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ACQUIRING, MANAGING, AND DISBURSING EQUITY INTERESTS:

Licensees of intellectual property are expected to reimburse all third party, out-of-pocket costs associated with securing legal protection for the licensed intellectual property and to provide compensation representing the negotiated value of the intellectual property, termed licensing revenue. Licensing revenue includes, but is not limited to, an initial signing fee, a recurring payment such as an annual minimum royalty, a royalty percentage based on sales, or some combination thereof. An alternative form of compensation may be to take an equity position in the entity licensing the intellectual property. This may be done in lieu of an immediate cash payment or as a reduction to it and it may serve as payment for third party costs and/or licensing revenue.

In all cases, equity interests accepted as reimbursement for third party, out-of-pocket costs will be retained by KSURF and applied to the appropriate expenses. The KSURF Finance Committee will manage these equity interests as necessary and inform the Executive Committee and/or Board of Directors accordingly.

Restricted (non-tradable) equity interests, such as restricted shares of stock accepted as licensing revenue will be held by KSURF until the restriction is removed. Upon removal of the restriction and in order to avoid potential fiduciary liabilities for KSURF, the pro rata share of equity interests due to the inventors/creators and applicable outside entities will be distributed immediately in its then current form. The appropriate shares will be determined in accordance with the Licensing Revenue Distribution policy in place at the time the equity interests were accepted.

The KSURF Finance Committee shall determine when and how to liquidate the remaining equity interests. The university department/administrative unit involved will receive its pro rata share due, if any, upon conversion of the equity interests to cash.

(Enacted by the KSURF Executive Committee on 21 February 2007)