

## **FAQ: Technosphere® licensing agreement announced by MannKind™, January 21, 2016**

### **What was announced?**

MannKind announced January 21, 2016, that it has entered a proof of concept technology licensing agreement with an independent company, Receptor Life Sciences, Inc., to use MannKind's Technosphere technology as the platform upon which the licensee will develop its pharmaceutical product.

### **When does the agreement begin and what are the key milestones?**

The agreement is effective as of January 20, 2016. As is typical with development deals of this sort, up-front money is minimal, as such payments are reflective of the work already done by the licensor and the risks taken by the licensee. At this point, we have spent little and risked less in validating this possibility. Most of this work is still ahead of us. Even then, our costs are largely confined to supporting their efforts using existing personnel, so our incremental out of pocket costs are minimal. All the risk and virtually all the cost will be borne by Receptor. As they proceed down the development path and achieve specific developmental goals, we receive milestone payments in recognition of the increasing value of our technology in their hands. Again, as is typical, the specific milestones and associated payments are not disclosed for competitive reasons, but I can say the first material milestone is expected to be received this year, if all goes according to plan. Total milestones that might be earned total over \$100 million, but the real value of this license would come from royalties if successful.

### **What are MannKind's responsibilities in the licensing agreement?**

MannKind is responsible for transferring necessary technical information about the Technosphere platform to the licensee and then providing ancillary support as they develop their product on the Technosphere platform, and ultimately ramp up their manufacturing capability. To support these efforts, MannKind will name a team of existing scientific and manufacturing personnel to work with a corresponding team from the licensee, and a project plan will be implemented to manage the process. We anticipate no incremental costs to MannKind, just the costs of existing personnel.

### **What is a proof of concept licensing agreement?**

This agreement is described as a proof of concept licensing agreement because it is the first example of MannKind licensing the Technosphere platform to an independent company for subsequent product development (in contrast to licensing a product that MannKind has already taken through development). This agreement creates a business model from which additional licensing agreements can be designed. The agreement also demonstrates the business opportunity that exists for Technosphere technology in other pharmaceutical arenas.

**Who is the licensing agreement with?**

The licensing agreement is between MannKind and Receptor Life Sciences, Inc., an independent company, not affiliated with MannKind. The company is private and newly formed under this name. We can confirm that the company is funded by an important investor group, supported by prominent business leaders in the Seattle area. Alfred Mann is not an investor or in any way affiliated with Receptor. MannKind did significant diligence in regards to Receptor and its financial backers, and came away quite impressed. But the underlying investors, for good reasons of their own, need not and choose not to disclose their involvement at this time.

**How will Technosphere technology be used by the licensee?**

Technosphere technology is to be used as a vehicle to deliver regulated doses of a proprietary compound to treat a variety of medical conditions, including chronic pain, spasticity and inflammatory diseases such as rheumatoid arthritis.

**What are the benefits of using MannKind's technology for the licensee?**

Technosphere's value proposition is the immediate delivery of a consistent and precise dosage of the prescribed amount of an active therapeutic compound, while reducing unwanted side effects. In addition, MannKind's inhalers are convenient, discreet and easy-to-use from patients' perspective as well as being a robust and low-cost delivery system from a manufacturing perspective.

**What are the financial terms of the agreement?**

Under the terms of the licensing agreement, Mannkind is eligible to receive up to \$102.25 million in milestone payments. Additionally, MannKind will receive royalties paid on sales of the product. Those royalties are tiered based on sales volumes, and range from the mid-single digits at lower volumes to low double digits at higher volumes.

**Is the agreement exclusive in any way?**

The agreement is exclusive only to the compounds used by the licensee, which are proprietary to them in any case. It does not prevent us from entering into other licensing agreements with other companies, even in the same therapeutic area, so long as they use different active compounds.