FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **2000-02-18**
SEC Accession No. 0000950134-00-001355

SUBJECT COMPANY

VALUESTAR CORP

CIK:**895262**| IRS No.: **841202005** | State of Incorp.:**CO** | Fiscal Year End: **0630**
Type: **SC 13D** | Act: **34** | File No.: **005-57161** | Film No.: **549685**
SIC: **7200** Personal services

Mailing Address
360-22ND STREET #210
OAKLAND CA 94612

Business Address
360-22ND STREET #210
OAKLAND CA 94612
5108081300

FILED BY

SEACOAST CAPITAL PARTNERS LTD PARTNERSHIP

CIK:**1097074**
Type: **SC 13D**

Mailing Address
55 FERNCROFT ROAD
DANVERS MA 01923

Business Address
55 FERNCROFT ROAD
DANVERS MA 01923
9787501310

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D
UNDER THE SECURITIES EXCHANGE ACT OF 1934

VALUESTAR CORPORATION
(Name of Issuer)

SERIES B CONVERTIBLE PREFERRED STOCK
(Title of Class of Securities)

919910 10 9
(CUSIP Number)

EBEN S. MOUTON
SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP
55 FERNCROFT ROAD
DANVERS, MASSACHUSETTS 01923
TELEPHONE (978) 750-1300
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

DECEMBER 8, 1999
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [ ].

Check the following box if a fee is being paid with the statement [X]. (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7).

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 919910 10 9

(1)	Name of Reporting Persons. I.R.S. Identification Nos. of Above Persons (entities only) Seacoast Capital Partners Limited Partnership; 04-3232653		
(2)	Check the Appropriate Box if a Member of a Group	(a) (b)	[X] [ ]
(3)	SEC Use Only		
(4)	Source of Funds		WC
(5)	Check Box if Disclosure of Legal Proceedings is Required Pursuant To Items 2(d) or 2(e)		[ ]
(6)	Citizenship or Place of Organization		Delaware

Number of Shares Beneficially Owned by Each Reporting Person With	(7)	Sole Voting Power	2,400,818
	(8)	Shared Voting Power	0
	(9)	Sole Dispositive Power	2,400,818
	(10)	Shared Dispositive Power	0

(11)	Aggregate Amount Beneficially Owned by Each Reporting Person	2,400,818
(12)	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares	[ ]
(13)	Percent of Class Represented by Amount in Row (11)	18.8
(14)	Type of Reporting Person	PN

3

CUSIP No. 919910 10 9

(1)	Name of Reporting Persons. I.R.S. Identification Nos. of Above Persons (entities only) Eben S. Moulton		
(2)	Check the Appropriate Box if a Member of a Group	(a) (b)	[X] [ ]
(3)	SEC Use Only		
(4)	Source of Funds		AF
(5)	Check Box if Disclosure of Legal Proceedings is Required Pursuant To Items 2(d) or 2(e)		[ ]
(6)	Citizenship or Place of Organization		United States

Number of Shares Beneficially Owned by Each Reporting Person	(7)	Sole Voting Power	2,400,818*
	(8)	Shared Voting Power	0

With	(9)	Sole Dispositive Power	2,400,818*
	(10)	Shared Dispositive Power	0
(11)	Aggregate Amount Beneficially Owned by Each Reporting Person		2,400,818*
(12)	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares		[ ]
(13)	Percent of Class Represented by Amount in Row (11)		18.8
(14)	Type of Reporting Person		IN

* Mr. Moulton disclaims beneficial ownership of these securities.

CUSIP No. 919910 10 9

(1)	Name of Reporting Persons. I.R.S. Identification Nos. of Above Persons (entities only) Walter H. Leonard		
(2)	Check the Appropriate Box if a Member of a Group	(a) (b)	[X] [ ]
(3)	SEC Use Only		
(4)	Source of Funds		AF
(5)	Check Box if Disclosure of Legal Proceedings is Required Pursuant To Items 2(d) or 2(e)		[ ]

(6)	Citizenship or Place of Organization		United States
Number of Shares Beneficially Owned by Each Reporting Person With	(7)	Sole Voting Power	2,400,818*
	(8)	Shared Voting Power	0
	(9)	Sole Dispositive Power	2,400,818*
	(10)	Shared Dispositive Power	0
(11)	Aggregate Amount Beneficially Owned by Each Reporting Person		2,400,818*
(12)	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares		[ ]
(13)	Percent of Class Represented by Amount in Row (11)		18.8
(14)	Type of Reporting Person		IN

* Mr. Leonard disclaims beneficial ownership of these securities.

(1)	Name of Reporting Persons. I.R.S. Identification Nos. of Above Persons (entities only) Jeffrey J. Holland		
(2)	Check the Appropriate Box if a Member of a Group	(a) (b)	[X] [ ]
(3)	SEC Use Only		

(4)	Source of Funds		AF
(5)	Check Box if Disclosure of Legal Proceedings is Required Pursuant To Items 2(d) or 2(e)		[ ]
(6)	Citizenship or Place of Organization		United States
Number of Shares Beneficially Owned by Each Reporting Person With	(7)	Sole Voting Power	2,400,818*
	(8)	Shared Voting Power	0
	(9)	Sole Dispositive Power	2,400,818*
	(10)	Shared Dispositive Power	0
(11)	Aggregate Amount Beneficially Owned by Each Reporting Person		2,400,818*
(12)	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares		[ ]
(13)	Percent of Class Represented by Amount in Row (11)		18.8
(14)	Type of Reporting Person		IN

* Mr. Hulecki disclaims beneficial ownership of these securities.

(1)	Name of Reporting Persons. I.R.S. Identification Nos. of Above Persons (entities only) Lexington Capital Partners III, L.P. 06-1535745	
(2)	Check the Appropriate Box if a Member of a Group	(a) [X]

(b) [ ]

(3)	SEC Use Only		
(4)	Source of Funds		AF
(5)	Check Box if Disclosure of Legal Proceedings is Required Pursuant To Items 2(d) or 2(e)		[ ]
(6)	Citizenship or Place of Organization		Delaware
Number of Shares Beneficially Owned by Each Reporting Person With	(7)	Sole Voting Power	2,400,818*
	(8)	Shared Voting Power	0
	(9)	Sole Dispositive Power	2,400,818*
	(10)	Shared Dispositive Power	0
(11)	Aggregate Amount Beneficially Owned by Each Reporting Person		2,400,818*
(12)	Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares		[ ]
(13)	Percent of Class Represented by Amount in Row (11)		18.8
(14)	Type of Reporting Person		CO

* Lexington Capital Partners III, L.P. disclaims beneficial ownership of these securities.

ITEM 1 SECURITY AND ISSUER

The class of securities to which this statement relates is 2,400,818 shares (the "Shares") of common stock, par value $.00025 per share (the "Common Stock"), of Valuestar Corporation, a Colorado corporation (the "Issuer"), the principal executive offices of which are located at 360-22nd Street, Suite 210, Oakland, California 94612. 500,000 of the Shares are issuable upon conversion of certain shares of Series A Preferred Stock, par value $.00025 per share, of the Issuer (the Series A "Preferred Stock") issued to Seacoast Capital Partners Limited Partnership, a Delaware limited partnership ("Seacoast"). 501,290 of the shares are issuable upon conversion of certain shares of Series B Preferred Stock, par value $.00025 per share, of the Issuer (the "Series B. Preferred Stock") issued to Seacoast. The remaining 1,399,528 Shares are issuable upon the exercise of warrants to purchase Common Stock held by Seacoast.

ITEM 2 IDENTITY AND BACKGROUND

(a) This statement is being filed on behalf of Seacoast, Eben S. Moulton, Walter H. Leonard, Jeffrey J. Holland (Messrs. Moulton, Leonard and Holland are collectively referred to as the "Individual Control Persons") and Lexington Capital Partners III, L.P., a Delaware limited partnership ("Lexington" and, collectively with the Individual Control Persons, the "Control Persons"). Each of the Individual Control Persons are the members of Seacoast Capital Managers, L.L.C., a Delaware limited liability company and the sole general partner of Seacoast ("SCC"). As a result, each Control Person may be deemed a beneficial owner of the Shares, although each Control Person disclaims such beneficial ownership.

(b) The principal office of Seacoast is located at 55 Ferncroft Road, Danvers, Massachusetts 01923. The principal office of Lexington is located at 660 Madison Avenue, 23rd Floor, New York, New York 10021. The business address of each of the Individual Control Persons is 55 Ferncroft Road, Danvers, Massachusetts 01923.

(c) Seacoast is engaged in the principal business of acquiring and holding securities for investment purposes. Each of the Individual Control Persons is primarily engaged as an investment principal for Seacoast. Lexington is engaged in the principal business of acquiring and holding securities for investment purposes.

(d) None.

(e) None.

ITEM 3 SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

Beneficial ownership of the reported securities was acquired by Seacoast through the utilization of working capital derived from contributions of capital by its partners and in consideration for an investment in the Issuer.

ITEM 4 PURPOSE OF TRANSACTION

Seacoast acquired the Shares for investment purposes.

ITEM 5 INTEREST IN SECURITIES OF THE ISSUER

The following item sets forth certain information regarding the beneficial ownership of the Shares by Seacoast. Each Control Person can be deemed to beneficially own the Shares only through its affiliation with Seacoast.

(a) Seacoast beneficially owns 2,400,818 shares of Common Stock, which represents 18.8 percent of the total shares of Common Stock outstanding (according to the Issuer there were 12,781,224 shares of Common Stock issued and outstanding on December 6, 1999 [including Series A and Series B Preferred Convertible Stock converted into shares of Common Stock]).

(b) Seacoast exercises sole voting power with regard to 2,400,818 shares of Common Stock and shares voting power with respect to none of such shares. Seacoast exercises sole dispositive power with regard to 2,400,818 shares of Common Stock and shares dispositive power with respect to none of such shares.

(c) None

(d) None

(e) Not applicable

ITEM 6 CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

The relative rights and preferences of the Preferred Stock are set forth in a Certificate of Designation dated July 21, 1999 (the "Series A Certificate of Designation"). The relative rights and preferences of the Series B Preferred Stock are set forth in a Certificate of Designation dated December 7, 1999 (the "Series B Certificate of Designation"). Seacoast and the Issuer, among others, have entered into a Warrant Purchase Agreement dated March 31, 1999 (the "Warrant Agreement"); (b) a Shareholder Agreement dated March 31, 1999, as amended on July 22, 1999 (the "Shareholder Agreement"); (c) a Registration Rights Agreement and Shareholder Agreement Amendment dated as of July 21, 1999 (the "Registration Agreement"); (d) an Investor Rights Agreement dated as of December 8, 1999 ("the Second Amendment to Shareholder Agreement" and, collectively with the Series A Certificate of Designation, Series B Certificate of Designation, Warrant Agreement, Shareholder Agreement, the Registration

Agreement, Investor Rights Agreement and the Second Amendment to Shareholder Agreement, the "Agreements").

The Agreements grant Seacoast the right to designate a member of the Issuer's board of directors until (a) Seacoast holds less than 20 percent of the warrants issued pursuant to the Warrant Agreement (the "Warrants") and the shares of Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") or (b) the occurrence of certain liquidity events as set forth in the Agreements. In addition, each party to the Shareholder Agreement has agreed to vote its shares of Common Stock for the slate of directors of the Issuer nominated in accordance with the provisions of the Shareholder Agreement. The Agreements also require that the Issuer will not enter into any agreement other that the Agreements modifying or restricting the rights of any securities holder to vote securities of the Issuer.

The Agreements grant Seacoast the preemptive right to purchase, pro rata in accordance with its equity ownership of the Issuer, any securities issued by the Issuer. The Agreements forbid the declaration or payment of any dividend without the consent of Seacoast. If any dividend is paid by the Issuer, the Agreements require the Issuer to pay Seacoast a dilution fee.

The Agreements provide that, under certain circumstances, Seacoast has the right to require certain other parties to the Shareholder Agreement to sell their shares of Common Stock to a buyer designated by Seacoast. In addition, under certain circumstances, the Issuer has the right to require Seacoast to sell the Shares to the Issuer at a price determined by reference to certain financial data of the Issuer. The Agreements also provide that Seacoast has a right of first refusal regarding and a right to participate in any proposed sales by other parties to the Shareholder Agreement.

The Agreements include provisions that the Issuer will not issue any capital stock other than Common Stock and Common Stock equivalents, and will not permit any subsidiary of the Issuer to issue capital stock other than shares of capital stock owned, directly or indirectly, by the Issuer. Further, the Issuer will not (A) issue its capital stock or capital stock of any subsidiary, other than pursuant to the Agreements; (B) dissolve, liquidate or effect any consolidation or merger of the Issuer or any of its subsidiaries; or (C) effect any reclassification, corporate reorganization, stock split or reverse stock split, or other change in any capital stock.

The foregoing is intended to be only a summary of certain provisions of the Agreements and is qualified in its entirety by reference to such Agreements, copies of which are filed as Exhibits to this Schedule and are incorporated herein by reference.

ITEM 7 MATERIAL TO BE FILED AS EXHIBITS

99.5 Series B Preferred Stock Agreement, dated as of December 8, 1999, among the Issuer, Seacoast and the other parties thereto.

99.6 Certificate Of Designation of Series B Convertible Preferred Stock of the Issuer dated December 8, 1999.

99.7 Investor Rights Agreement, dated as of December 8, 1999, among the Issuer, Seacoast and the other parties thereto.

99.8 Second Amendment to Agreement and Shareholder Agreement, dated as of December 8, 1999, among the Issuer, Seacoast and the other parties thereto.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP

By: Seacoast Advisors, LLC,
its general partner

By: /s/ Eben S. Moulton

Name: Eben S. Moulton
Title: Manager
Date: February 17, 2000

By: /s/ Eben S. Moulton

Name: Eben S. Moulton
Date: February 17, 2000

By: /s/ Walter H. Leonard

Name: Walter H. Leonard
Date:

By: /s/ Jeffrey J. Holland

Name: Jeffrey J. Holland
Date: February 17, 2000

LEXINGTON CAPITAL PARTNERS III, L.P.

By: Lexington Associates III, L.L.C.
its general partner

By: Lexington Advisors, Inc.
its managing partner

By: /s/ Richard C. Lichter

Name: Richard C. Lichter
Title: Vice President
Date: February 17, 2000

ATTACHED EXHIBITS

99.5 Series B Preferred Stock Agreement, dated as of December 8, 1999, among the Issuer, Seacoast and the other parties thereto.

99.6 Certificate Of Designation of Series B Convertible Preferred Stock of the Issuer dated December 8, 1999.

99.7 Investor Rights Agreement, dated as of December 8, 1999, among the Issuer, Seacoast and the other parties thereto.

99.8 Second Amendment to Shareholder Agreement, dated as of December 8, 1999, among the Issuer, Seacoast and the other parties thereto.

EXHIBIT 99.5

VALUESTAR CORPORATION

SERIES B PREFERRED STOCK

PURCHASE AGREEMENT

DECEMBER 8, 1999

TABLE OF CONTENTS

EXHIBITS

A Certificate of Designation
B Investors Rights Agreement

SERIES B PREFERRED STOCK PURCHASE AGREEMENT

THIS SERIES B PREFERRED STOCK PURCHASE AGREEMENT (the "Agreement") is dated for reference purposes only as of December 8, 1999, by and between VALUESTAR CORPORATION, a Colorado corporation (the "Corporation"), and those

investors set forth on Schedule 1 attached hereto (individually, a "Purchaser" and collectively, the "Purchasers").

R E C I T A L S:

A. The Corporation, through its subsidiary, Valuestar, Inc., a California corporation, is in the business of rating and certifying customer satisfaction of commercial businesses.

B. The Purchasers are interested in investing capital in the Corporation and the Corporation desires to obtain capital from the Purchasers on the terms and conditions hereinafter set forth.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the above recitals and the mutual agreements, covenants, representations and warranties contained below in this Agreement, the parties agree as follows:

I. DEFINITIONS.

"Agreement" means, and the words "herein", "hereof", "hereunder" and words of similar import refer to, this instrument and any amendments hereto.

"Act" means the Small Business Investment Act of 1958, as amended and in effect from time to time, and the regulations promulgated thereunder.

"Affiliate" means any Person directly or indirectly controlling, controlled by, or under common control with, the Person in question. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract, or otherwise.

"Certificate of Designation" means the Certificate of Designation of the Corporation attached hereto as Exhibit A, which sets forth the rights, privileges and preferences of the Series B Convertible Preferred Stock.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, and the regulations promulgated thereunder.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar Federal statute which replaces said Exchange Act and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time.

"GAAP" means generally accepted accounting principles, applied on a consistent basis, as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or in statements of the Financial Accounting Standards Board and/or their respective successors and which are applicable in the circumstances as of the date in question.

"Intellectual Property" means all patents, patent rights, patent applications, licenses, inventions, trade secrets, know-how, proprietary techniques (including processes and substances), trademarks, service marks, trade names and copyrights.

"Investors Rights Agreement" means the Investors Rights Agreement attached hereto as Exhibit B.

"Lien" means any lien, mortgage, security interest, tax lien, pledge, encumbrance, financing statement, or conditional sale or title retention

agreement, or any other interest in property designed to secure the repayment of indebtedness or any other obligation, whether arising by agreement, operation of law, or otherwise.

"Material Adverse Effect" means (a) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of the Corporation or, as the case may be, Corporation and the Subsidiary, taken as a whole or (b) the impairment of the ability of any party other than any Purchaser to perform its obligations under this Agreement or any of the Other Agreements to which it is a party.

"Other Agreements" means the Investors Rights Agreement and all other agreements, instruments and documents and all renewals, amendments, modifications and extensions thereof, whether heretofore, now or hereafter executed by or on behalf of the Corporation or Subsidiary and delivered to and for the benefit of Purchaser under this Agreement.

"Party" or "parties" means the Corporation and/or any Purchaser.

"Person" means any individual, sole proprietorship, corporation, business trust, unincorporated organization, association, company, partnership, joint venture, governmental authority (whether a national, federal, state, county, municipality or otherwise, and shall include without limitation any instrumentality, division, agency, body or department thereof), or other entity.

"Securities Act" means the Securities Act of 1933, as amended, or any similar Federal statute which replaces such Securities Act and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time.

"SEC" means the Securities and Exchange Commission.

"Subsidiary" means Valuestar, Inc., a California corporation.

"Series B Stock" means the shares of Series B Convertible Preferred Stock of the Corporation issued to the Purchasers pursuant to this Agreement.

II. SALE AND ISSUANCE OF SERIES B STOCK

2.1 PURCHASE AND SALE OF SERIES B STOCK. The Corporation agrees to sell to each Purchaser meeting the suitability standards set forth in Article VI, and, subject to the terms and conditions set forth herein, each such Purchaser agrees to purchase from the Corporation, the Series B Stock set forth opposite its name in Schedule 1 attached hereto at a per share purchase price of $17.50 per share.

2.2 ISSUANCE AND PAYMENT. The initial closing of the sale and purchase of at least Five Hundred Fourteen Thousand Two Hundred Ninety Eight (514,298) shares of the Series B

Stock will take place at the offices of BAY VENTURE COUNSEL, LLP, 1999 Harrison Street, Suite 1300, Oakland, California 94612, at 10:00 a.m. on December 8, 1999, or such other time and place as the parties may mutually agree (the "Initial Closing"). At each "Closing" (as defined in Section 2.3), the Corporation will deliver to each Purchaser a duly issued and executed certificate of the Series B Stock to be purchased by it, registered in the Purchaser's name, against payment of the purchase price thereof as set forth in Schedule 1, by certified check, by wire transfer of immediately available funds, cancellation of any indebtedness owed by the Corporation to Purchaser or by any combination of the foregoing.

2.3 SUBSEQUENT SALE OF SERIES B PREFERRED STOCK. The Corporation may sell up to an additional Two Hundred Eighty Five Thousand Seven Hundred Two

(285,702) shares of Series B Stock to such Persons as the Corporation may determine at any time after the Initial Closing and on, or before, December 31, 1999, at no less than $17.50 per share and otherwise upon the same terms and conditions as those contained herein. Any such sale which is upon the same terms and conditions as those contained herein shall entitle such persons or entities to become parties to this Agreement and the Investors Rights Agreement, each dated as of even date herewith, by and among the Corporation and the Purchasers, and shall have the rights and obligations of a Purchaser hereunder and thereunder. The Initial Closing and each subsequent closing shall be referred to herein as a "Closing."

III. CONDITIONS OF THE PURCHASERS' OBLIGATIONS.

The obligation of each Purchaser to consummate the transactions contemplated herein at the Closing is subject to the satisfaction on or before the date of the Closing of the following conditions, all or any of which may be waived in writing by each Purchaser as to its obligation to consummate the transaction so contemplated:

3.1 REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties of the Corporation contained in this Agreement, including without limitation those in Article V, and in any other documents delivered by the Corporation to the Purchasers at or prior to the Initial Closing will be true and correct at and as of the date of the Initial Closing as though then made, except to the extent of changes caused by the transactions expressly contemplated herein; the Corporation's business and assets shall not have been adversely affected in any material way prior to the Closing; and the Corporation shall have performed all obligations and conditions herein required to be performed or observed by the Corporation on or prior to the Closing; and the Corporation shall have delivered a certificate executed by the President or Secretary of the Corporation to such effect.

3.2 CLOSING DOCUMENTS. The Corporation will have delivered to the Purchasers copies of the following specifically named documents referenced in this Agreement or the Schedules hereto, including but not limited to a fully executed Investors Rights Agreement, and all of the following documents:

(a) an Officer's Certificate from the Corporation dated the date of the Initial Closing, stating that all the preconditions specified in this Article III have been satisfied;

(b) correct and complete copies of the resolutions adopted by the board of directors of the Corporation certified to such effect on the date of the Initial Closing by the Secretary of the Corporation authorizing the execution, delivery and performance of this Agreement and any other agreements contemplated hereby, and authorizing all other transactions contemplated by this Agreement;

(c) correct and complete copies of the Corporation's Bylaws, as amended, and Certificate of Designation and all currently contemplated or proposed amendments thereto, as approved by the board of directors and shareholders of the Corporation, all certified to such effect on the date of the Initial Closing by the Secretary of the Corporation;

(d) a good standing certificate dated within ten (10) business days of the Initial Closing issued by the Colorado Secretary of State;

(e) an opinion of counsel from the Corporation's counsel, Bay Venture Counsel, LLP dated the date of the Initial Closing, reasonably acceptable to Purchasers;

(f) evidence reasonably acceptable to the Purchaser's that

each of the Corporation's key employees has executed a non-disclosure and assignment of inventions agreement; and

(g) such other documents referenced within any Schedule or relating to the transactions contemplated by this Agreement as the Purchasers may reasonably request.

3.3 PROCEEDINGS. All corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby to be consummated at or prior to the Initial Closing and all documents incident thereto or required to be delivered prior to or at the Closing will be satisfactory in form and substance to the Purchasers. Without limiting the generality of the preceding sentence, the Board of Directors of the Corporation immediately following the Initial Closing shall consist of seven members, two of which shall have been nominated and/or elected, as appropriate, by a majority of the holders of Series B Stock at any time on or after the Initial Closing in accordance with the Certificate of Designation.

3.4 EXAMINATION OF BOOKS AND RECORDS. The Corporation shall have made available to the Purchasers (who may appoint representatives to perform such inspection) during normal business hours, for inspection and copying, all of the Corporation's books, records, contracts and documents of or relating to the Corporation.

3.5 SUITS/PROCEEDINGS. No action, suit, proceeding or investigation by or before any court, administrative agency or other governmental authority shall have been instituted or threatened to restrain, prohibit or invalidate the transactions contemplated by this Agreement.

3.6 AUTHORIZATION OF ISSUANCE. The Corporation's board of directors will have authorized the issuance and sale by it to the Purchasers pursuant to this Agreement of the Series B Stock.

3.7 RESERVATION OF STOCK. The Corporation's board of directors will have reserved sufficient shares of its authorized but unissued Common Stock for the exclusive purpose of issuance upon conversion of the Series B Stock.

3.8 CAPITAL OUTSTANDING. As of the Initial Closing (but without giving effect thereto), the Corporation will have a total of no more than that number of shares of Preferred Stock and Common Stock issued and outstanding as listed and described in Schedule 5.12(b). The Corporation will have outstanding no options, convertible securities or warrants other than as listed and described on Schedule 5.12(c) as of the Initial Closing.

3.9 CONSENT. The Corporation shall have obtained any and all consents (including all governmental or regulatory consents, approvals or authorizations required in connection with

the valid execution and delivery of this Agreement), permits and waivers necessary or appropriate for consummation of the transactions contemplated by this Agreement.

3.10 SBA DOCUMENTS. The Corporation shall have provided each Purchaser that is a Small Business Investment Company (a) with all information and documentation that such Purchaser shall have requested in connection with the preparation and completion of the Portfolio Financing Report on SBA Form 1031, and (b) originals executed by the Corporation of each of (i) an SBA Letter in form and substance previously delivered to certain purchasers of the Series A Convertible Preferred Stock, (ii) the Size Status Declaration on SBA Form 480, and (iii) the Assurance of Compliance on SBA Form 652.

3.11 PURCHASERS' LEGAL FEES AND EXPENSES. The Corporation will have paid or provided for, as of the Initial Closing, the fees and disbursements of

counsel for the eCompanies Venture Group, L.P., Howard, Rice, Nemerovski, Canady, Falk & Rabin, P.C., in an amount not to exceed $15,000.

IV. CONDITIONS OF THE CORPORATION'S OBLIGATIONS.

The obligation of the Corporation to issue the Series B Stock with respect to any one Purchaser is subject to the satisfaction on or before the date of the Closing of the following conditions with respect to such Purchaser, all or any of which may be waived in writing by the Corporation:

4.1 PERFORMANCE. Each such Purchaser shall have duly performed and complied in all material respects with each of the terms, agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

4.2 REPRESENTATIONS AND WARRANTIES. The representations and warranties of each Purchaser contained in Article VI and in any other documents delivered at or prior to the Closing shall be true and accurate on and as of the Closing with the same effect as though made on and as of the date of the Closing.

4.3 INSTRUMENTS AND DOCUMENTS. All instruments and documents required to carry out this Agreement or incidental thereto shall be reasonably satisfactory to the Corporation and its counsel.

4.4 SUITS/PROCEEDINGS. No action, suit, proceeding or investigation by or before any court, administrative agency or other governmental authority shall have been instituted or threatened to restrain, prohibit or invalidate the transactions contemplated by this Agreement.

4.5 COVENANTS. All covenants, agreements and conditions contained in this Agreement to be performed by the Purchasers on or prior to the Closing shall have been performed or complied with in all material respects.

V. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION.

Except as set forth on any Schedules attached hereto and incorporated herein by reference, the Corporation hereby represents and warrants to each Purchaser as of the date hereof and as of the Initial Closing as follows:

5.1. CORPORATE EXISTENCE AND AUTHORITY.

(a) The Corporation (i) is a corporation duly organized, validly existing, and in good standing under the laws of Colorado; (ii) has all requisite corporate power and authority

to own its assets and carry on its business as now conducted; and (iii) is qualified to do business in all jurisdictions in which the nature of its business makes such qualification necessary and where failure to so qualify would have a Material Adverse Effect. The Corporation has the corporate power and authority to execute, deliver, and perform its obligations under this Agreement and all Other Agreements to which it is, or in connection with the transactions contemplated hereby, may become, a party.

(b) The Subsidiary (i) is a corporation duly organized, validly existing, and in good standing under the laws of California; (ii) has all requisite corporate power and authority to own its assets and carry on its business as now conducted; and (iii) is qualified to do business in all jurisdictions in which the nature of its business makes such qualification necessary and where failure to so qualify would have a Material Adverse Effect.

5.2 FINANCIAL STATEMENTS AND REPORTS. The Corporation has timely filed all required forms, reports, statements and documents with the SEC, all of which have complied in all material respects with all applicable requirements of the

Exchange Act and the Securities Act, as the case may be. The Corporation has delivered or made available to each Purchaser true and complete copies of (i) the Corporation's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1999, (ii) its proxy statement relating to the Corporation's annual stockholders meeting held November 19, 1999, (iii) all other forms, reports, statements and documents filed by the Corporation with the SEC pursuant to the Exchange Act since June 30, 1999, and (iv) all reports, statements and other information provided by the Corporation to its stockholders since January 1, 1999 (collectively, the "SEC Reports"). As of their respective dates, the SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated financial statements of the Corporation included or incorporated by reference in the SEC Reports (including any such SEC Report filed after the date of this Agreement until the Initial Closing) were prepared in accordance with GAAP applied on a consistent basis (except as otherwise stated in such financial statements or, in the case of audited statements, the related report thereon of independent certified public accounts), and present fairly the financial position and results of operations, cash flows and of changes in stockholders' equity of the Corporation and its consolidated subsidiaries as of the dates and for the periods indicated, subject, in the case of unaudited interim financial statements, to normal year-end audit adjustments, and except that the unaudited interim financial statements do not contain all of the disclosures required by GAAP. Since June 30, 1999 there has been no change in any of the significant accounting (including tax accounting) policies, practices, or procedures of the Corporation or any of its consolidated subsidiaries. The Corporation is and has been subject to the reporting requirements of the Exchange Act and has timely filed with the SEC all periodic reports required to be filed by it pursuant thereto and all reports required to be filed under Sections 13, 14 or 15(d) of the Exchange Act since June 30, 1999.

5.3 DEFAULT. Except as disclosed on Schedule 5.3, neither the Corporation nor the Subsidiary is in default under any loan agreement, indenture, mortgage, security agreement, lease, franchise, permit, license or other agreement or obligation to which it is a party or by which any of its properties may be bound which default would cause a Material Adverse Effect. The Corporation is paying its debts as they become due.

5.4 AUTHORIZATION AND COMPLIANCE WITH LAWS AND MATERIAL AGREEMENTS. Except as set forth on Schedule 5.4, the execution, delivery and performance by the Corporation of this Agreement and the Other Agreements to which it is or may in connection with the transactions contemplated hereby become a party, have been or prior to the consummation of such transactions will be duly authorized by all requisite action on the part of the Corporation and

do not and will not violate the Certificate of Designation, or the Corporation's Articles of Incorporation or Bylaws or any law or any order of any court, governmental authority or arbitrator, and do not and will not upon the consummation of the transactions contemplated hereby conflict with, result in a breach of, or constitute a default under, or result in the imposition of any Lien upon any assets of the Corporation pursuant to the provisions of any loan agreement, indenture, mortgage, security agreement, franchise, permit, license or other instrument or agreement by which the Corporation or any of its properties is bound. Except as set forth on Schedule 5.4, no authorization, approval or consent of, and no filing or registration with, any court, governmental authority or third Person is or will be necessary for the execution, delivery or performance by the Corporation of this Agreement and the Other Agreements to which it is a party or the validity or enforceability thereof. All such authorizations, approvals, consents, filings and registrations described in Schedule 5.4 have been obtained. The Corporation is not in violation of any term of its Articles of Incorporation or Bylaws or any contract, agreement, judgment or decree and is in full compliance with all

applicable laws, regulations and rules where such violation would cause a Material Adverse Effect. All officers of the Corporation to the best of their knowledge have complied with all material applicable laws, regulations and rules in the course and scope of their employment with the Corporation.

5.5 ENVIRONMENTAL CONDITION OF THE PROPERTY. Except as disclosed on Schedule 5.5:

(a) The location, construction, occupancy, operation and use of the Corporation's properties do not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any governmental authority or other body exercising similar functions, or any restrictive covenant or deed restriction (recorded or otherwise) affecting such properties, including, without limitation, all applicable zoning ordinances and building codes, flood disaster, occupational health and safety laws and Environmental Laws and regulations (as referred to in this Section 5.5, collectively, "applicable laws") where such violation would cause a Material Adverse Effect;

(b) Without limitation of clause (a) of this Section 5.5, neither the Corporation, the Subsidiary nor such properties are subject to any existing, pending or threatened investigation or inquiry by any governmental authority or subject to any remedial obligations due to violations of applicable laws;

(c) Neither the Corporation nor the Subsidiary is subject to any liability or obligation relating to (i) the environmental conditions on, under or about such properties, including, without limitation, the soil and ground water conditions at such properties, or (ii) the use, management, handling, transport, treatment, generation, storage, disposal, release or discharge of any Polluting Substance which would cause a Material Adverse Effect;

(d) There is no Polluting Substance or other substance that may pose any risk to safety, health or the environment on, under or about any such properties which would cause a Material Adverse Effect;

(e) The Corporation and/or the Subsidiary, whichever is applicable, have taken reasonable steps to determine and hereby represents and warrants that no Polluting Substances have been disposed of or otherwise released on, onto, into, or from their properties by the Corporation or the Subsidiary, and the use which the Corporation and/or the Subsidiary makes and intends to make of such properties does not and will not result in the disposal or other release of any Polluting Substances on, onto, into or from such properties; and

(f) The Corporation and/or the Subsidiary, whichever is applicable, have been issued all required federal, state and local licenses, certificates or permits relating to, and their properties, the Corporation, the Subsidiary and the Corporation's and the Subsidiary's facilities, business, assets, leaseholds and equipment are all in compliance in all material respects with all applicable federal, state and local laws, rules and regulations relating to, air emissions, water discharge, noise emissions, solid or liquid waste disposal, Polluting Substances, or other environmental, health or safety matters where non-compliance would have a Material Adverse Effect.

5.6 LITIGATION AND JUDGMENTS. Except as disclosed on Schedule 5.6, there is no suit, action, proceeding or investigation pending or, to the best knowledge of the Corporation, threatened against or affecting the Corporation or the Subsidiary, the outcome of which, in the reasonable judgment of the Corporation, is likely to have a Material Adverse Effect, nor is there any judgment, decree, injunction, ruling or order of any court, governmental, regulatory or administrative department, commission, agency or instrumentality,

arbitrator or any other person outstanding against the Corporation or the Subsidiary having, or which is reasonably likely to have, a Material Adverse Effect.

Except for litigation disclosed in the as disclosed on Schedule 5.6, there is no action, suit, proceeding or investigation before any court, governmental authority or arbitrator pending, or to the knowledge of the Corporation threatened, against or affecting the Corporation, the Subsidiary, this Agreement and/or the Other Agreements. Except as disclosed on Schedule 5.6, there are no outstanding judgments against the Corporation or the Subsidiary. None of the matters listed on Schedule 5.6 could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

5.7 RIGHTS IN PROPERTIES; LIENS. Except as disclosed on Schedule 5.7, the Corporation and the Subsidiary have good and marketable title to all properties and assets reflected on their balance sheets, and none of such properties or assets is subject to any Liens. The Corporation and the Subsidiary enjoy peaceful and undisturbed possession under all leases necessary for the operation of their other properties, assets, and businesses and all such leases are valid and subsisting and are in full force and effect. There exists no default under any provision of any lease which would permit the lessor thereunder to terminate any such lease or to exercise any rights under such lease which, individually or together with all other such defaults, could have a Material Adverse Effect. The Corporation and the Subsidiary have the exclusive right to use all of the Intellectual Property necessary to their business as presently conducted, and the Corporation's and the Subsidiary's use of the Intellectual Property does not infringe on the rights of any other Person where such nonexclusivity or infringement would not have a Material Adverse Effect. To the best of the Corporation's knowledge, no other Person is infringing the rights of the Corporation or the Subsidiary in any of the Intellectual Property. Neither the Corporation nor the Subsidiary owe any royalties, honoraria or fees to any Person by reason of its use of the Intellectual Property.

5.8 ENFORCEABILITY. This Agreement and the Other Agreements to which the Corporation is a party, when delivered, shall constitute the legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms.

5.9 INDEBTEDNESS. Except as disclosed on the financial statements identified in Section 5.2 and on Schedule 5.9, neither the Corporation nor the Subsidiary have any Indebtedness. All Indebtedness owed by the Corporation or the Subsidiary to any Affiliate is set forth on Schedule 5.9.

5.10 TAXES. Except as set forth on Schedule 5.10, the Corporation and the Subsidiary have timely filed all tax returns (federal, state, and local) required to be filed, including, without limitation, all income, franchise, employment, property, and sales taxes, and have timely paid all of their tax liabilities, other than immaterial amounts and taxes that are being contested by the Corporation or the Subsidiary in good faith by appropriate actions or proceedings diligently pursued, and for which adequate reserves in conformity with GAAP with respect thereto have been established. Neither the Corporation nor the Subsidiary know of any pending investigation of the Corporation or the Subsidiary by any taxing authority or pending but unassessed tax liability of the Corporation or the Subsidiary, except as disclosed on Schedule 5.10. The Corporation and the Subsidiary have made no presently effective waiver of any applicable statute of limitations or request for an extension of time to file a tax return, and neither the Corporation nor the Subsidiary are a party to any tax-sharing agreement.

5.11 USE OF PROCEEDS; MARGIN SECURITIES. Neither the Corporation nor the Subsidiary are engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying

margin stock (within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any extension of credit under this Agreement will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock. Neither the Corporation, the Subsidiary nor any Person acting on their behalf has taken any action that might cause the transactions contemplated by this Agreement or any Other Agreements to violate Regulations T, U or X or to violate the Securities Exchange Act of 1934, as amended.

5.12 ERISA. All members of any Controlled Group have complied with all applicable minimum funding requirements and all other applicable and material requirements of ERISA and the Code, applicable to the Employee Benefit Plans it or they sponsor or maintain, and there are no existing conditions that would give rise to material liability thereunder. With respect to any Employee Benefit Plan, all members of any Controlled Group have made all contributions or payments to or under each Employee Benefit Plan required by law, by the terms of such Employee Benefit Plan or the terms of any contract or agreement. No Termination Event has occurred in connection with any Pension Plan, and there are no unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA, with respect to any Pension Plan which poses a risk of causing a Lien to be created on the assets of the Corporation or which will result in the occurrence of a Reportable Event. No member of any Controlled Group has been required to contribute to a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, since September 2, 1974. No material liability to the Pension Benefit Guaranty Corporation has been, or is expected to be, incurred by any member of a Controlled Group. The term "liability", as referred to in this Section 5.12, includes any joint and several liability. No prohibited transaction under ERISA or the Code has occurred with respect to any Employee Benefit Plan which could have a Material Adverse Effect or a material adverse effect on the condition, financial or otherwise, of an Employee Benefit Plan.

5.13 DISCLOSURE. No representation or warranty made by the Corporation in this Agreement or in any of the documents, instruments, or other information furnished to the Purchaser by the Corporation, contains any untrue statement of a material fact or omits to state any material fact necessary in order to make any statements made therein not misleading. No representation, warranty, or statement made by the Corporation in this Agreement, the Investors Rights Agreement, or in any document, certificate, exhibit or schedule attached hereto or thereto or delivered in connection herewith or therewith, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make any statements made herein or therein not misleading. There is no fact that materially and adversely affects the condition (financial or otherwise), results of operations, business,

properties, or prospects of the Corporation or any of its Subsidiaries that has not been disclosed in the documents provided to Purchaser.

5.14 SUBSIDIARIES AND CAPITALIZATION. The Corporation has no Subsidiaries, other than the Subsidiary. All the issued and outstanding shares of capital stock of the Corporation are duly authorized, validly issued, fully paid and nonassessable. The capitalization of the Corporation on the Initial Closing Date is set forth on Schedule 5.14 (b). No violation of any preemptive rights of shareholders of the Corporation has occurred by virtue of the transactions contemplated under this Agreement or any Other Agreement. There are no outstanding contracts, options, warrants, instruments, documents or agreements binding upon the Corporation granting to any Person or group of Persons any right to purchase or acquire shares of the Corporation's capital stock other than as set forth on Schedule 5.14(c).

5.15 CURRENT LOCATIONS. Schedule 5.15 identifies (a) the Corporation's principal place of business and chief executive office, (b) all the locations where the Corporation maintains any books or records relating to any of its assets, (c) all other locations where the Corporation has a place of business,

and (d) each address where any of the Corporation's assets are located. Schedule 5.15 accurately indicates whether each such location is owned or leased, and, if leased, identifies the owner of such location. No Person other than the Corporation has possession of any material amount of the assets of the Corporation except as disclosed on Schedule 5.15.

5.16 INVESTMENT CORPORATION ACT. Neither the Corporation, the Subsidiary nor any company controlling the Corporation or the Subsidiary is required to be registered as an "investment company" within the meaning of the Investment Corporation Act of 1940, as amended.

5.17 PUBLIC UTILITY HOLDING CORPORATION ACT. Neither the Corporation nor the Subsidiary is a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or a "public utility" within the meaning of the Public Utility Holding Corporation Act of 1935, as amended.

5.18 SECURITIES LAWS. Assuming the truthfulness and accuracy of each Purchaser's representations and warranties in Article 6, the Corporation has complied with or is exempt from the registration and/or qualification requirements of all federal and state securities or blue sky laws applicable to the issuance or sale of the Series B Stock.

5.19 NO LABOR DISPUTES. Neither the Corporation nor the Subsidiary is involved in any labor dispute. The Corporation is not a party to any collective bargaining agreement, and there are no strikes or walkouts or union organization of any of the Corporation's or the Subsidiary's employees threatened or in existence and no labor contract is scheduled to expire during the term of this Agreement.

5.20 BROKERS. Except as described in Schedule 5.20, Neither the Corporation nor any of its shareholders has dealt with any broker, finder, commission agent or other Person in connection with the transactions referenced in or contemplated by this Agreement, nor is the Corporation or any of its shareholders under any obligation to pay any broker's fee or commission in connection with such transactions.

5.21 INSURANCE. The amount and types of insurance carried by the Corporation and the Subsidiary, and the terms and conditions thereof, are substantially similar to the coverage maintained by companies in the same or similar business as the Corporation and the Subsidiary and similarly situated.

5.22 CONDUCT OF BUSINESS. On the Initial Closing Date, the Corporation and the Subsidiary are engaged only in businesses of the type described in Schedule 5.22.

5.23 SMALL BUSINESS CONCERN. The Subsidiary is a "small business concern" as defined in Section 103(5) of the Act, which for purposes of size eligibility meets the applicable criteria set forth in Section 121.301(c) of Title 13 of the Code of Federal Regulations.

5.24 SURVIVAL OF REPRESENTATIONS. All representations made by the Corporation in or under this Agreement shall be true and accurate as of the Initial Closing and shall survive the Initial Closing for a period of two (2) years thereafter (except for those changes contemplated in and provided for by this Agreement).

VI. REPRESENTATIONS AND WARRANTIES OF PURCHASERS.

As of the Closing, each Purchaser represents and warrants to the Corporation as to itself that:

6.1 INVESTMENT. The Purchaser is acquiring the Series B Stock and any Common Stock issuable upon conversion of the Series B Stock for investment purposes only for its own account, and not with a view to, or for resale in connection with, any distribution thereof, and it has no present intention of selling or distributing any such securities. Purchaser understands that the Series B Stock (and any shares of Common Stock issued upon conversion of the Series B Stock) have not been registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment as expressed herein. All such securities are hereinafter collectively referred to as the "Securities".

6.2 RULE 144. The Purchaser acknowledges that because the Securities have not been registered under the Securities Act, the Securities must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available. It is aware of the provisions of Rule 144 promulgated under the Securities Act which permits limited resale of shares purchased in a private placement under certain circumstances.

6.3 ACCESS TO DATA. The Purchaser has had an opportunity to discuss the Corporation's business, management and financial affairs with its management and to obtain any additional information necessary or appropriate for deciding whether or not to purchase the Securities.

6.4 KNOWLEDGE AND EXPERIENCE. Purchaser has such knowledge and experience in financial and business matters, including investments in other companies that are in a financial condition substantially similar to the Corporation's financial condition immediately prior to the Initial Closing, that it is capable of evaluating the merits and risks of the investment in the Securities, and it is able to bear the economic risk of such investment. Further, the individual executing this Agreement has such knowledge and experience in financial and business matters that he or she is capable of utilizing the information made available to him or her in connection with the offering of the Securities, of evaluating the merits and risks of an investment in the Securities and of making an informed investment decision with respect to the Securities.

6.5 REQUISITE POWER. The Purchaser has all requisite power and authority necessary to enter into and to carry out the provisions of this Agreement and the transactions contemplated hereby.

6.6 DULY AUTHORIZED. All action on the part of the Purchaser necessary for the purchase of its Series B Stock and the performance of the Purchaser's obligations hereunder has been taken or will be taken prior to the Closing. This Agreement is a legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws and equitable principles relating to or affecting the enforcement of creditors' rights in general and by general principles of equity.

6.7 ACCREDITED INVESTOR. Purchaser is an "accredited investor" as that term is defined in Regulation D promulgated by the Securities and Exchange Commission. The term "Accredited Investor" under Regulation D refers to:

(i) A person or entity who is a director or executive officer of the Corporation;

(ii) Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Exchange Act; insurance Corporation as defined in Section 2(13) of the

Securities Act; investment Corporation registered under the Investment Corporation Act of 1940; or a business development Corporation as defined in Section 2(a)(48) of that Act; Small Business Investment Corporation licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of $5,000,000; employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance Corporation, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decision made solely by persons that are accredited investors;

(iii) Any private business development Corporation as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iv) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Securities offered, with total assets in excess of $5,000,000;

(v) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000;

(vi) Any natural person who had an individual income in excess of $200,000 during each of the previous two years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(vii) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment; or

(viii) Any entity in which all of the equity owners are accredited investors.

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As used in this Section 6.8, the term "net worth" means the excess of total assets over total liabilities. For the purpose of determining a person's net worth, the principal residence owned by an individual should be valued at fair market value, including the cost of improvements, net of current encumbrances. As used in this Section 6.8, "income" means actual economic income, which may differ from adjusted gross income for income tax purposes. Accordingly, the undersigned should consider whether it should add any or all of the following items to its adjusted gross income for income tax purposes in order to reflect more accurately its actual economic income: Any amounts attributable to tax-exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA or Keogh retirement plan, and alimony payments.

6.9 RESIDENT. Purchaser has its, his or her principal residence in the state indicated on Schedule 1.

VII. RESTRICTIONS ON TRANSFER OF SECURITIES.

The Securities are not transferable except upon the conditions specified in this Article VII, which conditions are intended to ensure compliance with the provisions of the Securities Act and state securities laws

in respect of the transfer of any of such securities. Each instrument representing the Securities shall be stamped or otherwise imprinted with legends substantially in the following form until such time as the conditions set forth in such legends have been met:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, OR THE HOLDER RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THE SECURITIES STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT AND THE QUALIFICATION REQUIREMENTS UNDER STATE LAW."

The Corporation shall be entitled to enter stop transfer notices on its stock books with respect to the Securities until the conditions as set forth in the legend above with respect to the transfer of such securities have been met.

VIII. AFFIRMATIVE COVENANTS

The Corporation covenants and agrees that so long any Purchaser holds at least twenty percent (20%) of all shares of the Series B Stock issued and sold in the Closings, the Corporation shall furnish the following to such Purchaser until the conversion of such Series B Stock into common stock:

8.1 FINANCIAL STATEMENTS.

(a) As soon as available, and in any event within ninety (90) days after the end of each fiscal year of the Corporation, beginning with the fiscal year ending June 30, 2000, (i) a copy of the annual audit report of the Corporation for such fiscal year containing a balance sheet, statement of income, statement of stockholders' equity, and statement of cash flow as

at the end of such fiscal year and for the fiscal year then ended, all in reasonable detail and audited and certified by independent certified public accountants of recognized standing.

(b) As soon as available, and in any event within forty-five (45) days after the end of each fiscal quarter, a copy of an unaudited financial report of the Corporation as of the end of such fiscal quarter and for the portion of the fiscal year then ended, containing consolidated balance sheets, statements of income, and statements of cash flow, (with notes as to any consolidating entries).

(c) So long as the Corporation is obligated to provide the following financial statements to the holders of the Corporation's senior subordinated 8% debt, as soon as available, and in any event within thirty (30) days after the end of each calendar month, a copy of an unaudited financial report of the Corporation as of the end of such calendar month and for the portion of the fiscal year then ended, containing consolidated balance sheets, statements of income and statements of cash flow, in each case setting forth in comparative form the figures for the corresponding period of the preceding fiscal year, together with a comparison of the actual results during such period to those originally budgeted by the Corporation for such period.

(d) On or before thirty (30) days after receipt by Corporation of written request for such information, which request may only be given during the last quarter of any fiscal year of the Corporation, an annual budget or business plan of the Corporation for the next fiscal year approved by a majority of the Board of Directors.

(e) Promptly upon receipt thereof, any written report submitted to the Corporation by independent public accountants in connection with an annual or interim audit of the books of the Corporation made by such accountants.

(f) Promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Corporation, any technology or patent rights that it has, or any other material assets of the Corporation, or any key employee or officer (in their capacities as such) the outcome of which could reasonably have a Material Adverse Effect.

8.2 BOOKS AND RECORDS. The Corporation will keep (a) proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to its business and affairs; (b) set up on its books accruals with respect to all taxes, assessments, charges, levies and claims; and (c) on a reasonably current basis set up on its books from its earnings allowances against doubtful receivables, advances and investments and all other proper accruals (including, without limitation, by reason of enumeration, accruals for premiums, if any, due on required payments and accruals for depreciation, obsolescence, or amortization of properties), which should be set aside from such earnings in connection with its business. All determinations pursuant to this subsection shall be made in accordance with, or as required by, GAAP consistently applied.

IX. NEGATIVE COVENANTS. Without the approval of the holders of at least a majority of the shares of Series B Stock voting together as a class, except as otherwise required by applicable law, the Corporation will not take any action that:

(i) except for a "Qualified Liquidation Event" (as defined in the Certificate of Designation) effects a sale of all or substantially all of the Corporation's assets or which results

in the holders of the Corporation's capital stock prior to the transaction owning less than 50% of the voting power of the Corporation's capital stock after the transaction,

(ii) alters or changes the rights, preferences or privileges of the Series B Stock so as to materially and adversely affect such shares,

(iii) increases or decreases the number of authorized shares of Series B Stock,

(iv) authorizes the issuance of securities having a preference over or on parity with the Series B Stock,

(v) redeems shares (excluding Common Stock repurchased upon termination of an officer, employee, director or consultant pursuant to a restricted stock purchase agreement or other compensatory plan or agreement),

(vi) amends or repeals any provision of, or adds any provision to, the Corporation's Articles of Incorporation or Bylaws if such action would alter or change the rights, preferences, privileges or restrictions of the Series B Stock, so as to affect adversely such shares,

(vii) authorizes the payment of dividends to Common Stock, or

(viii) except for a Qualified Liquidation Event, consummates a transaction subject to Section 305 of the Code.

X. INVESTORS RIGHTS AGREEMENT.

The Corporation shall at the Initial Closing enter into the Investors Rights Agreement in form and substance substantially as attached hereto as Exhibit B granting each Purchaser the registration rights set forth therein.

XI. MISCELLANEOUS.

11.1 REMEDIES. Any Person having any rights under any provision of this Agreement will be entitled to enforce such rights specifically, to recover damages by reason of any breach of any provision of this Agreement, and to exercise all other rights granted by law, which rights may be exercised cumulatively and not alternatively.

11.2 CONSENT TO AMENDMENTS. Except as otherwise expressly provided herein, the provisions of this Agreement and any exhibit attached hereto may be amended and the Corporation may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if it has obtained the written consent of Purchasers holding at least sixty-six and two-thirds percent (66-2/3%) or more of the outstanding shares of Series B Stock. No course of dealing between the Corporation and any Purchaser or any delay in exercising any rights hereunder or under the Corporation's Articles of Incorporation will operate as a waiver of any rights of any such Purchaser. Notwithstanding the foregoing, this Section 11.2 shall not be amended without the consent of all Purchasers holding Series B Stock.

11.3 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties contained herein or made in writing by any party in connection herewith will survive the execution and delivery of this Agreement for a period of two (2) years after the Initial Closing.

11.4 SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties

hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

11.5 SEVERABILITY. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

11.6 COUNTERPARTS. This Agreement may be executed in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts when taken together shall constitute one and the same Agreement.

11.7 DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11.8 NOTICES. Except as otherwise expressly provided herein, all communications provided for hereunder shall be in writing and delivered or mailed by the United States mails, certified mail, return receipt requested, (a) if to Purchaser, addressed to each Purchaser at the address specified on Schedule I hereto or to such other address as such Purchaser may in writing designate, or (b) if to the Corporation, addressed to the Corporation at the address set forth below or to such other address as the Corporation may in writing designate. Notices shall be deemed to have been validly served, given or delivered (and "the date of such notice or words of similar effect shall mean the date) five (5) days after deposit in the United States mails, certified

mail, return receipt requested, with proper postage prepaid, or upon actual receipt thereof (whether by noncertified mail, telecopy, telegram, facsimile, express delivery or otherwise), whichever is earlier.

IF TO PURCHASERS:	To the Addresses set forth on Schedule 1
WITH A COPY TO:	Howard, Rice, Nemerovski, Canady, Falk & Rabkin, A Professional Corporation Attn. Denis T. Rice, Esq. 3 Embarcadero Center, 6th Floor San Francsico, CA 94111 FAX: (415) 217-5910 Patton Boggs LLP Attn: Charles P. Miller 2001 Ross Avenue, Suite 3000 Dallas, Texas 75201 FAX: (214) 871-2688
IF TO THE CORPORATION:	Valuestar Corporation Attn: Jim Stein 360 - 22nd Street, Suite 210 Oakland, CA 94612 FAX: (510) 808-1400
WITH A COPY TO:	Bay Venture Counsel, LLP Attn: Donald C. Reinke, Esq. 1999 Harrison Street, Suite 1300 Oakland, CA 94612 FAX: (510) 834-7440

11.9 GOVERNING LAW. The validity, meaning and effect of this Agreement shall be determined in accordance with the laws of California applicable to contracts made and to be performed entirely in California as if by and between California residents.

11.10 SCHEDULES AND EXHIBITS. All schedules and exhibits are an integral part of this Agreement.

11.11 LITIGATION COSTS. If any legal action, arbitration or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties therein shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

11.12 FINAL AGREEMENT. This Agreement and the exhibits and schedules attached hereto constitute the only agreement of the parties concerning the matters herein, and supersedes, merges and renders void all prior written/oral, and/or contemporaneous agreements and understandings related thereto.

11.13 CONFIDENTIALITY. Each Purchaser agrees to keep confidential any information delivered by the Corporation or Subsidiary to such Purchaser under this Agreement that the Corporation or Subsidiary clearly indicates in writing to be confidential information; provided, however, that nothing in this Section 11.13 will prevent such Purchaser from disclosing such information (a) to any Affiliate of such Purchaser or any actual or potential purchaser, participant, assignee, or transferee of such Purchaser's rights or obligations hereunder that agrees to be bound by the terms of this Section 11.13, (b) upon order of any

court or administrative agency, (c) upon the request or demand of any regulatory agency or authority having jurisdiction over such Purchaser, (d) that is in the public domain, (e) that has been obtained from any Person that is not a party to this Agreement or an Affiliate of any such party without breach by such Person of a confidentiality obligation known to such Purchaser, (f) if necessary and only to the extent necessary for the exercise of any remedy under this Agreement, or (g) to the certified public accountants for such Purchaser. The Corporation agrees that such Purchaser will be presumed to have met its obligations under this Section 11.13 to the extent that it exercises the same degree of care with respect to information provided by the Corporation or Subsidiary as it exercises with respect to its own information of similar character.

11.14 PUBLIC DISCLOSURE. Except as may be required to comply with applicable law, no Purchaser shall make or cause to be made any press release or similar public announcement

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the respective Closing dates.

(SIGNATURES FOLLOW ON NEXT PAGE)

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\SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

IN WITNESS WHEREOF, the Corporation and each Purchaser identified on Schedule 1 have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized.

CORPORATION:

VALUESTAR CORPORATION

By: /s/ JAMES STEIN

Name: James Stein
Its: President and Chief Executive Officer

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

PURCHASER:

eCOMPANIES VENTURE GROUP, L.P.

By:
---

its general partner

By: /s/ STEVE LEDGER

Name: Steve Ledger
Title: Managing General Partner

SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP

By: Seacoast Capital Corporation, its general partner

By: /s/ JEFFREY J. HOLLAND

Name: Jeffrey J. Holland
Title: Vice President

TANGENT GROWTH FUND, L.P.

By: Tangent Fund Management LLC its general partner

By: /s/ MARK P. GILLES

Name: Mark P. Gilles
Title: Vice President

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

PURCHASER:

eCOMPANIES VENTURE GROUP, L.P.

By:
---
its general partner

By:

Name: Steve Ledger
Title: Managing General Partner

SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP

By: Seacoast Capital Corporation, its general partner

By:

Name: Jeffrey J. Holland
Title: Vice President

PACIFIC MEZZANINE FUND, L.P.

By: Tangent Fund Management LLC its general partner

By: /s/ ANDREW B. DUMKE

Name: Andrew B. Dumke

Title: Managing General Partner

TANGENT GROWTH FUND, L.P.

By: Tangent Fund Management LLC
its general partner

By:

Name: Mark P. Gilles
Title: Vice President

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

ROBERT S. LONDON

Name of Holder

/s/ ROBERT S. LONDON

Authorized Signature

ROBERT S. LONDON

Print Name and Title of Signatory

25

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

JOSHUA M. FELSER

Name of Holder

/s/ JOSHUA M. FELSER

Authorized Signature

JOSHUA M. FELSER

Print Name and Title of Signatory

26

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

DAVID SAMUEL

Name of Holder

/s/ DAVID SAMUEL

Authorized Signature

DAVID SAMUEL

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

CASA BLANCA VENTURES, LLC

Name of Holder

/s/ FRITZ T. BEESEMYER

Authorized Signature

FRITZ T. BEESEMYER, MANAGING MEMBER

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

DOUBLE BOGEY LLC

Name of Holder

/s/ [ILLEGIBLE]

Authorized Signature

JOHN MCSORLEY - President

Print Name and Title of Signatory

29

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

THE BESSEMYER FAMILY TRUST

Name of Holder

/s/ RICHARD L. BEESEMYER

Authorized Signature

RICHARD L. BEESEMYER

Print Name and Title of Signatory

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

CHARLES A. GREENBERG

Name of Holder

/s/ CHARLES A. GREENBERG

Authorized Signature

CHARLES A. GREENBERG

Print Name and Title of Signatory

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

JEROME H. ATCHLEY

Name of Holder

/s/ JEROME H. ATCHLEY

Authorized Signature

JEROME H. ATCHLEY AS AN INDIVIDUAL

Print Name and Title of Signatory

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

DANA LYON

Name of Holder

/s/ DANA LYON

Authorized Signature

DANA LYON

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

JUDSON C. BALL

Name of Holder

/s/ JUDSON C. BALL

Authorized Signature

JUDSON C. BALL

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

Frederick M. Pistilli & Rodney M. Pistilli, General Partners of Pistilli Diversified Partners, L.P.

Name of Holder

/s/ FREDERICK M. PISTILLI — /s/ RODNEY M. PISTILLI

Authorized Signature

FREDERICK M. PISTILLI - GENERAL PARTNER — RODNEY M. PISTILLI GENERAL PARTNER

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

DALE PISTILLI

Name of Holder

/s/ DALE PISTILLI

Authorized Signature

DALE PISTILLI

Print Name and Title of Signatory

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

DAVID WOODWARD

Name of Holder

/s/ DAVID WOODWARD

Authorized Signature

DAVID WOODWARD

Print Name and Title of Signatory

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

Name of Holder

/s/ JOHNATHAN A. BERG

Authorized Signature

Print Name and Title of Signatory

Cathy Fassel
[ILLEGIBLE]
501 N. Broadway
St. Louis, MO 63102

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

JONATHAN A. BERG

Name of Holder

/s/ JONATHAN A. BERG

Authorized Signature

JONATHAN A. BERG

Print Name and Title of Signatory

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

DONALD REINKE

Name of Holder

/s/ DONALD REINKE

Authorized Signature

DONALD REINKE

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

JAMES L. BERG

Name of Holder

/s/ JAMES L. BERG

Authorized Signature

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

GREG BUTTIE

Name of Holder

/s/ GREG BUTTIE

Authorized Signature

GREG BUTTIE

Print Name and Title of Signatory

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SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT

ValueStar Embarcadero Investors

Name of Holder

/s/ Denis T. Rice

Authorized Signature

Denis T. Rice General Partner

Print Name and Title of Signatory

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT
SCHEDULE I
TO
PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	eCOMPANIES VENTURE GROUP, L.P.
<S>	<C>
Number of Shares Series B Stock:	345,715
Investment Amount:	$6,050,000
Address for notices:	eCompanies Venture Group, L.P. 2120 Colorado Boulevard Santa Monica, CA 90404 Attn: Steve Ledger Facsimile: (310) 586-4425
PURCHASER:	SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP
Number of Shares Series B Stock:	50,129
Investment Amount:	$877,245 ($265,000 Cash; $612,245 Senior Debt)
Address for notices:	Seacoast Capital Partners Limited Partnership c/o Seacoast Capital Corporation 55 Ferncroft Road Danvers, Massachusetts 01923 Attn: Walter Leonard Facsimile: (508) 750-1301
	Seacoast Capital Partners Limited Partnership c/o Seacoast Capital Corporation One Sansome St., Suite 2100 San Francisco, CA 94104 Attn: Jeff Holland Facsimile: (415) 956-1459
With a copy to:	
	Patton Boggs LLP 2200 Ross Ave., Suite 900 Dallas, Texas 75201 Attn: Charlie Miller, Esq.

Facsimile: (214) 871-2688
</TABLE>

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	TANGENT GROWTH FUND, L.P.
<S>	<C>
Number of Shares Series B Stock:	11,021
Investment Amount:	$192,857 ($50,000 Cash; $142,57 Senior Debt)
Address for notices:	Tangent Growth Fund, L.P. 1 Union Square 180 Geary Street, Suite 500 San Francisco, CA 94108 Attn: Mark Gilles Facsimile: (415) 392-1928 With a copy to: Patton Boggs LLP 2200 Ross Ave., Suite 900 Dallas, Texas 75201 Attn: Charlie Miller, Esq. Facsimile: (214) 871-2688
PURCHASER:	PACIFIC MEZZANINE FUND, L.P.
Number of Shares Series B Stock:	19,138
Investment Amount:	$334,898 ($90,000 Cash; $244,898 Senior Debt)
Address for notices:	Pacific Mezzanine Fund, L.P. 2200 Powell Street, Suite 1250 Emeryville, CA 94608 Attn: Andrew B. Dumke Facsimile: (510) 595-9801

</TABLE>

TO
PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	DOUBLE BOGEY, LLC
<S>	<C>
Number of Shares Series B Stock:	3,000
Investment Amount:	$52,500
Address for notices:	Double Bogey, LLC 76 Moncada Way San Rafael, CA 94901 Attn: John McSorley Facsimile: (415) 460-0215 Tel: (415) 460-6541
PURCHASER:	CASA BLANCA VENTURES, LLC
Number of Shares Series B Stock:	9,000
Investment Amount:	$157,500
Address for notices:	Casa Blanca Ventures, LLC 5101 North Casa Blanca Drive Suite 219 Scotsdale, AZ 85253 Attn: Fritz Beesemyer, Managing Member Facsimile: (480) 9475-2095 Tel: (480) 947-3362
PURCHASER:	THE BEESEMYER FAMILY TRUST U/A/D 10/28/96
Number of Shares Series B Stock:	2,858
Investment Amount:	$50,000
Address for notices:	The Beesemyer Family Trust U/A/D 10/28/96 The Kalil Company 3444 North Country Club Tucson, AZ 85716 Attn: Richard L. Beesemyer, Trustee Facsimile: (520) 332-0584 Tel: (520) 795-1050

</TABLE>

PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	ROBERT S. LONDON
<S>	<C>
Number of Shares Series B Stock:	28,572
Investment Amount:	$500,000
Address for notices:	Robert S. London c/o Cruttenden Roth 809 Presidio Avenue, Suite B Santa Barbara, CA 93101 Facsimile: (805) 966-9302
PURCHASER:	JOSHUA MARTIN FELSER
Number of Shares Series B Stock:	8,572
Investment Amount:	$150,000
Address for notices:	Joshua Martin Felser 1960 Baker Street San Francisco, CA 94115 Facsimile: (415) 703-0979
PURCHASER:	CHARLES AND KAREN GREENBERG, JOINT TENANTS
Number of Shares Series B Stock:	5,715
Investment Amount:	$100,000
Address for notices:	Charles and Karen Greenberg 5541 E. Paseo Bueno Tucson, AZ 85720 Facsimile: (520) 577-6231

</TABLE>

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT
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PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	JEROME H. ATCHLEY
<S>	<C>
Number of Shares Series B Stock:	2,858

Investment Amount:	$50,000
Address for notices:	Jerome H. Atchley One East Palisades Dr. Little Rock, AR 72207-1903 Facsimile: (501) 615-1515
PURCHASER:	DANA J. LYON
Number of Shares Series B Stock:	1,429
Investment Amount:	$25,000
Address for notices:	Dana J. Lyon 3471 Jackson Street San Francisco, CA 94118 Facsimile: ( ) -
PURCHASER:	JUDSON C. BALL
Number of Shares Series B Stock:	1,429
Investment Amount:	$25,000
Address for notices:	Judson C. Ball 2415 E. Camelback Road, #700 Phoenix, AZ 86016 Facsimile: (602) 508-6051

</TABLE>

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PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	PISTILLI DIVERSIFIED PARTNERS, L.P.
<S>	<C>
Number of Shares Series B Stock:	5,715
Investment Amount:	$100,000
Address for notices:	Pistilli Diversified Partners, L.P. Rodney M. Pistilli, General Partner Frederick M. Pistilli, General Partner 9095 Etching Overlook Duluth, GA 30097
With a copy to:	Pistilli Diversified Partners, L.P. c/o Susan Sasser or Steve Carroll Sun Trust Bank, Atlanta Investment Advisor for Frederick M. Pistilli and Rodney M. Pistille U/A Dated 5/1/98 P. O. Box 4655 - Center 214 Atlanta, GA 30302

	Facsimile: (404) 588-7711
PURCHASER:	DALE H. PISTELLI
Number of Shares Series B Stock:	2,858
Investment Amount:	$50,000
Address for notices:	Dale H. Pistelli 78 Toledo Way San Francisco, CA 94123 Facsimile: (415)

</TABLE>

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT
SCHEDULE I
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PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	DAVID WOODWARD
<S>	<C>
Number of Shares Series B Stock:	1,715
Investment Amount:	$30,000
Address for notices:	David C. Woodward 324 Locust Street San Francisco, CA 94118 Facsimile: (415)
PURCHASER:	JONATHAN A. BERG, IRA #1499-2225
Number of Shares Series B Stock:	2,858
Investment Amount:	$50,000
Address for notices:	Jonathan A. Berg, IRA #1499-2225 c/o Stifel, Nicolaus & Co., Inc. Attn: Cathy Fassel, Manager 501 North Broadway St. Louis, MO 63102 Facsimile: (314) 342-2806
PURCHASER:	JONATHAN A. BERG
Number of Shares Series B Stock:	2,858
Investment Amount:	$50,000
Address for notices:	Jonathan A. Berg c/o Berg Capital 914 Broadway New York, NY 10010 Facsimile: (212) 982-1488

</TABLE>

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT
SCHEDULE I
TO
PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	DONALD C. REINKE
<S>	<C>
Number of Shares Series B Stock:	2,000
Investment Amount:	$35,000
Address for notices:	Donald C. Reinke c/o Bay Venture Counsel, LLP 1999 Harrison Street, Suite 1300 Oakland, CA 94612 Facsimile: (510) 834-7440
PURCHASER:	JAMES L. BERG
Number of Shares Series B Stock:	858
Investment Amount:	$15,000
Address for notices:	James L. Berg c/o Bay Venture Counsel, LLP 3600 West Bayshore, Suite 101 Palo Alto, CA 94303 Facsimile: (650) 854-8797
PURCHASER:	GREGORY L. BEATTIE
Number of Shares Series B Stock:	286
Investment Amount:	$5,000
Address for notices:	Gregory L. Beattie c/o Bay Venture Counsel, LLP 1999 Harrison Street, Suite 1300 Oakland, CA 94612 Facsimile: (510) 834-7440

</TABLE>

SIGNATURE PAGES TO THE SERIES B PREFERRED STOCK PURCHASE AGREEMENT
SCHEDULE I

TO
PURCHASE AGREEMENT

INFORMATION CONCERNING PURCHASER

<TABLE>
<CAPTION>

PURCHASER:	DAVID SAMUEL
<S>	<C>
Number of Shares Series B Stock:	5,715
Investment Amount:	$100,000
Address for notices:	David Samuel c/o Spinner.com 375 Alabama Street, #350 San Francisco, CA 94110 Facsimile: (415) 703-0979
PURCHASER:	VALUESTAR EMBARCADERO INVESTORS
Number of Shares Series B Stock:	2,858
Investment Amount:	$50,000
Address for notices:	ValueStar Embarcadero Investors Paul R. Rogers, General Partner c/o Howard, Rice, Nemerovski, Canady, Falk & Rabkin 3 Embarcadero Center, Seventh Floor San Francisco, CA 94111 Facsimile: (415) 217-5910

</TABLE>

VALUESTAR CORPORATION

DISCLOSURE SCHEDULE TO
SERIES B PREFERRED STOCK PURCHASE AGREEMENT

December 8, 1999

In connection with the execution and delivery of that certain Series B Preferred Stock Purchase Agreement (the "Agreement") dated as of December 8, 1999 by and among Valuestar Corporation, a Colorado corporation (the "Corporation"), and the Purchasers identified on Schedule 1 of the Agreement, the Corporation, the Corporation hereby delivers this Disclosure Schedule (this "Schedule") to the Company's representations and warranties given in Section 5 of the Agreement. References to any document do not purport to be complete and are qualified in their entirety by the document itself. Unless the context otherwise requires, all capitalized terms used in this Schedule shall have the respective meanings assigned to them in the Agreement.

No reference to or disclosure of any item or other matter in this Schedule shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred or disclosed in this Schedule. No reference in this Schedule to any agreement or document shall be construed as an admission or indication that such agreement or document is enforceable or currently in effect or that there are

any obligations remaining to be performed or any rights that may be exercised under such agreement or document. No disclosure in this Schedule relating to any possible breach or violation of any agreement, law or regulation shall be construed as an admission or indication that any such breach or violation exists or has actually occurred.

This Schedule and the information and disclosures contained herein are intended only to list those items required to be listed in Section 5 of the Agreement, and to qualify and limit the representations, warranties and covenants of the Company contained in the Agreement and shall not be deemed to expand in anyway the scope or effect of any of such representations, warranties or covenants.

Notwithstanding anything to the contrary contained in this Schedule or in the Agreement, the information and disclosures contained in each section of this Schedule shall be deemed to be disclosed and incorporated by reference in each of the other sections of this Schedule as though fully set forth in such other sections (whether or not specific cross references are made).

The headings contained in this Schedule are included for convenience only, and are not intended to limit the effect of the disclosures contained in this Schedule or to expand the scope of the information required to be disclosed in this Schedule.

SCHEDULE 5.2
TO
STOCK PURCHASE AGREEMENT

Disclosures For Previous Financial Statements

NONE

SCHEDULE 5.3
TO
STOCK PURCHASE AGREEMENT

Defaults under Existing Agreements

Pursuant to the terms of a Waiver Agreement effective as of June 30, 1999, Seacoast Capital Partners Limited Partnership, Pacific Mezzanine Fund, LP and Tangent Growth Fund, LP waived certain defaults by the Corporation under Section 7.9 of the Note Purchase Agreement that requires the Corporation to obtain a minimum EBITDA of ($800,000) and a loss of no more than ($1,000,000) for the fiscal quarter ending June 30, 1999. ValueStar Corporation had an EBITDA and a lower net income than these minimums. The Senior Lenders also amended financial covenants by the First Amendment to Note Purchase Agreement dated September 9, 1999 and by Second Amendment to Note Purchase Agreement dated December __, 1999.

SCHEDULE 5.4
TO
STOCK PURCHASE AGREEMENT

Authorizations, Approvals, Consents and Filings

NONE (other than by Seacoast Capital Partners Limited Partnership, Pacific Mezzanine Fund, L.P., Tangent Growth Fund, L.P. and the holders of a majority of

the Series A Preferred Stock).

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SCHEDULE 5.5
TO
STOCK PURCHASE AGREEMENT

Environmental Condition of Property

NONE

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SCHEDULE 5.6
TO
STOCK PURCHASE A2REEMENT

Litigation and Judgments

NONE

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SCHEDULE 5.7
TO
STOCK PURCHASE AGREEMENT

Please see the attachments to Schedule 11.1(b) of the Note Purchase Agreement.

Additionally, the company has leased an additional $250,964.50 of computer, voice and office equipment through various sources since the March 31 closing. Liens have been placed or are pending on the equipment detailed below:

<TABLE>
<CAPTION>

LEASING/LENDING INSTITUTION	LEASE #'S	EQUIP COST	DESCRIPTION	BUYOUT INFO
<S>	<C>	<C>	<C>	<C>
PREFERRED CAPITAL	316-0373214-001	20,880.50	DELL SRVR, 1 LAPTOP, 6 CLIENTS	$1 BUYOUT
905 N. LAKE BLVD. TAHOE CITY, CA 96145 (COLONIAL PACIFIC DOES THE BILLING)	316-0373214-002	11,284.00	2 DELL SERVERS	$1 BUYOUT
NEW CAL INDUSTRIES	NOT YET ASSIGNED	26,000.00	2 KONICA 7033 DIGITAL COPIERS	FMV
2061 CHALLENGER DR. ALAMEDA, CA 94501				
KONICA LEASING	NOT YET ASSIGNED	13,000.00	1 KONICA 7033 DIGITAL COPIER	FMV
PO BOX 7023 TROY, MI 48007-7023				
PACIFICA CAPITAL	NOT YET ASSIGNED	19,800.00	12 400 MHZ CELERONS	FMV

4 VENTURE, STE. 260 IRVINE, CA 92618			1 INSPIRON 3700 LAPTOP 1 POWEREDGE 2300 SERVER	
DAVRIC CORPORATION	NOTE PAYABLE	160,000.00	SIEMENS TELEPHONE SWITCH	FULL OWNERSHIP

</TABLE>

SCHEDULE 5.9
TO
STOCK PURCHASE AGREEMENT

Permitted Indebtedness

Reference is made to that Note Purchase Agreement ("Note Purchase Agreement") dated as of March 31, 1999, as amended, by and among Valuestar, Inc., the Corporation's wholly-owned subsidiary, Seacoast Capital Partners Limited Partnership ("Seacoast"), Pacific Mezzanine Fund, L.P. ("Pacific"), and Tangent Growth Fund, L.P. ("Tangent"), pursuant to which Valuestar, Inc. issued and sold to each of Seacoast, Pacific and Tangent (collectively, the "Holders") senior, secured 8% notes ("Senior Notes") in the principal amount of $2,450,000, with detachable warrants. As set forth more fully in the Note Agreement, the Senior Notes are secured by substantially all assets of the Corporation and Valuestar, Inc., including a key person life insurance, as well as the pledge by Jim Stein, James A. Barnes and Jerry E. Polis (the "Shareholders") of an aggregate of 2,861,557 shares of Common Stock (which does not include any Series A Stock (or Common Stock issuable upon conversion thereof) purchased by any entity controlled or owned by any Shareholder under the Purchase Agreement). Principal on the Senior Notes is due in 16 quarterly installments of $153,125 commencing in March 2002, with the final payment scheduled in December 2005. Certain events, including the loss of Jim Stein as President, may result in certain prepayment penalties and the acceleration of payment under the Senior Notes. The Senior Notes also contain various financial covenants, primarily relating to minimum net worth, maximum debt, capital additions and net income or loss.

The following is a list of Subordinated Lenders and the principal amount of the debt as of the date hereof:

AS OF NOVEMBER 30,1999

<TABLE>
<CAPTION>

Payee (short name)	Date	Principal
<C>	<C>	<C>
12% SUBORDINATED NOTES DUE JUNE 30, 2000		
Canusa Trading Ltd	12/5/1997	$ 50,000
Neo Optics Ltd	11/25/1997	$ 50,000
Guy Aach	12/30/1997	$ 50,000
Jerry E. Polis, Trustee	12/30/1997	$ 50,000
Herbert Fischer	12/30/1997	$ 50,000
Gerald L. Ehrens	1/5/1998	$ 25,000
Amgest Ltd. Properties Nevada One Account	1/5/1998	$ 35,000
David A. Polis	1/5/1998	$ 12,500
Mark E. Silvert	1/8/1998	$ 25,000
Harold S. Orchow, M.D. Profit Sharing Trust	1/9/1998	$100,000
David Rosenblatt	1/15/1998	$ 25,000
Charles W. Zumpft, M.D. Ltd. Money Purchase Pension Plan and Trust	1/15/1998	$ 35,000
Shirlee A. Helton	1/20/1998	$ 50,000
Dawayne Jacobs	1/22/1998	$ 50,000
Mike Silvert	1/23/1998	$ 25,000
Judith Buckingham Trust	1/26/1998	$ 50,000
The Herbert Stein and Marlene Stein 1993 Living Trust, Dated January 25, 1993	1/25/1998	$ 12,500

Eric M. Polis	2/15/1998	$ 25,000
Robyn B. Townsend	2/24/1998	$ 50,000
William Bannen	3/4/1998	$ 25,000
Nancy Reynolds	3/13/1998	$ 25,000
Lana B. Carter	3/17/1998	$ 50,000
Dean P. Studer	3/24/1998	$ 18,750
Thomas S. Fischer	3/26/1998	$ 50,000
Jerry E. Polis, Trustee	3/26/1998	$ 5,000
The Polis Family LLC	4/13/1998	$ 25,000

</TABLE>

<TABLE>

<S>	<C>	<C>
		$ 968,750
12% SUBORDINATED NOTES W WARRANTS DUE MARCH 31, 2001		
Evelyn House	7/6/1998	$ 50,000
Charlotte O. Polis	7/6/1998	$ 50,000
		$ 100,000
8% SENIOR DEBT W WARRANTS DUE DECEMBER 31, 2005		
Seacoast Capital	3/31/1999	$1,500,000
Pacific Mezzanine Fund	3/31/1999	$ 650,000
Tangent Management Fund	3/31/1999	$ 300,000
		$2,450,000

</TABLE>

<TABLE>
<CAPTION>

Payee (short name)	Date	Principal
<S>	<C>	<C>
DAVRIC 15% NOTE DUE JUNE 30, 2000, AS AMENDED		
Davric Corporation	11/15/1998	$300,000
DAVRIC SECURED 15% EQUIPMENT TERM NOTE MATURING 8/14/2003		
Davric Corporation	8/14/1998	$ 69,275
DAVRIC SECURED 15% EQUIPMENT TERM NOTE MATURING 6/23/2002		
Davric Corporation	6/23/1999	$131,830
LEASE OBLIGATIONS		$151,040
10% CONVERTIBLE DEBT (TO CONVERT TO SERIES B)	11/24/99	$250,000

</TABLE>

SCHEDULE 5.10
TO
STOCK PURCHASE AGREEMENT

Taxes

The tax returns listed below are filed, but they were not timely filed by the previous controller. To the best of our knowledge, all other tax returns for activities from January 1, 1997 have been filed in a timely manner. All tax returns for activity through December 31, 1996 are, to the best of our knowledge, filed. We have no information as to the timeliness of filings prior to December 31, 1996.

TAX RETURNS NOT TIMELY FILED:

ValueStar Corporation and Subsidiary June 30, 1997 Federal Income Tax Return
ValueStar, Inc. California State Income Tax Return for June 30, 1997
ValueStar Corporation Colorado State Income Tax Return for June 30, 1997

1997 3rd Qtr California DE6 Wage & Withholding Report
1997 4th Qtr California DE6 Wage & Withholding Report
1997 Form DE7 California Annual Reconciliation

1997 Form 1042 Annual Withholding Tax Return

2nd Qtr 1998 California State Sales Tax Return

1998 1st Qtr California DE6 Wage & Withholding Report
1998 2nd Qtr California DE6 Wage & Withholding Report

The Corporation has no outstanding penalties or assessments. The Corporation does not believe any additional penalties or assessments will arise from late filings described above.

SCHEDULE 5.13
TO
STOCK PURCHASE AGREEMENT

Disclosure

Reference is made to the Note Purchase Agreement, described more fully in Schedule 5.9.

Reference is made to that Warrant Purchase Agreement dated as of March 31, 1999 by and among the Corporation, and each of the Holders, pursuant to which the Corporation issued and sold to the Holders (i) A Warrants to purchase, at an exercise price of $1.00 per share, up to an aggregate of 1,527,250 shares of the Corporation's Common Stock, (ii) B Warrants to purchase, at an exercise price of $0.00025 per share, up to an aggregate of 527,514 shares of the Corporation's Common Stock, and (iii) C Warrants to purchase, at an exercise price of $1.00 per share, up to an aggregate of 231,132 shares of the Corporation's Common Stock. Each of the A Warrants, B Warrants and C Warrants (collectively, the "Warrants") is exercisable on or prior to the earlier of(i) six years after the date of full payment of the Senior Note, or (ii) March 31, 2009. The C Warrants or underlying shares of Common Stock may be repurchased by the Corporation at $6.00 per share (less any unpaid exercise price) on an all or none basis until March 31, 2004 as long as the Corporation is not in default with respect to the Senior Note or related agreements. The Warrants may be exercised by payment of cash, cancellation of debt or on a cashless basis. The Warrant Purchase Agreement contains provisions which provide the Holders with certain antidilution protection such that prior to a qualifying public offering (proceeds of $15 million at a price of at least $5.00 per share and a valuation of at least $40 million), qualified sale (valuation of at least $40 million and minimum proceeds of $5.00 to $7.00 per share to Holders) or a qualifying stock market listing (Nasdaq National Market or New York Stock Exchange and minimum price and trading volume), in the event of a sale or disposition of the Corporation or substantially all of its assets, the number of shares of Common Stock for which the Warrants may be exercised may be increased, without a corresponding increase in the aggregate consideration to provide additional consideration to the Holders based on a revenue based valuation.

Reference is made to that Shareholder Agreement dated as of March 31, 1999 by and among the Corporation, each of the Holders, Jim Stein, James Barnes, and

Jerry Polis, pursuant to which the Corporation (i) granted to each Holder preemptive rights to purchase, pro rata, any New Securities (as defined in the Shareholder Agreement) issued and sold by the Corporation, (ii) agreed not to incur any other additional debt, other than as permitted under and pursuant to the terms of the Shareholder Agreement, (iii) as more fully described in Articles IV and V of the Shareholder Agreement and below, granted to each Holder certain drag-along rights and call option rights with respect to certain of the Corporation's securities held by each of them, and (iv) as more fully described in the Shareholder Agreement, granted to each of Holder certain rights of first refusal, co-sale rights and registration rights (which registration rights have been amended as set forth in the Registration Rights Agreement and Shareholder Agreement Amendment). Furthermore, the Shareholder Agreement, the Corporation's three directors, Jim Stein, James A. Barnes and Jerry E. Polis (the "Shareholders"), pledged an aggregate of 2,861,557 shares of Common Stock of the Corporation to secure obligations related to the issuance of the Senior Notes and Warrants. The Shareholder Agreement also (i) limits resales by the Shareholders of their shares in the open market and, as disclosed above, grants certain first refusal and co-sale rights to the Holders, and (ii) obligates the Shareholders to vote their shares of Common Stock to elect one director each for Seacoast and Pacific if so designated by them. These provisions generally terminate upon completion of a qualifying public offering by the Corporation, a qualifying stock market listing or the sale of 80% of the Holders shares of Common Stock

underlying the warrants. In addition, the "drag-along-rights" granted under the Shareholder Agreement provide that until a qualifying public offering or sale is completed by the Corporation or a qualifying market listing is achieved, then upon either (i) a change in control (the Shareholders owning less than 20% of the Corporation on a fully diluted basis), or (ii) the loss of Mr. Stein as President without a replacement acceptable to the Holders, or (iii) a non-qualifying public offering, or (iv) certain defaults under the Senior Notes, and (v) at any time between April 2004 and April 2009 (unless the rights are earlier terminated), the Holders may seek a buyer for the Corporation or its assets and the Corporation and the Shareholders are obligated to cooperate and take such actions to complete a sale, consistent with their fiduciary duties. Upon such a sale, the Warrants may be exercised for additional shares of Common Stock as described above resulting in additional dilution to existing shareholders of the Corporation.

References is made to that Stock Purchase Warrant issued to Davric Corporation dated effective June 30, 1999 pursuant to which the Corporation issued Davric Corporation a four-year warrant to purchase up to 30,000 shares of its Common Stock at a per share price of $1.50 per share.

Reference is made to the Second Amendment to the Shareholder Agreement terminating certain "drag-along" rights.

SCHEDULE 5.14(b)
TO
STOCK PURCHASE AGREEMENT

Outstanding documents regarding the capital stock of the Corporation

The capitalization of ValueStar, Inc. consists of 3,000,000 shares of no par value common stock of which 1,000,000 shares are outstanding owned by ValueStar Corporation.

The capitalization of ValueStar Corporation (Parent) consists of 55,000,000 shares of which 50,000,000 shares having a par value of $0.00025 per share are Common Stock and 5,000,000 shares having a par value of $0.00025 per share are designated as Preferred Stock, of which 1,000,000 shares having a par value of

$0.00025 per share are designated Series A Preferred Stock.

At December 6, 1999 there were 10,380,406 common shares outstanding and 225,000 Series A Preferred Stock shares were outstanding.

At December 6, 1999 the following summarizes agreements binding upon the Parent granting Persons the right to purchase or acquire shares of the Parent's capital stock:

<TABLE>

<S>	<C>
Outstanding stock option purchase agreements	2,060,701
Stock purchase warrant agreements	4,548,624
Series A Convertible stock	1,125,000
Undeclared dividends on Series A	32,959

</TABLE>

Some of the above instruments contain certain adjustment provisions standard to warrant agreements.

Reference is made to the First Amendment dated effective June 30, 1999, to the 15% Subordinated Promissory Note Dated November 15, 1999, issued to Davric Corporation in the principal amount of $300,000.

Reference is made to the First Amendment to Stock Purchase Warrant dated effective July 15, 1999 by and between Valuestar Corporation and Fritz T. Beesemyer.

Reference is made to the First Amendment to Stock Purchase Warrant dated effective July 15, 1999 by and between Valuestar Corporation and Jack McSorley.

References is made to that Stock Purchase Warrant issued to Davric Corporation dated effective June 30, 1999, pursuant to which the Corporation issued Davric Corporation a four-year warrant to purchase up to 30,000 shares of its Common Stock at a per share price of $1.50 per share.

Reference is made to 10% Convertible Debt agreements.

SCHEDULE 5.14(c)
TO
STOCK PURCHASE AGREEMENT

Contract, Warrants, Options,

See summary on Schedule 5.14(b)

Reference is made to the Note Purchase Agreement, Warrant Purchase Agreement and Shareholder Agreement.

SCHEDULE 5.15
TO
STOCK PURCHASE AGREEMENT

Current Locations

a. Principal place of business:
ValueStar Home Office
360 22nd St., 2nd Floor
Oakland, CA 94612
Leased from: Broadlake Plaza, a California Limited Partnership

b. All locations where the Corporation maintains books or records relating to assets: See a. above

c. All other locations where the Corporation has a place of business:

Branch Offices:

ValueStar Chicago Market Office
8410 W Bryn Mawr Ave., Ste. 115
Chicago, IL 60631
Leased from: OmniOffices, Inc.

ValueStar Southern California Market Office
5230 Pacific Concourse Dr., Ste 350
Los Angeles, CA 90045
Leased from: OmniOffices, Inc.

ValueStar Dallas Market Office
5001 LBJ Freeway, Suite 875
Dallas, TX 75244
Leased from OmniOffices, Inc.

ValueStar Atlanta Market Office
1201 Peachtree Street, NE
400 Colony Square, Suite 200
Atlanta, GA 30361
Leased from OmniOffices, Inc.

ValueStar Seattle Market Office
Two Union Square, 42nd Floor
601 Union St.
Seattle, WA 98101
Leased from OmniOffices, Inc.

ValueStar Philadelphia Market Office
Chesterbrook Corporate Center
1400 Morris Dr.
Wayne, PA 19087

Leased from OmniOffices, Inc.
ValueStar Washington DC Market Office
Oakbranch Plaza, 4th Floor
1801 Robert Fulton Dr.
Reston, VA 22091
Leased from OmniOffices, Inc.

d. Each address of the company where assets are located: See a. above.

SCHEDULE 5.20
TO
STOCK PURCHASE AGREEMENT

Brokers

Reference is made to the Series B term sheet wherein the Company described that it is obligated to pay one of its financial advisors, Jonathan Berg, an aggregate of 75,000 warrants exercisable at $2.50 per share plus a consultancy

fee of $2,500 per month for twelve months.

SCHEDULE 5.22
TO
STOCK PURCHASE AGREEMENT

Conduct of Business

The Corporation, through its subsidiary, Valuestar, Inc., is engaged in the businesses of the type described below:

Consumer and market research.
Ratings, licensing and certifications.
Sales of ancillary materials and related materials and information.
Providing Internet and advertising services to customers.

EXHIBIT 99.6

CERTIFICATE OF DESIGNATION
OF
SERIES B CONVERTIBLE PREFERRED STOCK
OF
VALUESTAR CORPORATION

VALUESTAR CORPORATION, a corporation organized and existing under the Colorado Business Corporation Act (the "Corporation"), in accordance with Colo. Rev. Stat. Section 7-106-102,

HEREBY CERTIFIES:

1. The name of the Corporation is: Valuestar Corporation.

2. The text of the amendment determining the designations, preferences, limitations, and relative rights of the class or series of shares is as set forth on Exhibit "A", attached hereto and by this reference incorporated herein.

3. This amendment was adopted on December 7, 1999.

4. This amendment was duly adopted by the Board of Directors of the Corporation.

The undersigned does hereby confirm, under penalties of perjury, that the foregoing Certificate of Designation of Valuestar Corporation constitutes the act and deed of the Corporation, and that the facts stated herein are true.

Executed at Oakland, California on December 7, 1999

James Stein, Chief Executive Officer

Exhibit "A"

RESOLVED, that pursuant to the authority granted to the Board of

Directors by Article THIRD, Paragraph I of the Articles of Incorporation of the Corporation, as amended (the "Articles"), Certificate there is hereby created, and the Corporation be, and it hereby is, authorized to issue Eight Hundred Thousand (800,000) shares of a series of convertible preferred stock, designated "SERIES B CONVERTIBLE PREFERRED STOCK," which Series B Convertible Preferred Stock (also referred to herein as "Series B Stock" or "Series B Preferred Stock") shall have, in addition to the rights, restrictions, preferences and privileges set forth in the Articles, the following terms, conditions, rights, restrictions, preferences and privileges:

"A. DIVIDENDS.

1. GENERALLY. Subject to the preferential dividend rights of the holders of the Corporation's Series A Convertible Preferred Stock ("Series A Stock"), each holder of outstanding shares of Series B Stock shall be entitled to receive, when and if declared by the Board of Directors and out of any funds legally available therefor, non-cumulative dividends at the annual rate of $1.40 per share (the "Series B Preferential Dividend"), and in preference to any declaration or payment (payable other than in Common Stock) of dividends with respect to the Common Stock. No cash dividends shall be declared and paid on the Common Stock or any other equity of the Company except the Series A Stock as contemplated above unless a like cash dividend amount has been paid to the Series B Stock on an as converted basis.

2. PAYMENT OTHER THAN CASH. If the Corporation shall declare a distribution payable in securities of persons other than this Corporation, evidences of indebtedness issued by the Corporation or other persons, assets (excluding cash dividends) or options or rights to purchase any such securities or evidences of indebtedness, then, in each such case, the holders of Series B Preferred Stock shall be entitled to a proportionate share of any such distribution as though the holders of Series B Preferred Stock were the holders of the number of shares of Common Stock of the Corporation into which their respective shares of Series B Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock of the Corporation who are entitled to receive such distribution.

3. DIVIDEND ADJUSTMENT. The Series B Preferential Dividend shall be appropriately adjusted for any stock splits, dividends, combinations, recapitalizations and the like ("Appropriately Adjusted").

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B. PREFERENCE ON LIQUIDATION.

1. PREFERENCE PRICE. Except upon a "Qualified Liquidation Event," in the event of any liquidation, dissolution or winding up of this Corporation, whether voluntary or involuntary, the holders of the outstanding

shares of Series B Stock shall be entitled to be paid out of the assets of this Corporation available for distribution to its shareholders, whether from capital, surplus funds or earnings, after payment of the preferential amount is made in respect of the shares of Series A Stock (the "Series A Preference Price") and before any payment is made in respect of the shares of Common Stock, in an amount equal to $17.50 per share (Appropriately Adjusted), together with any declared and unpaid dividends thereon (the "Series B Preference Price"). After payment of the Series B Preference Price to the holders of Series B Stock, the holders of outstanding shares of Series B Stock and Common Stock shall be paid, on a pro rata as-converted basis, from the remaining assets of the Corporation until such time that the holders of Series B Stock shall have received, including any payment of the Series B Preference Price, $30.00 per share of Series B Stock (Appropriately Adjusted) (the "Series B Liquidation Amount"). After payment of the Series B Liquidation Amount to the holders of outstanding shares of Series B Stock, the remaining assets of the Corporation shall be distributed ratably solely among the holders of the outstanding shares of Common Stock in an equal amount per share.

2. PARTIAL PAYMENT. If, upon any such liquidation, dissolution or winding up of this Corporation, whether voluntary or involuntary, the assets of this Corporation available for distribution to its shareholders shall be insufficient to pay in full the Series B Preference Price required to be paid to the holders of the outstanding shares of Series B Stock after payment in full of the Series A Preference Price, then all of the assets of this Corporation legally available for distribution to the holders of equity securities shall be distributed ratably among the holders of the outstanding shares of Series B Stock in proportion to the Series B Preference Price upon liquidation that each Series B Stock holder is otherwise entitled to receive.

3. CERTAIN TRANSACTIONS. The following shall be deemed to be a liquidation, dissolution or winding up within the meaning of this Section B with respect to the Series B Stock: (A) a sale of all or substantially all of the Corporation's assets; or (B) a consolidation, merger or reorganization of the Corporation with or into any other corporation or corporations if the Corporation's shareholders do not control a majority of the outstanding voting securities of such consolidated, merged or reorganized corporation(s). The Corporation shall provide

written notice of each of the above transactions to each holder of Series B Stock at least ten (10) days prior to such transaction in accordance with Section D.14 (below).

4. LIQUIDATION ADJUSTMENT. The Series B Preference Price shall be Appropriately Adjusted.

C. VOTING.

1. GENERALLY. Except as otherwise required by law or expressly provided herein, each share of Series B Preferred Stock shall be entitled to vote on all matters submitted or required to be submitted to a vote of the shareholders of the Corporation and shall be entitled to the number of votes equal to the number of whole shares of Common Stock into which such shares of Series B Preferred Stock are convertible pursuant to the provisions hereof, at the record date for the determination of shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. In each such case, except as otherwise required by law or expressly provided herein, the holders of shares of Series A Stock, Series B Stock and Common Stock shall vote together and not as separate classes.

2. SPECIAL VOTING FOR THE ELECTION OF DIRECTORS. The Board of Directors shall be elected as follows:

(i) So long as at least One Hundred Thousand (100,000) shares of Series A Preferred Stock are issued and outstanding (Appropriately Adjusted), the holders of Series A Preferred Stock shall be entitled, voting as a separate class, to elect one (1) and only one (1) member to the Corporation's Board of Directors;

(ii) So long as at least Two Hundred Thousand (200,000) shares of Series B Preferred Stock are issued and outstanding (Appropriately Adjusted), the holders of Series B Preferred Stock shall be entitled, voting as a separate class, to elect two (2) and only two (2) members to the Corporation's Board of Directors;

(ii) The remaining authorized members of the Board of Directors not entitled to be elected by any series of Preferred Stock then outstanding from time to time shall be elected by the holders of Common Stock.

3. REMOVALS OR RESIGNATIONS. Any vacancy created on the Corporation's Board of Directors shall be filled by a successor Director who shall be elected in a manner by which his or her predecessor was elected as provided

above. Any Director who has been elected to the Corporation's Board of Directors as provided above may be removed during his term of office in accordance with the Business Corporation Act of the State of Colorado, and any vacancy thereby created shall be filled as provided in this subparagraph.

D. CONVERSION. The holders of the outstanding shares of Series B Stock shall have the following conversion rights (the "Conversion Rights"):

1. RIGHT TO CONVERT. Each share of Series B Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such shares, at the office of this Corporation or any transfer agent for the Corporation's shares into that number of shares of Common Stock which is equal to the quotient obtained by dividing $17.50 for each share of Series B Stock by the Series B Conversion Price (as such term is hereinafter defined) in effect immediately prior to the time of such conversion. The initial price at which shares of Common Stock shall be deliverable upon conversion of shares of Series B Stock shall be $1.75 (as adjusted from time to time as herein provided, the "Series B Conversion Price").

2. MECHANICS OF CONVERSION. Each holder of outstanding shares of Series B Stock who desires to convert the same into shares of Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of this Corporation or of any transfer agent for the Corporation's shares and shall give written notice to this Corporation at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Stock being converted. Thereupon, this Corporation shall issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay all declared but unpaid dividends on the shares being converted. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate or certificates representing the shares to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date.

3. ADJUSTMENT FOR STOCK SPLITS AND COMBINATIONS. If this Corporation at any time or from time to time after the date that this Certificate of Designation was filed with the Colorado Secretary of State (the "Filing Date") effects a division of the outstanding shares of Common Stock, the Series B Conversion Price shall be proportionately decreased and, conversely, if this Corporation at any time, or from time to time, after the Filing Date combines the outstanding shares of Common Stock, the Series B Conversion Price shall be

proportionately increased. Any adjustment under this Section D.3 shall be effective on the close of business on the date such division or combination becomes effective.

4. ADJUSTMENT FOR CERTAIN DIVIDENDS AND DISTRIBUTIONS. If this Corporation at any time or from time to time after the Filing Date pays or fixes a record date for the determination of holders of shares of Common Stock entitled to receive a dividend or other distribution in the form of shares of Common Stock, or rights or options for the purchase of, or securities convertible into, Common Stock, then in each such event the Series B Conversion Price shall be decreased, as of the time of such payment or, in the event a record date is fixed, as of the close of business on such record date, by multiplying the Series B Conversion Price by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to the time of such payment or the close of business on such record date and (ii) the denominator of which shall be (A) the total number of shares of Common Stock outstanding immediately prior to the time of such payment or the close of business on such record date plus (B) the number of shares of Common Stock issuable in payment of such dividend or distribution or upon exercise of such option or right of conversion; provided, however, that if a record date is fixed and such dividend is not fully paid or such other distribution is not fully made on the date fixed therefor, the Series B Conversion Price shall not be decreased as of the close of business on such record date as hereinabove provided as to the portion not fully paid or distributed and thereafter the Series B Conversion Price shall be decreased pursuant to this Section 4 as of the date or dates of actual payment of such dividend or distribution.

5. ADJUSTMENTS FOR OTHER DIVIDENDS AND DISTRIBUTIONS. If this Corporation at any time or from time to time after the Filing Date pays, or fixes a record date for the determination of holders of shares of Common Stock entitled to receive, a dividend or other distribution in the form of securities of this Corporation other than shares of Common Stock or rights or options for the purchase of, or securities convertible into, Common Stock, then in each such event provision shall be made so that the holders of outstanding shares of Series B Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of this Corporation that they would have received had their respective shares of Series B Stock been converted into shares of Common Stock on the date of such event and had such holders thereafter, from the date of such event to and including the actual date of conversion of their shares, retained such securities, subject to all other adjustments called for during such period under this Section D with respect to the rights of the holders of the outstanding shares of Series B Stock.

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6. ADJUSTMENT FOR RECLASSIFICATION, EXCHANGE AND SUBSTITUTION. If, at any time or from time to time after the Filing Date, the number of shares of Common Stock issuable upon conversion of the shares of Series B Stock is changed into the same or a different number of shares of any other class or classes of stock or other securities, whether by recapitalization, reclassification or otherwise (other than a recapitalization, division or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets provided for elsewhere in this Section D), then in any such event each holder of outstanding shares of Series B Stock shall have the right thereafter to convert such shares of Series B Stock into the same kind and amount of stock and other securities receivable upon such recapitalization, reclassification or other change, as the maximum number of shares of Common Stock into which such shares of Series B Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

7. REORGANIZATIONS, MERGERS, CONSOLIDATIONS OR SALES OF ASSETS. If, at any time or from time to time after the Filing Date, there is a capital reorganization of the Common Stock (other than a recapitalization, division, combination, reclassification or exchange of shares provided for elsewhere in this Section D) or a merger or consolidation of this Corporation into or with another corporation or a sale of all or substantially all of this Corporation's properties and assets to any other person, then, as a part of such capital reorganization, merger, consolidation or sale, provision shall be made so that the holders of outstanding shares of Series B Stock shall thereafter receive upon conversion thereof the number of shares of stock or other securities or property of this Corporation, or of the successor corporation resulting from such merger or consolidation or sale, to which a holder of the number of shares of Common Stock into which their shares of Series B Stock were convertible would have been entitled on such capital reorganization, merger, consolidation or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section D with respect to the rights of the holders of the outstanding shares of Series B Stock after the capital reorganization, merger, consolidation, or sale to the end that the provisions of this Section D (including adjustment of the Series B Conversion Price and the number of shares into which the shares of Series B Stock may be converted) shall be applicable after that event and be as nearly equivalent to such Conversion Prices and number of shares as may be practicable.

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8. SALE OF SHARES BELOW CONVERSION PRICE.

(i) If, at any time or from time to time after the Filing Date, this Corporation issues or sells, or is deemed by the express provisions of this Section 8 to have issued or sold, Additional Shares of Common Stock (as hereinafter defined) for an Effective Price (as hereinafter defined) less than the then current Series B Conversion Price, other than (A) as a dividend or other distribution on any class of stock as provided in Section D.4 above or (B) upon a division or combination of shares of Common Stock as provided in Section D.3 above, then, in any such event, the Series B Conversion Price shall be reduced, as of the close of business on the date of such issuance or sale, to an amount determined by multiplying the Series B Conversion Price by a fraction (A) the numerator of which shall be (x) the number of shares of Common Stock outstanding at the close of business on the day immediately preceding the date of such issuance or sale, plus (y) the number of shares of Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received) by this Corporation for the total number of Additional Shares of Common Stock so issued or sold would purchase at such Series B Conversion Price and (B) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issuance or sale of Additional Shares of Common Stock. For the purpose of the calculation described in this Section 8, the number of shares of Common Stock outstanding shall include, in addition to the number of shares of Common Stock actually outstanding, (A) the number of shares of Common Stock into which the then outstanding shares of Series A Stock and Series B Stock could be converted if fully converted on the day immediately preceding the issuance or sale or deemed issuance or sale of Additional Shares of Common Stock; and (B) the number of shares of Common Stock which would be obtained through the exercise or conversion of all rights, options and Convertible Securities (as hereinafter defined) outstanding on the day immediately preceding the issuance or sale or deemed issuance or sale of Additional Shares of Common Stock.

(ii) For the purpose of making any adjustment required under this Section 8, the consideration received by this Corporation for any issuance or sale of securities shall (A) to the extent it consists of property other than cash, be the fair value of that property as reasonably determined in good faith by a disinterested majority of the Board of Directors; and (B) if Additional Shares of Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of this Corporation for a consideration which covers both, be the portion of the

consideration so received reasonably determined in good faith by a disinterested majority of the Board of Directors to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(iii) For the purpose of the adjustment required under this Section 8, if this Corporation issues or sells any rights or options for the purchase of, or stock or other securities convertible into, Additional Shares of Common Stock (such convertible stock or securities being hereinafter referred to as "Convertible Securities") and if the Effective Price (as defined in Clause (v) below) of such Additional Shares of Common Stock is less than the then current Series B Conversion Price, this Corporation shall be deemed to have issued, at the time of the issuance of such rights, options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration therefor an amount equal to (A) the total amount of the consideration, if any, received by this Corporation for the issuance of such rights or options or Convertible Securities plus (B) in the case of such rights or options, the minimum amount of consideration, if any, payable to this Corporation upon the exercise of such rights or options or, in the case of Convertible Securities, the minimum amount of consideration, if any, payable to this Corporation upon the conversion thereof. Thereafter, no further adjustment of the Series B Conversion Price shall be made as a result of the actual issuance of Additional Shares of Common Stock on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire or otherwise terminate without having been exercised, the Series B Conversion Price shall thereafter be the Series B Conversion Price that would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and were issued or sold for the consideration actually received by this Corporation upon such exercise plus (A) the consideration, if any, actually received for the granting of all such rights or options, whether or not exercised, (B) the consideration, if any, actually received by issuing or selling the Convertible Securities actually converted and (C) the consideration, if any, actually received on the conversion of such Convertible Securities. However, if any such rights or options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase in the consideration payable to the Corporation, upon the exercise, conversion or exchange thereof, the Series B Conversion Price for the Series B Stock, and any subsequent adjustments based thereon, shall upon any such increase or decrease becoming effective be recomputed to reflect such increase or

decrease insofar as it affects such rights, options or the rights of conversion or exchange under such Convertible Securities.

(iv) For the purpose of any adjustment required under this Section D.8, if (a) this Corporation issues or sells any rights or options for the purchase of Convertible Securities and (b) if the Effective Price of the Additional Shares of Common Stock underlying such Convertible Securities is less than the Series B Conversion Price, then in each such event this Corporation shall be deemed to have issued at the time of the issuance of such rights or options the maximum number of Additional Shares of Common Stock issuable upon conversion of the total number of Convertible Securities covered by such rights or options (as set forth in the legal instruments setting forth the terms of such Convertible Securities) and to have received as consideration for the issuance of such Additional Shares of Common Stock an amount equal to the amount of consideration, if any, received for the issuance of such rights or options plus (A) the minimum amount of consideration, if any, payable upon the exercise of such rights or options and (B) the minimum amount of consideration, if any, payable upon the conversion of such Convertible Securities. No further adjustment of the Series B Conversion Price shall be made as a result of the actual issuance of the Convertible Securities upon the exercise of such rights or options or upon the actual issuance of Additional Shares of Common Stock upon the conversion of such Convertible Securities. The provisions of Section D.8.(iii) for the adjustment of the Series B Conversion Price upon the expiration of rights or options or the rights of conversion of Convertible Securities shall apply mutatis mutandis upon the expiration of the rights, options and Convertible Securities referred to in this Clause D.8.(iv).

(v) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued or deemed to be issued under this Section D.8 after the Filing Date, other than (A) shares of Common Stock issued upon conversion of the shares of Series A Stock or the Series B Stock; (B) shares of Common Stock (or options, warrants or rights therefor) granted or issued subsequent to the Filing Date to employees, officers, directors of the Corporation or any subsidiary pursuant to incentive agreements, stock purchase or stock option plans, stock bonuses or awards, warrants, contracts or other arrangements that are approved by the Board of Directors; (C) securities issued by the Corporation representing in the aggregate five percent (5%) or less of the then outstanding shares of Common Stock, on a fully-diluted basis, to contractors, consultants, advisers to, or vendors of, the Corporation or in

connection with any credit, financing or leasing agreements or similar instruments with equipment lessors or other persons providing equipment lease or other equipment financing; (D) securities issued in connection with or pursuant to the acquisition of all or any

portion of another company by the Company whether by merger or any other reorganization or by the purchase of all or any portion of the assets of another company, pursuant to a plan, agreement or other arrangement approved by the Board of Directors; (E) securities issued to or in connection with an arrangement or venture with a strategic partner of the Company, provided such issuance is unanimously approved by the Board of Directors; (F) shares of Common Stock or Preferred Stock issued or issuable upon the exercise of any warrants, options or other rights that are outstanding as of the Filing Date (or issued or issuable after the reissuance of any such expired or terminated options, warrants or rights and net of any such issued shares repurchased by the Corporation); (G) the reissuance or assignment by the Corporation of any shares of Common Stock outstanding as of the Filing Date to a different person from the holder of such shares; (H) securities issued pursuant to any anti-dilution rights of the holders of Series A Stock or warrants to purchase securities of this Corporation that are outstanding as of the Filing Date; (H) shares of Common Stock issued in a public offering by this Corporation in which all shares of Series A Stock and Series B Stock are automatically converted into shares of Common Stock; and (I) shares of Common Stock issued by way of dividend or other distribution on shares of Preferred Stock and Common Stock excluded from the definition of Additional Shares of Common Stock by the foregoing clauses (A), (B), (C), (D), (E), (F), (G) (H) and this clause (I). The "Effective Price" of Additional Shares of Common Stock shall mean the quotient obtained by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold, under this Section 8 into the aggregate consideration received, or deemed to have been received for such Additional Shares of Common Stock.

9. CERTIFICATE OF ADJUSTMENT. Upon the occurrence of each adjustment or readjustment of the Series B Conversion Price, the Corporation, at its sole expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series B Stock a certificate setting forth such adjustment or readjustment and

showing in detail the facts upon which such adjustment or readjustment is based.

10. NOTICES OF RECORD DATE. In the event of (i) any taking by this Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution or (ii) any capital reorganization of this Corporation, any reclassification or recapitalization of the capital stock of this Corporation, any merger or consolidation of this Corporation with or into any other corporation, or any transfer of all or substantially all of the assets of the Corporation, or any voluntary or involuntary dissolution, liquidation or winding up of this Corporation, this Corporation shall mail to each holder of shares of Series B Stock at least

twenty (20) days prior to the record date specified therein, a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution; (ii) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up, is expected to become effective and the specific details thereof; and (iii) the date, if any, that is to be fixed as to when the holders of record of shares of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

11. AUTOMATIC CONVERSION.

(i) SERIES A STOCK CONVERSION. Each share of Series B Stock shall automatically be converted into shares of Common Stock based upon the Series B Conversion Price upon the automatic conversion of the shares of Series A Stock pursuant to a "Qualified Liquidation Event" or "Qualified Liquidity Milestone" as set forth in the Corporation's Certificate of Designation of Series A Convertible Preferred Stock or otherwise upon the conversion of all the shares of Series A Stock.

(ii) UPON VOTE OF 66-2/3% OF SERIES B PREFERRED STOCK. Each share of Series B Preferred Stock shall automatically be converted into shares of Common Stock based upon the Series B Conversion Price then applicable

upon the affirmative vote of the holders of at least sixty-six and two thirds percent (66-2/3 %) of the outstanding shares of Series B Preferred Stock.

Upon the occurrence of an event specified in this Section 11, the outstanding shares of Series B Stock shall be converted into outstanding shares of Common Stock, whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent. Upon the automatic conversion of the outstanding shares of Series B Stock, the Corporation shall notify the holders of the outstanding shares of Series B Stock and thereafter such holders shall surrender the certificates representing such shares at the office of the Corporation or any transfer agent for the shares. Thereupon there shall be issued and delivered to such holder, promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the surrendered shares of Series B Stock of such holder were convertible on the date on which such automatic conversion occurred.

12. FRACTIONAL SHARES. No fractional shares of Common Stock shall be issued upon conversion of the shares of Series B Stock. In lieu of any fractional share to which the holder of such shares would otherwise be entitled, the Corporation shall pay cash equal to the product of (i) such fraction multiplied by (ii) the fair market value of one share of the Common Stock on the date of conversion, as determined in good faith by a disinterested majority of the Board of Directors.

13. RESERVATION OF STOCK ISSUABLE UPON CONVERSION. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of Series B Stock, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series B Stock. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Series B Stock, the Corporation shall take such action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

14. NOTICES. Any notice required by the provisions of this Section D to be given to a holder of shares of Series B Stock shall be deemed given upon actual receipt or if receipt is refused or does not occur, then the second attempted delivery as evidenced by appropriate third-party commercial documentation (i.e., Postal Service, Federal Express, etc.).

15. NO DILUTION OR IMPAIRMENT. The Corporation shall not amend

its Certificate of Incorporation or participate in any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in carrying out all such action as may be reasonably necessary or appropriate in order to protect the rights of the holders of the shares of Series B Stock against dilution (as contemplated herein) or other impairment of their rights.

E. NO RE-ISSUANCE. No share or shares of Series B Stock acquired by the Corporation by reason of redemption, purchase or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Corporation shall be authorized to issue."

EXHIBIT 99.7

VALUESTAR CORPORATION
INVESTORS RIGHTS AGREEMENT

THIS INVESTORS RIGHTS AGREEMENT (this "Agreement") is dated effective as of December __, 1999, by and among VALUESTAR CORPORATION, a Colorado corporation (the "Company"), SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP, a Delaware Limited Partnership ("Seacoast"), PACIFIC MEZZANINE FUND, L.P. a California limited partnership ("Pacific"), TANGENT GROWTH FUND, L.P., a California limited partnership ("Tangent"), eCOMPANIES VENTURE GROUP, L.P., a Delaware limited partnership ("eCompanies"), James A. Barnes ("Barnes"), and Jerry E. Polis ("Polis"), the entities or individuals set forth on Schedule 1 attached hereto and incorporated herein by reference who comprise holders of the "Series A Stock" held by all "Purchasers" under that certain ValueStar Corporation Series A Preferred Stock Purchase Agreement dated July 22, 1999 (the "Series A Purchase Agreement"), and the additional entities or individuals set forth on Schedule 1 attached hereto and incorporated herein by reference who have entered into the ValueStar Corporation Series B Preferred Stock Purchase Agreement dated on even date herewith (the "Series B Purchase Agreement") (individually, each such individual or entity identified on Schedule 1 as well as Seacoast, Pacific, Tangent, eCompanies, Barnes and Polis a "Holder" and collectively, all such individuals and entities, the "Holders").

RECITALS

A. On March 31, 1999, Seacoast, Pacific, Tangent, Barnes, Polis and Jim Stein ("Stein") entered into a Shareholder Agreement (the "Shareholder Agreement") which granted certain preemptive rights pursuant to Article II thereunder and certain registration rights pursuant to Article VII thereunder.

B. On July 22, 1999, Seacoast, Pacific, Tangent, Barnes, Polis, Stein and the purchasers of the Series A Stock entered into a ValueStar Corporation Registration Rights Agreement and Shareholders Agreement Amendment (the "Registration Rights Agreement") which, among other matters, amended and restated Article VII of the Shareholder Agreement.

C. On even date herewith, Seacoast, Pacific and Tangent as the Holders of a majority of the Registrable Securities under the Shareholder Agreement terminated the registration rights (Article VII) and preemptive rights (Article II) under the Shareholder Agreement in partial consideration and contemplation of the execution of this Agreement by the parties hereto in

connection herewith of the purchase by certain investors of shares of the Company's Series B Convertible Preferred Stock pursuant to the Series B Purchase Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual agreements, covenants, representations and warranties contained in this Agreement, the parties hereto hereby agree as follows:

1. DEFINITIONS.

a. "COMMISSION" means the Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

b. "CAPITAL STOCK" means the Company's common stock and any other capital stock of the Company authorized from time to time, and any other shares, options, interests, participations, or other equivalents (however designated) of or in the Company, whether voting or nonvoting, including, without limitation, common stock, options, warrants, preferred stock, phantom stock, stock appreciation rights, preferred stock, convertible notes or debentures, stock purchase rights, and all agreements, instruments, documents, and securities convertible, exercisable, or exchangeable, in whole or in part, into any one or more of the foregoing.

c. "COMMON STOCK" means any and all (i) common stock of the Corporation issued or issuable upon conversion of the Corporation's Series A Convertible Preferred Stock or Series B Convertible Preferred Stock , (ii) all common stock and Other Securities of the Corporation issued or issuable pursuant to the Warrants issued under the Warrant Purchase Agreement (collectively, (i) and (ii) the "Stock"); (iii) any common stock of the Corporation issued as a dividend or other distribution with respect to or in replacement of the Stock, and (iv) any common stock of the Corporation issued in any combination or subdivision of the Stock. In determining the amount of Common Stock held by any Person, the sum of (i), (ii), (iii) and (iv) shall be used.

d. "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended or any similar Federal statue and the rules and regulations of the Commission thereunder all as the same shall be in effect at the time.

e. "INDEBTEDNESS" means for any Person: (a) all indebtedness, whether or not represented by bonds, debentures, notes, securities, or other evidences of indebtedness, for the repayment of money borrowed, (b) all indebtedness representing deferred payment of the purchase price of property or

assets, (c) all indebtedness under any lease which, in conformity with GAAP, is required to be capitalized for balance sheet purposes and leases of property or assets made as a part of any sale and lease-back transaction if required to be capitalized, (d) all indebtedness under guaranties, endorsements, assumptions, or other contractual obligations, including any letters of credit, or the obligations in respect of, or to purchase or otherwise acquire, indebtedness of others, (e) all indebtedness secured by any lien existing on property owned, subject to such lien, whether or not the indebtedness secured thereby shall have been assumed by the owner thereof, (f) trade accounts payable more than one hundred twenty (120) days past due, (g) all amendments, renewals, extensions, modifications and refundings of any indebtedness or obligations referred to in clauses (a), (b), (c), (d), (e) or (f).

f. "OTHER SECURITIES" Any stock other than the Corporation's common stock, other securities, property, or other property or rights that the Holders become entitled to receive upon exercise of the Warrants.

g. "PERSON" means any individual, corporation, trust, partnership, association, or other entity.

h. "PUBLIC OFFERING" A public offering of shares of any class of Capital Stock by the Company issued to the general public pursuant to a registration statement declared effective by the United States Securities and Exchange Commission.

i. "REGISTRABLE SECURITIES" means the Common Stock

j. "REGISTRABLE SERIES A SECURITIES" means the Common Stock acquired as a result of the purchase of the Series A Stock.

k. "REGISTRABLE SERIES B SECURITIES" means the Common Stock acquired as a result of the purchase of the Series B Stock.

l. "SECURITIES ACT" means the Securities Act of 1933, as amended, or any similar Federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

m. "SENIOR OBLIGATIONS" means and includes any and all Indebtedness and/or liabilities of the Company to each of Seacoast, Pacific and Tangent (each a "Noteholder")of every kind, nature and description, direct or indirect, secured or unsecured, joint, several, joint and several, absolute or contingent, due or to become due, now existing or hereafter arising, under that certain "Note Purchase Agreement" and any "Other Agreement" (as such agreements are referenced under the Warrant Agreement) (regardless of how such Indebtedness or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument) and all obligations of the

Company and any of its subsidiaries to each Noteholder to perform acts or refrain from taking any action under any of the aforementioned documents, together with all renewals, modifications, extensions, increases, substitutions or replacements of any of such Indebtedness.

n. "SERIES A STOCK" means all issued and outstanding Series A Convertible Preferred Stock of the Company and any common stock shares issuable upon conversion thereof.

o. "SERIES B STOCK" means all issued and outstanding Series B Convertible Preferred Stock of the Company and any common stock shares issuable upon conversion thereof.

p. "SUBSIDIARY" Each Person of which or in which the Company or its other Subsidiaries own directly or indirectly fifty-one percent (51%) or more of (i) the combined voting power of all classes of stock having general voting power under ordinary circumstances to elect a majority of the board of directors or equivalent body of such Person, if it is a corporation or similar person; (ii) the capital interest or profits interest of such Person, if it is a partnership, joint venture, or similar entity; or (iii) the beneficial interest of such Person, if it is a trust, association, or other unincorporated organization.

q. "WARRANT PURCHASE AGREEMENT" means that certain agreement by and among certain parties hereto and Stein dated March 31, 1999. Any terms not defined herein shall have the meaning set forth in the Warrant Purchase Agreement.

r. "WARRANTS" means collectively the "A Warrant," the "B Warrant" and the "C Warrant" referred to in Section 2.01 of the Warrant Purchase Agreement and all Warrants issued upon the transfer or division of, or in substitution for, such Warrants.

2. REGISTRATION RIGHTS.

a. REQUIRED REGISTRATION. At any time after the earlier to occur of either (x) the first anniversary date of this Agreement or (y) six months following the next Public Offering, Holders of a majority of the Registrable Securities held by Seacoast, Pacific and Tangent or Holders of a majority of the Registrable Series B Securities may, upon not more than two (2) occasions and not more often than once during any 180-day period, make a written request to the Company requesting that the Company effect the registration of Registrable Securities so long as such request is for an aggregate offering price of not less than Five Million Dollars ($5,000,000). After receipt of such a request, the Company will, as soon as practicable, notify all Holders of such request and use its best efforts to effect the registration of all Registrable Securities that the Company has been so requested to register by any Holder for sale, all

to the extent required to permit the disposition (in accordance with the intended method or methods thereof) of the Registrable Securities so registered.

Notwithstanding the foregoing, if the managing underwriter or underwriters, if any, of such offering deliver a written opinion to each Holder of such Registrable Securities that the success of the offering under this Section 2.a. would be materially and adversely affected by the inclusion of any securities requested to be included in such offering, then the amount of securities to be offered for the accounts of any Persons will be reduced (i) first according to the securities proposed for registration by any Persons other than the Holders to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters, and (ii) if such underwriter requires reduction of the securities to be included in the offering in excess of all securities held by such participating Persons other than the Holders, pro rata among all participating Holders (according to the securities proposed for such registration held by such Holders).

b. INCIDENTAL REGISTRATION. If the Company at any time proposes to file on its behalf or on behalf of any of its security holders a registration statement under the Securities Act on any form (other than a registration statement on Form S-4 or S-8 or any successor form unless such forms are being used in lieu of or as the functional equivalent of, registration rights) for any class that is the same or similar to Registrable Securities, it will give written notice setting forth the terms of the proposed offering and such other information as the Holders may reasonably request to all holders of Registrable Securities at least twenty (20) days before the initial filing with the Commission of such registration statement, and offer to include in such filing such Registrable

Securities as any Holder may request. Each Holder of any such Registrable Securities desiring to have Registrable Securities registered under this Section 2.b. will advise the Company in writing within ten (10) days after the date of receipt of such notice from the Company, setting forth the amount of such Registrable Securities for which registration is requested. The Company will thereupon include in such filing the number of Registrable Securities for which registration is so requested, and will use its best efforts to effect registration under the Securities Act of such Registrable Securities.

Notwithstanding the foregoing, if the managing underwriter or underwriters, if any, of such offering deliver a written opinion to each Holder

of such Registrable Securities that the success of the offering would be materially and adversely affected by the inclusion of the Registrable Securities requested to be included, then the amount of securities to be offered for the accounts of Holders will be reduced pro rata (according to the Registrable Securities proposed for registration) to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; provided, however, that if securities are being offered for the account of other Persons as well as the Company, then with respect to the Registrable Securities intended to be offered by Holders, the proportion by which the amount of such class of securities intended to be offered by Holders is reduced will not exceed the proportion by which the amount of such class of securities intended to be offered by such other Persons (other than the Company) is reduced; and further provided, however, that with respect to any underwritten public offering other than the Company's next Public Offering, no less than 25% of the total number of Registrable Securities requested to be registered by the Holders shall be included in the underwriting.

c. FORM S-3 REGISTRATIONS. In addition to the registration rights provided in Sections 2.a. and 2.b. above, if at any time the Company is eligible to use Form S-3 (or any successor form) for registration of secondary sales of Registrable Securities, any Holders of no less than 20% of the Registrable Securities may request in writing not more often than once during any 180-day period that the Company register shares of Registrable Securities on such form so long as such request is for an aggregate offering price of at least Five Million Dollars ($5,000,000). Upon receipt of such request, the Company will promptly notify all holders of Registrable Securities in writing of the receipt of such request and each such Holder may elect (by written notice sent to the Company within fifteen (15) days of receipt of the Company's notice) to have its Registrable

Securities included in such registration pursuant to this Section 7.03. Thereupon, the Company will, as soon as practicable, use its best efforts to effect the registration on Form S-3 of all Registrable Securities that the Company has so been requested to register by such Holder for sale. The Company will use its best efforts to qualify and maintain its qualification for eligibility to use Form S-3 for such purposes.

d. TERMINATION/RULE 144 AVAILABILITY. Notwithstanding the foregoing, the Company will not be obligated to register any Registrable Securities (i) as to which counsel reasonably acceptable to the participating Holders renders an opinion in form and substance satisfactory to such Holders to the effect that such Registrable Securities are freely saleable without limitation as to volume

under Rule 144 under the Securities Act or (ii) after the fifth anniversary date of the earlier to occur of a "Qualified Liquidity Milestone" or "Qualified Liquidation Event" as such terms are defined in the Warrant Purchase Agreement.

e. REGISTRATION PROCEDURES. In connection with any registration of Registrable Securities under this Agreement, the Company will, as soon as practicable:

(i) prepare and file with the Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become and remain effective until the earlier of such time as all Registrable Securities subject to such registration statement have been disposed of or the expiration of one hundred eighty (180) days;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities covered by such registration statement until the earlier of such time as all of such Registrable Securities have been disposed of or the expiration of one hundred eighty (180) days;

(iii) furnish to each Holder such number of copies of the registration statement and prospectus (including, without limitation, a preliminary prospectus) in conformity with the requirements of the Securities Act (in each case including all exhibits) and each amendment or supplement thereto, together with such other documents as any Holder may reasonably request;

(iv) use its best efforts to register or qualify the Registrable Securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions within the United States and Puerto Rico as each Holder reasonably requests, and do such other acts and things as may be reasonably required of it to enable such holder to consummate the disposition in such jurisdiction of the securities covered by such registration statement, except any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction;

(v) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its securities holders, as soon as practicable, an earnings statement

covering the period of at least twelve months beginning with the first month after the effective date of such registration statement, which earnings statement will satisfy the provisions of Section 11(a) of the Securities Act;

(vi) provide and cause to be maintained a transfer agent and registrar for Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement;

(vii) if requested by the underwriters for any underwritten offering or Registrable Securities on behalf of a Holder of Registrable Securities pursuant to a registration requested under Section 2.a, the Company will enter into an underwriting agreement with such underwriters for such offering, such agreement to contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, provisions with respect to indemnities and contribution as are reasonably satisfactory to such underwriters and the Holders; the Holders on whose behalf Registrable Securities are to be distributed by such underwriters will be parties to any such underwriting agreement and the representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such underwriters, will also be made to and for the benefit of such Holders of Registrable Securities; and no Holder of Registrable Securities will be required by the Company to make any representations or warranties to or agreements with the Company or the underwriters other than reasonable and customary

representations, warranties, or agreements regarding such Holder, such Holder's Registrable Securities, such Holder's intended method or methods of disposition, and any other representation required by law;

(viii) furnish, at the written request of any Holder, on the date that such Registrable Securities are delivered to the underwriters for sale pursuant to such registration, or, if such Registrable Securities are not being sold through underwriters, on the date that the registration statement with respect to such Registrable Securities becomes effective, (i) an opinion in form and substance reasonably satisfactory to such Holders, and addressing matters customarily addressed in underwritten public offerings, of the counsel representing the Company for the purposes of such registration (who will not be an

employee of the Company and who will be satisfactory to such Holders), addressed to the underwriters, if any, and to the selling Holders; and (ii) a letter (the "comfort letter") in form and substance reasonably satisfactory to such Holders, from the independent certified public accountants of the Company, addressed to the underwriters, if any, and to the selling Holders making such request (and, if such accountants refuse to deliver the comfort letter to such Holders, then the comfort letter will be addressed to the Company and accompanied by a letter from such accountants addressed to such Holders stating that they may rely on the comfort letter addressed to the Company); and

(ix) during the period when the registration statement is required to be effective, notify each selling Holder of the happening of any event as a result of which the prospectus included in the registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

It will be a condition precedent to the obligation of the Company to take any action pursuant to this Agreement in respect of the Registrable Securities that are to be registered at the request of any Holder of Registrable Securities that such Holder furnish to the Company such information regarding the Registrable Securities held by such Holder and the intended method of disposition

thereof as is legally required in connection with the action taken by the Company. The managing underwriter or underwriters, if any, for any offering of Registrable Securities to be registered pursuant to Section 2.a. or 2.c. will be selected by the Holders of a majority of the Registrable Securities being so registered.

f. ALLOCATION OF EXPENSES. Except as provided in the following sentence, the Company will bear all expenses arising or incurred in connection with any of the transactions contemplated by this Agreement, including, without limitation, (a) all expenses incident to filing with the National Association of Securities Dealers, Inc.; (b) registration fees; (c) printing expenses; (d) accounting fees and expenses and the fees and expenses of one special counsel to the selling Holders not to exceed $25,000 (except that if in the reasonable

written opinion of counsel for either the holders of a majority of the Registrable Series A Securities or Registrable Series B Securities, there exists a material conflict of interest between such two groups of Holders, then each such group may be represented by separate counsel with each counsel reimbursed for fees and expenses not to exceed $25,000); (e) expenses of any special audits or comfort letters incident to or required by any such registration or qualification; and (f) expenses of complying with the securities or blue sky laws of any jurisdictions in connection with such registration or qualification. Notwithstanding the foregoing, each Holder will severally bear the expense of its underwriting fees, discounts, or commissions relating to its sale of Registrable Securities in all such registrations.

g. LISTING ON SECURITIES EXCHANGE. If the Company lists any shares of Capital Stock on any securities exchange or on the National Association of Securities Dealers, Inc. Automated Quotation System or similar system, it will, at its expense, list thereon, maintain and, when necessary, increase such listing of, all Registrable Securities.

h. HOLDBACK AGREEMENTS.

(i) If any registration pursuant to Section 2.b is in connection with an underwritten public offering, each Holder of Registrable Securities agrees, if so required by the managing underwriter, not to effect any public sale or distribution of Registrable Securities (other than as part of such underwritten public offering) during the period beginning seven (7) days prior to the effective date of such registration statement and ending on the one hundred eightieth (180th) day after the effective date of such registration statement; provided, however, that Jim Stein and each Person that is an officer, director, or

beneficial owner of five percent (5%) or more of the outstanding shares of any class of Capital Stock enters into such an agreement.

(ii) The Company agrees not to effect any public sale or distribution during the period seven (7) days (or such longer period as may be prescribed by Regulation M) prior to the effective date of the registration statement employed in any underwritten public offering and ending on the one hundred eightieth (180th) day after any such registration statement contemplated by Sections 2.a. or 2.c. has become effective, except as part of such underwritten public offering pursuant to such registration statement and except pursuant to securities registered on Forms S-4 or S-8 of the Commission or any successor forms, and the Company

agrees to use its best efforts to cause each holder of its equity securities or any securities convertible into or exchangeable or exercisable for any of such securities, in each case purchased from the Company at any time after the date of this Agreement (other than in a public offering), to agree not to effect any such public sale or distribution of such securities during such period.

i. RULE 144. At all times following completion by the Company of a Public Offering, the Company will take such action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell shares of Registrable Securities without registration pursuant to and in accordance with (a) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation adopted by the Commission. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

j. RULE 144A. The Company agrees that, upon the request of any Holder or any prospective purchaser of Registrable Securities designated by a Holder, the Company will promptly provide (but in any case within fifteen (15) days of a request) to such Holder or potential purchaser, the following publicly available information:

(i) a brief statement of the nature of the business of the Company and any Subsidiaries and the products and services they offer;

(ii) the most recent consolidated balance sheets and profit and losses and retained earnings statements, and similar financial statements of the Company for such part of the two preceding fiscal years prior to such request as the Company has been in operation (such financial information will be audited, to the extent reasonably available); and

(iii) such other publicly available information about the Company, any Subsidiaries, and their business, financial condition, and results of operations as the requesting Holder or purchaser of such Warrants requests in order to comply with Rule 144A, as amended, and the antifraud provisions of the federal and state securities laws. The Company hereby represents and warrants to any such requesting Holder and any prospective purchaser of Warrants or Warrant Shares from such Holder that the information provided by the Company pursuant to this Section 2.j. will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

k. LIMITATIONS ON SUBSEQUENT REGISTRATION RIGHTS. Until (i) a Qualified Liquidity Milestone, (ii) a Qualified Liquidation Event (as each is defined in the Company's Series A Convertible Preferred Stock Certificate of Designation

filed with the Colorado Secretary of State) (iii) the repayment of any and all Senior Obligations owed to such Noteholder and the sale in excess of 80% of such Noteholder's common stock shares and Other Securities issued or issuable under the Warrants from and after the date of this Agreement or until the provisions of Section 2.d. are applicable, the Company will not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 2.a., unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of its securities will not reduce the amount of the Registrable Securities of the Holders that is included or (b) to make a demand registration that could result in such registration statement being declared effective prior to the effectiveness of the first registration statement effected under Section 2.a. or within one hundred twenty (120) days of the effective date of any registration effected pursuant to Section 2.a..

l. RIGHT TO DELAY A DEMAND REGISTRATION. If, at the time of any request to register Registrable Securities hereunder, the Company is preparing a registration statement for a Public Offering (other than a registration effected solely to implement an employee benefit plan or a transaction to which Rule 145 of the Commission is applicable) and such registration statement in fact is filed and becomes effective within ninety (90) days after the request, then the Company may at its option delay such request for a period not more than in excess of one hundred twenty

(120) days from the effective date of such offering or the date of commencement of such other activity, as the case may be. Such right to delay shall be exercised by the Company not more than once in any twelve (12) month period. Nothing in this Section 2.l. shall preclude a Holder of Registrable Securities from enjoying registration rights which it might otherwise possess under this this Agreement.

m. INDEMNIFICATION

(i) INDEMNIFICATION BY HOLDERS OF REGISTRABLE SECURITIES. Each Holder of any Registrable Securities shall, by acceptance thereof, indemnify and hold harmless each other holder of any Registrable Securities, the Company, its directors and officers, each above-described underwriter who contracts with the Company or its agents and each other Person, if any, who controls the Company or such underwriter, against any liability, joint or several, to which any such other Holder, the Company, underwriter or any such director or officer of any such Person may become subject under the Securities Act or any other statute or at common law, if such liability (or actions in respect hereof) arises out of or

is based upon (i) the disposition by such Holder of such Registrable Securities in violation of the provisions of this Agreement, (ii) any alleged untrue statement of any material fact contained in any registration statement under which securities were registered under the Securities Act at the request of such Holder, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereto, or (iii) any alleged omission to state therein a material fact required to be stated therein or necessary to make statement(s) therein not misleading. Notwithstanding any other provision of this Section, the indemnification rights set forth in this Section shall be given in the case of clause (ii) or (iii) only if such alleged untrue statement or alleged omission supplement thereto was made (1) in reliance upon and in conformity with written information furnished to the Company by such Holder under an instrument executed by such Holder expressly stated for use therein, and (2) not based on the authority of an expert as to whom the holder had no reasonable ground to believe, and did not believe, that (A) the statements made on the authority of such expert were untrue or (B) there was an omission to state a material fact. Such Holder shall reimburse the Company, such underwriter or such director, officer, other Person or other Holder for any reasonable legal fees incurred in investigating or defending any such liability if it is judicially determined that the information furnished by such Holder contains an untrue statement of material fact or omitted to state a material fact necessary to make the information not misleading; provided, however, that no Holder of Registrable Securities shall be required to

indemnify any Person against any liability arising from any untrue or misleading statement or omission contained in any prospectus or for any liability which arises out of the failure of any Person to deliver a prospectus as required by the Securities Act; and provided further, that the obligations of such Holder of Registrable Securities for the indemnity hereunder shall be limited to an amount equal to the net proceeds received by such Holder of Registrable Securities upon disposition thereof and shall not extend to any settlement of claims related thereto without the express written consent of such Holder of Registrable Securities, which consent shall not be unreasonably withheld.

(ii) INDEMNIFICATION BY THE COMPANY. In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, then to the extent permitted by law the Company shall indemnify and hold harmless the seller of such Registrable Shares, each underwriter of such Registrable Shares and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities laws or

otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading; and the Company shall reimburse such seller, underwriter and each such controlling person for reasonable legal or any other expenses incurred by such seller, underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (i) any untrue statement or omission made in such Registration Statement, preliminary prospectus or prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, by or on behalf of such seller, underwriter or controlling person specifically for use in the preparation thereof. or (ii) on the authority of an "expert" within

the meaning of that term as defined in the Securities Act (but only if the Company had no reasonable ground to believe, and did not believe, that the statements made on the authority of such expert were untrue or that there was an omission to state a material fact). The Company shall not be required to indemnify any Person against any liability arising from (i) any untrue or misleading statement or omission contained in any preliminary prospectus if such deficiency is corrected in the final prospectus or (ii) for any liability which arises out of the failure of any Person to deliver a prospectus as required by the Securities Act.

n. NOMINEES FOR BENEFICIAL OWNERS/TRANSFERS. In the event that any Registrable Securities are held by a nominee for the beneficial owner of such Registrable Securities, the beneficial owner of Registrable Securities may, at its election, be treated as the Holder of such Registrable Securities for purposes of any request or other action by any Holder or Holders of Registrable Securities pursuant to this Agreement or any determination of any number or percentage of shares of Registrable Securities held by any Holder or Holders of Registrable Securities contemplated by this Agreement. If the beneficial owner of any Registrable Securities so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such

Registrable Securities. In no event will a Holder be required to exercise the Warrant as a condition to the registration of such Warrant or Registrable Securities thereunder. The registration rights set forth in this Section 2 are only assignable by each original Holder hereunder to each assignee of no less than the lesser of all of Holder's Registrable Securities held as of the date hereof or at least one hundred thousand (100,000) Registrable Securities conveyed in accordance herewith (appropriately adjusted in all cases for stock splits, combinations, recapitalizations and the like), provided that such assignee promptly agrees in writing to be bound by the terms and conditions of this Agreement.

3. PREEMPTIVE RIGHTS.

a. EQUITY PREEMPTIVE RIGHT. The Company will not issue or sell any Capital Stock (other than any Series B Stock, or other than any securities that, with the unanimous consent of the Company's Board of Directors, are not issued to any existing shareholder of the Company or other than any such other equity or any such rights to acquire equity which are excluded from the definition of "Additional Shares of Common Stock" under the Company's Series B Convertible Preferred Stock Certificate of Designation (including any options or other convertible securities exercisable for shares excluded from such definition)) (the "New Securities") without first

complying with this Section 3. The Company hereby grants to each of Seacoast, Pacific, Tangent and each Holder of at least 20% of the Registrable Series B Securities originally outstanding (each a "Preemptive Right Holder") the preemptive right to purchase, pro rata, any part of the New Securities that the Company may, from time to time, propose to sell or issue. In the event New Securities are offered or sold as part of a unit with other New Securities, the preemptive right granted by this Section3 will apply to such units and not to the individual New Securities composing such units. Each Holder's pro rata share for purposes of Section 3 is the ratio that the number of shares of Common Stock owned by such Holder immediately prior to the issuance of the New Securities bears to the sum of the total number of shares of Common Stock then outstanding. Any payment due from Holder in connection with the exercise of the preemptive right granted pursuant to this Section 3.a may be satisfied, at the option of the Holder, by (i) cancellation of any debt and/or accrued interest owed by the Company to the Holder or (ii) cancellation of Warrant Shares, valued at Fair Market Value.

b. DEBT PREEMPTIVE RIGHT. The Company will not incur any additional

debt other than the debt due under the Note or any Permitted Indebtedness, (as defined in the Note Agreement) without first complying with this Section 3 and Section 12.15 of the Note Agreement.

c. NOTICE TO PREEMPTIVE RIGHT HOLDERS.

(i) In the event the Company proposes to issue or sell New Securities, it will give each Preemptive Right Holder written notice of its intention, describing the type of New Securities and the price and terms upon which the Company proposes to issue or sell the New Securities. Each Preemptive Right Holder will have fifteen (15) days from the date of receipt of any such notice and such information as the Preemptive Right Holder may reasonably request to facilitate its investment decision to agree to purchase up to its respective pro rata share of the New Securities for the price (valued at Fair Market Value for any noncash consideration) and upon the terms specified in the notice by giving written notice to the Company stating the quantity of New Securities agreed to be purchased.

(ii) In the event the Company proposes to incur additional debt to which Section 3.b above (but not Section 3.a above)would apply (the "New Financing"), the Company shall first offer to each of Seacoast, Pacific and Tangent, on a pari passu and pro rata basis, based upon the principal amount of the Senior Obligations outstanding to such

parties (except that if the Senior Obligations have been paid in full, based upon the amount of Capital Stock owned by such parties), the right to provide all or any part of the New Financing proposed to be incurred, on the most favorable terms for lender(s) to be providing such New Financing. Such offer shall describe the New Financing in reasonable detail. Thereafter, each such party shall have fifteen (15) days in which to accept the Company's offer and closing of the transaction shall take place within sixty (60) days of acceptance. If any such Holder does not accept the offer or accepts only a part of it, such Holder shall notify the Company and the other two Holders, and the other two Holders shall thereupon have the right, within an additional ten (10) day period, to agree to provide on a pro rata basis the New Financing not so provided by the non-accepting Holder, and closing of such transaction shall take place within sixty (60) days of acceptance. If no such Holder accepts the offer, or if each such Holder elects to provide only a part of the New Financing offered, then the Company may then offer to third parties such New Financing, or a portion thereof

not provided by any such Holder, on terms and conditions no more favorable to the lenders thereof than those provided by, or offered to, such Holders, provided that any such funding occurs within one hundred eighty (180) days of such Holders' non-acceptance or partial acceptance of the Company's original offer. Any New Financing thereafter must first be reoffered to each of Seacoast, Pacific and Tangent under the terms of this Section 3.c(ii).

d. ALLOCATION OF UNSUBSCRIBED NEW SECURITIES. In the event a Preemptive Right Holder fails to exercise such equity preemptive right in full within such fifteen (15) day period, the other Preemptive Right Holders, if any, will have an additional five (5) day period to purchase such Holder's portion not so agreed to be purchased in the same proportion in which such other Holders were entitled to purchase the New Securities (excluding for such purposes such nonpurchasing Holder). Thereafter, the Company will have ninety (90) days to sell the New Securities not elected to be purchased by the Preemptive Right Holders at the same price and upon the same terms specified in the Company's notice described in Section 3.c(i). In the event the Company has not sold the New Securities within such ninety (90) day period, the Company will not thereafter issue or sell any New Securities without first offering such securities in the manner provided above.

e. TERMINATION OF PREEMPTIVE RIGHTS. The rights granted pursuant to this Section 3 shall terminate upon the earlier to occur of (i) a Qualified Liquidation Event or (ii) a Qualified Liquidity Milestone.

4. MISCELLANEOUS.

a. HEADINGS. The headings in this Agreement are for convenience and reference only and are not part of the substance of this Agreement.

b. SEVERABILITY. The parties to this Agreement expressly agree that it is not their intention to violate any public policy, statutory or common law rules, regulations, or decisions of any governmental or regulatory body. If any provision of this Agreement is judicially or administratively interpreted or construed as being in violation of any such policy, rule, regulation, or decision, the provision, section, sentence, word, clause, or combination thereof causing such violation will be inoperative (and in lieu thereof there will be inserted such provision, sentence, word, clause, or combination thereof as may be valid and consistent with the intent of the parties under this Agreement) and the remainder of this Agreement, as amended, will remain binding upon the parties to this Agreement, unless the inoperative provision would cause enforcement of the remainder of this Agreement to be inequitable under the circumstances.

c. NOTICES. Whenever it is provided herein that any notice, demand,

request, consent, approval, declaration, or other communication be given to or served upon any of the parties by another, such notice, demand, request, consent, approval, declaration, or other communication will be in writing and will be deemed to have been validly served, given, or delivered (and "the date of such notice" or words of similar effect will mean the date) five (5) days after deposit in the United States mails, certified mail, return receipt requested, with proper postage prepaid, or upon receipt thereof (whether by non-certified mail, telecopy, telegram, express delivery, or otherwise), whichever is earlier, and addressed to the party to be notified as follows:

If to eCompaniesVenture Group, L.P., at

If to Seacoast, at Seacoast Capital Partners Limited Partnership
One Sansome Street, Suite 2100
San Francisco, California 94104
Attention: Jeffrey J. Holland
Fax: (415) 956-1459

Seacoast Capital Partners Limited Partnership
c/o Seacoast Capital Corporation
55 Ferncroft Road
Danvers, Massachusetts 01923
Attention: Walt Leonard
Fax: (508) 750-1301

If to Pacific, at Pacific Mezzanine Fund, L.P.
2200 Powell Street, Suite 1250
Emeryville, California 94608
Attention: Dave Woodward
Fax: (510) 595-9801

If to Tangent, at Tangent Growth Fund, L.P.
1 Union Square
180 Geary Street, Suite 500
San Francisco, California 94108
Attention: Mark P. Gilles
Fax: (415) 392-1928

with courtesy copies to: Patton Boggs LLP
2001 Ross Avenue, Suite 3000
Dallas, Texas 75201
Attention: Charles P. Miller, Esq.
Fax: (214) 871-2688

Howard, Rice, Nemerovski, Canady, Falk & Rabkin
Three Embarcadero Center, Seventh Floor
San Francisco, CA 94111-4065
Denis T. Rice, Esq.

If to the Company, at ValueStar Corporation
360 22nd Street, Suite 210
Oakland, CA 94612
FAX: (510) 808-1400
Attention: Jim Stein

with courtesy copies to: Bay Venture Counsel, LLP
1999 Harrison Street, Suite 1300
Oakland, California 94612
Attention: Donald C. Reinke, Esq.
Fax: (510) 834-7440

If to Barnes: James A. Barnes
8617 Canyon View Drive
Las Vegas, NV 89117
Facsimile: (702) 254-4212

If to Polis: Jerry E. Polis
980 American Pacific Drive, Suite 111
Henderson, Nevada 89014
Fax: (702) 737-6900

If to any other Holder: As set forth on Schedule 1.

or to such other address as each party may designate for itself by like notice. Notice to any other Holder will be delivered as set forth above to the address shown on the stock transfer books of the Company unless such Holder has advised the Company in writing of a different address to which notices are to be sent under this Agreement. Failure or delay in delivering the courtesy copies of any notice, demand, request, consent, approval, declaration, or other communication to the persons designated above to receive copies of the actual notice will in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration, or other communication. No notice, demand, request, consent, approval, declaration, or other communication will be deemed to have been given or received unless and until it sets forth all items of information required to be set forth therein pursuant to the terms of this Agreement.

d. SUCCESSORS/AMENDMENTS. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted

assigns.. Except as otherwise expressly provided herein, the provisions of this Agreement may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if it has obtained the written consent of Holders holding at least sixty-six and two-thirds percent (66-2/3%) or more of the then outstanding Registrable Securities; provided, however, that any amendment or action which would adversely affect only one class of Holders shall also require the written consent of the Holders holding at least sixty-six and two-thirds percent (66-2/3%) or more of the then outstanding Registrable Securities of such class. Notwithstanding the foregoing, this Section 4.d. shall not be amended without the consent of all Holders.

e. REMEDIES. The failure of any party to enforce any right or remedy under this agreement, or to enforce any such right or remedy promptly, will not constitute a waiver thereof, nor give rise to any estoppel against such party, nor excuse any other party from its obligations under

this Agreement. Any waiver of any such right or remedy by any party must be in writing and signed by the party against which such waiver is sought to be enforced.

f. FEES. Any and all fees, costs, and expenses, of whatever kind and nature, including attorneys' fees and expenses, incurred by the Holders in connection with the defense or prosecution of any actions or proceedings arising out of or in connection with this Agreement will, to the extent provided in this Agreement, be borne and paid by the Company within ten (10) days of demand by the Holders.

g. COUNTERPARTS. This Agreement may be executed in any number of counterparts, which will individually and collectively constitute one agreement.

h. CHOICE OF LAW. THIS AGREEMENT HAS BEEN EXECUTED, DELIVERED, AND ACCEPTED BY THE PARTIES AND WILL BE DEEMED TO HAVE BEEN MADE IN THE STATE OF CALIFORNIA AND WILL BE INTERPRETED AND THE RIGHTS OF THE PARTIES DETERMINED IN ACCORDANCE WITH THE LAWS OF THE UNITED STATES APPLICABLE THERETO AND THE INTERNAL LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO AN AGREEMENT EXECUTED, DELIVERED AND PERFORMED THEREIN WITHOUT GIVING EFFECT TO THE CHOICE-OF-LAW RULES THEREOF OR ANY OTHER PRINCIPLE THAT COULD REQUIRE THE APPLICATION OF THE SUBSTANTIVE LAW OF ANY OTHER JURISDICTION.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

COMPANY:

VALUESTAR CORPORATION

By:

Its: President and Chief Executive Officer

James A. Barnes, individually, as President of Sunrise Capital, Inc. and General Partner of Tiffany Investments, and as General Partner of Tiffany Investments Limited Partnership

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Jerry E. Polis, individually, as President of Davric Corporation and Trustee of the Jerry E. Polis Family Trust

eCOMPANIES VENTURE GROUP, L.P.

By

Name: Steven Ledger
Its: Managing General Partner

SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP
By: Seacoast Capital Corporation, its general partner

By

Name: Jeffrey J. Holland
Its: Vice President

PACIFIC MEZZANINE FUND, L.P.
By: Pacific Private Capital its general partner

By

Name: Andrew B. Dumke
Its: General Partner

TANGENT GROWTH FUND, L.P.
By: Tangent Fund Management, LLC its general partner

By

Name: Mark P. Gilles
Its: Vice President

SCHEDULE 1

SIGNATURE PAGES TO VALUESTAR CORPORATION INVESTORS RIGHTS AGREEMENT

Name of Holder

Authorized Signature

Print Name and Title of Signatory

ADDRESS

EXHIBIT 99.8

SECOND AMENDMENT TO SHAREHOLDER AGREEMENT

This SECOND AMENDMENT TO SHAREHOLDER AGREEMENT (this "Amendment") made as of December 8, 1999, by and among VALUESTAR CORPORATION, a Colorado corporation (the "Company"), SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP, a Delaware Limited Partnership ("Seacoast"), PACIFIC MEZZANINE FUND, L.P. a California limited partnership ("Pacific") and TANGENT GROWTH FUND, L.P., a California limited partnership ("Tangent") (individually and collectively, "Purchaser"), and Jim Stein ("Stein"), James A. Barnes ("Barnes"), and Jerry E. Polis ("Polis") (individually and collectively, the "Shareholder").

WHEREAS, the Company, Purchaser and Shareholder have entered into that certain Shareholder Agreement, dated as of March 31, 1999, as amended on July 22, 1999 (the "Original Agreement" and, as further amended hereby, the "Agreement")

WHEREAS, in connection with a Series B Preferred Stock financing of the Company, the Company and certain investors in the Series B Preferred Stock have requested that Purchaser and Shareholder make certain amendments to the Original Agreement, and Purchaser and Shareholder are willing to do so upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. DEFINITIONS. All capitalized terms used but not otherwise defined in this Amendment shall have the meanings ascribed to them in the Agreement. Unless otherwise specified, all section references herein refer to sections of the Original Agreement.

2. AMENDMENT TO ARTICLE II. Article II is hereby amended and restated to terminate all the provisions thereof and read as follows in its entity:

"ARTICLE II
HOLDERS' PREEMPTIVE RIGHTS

Reserved."

3. AMENDMENT TO ARTICLE IV. Article IV is hereby amended and restated to terminate all the provisions thereof and read as follows in its entity:

"ARTICLE IV
DRAG ALONG RIGHTS AND CALL OPTION UPON EXERCISE OF DRAG ALONG RIGHTS

Reserved."

2

4. AMENDMENT TO ARTICLE VII. Article VII is hereby amended and restated to terminate all the provisions thereof and read as follows in its entity:

"ARTICLE VII
LIQUIDITY

Reserved."

5. AMENDMENT TO SECTION 8.02. Section 8.02 is hereby amended and restated to read as follows in its entity:

"8.02 Board of Directors. Until the expiration of the agreement to vote in this Article VIII, subject to applicable state law, Seacoast shall be entitled to designate one (1) member to the Company's Board of Directors (the "Purchaser Director"). Seacoast shall not have the obligation to designate a member to the Company's Board of Directors. The Shareholder shall (i) vote all shares of Capital Stock now owned or later acquired by such Shareholder to the extent such Shareholder then owns such Capital Stock (the "Voting Shares") at all regular and special meetings of the stockholders of the Company called or held for the purpose of filling positions on the Board of Directors, and in each written consent executed in lieu of such a meeting of stockholders, and each Shareholder shall take all actions otherwise necessary, to ensure (to the extent within such Shareholder's collective control) the election to the Board of Directors of the Purchaser Director and (ii) not vote their Voting Shares for the removal of the Purchaser Director unless requested by Seacoast. Any Purchaser Director vacancy created or existing on the Company's Board of Directors shall be filled by a successor Purchaser Director who shall be elected in a manner by which his or her predecessor was elected or entitled to be elected as provided above if so requested by Seacoast.

Subject to the confidentiality provisions set forth in Section 11.17, the Company will deliver to each Purchaser a copy of the minutes of and all materials distributed at or prior to all meetings of the Board of Directors (including the executive committee thereof) or shareholders of the Company, certified as true and accurate by the Secretary of the Company, promptly following each such meeting. The Company will permit each Purchaser to designate one (1) person to attend all meetings of the Company's Board of Directors (including executive committee meetings) as follows: so long as Pacific, Tangent

and Seacoast are Holders each of them shall be permitted to designate one (1) person unless in the case of Seacoast, Pacific or Tangent they have a representative as a member of the Board of Directors. The Company will also: (a) provide such designees not less than fourteen (14) calendar days' actual notice of all regular meetings and of all special meetings of the Company's Board of Directors (including the executive committee thereof) or shareholder, (b) permit such designees to attend such meetings as an observer and (c) provide to such designees a copy of all materials distributed at such meetings or otherwise to the Board of Directors of the Company. Such meetings shall be held

in person at least quarterly, and the Company will cause its Board of Directors to call a meeting at any time upon the request of either Seacoast or Pacific not more than two (2) occasions per calendar year upon fourteen (14) calendar days' actual notice to the Company. The Company agrees to reimburse each individual referred to in Subsection (b) above for all reasonable expenses incurred in traveling to and from such meetings and attending such meetings. All actions that may be taken at a duly called Board meeting likewise may be taken by unanimous written consent of each Board member, which consent, if signed by Seacoast or Pacific either as a Board member or observer shall be deemed effective upon such signing whether or not the relevant number of advance days' notice has been given as required if a meeting had been held in lieu of written consent."

4. MISCELLANEOUS.

4.1 Survival of Representations and Warranties. All representations and warranties made in the Original Agreement, including, without limitation, any document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the Other Agreements, and no investigation by Purchaser or any closing shall affect the representations and warranties or the right of Purchaser to rely upon them.

4.2 Reference to Original Agreement. The Original Agreement and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Original Agreement, as amended hereby, are hereby amended so that any reference in the Original Agreement and such other Agreements to the Original Agreement shall

mean a reference to the Original Agreement as amended hereby.

4.3 Expenses of Purchaser. As provided in the Original Agreement, the Company agrees to pay on demand all costs and expenses incurred by Purchaser in connection with the preparation, negotiation and execution of this Amendment and any other agreements executed pursuant hereto, including, without limitation, the reasonable costs and fees of Purchaser's legal counsel.

4.4 Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

4.5 Successors and Assigns. This Amendment will inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

4.6 Headings. The headings of the sections and subsections of this Amendment are inserted for convenience only and do not constitute a part of this Amendment.

4.7 Counterparts. This Amendment may be executed in any number of counterparts, which shall collectively constitute one agreement.

4.8 LAW GOVERNING. THIS AMENDMENT SHALL BE DEEMED TO HAVE BEEN SUBSTANTIALLY NEGOTIATED AND MADE IN THE STATE OF CALIFORNIA AND SHALL BE INTERPRETED AND THE RIGHTS OF THE PARTIES DETERMINED IN ACCORDANCE WITH THE LAWS OF THE UNITED STATES APPLICABLE THERETO AND THE INTERNAL LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO AN AGREEMENT EXECUTED, DELIVERED AND PERFORMED THEREIN, WITHOUT GIVING EFFECT TO THE CHOICE-OF-LAW RULES THEREOF OR ANY OTHER PRINCIPLE THAT COULD REQUIRE THE APPLICATION OF THE SUBSTANTIVE LAW OF ANY OTHER JURISDICTION.

4.9 WAIVER; MODIFICATION. NO PROVISION OF THIS AMENDMENT MAY BE WAIVED, CHANGED OR MODIFIED, OR THE DISCHARGE THEREOF ACKNOWLEDGED, ORALLY, BUT ONLY BY AN AGREEMENT IN WRITING SIGNED BY THE PARTY AGAINST WHOM THE ENFORCEMENT OF ANY WAIVER, CHANGE, MODIFICATION OR DISCHARGE IS SOUGHT.

4.10 FINAL AGREEMENT. THE ORIGINAL AGREEMENT, AS AMENDED HEREBY, REPRESENTS THE ENTIRE EXPRESSION OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF ON THE DATE THIS AMENDMENT IS EXECUTED. THE ORIGINAL AGREEMENT, AS AMENDED HEREBY, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, the Company, Purchaser and Shareholder have caused this Amendment to be executed and delivered as of the date first written.

COMPANY:

VALUESTAR CORPORATION

By: /s/ JAMES STEIN

Name: James Stein
Its: President and Chief Executive Officer

SHAREHOLDER:

/s/ JAMES STEIN

James Stein

/s/ JAMES A. BARNES

James A. Barnes, individually, as President of Sunrise Capital, Inc. and General Partner of Tiffany Investments, and as General Partner of Tiffany Investments Limited Partnership

/s/ JERRY E. POLIS

Jerry E. Polis, individually, as President of Davric Corporation and Trustee of the Jerry E. Polis Family Trust

PURCHASER:

SEACOAST CAPITAL PARTNERS LIMITED PARTNERSHIP

By: Seacoast Capital Corporation, its general partner

By: /s/ JEFFREY J. HOLLAND

Name: Jeffrey J. Holland
Its: Vice President

PACIFIC MEZZANINE FUND, L.P.

By: Pacific Private Capital its general partner

By: /s/ ANDREW DUMKE

Name: Andrew Dumke
Its: General Partner

TANGENT GROWTH FUND, L.P.

By: Tangent Fund Management, LLC its general partner

By: /s/ MARK P. GILLES

Name: Mark P. Gilles
Its: Vice President