

1 **EXHIBIT B**

2 Amend 17 Cal. Code of Regs. section 100608 to read:

3 **§ 100608. Revenue Sharing.**

4 (a) A Grantee and Collaborator must share with the State of California a fraction of
5 Licensing Revenue received under a License Agreement for a CIRM-Funded Invention, CIRM-
6 Funded Technology, or results of CIRM-Funded Research, as follows:

7 (1) Subject to subdivision (a)(2) of this regulation and to adjustments made in accordance
8 with the provisions hereof, the amount owed is 25 percent of Licensing Revenue received in
9 excess of \$500,000 to the State of California for deposit into the State’s General Fund (such
10 payments to be used by the State of California in a manner consistent with Title 35 United States
11 Code, Section 202, subdivision (c)(7)). The threshold amount of \$500,000 (in the aggregate)
12 shall be adjusted annually by a multiple of a fraction, the denominator of which is the Consumer
13 Price Index, All Urban Consumers, All Items (San Francisco-Oakland-San Jose; 1982-84=100)
14 as prepared by the Bureau of Labor Statistics of the United States Department of Labor and
15 published for the month of October 2009, and the numerator of which is such Index published
16 for the month in which the Grantee accepts the Grant.

17 (2) If any funding sources other than CIRM (including those of the Grantee or
18 Collaborator, as the case may be) directly contributed to the development of said CIRM- Funded
19 Invention or CIRM-Funded Technology, then the return to the State of California on Licensing
20 Revenue in excess of the threshold amount described in subdivision (a)(1) of this regulation shall
21 be proportionate to the support provided by CIRM, as follows: The amount of CIRM funding of
22 the CIRM-Funded Invention or CIRM-Funded Technology shall be divided by the total of
23 funding provided by all sources, and that fraction shall be multiplied by 25. That numeral is the

1 percentage due to the State of California of Licensing Revenue.

2 (b) A Grantee and Collaborator must share with the State of California a fraction of any
3 Net Commercial Revenue it receives from a self-commercialized product it commercializes itself
4 and which resulted from its CIRM-Funded Research (regardless of whether a CIRM- Funded
5 Invention or CIRM-Funded Technology is involved) as follows:

6 (1) Grantees and Collaborators must pay royalties to the State of California for deposit
7 into the State’s General Fund on Net Commercial Revenue exceeding the threshold amount
8 described in subdivision (a)(1) of this regulation. Total payments under this subdivision (b)(1)
9 shall equal and not exceed three times the total amount of the CIRM Grant or Grants that led to
10 the product. The rate of payback of the royalty shall be at a rate of three (3) percent of the annual
11 Net Commercial Revenue from the product.

12 (2) In addition, if Net Commercial Revenue from a product commercialized by the
13 Grantee, or Collaborators and which resulted from its CIRM-Funded Research exceeds the
14 milestone of \$250 million in any calendar year, a one-time payment of three times the total
15 amount of the Grant(s) awarded shall be paid to the State of California. In addition, if Net
16 Commercial Revenue exceeds the milestone of \$500 million in any calendar year, an additional
17 one-time payment of three times the total amount of the Grant(s) awarded shall be paid to the
18 State of California.

19 (3) In addition to any amounts due under any other provision of this regulation, where a
20 patented CIRM-Funded Invention(s) or patented CIRM-Funded Technology is involved in the
21 achievement of Net Commercial Revenue realized by a Grantee or Collaborator equivalent to or
22 greater than \$500 million in any year, and where a CIRM Grant or Grants amounting to more
23 than \$5 million (in the aggregate) were made in support of CIRM-Funded Research that

1 contributed to the creation of Net Commercial Revenue, the Grantee or Collaborator will pay the
2 State of California one percent annually of Net Commercial Revenue in excess of \$500 million
3 for the life of any patent covering ~~a such patented~~ CIRM-Funded Invention or ~~patented~~ CIRM-
4 Funded Technology, ~~or 20 years after the close of the Grant if the CIRM-Funded Invention or~~
5 ~~CIRM-Funded Technology is not patented.~~

6 Note: Authority cited: Article XXXV, California Constitution; Section 125290.40(j), Health and
7 Safety Code. Reference: Section 125290.30, Health and Safety Code.