

ONTARIO ISRAEL

INFORMATION HANDBOOK

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I - INTRODUCTION

A: GUIDELINES FOR PROJECTS

The Ontario Israel Memorandum of Understanding (MOU) provides the opportunity for funding of joint development projects undertaken by private sector companies from Ontario and Israel (the "PROGRAM"). Public sector organizations, such as universities and institutions, are eligible to participate as subcontractors and/or consultants. The PROGRAM assists the companies by awarding grants of up to 50% of the eligible R&D project costs to a maximum of \$800,000CAD..

PLEASE NOTE THAT ALL PROPOSALS, ALL BUDGETS, ALL GRANTS AND ALL REPORTS MUST BE IN CANADIAN DOLLARS.

Joint technology development projects may include technology and knowledge applications, product customization, prototype beta-site testings, systems integration, near commercialization or new market creation, etc.

Eligible companies are Ontario firms which operate and are headquartered in Ontario, and Israeli firms which operate and are headquartered in Israel. Subsidiaries of firms headquartered and owned outside Ontario and Israel are normally not eligible for PROGRAM support, unless the PROGRAM is satisfied that the subsidiary has a global product mandate for the technology being developed in the course of the project, and that the project or technology will be substantially produced in and exported from either or both Ontario and Israel.

Project costs that the PROGRAM considers to be eligible for cost sharing are: direct R&D manpower, consumable materials, equipment, consulting services, subcontractors, project associated travel, outlays to meet regulatory requirements, and other expenses that are directly related to the joint R&D project. The PROGRAM recognizes reasonable depreciation or leasing costs of necessary equipment; whereas, the cost for outright equipment purchase is not recognized. The PROGRAM funding is designed to support the companies' development cost up to the point of product commercial readiness. Manufacturing, sales and marketing costs are not eligible for PROGRAM funding.

The companies applying for PROGRAM funding are also required to demonstrate that they themselves have, or have ready access to the infrastructure and resources required to complete the development project and to realize benefit from its commercial potential.

The primary criterion for PROGRAM support is that the project must be geared toward the development of technologies that are innovative & commercializable.

The PROGRAM's funding is subject to repayment, up to but no more than the total funding received, in the event that commercial revenues are realized.

At least 30% of the actual R&D cash costs on any individual project must be spent in either Ontario or Israel.

II – PROPOSAL PREPARATION GUIDELINES

A. FULL - SCALE R&D PROJECTS

Proposals for Full-Scale project funding should be prepared jointly and submitted together by both companies to Malka Lewittes, CIIRDF mlewittes@ciirdf.ca and Les Abelson, CIIRDF lesabelson@ciirdf.ca. Full-Scale project proposals should be written in conformance with, but are not limited to, the outline shown below and should be supported by any relevant official company documentation.

1. COVER PAGE

- a) Refer to Proposal Cover Page Sample (see section III, D)

2. EXECUTIVE SUMMARY

- a) A clear concise statement of specific objectives of the product, solution, or process
- b) The commercial value of the proposed product or process, i.e., projected revenues and time period;
- c) The capabilities and performance records of the companies in related areas.

3. ONTARIO & ISRAEL COMPANY INFORMATION (separate documents within proposal)

- a) Detailed Company Profiles: Use format, “Company Information Format” (see section III, E)
- b) Market Position
- c) R&D Background
 - General
 - International cooperation
 - Similar R&D projects (government funded and/or others)
- d) Financial Information (Include Cash Flow Status, etc.)
- e) Major Shareholders, Total paid-in-capital
- f) Record of Performance in Similar /Related Undertakings
- g) Company Capabilities (Human Resources, Facilities, Experiences, IP for Project)
- h) Degree to which Proposed Project Can be Absorbed into Existing Structure of Each Company
- i) Resumes - key personnel to the project (should include each individual’s role in the project)
- j) Others (pertinent company/product brochures)

4. INNOVATION

- a) R&D Goal
- b) Idea/Concept Behind the Innovation (utilize sketches, diagrams, tables, etc. to illustrate)
- c) Current Solutions and Best Practices vs Innovation,
- d) Current Limitations
- e) Technical Requirements & Definitions (Spec Sheet)
- f) Commercial Value in Market (related standards/ emerging standards)
- g) Proposed Program Cost in Money and Time to Bring to Commercial Readiness
- h) Patent Information (past, current, and future patents)
- i) Which Standards Apply to the Developed Product and Will Product Meet Current and Emerging Standards
- j) Others, if necessary

5. R&D PROJECT ANALYSIS & PLAN

- a) Analysis of the Problem
 - Specific issues or difficulties, which need to be resolved/overcome in order to achieve the project's objectives
 - Address general technical or economical constraints which must be overcome
 - Scope of Analysis must be consistent with the project budget and timetable
 - Confirm that critical technologies required for the project are firmly in hand
- b) Definition of Required Properties and Functions of the End Product
- c) General Project Plan
 - A chronological schedule of all activities presented in a graphical form (GANTT chart) for the duration of the entire project, complete up to market-ready product/technology
 - The plan should clearly indicate the estimated time required to completion of each task/activity in addition to milestones
- d) Details of Project Activities
 - Identification and detailed description of each task or activity (according to the chronological schedule provided under General Plan)
 - Specify each Company's roles and assignments according to each activity
 - Describe problem-solving strategies – resolving issues and the basis for selecting the preferred solution (supply sufficient support material to justify approach)
 - Testing details should show what is being tested, how many tests are needed, test objectives, methodology, expected results, etc.
 - Compliance with industry standards: the product/processes' ability or inability to meet applicable standards
- e) Others, if necessary

6. MARKET & COMMERCIALIZATION

- a) Current Market Size/Situation
 - Identification of Market Need
 - Market barriers to Entry
 - Expected growth of market over effective sales window (provide support material)
 - Competition Current and Future
- b) Companies' Market Position
 - Past sales record in the same or similar product line
- c) Existing Marketing/Sales Channel
- d) Target Customers
 - Specific industries to be affected (provide support material)
 - How are the customer / market needs served by product / process
- e) Business Model / Commercialization Strategy (How to make money)
- f) Sales Forecast (estimated market share) by each Company
- g) Sales & Cost Comparisons
 - Manufacturing costs vs. selling price
 - Alternative or similar product / processes' pricing
- h) Others, if necessary

7. ORGANIZATION AND MANAGEMENT PLAN

- a) proposed management procedures for the program, including the internal review procedures
- b) procedures for timely communications between each company's project team.
- c) role of review meetings (when, where, for what purpose, with whom) during the project.
- d) Provide an organization chart for the project, identifying each company's project leader and the overall program manager
- e) Identify the program's key project personnel and their responsibilities.
- f) indicate positions to be filled by new employees and identify the status of these staff.
- g) Identify the role of key consultants and subcontractors on the organization chart and indicate if a relationship between the consultants/subcontractors and the companies currently exists.

8. COOPERATION & BENEFITS

- a) Previous Relationship Between Partners, if any (otherwise, describe ulterior motivation for this joint project)
- b) R&D & Commercial Role, Share of each company
 - Development, production, and marketing roles
 - Current Capabilities of Each Company for Manufacturing and Marketing and Any Additional Capabilities Required
 - External resources to be mobilized for accomplishing commercialization
- c) Commercial Agreements Summary
 - Profit share, marketing regions, IP ownership, etc.
 - Completed or in progress,
 - Binding or non-binding
- d) Benefits from Joint R&D for each Company
 - Technical mode and extent of cooperative activity between Companies
 - Commercial aspects rendering mutual benefits
- e) Others, if necessary

9. BUDGET

Please complete a separate budget for each company's activities for the duration of the project. Budget should be submitted in the format provided, see Section B General Budget Guidelines below and Annex A to the Cooperation and Project Funding Agreement (CPFA) Full-Scale Budget Format to complete this section of the proposal.

B: GENERAL BUDGET GUIDELINES

1. Full-Scale projects, whose total duration is between 13-24 months, should be organized into two (2) separate (roughly) equal project periods. Companies should prepare their budgets for each of the project periods separately for the purpose of project monitoring, reporting and payment of conditional grant funds.
2. Full-Scale projects, whose total duration is between 25-36 months, should be organized into three (3) separate (roughly) equal project periods. Companies should prepare their budgets for each of the project periods separately for the purpose of project monitoring, etc.
- Example:

Company Name:	XYZ COMPANY				
Total Project Duration:	30 Months	Total Project Periods:	3	Total Project Budget:	1,000,000 CAD

Project Period:	1	Period Duration	12 Months
Project Period:	2	Period Duration	12 Months
Project Period:	3	Period Duration	06 Months

3. Only those periods of the project up to, but NOT including, actual production and sales should be included in the budgets. THE PROGRAM’s funding of the project begins from the effective start date of the project, which may be from the date the proposal is received by THE PROGRAM, signed by the CEO of each company. Expenses incurred by the companies prior to the effective start date cannot be recognized by THE PROGRAM.
4. Actual current salary plus social (“fringe”) benefits of employees expected to work on the project. Typically, in addition to the engineering and technical personnel, the staff includes prototyping, R&D documentation, and marketing personnel. NOT to be included are corporate executives, secretarial staff, legal staff, administrative staff or staff engaged in sales activities; such expenses are included in the overhead allowance.
5. The maximum individual annual salary (including social benefits) currently recognized by THE PROGRAM is CAD\$100,000 for Ontario or Israeli companies.

6. **Direct Labor:** % time on project during the duration period is equal to the product of:

$$\begin{array}{ccccccc}
 & \text{Gross Annual} & & \% \text{ on} & & \text{Period / Duration} & & \text{Cost To Project} \\
 \text{Direct} & \text{Salary} & & \text{Project} & & \text{(Period of X Mos. over} & & \text{CAD} \\
 \text{Labor} & & \text{X} & & \text{X} & & \text{=} & \\
 & \text{(include social} & & \text{(Direct} & & \text{12 month annual} & & \\
 & \text{benefits)} & & \text{Labor)} & & \text{salary)} & &
 \end{array}$$

○ Example: 90,000 X 60% X 6/12 or (1/2) = 27,000 CAD

I. DIRECT LABOR					
Name, Title, Role (TBD if yet unknown)	Gross Annual Salary * CAD	% on Project	Period Duration	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
1. Mickey Mouse, Project Manager, engineer for software development	90,000	60%	6/12	27,000	
2. Donald Duck, Sr. Researcher, supervising software integration	40,000	80%	6/12	16,000	

7. **Overhead (O/H):** Include all indirect labor cost, secretarial services, legal staff, etc.

8. **Equipment:** Depreciation, rental or leasing expenses, not capital expenditures. List each item, include purchase price, intended date of purchase and % of time to be used on the project during this period. Give the schedule for equipment depreciation. Only depreciation or lease expenses incurred over the duration of the project will be recognized.

○ Example:

II. EQUIPMENT This budget Item refers to depreciation allowance on capital equipment employed and NOT TO 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. Server	1	2,000	70%	(3 years) - 1/3	466.66	
Subtotal, Purchased Equipment					466.66	
LEASED EQUIPMENT		Monthly Lease Cost (Cost X Months X Unit)	% time on project	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only	
Item Description	NO. of Units					
1. Notebook PC	2	200 x 5 x 2 = 2,000	100%	2,000		
Subtotal, Leased Equipment					2,000	
TOTAL EQUIPMENT COST (Purchased Equip. Subtotal + Leased Equip Subtotal)					2,466.66	

9. **Expendable Materials & Supplies:** List each major item under expendable materials and supplies and give purchase price. Provide a separate table for detailed breakdown, if necessary.

10. Travel: Both foreign and domestic travel must be reported and 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.

○ Example:

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 Official Use Only
Destination & Purpose					
1. Toronto, Canada – Kick Off Meeting	1,000	1	2	2,000	
Subtotal, Foreign Travel				2,000	
DOMESTIC TRAVEL	Cost per Person per trip(\$)	No. of trips	No of People per Trip	Cost To Project CAD	Qualifying Cost CAD Column for Official Use Only
Destination & Purpose					
1. Vancouver – Facility Inspection	500	2	3	3,000	
Subtotal, Domestic Travel				3,000	
TOTAL TRAVEL (Foreign Travel Subtotal + Domestic Travel Subtotal)				5,000	

11. Subcontractor: Subcontractor’s budget should identify each company, the service to be performed and the cost for each service. Provide the basis for the costs.

12. Consultant: Consultant’s budget should identify each consultant, the nature of the activity, number of hours and hourly rate, if applicable.

13. Other Expenses: Typical “Other Expenses” include items such as regulatory activities, standards certification, field trials, etc. Patent related activities and expenses are NOT included as “Other Expenses.”

14. General & Administrative (G&A): Calculated at 5% of the Total Subtotal Before G&A Expenses. To include all indirect costs for rent, facilities, etc.

C: PROPOSAL COVER PAGE (SAMPLE)

To : THE PROGRAM

From : Israeli company and address
 Ontario company and address
(with telephone and fax numbers)

Project Title :

Project	First Period	Second	Third Period	TOTAL
Duration:	Duration	Period	Duration	Project Duration
		Duration		
	mo	mo	mo	mo
	nth	nth	nths	nth
	s	s		s
	_____	_____	_____	_____

Project	First Period	Second	Third Period	TOTAL
Budget:	Budget	Period	Budget	Project Budget
		Budget		
	C	C	C	C
	A	A	A	A
	D	D	D	D
	_____	_____	_____	_____

Submitted by:

Signature _____

Printed Name _____

Title (CEO) _____

Company _____

Date submitted : _____

D: COMPANY INFORMATION FORMAT (SAMPLE)

Item	ABC Co. (Ontario)	XYZ Co. (Israel)
CEO/President		
Project Manager/Title		
Year Established		
Year of Stock Listing		
No. of Employees		
Total Assets (current year)	CAD	CAD
Total Liabilities (current year)	CAD	CAD
Total Owner's Equity(current year)	CAD	CAD
Net Income (current year)	CAD	CAD
Total Sales (current year)	CAD	CAD
Core Business		

III- REPORT GUIDELINES

All Technical reports must be prepared jointly by both companies and submitted to the PROGRAM to Malka Lewittes and Les Abelson at CIIRDF. Technical and Fiscal reports must be submitted to and approved by the PROGRAM 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”, see Appendix A).

- **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 project completion date.

1. INTERIM REPORTS

- a) Should be prepared according to the Technical Report Outline and Fiscal Report Outline (see Section IV A and Section IV B).
- 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 (see Section IV A).
- b) Part II should be prepared according to the Fiscal Report Outline (see Section IV B).
- c) Part III should be prepared according to the Commercialization Report Outline (see Section IV C)

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

3. INFORMAL REPORTS

- a) THE PROGRAM 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 of program activities.
- c) As a contributor to the project, the PROGRAM may request 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 the PROGRAM 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 the PROGRAM 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 the PROGRAM with 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 (see sample Section IV A.2)
- 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 comprehensive 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) Market and commercialization plans - identify any important changes that have developed during the segment covered by the report. Explain the impact on overall Program Plan and budget.
- j) Published reports - attach a copy of any report that is based, in whole or in part, on the work conducted on the PROGRAM 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

Project File No: _____

Project Title: _____

Company Names

(Israeli Company): _____

(Ontario Company): _____

Type of Report: (Interim; Final) _____

Project Start Date: _____

Period Covered: _____

Project Managers :	Company Name	Company Name
	Israeli Company Officer	Ontario 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 the PROGRAM to monitor actual expenditures on the project and to assist in decisions relating to the continued funding of the project.

All expenses incurred on the PROGRAM-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.

The PROGRAM 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 written 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 (see sample Section IV B.2)
- 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, employees 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 Annex A)

2. **FISCAL REPORT COVER PAGE (SAMPLE)**

(Separate cover page to be submitted by each company)

To: CIIRDF

Project File No: _____

Project Title: _____

Company Name: _____

Type of Report (Interim; Final): _____

Project Start Date: _____

Period Covered: _____

EXPENDITURE	\$ ACTUAL	\$TOTAL
BUDGET		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 THE PROGRAM when the companies applied for PROGRAM 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 the PROGRAM (this % as 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 and 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
- h) Detailed **repayment schedule** showing the projected annual repayments of the grant until completion of repayments.

D: SALES REPORTS

Reports on Sales are reported to the PROGRAM 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 (Section IV D.2).

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 the PROGRAM at the rate of 30%.

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

D: REPORT ON SALES & Commercialization Progress (SAMPLE)

To: **Canada-Israel Industrial Research and Development Foundation** (For the current semiannual period)

Project File No: _____ **Project Title:** _____

Company Name: _____ **Partner Company Name:** _____

For the period _____ **to** _____ **(dd/mm/yy)**

Semiannual Company Revenue – Total revenue from all goods and services

From: _____
To: _____	

Date of first sales revenue from the developed products: _____ (dd/mm/yy)

Semiannual revenue from the developed products, and repayment to CIIRDF:

For the period (dd/mm/yy)	Most recent revenue forecast submitted to CIIRDF for the period (CAD \$)	Total revenues for the period – basis for repayment (CAD \$)	Repayment rate (%)	Repayment due (CAD \$)
From: _____
To: _____				

- List all products in which the “Innovation” is used, in whole or in part, including products not mentioned in the project proposal and including all products reported in the sales report above:
- If the products were not developed to commercial readiness, is there a substantial possibility that they will in the future? If yes, when and what does it depend on?
 - a) If a process such as clinical studies have to be undertaken prior to commencement of sales please provide a report giving a summary of progress and expectations
 - b) If commercialization is still dependant on gaining financing or regulatory approvals please specify what activities have been undertaken to further these ends (specify bodies approached etc.)
- If commercialization differs from previous projections please explain why and insert your updated projections.
- Has the technology developed in the project also been commercialized by your partnering company to the CIIRDF project? **Yes/No**
- Was service or maintenance revenue derived from sales of the developed products? **Yes/No**

- If yes, please include it in the sales report below.
- Please furnish, as an attachment, a separate report on income derived from licensing or sales of the technology developed in the CIIRDF project

Please specify how the completed CIIRDF project has impacted on any or all of the following:

1. # new jobs created
2. Any increased investment in the company
3. Entry into new markets
4. Further collaborations
5. Spin off companies created

Forecast of semiannual revenue from the developed products (basis for repayments to CIIRDF) for the next 4 semiannual periods:

_____	to _____	\$ _____
_____	to _____	\$ _____
_____	to _____	\$ _____
_____	to _____	\$ _____

The undersigned confirm that this report is prepared from the company's accounting records in which all commercialization activity relevant to the Cooperation and Project Funding Agreement, subject to repayments are recorded and that this report is accurate and true in its contents.

Company Officer Accounting Official

Signature: _____

Printed Name: _____

Title/Position: _____

E-mail: _____

Date Submitted: _____

IV AGREEMENT

COOPERATION AND PROJECT FUNDING AGREEMENT

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

Ontario Company (hereinafter referred to as the “ Proposer”)

WHEREAS the Government of the Province of Ontario as represented by the Premier of the Province of Ontario (hereinafter referred to as “Ontario”) and the Government of the State of Israel as represented by the Minister of Industry, Trade and Labor (hereinafter referred to as “Israel”), did, on the 8th day of April, 2005, sign a Memorandum of Understanding concerning bilateral cooperation in private sector industrial research and development (hereinafter referred to as “the MOU”);

AND WHEREAS it was agreed that Ontario and Israel within its respective competence and applicable legislation, will facilitate and encourage cooperation and support projects in the field of industrial and technological research and development on the basis of mutual balanced benefit between interested industries and organizations aimed at the development of products or processes to be commercialized in the global market and based on cooperation between at least one industrial partner from Ontario and at least one industrial partner from Israel (hereinafter referred to as “ Eligible Projects”),

AND WHEREAS Ontario and Israel agreed that the Canada –Israel Industrial Research and Development Foundation (hereinafter referred to as “CIIRDF”) will be the entity responsible to identify and facilitate partnerships and projects between Ontario and Israeli corporations

AND WHEREAS Ontario has provided CIIRDF with a grant of \$ 3 million for activities and projects in support of the MOU;

AND WHEREAS Israel through the Office of the Chief Scientist has examined and duly approved the proposal submitted by [Ontario Company] and [Israeli Company] , entitled “**Project name**”, and is willing to provide certain funding for the implementation of the Proposal;

AND WHEREAS CIIRDF has examined and duly approved the proposal submitted by the Proposer and [Israeli Company] , entitled “**Project name**”, and identified as **Ontario Israel 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 President of CIIRDF is empowered by its Board of Directors to execute this Agreement and to perform all acts under the terms hereof on behalf of CIIRDF.
- A.3.** The following document is incorporated by reference and made a part of this Agreement: The Proposal, dated **the day of 200**, as stamped with CIIRDF's approval on **the day of 200** submitted by the Proposer and [Israeli Company] and attached hereto as Annex G to this Agreement (the "Proposal"). 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 prevail .
- A.4.** 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.** CIIRDF hereby agrees to fund, by grant, the implementation of the Proposal in the maximum sum of **\$.00** or 50% of the actual expenditures of the Proposer on the project, as contemplated in the Approved Project Budget set forth in Annex A hereto, whichever is less, (the "Grant") 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 CIIRDF 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 CIIRDF.
- B.3.** The Proposer shall make payments to CIIRDF 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 CIIRDF 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 CIIRDF 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 Proposer and the [Israeli Company] or between the Proposer and its parent 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 CIIRDF shall be calculated on a biannual calendar basis, and statements, consistent with generally accepted accounting procedures and with the standard accounting procedures of the Proposer and signed by an officer of the Proposer, rendered with payment in and within 90 calendar days following the end of each biannual period. Payments to CIIRDF 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 CIIRDF 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 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 CIIRDF, 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 CIIRDF.

D: Reporting Requirements

- D.1.** The Proposer shall submit to CIIRDF, in writing, the following reports:
 - a.** Fiscal and technical reports within 30 days following the expiration of the each phase 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.** The Proposer shall provide, at its expense, briefings on the progress of the work hereunder within 45 days following request by CIIRDF. Such briefings shall accord with the form and depth as CIIRDF 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 CIIRDF shall be acknowledged.
- E.2.** To the extent so required to permit CIIRDF free dissemination of such publications or information which CIIRDF 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 CIIRDF 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 CIIRDF in the Proposal, in any report or verbally, or obtained by Foundation personnel observation pursuant to any request or briefing, shall be treated by CIIRDF as confidential. At the request of the Proposer a confidential disclosure agreement may separately be entered into by the parties.
- F.2.** Nothing contained in the foregoing shall restrict the right of CIIRDF to make public the fact of CIIRDF's support for the project, and the identification of the Proposer therein. The details of any such publication, however, shall be subject to approval by the Proposer.

G: Patents and Royalties

- G.1.** If Proposer elects to apply for letters patent on any or all inventions resulting in whole or in part from performance of CIIRDF -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 the Proposer is making payments to CIIRDF under Sec. B hereto, where the Proposer retains rights in an invention and obtains a patent thereon in accordance with Sub.Sec.G.1., the Proposer shall pay to CIIRDF 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. CIIRDF's rights hereunder shall apply whenever such patents are obtained and shall survive termination of this Agreement.

H: Revocation of Agreement

- H.1.** CIIRDF 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, CIIRDF 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 CIIRDF.
- H.4.** If CIIRDF shall revoke as aforesaid, all funds given to the 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 CIIRDF, 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 CIIRDF 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 the Proposer's contribution. Upon request by CIIRDF, the Proposer shall provide evidence of his compliance hereunder.
- I.3.** CIIRDF 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 CIIRDF, whichever shall be the later.

J: **Suits Against CIIRDF**

- J.1.** The Proposer shall defend all suits brought against CIIRDF, 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 CIIRDF, either for purposes of tort liability, social benefits, or for any other purpose. The Proposer shall indemnify CIIRDF and hold it harmless from court costs and legal fees, and for any payment which CIIRDF may be obliged to make on a cause of action based upon an employee-employer relationship as aforesaid.

K: **Miscellaneous Conditions**

- K.1.** CIIRDF 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 CIIRDF, its funding or exercise of its rights hereunder be deemed an endorsement of the Innovation or of the Proposer, nor shall the name of CIIRDF 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 CIIRDF, which consent shall not be unreasonably withheld.
- K.3.** This Agreement shall be construed under the laws of the province of Ontario. The forum for the resolution of any dispute arising from this Agreement shall be Ottawa, Ontario, Canada.
- K.4.** Unless the parties to a dispute shall agree otherwise, the dispute shall be referred to arbitration under the rules of the arbitration legislation in effect within the province of Ontario.
- K.5.** The Proposer undertakes to comply with all applicable Canadian federal and provincial laws, rules and regulations, and will apply for and obtain all necessary licenses and permits for carrying out of its obligations hereunder.
- K.6.** 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. Ontario Company name and address

L: Limitation on Payments

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

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

Company Name:

Total Project Duration: Months

Total Project Periods:

Total Project Budget: CAD

Project Period:		Period Duration:			
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	Calculated @25% of Total Direct Lab *Includes all indirect labor overhead expenses and social benefits			Cost To Project CAD	Qualifying Cost CAD Column for Official 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 TO 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 Unit)	% 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 trips	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 trips	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 Hours	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 Expenses					
TOTAL PROJECT PERIOD BUDGET					

ANNEX B - PAYMENT OF GRANT

Total Grant approved is CAD \$
According to Budget submitted and approved:

Therefore:

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

Ontario Company Name CAD \$

2. Interim Payment (s) - After receipt and approval of the interim technical and fiscal reports for the first (duration) - month period, or after actual expenditures on the project have equaled or exceeded \$(amount), whichever is later.

Ontario 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, CIIRDF 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 Finaltechnical,fiscal and commercialization reports - the balance due Proposer up to the total sum of the Grant per Sub.Sec.B.1.

Ontario 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 the Proposer and the Third Party.
 - (b) The Proposer 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 Proposer with respect to payments under Section G of this Agreement.
 - (c) However, in no event shall the Proposer's obligation with respect to payments be greater than the amounts indicated in Sub-Section B.3(b) of this Agreement. Should the Proposer'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 Proposer 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 Proposer and [Israeli Company], or either Proposer, and a third party, such licensor-Proposer 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 Proposer and [Israeli Company], or the Proposer, and a third party, such licensor-Proposer 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 Proposer, 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 Proposer, enters into as a necessary, common or convenient means by which said products are sold to end-users 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:

	Company Name	Company Name
Project Managers :	Israeli Company Officer	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:

4. 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.
5. 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 .
6. 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.

D: REPORT ON SALES Template

To: **Canada-Israel Industrial Research and Development Foundation** (For the current semiannual period)

Project File No: _____

Project Title:

Company Name: _____

Partner Company Name: _____

For the period _____ **to** _____ (dd/mm/yy)

Semiannual Company Revenue – Total revenue from all goods and services

From: _____
To: _____	

Date of first sales revenue from the developed products: _____ (dd/mm/yy)

Semiannual revenue from the developed products, and repayment to CIIRDF:

For the period (dd/mm/yy)	Most recent revenue forecast submitted to CIIRDF for the period (CAD \$)	Total revenues for the period – basis for repayment (CAD \$)	Repayment rate (%)	Repayment due (CAD \$)
From: _____
To: _____				

- List all products in which the “Innovation” is used, in whole or in part, including products not mentioned in the project proposal and including all products reported in the sales report above:
- If the products were not developed to commercial readiness, is there a substantial possibility that they will in the future? If yes, when and what does it depend on?
 - c) If a process such as clinical studies have to be undertaken prior to commencement of sales please provide a report giving a summary of progress and expectations
 - d) If commercialization is still dependant on gaining financing or regulatory approvals please specify what activities have been undertaken to further these ends (specify bodies approached etc.)

- If commercialization differs from previous projections please explain why and insert your updated projections.
- Has the technology developed in the project also been commercialized by your partnering company to the CIIRDF project? **Yes/No**
- Was service or maintenance revenue derived from sales of the developed products? **Yes/No**
- If yes, please include it in the sales report below.
- Please furnish, as an attachment, a separate report on income derived from licensing or sales of the technology developed in the CIIRDF project

Please specify how the completed CIIRDF project has impacted on any or all of the following:

6. # new jobs created
7. Any increased investment in the company
8. Entry into new markets
9. Further collaborations
10. Spin off companies created

Forecast of semiannual revenue from the developed products (basis for repayments to CIIRDF) for the next 4 semiannual periods:

_____	to _____	\$ _____
_____	to _____	\$ _____
_____	to _____	\$ _____
_____	to _____	\$ _____

The undersigned confirm that this report is prepared from the company's accounting records in which all commercialization activity relevant to the Cooperation and Project Funding Agreement, subject to repayments are recorded and that this report is accurate and true in its contents.

Company Officer Accounting Official

Signature: _____

Printed Name: _____

Title/Position: _____

E-mail: _____

Date Submitted: _____

ANNEX G– PROPOSAL