

**REQUEST FOR PROPOSALS
USC STEVENS CENTER FOR INNOVATION
START-UP INVESTMENT PROGRAM**



DEADLINE: Applications will be accepted on a rolling basis

PURPOSE

The USC Stevens Center for Innovation aims to maximize the translation of USC research into products for public benefit. One aspect of this mission is to support the translation of research through USC Start-ups¹. The start-up investment program supports this effort by reducing the hurdle for raising start-up funds to pay past patent costs (patent costs incurred by USC Stevens prior to the date of the license agreement with the USC Start-up). USC Stevens will invest in USC start-ups that demonstrate strong potential for success, as assessed by expert advisors, in exchange for equity interests granted to the university. In addition, the assessment will be used to help determine the best pathway for commercialization, and to advise the faculty inventor on business strategy.

PROGRAM

1. USC will continue to accept an equity interest in start-up companies in lieu of an upfront licensing fee whether the start-up is USC Start-up or not, when requested by the start-up.
2. Companies that qualify as USC Start-ups will have the option of applying for additional investment in the following manner:
 - a. Upon approval, USC will invest a portion of its patent budget in USC Start-ups that demonstrate promise to succeed as a business.
 - b. In exchange, USC will receive an additional minority equity stake in the USC Start-up, providing potential for future income to expand technology transfer in lieu of patent cost reimbursement income that USC would normally receive from a licensee.
 - c. A decision to invest will be based on a careful assessment of the business plan for the start-up, including analysis from outside advisors who understand the industry.
3. The USC investment will be complemented by guiding faculty to seek investments from other sources, such as Small Business Innovation Research

program, angel investors, venture capital, and other sources to complement USC's investment.

Applicants interested in financial assistance for customer discovery and research should consider applying to the CaDRE program at Innovation Node-Los Angeles (<http://lanode.org/cadre/>). Applicants interested in support for start-up creation should consult the resources available at <http://incubate.usc.edu/>.

PROCESS

1. Eligibility for Additional Investment

All qualified USC Start-ups.

2. Pre-application

Faculty are expected to meet with the Licensing Associate at USC Stevens who is responsible for their intellectual property to discuss potential pathways for commercialization and alternatives for seeking investment and business partners. If appropriate, the Licensing Associate will help identify resources to assist the faculty member in developing a business strategy, as well as internal resources that support translational research and development, such as the Alfred Mann Institute and Ming Hsieh Institute.

3. Application

Applications will be reviewed as they are received. The application shall consist of:

- A power point presentation summarizing the technology, market, development strategy, financial model and the team (executive team, board of directors and scientific advisory board)
- A business plan that includes the following:
 - ◊ Introduction
 - ◊ Technology Background
 - ◊ Market Opportunity, including market research and interviews with Key Opinion Leaders, potential investors and/or corporate partners
 - ◊ Competitive Analysis
 - ◊ Technology Development Plan and Go To Market Strategy
 - ◊ Intellectual Property, including a summary of all third party IP that will be required and due diligence activities
 - ◊ Risk and Risk Mitigation
 - ◊ Management Team, including biographical sketches for the Executive Team, Board of Directors and Scientific Advisory Board
 - ◊ Financials (projections, market penetration scenarios, investments)
- Funding requested from USC Stevens to cover past patent costs.

All applications must show evidence of market research and validation through discussions with KOLs, potential investors and/or corporate partners in order to validate the assumptions.

The faculty member has the option of submitting a draft of the business plan to the licensing officer in advance of the due date, who shall provide feedback on the plan to improve its clarity and likelihood of success. Drafts must be provided at least four weeks in advance of submission for consideration under the program.

4. Review

The USC Stevens Director of Licensing or Executive Director shall provide the application to one or more external advisors to assess the viability of the proposed business and the reasonableness of the proposed USC investment. These external assessments shall be submitted to USC Stevens within 4 weeks. In parallel, the licensing officer responsible for the technology shall submit his/her assessment of the strengths and weaknesses of the proposed business, and to assess specific financial terms for investment, including USC's equity stake and the amount of investment. All assessments shall be submitted to the USC Stevens Board of Councilors (BOC) for review. In addition, the BOC shall schedule a time for the USC Start-up to present its business plan. The Board will subsequently vote as to whether to recommend or not recommend an investment. If an investment is recommended, the board will also vote as to a recommended amount of investment. Recommendations will be conveyed to the Executive Director of USC Stevens, who together with the Director of Licensing will decide on the terms to offer to the USC Start-up.

COMMUNICATION OF OUTCOME

The licensing officer responsible for the technology will provide a written report summarizing the assessment of the start-up along with the terms available (if any) for USC Stevens investment. The USC Start-up will then have 30 days to decide whether or not to accept the offered terms.

FURTHER INFORMATION AND PROGRAM CONTACT INFORMATION

Questions about the Stevens Center for Innovation 2016 Technology Advancement Grant Award or the application submission process can be directed to:

Michael Arciero, Director of Licensing

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213-821-0942

¹ A USC Startup is a startup company that was founded on technology owned by USC and licensed to the company, and which has a USC faculty member on the Scientific Advisory Board, as a founder who holds equity in the company, or who is otherwise actively engaged with the company.