

These Key Terms are provided for informational purposes. Startup Companies are not required to use the UMBC Express License Agreement; however, because of the expedited nature of the process, one of the conditions for use is that the Agreement must be executed without modification. If you are not sure if your company qualifies to use the UMBC Express License please contact Wendy Martin in OTD at wmartin@umbc.edu.

Definitions

“Clinically Approved Product” means any Licensed Product for which (i) FDA approval or clearance (or any foreign equivalent thereof), which is granted or withheld on the basis of the results of human clinical trials of such Licensed Product, is required prior to sale of such Licensed Product for human therapeutic, diagnostic, or prophylactic use, or for such Licensed Product’s use as a human medical device and (ii) the costs directly related to conducting such human clinical trials incurred by Licensee or any Affiliate or Sublicensee are greater than one million dollars.

“Licensed Product” as used herein in either singular or plural shall mean any material, composition, process, methods, device, or other product, the manufacture, use, performance or sale of which would constitute, but for the license granted to Licensee pursuant to this Agreement, an infringement of an issued or pending claim of Patent Rights (infringement shall include, but is not limited to, direct, contributory, or inducement to infringe).

“Liquidation Event” means a (i) a merger, share exchange or other reorganization (“Merger”), (ii) the sale by one or more stockholders of a majority of the voting power of the Licensee (“Stock Sale”) or (iii) a sale of all or substantially all of the assets of the Licensee (or that portion of its assets related to the subject matter of this Agreement) (“Asset Sale”) in which for (i), (ii), and (iii) above, the stockholders of the Licensee prior to such transaction do not own a majority of the voting power of the acquiring, surviving or successor entity, as the case may be. Notwithstanding the foregoing, a Liquidation Event shall not include a bona fide financing transaction in which voting control of the Licensee transfers to one or more persons or entities who acquire shares of Licensee capital stock from Licensee in exchange for either an investment in Licensee or the cancellation of indebtedness owed by Licensee, or a combination thereof.

“Other Product” means any Licensed Product that is not a Clinically-Approved Product.

“Patent Rights” shall mean the U.S. patent application noted in “Exhibit A” of the Express License Agreement and the invention disclosed and claimed therein, and continuing applications thereof including any continuations, continuations-in-part, divisionals, provisionals, continued prosecution applications, substitutions, extensions and term restorations, registrations, confirmations, re-examinations, renewals, or reissues of any of the foregoing; and any corresponding foreign patent applications, and any patents, patents of addition, or other equivalent foreign patent rights issuing, granted or registered thereon.

“Sublicensing Revenue” means any consideration actually received by Licensee or an Affiliate from a third party as consideration for the grant of rights to Patent Rights (net of any tax or similar withholding obligations imposed by any tax or other government authority(ies) that are not reasonably recoverable by Licensee). Sublicensing Revenue includes, but is not limited to, upfront fees, license maintenance fees, and milestone payments, or other payments, including the fair market value of any non-cash consideration, received by Licensee in consideration for any rights granted to Patent Rights under a sublicense agreement, and excludes (i) Sublicensing Royalty Revenue, (ii) purchases of equity or debt of Licensee or any Affiliate, (iii) fair market value payments made in connection with research and development agreements, joint ventures, partnerships or collaboration agreements where Licensee or an Affiliate is obligated to perform research and development of any Licensed Product(s), (iv) the grant to Licensee of intellectual property rights related to the technology described in the Patent Rights, and (v) other payments made by a Sublicensee as consideration for Licensee’s or an Affiliate’s performance of services or provision of goods, provided such services or goods are not Licensed Products or, if such services or goods are Licensed Products, (a) the provision of such services or goods results in Net Sales pursuant to which a royalty is payable under Article 3.4 or (b) the provision of such services or goods constitutes one or more of the following: (1) the distribution of reasonable quantities of promotional samples of Licensed Products or (2) the provision of Licensed Products for clinical trials, research purposes, or charitable or compassionate use purposes.

“Sublicensing Royalty Revenue” means sales-based royalties, sales milestone payments, other payments calculated on the basis of sales, and minimum sales royalties actually received by Licensee or its Affiliate from a third party as consideration for the grant of rights to Patent Rights (net of any tax or similar withholding obligations imposed by any tax or other government authority(ies) that are not reasonably recoverable by Licensee).

“Term” means the period of time beginning on the Effective Date and ending on the expiration date of the longest-lived Patent Rights.

Grant

Subject to compliance with the Express License Agreement, and subject to receipt of payments, UMBC will grant to Licensee and its Affiliates a worldwide, exclusive license under Patent Rights to develop, manufacture, use, make, sell, have made, have sold, offer for sale and import Licensed Products in all fields, with the right to sublicense.

UMBC retains on behalf of itself and any Research Collaborators the rights to practice under the Patent Rights and to make and use Licensed Product(s) on a royalty-free basis for its own internal research, public service, scholarly use, patient care incidental to the foregoing, teaching, training, and educational purposes, including sponsored research and collaborations.

Financial Terms

Upfront Fee:

In lieu of a license issue fee, Licensee will pay UMBC a fee equal to three-quarters of one percent (0.75%) for either the (i) Aggregate Consideration (and Trailing Consideration, if any) for a Liquidation Event or (ii) Pre-Money Valuation for an Initial Public Offering. Such fee shall be paid after only the first to occur of either a Liquidation Event or Initial Public Offering.

For a Liquidation Event, the fees shall be payable in the form of the proceeds payable to either Licensee or its security holders, whether in cash, securities or other property.

Reimbursement of Patent Costs:

Licensee can defer reimbursing UMBC for patent costs incurred prior to the Effective Date; and up to \$10,000 of patent costs incurred subsequent to the Effective Date and prior to the 2nd anniversary of the Effective Date; until the earlier of:

1. The sale of all or substantially all of the assets of the Licensee (or that portion of its assets related to the subject matter of this Agreement);
2. The closing date for the first institutional third party equity investment round in Licensee of \$1,000,000 or more; or,
3. The second anniversary of the Effective Date.

Once the deferral period has ended, these expenses will be due within 30 days of receiving an invoice from UMBC, or if elected, the Company may negotiate a payment plan for reimbursement of the remaining unreimbursed patent costs with a minimum monthly payment of five hundred dollars (\$500.00) or ten percent (10%) of the remaining unreimbursed patent costs, which ever is less.

Licensee will reimburse UMBC for patent costs incurred on or after the second anniversary of the Effective Date within 30 days of receiving an invoice.

Earned Royalty:

Licensee shall pay UMBC a running royalty on Net Sales of all Licensed Products.

1. One percent (1%) on Net Sales of Clinically-Approved Products
2. Two percent (2%) on Net Sales of Other Products

Annual Fees:

Licensee shall pay an Annual License Maintenance Fee to UMBC in the amount indicated in the table below. After the first commercial sale of Licensed Products, Annual fees shall be creditable against Earned Royalty, Sublicensing Revenue and Sublicensing Royalty Revenue received in the previous calendar year.

Years	Clinically Approved Product	Other Product
Beginning with the 5 th calendar year following the Effective Date through the 7 th calendar year following the Effective Date	\$15,000 fee	\$5,000 fee
Beginning with the 8 th calendar year following the Effective Date and each calendar year thereafter	\$30,000 fee	\$10,000 fee

Sublicensing:

Licensee shall pay to UMBC an amount equal to:

1. 10% of Sublicensing Revenue
2. 20% of Sublicensing Royalty Revenue

Due Diligence Milestones:

Licensee and UMBC shall negotiate in good faith the achievement of any performance milestones. There are no milestone payments required.

Miscellaneous

Infringement:

Licensee, at its own expense, has the first right to defend against infringement claims. UMBC shall reasonably cooperate in any such litigation at Licensee's expense.

Indemnification and Insurance:

Licensee agrees, and will require Sublicensees to agree to, indemnify, hold harmless and defend UMBC, The University System of Maryland, the State of Maryland, their present and former trustees, officers, Inventors, agents, faculty, employees and students, against any and all claims, any judgments, fees, expenses, or other costs arising from or incidental to any product liability or other lawsuit, claim, demand or other action brought as a consequence of the practice of said inventions by any of the foregoing entities, whether or not UMBC or said Inventors, either jointly or severally, is named as a party defendant in any such lawsuit. Licensee will maintain adequate insurance to cover its liabilities under the Express License Agreement.

Representations and Warranties:

UMBC represents that, to the best of its knowledge, as of the Effective Date; (i) UMBC has the lawful right to grant this Agreement and the Patent Rights have been assigned to UMBC free and clear of all liens, claims and encumbrances of any inventor or any nongovernmental third party and (ii) UMBC has not received any notification, and does not possess any information reasonably indicating, that the existing Patent Rights are invalid or that the exercise by Licensee of the rights granted hereunder will infringe on any patent or other proprietary right of any third party.

UMBC MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE PERFORMANCE OF LICENSED PRODUCTS INCLUDING THEIR SAFETY, EFFECTIVENESS, OR COMMERCIAL VIABILITY. UMBC MAKES NO REPRESENTATION AS TO THE VALIDITY OF THE PATENT RIGHTS OR THAT ANY PRACTICE UNDER THE PATENT RIGHTS SHALL BE FREE OF INFRINGEMENT OF ANOTHER PATENT OR OTHER PROPRIETARY RIGHT NOT GRANTED TO LICENSEE HEREUNDER. UMBC DISCLAIMS ALL WARRANTIES WITH REGARD TO PRODUCTS AND SERVICES LICENSED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ALL WARRANTIES, EXPRESS OR IMPLIED, OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE.