BIGELOW LABORATORY FOR OCEAN SCIENCES
(THE "LABORATORY")

POLICY ON THE LABORATORY'S RECEIPT OF EQUITY FROM INNOVATION COMMERCIALIZATION TRANSACTIONS
("EQUITY POLICY")

In the course of innovation commercialization activities, the Laboratory may have the opportunity to acquire equity in an outside entity, e.g., a start-up company. This Equity Policy enables the Laboratory to receive a benefit from such equity, while potential conflicts of interest and/or commitment issues are addressed via the Laboratory's Policy on Conflicts-of-Interest/Conflicts-of-Commitment and through management of the Laboratory's equity separate from the Laboratory's Office of Corporate Alliances and Technology Transfer (CATT) or the affected creator(s)'/author(s)' scientific laborator(ies). Equity includes shares of stock and also other forms of equity (such as warrants, options, interest in limited partnerships or limited liability companies) that lend themselves to distribution in the manner contemplated.

> **NB**: This Equity Policy does not address the receipt of equity by individual creator(s)/author(s) external to an innovation commercialization transaction involving Laboratory-owned innovations, e.g., receipt of founder's equity, equity in exchange for participation as a member of a Scientific Advisory Board or equity in exchange for consulting services.

INNOVATION COMMERCIALIZATION TRANSACTIONS

1. The Laboratory may accept equity as one form of consideration for innovation commercialization rights, subject to a conflict-of-interest/conflict-of-commitment review, if appropriate.

2. One-third (1/3) of the Equity will be issued to the creator(s)/author(s) as the "Creator(s)'/Author(s)' Share." Following issuance of the Equity, it shall be the sole responsibility of the creator(s)/author(s) to manage their individual Creator(s)'/Author(s)' Share and to comply with any tax, legal or contractual obligations associated with the distribution, ownership or disposition of the Creator(s)'/Author(s)' Share. Absent a written agreement to the contrary, the Creator(s)/Author(s) will receive the Creator(s)'/Author(s)' Share in equal amounts.

3. The remaining two-thirds (2/3) of Equity will be issued to the Laboratory as the "Laboratory's Share." The Laboratory's Board of Trustees will receive and manage the Laboratory's Share.

DISCUSSION

It may be in the best interests of innovation commercialization to include equity as partial consideration to facilitate an innovation commercialization transaction, such as an innovation license agreement. Embryonic, privately-held companies often do not have the requisite cash reserves to compete with an established company for rights to Laboratory innovations. An acceptance of equity is a means of enabling small companies to license Laboratory innovations. However, the acceptance of equity presents two potential problems: risk and the generation of conflicts-of-interest and/or conflicts-of-commitment.

Risk is an issue because, at the time equity is given, it generally has no value. Whether or not the equity will acquire value will depend on the overall success of the company, which is a function of many factors that may not relate to the innovation being commercialized. Therefore, the Laboratory will almost always require some cash as part of the upfront consideration for a grant of innovation commercialization rights.

Equity has considerable potential for creating conflicts-of-interest and/or conflicts-of-commitment for creator(s), author(s) and the Laboratory because equity holders are part owners of the company. As owners, they may stand to gain considerably if the company does well and therefore there may be incentives to take actions and make decisions that favor the interests of the company over the ocean research, education and public benefit missions of the Laboratory.

The Laboratory's Policy on Conflicts-of-Interest/Conflicts-of-Commitment requires disclosure and intervention as necessary to manage any such conflicts.