Venture Capital 101
A Primer on Venture Capital

University Innovation, Realized.
Lou Berneman  
Founding Partner, Osage University Partners  
Lead Academic Advisor, HealthCare Royalty Partners  
Managing Director, Texelerate, LLC  
- Licensing transactions  
- Expert witness services

Previously
• Managing Director, U Penn CTT  
• Co-founder, 4 “academic” startups  
• Past President, AUTM  
• Former VP and Trustee, LES and LES Foundation  
• Columbia University Teachers College, MA, MEd, EdD  
• UC Santa Barbara, Teaching Credential  
• Penn State, B.A.
FINANCING TRENDS: ACTIVE SECTORS
### ACTIVE SECTORS: *Software*

#### Active Venture Funds

Accel, Andreessen, Bain, Bessemer, First Round, Foundry Group, General Catalyst, Greylock, KPCB, Khosla, Lightspeed, NEA, North Bridge, Sequoia, Union Square, USVP, Osage University Partners

#### Active Strategic Investors

![Logos of various companies](image)

#### What’s Hot

Artificial Intelligence, Mobile Payments, Messaging, Big Data, Cloud Computing, Cyber Security, Network Infrastructure

#### Typical First Round Deal

Fundraising in Seed round flush with investors with substantial Series A crunch, valuations through the roof, and substantial venture capital for later stage rounds
ACTIVE SECTORS: Healthcare IT

Active Venture Funds
Accel, Bessemer, Canaan Partners, Essex Woodlands, Highland, KPCB, MDV, NaviMed, NEA, Psilos, Safeguard, USVP, Venrock, Firstmark, Osage University Partners

Active Strategic Investors

What’s Hot
Big Data, Hospital Efficiency, Payments, Telemedicine, Cyber Security, Insurance Marketplaces, Revenue Cycle Management

Typical First Round Deal
Small series A with modest series B. Lots of companies and competition in the space, investors looking for revenue/bookings traction
ACTIVE SECTORS: Hardware

Active Venture Funds
Andreessen Horowitz, CRV, General Catalyst, Felicis, Kleiner Perkins, Lux Capital, Matrix Partners, Sequoia Capital, Spark Capital, True Ventures, Osage University Partners

Active Strategic Investors
Google Ventures, Amazon, iRobot, ABB, Samsung, Microsoft, Apple, Facebook, Intuitive Surgical, Medtronic

What’s Hot
Internet of Things, Human Machine Interface, Drones, 3D Printing, Robotics, Virtual Reality, Smartwatches, Wearables

Typical First Round Deal
Modest Series A followed by large Series B and C rounds. For consumer focused hardware, Kickstarter performance is becoming an increasingly important factor for institutional investment
ACTIVE SECTORS: *Cleantech & Industrial Chemicals*

**Active Venture Funds**
Braemer Energy Ventures, Pangaea Ventures, Chrysalix Energy Ventures, Phoenix Venture Partners, Google Ventures, First Green, Osage University Partners

**Active Strategic Investors**
![Corporate logos of BASF, Dow, Chevron, Rhodia, GE, Aster Capital, bp, DuPont, Monsanto, and Lockheed Martin]

**What’s Hot**
Oil & Gas, IT Connected Solutions, Internet of Things, Consumer project financing, Air Quality Monitors

**Typical First Round Deal**
Very limited first round funding occurring right now - Generally, a single VC will fund a modest amount, hoping to syndicate a larger next round. Corporate investors becoming much more active in early rounds of financing
ACTIVE SECTORS: Therapeutics

Active Venture Funds

5AM, Arch, Atlas, Domain, Fidelity, Flagship, Frazier, Hatteras, MPM, NEA, OrbiMed, Polaris, Sofinnova, Third Rock, Osage University Partners

Active Strategic Investors

Novartis, GlaxoSmithKline, Roche, Pfizer, Celgene, Sanofi, AstraZeneca

What’s Hot

Gram-Negative Antibiotics, Gene Therapy, Immunotherapy, Oncology

Typical First Round Deal

Large, syndicated, multi-tranche rounds that include one or more corporate venture groups
ACTIVE SECTORS: Medical Devices

Active Venture Funds

Canaan Partners, Domain Associates, InterWest, LightStone, NEA, Orbimed, Versant, Osage University Partners

Active Strategic Investors

Abbott, Covidien, Boston Scientific, Johnson & Johnson Development Corporation, Medtronic, St. Jude Medical, GE

What’s Hot

Not much, but ENT, Gastrointestinal, and Pulmonary are seeing some activity

Typical First Round Deal

Highly structured deals to minimize financing needs and risk. Headwinds remain strong for this difficult sector
ACTIVE SECTORS: Diagnostics

Active Venture Funds
Domain Associates, InterWest, MPM, NEA, TPG Biotech, Osage University Partners

Active Strategic Investors
Roche, Johnson & Johnson, GlaxoSmithKline, BD, Alere, Kaiser Permanente

What’s Hot
Microbial and Cancer Diagnostics, Personalized Medicine

Typical First Round Deal
Small Series A to PoC. Series B to obtain FDA clearance. Challenge is reimbursement and commercial traction
WHAT DO VENTURE CAPITALISTS DO?
TV VENTURE CAPITAL
VCs ARE FROM MARS

Venture Capitalists are from Mars

Entrepreneurs are from Venus
VC BY THE NUMBERS

**99%** of all startups, and most academic startups, do not require and will not get venture capital.

VCs look at **100s** of businesses for one investment.

On average, VCs will initially invest **$3M+**.

**3 out of 4** venture backed companies fail.

- **70-80%** don’t deliver projected ROI.
- **30-40%** blow through investor money.
COST OF VC TO ENTREPRENEURS AND FOUNDERS

CONTROL
VCs rarely want control when company is performing against plan

LIQUIDATION PREFERENCE
Investors typically have rights to get their money out first

DILUTION
At exit, founders and management will typically own 10-20%
WHAT DO VCs DO?

**DEAL SOURCING**
- Deal
- Deal
- Deal
- Deal
- Deal
- Deal

**SCREENING:**
- GPs will look at 100s of deals to invest in 1

**DUE DILIGENCE:**
- Technology, Market, Team, Competition, Finances, Legal

**INVESTMENT DECISION**

**TERM SHEET:**
- Valuation, Size of Round, Lead Investor share, Terms of Investment

**PORTFOLIO MANAGEMENT**

**MANAGING:**
- GPs typically sit on BoD
- Given BoD time commitment, one managing partner will sit on 5 - 6 boards
- VCs expect to make follow on investments in their portfolio

**EXIT EVENT**

**LIQUIDITY:**
- Liquidity typically occurs in an acquisition or IPO
- Even the most successful VCs have only ~ 1/3rd of their portfolio companies exit successfully

Networks, Demo Days, Calls, Meetings, etc.
VC FUND STRUCTURE
VC FUND ORGANIZATION BASICS

**GENERAL PARTNERS (GPs)**
- GPs are the “Venture Capitalists” and they raise the capital from LPs, manage the funds, and make investment decisions
- GPs are assisted by Principals, VCs, Associates, and Analysts who do the ‘heavy lifting’

**VENTURE CAPITAL FUND**
- GPs raise a fund from Limited Partners (investors) based on a unique strategy, expertise in a sector, investment track record
- Fundraising takes months to a year plus

**LIMITED PARTNERS (LPs)**
- LPs provide capital as needed (capital calls)
- Typical venture LPs include Insurance Companies, Endowments, Pensions, and High Net Worth Individuals
- 5-10% of a portfolio is allocated to alternative investments, including venture, which are **illiquid**, **riskier assets** with **higher return potential**
VC COMPENSATION - ECONOMICS

**VC FUND**

2 – 2.5% per year

20/80 SPLIT OF PROFITS

**MANAGEMENT FEES**
- GPs receive an annual MANAGEMENT FEE, which is a percentage of total capital committed to the fund
- Typical fees are 2-2.5% (i.e. on a $100M fund, $2-2.5M/year)
- MANAGEMENT FEES are used for fund administration (salaries, operations, and everything else)

**CARRIED INTEREST**
- LPs receive all returns (profits from exits) until 100% of committed capital, plus interest (often 6-8%), is returned to LPs
- Thereafter, profits are split 80% to LPs and 20% to GPs
  - the 20% going to GPs is called “Carried Interest”
FUND LIFE

• Funds have 10 year lives, often able to extend for 2 years, after which they are liquidated
• Investments are typically made in years 1-4 allowing investments to mature and exit within the 10 year fund life, referred to as the Investment Period
  • Investments requiring >4 years to mature and exit are likely to be made only in the first few years of the Investment Period

INVESTMENTS

• Funds typically reserve $2-3 for every $1 they invest for future rounds of investment in each company
  • if a fund invests $2M in an early round, it will reserve $4-6M for follow-on rounds

SUBSEQUENT FUNDS

• Funds will typically raise additional capital, a new fund, once 80% of capital is committed and reserved
• VCs are motivated to raise subsequent funds to make new investments and earn additional management fees/greater potential for upside on carried interest
INTENSE SCRUTINY

BE PREPARED FOR A THOROUGH EXAMINATION

- All stakeholders are beholden to intense scrutiny by vested interests
- Successful, professional investors are very smart, analytical, and deliberate

- The depth and duration of investors’ diligence, prior to making a decision, can be extraordinarily frustrating
- In turn, scrutiny should go both ways – Entrepreneurs should closely analyze and weigh the benefits of one investor over another
KEY INGREDIENT #1: TRANSFORMATIVE SCIENCE

It all starts with a **key scientific breakthrough**
KEY INGREDIENT #2: LARGE ADDRESSABLE MARKET

EARLY INVESTORS EXPECT TO BE COMPENSATED FOR RISK – MARKET POTENTIAL MUST JUSTIFY COST AND RISK

- Early (independent, fiduciary) investors need 10x return potential
- Model dilution based on the capital requirements of the startup
  - What does the market size need to be?

NOT EVERY IDEA ADDRESSES A $100M+ MARKET, BUT OPTIONS STILL EXIST

- Pivot
- Persevere
- Non-dilutive capital (institutional grants, iCorps, SBA, etc.)
- Crowd fund
- Friends and family
- Angels
# FUNDING SOURCES

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>FUNCTION</th>
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</thead>
<tbody>
<tr>
<td>STRATEGIC</td>
<td>GROWTH</td>
</tr>
<tr>
<td>VENTURE CAPITAL</td>
<td>RAPID SCALING</td>
</tr>
<tr>
<td>CROWDFUNDING</td>
<td>MARKET TRACTION</td>
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<tr>
<td>ANGELS AND ACCELERATORS</td>
<td>PROOF OF CONCEPT</td>
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<tr>
<td>VENTURE PHILANTHROPY</td>
<td></td>
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<tr>
<td>FRIENDS AND FAMILY</td>
<td>PRE-FUNDED STARTUP</td>
</tr>
<tr>
<td>GRANTS</td>
<td>SCIENCE PROJECT</td>
</tr>
</tbody>
</table>

### Venture Capital
- Cisco
- Qualcomm
- Pfizer
- Samsung
- Applied Materials
- Google
- Clarus
- SR-one
- Frazier
- Chrysalis
- NEA
- TPG
- MedImmune
- OrbiMed
- Domain Associates
- Lazard
- Morgan Stanley
- BV
- GroTech Ventures
- TPG Capital
- Alta Partners
- MDV Partners
- BioVest Partners
- Flagship Ventures
- Intersouth Partners
- NEA
- MG
- Labrys Capital
- North Bridge Venture Partners
- Rho
- Khosla Ventures
- Burrell & Company

### Crowdfunding
- Kickstarter
- Indiegogo

### Angels and Accelerators
- Blueprint Health
- Y Combinator
- Techstars

### Venture Philanthropy
- Michael J. Fox Foundation
- Cyrtic Fibrosis Foundation

### Friends and Family

### Grants
- NSF
- National Institutes of Health
- DARPA
- Arpa-E
RELATIONSHIPS MATTER

VC IS A RELATIONSHIP BUSINESS
• We know each other, invest together, share leads and due diligence
• VCs working and investing together (syndicates) reduce future financing risk
• Avoid ‘cold calling’ VCs – approach through a trusted friend/advisor

AVOID ‘COLD CALLING’ VCS
• Approach through a trusted friend/advisor

UNDERSTAND VCs INTERESTS
• VCs make investments in areas of strategic interest
• VCs time investments based on the fund’s life cycle
  • Be prepared for rejection

ASK FOR ADVICE
• If you’re looking for money, ask for advice
• If you want advice, ask for money

WHERE TO BEGIN
• The TLO can help whether you’re interested in actively engaging in the entrepreneurial process or continuing to focus on research while the TLO leads the process
CHOOSING THE RIGHT CO-FOUNDERS

FINDING YOUR CO-FOUNDER

• Co-founders are very much like a marriage as the relationship may span for a decade or more – choosing the right person should be a careful and considerate process
• Co-founders should complement one another’s skills, strengths, and weaknesses

FROM OUR PORTFOLIO

• AGTC – Sue Washer, a serial entrepreneur, approached the University of Florida TTO for emerging opportunities. UF synced her up with the scientists behind AGTC and they launched the company, taking the company to IPO in 2014
• RECEPTOS – Faheem Hasnain, a successful serial entrepreneur, worked with previous team members from other startups to co-found Receptos, ultimately taking it to IPO in 2013
• INFINIO – Arun Agarwal identified Vishal Mishra’s technology at Columbia while interning at Lightspeed; a young energetic entrepreneur, Arun helped Vishal start Infinio, joining on as CEO; Arun and Vishal went on to raise $24M in venture capital from the top enterprise firms: Lightspeed, Bessemer, Highland Capital
Personal Characteristics of a Great CEO

**VISION**
- Drive to be the leader in the space (2nd place isn’t acceptable)
- Thinking high level, but taking care of the details

**REALISTIC/MODEST**
- CEOs aren’t expected to have every skill necessary to build out a company
- The best CEOs identify what they lack and will hire better people around them to make the company succeed

**COMMUNICATION**
- Build and drive an internal team
- Sell the vision externally – communicate succinctly and be able to sell

**LOW AND HIGH EGO**
- The best CEOs have a high ego to be irreverent about the industry they’re disrupting, firm in their beliefs, and have significant grit when faced with problems
- They also have low enough ego to know that when they’re not the right person to run a company or solve a problem, they step aside

**ADAPTABILITY**
- See what’s coming before everyone else and positions to take advantage of it
- The quicker CEOs admit they were wrong, the faster they can pivot
UNIVERSITIES ARE CATALYSTS FOR START UPS

**UNIVERSITY ENTREPRENEURSHIP INCREASINGLY IMPORTANT**

**Top down** pressure from administrations to foster entrepreneurship

**Bottom up** pressure from researchers that want their work to be impactful

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**STRONG GROWTH AHEAD**

University startup activity at an all time high with 800+ new startups formed in 2013 – the growth in entrepreneurship activity at universities remains strong.
TECH TRANSFER OFFICES

FOR INVENTORS
• TTOs succeed in licensing 50% of the patents they file
• Provide guidance and services for patenting, business modeling, marketing and licensing
• May provide venture creation services for startup development, mentoring, talent recruitment and connections to economic development resources and public and private funding sources

FOR ENTREPRENEURS
• Can match your expertise and objectives with emerging university technology concepts needing development and emerging startups requiring professional management

FOR INVESTORS
• Can introduce you to early startup projects for the future, emerging startups that match your funding requirements and launched startups looking for growth capital
INNOVATION MATH:
A SMALL PIECE OF A BIG PIE...
### Planning for Dilution: Seed Investment

<table>
<thead>
<tr>
<th>Founders</th>
<th>Common</th>
<th>%ownership</th>
<th>Seed</th>
<th>Cost$</th>
<th>%ownership</th>
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<tr>
<td>Founders</td>
<td>900,000</td>
<td>60.0%</td>
<td>-</td>
<td>-</td>
<td>42.9%</td>
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<tr>
<td>University</td>
<td>300,000</td>
<td>20.0%</td>
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<td>14.3%</td>
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<tr>
<td>Angels</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
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<tr>
<td>Series A Lead - VC</td>
<td>-</td>
<td>0.0%</td>
<td>600,000</td>
<td>750,000</td>
<td>28.6%</td>
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<tr>
<td>Series B Lead - VC</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Series C Lead - VC</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Option Pool</td>
<td>300,000</td>
<td>20.0%</td>
<td>-</td>
<td>-</td>
<td>14.3%</td>
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<tr>
<td><strong>Total Shares</strong></td>
<td>1,500,000</td>
<td>100%</td>
<td>2,100,000</td>
<td>750,000</td>
<td>100%</td>
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<table>
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<tr>
<th>Founding</th>
<th>Seed Round</th>
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<td>Price/share</td>
<td>Multiple(x)</td>
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<tr>
<td>$1</td>
<td>1.25</td>
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<tr>
<td>$Raise 0</td>
<td>$1.25</td>
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<tr>
<td>$1,500,000</td>
<td>$750,000</td>
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<tr>
<td>Post-Money $1,500,000</td>
<td>Pre-Money $1,875,000</td>
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<tr>
<td>Post-Money $2,625,000</td>
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Ideally, a Seed Round would be in the form of a convertible note, and would not have a valuation.
## PLANNING FOR DILUTION: VC ROUNDS

<table>
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<tr>
<th></th>
<th>Series A Round - VC</th>
<th>Series B - VC</th>
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<tbody>
<tr>
<td></td>
<td>Cost $</td>
<td>%Ownership</td>
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<td>Founders</td>
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<td>22.4%</td>
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<tr>
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<td>Angels</td>
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<td>Option Pool -</td>
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<td>Total Shares</td>
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<th>Series A Round - VC</th>
<th>Series B - VC</th>
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<tbody>
<tr>
<td></td>
<td>$/Share</td>
<td>$/Share</td>
</tr>
<tr>
<td>Founders</td>
<td>$1.56</td>
<td>$3.13</td>
</tr>
<tr>
<td>University</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Angels</td>
<td>-</td>
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<td>Series A Lead - VC</td>
<td>$3,000,000</td>
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<tr>
<td>Option Pool -</td>
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<tr>
<td>Total Shares</td>
<td>3,726,838</td>
<td>15,000,000</td>
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<th>Series A Round - VC</th>
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<tr>
<td></td>
<td>$Raise</td>
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<tr>
<td>Pre-Money</td>
<td>$3,000,000</td>
<td>$15,000,000</td>
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<tr>
<td>Post-Money</td>
<td>$6,726,838</td>
<td>$29,034,068.63</td>
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</table>

|                      |                      |               |
| Multiple(x)          | 1.25                 | 2.00          |
| $/Share              | $1.56                | $3.13         |
| $Raise               | $3,000,000           | $15,000,000   |

Pre-Money: $3,726,838
Post-Money: $6,726,838

Pre-Money: $14,034,069
Post-Money: $29,034,068.63
## PLANNING FOR DILUTION: ACQUISITION

<table>
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<tr>
<th>Series C - VC</th>
<th>Series C</th>
<th>Cost$</th>
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<th>Option Pool</th>
<th>%ownership</th>
<th>Proceeds</th>
<th>Return</th>
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<td>6.7%</td>
<td>-</td>
<td>6.6%</td>
<td>$ 13,226,837</td>
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<td>University</td>
<td>-</td>
<td>$ -</td>
<td>2.2%</td>
<td>-</td>
<td>2.2%</td>
<td>$ 4,408,946</td>
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<td>$ -</td>
<td>4.5%</td>
<td>-</td>
<td>4.4%</td>
<td>$ 8,817,891</td>
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<td>$ 10,631,531</td>
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<td>-</td>
<td>42.1%</td>
<td>$ 84,164,590</td>
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<td>$ 7,114,948</td>
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<td>-</td>
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<td>$ 56,325,533</td>
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<td>1,160,563</td>
<td>$ 7,253,521</td>
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<td>142,029</td>
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<td>$ 16,000,000</td>
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<tr>
<td><strong>Total Shares</strong></td>
<td>13,466,667</td>
<td>25,000,000</td>
<td>100%</td>
<td>13,608,696</td>
<td>100%</td>
<td>200,000,000</td>
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- **Multiple(x)**: 2.00
- **$/Share**: $6.25
- **$Raise**: $25,000,000
- **Sale Price**: $200,000,000

**Pre-Money**: $58,352,195
**Post-Money**: $83,352,195.23
PARTNERING WITH OSAGE
Osage focuses on companies (or soon-to-be companies) developing transformative technologies solving major global challenges led by passionate entrepreneurs being (or likely to be) financed by top-tier venture investors.
Osage University Partner’s Fund I ($100M) and Fund II ($200M target) invests in groundbreaking life science and technology start-ups via its proprietary relationships with 70+ universities.
INVESTMENT FOCUS

ALL STAGES OF NEW VENTURES

- **Seed**
  - $100,000 to $1,000,000

- **Early**
  - $1,000,000 to $3,000,000

- **Mature**
  - $3,000,000 to $6,000,000

BROAD RANGE OF MARKET SECTORS

- Cleantech & Energy
- Information Technology
- Life Sciences
- Materials
## OUR PORTFOLIO COMPANIES AND WHEN WE INVESTED

<table>
<thead>
<tr>
<th>Seed</th>
<th>1st Round</th>
<th>2nd Round</th>
<th>3rd Round</th>
<th>4th Round +</th>
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<td>Menlo Security</td>
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<td>GUARDANT HEALTH</td>
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<td>SKYTREE</td>
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<td>PARACOSM</td>
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<td>effector</td>
<td>Tangent Medical</td>
<td>OTONOMY</td>
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<td>Faraday Pharmaceuticals</td>
<td>psikick</td>
<td>urjanet</td>
<td>SOLORBRIDGE Technologies</td>
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If the Company proposes to sell any equity securities or securities that are convertible into equity securities of the Company, then the University and/or its Assignee (as defined below) will have the right to purchase up to 10% of the securities issued in each offering on the same terms and conditions as are offered to the other purchasers in each such financing. Company shall provide thirty days advanced written notice of each such financing, including reasonable detail regarding the terms and purchasers in the financing. The term “Assignee” means (a) any entity to which the University’s participation rights under this section have been assigned either by the University or another entity, or (b) any entity that is controlled by the University. This paragraph shall survive the termination of this agreement.
Venture Capital 101: Financing Mentality, Jargon, Term Sheets, And Documents
A Primer for Academic Technology Transfer Managers and Industry Licensing Executives
By Louis P. Berneman and Christopher F. Wright

Introduction
With the heightened attention of senior academic administrators to promoting economic development and fostering innovation ecosystems, academic technology transfer organizations are increasingly focusing their commercialization activities on identifying, qualifying, incubating, accelerating, and financing start-up ventures. This top down pressure is aligned with bottom up pressure from faculty researchers who, albeit for different reasons, are likewise increasingly interested in the impact of their discoveries and seeking to commercialize them through start-ups. Moreover, technology managers are now thrust into new roles, such as creating pre-license value, recruiting investable management, raising capital, and positioning licensed technology to become part of a commercially successful product in a thriving company. Likewise, for a variety of reasons, industry licensing executives are increasingly out-licensing de-prioritized corporate R&D projects to start-up ventures. Unlike their academic counterparts, industry licensing executives find themselves dealing with financing and other now venture business development issues. Technology managers and industry licensing executives now need to understand the mentality of venture capitalists and other institutional investors and become fluent with their jargon, term sheets, and documents. This article seeks to demystify venture capital (“VC”) start-up dealmaking.

Background
Not for profit research institutions continue to be epicenters of innovation. As envisioned to the virtuous cycle of technology transfer and commercialization in 1945 by Vannevar Bush in Science, the Endless Horizon, while the U.S. corporate research spend has been volatile, and even decreasing, federal funding for basic research in academia has grown steadily and significantly. See Figure 1. University start-ups are the epitome of Bush’s virtuous cycle vision as approximately 75 percent of

Figure 1. Epicenters Of Innovation

<table>
<thead>
<tr>
<th>Basic and Applied Research</th>
<th>Universities, Industry (US)</th>
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<tr>
<td>Industry Research Spend</td>
<td>U.S. corporate research spend is volatile and in some sectors reducing significantly</td>
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<tr>
<td>University Research Spend</td>
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SUMMARY
Osage University Partners (OUP) invests in startups that have licensed technologies from universities and research institutions. OUP has partnered with 70 academic institutions to invest in pioneering technologies and visionary entrepreneurs targeting large market opportunities. The Fund invests across a range of technology sectors and company stages, and typically co-invests with other leading venture funds.

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THANK YOU

WHO HAS THE FIRST QUESTION?
CROWDFUNDING OPENS NEW FUNDING CHANNELS

ADVANTAGES
• Successful crowdfunding campaign demonstrates market acceptance
• Opportunities for viral marketing

PRODUCT BASED CROWDFUNDING (KICKSTARTER)
• People buy your product for future delivery
• Demonstrates that people actually want your product – VCs want to see this proof point before funding a company
• Most products won’t raise a million dollars – the average crowdfunding campaign raises just $7,000

EQUITY BASED CROWDFUNDING
• Approved by the JOBS Act, allows anyone to invest small amounts of capital ($2,000/year)
• Regulations are still being worked out; nobody is doing this yet