New Ventures and Conflicts of Interest

Jim Bratton, AVP Economic Development
Launching a University Start-up

- Exciting New Challenges
- Financial Independence
- Translates University Innovation
- Create Lasting Impact by Improving Lives
- Recognition and Distinction to Inventor and University
- Contribute to Economic Development
Personal Experience

• 15 years as a Venture Capitalist
• Invested $62MM in 25 University Start-ups
• Results:
  • 17 successful exits/ 8 (miserable) failures
  • 26% IRR to investors
  • Deep Emotional Scars
Four Types of Risk

• Technical Risk
• Market Risk
• Capital Risk
• Management Risk
## Business Model Canvas / Lean Launch

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<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
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<th>Key Resources</th>
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| Cost Structure | Revenue Streams |                      |                        |                   |
Resources
Why am I incorporating?

1. I have evidence that my company will make more money than it spends.
2. I am ready to ship or sell something to a third party.
3. I will incur (potential) liabilities for this commercial purpose.
4. I am incorporating only to seek research funding.
So What Now?

- Seek Outside Professional Help
  - Legal
  - Accounting
  - Operational
Decisions to be made before incorporating:

- What form of corporation?
  - S-Corp; C-Corp; Sole Proprietorship; LLC.
- Who are the owners? In what proportion?
  - Are they Friends? Family?
- How will we pay ourselves?
  - How much time will it really take and at what cost?
- Where is the office?
  - Physical presence; Digital presence.
- Do you have Freedom to Operate?
  - Get a license to your technology.
So What Now?

- Seek Outside Professional Help
  - Legal
  - Accounting
  - Operational
- Initiate a COI Plan with your Department Chair
Conflicts of Interest

- Situations in which financial or other personal considerations may compromise an Employee's professional judgment in carrying out his/her University responsibilities that include but are not limited to teaching, research, service, contract administration, and purchasing.

- Conflicts include:
  - The existence of an actual conflict of interest;
  - The potential for a conflict of interest to occur; or,
  - The appearance of a conflict of interest.

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1. https://apps.hr.ou.edu/FacultyHandbook/Default.aspx#5.10
2. Ibid.
How to Manage a Conflict

Disclose the Conflict
- College
- Provost
- OTD/VPR

Create a Management Plan
- Develop a Dept. Plan
- Develop a Co. Plan

Review/ Update
- At least Annually
- If circumstances change
- Evaluate Effectiveness
Drafting a COI Management Plan

• This is not a form
• It is a Plan created by you and the Party with whom you have the conflict:
  • At OU: Department and College leadership
  • At Your Company: Board or Directors
• Spells out the conflicts
• Identify mechanisms for managing them
• Review and update the plan at least annually and if circumstances change
Summary

Should I Launch?

• If your business model is to write grants-- NO.

• If your business model is to:
  • Make more money than you spend;
  • Commercialize a technology;
  • And, you are about to incur liability or risk;
  • -- YES. Get Professional Help.

Solution to Conflicts:

• If you think it is a conflict...
• ...it probably is a conflict.
• Disclose it.
• Manage it.
Thank You

Questions/ Discussion

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