

ROYALTY/PAYMENT AGREEMENT FOR UNIVERSITY PROJECTS

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 _____ ("University"), located at _____, telephone _____; FTI number _____.

BACKGROUND INFORMATION

A. Grantor and the University have entered into a Grant Agreement identified as Grant Agreement No. _____, entitled "_____" ("Grant Agreement"), which will provide or has provided support to the development and demonstration of technology (Demonstration 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. In accordance with the terms of the Grant Agreement and Ohio Revised Code Section 1555.03(D), the University has agreed to make payments and/or to contract with its Licensees to make payments as agreed upon and set forth in this Payment Agreement in the event that the University commercialize or otherwise generate revenue from the Demonstration Technology, Equipment and/or Process which was developed as the result of the assistance provided by Grantor under one or more Grant Agreements.

C. It is understood by the parties that the University will execute a similar Payment Agreement with any Licensee to the Grant Agreement and such royalties/payments that are derived from the Licensee shall be paid directly to the Grantor as described below. Further, where appropriate, the term "University" shall also apply to Licensees under the Grant Agreement and this Agreement. In the event that a license and/or an option for a license for the Demonstration Technology, Equipment, and/or Process is granted, the University shall notify Grantor of the date of the agreement and provide to Grantor a copy of the agreement prior to its effective date.

D. The parties to this Agreement recognize that the Grantor's contribution of funds to the development of the Technology, Equipment, and/or Process is the aggregate sum of the grants in OCDO Projects _____, _____ and _____ ("Grantor's Investment"). The parties agree that the total payments to Grantor by the University and/or its Licensees, in the event the Technology, Equipment and/or Process is commercialized or otherwise generates revenue, will be at most equal to Grantor's Investment.

E. The parties to this agreement recognize there may be more than one commercial application resulting from the funding of prior projects and the current projects as identified in paragraph D above. In the event of more than one commercial application of the Technology, Equipment and/or Process the aggregate repayment to Grantor resulting from all commercial applications will not exceed the Grantor's Investment in the Technology, Equipment and/or Process.

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 one or more Grant

Agreements as well as any and all new materials and/or processes developed by research and work occurring under and/or by reason of one or more Grant Agreements, whether patented or not. At present, this includes the following application for patents and patents that may or will be affected by activities occurring by reason of the Grant Agreement: Nos. _____. It is 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 University or a subsidiary of the University or an entity in which the University has an interest as the result of or by reason of the grants, 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, granted, sold, licensed, furnished, installed or exported by the University, pursuant to or under rights owned by the University now or in the future.

Payment Default: This term means payment has not been received by Grantor within thirty days of the payment due date. In the case of exclusive license agreements, the first payment to Grantor is due on the date the license agreement becomes effective. Additional payments to Grantor are due on annual anniversaries of the effective date of the license agreement as required in paragraphs 4.A.1, 4.A.2, 4.A.3 and 4.A.4 below. In the case of the sale of non-exclusive licenses or other revenue generating actions as listed in paragraphs 3.B and 3.B.1 payment to Grantor is due annually on the anniversary of the beginning of the revenue flow.

Ohio Entity: an entity that commits to deployment of the technology in Ohio within the first ten years of the signing of an agreement for option for an exclusive license or an agreement for an exclusive license of a technology.

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 University 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 University's and/or its subcontractor's obligation shall be calculated upon gross revenues as heretofore defined.

4. **Amount of Royalty/Payment Obligation.**

A. In the event that the University grants or otherwise sells an option for an exclusive license or grants or otherwise sells an exclusive license for the Demonstration Technology, Equipment and Process repayment of the Grantor's Investment by the University, and/or its Licensee will be due according to the following schedule:

1. If the option or license is sold to a Large Multi-National Entity the University and/or the Licensee will repay Grantor's Investment in ten equal annual installments over a

period of nine years with the first payment due at the signing of the licensing agreement and the last payment due at the end of the ninth year.

2. If the option or license is sold to an Ohio Entity the University and/or the Licensee will repay Grantor's Investment in nineteen equal annual installments over a period of nineteen years with the first payment due at the signing of the licensing agreement and the last payment due at the end of the nineteenth year.

3. The exclusive agreement shall contain a clause setting forth the above repayment agreement and stating the portions of the Grantor's Investment to be paid by the Licensee and by the University. The clause will also require that in the event of a Payment Default by the Licensee the license agreement between the University and Licensee will terminate and all rights to the technology shall revert to the University and be treated as if the licensee agreement never existed. In such an event the University will not be obligated to continue to repay Grantor's Investment and the Grantor's Investment will be reduced by the total repayment received by the Grantor at the time of the termination of the license agreement. In the event of a Payment Default by the University to Grantor all of the University's rights under the Demonstration Technology, Equipment and/or Process shall revert to OCDO and the license agreement become an agreement between the Licensee and OCDO.

4. The exclusive agreement with an Ohio Entity will contain a clause requiring the deployment of the technology in Ohio within ten years of the signing of the agreement. If the Ohio Entity does not deploy the technology in Ohio within ten years of the signing of the agreement, the remainder of Grantor's investment becomes due and payable at the end of the tenth year of the agreement. This clause will also require that in the event of a Payment Default by the Licensee the license agreement between the University and Licensee will terminate and all rights to the technology shall revert to the University and be treated as if the licensee agreement never existed. In such an event the University will not be obligated to continue to repay Grantor's Investment and the Grantor's Investment will be reduced by the total repayment received by the Grantor at the time of the termination of the license agreement. In the event of a Payment Default by the University to Grantor all of the University's rights under the Demonstration Technology, Equipment and/or Process shall revert to OCDO and the license agreement become an agreement between the Licensee and OCDO.

B. In the event that the University or its Subcontractors sell non-exclusive licenses or options for non-exclusive licenses for the Demonstration Technology, Equipment and/or Process, or commercialize or otherwise generates revenue from the Demonstration Technology, Equipment and/or Process without granting an exclusive license for the Technology, the University shall pay the Grantor an amount equal to:

1. Five percent (5.0%) 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, minus any reasonable expenses incurred in obtaining patent protection including filing, prosecuting, and maintaining a patent.

2. Alternatively, the University or its Subcontractors may buy out this royalty obligation by reimbursing to the Grantor its total Investment in the Demonstration Technology, Equipment and/or Process as defined in Paragraph D of this agreement.

5. **Ownership of Other Technology.** It is understood that the University and subcontractors to the University, and Licensees of the Demonstration Technology, Equipment and/or Process 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 outside of the projects listed in paragraph D

above. 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 University shall make, and contract with each of its subcontractors for annual payments to the Grantor in the amounts as calculated and required under the terms of paragraph 4 of this Payment Agreement. 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 University shall submit, and contract with each of its subcontractors to submit, a written report, not later than March 31st 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 University/Subcontractor shall submit a report so stating. After the first ten (10) years, if the University/subcontractor has had no gross revenues for a consecutive three (3) year period of time, the University/Subcontractor may cease its annual reporting to the Grantor. If, however, after that period of time the University/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 University/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 University 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 University 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, University shall, at its own cost and expense, segregate all such records related to the project from its other records of operation, and University 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, University 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, University 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 University 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 Air Quality Development Authority
Ohio Coal Development Office
50 West Broad Street, Suite 1718
Columbus, OH 43215

2). In case of University, 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 University without the prior express written consent of the Grantor.

This Payment Agreement is entered into by the parties hereto as of the last date entered below.

UNIVERSITY

**OHIO AIR QUALITY DEVELOPMENT
AUTHORITY**

Name:
Title:

Mark R. Shanahan
Executive Director

Date: _____

Date: _____