

COOPERATION AND PROJECT FUNDING AGREEMENT
(for full-scale R&D projects)

Agreement made this ____ day of _____, 200_, by and

BETWEEN

The Canada-Israel Industrial Research and Development Foundation
(hereinafter referred to as "the Foundation" or "CIIRDF")

AND

Israeli Company

AND

Canadian Company

severally and jointly (hereinafter collectively referred to as the "Proposer" and separately as the "Participants").

WHEREAS the Ministry of Industry, Science and Technology and Minister for International Trade and the Secretary of State for External Affairs, for the Government of Canada, and the Minister of Foreign Affairs, for the Government of Israel, did, on the 30th day of March, 1993, sign a Memorandum of Understanding concerning bilateral cooperation in private sector industrial research and development through the establishment of a Canada-Israel Industrial R&D program;

AND WHEREAS the Treasury Board of the Government of Canada did, on the 17th day of February, 1994, provide authority, under section 8 of the Department of Industry, Science and Technology Act, for Industry Canada to make a grant of \$1,000,000 in 1993-94, 1994-95 and 1995-96 to the Canada-Israel Industrial Research and Development Foundation (CIIRDF).

AND WHEREAS the Ministry of Finance of the Government of Israel has provided authority to the OCS to make a yearly grant of the equivalent of CDN \$1,000,000 in New Shekels, for three years, starting 1994, to the Canada-Israel Industrial Research and Development Foundation;

AND WHEREAS, the appropriate agencies and departments of the Government of Canada and the Government of Israel in 1997 and 2000 respectively extended the mandate and funding commitments to CIIRDF; and

WHEREAS the Foundation has examined and duly approved the proposal submitted by the Proposer, entitled "**Project name**", and identified as **CIIRDF Project Number ()**, and is willing to provide certain funding for the implementation for the Proposal on the terms and conditions hereinafter set forth;

Now therefore the parties hereto agree as follows:

A: General

- A.1.** The preamble to this Agreement shall be deemed an integral part thereof.
- A.2.** The Participants shall be bound and obliged jointly and severally, as herein provided.
- A.3.** The President of the Foundation is empowered by its Board of Directors to execute this Agreement and to perform all acts under the terms hereof on behalf of the Foundation.
- A.4.** The following document is incorporated by reference and made a part of this Agreement: The Proposal, dated the **day of** **200**, as stamped with the Foundation's approval on the **day of**, **200** and attached hereto as Annex G to this Agreement. Nonetheless, should any provision of said Proposal be inconsistent with any other provision of this Agreement, the provisions otherwise set forth in this document shall control.
- A.5.** In this Agreement, "Innovation" shall mean any products, processes, inventions, technology, discoveries, improvements, modifications, methods, software, specifications, or any form of technical information developed or arising from the Proposal.

B: Project Financing

- B.1.** The Foundation hereby agrees to fund, by Grant, the implementation of the Proposal in the maximum sum of **\$.00** or 50% of the actual expenditures on the project, as contemplated in the Approved Project Budget set forth in Annex A hereto, whichever is less, and at the times as may otherwise be set forth in Annex B hereto.
- B.1.1.** The percentage of the actual expenditures of the project which the Foundation provides shall hereinafter be described as the "Foundation's *pro rata* share".
- B.2.** The Proposer shall provide in timely fashion all budgetary funds in excess of those provided hereunder by the Foundation.
- B.3.** Proposer shall make payments to the Foundation based on Gross Sales derived from the sale, leasing or other marketing or commercial exploitation of the Innovation, including service or maintenance contracts, commencing with the first such commercial transaction. Such payments shall be based on either of the following:
- a)** The Grant referred to in Sub.Sec.B.1. above (plus any other sums actually awarded to the Proposer by the Foundation in connection with the subject matter of the Proposal {"Other Sums"}) shall be repaid in Canadian Dollars at the rate of 2½% per year's Gross Sales, until 100% of the Grant and Other Sums has been repaid, such repayments to be in year dollars.
- b)** When the Proposer shall have repaid the following maximum percentages of the Grant and Other Sums in any of the following years following the first commercial transaction, no additional payments to the Foundation on account of the Grant and Other Sums shall be required.

Year of Repayment Following First Commercial Transaction	Maximum Percentage of Grant and Other Sums to be Repaid
Year 1	90%
Year 2	92%
Year 3	94%
Year 4	96%
Year 5	98%
Year 6 or more	100%

B.3.1. The term "Gross Sales" shall include all specific export incentives or bonuses paid the Proposer on account of sale of the Innovation for export, but shall not include sums paid for commissions, brokerage, value added and sales taxes on the sale of the finished product, or transportation and associated insurance costs, if same have been included in the gross sales price.

B.3.2. The Innovation shall be deemed to have been sold, marketed or otherwise commercially exploited if the Innovation, or any improvement, modification or extension of it is put to the benefit of a third party, whether directly or indirectly, and whether standing alone or incorporated into or conjoined with other hardware or processes, and for which benefit the said third party gives something of value. This provision shall not apply to transactions between the Participants or between the Participants and their parents or subsidiaries. Should such parent or subsidiary resell the Innovation separately identified or incorporated in a system, the sales price shall be the price to third parties from the parent or subsidiary making the sale, such sales price being defined by the same criteria as sales are defined for purposes of "Gross Sales" in Sub.Sec.B.3.1 above.

If the Innovation is a part of a product sold, marketed or otherwise commercially exploited, the sale price for purposes of payments according to Sub.Sec.B.3 shall be the sales price of that product multiplied by a factor whose numerator is the manufacturing cost of the Innovation and whose denominator is the manufacturing cost of the product. If there shall have been established a market price for the Innovation, such price shall be the basis for payments according to Sub.Sec.B.3, notwithstanding the incorporation of the Innovation in another product.

B.4. All payments due the Foundation shall be calculated on a biannual calendar basis, and statements, consistent with generally accepted accounting procedures and with the standard accounting procedures of the Participant and signed by an officer of the Participant, rendered with payment in and within 90 calendar days following the end of each biannual period. Payments to the Foundation per Sub.Sec.B.3 shall commence at the end of the biannual period during which the first sale was made.

All late payments shall bear interest at 1% more than the average prime rate prevailing at the Canadian Imperial Bank of Commerce (CIBC) during the period from the date payment was due until actually made.

- B.5.** Should any portion of the technology or innovation developed in whole or in part under this Agreement be sold outright to a third party, one-half of all proceeds of the sale shall be applied as received until there has been full repayment to the Foundation of a sum equal to the percentage indicated in Sub.Sec.B.3. hereto of the Grant and Other Sums actually received by Proposer hereunder, in equivalent dollars valued at time of repayment. Payments due and not made following receipt of proceeds shall bear interest at 1% more than the average prime rate prevailing at the CIBC.
- B.6.** License agreements involving patented invention(s) or technology developed in whole or in part during this Foundation-supported project shall be subject to Annex E.

C: **Conduct of the Project**

- C.1.** The Proposer agrees to do the work set out in the Proposal in accordance with good standards relevant to such undertakings, and shall expend funds received hereunder only in accordance with such Proposal and the requirements of this Agreement.
- C.2.** The Proposer agrees to comply with the Program Plan for the Innovation as set forth in Annex C hereto.
- C.3.** The Proposer hereby appoints _____ as Israeli Project Manager and _____ as Canadian Project Manager for the implementation of the project during the period of this Agreement and in accordance with the Program Plan as set out in Annex C of this Agreement.
- C.4.** The Proposer shall not make substantial transfers of funds from one budget item to another, change key personnel or their duties and responsibilities or diminish their time allocated to the proposed work hereunder without prior written approval by the Foundation, which approval shall not be unreasonably withheld.
- C.4.1.** Should any key person be absent from his work or should such absence be expected, for 90 days or more, or should there be any significant reduction in the total personnel force assigned the project under the Proposal, the Proposer shall forthwith notify the Foundation.

D: **Reporting Requirements**

- D.1.** The Proposer shall submit to the Foundation, in writing, the following reports:
- a.** Fiscal and technical reports within 30 days following the expiration of the interim period;
 - b.** Final fiscal, technical and commercialization reports within 60 days following termination of this Agreement.
 - c.** Reports on Sales are to be submitted bi- annually for the periods of January to June and July to December within 60 days of completion of the bi-annual period until such time as the Grant has been fully repaid.. Such reports are to provide details on all commercialization exploitation activities, including gross sales, revenues resulting from sales of patented inventions and revenues derived from license agreements.

D.1.1. Such reports shall be in form and substance as provided in Formats for Technical, Fiscal and Commercialization Reports, as set out in Annex F of this Agreement..

D.2. Proposer shall provide, at its expense, briefings on the progress of the work hereunder within 45 days following request by the Foundation. Such briefings shall accord with the form and depth as the Foundation may reasonably request.

E: Publications

E.1. In any publication in scientific or technical journals of data or other information derived from the work hereunder, or any publication related to the work, but not including product literature or manuals, the support of the Foundation shall be acknowledged.

E.2. To the extent so required to permit the Foundation free dissemination of such publications or information which the Foundation is privileged to disseminate subject to the limitation of Sec. F., below, the Proposer shall be deemed hereby to waive any claim with respect to such dissemination for infringement of any Copyright it may have or may obtain.

E.3. The Proposer shall furnish to the Foundation two (2) copies of all publications resulting from Foundation-supported work as soon as possible after publication.

F: Proprietary Information

F.1. Proprietary information, clearly identified as such, submitted to the Foundation in the Proposal, in any report or verbally, or obtained by Foundation personnel observation pursuant to any request or briefing, shall be treated by the Foundation as confidential. At the request of Proposer or either Participant, a confidential disclosure agreement may separately be entered into by the parties.

F.2. Nothing contained in the foregoing shall restrict the right of the Foundation to make public the fact of the Foundation's support for the project, and the identification of the Participants therein. The details of any such publication, however, shall be subject to approval by the Participants.

G: Patents and Royalties

G.1. If Proposer or either of the Participants elects to apply for letters patent on any or all inventions resulting in whole or in part from performance of Foundation-supported activity, such applicant shall, at his own expense, so apply in Canada and in Israel, and in such other countries and at such times as he may deem appropriate.

G.2. Unless Proposer or either Participant is making payments to the Foundation under Sec. B hereto, a Participant who retains rights in an invention and who obtains a patent thereon in accordance with Sub.Sec.G.1., shall pay to the Foundation a royalty as set forth in Annex D hereto, on sales of any product embodying the invention or any product made by practicing the invention. The Foundation's rights hereunder shall apply whenever such patents are obtained and shall survive termination of this Agreement.

H: Revocation of Agreement

- H.1. The Foundation may revoke any award, in whole or in part, for fundamental breach of the terms of the Agreement.
- H.2. Upon receipt of notice of the revocation for fundamental breach, the Proposer may cure the default in and within thirty calendar days after the date of receipt of the notice.
- H.3. Notwithstanding any other provision in this Agreement to the contrary, the Foundation shall not be obliged to provide any further funding after notice until and unless the said default is cured and so demonstrated to the reasonable satisfaction of the Foundation.
- H.4. If the Foundation shall revoke as aforesaid, all funds given Proposer per Sub.Sec.B.1 above shall become due immediately without need for demand. Such funds which do not, by terms of this Agreement, bear interest, shall be repaid with interest at 1% more than the average prime rate prevailing at CIBC, from date of notice of revocation.
- H.5. The Proposer may not terminate this Agreement or abandon the project without the prior written consent of the Foundation, which consent shall not be unreasonably withheld.
- H.6. If upon termination of this Agreement for any reason, the entire budgeted sum has not been expended, the Proposer shall forthwith return to the Foundation its *pro rata* share of such unexpended portion. If not repaid forthwith, such sum shall bear interest as per Sub.Sec.H.4

I: Financial Records

- I.1. The Proposer shall maintain business and financial records and books of account for the work hereunder separate and apart from other business records of the Proposer. Such books and records shall be in usual and accepted form.
- I.2. Books and records of the work hereunder shall show Proposer's contribution. Upon request by the Foundation, the Proposer shall provide evidence of his compliance hereunder.
- I.3. The Foundation may examine, or cause to be examined, the financial books, vouchers, records and any other documents of the Proposer relating to this Agreement at reasonable times and intervals during the term of this Agreement and for the period of one (1) year following termination, or for so long as payments per Sub.Sec.B.3, Sub.Sec.B.5 or of patent royalties are due, or may become due the Foundation, whichever shall be the later.

J: Suits Against the Foundation

- J.1. The Proposer shall defend all suits brought against the Foundation, its officers or personnel, indemnify them for all liabilities and costs and otherwise hold them harmless on account of any and all claims, actions, suits, proceedings and the like arising out of, or connected with or resulting from the performance of this Agreement by the Proposer, or from the manufacture, sales, distribution or use by the Proposer of the Innovation, whether brought by the Proposer or its personnel or by third parties.
- J.2. The Proposer agrees that persons employed by it in connection with the research project shall be deemed to be solely its own employees and that no relationship of master and servant shall be created between such employees and the Foundation, either for purposes of tort liability, social benefits, or for any other purpose. The Proposer shall indemnify the Foundation and hold it harmless from court costs and legal fees, and for any payment which the Foundation may be obliged to make on a cause of action based upon an employee-employer relationship as aforesaid.

K: Miscellaneous Conditions

- K.1.** The Foundation makes no representation, by virtue of its funding the work hereunder, or receiving payments or royalties as a result of this Agreement, as to the safety, value or utility of the Innovation or the work undertaken, nor shall the fact of participation of the Foundation, its funding or exercise of its rights hereunder be deemed an endorsement of the Innovation or of the Proposer, nor shall the name of the Foundation be used for any commercial purpose or be publicized in any way by the Proposer except within the strict limits of this Agreement.
- K.2.** The Proposer may not assign this Agreement or any of the work undertaken pursuant to it without the prior written consent of the Foundation, which consent shall not be unreasonably withheld.
- K.3.** This Agreement shall be construed under the laws of the province of Canada chosen by the Canadian partner. The forum for the resolution of any dispute arising from this Agreement shall be the State of Israel or Ottawa, Ontario, Canada, as the moving party may elect. Execution of this Agreement shall be taken as submission to the forum selected pursuant to this Section.
- K.4.** Unless the parties to a dispute shall agree otherwise, the dispute shall be referred to arbitration under the rules of the Israel Arbitration Law if the forum is Israel, and under the rules of the arbitration legislation in effect within the province as noted in subsection K.3., if the forum is Canada.
- K.5.** Proposer undertakes to comply with all applicable Canadian federal and provincial laws, rules and regulations, and those of the State of Israel, and will apply for and obtain all necessary licenses and permits for carrying out of its obligations hereunder.
- K.6.** Under Israeli law, no stamp duty is required on CIIRDF Cooperation and Project Funding Agreements.
- K.7.** Notices, communications and reports shall be hand-delivered or mailed by prepaid first-class mail (airmail if transmitted internationally) addressed to:
- a.** The Canada-Israel Industrial Research and Development Foundation
371A Richmond Road, Suite 3
Ottawa, Ontario
K2A 0E7

 - b.** Israeli Company name and address

 - c.** Canadian Company name and

L: Limitation on Payments

Notwithstanding any other interpretation of this Agreement or the Annexes hereto to the contrary, Proposer's total obligation hereunder for payments to the Foundation shall not exceed the percentages indicated in Sub.Sec.B.3. hereto of the total funds actually provided by the Foundation hereunder, in year dollars and the total obligation of each Participant for payments to the Foundation shall not exceed the amount actually provided to the Participant by the Foundation as set out in Annex B .

M: Effective Date

The effective date of this Agreement shall be the _____ **day of** _____, **200** Unless sooner terminated by the Foundation per Sec. I., this Agreement shall terminate **months** following the effective date.

Signed the day and date above first given

Henri Rothschild, President of CIIRDF

Signing officer for Israeli company

Signing officer for Canadian company

**ANNEX A - APPROVED PROJECT BUDGET
<CANADIAN COMPANY>**

Company Name

Total Project Duration Months

Total Project Periods

Total Project Budget CAD

Project Period		Period Duration:		Months		
QUALIFYING ITEM		SPECIFICATIONS			TOTALS	
I .DIRECT LABOR		Gross Annual Salary CAD	% on project	Period Duration	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Name, Title, Role (TBD if yet unknown)						
1.						
2.						
3.						
4.						
Etc.						
Subtotal, Direct Labor						
DIRECT LABOR OVERHEAD (O/H)		Calculated @25% of Total Direct Labor			Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Subtotal, Director Labor		*Includes all indirect labor overhead expenses and social benefits				
		X 25% =				
Subtotal, Direct Labor Overhead (O/H)						
TOTAL DIRECT LABOR (Direct Labor Subtotal +Direct Labor Overhead Subtotal)						

II. EQUIPMENT This budget item refers to depreciation allowance on capital equipment employed and NOT CAPITAL EXPENDITURES.		Total Purchase Costs (Cost X Units)	%Time On Project	Annual Depreciation Rate (Life - Years)	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Item Description	NO. of Units					
1.						
2.						
3.						
4.						
Etc.						
Subtotal, Purchased Equipment						
LEASED EQUIPMENT		Monthly Lease Cost (Cost X Months X Units)	%time on project		Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Item Description	NO. of Units					
1.						
2.						
3.						
4.						
Etc.						
Subtotal, Leased Equipment						
TOTAL EQUIPMENT COST (Purchased Equip. Subtotal + Leased Equip. Subtotal)						

III. EXPENDABLE MATERIALS & SUPPLIES		Total Purchase Costs (Cost X Units)	%time on project	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only	
Item Description	NO. of Units					
1.						
2.						
3.						
4.						
Etc.						
TOTAL EXPENDABLE MATERIALS & SUPPLIES						
IV. TRAVEL EXPENSES		Cost per Person per trip(\$)	No.of trip	No.of People per Trip	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
FOREIGN TRAVEL						
Destination & Purpose						
1.						
2.						
3.						
Etc.						
Subtotal, Foreign Travel						
DOMESTIC TRAVEL		Cost per Person per trip(\$)	No.of trip	No.of People per Trip	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Destination & Purpose						
1.						
2.						
3.						
Etc.						
Subtotal, Domestic Travel						
TOTAL TRAVEL (Foreign Travel Subtotal + Domestic Travel Subtotal)						

V. SUBCONTRACTS (TBD)				Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only	
Name of Subcontractor	Description of Service					
1.						
2.						
Etc.						
TOTAL SUBCONTRACT						
VI. CONSULTANTS		Description of Service	Rate per (\$/Hr.)	No. of Hour	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Name of Consultant						
1.						
2.						
Etc.						
TOTAL CONSULTANT						

VII. OTHER EXPENSES				Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Item Description	Description & Purpose				
1.					
2.					
Etc.					
TOTAL OTHER EXPENSES					
TOTAL SUBTOTAL BEFORE G&A EXPENSES					
GENERAL & ADMINISTRATIVE EXPENSES Calculated @ 5% of figure above: Total Subtotal Before G&A Expen					
TOTAL PROJECT PERIOD BUDGET					

APPROVED PROJECT BUDGET ISRAELI COMPANY>

Company Name:

Total Project Duration Months

Total Project Periods:

Total Project Budget:

CAD

Project Period	Period Duration:	Months				
QUALIFYING ITEM		SPECIFICATIONS			TOTALS	
I. DIRECT LABOR		Gross Annual Salary CAD	% on project	Period Duration	Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
Name, Title, Role (TBD if yet unknown)						
1.						
2.						
3.						
4.						
Etc.						
Subtotal, Direct Labor						
DIRECT LABOR OVERHEAD (O/H)		Calculated @25% of Total Direct Labor *Includes all indirect labor overhead expenses and social benefits			Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
Subtotal, Director Labor						
		X 25% =				
Subtotal, Direct Labor Overhead (O/H)						
TOTAL DIRECT LABOR (Direct Labor Subtotal +Direct Labor Overhead Subtotal)						
II. EQUIPMENT This budget item refers to depreciation allowance on capital equipment employed and NOT CAPITAL EXPENDITURES.		Total Purchase Costs (Cost X Units)	%Time On Project	Annual Depreciation Rate (Life - Years)	Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
Item Description	NO. of Units					
1.						
2.						
3.						
4.						
Etc.						
Subtotal, Purchased Equipment						
LEASED EQUIPMENT		Monthly Lease Cost	%time on project		Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only

		(Cost X Months X Un			Use Only
Item Description	NO. of Units				
1.					
2.					
3.					
4.					
Etc.					
Subtotal, Leased Equipment					
TOTAL EQUIPMENT COST (Purchased Equip. Subtotal + Leased Equip. Subtotal)					
III. EXPENDABLE MATERIALS & SUPPLIES		Total Purchase Costs	%time on project	Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
Item Description	NO. of Units	(Cost X Units)			
1.					
2.					
3.					
4.					
Etc.					
TOTAL EXPENDABLE MATERIALS & SUPPLIES					

IV. TRAVEL EXPENSES					
FOREIGN TRAVEL	Cost per Person per trip(\$)	No.of trips	No.of People per Trip	Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
Destination & Purpose					
1.					
2.					
3.					
Etc.					
Subtotal, Foreign Travel					
DOMESTIC TRAVEL	Cost per Person per trip(\$)	No.of trips	No.of People per Trip	Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
Destination & Purpose					
1.					
2.					
3.					
Etc.					
Subtotal, Domestic Travel					
TOTAL TRAVEL (Foreign Travel Subtotal + Domestic Travel Subtotal)					
V. SUBCONTRACTS (TBD)	Description of Service			Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
Name of Subcontractor					
1.					
2.					
Etc.					
TOTAL SUBCONTRACT					

VI. CONSULTANTS					
Name of Consultant	Description of Service	Rate per (\$/Hr.)	No. of Hour	Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
1.					
2.					
Etc.					
TOTAL CONSULTANT					
VII. OTHER EXPENSES					
Item Description	Description & Purpose			Cost To Project CAD	Qualifying Cost CAD Column for Office Use Only
1.					
2.					
Etc.					
TOTAL OTHER EXPENSES					
TOTAL SUBTOTAL BEFORE G&A EXPENSES					
GENERAL & ADMINISTRATIVE EXPENSES Calculated @ 5% of figure above: Total Subtotal Before G&A Expense					
TOTAL PROJECT PERIOD BUDGET					

ANNEX B - PAYMENT OF GRANT

Total Grant approved is CAD \$

According to Budget submitted and approved:

(Company name) share is % and (Company Name) R&D share is %

Therefore:

1. First Payment - On signing - \$(amount)

Israeli Company Name CAD \$
Canadian Company Name CAD \$

2. Interim Payment - After receipt and approval of the interim technical and fiscal reports for the first () month period, or after actual expenditures on the project have equaled or exceeded 50% of the approved budget, whichever is later.

Israeli Company Name CAD \$
Canadian Company Name CAD \$

However, if at the required time of submission of the interim technical and fiscal reports, work on the project or expenditures thereon prove to be materially behind plan, per Annex D and Annex A, respectively, the Foundation will review the project with Proposer and determine a suitable course of action with respect to further payments against the Grant, if any.

3. Final Payment - After receipt and approval of the Final technical, fiscal and commercialization reports - the balance due Proposer up to the total sum of the Grant per Sub.Sec.B.1.

Israeli Company Name CAD \$
Canadian Company Name CAD \$

ANNEX C – PROGRAM WORK PLAN
(given in your proposed project)

ANNEX D - ROYALTY PAYMENTS ON SALE OF PATENTED PRODUCTS

1. **ROYALTY RATE:**The Royalty Rate in accordance with SubSection G.2 shall be 2.5%.
2. **ROYALTY BASE:**
 - (a) Where the product sold by the Third Party consists of the Innovation and such Innovation consists essentially of, or depends primarily on, a patented invention or inventions made in whole or in part during the performance of CIIRDF-supported work on the project, the Royalty Base shall be the selling price of the product as defined in SubSection G.2.
 - (b) Where the product sold consists of an assemblage of subsystems or entities, the Royalty Base shall be the selling price of the product multiplied by a fraction the numerator of which shall be the manufacturing cost of those subsystems or entities which incorporate a patented invention or inventions made in whole or in part on the implementation of the Proposal, and the denominator of which shall be the manufacturing cost of the product sold.
 - (c) If, however, a market price shall have been established for any subsystem or entity which incorporates a patented invention or inventions made in whole or in part under this project and which is sold separately, sold as part of the Innovation, or sold as part of any other product, such market price shall be the Royalty Base.
3. **ROYALTY:** The Royalty due shall be the Royalty Rate multiplied by the appropriate Royalty Base.
4. **ROYALTY PAYMENTS:**
 - (a) Save as provided in sub-paragraph (c) of this paragraph 4, no Royalty payments shall be made on sales between Participants and the Third Party.
 - (b) Each Participant shall make Royalty payments, as computed according to paragraphs 1., 2., and 3. of this Annex D, only when there is outstanding obligation of the Participant with respect to payments under Section G of this Agreement.
 - (c) However, in no event shall the Participant's obligation with respect to payments be greater than the amounts indicated in Sub-Section B.3(b) of this Agreement. Should Participant's obligations for payment to CIIRDF under Sub-Section B.3(b) not be fully discharged, any such deficiency shall be made up from Royalty payments on sales of the products between the Participants and the Third Party under sub-paragraph (a) of this paragraph 4, if any.
5. **TERMS OF ROYALTY PAYMENTS:**

The obligation to make Royalty payments in the full amount under this Agreement shall continue for the life of the last-to-expire patent issued on any invention made in whole or in part under this CIIRDF-supported project.
6. Royalty payments shall be made on a semiannual calendar basis; commencing at the end of the semiannual period during which any royalty first becomes due.
7. **DEFINITIONS**

The terms "Royalty Rate", "Royalty Base" and "Royalty" shall have the meanings as respectively provided in paragraphs 1, 2 and 3 of this Annex D, and "Third Party" shall mean such third party person(s) who is granted the right for the sales of any products

embodying the Innovation or made by practicing the Innovation under a license of a patent obtained for the Innovation.

ANNEX E - LICENSE AGREEMENTS

- 1.** If any patented invention or inventions made in whole or in part during this project becomes the subject of any license agreement between the Participants, or either Participant, and a third party, such licensor-Participant shall pay to CIIRDF 30% of all payments received by it under such license agreement.
- 2.** If any technology developed, but not including any patented invention or inventions made in whole or in part during this CIIRDF-supported project, becomes the subject of any license agreement between the Participants, or either Participant, and a third party, such licensor-Participant shall pay to CIIRDF 30% of all payments received by it under such license agreements.
- 3.** In no event shall this Annex E be construed as requiring payments of any amounts greater than those indicated in Sub-Section B.3 of this Agreement.
- 4.** "License Agreement" as defined in paragraphs 1. and 2. of this Annex E shall comprise only license agreements under which the Participants, or either Participant, cedes to third parties the rights to use any patents or technology arising from this CIIRDF-supported project for purposes of using said patents or technology for engendering sales or products developed hereunder. "License Agreements" shall not include any license agreements which the Participants, or either Participants, enters into as a necessary, common or convenient means by which said products are sold to endusers in the ordinary course of business.

ANNEX F – REPORTING GUIDELINES

All reports must be prepared jointly by both companies and submitted to CIIRDF office in Ottawa. Technical and fiscal reports must be submitted to and approved by CIIRDF prior to the transfer of all grant payments except for the initial grant payment made on execution of the Cooperation and Project Funding Agreement (CPFA).

- **Full-Scale Projects: The Technical and Fiscal Reports for Interim Evaluation are to be submitted within 30 days following the expiration of the Interim Segment of the project.** The Interim Segment is the mid way point of the entire project period. Final Technical, Fiscal and Commercialization Reports are to be submitted within 60 days following the completion date of the project.
- **Feasibility Projects:** Due to the nature of these projects, NO Interim Reports are required. **Only Final Technical and Fiscal Reports are to be submitted within 60 days of the completion of the project. Part III of the Final Report is not required for Feasibility Projects.**

1. INTERIM REPORTS (for Full-Scale Projects)

- a) Should be prepared according to the Technical Report Outline and Fiscal Report Outline.
- b) Must be submitted within 30 days from the ending of the interim period.**

2. FINAL REPORTS

Three (3) Parts

- a) Part I should be prepared according to the Technical Report Outline.
- b) Part II should be prepared according to the Fiscal Report Outline.
- c) Part III should be prepared according to the Commercialization Report Outline

The Final Report must be submitted within 60 days following the completion date of the project.

3. INFORMAL REPORTS

- a) CIIRDF welcomes any additional informal reporting of significant project events, positive or otherwise.
- b) In the event of favorable variations or unforeseen problems, our early awareness will enable us to work with the Project Manager or team in any necessary rescheduling or program activities.
- c) As a contributor to the project, CIIRDF may request for informal reports, without prior notice, in attempt to be kept informed of the project's status.

PLEASE NOTE THAT INFORMAL REPORTS ARE NOT CONSIDERED AS SUBSTITUTE FOR THE FORMAL REPORTING OUTLINED ABOVE.

A: TECHNICAL REPORTS

Technical reports submitted to CIIRDF will be treated as confidential to the extent described in the Confidential Disclosure Agreement. Nonetheless, proprietary or commercially sensitive information should be identified as such.

The purpose of the technical report is to enable CIIRDF to monitor project progress, and to justify any adjustments or modifications incurred by the project to the original work plan (as detailed in Annex C of the CPFA); furthermore, to provide CIIRDF a viable basis for continued disbursement of the grant award. Results of unusual interest should be highlighted.

1. REPORT OUTLINE

- a) Cover Page - refer to Technical Report cover page (sample)
- b) Table of Contents
- c) Objectives - state overall objectives of the project and of the work performed during the segments covered by the report.
- d) Summary of accomplishments (including inventions) - this should discuss and update on the methods and results of the investigations/development. The summary should be self-sufficient and understandable to someone who reads nothing else in the report
- e) RESULTS - describe with reference to the Program Plan, the results obtained during the reporting segment on an activity-by-activity basis. Identify and describe results that represent significant variation from the Program Plan. Discuss any activities/tasks that may have been eliminated or added to the Program Plan, and give the reasons for the changes. Indicate how such modifications will affect the nature of the product being developed in terms of features, specifications, performance, etc
- f) Graphical comparisons of results versus Program Plan. Using the Program Plan (Annex C of CPFA), show graphically the project status and explain any deviations from the plan.
- g) For interim reports only: Outline plans for next project segment showing any rescheduling or additions to activities on the Program Plan and indicate which, if any, of the originally planned activities/tasks are being terminated or redirected. Discuss the impact of rescheduled activities on original Plan, and whether additional time will be needed to complete project. (Note: if additional time is needed, a separate written request should be jointly submitted by the companies
- h) Cooperation between the companies - discuss the activities conducted during the reporting segment that have enabled the companies to keep abreast of each other's progress. Has the division of tasks and responsibilities between the two companies been integrated to mutual benefit? Any problems that have developed in this regard should be noted, along with details of corrective measures that have been taken or are planned.
- i) Published reprints - attach a copy of any reprint that is based, in whole or in part, on the work conducted on the CIIRDF project. Include a report on any inventions or patents filed. Technical and user manuals do not have to be submitted.

2. TECHNICAL REPORT COVER PAGE (SAMPLE)

To: CIIRDF, Canada-Israel Industrial Research and Development Foundation

Project File No:

Project Title:

Company Names

(Israeli Company):

(Canadian Company):

Type of Report: (Interim; Final)

Project Start Date:

Period Covered:

Project Managers :

Company Name
Israeli Company Officer

Company Name
Canadian Company Officer

Signature
Printed Name

Authorized Company Official

Signature
Printed Name

Date Submitted

B: FISCAL REPORTS

The purpose of the fiscal reports is to enable CIIRDF to monitor actual expenditures on the project and to assist in decisions relating to the continued funding of the project.

All expenses incurred on a CIIRDF-supported project must be itemized. Expenditures in all categories should be shown along with the Approved Project Budget for the relevant segment, as per Annex A of the CPFA.

CIIRDF recognizes expense variations from budget of up to 10% within any of the major budget categories: Direct Labor, Subcontracts, Consultants, etc., with the understanding that the total amount does not change. However, during the course of the project, should the actual expenses relating to any budget category be expected to exceed the 10% variation allowed or a need to transfer between budget line-items occurs, **a request for an amendment to the budget must be submitted. Clear and complete reasons and explanations should substantiate this request.**

1. REPORT OUTLINE

- a) Cover Page – refer to Fiscal Report cover page (sample)
- b) Total Actual Expenditures – compare against the approved budget amount (taken from Annex A of the CPFA)
- c) Direct Labor – report on percentage time for employees engaged in the project, whom should be clearly identified (see Budget Guidelines for details).
- d) Equipment – an itemized worksheet must be included in the report indicating dates of purchase and/or commencement of lease and percentage use on the project (see Budget Guidelines for details).
- e) Travel – both foreign and domestic travel must be reported in detail (see Budget Guidelines for details) A brief description of the objectives of the trip and its relation to the project should be available at the company for inspection during auditing of the fiscal reports.
- f) All Other Budget items – the expenses reported must be itemized in accordance with and in reference to the original budgets submitted as part of the Cooperation Project Funding Agreement. (see CPFA attachment)

2. FISCAL REPORT COVER PAGE (SAMPLE)

(Separate cover page to be submitted by each company)

To: CIIRDF, Canada-Israel Industrial Research & Development Foundation

Project File No:

Project Title:

Company

Name:

Type of Report (Interim; Final):

Project Start Date:

Period Covered:

**EXPENDITURE
BUDGET**

\$ ACTUAL

\$ TOTAL APPROVED
(Per Annex A of CPFA)

Direct Labor

Overhead @ 25%

Total Direct Labor

Equipment

Materials & Supplies

Travel : Foreign

Domestic

Data Processing

Subcontracts

Consultants

Other Expenses

Total Expenditures

G&A @ 5%

Total Company Expenditure

Budget for Current Reporting Period:

Estimated Budget for Next Reporting Period (if relevant):

We confirm that this report is prepared from separate accounting records maintained for recording the entire project expenditures. The Project Manager's signature is his/her confirmation that all listed items and expenditures were within the framework of the project.

Printed name and signature:

Project Manager Official
Company

Accounting Official

Authorized

Date Submitted: _____

C: COMMERCIALIZATION REPORT

This report should describe the Market and Commercialization plans and identify any important changes that have developed in the course of completing the Project. It should explain the impact on overall Program Plan and budget and describe the outcome of the project in commercial terms.

1. REPORT OUTLINE

- a) Detailed market and product descriptions, including a discussion on changes in the product definition, market size and growth rate;
- b) Quantitative updated forecast of the relevant market size and growth rate over the next 3 years;
- c) Market acceptance of the products/processes developed, current sales and cash flow forecasts, new product opportunities and any further activities planned jointly by the project partners
- c) The original estimate of the sales /licensing revenue from the product submitted in the project proposal to CIIRDF when the companies applied for CIIRDF funding;
- d) The revised (current) forecast of the sales / licensing revenue expected over the next 1 – 3 years. Include also the % that is applied to this revenue as the basis for repayment to CIIRDF (this % as was agreed upon and formalized in the CPFA);
- e) Explain the reasons for differences between the revised sales / licensing revenue forecast currently presented and that which was submitted with the original proposal
- f) Provide an accurate and concrete commercial plan to include detailed action items such as,
 - List of target clients
 - Marketing strategy or plan
 - Schedule for product launching
- g) Plan to overcome any new unforeseen obstacles
- f) Detailed **repayment schedule** for both companies showing the projected annual repayments of the grant until completion of repayments.

D: SALES REPORTS

1. REPORT OUTLINE

Reports on Sales are reported to CIIRDF on a bi-annual calendar basis, for the periods of January to June and July to December, commencing from the completion date of the project. Reports are due within 60 days following the end of each of these bi-annual periods. Standard reporting format is to be used. Refer to Report On Sales sample.

Reports on Sales can be in the form of any of, **but not limited to**, the three primary categories as defined in the CPFA:

1. Gross Sales, include all product revenues from the “sale, leasing, or other marketing or commercial exploitation of the Innovation, including service or maintenance contracts.” Repayments are made at the stated repayment rate (in the CPFA); generally at 2.5 % of the Gross Sales. Please note that the “Date of First Sale” is important for those agreements in which the repayment rate changes following the first year of sales. The date of first sale will be used to determine when to implement the change in repayment rate. If the repayment rate changes during the current reporting period, the gross sales amount must be allocated into two amounts, i.e., sales during and subsequent to the first year of commercialization. The appropriate repayment rates shall then be applied. The form allows for both sales and repayment information to be reported.
2. Revenues resulting from sales of patented inventions are covered in Section G and Annex D of the CPFA. The grant repayment rate on these revenues is 1.5 % and repayment becomes due as detailed in Subsection B.4 .
3. Revenues derived from license Agreements, as described in Annex E of the CPFA, are subject to repayment to CIIRDF at the rate of 30%.

It should be noted that cumulative repayments and royalties due to CIIRDF, from any and all source of revenues, are not to exceed 100% of the grant funds actually awarded to the participants.

ANNEX G– PROPOSAL