Earnout Clauses

****

This document is an Earnout Clauses Agreement (the “Agreement”) is effective [DATE],

**BETWEEN: [YOUR COMPANY NAME]** (the "Vendor"), a company operating under the laws of [STATE/PROVINCE], located at:

 [YOUR COMPLETE ADDRESS]

**AND: [COMPANY NAME]** (the "Purchaser"), a company operating under the laws of [STATE/PROVINCE], located at:

 [COMPLETE ADDRESS]

**1. INTERPRETATION**

1.1 “Earnout Amount” is defined in Section 2.2;

1.2 “Earnout Period” refers to the time period [TIME PERIOD] commencing [DATE].

1.3 “Earnout Year” means the [NUMBER] month period commencing on the first day of the Earnout Period and each [NUMBER] month period thereafter during the Earnout Period.

**2. PURCHASE AND SALE OF SHARES**

2.1 Purchaser agrees to purchase the Shares and Vendor agrees to sell and transfer the Shares to Purchaser as provided in this Agreement.

2.2 Purchase Price

As consideration for the Shares, Purchaser shall pay to Vendor (the “Purchase Price”):

(i) [AMOUNT] plus

(ii) an amount (the “Earnout Amount”) in respect of each Earnout Year equal to the amount by which [%] of the Company’s Revenues during such Earnout Year exceeds any Mutual Fund Fee Shortfall for such Earnout Year provided however that the Earnout Amount for each Earnout Year shall not be less than [AMOUNT].

2.3 Payment of Purchase Price

(a) on Closing, the Purchaser shall pay [AMOUNT] to Vendor;

1. no later than [NUMBER] days after the end of the first Earnout Year, Purchaser shall pay to Vendor the Earnout Amount estimated by the Company to be payable with respect to such first Earnout Year; and

(c) commencing with the second Earnout Year, Purchaser shall pay to Vendor Earnout Amounts for the balance of the Earnout Period calculated quarterly based on quarterly results of the Company and paid in arrears not more than [NUMBER] days after the end of each quarter, subject to the yearly adjustments provided in Section 2.4.

2.4 Yearly Adjustments

Within [NUMBER] days following the end of each Earnout Year, the Company shall deliver an authorized statement which has been certified by the Company’s auditors outlining all information that may be reasonably required with regards to the Earnout Amount for the relevant Earnout Year. This will be based on audited financial statements of the Company and appropriate adjustments shall be made for any overpayment or underpayment of the aggregate Earnout Amounts previously paid in respect of such Earnout Year at the time of the next quarterly payment under Section 2.3 (c) and in respect of the last Earnout Year, within [NUMBER] after delivery of the last annual certificate of the Company’s auditor delivered pursuant to this Section 2.4. The Company must allow the Vendor to access all such documents that may be reasonably required to ascertain accurate information in relation to the execution of this agreement.

2.5 Closing Net Book Value

Vendor agrees that at the Closing Time, the Net Book Value of the Company shall be [AMOUNT]. Immediately prior to the Closing Date:

(i) Vendor shall cause the Company to repay all indebtedness then owing (other than any notes issued in payment of the dividend or dividends referred to in Section 2.4(iii) below) and shall repay all indebtedness then owing to the Company;

(ii) Vendor shall cause the Company to declare one or more dividends to Vendor in such aggregate amount as will result in the Net Book Value of the Company being [AMOUNT], immediately before the Closing Date; and

(iii) the Company shall pay to Vendor that amount which Vendor, acting reasonably, then estimates to be the aggregate amount of such dividend or dividends.

2.6 Closing Financial Statements

Within [NUMBER] days following Closing, the Company and Vendor shall cause the Closing Financial Statements to be prepared in accordance with the provisions set forth below and audited by the Company’s current auditors. The Closing Financial Statements shall:

(a) be prepared in accordance with Generally Accepted Accounting Principles and on a basis consistent with the Financial Statements (except as otherwise provided herein);

(b) include appropriate accruals for all revenues and expenses of the Company for the period ended immediately before the Closing Date

1. include appropriate provisions for all Taxes eligible in respect of the period ended immediately before the Closing Date;

(d) include appropriate provisions or reserves, determined in a manner consistent with the Company’s past practice, for all other liabilities and obligations of the Company’s due or becoming due, contingent or otherwise, as at the time immediately before the Closing Date (including any liability to tax under Part VI.I of the Income Tax Act (Canada) resulting from any agreements authorized by resolutions of the directors of the Company dated [DATE] in respect of dividends paid by affiliates of •) and for all doubtful accounts of the Company;

(e) reflect payment of, or liability for, the estimated amount of the dividend or dividends referred to in Section 2.5 (iii); and

(f) include an unqualified favorable audit opinion of the Company’s auditors thereon.

The costs of preparation and audit of the Closing Financial Statements shall be borne by the Vendor.

The Net Book Value Adjustment Amount shall be the difference, if any, between the Net Book Value of the Company as determined from the Closing Financial Statements and [AMOUNT].

2.7 Payment of Net Book Value Adjustment Amount

If the Net Book Value Adjustment Amount is positive, the Company shall pay the amount thereof to Vendor on account of the dividend declared immediately prior to the Closing Date in accordance with Section 2.5 hereof. If the Net Book Value Adjustment Amount is negative, the Vendor shall refund the amount thereof to the Company as a refund of the dividend paid immediately prior to the Closing Date in accordance with Section 2.5 hereof. Any payment to be made in respect of the Net Book Value Adjustment shall be made within [NUMBER] days of delivery of the Closing Financial Statements.

IN WITNESS WHEREOF, each party to this agreement has caused it to be executed at [PLACE OF EXECUTION] on the date indicated above.

# VENDOR PURCHASER

Authorized Signature Authorized Signature

Print Name and Title Print Name and Title