

Policy for Use of University Resources in Support of Entrepreneurial Activities

The University of North Carolina at Chapel Hill values and supports entrepreneurial activity by faculty. Consistent with the University's goal to support the economic development of the State of North Carolina, entrepreneurial activities of University faculty are considered part of their duties. Faculty use of university resources in support of entrepreneurial activities is allowed provided these activities do not conflict with applicable policies regarding use of public facilities for private gain. Incidental and minimal use of office, library, machine shop, personal desktop work stations, storage servers, communication devices, or clerical staff is permitted.

For the purpose of this policy, "entrepreneurial activities" performed by a member of the university faculty as part of University duties are activities that contribute to the university's economic development, technology transfer or other public service goals. Examples include early stage activities associated with forming a nonprofit organization focused on health care, environmental or educational issues, a startup company in which the university expects to acquire an equity position through licensing university intellectual property, or activities in support of the development of a licensing agreement with an established company. Where activities are undertaken purely for an employee's personal gain without connection to the University's mission, use of University resources in support of such activities is not appropriate except as otherwise allowed by University policy.

Consulting activities undertaken as allowed by the Policy on External Professional Activities for Pay are not considered entrepreneurial activities that are part of the faculty member's University duties unless they are so noted on the external professional activities for pay notice of intent form and the official approving the activity expressly concurs with that characterization.

Carolina Express Start-up License

Available when:

- (1) Start-up has at least one UNC faculty member as its founder
- (2) UNC faculty member relinquishes his/her rights to receive an inventor's share from License Fee
- (3) Patent rights are owned solely by UNC
- (4) Company submits detailed business plan indicating Company's strategies to develop and commercialize the technology.

The Carolina Express Start-up License is not available to Start-up Companies that plan to act as holding companies or brokers for the intellectual property rights licensed from UNC.

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| License Type | <i>Exclusive (except for limited, non-exclusive rights of Government to inventions developed using federal funds)</i> | | |
| Patent Expenses | <p><i>Company shall be liable for all past and future patent expense, provided that Company may surrender the license on a country-by-country and patent-by-patent basis with advance notice and will have no obligations for costs incurred after the effective time of the termination notice.</i></p> <p><i>Company will reimburse University for patent expenses incurred prior to the first anniversary of the Effective Date no later than 30 days after such anniversary.</i></p> <p><i>Company will reimburse University for patent expenses incurred after the first anniversary of the Effective Date within 30 days of receiving a monthly invoice for such patent expenses.</i></p> <p><i>In the event that after the 2nd anniversary of the Effective Date, reimbursement of patent expenses is past due by more than 90 days, University at its sole discretion may (i) terminate the License Agreement or (ii) grant the Company relief for payment of such overdue patent upon terms to be negotiated by the parties.</i></p> | | |
| License Fee | <i>In lieu of an upfront license fee, Company shall have a contractual obligation to make a cash payment to University in the amount equal to 0.75% of the Company's fair market value at the time of a liquidating event (e.g. IPO or acquisition), taking into account a discounted present value sum for any deferred payments, escrowed amounts, earnout payments and other similar payments which may be paid in the future. Company shall make such cash payment within 60 days of the liquidating event.</i> | | |
| | Therapeutic Technologies and Interventional Devices Requiring FDA Approval | Non-interventional Medical Devices, Diagnostic Technologies and Software Requiring FDA Approval | Other |
| Royalties (on Licensed Products sold by Company and Affiliates) | 1% | 2% | 2% |

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| | <p>Company may not monetize Royalty on Licensed Product sold by Company and Affiliates or any portion thereof without the prior written approval of UNC.</p> <p>Royalties shall be subject to (i) standard anti-stacking provision (provided that royalty to University may be reduced by no more than 50% of original royalty rate) and (ii) standard combination product provision.</p> |
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| Annual License Maintenance Fee | <p><i>\$15,000/ year for Contract Year 3 to Contract Year 5 \$30,000/year for Contract Year 6 and beyond (creditable toward royalty in years following first commercial sale)</i></p> | <p><i>\$5,000/ year for Contract Year 3 to Contract Year 5 \$10,000/year for Contract Year 6 and beyond (creditable toward royalty in years following first commercial sale)</i></p> | <p><i>\$5,000/ year for Contract Year 3 to Contract Year 5 \$10,000/year for Contract Year 6 and beyond (creditable toward royalty in years following first commercial sale)</i></p> |
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Sublicensing

Company or its Affiliate shall pay University an amount equal to 10% of Sublicensing Revenue

Company or its Affiliate shall pay University an amount equal to 20% of Sublicensing Royalty Revenue

Company may sublicense any or all of the rights licensed from UNC, provided LICENSEE shall require that all sublicense agreements be consistent with the terms, conditions and limitations of the licenses granted to LICENSEE under this LICENSE AGREEMENT, provided that Company notifies UNC in writing and provides UNC with a copy of each sublicense agreement and each amendment thereto within thirty (30) days after their execution. In addition, LICENSEE'S sublicense agreements shall (i) include the sublicensee's acknowledgment of the disclaimer of warranty and limitation on UNIVERSITY's liability, pursuant to Article 10, and (ii) stipulate that any LICENSED PRODUCTS used or sold in the United States shall be substantially manufactured in the United States if and as required by 35 U.S.C. § 204.

"Sublicensing Revenue" shall mean consideration actually received by Company or its Affiliate as consideration for the grant of rights to University Patent Rights or University Technology including upfront fees, license maintenance fees, and milestone payments but excluding (i) sales-based royalties or other payments calculated on the basis of sales, minimum royalties, (ii) payments made in connection with research and development agreements, joint ventures, partnerships or collaboration agreements where Company or Affiliate is obligated to perform research and development of products covered by University Patent Rights or (iii) other payments made by a sublicensee where Company or Affiliate is obligated to perform services, provided that in cases (ii) and (iii), Company submits to University a written audited report of Company's use of such payments.

"Sublicensing Royalty Revenue" shall mean sales-based royalties, other payments calculated on the basis of sales, and minimum royalties received by Company or its Affiliate from a sublicense of either of the foregoing as consideration for the grant of rights to University Patent Rights or Technology.

Company shall not monetize Sublicensing Royalty Revenue or any portion thereof without the prior written approval of UNC.

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| Diligence Milestones Company to Provide Dates | | | |
| Month/Day/Year | <i>Secure initial funding of \$xxxxx</i> | <i>Secure initial funding of \$xxxxx</i> | <i>Secure initial funding of \$xxxxx</i> |
| Month/Day/Year | <i>Generate pre-clinical data</i> | <i>Working prototype</i> | <i>Reduction to practice in laboratory</i> |
| Month/Day/Year | <i>Filing of first IND</i> | <i>Final approval and clearance of a 510(k) or PMA</i> | <i>Enter pilot /prototype phase</i> |
| Month/Day/Year | <i>Initiation of Phase III clinical trial</i> | | <i>First commercial use/market testing</i> |
| Month/Day/Year | <i>Filing of NDA</i> | | |
| Month/Day/Year | <i>First commercial sale</i> | <i>First commercial sale</i> | <i>First commercial sale</i> |
| Other | | | |
| Reporting Requirement | <i>Yearly progress reports summarizing relevant activities prior to first commercial sale Quarterly royalty/progress reports summarizing product manufactured and sold and relevant quarterly activities</i> | | |
| Research Rights | <i>UNC retains rights to use the patent rights for academic/non-profit research and teaching and for federally funded research. UNC may share any tangible research materials covered by the patent rights with other academic or research institutions with the consent of Company, not to be unreasonably withheld. UNC will not use the inventions claimed in the patent rights in humans without the consent of Company, not to be unreasonably withheld.</i> | | |
| Publication Review | <i>Company shall have the right to review manuscripts and presentations including subject matter covered by Patent Rights and related to Licensed Products for a period of no longer than 45 days prior to submissions of the manuscript or presentation to a publisher or organization solely for purpose of permitting Company adequate time to patent technology disclosed in Work.</i> | | |
| Patent Filing/Prosecution | <i>Controlled by UNC however directed by Company</i> | | |
| Insurance | <i>Company must be adequately insured to cover its liabilities under the license.</i> | | |
| Indemnification | <i>Company will indemnify UNC for any UNC losses resulting from Company's use of patent rights.</i> | | |
| Term & Termination | <i>License to expire upon earlier of (i) expiration of patent rights, (ii) uncured, material breach, (iii) bankruptcy, insolvency of Company (iv) infringement claim related to technology which neither Company nor UNC wishes to defend, and (v) any misrepresentation by Company related to this License Agreement.</i> | | |
| Infringement | <i>Company has obligation to defend against infringement claims (or to terminate license). Company has right, but not obligation, to enforce patent rights against third parties that may be infringing; University may enforce such</i> | | |

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| | <i>rights if infringement has a material impact on the University and Company chooses not to.</i> |
| Patentability | <i>UNC does not warrant the patentability of the technology or that it does not infringe rights of third parties. All payments and obligations of Company under the license are enforceable whether patent rights have issued or not. To its actual knowledge, UNC to warrant ownership of patent rights and Company to have the right to offset any losses resulting from claims of third party ownership.</i> |
| Governing Law and Venue | <i>The law of North Carolina and federal or state courts of North Carolina.</i> |
| Global Access Rights | <i>UNC requests that to the extent that it is able to, Company may make rights to University Patent Rights and University Technology available to non-profit third parties involved in making products covered by University Patent Rights and University Technology available to countries in the developing world as defined by the World Bank.</i> |