

TERM SHEET EXAMPLE

BIOTECHCO Overview & Business Strategy

BIOTECHCO (the licensor), located in North Dakota, has a proprietary technology called ZIP that can generate fully human antibodies with various ranges of specificity that they believe can provide a broad range of clinical utility. From a research perspective, the company has broad strengths in inflammation (particularly in autoimmune disease) and some preclinical (early stage) expertise in oncology. The company has no clinical, commercial or manufacturing competencies.

BIOTECHCO claims to have a strong patent estate, particularly composition of matter claims, as well as process patents to make any ZIP antibodies derived from the platform.

BIOTECHCO has 20 employees and about years of operating cash and wants to wholly develop therapeutic antibodies for the treatment of inflammation and they are relying on their licensing fees maintain operations and validate the technology to enable additional financing.

PARTNERING GOALS:

BIOTECHCO would like to utilize the ZIP platform with molecular targets to create novel drugs outside of inflammation. They also want to maintain rights to the ZIP proprietary antibody platform --but they are not opposed to exclusive arrangements based on the target if it increases the valuation of the deal. They also recognize that the antibodies could be used for diagnostic, prophylactic or actual treatment of a disease and want to capture this in its deal structures.

BIOTECHCO would like the partner the ZIP technology to pay for the research and provide their expertise in certain areas, including FTE support (full time equivalent) and wants decision making authority since they are experts in generating antibodies. The company estimates that approx. 3 additional FTEs will be needed to conduct the research in an 18 month time period to enable each selected antibody to be "IND" ready. Upon selecting an appropriate antibody to a specific target, the partner would take a commercial license and provide clinical development, commercialization and manufacturing for each antibody chosen for development.

BIOTECHCO is interested in partnering with a company that international strength, has experience in the development and sale of protein therapeutics in cancer, and has a fully integrated business model (discovery→commercialization, including manufacturing.) However, several board members have contacts with companies in Asia and would like to carve out these markets for a strong Japanese and Chinese Partner. Management has agreed to this idea.

BIGPHARMCO

BIGPHARMCO is global pharmaceutical company located in New York. They have a strong research interest in ZAP receptor biology and would like to work with a company that can generate antibodies to the ZAP 1, 2 and 3 receptors that are expressed in certain inflammatory diseases and cancer. The Company will provide purified ZAP 1, 2 and 3 receptors for in order to generate a pool of antibodies, upon which they will select one antibody per receptor.

They have agreed to enter into licensing discussions with BIOTECHCO because they like the repertoire and selectivity of antibodies that can be generated by the ZIP technology. While negotiating the term sheet, the Parties have agreed to concomitantly conduct due diligence on the ZIP technology.

The licensing person at BIOTECHCO has spent a significant amount of time reviewing the term sheet with management, and the board has given buy in on the terms. The following is the first draft of the term sheet sent to BIGPHARMCO.

**EXCLUSIVE RESEARCH COLLABORATION,
OPTION AND LICENSE AGREEMENT**

**FOR THE USE OF ZIP GENERATED ANTIBODIES THAT BIND TO ZAP 1, 2 and 3
RECEPTORS FOR THE PROPHYLAXIS, DIAGNOSIS, AND TREATMENT OF CANCER.**

TERM SHEET

Objectives	BIOTECHCO and BIGPHARMCO will research, develop, manufacture and commercialize ZIP antibodies to ZAP receptors for the treatment of cancer.
Licensed Product	A Zip generated antibody, each of which binds exclusively to the ZAP 1 receptor, ZAP 2 receptor or the ZAP 3 receptor.
Field of Use	For the prophylaxis, diagnosis and treatment of cancer.
Territory	United States, Europe and South America.
License/Grant	BIOTECHCO will grant BIGPHARMCO an exclusive license to the Licensed Product, with the right to grant sublicenses to develop, make, have made, manufacture, use, sell, and commercialize Licensed Product within the Field, in the Territory.
Joint Research Program	BIOTECHCO will provide BIGPHARMCO the Licensed Product for use in appropriate preclinical assays. BIGPHARMCO will contribute certain preclinical and other validating assays to the collaboration.

Upon a mutually agreed "Product Development Decision", the Licensed Product will be designated as a "Product Drug" (prior to doing pre-IND pharmacologic and toxicity (PK/TOX) studies.) Within thirty (30) days of selection of a Product Drug for clinical development, the Product Drug will be designated as a "Candidate Drug."

Roles and Responsibilities

BIOTECHCO will be responsible for making and providing research grade Licensed Product to BIGPHARMCO and certain enzymatic assays. BIGPHARMCO will provide financial support for research and any associated pass through costs, including the use of consultants as mutually agreed by both Parties. BIOTECHCO will conduct activities using commercially reasonable metrics based on a mutually agreed Joint Research Plan.

BIGPHARMCO Roles and Responsibilities

BIGPHARMCO will conduct certain pre-clinical assays that include physical/chemical assays in rodents, monkey studies, and pre-IND PK/TOX using commercially reasonable efforts. BIGPHARMCO will bear all expenses for such preclinical research activities.

Governance

BIGPHARMCO and BIOTECHCO will develop a Joint Research Committee ("JRC") for the development of the Licensed Product based on a mutually agreed Joint Research Plan. The JRC shall hold joint meetings on a quarterly basis. Twice per year they shall meet in person at alternating sites.

A Joint Steering Committee ("JSC") shall have strategic R&D development and budgetary oversight to the program and the JRC. The JSC shall meet on a quarterly basis.

Dispute Resolution

Any research conflicts shall be resolved between JRC by unanimous vote. Any disputes relating to the research collaboration shall be first referred to the JSC by either Party at any time after such dispute has arisen and such Party believes that there has been sufficient discussion of the matter at the Joint Project Team level. If the JSC is unable to resolve such a dispute within thirty (30) days of being requested by a Party to resolve the dispute or the JSC is unable to resolve a dispute among its members, the matter shall be presented to the Chief Executive Officer of BIGPHARMCO and BIOTECHCO for resolution. In the event that the CEO of either Party cannot make a decision within (15) days, the BIOTECHCO CEO will have the final say.

Research Term

The Research Term will be eighteen (18) months years from the Execution Date of the agreement.

Development Program and Option

Roles and Responsibilities:

Upon filing of an IND for the Licensed Product, BIGPHARMCO shall have an exclusive option (the "Option") to acquire a Commercial License for each Candidate Drug. BIGPHARMCO will be responsible for all subsequent development per Candidate Drug for use in the Field in the territory. BIGPHARMCO may exercise the applicable Option (a) by providing an irrevocable written notice to from BIGPHARMCO to obtain such Commercial License (the "License Notice"). BIGPHARMCO shall have an exclusive license, with the right to sublicense, develop, make, have made, manufacture, use, sell, and commercialize the Licensed Product for use in the in the Territory (the "Commercial License").

BIGPHARMCO will develop the Candidate Drug using commercially reasonable efforts and metrics.

Regulatory Program

BIGPHARMCO will be responsible for the filing, payment of filing fees and all other associated costs and activities for regulatory prosecution in the Territory. BIGPHARMCO will hold all regulatory filings.

BIGPHARMCO will be responsible for all safety reporting for clinical development and commercialization and will assume all associated expenses.

Manufacturing

BIOTECHCO will collaborate with BIGPHARMCO to develop and procure research grade ZIP compounds for the Research Program. BIOTECHCO will work with BIGPHARMCO to procure the manufacture of ZIP compounds

for pre-IND enabling PK toxicology studies.

BIGPHARMCO will be solely responsible for procuring commercial supply of the Licensed Product. BIGPHARMCO may adopt other delivery technologies to improve drug delivery, if applicable.

BIGPHARMCO will bear all expenses for all manufacturing activities and will provide financial support for regarding the development and procurement of manufacturing suppliers. BIGPHARMCO will be responsible for identifying and contracting with manufacturing suppliers utilizing other delivery technologies, if required.

Commercialization BIGPHARMCO will be solely responsible for the development, launch and commercialization of the Licensed Product. BIGPHARMCO will bear all costs associated with the commercialization of the Licensed Product.

Licensed Know-How: All know-how and information relating to the Licensed Product and/or the Collaboration Know-How, in each case including but not limited to, any know-how and information necessary and/or useful for the research, development, manufacture or commercialization of Licensed Product, in each case owned or controlled by or any of its affiliates as of the Execution Date or during the term of the Agreement.

Licensed Patents: All patent applications and patents, including, without limitation, any continuations, continuations-in-part and divisions of any such patents and patent applications, any patents issuing from any of the foregoing, any extensions or supplementary patent certificates thereto, and all foreign counterparts thereof, in each case, which patents or patent applications may be necessary and/or useful for the research, development, manufacture or commercialization of the Licensed Product and are owned or controlled by or any of its affiliates as of the Execution Date of the Agreement.

Technology: Technology would include the Licensed Know-How, the Licensed Patents, the Collaboration Know-How, the Collaboration Patent Rights, and 's interest in the Joint Collaboration Know—How, and the Joint Collaboration Patent Rights.

BIOTECHCO Collaboration Know-How: All know-how and information conceived, reduced to practice and developed either solely (i) by BIOTECHCO, its affiliates or any of their employees or consultants or (ii) by BIOTECHCO, its affiliates or any of their employees or consultants together with a third party or a third party's employees or consultants, in performing its work under the Joint Research Plan.

Patent Rights: All patent applications and patents, including, without limitation, any continuations, continuations-in-part and divisions of any such patents and patent applications, any patents issuing from any of the foregoing, any extensions or supplementary patent certificates thereto, and all foreign counterparts thereof, in each case, which patents or patent applications are solely related to the Collaboration Know-How.

BIGPHARMCO Collaboration All know-how and information conceived, reduced to practice and developed either solely (i) by BIGPHARMCO, its affiliates or any of their employees or

Know-How: consultants or (ii) by BIGPHARMCO, its affiliates or any of their employees or consultants together with a third party or a third party's employees or consultants in performing its work under the Joint Research Plan.

BIGPHARMCO Collaboration Patent Rights: All patent applications and patents, including, without limitation, any continuations, continuations-in-part and divisions of any such patents and patent applications, any patents issuing from any of the foregoing, any extensions or supplementary patent certificates thereto, and all foreign counterparts thereof, in each case, which patents or patent applications are solely related to the BIGPHARMCO Collaboration Know-How.

Joint Collaboration Know-How: All know-how and information conceived, reduced to practice or developed jointly by BIGPHARMCO, its affiliates or any of their employees or consultants and its affiliates or any of their employees or consultants in performing their work under the Joint Research Plan.

Joint Collaboration Patent Rights: All patent applications and patents, including, without limitation, any continuations, continuations-in-part and divisions of any such patents and patent applications, any patents issuing from any of the foregoing, any extensions or supplementary patent certificates thereto, and all foreign counterparts thereof, in each case, which patents or patent applications are solely related to the Joint Collaboration Know-How.

Diligence BIGPHARMCO will be solely responsible for and will use best efforts to develop, obtain approvals for, manufacture, and commercialize the Licensed Product in the Territory based on specific milestones (TBD).

Payments BIGPHARMCO will pay single, non-refundable and non-creditable payments as follows:

UPFRONT FEES

Upon execution of License Agreement **\$ 10,000,000**

RESEARCH SUPPORT FOR WORK PERFORMED BY BIOTECHCO **\$ 5,000,000**

BIGPHARMCO will pay single, non-refundable and non-creditable payments research, commercial license and clinical development milestones as follows:

PAYMENTS PER LICENSED PRODUCT

RESEARCH LICENSE MILESTONES

- Completion of in vivo assays (TBD) **\$ 5,000,000**
- Selection of a Product Drug **\$ 10,000,000**

COMMERCIAL LICENSE OPTION FEE **\$ 10,000,000**

- Filing of IND

DEVELOPMENT MILESTONES

Upon start of the first patient in the first Phase I clinical trial for each Licensed Product in the Territory **\$ 5,000,000**

Upon start of the first Phase II clinical trial for each Licensed Product in the Territory. **\$ 10,000,000**

Upon start of the first Phase III clinical trial for each Licensed Product in the Territory **\$ 15,000,000**

Upon submission of the first BLA or its equivalent for marketing approval containing a Licensed Product in the following countries:

- US **\$ 20,000,000**
- Europe **\$ 20,000,000**

Upon FDA approval or its equivalent for the Licensed Product in the following countries:

- US **\$ 25,000,000**
- Europe **\$ 25,000,000**

Upon FDA approval or its equivalent for the Licensed Product for each additional indication in the following countries

- US **\$ 15,000,000**
- Europe **\$ 15,000,000**

Royalty Payments

For sales in Territory, BIGPHARMCO will pay to the following royalties based on Net Sales for each Licensed Product:

< \$250M	10%
\$250M to \$500M	11%
\$500M - \$1bn	12%
>\$ 1bn	13%

For so long as BIGPHARMCO shall be obligated to pay Royalties on Net Sales for the Licensed Product, the applicable Royalty rates for each Licensed Product in any country shall not be reduced or offset by more than 50%.

Term and Termination

The agreement will expire, on a product-by-product and country-by-country basis in the territory.

The Agreement will terminate upon the later of the expiry of the last patent affecting the Licensed Product to expire or the last payment obligation to under the Agreement.

Existing Third

BIOTECHCO and BIGPHARMACO will be equally responsible for existing

Party Licenses:	research, manufacturing and/or license obligations, including royalties, to third parties related to the ZAP Technology and/or the Licensed Product.
Additional Third Party Licenses:	The Parties shall discuss whether licenses under Third Party technology are necessary for the Research, Development, Manufacturing and Commercialization of The Licensed Product in the Territory in the Field. If BIGPHARMCO incurs Third Party license expenses, such costs may be recovered in part pursuant to the royalty-offset provision such that BIGPHARMCO's share of the total royalty costs of such Additional Third Party Licenses would not reduce 's Royalty by more than fifty percent (50%). BIGPHARMCO would be responsible for all other non-royalty costs under such Additional Third Party Licenses.
Governing Law	The Agreement will be subject to Delaware Law.
Non-binding	Other than with respect to the Confidentiality provisions (see below) which shall be binding, this term sheet is non-binding for either party and subject to further negotiations and approvals by respective management of and BIGPHARMCO. The parties can discontinue discussions at any time without liability or obligation to the other party unless and until the execution of a formal written contract.
Confidentiality	Both parties agree to keep the terms of this term sheet confidential in accordance with the confidentiality agreement entered into by BIGPHARMCO and (DATE.) Furthermore, neither nor BIGPHARMCO will make any public announcement or otherwise disclose to any third party the existence of this term sheet or the fact that discussions concerning a potential collaboration are taking place without the express prior written consent of the other party.
Legal status	These heads of terms record in outline the main terms of a proposed agreement that the parties intend to negotiate. These heads of terms are not intended to create evidence or imply any legal relationship or contract between the parties. Either party may withdraw from the negotiations without liability. To the extent that any legal issues arise in connection with these heads of terms, they will be governed by and construed in accordance with Delaware law.