

TERMS AND CONDITIONS RELATED TO A COLLABORATIVE RESEARCH AND DEVELOPMENT PROJECT

This document specifies provisions regarding Collaborative Research and Development Projects.

1. DEFINITIONS

1.1 In this document, in addition to the terms and expressions defined in the Agreement, the terms and expressions mentioned below must have the following meaning:

1.1.1 “**Agreement**” means the Membership Agreement entered into the Member and INO;

1.1.2 “**Assumed Fees**” means the following fees which shall be assumed and paid entirely by the Member:

- (a) Consumables that exceed 30% of the Eligible Project Costs;
- (b) Total Project Costs exceeding the INO Contribution and/or the Maximum INO Contribution;
- (c) Purchase of third-party software or equipment to carry out the Authorized Project;
- (d) Shipping costs (including transport and insurance);
- (e) Costs associated with the development and production of units (except the first deliverable unit for prototype purposes)

1.1.3 “**Authorized Project**” means, depending on the context, (i) an approved Collaborative Research Project as provided for in subsection 2.5 herein, (ii) the completion of step 1 (requirements analysis) or (iii) the completion of step 2 (solution design);

1.1.4 “**Background IP**” means any Intellectual Property that is either (i) owned by a Party (or licensed to it with the right to grant sublicences) prior to the commencement of an Authorized Project; (ii) designed, put into practice, created or otherwise owned by or licensed (with the right to grant sublicences) to a Party after the date of an Authorized Project but independently of and not in connection with such Authorized Project;

1.1.5 “**Consumables**” means (i) the parts, materials, supplies and other items purchased by INO as part of the execution of an Authorized Project; (ii) the costs and fees of subcontractors retained by INO in the context of carrying out an Authorized Project, (iii) the costs of clean rooms, (iv) the travel, accommodation and meal costs incurred by INO within the framework of carrying out an Authorized Project and (v) administrative costs of 15% applicable to the items mentioned above;

1.1.6 “**Costs Assessment**” has the meaning provided in subsection 2.4.6. herein;

1.1.7 “**Eligible Project Costs**” means (i) INO’s labour costs calculated at its commercial hourly rates then in force and (ii) Consumables up to a maximum of 30% of the total Eligible Project Costs, but specifically excluding Assumed Fees;

- 1.1.8 “**Evaluation Committee**” means the committee made up of experts chosen by INO to evaluate and select the Authorized Projects;
- 1.1.9 “**Exclusivity**” has the meaning provided in subsection 3.6 herein;
- 1.1.10 “**Exclusivity Option**” has the meaning provided in subsection 3.4 herein;
- 1.1.11 “**Exclusivity Period**” has the meaning provided in subsection 3.4 herein;
- 1.1.12 “**Foreground IP**” means any Intellectual Property, other than Background IP, developed or created by INO within the framework of an Authorized Project;
- 1.1.13 “**INO Contribution**” means the portion of the Eligible Project Costs borne by INO;
- 1.1.14 “**Intellectual property**” means all works (including software and computer programs), inventions (whether patentable or not), industrial designs, integrated circuit topographies, discoveries, trade secrets, results, technical information, data, scientific reports and all intellectual property and industrial property rights in the foregoing, such as those recognized by copyrights, patents, industrial designs or confidentiality, including any application for the foregoing but specifically excluding trademarks;
- 1.1.15 “**Maximum INO Contribution**” means the maximum amount assumed by INO as an INO Contribution either with respect to an Authorized Project or for a Year, up to the maximum provided for herein, whichever comes first;
- 1.1.16 “**Member**” means either a strategic member or an industrial member, “**members**” collectively means several members;
- 1.1.17 “**Party**” means INO or the Member, as the case may be, and “**Parties**” collectively means INO and the Member;
- 1.1.18 “**R&D Fee**” means the fee determined by the Board of Directors, from time to time, to be paid by the Member allowing to carry out one or more Eligible Projects, which is, as of the date hereof, \$5,000 per year for a Strategic Member and \$2,500 per year for an Industrial Member;
- 1.1.19 “**Royalty**” has the meaning provided in subsection 3.7 herein;
- 1.1.20 “**Total Project Costs**” means (i) INO’s labour costs calculated at its commercial hourly rates then in force and (ii) Consumables, but specifically excluding Assumed Fees;

2. COLLABORATIVE RESEARCH and development PROJECT

- 2.1 **Proposal.** A Member may propose a Collaborative Research and Development Project to INO. A Collaborative Research and Development Project may include the participation of more than one Member (the participation of the member being subject to the privileges related to this category of member).
- 2.2 **Step 1.** If INO considers the proposed Collaborative Research and Development Project to be of interest (according to the criteria set out below in subsection 2.4 herein), INO will fully assume the Eligible Project Costs for the completion of step 1 (requirements analysis) up to \$10,000. Any additional fees to this amount, Assumed Fees, or other costs shall be borne by the Member. The maximum number of step 1

carried out at INO's expense per Year is limited to 2 per Strategic Member and to 1 per Industrial Member.

- 2.3 **Step 2.** If the Member wishes to continue the Collaborative and Development Research Project after step 1, INO will carry out step 2 (solution design) of the Collaborative Research and Development Project. Subject to subsection 2.6 herein, INO will assume the Eligible Project Costs of this step 2 up to a maximum of \$40,000 for a Strategic Member and \$25,000 for an Industrial Member. Any additional fees, the Assumed Fees or other costs shall be assumed by the Member.
- 2.4 **Synopsis.** Before starting and executing steps 3 and following in a collaborative mode, a Collaborative Research and Development Project will be presented and accepted by the Evaluation Committee. The Parties will jointly prepare a synopsis of the overall plan for steps 3 and following of the Collaborative Research and Development Project which must include the following items to be evaluated by the Evaluation Committee:
 - 2.4.1 Presentation of the Member (the member must be in good standing, not in default and a Canadian resident);
 - 2.4.2 Description of the problem to be resolved and the motivations of the Member (value for the Member and degree of commitment);
 - 2.4.3 Description of the solution envisioned in the Collaborative Research and Development Project (future value for INO and potential for extension of use to other applications);
 - 2.4.4 Presentation of technical and business challenges, what success looks like (returns and synergies for INO);
 - 2.4.5 Presentation of the results of step 2;
 - 2.4.6 Evaluation of all project costs (steps 2 to 5), including an estimate of Eligible Project Costs (hereinafter the "**Cost Estimate**").
- 2.5 **Authorized Project.** The Evaluation Committee will evaluate the Collaborative Research and Development Project according to the criteria set out in subsection 2.4 and if it is accepted by INO, it shall then be an Authorized Project.
- 2.6 **Stage 2 Payment.** Within 30 days of the acceptance of an Authorized Project, the Member shall pay 50% of the Eligible Project Costs of step 2. If the Collaborative Research and Development Project is not accepted by the Evaluation Committee, the Member will not have to pay its portion of the Eligible Project Costs of this step 2, but will have no right to use the results and deliverables of this step 2 and will not benefit from the licenses provided for in section 3.2 herein. If the Member wishes to obtain the license for the Foreground IP provided in subsection 3.2 herein, it shall pay 50% of the Eligible Project Costs of this step 2 within 60 days of receipt of the decision of the Evaluation Committee.
- 2.7 **R&D Fee.** Within 30 days of accepting an Authorized Project and before an Authorized Project begins, the Member shall pay the R&D Fee if it has not already been paid. The R&D Fee is non-refundable and cannot be applied in payment of Eligible Project Costs or Assumed Fees. The R&D Fee is only valid for one year and shall be repaid if an Authorized Project is in progress when it expires.
- 2.8 **Project Costs.** In an Authorized Project, the INO Contribution shall be 50% of the Eligible Project Costs up to the Maximum INO Contribution. The other 50% of the

Eligible Project Costs, the Assumed Fees and any surplus to the Maximum INO Contribution shall be entirely assumed and paid by the Member and, where applicable, the other Members participating in this Authorized Project, according to the agreed terms for the Authorized Project, plus applicable taxes. Calculation examples are attached in Schedule A.

- 2.9 **Maximum.** The Maximum INO Contribution, regardless of the number of Authorized Projects for the Strategic Member, is \$500,000 per Year, and \$200,000 per Year for the Industrial Member.
- 2.10 **Terms and conditions.** The terms and conditions related to the execution of the Authorized Project are INO's standard terms and conditions applicable to such a research and development project.
- 2.11 **Membership and Residency.** Throughout the execution of the Authorized Project, the Member shall (i) remain a member of INO, including by paying the Basic Annual Fee when due and (ii) be a Canadian resident within the meaning of the *Income Tax Act* (RSC (1985), c.1). If the Member ceases to be a member in good standing or a Canadian resident, INO may cease the execution of the Authorized Project, and if the Member changes its category, its privileges will be adjusted accordingly.

3. INTELLECTUAL PROPERTY

- 3.1 **Background IP.** In the event that a Party's Background IP is necessary either to (i) carry out the Authorized Project or (ii) to use a deliverable from an Authorized Project, that Party grants to the other Party a limited, worldwide, non-exclusive, royalty-free, perpetual license solely (i) to use such Background IP to perform the Authorized Project and (ii) to exploit, market, use, make, sell, copy and import the deliverable from an Authorized Project, including the granting of sublicences. Any other exploitation or use of the Background IP is specifically excluded.
- 3.2 **Foreground IP.** INO is and shall remain the sole owner of Foreground IP. Subject to the Member's compliance with its obligations, in particular the full payment of 50% of the Eligible Project Costs and Assumed Fees, INO will grant the Member a worldwide, non-exclusive, royalty-free and perpetual license to operate, use, make, sell, copy and import the Foreground IP from the Authorized Project or any product or service including it.
- 3.3 **Protection of Foreground IP.** INO and the Member shall jointly determine the appropriate means to protect Foreground IP. If the Parties agree that patent protection is the most appropriate, the Parties shall equally share the fees and costs related to obtaining a patent in Canada and in the United States. If the Member wishes to file an application in other jurisdictions, the Member shall bear the costs alone. The payment of such fees does not change the rights of the Member with respect to Foreground IP. Moreover, if the Member is not interested in patent protection, INO alone can take these steps at its own expense. Under no circumstances shall INO be liable for any loss of protection of Foreground IP.
- 3.4 **Exclusivity option.** If the Authorized Project completes step 4, the Member shall have the option of benefiting from the exclusive use of the Foreground IP (the "**Exclusivity Option**") for a period of 4 years following the completion of this step 4 (the "**Exclusivity Period**"). The Exclusivity Option shall be exercised by giving notice to INO within 3 months of the end of step 4 of an Authorized Project.

3.5 **End of Option.** The Exclusivity Option for Foreground IP developed in an Authorized Project shall automatically terminate and become null and void, on any of the following dates, whichever comes first:

3.5.1 the Member does not exercise the Exclusivity Option within 3 months of the end of step 4 of the Authorized Project, or

3.5.2 if step 4 of the Authorized Project is not initiated within 3 months following the end of step 3 of the same Authorized Project, or

3.5.3 if step 3 of the Authorized Project is not initiated within 3 months following the end of step 2 of the same Authorized Project.

For greater certainty, initiating a step outside of these deadlines does not restore the right to the Exclusivity Option unless there is a specific agreement between the Parties to the contrary.

3.6 **Exclusivity.** If the Exclusivity Option is exercised by the Member, INO undertakes, during the Exclusivity Period, not to commercially exploit, nor allow a third party to commercially exploit, the Foreground IP related to the Exclusivity Option (the "**Exclusivity**"). However, Exclusivity does not prevent INO from using the Foreground IP for internal research or development purposes.

3.7 **Royalty.** If the Member exercises the Exclusivity Option, it shall pay a fee equivalent to 25% of the total INO Contribution (all steps combined) at the rate of 4 instalments of 6.25% of the INO Contribution annually over a period of 4 years (the "**Royalty**"). The first Royalty is payable when the Exclusivity Option is exercised and thereafter on the anniversary date of this exercise.

3.8 **End of Exclusivity.** The Exclusivity shall automatically end, on any of the following dates, whichever comes first:

3.8.1 At the end of the Exclusivity Period, or

3.8.2 If the Member fails to pay the Royalty when due, or

3.8.3 If the Member ceases to be a member, or

3.8.4 If this Agreement is terminated.

3.9 **Transfer.** Notwithstanding the licenses granted, the transfer of knowledge related to the Background IP and the Foreground IP of INO shall be the subject of a separate agreement between the Parties, such transfer being entirely at the expense of the Member.

3.10 **Residual Information.** For greater certainty and notwithstanding any provision to the contrary, INO retains the right to use any know-how relating to any result or product provided within the framework of any Collaborative Research and Development Project which is retained in the memory of its personnel and this, for any other project, including know-how related to Foreground IP.

3.11 **Consequences of termination.** Upon any termination of the Agreement, INO may cease to carry out any Authorized Project in progress, and any Exclusivity Option and any consented Exclusivity shall terminate immediately.

SCHEDULE A
CALCULATION EXAMPLES

Example 1: Development project of a candy sorting robot with a single strategic member for a period of 9 months

| | | |
|--|---|-----------|
| Total Project Costs | | |
| Labour | 2,000 h @ \$230/h | \$460,000 |
| Consumables | \$250,000 | \$250,000 |
| Total | | \$710,000 |
| Calculation of Eligible Project Costs | | |
| Labour | 2,000 h @\$230/h | \$460,000 |
| Consumables | Max. 30% of Eligible Project Costs | \$196,000 |
| Total | | \$656,000 |
| INO Contribution | | |
| Labour | 1,000 h @\$230/h | \$230,000 |
| Consumables | 50% of eligible Consumables | \$98,000 |
| Total | | \$328,000 |
| To be paid by the Strategic Member | | |
| Labour | 1,000 h @\$230/h | \$230,000 |
| Consumables | (50% of eligible Consumables + Excess of 30%) | \$152,000 |
| R&D Fee | | \$5,000 |
| Total | | \$387,000 |

Example 2: Development project of a wine bottle analyzer with a strategic member and 2 industrial members for a period of 23 months

| | | |
|---|---|--------------|
| Total Project Costs | | |
| Labour | 8,000 h @\$230/h | \$1,840,000 |
| Consumables | \$160,000 | \$160,000 |
| Total | | \$2,000,000 |
| Calculation of Eligible Project Costs | | |
| Labour | 8,000 h @\$230/h | \$1,840,000 |
| Consumables | Max. 30% of Eligible Project Costs | \$160,000 |
| Total | | \$2,000,000 |
| INO Contribution | (the maximum is \$900,000, i.e. \$500,000+\$200,000+\$200,000) | |
| Labour | 3,600 h @\$230/h | \$828,000 |
| Consumables | Max. 30% of Eligible Project Costs | \$72,000 |
| Total | | \$900,000 |
| To be paid by the Strategic Member | | |
| Labour | 2,445 h @\$230/h | \$562,350 |
| Consumables | | \$48,889 |
| R&D Fee | (x2: project over 23 months) | \$10,000 |
| Total | | \$621,239 |
| To be paid by each of the industrial members | | |
| Labour | 977.5 h@ 230/h\$ | \$224,825 |
| Consumables | | \$19,555.50 |
| R&D Fee | (x2: project over 23 months) | \$5,000 |
| Total | | \$249,380.50 |

In this example, each member has used up their maximum for the year and cannot do any more Collaborative Research and Development Project for that year.

Example 3: Development project of an optical chlorine analyzer with a strategic member and 2 industrial members for a period of 6 months

| | | |
|---|------------------------------------|-------------|
| Total Project Costs | | |
| Labour | 750h @\$230/h | \$172,500 |
| Consumables | \$27,500 | \$27,500 |
| Total | | \$200,000 |
| Calculation of Eligible Project Costs | | |
| Labour | 750h @\$230/h | \$172,500 |
| Consumables | Max. 30% of Eligible Project Costs | \$27,500 |
| Total | | \$200,000 |
| INO Contribution | | |
| Labour | 375h @\$230/h | \$86,250 |
| Consumables | | \$13,750 |
| Total | | \$100,000 |
| To be paid by the Strategic Member | | |
| Labour | 208.3 h @\$230/h | \$47,916 |
| Consumables | | \$7,638 |
| R&D Fee | | \$5,000 |
| Total | | \$60,555.56 |
| To be paid by each of the industrial members | | |
| Labour | 83.3@ 230/h | \$19,167 |
| Consumables | | \$3,056 |
| R&D Fee | | \$2,500 |
| Total | | \$24,723 |