Appendix III: Sample Development Agreement

DEVELOPMENT AGREEMENT

Preamble

This is a development agreement, effective as of 1 June 2014, between **ClientCo LLC** with offices at 111 AirPark Street, Scottsdale AZ, 85254 (the "Company") and DevCo, Inc with offices at 123 Industry Street, Scottsdale Az, 85254 ("Developer").

Recitals

The company is in the business of access control, has developed certain IP in that field and has developed and markets an access control and security system (ACSS) known as the Ovtcharka ACSS.

Developer has special expertise in facial recognition systems, and, in particular, has extensive experience with 3dP facial recognition systems. Developer is generally familiar with the Ovtcharka ACSS.

The company has committed to deliver Ovtcharka ACSS to various third parties, modified to employ 3dP facial recognition systems as a component thereof; failure to deliver such modified systems on or before 31 March 2015 will result in loss of profitable contracts by the company.

The company wishes to engage developer to perform certain tasks and provide certain services in connection with modifying its Ovtcharka ACSS to employ 3dP facial recognition systems. However, in order to do so, it is necessary that developer be made aware of the proprietary materials and information (PMI) belonging to the company, as well as PMI belonging to 3dP held by company under a confidentiality agreement with 3dP. The company does not wish to lose the confidentiality, or diminish its rights in or control over its PMI, or compromise the confidentiality of the 3dP PMI and requires assurances that its rights therein will not be diminished or impaired by virtue of the dealings with developer.

Further, before engaging Developer, the company also requires assurances that the modifications can be completed within a time frame allowing delivery of the modified systems by 31 March 2015.

Developer is willing to provide, and hereby provides, such assurances. Accordingly, in consideration of the mutual promises contained herein, the parties agree:

1. Definitions. As used herein, the term:

    1.1. "Deliverables" means the items identified in Schedule 1 and the attachments thereto.

    1.2. "Intellectual property" means concepts, inventions, data and information (irrespective of whether in human or machine-readable form), works of authorship, and products, in each case whether or not patentable, copyrightable, or susceptible to any other form of protection and whether or not reduced to practice.

    1.3. "Proprietary materials and information" means any and all software, plans, drawings, or models provided to developer in connection with this development agreement, as well as any and all IP and/or information which: (i) is provided to developer by the company, (ii) is created, developed, or otherwise generated by or on behalf of the company, (iii) concerns or relates to any aspect of the company's business or products or those of 3dP, or (iv) is, for any reason, identified by the company as confidential; except such information which developer can show, clearly and convincingly: (a) is at the time of disclosure, publicly and openly known, (b) becomes publicly and openly known through no fault of developer, or (c) is in developer's possession and documented prior to this agreement, lawfully obtained by developer from a source other than from the company, and not subject to any obligation of confidentiality or restrictions on use.

    1.4. "3dp confidentiality agreement" means the confidentiality agreement between the company and 3dP, dated 12 April 2013, a copy of which is attached to this development agreement.

2. Performance

    2.1. Developer shall present the deliverables to the company, in a form reasonably acceptable to the company by the dates set forth with respect to the deliverables in the "performance schedule" attached hereto as Schedule 2. In connection therewith, the parties shall perform such tasks, and provide such services at such times as set forth in Schedule 2. Time is of the essence.

    2.2. Where acceptance of a deliverable (e.g., "accept or reject" deliverable) is called for in Schedule 2, unless otherwise agreed in writing by the parties, the standard for acceptance shall be "reasonable satisfaction," and the party from whom acceptance is required shall be obligated with respect to subsequent tasks/events in Schedule 2 (including payments) only after the deliverable is accepted.

2.3. A notice of rejection shall specify, with particularity, deficiencies in the deliverable. If a deliverable is initially rejected by a specified party, the responsible party will, within 10 business days from receipt of the rejection, or such other time period as may be agreed upon by the parties, make the necessary corrections and re-present the deliverable to the specified party. If the deficiencies are not cured in the re-presented task or deliverable, then the party from whom acceptance is required may, solely at its option:

   2.3.1. provide a further written notice of rejection, in which case the responsible party shall, within 10 business days from receipt of the rejection, or such other time period as may be agreed upon by the parties, make the necessary corrections and re-present the deliverable;

   2.3.2. elect to accept the task or deliverable subject to the deficiencies; or

   2.3.3. immediately terminate this agreement without further obligation on its part.

3. Payment

   3.1. In consideration of developer's performance hereunder, the company shall make payment to developer in such amounts and at such times as set forth in Schedule 2. Developer shall be responsible for the payment of all taxes on work performed or deliverables provided pursuant to this development agreement (excepting any tax based on the company's net income). Developer shall maintain proper records in respect of its performance hereunder, adequate to support any charges to the company for any work performed under this development agreement, and to make such records available during normal working hours to customer and/or its nominee.

4. Intellectual property

   4.1. All works of authorship and IP that developer, alone or jointly with others, creates, conceives or first makes or fixes in tangible media in connection with developer's engagement by the company (hereinafter "resultant IP") shall be the sole and exclusive property of the company. Developer hereby assigns, and shall assign, to the company all right, title, and interest in and to all resultant IP. All works of authorship created in connection with developer's engagement by the company shall be deemed "works for hire" commissioned by the company to the fullest extent permitted by the copyright laws of the United States. Developer shall at all times take all proper and legal actions in support of (including signing further documentation), and shall not take or induce any action or omission inconsistent with or tending to diminish or impair, the rights of the company in the resultant IP.

    4.2. The deliverables shall be:

        4.2.1. the original work of developer, and no portion of the deliverables shall originate with other than developer, except as may be identified in Schedule 4.2.1

        4.2.2. specifically developed for the company, and created, conceived or first made or fixed in tangible media, in connection with developer's engagement by the company except as may be identified in Schedule 4.2.2.

    4.3. To the extent that any portion of a deliverable is identified in Schedule 4.2.1 or 4.2.2, developer shall obtain for, or grants to, the company a perpetual royalty free license (with right of sublicense) to make, have made, use, sell, offer for sale, and otherwise market and distribute or have distributed, such portion of the deliverable, or such other license as may be agreed to in writing by the parties.

5. Representations and warranties

    5.1. Each party represents and warrants that it has the ability to enter into this development agreement without seeking the approval or consent of any third party.

    5.2. Developer represents and warrants that neither the company's use nor sale of any deliverable provided by developer, or any product embodying the deliverable provided by developer, or any aspect thereof, constitutes an infringement or violation of any patent, copyright, or other proprietary rights of any third party.

    5.3. Developer represents and warrants that: the tasks and services performed pursuant to the engagement shall be, performed in a good and workmanlike manner in accordance with any established professional standards for such tasks and services, and the best practices in developer's industry; the tasks and services and deliverables shall comply with all applicable laws, regulations, codes, and ordinances; and developer is aware of the purpose for which the deliverables are to be used by the company, and that the deliverables are fit for that purpose and merchantable.

6. Indemnity

The parties shall each indemnify and hold the other harmless from and against any and all claims, liabilities, loss, expense (including reasonable attorneys' fees), or damages arising out of any breach of this development agreement, provided that the indemnified party shall, with reasonable promptness, notify the indemnifying party of any such claim, demand, or suit and shall fully cooperate in the defense thereof. The indemnifying party shall have the right to designate counsel to defend against such claims and suits; however, at the indemnified party's option, the indemnified party shall have the right to participate in the defense with its own counsel at its own

expense. In no event shall any such claims or suits affecting the rights of a party be settled without the prior written consent of that party.

7. Confidentiality

   7.1. PMI is revealed to developer in strict confidence, and solely for the purpose of performing under this development agreement. Developer shall not use, or induce others to use, any PMI for any other purpose whatsoever, nor shall it disclose or reveal any PMI to anyone except those of developer's employees directly involved in the business relationship, with a specific need-to-know, and who have first agreed to be bound by the terms of this development agreement. Upon the company's request, developer will deliver over to the company all PMI, as well as all documents, media, and items comprising, embodying, or relating to the PMI as well as any other documents or things belonging to the company that may be in developer's possession. Developer shall not retain any copies.

   7.2. Developer shall comply in all respects with the 3dP confidentiality agreement.

8. TerminationThis development agreement may be terminated by either party in the event of a breach by the other party, immediately upon the end of a 20-day period after written notice of such breach to the breaching party, if such breach is not cured within the 20-day period. Section 7 hereof shall survive the completion and/or termination of this development agreement for any reason.

9. Miscellaneous

This development agreement may be amended only in a writing signed by both parties. The rights of the company and the obligations of developer under this development agreement shall inure to the benefit of the company's nominees, successors, and assigns. The failure of either party demand strict performance of the other party in a given instance or instances shall not be deemed a waiver with respect to other instances. If any clause or provision of this development agreement is, or becomes, illegal, invalid, or unenforceable, such clause or provisions shall be interpreted to reflect the intent of the parties to the greatest extent which is legal, valid, and enforceable, unless such clause or provision cannot be so interpreted, or a court of competent jurisdiction declines to permit such clause or provision to be so interpreted, in which case such clause or provision shall be severed and the remaining provisions of this development agreement shall continue in full force and effect. This development agreement shall be governed by and construed in accordance with the laws of the United States of America, and State of Arizona without reference to the principles of conflict of laws. The federal and state courts within the State of Arizona will have exclusive jurisdiction to adjudicate any dispute arising out of this development agreement, and both parties consent to the personal jurisdiction of those courts.

DevCo, Inc	ClientCo LLC
Date:	Date:
Signature:	Signature:
Name (typed or printed)	Name (typed or printed)
Title	Title
Address:	Address:
DevCo, Inc	ClientCo LLC,
123 Industry Street, Scottsdale Az, 85254	111 AirPark Street, Scottsdale Az, 85254
	With a Copy to:

Schedule 1 Deliverables

Deliverable Description	Further Description Attached	Delivery Date
Proposed development schedule	x	
Deliverable 1	x	
Deliverable 2	x	

Schedule 2 Performance Schedule

Time Reference	Developer Action	Company Action
Phase I		
Upon execution of the development agreement		Provide initial draw-down retainer of $xx
Within 10 days of execution of the agreement		Provide documentation on existing Ovtcharka ACSS and 3dP system, including detailed specification and source code
Within 10 working days of the receipt of the Ovtcharka and 3dP documentation	Present proposed specification for deliverables and development schedule	
Within five working days of the receipt of the proposed development schedule		Provide a written notice of acceptance or rejection
Phase II		
Upon commencement of phase II		Provide to developer an additional draw-down retainer of $xx
Within __ working days of the commencement of phase II	Present deliverable 1 for acceptance test	
Within __ working days of the presentation of deliverable 1		Perform acceptance tests; written notice of acceptance or rejection
Within __ working days of the acceptance of deliverable 1	Present deliverable 2 for acceptance test	
Within __ working days of the presentation of deliverable 2		Perform acceptance tests; written notice of acceptance or rejection
Within 30 working days of the acceptance of deliverable x		Make payment of $xx