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Committee Meeting: 8/24/2011  
Austin, Texas

*James D. Dannenbaum, Chairman*  
*R. Steven Hicks, Vice Chairman*  
*Alex M. Cranberg*  
*Printice L. Gary*  
*Brenda Pejovich*

	<b>Committee Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>9:30 a.m.</i> <i>Chairman Dannenbaum</i>	
<b>1. U. T. System: Report on Technology Commercialization</b>	<i>9:30 a.m.</i> <b>Report/Discussion</b> <i>Dr. Richard Miller,</i> <i>U. T. Austin</i>	<b>246</b>
<b>2. U. T. System: U. T. Horizon Fund update</b>	<i>9:45 a.m.</i> <b>Report/Discussion</b> <i>Mr. Allinson</i>	<b>249</b>
<b>3. U. T. System: Research and Commercialization Search Engine update</b>	<i>10:00 a.m.</i> <b>Report/Discussion</b> <i>Mr. Allinson</i> <i>Ms. Sheila Ochner,</i> <i>U. T. System</i> <i>Dr. Ronald Elsenbaumer,</i> <i>U. T. Arlington</i>	<b>261</b>
<b>4. U. T. System: Report on Academic Industry Roundtable "Fresh AIR"</b>	<i>10:15 a.m.</i> <b>Report/Discussion</b> <i>Dr. Patricia Hum</i>	<b>261</b>
<b>Adjourn</b>	<i>10:30 a.m.</i>	

## 1. U. T. System: Report on Technology Commercialization

### REPORT

Richard Miller, M.D., Chief Commercialization Officer at U. T. Austin, will report on technology commercialization and the successful launch of two technologies using the presentation set forth on Pages 247 - 248.

- Lithium Ion Batteries  
On July 13, 2011, U. T. Austin announced a partnership with Hydro-Quebec to commercialize a new lithium ion rechargeable battery technology invented by Dr. John B. Goodenough, Professor, Virginia H. Cockrell Centennial Chair in Engineering. This technology is the largest upfront payment in the history of U. T. Austin and includes downstream royalties. Dr. Goodenough received the 2009 Enrico Fermi Award, the 2001 Japan Prize, and is a member of several academies of sciences.
- Tamper-Proof Oxycontin  
A new tamper-proof oral formulation for oxycontin, developed by Dr. James W. McGinnity, Professor, Johnson & Johnson Centennial Chair in Pharmacy, has circumvented abuse of oxycontin by drug addicts. Now marketed by Purdue Pharmaceuticals, this technology was licensed to Abbott and will continue to generate significant royalty revenue. This drug is on track to become a greater than \$1 billion product.

# U. T. System Report on Technology Commercialization

Richard Miller, M.D., Chief Commercialization Officer  
Office of Technology Commercialization  
U. T. Austin

U. T. System Board of Regents' Meeting  
Technology Transfer and Research Committee  
August 2011



# U. T. Austin Technology Commercialization Case Example

	Lithium Ion Battery	Tamper-Proof Oxycontin
<i>Description</i>	Rechargeable Batteries	Novel Oral Formulation
<i>Product Applications</i>	Cell phones, automotive, electronics, smart grid, etc.	Pain management, reduced abuse potential
<i>Patents</i>	Yes	Yes
<i>Licensees/Sublicensees</i>	Hydro-Quebec/multiple	Abbott/Purdue Pharma
<i>Terms</i>	Upfront and Royalties	Percent of Sublicense Revenue



**2. U. T. System: U. T. Horizon Fund update**

REPORT

Mr. Bryan Allinson, Executive Director for Technology Commercialization, will provide an update on the status of the U. T. Horizon Fund, which was presented as an informational proposal at the May 2011 Technology Transfer and Research Committee meeting.

On August 25, 2011, the Board will be asked to approve the U. T. Horizon Fund as part of the operating budgets for Fiscal Year 2012.

Mr. Allinson's presentation is set forth on Pages 250 - 260.

# U. T. System

## U. T. Horizon Fund Update

Bryan Allinson, Executive Director for Technology Commercialization

U. T. System Board of Regents' Meeting  
Technology Transfer and Research Committee  
August 2011



# Overview of U. T. Horizon Fund

- Two phases
  - Phase I: \$10.0 million
  - Phase II: Future consideration - larger size
- Catalyze: Co-invest alongside high quality investors
- Evergreen/Growth: Reinvest gains to grow the Horizon Fund
- Incentivize/Development: Invest gains into programs designed to support further commercialization with U. T. System institutions
- Invests only in U. T. System startups
- Expected capital call period: 10 years



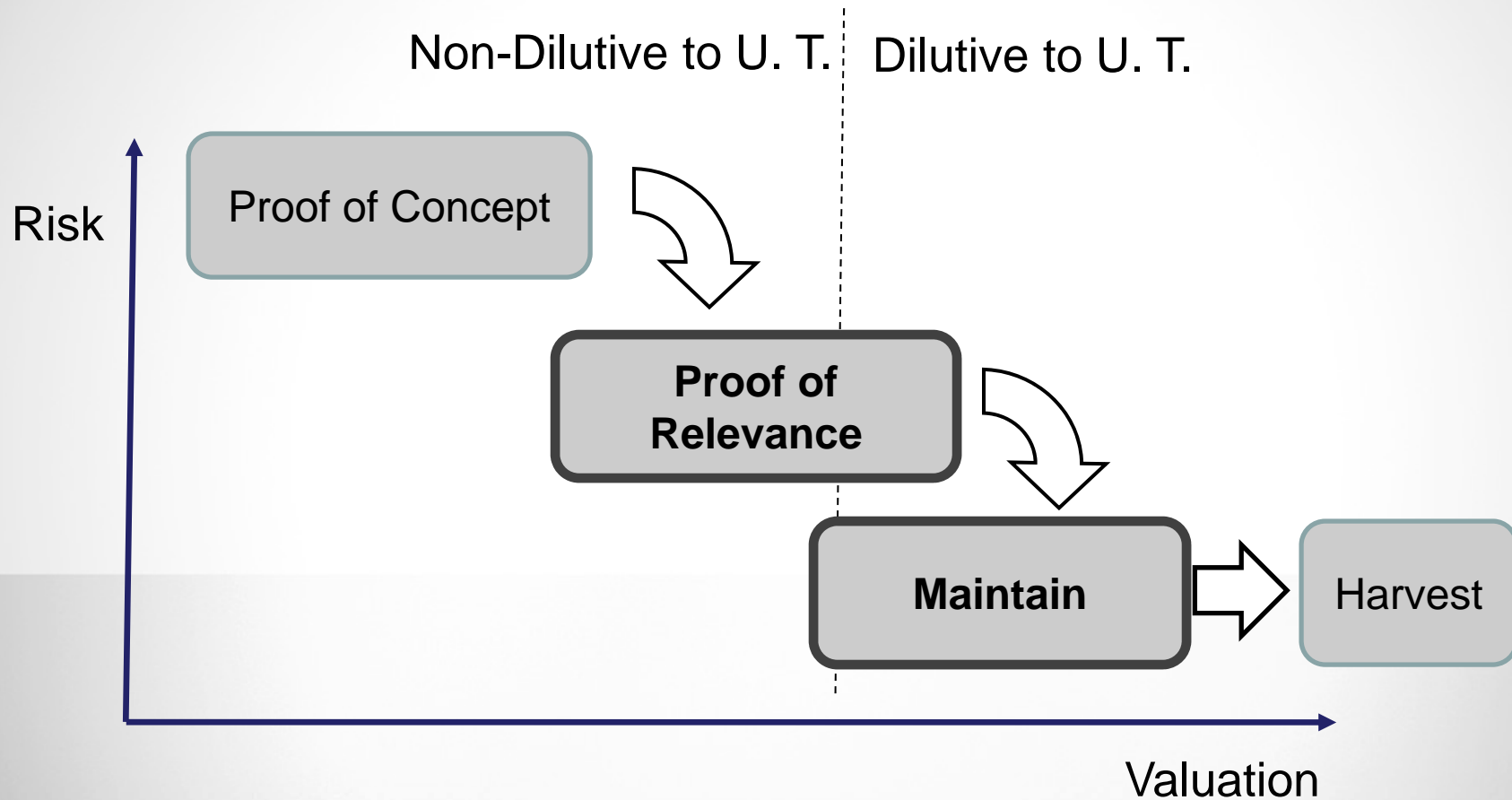
# Benefits of U. T. Horizon Fund

- Provide a source of new capital
- Participate in future Evergreen funding
- Help develop stronger relationships with top-tier venture capitalists
- Help match new technologies to existing startups
- Provide a source of entrepreneurs to lead startups
- Align awards to strengths of the U. T. System institutions
- Encourage greater commitment by U. T. System institutions to startups
- Help facilitate interinstitutional collaborations





# Philosophy of U. T. Horizon Fund



# Benchmarking the U. T. Horizon Fund

## Proof of Concept

- Cancer Prevention & Research Institute of Texas (CPRIT)
- Emerging Technology Fund (ETF)
- MIT Deshpande
- Stanford Bio-X
- UCSD Von Liebig
- University of Washington Coulter Translational Partnership
- TxMED including U. T. Arlington, U. T. Dallas, University of North Texas

## Proof of Relevance

- ETF
- CPRIT
- Stanford University
- Kaiser Permanente Ventures
- NYU Innovation Ventures Fund
- Jumpstart Ventures
- U. T. Austin Entrepreneur-In-Residence Program

## Maintain

- Osage Ventures
- Bessemer Ventures Co-Investment Fund
- Andreessen Horowitz
- U. T. Southwestern Medical Center



# The U. T. Horizon Fund is “Evergreen”

- Term: 10-year fund follows “J-Curve” expectations:
  - Write-downs identified early
  - Unrealized gains then realized gains identified over time
- Provide return of principal and majority of gains back to Horizon Fund to continue mission of the Fund
- Provide a portion of the gains to establish new commercialization programs at U. T. System developed in concert with U. T. System institutions
  - Support multi-institutional collaborations
  - Reward performing institutions that have contributed to the success of the Fund



# Hypothetical Example

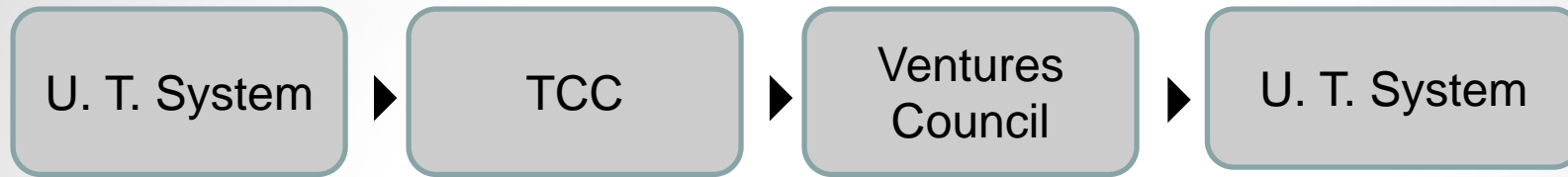
- Hypothetical example: Targeting approximately 3.0x return
- Evergreen/Growth: Principal and 80% of gains returned to U. T. Horizon Fund
- Gainsharing: 20% of gains utilized to develop shared programs in concert with U. T. System institutions
  - Half to establish multi-institutional commercialization programs
  - Half to establish targeted commercialization programs with single institutions based on performance formula:

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Multi-Institutional Programs	\$2M						
Single Institutions	\$2M						
One Institution	\$0.507M	Points	Performance	Pool	Portion	Point Allocation	Amount
	Award Portion	2.00	\$ 2.00	\$ 10.00	20%	0.40	\$ 40,000
	Gains Portion	5.00	\$ 8.00	\$ 20.00	40%	2.00	\$ 400,000
	Multi Portion	1.00	1	5	20%	0.20	\$ 40,000
	Member Portion	2.00	1	15	7%	0.13	\$ 26,667
						2.73	<b>\$ 506,667</b>



# Normal Review Process\*



1. U. T. System
  - Due diligence; review for requirements, recommendations and merit
2. Technology Commercialization Council (TCC)
  - Review potential for multi-institutional collaborations
  - Consists of one commercialization officer from each U. T. System institution plus invited experts
3. Ventures Council (VC)
  - Advisory function
  - Consists of external investors, business and scientific experts
4. U. T. System
  - Funding schedule and authorization

\* Proposals that reduce dilution having a narrow window can be fast-tracked 8



# Diligence Process

- Initial review
  - Science
  - Intellectual property
  - Market opportunity and competition
  - Basic economics and legal
- Full diligence
  - Management
  - Track progress over time
  - Deal terms and structure
  - Deep technology diligence
  - Potential for return



# Requirements and Recommendations

- Defined scope of work
- Greater than 1 to 1 match funding by external investor or institution
- Focus on “big” ideas and scientific breakthroughs
- Tie to U. T. System-owned technology
- Match with institutional capabilities
- Identify clear freedom to operate (FTO) status (not encumbered)
- Seek to be diversified; plan on no more than \$2M to any one institution
- Identify clear commercialization plan, timing, and content of progress reports
- Utilize current contracting and confidentiality procedures
- Encourage multi-institutional collaborations



# Outreach

- Investors
- Industry
- Entrepreneurs
- State of Texas programs (e.g., ETF, CPRIT, etc.)
- Community and economic development groups (e.g., Regional Centers of Innovation and Commercialization)
- Incubators and accelerators
- Business plan competitions (e.g., VentureLabs)
- Business programs at U. T. System
- Science and engineering programs at U. T. System
- Where appropriate, evaluate opportunities to help faculty at U. T. System institutions provide experiential learning to students at U. T.





### **3. U. T. System: Research and Commercialization Search Engine update**

#### REPORT

Mr. Bryan Allinson, Executive Director for Technology Commercialization, will update the Committee on efforts underway at U. T. System Administration to develop and deploy search engine tools. The goal is to improve the accessibility of pertinent U. T. System research and technology commercialization information. Search engine tools include:

- U. T. research capabilities
- U. T. faculty profile pages
- U. T. published patents or patent applications
- U. T. nonconfidential technologies

Ms. Sheila Ochner, Director of the U. T. System Office of Technology and Information Services, will demonstrate a pilot of the U. T. research capability search tool under development.

Dr. Ronald Elsenbaumer, Vice President for Research at U. T. Arlington, will report on the faculty profile system, which is being deployed U. T. Systemwide.

### **4. U. T. System: Report on Academic Industry Roundtable "Fresh AIR"**

#### REPORT

Dr. Patricia Hurn, Associate Vice Chancellor for Research in the Office of Health Affairs, will report on "Fresh AIR" (Academic Industry Roundtable), a new program under development at U. T. System Administration.

"Fresh AIR" is designed to be a forum to create and sustain partnerships between thought leaders and high achievers in Texas-based industry and U. T. System faculty. Key objectives are to create a mechanism for sustainable matchmaking and to synergize idea generation.