

AGREEMENT No. 11. G34.31.0065

between the Ministry of education and science of the Russian Federation, a Russian institution of higher learning, and a leading scientist providing a scientific research project on the provision of a monetary grant of the Government of the Russian Federation designed to support research projects implemented by leading scientists at Russian institutions of higher learning

Moscow

“ ____ “ _____ 2011.

The Ministry of education and science of the Russian Federation, hereinafter referred to as “Ministry”, registered by the inter-district tax inspection office No.46 of the Moscow city division of the Ministry of taxation of the Russian Federation on April 23, 2004 under the primary state registration number 1047796287440, represented by Sergei Vladimirovich Ivanets, deputy minister of education and science of the Russian Federation, acting on the basis of procuracy No. AF-646 of December 29, 2010, , on the one hand, and State Budget Educational Institution of Higher Professional Learning “Kuban State Medical University” of the Ministry of Health Care and Social Development of the Russian Federation, hereinafter referred to as “University”, registered by the federal tax service inspection No.3 of Krasnodar on July 8, 2011 under the primary state registration number 1022301430590, represented by the chancellor Sergei Nikolayevich Alekseenko, acting on the basis of Charter and Paolo Macchiarini, citizen of Italy, passport No. AA5205147, hereinafter referred to as “Leading Scientist”, on the other hand, hereinafter collectively referred to as “Parties” and individually – as “Party”, pursuant to RF Federal Law No.357-FZ of December 13, 2010, “On the federal budget for FY 2011 and the planned periods of 2012 and 2013”, Resolution No.220 of the Government of the Russian Federation of April 9, 2010, “On measures designed to attract leading scientists to the Russian institutions of higher learning”, and the decision of the Grant Board of the Government of the Russian Federation for governmental support of scientific research conducted by leading scientists at Russian institutions of higher learning (meeting minutes No. 7 of September 21, 2011), have agreed as follows:

1. Subject of the Agreement

1.1. The Ministry shall provide the University with a federal subsidy in the form of a grant of the Government of the Russian Federation (hereinafter referred to as “Grant” or “Subsidy”) to support a scientific research project in the field of molecular and cell biology, biotechnology, regenerative medicine (hereinafter referred to as “Research project) to be implemented under the supervision of the Leading Scientist in compliance with the plan of project activities, project budget, and the general and step-by-step funding plans agreed upon by the University and the Leading Scientist and attached hereto.

1.2. The total amount of the grant shall be
150 000 (one hundred fifty thousand) roubles,
amount in words

Including:

In 2011: 10 000 (ten thousand) thousand roubles
amount in words

In 2012: 75 000 (seventy five thousand) thousand roubles
amount in words

In 2013: 65 000 (sixty five thousand) thousand roubles
amount in words

1.3. The grant shall be transferred from the federal budget in compliance with the established procedure to the off-budget checking account: of the University No. 40503910200001000115 in the Department of financial control of Krasnodar region, specified in this Agreement (hereinafter referred to as University’s account).

1.4. The grant funds shall be transferred in several instalments contingent on the results of the research project in question:

In 2011: within ten days since the agreement is signed

In 2012: before March 31, 2012

In 2013: before March 31, 2013

2. Rights and responsibilities of the Parties

2.1. The Ministry shall:

2.1.1. Transfer the grant funds to the University’s account in the amount and in compliance with the terms and conditions regulating the provision of the subsidy accounted for by Clauses 1.2 – 1.4 hereof.

2.1.2. Exercise control over the Recipient’s compliance with the terms and conditions regulating the provision of the subsidy received thereby hereunder.

2.2. The Ministry shall have the right:

2.2.1. To suggest suspending (reducing the amount of) the subsidy supplied to the University in compliance with the Procedure for suspension (reduction) of inter-budgetary transfers (other than subventions) from the federal budget applied when the bodies of state power of the subjects of the Russian Federation fail to meet the relevant requirements approved by Order No.105n of the Ministry

of finance of the Russian Federation on November 12, 2007 (registered by the Ministry of justice of the Russian Federation as No.10596 on November 30, 2007) as amended by the Ministry of finance of the Russian Federation on December 24, 2007 by Order No.146n (registered by the Ministry of justice of the Russian Federation as No. 10955 on January 21, 2008), if:

The amount of the federal budget funds committed to the Ministry for the provision of the subsidy in question is reduced;

The terms and conditions regulating the provision of the subsidy hereunder are not complied with.

2.2.2. To exercise control over expenditure of the grant funds in compliance with the eligible purposes, as well as adherence to the research project plan, the research project budget, as well as the general and step-by-step funding of the project.

2.2.3. To exercise control over the University and the Leading Scientist on account of their compliance with the terms and conditions of the grant accounted for hereby, as well as on account of their reports' compliance with the actual state of affairs.

2.2.4. To initiate a financial audit of the University by an authorised federal body of executive power to ensure the grant funds received by the University hereunder are spent for eligible purposes.

2.3. The University shall:

2.3.1. Ensure the grant funds received hereunder are spent for eligible purposes specified in Clause 1.1 hereof, as well as in compliance with the relevant terms and conditions.

2.3.2. Provide the Leading Scientist with an office space and access to the experimental base required to implement the research project in question.

2.3.3. Execute with the Leading Scientist and other research project team members term labour or service agreements.

2.3.4. Compensate the research project team members for the implementation of the research project in question in proportion to the quantity and quality of labour invested into the project by each project team member.

The total amount of compensation payable to the Leading Scientist and other research project team members shall not exceed sixty percent of the grant amount (including the amount of guarantees accounted for by applicable labour laws of the Russian Federation, mandatory retirement benefit deductions, mandatory health care insurance deductions, mandatory social security deductions, including temporary disability and maternity benefit deductions, as well as mandatory social security deductions required for workplace accident and professional illness insurance).

2.3.5. Exercise control over the research project team on account of its compliance with the research project implementation plan.

2.3.6. Coordinate the expenditure of the grant funds with the Leading Scientist.

2.3.7. Spend the grant funds in compliance with the procedure established in respect of proceeds generated by income-yielding activities.

2.3.8. Record all transactions involving the grant funds separately.

2.3.9. Provide the Ministry with a financial report demonstrating the grant funds are spent for eligible purposes once a quarter by the 15th of the month following the report quarter.

2.3.10. Immediately notify the Ministry of the onset of circumstances affecting or capable of affecting the University's ability to fulfill its obligations accounted for hereby properly and in full.

2.3.11. If requested, provide the Ministry with information and documents required to exercise control over the University's compliance with the terms and conditions of this Agreement, as well as compliance of the University's reports with the actual state of affairs, and eliminate all deficiencies and deviations identified as a result of such control within a timeframe agreed upon by the Parties.

2.3.12. Repay any unused grant funds to the federal budget in compliance with applicable budget laws of the Russian Federation, provided the Leading Scientist proves the remaining grant funds are no longer required for project purposes.

2.3.13. Notify the Ministry within two business days:

- Of early termination of the agreements with the Leading Scientist and other research project team members;
- Of any changes in its location, mailing address, and banking information specified herein.

2.4. The Leading Scientist shall:

2.4.1. Put together a research project team consisting of at least two candidates of sciences, three graduate students, and three undergraduate students attending the university (hereinafter referred to as "Research project team").

2.4.2. Ensure that the following research project results are achieved:

- At least 2 articles on the research project theme are published, and/or
- At least 2 patent applications are submitted to relevant bodies on account of an invention, a utility model, or an industrial prototype (hereinafter referred to as "Patent application") upon completion of the 18th month of the project implementation period;
- At least 2 articles on the research project theme are published, and/or
- At least 2 patent applications are submitted to relevant bodies, and/or
- At least 2 patents are received upon completion of the 30th month of the project implementation period.

2.4.3. Be physically present at the University for not less than a total of 4 months in 2012 and not less than a total of 4 months in 2013.

2.4.4. Recommend the amounts of compensation of the research project team members to the University taking into account the quantity and quality of their individual contributions to the project.

2.4.5. Coordinate any changes within the research project team with the University.

2.4.6. Report to the Ministry on the progress of the research project funded hereunder once every six months (July 1, December 31).

2.4.7. If requested, provide the Ministry with information and documents required to exercise control over the Leading Scientist's compliance with the terms and conditions of this Agreement, as well as compliance of his reports with the actual state of affairs, and eliminate all deficiencies and deviations identified as a result of such control within a timeframe agreed upon by the Parties.

2.4.8. Immediately notify the Ministry and the University of the onset of circumstances affecting or capable of affecting the Leading Scientist's ability to fulfill his obligations hereunder properly and in full, as well as of his inability to achieve the expected results of the research project funded hereunder or inexpediency of its continuation.

2.4.9. Acknowledge the University in any scientific publications reflecting the results of the research project implemented at the University.

2.4.10. Notify the Ministry within two business days:

- Of an early termination of his Agreement with the University,

- Of any changes in his address, banking information and the personal identification document details specified herein.

3. Rights of the Parties to intellectual property created in the course of implementation of the research project and their use

3.1. The University shall have the exclusive rights to any intellectual property created hereunder, including but not limited to inventions, utility models, industrial prototypes, integrated circuit topologies, computer software applications, databases, know-how, etc.

The University shall perform all legal actions required to protect patentable results of the research project in compliance with applicable norms of the Civil Code of the Russian Federation.

3.2. Any expenses arising from or in connection with the requirement to protect intellectual property created hereunder shall be the responsibility of the University.

3.3. The University shall use the intellectual property created hereunder in compliance with applicable norms of the Civil Code of the Russian Federation.

4. Liability

4.1. The Party that has failed to fulfill its obligations hereunder properly and in full shall be liable in compliance with applicable laws of the Russian Federation unless it proves that its failure to comply with the terms and conditions hereof was accounted for by force-majeure circumstances.

4.2. The University shall be liable for spending the grand funds for ineligible purposes and for failure to provide a financial report demonstrating expenditure of the grant funds for eligible purposes in a timely fashion.

4.3. The Leading Scientist shall be responsible for achieving the research project results accounted for hereby.

5. Miscellaneous terms and conditions

5.1. For the purposes of implementing this Agreement the Parties shall identify, if required, a list of data to be treated as confidential.

5.2. The material law of the Russian Federation shall be the applicable law hereunder.

5.3. The Parties shall resolve any disputes or variances arising from or in connection with this Agreement by means of negotiation.

If the Parties fail to resolve a dispute arising from or in connection with this Agreement by means of negotiation the dispute shall be adjudicated by the Arbitration Court of Moscow in compliance with established procedures accounted for by applicable laws of the Russian Federation.

5.4. This Agreement shall not be subject to change unless the Parties agree to do so in writing and document any relevant changes in the form of supplementary agreements hereto that shall be part and parcel of this Agreement.

6. Term and termination

6.1. This Agreement shall take effect upon its endorsement by the Parties and shall remain in effect until the Parties have fulfilled their obligations hereunder properly and in full.

6.2. This Agreement may be terminated early upon mutual consent of the Parties.

6.3. This Agreement may be terminated unilaterally by the Ministry provided the latter notifies the other Parties in writing of its intention to do so in the following cases:

6.3.1. It becomes evident that the expected results of the research project cannot be achieved due to circumstances that are beyond the University's or the Leading Scientist's control.

6.3.2. The agreement executed by and between the University and the Leading Scientist in compliance herewith is terminated on grounds other than those accounted for by Clause 6.3.1 hereof.

6.3.3. The University and/or the Leading Scientist have failed to submit the reports accounted for hereby or delayed the submission of said reports by more than 30 days.

6.3.4. The grant funds are identified to have been spent for ineligible purposes.

6.4. If this Agreement is terminated early on the grounds accounted for by Clause 6.3.1 hereof, the University shall repay the unused portion of the grant funds to the Ministry within 10 business days of being notified by the Ministry of the termination of this Agreement.

6.5. If this Agreement is terminated early on the grounds accounted for by Clauses 6.3.2 – 6.3.4 hereof, the University shall repay the grant funds in compliance with applicable budget laws of the Russian Federation.

6.6. If this Agreement is terminated early upon mutual consent of the Parties the latter shall determine the amount and cost of work completed under the research project and the unused grant amount subject to repayment by the University within 30 days of deciding to terminate this Agreement.

6.7. This Agreement shall be in four original copies of equal legal force, two copies for the Ministry, one copy for the University, and one copy for the Leading Scientist.

7. Addresses and banking details of the Parties

Ministry of education and science of the Russian Federation	State Budget Educational Institution of Higher Professional Learning "Kuban State Medical University" of the Ministry of Health Care and Social Development of the Russian Federation	Paolo Macchiarini
Address: 125993, Moscow, 11 Tverskaya Street, Building 4 Phone: (495) 629-25-01	Address: 350063, Krasnodar, 4 Sedin Street	Address: Spain, Mestral 26, E-08348 Cabrilis, Spain
Banking details: INN 7710539135 Moscow division of the Federal Treasury, Ministry of education and science of the Russian Federation	Banking details: INN 2309023448	
Account: 03731000740	Account: 03181871480	
Branch No.1 of the Moscow Chief Territorial Division of the Bank of Russia, Moscow, checking account: 40105810700000010079	The Department of financial control of Krasnodar region (State Budget Educational Institution of Higher Professional Learning "Kuban	

	State Medical University” of the Ministry of Health Care and Social Development of the Russian Federation) checking account: 40503810200001000115	
BIC 044583001	BIC 040349001	
KPP 771001001	KPP 230901001	
OKOPF 72	OKOPF 72	
OKPO 00083380	OKPO 01962868	
OKVED 75.11.11	OKVED 80.30.1 73.10 85.13	

8. Signatures of the Parties

Ministry of education and science of the Russian Federation	State Budget Educational Institution of Higher Professional Learning “Kuban State Medical University” of the Ministry of Health Care and Social Development of the Russian Federation	Macchiarini Paolo
Deputy minister of education and science of the Russian Federation _____/S.V. Ivanets	Chancellor _____/S.N. Alekseenko	Leading scientist _____/P. Macchiarini