

GLOSSARY OF TRADEMARK LICENSING TERMINOLOGY

Advance Royalty: An upfront payment paid by a licensee due upon execution of a license agreement and at subsequent renewals. Advance Royalties are nonrefundable and credited against future earned royalties during the contract term. Once an Advance Royalty is exceeded, licensees begin to make additional royalty payments.

Authorized Manufacturer: A third-party manufacturer authorized under an Authorized Manufacturer's Letter Agreement to decorate Licensed Consumer Products with the Licensed Intellectual Property ("Licensed IP") of a university based on an order placed by a licensee.

Authorized Manufacturer's Letter Agreement: A three-party agreement that authorizes another company to manufacture a product or component of a product or decorate Licensed Consumer Products with the Licensed IP of a university based on an order placed by a licensee. The authorized manufacturer can only produce the Licensed Consumer Products and sell them to the licensee and cannot be involved in the distribution of the Licensed Consumer Products. The licensee is responsible for obtaining all approvals, sales, invoicing, and distribution.

Close-out: A sale of old or remaining inventory, typically at reduced prices.

Code of Conduct: An individual university's requirements for licensees related to workers' rights, working conditions, or other policies affecting the manufacture of its Licensed Consumer Products.

Default: Failure to meet an obligation in the license agreement.

Distributor: A business that typically purchases Licensed Consumer Products from a licensee and sells to approved retailers within the approved Retail Channels. A Distributor cannot also be an Authorized Manufacturer.

F.O.B. (Freight On Board): A sales transaction where a retailer takes ownership of Licensed Consumer Products from where shipping costs are calculated. For example, 'F.O.B. Hong Kong' is an instance where a licensee is selling licensed products to a retailer that takes possession in Hong Kong, and then manages the logistics and costs to bring the goods to the U.S.

Guaranteed Minimum Royalty: The minimum royalty payment required of a licensee on an annual basis that is paid on or before the end of the contract term.

Licensed Intellectual Property: An umbrella term for a university's visual ownership portfolio including the trademarks, service marks, trade dress, colors, color combinations, team names, abbreviations, acronyms, mascots, nicknames, distinctive landmarks, geographic references in the appropriate context, and other related intellectual property owned or controlled by a university.

Licensee: The company to whom a license is granted by Fermata on behalf of a university for the right to use its Licensed IP in the design, manufacturing, marketing, packaging, promotion, and distribution of Licensed Consumer Products.

Licensed Consumer Products: The items (i.e., T-shirt, hat, mug, keychain) bearing a university's Licensed IP that the licensee is permitted to design, manufacture, market, and distribute.

Licensing: The granting to companies the right to design, manufacture, market and distribute Licensed Consumer Products bearing the Licensed IP of a university for a defined term, through approved Retail Channels in return for a payment and/or other obligations.

Minimum Royalty Per Unit (MRU): A fixed minimum royalty per unit of each Licensed Consumer Product sold by a licensee. A university may establish an MRU for certain products where the royalty rate or MRU is paid, whichever is greater.

Net Sales: The sales upon which royalty payments are based, which is calculated by taking the greater of the gross invoice price or usual wholesale list price and subtracting permitted deductions such as allowable discounts, returns, freight, or tax.

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Premium: Use of a Licensed Consumer Product for the purpose of promoting any business, product, or service.

Promotional Licensing: Use of a Licensed Consumer Product as a giveaway by a company or corporate sponsor that has a contractual relationship with a university that authorizes such promotion.

Property: The entity that owns or holds the rights to the Intellectual Property and grants a licensee the right to design, manufacture, market and distribute licensed products through a license agreement. Universities are considered Properties.

Retail Channel: Categories of retailers where licensed products are sold. Retail Channels include bookstores, catalogs, department stores, online retail, pharmacies/drug stores, specialty stores, sporting goods stores, supercenter/wholesale clubs, supermarkets and others.

Royalties: A sum of money paid to a university by a licensee for the right to use the Licensed IP.

Royalty Period: The required timeframe by which licensees will be required to report royalties - either quarterly or monthly. Licensees that are authorized to report quarterly will report sales for each of the following periods: January-March; April-June; July-September; October-December. Monthly reporting licensees will be required to submit 12 Royalty Reports annually. In both cases, royalties and all reports are due 20 days following the close of the Royalty Period.

Royalty Rate: The percentage of Net Sales paid to a university by a licensee for the right to design, manufacture, market, distribute and sell Licensed Consumer Products. Royalty Rates are set by the universities.

Royalty Report/Statement: A statement provided online by a licensee on a routine basis that describes the previous period's sales by criteria including, but not limited to, Property, Product, Retail Channel, and SKU so that royalties can be calculated as due.

Sell-Off Period: The time period after the license agreement expires whereby a licensee is permitted to sell and dispose of all remaining stock of Licensed Consumer Products. Royalties generated from sales during the Sell-Off Period cannot be reported against the Advance Royalty.

SKU or Stock Keeping Unit: A unique identification number for each distinct product sold by a licensee. Licensees will be required to submit designs and report their sales by SKU. This will allow brand owners to track the performance of specific products and designs.

Sublicense: Rights given by a licensee to a third party that does not hold the license that allows the third party to manufacture, sell, distribute, and invoice Licensed Consumer Products. Sublicensing is generally not allowed by a university except under special, pre-approved circumstances.