Known for its innovative and interdisciplinary approach to education at both the graduate and undergraduate levels, the University of Alabama at Birmingham is an internationally renowned research university and academic medical center, as well as Alabama’s largest employer, with some 23,000 employees, and has an annual economic impact exceeding $7 billion on the state. The pillars of UAB’s mission include education, research, innovation and economic development, community engagement and patient care.

UAB embodies a spirit of discovery that advances knowledge, solves real-world problems and drives economic development.

Our research faculty ranks among the nation’s best funded and is noted for exceptional mentoring and training – from undergraduate researchers to post-doctoral fellows.

This work was supported by more than $527 million in sponsored research funds in FY2018, and is conducted in the departments of 10 schools, 24 university-wide research centers, UAB hospitals and clinics and field sites by faculty, fellows and students collaborating among themselves and with others around the globe.

Research at UAB spans the spectrum and mingles disciplines to investigate, reveal and apply knowledge that changes the lives of individuals and the fates of communities. We do this to provide answers. Solutions. Hope.

Learn more at www.uab.edu.
# Table of Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why Start a Company</td>
<td>3</td>
</tr>
<tr>
<td>Best Practices</td>
<td>4</td>
</tr>
<tr>
<td>Key Considerations</td>
<td>5</td>
</tr>
<tr>
<td>Protect Intellectual Property</td>
<td>7</td>
</tr>
<tr>
<td>Build a Team</td>
<td>9</td>
</tr>
<tr>
<td>Using University Resources</td>
<td>11</td>
</tr>
<tr>
<td>Alabama Ethics Law and UAB Policies</td>
<td>13</td>
</tr>
<tr>
<td>University Web Links</td>
<td>16</td>
</tr>
<tr>
<td>Build a Business Model</td>
<td>18</td>
</tr>
<tr>
<td>License Agreements</td>
<td>20</td>
</tr>
<tr>
<td>Funding</td>
<td>21</td>
</tr>
<tr>
<td>Legal Entity</td>
<td>22</td>
</tr>
<tr>
<td>Frequently Asked Questions</td>
<td>24</td>
</tr>
<tr>
<td>UAB Resource Map</td>
<td>26</td>
</tr>
<tr>
<td>Entrepreneurial Development Committee</td>
<td>27</td>
</tr>
</tbody>
</table>

*Portions of the University of California Irvine Startup Guide for Employee Inventors are reprinted with permission of Regents of University of California (2016 and 2017).*
**WHY START A COMPANY?**

**THINGS TO CONSIDER BEFORE TURNING YOUR IDEA INTO REALITY**

Starting a company to commercialize an invention as an academic researcher can be a life-changing endeavor. The process brings together a breadth of experiences, from the allure of potential societal impact and financial returns, to frustrations working within a university culture with federal, state, and local regulatory considerations.

Successful entrepreneurs are motivated by these challenges and thrive through ups and downs, utilizing the resources and counsel of the institution they serve.

While there are many motivations for starting a company, the primary reason from a commercial standpoint centers on making profits by selling products or services. Anyone seeking to commercialize an idea must identify a market need and their product must fill it.

Academic entrepreneurs are often “technology-driven” while investors are “market-driven.” With these differences, there often exists a dichotomy between academic and corporate cultures, as the former focuses on cutting-edge technologies while the latter focuses on how technologies meet market needs.

The personal motivations of successful entrepreneurs are, therefore, wishing to fill a market need and the desire to help others, rather than a desire to benefit their academic research or be their own boss. Similarly the personal characteristics of an entrepreneur are usually persistence and a tolerance for risk-taking in ambiguous circumstances.

Whether you are a new or serial entrepreneur, the UAB entrepreneurial community is committed to helping you navigate the process.
BEST PRACTICES FOR LAUNCHING A START-UP COMPANY

**Conconsider & Consult**

01. Consult HIIE regarding UAB Intellectual Property or to assess licensing opportunities for UAB inventions

02. Discuss idea with department chair or dean

03. Consult Conflict of Interest if you or a member of the company are a UAB employee

**Define the Business**

04. Will there be UAB employees participating in the company? Consult External Activities Policy and Conflict of Interest

05. Involving UAB affiliated members that are foreign nationals? Consult UAB Office of International Student and Scholar Services

06. Plan to conduct research at UAB related to company's interest or sponsored by the company? Consult Conflict of Interest

**Create the Business**

07. Faculty: Discuss plan with department chair or dean

08. Postdocs or Project Scientists: Notify your principal investigator

09. Obtain independent legal counsel

10. Update Conflict of Interest team to help manage conflict of interest disclosure requirements

11. If licensing intellectual property from UABRF, contact HIIE to establish agreement

12. Consider all UAB resources for potential incubation and funding opportunities
KEY CONSIDERATIONS

EXPLORING THE STAGES OF COMMERCIALIZING AN IDEA & THE RESOURCES AVAILABLE AT UAB

DISCUSS EARLY & OFTEN

As a UAB inventor, you should consult with your Department or Division Chair to discuss your intentions within the context of UAB’s External Activity, and Conflict of Interest and Commitment policies. Also, contact the University of Alabama at Birmingham Research Foundation (UABRF), a unit of the Bill L. Harbert Institute for Innovation and Entrepreneurship (HIIE), early in the process. These discussions will include the nature of your invention, how to protect the IP, and your interest in developing and commercializing the IP through a start-up company.

PROTECT INTELLECTUAL PROPERTY

Protect your invention before it becomes public. A major asset of a start-up company is its intellectual property. Obtaining a patent after public disclosure may no longer be possible, particularly outside the United States. The IP disclosure process is described on pages 7-8.
BUILD A TEAM

An employee’s role in any company is affected by a number of factors, including UAB policies around external activities, conflict of interest and conflict of commitment. Employee inventors must consider the allocation of time and effort between their current role and the role in the proposed new business.

BUILD A BUSINESS MODEL

A detailed and well-thought out business model helps develop a thorough understanding of target customers and applications, market potential, competition, funding needs, plans for idea/product development, key management plans, and overall exit strategies. Pages 17-18 outline common elements of a business model.
PROTECT INTELLECTUAL PROPERTY

PROTECT YOUR INVENTION BEFORE IT BECOMES PUBLIC

DEFINITIONS

**Intellectual Property** (IP) refers to a category of intangible property rights comprised primarily of patents and copyrights.

A **patent** is a grant from the government that gives an inventor the exclusive right to make, use, and sell an invention for a period of 20 years. Patents for designs, as opposed to inventions, are given a 14-year period of protection.

A **copyright** is an intangible property right granted by the U.S. government to the author or originator of certain expressions of ideas. Works created today are automatically given copyright protection for the life of the author plus 70 years.
PROTECT INTELLECTUAL PROPERTY

DISCLOSURE PROVIDES THE GREATEST OPPORTUNITY COMMERCIALIZATION & PUBLIC GOOD

DISCLOSURE OF INVENTIONS
As a condition of UAB employment, faculty and staff are obligated to disclose all inventions to the UAB Research Foundation.

Disclose inventions by submitting an Intellectual Property Disclosure before making any form of public disclosure. Public disclosure is not limited to manuscripts and publications: conference presentations, posters and even correspondence with an outside entity or discussion with a colleague can be deemed a public disclosure.

HIIE ASSESSMENT
Once an invention is disclosed, HIIE licensing associates conduct a preliminary evaluation of the IP, considering factors such as patentability, benefit to the public, commercial potential, and patent rights of outside parties. If an invention is deemed commercially viable, the HIIE will begin marketing the invention to assess commercial interest and seek licensees or start-up resources.

PROTECTING INTELLECTUAL PROPERTY
If the HIIE decides to pursue patent protection, licensing associates will authorize and coordinate the process, engage a patent firm to draft the application, and begin working with the employee on commercialization efforts. In the case of patent-eligible technology, the completed patent application is submitted to the United States Patent and Trademark Office (USPTO) and/or other appropriate jurisdictions where protection is sought. UAB’s ownership and assignment of such to UABRF from UAB, in innovations created at UAB vests at creation by operation of law. At the time of patent application filing, legal documents confirming such assignment of the patent from the inventor to the UAB Research Foundation under the USPTO will be required. The patent process commonly takes three to five years from application submission to patent issue by USPTO. During this time, HIIE licensing associates coordinate with outside patent counsel and the inventors and respond to official communications from the USPTO to determine the scope of eventual patent rights.

INTELLECTUAL PROPERTY AT UAB: DETERMINING OWNERSHIP

| PATENTS | The patent application process is administered by UABRF. If the invention resulted from unrelated work outside the university, UAB may decide that it does not have a right of ownership. UAB employees are expected to comply with the university’s Patent Policy and to be aware of the Patent Agreement linked to the Board Rule 509. |
| COPYRIGHTS | Ownership of the copyright in the work depends on the conditions and funding of the particular work. If the work results from other intellectual activity, the copyright will generally belong to the individual. UAB employees are expected to comply with the university’s Copyright Policy and Authorship Policy. |
Assembling a cohesive team is an important early step in launching a start-up. Determining who will take part and establishing expectations concerning roles and commitments to the company can be among the most difficult aspects of creating a new business. If the inventor is the main driver for forming the start-up, then he or she must consider personal goals, the needs of his/her family, and professional commitments. Even if the inventor is not driving the process, he/she will still likely be involved in the start-up in some capacity.

Consider each founder’s role in the management team. Seek members with significant domain expertise, sales experience, and marketing know-how. Investors are usually interested in companies with strong teams: they may be less likely to fund even the best ideas if the right team isn’t in place.

Choosing a Role
When selecting a position in the new company, consider its current and long term needs, and how they may affect your role. Possible roles may include one or more of the following:

- **CEO** or executive manager;
- **Founder**;
- **Manager/member** of board of directors;
- **Consultant**;
- **Employee**; and
- **Equity or ownership interest**.

Be aware of UAB’s policies concerning faculty involvement with outside entities, including the disclosure notifications, activity approvals, conflict of commitment requirements and the conflict of interest requirements, both individual and institutional. These are listed on page 14.
BUILDING A TEAM

INCORPORATING INDIVIDUALS FROM UAB IN YOUR COMPANY

IN VolvEMENT IN A N EW VENTU RE AS A UAB FACULTY MEMBER
UAB employees owe their primary professional allegiance to UAB. Their primary
committance of time and intellectual energies should be to the education, research and
scholarship programs of the university. All university employees are required to obtain
approval from their department chairs and schools for any external activity relating to a
start-up company. The External Activity disclosure process is linked on page 16.

IN VolvING O THER UAB EMPLOYEES
It’s important to discuss the opportunity fully when asking a non-faculty UAB employee to
participate in a start-up company. UAB employees who are not faculty members must
obtain written approval from their supervisor(s) before participating in start-up activities.

IN VolvING STUDENTS AND POST-D OCS
Involving students and postdoctoral fellows in faculty start-up companies can enhance the
academic experience. However, these trainee populations are in an inherently vulnerable
position and care should be taken to ensure that they are engaged voluntarily, that the
involvement is beneficial to their academic development, and that the activity does not
interfere with their training and/or academic progress. Prior to engaging students or post-
docs in any start-up company activity, the faculty member is expected to discuss the
activities and associated expectations and provide full and complete information to the
students and post-docs about the faculty member’s financial and other interests in the
company.

IN VolvING FOREIGN NATIONALS
Consider employment eligibility when building a start-up team. UAB hosts a variety of
international and domestic students, scholars and faculty. Individuals studying or working
at UAB who are foreign nationals may have certain restrictions for employment or other
activities based on the nature and type of their visa. For example, an individual’s visa status
may only permit his/her employment or enrollment at UAB; such restrictions will impact
his/her opportunity to participate in the start-up company’s activities if they exceed the
scope of activities permitted by the visa.

Furthermore, visas obtained by UAB for individuals to work or study at UAB are generally
not transferable to an outside company. Transferring or applying for new visas can be
prohibitively expensive for a start-up company. Consult with outside legal counsel for
assistance.

The UAB Office of International Student and Scholar Services can provide preliminary
information regarding the ability of the start-up company to involve foreign national
students and employees.
USING UNIVERSITY RESOURCES
POLICIES CONCERNING THE USE OF UAB RESOURCES & FACILITIES BY EXTERNAL ENTITIES

As a public institution, UAB is heavily subsidized by state and federal taxpayers and tasked with the performance of academic and scholarly research. A start-up company’s use or access to the university’s research infrastructure, facilities or equipment for its own projects, is governed by UAB’s Policy Concerning Use of UAB Resources by External Entities.

COMPANY ACCESS TO UAB SERVICES/EQUIPMENT
The conduct of research by external entities in UAB space requires disclosure to, and prior approval by, appropriate departmental and school authorities. The charges for use of the resource must be set at an amount equal to all direct and overhead costs associated with providing the resource and making use of it. Use of UAB resources are governed by a contract between UAB and the external entity, and the UAB associate vice president for financial affairs must approve the charge structure. External entities must not use UAB expendable resources unless the full cost for replacement is included in the agreement budget. Likewise UAB services related to a non expendable resource must be captured in the budget agreement.

COMPANY RESEARCH PROJECT
A start-up company may wish for UAB researchers to conduct a research project for the company. This is accomplished through a research agreement that is negotiated, reviewed and processed through the UAB Office of Sponsored Programs. Projects should be appropriate for the university setting. For example, routine tests and work that are readily available through commercial entities are generally not appropriate to be conducted at UAB. UAB is required by federal regulation, state law and UAB policies to own any intellectual property developed by its employees and students. However, a research agreement negotiated with UAB allows the sponsoring company to negotiate a license to use any IP developed by UAB while performing the research project.

IRB, IACUC & OTHER REGULATED SERVICES
UAB’s human subjects’ research and protection, animal care and use, and health and safety programs are for the benefit of research activities involving UAB employees and researchers acting in their UAB capacity. These programs are subject to complex federal and state regulations and the responsibilities and risks associated with conducting human subject and animal research are significant. Under no circumstances may external entities or individuals, such as a faculty start-up company or a physician’s private practice, use the services of UAB’s research administrative offices under the pretext of UAB research activity unless UAB is engaged in a particular research project through a sub-agreement with the company and/or there is a specific agreement in writing between the company and UAB.
IMPLEMENTATION OF A DEVELOPMENT PLAN
During its early stages, a start-up company may seek the use of university facilities or resources. The HIIE can assist in coordinating such access. In cases of complex requests, the HIIE will refer the company to the Entrepreneurial Development Committee (EDC), who will work with the start-up company to develop and implement a development plan designed to support a successful, efficient and productive interaction with UAB regarding any approved use of UAB facilities and resources. The development plan outlines appropriate use and allocation of UAB resources while addressing state ethics concerns, compliance with applicable UAB policies and conflicts of commitment and interest requirements.
USING UNIVERSITY RESOURCES

ALABAMA ETHICS LAW

The Alabama Ethics Law applies to public officials and public employees, including UAB employees. Generally, the Alabama Ethics Law requires UAB employees to avoid conflicts of interest and refrain from using public property for personal gain. More specifically, a UAB employee may not use or cause to be used UAB equipment, facilities, time, materials, human labor, or other UAB property under his/her discretion or control for the private benefit or business benefit of the employee except as otherwise provided by law or pursuant to a lawful employment agreement. Likewise, a UAB employee may not use his/her position with UAB to obtain personal gain for himself/herself, a family member or any business with which the employee is associated. The Alabama Ethics Laws prevents UAB employees, or members of their households, or any businesses associated with these officials and employees, from entering into contracts for which UAB will provide payment unless the contract has been awarded through a competitive-bidding process.

The Alabama Ethics Law has implications for UAB employees that own or invest in start-up businesses. An employee of UAB should not use UAB property, including equipment, supplies or tools, for the benefit of a business related to the employee without participating in an internal review process to consider potential conflicts of interest and receiving the prior approval of an authorized UAB official. Given the complexity of such arrangements and the implication of the Alabama Ethics Laws, the UAB University Compliance Office and Office of Counsel should be engaged to provide advice regarding any such relationship.

In some instances, UAB will require the employee to participate in a management plan in order to use UAB property.

Moreover, the Alabama Ethics Law restricts the ability of businesses owned by UAB employees to enter into contracts to provide goods or services to UAB. Generally, businesses owned by UAB employees may not enter into such contracts unless certain exceptions are met, such as participation by the business in a competitive bid process.

A violation of the Alabama Ethics Laws may result in a criminal conviction for a public employee or official. Penalties include terms of imprisonment lasting up to twenty years and fines of up to $30,000.
USING UNIVERSITY RESOURCES

UAB POLICY ON CONFLICT OF COMMITMENT & CONFLICT OF INTEREST

CONFLICT OF COMMITMENT

UAB employees owe their primary professional allegiance to UAB. Their primary commitment of time and intellectual energies should be to the education, research and scholarship programs of the university.

The UAB Enterprise Code of Conduct requires employees be aware of the potential for conflicts of commitment and to “exercise initiative” to identify, review, and manage those conflicts appropriately. This policy applies to all UAB employees. The Enterprise Code of Conduct defines “conflict of commitment” as “a circumstance in which an employee’s engagement in external or internal activities compromises the ability to carry out his/her primary obligations and commitments to UAB.” The Enterprise Code of Conduct further provides that the primary commitment of all employees’ time “should be toward their institutional responsibilities.”

There is not a bright line test for determining whether, overall, a faculty member is or is not making his or her commitment of time “primarily” to UAB. Determining whether you have fulfilled your “primary commitment” to UAB should be the result of a constructive process worked out between you and your chair. UAB Faculty Handbook and Policies Section 3.11.1 provides some guidance here, where it states: “Full-time faculty members may, with the approvals described below, contract to perform independent research, to furnish services as a consultant, or both, provided such activity (a) does not interfere with the performance of other responsibilities as a faculty member, (b) is limited in time, (c) is compatible with the interests of UAB as a public academic institution, and (d) does not require significant use of UAB resources or facilities.”

Refer to UAB Enterprise Conflict of Interest and Conflict of Commitment Policy the External Activity approval request and HR Policy 128 for the processes of requesting a prior approval for certain external activities and information related to the reporting of outside activity income as well as time and income limits.

FINANCIAL CONFLICT OF INTEREST (FCOI)

A financial conflict of interest is a situation where your outside financial interest(s) or obligation(s) may compromise or have the appearance of compromising your professional actions or judgment in the designing, conducting, or reporting of your university research projects. Disclosure and transparency are crucial to successful management of conflicts of interest. Acquiring a financial interest in a start-up related to your research will require you to file the appropriate disclosure(s) to the university. This include a Financial Disclosure and depending on your company role(s), approval request for External Activity(ies).

The Conflict of Interest Review Board (CIRB) is charged with the ongoing development of procedures for identifying, reviewing, and managing financial conflicts of interest (FCOI) as they relate to extramurally-funded research and all research involving human subjects regardless of the funding source.

The Office of the CIRB can offer resources, feedback, and support throughout the CIRB process.
USING UNIVERSITY RESOURCES
UAB POLICY ON CONFLICT OF COMMITMENT & CONFLICT OF INTEREST

INSTITUTIONAL CONFLICT OF INTEREST (ICOI)
Institutional conflict of interest may be created when UAB or senior official of UAB hold financial interests in a new company, including licensing agreement under which a new company pays UAB royalties, and/or an equity ownership in a new company. Such conflicts may affect, or reasonably appear to affect the design, conduct, reporting, review or oversight of research.

If you plan to engage or contract research to UAB, then either the Institutional Conflict of Interest Committee or the Conflict of Interest Review Board must review the arrangement, depending on the nature of the research.

INSTITUTIONAL CONFLICT OF INTEREST COMMITTEE
The role of the UAB Institutional Conflict of Interest Committee for Research (ICOI Committee for Research) is to review proposals to conduct human subjects clinical trial research at UAB in which it has been identified that either the institution or an institutional official has a financial interest that may influence or be perceived to influence the design, conduct, or reporting of such human subjects clinical trials research (an “institutional conflict of interest” or ICOI). If this is applicable, you will need to contact the Compliance & Risk Assurance Office in order to submit the request to the ICOI Committee. This should be done in advance of submissions to the Office of Sponsored Programs and the Institutional Review Board.

CONFLICT OF INTEREST REVIEW BOARD
The Conflict of Interest Review Board (CIRB) is charged with reviewing, approving and managing ICOIs for all non-human subjects’ clinical trial research at UAB in which it has been identified that either the institution or an institutional official has a financial interest that may influence or be perceived to influence the design, conduct, or reporting of such research. Please contact the Office of the CIRB for more information.
UNIVERSITY WEB LINKS

QUICK LINKS TO FREQUENTLY-USED RESOURCES

EXTERNAL ACTIVITY LINKS
External & Internal Activities Policy Faculty Handbook 3.11
Employment & Other External Activities HR Policy 128
How to Disclose External Activities (OVPR page)
External Activities (University Compliance page)
External Activities (School of Medicine)

CONFLICT OF INTEREST AND CONFLICT OF COMMITMENT
UAB Enterprise Conflict of Interest and Conflict of Commitment Policy (applies to UAB, UAB Hospital Management, LLC, UAB Health System, University of Alabama Health Services Foundation, P.C., Eye Foundation, Inc., University of Alabama Ophthalmology Services Foundation, Valley Foundation, Triton Health System, LLC, VIVA Health, Inc., UAB Educational Foundation, UAB Institute for Innovation and Entrepreneurship, National Alumni Society of the University of Alabama at Birmingham, and University of Alabama at Birmingham Professional Liability Trust Fund.)

Institutional Conflict of Interest Policy
Conflicts of Commitment HR Policy 613 and 614
Procedure for Identifying and Managing Investigator and Institutional Conflicts of Interest - IRB PRO123
Required UAB COI Course

DISCLOSURE OF INTELLECTUAL PROPERTY
Ownership of Intellectual Property Policy Faculty Handbook 3.9 (Patent Policy)
Intellectual Property Disclosure Form
Revenue Distribution Agreement
BUILD A BUSINESS MODEL
AN OVERVIEW OF VENTURE FEASIBILITY AND BUSINESS PLANNING

A detailed business model outlines target customers, applications, market potential, competitors, funding needs, plans for idea/product development, key management plans, and overall exit strategies. Use this outline to help demonstrate your venture feasibility to potential investors.

EXECUTIVE SUMMARY (1-2 PAGES)

Write this section last. Present important but brief highlights using information from the feasibility or business plan documentation. Recommended topics to include:

- Attention grabber: Why is the venture novel and important? Touch upon its mission if possible. (3-4 sentences).
- Problem: A compelling statement of the issue, inefficiency, and/or problem situation that the venture intends to resolve.
- Opportunity: Identify key objective and external aspects of the environment (resources, physical space, clients, market sectors, communities) making up the context in which your venture will conduct business.
- Idea: What is the unique offering (innovation, product, or service) you are introducing into the context defined by the opportunity?
- Business concept: How will the venture make money and/or generate value? Describe the core transaction as simply as possible.
- Team: What makes your team a winning one? Don’t simply rehash each founder’s resume: explain how the background of each team member fits with the venture and illustrate the synergies.
- Strategic plan: How will the company compete and remain adaptable as you succeed? How do you plan to mitigate external threats now and in the future?
- The ask: How much funding are you seeking? What are you giving up for it? When can investors expect a return? What is your exit strategy?

INDUSTRY/MARKET ANALYSIS (5-10 PAGES)

Describe the industry your venture will enter, any relevant industry, and the entire potential market in terms of the following aspects:

- Total Addressable Market (TAM) – includes the entire market for your product and all the people worldwide that would buy your product.
- Serviceable Addressable Market (SAM) – includes the market you can acquire with your product.
- Service Obtainable Market (SOM) – includes the portion of the market that you can convince to use your product at six months, and one, two, and three years after launch.
- Explain the typical customer/client profile and how the venture serves them.
- Analyze the competitors and delineate how and where the venture fits.

*The length and importance of each section will vary at different stages of business maturity.*
BUILD A BUSINESS MODEL
AN OVERVIEW OF VENTURE FEASIBILITY AND BUSINESS PLANNING

BUSINESS AND OPERATIONS (5-10 PAGES)

Provide an overview of the business and the market you plan to serve.

- Describe the business concept. What is the offering you are bringing to the market? Define whether it's a product or service: a B2C or B2B: retail, wholesale, or manufacturing. What does a typical sales transaction look like?
- Describe the current status of the venture in reference to its overall objectives and purpose.
- Detail what makes the business concept and the product or service distinctive.
- Summarize any intellectual property or proprietary rights, such as patents, copyrights, licenses, etc.
- Detail any milestones or metrics that will generate evidence of performance. Include a timeline if applicable.
- Describe critical risks regarding the product, external regulatory environments, or any potential venture performance hindrances that go beyond the regular risks associated with entrepreneurial activity.

MANAGEMENT TEAM (3-5 pages)

Highlight the structure of the business management team.

- Introduce each team member. Describe their background and experiences. Give insight into their long term professional goals if possible.
- Describe any history your team members share. For example, have they previously worked together on other ventures? For how many years? How are their skill sets and competencies complementary?

FINANCIAL ANALYSIS & PLAN (3-5 pages)

Present key documents to outline the financial outlook for the business.

- Summarize any assumptions on which the financials are based.
- Provide financial statements, including break-even analysis if applicable.
- Financing: Describe the preferred terms of deal, and the type of deal being sought. Include information about exit strategy or type of preferred deal.

APPENDIX

Include additional information to help establish credibility of the business idea.

- Profit and Loss Statement
- Balance Sheet
- Cash Flow Statement
- Team member resumes and CVs
- Tabled data or other voluminous information not appropriate for body text but worth referencing
- Bibliography and references
COMMERCIALIZATION RESOURCES
ON-CAMPUS PROGRAMS AVAILABLE TO EMPLOYEE INNOVATORS

CENTER FOR CLINICAL & TRANSLATIONAL SCIENCE INNOVATION PANELS

The Center for Clinical and Translational Science (CCTS) was established in 2008 and is funded by an award from the National Center for Advancing Translational Sciences. One of more than 50 CTSA programs nationwide and the only CTSA in Alabama, the regional CCTS (AL, LA, MS) serves a population with a heavy burden of cardiometabolic, vascular, and cancer-related diseases. The CCTS offers Innovation Panels (iPanels) connecting researchers with tech transfer and business development experts. Researchers with potentially marketable discoveries that wish to explore the commercialization pathway can request an iPanel. Whether they are seeking help refining a novel idea, reaching potential customers, or developing entrepreneurial skills, CCTS iPanels can help chart the way forward. Visit www.uab.edu/ccts.

SBIR/STTR PROGRAM

UAB partners with a variety of startup companies and small businesses to support SBIR/STTR submissions. Small businesses interested in pursuing SBIR/STTR funding can engage UAB and its faculty to partner in research to assist moving technologies through the commercialization process. It’s important that small businesses work with UAB to manage relevant stages of the SBIR/STTR process, including the application, research and development plans, and subcontracting the award.

UAB I-CORPS & COMMERCIALIZATION OF LIFE SCIENCES RESEARCH

I-Corps is an accelerator program created by the National Science Foundation to develop early ventures and discoveries and accelerate them towards successful commercial ventures. I-Corps@UAB provides the infrastructure, resources, advice, networking opportunities, training, and funding for motivated entrepreneurs to develop effective solutions to customer problems.

The five-week I-Corps@NCATS Short Course is offered regionally several times a year. Participants attend two face-to-face sessions (the kick-off and finale), and will conduct customer discovery during the three weeks in between, checking in virtually during “office hours.” Participants learn how to:

- Determine the commercial viability of an innovation;
- Develop a successful business case for securing funding;
- Grow a network of innovation partners, mentors, and potential collaborators; and
- Develop greater self-confidence and a new way of thinking about how to value the impact of research.

Visit www.uab.edu/icorps for more information.
LICENSE & OPTION AGREEMENTS

NEGOTIATE INTELLECTUAL PROPERTY AGREEMENTS WITH UAB

LICENSING

The UABRF is the contracting agency of UAB for intellectual property. A UAB employee and start-up company can expect the following during the licensing process:

- UAB will not license to an individual; only to an existing company or a start-up company. A start-up company must be able demonstrate that it has the resources to adequately develop/commercialize the intellectual property it wishes to license.
- Under a license agreement, UABRF will generally require the start-up company to agree to provisions that are consistent with licensing practices for any other commercial entity. The final license agreement must fall within the normal range of terms and conditions of similar licenses to non-inventor associated companies (taking into consideration the unique circumstances of each technology and transaction).
- The start-up company should find an appropriate non-UAB affiliated individual to negotiate the terms of a license agreement. This can be another person working for the start-up company, who does not have a conflict with UAB or it could be someone, such as an attorney, hired specifically to represent the start-up company in the negotiations.
- All start-up companies will be treated similarly as any other university licensee. If a start-up company fails to meet the diligence provisions, make financial payments or otherwise meet its obligations under a license agreement, the company risks losing the license.

TYPICAL AGREEMENTS

The UABRF can transfer its rights in and to intellectual property made at UAB and owned by UABRF through licensing agreements. The most common of these agreements are:

- Option Agreement: an agreement whereby an outside party takes a right to exercise an option to license a UABRF-owned intellectual property in a proscribed amount of time and under certain conditions set forth in the Option Agreement.
- Non-Exclusive License Agreement: an agreement whereby an outside party has a right to utilize UABRF-owned intellectual property on a certain basis but does not have the right to exclude others from using such intellectual property.
- Exclusive License Agreement: an agreement whereby an outside party has a right to utilize UABRF-owned intellectual property and to exclude others from using such IP in an enumerated Field of Use and Territory which are both set forth in the Agreement.

TYPICAL TERMS AND CONDITIONS

The HIIE staff negotiate intellectual property licenses and the Office of Counsel reviews all such contracts. Typical licensing agreements require some or all of the following terms based on the comparable market rates for specific innovations:

- Intellectual property protection expense reimbursement;
- A one-time licensing fee;
- Royalties on sales;
- Sublicensing rights, royalties and terms; and
- Where appropriate and satisfactory to both parties, equity in the start-up entity.
PURSUE FUNDING
COMMON SOURCES OF EARLY STAGE FUNDING FOR START-UP COMPANIES

Commercializing technology can be a capital-intensive process and entrepreneurs need to raise funds from investors and other sources. Research each funding source carefully to confirm a match with your interests and needs. Investors and grant programs will typically focus on specific markets or will provide funding only at certain stages of the company’s lifecycle. If your company does not match an investor or other funding source’s interests, there is little chance of attracting an investment, therefore adjust your pitch to address each investor’s interests.

FRIENDS AND FAMILY
During the earliest stages of company formation, entrepreneurs often use personal funds or funds provided by friends and family to launch the company. A “friends and family” round can provide critical seed funding. However, take care to assure that what the company provides in exchange for the funding will not unduly interfere with future funding opportunities.

FEDERAL GRANTS
The U.S. government provides innovation research grants to small companies, which can be great non-dilutive sources of initial capital. The Small Business Innovation Research (SBIR) program is sponsored by eleven federal agencies, including the National Institute of Health (NIH), National Science Foundation (NSF), and Department of Defense (DoD). SBIR funds can be used for industries including life science, physical sciences, information technology, and education technology. A sister program known as Small Business Technology Transfer (STTR) supports research and development performed in partnership with a university or non-profit research institution.

SEED FUNDING
Seed funding refers to money used to start a company. Most seed funding comes from family, friends and the entrepreneur. There are also specific seed funds that will invest small amounts into a business to help it get started.

ANGEL INVESTING
Angel investors are typically affluent individuals who have a personal interest in funding new companies. They are often willing to invest at earlier stages than venture capitalists, and with smaller amounts of funding in exchange for equity positions. The best angel investors for your company are ones with ties or direct experience in your market or industry, who can offer the start-up more than just money. Some angel investors will form groups to share research, vet opportunities and pool investments. These angel networks allow your company to pitch to many members at the same time.

VENTURE CAPITAL
Typical venture capital firms (VCs) invest after the seed funding round (i.e., during Series A, B or C) in exchange for an equity stake in the company. VCs raise substantial funds from other sources, such as institutional investors, and then invest the funds in high growth potential companies. VCs are typically hands-on, interacting with the start-up’s management team and will often help locate and place senior management into the start-up. VCs also typically require relatively high annualized return on the funds used to make investments.
LEGAL ENTITY
SELECTING THE RIGHT STRUCTURE FOR THE NEW COMPANY

C-CORPORATIONS
A C-Corporation is a more traditional form of corporation, typically with a board of directors elected by shareholders and executive officers appointed by the board. It is a completely separate entity from shareholders, which works to limit liability for shareholders. However, both income and dividends are subject to taxation, so a C-Corporation is effectively taxed twice. C-Corporations do have certain benefits, however, such as fewer restrictions on who may own stock and the ability to issue a preferred class of stock to investors.

S-CORPORATIONS
An S-Corporation has some of the benefits of both a C-Corporation and Limited Liability Company. While it is structured similarly to a C-Corporation, it has the benefits of being taxed only once, like an LLC. However, an S-Corporation does have certain drawbacks. It lacks the flexibility in management methods of an LLC. Furthermore, stock ownership in an S-Corporation is more limited: an S-Corporation may have no more than 100 individual shareholders, who cannot be non-U.S. citizens or residents, and only one class of common stock can be issued.

LIMITED LIABILITY COMPANY
A Limited Liability Corporation, or LLC, is a separate entity from individuals for liability purposes, but is treated as a “pass through” for tax purposes. meaning that it is only subject to tax at the individual level and not at the corporate level. An LLC has the benefit of flexibility in management as it is not subject to many of the same governance formalities of corporations. However, ownership in the company is also significantly less liquid, as any transfer of ownership will typically require the consent of the other stakeholders.

<table>
<thead>
<tr>
<th>REQUIREMENTS</th>
<th>C-CORP</th>
<th>S-CORP</th>
<th>LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filing with state and payment of fee</td>
<td>None. Shareholders are not liable</td>
<td>None. Shareholders are not liable</td>
<td>Filing with state and payment of fee</td>
</tr>
<tr>
<td>PERSONAL LIABILITY</td>
<td>Elected board of Directors &amp; officers, Annual Meetings, Annual Reports</td>
<td>Elected board of directors &amp; officers, Annual Meetings, Annual Reports</td>
<td>None. Shareholders are not liable</td>
</tr>
<tr>
<td>GOVERNANCE</td>
<td>Managed by directors &amp; officers elected by shareholders</td>
<td>Managed by directors &amp; officers elected by shareholders</td>
<td>Relatively few particular requirements</td>
</tr>
<tr>
<td>MANAGEMENT</td>
<td>Stock</td>
<td>Stock</td>
<td>Flexible management structure</td>
</tr>
<tr>
<td>CAPITAL RAISING</td>
<td>Stock Taxed Twice</td>
<td>Stock Taxed Twice</td>
<td>Ownership Stake</td>
</tr>
<tr>
<td>TAXATION</td>
<td>Preferred Stock allowed; Unlimited number of shareholders; Fewer restrictions on stock ownership</td>
<td>Preferred Stock not allowed; Non-U.S. Citizens and Residents cannot hold stock</td>
<td>Taxed Once</td>
</tr>
<tr>
<td>INVESTOR RESTRICTIONS</td>
<td></td>
<td></td>
<td>No stock, only ownership stakes; Unlimited number of partners; Transfer of stake typically requires consent of other owners</td>
</tr>
</tbody>
</table>
LEGAL ENTITY
SELECTING THE RIGHT STRUCTURE FOR THE NEW COMPANY

ARTICLES & PLACE OF INCORPORATION
Corporations and limited liability companies do not legally exist until the formation documents have been filed in the chosen state of incorporation. When determining the state in which to form, consider the amount of state taxes that will be levied on the corporation and the legal framework that will apply to the organization. Some state laws have been friendlier to the management of corporations and LLCs than others. A knowledgeable attorney can help determine the type of business entity and the best location for your company to file.

SECURING CORPORATE COUNSEL
Sound legal advice is vital in both the founding and operation of the company. Obtain corporate counsel as early as practical for assistance in drafting initial filings, procedures and contracts, and considering intellectual property issues and corporate governance issues that may arise.

The company should consider its needs and its resources when choosing corporate counsel. In some cases, the company may seek counsel in a local firm. In other circumstances, particularly where there is a larger corporate operation or investment requiring more manpower or areas of expertise, a firm outside of Alabama with attorneys who specialize in certain types of transactions may be more appropriate. Size, areas of expertise, experience, reputation, and cost are all important factors in determining the best corporate counsel for the start-up company.

VIRTUAL VS. PHYSICAL COMPANIES
Another important decision in founding a company is whether to establish a physical or virtual presence. A physical company is a ‘brick and mortar’ entity, with a physical office space. While a physical company may be the more familiar and traditional route, it has certain disadvantages, such as increased expenditures on rent, utilities, and staffing. Because of the higher commitment of resources, physical companies usually take a more hands-on approach in the business.

Conversely, a virtual company holds no physical presence and instead relies more heavily on outsourcing portions of the business, such as research, development, production, marketing, and sales. Virtual companies typically have a smaller staff that manages outside entities working on its behalf. Because of this, start-up costs may be lower initially. A successful virtual company may eventually evolve into a physical company to permanently establish itself in the marketplace and become more self-sustaining and attractive to outside investors.

In addition to choosing between virtual or physical, start-up founders must also determine whether the company will be a for-profit or not-for-profit company. A not-for-profit company exists to perform good for the community or science. While there are tax benefits for a not-for-profit company, the proceeds from the corporation must be used for the benefit of the company and its mission, and may not be used to enrich founders and investors. Most business organizations formed to commercialize ideas created at a university are for-profit.
FREQUENTLY ASKED QUESTIONS

WHEN SHOULD I CONTACT MY DEPARTMENT CHAIR AND DEAN TO DISCUSS MY PROPOSED START-UP-RELATED ACTIVITIES?

As soon as possible.

HOW MANY DAYS MAY I DEDICATE TO START-UP-RELATED ACTIVITIES?

It depends. Employment and other activities outside of UAB are regulated by HR Policy 128. External activities are allowed as long as they do not interfere with other institutional responsibilities as an employee, they are compatible with the interests of UAB as a public academic institution and they do not violate state law and policy related to use of UAB resources or facilities. Per HR Policy 128, faculty members may reasonably rearrange work schedules to release no more than 20 typical working days per year. Additional information is available in UAB Enterprise Conflict of Interest and Conflict of Commitment Policy and the “External Activities” section of the UAB Faculty Handbook.

AS A UAB EMPLOYEE, WHAT ROLE AM I ALLOWED TO TAKE IN THE NEW COMPANY?

UAB policies do not prohibit UAB employees from taking specific types of roles in outside companies. However, these roles should not detract from or conflict with the employee’s obligations and responsibilities to UAB. In addition, certain UAB employees (primarily faculty members) are required to request prior approval to assume some higher level roles in an outside company like co-founder or an executive or managerial role per the Conflict of Commitment Policy. You may also be required to disclose annually the amount of days and compensation received related to this new role to comply with the Conflict of Commitment Policy. In addition to the Conflict of Commitment requirements, you may be subject to additional disclosure requirements depending on what type of role you assume per the Conflict of Interest Policies. For more information, refer to the Conflict of Commitment and Conflict of Interest section on page 14 for more information.

IS THERE A LIMIT ON EQUITY INTERESTS IN OUTSIDE COMPANIES FOR UAB EMPLOYEES?

UAB has not established a limit on the amount of equity interests you can acquire as a UAB employee. However, the dollar value and/or the percentage of issued and outstanding shares your equity interests represents may trigger Conflict of Interest and—depending on activities associated with the equity interests—Conflict of Commitment disclosure and review requirements. Refer to the Conflict of Interest and Conflict of Commitment sections on page 14.

ARE THERE DISCLOSURE REQUIREMENTS IF I ACQUIRE A NEW FINANCIAL INTEREST?

You will most likely have additional disclosure requirements after you acquire a new financial interest. Your requirement to disclose will depend on a number of factors including but not limited to: the type/nature of your financial interest; whether or not your UAB research is related to the entity’s interests; and the types of sponsored research in which you are involved. The disclosure requirements are based on Conflict of Interest policies and the Conflict of Commitment Policy. For additional guidance, review the Conflict of Interest and Conflict of Commitment sections on page 14 or contact the CIRB.
FREQUENTLY ASKED QUESTIONS

HOW DO I ADDRESS MY POTENTIAL CONFLICT OF INTEREST IN RESEARCH?
Each potential conflict of interest is unique therefore the CIRB considers multiple factors when determining whether or not additional safeguards are required to protect the objectivity of the research. Some factors the CIRB considers include but are not limited to: the study design, the status of the entity, and the nature of the Investigator’s financial interest. For ideas on how to address the potential COI issues, contact the CIRB.

MAY I INVOLVE A STUDENT IN MY START-UP?
Yes, but prior approval may be required. If you have or will have supervisory or academic authority over the student you would like to involve, you must seek prior approval from your Department Chair. Refer to the Conflict of Commitment section on page 14.

WHAT IF I’M NOT READY TO LICENSE UAB TECHNOLOGY(IES) THAT WILL BE THE BASIS OF MY START-UP COMPANY?
A variety of agreements are available to serve the particular needs of the company at different stages of its growth. Initially a Letter of Intent may be sufficient. This type of short-term agreement provides for an exclusive negotiation period in exchange for limited financial consideration to UAB. This allows the start-up to do any necessary due diligence around the IP and business opportunity, to refine its commercialization plan and to negotiate the license without being concerned that another party will also be negotiating with UAB. An evaluation license or option provides the company with the ability to conduct more in depth due diligence, including evaluating how the technology works in the company’s hands or performing proof of concept experiments to confirm the viability of the company’s plans. A licensing associate at UABRF/HIE can explain the different licensing arrangements to help you determine the best fit for your company based on its current circumstances.

WHAT HAPPENS IF MY COMPANY DEVELOPS IP?
It is anticipated that, during its research and development activities, a company will develop new IP that is distinct from the in-licensed UAB IP. If the new IP is generated independently by the company without UAB resources or UAB employees, the company will usually own the IP. If UAB funds, facilities or employees were involved in generating the IP, UAB is likely to have at least a joint ownership position in the IP. Similarly, if no UAB resources are used but company employees and UAB employees are co-inventors or co-authors, IP ownership may be shared with the company in the resulting invention.

IF A FACULTY MEMBER PARTICIPATES IN THE COMPANY AND DEVELOPS IP, DOES UAB OWN IT?
UAB faculty may engage in certain outside professional activities, including consulting for companies. Companies may own IP developed by UAB faculty during permitted consulting activities that comply fully with applicable UAB policies.
# UAB Resource Map

<table>
<thead>
<tr>
<th>Subject Area</th>
<th>Office</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources and information related to creating a company</td>
<td>Bill L. Harbert Institute for Innovation and Entrepreneurship</td>
<td>Licensing Associates</td>
</tr>
<tr>
<td>Patent application and license UABRF IP</td>
<td>Bill L. Harbert Institute for Innovation and Entrepreneurship</td>
<td>Licensing Associates</td>
</tr>
<tr>
<td>Company sponsored research</td>
<td>Office of Sponsored Programs</td>
<td>Associate Director Industry Sponsored Research</td>
</tr>
<tr>
<td>Financial disclosure requirements related to research</td>
<td>Conflict of Interest Review Board</td>
<td>Conflict of Interest Administrator</td>
</tr>
<tr>
<td>Prepare for upcoming Conflict of Interest Oversight Committee review</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquire prior approval for External Activities of Faculty members</td>
<td>Department or Division Head</td>
<td>Department of Division Head</td>
</tr>
<tr>
<td>Start-up company’s products have military end use or are subject to export control regulations</td>
<td>Office of University Compliance</td>
<td>Export Control Officer</td>
</tr>
</tbody>
</table>
THANK YOU

A NOTE FROM THE ENTREPRENEURIAL DEVELOPMENT COMMITTEE

This is the first version of a Start-up Guide for Employee Inventors and Entrepreneurs. The University of Alabama at Birmingham Entrepreneurial Development Committee aims to build, refine, and improve upon it based on feedback from the entrepreneurial community served. The following members of the EDC invite stakeholders to share thoughts, suggestions and comments by emailing oie@uab.edu:

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Office of the Vice President for Research
Associate Vice President—Research Engagements and Partnerships

Teresa Bragg, CPA, CHC, CRMA
Office of University Compliance
Chief Risk & Compliance Officer

Helena Christine, BA/MA
University of Alabama System/
UAB Office of Counsel
University Counsel

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Patrick J. Murphy, PhD
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