

## ROYALTY/PAYMENT AGREEMENT

This Royalty/Payment Agreement (the "Agreement") is entered between the Ohio Air Quality Development Authority/Ohio Coal Development Office ("Grantor"), 50 West Broad Street, Suite 1718, Columbus, Ohio 43215 and \_\_\_\_\_("Company"), located at \_\_\_\_\_, telephone \_\_\_\_\_; FTI number \_\_\_\_\_.

### BACKGROUND INFORMATION

A. Grantor and the Company have entered into a Grant Agreement identified as Grant Agreement No. \_\_\_\_\_, entitled \_\_\_\_\_ ("Grant Agreement") which will provide or has provided support to the development of new Technologies, Equipment and/or Processes as defined below. This Royalty/Payment Agreement (Payment Agreement) is entered into as a result of the requirements set forth in Section VII, Paragraph 1 of the Grant Agreement.

B. This Royalty/Payment Agreement is subject to the Grantor's satisfaction that royalty or other payments to the Grantor will not cause the interest on the Coal Research and Development Bonds to become subject to federal income taxation.

C. In accordance with the terms of the Grant Agreement, the Company has agreed to make payments and/or to contract with its subcontractors to make payments as agreed upon and set forth in this Payment Agreement in the event that the Company and/or any of its Subcontractors to the Grant Agreement commercialize or otherwise generate revenue from the Demonstration Technology, Equipment and/or Process which were developed as the result of the assistance provided by Grantor during the term of the Grant Agreement.

D. It is understood by the parties that the Company will execute a similar Payment Agreement with any subcontractor or subcontractors to the Grant Agreement, and such royalties/payments that are derived from the subcontractors shall be paid directly to the Grantor. Further, where appropriate, the term "Company" shall also apply to subcontractors under the Grant Agreement and this Agreement.

E. The parties to this Agreement desire to set forth the terms of all royalties and payments in this Agreement.

### STATEMENT OF THE AGREEMENT

In consideration of the covenants herein set forth, the parties hereby agree as follows:

1. **Definitions.** For the purposes of this Payment Agreement, the following terms shall have the prescribed meanings:

**Demonstration Technology, Equipment, and/or Process:** Each and every new technology, equipment, invention, process and/or unique modification/alteration that results from research and work occurring under and/or by reason of the Grant Agreement as well as any and all new materials and/or processes developed by research and work occurring under and/or by reason of the Grant Agreement, whether patented or not. (*If applicable to this project* - At present, this includes the following patents that may or will be affected by activities occurring by reason of the Grant Agreement: Nos. \_\_\_\_\_.) It is specifically understood and agreed that any future application or applications for new patent or patents that in any manner utilize research and work occurring under and/or by reason of the Grant Agreement are included in this definition.

**Gross Revenues:** This term includes, but is not limited to, any and all financial amounts and the value of goods and services whether received directly or indirectly by the Company or a subsidiary of the Company or an entity in which the Company has an interest as the result of or by reason of the sale, lease or licensing of Demonstration Technology, Equipment, and/or Process, in whatever form or use, and applications wherein Demonstration Technology, Equipment, and/or Process are used, designed, leased, sold, licensed, furnished, installed or exported by the Company, pursuant to or under rights owned by the Company now or in the future.

2. **Term of this Agreement.** This Agreement shall become effective on the effective date of the Grant Agreement. This Agreement shall survive the term of the Grant Agreement and shall be effective for the longer of a period of twenty (20) years or for the life of any patent obtained for any Demonstration Technology, Equipment and/or Process, including any patent extensions, resulting directly from the assistance provided by the Grant Agreement.
3. **Royalty/Payment Obligation.** The parties hereto acknowledge that, in exchange for the Grantor assuming part of the financial risk in the development of Demonstration Technology, Equipment, and Process under the Grant Agreement, the Company and/or its subcontractors shall pay the Grantor royalties and payments as calculated in Section 4 of this Payment Agreement. For each and every Demonstration Technology, Equipment, and/or Process developed under the Grant Agreement, whether patented or not that generates gross revenues in any manner, the amount of the Company's and/or its subcontractor's obligation shall be calculated upon gross revenues as heretofore defined.
4. **Amount of Royalty/Payment Obligation.** The Company shall pay the Grantor an amount equal to:

Five percent (5%) of the Gross Revenues generated from the sale or lease of any and all equipment or items manufactured, fabricated or assembled directly incorporating or employing, the licensing and/or use in whatever form of Demonstration Technology, Equipment, and/or Process;

Alternatively, the Company may buy out this royalty obligation by reimbursing to the Grantor a sum three (3.0) times the Grant Agreement amount set forth in Section I, Paragraph 1 of the Grant Agreement.
5. **Ownership of Other Technology.** It is understood that the Company and subcontractors to the Company are the sole owners of their respective existing background technology, patents, disclosures, trade secrets, drawings, computer programs, design standards, and process technology. The Grantor shall have no rights of any kind in reference to any technology developed prior to or outside the term of the Grant Agreement. However, the Grantor shall have rights to subsequent technology developments that are substantially based upon the work that occurred under the Grant Agreement.
6. **Schedule of Payments.** The Company shall make, and contract with each of its subcontractors to make, annual payments to the Grantor in the amounts as calculated under the terms of paragraph 4 of this Payment Agreement. Payment for any given year is due on March 31<sup>st</sup> of the following year. Payments shall be in the form of a check made payable to: "State of Ohio Coal R&D Bond Debt Service."
7. **Annual Reporting Requirements.** The Company shall submit, and contract with each of its subcontractors to submit, a written report, not later than March 31<sup>st</sup> of each year,

directly to the Grantor, or its successor, which shall pertain to and cover the previous one year period and shall include the following:

- A. Both the total dollar amount charged for and actually received for any and all sales and/or leases of equipment and items manufactured, fabricated or assembled as a result of commercialization of each and every Demonstration Technology, Equipment, and/or Process developed under the Grant Agreement;
- B. Quantities and descriptions of the equipment and/or items sold and/or leased;
- C. Both the total dollar amount charged and actually received in the form of fees for the licensing and/or use, in whatever form, of each and every Demonstration Technology, Equipment, and/or Process developed under the Grant Agreement.
- D. Quantities and/or descriptions of transactions under which fees referred to in subparagraph C above occurred. The actual cost of expenses to file and maintain a patent on the Demonstration Technology, Equipment and/or Process during the year.
- E. The amount being remitted to the Grantor.

If no such activity occurred during the annual period, the Company/Subcontractor shall submit a report so stating. After the first ten (10) years, if the Company/subcontractor has had no gross revenues for a consecutive three (3) year period of time, the Company/Subcontractor may cease its annual reporting to the Grantor. If, however, after that period of time the Company/Subcontractor receives revenues, the payment and reporting requirements shall resume.

8. **Final Report.** At the completion of the twenty (20) year term or the applicable period as defined in paragraph 2 of this Payment Agreement, a comprehensive final summary report from the Company/Subcontractor shall be submitted to the Grantor listing each year's activities and total payments, including those years where no activity or payment took place (this may be in the form of a descriptive cover letter and spread sheet).
9. **Records, Access, and Maintenance.** The Company shall establish and maintain, and contract with each of its subcontractors to establish and maintain, for at least five (5) years from the termination of its subcontract, such records as are required by the Grantor, including but not limited to, financial reports, and all other relevant information. The records required by the Grantor with respect to any questioned cost, audit disallowances, litigation or dispute between the Grantor and the Company or its subcontractors shall be maintained for the time needed for the resolution of said question. In the event of early termination of this Payment Agreement and/or of any given subcontract, or if for any other reason the Grantor shall require a review of the records related to the Demonstration Technology, Equipment and/or Process, Company shall, at its own cost and expense, segregate all such records related to the project from its other records of operation, and Company agrees that it shall contract with each of its subcontractors to do so as well.
10. **Audits and Inspections.** At anytime during normal business hours and upon written notice and as often as the Grantor may deem necessary, Company shall make available to the Grantor (or its designee) for examination by appropriate state agencies or officials all of its records with respect to matters covered by this Payment Agreement and shall permit the Grantor or its agents to audit, examine and make excerpts or transcripts from such records. Further, Company agrees that it shall contract with each of its subcontractors to do so as well.
11. **Damages.** Neither party shall be liable to the other for any indirect, incidental, special or consequential damages arising from any cause whatsoever, including, without limitation, lost profits, loss of use of capital or revenue, loss of use of equipment, cost of replacement equipment, or damages suffered by customers of the Company whether

such liability is based upon or arises under contract, tort, negligence, strict liability, extra contractual liability, or otherwise.

**12. Miscellaneous.**

- A. Governing Law. This Payment Agreement shall be governed by the laws of the State of Ohio as to all matters, including but not limited to matters of validity, construction, effect and performance.
- B. Forum and Venue. All actions regarding this Agreement shall be forumed and venued in a court of competent subject matter jurisdiction, in Franklin County, Ohio.
- C. Entire Agreement. This Payment Agreement constitutes the complete understanding of the parties and merges and supersedes any and all other discussions, agreements and understandings, either oral or written, between the parties with respect to the subject matter hereof.
- D. Severability. Whenever possible, each provision of this Payment Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions of this Agreement.
- E. Notices. All notices, consents, demands, requests and other communications which may or are required to be given hereunder shall be in writing and shall be deemed duly given if personally delivered or sent by United States mail, registered or certified, return receipt requested, postage prepaid, to the addresses set forth hereunder or to such other address as the other party hereto may designate in written notice transmitted in accordance with this provision.
- 1). In case of the Grantor, to:
- Ohio Coal Development Office  
Ohio Air Quality Development Authority  
50 West Broad Street, Suite 1718  
Columbus, OH 43215
- 2). In case of Company, to:
- F. Amendments or Modifications. Either party may at any time during the term of this Payment Agreement request amendments or modifications. Requests for amendment or modification of this Payment Agreement shall be in writing and shall specify the requested changes and the justification of such changes. The parties shall review the request for modification in terms of the regulations and goals relating to the Payment Agreement. Should the parties consent to modification of the Payment Agreement, then an amendment shall be drawn, approved, and executed in the same manner as the original agreement.
- G. Pronouns. The use of any gender pronoun shall be deemed to include all the other genders, and the use of any singular noun or verb shall be deemed to include the plural, and vice versa, whenever the context so requires.
- H. Headings. Section headings contained in this Payment Agreement are inserted for convenience only and shall not be deemed to be a part of this Agreement.

- I. Assignment. Neither this Payment Agreement nor any rights, duties, or obligations described herein shall be assigned or subcontracted by Company without the prior express written consent of the Grantor.

This Payment Agreement is entered into by the parties hereto this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

**COMPANY**

**OHIO AIR QUALITY DEVELOPMENT  
AUTHORITY**

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Mark R. Shanahan  
Executive Director