

UNIVERSITY OF CINCINNATI
EXPRESS EXCLUSIVE OPTION AGREEMENT

This Express Exclusive Option Agreement (“Agreement”) is entered into this _____ day of _____, 20____ (the “Effective Date”) between the University of Cincinnati, a state institution of higher education organized under Section 3361 of the Ohio Revised Code and having an address at 2900 Reading Road, Suite 460, Cincinnati, OH 45206-0829, (“UC”) and [_____] having an address at [_____] (“Optionee”).

WITNESSETH

WHEREAS, [_____] (“Creator”) disclosed a series of technologies related to [**GENERAL SUBJECT Or Venture Lab Project Title**], which are listed in **Exhibit A**, which is attached hereto and incorporated herein, (the “Technology”); and

WHEREAS, Optionee is participating in the UC Accelerator Program, including, but not limited to, the training program and funding opportunities; and

WHEREAS, Optionee wishes to take an option to the Technology and Improvements, as defined below, and

WHEREAS, UC has determined, based upon all available facts, that granting an option to its rights in the Technology and Improvements to Optionee will benefit the public and best facilitate the distribution of useful products and the utilization of new processes; and

NOW, THEREFORE, in consideration of the premises and mutual promises and covenants contained in this Agreement and for good and valuable consideration, it is agreed by and between UC and Optionee (individually referred to as a “Party” and collectively referred to as the “Parties”) as follows:

Article 1. Definitions

For all purposes of this Agreement the following terms, as used herein, will have the meanings specified below:

1.1 “Aggregate Consideration” means an amount equal to:

- In the case of an Asset Sale, the sum of (a) all cash, and the fair market value of all securities or other property transferred to the Optionee at the time of the transaction, less all current and long-term liabilities (but not contingent liabilities) of the Optionee that are not discharged or assumed by the buyer (or its affiliates) in connection with the Asset Sale, and (b) all cash, and the fair market value of all securities and other property for Trailing Consideration payable to the Optionee, when and if, actually paid; or
- In the case of a Merger or Stock Sale, the sum of (a) all cash, and the fair market value of all securities and other property transferred to the stockholders of the Optionee (and any option holders or warrant holders) in return for their stock (or options or warrants) in the Optionee at the time of the transaction, and (b) all cash, and the fair market value of all securities and other property transferred to the stockholders of the Optionee (and any option holders or warrant holders) for Trailing Consideration payable to the holders of Optionee’s securities, when and if actually paid.

The valuation of any securities or other property shall be determined by reference to the operative transaction agreement for a Liquidation Event, provided that, if no such valuation is readily determinable

from such operative transaction agreement, then for securities for which there is an active public market;

- o If traded on a securities exchange or the NASDAQ Stock Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or market over the 30-day period ending three (3) days prior to the closing of such transaction; or
- o If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) days prior to the closing of such transaction.

The method of valuation of securities subject to investment letters or other similar restrictions on free marketability shall take into account an appropriate discount from the market value as determined pursuant to either clause above so as to reflect the approximate fair market value thereof.

For securities for which there is no active public market, the value shall be the fair market value thereof as either (i) determined in good faith by the Board of Directors of Optionee, (ii) approved by the University, such approval not to be unreasonable withheld, or (iii) determined by a third party appraiser appointed and paid for by Optionee.

1.3 “Asset Sale” means a sale of all or substantially all of the assets of the Optionee (or that portion of its assets related to the Improvements).

1.4 “Improvements” means any new technology, discovery, invention, or copyrightable work conceived, developed, derived, improved, and/or invented solely by UC or jointly by UC with Company as a result of funding from UC. Improvements shall not include any new technology, discovery, invention or copyrightable work conceived, developed, derived, improved, and/or invented solely by Company, provided that there was no funding from UC and/or no employee of UC was working within the scope of their employment. Improvements shall further include intellectual property listed in **Exhibit C** and identified as Improvements.

1.5 “Initial Public Offering” means the effectiveness of a registration statement for the first sale of Optionee’s common stock in a firm commitment underwritten public offering registered under the Securities Act of 1933, as amended.

1.6 “License Agreement” means a license agreement according to the terms and conditions in **Exhibit B**.

1.7 “Liquidation Event” means a (i) a merger, share exchange or other reorganization (“Merger”), (ii) Stock Sale or (iii) Asset Sale in which for (i), (ii) and (iii) above, the stockholders of the Optionee 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 Optionee transfers to one or more persons or entities who acquire shares of Optionee capital stock from Optionee in exchange for either an investment in Optionee or the cancellation of indebtedness owed by Optionee, or a combination thereof.

1.8 “Option Period” means the period beginning on the Effective Date and extending to twelve (12) months after the Effective Date. The Option Period is renewable by Optionee for up to two (2) additional periods of twelve (12) months as long as all Accelerator Program milestones have been met. It may be further extended provided that the fees described in Article 4.2 are paid.

1.9 “Pre-Money Valuation” means the amount equal to the product of (i) the price per share of common stock sold in the Initial Public Offering and (ii) the total number of outstanding shares of common stock of

Optionee immediately prior to the closing Initial Public Offering, determined on a fully diluted, as converted into common stock basis, giving effect to any stock split, stock dividend, stock combination, recapitalization or similar action impacting Optionee's capitalization that occurs, or is deemed to occur upon consummation of the Initial Public Offering.

1.10 "Stock Sale" means the sale by one or more stockholders of a majority of the voting power of the Optionee.

1.11 "Trailing Consideration" means any payments due for any deferred or contingent consideration payable to Optionee or its security holders including, without limitation, any post-closing milestone payment, escrow or holdback of consideration.

Article 2. Grant of Rights

2.1 UC hereby grants to Optionee, during the Option Period an exclusive option to negotiate a royalty-bearing License to the Technology and the Improvements, to the extent of UC's rights subject to any rights of third parties (the "Option").

2.2 UC hereby grants to Optionee a nonexclusive license to the Technology and the Improvements for any purpose during the Option Period.

Article 3. Compliance

3.1 To exercise the Option, Optionee must provide UC within the Option Period:

- a) written notice of Optionee's election to exercise the Option;
- b) a preliminary business plan acceptable to UC that describes the resources (or a reasonable plan to obtain these resources) necessary to develop the Technology;
- c) as needed, an approved conflict of interest management plan for any UC employee who is a creator of the Technology and/or the Improvements and who has or intends to acquire an equity or other financial interest in the Company and have otherwise complied with OAC 3361: 10-17-09 – <https://bit.ly/2OeEbub>.

3.2 Upon UC's receipt of written notice of Option election, UC and Company shall have three (3) month in which to negotiate the terms of a license ("Negotiation Period"). If no agreement has been reached upon expiration of the Negotiation Period, UC shall have no further obligation to Optionee or Company under this Agreement. However, at UC's sole discretion, the Negotiation Period may be extended for thirty (30) days.

3.3 Optionee shall promptly notify UC in writing at any time during the Option Period if Company decides not to exercise its Option hereunder, and further agrees to provide UC in reasonable detail in writing the basis for such decision.

3.4 Upon expiration of the Option Period, or earlier on notification to UC pursuant to Article 3.3, Optionee shall have no rights in the Technology and Improvements or any resulting patents, and neither Optionee nor UC shall have any further obligations under this Agreement other than obligations of confidentiality under Article 6 and any obligations associated with Article 4.1.

Article 4. Fees

4.1 After the Effective Date, in lieu of an option issue fee, Optionee will pay UC a fee equal to one half of one percent (0.5%) 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 (the "Success Fee"). The respective fees, when and if payable, shall be paid upon closing of the event; except for Trailing Consideration which shall be payable within thirty (30) days after the actual receipt of such Trailing Consideration by the Optionee or its security holders. The obligations of this section shall survive termination or expiration of this Agreement

4.2 Starting on the third (3rd) anniversary of the Effective Date and for each anniversary thereafter until the sixth (6th) anniversary of the Effective Date, Optionee shall pay to UC an annual maintenance fee of fifteen hundred dollars (\$1,500.00). Starting on sixth (6th) anniversary of the Effective Date and continuing until a license agreement is executed between the parties or this Agreement terminates or expires, Optionee shall pay to UC an annual maintenance fee of five thousand dollars (\$5,000.00).

4.3 Optionee shall pay UC a milestone of five thousand dollars (\$5,000.00) upon the issuance of each US patent during the Option Period. Payment of this milestone shall be deferred until the License Agreement is executed between the Parties; if no license agreement is entered into during the term of this agreement, payment of said milestone shall be at termination of this Agreement or expiration of the Option Period.

4.5 Optionee shall be further responsible for patent fees described below in Article 5.2.

Article 5. Intellectual Property

5.1 UC shall be solely responsible for prosecuting and maintaining any patents, patent applications, copyrights, or other appropriate protection related to the Technology or the Improvements thereof.

5.2 Optionee agrees to cooperate fully with the UC in the preparation, filing, and maintenance of the patent applications and patents included within the Technology or the Improvements. The Optionee agrees to promptly reimburse UC for all expenses associated with any foreign filing related to the Technology or the Improvements at the Optionee's request under this Article 5. For purposes of clarity this shall not include costs associated with any PCT filing included in the Technology or the Improvements.

5.3 If the Optionee fails to reimburse UC for the expenses associated with the prosecution or payment of the continued filing, prosecution or maintenance of any particular foreign filed patent application or patent included in the Technology or the Improvements, said patent or patent application will be free and clear of this Agreement and UC will be free to exploit and to assign or license or otherwise dispose of any such patent or patent application to third parties without further obligation to the Optionee.

5.4 In the event that any claim of any patent application within the Technology or Improvements thereof is canceled, abandoned, or otherwise disallowed by a final non-appealable action of a Patent Office having jurisdiction, or in the event that any claim of any patent within the Technology or Improvements is held invalid or unenforceable by a non-appealable decision by any court of competent jurisdiction, such claim will be excluded from this Agreement as of the date of final disallowance or final decision of invalidity or non-enforceability.

Article 6. Confidentiality

6.1 As used herein, “Confidential Information” shall mean any information relating to the Technology or Improvements which is transmitted to Optionee by UC and identified as confidential. Optionee may use Confidential Information for internal evaluation and investigational purposes, but agrees neither to use for any other purpose nor to disclose Confidential Information to any third party including parent companies, subsidiaries, and affiliates at any time during the Option Period or thereafter in the absence of a License Agreement, except as follows:

6.1.1 To the extent that such Confidential Information was known to Optionee from sources other than UC prior to its disclosure hereunder, and this is demonstrably documented in written records made by Company prior to such disclosure; or

6.1.2 To the extent that such Confidential Information in fact is public knowledge prior to or after its disclosure, other than through acts or omissions attributable to Optionee; or

6.1.3 To the extent that such Confidential Information was disclosed to Optionee by a third party who did not derive such information from UC.

6.2 Optionee’s obligation of confidentiality under this Agreement shall expire ten (10) years from the Effective Date.

6.3 Optionee specifically agrees not to export or re-export any information and/or technical data and/or products in violation of any applicable USA laws and/or regulations.

Article 7. Warranty Disclaimer

7.1 Nothing in this Agreement shall be construed as:

7.1.1 A warranty or representation by UC as to the patentability, validity, enforceability, or scope of UC’s rights in the claims covered by any patent related to the Technology or the Improvements;

7.1.2 An obligation of UC to bring or prosecute actions or suits against third parties;

7.1.3 A grant of rights to the Optionee to use any trademark or the name of UC in advertising, publicity or otherwise; or

7.1.4 conferring by implication, estoppel, or otherwise any license or rights under any patent applications or patents of UC other than those rights included in the Technology or the Improvements, regardless of whether such patent applications or patents are dominant or subordinate to the Technology or the Improvements.

7.2 Except as expressly set forth in this Agreement, UC MAKES NO REPRESENTATIONS, EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND ASSUMES NO RESPONSIBILITIES WHATEVER WITH RESPECT TO THE USE, SALE OR OTHER DISPOSITION BY OPTIONEE OR ITS VENDEES OR OTHER TRANSFEREES OF PRODUCTS INCORPORATING OR MADE BY THE USE OF INVENTION RIGHTS LICENSED UNDER THIS AGREEMENT OR INFORMATION, IF ANY, FURNISHED UNDER THIS AGREEMENT. SUCH INVENTION RIGHTS AND INFORMATION ARE PROVIDED AS IS, WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR WARRANTY THAT THE USE WILL NOT INFRINGE ANY PATENT, COPYRIGHT OR TRADEMARK OR OTHER RIGHTS, OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED.

Article 8. Publication

8.1. UC reserves the right to publish the results of its research on the Invention and the Improvements. Before publishing, however, UC agrees to submit copies of any manuscript proposed for publication to the Optionee at least thirty (30) days in advance of the presentation or publication date, and if the Optionee asks to defer publication within thirty (30) days after receipt of the manuscript so that patent applications may be filed, UC shall not publish or otherwise disclose to any third party any of the information contained in the manuscript until such time as a patent application has been filed or the expiration of ninety (90) days from the date of disclosure to the Optionee, whichever occurs first.

Article 9. Termination

9.1 Optionee may terminate this Agreement by providing the other Party ninety (90) days written notice.

9.2 UC may terminate the Agreement immediately upon notice to Optionee if Optionee is in breach of any provision of this Agreement, including but not limited to timely payment of the patent reimbursement or timely assignment of the Agreement to Company as described in Section 3.1, and such breach is not cured by Optionee within thirty (30) days after written notice thereof by UC, or upon the occurrence of any subsequent breach of this Agreement by Optionee. The ability of Optionee to cure a first occurrence of breach does not apply in the event the occurrence includes multiple breaches by the Optionee. Further, misuse of any Accelerator Program funds by Optionee shall be grounds for termination by UC.

9.3 UC may terminate this Agreement immediately without notice to Optionee in the event of an attempt by Optionee to assign or transfer this Agreement to any person or entity other than to Company.

Article 10. Notices

10.1 Any notice required or permitted under this Agreement shall be sufficiently made or given on the date of mailing if in writing and sent to such party by registered or certified mail, postage prepaid or an overnight courier with signature required, addressed to it at its address below, or as it shall designate by written notice given to the other party.

In the case of UC:

Director, Technology Transfer
University of Cincinnati
P.O. Box 210829
Cincinnati, OH 45221-0829

In the case of the Optionee:

Attn:

Article 11. Miscellaneous

11.1 This Agreement shall be construed under and interpreted under the laws of the State of Ohio, USA, except that questions affecting the construction and effect of any patent shall be determined by the national law of the country in which the patent has been granted.

11.2 The waiver by either Party of a breach or default of any provisions of this Agreement by the other Party must be in written form and signed by both Parties and shall not be construed as a waiver of any succeeding breach of the same or any other provision.

11.3 This Agreement supersedes all prior agreements, written or oral, between the Optionee and UC and shall constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof.

11.4 This Agreement and each of its provisions shall be binding upon the Parties and may not be modified, amended or altered except by a writing signed by UC and the Optionee.

11.5 Neither Party may assign this Agreement without the prior written consent of the other party, except as described under Section 3.1.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their properly and duly authorized officers or representatives as of the Effective Date.

University of Cincinnati, ("UC")

[_____] (the "Optionee")

By: _____

By: _____

Name: Geoffrey Pinski

Name: _____

Title: Director, Tech Transfer

Date: _____

Date: _____

Exhibit A - Technology

Invention Disclosures:

UC Reference	Title

Patent Applications:

UC Reference	Title	Application #	Filing Date	Status

Exhibit B – Prospective License Terms (Internal)

- A world-wide license to the Technology and the Improvements in an agreed Field subject to any Government rights.
- An agreed Success Fee of one-half percent (0.5%) of entity value payable at the closing of a transaction.
- Annual minimums starting on the anniversary of the third (3) year of the license of two- five thousand dollars (\$5,000.00) and escalating on the anniversary of the fifth (5) year to ten thousand dollars (\$10,000.00) and escalating on the anniversary of the sixth (6) year to twenty thousand dollars (\$20,000.00)
- A one thousand and five hundred dollars (\$1500) upfront payment and any deferred payments under this Agreement.
- A two (2%) royalty on Net Sales.
- A ten percent (10%) Sublicensing Fee.
- Payment of all Invention and Improvements IP protection costs via a payment plan.
- Payments for certain milestone driven events (*e.g.*, completion of phase II clinical trial, completion of a phase III trial, receipt of marketing approval, etc.)
- Company shall commit to due diligence in the exploitation of Technology and Improvements.
- Title to any patent(s) obtained on the Technology and the Improvements shall be in the name of UC.
- UC reserves to itself the right to license and to practice the Technology and Improvements for non-commercial purposes, including but not limited to academic, educational, research, teaching, and public service purposes.
- The license shall be subject to all applicable USA laws and regulations, including but not limited to, export control regulations. Company specifically agrees not to export or re-export any information and/or technical data and/or products in violation of any applicable USA laws and/or regulations.
- Other standard and customary terms and conditions normally contained in similar license agreements.