

# CU Technology Transfer and New Business Development

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# CU Technology Transfer Today: a revitalized operation approaching national prominence

<u>Fiscal Years</u>	<u>00-1</u>	<u>01-2</u>	<u>02-3</u>	<u>03-4</u>	<u>04-5</u>
Invention disclosures	79	121	124	147	177
Patent applications filed	69	69	82	100	139
Options and licenses	14	24	33	41	59
Revenue received*	\$2.2M	\$2.2M	\$3.4M	\$5.8M	\$21.7M
Start-up companies	3	3	6	9	9

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\* does not include revenue derived from legal settlements which in FY03-4 amounted to \$28.1M and in FY04-5 amounted to \$6.7M

# Technology Transfer Benefits

- For inventors – when revenue generated
  - inventor(s) receive 25% of net proceeds as income, and
  - 25% for their research (lab account) as unrestricted funds
- For campuses – 25% share divided at campus level, mainly to inventor(s) departments
- For CU System – 25% goes to fund TTO (~\$4M budget) remainder goes to TTO endowment-like fund that pays for the POC programs and to support research initiation grants
- 225 active licenses and options with companies in CO and across the nation developing and in many cases deploying technology created at CU

# TTO's Role in CU IP Licensee Start-ups

- Secure and protect the IP
- Help the inventors understand the business development process and help set COI expectations
- Augment TTO staff with students (\$140K intern budget) and classes
- Work with business community to find advice and talent
- Provide Proof of Concept programs funding
- Three requirements for a start-up to receive a license
  - Compelling business plan
  - Management to execute it
  - Initial capital and ability to access needed capital

# The Process of Involving the Community

- TTO prepares platform or core technology invention summary
- Case reviewed by Core Advisory groups convened by intermediary “incubator” organizations
  - Domain areas: software, biotech, alternative energy and another emerging in aerospace
- “Low bar” set for Case Advisory group involvement
- Case Advisory group meets and iteratively works on development strategy/plan
- Students involved in Case Advisory groups whenever possible

# Populating the Start-up Case Advisor Group Table

**TTO Case Manager  
and/or Bus Dev Director**

**Angel or VC**

**Serial Entrepreneur**

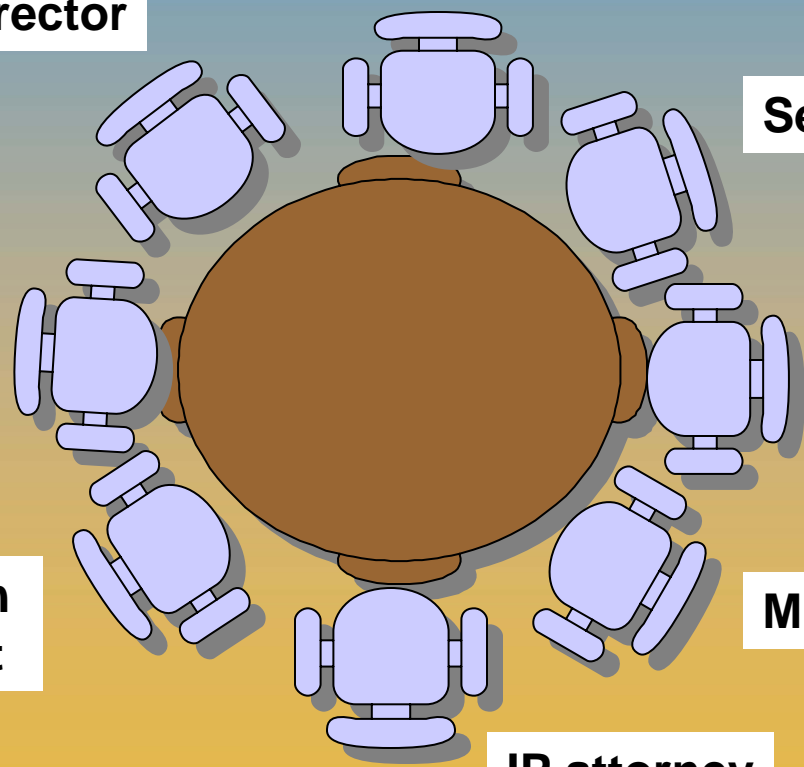
**Incubator Staff**

**Inventor**

**Domain  
Expert**

**MBA Student**

**IP attorney**



# CU Proof of Concept grant (POCg) Program

- Purpose: provide funds for technology development of inventions to enhance patent claims and enhance commercial opportunity.
- Internally funded from TTO operational budget
- \$250K for first round; 2 rounds per year at same level
- 30 \$25K and 9 \$10K applications received
- Internal review and selection late 2005 yielded five \$10k proposals and eight \$25k proposals: funding Jan – May 2006

# CU Proof of Concept investment (POCi) Program

- Purpose: provide funds for technology development to establish/advance commercial viability for promising start-up companies that have licensed CU IP
- Internally funded from TTO endowment and royalty \$
- \$100K (loan) convertible debt investments per start-up
- Business plan, entrepreneur and option/license needed
- Applications reviewed by two panels of VCs
- 2 application rounds: Fall & Spring – 5 loans annually
- Eight loans thus far, one converted to equity
- First investment other than family and friends

# University License Equity Holdings, Inc.

- ULEHI [a 501 (C) 3, non-profit corporation exists solely for the benefit of CU
- It's primary purpose is to hold private equity for CU that was received as partial consideration for the license and to manage/liquidate that equity
- Consistent with this purpose, ULEHI also holds the convertible debt notes received from Proof of Concept investment (POCi) Program company recipients
- ULEHI's Board approves all stock and debt transactions
- The equity portfolio is composed of the following:
  - Equity in 21 ongoing private companies
  - Warrants in two public and two private companies, and
  - \$100K+ convertible debt in seven private companies
- Six liquidations in past three years

# A Typical Deal Example

- During the process of assessing and creating a commercial strategy, a business person with financial backing steps up
- An option is executed and about six months later a license
- A term of license consideration is CU ownership, which comes from a stock subscription or LLC membership
- ULEHI typically receives X% of \$Y financing, then % diluted
- Four of five companies require additional capital – in the form of two to five investment rounds
- Equity held until liquidation through either acquisition or IPO
- ULEHI sells when it can – no price speculation
- ULEHI conveys proceeds to TTO and TTO distributes cash per the royalty distribution policy
- Opportunity exists to continue ULEHI investing to retain initial % ownership, thereby increasing the economic return