**1. Definitions.**

As used in this Agreement, the terms with initial letters capitalized, whether used in the singular or plural form, shall have the meanings set forth in this Article 1 or, if not listed below, the meaning designated in places throughout this Agreement.

**1.1** **“Affiliate”** of a party means any person or legal entity that is a general licensee of such party in the field of this agreement and that has a contract with such party entitling it to receive continuing technical services from the party, but any such person shall be deemed to be an Affiliate only so long as it has such a contract and continues to be such a licensee.

**1.2** **“Agreement”** refers to the terms, definitions, paragraphs and conditions written herein.

**1.3** **“Commercial Field”** means selling Licensed Products of ADC directly or indirectly in connection with any business, or other undertaking intended for profit.

**1.4** **“Competitors”** mean any business, firm, person, or organization, foreign or domestic, which is engaged, at any time during the term of this Agreement in the manufacture, sale, distribution of products, in competition with Licensed Products of ADC. The determination of whether a business is a Competitor shall be made at ADC’s sole discretion.

**1.5** **“Control”** and cognates thereof, as they relate to patents and patent applications, mean possession of the ability to grant licenses under such patents or patent applications to licensee of the scope required herein.

**1.6** **“Europe”** means any country on (whether partially, such as Russia, or wholly, such as France) the European Continent and any country that is a member of the European Union at the time of execution. This definition should be interpreted at the time of execution of this agreement.

**1.7 “Improvement”** means (a) any new or modified product that performs the same function as the Licensed Product of ADC or the Licensed Product of HFI in a better or more economical way, or (b) any new or modified product that performs the same function as the Licensed Product of ADC or the Licensed Product of HFI and costs less to manufacture than the Licensed Product of ADC or the Licensed Product of HFI.

**1.8** **“Licensed Patents of ADC”** means each patent and patent application listed in Attachment A hereto, any patent issuing on any such application or any continuation, continuation-in-part or division thereof any reissue, reexamination, or extension of any such patent, and all worldwide patent applications corresponding to any of the foregoing and all patents issuing therefrom.

**1.9** **“Licensed Patents of HFI”** means each patent and patent application listed in Attachment B hereto, any patent issuing on any such application or any continuation, continuation-in-part or division thereof any reissue, reexamination, or extension of any such patent, and all worldwide patent applications corresponding to any of the foregoing and all patents issuing therefrom.

**1.10** **“Licensed Product of ADC”** means any device, apparatus, product, compound,

composition of matter, product-by-process, kit, system, material, or algorithm the manufacture, use, sale, offer for sale, or import of which, if unlicensed, would infringe a Valid Claim of any Licensed Patent of ADC.

**1.11** **“Licensed Product of HFI”** means any device, apparatus, product, compound,

composition of matter, product-by-process, kit, system, material, or algorithm the manufacture, use, sale, offer for sale, or import of which, if unlicensed, would infringe a Valid Claim of any Licensed Patent of HFI.

**1.12** **“Military Field”** means selling Licensed Products of ADC to military entities of any kind, whether private or public, United States or other country throughout the world.

**1.13** **“Net Sales Price”** for the purpose of computing royalties under this Agreement means HFI’s invoice price, f.o.b. factory, after deduction of regular trade and quantity discounts, but before deduction of any other items, including but not limited to freight allowances, cash discounts, and agents’ commissions.

**1.14** **“Net Sales”** means the aggregate of all sales of Licensed Products of ADC at Net Sales Price.

**1.15** **“Recreational Field”** means selling Licensed Products of ADC to private individuals for personal, non-profit use.

**1.16** **“Third Parties”** means any person or entity other than ADC or HFI and their respective Subsidiaries.

**1.17** **“Sublicense”** means any license granted or agreement entered by licensee to or with any other person or entity, under or with respect to or permitting the development, manufacture, marketing, distribution, use and/or sale of Licensed Products of ADC or Licensed Products of HFI.

**1.18** “**Sublicensee”** means any person or entity granted a Sublicense

**1.19** **“Subsidiary”** of a party means any corporation over fifty percent (50%) of the voting stock of which is directly or indirectly owned or controlled by such party.

**1.20** **“Valid Claim”** means a claim of an issued patent which has not expired, and which has not been disclaimed, canceled, or held invalid or unenforceable by a court or administrative agency of competent jurisdiction from which no further appeal is possible.

1. **License.**

**2.1** **License Grant: Alpha Drones Co. to High Flying Inc.** Subject to terms and conditions set forth in this agreement, Alpha Drones Co. (ADC) grants to High Flying Inc. (HFI); under the Licensed Patents of ADC; and for the lives of such Licensed Patents of ADC or the life the agreement:

(i) an exclusive, worldwide license, excepting Europe to make, use, offer to sell, sell, and important products that would infringe a claim of a Licensed Patent of ADC, solely for use in the Recreational Field;

(ii) an exclusive, worldwide license, to make, use, offer to sell, sell, and important products that would infringe a claim of a Licensed Patent of ADC, solely for use in the Commercial Field; and

(iii) an exclusive, worldwide license, effective on FTC approval, to make, use, offer to sell, sell, and important products that would infringe a claim of a Licensed Patent of ADC, solely for use in the Military Field; provided, however that:

* + 1. The license granted in Paragraph 2.1 of this Agreement is subject to a reserved nonexclusive license in ADC to make, use, sell, offer for sale, and import Licensed Products of ADC in the United States, its territories, and its possessions, solely in the Recreational Field.
    2. This license will extend to any Subsidiary of HFI, present and future, on receipt by ADC of written agreement by the Subsidiary to accept the terms, including the obligations, of this Agreement applicable to the license.
  1. **License Grant: HFI to ADC.** Subject to terms and conditions set forth in this agreement, HFI grants to ADC; under the Licensed Patents of HFI; and for the lives of such Licensed Patents of HFI or the life the agreement:

(i) an exclusive license to make, use, offer to sell, sell, and important products that would infringe a claim of a Licensed Patent of HFI, solely for use in the Recreational Field, in the United States, its territories, and its possessions; provided, however that:

* + 1. The license granted in Section 2.2 of this Agreement is subject to a reserved nonexclusive license in the HFI to make, use, sell, offer for sale, and import Licensed Products of HFI in the United States, its territories, and its possessions.

**2.3 Sublicenses.**

**2.3.1 Sublicense Grant: ADC to HFI.** HFI will be entitled to grant Sublicenses to Third Parties under the license granted pursuant to Section 2.1, provided, however that:

**2.3.1.1** Sublicensees shall only sell Licensed Products of ADC to HFI, its Subsidiaries, and Affiliates;

**2.3.1.2** Sublicensees shall sign agreements not to disclose the contents of negotiations with HFI, or information concerning the internal workings of ADC.

**2.3.1.3** Any dispute arising between HFI and its Sublicensee will be resolved with arbitration in the United States, under California law.

**2.3.1.4** HFI shall not grant Sublicense to any Competitor of ADC, ADC will inform HFI of Competitors, and such informing will be done at discretion of ADC, and need not be given in advance;

**2.3.1.4.1** Sublicenses granted in violation of 2.3.1.4 will be in terminated within sixty (60) days of ADC informing HFI that a Sublicense was granted to a Competitor of ADC.

**2.3.1.5** HFI must give written notice to ADC of granted Sublicenses within thirty (30) days of execution of grant of Sublicense; and

**2.3.1.6** HFI must perform a good faith effort to enforce Sublicenses.

**2.3.2 Sublicense Grant: HFI to ADC.** ADC will be entitled to grant Sublicenses to Third Parties under the license granted pursuant to Section 2.2.

**2.3.3** **Post-Termination Sublicense Rights.** Upon termination of this Agreement for any reason prior to expiration, each authorized Sublicense granted by HFI or ADC will terminate unless, within sixty (60) days after the date of termination of this Agreement, the Sublicensee delivers to the respective licensor a written agreement to render to the respective licensor any performance, including payment of money, due from the Sublicensee pursuant to the Sublicense agreement as of and after the date of termination of this Agreement. Licensee (whether HFI or ADC) will include this option in each Sublicense, and Licensee (HFI or ADC) will provide each Sublicensee written notice of the date of termination of this Agreement within ten (10) days thereafter.

**2.4 Improvements.**

**2.4.1** ADC (the licensor) agrees to grant to HFI (the licensee) non-exclusive licenses of the scope specified in Paragraph 2.1 in respect to patents on any Improvements to Licensed Products of ADC, (as defined in Paragraph 1.5, above) that are first conceived and actually or constructively reduced to practice during the term of the agreement.

**2.4.1.1** HFI (the licensee) hereby agrees to grant to ADC (the licensor) a nonexclusive, irrevocable, royalty-free license under any Improvement to Licensed Products of ADC (as defined in Paragraph 1.5, above), and any patent disclosing such Improvement, that is first actually or constructively reduced to during the term of the agreement. HFI (the licensee) will disclose any such Improvement to ADC (the licensor) in writing within sixty (60) days after its actual or constructive reduction to practice.

**2.4.2** HFI (the licensor) agrees to grant to ADC (the licensee) non-exclusive licenses of the scope specified in Paragraph 2.2 in respect to patents on any Improvements to Licensed Products of HFI, (as defined in Paragraph 1.5above) that are first conceived and actually or constructively reduced to practice during the term of the agreement.

**2.4.2.1** ADC (the licensee) hereby agrees to grant to HFI (the licensor) a nonexclusive, irrevocable, royalty-free license under any Improvement to Licensed Products of HFI (as defined in Paragraph 1.5, above), and any patent disclosing such Improvement, that is first actually or constructively reduced to during the term of the agreement. ADC (the licensee) will disclose any such Improvement to HFI (the licensor) in writing within sixty (60) days after its actual or constructive reduction to practice.

1. **Consideration for Grant of License.**
   1. **Royalties.** HFI will pay ADC royalties at the rate(s) specified in Paragraph 3.1.1 of this Agreement on all Licensed Products of ADC sold or otherwise disposed of under any subsisting and unexpired claim of any Licensed Patent of ADC.

**3.1.1** **Royalty Rates.** HFI will pay ADC an amount equal to the aggregate of five percent (5%) of Recreational Field Net Sales, ten percent (10%) of Commercial Field Net Sales, and ten percent (10%) Military Net Sales on Licensed Products of ADC. ADC will pay no royalties to HFI.

**3.1.2 Royalty Accrual.** Under this Agreement, Licensed Products of ADC will be considered sold when shipped or when an invoice is sent out, whichever occurs first, except that upon expiration of any Licensed Patent of ADC covering such Licensed Product of ADC, or upon any termination or expiration of the license granted herein, all Licensed Products of ADC, HFI made by, on, or prior to the date of such expiration or termination that have not been shipped or invoiced prior thereto will be subject to royalty and reported to Licensor Termination Report called for by paragraph 3.2.1. Royalties paid on Licensed Products of ADC that are not accepted by the customer may be credited by HFI against subsequent royalties payable.

* 1. **Reporting.** HFI agrees to make written reports to ADC every four months within thirty (30) days after the first days of each January, May, and September during the life of the Agreement and as of such dates, stating in each such report the number, description, and aggregate Net Selling Prices of each Licensed Product of ADC sold or otherwise disposed of during the preceding four (4) calendar months and on which royalty is payable as provided in Paragraph 3.1.1 and 3.1.2 hereof. The first such report will include all such Licensed Product of ADC sold or otherwise disposed of prior to the date of such report. Concurrently with the making of each such report, HFI will pay to ADC royalties at the rate specified in Paragraph 3.1.1 of this Agreement on the Licensed Product of ADC included therein.

**3.2.1 Post-Termination Report.** HFI also agrees to make a written report to ADC within thirty (30) days after the date of any termination or expiration of this agreement, stating in such report the number, description, and Net Selling Prices of all Licensed Product of ADC that were sold or otherwise disposed of and on which royalty is payable hereunder but that were not previously reported to ADC.

**3.2.2 Royalty Obligation and Termination.** The obligation to pay royalties will terminate as to each of the Licensed Patents of ADC on expiration of the Licensed Patent of ADC, except that royalties accrued but not paid prior to such expiration will be payable with the next report made under the provisions of this Article 3. A patent will be deemed to expire at midnight of the day of expiration.

* 1. **Accounting.** HFI agrees to keep records showing the sales or other disposition of Licensed Products of ADC sold or otherwise disposed of under the license herein granted in sufficient detail to enable the royalties payable hereunder by HFI to be determined, and further agrees to permit its books and records to be examined every twelve (12) months within thirty (90) days of the first day of January each year, to verify the reports provided for in Paragraph 3.2, such examination to be made at the expense of ADC by any auditor appointed by ADC who is reasonably acceptable to HFI, or, at the option and expense of HFI, by a certified public accountant appointed by HFI.
  2. **Late Payments.** Any amounts not paid by Licensee when due under this Agreement will be subject to interest from and including the date payment is due through and including the date upon which Licensee makes a wire transfer of immediately available funds into an account designated by Licensor at a rate equal to the sum of three percent (3%) plus the annual prime rate or successive annual prime rates of interest quoted in the Money Rates section of the on-line edition of the Wall Street Journal (at http://www.interactive.wsj.com) calculated daily on the basis of a 365-day year.

1. **Level of Performance.**

**4.1** **Minimum Royalty.** In case royalties paid by HFI from Recreational Net Sales and Commercial Net Sales described in Paragraph 3.1 above, do not aggregate a minimum of 50,000,000 United States Dollars ($) for the year ending December 31, 2019, and the same amount for each succeeding calendar year during the continuance of this Agreement, ADC may at its option terminate this Agreement and the license granted to HFI by thirty (30) days’ notice in writing to HFI, served on HFI within thirty (30) days after receipt of the last report for such calendar year, unless HFI, within thirty (30) days from receipt of such notice, pays ADC such additional sum as may be necessary to bring the payment for such calendar year up to the specified minimum.

1. **Enforcement of Patent Rights.**
   1. **Infringement Within the United States.** HFI, as exclusive licensee, has the power to institute and prosecute at its own expense suits for infringement of the Licensed Patents of ADC within the United States, and if required by law, ADC will join as party plaintiff in such suits, provided, however that:

**5.1.1** In any such suit brought by HFI, ADC will reimburse HFI for one-quarter of the attorneys’ fees and necessary out-of-pocket costs incurred by HFI, provided however, that ADC’s obligation for such reimbursement will not exceed one-half the total royalties received by ADC from HFI as of the date on which such suit was filed, and provided that ADC will be liable for reimbursement in respect to one suit only, and provided further that HFI will pay to ADC twenty-five percent (25%) of any excess of recoveries over expenses in such suits.

* 1. **Infringement Outside the United States.** HFI, as exclusive licensee, has the power to institute and prosecute at its own expense suits for infringement of the Licensed Patents of ADC outside the United States, and if required by law, ADC will join as party plaintiff in such suits. All expenses in such suits will be borne entirely by HFI, and HFI retain all recovery in such suits.