders of Shares, which if accepted by such holders of Shares, will result in the offeror owning more than sixty-six and two-thirds (66 2/3%) percent of the issued and outstanding Shares;
- (v) "Tax Credit Eligible Employee" means an individual who, at the time of purchasing Shares under the Plan is:
 - (i) resident in British Columbia,
 - (ii) employed by the Company, or by the predecessor or affiliate of the Company on a continuing basis for an average of at least 20 hours a week or is a Dedicated Contractor Employee or a Seasonal Part Time Employee, and
 - (iii) is not a major shareholder (as defined in the Act) of the Company;

2.2 In this Plan, the words "redeem" and "redemption" include a purchase of Shares by the Company.

2.3 In this Plan, unless otherwise defined herein, words and phrases defined in the Act or the Regulations have the meanings given to them in the Act or the Regulations.

ARTICLE 3 - ADOPTION, COMMENCEMENT AND TERM OF THE PLAN

- 3.1 The Company hereby adopts the Plan as its employee share ownership plan for the benefit of Eligible Employees.
- 3.2 The Plan will become effective upon its registration under the Act.
- 3.3 The Plan will terminate only upon receipt by the Company of consent in writing to its termination from the Administrator and a majority of Employee Shareholders.

ARTICLE 4 - SHARE OFFERINGS TO ELIGIBLE EMPLOYEES

- 4.1 The Company will make the share offerings described in the Share Offering Document to Eligible Employees on the terms and conditions set out in this Plan.
- 4.2 During an Offering, each Eligible Employee may purchase up to the number of Shares calculated by the following formula.

Section 4(1)(c) of the Act allows the Company to select one of the following two purchase entitlement methods. Select one and delete the other.

Method 1 – Equal Entitlement

$$\begin{array}{lcl} \text{Number of Shares the Eligible} & & \text{Total number of Shares offered in the Offering} \\ \text{Employees may purchase} & = & \text{Total number of Eligible Employees at the} \\ & & \text{commencement of the Offering} \end{array}$$

Method 2 – Pro-rata Entitlement by Years of Service

$$\begin{array}{lcl} \text{Number of Shares the Eligible} & & \text{EY} \\ \text{Employee may purchase} & = & \frac{\text{TEY}}{\text{TEY}} \times \text{TNS} \end{array}$$

Where:

EY = the number of years, as at the commencement of the Offering, that the Eligible Employee has been employed by the Company, its predecessor or an affiliate thereof;

TEY = the total number of years, as at the commencement of the Offering, that all of the Eligible Employees have been employed by the Company, its predecessor or an affiliate thereof;

TNS = the total number of Shares offered to the Eligible Employees in the Offering.

- 4.3 The purchase price per Share will be equal to the Share Value at the start of the applicable Offering. There is a minimum purchase of \$ _____, but the Company reserves the right to universally reduce, waive or cancel the minimum subscription.
- 4.4 To purchase Shares under the Plan, an Eligible Employee must deliver a completed and signed Purchase Form to the Company during the applicable period.
- 4.5 The Company will deliver a Share Offering Document to each Eligible Employee who wishes to purchase Shares before the Eligible Employee enters into an agreement to purchase Shares under the Plan.
- 4.6 In advance of each Offering, the Company will notify Eligible Employees in writing of the offering who is eligible to participate and how they can get additional information. At least 14 days before the start of each Offering, the Company will complete the Share Offering Document to be used during the Offering and file a copy of it with the Administrator.
- 4.7 *The under subscription procedure outlined below is optional and may be deleted.*

If the total number of Shares purchased by Eligible Employees in a particular Offering is less than the total number of Shares offered to Eligible Employees in that Offering, those Shares not initially purchased will be automatically offered, according to the same formula for computation of purchase entitlement as used in the prior round, to those Eligible Employees who purchased their maximum entitlement in the prior round.

ARTICLE 5 - PAYMENT OF PURCHASE PRICE

- 5.1 Shares will be purchased under the Plan for cash consideration only.
- 5.2 An Eligible Employee may pay for Shares purchased under the Plan by:
- (a) lump sum payment delivered to the Company with the Purchase Form;
 - (b) authorizing the Company to make the payroll deductions specified by the Eligible Employee in the Purchase Form; or
 - (c) authorizing the Company to apply payments due to the Eligible Employee under a profit sharing plan.

Items (b) and (c) above are optional and may be deleted

- 5.3 If any Shares purchased under the Plan are paid for in whole or in part by way of payroll deduction, such Shares will not be considered to be paid for in full until all such deductions have been made and the remainder, if any, of the Purchase Price for such Shares has been paid in full in cash. If payment of the Purchase Price for any Shares is funded in whole or in part by a loan to the Eligible Employee by the Company or an affiliate or predecessor of the Company, such Shares will be deemed not to be paid for in full until such loan has been repaid and the remainder of the Purchase Price, if any, has been paid in full in cash.
- 5.4 If an Eligible Employee ceases to be employed by the Company or any affiliate thereof before Shares purchased by that Eligible Employee have been issued, the Company will immediately refund to the Eligible Employee the full amount of any payment or payroll deductions made in respect of the Shares and the Eligible Employee's Purchase will be deemed to have been rescinded.

ARTICLE 6 - ISSUANCE AND HOLDING OF SHARE CERTIFICATES

- 6.1 On receipt of payment in full (the "Payment Date") of the Purchase Price for Shares purchased under this Plan, the Company will issue a share certificate, dated as of the Payment Date, representing those Shares either in the name of the Eligible Employee or, if the Shares are to be held by a trust for the benefit of the Eligible Employee, in the name of the trustee of the trust.
- 6.2 Each share certificate issued under section 6.1 to a Tax Credit Eligible Employee will be held in the custody of an authorized depository on the terms of the escrow agreement for a period of three years from the date of the share certificate.
- 6.3 Within 30 days of issuing a share certificate under section 6.1, the Company will arrange for an investment confirmation setting out the information required by the Act and the Regulations to be delivered to the new shareholder (or, if the new shareholder is a trust, to the annuitant or beneficiary of the trust).

ARTICLE 7 - PURCHASE BY OR TRANSFER TO TRUSTS

The Act permits Eligible Employees to purchase, hold and dispose of Shares using a "trust", which includes an RRSP. See section 1(2)(c) of the Act and the Act definitions of "trust" and "trust disposition".

The Company may restrict the type of trust which can be used under its Plan or not allow trusts to be used at all. Modify or delete this Article accordingly.

The Company should confirm whether or not the Shares are an eligible investment for an RRSP.

- 7.1 An Eligible Employee may:
- (a) purchase Shares under the Plan through a trust; and
 - (b) subject to any applicable transfer restrictions, transfer Shares purchased under the Plan to a trust.
- 7.2 For purposes of this Plan, the Eligible Employee annuitant or beneficiary of a trust will be deemed to have purchased, held or disposed of Shares that are purchased, held or disposed of by the trust.

ARTICLE 8 - GENERAL REPRESENTATIONS AND COVENANTS

This is a suggested set of covenants.

- 8.1 In respect of each offering and issuance of Shares under the Plan, the Company represents, warrants and covenants as follows:
- (a) the Company is validly existing and in good standing under the laws pursuant to which it was incorporated;
 - (b) the Plan is a validly subsisting and binding obligation of the Company;
 - (c) the Company is not party to, and will not become party to, any agreement which prohibits or restricts it from complying with the terms of the Plan;
 - (d) the authorized share capital of the Company is as described in the Share Offering Document;
 - (e) the Shares are of a class of shares of the Company that:
 - (i) carry voting rights under all circumstances;
 - (ii) are not directly restricted in their right to share in the profits of the Company or in the division of the Company's assets on dissolution or winding up; and
 - (iii) do not have any rights and restrictions prohibited by the Regulations;
 - (f) the Shares to be issued under the Plan will be from the treasury of the Company and will not have been previously issued;

- (g) the price per Share at which Shares will be offered to Eligible Employees in any given Offering will not be greater than the Share Value in effect at that time;
 - (h) all Financial Statements issued under the Plan will be prepared in accordance with generally accepted accounting principles and present fairly the financial position of the Company as at the date thereof and do not omit to state any material liability or financial obligation of the Company as at the date thereof;
 - (i) since the date of the Financial Statements there has been no material adverse change in the financial position or condition of the Company, except as disclosed in the Share Offering Document;
 - (j) the Share Offering Document discloses all outstanding options, warrants and conversion rights granted by the Company in respect of its securities and contains no misrepresentations;
 - (k) if requested by an Employee Shareholder, the Company will promptly provide the Employee Shareholder with access to or copies of the Plan and the Company's Constitution; and
 - (l) the Company will comply with the requirements of the Plan, the Act and the Regulations.
- 8.2 Each Eligible Employee and the Administrator will be deemed to have relied on the representations and warranties and covenants contained in this Article.

ARTICLE 9 - USE OF FUNDS

The Company has the option of either making a reference to the Act prohibitions on use of funds:

- 9.1 Subject to paragraph 9.2, the Company will not use any funds received from the issue of Shares under the Plan for any purpose prohibited by the Act or the Regulations.
- 9.2 The Company may use funds received from the issue of Shares under the Plan for one or more of the uses specified in section 6(a) of the Act if such uses are listed and described here:

or of describing the Act prohibitions on use of funds in full as follows:

- 9.1 Except if provided for in paragraph 9.2, the Company will not use any funds received from the issue of Shares under the Plan for
- (a) lending, other than in the ordinary course of business,
 - (b) acquiring securities, other than in the ordinary course of business,
 - (c) funding of all or part of the purchase by the Corporation of all or a substantial portion of the assets of an existing proprietorship, partnership, joint venture, trust or corporation,

- (d) making any payment, including a payment for the purchase of goods or services and the payment of dividends and the repayment of shareholder debt, to a shareholder, director or officer of the Corporation or any of its affiliates,
 - (e) investing in land, unless the use of the land is incidental or ancillary to the activities of the Corporation,
 - (f) the purchase or redemption of previously issued share of the corporation or one of its affiliates
 - (g) for purchasing services or assets provided by the Crown or an agency or corporation of the Crown, if those services or assets are to be used in all or in part in a business or activity that is the same or similar to the activity previously carried on by the Crown or the agency or corporation of the Crown,
 - (h) for purchasing services or assets provided by the Crown or an agency or corporation of the Crown, if the corporation has received, either directly or indirectly, any financial assistance from any government, municipality or public authority with respect to the acquisition of those services or assets, or
 - (i) as part of a transaction or series of transactions directly or indirectly involving the funding of all or part of the purchase by the Corporation of any services or assets at a price that is greater than the fair market value of the services or assets purchased.
- 9.2 The Company may use funds received from the issue of Shares under the Plan for the following:

(Please state here the use if it would otherwise be in contravention of paragraph 9.1 - if there is no such use omit paragraph 9.2.)

ARTICLE 10 - APPLICATION FOR TAX CREDIT CERTIFICATES

- 10.1 If a Tax Credit Eligible Employee has purchased Shares under the Plan by:
- (a) delivering a completed Purchase Form to the Company; and
 - (b) paying the Purchase Price for the Shares in full, the Company will promptly, on behalf of the Tax Credit Eligible Employee, apply to the Administrator for a tax credit certificate in respect of the purchase of the Shares.

ARTICLE 11 - SHARE VALUE FORMULA

- 11.1 So long as the Plan remains in effect, the following formula for calculation of Share Value (the "Share Value Formula") will be in effect: Sample text
- 11.2 Alterations to the Share Value Formula may only be made by the Company with the prior approval of the Administrator and a majority of the Employee Shareholders.

ARTICLE 12 - REPORTS TO EMPLOYEE SHAREHOLDERS

- 12.1 The Company will provide (annually/semi-annually/quarterly) on (state date) a written report (the "Report") to each Employee Shareholder which contains at least:
- (a) the most recently established Share Value;
 - (b) the basis on which that Share Value was established; and
 - (c) disclosure with respect to major decisions made by the Company since the last Report which materially affect the Share Value;
- and, if applicable,
- (d) a summary (including price information) of all new shares issued and options, warrants or conversion rights granted by the Company since the last Report; and
 - (e) a separate expression of the Share Value on a fully diluted basis.
- 12.2 Upon request by a Shareholder, the Company will provide the Employee Shareholder with access to or copies of the Plan and Constitution.

ARTICLE 13 - REDEMPTION AND SALE OF SHARES

Set out the provisions of the Plan dealing with redemption and resale of Shares under this heading, ensuring that they comply with the requirements of the Act, the Regulations and the Company's Constitution. Sections 4(1)(h), (i) and (j) of the Act allow for considerable flexibility in this respect. The following is a sample set of provisions.

- 13.1 Subject to compliance with relevant securities laws and the Company's Constitution, a Shareholder may sell his or her Shares to another eligible employee of the Company, to a third party dealing at arm's length with the Shareholder, or to the Company under paragraph 13.2.
- 13.2 If a Shareholder wishes to sell all or a portion of their Shares and the Shares are not listed on a Canadian stock exchange, the Shareholder may deliver a Request for Redemption to the Company and, subject to paragraph 13.3, the Company will redeem the number of Shares specified therein on the next Redemption Date for a redemption price per Share equal to the Share Value as at the date of delivery of the Request for Redemption to the Company.
- 13.3 The Company may decline to complete a redemption pursuant to a request under paragraph 13.2 if:
- (a) the redemption would create a working capital deficiency for the Company;
 - (b) the amount redeemed when added to the total amount of previous redemptions in the fiscal year would exceed the lesser of:
 - (i) 20% of the Company's retained earnings, or
 - (ii) 50% of the Company's net earnings after taxes for the preceding fiscal year;
 - (c) the redemption would cause the Company to be in default of its financial obligations under a bona fide arm's length loan agreement; or

(d) the Company is insolvent, or if the redemption would render the Company insolvent.

Even though a Request for Redemption may be declined under this paragraph, it shall remain in effect until withdrawn or fulfilled.

13.4 If at any time the Company declines to complete a redemption pursuant to paragraph 13.3, the Company will, thereafter until all Requests for Redemption have been fulfilled, fulfill Requests for Redemption in the following order of priority:

- (a) first, Requests for Redemption made as a consequence of a Shareholder's death;
- (b) second, Requests for Redemption made as a consequence of a Shareholder's retirement;
- (c) third, Requests for Redemption made as a consequence of a Shareholder's involuntary loss of employment; and
- (d) lastly, all other Requests for Redemption;

and, to the extent necessary, the redemptions will be completed on a pro rata basis among redemptions within the same level of priority.

13.5 On completion of a redemption under this Article 13:

- (a) the Company will deliver payment in full for the redeemed Shares to the Shareholder; and
- (b) the Shareholder will deliver, or cause to be delivered, to the Company the Share Certificate representing the Shares redeemed duly endorsed for transfer.

13.6 The Company may arrange for an affiliate of the Company to fulfill the Company's redemption obligations under paragraph 13.2, provided that the tests specified in paragraph 13.3 will continue to be applied in respect of the Company and not the affiliate.

13.7 If an Employee Shareholder's employment with the Company terminates for any reason, the Company may elect, at its sole option, to repurchase or redeem the Shares of such Employee Shareholder on the next Redemption Date.

the following section is optional – see Article 2

13.8 In the event that:

- (a) one or more Shareholder receives a Take-Along Offer;
- (b) either one or more Shareholder or the offeror (the "Offeror") provides evidence, satisfactory to the President of the Company, that in excess of sixty-six and two-thirds (66 2/3%) percent of the Shares of the Company have been or will be tendered to the Offeror;
- (c) the Offeror has indicated that it wishes to purchase all of the Shares upon the same terms and conditions as the Shares purchased; and
- (d) the price per Share being offered by the Offeror exceeds the Share Value;

the President of the Company shall forthwith send notice of the Take-Along Offer to each Shareholder requesting that such Shareholder proceed to tender all of his or her Shares to the Offeror. Where this Section 13.8 is applicable, each Shareholder hereby undertakes and agrees to irrevocably tender all of his or her Shares for sale to such Offeror pursuant to, and in accordance with the terms of the Take-Along Offer, provided that if such Offeror does not ultimately take-up and pay for at least sixty-six and two-thirds (66 2/3%) percent of their Shares, the Shareholders will be entitled to rescind the tendering of their Shares.

ARTICLE 14 - PRICE AND DILUTION PROTECTIONS

The Administrator has determined that a registered Plan must contain some reasonable limits on dilution. This is to protect against excessive dilution which would substantially erode the share value regardless of the Company's financial performance.

The following provisions are a sample. Other provisions are possible but must offer protection against excessive dilution and be accepted by the Administrator.

- 14.1 The Company covenants with the Employee Shareholders that it will not, without prior approval of the Administrator and a majority of the Employee Shareholders:
- (a) issue shares of the Company outside of the Plan on price and payment terms more favourable than those under the Plan, except where the shares are issued pursuant to the exercise of a previously granted right which at the time of its grant complied with subparagraph (c) below;
 - (b) redeem, purchase or otherwise acquire shares of the Company outside of the Plan on price and payment terms more favourable than those extended to Shareholders under the Plan;
 - (c) grant rights of any kind to purchase shares of the Company:
 - (i) for a price per share which is less than the Share Value at the time of such grant;
 - (ii) exercisable for a term of more than 5 years;
 - (iii) such that the aggregate number of shares of the Company under any type of purchase option (not including rights under the Plan) granted by the Company to directors, officers or employees (and their associates) of the Company (and its affiliates) will exceed 10% of the issued shares of the Company; or
 - (iv) such that the aggregate number of shares of the Company under any type of purchase option (not including rights under the Plan) granted by the Company will exceed 20% of the issued shares of the Company.
- 14.2 If over time share offerings by the Company outside of the Plan reduce by more than 20% of the issued shares of the Company held by Eligible Employees (as a group), an additional offering will be made under the Plan of a size that would allow Eligible Employees (as a group) the opportunity to maintain the percentage ownership of the Company they held prior to such offerings.

ARTICLE 15 - PLAN AMENDMENTS

- 15.1 With the approval of the Administrator but without the approval of the Employee Shareholders, the Company may amend the Plan to reflect changes made to the Act, Regulations or Policy Statements made by the Administrator since adoption of the Plan.
- 15.2 Alterations to the Plan, except as stated in paragraph 15.1, may only be made with the approval of the Administrator and a majority of the Employee Shareholders.
- 15.3 The Company will not amend its Constitution in any manner which would affect a term of condition of the Plan without the prior written consent of the Administrator.

ARTICLE 16 - GENERAL

- 16.1 The Plan will be construed and enforced in accordance with the laws of British Columbia.
- 16.2 Time will be of the essence in this Plan.
- 16.3 The Plan will ensure to the benefit of and be binding upon the Eligible Employees, the Employee Shareholders, the Company and their respective heirs, personal representatives and successors.
- 16.4 Each of the parties to this Plan will do all such other acts and things as may be required to carry out the true intent and meaning of the Plan.

IN WITNESS WHEREOF the Company has adopted the Plan as of the date written above.

_____)

Authorized Signatory)

_____)

Authorized Signatory)