

SOFTWARE LICENSE AGREEMENT—DISTRIBUTION

This Software License Agreement—Distribution (this “**Agreement**”) is entered into as of _____ (the “**Effective Date**”) between _____, a company formed under the laws of _____ and doing business for purposes of this Agreement at _____ (“**Licensee**”) and Validity Sensors, Inc., a Delaware corporation doing business for purposes of this Agreement at 2199 Zanker Road, San Jose, California 95131 (“**Validity**”), based on the following facts:

- A. Licensee has purchased or is about to purchase, from Validity, fingerprint sensors (“**Sensors**”) that Licensee intends to sell to hardware manufacturers (“**Manufacturers**”) who will integrate the Sensors into such Manufacturers’ hardware products (“**Products**”);
- B. Validity offers and Licensee wishes to receive software that enables utilization of Sensors(the “**Software**”); and
- C. Licensee and Validity wish to set out in this Agreement the terms and conditions governing Licensee’s use of the Software and the parties’ responsibilities to one another with respect to the Software.

NOW, THEREFORE, Licensee and Validity agree as follows:

Article 1. License

1.1. Grant. Subject to Licensee’s compliance with the terms and conditions in this Agreement, Validity hereby grants Licensee a non-exclusive, perpetual, no fee license to use the Software with any Sensor, and only with a Sensor, and to use all written materials accompanying the Software (the “**Documentation**”). Validity also grants Licensee a non-exclusive, perpetual, no fee license to distribute a Validity proprietary application programming interface (the “**API**”) that allows the Sensors to operate with Products. All references in this Agreement to Software shall include the API. Validity may make the Software and Documentation available by CD or by download.

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Article 6. Infringement Indemnity by Validity; Indemnity by Licensee.

6.1. Subject to Validity's overriding right to resolve any infringement issue pursuant to any of the alternatives set forth in Section 6.2 and the exceptions set out in Section 6.3, as long as Licensee provides Validity with prompt written notice of such claim or action, offers Validity sole control and authority over the defense or settlement of such claim or action, including all appeals, and provides complete information and reasonable assistance to defend or settle such claim, Validity shall, at Validity's own expense, defend or settle, at Validity's option, any claim or action brought against Licensee based on a claim that any of the Software, as used by Licensee strictly within the scope contemplated by this Agreement, infringes a U.S. copyright or a U.S. patent issued no later than 60 days prior to the Effective Date and shall indemnify Licensee against all damages and costs, including reasonable legal fees, that a court finally awards against Licensee, or Licensee reasonably incurs, to the extent resulting from any such claim or action.

6.2. If any Software becomes, or in Validity's opinion is likely to become, the subject of any such infringement claim, Licensee shall permit Validity, at Validity's option and expense, to: (i) procure for Licensee the right to continue using the Software; (ii) replace or modify the Software so that it becomes noninfringing; or (iii) terminate Licensee's right to use the Software, in which case Licensee shall promptly destroy all copies of the Software and certify the same to Validity.

6.3. Validity shall have no liability for any claim of patent, copyright or trade secret infringement that is based on: (i) use of other than the latest version of the Software, if such infringement could have been avoided by the use of the latest version; (ii) use or combination of the Software with software, hardware or any other material not recommended by Validity, (iii) use of the Software in a manner other than that for which it was designed or contemplated as evidenced by Validity's Documentation; (iv) any modification by Licensee or a third party of the Software that has not been authorized or recommended by Validity; or (v) any compliance with designs, plans or specifications furnished by Licensee or on Licensee's behalf.

6.4. This Article 6 states the entire liability of Validity and Licensee's sole and exclusive right to recover, with respect to infringement of any intellectual property right, and Validity shall have no additional liability with respect to any alleged or proved infringement.

6.5. Licensee shall defend, indemnify and hold Validity harmless against any claim against Validity to the extent attributable to Licensee's negligence or intentional misconduct or to any misrepresentation by Licensee.

Article 7. Governing Law, Attorney's Fees

7.1. The laws of the State of California shall govern this Agreement. The parties specifically exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. Any action by either party with respect to this Agreement, the Software or any Sensor must be brought in the state or federal courts sitting in Santa Clara County, California, and each party submits to the personal jurisdiction of such courts.

7.2. In any legal action or proceeding in relation to this Agreement or its interpretation, the prevailing party shall be entitled to recover reasonable attorneys' fees as well as all costs of suit, in addition to any other relief to which it becomes entitled.

Article 8. Severability. If any provision of this Agreement is adjudged to be illegal, unenforceable, prohibited or invalid, in whole or in part, under applicable law, such provision shall be ineffective only to the extent of such illegality, unenforceability, prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Article 9. Waiver; Amendment; Modifications. No modification of or amendment to this Agreement nor any waiver of any right under this Agreement shall be effective unless in writing and signed by the party to be charged. Failure by either party at any time to require the other party's performance of any obligation under this Agreement shall not affect the right subsequently to require performance of that obligation. Any waiver of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision or a waiver or modification of the provision.

Article 10. Assignment. Licensee may not assign or otherwise transfer its rights or interest in this Agreement without the prior written consent of Validity.

Article 11. Notices. All notices required or permitted under this Agreement shall be given in writing to the chief executive officer of the other party at the address set forth in the preamble of this Agreement, and such notices shall be considered given when received. Either party may change its address or recipient for notices by notice to the other party.

Article 12. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, with respect to such subject matter.

IN WITNESS WHEREOF, Licensee and Validity enter into this Agreement as of the Effective Date.

Licensee: _____

Validity Sensors, Inc.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____