

Shareholders' Agreement – Main Points

*(this summary is for convenience only –
the full Shareholders' Agreement is the authoritative text)*

Ownership

The registered owner of the property is the Company (the formal name of which is ECO Initiatives Inc). The property is zoned to permit 15 residences, under the designation Community Land Stewardship.

There will be one block of 500 shares for each residence site, up to the maximum number of 15. A block of 500 shares will entitle the owner to exclusive use of one home site, and limited use, as specified in this Agreement, of the rest of the land. Ownership of a block of shares also entails certain obligations, such as contributions toward common expenses. Two or more persons jointly owning a block of shares are treated as one shareholder.

While the land is owned by the Company, timber rights (including rights to non-timber forest products) are owned by the Trust for Sustainable Forestry, which will manage the forest in accordance with the principles of sustainable ecosystem based forestry. The Trust will contract with foresters to implement a Forest Management Plan. *The Trust will consult with shareholders about the Plan and about the appointment of foresters, but shareholders are required to provide access to the Trust and its contractors, and to accommodate their operations.*

Covenants

Conservation covenants have been applied to the land, and are registered with the Land Conservancy of BC. Each shareholder and the Company as a whole will uphold the covenants, which are designed to ensure that the property will remain forested in perpetuity, a protected habitat for native wildlife, an attractive living environment for a small community, and at the same time a productive source of high-grade timber and local employment through sustainable ecosystem based forestry and related small-scale manufacturing opportunities. It is important for the shareholders to be familiar with all the covenants.

The covenants limit severely how many trees can be taken (roughly one in 100 annually), and apply equally to both shareholders and forestry contractors. The timber rights are not under the control of the Company or its shareholders, though the Trust for Sustainable Forestry is committed to addressing any concerns shareholders may have.

Governance and Cost Sharing

Shareholders have an equal say in all decisions that affect the community. An annual meeting of shareholders will be held, at which accounts for the past year will be presented and a budget adopted for the following year. Other matters of interest to shareholders will also be discussed and decided as necessary.

Following the annual meeting, each shareholder will receive an assessment to be paid to the Company, so that it can cover budgeted expenses and taxes.

Consensus is the preferred method for making community decisions. However, if consensus cannot be achieved, a second meeting will be scheduled, and if consensus still cannot be reached, a Special Resolution (i.e. 75% majority) will be required to pass any resolution, including but not limited to such matters as:

- the upkeep of roads, water, septic, power and other amenities
- the enforcement and respect for covenants on the property
- the sharing of costs among shareholders
- the transfer or sale of shares to new shareholders
- the amendment of this agreement as long as those amendments do not contradict the covenants on the property.

The initial share price includes installation of access roads, water, septic, power and telephone. Subsequent maintenance of these facilities will be the responsibility of the shareholders collectively, or subgroups of shareholders benefiting from particular facilities. Shareholders will decide in appropriate subgroups how to assign costs, and only if necessary will decisions be taken by all shareholders as described above. Once costs have been assigned, payment will be due within 60 days, except as may be arranged and agreed among all the shareholders concerned.

Restraint

Home sites are for the exclusive use of the designated shareholders, for their own use; the privacy of other shareholders will always be respected. The land is owned by the Company for the benefit and enjoyment of all shareholders, and is not sub-dividable. Shareholders have free access to all of the property, within the bounds set out in the covenants, except for the sites designated for shareholders' exclusive use.

Just as respect for the privacy of other shareholders in the community requires restraint and consideration, for example keeping noise at moderate levels, so also:

- respect for the land and the forest requires compliance with all covenants, as well as an effort to build homes and other structures that harmonize with the land and to minimize any adverse impact that might be caused by water and waste disposal, vehicle access, etc.
- *respect for the concept of ecosystem based forestry implies use, as far as possible, of wood and other forest products from the property for construction and maintenance of buildings*
- respect for the other living beings in the property requires that pets be kept under the strict control and care of the owner.

Taxes

Since, under British Columbia law, buildings are assessed and taxed separately from land, the shareholder having exclusive use of a site will pay any taxes due on buildings associated with that site based on annual assessed values. All shareholders collectively will pay any taxes levied on the land.

Resale

Whenever a shareholder proposes to sell his or her shares, including the exclusive use of the site associated with that block of shares and any buildings already constructed on the site:

- the selling shareholder may set any sale price;
- the selling shareholder must inform the other shareholders at least 31 days before the notice for sale is made public, and before considering any purchase offer, and the other shareholders may in that time find a potential buyer of their own choosing;
- if the other shareholders do not find another purchaser and give approval by a Special Resolution (i.e. 75% majority), the selling shareholder may offer the shares for sale to the public;
- the selling shareholder may then sell his or her shares subject to the approval of the other shareholders, and on doing so must inform the other shareholders and provide a copy of the accepted offer;
- if the other shareholders accept and approve the proposed new shareholder by a Special Resolution (i.e. 75% majority), the offer can be accepted by the selling shareholder for immediate consummation;
- if the other shareholders do not collectively accept and approve of a potential new shareholder, they have the right to buy the shares for the same price agreed to by the selling shareholder, or to find another acceptable buyer for the share at the same price that was offered by the potential new shareholder;
- if the other shareholders do not buy the shares, or find another acceptable buyer within a period of 31 days from the date they were informed of the offer and the identity of the potential purchaser, the selling shareholder has the right to proceed with the sale;
- the new shareholder must sign the Shareholders Agreement and agree to respect all covenants on the Property, prior to having the transfer approved by the Company.

Compulsory Sale

If the shareholders decide by Special Resolution (i.e. 75% majority) that a shareholder has persistently or flagrantly failed to comply with the Shareholders' Agreement, the offending shareholder will be required to sell his or her shares for their fair market value, as determined by arbitration by a single arbitrator pursuant to the provisions of the British Columbia Commercial Arbitration Act or applicable federal legislation.

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