

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM

For Meeting of May 15, 2013

AUTHORIZATION TO CREATE A SEPARATE 501(C)(3) NONPROFIT CORPORATION TO OVERSEE THE MANAGEMENT OF INTELLECTUAL PROPERTY AND INDUSTRY-SPONSORED RESEARCH CONTRACTING, LOS ANGELES CAMPUS

EXECUTIVE SUMMARY

The President seeks the approval of the Regents to establish and participate in a separate § 501(c)(3) nonprofit corporation (referred to herein as “Newco”), tasked with managing the types of intellectual property (IP) including technology transfer and industry-sponsored research contracting (ISR) at UCLA currently managed by UCLA’s Office of Intellectual Property and Industry Sponsored Research (UCLA OIP-ISR). The Regents will retain all ownership rights, as they currently exist, in IP created at UCLA and any funds generated through ISR and IP licensing and commercialization. As further discussed below, the only effect of this Proposal upon the existing process for managing IP and ISR at UCLA will be to introduce a new decision-making body, the Board of Directors of Newco, comprised primarily of individuals with extensive experience in the business of commercializing research.

The primary mission of Newco and its Board will be to: (i) improve UCLA’s rate of invention disclosures per year; (ii) increase UCLA’s volume of patent applications per year; (iii) increase the overall flow of licensing royalties back to UCLA; and (iv) better position UCLA to win large, multi-year ISR contracts. This improved performance will not only benefit UCLA, but the surrounding community and the public at large.

In comparison to its peers at other universities, UCLA OIP-ISR has historically underperformed in the areas of technology transfer and ISR. UCLA believes this underperformance has not been caused by a lack of productivity among UCLA faculty or a deficiency in UCLA scholarship, but rather due to deficiencies in the current process of managing IP and ISR at UCLA.

UCLA believes it is capable of reaching the top quartile of its peer institutions and, eventually, setting the national standard in technology transfer. The key: Newco must be governed by an independent Board, comprised of individuals possessing the experience necessary to make educated, risk-based investment decisions. Under this Proposal, Newco’s independent Board will be the primary decision-maker with respect to the following: (i) evaluation and processing of

invention disclosures from UCLA inventors, including timely reporting to sponsors as necessary, *provided* that Newco will remain the sole recipient of all such disclosures; (ii) prosecution and defense of UCLA patents; (iii) negotiation of licensing agreements for UCLA IP; (iv) negotiation of UCLA's ISR contracts (excluding the kinds of contracts that are currently handled by other UCLA offices); (v) negotiation of material transfer agreements, non-disclosure agreements and certain other contractual agreements relating to ISR; (vi) assessment of candidates for proof-of-concept grants; (vii) coordination of technology transfer activities with UCLA technology incubators and accelerators, such as the Institute for Technology Advancement at the Henry Samueli School of Engineering and Applied Science, the Business of Science Center, and other incubators and accelerators that may be created at UCLA; and (viii) any other activities currently under the purview of UCLA OIP-ISR (collectively, "IP/ISR Management"). Newco will at all times remain subject to adequate institutional controls, as described in the Recommendation and Background sections of this item.

The initiative to create a more entrepreneurial culture at UCLA has received support from all segments of the campus. The creation of an independent § 501(c)(3) nonprofit corporation, governed by a Board comprised primarily of individuals possessing extensive experience in the business of commercializing research, is viewed as a critical step in enhancing the delivery of UCLA inventions and innovations to society.

RECOMMENDATION

The President recommends that the Committee on Finance recommend that the Regents:

- A. Authorize the President to approve formation of and participation in a separate nonprofit corporation ("Newco") to manage the types of intellectual property and industry-sponsored research contracting activities of University of California, Los Angeles (UCLA) currently managed by UCLA's Office of Intellectual Property and Industry Sponsored Research, subject to the following conditions:
 - (1) Entity Type: Newco shall be organized exclusively for charitable, scientific and/or educational purposes, within the meaning of § 501(c)(3) of the Internal Revenue Code of 1986, as amended. Newco shall be organized pursuant to and remain in compliance with any and all applicable State and federal regulations, including those relating to the management of employees and the appointment of directors and officers. Newco shall apply for and maintain its tax-exempt status for the duration of its existence. Should Newco ever be dissolved, any assets of Newco shall be distributed to the Regents, for the benefit of UCLA.
 - (2) Governance: Newco shall be governed by a Board of Directors (the Board) comprised primarily of individuals possessing extensive experience in the business of commercializing research. The Board shall include at least one (1) person who is a UCLA Academic Senate member, and such officers as required by State and/or federal law, as applicable. The President shall have the authority to appoint initial members of the Board. Thereafter, any new members of the Board and replacement members of the Board shall be nominated by the Board,

subject to the approval of the President. The Regents and the President shall hold the absolute right to dissolve Newco and/or dismiss its Board at any time with or without cause.

Directors shall not receive compensation for their services to Newco; however, they may receive reimbursements or advancements of expenses related to their service as Board members.

Newco and its Board, including its prospective and incumbent Directors, shall abide by all applicable conflict of interest and ethics laws, policies of the University, and policies of UCLA. Newco shall comply with all laws applicable to the University and (unless otherwise authorized by the President following consultation with the General Counsel), Newco shall comply with all University policies, and any policies adopted by Newco shall be consistent with applicable University policies and published University practices. Applicable laws and University policies shall include, without limitation, those relating to intellectual property (IP) and industry-sponsored research contracting (ISR), including, without limitation, policies relating to restrictions on publication and laws relating to procurement and public records. Any exceptions to such policies must be approved according to the relevant delegated authority.

- (3) Corporate Documents: Prior to adoption by Newco, the initial Bylaws and Articles of Incorporation of Newco, and any amendments thereto, shall be subject to the approval of the President following consultation with the General Counsel.

B. Authorize the President to negotiate and enter into a Technology Management Agreement with Newco, pursuant to which Newco shall manage the IP and ISR of UCLA, under the following terms and conditions:

- (1) Ownership of IP/ISR: All IP and ISR contracts of the University shall remain the property of the Regents and shall be managed by Newco for the benefit of the Regents.
- (2) IP/ISR Management: Newco shall be authorized to direct the activities of UCLA Office of Intellectual Property and Industry Sponsored Research (OIP-ISR) staff, including with respect to: (i) serving as the sole recipient of invention disclosures from UCLA inventors; (ii) prosecution and defense of UCLA patents; (iii) negotiation of licensing agreements for UCLA IP; (iv) negotiation of UCLA's ISR contracts (excluding the kinds of contracts that are currently handled by other UCLA offices); (v) negotiation of material transfer agreements, non-disclosure agreements and certain other contractual agreements relating to ISR; (vi) assessment of candidates for proof-of-concept grants; (vii) coordination of technology transfer activities with UCLA technology incubators and accelerators, such as the Institute for Technology Advancement at the Henry Samueli School of Engineering and Applied Science, the Business of Science Center, and other incubators and accelerators that may be created at UCLA; and (viii) any other

activities currently under the purview of UCLA OIP-ISR (collectively, “IP/ISR Management”). The Newco Board shall make risk-based business decisions on ISR contracts, especially on large ISR contracts that typically include patent and licensing agreements and inherently require risk-based decisions. With respect to ISR and agreements relating to ISR, Newco will, consistent with current practice, negotiate and approve agreements that are consistent with University policy and published University practices, and are consistent with the academic interests of the involved UCLA researchers. The Executive Director of UCLA OIP-ISR shall report to Newco and shall be responsible for regularly informing the University of any and all of Newco’s activities.

- (3) **Flow of Funds:** Royalty income, licensing income, licensing equity and ISR funds (collectively, the “IP/ISR Proceeds”) shall continue to flow to UCLA through the Regents. The University shall continue to make any mandatory distributions, as required under University policy, and other discretionary distributions. The UCLA Chancellor, through existing delegated authority from the President, shall continue to have the authority to allocate a portion of IP/ISR Proceeds that are within his or her spending discretion to fund the activities of Newco, in consultation with Newco’s Board and UCLA leadership. No funds shall flow to separate Newco accounts; all funds allocated to Newco by the UCLA Chancellor shall be held in University accounts. Newco shall obtain the President’s prior approval before engaging in any fundraising activities. To ensure financial transparency, all funds that are managed by Newco, regardless of source, shall remain in UCLA’s accounts.
- (4) **Outside Contractors:** Newco shall be authorized to instruct the Executive Director of UCLA OIP-ISR to retain outside contractors, as needed, to assist with certain aspects of IP/ISR Management, such as: (i) patent prosecution, (ii) pre-patent application research, (iii) market studies and (iv) the development of database management software; subject to the University’s authority over the budgets and operational plans of Newco and UCLA OIP-ISR and University Oversight set forth in Section B.5 below.
- (5) **University Oversight:** The President shall have the right to conduct periodic reviews of Newco’s programs and operations, and to require Newco to submit reports to the President, to ensure that Newco is operating at a level consistent with the University’s standards of excellence. In addition, Newco shall continue to report UCLA invention and licensing data and ISR data into the relevant systemwide databases. The Regents and the President shall retain the right and the authority to inspect the records of Newco at any time. Notwithstanding Newco’s status as an independent entity, Newco’s authority shall be subject to the existing authority of the General Counsel under University policy, which shall include the authority, to: (i) initiate, direct and resolve any proceedings involving the Regents as a party (including any proceeding involving prosecution or defense of University patents); (ii) approve any use of retained counsel; (iii) approve the legal form and substance of all contracts proposed by Newco with respect to

UCLA IP and ISR, to the extent necessary to guard against legal liability and/or reputational risk; (iv) provide legal advice concerning any claims or disputes arising out of contracts managed by Newco; and (v) approve the legal form and substance of all agreements and amendments thereto proposed by Newco to which the Regents are to be a party, to the extent necessary to guard against legal liability and/or reputational risk and to ensure compliance with University policies.

- (6) Term: The initial term of the Technology Management Agreement shall be not less than five (5) years and a formal review of the Board performance shall be conducted within two (2) years from the start of the initial term and no longer than at five (5) year intervals thereafter; provided, however, the Regents and the President each shall have the absolute right to terminate the Technology Management Agreement at any time with or without cause. The termination of the Technology Management Agreement shall result in the automatic dissolution of Newco's Board.
 - (7) Indemnification: The President shall be authorized to agree to terms in the Technology Management Agreement by which the Regents agree to indemnify, defend and hold harmless Newco's officers and directors against third-party claims made against them arising in connection with their activities under the Technology Management Agreement, except to the extent any such claims arise out of the alleged fraudulent or other intentionally wrongful acts or omissions of said officers and directors.
- C. Authorize the President, following consultation with the General Counsel, to approve and execute: (i) any documents reasonably required to accomplish the above; and (ii) any modifications, addenda or amendments (collectively, "amendments") thereto; provided, however, that the authority to approve and to execute the Articles of Incorporation, Bylaws, and Technology Management Agreement and any amendments thereto may not be delegated by the President.

BACKGROUND

1. Introductory Comment

While the Background of this item is written in contemplation of the President delegating to the UCLA Chancellor most of the authority requested in the Recommendation section, the Background shall not limit the President's powers in any manner.

2. Summary

A. Performance in Comparison to Peer Institutions

IP and ISR activities are currently managed by UCLA OIP-ISR, which, in turn, is administratively overseen by the UCLA Office of the Vice Chancellor for Research (OVCR). In

an effort to assess accurately the performance of UCLA OIP-ISR, UCLA has, for the past two years, conducted an analysis of its patenting, licensing and ISR activities (broadly referred to herein as “technology transfer”) in comparison to its peer institutions. In conducting this analysis, UCLA has mined data from the Association of University Technology Managers and visited or conducted interviews with more than a dozen peer research institutions, including Stanford University, Harvard University, the Massachusetts Institute of Technology, Columbia University, the University of Wisconsin - Madison and the University of Washington. UCLA has also conducted interviews with many UCLA faculty, staff, and academic and administrative leaders.

This analysis has revealed that, in comparison to its peers, UCLA consistently underperforms in the areas of issued patents, licensing and royalty revenues, and the volume of invention disclosures and ISR contracts. Furthermore, UCLA has demonstrated a low tolerance for risk, such that opportunities for maximizing UCLA’s licensing and commercialization operations go unexploited or underexploited.

UCLA believes that this underperformance has persisted, despite the productivity of UCLA’s faculty members and the importance of UCLA scholarship, due to inherent disadvantages present in the existing technology transfer process at UCLA. More specifically, UCLA believes that UCLA OIP-ISR, while comprised of talented and hardworking individuals, is not equipped to assess risk-based opportunities strategically for maximizing UCLA’s licensing and commercialization. If UCLA hopes to overcome its historical underperformance, it feels that it must establish a credible, transparent and unbiased decision-maker to address the aforementioned shortcomings. UCLA believes that Newco and its Board would be well-equipped to tackle these issues.

B. Viability of Proposed and Alternative Options

UCLA considered a number of alternative models for addressing the challenges outlined above before coming to the conclusion that the § 501(c)(3) nonprofit corporation was the preferred choice. Ultimately, the choice to form a § 501(c)(3) nonprofit corporation was made by balancing the following competing concerns:

Credibility and Authority. UCLA believes that it is critical that the entity tasked with IP/ISR Management be led by individuals possessing the experience, skills and judgment necessary to make educated, risk-based decisions. Further, the entity tasked with IP/ISR Management must have the authority to act decisively pursuant to its business judgment, without concern that its day-to-day decisions will be second-guessed or undercut. The entity must be entrusted with directing the management of the day-to-day activities of UCLA OIP-ISR and with identifying the best long-term strategies for maximizing the interests of the University and UCLA.

Accountability and Alignment of Interests. While it is UCLA’s position that the entity tasked with IP/ISR Management must be granted a degree of independence in managing the day-to-day activities of UCLA OIP-ISR, and assessing and executing long-term strategies for maximizing the interests of the University and UCLA, it also recognizes the critical importance of accountability and alignment of interests. Above all else, the entity tasked with IP/ISR

Management must remain accountable to the University, UCLA and the Regents. Should the University, UCLA or the Regents at any time become concerned that the entity's activities no longer align with those of the University, UCLA, or the Regents, the President, the UCLA Chancellor (by appropriate Presidential delegation) and the Regents must each retain the absolute right to dissolve the entity and/or dismiss its Board. The absolute authority of the Regents, the President and the UCLA Chancellor over the continued existence of the entity will ensure continued accountability and alignment of interests between the parties.

UCLA believes that it would be difficult to capture the characteristics outlined above in a different type of entity. For example, the creation of an advisory panel or single-member LLC would lack the necessary authority as, under each model, the University would retain control over day-to-day decision-making relating to IP/ISR Management. This lack of authority may, in turn, make it difficult for the entity to attract top talent – leading to a credibility problem. Finally, it is worth noting that the costs of operating a § 501(c)(3) entity would not be appreciably different than those associated with an LLC.

C. Benefits of the Proposed § 501(c)(3) Nonprofit Corporation Model

In short, although UCLA possesses an abundance of resources (both financial and scholarly), it lacks a governing body that can effectively manage such resources in relation to technology transfer. Effective technology transfer is a hybrid art – part science and part business. UCLA feels that it is the business expertise component that UCLA is missing. For this reason, Newco's Board will be comprised of faculty, alumni, and other individuals with extensive experience primarily in the business of commercializing research. The expertise of Newco's Board will be brought to bear on a wide array of activities, including: (i) serving as the sole recipient of invention disclosures from UCLA inventors, thus providing a user-friendly interface to the technology transfer apparatus for UCLA faculty; (ii) prosecution and defense of UCLA patents; (iii) negotiation of licensing agreements for UCLA IP; (iv) negotiation of UCLA's ISR contracts, excluding the kinds of contracts that are currently handled by other UCLA offices; (v) negotiation of material transfer agreements, non-disclosure agreements and certain other contractual agreements relating to ISR; (vi) assessment of candidates for proof-of-concept grants, thus generating confidence in the application of business judgment to these decisions and producing an increase in total funding for technology commercialization; (vii) coordination of technology transfer activities with UCLA technology incubators and accelerators, such as the Institute for Technology Advancement at the Henry Samueli School of Engineering and Applied Science, the Business of Science Center, and other incubators and accelerators that serve students, faculty, and other UCLA inventors; and (viii) any other activities currently under the purview of UCLA OIP-ISR.

The negotiation of successful ISR agreements takes place at the intersection of academics and business. As it stands, UCLA consistently underperforms in securing multi-year, multimillion-dollar ISR agreements and, without changes, it is likely that UCLA will continue to underperform. This underperformance becomes an even greater concern as federal research budgets are reduced and eliminated, placing increased reliance upon ISR revenues. With its strong background in and contacts with industry, the Board of Newco will set higher standards and goals for ISR agreements. UCLA expects to improve its ability to win large ISR contracts

that typically include patenting and licensing terms, inherently requiring risk-based business decisions that the Newco Board will be well equipped to handle.

In its report entitled “Report of the Working Group on Technology Transfer,” issued in October 2012 to the Regents, the Working Group, chaired by Regent Makarechian and including Regents Varner, De La Peña, Mendelson and Regent Emeritus Hallett, made recommendations regarding the future of technology transfer at the University. Among the Working Group’s recommendations were: (i) to increase funding for all elements of technology commercialization, including operations, patents, translational research, and seed- and early-stage investment in University start-ups to enhance the revenue potential of inventions developed by the University’s research enterprise; (ii) for each campus to review and ensure that their technology commercialization operations function as high-performing, service-oriented departments that support a culture of entrepreneurship and innovation; and (iii) for each campus to consider establishing local advisory boards of experienced faculty, alumni, and business leaders to help educate and mentor faculty and student entrepreneurs, and, when appropriate, to advise local technology transfer offices on commercial potential of new disclosures. Each of these recommendations was enthusiastically received by UCLA and, UCLA believes, has been reflected in this Proposal.

UCLA anticipates that implementation of this Proposal will: (i) improve UCLA’s rate of invention disclosures per year; (ii) increase UCLA’s volume of patent applications per year (UCLA estimates that within three years of the founding of Newco, this additional outlay will amount to \$3 million per year in increased funding of patent application expenses, to be funded at the Chancellor’s discretion); (iii) increase the overall flow of licensing royalties back to UCLA; and (iv) better position UCLA to win large, multi-year ISR contracts, while maintaining all safeguards relating to management of IP and ISR contracts, as embodied in applicable University policies. Over time, UCLA intends for its technology transfer performance to reach the top quartile of its peer group. In the long term, UCLA aims to set the national standard in technology transfer.

3. Management, Governance and Operations

Ownership of UCLA IP & Assets: Ownership of all UCLA IP, including patents, copyrights, and interests in industry-sponsored research, will continue to be held by the Regents as provided by existing University policies. It is not anticipated that Newco will own any assets; however, to the extent that Newco accrues assets, including, without limitation, any form of personal property or intellectual property, such assets will, in the event of the dissolution of Newco, revert to the Regents for the benefit of UCLA.

Board Composition: The initial members of the Board will be appointed by the President or by the UCLA Chancellor upon delegation from the President. Thereafter, any new members of the Board and replacement members of the Board will be nominated by the Board, subject to the approval of the UCLA Chancellor.

Termination/Dissolution of Newco: The Regents, the President and (by delegation from the President) the UCLA Chancellor will each hold the absolute right to dissolve Newco and/or

dismiss its Board at any time and with or without cause. In the event of dissolution, any assets in Newco will be distributed to the Regents for the benefit of UCLA.

Management of UCLA OIP-ISR Employees: Under the Technology Management Agreement, Newco will be authorized by the Vice Chancellor for Research to direct the activities of UCLA OIP-ISR staff, including the Executive Director of UCLA OIP-ISR. The Executive Director of UCLA OIP-ISR will report to Newco's Board, while continuing to maintain a dotted-line reporting relationship with UCLA's Vice Chancellor for Research; specifically, the Executive Director of UCLA OIP-ISR will regularly attend meetings at the invitation of the Vice Chancellor for Research and will keep the Vice Chancellor for Research apprised of Newco's progress. The Technology Management Agreement will provide for the delegation of necessary and appropriate authority from the University to Newco's Board, and through the Board to the Executive Director of UCLA OIP-ISR. Upon formation, Newco will not have any employees. Should Newco desire to retain one or more employees at some future date, such action will require the prior express written permission of the UCLA Chancellor, following consultation with the General Counsel.

Flow of Funds: Royalty income, licensing income, licensing equity and ISR funds ("IP/ISR Proceeds") will continue to flow directly to the University and UCLA. The University and UCLA Chancellor will make mandatory distributions as required under University policy, including to the inventor(s), the research share and payments to joint-holders. Annually, through approval of a budget and management plan, the UCLA Chancellor will have the authority to allocate the remaining IP/ISR Proceeds that are within his or her spending discretion to fund the activities of Newco, in consultation with Newco's Board, the UCLA Oversight Committee (discussed further in Section 4 of the "Background" section of this Proposal) and UCLA OIP-ISR leadership and staff. No University funds will go to Newco-controlled accounts (Newco will not have accounts or funds separate from University accounts and funds). The annual budget as approved by the UCLA Chancellor will be funded by the same sources that at present support OIP/ISR and by other fund sources that are or may become available to Newco or the UCLA Chancellor, and will encompass all contemplated operational expenses of Newco and its Board. Prior to exceeding the approved budget, the Board will be required to request an augmentation from the UCLA Chancellor.

University Oversight: The President will retain the authority, after consultation with the General Counsel, to execute and approve the Articles of Incorporation, Bylaws, and Technology Management Agreement and any amendments thereto. The UCLA Chancellor by delegation from the President will retain approval rights over: (i) the composition of Newco's Board, (ii) the annual budget and management plan, and any augmentation to the budget or significant change in management plan, and (iii) the continued existence of Newco (with authority to terminate at any time for any reason). Newco will be required to submit annual reports to the President regarding Newco's activities, including such subjects as the number of invention disclosures, the number of patent applications, the licensing royalties, fundraising by Newco, and confirmation that conflict of interest provisions are in place and effective. Notwithstanding Newco's status as an independent entity, the General Counsel's current authority will extend to many of Newco's activities. For instance, the General Counsel will continue to manage legal proceedings (including any proceeding involving prosecution or defense of University patents),

approve use of retained counsel, and approve the legal form and substance of agreements proposed by Newco and any amendments thereto, for purposes of minimizing legal liability and reputational risk, and assuring compliance with University policies. Subject to this authority, and any other limitations set forth herein, Newco's Board will have the authority to determine the business terms of any particular action or transaction falling within the scope of its OIP/ISR Management.

Insurances/Indemnity in favor of Regents: As a separate § 501(c)(3) entity, Newco will be required to obtain an array of insurance coverages, including but not limited to: Directors & Officers and General Liability. The Technology Management Agreement will delineate the types and levels of insurance coverages required. The Technology Management Agreement will also provide for indemnification between UCLA and Newco as stipulated in the Recommendation section of this item.

Indemnity by Regents in favor of Newco Directors: In this item, the President is requesting authority to include an indemnification provision in the Technology Management Agreement by which the Regents would indemnify, defend and hold harmless Newco's officers and directors against third-party claims made against them arising in connection with their activities under the Technology Management Agreement, except to the extent any such claims arise out of the alleged fraudulent or other intentionally wrongful acts or omissions of said officers and directors. The Regents' interests will be adequately protected through the agreement with Newco, notwithstanding the foregoing indemnification provision. As noted above, Newco will be required to obtain stipulated forms of insurance, which will protect the interests of both the University and the officers and directors of Newco. Given the structure of the relationship between Newco and the University, where officers and directors are not paid (except reimbursement for out-of-pocket costs) and do not stand to benefit in any way from their financial decision-making on behalf of UCLA, the officers and directors of Newco should not be burdened with any legal exposure in their individual capacities (except in the case of alleged fraud or other intentional misconduct), and should not have to rely on insurance for protection of their personal assets. The indemnification by the University of the officers and directors of Newco is required in order to obtain the quality of officers and directors necessary for Newco to succeed.

University Support Functions and Facilities: Pursuant to the Technology Management Agreement, UCLA will provide any necessary support services (such as accounting) and facilities required to support Newco's management of OIP/ISR. The costs associated with any such support functions will be included in the annual budget. It is not contemplated that any permanent space on or off campus will be required; space for periodic meetings of the Board would be provided and any related costs included in the annual budget.

Management Agreement Negotiation/Approval: The Technology Management Agreement will be negotiated in consultation with appropriate stakeholders at UCLA and the Office of the President. The President will retain the authority, after consultation with the General Counsel, to execute and approve the Technology Management Agreement and any amendments thereto.

4. Other Considerations / Safeguards

Conflicts of Interest: UCLA will establish, and Newco will strictly observe, a director review process to ensure that prospective and existing members of Newco's Board will not possess any disqualifying financial interests. Members of Newco's Board will be prohibited from financially benefitting from Newco or its operations in any way, including making recommendations about technology that may compete with their existing financial interests. Newco's charter documents will provide that the Newco Board will abide by all conflict of interest and ethics policies to the full extent applicable to University employees.

The Newco Board members will serve the organization without pay and pursuant to and in compliance with the Political Reform Act, as it may be amended, will have no financial conflicts of interest. Directors may receive reimbursement for expenses related to their service as Board members, subject to the approval of the disinterested members of the Board.

Financial Risks: This Proposal will have no effect on the technology transfer process currently in place at UCLA, other than to introduce a new locus of decision-making authority (i.e. Newco). All funding for Newco will be within the discretion of the UCLA Chancellor.

Human Resources: Newco's ability to provide oversight and direction with respect to University personnel could raise issues that carry some potential risk to the University. Newco and University Human Resources will work to manage the arrangement in accordance with University policy—and otherwise to minimize those risks.

Campus Connections: Newco will remain closely attuned to UCLA's interests and vision for technology transfer, embodying the University's missions of research, teaching and community service and in accordance with overall University institutional positions such as to the federal or State government or to industry. A UCLA Oversight Committee, appointed by and reporting to the UCLA Chancellor and advising the UCLA Vice Chancellor for Research and composed of selected Deans, Academic Senate leaders and other University representatives, will periodically review Newco's activities in that regard (the UCLA Oversight Committee). The UCLA Chancellor and Vice Chancellor for Research will ensure that the Committee has access to all necessary information in order to accomplish its review.

Transparency: Newco will provide complete transparency to UCLA. All IP/ISR Proceeds will flow first to UCLA, and the UCLA Chancellor will determine what funding to provide to Newco. All books and records pertaining to the assets managed by Newco will be under UCLA's control and remain open to inspection by representatives of the President and the UCLA Chancellor at any time.

The UCLA Oversight Committee, described immediately above, will review Newco's financial and programmatic performance on at least an annual basis. Periodic presentations by OIP-ISR staff and the Newco Board to the UCLA Oversight Committee and UCLA administration will also be required. As referenced above, the President anticipates requiring Newco to submit annual reports to the President regarding Newco's activities.

Brand: There are several safeguards built into Newco's proposed design to protect the University and UCLA brands. Most prominently, Newco's Board will include members of the UCLA faculty. In addition, the Technology Management Agreement will specify the terms under which Newco may make use of the University and UCLA's names and marks.

Compliance with Laws and University Policies: Newco will comply with all University policies and applicable State and federal laws, as they may change from time to time. Applicable laws and University policies include, without limitation, those relating to IP and ISR, including, without limitation, policies relating to restrictions on publication and laws relating to procurement and public records, including the initiation, conduct, and settlement of a suit if the University is a party and in accordance with overall University institutional positions such as to the federal or State government or to industry.