University of California

OTT

OFFICE OF TECHNOLOGY TRANSFER

Office of the President

MEMO
Operating Guidance

No. 03-01
January 31, 2003

PATENT COORDINATORS
CONTRACT AND GRANT OFFICERS
VICE CHANCELLORS - RESEARCH/ADMINISTRATION

SUBJECT: Post-Licensing Equity Management Model

Beginning February 1, 2003, the Treasurer's Office will implement a new "rule-based" equity disposition management model for securities resulting from campus/Laboratory licensing-related transactions. Based upon the Treasurer's discussions with UCOP's Office of Technology Transfer (OTT) and the Technology Transfer Advisory Committee (TTAC), the following "rule-based" model will be used in liquidating stocks resulting from approved University licensing-related transactions:

1) 50% of each security received under a licensing-related transaction will be sold at the first available opportunity once all restrictions are removed and any stock registration transactions are completed (for unregistered securities this will typically occur after the expiration of the market standoff restriction period – usually 180 days – following the company's initial public offering (IPO) of its stock);

2) 25% of the remaining shares will be sold approximately six months later; and

3) the remaining 25% will be sold approximately six months after that.

This disciplined strategy reflects the Treasurer's preferred approach to capturing, on balance, reasonable value from the class of securities typically received under a licensing-related transaction. The Treasurer is implementing the "rule-based" equity disposition management model under the authority of Regents Bylaw 21.4(c), which authorizes the Treasurer to manage those securities held in the name of The Regents.

In an effort to address the interest expressed by some campus/Laboratory representatives through the TTAC and OTT to have the option to capture a portion of the longer-term potential value of equity received under University technology licensing-related transactions, the Treasurer's equity disposition management model will allow campus/Laboratory Authorized Licensing Offices (ALO) to make a one-time, irrevocable election to take a longer-term position on the final 25% of the University's equity holdings (including any inventors' shares) in a particular licensee, on a case-by case basis. Such a longer-term position would be for a fixed period of time ranging from 2-5 years (to be determined at the time of such election) from initiation of disposition under the "rule-based" model and would apply to the final 25% remaining shares of equity held by the Treasurer's Office (including any inventor shares being held by the Treasurer's Office). This one-time election can be exercised by the campus/Laboratory ALO by indicating the ALO's preference on the revised University Acceptance of

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tel: (510) 587-6000 fax: (510) 587-6090

Equity Form when the equity is initially transferred to the Treasurer's Office. A copy of the revised form is enclosed for your convenience. Each ALO should advise University inventors of the new "rule-based" model when seeking their preference as to holding their shares of equity directly or having the University hold and manage their shares along with the University's shares of equity. Business & Finance Bulletin G-44, "Guidelines on Accepting Equity When Licensing University Technology" will be updated to reflect the change in the equity management model employed by the Treasurer's Office. The Bulletin can be accessed from OTT's web site at http://patron.ucop.edu/ottmemos/docs/ott02-01.html along with the updated University Acceptance of Equity Form. If you have any questions concerning this Operating Guidance Memo, please contact Chuck Rzeszutko.

Refer questions to: Chuck Rzeszutko
(510) 587-6063
charles.rzeszutko@ucop.edu

Sincerely,

Joe Acanfora
Director
Policy, Analysis & Campus Services

Enclosure: University Acceptance of Equity Form (Revised 1/29/03)

cc: Executive Director Bennett
University Counsel Simpson
Director Yastishak
OTT Directors
TTAC Members

UNIVERSITY ACCEPTANCE OF EQUITY FORM

(Revised 1/30/03)

To: Robert Yastishak, Dir. of Treasury Operations
Treasurer of The Regents
University of California
1111 Broadway, 14th Floor
Oakland, CA 94607-5200

Bulletin No: G-44
Date: 02/15/02
APPENDIX F
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From:
Originating Office ____ OTT ____ UCB ____ UCD ____ UCI ____ UCLA
____ UCSD ____ UCSF ____ LBNL ____ LLNL ____ LANL

Licensing Contact: ______________________________ Phone: ________________

Subject: Acceptance of Equity for UC Agreement No. ______________ Case No(s). __________

Please accept the enclosed stock certificate, as described below, for the subject licensing-related transaction. These equity interests should be managed pursuant to the University Equity Policy and Business and Finance Bulletin No. G-44.

Company Name: ______________________________
Legal Address: ______________________________
____
Company Contact: ______________________________ Phone: ________________

Total number of shares transmitted: ______________________

These shares represent:

______ University shares only (All inventor shares of stock distributed directly to inventors.)

______ University and inventor shares

______ Number of shares to University
______ Number of shares to Inventor (1) Name: ______________________
______ Number of shares to Inventor (2) Name: ______________________
______ Number of shares to Inventor (3) Name: ______________________

Are these shares publicly traded? ______ Yes ______ No
If no, I recommend that the Treasurer book these shares at:
(check one) ______ Value of $ ____________
Please attach rationale for this valuation

______ Default valuation (e.g. $.10 per share)

Are there restrictions on the future transfer or sale of this stock?
______ No
______ Yes, SEC Rule 144
______ Yes, Other ______________________

Does the agreement include provisions for additional equity to be issued to the University? ___ Yes ____ No.
If yes, attach explanation.

Attachments: ____ Stock certificate
____ Executive Director Bennett Approval
____ Executed license agreement
____ Other equity-related documents
(describe) ______________________

____
ALO Director Signature Date

cc w/attachments: OTT Executive Director

ALO Election of a Longer Term Position in Licensee

The equity disposition management model will allow the campus/Laboratory Authorized Licensing Office (ALO) to make a one-time, irrevocable election to take a longer-term position on the final 25% of the University's equity holdings (including any inventors' shares) in a particular licensee, on a case-by case basis. Such a longer-term position would be for a fixed period of time ranging from 2-5 years (to be determined at the time of such election) from initiation of disposition under the "rule-based" model employed by the Treasurer's Office, including any inventor shares being held by the Treasurer's Office.

Please indicate your election below (the default selection is indicated below should the ALO fail to indicate a choice):

☐ (**Default**) The ALO does NOT elect to take a longer-term position on the final 25% of the University's equity holdings herein submitted to the Treasurer's Office.

☐ The ALO does elect to take a longer-term position on the final 25% of the University's equity holdings herein submitted to the Treasurer's Office for a term of

(select one of the following):

- ☐ 2 years
- ☐ 3 years
- ☐ 4 years
- ☐ 5 years

from initiation of disposition under the "rule-based" model employed by the Treasurer's Office.