Summary of standing first offer for a license agreement for a faculty-involved start-up

for Physical Science technologies (non-software)

FIELD OF USE	As identified in the business plan outline, to be finalized before term sheet is finalized. LICENSEE is eligible for assistance from the New Venture Accelerator.
LICENSED PRODUCTS	Any product or service that is covered by or is produced using inventions, discoveries and processes covered by TECHNOLOGY RIGHTS within the FIELD OF USE.
TERRITORY	Worldwide
TECHNOLOGY RIGHTS	PCT Application PCT/US20/xxxxx (for example) regarding "[Title]" owned by Auburn University ("AUBURN") and all domestic or foreign continuations, divisionals, reissues, and reexaminations issuing or claiming priority therefrom. *The above language addresses patents; other language may be needed for different types of IP.*
LICENSE	AUBURN shall grant [Company Name] ("LICENSEE") an exclusive license under the TECHNOLOGY RIGHTS to use, make, have made, lease, sell, have sold and import LICENSED PRODUCTS within the FIELD OF USE in the TERRITORY. The right to sublicense shall be specifically included in the license.
LICENSE FEE	8% equity in LICENSEE (or right to acquire equivalent equity in the future) *This assumes no past fund raising by LICENSEE and no past special investments by AUBURN (e.g., LAUNCH funding)*
TECHNOLOGY EXPENSES	Option A: LICENSEE shall reimburse AUBURN for all past and be responsible for all future expenses paid in filing, prosecuting, enforcing and maintaining TECHNOLOGY RIGHTS. *– OR --* Option B: Same as Option A except AUBURN supports the filing expenses of a single non-provisional patent application (US + PCT) (total expenses capped at $15,000) for either 1.) additional 2% equity or 2.) under the condition that LICENSEE remains headquartered in the state of Alabama for at least 5 years from the effective date.
REPORTING	There shall be reporting and records requirements of the LICENSEE, to be determined. AUBURN shall have the right to audit, terms to be determined.
GOVERNANCE	The agreement shall be governed by the laws of the State of Alabama.
INDEMNIFICATION AND LIABILITY	LICENSEE shall at all times during the term of this agreement and thereafter, indemnify, defend and hold AUBURN and its employees harmless against all claims. LICENSEE shall obtain and carry in full force and effect commercial, general liability insurance that shall protect LICENSEE and AUBURN. *In order to protect the larger public mission of the university, indemnification and insurance coverage by licensees are required.*
TERM	The term of this agreement shall be until all TECHNOLOGY RIGHTS claiming the LICENSED PRODUCTS expire in all countries in TERRITORY.
NON-COMMERCIAL RESEARCH	The license shall be subject to the non-exclusive right for AUBURN, the inventors of the TECHNOLOGY RIGHTS, and all other non-profit, academic and/or government institutions to perform non-commercial research on the TECHNOLOGY RIGHTS.

DUE DILIGENCE	LICENSEE shall achieve at least one of the following development milestones in each of the first three LICENSE YEARS: Milestone A: Complete a commercial-grade prototype Milestone B: Acquire outside funding (investment, grant, etc.) of at least $50,000 Milestone C: Hire a CEO with experience in a relevant industry Milestone D: First NET SALE LICENSEE shall also meet these additional sales milestones: Milestone E: Cumulative NET SALES of at least $X by end of Fourth LICENSE YEAR Milestone F: NET SALES of at least $Y in the Fifth LICENSE YEAR and in every LICENSE YEAR thereafter. *(Milestones can be negotiated to fit a specific situation; Values for $X and $Y determined case-by-case, based on the market opportunity)* Except as otherwise noted, failure to meet these requirements will be grounds for AUBURN to terminate the Agreement, subject to a mutually agreeable period of time to allow LICENSEE to rectify any such breach.
ROYALTIES	LICENSEE will pay AUBURN a royalty of 3% of NET SALES of LICENSED PRODUCTS that are sold by LICENSEE or its sublicensees. LICENSEE will pay minimum annual payments according to the following schedule: First day of Third LICENSE YEAR — $5,000 First day of Fourth LICENSE YEAR — $A (TBD) First day of Fifth LICENSE YEAR — $B (TBD) First day of Sixth LICENSE YEAR And every LICENSE YEAR thereafter — $C (TBD) Such payments are creditable towards royalties due for the given year (but not towards royalties in future years). *(Values for $A, $B and $C determined case-by-case, based on the market opportunity; will correlate with values for $X and $Y above)* LICENSEE shall pay AUBURN a set percentage on all non-royalty consideration received by LICENSEE from any Sublicensee, based on LICENSEE'S achievement of milestones at the time of sublicense: Before completion of a commercial-grade prototype: 75% After commercial-grade prototype but before first NET SALE: 50% After first NET SALE but before cumulative NET SALES of $Z: 35% After cumulative NET SALES of $Z: 25%

- Unless otherwise indicated, financial terms are part of a wholistic standing offer to faculty interested in forming a start-up based on AUBURN-owned intellectual property, and are therefore non-negotiable. Faculty members interested in a different arrangement can decline this offer and request our typical "from scratch" term sheet as a starting point. Generally, that process can be expected to take longer and may result in less favorable terms for the LICENSEE.
- Any Auburn employees involved with LICENSEE should report the interest on their COI Disclosure and must contact the Office of Research Compliance to initiate a Conflict of Interest Management Plan.
- Because of COI inherent in the proposed arrangement, faculty inventors may not negotiate directly with the university; given the minimal terms remaining, this term sheet can be finalized using mediators from the New Venture Accelerator.
- Faculty inventors have the right but not the obligation to seek professional counsel on their behalf in negotiations.
- Several types of terms, including due diligence and non-commercial research, are required to comply with best practices towards the public interest, as outlined in the "Nine Points" best practices white paper.
- This term sheet has no operative effect until a definitive agreement is signed in writing by all parties.