

COOPERATION AND PROJECT FUNDING AGREEMENT (CPFA)

This Agreement is made on the _____, 2005, by and among

- (1) **KOREA-ISRAEL INDUSTRIAL RESEARCH AND DEVELOPMENT FOUNDATION**, a company incorporated in Korea and having its principal place of business at Korea Technology Center (KOTECH 15F), 701-1 Yeoksam-Dong, Gangnam-Gu, Seoul, Korea, 135-080 ("KORIL-RDF", which expression shall where the context so admits include KORIL-RDF's successors in title and assigns);
- (2) **3DVU Israel (2000), LTD.** a company incorporated in Israel and having its principal place of business at 26A Levi Eshkol St., Raanana 43703, Istrael ("3DVU, LTD.", which expression shall where the context so admits include 3DVU, LTD.'s successors in title and assigns); and
- (3) **DAEWOO PRECISION INDUSTRIES CO., LTD.** a company incorporated in Korea and having its principal place of business at 5 Songjeong-Ri, Gijang-Gun, Busan, Republic of Korea ("DAEWOO PRECISION INDUSTRIES CO., LTD.", which expression shall where the context so admits include DAEWOO PRECISION INDUSTRIES CO., LTD.'s successors in title and assigns).

3DVU, LTD. and DAEWOO PRECISION INDUSTRIES CO., LTD. shall hereinafter collectively be referred to as the "Participants" and individually as the "Participant".

WHEREAS: -

- (A) The Ministry of Foreign Affairs for the Government of the State of Israel and the Ministry of Commerce, Industry, and Energy of Korea, did, on November 25th, 1998, sign an Agreement concerning bilateral cooperation in private sector industrial research and development through the establishment of a Korea-Israel Industrial R&D program.
- (B) The Ministry of Commerce, Industry and Energy of Korea has been provided authority to make a grant of USD 1,000,000 annually starting from 2000, to the Korea-Israel Industrial Research and Development Foundation. As of May 2004, this amount has been increased to a grant of USD 1,500,000.
- (C) The Ministry of Finance of the Government of Israel has provided authority to the Office of the Chief Scientist, OCS, to make a yearly grant of the equivalent of USD 1,000,000 annually starting 2000, to the Korea-Israel Industrial Research and Development Foundation. As of May 2004, this amount has been increased to a grant of USD 1,500,000.
- (D) KORIL-RDF has examined and duly approved the Proposal (as hereinafter defined) and is willing to provide certain funding for the implementation of the Proposal on the terms and conditions hereinafter set forth.

NOW IT IS HEREBY AGREED, in accordance with the terms and subject to the conditions herein as follows:

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1. DEFINITIONS & GENERAL TERMS

1.1 In this Agreement unless the context shall otherwise require the following words and expressions shall have the following meanings:

- "Advance" shall have the meaning ascribed to it in paragraph 1 of Annex B (given in page 21)
- "Agreement" means this agreement, as amended, revised, modified, supplemented, notated or otherwise altered from time to time
- "Approved Program Plan" means the approved program plan set forth in Annex C (given in page 21)
- "Approved Project Budget" means the approved project budget set forth in Annex A (given in page 15 - 20)
- "Grant" shall have the meaning ascribed to it in Clause 2.1 (p. 3)
- "Gross Sales" shall have the meaning ascribed to it in Clause 3.2 (p. 4)
- "Innovation" means any products, processes, inventions, technology, discoveries, improvements, modifications, methods, software, specifications, or any form of technical information developed or arising from the Proposal.
- "Other Sums" means any sums of money other than the Grant actually awarded to the Participants by KORIL-RDF in connection with the subject matter of the Proposal
- "Projected Expenditure" means the aggregate of all dollar figures under the heading "Cost To Project" in the Approved Project Budget, as contained in Annex A, for both 3DVU, LTD. and DAEWOO PRECISION INDUSTRIES CO., LTD. as may be amended from time to time.
- "Proposal" means the Proposal, dated the Jan 31st, 2005, stamped with KORIL-RDF's approval on the May 22nd, 2005, as set forth in Schedule 1. For the avoidance of doubt, should any provision of the said Proposal be inconsistent with any other provision of this Agreement, the provisions otherwise set forth in this document shall prevail.
- "Qualifying Cost" means, in relation to each Qualifying Item, the dollar figure as reflected opposite such Qualifying Item in the Approved Project Budget as contained in Annex A.
- "Qualifying Item" means the item as listed under the heading "Qualifying Item" in the Approved Project Budget, as contained in Annex A.
- "Repayment Rate" shall have the meaning ascribed to it in Clause 3.1(a) whichever is applicable.

"KORIL-RDF's
Pro rata share"

means the percentage of the actual expenditures of the project in the implementation of the Proposal which KORIL-RDF provides under this Agreement

- (a) any reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended, consolidated or replaced by the same and any regulations, instruments or subordinate legislation made there under;
- (b) any reference in this Agreement to "writing" or cognate expressions includes a reference to telex, cable, facsimile transmission or comparable means of communication;
- (c) words importing the singular number shall include the plural and vice versa, words importing the masculine shall include the feminine and neuter gender and vice versa, and words importing persons shall include bodies corporate, unincorporated associations and partnerships;
- (d) reference to Clauses, Schedules and Recitals are reference to Clauses, Schedules and Recitals of this Agreement; and
- (e) the headings to the Clauses and paragraphs are inserted for ease of reference only and shall not affect the interpretation thereof or of this Agreement.

1.3 The Recitals, Schedules and the Annexes to this Agreement are incorporated into and form an integral part of this Agreement.

1.4 The Participants shall be bound and obliged jointly and severally and any reference to the obligations and liabilities of the Participant(s) shall mean the joint and several obligations and liabilities of the Participants, as herein provided.

1.5 The Chief Executive of KORIL-RDF is empowered by its Board of Directors to execute this Agreement and to perform all acts under the terms hereof on behalf of KORIL-RDF.

2. PROJECT FINANCING

2.1 KORIL-RDF hereby agrees to fund the implementation of the Proposal by the Participants by providing a grant (the "Grant") of fifty per cent. (50%) of the actual expenses incurred for each Qualifying Item up to fifty per cent. (50%) of the Qualifying Cost for such Qualifying Item, provided that in respect of all Qualifying Items, the aggregate amount of the Grant shall not exceed USD 362,907 or 50% of the Projected Expenditure, whichever is lesser.

2.2 The Grant shall be provided to the Participants at the times as set forth in the manner as set forth in Annex B.

2.3 The Participants shall bear the expenditures incurred for the implementation of the Proposal in a timely fashion in excess of those provided under the Grant.

2.4 Notwithstanding anything above, KORIL-RDF shall have the right to revoke the award of the Grant and/or terminate this Agreement at any time if there shall have been any adverse material change (as reasonably determined by KORIL-RDF) in the implementation of the Proposal. In the event of any such revocation, the Participants shall forthwith return to KORIL-RDF any unexpended portion of the Advance. If not repaid forthwith, such sum shall bear interest in accordance with Clause 3.9.

3. REPAYMENT OF GRANT

Sale of products of the Innovation

- 3.1 Each Participant shall, jointly and severally, make payments to KORIL-RDF 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 the following:
- (a) The Participants may repay the Grant and any Other Sums in US Dollars at the rate of 2.5% ("Repayment Rate") per year of the Gross Sales for that year, until 100% of the Grant and Other Sums have been repaid.
 - (b) The Participants may repay the Grant, and other sums, in any amount in the years following the first commercial transaction as set out below, until the maximum percentages as stated below have been satisfied in which event no additional payments to KORIL-RDF on account of the Grant and Other Sums shall be required for that respective year, excepting interest payments that may be applicable to be repaid in accordance with clause 3.9

Years Following the First Commercial Transaction	Maximum Percentage of Grant and Other Sums to be Repaid
Year 1	50%
Year 2	60%
Year 3	70%
Year 4	80%
Year 5	90%
Year 6+	100%

- 3.2 The term "Gross Sales" shall mean the gross invoiced sales value of the products of any Innovation sold by the Participant. In the computation of the Gross Sales, no costs incurred by the Participant in the development, design, manufacture, sale, distribution or exploitation of the products shall be deducted from the Gross Sales. In any sale or disposal of any products of the Innovation or part thereof otherwise than in an arm's length transaction or otherwise than for money, the Gross Sales shall be the fair market value (if higher) of such products in the relevant country of sale or disposal. The term "Gross Sales" shall also include all specific export incentives or bonuses paid to the Participant on account of sale of the products of 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.
- 3.3 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 co-joined with other hardware or processes, and for which benefit the said third party gives something of value. This provision shall not apply to transactions between the Participants or between the Participants and their parents or subsidiaries. Should such parent or subsidiary resell

the Innovation separately identified or incorporated in a system, the Gross Sales price shall be the price to third parties from the parent or subsidiary making the sale, such Gross Sales price being defined by the same criteria as sales are defined for purposes of "Gross Sales" in Clause 3.2.

- 3.4 If the Innovation is a part of a product sold, marketed or otherwise commercially exploited, the Gross Sales price for purposes of payments according to Clause 3 shall be the Gross 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. Notwithstanding the aforesaid, if there shall have been established a market price for the Innovation, such price shall be the basis for payments according to Clause 3, notwithstanding the incorporation of the Innovation in another product.
- 3.5 In the event a Participant obtains a patent in accordance with Clause 8 in respect of an Innovation and such patent is licensed to other third parties for the sales of any products embodying the Innovation or made by practicing the Innovation, unless such Participant is making payments to KORIL-RDF under the other sub-clauses of Clause 3, the Participant shall pay to KORIL-RDF a grant repayment on sales of such products, in accordance with Annex D.
- 3.6 Assignment of technology or Innovation
- Should any portion of the Innovation or technology developed in whole or in part under this Agreement be assigned or sold outright to a third party, one-half of all proceeds of the assignment or sale as received by the Participants shall be applied to repay KORIL-RDF until there has been full repayment to KORIL-RDF of sums actually received by Participants hereunder, in equivalent dollars valued at time of repayment.
- 3.7 Licensing of technology or Innovation
- If any Innovation or any technology developed under this Agreement becomes the subject of any licensing, the Participant shall pay to KORIL-RDF a grant repayment in accordance with Annex E (given in page 22).
- 3.8 All payments due to KORIL-RDF under this Agreement shall be calculated on a semiannual calendar basis, and statements, consistent with generally accepted accounting procedures and with the standard accounting procedures of the Participant and signed by an officer of the Participant, rendered with payment within 90 calendar days following the end of each semiannual period. Payments to KORIL-RDF under Clause 3 shall commence at the end of the semiannual period during which the first sale or commercialization was made.
- 3.9 This Clause 3 shall survive termination of this Agreement, and to the extent of any obligation to make royalty payments under this Agreement, such obligation shall continue for the life of the last-to-expire patent issued on any invention made in whole or in part arising from the implementation of the Proposal. All payments due to KORIL-RDF and not paid by the participants under this Agreement shall bear interest at 1% more than the average prime rate prevailing at Citibank, Seoul for the Korean participant, and 1% more than the average prime rate prevailing at Citibank, Tel Aviv

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