

A. INTRODUCTION

IIT's primary functions are educating students, undertaking research and expanding and applying knowledge to advance the common good. While the primary professional obligation of a faculty is to IIT, participation by faculty in external activities, such as companies, can be beneficial to IIT and to society.

A member of the faculty may be involved with a privately held company that he or she actively manages or in which he or she holds "significant equity" as defined in Section B below (a "Company"). Such involvement helps make important results of IIT research and teaching available to the public, enhances the faculty's professional experience, facilitates faculty retention and provides valuable educational experiences for students.

The IIT administration is committed to facilitating Companies by licensing to them IIT-owned intellectual property, copyrights, inventions or technology (collectively, "IIT IP") when doing so is reasonably determined to be the most feasible route for commercializing the IIT IP. When Companies are formed, however, conflicts of interest, conflicts of commitment and issues related to effective product development must be addressed. To this end, the following procedures and guidelines shall govern the relationship between IIT and such Companies.

B. APPLICABILITY

This Policy applies whenever both of the following are true:

1. A Company will use IIT IP; and
2. A faculty member holding a faculty appointment at IIT other than as an adjunct (a "Faculty Member"):
 - a. is actively involved in the management of a Company, which may include, but is not limited to, serving on the Company's board of directors; or
 - b. holds "significant equity" (meaning 5% or more of the total authorized units/shares or a value exceeding \$10,000) in a Company.

It shall be the responsibility of a Faculty Member who meets these criteria to timely, but in no event later than the start of negotiations for the licensing of IIT IP, notify the Provost of his or her involvement with the Company.

C. OVERSIGHT COMMITTEE

The IIT Faculty Companies Oversight Committee (the "IFCOC") will review and address actual and potential conflicts of interest and commitment and other issues that arise when IIT IP is transferred to a Company. The IFCOC must review any transaction where a Faculty Member is actively involved in the management of or holds significant equity in a Company that is licensing IIT IP. The role of the IFCOC shall be to evaluate the particular facts and circumstances of the transaction to ensure that (i) the transaction is fair and in the best interest of IIT; (ii) conflicts of interest and/or conflicts of commitment are considered and managed; and (iii) any disruption or potential disruption to the educational experience of Students (as defined in Section D) and the academic life of other faculty members is minimized. The IFCOC shall consist of five members: the Provost, who will serve as Chair, the Director of Technology Transfer & Intellectual Property, the Vice-Provost for Research, the Chair of the Faculty Council and the General Counsel.

The IFCOC will meet as needed and shall act by majority vote. Members of the IFCOC may not hold a management position with, serve on the Board of or be an employee of any Company, and they should not invest in or loan funds to any Company. In the event a member of the IFCOC has a conflict of interest (as defined in the Conflicts Policy) with respect to a Company, he or she shall recuse himself or herself from reviewing and making determinations affecting that Company, and the President shall appoint another individual with comparable expertise to serve on the IFCOC solely with respect to matters relating to that Company.

D. RESPONSIBILITIES

With respect to a Company, the Faculty Member and relevant IIT administrators must act so as to avoid and/or manage conflicts and ensure the fairness of the transaction.

University Responsibilities

1. The Chair of the IFCOC, or his or her designee, will inform the Faculty Member's dean or department head of the Faculty Member's involvement with and/or interest in the Company, so that the dean or department head can monitor the Faculty Member to ensure that he or she continues to meet his or her obligations to IIT.
2. The IFCOC must determine that granting rights in IIT IP to the Company is the "best mode" for commercialization, as opposed to licensing the IIT IP to a third-party commercial sponsor, and if it so determines, the IFCOC must give final approval to the terms of the associated license agreement(s) with the Company for the IIT IP.
3. The IFCOC must approve any contracts between IIT and the Company that fund research of any member of the faculty that is actively involved in the

management of, holds significant equity in or receives annual compensation in excess of \$10,000 from the Company.

4. For purposes of the Conflicts Policy, the IFCOG shall be the party responsible to review and manage any conflicts of interest or conflicts of commitment that may arise with respect to the Company.

Faculty Responsibilities

1. A Faculty Member's involvement in a Company must not interfere with his or her obligations to IIT. See Faculty Handbook, <https://www.iit.edu/general-counsel/policies-and-procedures/faculty-handbook> (the "Faculty Handbook"); Conflict of Interest & Conflict of Commitment Policy, https://webmaster.iit.edu/files/general-counsel/policies-and-procedures/procedure_p2_conflict_of_interest_policy_investigator.pdf (the "Conflicts Policy").
2. A Faculty Member involved with a Company must fully disclose his or her activities and ownership to any students, meaning any undergraduate or graduate student enrolled at or appointed as a senior research associate or research associate at IIT (collectively, the "Students"), who is working on a research or other project that has any relation to or is in a field of use relevant to the Company. This disclosure should occur prior to the Faculty Member's engagement of the Student. Students should not be assigned to research projects that will or reasonably may result in a direct financial benefit to the Faculty Member. The Faculty Member must not allow potential financial benefits arising out of his or her research to influence his or her role as teacher, advisor and colleague.
3. All potential Faculty Member conflicts of interest must be disclosed in accordance with the Conflicts Policy, and a suitable management strategy designed to avoid conflicts must be developed by the Faculty Member and the IFCOG.
4. Subject to the Conflicts Policy and applicable provisions of the Faculty Handbook, each dean and/or department head should establish guidelines for time spent by his or her faculty on outside activities. In general, a significant conflict of commitment will exist if the Faculty Member's professional responsibilities outside of IIT, including work with the Company, exceed more than one day per work week. Although it may be necessary initially for the Faculty Member to engage in business activities to attract necessary resources to refine the IIT IP and related technology and to launch the Company, it is expected that the Faculty Member's management responsibilities will gradually decrease as the Company develops and that eventually professional management will assume decision-making roles. It is assumed that the Faculty Member's involvement will be as a professional consultant (with a title such as chief scientific advisor or chief technical advisor) and not as an officer of or in a management position with the Company. The Faculty Member may serve as a director of the Company, but he or she must make clear, at all times, that he or she is doing so in his or her

individual capacity and not as a representative of IIT. If the Faculty Member finds that he or she is unable to fulfill his or her IIT responsibilities, then he or she must either disengage from the business activities of the Company or seek an approved reduction of appointment or leave of absence.

5. To avoid the appearance of a conflict of interest, a Faculty Member who holds significant equity in the Company must disclose to other investors in the Company the share of IIT's licensing revenue to which he or she is entitled pursuant to IIT policies.

E. UNIVERSITY'S RELATIONSHIP TO THE COMPANY

IIT may undertake to do business with a Company on an arm's length basis, meaning on substantially similar commercial terms and with the appropriate documentation that IIT would seek from any other company, subject to the specific requirements for certain sponsored research agreements as set forth in Section F below. In general, IIT employees, other than the Faculty Member, should not work for the Company or assume management positions with the Company, except to the extent that such activity is permitted by the Faculty Handbook and Conflicts Policy.

With respect to the licensing of IIT IP to a Company, the agreement should satisfy the following terms:

1. IIT may grant the Company an exclusive, worldwide license to the IIT IP with the right to sublicense or such lesser rights as may be agreed. The terms of the license agreement generally should obligate the Company to pay:
 - a. All future patent expenses, provided that IIT may, if appropriate under the circumstances, seek reimbursement for past patent expenses;
 - b. A license fee and annual maintenance fees for years prior to the first commercial sale;
 - c. Milestone payments, such as, by way of example, upon a round of equity financing or achievement of critical product development events; and
 - d. An earned royalty on product sales by the Company or its sublicenses, with annual minimum amounts due in each year after first commercial sales (fully creditable against earned royalties).
2. The Company will be obligated to satisfy certain diligence provisions in order to maintain the license. Failure to satisfy these requirements may result in IIT's termination of the license. The Company will:
 - a. Provide an acceptable development plan with at least semi-annual updates;
 - b. Meet all milestones;
 - c. Make all required payments within 60 days of the due date;
 - d. Comply with all necessary steps to effectively manage conflicts;

- e. Indemnify and provide satisfactory insurance for IIT for product liability and other risks;
 - f. Require IIT approval of sublicenses; and
 - g. Require that its obligations be passed onto any sublicensee.
3. IIT may take an equity interest in the Company, subject to the following:
- a. If the Company is a start-up or has limited financial resources, the IFCOG may approve IIT taking an equity interest in the Company in lieu of or in addition to cash payments, provided that IIT's ownership of equity should not exceed 15% of all authorized shares; and
 - b. IIT should not hold a seat on the governing board or otherwise participate in the management of the Company.

F. RESEARCH SUPPORT BY THE COMPANY

A Company may support research projects of a member of the IIT faculty that is actively involved in the management of, holds significant equity in or receives annual compensation in excess of \$10,000 from the Company only if the following conditions are satisfied:

1. All projects are subject to IIT's Conflicts Policy, and as such, a decision will be required by the IFCOG that a conflict of interest either does not exist or has been appropriately managed;
2. The scope of work is clearly defined and the research is not for product or process development for the Company;
3. Consistent with its general policy and practice, (i) all inventions arising from such research, whether performed by an IIT Faculty Member or Student, are to be owned by IIT subject to the customary option granted to a company to negotiate licenses for such inventions; (ii) IIT retains full publication rights; and (iii) IIT receives its negotiated cost recoveries;
4. Students who are to be assigned to the research are not also employees of the Company; and
5. The funding of the research is not in lieu of the Company's royalty payment obligations.

G. NON-USE OF IIT RESOURCES

It is assumed that the IIT IP used as the platform for a Company is at an early stage of development and is related to a Faculty Member's ongoing research interests. It is also assumed that some of the IIT IP's development will occur at IIT before transfer to the Company. IIT will work with the Company to assist in this transfer, including, as appropriate, offering assistance to the Faculty Member to locate suitable space for the Company. IIT and the Company will work to assure that IIT facilities, equipment and resources, including, without limitation, personnel, whether Students, Faculty Members or staff, are not being used inappropriately to support product development

and for-profit activities. Once transfer of the IIT IP to the Company has occurred, IIT facilities, equipment and other resources may be used for activities benefiting the Company only if such use is pursuant to an arm's length negotiated (i) sponsored research agreement; (ii) facilities use agreement; or (iii) other appropriate contract.

H. STUDENT PARTICIPATION

Although involvement with a Company can be beneficial to a Student, IIT's first obligation to Students is to support and encourage their degree progress and completion of their academic work. Therefore, a Student may not be employed by a Company in which a Faculty Member is actively involved in its management or holds significant equity if:

1. The Student is enrolled in a course taught by the Faculty Member, unless the IFCOC has approved procedures or a process designed to ensure the objectivity of the grading of the Student's course work; or
2. The Faculty Member is the Student's advisor or the director of his or her thesis or dissertation research.

Further, a Student employed by a Company should be informed that he or she may contact a member of the IFCOC if he or she feels compromised in any way by his or her involvement with the Company.

I. GIFTS

IIT will accept gifts and donations from a Company; however, IIT will not issue, and a Company should not expect IIT to issue, any gift receipt for any such a gift or donation, or portion thereof, to the extent that the gift or donation benefits the Company or any individual that is actively involved in the management of or holds significant equity in the Company.