

Dated the 21st day of October 2004

Robert Porter-Smith (1)

Paul O'Grady (2)

Jamison Combs (3)

and

K2B Limited (4)

SHAREHOLDERS AGREEMENT

relating to

NATURAL BALANCE FOODS LIMITED

Davis & Co
Flint Barn Court
Church Street
Amersham
Bucks
HP7 0DB



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COMPANIES HOUSE 03/09/05

A09 0560
COMPANIES HOUSE 17/08/05

SHAREHOLDERS AGREEMENT

THIS AGREEMENT is made the 21st day of October 2004

BETWEEN:

- (1) Robert Porter-Smith of Moores Cottage, Worminghall, Bucks HP18 9LE (**"Robert Porter-Smith"**)
- (2) Paul O'Grady of Kingsbury Cottage, Higher Kingsbury, Milborn Port, Sherbourne, DT9 5EB (**"Paul O'Grady"**)
- (3) Jamison Christopher Combs of 875 Oak Grove Court, Ojai, California, 93023 USA (**"Jamison Combs"**)
- (4) K2B Limited (Company number 04660895) of 4 Searles Meadow, Dry Drayton, Cambridge, Cambridgeshire CB3 8BW (**"K2B Limited"**)

WHEREAS:

- (A) Natural Balance Food Company Limited (**"the Company"**) is a private company limited by shares incorporated in England on 24 March 2004 under registration number 05083700 and has its registered office at Moores Cottage, 42 The Avenue, Worminghall, Buckinghamshire HP18 9LE.
- (B) At the date of this Agreement the Company has an authorised share capital of £1,000 divided into 950 Voting Shares and 50 Non Voting Shares. Each of the 1,000 shares have been issued at £1.00 each par fully paid. The Shareholders are:

Robert Porter Smith	325 Voting Shares (175 of which are held in trust for Nigel Wood)
Paul O'Grady	150 Voting Shares
Jamison Combs	475 Voting Shares
K2B Limited	50 Non-Voting Shares

- (C) The Shareholders are desirous of regulating their affairs as shareholders in the Company with respect to each other on the terms and subject to the conditions of this Agreement.

NOW IT IS HEREBY AGREED as follows:

1 DEFINITIONS

1.1 In this Agreement the following expressions shall have the following meanings:

- 1.1.1 "the Articles" means the new Articles of Association to be adopted by the Company and as amended from time to time;
 - 1.1.2 "Auditors" means the auditors of the Company from time to time;
 - 1.1.3 "the Board" or "the Directors" means the directors of the Company from time to time;
 - 1.1.4 "Shareholders" means a member of the Company who is or becomes, party to this Agreement;
 - 1.1.5 "Shares" means all the issued shares of any type in the Company;
 - 1.1.6 "Voting Shares" means shares which give the holder voting rights;
 - 1.1.7 "Voting Shareholders" means a member of the Company who is or becomes, party to this Agreement and owns Voting Shares;
 - 1.1.8 "Non-Voting Shares" means shares that do not give that holder voting rights;
 - 1.1.9 "Non-Voting Shareholders" means a member of the Company who is or becomes, party to this Agreement and owns Non-Voting Shares;
 - 1.1.6 "Share" means a share of £1.00 in the capital of the Company; and
 - 1.1.7 "subsidiary" means the definition attributed to it in the Companies Act 1985.
- 1.2 Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.
- 1.3 Words denoting the singular shall include the plural and vice versa, words importing the masculine shall include the feminine and neuter and vice versa and words importing persons shall include bodies corporate, unincorporated associations and partnerships.
- 1.4 All warranties, representations, indemnities, covenants, agreements and obligations given or entered into by more than one person are given or entered into jointly and severally unless otherwise specified.
- 1.5 *Clause headings are inserted for ease of reference only and shall not affect the interpretation or construction of this Agreement.*

2 BUSINESS OF THE COMPANY

- 2.1 The business of the Company shall be the development, manufacture, marketing and distribution of food products world-wide.
- 2.2 The Shareholders shall use their best endeavours to procure that the business of the Company is carried on in pursuance of the objects presently set out in the Memorandum of Association or such other objects as may from time to time be agreed by the Shareholders and adopted by special resolution of the Company.
- 2.3 The Shareholders shall use their best endeavours to promote and develop the business of the Company to the best advantage.

3 BOARD MEETINGS

- 3.1 Unless otherwise agreed by the Board, board meetings will be held at a venue as may be agreed by the Voting Shareholders at least every quarter.
- 3.2 The Shareholders shall use their reasonable endeavours to attend at all board meetings and general meetings.

4 MANAGEMENT DECISIONS

- 4.1 Voting Shareholders shall exercise their powers in relation to the Company to procure that the Company shall not without the prior approval of at least a three quarters majority (75%) of Voting Shareholders:
 - 4.1.1 enter into any contract or transaction except in the ordinary and proper course of its business on arms' length terms;
 - 4.1.2 change the nature or scope of its business as carried on from time to time or undertake any new business not being ancillary or incidental to such business;
 - 4.1.3 arrange any overdraft or other borrowing facilities;
 - 4.1.4 pay or make any dividend or other distribution;
 - 4.1.5 borrow or lend or prepay funds or change its banking arrangements or facilities (including changes in bank mandates);
 - 4.1.6 sell, transfer, lease, assign or otherwise dispose of a material part of the undertaking, property and/or assets of the Company or any subsidiary (or any interest therein), or contract so to do whether or not for valuable consideration;

- 4.1.7 participate in any joint venture or partnership with any person or merge or amalgamate with any person;
 - 4.1.8 take major decisions relating to the conduct (including the settlement) of material legal proceedings to which the Company is a party;
 - 4.1.9 acquire or invest in another company or business or incorporate any subsidiary;
 - 4.1.10 create any encumbrance over any of the Company's assets;
 - 4.1.11 amend the Memorandum or Articles of Association of the Company;
 - 4.1.12 issue or grant options over any shares, debentures or other securities of the Company;
 - 4.1.13 increase or in any way reorganise any part of its share capital other than as set out in the Articles of Association.
 - 4.1.14 give any guarantee, indemnity or security in respect of the obligations of any other person.
- 4.2 Where a matter requiring the consent of 75% of Voting Shareholders pursuant to clause 4.1 has been considered by a meeting of the Board and such consent has not been given (any such circumstances being hereinafter referred to as "Deadlock"), the following provisions shall apply:
- 4.2.1 within 7 days of any Deadlock each of the Voting Shareholders shall procure that it circulates to the other Shareholders a memorandum setting out its position in relation to the Deadlock and the reason why it has adopted such a position. Upon circulation of such memoranda the Shareholders shall use their best endeavours to resolve the Deadlock;
 - 4.2.2 if the Deadlock has not been resolved within 30 days of circulation of the memoranda as aforesaid each of the Voting Shareholders shall procure that its appointed Directors convene a meeting of the Board at which the matter the subject of the Deadlock is put again to the Board and if, after a vote being taken thereon at such Board meeting, the matter remains in Deadlock then, in the absence of any other agreement between the Voting Shareholders, the Company shall be wound up in accordance with clause 8.

5 DIRECTORS

The directors of the Company shall be Robert Porter-Smith of Moores Cottage, Worminghall, Bucks HP18 9LE, Jamison Combs of 5 Seeley Court, Orchard Close, Beaconsfield, Bucks HP18 9LE and ~~Gavin Bowie (Non-Executive Director)~~ of 12 Fairfield Way, Linton, Cambridge, Cambridgeshire

CB1 6YP. *AMB 12/05/05*

6 TRANSFER OF SHARES

No Shareholder shall be permitted to transfer or create or dispose of any interest in or over any of its Shares, except in accordance with the Articles.

7 DIVIDEND POLICY

The Shareholders shall procure that in respect of each financial year during the continuance of this Agreement the Company's profits available for distribution in the relevant financial year shall be distributed to the Shareholders by way of dividend (or such other means as may be agreed between the Shareholders from time to time) provided that any such distribution will not be likely to prejudice the working capital requirements of the Company or the financial stability of the Company generally.

8 WINDING UP

- 8.1 At any time when an obligation to wind up in accordance with this clause 8 arises the Shareholders shall immediately take all such steps as may be necessary to wind up the Company forthwith including, without limitation, casting the necessary votes at a general meeting of the Company and causing those directors nominated by them to cast the necessary votes at a board meeting to approve the voluntary winding up of the Company.
- 8.2 The Shareholders will procure that the liquidator is an insolvency practitioner acceptable to all Shareholders, and in the event of the Shareholders being unable to agree as to a liquidator within 7 days of the obligation to wind up arising the liquidator shall be appointed by the Company's auditors.
- 8.3 The Shareholders shall prove in the winding up of the Company to the maximum extent permitted by law for all sums due or to fall due to them respectively from the Company and shall be entitled to exercise all rights of set-off and generally do all such other acts and things as may be available to them in order to obtain the maximum receipts and recoveries from the Company as may be available.

9 TERMINATION

- 9.1 This Agreement will terminate automatically if either of the Shareholders ceases to hold shares in the issued equity share capital of the Company unless this Agreement has been assigned to the transferee or transferees of the relevant shares in accordance with clause 12 of this Agreement.
- 9.2 Any such termination under clause 9.1 shall be without prejudice to the accrued rights of the Shareholders.

10 CONFIDENTIALITY

Each Shareholder undertakes both during and after the termination of this Agreement (however it shall end) to keep secret and not to disclose or exploit

in any way any confidential information concerning the Company or its business or the other Shareholders which may come to its knowledge as a result of participation in the affairs of the Company.

11 CONFLICT WITH ARTICLES

Insofar as any provisions of this Agreement shall conflict with any provisions of the Articles the provisions of this Agreement shall prevail.

12 NO ASSIGNMENT

No Shareholder may assign or transfer all or any part of its rights under this Agreement without the prior written consent of the other Shareholders with the exceptions laid out in Articles 7 and 9 of the Articles of Association and Clause 13 below.

13 PRE EMPTION RIGHTS

- 13.1 Should any Shareholder wish to sell all or part of his/its shares, such Shareholder ("**the Vendor**") must first offer such shares to the other Shareholders on a pari passu basis at an offer price no greater than fair market price.
- 13.2 Such offer price shall be communicated to the existing Shareholders in the form of an "Offer Notice". Such Offer Notice shall be delivered in accordance with Clause 15 to each Shareholder.
- 13.3 Each Shareholder will have 14 days from the date of such Offer Notice to take up the option of the additional shares. If the offer price is deemed unacceptable by any Shareholder, such Shareholder ("**the Purchaser**") shall have the right (but not the obligation) to solicit at his/its sole cost a true and fair valuation of the shares from a bona fide arms length firm of Chartered Accountants.
- 13.4 The valuation thus solicited shall be binding on the Vendor but not on the Purchaser. Should the Purchaser wish to proceed with the Purchase he must advise the Vendor within 14 days of the date of the Valuation.
- 13.5 In the event that any Shareholder chooses not to exercise the Pre-Emption rights laid out in this paragraph, the Vendor must offer the shares which that Shareholder would have been entitled to purchase ("**the Unsold Shares**") to the remaining Shareholders on a pari passu basis.
- 13.6 In the event that there remain shares which no remaining Shareholder wishes to purchase, these may be sold at any price and to whom anyone the Vendor chooses.

14 WAIVER

- 14.1 Failure of any party to insist upon strict performance of any provision of this Agreement or the failure of any party to exercise any right or remedy to which it is entitled hereunder shall not constitute a waiver thereof and shall not cause a diminution of the obligations under this Agreement.
- 14.2 No waiver of any of the provisions of this Agreement shall be effective unless it is expressly stated to be such and signed by all the parties to this Agreement

15 COMMUNICATIONS

- 15.1 Any communications to be given hereunder shall be in writing and shall be:
- 15.1.1 delivered by hand or sent by registered post to the address of the addressee as set out in this Agreement or to such other address (being in Great Britain) as the addressee may from time to time have notified for the purpose of this clause; or
 - 15.1.2 sent by facsimile transmission to the addressee's facsimile number stated in clause 15.4 (if any) or as notified from time to time for the purpose of this clause.
- 15.2 Communications by facsimile transmission shall always be confirmed by dispatching a copy of the communication by post the same day and all communications by post shall be sent by registered or recorded delivery post.
- 15.3 Communications sent in accordance with clause 15.1 shall be deemed to have been received as follows:
- 15.3.1 in the case of delivery by registered post, 48 hours after posting;
 - 15.3.2 in the case of delivery by hand prior to 5pm on a business day, when delivered and in any other case on the business day following the day of delivery;
 - 15.3.3 in the case of facsimile where the transmission occurs prior to 5pm on a business day, on acknowledgement by the addressee's facsimile receiving equipment and in any other case on the business day following the day of acknowledgement by the addressee's facsimile receiving equipment;

for the purpose of this clause a "business day" means a day on which the clearing banks in the City of London are open for business and "business hours" means between the hours of 9.00 am and 6.00 pm.

15.4 The facsimile numbers mentioned in clause 15.1.2 are:

Party	Facsimile
Paul O'Grady	01963 251 677
Robert Porter-Smith	01844 338429
Jamison Combs	USA 1 805 640 1927
K2B Limited	01223 894 840

15.5 In proving service by delivery by hand it shall only be necessary to produce a receipt for the communication signed by or on behalf of the addressee.

15.6 In proving service by post it shall only be necessary to prove that the communication was contained in an envelope which was duly addressed and posted in accordance with clause 15.1.1.

15.7 In proving service by facsimile transmission it shall only be necessary to produce a copy (uncorrupted in transmission in any material respect) of the communication bearing the sender's name and facsimile number.

16 SEVERABILITY

If any provision of this Agreement is held invalid, illegal or unenforceable for any reason by any Court of competent jurisdiction, such provision shall be severed and the remainder of the provisions of this Agreement shall continue in full force and effect as if this Agreement had been executed with the illegal or unenforceable provision eliminated.

17 NO PARTNERSHIP

This Agreement shall not be construed so as to create a partnership between the Shareholders and no Shareholder shall have any authority to bind any other Shareholder in any way save as expressly set out in this Agreement.

18 ENTIRE AGREEMENT


This Agreement and the Articles of Association of the Company constitute the entire agreement between the Shareholders with respect to the subject matter thereof and expressly excludes any warranty, condition or other undertaking implied by law or by custom and supersedes all previous agreements and understandings between the Shareholders with respect thereto and each of the Shareholders acknowledges and confirms that it does not enter into this Agreement in reliance on any representation, warranty or other undertaking not fully reflected in the terms of this Agreement.

19 LAW AND JURISDICTION

This Agreement shall be governed by and be construed in accordance with English law and the parties hereby submit to the exclusive jurisdiction of the Courts of England and Wales.

IN WITNESS whereof this Agreement has been executed by or on behalf of the parties the day and year first above written.

SIGNED by
ROBERT PORTER-SMITH (DIRECTOR)

 Nov 22, 2004


Address: Moores Cottage

Worminghall

Bucks

HP18 9LE

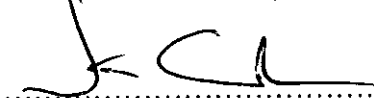
in the presence of:

Signature of Witness: 

Name of Witness: Paul O'Grady

Address of Witness:

SIGNED by
JAMISON COMBS (DIRECTOR)

 Nov 22, 2004


Address: 875 Oak Grove Court

Ojai, California

93023

USA

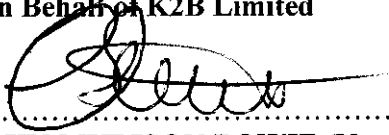
in the presence of:

Signature of Witness: 

Name of Witness: Paul O'Grady

Address of Witness:

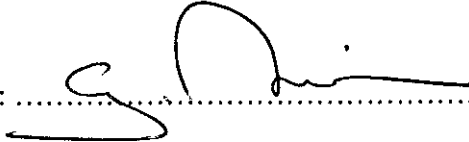
SIGNED on Behalf of K2B Limited



.....
GAVIN JOHN MURISON BOWIE (~~Non-Executive~~ **DIRECTOR**) *GMB* 12/05/05.

Address: 12 Fairfield Way
Linton
Cambridge
Cambridgeshire
CB1 6YP

in the presence of:

Signature of Witness: 

Name of Witness: *MR. GLENN BIRD*

Address of Witness: *4 SIZABLES MEADOW
ORT DRAYTON
CAMBRIDGE
CB3 8BW*

**SIGNED by
PAUL O'GRADY**



Address: Kingsbury Cottage,
Higher Kingsbury,
Milbourn Port,
Sherbourne,
DT9 5EB

in the presence of: *DAVID BASH*

Signature of Witness: 