ROYALTY PAYMENTS POLICY

PURPOSE

The purpose of this Royalty Payments Policy ("Policy") is to communicate the timing of when CSU Strata expects to pay out royalty distributions throughout the year. This Policy is intended to aid CSU Strata and royalty payees on setting expectations on the timing of royalty payments to third parties, including Colorado State University (CSU) System.

BACKGROUND

CSU Strata protects, markets, and licenses intellectual property for the CSU System. The technology transfer team also manages corresponding royalty payments to inventors in accordance with **Section J** of the **Colorado State University Faculty Manual** or Section 2.6 of the **Colorado State University Pueblo Faculty Handbook** (Campus Policies). Royalty payments are received by CSU Strata throughout the year from licensees or partner institutions. Historically payments to inventors have ranged from $0.01 to $1.4 million, with potential increases in the future. Over 100 unique inventors are paid throughout the year, with some receiving multiple payments.

Royalty payments are received from licensees or partner institutions throughout the calendar year.

CSU Strata's accounting team reviews all royalty calculations with the technology transfer team, per Campus Policies, then enters the royalty accruals into NetSuite by vendor (inventor) and processes manual checks for distribution. All royalty payments also include a corresponding letter which must be manually updated and matched with each paper check.

EXCEPTIONS

Any exceptions to this Policy must be approved by both the Vice President of Technology Transfer and the Vice President of Finance and Controller of CSU Strata.

POLICY PROVISIONS

A. Royalty Payment Calculations

Royalty distributions will be calculated based on amounts received from licensees or partner institutions less recoverable expenses (e.g., direct marketing, intellectual property, and licensing costs) and any amounts owed to third parties (intellectual property co-owners, research sponsors, etc.). Using the memorandum of understanding (MOU) established with inventors and/or CSU System, which documents individual contributions to a technology, the individual and institutional shares are calculated based on this net royalty revenue. All calculations are reviewed by the technology transfer team before accruals are recorded in NetSuite.

***Note**: Royalties will not be distributed on amounts invoiced but not yet received by CSU Strata nor will royalties be distributed on partial calculations.*

B. Payment Timing

Royalty payments are received from licensees or partner institutions throughout the year with a contractual obligation to pay not less than annually. Except for wheat royalties (see section below), royalty payments will be made by the accounting team on a quarterly basis during the following months: **February; May; August** (including payments below the de minimis threshold amount); and **November**.

***Note**: If the check or wire processing fees are larger than the royalty amount to be distributed, amounts will be accrued and payments withheld at CSU Strata's discretion.*

C. IRS Form W-9 or W8-BEN

Either a Form W-9 (for domestic individuals or resident aliens as defined by the IRS) or a Form W-8BEN (for foreign individuals) must be received by CSU Strata's accounting team before royalties are paid. Disbursements to foreign individuals or corporations must be made via wire payment in US Dollars and are subject to a 30 percent withholding of US taxes, unless a treaty provision is claimed and valid.

D. CSU System Institutional Payments

Royalty payments due to CSU System will be distributed on a quarterly basis in conjunction with the payments made to individuals for the respective technologies/inventions.

E. Wheat Royalties

Wheat royalties are the largest royalty stream received by CSU Strata and have the highest number of individual recipients. The licensee typically distributes wheat royalties once per year by late June. Due to the timing of receipt of wheat royalties, at or near CSU Strata's fiscal year end of June 30, wheat royalties will be accrued in bulk on June 30. Individual amounts owed to inventors will be accrued and paid no later than Aug. 15; however, the accounting team will make every effort to pay by July 31, depending on competing audit and tax deliverables and real estate deadlines.

F. Payment Thresholds

Royalty distributions are made quarterly for all royalties received with a net royalty value of $1,000 or more per technology. For royalties under the $1,000 threshold, payments will be made annually by Aug. 31.

REVIEW AND COMPLIANCE

This Policy may be reviewed and amended as necessary to comply with applicable laws and regulations.