

# ROYALTY AGREEMENT

THIS AGREEMENT made as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

**BETWEEN:**

**VENDOR**  
of \_\_\_\_\_  
(hereinafter referred to as the "Vendor")

**OF THE FIRST PART**

- and -

**PURCHASER**  
of \_\_\_\_\_  
(hereinafter referred to as "Purchaser")

**OF THE SECOND PART**

**WHEREAS:**

- A. The Vendor and Purchaser are parties to a \_\_\_\_\_ agreement (the "Purchase Agreement") dated the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ whereby Purchaser agreed to pay to the Vendor a royalty subject to the terms of this Agreement.

**NOW THEREFORE** in consideration of the mutual covenants contained herein the parties agree as follows:

## 1. Definitions

In this Agreement, unless otherwise provided, the following terms shall have the following meanings:

**"Agreement"** includes this agreement and any schedules hereto;

**"Business"** means the business carried on by Purchaser as \_\_\_\_\_;

**"Conditions"** of Purchaser means the conditions of the assets, liabilities, operations, activities, earnings, prospects, affairs and financial position of Purchaser;

**"Exempt Earnings"** means the first \$\_\_\_\_\_ of Gross Revenues calculated on a cumulative basis earned by Purchaser from its Business, commencing \_\_\_\_\_;

**"Generally Accepted Accounting Principles"** means the accounting principles so described and promulgated by the Canadian Institute of chartered Accountants which are applicable as at the date on which any calculation made hereunder is to be effective or as at the date of any financial statement referred to herein, as the case may be;

**"Gross Revenue"** means the gross revenue of any kind earned by Purchaser from its Business as calculated using Generally Accepted Accounting Principles;

**"Royalty"** means \_\_\_\_\_% of all Gross Revenue earned by Purchaser in its Business of every kind in excess of Exempt Earnings.

## 2. Payment of Royalty

- 2.1 Purchaser hereby agrees and promises to pay to the Vendor the Royalty as follows:

- (a) until such time as Purchaser' Business has reached a customer base of \_\_\_\_\_ users, the Royalty shall be calculated semi-annually on a calendar year basis and paid within forty-five (45) days of June 30 and December 31 of each year;
- (b) after such time as Purchaser's Business reaches a customer base of \_\_\_\_\_ users, the Royalty shall be calculated quarterly on a calendar year basis and paid within forty-five (45) days of the end of each calendar quarter until the expiry of the Royalty Period. This Agreement shall constitute a first charge on all existing and after acquired \_\_\_\_\_.

**THIS IS A 3-PAGE FORM.**