

OFFER TO PURCHASE SHARES (Short Form)

TABLE OF CONTENTS

	PAGE
RECITALS	7
0.00 INTERPRETATION	7
0.01 Definitions	7
0.01.01 Breach	7
0.01.02 Closing Date	8
0.01.03 Confidential Information	8
0.01.04 Control	8
0.01.05 Corporation	9
0.01.06 Effective Date	9
0.01.07 Encumber or Encumbrance	9
0.01.08 Equipment	9
0.01.09 Force Majeure	9
0.01.10 Loss	9
0.01.11 Offer	10
0.01.12 Shares	10
0.02 Entire Agreement	10
0.03 Applicable Law	10
0.04 Non-Compliance	10
0.04.01 Severability	10
0.04.02 Substitute Provision	11
0.05 Miscellaneous	11
0.05.01 Cumulative Rights	11
0.05.02 No Waiver	11
0.05.03 Time and Days	11
a) Time of the Essence	11
b) Computation of Time	11
c) Delays	12
0.05.04 Approval	12
1.00 PURPOSE	12
1.01 Offer to Purchase	12
1.02 Conditions Precedent	12
1.03 Election by OFFEROR	13
2.00 CONSIDERATION	13
2.01 Price	13
2.02 Adjustments	14

2.02.01	Operating Income	14
2.02.02	Shareholders' Equity	14
3.00	TERMS OF PAYMENT	14
3.01	Deposit	14
3.01.01	Escrow	14
3.01.02	Instructions	15
3.01.03	Return	15
3.02	Initial Instalment	15
3.03	Balance of Price	15
3.03.01	Monthly Instalments	15
a)	Total Amount	15
b)	Payment Schedule	15
c)	Interest	15
3.04	Prepayment	16
3.05	Promissory Note	16
3.05.01	Remittance	16
3.05.02	Scope	16
3.06	Claims by a Third Party	16
3.07	Loss of Term	16
4.00	SECURITY	16
4.01	In Favour of OFFEROR	16
4.02	In Favour of BENEFICIARY	17
4.02.01	Liability	17
4.02.02	Pledge of Personal Property	17
4.02.03	Shares Placed in Escrow	17
4.02.04	Other Rights	17
5.00	MUTUAL REPRESENTATIONS AND WARRANTIES	17
5.01	Status and Authority	17
5.02	Disclosure	18
6.00	REPRESENTATIONS AND WARRANTIES OF OFFEROR	18
6.01	Nominee	18
6.02	Financing	18
7.00	REPRESENTATIONS AND WARRANTIES OF BENEFICIARY	18
7.01	Person	18
7.01.01	Insolvency	18
7.01.02	Conduct	19
7.02	Shares	19
7.02.01	Ownership	19
7.02.02	Encumbrances	19

7.02.03	Issue and Transfer	19
7.02.04	Assignability	19
7.02.05	Dividend	19
7.02.06	Dilution	19
7.03	Corporation	20
7.03.01	Authorized and Issued Capital	20
7.03.02	Books and Records	20
7.04	Shareholders	20
7.05	Human Resources	20
7.05.01	Labour Standards	20
7.05.02	Occupational Health and Safety	20
7.05.03	Pay Equity	21
7.05.04	Key Persons	21
7.06	Corporate Finance	21
7.06.01	Leasing Agreements	21
7.06.02	Adverse Event	21
7.06.03	No Conflict or Breach	21
7.07	Financial Matters	22
7.07.01	Financial Statements	22
7.07.02	Guarantees and Security	22
7.07.03	Advances	22
7.07.04	Release	22
7.08	Tax Matters	22
7.08.01	Income Tax	22
7.08.02	Filing	22
7.08.03	Deductions and Remittance	23
7.09	Occupancy Rights	23
7.09.01	Real Property	23
7.09.02	Leases	23
7.10	Permits and Licenses	23
7.10.01	Situation	23
7.11	Environmental Matters	23
7.11.01	Environmental Laws	23
7.11.02	Hazardous Materials	24
7.11.03	Compliance	24
7.12	Intellectual Property	24
7.12.01	Entitlement	24
7.12.02	Claims	24
7.12.03	Transaction	24
7.12.04	Copyright	24
7.13	Customer Credit	25
7.13.01	Accounts Receivable	25
7.14	Insurance	25
7.14.01	Coverage	25

7.14.02	Good Standing	25
7.14.03	Claims	25
7.15	Legal Proceedings	25
8.00	MUTUAL DUTIES AND OBLIGATIONS	25
8.01	Representations and Warranties	25
8.02	Confidential Information	26
8.02.01	Undertaking	26
8.02.02	Duration of Undertaking	26
8.02.03	Transaction not Concluded	26
	a) Request for Return	26
	b) Destruction	26
8.02.04	Penalty	26
8.03	Indemnification	27
8.03.01	Threshold	27
8.03.02	Scope	27
8.03.03	Procedure	27
8.04	Disclosure of Existence of Offer	27
8.04.01	Undertaking	28
8.04.02	Public Announcement	28
8.04.03	Exception	28
9.00	DUTIES AND OBLIGATIONS OF OFFEROR	28
9.01	Continuous Disclosure	28
9.02	Closing Date	28
9.03	Release and Discharge	28
9.03.01	Deadline	28
9.03.02	Indemnification	28
9.04	Financial Statements	29
10.00	DUTIES AND OBLIGATIONS OF BENEFICIARY	29
10.01	Prior to Closing Date	29
10.01.01	Access to Documents	29
10.01.02	Breach of Representations and Warranties	29
	a) Annulment	29
	b) Return of Deposit	29
10.01.03	Encumbrances	30
10.01.04	Conduct of Business	30
10.02	After Closing Date	30
10.03	Transition Period	30
10.03.01	Continuous Disclosure	30
10.03.02	Support	30
10.04	Non-Competition	30
10.05	Non-Solicitation	31

10.05.01	Personnel	31
10.05.02	Clients	31
10.06	Release	31
11.00	SPECIAL PROVISIONS.....	31
11.01	Assignment	31
11.01.01	Prohibition	31
11.01.02	Effect of Breach	31
11.02	Force Majeure	32
11.02.01	Limitation of Liability	32
11.02.02	Duty	32
11.02.03	Rights of Other PARTY	32
11.03	Further Assurances	32
11.04	Closing Session.....	32
11.04.01	Place	32
11.04.02	Time Limit to Accept	32
11.05	Taking of Inventory	33
12.00	GENERAL PROVISIONS	33
12.01	Notice	33
12.02	Dispute Resolution.....	33
12.02.01	Good Faith Negotiations	33
a)	Written Notice	33
b)	Meeting	33
12.02.02	Mediation	33
a)	Process	33
a)	Mediator	34
b)	Settlement	34
c)	Legal Proceedings [OR Arbitration].....	34
12.02.03	Arbitration	34
12.03	Election	34
12.04	Amendment.....	34
12.05	No Waiver of Rights.....	35
12.06	Electronic Transmission	35
13.00	REVOKING ACCEPTANCE OF OFFER.....	35
14.00	EFFECTIVE DATE.....	35
15.00	DURATION.....	35
15.01	Expiry Date	35
15.02	Survival.....	35
16.00	SCOPE	36

SCHEDULES

	PAGE
SCHEDULE 7.07.01 – FINANCIAL STATEMENTS	37
SCHEDULE 10.04 – PRODUCTS AND SERVICES.....	37
SCHEDULE 10.05.02 – CLIENTS.....	37

o o o o o

© edilex inc.
www.edilex.com

OFFER TO PURCHASE SHARES, submitted on, 20..., in the City of, Province of, Canada.

BY: (name of natural person), (occupation), domiciled and residing at (civic number and street name), in the City of (name of city), Province of (name of province), (postal code) (hereinafter the "OFFEROR"); TO: (identify beneficiary), a legal person duly incorporated under the Act (name of statute under which the corporation was incorporated), having its principal place of business at (civic number and street name), in the City of (name of city), Province of (name of province), (postal code) (hereinafter the "BENEFICIARY") (hereinafter collectively referred to as the "PARTIES").

RECITALS

- (A) The BENEFICIARY is the owner of a business located at, in the City of, Province of, operating under the business name (hereinafter referred to as the "Corporation");
(B) The OFFEROR wishes to purchase all of the BENEFICIARY's shares in the Corporation;

NOW THEREFORE, THE OFFEROR SUBMITS THE FOLLOWING OFFER TO THE BENEFICIARY:

0.00

INTERPRETATION

0.01 Definitions

Unless otherwise indicated, capitalized words and expressions appearing in the Offer [or in any ancillary or subordinate documentation] will be interpreted or construed as follows:

0.01.01 Breach

means:

- (a) any misrepresentation, inaccuracy, error, or failure to disclose; or
(b) any non-compliant performance or failure to perform an obligation;

Table with 2 columns: OFFEROR, BENEFICIARY

(c) any non-compliance, infringement, default or failure to satisfy any other provision;

0.01.02 Closing Date

means, 20., or any other date agreed to by the PARTIES for the execution of the documents required to carry out the transaction contemplated under the Offer;

0.01.03 Confidential Information

means any commercial, technical, scientific, financial, legal, personal or other information disclosed by a PARTY relating to the disclosing PARTY's Activities, strategies or opportunities, Intellectual Property, as well as its suppliers, customers, financial situation or employees which, at the time of disclosure, is identified as confidential, is disclosed in confidence or would be understood by the receiving PARTY, exercising reasonable business judgment, to be confidential, but excludes:

- (a) information known to the receiving PARTY prior to the date of its disclosure;
- (b) information known by the public or available to the public prior to the date of its disclosure;
- (c) information that becomes known by or available to the public after the date of its disclosure and that does not result from a breach of the confidentiality undertaking by the receiving PARTY;
- (d) information received at any time by an individual or corporation that is not bound to one of the PARTIES by a confidentiality undertaking with regard to that information;
- (e) information independently produced by the receiving PARTY;
- (f) personal information provided by an individual when such information is being used for the purpose for which it was previously disclosed or any other purpose permitted by Law;

0.01.04 Control

means the holding, by an individual or corporation, directly or through another an individual or corporation, other than as a Creditor, or by a group of individuals or corporations acting in concert, of shares issued by a corporation and conferring on such individual or corporation more than FIFTY PERCENT (50%) of the votes at a shareholder meeting and enabling such individual or corporation to elect a majority of the Directors on the Board of Directors;

OFFEROR	BENEFICIARY

0.01.05 Corporation

means (*identify subject entity*) and may include, when the context so requires, its Subsidiaries and Affiliates;

0.01.06 Effective Date

means, 20..., or any other date jointly agreed to by the PARTIES for the acceptance of the Offer;

0.01.07 Encumber or Encumbrance

Encumber means to create or grant an Encumbrance, and Encumbrance means, whether created by agreement or by operation of Law, a legal cause of preference, a dismemberment of ownership rights, an ownership interest, a restriction on the right to sell or any security interest of any kind, and including any right or privilege capable of becoming any of the foregoing;

0.01.08 Equipment

refers to, among the various assets of the Corporation, all of the equipment, machinery, furniture, rolling stock, supplies and other accessories, whether or not located on the premises occupied by the Corporation, and used for its operations;

0.01.09 Force Majeure

means any event beyond the control of a PARTY that could not have been reasonably foreseen and against which it could not have protected itself such as any natural disaster, epidemic, fire, accident, act of war (whether declared or not), insurrection, riot, act of terrorism, wildcat strike, spontaneous work stoppage or slowdown, lock-out, change in market conditions, power or communication breakdown, intervention by civil or military authorities, or non-compliance with any order issued by any governmental authority, court, tribunal or public authority [**OR** (*identify any other event that is relevant in the context of the offer*)];

0.01.10 Loss

means, in connection with the contesting of any claim as well as the exercising or contesting of any right arising under the Offer, any direct damage, fine, fee, penalty, loss of revenue so long as it is a direct damage or expense, including without limitation, any interest, reasonable investigation costs, legal costs, reasonable professional fees and expenses of any lawyer, accountant or other expert as well as any expense related to a judicial or quasi-judicial procedure including arbitration, but does not include any punitive, indirect or incidental damages;

OFFEROR	BENEFICIARY