



PRINCIPLES FOR UNIVERSITY OF ALBERTA SPINOFFS

JUNE 2015

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5 Principles

1. Alignment: we structure the license and spinoff such that the University, the Inventor(s), and the resulting company have strong alignment; for example, all parties having equity with similar rights creates alignment.
2. We do deals that conserve cash early in the startup's life.
3. But we have an expectation that in the event of success, the University has a legitimate share of the long-term upside.
4. We do deals that stand the test of time; that is, we will look back in 1, 3, 5, and 10 years and know that we've negotiated a fair deal for all parties. We do not do deals just to get them done if they are not good in the long run.
5. Full and complete deal: if any of the above principles are not clearly met in negotiating a deal, the full TEC Executive reviews it before approval. If all the above principles are unequivocally in place, the Vice President of Tech Management, or the EVP of Business Development, with input from TEC's legal counsel, can verbally commit to a deal.



TYPICAL DEAL TERMS - 1

- Royalty on sales, set lower than market benchmarks for similar technologies / industries, and also usually having a royalty holiday for several years. Why: reduced cash burn for company early in its life.
- A percentage of any sub-licensing fee, set at market benchmarks. Why: to ensure that sublicensing isn't "washing out" inventor and university interests.
- TEC permission required for sub-licensing. Why: alignment of interests. Each party deserves to know who is using its technology.
- An equity stake for the University, typically 25% of the initial common shares, with dilution as new investors come in. Why: alignment of interests and reduced cash burn from royalties in a company's early life.

TYPICAL DEAL TERMS - 2

- We usually do not include other terms common in IP licenses, such as up-front fees and early milestone payments. Why: reduced cash burn for company.
- We offer services of technology management professionals, Executives-in-Residence, and business development team at no additional cost as part of the above deal. Every new company needs a lot of things, and our people provide critical help in the company's early life to help it launch successfully: this also reduces cash draw on an early company.

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THANK YOU!

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