

MANUFACTURING LICENSE AGREEMENT

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MANUFACTURING LICENSE AGREEMENT entered into in the City of, Province of (insert name of province), Canada.

BETWEEN: V1 (name of individual), (occupation), domiciled and residing at (insert civic number and street name), in the City of (insert name of city), Province of (insert name of province), (postal code);

OR

V2 (corporate or business name), a legal person duly incorporated pursuant to the Act (name of statute under which the corporation was incorporated), having its principal place of business at (insert civic number and street name), in the City of (insert name of city), Province of (insert name of province), (postal code);

OR

V3 (corporate or business name), a legal person duly incorporated pursuant to the Act (name of statute under which the corporation was incorporated), having its head or registered office at (insert civic number and street name), in the City of (insert name of city), Province of (insert name of province), (postal code), represented by (name of representative), its (title of representative), duly authorized for the purposes hereof;

OR

V4 (corporate or business name), a legal person, duly incorporated pursuant to the Act (name of statute under which the corporation was incorporated), having its head or registered office at (insert civic number and street name), in the City of (insert name of city), Province of (insert name of province), (postal code), and duly registered under number (.....) in accordance with (insert name of statute pursuant to which the entity is registered), represented by (name of representative), its (title of representative), duly authorized for the purposes hereof as he/she so declares [or as indicated in the resolution of the [sole director or board of directors]];

HEREINAFTER REFERRED TO AS "OWNER";

AND: (identification of the licensee);

HEREINAFTER REFERRED TO AS "LICENSEE";

OWNER	LICENSEE

HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PARTIES".

RECITALS

THE PARTIES MAKE THE FOLLOWING REPRESENTATIONS:

- (A) OWNER, through research and development work, conceived a
(description of the product).
- (B) LICENSEE is engaged in the business of (identification of
business activities);
- (C) LICENSEE is interested in manufacturing and selling the product conceived by
OWNER in the framework of its activities.
- (D) The PARTIES agree to execute a LICENSE agreement regarding the manufacturing
of the product and which establishes the term of such collaboration;
- (E) The PARTIES wish to set out in writing the terms of their agreement regarding such
purpose;
- (F) It is the intent of the PARTIES that their agreement be construed as a contract by
mutual agreement.

NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS:

0.00 INTERPRETATION

0.01 Definitions

Unless otherwise indicated, capitalized words and expressions appearing in the Agreement shall be interpreted or construed as follows:

0.01.01 Activities

means the manufacturing and sale activities of LICENSEE;

0.01.02 Agreement

OWNER	LICENSEE

means this agreement including its recitals and schedules, any related or ancillary agreement or document identified therein, as well as any amendment made thereto from time to time by the PARTIES in compliance with Section 12.05; the terms “herein”, “hereof”, “hereto”, “herewith”, “hereunder”, “hereby” and other similar terms, when used in the Agreement, shall generally refer to the agreement as a whole rather than to a specific part thereof, unless otherwise indicated in the text;

0.01.03 Best Effort

means the efforts which a prudent Person desirous of achieving a result would use in similar circumstances to maximize, to the extent reasonably practicable, the probability that a result will occur and includes state of the art as it relates to any trade or profession in addition to generally acknowledged best practices in a field of activity;

0.01.04 Breach

means any misrepresentation, inaccuracy, error, omission, non-compliance, infringement, failure, claim or other circumstance relating to a representation, warranty, covenant, obligation or other provision of the Agreement leading to:

- (a) any infringement of the Agreement; or
- (b) any claim by any Person or other occurrence or circumstance which (i) is inconsistent with a covenant, obligation or other provision of the Agreement and (ii) causes damage to such Person;

0.01.05 Change in Control

means, in relation to any PARTY to the Agreement whose legal status is that of a business corporation, any one of the following events:

- (a) the direct or indirect acquisition by any Person or entity of securities of such a corporation representing more than FIFTY PERCENT (50%) of the corporation’s voting rights;
- (b) an agreement for the sale or disposition of all or substantially all of such a corporation’s assets;
- (c) a reorganization of such corporation leading to an assignment of a PARTY’s rights in the Agreement to a Related Person;
- (d) a merger of such a corporation; or
- (e) the approval by the shareholders of such a corporation of a plan for its complete liquidation;

OWNER	LICENSEE

0.01.06 Confidential Information

means any commercial, technical, scientific, financial, legal, personal or other information disclosed by a PARTY relating to the disclosing PARTY's business activities, strategies or opportunities, Intellectual Property, suppliers, customers, financial condition or employees which, at the time of disclosure, is designated as confidential, is disclosed in confidence, or would be understood by the receiving PARTY, exercising reasonable business judgment, to be confidential, but excludes:

- (a) information known to the receiving PARTY before the date on which it is received;
- (b) information known by the public or available to the public before the date on which it is received;
- (c) information which becomes known by or available to the public after the date on which it is received and which does not result from a breach of confidentiality on the part of the receiving PARTY;
- (d) information received at any time by a Person not bound to one of the PARTIES by an undertaking of confidentiality with regard to such information;
- (e) information independently produced by the receiving PARTY;
- (f) personal information provided by an individual when such information is being used for the purpose for which it has been previously disclosed or any other purpose permitted by Law;

0.01.07 Encumber or Encumbrance

encumber means to create or grant an encumbrance and encumbrance means a legal cause of preference, a dismemberment of ownership rights, an ownership modality, a restriction on the right to sell or a security interest;

0.01.08 Event of Default

refers to any of the following events:

- (a) if a PARTY fails to make any of the payments (of principal or interest) according to the timetable set and if it fails to cure such default within (.....) days following receipt of notice to such effect;
- (b) if any of the security mentioned in the Agreement is reduced in value, forfeited or expires before the obligation it guarantees is performed;
- (c) if a PARTY, in its interim or annual financial statements, does not show a working capital having a ratio of at least 1:1;

OWNER	LICENSEE

- (d) if the operations of a PARTY are interrupted for any reason whatsoever during (.....) consecutive days or more;
- (e) if a PARTY assigns its property for the benefit of its creditors or involuntarily liquidates its property;
- (f) if a PARTY becomes insolvent or if a petition in bankruptcy is instituted against it and a final judgment is handed down confirming its bankruptcy;
- (g) if a PARTY sells, assigns or transfers its rights in the Agreement, in whole or in part, without having obtained the prior written consent of
- (h) if a PARTY does not comply with one or more of its undertakings pursuant to the Agreement or to any ancillary agreement and such default is not cured within (.....) following receipt of a notice of default from
- (i) if a PARTY (or any of its Subsidiaries) is subject to a Change in Control;

0.01.09 Force Majeure

means any event beyond the control of a PARTY which could not have been reasonably foreseen and against which it could not have protected itself such as, without limiting the generality of the foregoing, natural disasters, epidemics, fires, accidents, acts of war (whether declared or not), insurrections, riots, acts of terrorism, wildcat strikes, partial or total work stoppages or slowdowns, lock-outs, changes in market conditions, power or communications breakdowns, interventions by civil or military authorities, compliance with any orders of governmental authorities, courts or tribunals or public authorities;

0.01.10 Fundamental Provisions

means, in the opinion of the PARTIES, Parts of the Agreement;

0.01.11 Improvement

means any modification to the Product intended to improve the latter's quality, efficiency or usefulness and, whenever required, to correct a defect in such;

0.01.12 Industrial Property

means, regarding the Product, the expertise of OWNER, any Confidential Information it does not usually disclose to third parties, any technical information, procedure, process formula, plans and blueprints, technical uses, information, diagrams, drawings, specifications, material lists, productions guides and all commercial information (client, supplier or price lists, proposals, offers, promotional documents, etc.) developed or used by

OWNER	LICENSEE

OWNER regarding the conception, commercialization, realisation and Improvement of the Product;

0.01.13 Intellectual Property

means any intangible asset, the proprietary rights of which may be protected by contract such as trade secrets, know-how and other similar assets and any intangible asset, the proprietary rights of which are protected by Canadian or foreign Laws such as patents, copyright, trade-marks, industrial designs, integrated circuit topographies or plant species and includes any application made to and any registration or patent issued by a public authority for the purpose of securing proprietary and/or intellectual property rights to such intangible assets;

0.01.14 Law

means a federal, provincial, state, municipal or foreign law, any regulation, ordinance, code, guideline, policy, or rule of civil or common law, any trade amendment thereto and any judicial or administrative order, consent, decree or judgment and may also include an international treaty or trade agreement, and any reference to a repealed statute shall be deemed to be a reference to such a statute and its related regulations as they existed prior to said statute being repealed;

0.01.15 Legal Representatives

means, in respect of each PARTY and, as the case may be, it's authorized assignee, when a natural person, the executors or administrators of his estate, his legal heirs, legatees, successors or mandataries and, when a legal person, its directors, officers, shareholders, members, employees and representatives;

0.01.16 Mould

means, if applicable, the models supplied by OWNER and listed in Schedule 0.01.16 of the Agreement, used to determine the dimensions of the whole or part of the Product;

0.01.17 PARTY

refers to a signing party to the Agreement and includes its Legal Representatives;

0.01.18 Patent

means, as the case may be, the individual patent or all patents reproduced in Schedule 0.01.18 hereof; this term also includes any future patent owned by OWNER on an Improvement to the Product;

0.01.19 Person

OWNER	LICENSEE

means, as the case may be, a natural person, partnership, joint-stock company, business corporation, cooperative, association, labour union, trust or any other organization whether incorporated or unincorporated, or any public authority of foreign, federal, provincial, territorial or municipal jurisdiction which is not a party to the Agreement, and includes their Legal Representatives;

0.01.20 Prime Rate

means, for each day, the annual rate of interest which the main business bank of OWNER sets for that day, according to the financial markets, which it discloses publicly and based upon which it sets the interest rates for the loans it grants in Canada in Canadian currency;

0.01.21 Product

means the product described in the Patent or in the Specifications and includes, when so required by the meaning of the text, any individual component of the latter, for sub-contracting or supply issues, and any replacement part for the calculation of royalties;

0.01.22 Prototype

means the basic experimental model including the essential characteristic of the Product intended for mass manufacturing;

0.01.23 Related Person

means, in relation to a PARTY, any Person identified in Subsection 251(2) of the *Income Tax Act* (Canada), R.S.C. 1985, c.1. (1st Supp.) or any Person not dealing at arm's length with such PARTY;

0.01.24 Revenue

means the total amount of all Product sales made by LICENSEE through transactions taking place in any of LICENSEE's place of business without regard to payment methods;

Without limiting the generality of the preceding, the term "Revenue" includes the following elements:

- (a) the actual sale price for all sold Products;
- (b) all Product sales for which the order was initially placed with or through the one of LICENSEE's place of business, whether the delivery of the Product is to be made to such place of business or anywhere else;
- (c) the sale price of any Product sold by mail, telephone, telegraph or otherwise, as well as any other order placed by any mean and received by LICENSEE's places of business;

OWNER	LICENSEE

- (d) any other sale which would normally be credited or attributed to LICENSEE's places of business in the normal course of their activities;
- (e) the amount of any sale lost by LICENSEE because of the interruption of its Activities. The total amount of such sales is equal to the maximal indemnity which LICENSEE or its insurer may claim pursuant to any interruption of activities insurance policy for the loss of such sales;
- (f) any deposit or down payment given by one or several clients on the sale of any Product and not reimbursed to the client.

No allocation for bad debt shall be made in the calculation of revenue and, without limiting the generality of the preceding, no deduction for credit, credit card fees, amount perceived on credit cards and not obtained, accounts or irrecoverable cheques shall be deducted in the calculation of revenue.

Any sale paid by instalment or by credit shall be treated as a sale of which the full price became due during the month following such sale, without taking the actual time it took for the payment to be due or paid into account.

However, the following elements are not included in the calculation of revenue:

- (i) Any Product exchange between LICENSEE and OWNER when such exchange is made solely for the efficient running of LICENSEE's business and not to conclude a sale between LICENSEE and OWNER;
- (ii) Any amount of tax charged by any federal, provincial or municipal authority and perceived directly on sales to clients, subject to the separation of such amount from the sale price on the client's invoice and that such payment was made by LICENSEE to the appropriate governmental authority;
- (iii) Any Product exchange between LICENSEE and a client, if the amount paid for the Products returned by the client has been originally included in the calculation of revenue.

The following amounts shall be deducted from the calculation of revenue:

- the amount of any cash return to a client pursuant to a Product return, if the amount reimbursed pursuant to such return was originally included in the calculation of revenue;
- The amount of any allowance remitted by LICENSEE on returned Products, up to the amount of allocation actually returned and if the sale price of the Products on which the allowance was remitted was originally included in the calculation of revenue;

OWNER	LICENSEE

0.01.25 Specifications

means the documentation issued by OWNER or its agents, containing a detailed description of the Product to be manufactured, with plans to scale, as reproduced in Schedule 0.01.25 of the Agreement, including any notice of modification which OWNER may deliver to LICENSEE;

0.01.26 Subsidiary

means an entity controlled by or under common control of a PARTY to the Agreement, through ownership or control of more than FIFTY PERCENT (50%) of the voting rights or other means of ownership or control, provided that such control continues to exist;

0.01.27 Technology

means the Industrial Property and the Intellectual Property, and includes the Improvements;

0.01.28 Templates

means the templates supplied by OWNER and listed in Schedule 0.01.16 of the Agreement used for manufacturing the whole or part of the Product;

0.01.29 Territory

means

0.01.30 Trade-mark

means the registered (*if applicable*) trade-mark reproduced in Schedule 0.01.30 hereof.

0.02 Precedence

The Agreement reflects the entire understanding between the PARTIES. It supersedes all other written or verbal promises or covenants made prior to its signing in addition to any schedules hereto attached and all amendments agreed upon by the PARTIES which do not comply with Section 12.05 of the Agreement.

0.03 Jurisdiction

0.03.01 Governing Law

The Agreement shall be interpreted, construed and performed in accordance with applicable Laws of the Province of Quebec and of Canada. Where the Agreement refers to a specific statute, such reference includes all regulations passed pursuant thereto, all amendments relating thereto as well as any statute or regulation which supplements or replaces such statute or regulation. Any reference to a repealed statute shall be considered to refer to the

OWNER	LICENSEE