

PATENT ASSIGNMENT

Electronic Version v1.1
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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	LICENSE
CONVEYING PARTY DATA	
Name	Execution Date
7 Oaks Pharmaceutical Corp.	01/28/2005
RECEIVING PARTY DATA	
Name:	HS Pharmaceuticals, LLC
Street Address:	330 East Coffee Street
City:	Greenville
State/Country:	SOUTH CAROLINA
Postal Code:	29601
PROPERTY NUMBERS Total: 3	
Property Type	Number
Patent Number:	5080900
Patent Number:	6149947
Application Number:	12250624
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ATTORNEY DOCKET NUMBER:	HSPHARMA 311306-100
NAME OF SUBMITTER:	Lynette F. Clark
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LICENSE AND SUPPLY AGREEMENT
BY AND BETWEEN
7 OAKS PHARMACEUTICAL CORPORATION
AND
HS PHARMACEUTICALS, LLC

LICENSE AND SUPPLY AGREEMENT

THIS LICENSE AND SUPPLY AGREEMENT (this "Agreement") is entered into and made effective as of the 28th day of January, 2005 by and between 7 Oaks Pharmaceutical Corporation, a South Carolina corporation ("7 Oaks"), and HS Pharmaceuticals, LLC, a South Carolina limited liability company ("HS").

WHEREAS 7 Oaks owns the exclusive rights to manufacture, market, distribute and sell compounds derived from oak bark in accordance with certain processes that are proprietary trade secrets of R. Thomas Stanley, Sr. (including but not limited to QRB-7) and products containing such compounds;

WHEREAS, subject to the terms of this Agreement, HS desires to obtain, and 7 Oaks desires to grant to HS, the exclusive right to market, distribute and sell such wound care products and any other commercial products that 7 Oaks may now or hereafter develop;

NOW THEREFORE for and in consideration of the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, 7 Oaks and HS (hereinafter individually a "Party"; and collectively the "Parties") hereto agree as follows:

ARTICLE I. DEFINITIONS

For purposes of this Agreement, the following terms shall be defined as set forth below. Additional terms used in specific Sections of this Agreement shall be defined in such Sections.

Section 1.1 "Affiliate" shall mean any Person (not an individual) controlled by a Party, or which controls a Party, or which is under common control with a Party. **"Control"** for this purpose means the direct or indirect ownership of more than fifty percent (50%) of the authorized issued voting shares or other voting interests in a Person, or such other relationship as in fact legally results in effective control over the management, business and affairs of a Person. 7 Oaks and HS shall not be considered Affiliates for purposes of this Agreement.

Section 1.2 "Applicable Laws" shall mean all applicable laws, rules, regulations, orders and guidelines that may apply (A) to the development, manufacturing, marketing, distribution, packaging, labeling or sale of Product in the Territory, (B) to either Party or (C) to either Party's performance of its obligations under this Agreement, including without limitation United States export control laws, the U.S. Foreign Corrupt Practices Act and the rules, regulations and orders of the U.S. FDA and any other regulatory agencies of competent jurisdiction.

Section 1.3 "Calendar Quarter" shall mean each of the three (3) month periods beginning on January 1, April 1, July 1 and October 1 of each year.

Section 1.4 "Confidential Information" shall have the meaning set forth in Section 13.2.

Section 1.5 "Commercial Product" shall mean a Product that 7 Oaks and HS have mutually decided should be manufactured and sold on a commercial basis in the USA or elsewhere.

Section 1.6 "Competing Product" shall mean any product that is a functional substitute for Product, which product is licensed, sold and/or marketed for use in the Field.

Section 1.7 "Cost" shall mean 7 Oaks' direct costs to manufacture and package Product plus an additional 4% of such direct costs. Cost will exclude any overhead, general, administrative and sales & marketing costs, as well as research & development, transportation, regulatory approval and compliance and any other costs.

Section 1.8 "Field" shall mean any human, veterinary or other use or application (including without limitation dermal, topical or internal).

Section 1.9 "HS Private Placement" shall mean an unregistered offering of equity securities of HS with net proceeds to HS (after deducting offering expenses) of not less than Two Million Dollars (\$2,000,000). Upon the final and favorable resolution in favor of R. Thomas Stanley, Sr. of that certain Civil Case No. 03-CA-3094,

Greystone Medical Group, Inc. v. R. Thomas Stanley, et al., in the Circuit Court of the Tenth Judicial Circuit in and For Polk County, Florida (the "Greystone Litigation"), HS shall proceed in good faith with the HS Private Placement, provided that HS shall not be required to take any actions that do not comply with applicable law, including applicable securities laws, that the HS Managers shall not be required to take any action contrary to their duties to the owners of HS and that HS may delay the HS Private Placement if HS determines, in good faith and after reasonably diligent efforts, that the HS Private Placement cannot be consummated on reasonable terms. "**Closing**" with respect to such offering shall refer to the date on which the offering has held one or more closings and HS has actually received aggregate net proceeds of not less than Two Million Dollars (\$2,000,000).

Section 1.10 "Indemnifiable Claim" shall have the meaning set forth in Section 14.4(c).

Section 1.11 "Intellectual Property" shall have the meaning set forth in Section 14.2.

Section 1.12 "Person" shall mean any individual, corporation, partnership, limited liability company, business trust, joint venture or other legal entity, whether incorporated or not.

Section 1.13 "HS Unaffiliated Sublicensee" shall mean any sublicensee of HS other than an HS Affiliate. For avoidance of doubt, 7 Oaks shall not be an HS Unaffiliated Sublicensee.

Section 1.14 "Licensed Intellectual Property" shall have the meaning set forth in Section 14.2(c).

Section 1.15 "Major Country" shall mean the United States of America including its fifty states, the District of Columbia, Puerto Rico, and all other United States territories and possessions ("USA"), Canada, Japan, Great Britain, France, Germany, Spain and Italy.

Section 1.16 "Net Sales" shall mean the net proceeds received by HS from the sale of Product to Third Parties which are not HS Unaffiliated Sublicensees, less (A) broker fees and credits and allowances or adjustments (consistent with generally accepted accounting principles) granted to such customers on account of rejections, recalls or returns of Product previously sold; (B) any customary and reasonable trade and cash discounts, rebates, including government rebates, granted in connection with sale of Product to such customers; (C) sales, tariff duties and/or use taxes directly imposed and with reference to particular sales; and (D) outbound transportation prepaid or allowed, amounts allowed or credited on returns, export licenses, import duties, value added tax, and prepaid freight.

Section 1.17 "Know-How" shall mean such non-patented and unpublished non-clinical, pre-clinical and clinical documentation, information, and data relating to Product that is owned or controlled by, and disclosable by and available to, 7 Oaks or its Affiliates as of the date of this Agreement or at any time during the Term which is necessary for the development of Product for use in the Field (including without limitation filing an application for Regulatory Approval for the Product for use in the Field), including registration materials for Product, documentation, information and data relating to the formulation and/or quality control of Product, and all non-patented and unpublished documentation, information and data relating to the formulation, manufacture and/or quality control of the Product that is owned or controlled by 7 Oaks and/or its Affiliates as of the date of this Agreement or at any time during the Term.

Section 1.18 "Patents" shall mean any and all patents owned, licensed or otherwise controlled by 7 Oaks and/or its Affiliates that relate to the manufacture, sale or use in the Field of Product or any component or constituent of any Product (including any divisions, continuations, continuations-in-part, re-examinations, reissues, additions, renewals and extensions thereof) and shall include any such patents issued while this Agreement is in effect. Patents in existence as of the date of this Agreement are set forth in **Schedule A**, which shall be amended by 7 Oaks from time to time to include Patents issued after the date of this Agreement.

Section 1.19 "Patent Applications" shall mean any and all patent applications owned, licensed or controlled by 7 Oaks and/or its Affiliates that are pending as of the date of this Agreement, and patent applications owned, licensed or controlled by 7 Oaks and/or its Affiliates that are filed at any time while this Agreement is in effect, in each case that relate to the manufacture, sale or use in the Field of Product or any component or constituent of any Product (including any divisions, continuations, continuations-in-part, re-examinations, reissues, additions,

renewals and extensions thereof). Patent Applications in existence as of the date of this Agreement are set forth in **Schedule A**, which shall be amended by 7 Oaks from time to time to include future Patent Applications.

Section 1.20 "Patent Rights" shall mean Patents and Patent Applications.

Section 1.21 "Product" shall mean (A) Bensal HP, Bensal, Bencelok, LidaCream HP, LidaCream and Anacaine , (B) any product directly or indirectly developed, licensed, manufactured, marketed, distributed or sold by or for 7 Oaks for use within the Field and that consists of or contains oak bark or any product, extract or derivative of oak bark (including but not limited to any of QRB-7 (also known as B-7), PSR-2 or CR-21) or (C) any other product that 7 Oaks may elect to develop, license, manufacture, market, distribute or sell, directly or indirectly, for use within the Field.

Section 1.22 "Proprietary Intellectual Property" shall have the meaning set forth in Section 14.2(b).

Section 1.23 "Recall" shall have the meaning set forth in Section 10.1.

Section 1.24 "Regulatory Approval" shall mean all governmental approvals required to develop, manufacture, market, distribute and sell the Product for use in the Field in any given country or territory in the Territory, including but not limited to, product registrations, medical approvals and price and marketing approvals.

Section 1.25 "Steering Committee" shall have the meaning set forth in ARTICLE IV.

Section 1.26 "Specifications" shall mean the Product specifications set forth in **Schedule B**. 7 Oaks shall update **Schedule B** as necessary to ensure that at all times it describes the specifications for each Commercial Product.

Section 1.27 "Stanley Licensing Agreement" shall mean that that certain Amended and Restated License Agreement amended and restated January 28, 2005 by and between 7 Oaks, R. Thomas Stanley, Sr. and HS

Section 1.28 "Term" shall have the meaning set forth in Section 16.1.

Section 1.29 "Territory" shall mean all countries or territories worldwide.

Section 1.30 "Third Party" or "Third Parties" shall mean any Person or Persons other than HS, 7 Oaks, an Affiliate of HS or an Affiliate of 7 Oaks.

Section 1.31 "Trade Secret" shall mean those trade secrets and any other information that are part of the Formula and Process (as such term is defined in the Stanley Licensing Agreement) .

Section 1.32 "Trademarks" shall mean all Product names and other trademarks, trade names, trade dress and logos, whether registered or not, existing as of the date of this Agreement that relate specifically to one or more Products and any such names, trademarks, trade names, trade dress or logos that may be created or used with respect to any Product during the Term of this Agreement. Trademarks in existence as of the date of this Agreement are set forth in **Schedule A**, which shall be amended by 7 Oaks from time to time to include Trademarks created or used after the date of this Agreement.

Section 1.33 "U.S. FDA" shall mean the United States Food and Drug Administration and any successor regulatory agency.

ARTICLE II. GRANT AND SCOPE OF RIGHTS GRANTED

Section 2.1 Exclusive Right to Sell Product. Subject to and in accordance with the terms and conditions of this Agreement, 7 Oaks shall sell Product exclusively to HS, and HS shall buy Product exclusively from 7 Oaks. While this Agreement remains in effect, 7 Oaks shall not in any manner, directly or indirectly, sell, market or distribute Product except to HS. HS shall have the exclusive right to sell, market and distribute Product.

Section 2.2 Exclusive Patent and Trademark Licenses and Sublicenses.

(a) 7 Oaks hereby grants HS an exclusive right and license (with respect to any Patent Rights owned by 7 Oaks) or sublicense (with respect to any other Patent Rights) under the Patent Rights to market, distribute and sell Product in the Territory in the Field.

(b) 7 Oaks hereby grants HS an exclusive right and license (with respect to any Trademarks owned by 7 Oaks) or sublicense (with respect to any other Trademarks) to use the Trademarks in connection with the marketing, distribution and sale of Product in the Territory in the Field.

Section 2.3 Competing Products. While this Agreement remains in effect, HS agrees not to, directly or indirectly, manufacture, license, market, distribute or sell any Competing Products.

Section 2.4 Manufacturing and Development Rights Reserved. Except as otherwise expressly provided in this Agreement, 7 Oaks retains all of its rights with respect to the manufacture and research & development of Product. Except as permitted under this Agreement, HS shall not, directly or indirectly, manufacture any products that would be Product if manufactured by 7 Oaks.

Section 2.5 Sublicensing and Subcontracting.

(a) HS shall have the right to sublicense, in part or in whole, its rights to market, sell and distribute Product and to subcontract, in part or in whole, performance of its obligations under this Agreement to one or more other Persons, provided that HS shall notify 7 Oaks within fifteen (15) days after execution of any sublicense or subcontract agreement between HS and an HS Unaffiliated Sublicensee. HS shall forward to 7 Oaks a complete copy of each sublicense/subcontract agreement. No sublicense/subcontract shall relieve HS of any of its obligations or commitments under this Agreement, and HS shall cause its sublicensees/subcontractors to comply with all applicable HS obligations and commitments under this Agreement.

(b) 7 Oaks shall have the right to subcontract with one or more other Persons for the manufacture of Product in accordance with the terms of this Agreement (including but not limited to Section 7.3), provided that any Product so manufactured may only be sold or distributed to HS. No subcontract shall relieve 7 Oaks of any of its obligations or commitments under this Agreement, and 7 Oaks shall cause its subcontractors to comply with all applicable 7 Oaks obligations and commitments under this Agreement.

(c) Neither Party shall subcontract or sublicense with any Person who develops, manufactures, markets, distributes or sells Competing Products.

Section 2.6 No Conflicts. 7 Oaks represents and warrants that it has not granted to any Person any license, sublicense or other rights, entered into any agreement or understanding or undertaken any obligation that in any way conflicts or is inconsistent with this Agreement or the rights and licenses granted to HS under this Agreement. 7 Oaks shall not grant to any Person any license, sublicense or other rights, enter into any agreement or understanding or undertake any obligation that in any way conflicts or is inconsistent with this Agreement or HS' rights and licenses hereunder.

ARTICLE III. PAYMENTS

Section 3.1 Payments. For the rights, privileges and licenses granted hereunder, HS shall pay 7 Oaks as follows. HS may elect to pay amounts due hereunder by offsetting such amounts against sums due, under this Agreement or otherwise, to HS from 7 Oaks:

(a) **License fee.** HS shall pay 7 Oaks a one-time license fee of \$1,000,000. \$600,000 shall be paid promptly upon the Closing of the HS Private Placement. An additional \$100,000 shall be paid within fifteen (15) days of the first anniversary of the Closing of the HS Private Placement. An additional \$150,000 shall be due and payable within fifteen (15) days after each of the second and third anniversaries of the Closing of the HS Private Placement.

(b) Royalty. For commercial sales of Product by HS in the Territory, HS shall during the Term pay 7 Oaks a royalty in the amount of eight percent (8%) of Net Sales of Product. Royalty payments are due and payable within sixty (60) days of the end of each calendar month with respect to payments received by HS during the calendar month.

(c) Development fee. If in the first calendar month beginning after the Closing of the HS Private Placement HS purchases an aggregate total of less than \$100,000 of Product from 7 Oaks, then HS shall pay 7 Oaks a development fee of \$60,000. If HS pays a development fee for such first calendar month, HS shall pay a development fee of \$60,000 per month for each subsequent calendar month, provided that payment of the development fee will terminate beginning with the calendar month when average monthly Product purchases have exceeded \$100,000 per month for the preceding four calendar months. For each fee payment of \$60,000, HS shall receive a credit for \$30,000 worth of Product from 7 Oaks, such credit to be applied at such time(s) and to such purchases as HS may elect by notice to 7 Oaks. The development fee for any month is due and payable within thirty (30) days after the end of the month.

(d) Consulting fee. After the Closing of the HS Private Placement, HS shall pay a fee of \$10,000 per month during the remaining Term of this Agreement to 7 Oaks for consulting services. The fee is payable commencing with the first month following the Closing of the HS Private Placement. The consulting fee for any month is due and payable within thirty (30) days after the end of the month.

Section 3.2 Payment for Purchase of Product. Payment for the purchase of Product shall be as set forth in ARTICLE VII. The terms of this Article shall apply with respect to payments for Product to the extent that such terms do not conflict with the terms set forth in ARTICLE VII, in which case the terms set forth in ARTICLE VII shall govern.

Section 3.3 Reporting. HS shall report Net Sales figures to 7 Oaks monthly. 7 Oaks shall provide HS with a breakdown in reasonable detail of the Cost for each Product quarterly.

Section 3.4 Currency. HS shall make all payments in U.S. dollars. Where royalty payments are made, payments earned first shall be determined by HS in the currency of the country where the Net Sales giving rise to payments were made and then converted directly to its equivalent in U.S. dollars. The rates of exchange for converting the currencies involved to U.S. dollars shall be the Foreign Exchange Rates quoted in the Wall Street Journal rate on the last business day of the month in which the royalty payments were earned.

Section 3.5 Unforeseen circumstances. At the request of either Party, the parties will negotiate in good faith regarding possible adjustment of the payment terms in the event that the Trade Secret becomes known publicly or to any Person not authorized to have access to it, generic alternatives to the Products become commercially available, or unforeseen events or circumstances develop that materially affect the cost of or markets for Products. This Section shall not be construed to require any Party to agree to any adjustment of payment terms.

Section 3.6 Method of Payment. In the event of any required tax withholding, the paying Party will provide the receiving Party with any relevant certificates or documents required for national, state or local tax credit and reporting purposes. All payments shall be made by bank wire transfer (e.g., "SWIFT" or other comparable electronic transfer method) to such account(s) as the receiving Party shall designate beforehand in writing to the paying Party. Payments shall be deemed paid once funds are freely available to the receiving Party at such account(s).

Section 3.7 Late Payments. The Party entitled to payment hereunder reserves the right to charge the paying Party interest on any amounts owing from the paying Party which are overdue by more than fourteen (14) business days at a rate of 1.5% per month, or the maximum rate allowed by law, whichever is lower, calculated from the date any payment was due and payable.

Section 3.8 Record Keeping and Audit Rights. Each Party shall keep or cause to be kept, accurate records relating to Net Sales, royalties, Cost for each Product and any other costs or expenses subject to payment, deduction or reimbursement by either Party to the other Party in sufficient detail to enable the amounts payable

under this Agreement to be determined. Each Party will comply with reasonable requests for information relating to determination of amounts payable under this Agreement. Upon the written request of either Party (but not within twelve (12) months of any prior such request), the requesting Party may retain an independent certified public accountant, subject to approval by the other Party (which approval shall not be unreasonably withheld), to review such records to verify the accuracy of the payments made or payable hereunder. Such accountant shall be required to execute a confidentiality agreement in a form reasonably acceptable to the audited Party and shall report to the auditing Party only the amount of any underpayment or overcharge. Within ten (10) business days after completion of such review, the Parties shall reconcile any underpayment or overcharge. The auditing Party shall pay the cost of any review of records conducted at its request under this Section. However, if the review establishes underpayment or overcharge by the audited Party of over five percent (5%) during the period of the review, the audited Party shall promptly reimburse the auditing Party for the fees and expenses of the accountant. Such audit rights may be exercised by the Parties only with respect to records for the current calendar year and the preceding two (2) calendar years. The Parties agree to maintain all records subject to audit for a period of at least three (3) years.

ARTICLE IV. LIAISON

Section 4.1 Steering Committee. The Parties will form a committee (the “Steering Committee”) composed of the members of the executive committees of each Party, provided that in any event the Steering Committee shall include without limitation the Chief Executive Officer, Chief Operations Officer, Chief Financial Officer and any other senior executive(s) with responsibility for sales & marketing and research & development for each Party. The Steering Committee shall promote cooperation between the Parties with respect to the development, manufacture, marketing and sales of Products. The Steering Committee shall meet at such times and locations as the Parties may mutually determine, provided that upon the request of either Party by notice duly given, such meeting shall be held at least once every six months and, unless the parties agree otherwise, the location of such meetings shall alternate between the executive offices of the Parties. Each Party will be responsible for any travel and living costs and expenses of its own representatives attending such meetings.

ARTICLE V. MARKETING AND SALES

Section 5.1 Marketing and Sales Efforts.

(a) **Bensal HP.** HS shall use commercially reasonable, good faith efforts to market, distribute and sell Bensal HP for use in the Field in the USA. At the request of either Party, the Parties will decide in good faith whether or not to market, distribute and sell Bensal HP in one or more other Major Countries. If HS agrees to market, distribute and sell Bensal HP in a Major Country, HS shall use commercially reasonable, good faith efforts to market distribute and sell Bensal HP in such Major Country.

(b) **Other Commercial Products.** If and when the Parties mutually decide to designate any specific Product other than Bensal HP as a Commercial Product, the Parties shall mutually agree on the Major Countries and other jurisdictions in which such Commercial Product is to be marketed, distributed and sold. HS shall use commercially reasonable, good faith efforts to market, distribute and sell such Commercial Product in any Major Country where HS has agreed to market, distribute and sell such Commercial Product.

(c) **Performance by 7 Oaks.** HS shall have no obligation to market, distribute or sell Product if 7 Oaks fails in any material respect to perform its obligations under this Agreement or if 7 Oaks in any other manner materially breaches this Agreement unless and until such failure or breach is cured to HS’ reasonable satisfaction.

Section 5.2 Marketing Costs and Expenses. Except as otherwise provided herein or as otherwise mutually agreed by the Parties, HS shall bear all costs and expenses connected with its marketing and sales activities for

the Product for use in the Field other than costs and expenses related to regulatory compliance (other than the cost of regulatory compliance training for HS' sales and marketing personnel).

ARTICLE VI. PRODUCT RESEARCH AND DEVELOPMENT AND REGULATORY COMPLIANCE

Section 6.1 Research and Development. Employing commercially reasonable efforts, 7 Oaks shall undertake research and development activities with respect to new and existing Products for use in the Field, including but not limited to research and development regarding enhancement of existing Product; different strengths, dosage forms, formulations or routes of administration for Product; additional applications and indications for which Product may be used; development of new Products and other research and development activities intended to contribute to the successful commercialization of new and existing Products. 7 Oaks shall have a committee with authority over all matters related to research and development, including research and development budgets, and HS shall have the right to appoint one member of this committee with full rights to participate in committee activities including but not limited to full voting rights and the right to attend, and reasonable prior notice of, all committee meetings and the right to receive all information and materials provided to committee members.

Section 6.2 Regulatory Compliance. Except as otherwise expressly provided herein, 7 Oaks shall be responsible for all regulatory compliance relating to the research, development, manufacture, marketing, distribution and sale of Product. Without limiting the foregoing, 7 Oaks shall obtain and maintain all necessary or appropriate Regulatory Approvals for any and all jurisdictions in the Territory where the Parties have agreed to sell, market or distribute Product, including without limitation Regulatory Approvals relating to efficacy, safety, packaging and labeling, product names, marketing materials and advertising. HS shall cooperate with 7 Oaks with respect to regulatory compliance matters and reasonably assist 7 Oaks in any compliance matters relating to the marketing, distribution or sale of Product that involve HS personnel. With respect to sales and marketing, HS shall be responsible for regulatory compliance with respect to the actions of its employees, and 7 Oaks shall be responsible for regulatory compliance with respect to sales and marketing materials and advertising.

Section 6.3 Research and Development and Regulatory Compliance Costs. Except as otherwise expressly provided in this Agreement or otherwise mutually agreed in writing by the Parties after the date of this Agreement, each Party shall bear all costs and expenses incurred by the Parties related to regulatory compliance for which such Party is responsible, and 7 Oaks shall bear all costs and expenses relating to the research and development of Product as outlined in Section 6.1.

Section 6.4 Reimbursement of HS Costs. Except as expressly provided for otherwise in this Article, 7 Oaks shall reimburse HS for all costs and expenses incurred by HS in fulfilling its obligations under this Article. HS shall issue an invoice for all such reasonable costs and expenses so incurred during each Calendar Quarter, and 7 Oaks shall effect payment of such invoice within thirty (30) days from the date of the invoice.

ARTICLE VII. PRODUCT ORDERS, SUPPLY AND PAYMENTS

Section 7.1 Supply.

(a) Product supply. During the Term, 7 Oaks shall supply HS with all Product ordered by HS not in excess of 125% of HS' requirements as set forth in its most recent forecast. 7 Oaks shall use commercially reasonable efforts to supply HS in a timely manner with any Product ordered by HS in excess of 125% of the forecast amount.

(b) Product delivery. 7 Oaks shall supply Product to HS only against receipt of HS' written purchase orders. Except as otherwise provided herein or as otherwise expressly agreed in writing by the Parties, delivery shall be within 30 days from receipt and confirmation by 7 Oaks of HS' purchase order. 7 Oaks shall confirm the delivery dates within 2 business days after receipt of HS' purchase orders and shall use its

best commercially reasonable efforts to fill such orders and deliver Product on the requested delivery dates, but shall in any event fill such orders within 30 days from receipt and confirmation of HS' purchase order. 7 Oaks shall deliver Product to the location specified in the purchase order. 7 Oaks shall pay shipping costs and insurance, and title and risk of loss for Product purchased hereunder shall pass upon delivery by 7 Oaks to the location specified in the purchase order.

Section 7.2 Manufacturing Committee. 7 Oaks shall establish and maintain a committee with authority over all matters relating to manufacturing, packaging and associated costs. HS shall have the right to appoint one member of the committee with full rights to participate in committee activities including but not limited to full voting rights and the right to attend, and reasonable prior notice of, all committee meetings and the right to receive all information and materials provided to committee members.

Section 7.3 Subcontractors. 7 Oaks may subcontract all or a portion of the manufacture of Product to one or more Persons, provided that each subcontractor manufacturing site used to manufacture Product has received all required Regulatory Approvals, that 7 Oaks guarantees the performance of each subcontractor, that no subcontract shall relieve 7 Oaks of any of its obligations or commitments under this Agreement, that 7 Oaks shall cause its subcontractors to comply with all 7 Oaks obligations and commitments under this Agreement applicable or otherwise relevant to the subcontractors' activities.

Section 7.4 Rolling 6-Month Forecasts. HS shall provide 7 Oaks in writing with HS' bona fide, good faith, non-binding estimated requirements of Product for the next six calendar months and shall update such estimates monthly.

Section 7.5 Prices and Payment.

(a) **Commercial pricing formula.** HS shall pay Cost plus 20% of Cost for Product. It is understood, however, that 7 Oaks shall provide Product to HS in reasonable quantities to use as samples at 50% of Cost.

(b) **Payment terms.** 7 Oaks shall invoice HS for commercial orders of Product shipped, and HS shall pay such invoice within thirty (30) days of receipt. For the avoidance of doubt, payments under this Article are subject to all other relevant terms of this Agreement that are not inconsistent with this Article, including without limitation the terms of ARTICLE III.

(c) **Cost changes.** 7 Oaks promptly shall provide HS with notice of any changes to Cost. No Cost increase shall be effective until HS actually receives notice of such increase. No increase in Cost shall take effect for purposes of determining the price paid by HS to 7 Oaks for Product unless the increased Cost is more than one percent (1%) greater than the previously existing Cost figure used to calculate Product prices under this Agreement. After HS has agreed to an initial baseline Cost for a Commercial Product, the Cost for purposes of determining the price of such Commercial Product under subsection (a) above shall not be decreased below such initial Cost even if the actual Cost becomes less than the initial Cost, subject to Section 3.5. HS agrees that the initial baseline Cost for Bensal HP shall be \$18.37 per half ounce.

Section 7.6 Resale Prices. HS shall be free to set the resale prices for Product sold in the Territory.

Section 7.7 Agreement Terms Govern. Except as otherwise expressly agreed in writing by the Parties, the terms and conditions of this Agreement shall govern the sale of Product to HS notwithstanding any conflicting or additional terms and conditions set forth in HS' forecast or in any order, purchase, sales, acceptance or other documents, and any such conflicting or additional terms are hereby expressly rejected.

Section 7.8 Termination of Product Supply. 7 Oaks shall, at its sole discretion, have the right upon providing twenty-four (24) months prior written notice thereof, to terminate its obligations under this Article relating to the manufacture and supply of Product in the event that 7 Oaks permanently ceases the manufacture of Product.

Section 7.9 Notice of Failure of Supply. 7 Oaks shall promptly notify HS in writing of any circumstances rendering it unable to supply Product in accordance with this Agreement and the estimated duration of such circumstances.

ARTICLE VIII. PRODUCT WARRANTIES AND INDEMNIFICATION

Section 8.1 Product Warranties and Limitations.

(a) Warranties. 7 Oaks warrants and represents that Product manufactured by 7 Oaks, its Affiliate(s) or subcontractor(s), as the case may be, (i) upon delivery, shall conform to the Specifications, shall be free from defects in manufacture and contamination, and shall not be adulterated or misbranded under any Applicable Laws; (ii) from the date of delivery until the end of the specified shelf-life, shall conform to the Specifications, provided, however, that Product has after delivery been handled, transported and stored appropriately; (iii) shall have been manufactured and packaged in accordance with Applicable Laws, including without limitation U.S. FDA Good Manufacturing Practices and equivalent requirements in the European Union, to the extent applicable, and (iv) shall be transferred free and clear of any security interests, liens and encumbrances.

(b) Limitations. Except as otherwise expressly stated in this Agreement, no warranties or representations, express or implied are made or shall be deemed to have been made by 7 Oaks, its Affiliates or subcontractors, including without limitation the warranties of fitness for a particular purpose and merchantability, regarding any Product.

Section 8.2 Certificate of Analysis. 7 Oaks shall furnish HS with one or more certificates of analysis for each lot of Product supplied hereunder, in the form required by Applicable Law in each country of the Territory where such Product is marketed, with shipment of each such lot

Section 8.3 Product Inspections.

(a) Inspection and analysis. HS has the right to inspect and analyze Product promptly after delivery. If, after inspection and any analysis, HS reasonably believes that any Product does not meet the Specifications or otherwise fails to conform to any representation or warranty, HS shall notify 7 Oaks in writing within thirty (30) days after HS' receipt of such Product. Any claims by HS regarding Product delivered shall specify in reasonable detail the nature and basis for the claim and cite relevant 7 Oaks lot numbers or other information to enable specific identification of the Product involved. HS shall not be required to accept Product having a shelf-life of less than eighty percent (80%) of the stated expiration dating on the date of receipt by HS.

(b) Response. 7 Oaks shall respond to all claims made by HS on a case-by-case basis, and 7 Oaks shall have the right to first inspect any Product involved before being required to take any action with respect thereto. 7 Oaks shall review any such claim of nonconformity made by HS within thirty (30) days of receipt of HS' notice under this Section and conduct any required testing of the goods involved as soon as possible, but in no event later than forty-five (45) days after receipt thereof, or earlier if the U.S. FDA or any corresponding regulatory authority in the Territory requires an earlier response from 7 Oaks. If such review and testing by 7 Oaks (or testing by an independent laboratory as set forth below) confirms that a quantity of Product does not meet the Specifications or is otherwise nonconforming, then, at 7 Oaks's expense, HS shall dispose of or return such quantity involved as 7 Oaks shall direct in writing and 7 Oaks shall replace such quantity with conforming Product as soon as possible, but in no event later than sixty (60) days after testing is completed. If the Parties fail to agree as to whether Product meets the Specifications, then the Parties shall have the Product in dispute analyzed by a mutually agreed upon independent testing laboratory located in the United States. Such laboratory's determination shall be deemed final as to any dispute over the Specifications, and the nonprevailing Party shall bear the costs of such independent laboratory's testing.

(c) Product storage. Each Party shall properly store Product under conditions that will not adversely affect the quality or normal shelf life thereof, provided in the case of HS that 7 Oaks provides HS with notice in reasonable detail of any and all applicable storage specifications.

Section 8.4 Labeling. 7 Oaks shall be responsible for packaging of the Product, and for all labeling, inserts, packaging and promotional materials and any other materials which accompany, are distributed, used or referred to in any way in connection with the Product and shall ensure that same shall conform to all Applicable Laws. HS shall not use any promotional materials in connection with marketing of the Product that have not been approved by 7 Oaks, provided that such approval shall not be unreasonably withheld or delayed. HS and 7 Oaks shall cooperate and work diligently to ensure that HS has available to it, on a timely basis, the promotional and related materials necessary or appropriate to proper marketing of each Commercial Product. HS shall market, distribute and sell Product in the Territory only for the indications for which relevant Regulatory Approvals have been obtained and only in accordance with Applicable Laws.

Section 8.5 Notification. 7 Oaks shall be responsible for notifying, reporting or registering this Agreement or the business relationship created hereby with any government authorities in the Territory to the extent legally required. HS shall provide 7 Oaks with such assistance as 7 Oaks may reasonably request in connection therewith.

Section 8.6 Product Liability Indemnification. 7 Oaks shall defend, indemnify and hold harmless HS, its Affiliates, HS Unaffiliated Sublicensees, and each of their officers, directors, managers, employees, owners and agents from and against any and all liabilities, damages, claims, demands, costs, or expenses (including reasonable attorneys' fees and legal costs) ("Losses") arising out of or in connection with any property damage or personal injury or death caused by (A) any Product manufactured by 7 Oaks, its Affiliates or subcontractors, (B) the manufacture of Product by 7 Oaks, its Affiliates or subcontractors, (C) a material breach of this Agreement or violation of Applicable Law by 7 Oaks, its Affiliates or subcontractors, or (D) or a breach by 7 Oaks of the warranties and representations set forth in Section 8.1, except with respect to each of (B) or (C) to the extent that such property damage or personal injury or death was caused by the negligence or intentional misconduct of HS or its Affiliates.

Section 8.7 Indemnification Procedures.

(a) Notice of indemnifiable claim. If a Person determines to seek indemnification under this Article, such Person promptly shall give notice to the indemnifying Party. If indemnification is sought with respect to a legal complaint, such notice shall be provided not later than ten (10) business days after such Person's receipt of written notice of such legal complaint and shall be accompanied by the written notice of the legal complaint.

(b) Legal defense. The indemnifying Party shall have the right to assume the defense of any legal complaint with respect to which indemnification is sought, using legal counsel reasonably acceptable to the indemnified Person, by providing notice that it will do so to the indemnified Person within ten (10) days after receiving notice from the indemnified Person seeking indemnification. Notwithstanding the foregoing (a) the indemnified Person shall also have the right to employ its own counsel and participate in any proceedings relating to the legal complaint, but the fees and expenses of such counsel shall be at the expense of the indemnified Person and (b) any failure or delay by the indemnified Person to provide notice of a legal complaint with respect to which such Person seeks indemnification shall not affect the indemnified Person's indemnification rights except to the extent such failure or delay materially prejudices the indemnifying Party in the defense of such legal complaint. The indemnified Person shall reasonably cooperate with the indemnifying Party in the defense of any such legal complaint, at the expense of the indemnifying Party except with respect to retention of duplicate legal counsel as provided above.

(c) Failure to defend. In the event that the indemnifying Party, within ten (10) days after receipt of notice seeking indemnification with respect to a legal complaint, fails to assume the defense of the indemnified Person against such legal complaint or if the indemnifying Party later discontinues defense of the legal complaint, the indemnified Person shall have the right to undertake the defense, compromise or settlement of such action on behalf of and for the account and risk and expense of the indemnifying Party, including all attorneys' fees and costs.

(d) **Separate counsel; settlement.** Notwithstanding anything in this Section to the contrary, (a) if there is a reasonable probability that a legal complaint may have a materially adverse effect on the indemnified Person, other than as a result of money damages or other money payments, then the indemnified Person shall have the right, at its own costs and expense, to defend, compromise or settle such legal complaint so long as in connection therewith the indemnified Person makes payment of any money damages related thereto; and (z) neither the indemnified Person nor the indemnifying Party shall enter into any settlement or compromise regarding any legal complaint subject to indemnification or consent to entry of any judgment in respect thereof without the prior written consent of the other Party, which shall not be unreasonably delayed or withheld.

Section 8.8 Liability Insurance. Each Party shall procure and maintain insurance, including product liability insurance, adequate to cover its obligations hereunder and which are consistent with normal business practices of prudent companies engaged in activities of a similar nature that present similar liability risks. It is understood that such insurance shall not be construed to limit a Party's liability with respect to its any of its obligations hereunder, including without limitation its indemnification and compensation obligations under this Agreement. Each Party shall provide the other Party with written evidence of such insurance (including without limitation financial information that describes the amounts available under such insurance) upon request. This Section shall survive the termination or expiration for any reason of this Agreement for ten (10) years. 7 Oaks shall ensure that HS is named as an additional insured with respect to 7 Oaks' liability, including product liability, insurance coverage and shall provide HS with not less than 30 days prior notice of any expiration, cancellation, other termination or reduction of any of 7 Oaks' liability insurance coverage.

ARTICLE IX. MANUFACTURING INSPECTIONS AND CHANGES

Section 9.1 Regulatory Inspections. Each Party shall allow representatives of the U.S. FDA and any other regulatory agency or authority with jurisdiction over the development, manufacture, marketing, distribution or sale of Product to tour and inspect all facilities utilized by such Party in the manufacture, testing, packaging, storage, and shipment of Product sold under this Agreement, and shall co-operate with such representatives in every reasonable manner. Each Party shall also provide the other Party with a copy of any U.S. FDA Form 483 notices of adverse findings, regulatory letters or similar notifications it receives from any governmental authority setting forth adverse findings or non-compliance with any Applicable Laws relating to Product within five (5) days of its own receipt thereof. Each Party shall also provide the other Party with a copy of its proposed written response to such governmental authority before submission and shall incorporate any changes thereto which the other Party may reasonably request.

Section 9.2 7 Oaks-Initiated Manufacturing Changes. Except for changes required under Applicable Laws or by any competent regulatory or other governmental authority, during the Term 7 Oaks shall not make any material changes to its manufacturing operations for a Product without informing HS prior to such changes.

Section 9.3 Required Manufacturing Changes. Changes to manufacturing operations or the Specifications that are required and mandatory under Applicable Laws in the USA, or in any Major Country where the Parties have agreed to market Product, shall be deemed "Required Manufacturing Changes." 7 Oaks shall commence the implementation of Required Manufacturing Changes as soon as practicable, but in no event later than (i) ninety (90) days after receipt of notice of the Required Manufacturing Changes (or within such other longer time period as may be mutually agreed upon by the Parties if implementation within ninety (90) days is impossible or reasonably impractical, such agreement not to be unreasonably withheld, condition or delayed by HS) or (ii) earlier if required by the U.S. FDA or any corresponding regulatory authority or by Applicable Laws. If 7 Oaks does not commence the implementation of Required Manufacturing Changes within the time period referenced in the preceding sentence, then HS shall have the option to exercise standby manufacturing rights for Product pursuant to ARTICLE XII until such time as 7 Oaks implements such Required Manufacturing Changes. If 7 Oaks notifies HS in writing that 7 Oaks disputes whether the proposed changes are Required Manufacturing Changes, the Parties shall resolve such dispute by reference to a mutually agreed upon independent Third Party

regulatory expert as soon as possible for a binding determination of whether the requested changes are Required Manufacturing Changes. If such independent Third Party regulatory expert determines that the proposed changes are Required Manufacturing Changes, 7 Oaks shall implement such changes as soon as possible. The Parties shall bear equally the cost of such independent Third Party regulatory expert. Any modification to the Specifications that is necessary to implement or reflect a Required Manufacturing Change shall be deemed to be included in the Specifications.

ARTICLE X. PRODUCT RECALLS

Section 10.1 Recall Notification. Each Party shall promptly notify the other Party in writing of any facts relating to the advisability of the recall, destruction or withholding from the market of a Product anywhere in the Territory (a "Recall").

Section 10.2 Recall Implementation. If at any time (A) any governmental or regulatory authority in the Territory issues a request, directive or order for a Recall; (B) a court of competent jurisdiction orders a Recall in the Territory; or (C) HS determines, following consultation with 7 Oaks (except in emergency situations in which there is insufficient time for such consultation), that a Recall in the Territory is necessary or advisable, HS shall take all appropriate corrective actions to effect the Recall and 7 Oaks shall provide HS with such cooperation in connection with the Recall as HS may reasonably request.

Section 10.3 Recall Costs and Expenses. 7 Oaks shall bear the costs and expenses of any Recall in the Territory, provided that HS shall bear all costs and expenses of any Recall to the extent such Recall is the result of the gross negligence or willful misconduct of HS employees or Affiliates.

ARTICLE XI. ADVERSE DRUG EXPERIENCES

Section 11.1 Adverse Events; Safety Information. To ensure that all relevant safety information for Product is shared between the Parties, 7 Oaks will provide to HS all regulatory safety updates (e.g. 120-day safety updates, annual reports, post-authorization safety updates) upon public release thereof concerning the Product. In addition, any safety information which may negatively affect the benefit-risk ratio of Product or that may have consequences regarding Product information (e.g. labeling, data sheets, instruction leaflets) or may require immediate safety measures to be taken by either Party shall be forwarded to the other Party without any delay. 7 Oaks is responsible for any regulatory safety reporting requirements with respect to Regulatory Approval applications and regulatory requirements according to Applicable Laws.

Section 11.2 Further Assurances. The intent of this Article is to enable each Party to comply with regulatory requirements relating to Product. If either Party learns that the foregoing exchange of information is not sufficient for such Party to meet regulatory requirements with respect to Product, it may so notify the other Party. Promptly thereafter, the Parties shall discuss and agree upon a mutually acceptable modification to the foregoing procedure that enables the Party providing such notice to conform with such regulatory requirements with respect to such Product. Specifically and without limitation, to the extent regulatory authorities outside of the United States require reporting or other obligations with respect to adverse drug experiences in addition to those stated above, the Parties shall promptly meet and negotiate in good faith mutually agreeable procedures to meet such obligations.

Section 11.3 Survival. This Article shall survive the expiration or termination of this Agreement.

ARTICLE XII. STANDBY MANUFACTURING RIGHTS

Section 12.1 Trigger Events. In addition to its other rights under this Agreement and in order for HS to avoid potentially serious harm to its business in the event that its sole source of Product, 7 Oaks, becomes unwilling or

unable to supply Product, HS shall gain the rights set forth in this Article upon the occurrence of any of the following events (each a "Trigger Event"). For the avoidance of doubt, no HS subcontractor or sublicensee may invoke or exercise HS' rights under this Article. Only HS or a permitted assignee (in accordance with Section 17.3) may invoke or exercise such rights:

(a) Failure of supply. 7 Oaks fails to supply or manufacture Product in accordance with this Agreement for ninety (90) or more consecutive days after the agreed delivery time for any reason (including but not limited to a Force Majeure event), save for reasons arising from the gross negligence or willful misconduct of HS, its Affiliates and/or HS Unaffiliated Sublicensees, provided that HS' rights under this Article resulting from such circumstances shall terminate at such time as 7 Oaks demonstrates to HS' reasonable satisfaction that 7 Oaks is again ready, willing and able to supply and manufacture Product in accordance with this Agreement.

(b) Failure to make Required Manufacturing Changes or maintain regulatory compliance. 7 Oaks fails to make any Required Manufacturing Changes in accordance with Section 9.3 or materially breaches its obligations under Section 6.2.

(c) Termination of production. 7 Oaks gives notice of its intent to cease manufacture and supply of Product in accordance with Section 7.8.

(d) 7 Oaks bankruptcy or dissolution. HS has the right to terminate the Agreement pursuant to Section 16.3 (relating to the bankruptcy, dissolution, etc. of 7 Oaks).

Section 12.2 Additional Rights. Upon the occurrence of a Trigger Event, HS shall have the following additional rights:

(a) Manufacturing rights. HS shall have the right to elect, at its option and expense, to manufacture or have another Person manufacture Product. No payments shall be due under Section 7.5 with respect to Product manufactured by or for HS under this Article.

(b) Intellectual Property License. To the extent necessary for HS to use the additional rights granted under this Article, 7 Oaks hereby grants HS contingent licenses and/or sublicenses under the Patent Rights and Trademarks to make and have made Product for use in the Field in the Territory. Such licenses and/or sublicenses shall become effective only upon occurrence of a Trigger Event.

(c) Transfer of Know-How. 7 Oaks shall, as soon as practical, provide HS with Know-How to the extent reasonably necessary to enable HS to exercise its manufacturing rights pursuant to this Article, including without limitation providing up to ten (10) person-days of technology transfer assistance at HS' site of manufacture for Product, using 7 Oaks personnel skilled and knowledgeable in the manufacture of Product, at no charge to HS.

(d) Regulatory compliance. 7 Oaks shall promptly transfer to HS, at 7 Oaks' expense, all Regulatory Approvals and registration filings for the Product in the Territory, together with such documentation, information and data in its possession as HS may need for regulatory compliance in the course of exercising its rights in such territory with respect to Product.

Section 12.3 HS Indemnification. HS shall defend, indemnify and hold 7 Oaks, its Affiliates, and their officers, directors, managers, employees, owners and agents harmless from and against any and all Losses (as defined in Section 8.6) arising out of or in connection with any property damage or personal injury or death caused by (A) Product that fails to meet the Specifications due to the failure by HS, its Affiliates or HS Unaffiliated Sublicensees to manufacture Product in accordance with manufacturing instructions provided in writing by 7 Oaks to HS; or (B), a material breach of this Agreement or violation of Applicable Law by HS, its Affiliates or HS Unaffiliated Sublicensees, except to the extent that such property damage or personal injury or death was caused by the negligence or intentional misconduct of 7 Oaks or its Affiliates. Indemnification claims under this Section are subject to the procedures set forth in Section 8.7.

ARTICLE XIII. CONFIDENTIALITY AND PUBLICITY

Section 13.1 Confidentiality Obligation. Each Party shall hold the other Party's Confidential Information (as defined below) of which it becomes informed in connection with this Agreement in strictest confidence and shall not disclose such Confidential Information to any Person or otherwise use Confidential Information, except to the extent such use or disclosure is expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement. Without limiting the foregoing, at a minimum each Party shall take those measures that it takes to protect its own highly confidential information of a similar nature.

Section 13.2 Confidential Information. "Confidential Information" shall mean any information relating to the terms of this Agreement; information required to be disclosed by one Party to the other under this Agreement (whether disclosure is automatic or only upon request or pursuant to exercise of audit rights); information regarding Product, Patent Rights or Know-How; any information comprising a part of the Trade Secret; clinical and non-clinical studies involving Product; filings or other documentation or information submitted in connection with Regulatory Approvals; information regarding the manufacture of Product; sales and marketing plans for the Product; customer lists; price lists; market studies; business plans; and historical financial information, financial projections and budgets. Confidential Information shall also include any other information provided by a Party that is designated as confidential in writing or orally, provided such oral designation is confirmed in writing within thirty (30) days thereafter. However, Confidential Information shall not include any information:

- (a) **Publicly available information.** Which at the time of disclosure is or later comes into the public domain or becomes generally known in the industry by publication or otherwise through no fault of the receiving Party;
- (b) **Previously known information.** Which can be demonstrated by documentation or other competent proof to have been in the receiving Party's possession prior to disclosure by the disclosing Party;
- (c) **Subsequently received information.** Which is subsequently received by the receiving Party from a Third Party who is not bound by any confidentiality undertaking to the disclosing Party or to any of its Affiliates with respect to said information; or
- (d) **Independently developed information.** Which is independently developed by or for the receiving Party without reference to or use of the disclosing Party's Confidential Information.

Section 13.3 Permitted Disclosures. Permitted disclosures of Confidential Information hereunder are limited to (A) disclosures to regulatory agencies to the extent required for Regulatory Approval, (B) disclosures to the extent required under Applicable Law, valid and binding order of a court or governmental authority of competent jurisdiction or the rules of any national stock exchange or stock trading system on which a Party has listed shares, and (C) disclosures to the Parties' Affiliates, employees, agents and independent contractors (including clinical investigators, consultants and contract research organizations) to the extent reasonably necessary for the performance of this Agreement by the Parties' and to HS Unaffiliated Sublicensees and prospective sublicensees, to the extent reasonably necessary with respect to the negotiation or performance of a sublicensing arrangement as permitted by this Agreement, provided that for disclosures under subsection (B) the Party required to make the disclosure shall notify the other Party of such requirement a reasonable time in advance of such disclosure and shall cooperate with the other Party in restricting disclosure of, and obtaining confidential treatment for, the Confidential Information disclosed to the maximum extent possible and for disclosures under subsection (C) the disclosing Party shall obligate the recipients to maintain the confidentiality of Confidential Information under terms substantially similar to those contained in this Article and shall be liable for any failure of such Persons to do so.

Section 13.4 Duration of Confidentiality Obligation. The confidentiality obligations of the Parties hereunder shall remain in effect while this Agreement remains in effect and shall survive the termination or expiration of this Agreement for any reason and remain effective with respect to Confidential Information disclosed while the Agreement was in effect unless and until such Confidential Information ceases to be Confidential Information.

Section 13.5 Publicity and Announcement.

(a) With regard to the existence and content of terms and conditions of this Agreement, unless agreed upon by the Parties, neither Party shall originate any publicity, news release or other public announcement, written or oral, whether to the public press, stockholders or otherwise, relating to this Agreement or any amendment hereto, without the approval of the other Party, except in accordance with Section 13.3, in which event such Party shall give the other Party a reasonable opportunity to review the form and content of the announcement before such announcement is made.

(b) HS may originate any publicity, news release or other public announcement, written or oral, whether to the public press, stockholders or otherwise, relating to the use of Product in the Field, provided that HS forwards to 7 Oaks such publicity, news release or other public announcement fourteen (14) days prior to such publicity, news release or other public announcement, except as otherwise required by Applicable Law. It is agreed that such publicity, news release or other public announcement does not require the approval of 7 Oaks, unless 7 Oaks considers such publicity, news release or other public announcement to (I) contain disclosure of the existence or content of this Agreement; or (II) be misleading or incorrect, in which case 7 Oaks shall, within five (5) business days after receiving such publicity, news release or other public announcement, so notify HS and provide written comments specifying changes that 7 Oaks reasonably believes will correct such inaccuracy, except as otherwise required by law or regulation.

ARTICLE XIV. INTELLECTUAL PROPERTY

Section 14.1 Ownership. HS agrees that HS does not have, and that nothing in this Agreement shall give HS, any right, title or interest in the Patent Rights or Trademarks other than the license rights expressly set forth in this Agreement.

Section 14.2 Intellectual Property Representations, Warranties and Covenants.

(a) **All necessary intellectual property.** 7 Oaks owns, licenses or sublicenses, and at all times while this Agreement is in effect will continue to own, license or sublicense, all intellectual property, including but not limited to the Patent Rights and Trademarks, and other proprietary rights (such rights collectively, the “**Intellectual Property**”) necessary or appropriate to manufacture Product, to grant to HS the license, sublicense and other rights granted under this Agreement and to otherwise perform all of 7 Oaks’ obligations under this Agreement, in each case lawfully and without violation of the legal rights of any other Person.

(b) Proprietary intellectual property.

(i) **Schedule A** sets forth any and all Patent Rights and Trademarks existing as of the date of this Agreement that are owned by or registered in the name of 7 Oaks. 7 Oaks shall promptly update this Schedule and provide HS with a copy of the updated Schedule with respect to all Patent Rights and Trademarks owned by or registered in the name of 7 Oaks arising after the date of this Agreement.

(ii) 7 Oaks has delivered to HS correct and complete copies of all Patent and Trademark registrations and applications, as amended to date.

(iii) With respect to each item of Intellectual Property that is owned by 7 Oaks (the “**Proprietary Intellectual Property**”):

(A) 7 Oaks possesses and will continue to possess all right, title, and interest in and to the item, free and clear of any security interest, license, or other restriction, encumbrance or interest, other than the license granted to HS herein;

(B) each item is and will be valid, remains in full force and effect and is and will be enforceable;

(C) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge.

7 Oaks shall promptly notify HS if any item becomes subject to an injunction, judgment, order, decree, ruling or charge;

(D) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the knowledge of 7 Oaks, is threatened which challenges the legality, validity, enforceability, use, or ownership of the item. 7 Oaks promptly shall notify HS of any such action, suit, etc.; and

(E) except as provided under this Agreement, 7 Oaks has never agreed and will not agree to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to the item.

(c) Licensed intellectual property.

(i) **Schedule A** sets forth any and all Patent Rights and Trademarks existing as of the date of this Agreement that any other Person owns and that 7 Oaks uses pursuant to license, sublicense, agreement, or permission. 7 Oaks shall promptly update this Schedule and provide HS with a copy of the updated Schedule with respect to all Patent Rights and Trademarks that 7 Oaks uses pursuant to license, sublicense, agreement or permission arising after the date of this Agreement.

(ii) 7 Oaks has delivered to HS correct and complete copies of all such licenses, sublicenses, agreements, and permissions, as amended to date, and shall deliver promptly to HS correct and complete copies of all such licenses, sublicenses, agreements and permissions that may arise after the date of this Agreement and of all amendments after the date of this Agreement to existing licenses, sublicenses, agreements and permissions.

(iii) With respect to each item of Intellectual Property licensed or sublicensed by 7 Oaks (the “**Licensed Intellectual Property**”):

(A) the license, sublicense, agreement, or permission covering the item is and will remain legal, valid, binding, enforceable, and in full force and effect;

(B) to the knowledge of 7 Oaks, no party to the license, sublicense, agreement, or permission is in breach or default, and no event has occurred which with notice or lapse of time would constitute a breach or default or permit termination, modification, or acceleration thereunder. 7 Oaks promptly shall notify HS upon the occurrence of any such breach, default or event;

(C) no party to the license, sublicense, agreement, or permission has repudiated any provision thereof. 7 Oaks shall promptly notify HS of any such repudiation;

(D) 7 Oaks has not granted and will not grant any sublicense or similar right with respect to the license, sublicense, agreement, or permission except to the extent necessary to subcontract the manufacture of Product as permitted under this Agreement; and

(E) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the knowledge of any of 7 Oaks, is threatened which directly or indirectly challenges the legality, validity, or enforceability of the item other than that certain Civil Case No. 03-CA-3094, Greystone Medical Group, Inc. v. R. Thomas Stanley, et al., in the Circuit Court of the Tenth Judicial Circuit in and For Polk County, Florida (the “Greystone Litigation”). 7 Oaks shall promptly notify HS of any such action, suit, etc.

(d) No other Patent Rights or Trademarks. No Trademarks and, to the best of 7 Oaks’ knowledge after reasonable inquiry, no Patent Rights exist as of the date of this Agreement other than those disclosed on **Schedule A**. **Schedule A** shall clearly specify what rights 7 Oaks has with respect to each Trademark and Patent Right listed thereon.

(e) Infringement of 7 Oaks rights. To the knowledge of 7 Oaks, no Person has ever infringed any Patent Rights or Trademarks.

(f) Exclusive rights. 7 Oaks has and will continue to have the exclusive rights to acquire, market, distribute and sell QRB-7 (a/k/a B-7) and any other oak bark products or compounds, oak-bark derived extracts or other substances or any products or compounds containing any of the preceding developed by, for or with R. Thomas Stanley, Sr. or using his trade secrets, confidential information or other intellectual property or proprietary rights.

(g) Notification. 7 Oaks shall promptly notify HS if any representation or warranty becomes untrue or is breached.

Section 14.3 Filing, Registration and Maintenance. 7 Oaks, at its expense, shall be responsible for filing, maintaining, prosecuting and defending the Trademarks in the Territory. If requested by HS, 7 Oaks shall provide HS, at HS' expense, with copies of all documents relating to the maintenance of the Trademarks in the Territory. 7 Oaks, at its expense, also shall be responsible for prosecuting, maintaining and defending the Patent Rights in the Territory and shall control all Patent Rights filings and actions. 7 Oaks shall use commercially reasonable efforts to obtain Patent extensions for Patents for the Major Countries in the Territory in which such extensions are available. 7 Oaks shall register the trade name of each Product as a trademark, and each such trade name, and any changes to each such trade name, shall be subject to approval by HS, such approval not to be unreasonably withheld or delayed.

Section 14.4 Infringement and Indemnification.

(a) No Infringement. 7 Oaks represents and warrants that each Product, Patent Right and Trademark, whether existing now or in the future, and the manufacture, development, marketing, distribution, sale and use of Product as contemplated under this Agreement, does not and will not infringe upon or misappropriate, as applicable, any patent, trademark, trade secret or other intellectual property or proprietary rights of any Person. There is no legal action or proceeding pending, or to 7 Oaks's knowledge threatened, that involves any allegation that any Product, any Patent Right, any Trademark or the development, manufacture, marketing, distribution, sale or use of any Product infringes upon or misappropriates, as applicable, any patent, trademark, trade secret or other intellectual property or proprietary rights of any Person, other than that certain Civil Case No. 03-CA-3094, Greystone Medical Group, Inc. v. R. Thomas Stanley, et al., in the Circuit Court of the Tenth Judicial Circuit in and for Polk County, Florida (the "Greystone Litigation").

(b) Notice. The Parties shall promptly inform each other of any claims of alleged infringement made by any Person against 7 Oaks, its Affiliates or subcontractors, HS, its Affiliates, or HS Unaffiliated Sublicensees relating to any Product, any Patent Right, any Trademark or the manufacture, marketing, distribution, sale or use of the Product in the Field.

(c) Indemnification. 7 Oaks shall indemnify, defend and hold harmless HS, any and all HS Affiliates and any and all HS Unaffiliated Sublicensees, and each of their officers, directors, managers, owners, employees, agents and permitted successors and assigns, from and against any and all liabilities, damages, claims, demands, costs and/or expenses (including reasonable attorneys' fees and legal costs) arising out of or in connection with any claim (an "Indemnifiable Claim") by any Person that any Product, any Patent Right, any Trademark or the development, manufacture, marketing, distribution, sale or use of any Product infringes or misappropriates, as applicable, the patent, trademark, trade secret or other intellectual property or proprietary rights of any Person.

(d) Indemnification Procedures.

(i) Notice of Indemnifiable Claim. If HS determines to seek indemnification with respect to an Indemnifiable Claim, HS shall give notice to 7 Oaks within ten (10) business days of HS' receipt of

written notice of such Indemnifiable Claim. The notice to 7 Oaks shall be accompanied by a copy of the written notice of the Indemnifiable Claim received by HS.

(ii) Legal Defense. 7 Oaks shall have the right to assume the defense of any Indemnifiable Claim, using legal counsel reasonably acceptable to HS, by providing notice that it will do so to HS within ten (10) days after receiving notice of the Indemnifiable Claim from HS. Notwithstanding the foregoing (a) HS shall also have the right to employ its own counsel and participate in any proceedings relating to an Indemnifiable Claim, but the fees and expenses of such counsel shall be at the expense of HS and (b) any failure or delay by HS to provide notice of an Indemnifiable Claim to 7 Oaks as required herein shall not affect HS' indemnification rights except to the extent such failure or delay materially prejudices 7 Oaks in the defense against such Indemnifiable Claim. HS shall reasonably cooperate with 7 Oaks in the defense of any Indemnification Claim, at 7 Oaks' expense except with respect to retention of duplicate legal counsel by HS as provided above.

(iii) Failure to Defend. In the event that 7 Oaks, within ten (10) days after receipt of the aforesaid notice of an Indemnifiable Claim, fails to assume the defense of HS against such Indemnifiable Claim or if 7 Oaks later discontinues defense of the Indemnifiable Claim, HS shall have the right to undertake the defense, compromise or settlement of such action on behalf of and for the account and risk and expense of 7 Oaks, including all attorneys' fees and costs.

(iv) Separate Counsel; Settlement. Notwithstanding anything in this Section to the contrary, if there is a reasonable probability that an Indemnifiable Claim may have a materially adverse affect on HS or any of its Affiliates, other than as a result of money damages or other money payments, then HS shall have the right, at its own costs and expense, to defend, compromise or settle such Indemnifiable Claim so long as in connection therewith HS makes payment of any money damages related thereto. Neither 7 Oaks nor HS shall enter into any settlement or compromise regarding any Indemnifiable Claim or consent to entry of any judgment in respect thereof without the prior written consent of the other Party, which shall not be unreasonably delayed or withheld.

(v) Suspension of Royalties. During the time any proceeding or appeal regarding an Indemnifiable Claim is pending, any royalties payable by HS under with respect to sales in the country in which such proceeding or appeal is pending may be paid by HS into an interest-bearing escrow account pending the outcome of such proceeding. Upon a favorable final resolution of such proceeding or any appeal thereof, HS shall resume paying 7 Oaks the full royalties in such country, and all funds in such escrow account shall be paid to 7 Oaks. Upon an unfavorable final resolution of such proceeding or any appeal thereof, the funds in such escrow account shall be applied toward the damage award in such action, if any, and the balance, if any, shall be paid to 7 Oaks. If 7 Oaks fails to defend such proceeding or discontinues the defense, all funds in such escrow account shall be returned to HS, and HS shall have no further obligation to pay royalties with respect to sales of Product in such country.

Section 14.5 Infringement of 7 Oaks Intellectual Property.

(a) Notice. The Parties shall promptly provide each other with notice of any information that comes to their attention involving actual or apparent infringement or misappropriation of any Patent Rights, Trademarks or 7 Oaks' trade secrets by any Person.

(b) Enforcement.

(i) 7 Oaks Enforcement. 7 Oaks shall have the first right but not the obligation, to commence, at its own expense, appropriate measures to enforce the Patent Rights and Trademarks against infringement and to protect its trade secrets against misappropriation by Third Parties relating to the development, manufacture, use, marketing, distribution or sale of Product, within a reasonable period of time after 7 Oaks becomes aware of such infringement or misappropriation (including, but not limited to, by notifying the Third Party of such infringement or misappropriation and demanding that such Third Party cease and desist) and, if such infringement or misappropriation does not cease, commence a legal

proceeding to enforce and protect the Patent Rights, Trademarks and/or trade secrets against Third Party infringements or misappropriation, as applicable, within a reasonable period of time of the date 7 Oaks becomes aware of such infringement or misappropriation. 7 Oaks shall notify HS promptly after 7 Oaks becomes aware of such infringement or misappropriation, and, upon request therefor by HS, keep HS reasonably informed regarding 7 Oaks's intended strategy in such situation. During the time any such proceeding or any appeal thereof is pending, no royalties shall be payable by HS with respect to sales of Product in the country in which such proceeding is pending. Upon a favorable final resolution of such proceeding or any appeal thereof, HS shall resume paying 7 Oaks the full royalties in such country, and HS shall also be liable for payment of any back royalties payable for such period for which such a proceeding has been pending. 7 Oaks's commencement of such proceeding shall be at 7 Oaks's own expense, provided that 7 Oaks shall be entitled to retain all recoveries in such proceeding or any appeal thereof and provided that such commencement by 7 Oaks shall not relieve 7 Oaks of any indemnification obligation it may have to HS.

(ii) HS Enforcement. If within a reasonable period of time (not to exceed 90 days) from the date 7 Oaks becomes aware of any alleged Third Party infringement of the Patent Rights or Trademarks or misappropriation of its trade secrets relating to the development, manufacture, use, marketing, distribution or sale of Product, either by notice from HS or otherwise, 7 Oaks has not commenced a legal proceeding pursuant to Section 14.5(b)(i), or if at any time 7 Oaks discontinues the pursuit of such proceeding, HS may, at its option, commence, continue or intervene, as the case may be, in such proceeding. During the time any such proceeding or any appeal thereof is pending, no royalties shall be payable with respect to sales in the country in which such proceeding is pending. Upon a favorable final resolution of such proceeding or any appeal thereof, HS shall resume paying 7 Oaks the full royalties in such country, and HS shall also be liable for payment of any back royalties payable for such period for which such a proceeding has been pending. HS' commencement, continuation or intervention in such proceeding shall be at HS' own expense, provided that HS shall be entitled to retain all recoveries in such proceeding or any appeal thereof and provided that such commencement, continuation or intervention by HS shall not relieve 7 Oaks of any indemnification obligation it may have to HS.

Section 14.6 Mutual Cooperation. In the event of any infringement or misappropriation litigation in the Territory involving any Product, Patent Right, Trademark or trade secret, the non-prosecuting or non-defending Party shall render such reasonable assistance as may be requested by the prosecuting or defending Party in connection with such litigation. If 7 Oaks requests HS' assistance in connection with such litigation, 7 Oaks shall reimburse HS for such direct, documented out-of-pocket expenses as are reasonably incurred by HS during the course of HS providing such requested assistance. If HS requests 7 Oaks's assistance in connection with such litigation, HS shall reimburse 7 Oaks for such direct, documented out-of-pocket expenses as are reasonably incurred by 7 Oaks during the course of it providing such requested assistance. Before incurring such expenses, the Parties shall in good faith agree in writing on the nature and extent of assistance to be rendered, and an estimate of the total expenses, which expenses shall be monitored periodically.

Section 14.7 Activities During Infringement Litigation.

(a) In the event of any patent or trademark or other proprietary right infringement or misappropriation litigation involving a Product in the Territory in which 7 Oaks defends such litigation, 7 Oaks may, at any time following one hundred eighty (180) days after the commencement of such litigation, request in writing that HS suspend the distribution, marketing and sale of the Product, and suspend 7 Oaks's manufacture and supply of Product for HS hereunder, in the part of the Territory so affected pending resolution of such litigation if 7 Oaks reasonably deems such action necessary or advisable to mitigate possible damages that may be incurred during the pendency of such litigation. If HS elects not to comply with such request within thirty (30) days after receipt thereof, then all damages resulting from HS' continued marketing, distribution and sale of the Product in the part of the Territory so affected after HS' receipt of such request shall be borne by HS. If HS elects to comply with such request, such compliance shall be considered a suspension of HS' marketing and sales obligations.

(b) In the event either Party receives a written claim of any alleged or actual infringement or misappropriation of a Third Party patent or trademark or other proprietary right as a result of 7 Oaks', its Affiliates' or subcontractors' manufacturing of or selling Product to HS, or HS, its Affiliates, or HS Unaffiliated Sublicensees marketing, distributing or selling Product in the Territory, each Party shall so notify the other Party and the Parties shall confer regarding the basis for such claim, and discuss how the Parties may resolve the situation. 7 Oaks shall have the right to suspend its manufacture and supply of Product in and/or to the part of the Territory so affected upon twenty (20) days prior written notice to HS pending resolution of such claim or any related infringement litigation, if necessary to mitigate damages that may be incurred. If 7 Oaks exercises its rights hereunder, the Parties shall thereafter discuss from time to time whether the situation has been resolved and, accordingly, whether 7 Oaks is in a position to resume the supply of Product pursuant to this Agreement.

ARTICLE XV. REPRESENTATIONS AND WARRANTIES

Section 15.1 General Representations and Warranties. Each Party hereby represents and warrants to the other Party as follows:

(a) **Corporate Status.** It is a corporation or limited liability company duly organized and validly existing under the laws of its state or other jurisdiction of incorporation or formation and is qualified to do business in any and all other jurisdictions where such qualification is necessary for the performance of its obligations under this Agreement;

(b) **Authority.** It has the power and authority to execute and deliver this Agreement, and to perform its obligations hereunder.

(c) **No conflicts.** The execution, delivery and performance by it of this Agreement and its compliance with the terms and provisions hereof does not and will not conflict with or result in a breach of any of the terms and provisions of or constitute a default under (i) any loan agreement, guaranty, financing agreement, agreement affecting a product or other agreement or instrument binding or affecting it or its property; (ii) the provisions of its charter documents, by-laws or operating agreement, as applicable; or (iii) any order, writ, injunction or decree of any court or governmental authority entered against it or by which any of its property is bound.

(d) **No approvals.** Except for the regulatory filings and approvals for Product referenced herein, no authorization, consent or approval of any governmental authority or Third Party is required for the execution, delivery or performance by it of this Agreement, and the execution, delivery or performance of this Agreement will not violate any law, rule or regulation applicable to such party.

(e) **Enforceability.** This Agreement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to the availability of particular remedies under general equity principles.

(f) **Compliance with Laws.** It shall comply with all applicable local, state, national, regional and governmental laws and regulations relating to its activities under this Agreement.

(g) **Negative Data or Information.** Each Party has, to the best of its management's knowledge, no knowledge of negative data or information regarding Product, which, to the best of its reasonable belief, would have a material effect on the regulatory approval process and/or on the commercialization of the Product in the Field.

Section 15.2 Survival. All representations, warranties and covenants set forth in this Agreement shall survive the execution of this Agreement and shall remain in effect while this Agreement remains in effect.

ARTICLE XVI. TERM AND TERMINATION

Section 16.1 Term. The Term shall be the period commencing on the date of this Agreement and continuing until the tenth anniversary of the date of this Agreement, provided that HS shall have the option to extend the Term for up to an additional four ten-year periods and provided further that with respect to the license or sublicense of any Patent Rights, such license or sublicense shall terminate on the date of expiration or invalidation of such Patent Rights. At the end of each ten-year period, HS shall be deemed to have exercised its option to extend the Term for an additional ten-year period unless HS provides 7 Oaks with notice to the contrary not less than 30 days prior to the end of the current ten-year period. Notwithstanding the foregoing, the Term shall end immediately if the Agreement is terminated under any other provision of this Article. HS' obligations hereunder are contingent on execution by 7 Oaks and R. Thomas Stanley, Sr. of a revised licensing agreement with terms acceptable to HS.

Section 16.2 Termination for Cause. Either Party shall have the right, without prejudice to any other rights or remedies available to it, either to terminate this Agreement or the license rights granted to a Party under this Agreement, on a country-by-country basis, if the other Party commits a material breach of this Agreement and if the Party alleged to be in breach of this Agreement fails to (i) cure such breach or (ii) commence bona fide dispute resolution proceedings under this Agreement contesting whether a breach has occurred and/or whether such breach is a material breach, in either case within sixty (60) days after receipt of written notice from the Party asserting the breach.

Section 16.3 Bankruptcy; Liquidation. Either Party shall have the right to terminate this Agreement, if the other Party is adjudged bankrupt, applies for judicial or extra-judicial settlement with its creditors, makes an assignment for the benefit of its creditors, voluntarily files for bankruptcy or has a receiver or trustee (or the like) in bankruptcy appointed by reason of its insolvency, or in the event an involuntary bankruptcy action is filed against the other Party and not dismissed within ninety (90) days, or if the other Party becomes the subject of liquidation or dissolution proceedings or otherwise discontinues business.

Section 16.4 Termination by Mutual Agreement. The Parties may terminate this Agreement at any time by drafting and executing a mutually acceptable written agreement. The written agreement shall specify the consequences of such termination.

Section 16.5 Termination by 7 Oaks. 7 Oaks shall have the right to terminate this Agreement upon thirty (30) days prior written notice to HS if any business entity which is, or is an Affiliate of, a direct competitor of 7 Oaks with respect to wound care products for use in the Field in the Territory should any time during the Term acquire control over the business affairs of HS by purchase or acquisition of, or acquisition of direct or indirect control over, (a) a fifty percent (50%) or greater interest in HS' issued and outstanding shares, (b) all or substantially all of HS' assets, or (c) the HS business unit(s) or division(s) dealing with Product. If 7 Oaks does not exercise its right to terminate this Agreement pursuant to this Section within thirty (30) days after receipt of notification (such notification to be furnished by HS to 7 Oaks at the latest by the date that such purchase or acquisition becomes public knowledge), 7 Oaks shall irrevocably lose and forfeit such right with respect to that particular purchase or acquisition.

Section 16.6 Termination by HS.

(a) **Change of Control of 7 Oaks.** HS shall have the right to terminate this Agreement upon thirty (30) days prior written notice to 7 Oaks if any business entity which is a direct competitor of HS with respect to wound care products for use in the Field should at any time during the Term acquire control over the business affairs of 7 Oaks by purchase or acquisition of, or acquisition of direct or indirect control over, (a) a fifty percent (50%) or greater interest in 7 Oaks's issued and outstanding stock, (b) all or substantially all of 7 Oaks's assets, or (c) the 7 Oaks business unit(s) or division(s) dealing with Product. If HS does not exercise its right to terminate this Agreement pursuant to this subsection within thirty (30) days after receipt of notification (such notification to be furnished by 7 Oaks to HS at the latest by such purchase or

acquisition becoming public knowledge), HS shall irrevocably lose and forfeit such right with respect to that particular purchase or acquisition.

(b) Safety or Efficacy. If at any time during the Term: (i) an application for Regulatory Approval in any country is not filed or such an application is withdrawn due to documented adverse reactions or other safety issues with the Product or the Product's lack of efficacy or limited efficacy (collectively, "Safety or Efficacy Issues"); (ii) one or more applications for Regulatory Approval in any country are rejected due to Safety or Efficacy Issues; (iii) one or more applications for Regulatory Approval in any country are subsequently withdrawn because of Safety or Efficacy Issues; or (iv) the Product is withdrawn or recalled from the market in any country because of Safety or Efficacy Issues, then HS may, at its option, terminate this Agreement upon thirty (30) days prior written notice to 7 Oaks. HS must exercise this right of termination within the later of (a) sixty (60) days of the occurrence of the event giving rise to such right or (b) thirty (30) days of HS' last meeting, if any, with the relevant regulatory authorities, provided that HS uses reasonable diligence to schedule such meeting and that 7 Oaks is providing reasonable co-operation to HS in connection with such meeting. HS may, at its option, exercise its right of termination based on Safety or Efficacy Issues on a country-by-country basis, and, if HS does so, HS' termination notice shall specify the country or countries of the Territory affected.

(c) Disclosure of Trade Secret. HS shall have the right to terminate this Agreement upon written notice to 7 Oaks if the Trade Secret, or any material portion thereof, is disclosed to any Person except as expressly permitted pursuant to a prior written agreement between the Parties.

(d) Breach of Licensing Agreement with Thomas Stanley. HS shall have the right to terminate this Agreement upon written notice to 7 Oaks if (a) 7 Oaks breaches the Stanley Licensing Agreement and, if applicable, fails to cure such breach within the cure period permitted under the Stanley Licensing Agreement or (b) any event occurs that, with or without notice or passage of time, terminates, or would permit any party to the Stanley Licensing Agreement to terminate, the Stanley Licensing Agreement.

Section 16.7 Effect of Termination. Termination or expiration of this Agreement through any means and for any reason shall not relieve the Parties of any obligations accruing prior thereto and shall be without prejudice to the rights and remedies of either Party with respect to any prior breach of any of the provisions of this Agreement.

ARTICLE XVII. MISCELLANEOUS

Section 17.1 Notice. All notices required or permitted in connection with this Agreement shall be writing and shall be given by personal delivery, prepaid registered or certified first class mail or courier, addressed to the Party to receive the same at its address set forth below, or to such other address as it shall later designate by notice to the other Party. Notice shall be effective upon actual receipt.

Notices to 7 Oaks shall be sent to:

7 Oaks Pharmaceutical Corporation
161 Harry Stanley Drive
Easley, SC 29640
P. O. Box 280
Pickens, SC 29671
Attn: CEO
Telephone: 864-850-1700

With a copy to:

Robert C. Wilson, Jr., Esq.

Wilson Law Firm
201 Whitsett St.
Greenville, SC 29601
Telephone: (864) 242-9488

Notices to HS shall be sent to:

HS Pharmaceuticals, LLC
P.O. Box 25939
Greenville, SC 29616
Attn: CEO
Telephone:

With a copy to:

Andrew B. Coburn, Esq.
Wyche, Burgess, Freeman & Parham, P.A.
44 East Camperdown Way (29601)
P.O. Box 728
Greenville, South Carolina 29602-0728
Telephone: (864) 242-8200

Section 17.2 Entire Agreement. This Agreement, including all schedules, represents the entire agreement between the Parties relating to the subject matter hereof and supersedes all prior and contemporaneous arrangements, understandings, correspondence, notes, minutes and agreements between the Parties (or their predecessors in interest) whether written or oral with respect to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding unless executed by the Parties in writing and signed by the duly authorized representatives of both Parties.

Section 17.3 Assignment.

(a) Neither Party may assign this Agreement or any of its rights hereunder, nor delegate any of its duties or obligations hereunder, to any Person without the prior written consent of the other Party, except as expressly provided under and in accordance with the terms of this Agreement. Either Party may assign the Agreement to an Affiliate upon notice to the other Party. Neither Party shall unreasonably withhold its consent, which (unless reasonably withheld) shall be provided within thirty (30) days of notice of the contemplated assignment, to such contemplated assignment if such contemplated assignment is in connection with the sale by either Party of all or substantially all of its assets to a Third Party. Notwithstanding the foregoing, in no event may either Party assign this Agreement or any of its rights hereunder, or delegate any of its duties or obligations hereunder, to any Person that is a direct competitor of the other Party with respect to wound care products. Either Party may pledge the Agreement as collateral to secure bank financing, provided that the aggregate principal amount of such financing for 7 Oaks does not exceed \$10 million.

(b) No assignment or delegation shall relieve the assigning Party of any of its responsibilities and obligations hereunder unless (A) the other Party has expressly consented to the assignment or delegation in a writing separate from this Agreement that expressly releases the assigning Party of its responsibilities and obligations or (B) the assignment is part of the sale by either Party of all or substantially all of its assets to a Third Party that is not a direct competitor of the other Party with respect to wound care products..

(c) If HS assigns the Agreement to any Person other than an Affiliate, the assignee must meet the following sales targets, as applicable, with respect to each full calendar year beginning after the date of the assignment: (i) annual Net Sales greater than \$10 million for any calendar year beginning prior to the first anniversary of this Agreement; (ii) annual Net Sales greater than \$30 million for any calendar year

beginning on or after the first anniversary but prior to the second anniversary of this Agreement; and (iii) annual Net Sales greater than \$50 million for any calendar year beginning on or after the second anniversary of this Agreement. 7 Oaks shall have the right to terminate this Agreement if the assignee fails to meet any annual Net Sales target.

Section 17.4 Further Assurances. The Parties generally agree to act in good faith and use their commercially reasonable best efforts in the performance of this Agreement and to promote the commercial sale of Product for the mutual benefit of both Parties, and each Party agrees to take such additional actions as may be reasonably necessary or appropriate in furtherance of the purposes of this Agreement.

Section 17.5 Governing Law. This Agreement, including the validity, construction, interpretation and performance thereof, shall be governed entirely by the laws of the State of South Carolina without the application of choice of law provisions or principles. It is the specific intent and agreement of the Parties that the United Nations Convention on the International Sale of Goods shall not apply to this Agreement.

Section 17.6 Dispute Resolution. Except as expressly provided below, all disputes between the Parties arising out of or in connection with this Agreement shall be resolved as follows:

(a) Attempted Amicable Resolution. The Parties shall promptly give each other written notice of any disputes subject to resolution under this Section, which written notice shall specify the Section(s) of this Agreement the other Party is alleged to have breached and shall briefly state the initiating Party's claims, and the Parties shall use reasonable, good faith efforts to resolve any such disputes in an amicable manner. Any disputes that are not resolved in an amicable manner by representatives of the Parties shall be referred, not later than thirty (30) days after initiation of dispute resolution proceedings under this Section, to the Steering Committee for resolution. The Steering Committee shall engage in good faith efforts to attempt to resolve the dispute and shall communicate with each other by telephone or in personal meetings in an effort to resolve the dispute. Neither Party shall commence any formal legal proceedings or, if applicable, arbitration or other alternative dispute resolution proceedings prior to the end of sixty (60) days after initiation of dispute resolution proceedings under this Section.

(b) Effect of commencing dispute resolution. If either Party in good faith commences dispute resolution proceedings under this Section, the non-breaching Party may, at its option, pay any amounts payable to the other Party that are in dispute into an interest-bearing escrow account pending the outcome of such dispute resolution proceedings.

(c) Exceptions. A Party may immediately commence formal legal proceedings or, if applicable, arbitration or other alternative dispute resolution proceedings without waiting for the end of the 60-day dispute resolution period with respect to (i) claims for temporary or permanent injunctive relief or (ii) any other claim where delay in taking action until the end of the 60-day dispute resolution period would cause material and irreparable harm to the Party or materially prejudice the Party's ability to pursue its claim successfully.

Section 17.7 Limitation of Damages. Except (a) as expressly provided in this Agreement (including but not limited to Section 8.6, Section 10.3, Section 12.3 and Section 14.4(c)), (b) in the case of 7 Oaks, with respect to breaches by 7 Oaks of Section 2.1, Section 2.2, Section 2.6, Section 6.2, Section 8.4, Section 12.2(c), Section 12.2(d), ARTICLE XIII or ARTICLE XIV and (c) in the case of HS, with respect to breaches by HS of Section 2.3, Section 6.2, ARTICLE XIII (other than an unintentional breach of Section 13.5(b)), in no event shall either Party be liable to the other Party for any indirect, consequential, special or punitive damages in connection with the performance of this Agreement or any breach of this Agreement.

Section 17.8 Force Majeure. Neither Party shall be held in breach of this Agreement for failure to perform any of its obligations hereunder to the extent and for the time period such performance is prevented in whole or in part by reason of any Force Majeure event, including but not limited to industrial disputes, strikes, lockouts, riots, mobs, fires, floods, and other natural disasters and Acts of God, wars declared or undeclared, civil strife, embargo, currency restrictions, or events caused by reason of laws, regulations or orders by any government,

governmental agency or instrumentality or by any supervening unforeseeable circumstances whatsoever beyond the control of the Party so affected. The Party so affected shall (A) give prompt written notice to the other Party of the nature and date of commencement of the Force Majeure event and its expected duration and (B) use its reasonable efforts to avoid or remove the Force Majeure event as soon as possible to the extent it is so able to do.

Section 17.9 Relationship of Parties. The relationship of the Parties under this Agreement is that of independent contractors. Nothing contained in this Agreement shall be construed so as to constitute the Parties as partners, joint venturers or agents of the other. Neither Party has any express or implied right or authority under this Agreement to assume or create any obligations or make any warranties and representations on behalf of or in the name of the other Party, or to bind the other Party to any contract, agreement or undertaking with any Third Party, and no conduct of the Parties pursuant to the terms of this Agreement shall be deemed to establish such right or authority. Neither Party shall make any representation to Third Parties that the relationship created hereby constitutes a partnership, joint venture or agency relationship.

Section 17.10 Non-Waiver. The failure or delay by either Party at any time to enforce any of the terms or provisions or conditions of this Agreement or exercise any right hereunder shall not constitute a waiver of the same or affect that Party's rights thereafter to enforce or exercise the same. No waiver of any of the provisions of this Agreement shall be deemed binding unless executed in writing by the Party to be bound by it.

Section 17.11 Headings. The headings in this Agreement are for convenience of reference only and shall not be used in the interpretation of any provisions hereof.

Section 17.12 Execution. This Agreement may be executed by the Parties in counterparts, each of which shall be deemed sufficient to prove the existence and terms and conditions hereof but all of which together shall constitute but a single instrument.

IN WITNESS WHEREOF, the Parties' duly authorized representatives hereto have executed this Agreement as of the date first set forth above.

7 OAKS PHARMACEUTICAL CORPORATION

By: 

R. Thomas Stanley, Sr., CEO & President

HS PHARMACEUTICALS, LLC

By: 

Jon Wilken, CEO, President & Manager

Schedule A – Patents, Patent Applications and Trademarks

Schedule B – Commercial Product Specifications.

SCHEDULE A
PATENTS, PATENT APPLICATIONS AND TRADEMARKS

Patents

U.S. Patent No. 5,080,900, Treatment of skin ulcers with an aqueous extract of oak bark ash, issued January 14, 1992 (licensed from T. Stanley)

U.S. Patent No. 6,149,947, Compositions of oak bark extract related synthetic compositions and method of using same (licensed from T. Stanley)

Trademarks (none are currently registered)

Bensal
Bensal HP
LidaCream
LidaCream HP
Bencelok
Anacaine

SCHEDULE B
COMMERCIAL PRODUCT SPECIFICATIONS

Bensal HP:

Benzoic Acid	6.00% (5.88% to 6.3%)
Salicylic Acid	3.00% (2.94% to 3.15%)
QRB-7	15.00%
Carbowax 400, NF	56.00%
Carbowax 3350, NF	20.00%

**7 OAKS PHARMACEUTICAL CORP.
ACTION OF THE BOARD OF DIRECTORS
REGARDING MARKETING, LICENSING AND LOAN AGREEMENTS
January 28, 2005**

The undersigned, being all of the members of the Board of Directors (the "Board") of 7 Oaks Pharmaceutical Corp., a South Carolina corporation (the "Company"), waiving any and all requirements of meeting and notice, hereby adopt the following resolutions by unanimous written consent.

RESOLVED, that the Company is authorized to enter into and perform its obligations under an exclusive licensing, marketing and supply agreement regarding the Company's products with HS Pharmaceuticals, LLC ("HS") in form and substance substantially similar to that attached hereto as Exhibit A entitled "License and Supply Agreement by and between 7 Oaks Pharmaceutical Corporation and HS Pharmaceuticals, LLC," subject to any modifications or additions to the terms thereof that R. Thomas Stanley, Sr. may deem necessary or appropriate as evidenced by his signature on the final, executed version of such agreement. The Board is fully aware of and has fully considered Mr. Stanley's position as a Manager of HS prior to adopting these resolutions;


RESOLVED, that the Company is authorized to enter into and perform its obligations under an amendment and restatement of that certain License Agreement dated February 1, 2001 between R. Thomas Stanley, Sr. and the Company (the "Restated Licensing Agreement") in form and substance substantially similar to that attached hereto as Exhibit B, subject to any modifications or additions to the terms thereof that Daniel T. Stanley may deem necessary or appropriate as evidenced by his signature on the final, executed version of such agreement;

RESOLVED, that, effective upon execution by all parties of the Restated Licensing Agreement, R. Thomas Stanley, Sr. and R. Thomas Stanley, Jr. are designated as the Company's Designated Representatives under the Restated Licensing Agreement;

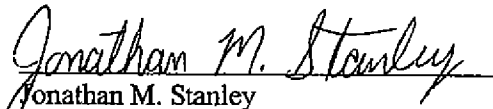
RESOLVED, that the Company is authorized to enter into and perform its obligations under a note and loan agreement in form and substance substantially similar to that attached hereto as Exhibit C, subject to any modifications or additions to the terms thereof that R. Thomas Stanley, Sr. may deem necessary or appropriate as evidenced by his signature on the final, executed version of such Agreement;

RESOLVED, that R. Thomas Stanley, Sr. and R. Thomas Stanley, Jr. and any designee of either of them are each authorized to take any action, on behalf of the Company, that any of them may deem necessary or appropriate in furtherance of the foregoing resolutions, and that any action taken by any officer, employee or agent of the Company prior to the date hereof consistent with the foregoing resolutions is hereby ratified.


Adopted as of the date first set forth above.

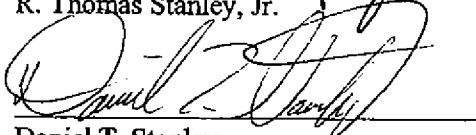

R. Thomas Stanley, Sr.


David E. Stanley


Jonathan M. Stanley

Directors


R. Thomas Stanley, Jr.


Daniel T. Stanley