## Internal University Use Only

**OTC Agreement No.:**

**OTC Case No.(s):**

**Document Revision Date**

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**TRY-BUY LICENSE AGREEMENT**

**THIS TRY-BUY LICENSE AGREEMENT** (this “Agreement”) is made by and between Regents of the University of Minnesota, a constitutional corporation under the laws of the state of Minnesota, having a place of business at 200 Oak Street, S.E., Suite 280, Minneapolis, MN 55455-2009, (the “University”), and the Licensee identified below. The University and the Licensee agree that:

The Terms and Conditions of the Try-Buy License Agreement are attached hereto as Exhibit A (the “Terms and Conditions”) are incorporated herein by reference in their entirety. In the event of a conflict between provisions of this Agreement and the Terms and Conditions, the provisions in this Agreement shall govern. Capitalized terms used in this Agreement without definition shall have the meanings given to them in the Terms and Conditions. The section numbers used in the parentheses below correspond to the section numbers in the Terms and Conditions.

**1.** **Licensee:**

**2.** **Field(s) of Use:**

**3. Territory:**      .

**4. Dates and Periods.**

**4.1 Effective Date:** The date of the last signature of this Agreement.

4.2 **Try Period:** Commences on the later of the Effective Date or receipt of Try Fee and continues until the earlier to occur of the following: (i)       months after the Effective Date or (ii) Conversion Payment is received by the University.

4.3 **Buy Period**: Commences on the Conversion Date and continues and, unless terminated earlier as provided in section 8 of the Terms and Conditions, expires on the date on which both no Licensed Patent is active in the Territory and no Patent Application is pending in the Territory.

4.4 **Conversion Date**: The date on which the University receives the payment in 11.1(i).

**5. Licensed Technology:**

5.1 Licensed Patents(s):

|  |  |  |  |
| --- | --- | --- | --- |
| Patent  No. | Country | Issue Date | Title |
|  |  |  |  |

5.2 Licensed Patent Applications:

|  |  |  |  |
| --- | --- | --- | --- |
| Application  No. | Country | Filing Date | Title |
|  |  |  |  |

**6. Patent-Related Expenses:** **.**

**7. Sublicense Rights:** Yes

**8. Federal Government Rights:** [Select one of the following]

Yes

No

**9. Performance Milestones:** Licensee shall perform the following performance milestones:



**10. Commercialization Reports (§5.4):** The Licensee shall deliver annual written commercialization reports to the University as provided in section 5.4 of the attached Terms and Conditions within sixty (60) days of each calendar year.

**11. Payments (§6.1).** All amounts are stated in United States dollars. All Payments are non-refundable, and payable as defined below or as specified in the University’s invoice.

11.1 Conversion Payment: **Forty Thousand Dollars** ($**40,000**), payable as follows:

(i) **Twenty Thousand Dollars ($20,000) payable** any time prior to the date indicated in 4.2(i); and

(ii) **Twenty Thousand Dollars ($20,000) payable** within one year after the date indicated in 4.2(i).

**If the full Conversion Payments in 11.1(i) and 11.1(ii) are not received by the dates indicated in 11.1(i) and 11.1(ii), the Agreement automatically terminates and Licensee has no further rights to the Licensed Technology**.

11.2 Annual Maintenance Fee:      ($     )

11.3 Document Fee: Ten thousand dollars ($10,000), payable within five (5) business days after the Effective Date, unless waived by the University in writing prior to the Effective Date.

11.4 Running Royalties (check appropriate box). Licensee and any sublicensee shall pay on a quarterly basis the following running royalty rates. No running royalty is due until the first one million dollars ($1,000,000) of Cumulative Net Sales Amount of Licensed Products have been reached.

|  |  |  |
| --- | --- | --- |
|  | Location | Running Royalty Rate During Buy Period. |
|  | Companies Operating in Minnesota | percent (     %) |
|  | Companies Operating Outside Minnesota | percent (     %) |

If a Licensee’s location status changes during the term of the agreement (e.g., it ceases to be -- or becomes -- a company operating in Minnesota, the royalty rate will change accordingly on the anniversary of the Effective Date following Licensee’s change in location status.

11.5 Sublicense Payments:

11.5.1 Sublicense Revenues: Thirty percent (30%) of Sublicense Revenue.

11.5.2 Sublicense Royalties:      (     %) of Net Sales Amount of Licensed Products by Sublicensee.

11.6 Transfer Payment: All amounts are payable as provided below in section 14 of the Attached Terms and Conditions: Twenty five thousand dollars ($25,000) or one-half percent (0.5%) of Gross Distributable Proceeds whichever is greater.

11.7 Interest Rate: Twelve percent (12%) per annum.

11.8 Try Fee.      ($     ).

11.9 Other Fees:

11.10 Equity. Licensee shall issue to the University by the date indicated in 4.2(i), five percent (5%) of the total number of issued and outstanding shares of the Licensee’s voting common stock, fully diluted, as of the date the shares are issued to the University. The term “fully diluted” refers to all shares of the Licensee’s voting common stock then issued and outstanding along with all such shares to be issued upon the exercise of all outstanding warrants, options and other agreements or commitments that would result in the Licensee issuing shares of its voting common stock. Whenever it offers to issue or grants rights to purchase shares of its voting common stock, the Licensee hereby grants the University the irrevocable right during the Term to purchase shares of its voting common stock on the same terms of purchase as provided in the New Issue such that the number of shares the University may purchase is equal to the product of (x) the percentage ownership of such shares by the University immediately prior to the closing of the New Issue, fully diluted, and (y) the number of shares to be issued in connection with the New Issue. The Licensee shall deliver to the University written notice of its intention to offer and sell shares of its voting common stock at least thirty (30) days prior to the date of offer along with a description of the number of shares the University shall have the right to purchase under this section, the purchase price, and other terms of purchase. The University may assign this right to an entity in which it has an equity or other financial interest or which the University controls.

**12. Licensee’s Address for Notice (§23).** Notices will be sent to the Licensee at:

|  |  |
| --- | --- |
|  | Attn:      Phone No.:  E-mail: |

**13. Licensee’s Contact Person for Patent Prosecution Consultation (§4.2.1)**.The University will, as set forth in the Agreement, communicate with the contact person named below with respect to patent prosecution and maintenance: (Upon ten (10) days prior written notice to the University, the Licensee may change the person designated below.)

|  |  |
| --- | --- |
|  | Attn:      Phone No.:  E-mail: |

14. **Licensee Location**.

Licensee is a company operating in Minnesota. To be considered a licensee operating in Minnesota, Licensee’s principal place of business must be located in Minnesota or its principal product or service development or manufacturing activities must take place in Minnesota.

Licensee is a company operating outside Minnesota.

15. Other.

15.1 “**Gross Distributable Proceeds**” means the total proceeds available to the holders of Licensee’s stock (or equity like instruments, including, but not limited to convertible debentures and preferred stock) from any Qualified Sale, minus only the following:

(a) reasonable costs, fees, and expenses paid to third parties in connection with such Qualified Sale, including commissions and expenses paid to brokers in connection with the Qualified Sale, provided that as to (a) the total subtracted will not exceed six percent of the total proceeds;

(b) Federal, state, and local taxes paid or reasonably estimated to be payable by Licensee as a result of the Qualified Sale; and

(c) the repayment of indebtedness of Licensee to third parties in connection with the Qualified Sale.

15.2 “**Qualified Sale**” means any of the following -- whether occurring as part of a single transaction or as part of a series of transactions -- it being the intent of the parties that University will receive the Gross Distributable Proceeds from any of the transactions described in (a), (b), and (c) below. By way of example, if Licensee sells substantially all of the assets described in subsection (a) below as part of one transaction and grants a license as described in subsection (b) below as part of the same or as part of another transaction, the University would receive the Gross Distributable Proceeds resulting from each transaction.

(a) the sale of substantially all of the assets of Licensee;

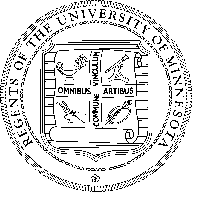
(b) the sale of substantially all of the common stock or the sale of substantially all of the preferred stock or the sale of substantially any other equity-like instrument of Licensee by the then current holders to unrelated persons or companies; or

(c) the grant of an exclusive license to Licensee’s intellectual property rights in the Field of Use (or any subset of the Field of Use) to any unrelated persons or companies or to Affiliates.

**IN WITNESS WHEREOF,** the parties hereto have caused their duly authorized representatives to execute this Agreement.

|  |  |
| --- | --- |
| **Regents of the University of Minnesota**  By:  Name:  Title: Associate Director  Office for Technology Commercialization  Date: | By:  Name:  Title:    Date: |

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**EXHIBIT A**

**Terms and Conditions**

**Exclusive Opportunity Patent License Agreement**

These terms and conditions to the Try Buy License Agreement (“Terms and Conditions”) govern the grant of license by Regents of the University of Minnesota (“University”) to the Licensee identified in the Try Buy License Agreement (the “TBLA”). These Terms and Conditions are incorporated by reference into the TBLA. All section references in these Terms and Conditions refer to provisions in these Terms and Conditions unless explicitly stated otherwise.

**1.** **Definitions.** For purposes of interpreting the Agreement, the following terms have the following meanings:

1.1 “Affiliate” means an entity is an “Affiliate” of the Licensee or sublicensee if such entity that controls the Licensee or the sublicensee, as the case may be, is controlled by the Licensee or sublicensee, or along with the Licensee or sublicensee, is under the common control of a third party. An entity shall be deemed to have control of the controlled entity if it (i) owns, directly or indirectly, fifty (50%) or more of the outstanding voting securities of the controlled entity, or (ii) has the right, power or authority, directly or indirectly, to direct or cause the direction of the policy decisions of the controlled entity, whether by ownership of securities, by representation on the controlled entity’s governing body, by contract, or otherwise.

1.2 “Commercial Sale” means a bona fide sale, use, lease, transfer or other disposition for value of a Licensed Product by the Licensee or a sublicensee to a third party that is not an affiliate of the Licensee.

1.3 “Field of Use” means the field(s) of use described in section 2 of the TBLA.

1.4 “Net Sales Amount” means the gross amount invoiced for a Commercial Sale of a Licensed Product minus (i) all trade, quantity, and cash discounts actually allowed, (ii) all credits and allowances actually granted due to rejections, returns, billing errors, and retroactive price reductions, (iii) applicable duties, and (iv) applicable excise, sale and use taxes. Notwithstanding any provision of this Agreement to the contrary, if the Licensee or a sublicensee sells, leases, transfers or otherwise disposes of a Licensed Product to an Affiliate, the “Net Sales Amount” for such transaction shall equal (a) the amount the Licensee or the sublicensee, as the case may be, generally charges non-Affiliate third parties a similar transaction for the Licensed Product or (b) if the Licensee or the sublicensee does not offer to sell the Licensed Product to the public, the amount charged by the Licensee or the sublicensee for a product of similar kind, quality, and quantity.

1.5 “Licensed Patent” means the patent(s) described in section 5 of the TBLA, along with any active patent(s) issued during the Term that arose out of a Patent Application. “Licensed Patent” also means any reissues or reexaminations of a Licensed Patent that contain one or more claims directed to Licensed Technology.

1.6 “Licensed Patent Application” means the pending patent application(s) described in section 5 of the TBLA. “Patent Application” also means any related applications including, continuations, continuations-in-part, and divisionals of a Patent Application.

1.7 “Licensed Product” means any product or good in the Field of Use that is made by, made for, sold, transferred, or otherwise disposed of by the Licensee or its sublicensees during the Term and the Post-termination Period and that, but for the granting of the rights set forth in the Agreement, would infringe (including under the doctrine of equivalents) one or more claims in a Licensed Patent or Patent Application, or any product or good that is made using a process or method that is covered by a claim in a Licensed Patent or Patent Application. For purposes of this Agreement, claims in a Patent Application are to be treated as if they were allowed as proposed. “Licensed Product” also means any service provided by or for the Licensee or its sublicensees that incorporates all or any portion of a product or good that would be a Licensed Product.

1.8 “Licensed Technology” means collectively the inventions claimed in each Licensed Patent and each Patent Application.

1.9 “Licensee” means the entity identified in section 1 of the TBLA.

1.10 “Patent-Related Expenses” means costs and expenses (including out-of-pocket attorneys’ fees, patent agent fees and governmental filing fees) that the University incurs in searching, preparing, filing, prosecuting, and maintaining the Licensed Technology.

1.11 “Payment” means a payment to be made by the Licensee to the University specified below in section 6.1 and described in section 11 of the TBLA.

1.12 “Performance Milestone” means an act or event specified below in section 5.1 and described in section 9 of the TBLA.

1.13 “Post-termination Period” means the one hundred eighty (180) day period commencing on the date of termination or expiration of the Term.

1.14 “Start-Up” means an enterprise that bases its existence on Intellectual Property (IP) developed from a University research program.

1.15 “Sublicense Revenues” means all revenue, in whatever form but excluding Sublicense Royalties, earned by the Licensee in consideration of its granting a third party a sublicense to any of its rights under the Agreement, including, without limitation, receipt of annual milestone attainment, sublicense issuance, maintenance or up-front payments, or technology access fee; and issuance of securities or real, personal or intangible property.

1.16 “Sublicense Royalties” means a royalty paid to the Licensee that is earned on Commercial Sales of Licensed Products by sublicensees and that is determined as percentage of the Net Sales Amount of such Commercial Sale or as a per unit amount.

1.17 “Territory” means the geographical area described in section 3 of the TBLA.

1.18 “Transfer Payment” means the payment to be made by the Licensee to the University specified below in section 14 and described in section 11 of the TBLA.

**2.** **Term.** The term of this Agreement commences on the Effective Date as defined in section 4 of the TBLA and, unless terminated earlier as provided in section 8, expires on the date on which both no Licensed Patent is active in the Territory and no Patent Application is pending in the Territory (the “Term”).

**3. Grant of License.**

3.1 The Licensee’s Rights. Subject to the terms and conditions of this Agreement:

3.1.1 Try Period. The University hereby grants to the Licensee, and the Licensee hereby accepts, during the Try Period an exclusive license to use the Licensed Technology and to make (including to have made on its behalf) and Licensed Products solely for non-commercial research and development purposes. For clarification, during the Try Period, Licensee shall not offer to sell or sell, offer to lease or lease, import, or otherwise offer to dispose of Licensed Products.

3.1.2 Buy Period. The University hereby grants to the Licensee, and the Licensee hereby accepts, during the Commercial Exclusivity Period an exclusive license to the use the Licensed Technology and to make (including to have made on its behalf) sell or offer to sell, offer to lease or lease, import, or otherwise offer to dispose of Licensed Products.

3.1.3 No provision of the Agreement is to be construed to grant the Licensee, by implication, estoppel or otherwise, any rights (other than the rights expressly granted it in the Agreement) to the Licensed Technology, a Licensed Patent or Patent Application, or to any other University-owned technology, patent applications, or patents.

3.1.4 After the Conversion Date, Licensee may sublicense it rights under this Agreement only as follows: the Licensee shall deliver to the University a true, correct, and complete copy of the sublicense agreement or other agreement under which the Licensee purports or intends to grant such sublicense rights within ten (10) days after the execution of such agreement. The Licensee shall not enter into such agreement if the terms of the agreement are inconsistent in any respect with the terms of this Agreement, including without limitation, sections 5.2 - 5.6, 6.5, 8.3, 9.5, 10.3, and 11.3. Any sublicense made in violation of this subsection is void and constitutes an event of default under subsection 8.1.1 below.

3.2 The United States Government’s Rights. If the University indicated in section 8 of the TBLA that the United States federal government funded the development, in whole or in part, of the Licensed Technology, then, (i) the federal government may have certain rights in and to the Licensed Technology as those rights are described in Chapter 18, Title 35 of the United States Code and accompanying regulations, including Part 401, Chapter 37 of the Code of Federal Regulations. (ii) the parties’ rights and obligations with respect to the Licensed Technology, including the grant of license set forth above in subsection 3.1.1, are subject to the applicable terms of these laws and regulations.

3.3 The University’s Rights. The University retains an irrevocable, world-wide, royalty-free, non-exclusive right to use the Licensed Technology for teaching, research and educational purposes. The University shall have the right to sublicense its rights under this section to one or more non-profit academic or research institutions.

**4.** **Applications and Patents.**

4.1 Pre-TBLA Patent Filings. The Licensee acknowledges that it has reviewed each Licensed Patent and each Patent Application and that it has no basis to challenge or dispute the inventorship, validity, or enforceability of any of the claims made in a Licensed Patent or a Patent Application. The Licensee further represents that, as of the Effective Date, it has not and does not manufacture, have manufactured, offer to sell, sell, offer to lease, lease, or import (a) any product or good that infringes (including under the doctrine of equivalents) a claim in any Licensed Patent or Patent Application, or (b) any product or good that is made using a process or machine that infringes (including under the doctrine of equivalents) a claim in a Licensed Patent or Patent Application.

4.2 Patent Application Filings during the Term of the Agreement.

4.2.1 The University, in consultation with the Licensee, shall determine in which countries (if applicable) patent application(s) will be filed and prosecuted with respect to the Licensed Technology. The University shall retain counsel of its choice to file and prosecute such patent applications. The University may inform the Licensee of the status of the prosecution of the patent application, including delivering to the Licensee pertinent notices, written and oral communications with governmental officials, and documents, and shall consult with the Licensee on the prosecution of the patent application. The Licensee shall cooperate with the University in the filing and prosecution of all patent applications with respect to the Licensed Technology. In furtherance of the foregoing, the Licensee shall notify the University, in writing, of the individual whom the Licensee has designated to consult and cooperate as provided in this subsection and is identified in section 13 of the TBLA. The Contact Person shall respond to the University’s request for consultation and cooperation on a pending matter within five business days or sooner as may be required under the circumstances. If the Contact Person fails to respond in such time period, the University, exercising its own judgment and discretion, may respond to the matter as it deems appropriate. Except as provided below in section 4.2.2, the Licensee shall reimburse the University for all Patent-Related Expenses as provided below in section 6.3 and in section 6 of the TBLA.

4.2.2 The grant of license in section 3.1 and the definition of Territory in section 1.16 shall not extend to or include any country in which Licensee elects, in writing to the University, not to pay or reimburse the payment of the cost, in whole or in part, to seek or maintain intellectual property protection.

4.2.3 No provision of the Agreement limits, conditions, or otherwise affects the University’s right to prosecute a patent application with respect to the Licensed Technology in any country. The University retains the sole and exclusive right to file or otherwise prosecute a patent application with respect to the Licensed Technology. In no event shall the Licensee file a patent application with respect to the Licensed Technology. The Licensee shall cooperate with the University in the filing and prosecution of all patent applications with respect to the Licensed Technology.

4.3 Ownership of the Licensed Patents and Patent Applications. No provision of the Agreement grants the Licensee any rights, titles, or interests (except for the grant of license above in subsection 3.1.1) in the Licensed Patents or Patent Applications, notwithstanding the Licensee’s payment of all or any portion of the patent prosecution, maintenance, and related costs.

**5.** **Commercialization.**

5.1 Commercialization and Performance Milestones. The Licensee shall use its commercially reasonable efforts, consistent with sound and reasonable business practices and judgment, to commercialize the Licensed Technology and to manufacture and offer to sell and sell Licensed Products as soon as practicable and to maximize sales thereof. The Licensee shall perform, or shall cause to happen or be performed, as the case may be, all the performance milestones described in section 9 of the TBLA.

5.2 Covenants Regarding the Manufacture of Licensed Products. The Licensee hereby covenants and agrees that (i) the manufacture, use, sale, or transfer of Licensed Products shall comply with all applicable federal and state laws, including all federal export laws and regulations; and (ii) no Licensed Product shall be defective in design or manufacture. The Licensee hereby further covenants and agrees that, pursuant to 35 United States Code Section 204, it shall, and it shall cause each sublicensee, to substantially manufacture in the United States of America all products embodying or produced through the use of an invention that is subject to the rights of the federal government of the United States of America.

5.3 Export Controls and Sanctions.The parties shall comply with export controls and sanctions statutes and regulations, including the Export Administration Regulations (EAR, 15 C.F.R. pts. 730-774), the International Traffic in Arms Regulations (22 C.F.R. pts. 120-130), and the Foreign Assets Control Regulations (31 C.F.R. pts. 500-599), to the extent such statutes and regulations are applicable to the parties’ activities.TheLicensee shall not use any technology, technical data, commodity, or software relating to this Agreement contrary to the requirements in Part 744 of the EAR, Control Policy: End-Use and End-User Based (15 C.F.R. pt. 744)

5.4 Commercialization Reports. Throughout the Term and during the Post-termination Period, and within thirty (30) days of the date specified in the schedule set forth in section 10 of the TBLA, the Licensee shall deliver to the University written reports of the Licensee’s and the sublicensees’ efforts and plans to commercialize the Licensed Technology and to manufacture, offer to sell, or sell Licensed Products.

5.5 Use of the University’s Name and Trademarks or the Names of University Faculty, Staff, or Students. No provision of the Agreement grants the Licensee or sublicensee any right or license to use the name, logo, or any marks owned by or associated with the University or the names, or identities of any member of the faculty, staff, or student body of the University. The Licensee shall not use and shall not permit a sublicensee to use any such logos, marks, names, or identities without the University’s and, as the case may be, such member’s prior written approval.

5.6 Governmental Markings.

5.6.1 The Licensee shall mark all Licensed Products, where feasible, with patent notice appropriate under Title 35, United States Code.

5.6.2 The Licensee is responsible for obtaining all necessary governmental approvals for the development, production, distribution, sale, and use of any Licensed Product, at the Licensee’s expense, including, without limitation, any safety studies. The Licensee is responsible for including with the Licensed Product any warning labels, packaging and instructions as to the use and the quality control for any Licensed Product.

5.6.3 The Licensee agrees to register the Agreement with any foreign governmental agency that requires such registration, and the Licensee shall pay all costs and legal fees in connection with such registration. The Licensee shall comply with all foreign laws affecting the Agreement or the sale of Licensed Products.

**6.** **Payments, Reimbursements, Reports, and Records.**

6.1 Payments. The Licensee shall pay all amounts due under the Agreement by check (payable to the “Regents of the University of Minnesota” and sent to the address specified below in section 23), wire transfer, or any other mutually agreed-upon method of payment.

6.2 Interest. All amounts due under the Agreement shall bear interest as provided in section 11 of the TBLA on the entire unpaid balance computed from the due date until the amount is paid.

6.3 Reimbursement of Patent-Related Expenses. The Licensee shall pay invoices for Patent-Related Expenses under the Agreement within fifteen (15) days of its receipt of the University’s invoice. With respect to each invoice, the University shall use reasonable efforts to specify the date on which the Patent-Related Expense was incurred and the purpose of the expense (including, as applicable, a summary of patent attorney services giving rise to the expense); provided, however, the University is not required to disclose to the Licensee any information that is protected by the University’s attorney-client privilege. Patent-Related Expenses incurred as of the Effective Date are set forth in section 6 of the TBLA. The University reserves the right to require that Licensee provide and maintain a reasonable advance deposit with the University or some other form of security to ensure payment of Patent-Related Expenses.

6.4 Royalty Payments/Sales Reports. Within sixty (60) days after the last day of a calendar quarter during the Term and the Post-termination Period, the Licensee shall deliver to the University a written sales report in the form acceptable to and provided by the University, recounting the number and Net Sales Amount (expressed in U. S. dollars) of all sales, leases, or other dispositions of Licensed Products, whether made by the Licensee or a sublicensee, during such calendar quarter. The Licensee shall deliver such written report to the University even if the Licensee is not required hereunder to pay to the University a payment for sales, leases, or other dispositions of Licensed Products during the calendar quarter. **The Licensee shall deliver along with such sales reports its payment for royalties owed on all Commercial Sales of Licensed Products by the Licensee and the sublicensees during such quarter**.

6.5 Records Retention and Audit Rights.

6.5.1 Throughout the Term and the Post-termination Period and for five (5) years thereafter, the Licensee, at its expense,shall keep and maintain and shall cause each sublicensee and each non-affiliated third party that manufactures, sells, leases, or otherwise disposes of Licensed Products on behalf of the Licensee to keep and maintain complete and accurate records of all sales, leases, and other dispositions of Licensed Products during the Term and the Post-termination Period and all other records related to the Agreement.

6.5.2 In connection with an audit, the Licensee, upon written request, shall deliver to the University and its representatives true, correct and complete copies of all documents and materials (including electronic records) reasonably relevant to the Licensee’s and sublicensees’ performance of the Agreement, including, without limitation, all sublicenses granted.

6.5.3 To determine the Licensee’s compliance with the terms of the Agreement, the University, at its expense (except as set forth below in this subsection), may inspect and audit the Licensee’s records referred to above in subsection 6.5.1 at the Licensee’s address as set forth in the Agreement or such other location(s) as the parties mutually agree during the Licensee’s normal business hours. The Licensee shall cooperate in the audit, including providing at no cost, commodious space in the Licensee’s place of business for the auditor. The Licensee shall reimburse the University for all its out-of-pocket expenses to inspect and audit such records if the University, in accordance with the results of such inspection and audit, determines that the Licensee has underpaid amounts owed to the University by at least three percent (3%) or twenty-five thousand and no/100 dollars ($25,000), whichever is smaller, in a reporting period. The Licensee shall cause each sublicensee and each non-affiliated third party that manufactures, sells, leases, or otherwise disposes of Licensed Products on behalf of the Licensee to grant the University a right to inspect and audit the sublicensee’s or third party’s records substantially similar to the rights granted the University in this subsection. In connection with, and before the commencement of, an audit, if the Licensee requests in writing to the University, then prior to conducting such audit, the Licensee, the University and the auditor must enter into an agreement prohibiting the auditor and the University from disclosing the Licensee’s nonpublic, proprietary information to any third party without the Licensee’s prior written consent; provided, however, that consistent with generally accepted auditing standards and the auditor’s professional judgment, the auditor may disclose such information to the University and its agents, counsel, or consultants. The Licensee acknowledges that such an agreement is adequate to protect its legitimate interests, and the parties agree that there shall be no additional nondisclosure agreement demanded as a condition to the commencement of an audit and the University’s exercising its rights under this subsection.

6.6 Currency and Checks. All computations and payments made under the Agreement shall be in United States dollars. To determine the dollar value of transactions conducted in non-United States dollar currencies, the parties shall use the exchange rate for the currency into dollars as reported in the *Wall Street Journal* as the New York foreign exchange mid-range rate on the last business day of the month in which the transaction occurred.

**7.** **Infringement.**

7.1If it learns of substantial, credible evidence that a third party is making, using, or selling a product in the Field of Use in the Territory that infringes a Licensed Patent, the Licensee shall promptly notify the University in writing of the possible infringement and in such notice describe in detail the information suggesting infringement of the Licensed Patent. The University, in its sole discretion, shall undertake such actions as it deems necessary and desirable to investigate the matter, to cause the third party to cease infringing a Licensed Patent, and to seek compensation for the acts of infringement and reimbursement for related costs and expenses. The University shall not have an obligation under this Agreement to take any step or commence or maintain an action. No provision of this Agreement shall limit, condition, or otherwise affect the University’s statutory and common-law rights to enforce a Licensed Patent.

7.2. If any suit, action or proceeding is brought or commenced against the Licensee alleging the infringement of a patent or other intellectual property right owned by a third party by reason of the manufacture, use or sale of Licensed Products, the Licensee shall give the University prompt notice thereof. If the validity of a Licensed Patent is questioned in such suit, action or proceeding, the Licensee shall have no right to make any settlement or compromise which affects the scope, validity, enforceability or otherwise the Licensed Patent without the University’s prior written approval.

**8.** **Termination.**

8.1. By the University.

8.1.1 If the Licensee breaches or fails to perform one or more of its obligations under the Agreement, the University may deliver a written notice of default to the Licensee. Without further action by a party, the Agreement shall terminate if the default has not been cured in full within either (a) thirty (30) days after the delivery to the Licensee of the notice of default if the default relates to a payment or reimbursement obligation under this Agreement or (b) ninety (90) days after the delivery to the Licensee of the notice of default if the default relates to any other matter.

8.1.2 The University may terminate the Agreement by delivering to the Licensee a written notice of termination at least ten (10) days before the date of termination if the Licensee (i) becomes insolvent; (ii) voluntarily files or has filed against it a petition under applicable bankruptcy or insolvency laws that the Licensee fails to have released within thirty (30) days after filing; (iii) proposes any dissolution, composition, or financial reorganization with creditors or if a receiver, trustee, custodian, or similar agent is appointed; or (iv) makes a general assignment for the benefit of creditors.

8.1.3 The University may terminate the Agreement immediately by delivering to the Licensee a written notice of termination if the Licensee or its agents or representatives commences or maintains an action in any court of competent jurisdiction or a proceeding before any governmental agency asserting or alleging, in any respect, the invalidity or unenforceability of any of the Licensed Technology. The Licensee shall notify the University, in writing, at least thirty (30) days prior to the commencement of any such action or the institution of any such proceeding.

8.1.4 The University may terminate the Agreement immediately by delivering to the Licensee a written notice of termination if Licensee breaches Section 3.1.1.

8.2 By the Licensee.

8.2.1 Provided Licensee is then current with respect to reimbursement of all applicable expenses and payment of royalties, Licensee may terminate this Agreement at any time, without cause, after the third (3rd) anniversary of the Effective Date by delivering the written notice of Licensee’s intent to terminate to the University at least ninety (90) days prior to the effective date of such termination.

8.2.2 If the University breaches or fails to perform one or more of its duties under the Agreement, the Licensee may deliver to the University a written notice of default. The Licensee may terminate the Agreement by delivering to the University a written notice of termination if the default has not cured in full within ninety (90) days of the delivery to the University of the notice of default.

Upon termination of the Agreement for any reason, Licensee shall (1) provide to the University all data it has generated and all device prototypes it has developed as of the effective date of termination; and (2) return to the University all materials and data which the University may have provided to Licensee.

8.3. Automatically. This Agreement terminates automatically if University fails to receive the Conversion Payment identified in 11.2 of the TBLA by the date indicated in Section 4.2(i) of the TBLA.

8.4 Post-termination Period. The Licensee shall not use, or permit others to use, the Licensed Technology or manufacture or have manufactured Licensed Products after the Agreement terminates. If, during the Buy Period, the Licensee terminates the Agreement under section 8.2 or if the Agreement expires, the Licensee may continue to offer to sell and sell, offer to lease and lease, and otherwise offer to dispose of or dispose of Licensed Products in the Territory that were manufactured before such termination or expiration. The Commercial Sales of Licensed Products during the Post-termination Period shall be governed by the terms of this Agreement, including the obligation to pay royalties on such Commercial Sales as provided in this Agreement. If the University terminates the Agreement under section 8.1, after the date of termination, the Licensee shall not offer to sell or sell, offer to lease or lease, or otherwise offer to dispose of or dispose of a Licensed Product in the Territory.

**9.** **Release, Indemnification, and Insurance.**

9.1 The Licensee’s Release. For itself and its employees, the Licensee hereby releases the University and its regents, employees, and agents forever from any and all suits, actions, claims, liabilities, demands, damages, losses, or expenses (including reasonable attorneys’ and investigative expenses) relating to or arising out of the Licensee’s exercise or attempt to exercise any of the rights or licenses granted it under this Agreement, including without limitation, the manufacture, use, lease, sale, or other disposition of a Licensed Product or the Licensee’s breach of any term of this Agreement.

9.2 The Licensee’s Indemnification. Throughout the Term and thereafter, the Licensee shall indemnify, defend, and hold the University and its regents, employees, and agents harmless from all suits, actions, claims, liabilities, demands, damages, losses, or expenses (including reasonable attorneys’ and investigative expenses), relating to or arising out of the Licensee’s exercises or attempt to exercise any of the rights or licenses granted it under this Agreement, including without limitation, the manufacture, use, lease, sale, or other disposition of a Licensed Product or the Licensee’s breach of any term of this Agreement.

9.3 The University’s Indemnification. Subject to the limitations on liability set forth below in section 11, throughout the Term and thereafter, the University shall indemnify, defend, and hold the Licensee and its directors, employees, and agents harmless from all suits, actions, claims, liabilities, demands, damages, losses, or expenses (including reasonable attorneys’ and investigative expenses) relating to or arising out of the University’s breach of any term of this Agreement.

9.4 The Licensee’s Insurance.

9.4.1 Throughout the Term, or during such other period as the parties agree in writing, the Licensee shall maintain, and shall cause each sublicensee to maintain, in full force and effect comprehensive general liability (“CGL”) insurance, with single claim limits acceptable to the University. Such insurance policy shall include coverage for claims that may be asserted by the University against the Licensee under section 9.2 and for claims by a third party against the Licensee or the University arising out of the purchase or use of a Licensed Product. Such insurance policy must (i) name the University as an additional insured if the University so requests in writing and (ii) require the insurer to deliver written notice to the University at the address set forth in section 23, at least thirty (30) days before the termination of the policy. Upon receipt of the University’s written request, the Licensee shall deliver to the University a copy of the certificate of insurance for such policy.

9.4.2 The provisions of subsection 9.4.1 do not apply if the University agrees in writing to accept the Licensee’s or a sublicensee’s, as the case may be, self-insurance plan as adequate insurance.

9.5 Sublicensees - Release. The Licensee shall cause each sublicensee to grant the University a release from liabilities substantially similar to the release granted in favor of the University above in section 9.1.

**10.** **Warranties.**

10.1 Authority. Each party represents and warrants to the other party that it has full corporate power and authority to execute, deliver, and perform the Agreement, and that no other corporate proceedings by such party are necessary to authorize the party’s execution or delivery of the Agreement.

10.2 Disclaimers**.**

10.2.1 **EXCEPT FOR THE EXPRESS WARRANTY SET FORTH ABOVE IN SECTION 10.1,** **THE UNIVERSITY DISCLAIMS AND EXCLUDES ALL WARRANTIES, EXPRESS AND IMPLIED, CONCERNING THE LICENSED TECHNOLOGY, EACH LICENSED PATENT, EACH PATENT APPLICATION, AND EACH LICENSED PRODUCT, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF NON-INFRINGEMENT, OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE.**

10.2.2 The University expressly disclaims any warranties concerning and makes no representations:

(i) that the Patent Applications will be allowed or granted or that a patent will issue from any Patent Application;

(ii) concerning the validity, enforceability, interpretation of claims or scope of any Licensed Patent; or

(iii) that the exercise of the rights or licenses granted to the Licensee under the Agreement will not infringe a third party’s patent or violate its intellectual property rights.

10.3 Sublicensees - Warranties. The Licensee shall cause each sublicensee to give the University warranties and disclaimers and exclusions of warranties substantially similar to the warranty and disclaimers and exclusions of warranties in favor of the University above in section 10.1 and subsections 10.2.1 and 10.2.2.

**11.** **Damages.**

11.1 Remedy Limitation. **EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, THE UNIVERSITY SHALL NOT BE LIABLE FOR (A) PERSONAL INJURY OR PROPERTY DAMAGES (EXCEPT TO THE EXTENT OF THE UNIVERSITY’S WILLFUL, WANTON, OR INTENTIONAL ACTS) OR (B) LOST PROFITS, LOST BUSINESS OPPORTUNITY, INVENTORY LOSS, WORK STOPPAGE, LOST DATA OR ANY OTHER RELIANCE OR EXPECTANCY, DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OF ANY KIND.**

11.2 Damage Cap. **THE UNIVERSITY’S TOTAL LIABILITY FOR THE BREACH OR NONPERFORMANCE OF THIS AGREEMENT SHALL NOT EXCEED THE AMOUNT OF PAYMENTS PAID TO THE UNIVERSITY UNDER SCTION 6.4 IN THE SIX (6) MONTHS IMMEDIATELY PRECEEDING THE COMMENCMENT OF ANY SUIT OR ACTION . THIS LIMITATION APPLIES TO CONTRACT, TORT, AND ANY OTHER CLAIM OF WHATEVER NATURE.**

11.3 Sublicensees - Damages. The Licensee shall cause each sublicensee to agree to limitations of remedies and damages substantially similar to the limitations of remedies and damages set forth above in sections 11.1 and 11.2.

**12.** **Amendment and Waiver.** The Agreement may be amended from time to time only by a written instrument signed by the parties. No term or provision of the Agreement may be waived and no breach excused unless such waiver or consent is in writing and signed by the party claimed to have waived or consented. No waiver of a breach is to be deemed a waiver of a different or subsequent breach.

**13.** **Assignment and Sublicense.** Except as permitted under subsection 3.1.2 and section 14 of these Terms and Conditions, the Licensee shall not assign or sublicense its interest or delegate its duties under the Agreement. Any assignment, sublicense, or delegation attempted to be made in violation of this section is void. Absent the consent of all the parties, an assignment or delegation will not release the assigning or delegating party from its obligations. The Agreement inures to the benefit of the Licensee and the University and their respective permitted sublicensees and trustees.

**14.** **Change of Control.** Notwithstanding section 13 above, the Licensee, without the prior approval of the University, may assign all, but no less than all, its rights and delegate all its duties under the Agreement to another if (i) the Licensee delivers to the University written notice of the proposed assignment (along with pertinent information about the terms of the assignment and assignee) at least ninety (90) days before the effective date of the event described below in part iii of this paragraph, (ii) pay to the University the Transfer Payment prior to the effective date of the event described below in part iii of this paragraph, and (iii) the assignment is made as a part of and in connection with (a) the sale by the Licensee of all or substantially all of its assets to a single purchaser, (b) the sale, transfer, or exchange by the shareholders, partners, or equity owners of the Licensee of a majority interest in the Licensee to a single purchaser, or (c) the merger of the Licensee into another corporation or other business entity. Any assignment attempted to be made or made in violation of this subsection is void.

**15.** **Applicable Law.** The internal laws of the state of Minnesota, without giving effect to its conflict of laws principles, govern the validity, construction, and enforceability of the Agreement.

**16.** **Access to University Information.**

16.1 Data Practices Act. The parties acknowledge that the University is subject to the terms and provisions of the Minnesota Government Data Practices Act, Minnesota Statutes §13.01 *et seq.* (the “Act”), and that the Act requires, with certain exceptions, the University to permit the public to inspect and copy any information that the University collects, creates, receives, maintains, or disseminates.

16.2 Limited Confidentiality. To the extent permitted by law, including as provided in the Act, the University shall hold in confidence and disclose only to University employees, agents and contractors who need to know the reports described above in sections 5.4 and 6.4 and the records inspected in accordance with section 6.5 of these Terms and Conditions. No provision of the Agreement is to be construed to further prohibit, limit, or condition the University’s right to use and disclose any information in connection with enforcing the Agreement, in court or elsewhere.

**17.** **Consent and Approvals.** Except as otherwise expressly provided, in order to be effective, all consents or approvals required under the Agreement must be in writing.

**18.** **Construction.** The title and headings preceding and labeling the title and sections of the Agreement are for the purpose of identification only and are not to be employed or used for the purpose of construction or interpretation of any portion of TBLA. As used herein and where necessary, the singular includes the plural and vice versa, and masculine, feminine, and neuter expressions are interchangeable.

**19.** **Enforceability.** If a court of competent jurisdiction adjudges a provision of the Agreement to be unenforceable, invalid, or void, such determination is not to be construed as impairing the enforceability of any of the remaining provisions hereof and such provisions will remain in full force and effect.

**20.** **Entire Agreement.** The parties intend the Agreement (including all attachments, exhibits, and amendments hereto) to be the final and binding expression of their contract and agreement and the complete and exclusive statement of the terms thereof. The Agreement cancels, supersedes, and revokes all prior negotiations, representations and agreements among the parties, whether oral or written, relating to the subject matter of the Agreement.

**21. No Third-Party Beneficiaries.** No provision of the Agreement, express or implied, is intended to confer upon any person other than the parties to the Agreement any rights, remedies, obligations, or liabilities hereunder. No sublicensee may enforce or seek damages under the Agreement.

**22.** **Language and Currency.** Unless otherwise expressly provided in the Agreement and in order to be effective, all notices, reports, and other documents and instruments that a party elects or is required to deliver to the other party must be in English, and all notices, reports, and other documents and instruments detailing revenues and earned under the Agreement or expenses chargeable to a party must be United States dollar denominated.

**23.** **Notices.** In order to be effective, all notices, requests, and other communications that a party is required or elects to deliver must be in writing and must be delivered personally, or by facsimile or electronic mail (provided such delivery is confirmed), or by a recognized overnight courier service or by United States mail, first-class, certified or registered, postage prepaid, return receipt requested, to the other party at its address set forth below or to such other address as such party may designate by notice given under this section:

If to the University: University of Minnesota

Office for Technology Commercialization

Attn: Associate Director for Operations

200 Oak Street, Suite 280

Minneapolis, MN 55455

Phone: 612.624.0550

Fax: 612.624.6554

E-mail: otcagree@umn.edu

For notices sent University of Minnesota

under section 8, Office of the General Counsel

with a copy to: Attn: Transactional Law Services

360 McNamara Alumni Center

200 Oak Street S.E.

Minneapolis, MN 55455-2006

Facsimile No.: 612.626.9624

E-mail: [contracts@mail.ogc.umn.edu](mailto:contracts@mail.ogc.umn.edu)

If to the Licensee: As indicated in section 12 of the TBLA.

**24.** **Publicity.** The University may disclose to the public the execution and delivery of the Agreement along with the Licensee’s name and the name of the Licensed Technology.

**25.** **Relationship of Parties.** In entering into, and performing their duties under the Agreement, the parties are acting as independent contractors and independent employers. No provision of the Agreement creates or is to be construed as creating a partnership, joint venture, or agency relationship between the parties. No party has the authority to act for or bind the other party in any respect.

**26.** **Security Interest.** In no event may the Licensee grant, or permit any person to assert or perfect, a security interest in the Licensee’s rights under the Agreement.

**27.** **Survival.** Immediately upon the termination or expiration of the Agreement, except for certain rights granted for the Post-termination Period, all the Licensee’s rights under the Agreement terminate; provided, however, the Licensee’s obligations that have accrued before the effective date of termination or expiration (*e.g*., the obligation to report and make payments on sales, leases, or dispositions of Licensed Products and to reimburse the University for costs) and the obligations specified in section 6.1 survive. The obligations and rights set forth in sections 6.4 and 8.3 and sections 9, 10, and 11 also survive the termination or expiration of the Agreement.

**28.** **Collection Costs and Attorneys’ Fees.** If a party fails to perform an obligation or otherwise breaches one or more of the terms of the Agreement, the other party may recover from the non-performing breaching party all its costs (including actual attorneys’ and investigative fees) to enforce the terms of the Agreement.

**29.** **Forum Selection.** A suit, claim, or other action to enforce the terms of the Agreement may be brought only in the state courts of Hennepin County, Minnesota. The Licensee hereby submits to the jurisdiction of that court and waives any objections it may have to that court asserting jurisdiction over the Licensee or its assets and property.