

FUNCTIONAL SPECIFICATIONS DEVELOPMENT AGREEMENT

THIS AGREEMENT made effective the _____ day of _____, _____.

BETWEEN:

DEVELOPER
(the "Developer")

OF THE FIRST PART

- and -

CUSTOMER
(the "Customer")

OF THE SECOND PART

WHEREAS:

- A. Customer requires a computerized system (the "System") which will satisfy the inventory management, accounting and administrative needs of Customer's business;
- B. Developer has prepared and submitted, and Customer has accepted, a proposal (the "Proposal") which is attached hereto as Schedule "___";
- C. Customer now requires a set of functional specifications which will consolidate and expand on the Proposal so as to provide a detailed description of the proposed System at a business rather than a technical level which will form the basis for the development and implementation of the System;
- D. Developer has represented that it has the capacity and professional ability to produce such functional specifications and, on the basis of that representation, Customer wishes to contract for, and Developer wishes to supply its services on the terms and conditions set out herein.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions

1.1 Unless otherwise expressly defined herein, all information processing industry terms in this Agreement shall have the meaning applied to them by the [source of definitions].

1.2 As used in this Agreement, any schedule hereto and any amendment hereof, and any documents to be executed and delivered pursuant to this Agreement and in any documents executed and delivered in connection with the completion of the transactions contemplated herein, the following words and phrases shall have the following meanings:

- (a) "Development Plan" means the activities and functions set out in Schedule "___" attached hereto for the development and delivery of the Functional Specifications;
- (b) "Development Schedule" means the operative dates for the Development Plan as set forth in Schedule "___" attached hereto;
- (c) "Functional Specifications" means the specifications to be prepared by Developer in conjunction with Customer which will be based on the Proposal and which will conform in content but not necessarily rigid structure to the requirements specified in the Functional Specifications Content Requirements and which, when completed, will fully describe the required System at a business rather than a technical level;

- (d) "Functional Specifications Content Requirements" means the requirements set out in Schedule "___" attached hereto;
- (e) "Payment Schedule" means the terms and conditions of payment of the Price hereunder, which are attached hereto as Schedule "___"; and
- (f) "Price" means the total fees and expenses payable by Customer to Developer for the Functional Specifications as set out in Schedule "___" attached hereto.

1.3 The following are the schedules attached to and incorporated into this Agreement by reference and deemed to be a part hereof:

[Proposal]
[Development Plan]
[Development Schedule]
Functional Specifications Content Requirements]
[Payment Schedule]
[Price]

2. Terms of Agreement

Subject to the terms and conditions hereof Developer agrees to develop and supply to Customer and Customer agrees to accept from Developer the Functional Specifications.

3. Price

The Price is as set forth in Schedule "___" and shall be paid by Customer to Developer as outlined in Schedule "___". Unless otherwise provided in this Agreement, all fees and expenses related to the services formed by Developer under this Agreement are included in the Price. All dollar amounts referred to herein shall be in Canadian dollars.

4. Responsibilities of Parties

4.1 Developer shall be responsible for establishing development methodologies, conducting fact gathering and analysis, evaluating the possibility of incorporating any part of Customer's current business system into the proposed System, and providing the services of experienced and competent personnel to carry out its responsibilities hereunder.

4.2 At all times during the development of the Functional Specifications, Customer shall ensure the prompt and efficient cooperation of all of its personnel, provide access to its business records and information and provide appropriate facilities so that Developer is in no way hindered from efficiently performing its obligations hereunder.

4.3 Both parties shall designate qualified representatives who shall attend regular meetings scheduled as agreed by the parties from time to time for the purpose of exchanging information at both a business and technical level and coordinating and scheduling such activities as may be necessary or desirable in connection with the development of the Functional Specifications. At such meetings, Developer shall provide regular written progress reports to Customer on the development of the Functional Specifications and, following such meetings, Customer shall promptly supply its written comments regarding such progress reports.

THIS IS A 7-PAGE DOCUMENT.