



UNIVERSITY
TECHNOLOGY FUND

UNIVERSITY INVESTMENT BOOKLET



These guidelines are intended to introduce the University Technology Fund to you and to offer assistance regarding your ability to apply for an Investment if you wish to do so. In order to ensure the success of the UTF and continued growth and success of its sectors, we welcome any comments you might have concerning the objective and operation of the Fund. We also welcome any comments on how these notes could be improved to become more helpful.

The UTF will continue to release further guidelines and material as the Fund evolves.

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INTRODUCTION TO THE UTF

South Africa has an extremely strong research base between higher education institutions and science councils with a publication rate comparable to global norms. Billions are allocated annually to the 26 public universities in South Africa yet extremely few start-ups or commercial licenses are created.

The UTF has been established to bridge the gap between the research and commercialisation stages, the two primary challenges being:

- Adequate Pre-Seed and Seed funding; and
- Series Seed and Series A funding (commercialisation capital and follow-on Venture Capital).

The UTF will therefore facilitate commercialisation of technology from SA higher education institutions. This will entail a coordinated effort between researchers and the TTOs (University Technology Transfer Offices) on the one hand as well as the TTOs and the Fund Manager on the other. This coordinated effort between the stakeholders will ensure the pipeline development of the Fund. The Fund will make equity and equity-related, quasi-equity and loan and convertible note investments in early stage technology companies/opportunities originating from the Technology Transfer Offices.

INTRODUCTION TO THE UTF

Key UTF Stakeholders:

- SA SME Fund, Technology Innovation Agency (TIA), Small Enterprise Finance Agency (Sefa) & TAMELA Roymec SPV – Current investors of the UTF
- Investors – future investors of The UTF
- Stocks and Strauss Fund Manager – Fund Manager of the UTF
- The UTF Investment Committee – The Investment Committee will make investment and divestment decisions in respect of the Series Seed and Series-A investments
- The UTF Stakeholder Board – The Stakeholder Board will comprise key stakeholders of the UTF: The Fund Manager, the SA SME Fund, TIA, Sefa & TAMELA Roymec SPV and key representatives from the TTOs. The Stakeholder Board will serve as a forum for the stakeholders to collaborate as well as to discuss operational issues that need streamlining
- The UTF Advisory Board – The Advisory Board will include representation from the SA SME Fund, TIA, Sefa, TAMELA Roymec SPV and other significant Investors and will provide key guidance and responsible for certain key Fund decisions
- University Technology Transfer Offices
- Inventors, scientists, researchers, founders – University entrepreneurs

INTRODUCTION TO THE UTF INVESTMENT MANDATE

The principal investment objective of the Fund is to make equity and equity-related, quasi-equity, loans and convertible note investments into early-stage technology companies/opportunities originating from Technology Transfer Offices in South Africa.

It is important to note that the UTF is a for-profit fund and no investment will be made unless the UTF and the UTF Investment Committee is satisfied that the opportunity/project/company will be commercially viable.

The Fund will target the following Investments:

- **Seed Investments:** Projects or entities with a target value of at least R500 000 but not more than R1 500 000 per opportunity on a cumulative basis, which require funding for technology development and pre-commercialisation support.

The Seed Investment facility was previously available only to Stellenbosch University & the University of Cape Town. The UTF has recently received an additional R5 million investment from the SA SME Fund which enables the fund to extend the facility to all universities in South Africa.

- **Series Seed Investments:** Projects or entities, which are ready for and require the first round of equity (or equity like) funding; and
- **Series A Investments:** Projects or entities, which are in the post revenue growth phase and which target traditional venture capital investors.

APPLYING TO THE UTF

A. FIRST CONTACT

A researcher/inventor/founder wishing to apply for investment should contact the Technology Transfer Manager at the relevant university TTO .

B. INITIAL APPLICATION

- i. TTO Application
- ii. A single application is made to the relevant University in accordance with the relevant TTO (or like technology commercialization arm/unit) process and policies.
- iii. UTF Application

After review and guidance from the relevant university TTO, the TTO manager will provide an introduction and initial engagement with the UTF Fund Manager. Post initial high-level engagement with the UTF Fund Manager and on agreement by all parties the applicant will provide:

- initial pitch/proposal to the UTF Fund Manager; and
- complete a Project Summary Form

This form will start the proposal evaluation procedure.

C. INVESTMENT EVALUATION AND DECISION

The next step is for a more detailed investment proposal to be prepared. The format and content of this proposal will be provided by the UTF Fund Manager. The content and extent of appropriate additional information will depend upon the scale and nature of the proposed investment.

Post review of the proposal and supporting material the following high-level process will follow (this excludes the specific engagement, process/approvals required from the relevant TTO's/Universities):

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- UTF Fund Manager engagement with UTF Investment Committee (UTF IC)
 - approval to proceed with formal Due Diligence (DD);
- Formal DD;
- UTF Fund Manager decision to proceed;
- Term Sheet agreed;
- UTF IC presentation and approval; and
- Detailed offer letter and or legal agreements prepared and agreed.

D. INVESTMENT CRITERIA

The Fund Manager will work with the TTOs to explore the most sustainable return generating route to market.

The key criteria for evaluating pre-spin-out projects are:

- Innovation of the science: How novel is the approach compared with other research in the field?
- Intellectual property: What does the backdrop of prior art look like?
- Background of the key people: Who are the key researchers etc.?
- Commercial opportunity (scope, scale, market etc.): Can the research be turned into a sustainable business?
- Competitors: local and international competitors.

In the case of spin-out proposals the criteria are as follows:

- Strong technology and IP base
- Products and/or services that offer a potential competitive advantage
- A strong business leader/entrepreneur
- Clear growth prospects (market)
- Commercial model
- Competitor landscape

E. OFFER LETTER / AGREEMENTS

If the proposal/application is approved, the UTF Fund Manager will prepare an Offer Letter or other detailed investment agreement (depending on the nature,

APPLYING TO THE UTF

type and size of the specific investment) on behalf of the UTF, that details the amount to be invested, type of investment (equity, note, convertible etc.) and the terms of the investment.

F. MONITORING THE INVESTMENT

Usually, the UTF Fund Manager will have identified and agreed with the researcher(s) a set of “milestones”. These milestones will form the basis of the monitoring process. The Investment Committee meet on a quarterly basis and will expect progress reports of all investments.

We recognise that it may be difficult to identify clear endpoints in all cases, even so some method of progress reporting will need to be agreed.

G. INVESTMENT RETURNS

Fund investments must offer the prospect of a financial return. Each investment is made under the terms set out in the pro forma Offer Letter/agreement. The normal Decrees and Statutes will apply when dealing with the exploitation of Intellectual Property. In the case of spin-outs, the equity split is agreed on a case by case basis.

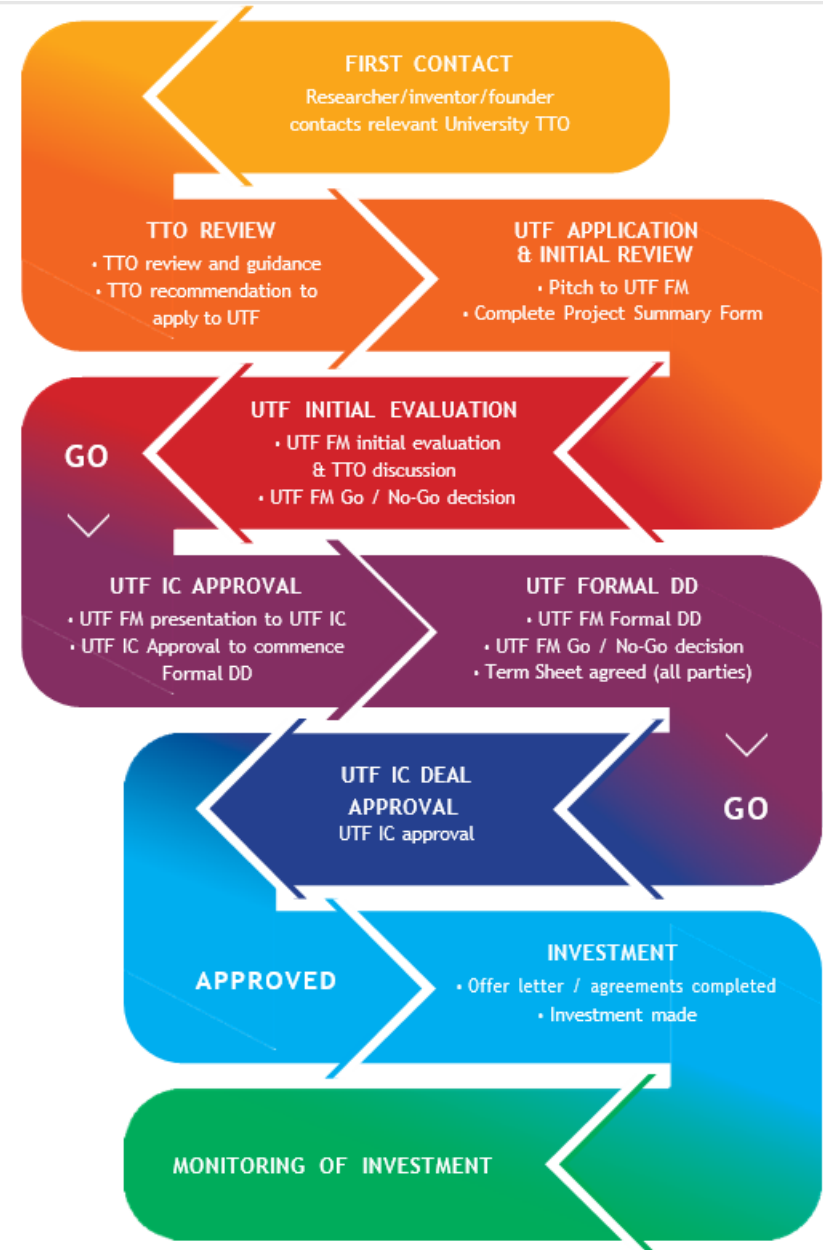
H. TIMETABLE

We expect to be able to process investment proposals within eight weeks of commencement of the Formal DD process, depending on the complexity of the proposal/opportunity and the UTF pipeline of investments in progress.

I. PAYMENT OF FUNDS

On final approval of the UTF IC, investment funds will be processed in line with the legal agreements signed.

FUND APPLICATION PROCESS FLOWCHART



UTF IC: UTF Investment Committee | UTF FM: UTF Fund Manager | DD: Due Diligence

SOURCES OF ASSISTANCE

University Technology Transfer Offices

The University Technology Transfer Offices are experienced in both the commercialisation of intellectual property and the establishment of spin-out companies from University research. The TTO's are responsible for providing guidance, mentorship and assistance to University based/linked researchers, inventors and founders. The TTO's are also responsible for identifying and evaluating potential Fund investments and for communicating with the UTF Fund Managers. The TTO's are therefore the key link between the research and their research/ideas/IP and the UTF.

If you wish to discuss your research and the UTF please contact your relevant TTO. There is no substitute for talking to someone who has the relevant experience to provide you with specific advice relating to your circumstances. This may lead to an application for funding from the UTF or to assistance in accessing other sources of funding.

Our Approach

Our approach is to unlock the commercial potential of the Universities by working alongside researchers. We have expertise, based on long experience, in assessing and managing the exploitation of intellectual property and technology for the benefit of all parties.

By coordinating input from researchers, the Investment Committee and the UTF Fund Manager, we are looking to form a judgement on the best route for commercialisation. This can involve evaluating the intellectual property, market opportunities, management ability etc. We aim to be creative and supportive advisors/project managers with an active and involved approach to working with researchers.

UNIVERSITY TECHNOLOGY TRANSFER OFFICE

STOCKS AND STRAUSS FUND MANAGER

UTF PROJECT SUMMARY FORM

Project Title:		TTO Reference:
University:		
TTO Project Manager		UTF Project No:
Researcher/Inventor/Founder name (s):		
Company name (if applicable)		
Project type: <i>(please, indicate the amount of funding requested per category)</i>	Type 1: Initial proof of concept	R
	Type 2: Pre-patent research	R
	Type 3: Reduction to practice	R
	Type 4: Commercial demonstration	R
	Type 5: Start-up company	R
Brief description of technology/invention (2/3 lines):		
Would you classify this technology/invention as Life or Physical Science? <i>(please delete as applicable)</i>		<i>Life/Physical</i>
Status of patent application: <i>(please delete as applicable)</i>	<i>No patent applied for / patent application / PCT application/ National phase application</i>	Date: Date: Date:
Brief description of commercial potential of project (2/3 lines):		
Market size and breakdown:		

Competitors and competitive landscape:	
Team: <ul style="list-style-type: none"> • current team: • identified team (resources identified but not yet part of the team): • team required to commercialise (resources which will need to be brought on to commercialise): 	
Traction / Milestones to date: (revenue/pilots/POC etc.)	
Next step after funding e.g., license technology, further research, form company:	
Total Funding raised to date and Cap table (shareholders including outstanding notes):	
Date of TTO Meeting at which approved to move forward to UTF application:	
Researcher/Inventor/Founder (s) Names:	Date:
Signatures:	Date:
Is this for equity in a new company?	Yes/No <i>(Please delete as applicable)</i>
Application of Funding:	

Item	Amount	* Please provide details
Salaries (incl employer's costs)	R	
Consumables*	R	
Equipment*	R	
Computer Hardware*	R	
Computer Software*	R	
Bought-in services*	R	
Other*	R	
TOTAL	R	
Funding start date:		
Completion date:		
Instalment dates where applicable:	Date	Amount
		R
		R
		R
Has this funding been sought from other sources?		
Other comments/issues:		
Form completed by (<i>Researcher(s) to sign and date</i>):		
Application authorized by: <i>Entity / Department to which funds will be paid</i>		Date:
Form checked by: <i>(Technology Transfer Manager)</i>		Date:



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