

Why

One of the most important mechanisms of transferring knowledge out of an institute of higher education is through creation of start-up companies. In 2010 over 600 companies were formed by US universities. Google, Netscape, Genentech, Hewlett Packard, Polaroid, Lycos, Sun Microsystems, Silicon Graphics, Chiron, Amgen, Regeneron and Cisco Systems are all examples of university startups. Whilst 'home-run' successes are unusual especially outside of major technology centers like Silicon Valley there are many examples of companies formed that have significant impact in smaller communities. An illustrative example is Schweitzer Engineering Laboratories, Inc., (SEL) in the small, remote city of Pullman, Washington. SEL is a faculty lead start-up company that has thrived. SEL is a world leader in its industry and employs over 800 people, many in rural areas.

Another advantage is the UAF-RF with its business savvy board and flat management / decision making structure will be able to make decisions at the speed of business. Universities sometimes find it difficult to make quick decisions especially outside of the university's core competencies.

There are several other ways a well managed UAF-RF can support the University , such as raising and managing seed funds, facilitating research collaboration with industry and others. Such programs do not need to be put into action immediately but a structure should be put in place to allow implementation when appropriate.

What

The usual implementation of a Research Foundation is a not for profit corporation which are often referred to by the IRS designation 501(c)(3) corporation. Creation of a 501(c)(3) corporation involves an application process to the IRS. My recent experience in

Four community members, from the wider community, Fairbanks, Alaska, local and or state government (non elected) possibly a native corporation representation. Also experts on start-up activity and university commercialization.

The numbers of each of these stake holder groups can be varied to get a good balance of interest but leaving ultimate control out of the university's hands. In most cases around the country the boards of directors of research foundations are volunteer but given Fairbanks's isolation travel support may need to be found to bring together a valuable board.

The executive director will be a university employee involved in technology commercialization and knowledgeable of the process. The executive director will represent the UAF-RF for only a small percentage of their time. Administrative support will be given by employees of the university.

When

To calibrate the need it may be useful to learn that many land-grant peer institutions formed Research Foundations in mid 1900's with University of Wisconsin leading the way in 1929 and many other forming in '39 and '40. Many state universities have research foundations to manage research commercialization, with both Washington Universities use research foundations. The Oregon schools have taken a different approach as they worked with the legislators to take a vote to the citizens of Oregon to amend the state constitution. Oregon schools can now directly hold equity. There are many drawback to this approach.

Implementation

There are several sets of documents that need to be negotiated and agreements reached. The Articles of incorporation and the by laws of the UAF-RF can be prepared by an attorney competent in the setting up of 501 (c) (3) corporations.

The other agreement that will need to be negotiated will be between between UAF-RF and the university. This agreement will describe in detail the relationship between the two entities. The University will use lawyers as part of its negotiation so UAF-RF will need to be represented perhaps Adam Krynicki with his qualifications could represent UAF-RF.

Issues to be negotiated include:

• University responsibilities, supplying staff, support, office space, transfer of ownership of IP for UAF-RF to be able to enter license agreements (if desired), when and how equity is transferred to UAF-RF

UAF-RF responsibilities, holding and management of equity, exit policies for equity, distribution of proceeds to the university for distribution by policy or direct application of the university distribution ratios. What percentage of the income is held by and to the benefit of the UAF-RF?

The two lists of responsibilities need to balance to the satisfaction of both parties for a *quid pro quo* to be in place.

This list could be longer if the university plans on using the UAF-RF for other than holding equity at some time in the future. It may be worth documenting other possible responsibilities at this point rather than having to reopen the negotiation at a later time. Nothing other than equity holding needs be authorized or implemented but having agreement on how to move forward could be valuable and a time saver in the future.

Other

There are two other processes that the university could put in place that would streamline and enable university start-ups. One is a clear and transparent conflict of interest management approval process that faculty and staff can undergo. Absence of a university approved conflict of interest plan should give any faculty pause before embarking on working to create a start-up.