

GROSS REVENUE ROYALTY AGREEMENT

THIS AGREEMENT dated as of the 27th day of January, 2022 (this “**Agreement**”).

BETWEEN:

GROUNDLED PEOPLE APPAREL INC., a corporation existing under the laws of the Province of British Columbia

(the “**Company**”)

AND:

THOSE EMPLOYEES OF THE COMPANY SET FORTH IN SCHEDULE “A” TO THIS AGREEMENT

(collectively, the “**Royalty Holders**”)

WHEREAS the Company is in the business of developing, marketing and distributing fair trade, sustainable and earth conscious fashion products with an initial focus on the production of high-top low-cut canvassed sneakers (the “**Business**”);

AND WHEREAS in consideration for ongoing work in developing the Business and as a further performance incentive, the Company has agreed to grant to the Royalty Holders a royalty interest in the operations of the Company in an amount equal to one percent (1.0%) of the Gross Revenue (as hereinafter defined) generated by the Company, or any successors, in accordance with the provisions of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH that, for and consideration of the payment by each of the Royalty Holders of (Cdn)\$1.00 to the Company, the Parties covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless otherwise provided:

“**Affiliate**” means any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with, a Party. For the purposes of the preceding sentence, “**control**” means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise;

“**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in the Province of British Columbia, Canada;

“**Commencement Date**” means the date of this Agreement, as set forth above;

“**Confidential Information**” has the meaning set forth in Section 6.1;

“**Party**” or “**Parties**” means one or more of the parties to this Agreement;

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof;

“Gross Revenue” means the gross revenue received by the Company, or an Affiliate controlled by the Company, or any successor which acquires an interest in the Business, from any source, without any deduction;

“Royalty” means one percent (1.0%) of the Gross Revenue; and

“Transfer” means to transfer, sell, assign or dispose of all or part of an interest.

1.2 Governing Law

This Agreement will in all respects be governed by and be construed in accordance with the laws in force in the Province of British Columbia, Canada.

1.3 Severability

If any one or more of the provisions contained in this Agreement is held to be invalid, illegal or unenforceable in any respect under the laws of any jurisdiction, the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby under the laws of any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

1.4 Calculation of Time

If any time period set forth in this Agreement ends on a day of the week that is not a Business Day, then notwithstanding any other provision of this Agreement, such period will be extended until the end of the next following day which is a Business Day.

1.5 Headings

The headings to the articles and sections of this Agreement are inserted for convenience only and will not affect the construction hereof.

ARTICLE 2 ROYALTY

2.1 Royalty

The Company hereby agrees to pay the Royalty, commencing as at and from the Commencement Date and in perpetuity thereafter, to the Royalty Holders, on the terms and conditions specified in this Agreement, and which Royalty will be paid to the Royalty Holders in the proportionate amounts set forth in Schedule “A” hereto.

ARTICLE 3 OPERATION OF THE BUSINESS

3.1 The Company to Determine Operations

The Company will have complete discretion concerning the conduct of its affairs and operations and may suspend any operations or surrender any rights or assets at any time it considers prudent or appropriate to do so. The Company will owe the Royalty Holders no duty to develop or conduct its operations at any rate or in any manner other than that which the Company may determine in its sole and unfettered discretion.

3.2 Interest in the Company

The Royalty will not convey to the Royalty Holder any right to the assets, or any interest in the Business, of the Company, and the Company may abandon, surrender, allow to lapse or otherwise deal with any of its contractual rights or assets as it may determine in its sole discretion, provided that it may not transfer any interest in its assets or the Business except in accordance with the terms of this Agreement.

ARTICLE 4 PAYMENTS

4.1 Accrual of Payments Obligation

The obligation to pay the Royalty shall accrue upon the receipt of Gross Revenue. The Royalty for each calendar quarter will be calculated and paid within sixty (60) days after the end of the calendar quarter. A statement setting forth the Gross Revenue calculations in sufficient detail to show the payment's derivation shall be submitted with each payment of the Royalty.

Subject to as hereinafter provided, all Royalty payments will be considered final and in full satisfaction of all obligations of the Company, or an successor, with respect thereto unless within one-hundred-eighty (180) days after receipt by any individual Royalty Holder of the statement such Royalty Holder delivers to the Company, or any successor, a written notice describing and setting forth either: (i) a specific objection to the calculation of the Royalty Payment; or (ii) a desire to conduct an audit. For a period of one-hundred-eighty (180) days after the receipt of such notice, the Royalty Holder will have the right, upon reasonable notice and at a reasonable time, to direct that the Company's accounts and records relating to the calculation of the Royalty in question be audited by the auditors or other representatives of the Royalty Holder. If such audit determines that there has been a deficiency or an excess in any Royalty payment made to any of the Royalty Holders, such deficiency or excess will be resolved by adjusting the next Royalty payment due hereunder. If there is a deficiency of more than five percent (5%) of the amount due, the Company will pay all the costs and expenses of such audit and if the deficiency is less than five percent (5%) of the amount due, such costs and expenses will be paid by the individual Royalty Holder. Failure on the part of the Royalty Holders to make claim against the Company for adjustment in such one-hundred-eighty (180) day period by delivery of a written notice will conclusively establish the correctness and sufficiency of the statement and Royalty payments for such period. Such limitation period shall not limit claims alleging acts of fraud or gross negligence on the part of the Company or any successor.

4.2 Wire Transfer

Payments hereunder will be made by wire transfer in good, immediately available funds, to such account or accounts as the Royalty Holders may designate pursuant to wire instructions provided by the Royalty Holders to the Company not less than five (5) Business Days prior to the dates upon which such payments are to be made.

4.3 Books

The Company shall keep true and accurate books and records of all of its operations and activities.

ARTICLE 5 ASSIGNMENT

5.1 Assignment by the Company

The Company shall not be permitted to Transfer all or any portion of its obligations due and owing under this Agreement to any third-party without the prior consent and unanimous approval of the Royalty Holders, nor shall it be permitted to Transfer or dispose of any interest in the Business without the prior consent and unanimous approval of the Royalty Holders and where such transferee has agreed to be bound by the terms of this Agreement as though they were a party to it and to assume the obligations of the Company hereunder. Any transfer of ownership of the Company, or change of control in the management of the Company, shall not affect the ongoing obligations of the Company hereunder.

5.2 Assignment by Royalty Holders

Each Royalty Holder shall have the right to Transfer all or any portion of its interest in the Royalty and/or this Agreement provided that the applicable Royalty Holder must deliver to the Company written notice of such Transfer and any such transferee must agree to be bound by the terms of this Agreement as though they were a party to it.

ARTICLE 6 MISCELLANEOUS

6.1 Confidentiality

All information, data, reports and records relating to the activities of the Company, and its assets and operations, and the terms and conditions of this Agreement, all of which will hereinafter be referred to as "**Confidential Information**", will be treated by the Royalty Holders and their respective Affiliates as confidential and will not be disclosed to any Person who is not a party to this Agreement, except in the following circumstances:

- (a) the Royalty Holders or their respective Affiliates may disclose confidential information to their auditors, legal counsel, institutional lenders, brokers, underwriters and investment bankers, provided that such non-party users are advised of the confidential nature of the Confidential Information and undertake to maintain the confidentiality thereof and are strictly limited in their use of the Confidential Information to those purposes necessary for such non-party users to perform the services for which they were retained by the Royalty Holders or their respective Affiliates;

- (b) the Royalty Holders or their respective Affiliates may disclose Confidential Information to prospective purchasers of the Royalty or an interest in this Agreement, provided that each such prospective purchasers first agree in writing to hold such information confidential in accordance with this Section 6.1 and to use it exclusively for the purpose of evaluating its interest in the Royalty or an interest in this Agreement;
- (c) the Royalty Holders or their respective Affiliates may disclose Confidential Information where disclosure is necessary to comply with their respective disclosure obligations and requirements under any securities law, rules or regulations or stock exchange listing agreements, policies or requirements or as otherwise required by law or in relation to proposed credit arrangements, and the Company agrees to provide to the Royalty Holders all such information as the Royalty Holders, acting reasonably, determines is necessary or desirable to fulfill the disclosure obligations and requirements of the Royalty Holders or their Affiliates under applicable securities laws; or
- (d) with the approval of the Company.

Any Confidential Information that becomes part of the public domain by no act or omission in breach of this Section 6.1 will cease to be Confidential Information for the purposes of this Section 6.1.

6.2 No Partnership

This Agreement is not intended to, and will not be deemed to, create any partnership relation between the Parties including without limitation, a joint venture, mining partnership or commercial partnership. The obligations and liabilities of the Parties will be several and not joint and neither Party will have or purport to have any authority to act for or to assume any obligations or responsibility on behalf of the other Party. Nothing herein contained will be deemed to constitute a Party the partner, agent, joint venturer or legal representative of the other Party.

6.3 Notice

Any notice, election, proposal, objection or other document required or permitted to be given hereunder will be in writing addressed to the Parties as follows:

Notices to the Company will be given to the following address:

Grounded People Apparel Inc.

9000 140th Street
[Redacted]

[Address redacted]

Attention: Maximilian Justus, Chief Executive Officer

Email: [Redacted]

Notices to the Royalty Holders will be given to the addresses for each set forth in Schedule "A" hereto.

All notices will be given by personal delivery, electronic delivery or prepaid registered mail, return receipt requested. All notices will be effective and will be deemed delivered as follows:

- (a) if by personal delivery, on the date of delivery if delivered during normal business hours, and, if not delivered during normal business hours, on the next Business Day following delivery;
- (b) if by electronic delivery, on the same Business Day as receipt of the facsimile or electronic delivery; and
- (c) if by mail, on the Business Day of actual receipt.

A Party may at any time change its address for future notices hereunder by notice in accordance with this Section 6.3.

6.4 Further Assurances

Each Party will, at the request of another Party and at the requesting Party's expense, execute all such documents and take all such actions as may be reasonably required to effect the purposes and intent of this Agreement.

6.5 Entire Agreement

This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof, all previous agreements and promises in respect thereto being hereby expressly rescinded and replaced hereby. No modification or alteration of this agreement will be effective unless in writing executed subsequent to the date hereof by both Parties. No prior written or contemporaneous oral promises, representations or agreements in relation to the subject matter herein are binding upon the Parties. There are no implied covenants contained herein.

6.6 No Waivers

No waiver of or with respect to any term or condition of this Agreement will be effective unless it is in writing and signed by the waiving Party, and then such waiver will be effective only in the specific instance and for the purpose of which given. No course of dealing among the Parties, nor any failure to exercise, nor any delay in exercising, any right, power, or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise of any specific waiver of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

6.7 Time of the Essence

Time is of the essence in the performance of any and all of the obligations of the Parties, including without limitation, the payment of monies.

6.8 Counterparts

This Agreement may be executed in multiple counterparts, each of which will constitute an original, but all of which together will constitute one and the same instrument, and may be signed and accepted by facsimile or PDF transmission.


6.9 Parties in Interest


This Agreement will enure to the benefit of and be binding on the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed and delivered as of the date first set forth above.

GROUNDPEOPLE APPAREL INC.

By:  _____
Authorized Signatory

 _____
Maximilian Justus

 _____
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Clara Güll

SCHEDULE "A"
to the gross revenue royalty agreement

ROYALTY HOLDERS

Royalty Holder	Address	Email Contact	Royalty Entitlement (Percentage)
Maximilian Justus	[REDACTED]	[REDACTED]	0.5%
Clara Güll	[REDACTED]	[REDACTED]	0.5%