

# SPONSORED RESEARCH AND COLLABORATION AGREEMENT

This agreement (the “**Agreement**”) is made effective November 20, 2017 (the “**Effective Date**”).

BETWEEN:

**THE GOVERNING COUNCIL OF THE UNIVERSITY OF TORONTO**  
(the “**University**”)

- and -

AVICANNA INC.  
(the “**Sponsor**”)

(Individually a “**Party**” and collectively the “**Parties**”)

**WHEREAS** the Parties wish to undertake a research project entitled “AVICANNA-CARG DRUG DELIVERY DEVELOPMENT” as described in the attached Appendix “A” (the “**Project**”);

**AND WHEREAS** the Sponsor wishes to support the Project;

**NOW THEREFORE** the Parties hereby agree as follows:

## 1.0 THE PROJECT

- 1.1 **Project.** The University and the Sponsor will perform the Project as described in the attached Appendix “A” in accordance with University policies and procedures. The Project will be designed to carry out the University’s primary mission, which is education and advancement of knowledge. The manner of performance of the Project shall be determined solely by the Principal Investigator, after consultation with the Sponsor and subject to substantial compliance in all respects with Appendix “A” and all other provisions of this Agreement, as may be amended from time to time. Neither Party makes any warranties or representations regarding its ability to achieve, nor shall it be bound to accomplish, any particular research objective or results.
- 1.2 **Principal Investigator.** The Project will be performed under the supervision and direction of Christine Allen, Ph.D. of the Leslie Dan Faculty of Pharmacy (the “**Principal Investigator**”), together with such additional personnel as the Parties may assign.
- 1.3 **Budget.** In consideration of the University carrying out the Project, the Sponsor will pay the University the sum of \$126,000 per year for two years in compensation for the direct and indirect costs of the work as well as providing in-kind support valued at \$ 100,000 per year for two years, all generally in accordance with the budget contained in the attached Appendix “B”.

- 1.4 **Payment.** Subject to Article 5.2, the University shall issue invoices and the Sponsor shall pay the sum set out in Article 1.3 to the University in accordance with the payment schedule in the attached Appendix "B".
- 1.5 **Equipment.** The University will own any equipment or material purchased by the University under the Project.
- 1.6 **Report.** The University will submit a final report describing the results of the Project to the Sponsor upon completion of the Project.

## 2.0 INTELLECTUAL PROPERTY

### 2.1 Definitions. In this Agreement,

- a. **"Background Intellectual Property"** means Intellectual Property of a Party that is:
  - i. proprietary to that Party and was conceived, created, or developed prior to, or independent of, any research performed pursuant to or related to this Agreement or a Project hereunder; and
  - ii. necessary for the performance of the Project.
- b. **"Foreground Intellectual Property"** means Intellectual Property that is discovered, created, or reduced to practice in the performance of the Project relating to drug delivery methods that are not included in the Sponsor's Background Intellectual Property set out in Appendix "C". For greater clarity, Foreground Intellectual Property shall not include improvements, changes, modifications, or developments to the Background Intellectual Property of the Sponsor ("Sponsor BIP").
- c. **"Intellectual Property"** (or **"IP"**) means all intellectual property, including technical information, know-how, models, drawings, specifications, prototypes, inventions and software.
- d. **"Similar Research"** means any research using cannabis, hemp, or their extracts or derivatives, for drug delivery.

### 2.2 Ownership

- a. Background Intellectual Property of a Party shall remain the exclusive property of such Party.
- b. The owner of such Background Intellectual Property hereby grants to the other Party, for the duration of the Project, a royalty free, non-exclusive, non-commercial, non-transferable right to use the Background Intellectual Property, as set out in Appendix "C", solely in connection with the work on the applicable Project. No other rights or licenses are granted by a Party to the other Party in Background Intellectual Property.
- c. The Sponsor shall own all improvements, changes, modifications, and developments to the Sponsor BIP that are discovered, created, or reduced to practice in the performance of the Project and all such improvements, changes, modifications, and developments shall form part of the Sponsor BIP.
- d. The Sponsor shall own all Foreground Intellectual Property created solely by the Sponsor's personnel ("Sponsor FIP").
- e. The University shall own all Foreground Intellectual Property created solely by the University's personnel that does not include Sponsor's Background Intellectual Property ("University FIP").

- f. The Parties shall jointly own all Foreground Intellectual Property created jointly by the Parties' personnel ("Joint FIP"). Creative contribution shall be determined according to the rules of inventorship under patent law, whether IP is patentable or not.
- g. Subject to all of the terms and conditions of this Agreement and the agreement of any assignee to be bound hereby, the University may assign its interest in Foreground Intellectual Property according to the University's applicable policies and procedures.

2.3 **Disclosure of Inventions:** The Principal Investigator will disclose any University's interest in Foreground Intellectual Property to the University in accordance with the University's Inventions Policy, and such disclosure will be communicated to the Sponsor promptly. For greater clarity, the University's interest in Foreground Intellectual Property includes University FIP and the University's interest in Joint FIP.

2.4 **Sponsor's Rights:**

- a. **Patent rights:** For any Joint FIP, the Sponsor may first elect to file a patent or other IP application(s) thereon. If the Sponsor decides to file such application(s), it shall do so in a timely manner and at its own expense. Any application filed, will be filed as a joint application if the University is considered an inventor according to the rules of inventorship under patent law, whether patentable or not; otherwise, the Sponsor may file the application listing the Sponsor as the inventor.
- b. **Option for Commercialization:** Provided that the Sponsor is not in breach of its obligations under this Agreement, the Sponsor will have the option to obtain an exclusive license to use the University's interest in Foreground Intellectual Property (the "Option"). The terms of the license will fairly reflect the nature of the Foreground Intellectual Property, the relative contributions of the Parties to the Joint FIP and this Agreement, the risks incurred by the Sponsor, and the costs of subsequent research and development needed to commercialize the Foreground Intellectual Property.
- c. **Option Period:** The Sponsor shall have fifteen (15) months from the date the University discloses in sufficient details the University's interest in Foreground Intellectual Property to the Sponsor, or as may be extended by mutual consent of the Parties (the "Option Period"), to notify the University in writing that it wishes to exercise the Option, failing which the University or its assignee(s) may offer licenses to such Foreground Intellectual Property to third parties. The University shall not disclose any of the University's interest in Foreground Intellectual Property to third parties during the Option Period.
- d. **Execution of License Agreement:** If the Sponsor advises the University that it wishes to exercise an Exclusive License within the Option Period (the "Notification"), the Parties shall use good faith efforts to execute an exclusive license ("**Exclusive License Agreement**") within one hundred and twenty (120) days from such Notification, as may be extended in writing by mutual consent of the Parties (the "**Execution Period**"), failing which such right to negotiate an Exclusive License will terminate without further obligation to Sponsor. Unless otherwise agreed to in writing by the Parties, the University shall be under no obligation to file, prosecute or maintain patents related to the Intellectual Property during the Execution Period. The University shall not disclose any of the University's interest in Foreground Intellectual Property to third parties during the Execution Period.
- e. **Non-Exclusive License:** If the Sponsor chooses not to exercise the Option, the Sponsor is hereby granted a non-exclusive, royalty-free, fully paid up, worldwide license to the University's interest in any Foreground Intellectual Property ("**Non-Exclusive License**").

- f. **Representations and Warranties:** Sponsor acknowledges and agrees that under the terms of a Non-Exclusive License or Exclusive License Agreement: (i) the Intellectual Property will be supplied and licensed to the Sponsor on an "as is" basis; (ii) the Intellectual Property will exclude representations and warranties as to the patentability, validity, scope or enforceability of the Intellectual Property; and (iii) the Intellectual Property will exclude representations and warranties that any use of the Intellectual Property will be free from infringement of intellectual property rights of any third party. The University shall be under no obligation to file, prosecute or maintain patents related to the Intellectual Property.
- 2.5 **Research and Teaching.** Subject to Article 2.6 and Article 4, notwithstanding anything in this Agreement or any resulting license, the University will retain the right to use University's interest in Foreground Intellectual Property for research, educational and administrative purposes, without cost and in perpetuity.
- 2.6 **Similar Research.** During the term of this Agreement, the Principal Investigator shall not engage in Similar Research with other sponsors. For clarity, nothing in this Agreement will be construed to limit the University or other researchers at the University from engaging in Similar Research with parties other than the Sponsor for the duration of the Project.

### 3.0 CONFIDENTIAL INFORMATION

- 3.1 **Confidential Information.** The Parties may disclose confidential information one to another to facilitate performance of this Agreement. Such information will be identified as "confidential" in writing at the time of its transmittal, or so reduced to writing within ten (10) days thereafter ("Confidential Information"), and will be safeguarded and not disclosed to third parties by the receiving Party. Confidential Information will include the Sponsor BIP. Confidential Information will not include information that:
- a. is already known to the Party to which it is disclosed;
  - b. is or becomes part of the public domain without breach of this Agreement;
  - c. is obtained from third parties which have no obligations to keep confidential to the Parties to this Agreement;
  - d. was independently developed by the receiving Party without the use of any of the Confidential Information of the disclosing Party.
- 3.2 Notwithstanding anything contained herein, each Party may disclose Confidential Information to its officers, employees, consultants, agents, and students on a need-to-know basis to facilitate performance of the Project, provided that such persons agree to be bound by terms at least as restrictive as those contained herein.
- 3.3 All obligations of confidence and non-use created under this Agreement shall terminate five (5) years from the completion or termination of this Agreement. Upon written request of the disclosing party, the receiving party agrees to return all copies of Confidential Information to the disclosing party; provided, however, that the receiving party shall be entitled to retain one (1) archival copy of all Confidential Information solely to ensure compliance with their rights and obligations hereunder.

#### **4.0 PUBLICATION OF RESEARCH RESULTS**

- 4.1 **Review.** The University will provide a copy of any proposed publication of Project research results (a “**Publication**”) to the Sponsor for its review **at least sixty (60) days** before submission for publication or disclosure. Upon the Sponsor’s written request received within **ninety (90) days** of the Sponsor’s receipt of the Publication, the University will, at the Sponsor’s option:
- a. delete identifiable references to any Confidential Information identified by the Sponsor from the proposed Publication;
  - b. if the Sponsor has exercised the Option, delay publication of the Publication up to sixty (60) additional days to enable the Sponsor to file, in the name of the IP owner or its assignee(s), patent application(s) for any Intellectual Property that would be publicly disclosed in the Publication.
- 4.2 **Disclosure of Research Results.** The Sponsor acknowledges and agrees that under University policy (but subject to Article 4.1), the University reserves on behalf of itself, the Principal Investigator and all other Project participants the right to disseminate information or otherwise publish the research results arising in performance of the Project. The Sponsor’s support of the Project will be acknowledged in all such publications.
- 4.3 **Thesis and Academic Progression.** The Parties agree that graduate students will not be working on the Project, however, in the event it is necessary, the University retains the right to have any thesis reviewed and defended without delay for the sole purpose of academic evaluation in accordance with the University’s established procedures.

#### **5.0 TERM AND TERMINATION**

- 5.1 **Term.** This Agreement will enter into force as of the Effective Date and will terminate on the date that is three (3) years after the Effective Date, unless sooner terminated in accordance with Article 5.2 below, or upon the written agreement of the Parties.
- 5.2 **Termination.** Either Party may terminate this Agreement upon ninety (90) days written notice to the other Party. In the event of termination, the University will be entitled to credit for work performed hereunder before termination including the University’s termination and severance costs and the Sponsor will be entitled to a return of the balance of any advance payment.
- 5.3 **Effect of Termination.** The provisions of Articles 1.4, 1.5, 2.0, 3.0, 4.0, 5.0, 6.0 and 7.0 will survive termination or expiration of this Agreement in accordance with their terms.

#### **6.0 LIABILITY AND INDEMNITY**

- 6.1 **Limitation of Liability.** Neither Party will be liable for any delays in the performance of its obligations under this Agreement resulting from circumstances or causes beyond its reasonable control, and in no case will the Parties be liable for loss of business or profit or other indirect or consequential damages.
- 6.2 **Indemnity.** The University will indemnify and save harmless the Sponsor against all costs, suits or claims on account of injuries (including death) to persons participating in the Project or to damage to University property caused by the wilful or negligent act or omission of personnel of University during the

performance of this Agreement. The Sponsor will indemnify and save harmless the University and its employees, students and agents against all costs, suits or claims on account of injuries (including death) to persons participating in the Project or to damage to property caused by agents or personnel of the Sponsor during the performance of this Agreement or resulting from the use by the Sponsor or its affiliates, its customers or licensees of any deliverable or intellectual property developed under this Agreement.

## 7.0 MISCELLANEOUS

- 7.1 **Use of Names.** Neither Party will use the name of the other Party, or of any member of the other Party's personnel, in any advertising or publicity without the prior written approval of the other Party's authorized representative. However, both Parties may make the following information a matter of public record: name of Principal Investigator; Principal Investigator's department; University's name; Sponsor's name; Project title; Project duration; and, contract value.
- 7.2 **Notices.** Notices under this Agreement will be sent to the Parties as follows or to such other person as a Party may designate in writing:

*For Technical and Scientific Matters:*

	<b>To University:</b>	<b>To Sponsor:</b>
<b>Name:</b>	Christine Allen, Ph.D.	Justin Grant, Ph.D.
<b>Department:</b>	Leslie Dan Faculty of Pharmacy	N/A
<b>Address:</b>	144 College Street	MaRS Centre, West Tower, Suite 1300
<b>City, Province/State:</b>	Toronto, Ontario	Toronto, Ontario
<b>Postal/Zip Code, Country:</b>	M5S 3M2	M5G 0B7, Canada
<b>Tel:</b>	416-946-8594	416-804-0185
<b>Email:</b>	cj.allen@utoronto.ca	Justin.grant@avicanna.com

*For Legal and Administrative Matters:*

	<b>To University:</b>	<b>To Sponsor:</b>
<b>Name:</b>	Director, Partnerships	Setu Purohit, General Counsel
<b>Department:</b>	Innovations & Partnerships Office (IPO), University of Toronto	N/A
<b>Address:</b>	Banting Institute 100 College Street, Suite 413	MaRS Centre, West Tower, Suite 1300
<b>City, Province/State:</b>	Toronto, ON	Toronto, Ontario
<b>Postal/Zip Code, Country:</b>	M5G 1L5 Canada	M5G 0B7, Canada
<b>Tel:</b>	416 978-5557	647-688-3115
<b>Email:</b>	<a href="mailto:innovations.partnerships@utoronto.ca">innovations.partnerships@utoronto.ca</a>	setu.purohit@avicanna.com

*For Financial Matters:*

	<b>To University:</b>	<b>To Sponsor:</b>
<b>Name:</b>	Donna Walker	Aras Azadian, CEO
<b>Department:</b>	Research Oversight & Compliance Office (ROCO), University of Toronto	N/A
<b>Address:</b>	McMurrich Building, F2 12 Queen's Park Crescent W.	MaRS Centre, West Tower, Suite 1300
<b>City, Province/State:</b>	Toronto, ON	Toronto, Ontario
<b>Postal/Zip Code, Country:</b>	M5S 1S8 Canada	M5G 0B7, Canada
<b>Tel:</b>	416-978-7922	416-875-9112
<b>Email:</b>	donna.walker@utoronto.ca	aras.azadian@avicanna.com

- 7.3 **No Assignment.** Except as provided for in Section 2.0, neither Party may sell, assign, encumber, licence or otherwise transfer any of its rights, duties or obligations under this Agreement without the prior written consent of the other Party, which consent may not be unreasonably withheld.
- 7.4 **Independent Parties.** The Parties are independent parties and nothing in this Agreement will constitute either Party as the employer, principal or partner of or joint venturer with the other Party. Neither Party has any authority to assume or create any obligation or liability, either express or implied, on behalf of the other Party.
- 7.5 **Successors.** This Agreement binds and enures to the benefit of the Parties hereto and their respective heirs, successors and permitted assigns.
- 7.6 **Interpretation.** This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario in Canada. In the event that a court of competent jurisdiction holds any provision of this Agreement to be invalid, such holding will have no effect on the remaining provisions of this Agreement, which will continue in full force and effect. Headings are used for convenience only and will not be used to interpret the provisions of this Agreement.
- 7.7 **Entire Agreement.** This Agreement is the entire agreement of the parties with respect to its subject matter and no change or modification will be valid unless it is in writing and signed by both parties.
- 7.8 **Counterparts.** This Agreement may be executed by signatures delivered by facsimile transmission or delivered electronically in optically scanned form; and/or it may be simultaneously executed by the parties in multiple counterparts, each of which will be considered to be an original instrument, and all of which taken together, where each Party has executed at least one counterpart, will constitute one and the same instrument.

IN WITNESS WHEREOF by signature of their respective authorized officers, the parties agree to be bound by the terms of this Agreement.

**THE GOVERNING COUNCIL OF  
THE UNIVERSITY OF TORONTO**

**AVICANNA INC.**

(signed) "Derek Newton"

(signed) "Setu Purohit"

NAME: **Derek Newton**  
TITLE: **Assistant Vice-President  
Division of the Vice-President, Research & Innovation  
The University of Toronto**

NAME: **Setu Purohit**  
TITLE: **General Counsel**  
DATE: **November 23, 2017**

DATE: **Nov 23 17**

**Acknowledgement:**

I, the Principal Investigator, having read this Agreement, hereby agree to act in accordance with all the terms and conditions herein and applicable University policies, and further agree to ensure that all University participants are informed of their obligations under such terms and conditions.

(signed) *Christine Allen*

NAME: *Professor Christine Allen Ph.D.*

DATE: *Nov. 23, 2017.*



**APPENDIX "A"**

**Description of the Project**

[Redacted - Commercially Sensitive Information]



**APPENDIX "B"**

**Budget and Payment Schedule**

[Redacted - Commercially Sensitive Information]

APPENDIX "C"

Description of the Background Intellectual Property

[Redacted - Commercially Sensitive Information]