

# CANCER COMPANY – MENTOR CAPITAL LONG-TERM EQUITY FUNDING AGREEMENT

**\$10,000,000**

*(Out of \$125,000,000)*

-- 1,000,000 Cancer Company Shares at \$10 per Common Share --

This Long-Term Equity Funding Agreement (the "Agreement") is entered into this **15<sup>th</sup> day of April, 2011** ("Effective Date"), by and among the following parties:

**Cancer Company, Inc.**, a Delaware corporation ("**CC**"), and

**Mentor Capital, Inc.**, a California corporation ("**MNTR**").

(The above parties, together, may be collectively referred to in this Agreement as the "**Parties**" or individually as the "**Party**").

## BACKGROUND

**MNTR** has an approved \$125,000,000 public capitalization structure being used to provide funding to a mix of cancer fighting companies. Funds raised are transferred monthly *pro rata* to the participating firms. Cash is generated by the exercise of **MNTR's** freely trading warrants. Title to the various cancer company shares are transferred to **MNTR**. All cancer company shares are deposited to a non-voting escrow portfolio and held until the respective company investment payable for that company is 100% remitted. In escrow, the company shares may not be sold, loaned or used as security on any debt.

**CC** is a privately/publicly funded biotechnology company focused on developing cancer immunotherapies/vaccines/treatments, etc. in patients fighting breast/prostate/lung, etc. cancers. **CC** previously announced favorable Phase I/II FDA trial results, etc. and is focused on progressing into and funding Phase III trials, etc.

**CC** desires to participate in the **MNTR** long-term cancer equity funding program and through this vehicle receive **\$10,000,000** in funding. **MNTR** seeks to provide said funding according to the terms specifically detailed following:

## AGREEMENT DETAIL

### 1 Purchase of **\$10,000,000** in Restricted **CC** Shares:

Upon execution of this Agreement, **MNTR** will purchase and **CC** will sell **\$10,000,000** (the "Purchase Price") of **CC** restricted common shares to **MNTR**. The number of restricted **CC** common shares being purchased (the "Purchase Shares") is **1,000,000**. The price that **MNTR** will pay **CC** per share (the "Share Price") shall be **\$10.00** per share.

**2 Payment of \$10,000,000 by MNTR to CC:**

MNTR shall pay the Purchase Price to CC in cash, wire or company check in good funds from the proceeds of MNTR's \$125,000,000 in warrants. If the CC market price for its shares decreases, MNTR is still obligated to pay the entire \$10,000,000 Purchase Price to CC to the limit of the total warrant proceeds. Periodic payments will be made monthly within thirty-days of the close of the month during which funds from warrant proceeds are received.

**3 \$125,000,000 Total in Net Warrant Proceeds to be Paid Out:**

Under related Long-Term Equity Funding Agreements, similar to the CC Agreement, MNTR looks to provide \$125,000,000 in equity funding to various cancer related companies including CC. Other things being equal, increasing cancer assets should result in an upward bias on the MNTR per share price. An increasing share price would add direct pressure toward the exercise of warrants. The resulting increased net warrant cash proceeds are targeted to flow to the participating cancer companies, including CC, on a pro rata basis. The contractual commitment is to apply all warrant proceeds, net of normal business expenses, up to \$125,000,000 to pay off the multiple Long-Term Equity Funding Agreements, including reserving \$10,000,000 for CC.

**4 Pro Rata Payment to CC and Other Equity Funding Partners:**

CC and other cancer companies will be funded together over time from a common pool of \$125,000,000 in warrant proceeds. The baseline allocation of funds between companies will be pro rata according to their original respective purchase prices. For example, assume four hypothetical cancer companies were to be funded for \$10MM, \$20MM, \$30MM and \$40MM. If a particular monthly allocation of warrant proceeds were to be \$10MM, then these four cancer companies would start with a baseline allocation of \$1MM, \$2MM, \$3MM and \$4MM, respectively.

**5 Accelerated Funding for CC Based Upon Increased CC Value per Share and Time:**

In calculating the pro rata percentage of total monthly warrant proceeds to be paid out to CC, extra weight will be given for per share value growth in CC with a strong bias toward paying off early participants first. The \$10MM Purchase Price does not change, but could be accelerated and paid earlier by applying a Rapid Payoff Factor.

The Rapid Payoff Factor (RPF) is a rolling quarterly adjustment to the weighting of the \$10MM Purchase Price for pro rata calculation purposes only. The RPF starts at a neutral 100% weight that will be increased (or decreased) each quarter by multiplying the existing quarter RPF by the cumulative growth in value from \$10.00 / share. (Mathematically: New RPF = Old RPF x (current quarter ending share value) / \$10.00 per share. And, RPF x Purchase Price = Weighted Price for pro rata calculation).

Thus, if the share value for CC immediately increased to \$11/sh (+10%) and afterwards remains flat, then in the first and progressive quarters the following values would apply for pro rata calculation of the allocation of warrant proceeds:

Q1 RPF = 100%	Weighted Price = Purchase Price	= \$10MM
Q2 RPF = 100% x 110% = 110%	Weighted Price = 110% x Purchase Price	= \$11MM
Q3 RPF = 110% x 110% = 121%	Weighted Price = 121% x Purchase Price	= \$12.1MM
Q4 RPF = 121% x 110% = 133.1%	Weighted Price = 133.1% x Purchase Price	= \$13.31MM

The Rapid Payoff Factor especially speeds up the payment to growing firms that sign-up early.

Conversely, if **CC** real value declines or does not keep pace with other participating cancer companies, then the **CC** payout will slow relative to the faster growing cancer companies. Regardless of the speed of payment, the total Purchase Price and payout of **\$10MM** is fixed.

The quarterly determination of current value is generally based upon a closing bid price, however, the final determination of current value is at the sole reasonable discretion of **MNTR**.

## 6 Emergency Funding Acceleration by **CC** for **CC**:

In the face of an unforeseen financial need, **CC** has some control over accelerating the payout it receives. **CC** may unilaterally adjust the RPF by issuing **MNTR** additional restricted shares without adjusting the **\$10,000,000** Purchase Price. This would lower the overall **CC** selling Share Price. For example, if the average selling Share Price were lowered to **\$8/share** (**\$10** then is a 25% premium) by issuing **MNTR** an additional **250,000** shares, the Weighted Price and share of payout would increase as follows: (For direct comparison, the same 10% growth data for a *pro rata* allocation from Section 5 above, is included).

Q1 RPF = 125%	Weighted Price = 125% x Purchase Price	= <b>\$12.5MM</b>
Q2 RPF = 125% x 137.5% = 172%	Weighted Price = 172% x Purchase Price	= <b>\$17.2MM</b>
Q3 RPF = 172% x 137.5% = 236%	Weighted Price = 236% x Purchase Price	= <b>\$23.6MM</b>
Q4 RPF = 236% x 137.5% = 325%	Weighted Price = 325% x Purchase Price	= <b>\$32.5MM</b>

The examples above show how an approximately 300% increase in payout rate might follow from a 25% decrease in Share Price. (Note: (i) The RPF is not historically readjusted, rather the adjustment is applied to the current and future RPF calculations, and (ii) The Share Price adjustment is calculated and applied across all **1,000,000 CC** Purchase Shares).

## 7 Funding in Steps:

The **Parties** may enter into a second or multiple Long-Term Equity Funding Agreements. Each new agreement will stand on its own and may have different pricing based on changing market values for the **CC** shares purchased at different times.

## 8 100% Escrow Until 100% Payoff of Investment Payable:

Until the \$10,000,000 Purchase Price is 100% retired, the entire **1,000,000 CC** Purchase Shares will be held in escrow at the Escrow Company of San Diego. The Purchase Shares are not released incrementally, nor in steps. The escrowed shares may not be voted, sold, loaned, assigned, shorted or used as security for any debt. When the entire **MNTR** investment payable to **CC** is retired, the Purchase Shares shall be released to **MNTR**.

## 9 Affiliated **MNTR** Cancer Funding Programs are Separate:

**MNTR** is directing and will continue to participate in other cancer funding programs and approaches. At different times **CC** may receive separate additional cancer funding from **MNTR** through an affiliated and **MNTR** managed investment vehicle. If such affiliated investment is separately made, it will remain separate from the Agreement. Neither the affiliate nor **MNTR** will incur any additional liability because of the affiliated second investment. At anytime, **MNTR** may also pay from other financial sources or direct a **MNTR** controlled entity to pay all or a portion of the **CC** investment payable obligation in cash, certified check or by wire. Any internal reassignment to an entity under **MNTR** control will be specifically acceptable under the prohibition of general reassignment. Regardless of the source of **MNTR** funding, the escrow requirement from Section 8 remains in full effect for all **CC** shares until 100% of the **MNTR** original investment payable equal to the **\$10,000,000** Purchase Price and due to **CC** is retired.

## 10 Contingent Payoff:

Irrespective of the best of planning, it is possible that unforeseen events (e.g. lawsuit, enforcement action, natural disaster or just bad performance in the market) can interfere with the overall exercise of the \$125,000,000 in **MNTR** warrants. In that case, **MNTR** may not be able to pay the **\$10,000,000** Purchase Price to **CC** in cash or good funds as required under Section 2, herein.

At anytime, notwithstanding the requirements of previous sections, **MNTR** may take the following four actions as a "Contingent Payoff" of its obligations under Section 2:

- (i) Verify that at current exercise prices, sufficient warrants were reserved to generate \$125,000,000 in warrant proceeds to be applied to satisfy the total of all Long-Term Equity Funding Agreements, including to **CC**.
- (ii) Reset the warrants from (i) to a lower exercise price and exercise them. This would wring the final monies from the remaining warrants, but mathematically would probably not generate \$125,000,000 in proceeds.
- (iii) Disperse the collected net proceeds according to formula, including to **CC**.
- (iv) Return to **CC**, and other participating cancer companies, that residual fraction of shares in escrow of equal proportion to the fraction of the associated investment payable that had not yet been paid to **CC** in cash or good funds.

The net result of the Contingent Payoff, if triggered before the **CC** investment payable can under formula be 100% paid, is that (a) **CC** will be paid in cash for a portion **1,000,000** Purchase Shares at the **\$10/sh** Share Price, (b) Any remaining shares that could not be paid for with warrant proceeds will be returned, and (c) **MNTR** will be required to sell shares at a discount diluting its share price in the market.

Once residual shares are returned, there will be no residual obligation or liability for any Party and the Agreement is fully satisfied.

## OTHER PROVISIONS

### 11 Termination :

Either **Party** may terminate actions toward consummation of this Agreement prior to its close by informing the other **Party** in writing. In the event of termination each **Party** will pay its own incurred expenses and no **Party** nor its officers, directors or shareholders will be liable to any other **Party** for costs, expenses, damage or loss of anticipated profits hereunder. This Agreement will automatically terminate if the transaction contemplated by this Agreement is not closed by **May 15, 2011**.

### 12 Miscellaneous Provisions:

The **Parties** agree to bear their own expenses with regard to the Agreement. The subject headings and Background are included for purposes of convenience only and shall not affect the construction or interpretation of any provision. This Agreement constitutes the entire agreement between the **Parties** and supersedes all prior and contemporaneous agreements. Any modification to this Agreement must be in writing. At anytime, and from time to time after the close, each **Party** will execute such additional instruments and take such actions as may be reasonably requested by the other **Party** to confirm or perfect title to any property transferred hereunder, or otherwise to carry out the intent and purpose of this Agreement. This Agreement shall be binding on, and shall inure to the benefit of, the **Parties** and their respective heirs, their legal representatives, successors and assigns. If any provision of this Agreement is deemed unenforceable, the other provisions shall remain in full force and effect. No action taken by any **Party** nor waiver of any provision will be deemed to constitute a waiver of any other provision of the Agreement.

**13 Governing Law, Arbitration and Legal Fees:**

This Agreement shall be governed and construed in accordance with the laws of the State of California, excluding its choice of laws rules. In the event that any dispute is unresolved after good faith attempts by the **Parties**, any **Party** may demand arbitration. In that case, the matter will be submitted to final and binding arbitration before an arbitrator of the American Arbitration Association. The county and state for conducting the arbitration will be selected by the **Party** not requesting the arbitration. In the event a **Party** brings any legal action or submits any claim or controversy to arbitration with respect to this Agreement, the prevailing **Party**, in addition to any other remedies available to it, shall be entitled to recover reasonable attorneys' fees and costs from the non-prevailing **Party**, regardless of whether such action, claim or controversy is prosecuted or arbitrated to completion.

**14 Notices and Representative Authority:**

The representative for each respective **Party** is as shown below. All notices under this Agreement shall be in writing and will be deemed to be duly given on the third day after mailing by first class mail, registered or certified, postage prepaid to the address set forth below:

If to **CC**:

**CANCER COMPANY, INC.**  
**1234 First Avenue**  
**Anytown, CA 12345**  
Attn: **John Smith**, CEO

If to **MNTR**:

**MENTOR CAPITAL, INC.**  
P.O. Box 1709  
Ramona, CA 92065  
Attn: Chester Billingsley, CEO

IN WITNESS WHEREOF, the **Parties** to this Agreement have duly executed it as of the date first set forth above:

**CANCER COMPANY, INC.**

**Mentor Capital, Inc.**

BY: \_\_\_\_\_  
**John Smith**, CEO

BY: \_\_\_\_\_  
Chester Billingsley, CEO

**( This Master Template is as an Example, Only )**