

**Graduate Council**  
**Wednesday, April 29, 2015**  
**1:00 – 2:30 pm**  
**KL 362**

 [GC 2014-2015 Resources / Agendas and Meeting Packets/April 29, 2015](#)

AGENDA	Pg.	Time
<b>I. Chair's Report - Professor Kathleen Hull</b>		<b>5 min.</b>
- April 23 Meeting of the Division		
<b>II. Consent Calendar</b>		
- Approval of the Agenda		
- Approval of the April 15 meeting minutes	Pg. 1-5	
- Approval of the Graduate Group Bylaws:		
o Social Sciences	Pg. 6-10	
- Discontinuance of the following WCH courses:		
o WCH 200: The University as an Institution		
o WCH 201: Research Proseminar		
o WCH 202: Theories and Methods in the Study of Cultures		
o WCH 203: The Historian's Craft		
o WCH 210: Topics in California Studies: Constructing California		
o WCH 211: Mindscapes: Ecology of Cultural Landscapes		
o WCH 220: Chicano/a Literature		
o WCH 221: U.S. Latino/A Literature		
o WCH 225: Philosophy and Theory		
o WCH 229: Critical Theory and Film		
o WCH 230: Topics in Humanities and New Media		
o WCH 231: The Great Depression in History and Literature		
o WCH 240: Topics in United States Social and Cultural History		
o WCH 245: China and World History		
o WCH 248: Race, Empire, and US Foreign Policy		
o WCH 250: The Cold War, 1941 - 1991		
o WCH 258: Hispanic and Anglo-American Modernisms		
o WCH 260: Social Memory		
o WCH 262: Material Culture		
o WCH 264: Studying Landscape from a Multidisciplinary Perspective		
o WCH 270: Transatlantic Utopias in Literature and Culture		
o WCH 280: American Nature Writing and Literature of the Environment		

- WCH 290: Teaching Pedagogy and Practice
- WCH 291: Themes in Cultural Studies
- WCH 295: Graduate Research
- WCH 296: Research MA Thesis
- WCH 297: Research for PhD Dissertation
- WCH 298: Directed Group Study
- WCH 299: Directed Independent Study

**III. CRFs**

- ME 291 *Pg. 11*      **5 min.**

Instructor was asked to bring the CRF into compliance with UCM's credit hour policy.

- QSB 285 *Pg. 12*

Instructor was asked to revise the proposed grading scale.

**Action:** Review attached, draft memos and send to respective instructors.

**IV. Campus Review Item****10 min.**

- Proposed Revisions to the MAPP *Pg. 13-19*

The Vice Provost for Faculty has submitted for campus wide review a draft chapter of the MAPP pertaining to the LPSOE and LSOE titles.

**Action:** Review attached, draft memo and provide comments to the Academic Personnel office by April 30.

**V. Systemwide Review Item***Pg. 20-56*      **15 min.**

- Guidelines on Accepting and Managing Equity in Return for Access to University Facilities and/or Services

The guidelines establish a pilot program whereby the UC would be able to accept equity from companies in return for access to facilities and services associated with incubators and accelerators across the UC system.

**Action:** Review attached, draft memo and send any comments to the Senate chair by May 1.

**VI. Consultation with VPDGE Marjorie Zatz****10 min.**

- Potential Certificate in Computational Sciences (as part of a NSF National Research Training Grant-Innovations in Graduate Education proposal)
- Admissions update
- Reminder - Dissertation Bootcamp
- Recap on Graduate Research Advocacy Day
- Update on the fellowships currently being reviewed by the awards subcommittee

**VII. Executive Session - GC Members Only****45 min.**

**Graduate Council (GC)**  
**Minutes of Meeting**  
**April 15, 2015**

Pursuant to call, the Graduate Council met at 9:00 am on April 15, 2015 in Room 362 of the Kolligian Library, Chair Kathleen Hull presiding.

I. Chair's Report

Chair Hull updated GC members on the following:

April 8 CCGA meeting:

-- The committee discussed Chancellor Leland's presentation of Project 2020 at the Regents meeting. For further information, members were referred to the UCOP website to watch a video of the meeting.

--The "Committee of Two", Governor Brown and UC President Napolitano, are still negotiating the budget. CCGA is monitoring all negotiations involving graduate education and research.

-- Fee increases. It was reported that some of the funds received from the increase will be earmarked for mental health services for graduate students. The focus will be on Humanities graduate students as they traditionally experience challenges with a lack of grant funding and longer time to degree.

-- UC MEXUS. This program, first established in 1980, is undergoing its sunset review to determine whether it should continue or be disestablished. Due to the success of the program, it is highly likely it will remain in existence. (Sunset reviews occur every 15 years.) CCGA is one of the two committees involved in the sunset review.

-- Presentation on pilot program for AFS guidelines. Chair Hull announced she will defer her update on this item until later in the agenda, under systemwide review items.

April 23 Meeting of the Division:

--Chair Hull encouraged GC members to attend the meeting to hear updates on Senate business and the discussion of issues of interest to the Senate faculty such as Project 2020.

## II. Vice Chair's Report

Vice Chair Dawson updated the GC members on the April 14 PROC meeting.

PROC approved the draft principles for program review and the draft will be distributed to Senate standing committees and the appropriate members of the administration for review.

Vice Chair Dawson also reported that the General Education external review team's report was submitted and the General Education Subcommittee (GESC) is now reviewing and drafting a response. The review team suggested extensive revisions that will represent a significant shift in the campus's capacity to more efficiently deliver general education. Specifically, one of the goals is to assist graduate students to become better instructors and align this goal with the larger, institutional goals of teaching.

GESC will hold another summer retreat this year, scheduled for June 10-11. Chair Hull and GC member Schnier – who serves on the GESC – will attend.

Lastly, it was determined that that Environmental Systems's site visit will take place in fall 2015.

## III. Consent Calendar

**ACTION:** The following items were approved as presented: February 25 meeting minutes, March 11 meeting minutes, Psychology bylaws, and Applied Math Bylaws. The two graduate groups will be notified.

## IV. Campus Review Items

--Proposed new MAPP chapter pertaining to LPSOE and LSOE titles. GC members discussed the chapter's inclusion of publications under the section "Professional Competence and Activity" and the fact that original

research (different from research on pedagogy) is not a criterion for LPSOEs/LSOEs.

Members also debated the role of LPSOEs/LSOEs as primary advisors of graduate students versus serving as members of thesis or dissertation committees. Several members pointed out that graduate group bylaws stipulate membership of core and affiliated faculty; as such, graduate groups have the authority to define the extent to which LPSOEs/LSOEs participate in certain activities.

A member delineated the two issues of 1) the rights of LPSOEs/LSOEs and 2) the standards of review for appointees in these titles. It must be made clear which roles LPSOEs/LSOEs are allowed to play and this must be uniform, as appointees in these titles must be evaluated equitably when they undergo personnel reviews.

**ACTION:** GC to draft a memo stating its request for greater clarification with regard to the role of LPSOEs/LSOEs in graduate education and mentoring. The memo will be circulated to members prior to the April 29 GC meeting and the committee's comments will be finalized at this meeting in advance of the April 30 deadline for comments.

V. Systemwide Review Items  
--Copyright and Fair Use Policy.

**ACTION:** The Senate chair will be notified that GC declines to comment.

--Guidelines on Accepting and Managing Equity in Return for Access to University Facilities and/or Services.

As mentioned in the Chair's report, this topic was discussed at the recent CCGA meeting as the proposed policy has implications for graduate student mentoring, connections, and dissertations. This policy allows campuses with incubators or accelerators to accept equity from companies. It mainly

pertains to software unitization rather than equipment, as the university does not have a mechanism for charging companies for the equipment usage.

A GC member pointed out the section of the proposed policy that refers to a designated campus individual and asked about the hiring process and reporting lines for this position. In addition, the member inquired about this policy's intersection with graduate student funding.

**ACTION:** Item tabled until the April 29 meeting. A draft memo containing the aforementioned questions and comments will be included in the next meeting's agenda packet. GC members will finalize discussion of this item at the April 29 meeting.

--APM 210-d.

This proposed revision to the APM includes contributions to diversity as a consideration in faculty merit reviews.

**ACTION:** The Senate chair will be notified that GC declines to comment.

VI. Consultation with VPDGE Marjorie Zatz

VP Zatz reported on the following:

-Grad Slam was highly successful and all three school deans contributed funds to the participants. UC Merced's winner will move on to the finals at UCOP. GC members are invited to attend the May 4 event at which the Graduate Division will livestream the finals from UCOP. The event will be held in the Grad Pad.

--Admissions and Recruitment. As of today, the campus has received 591 graduate student applications compared to 493 last year at this time. The campus has so far admitted 269 students for an admit rate of 46%. There are 117 SIRs compared to 80 last year at this item. Lastly, 107 students have yet to decide.

--Fellowships. The quality of students was especially high this year and unfortunately, some of these students accepted fellowships from other

campuses. VP Zatz suggested that next year, the campus should allow units to nominate more students in order to get a deeper pool.

--The Graduate Division will host a reception for graduating PhD and Master's students in the California Room on May 15. GC members are invited and encouraged to attend.

VII. Executive Session

Confidential. No minutes taken.

There being no further business, the meeting was adjourned at 10:30 am.

Attest:

Kathleen Hull, GC Chair

Minutes taken by: Simrin Takhar, Senate Analyst



SCHOOL OF SOCIAL SCIENCES, HUMANITIES AND ARTS  
SOCIAL SCIENCES GRADUATE GROUP  
ZULEMA VALDEZ, CHAIR

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Date: April 20, 2015

To: Kathleen Hull, Chair, Graduate Council (GC)

From: Zulema Valdez, Social Sciences Graduate Group Chair

Re: Cover Letter, Graduate Group in Social Sciences BYLAWS, revised version 4/9/15

Dear Kathleen Hull, Chair, Graduate Council,

This letter details revisions made by me to the Social Sciences Graduate Group By-Laws on April 9, 2015. Revisions reflect changes requested by Graduate Council on April 9, 2015.

Amendments to the By-Laws must be approved by a vote of the faculty of the submitting Graduate Group. An email was sent to the voting members on April 14, 2015 and closed April 16, 2015 at 5pm requesting approval for the revised By-Laws. The By-Laws were unanimously approved by consent.

- As requested, the memo format has been removed
- The administrative home and revisions date has been added
- The Article numbering has been corrected
- References to voting on hiring have been removed
- Correction has been made re: Executive Committee membership
- References to Vice Chair are not relevant so have been dropped
- Article V typographical clarifications have been made.
- Article VII requested removal of information has been addressed
- Article VIII typographical clarifications have been made.

Sincerely,

*Zulema Valdez*

Zulema Valdez, Chair  
Social Sciences Graduate Group



## **Graduate Group in Social Sciences BYLAWS**

Administrative Home: Division of Graduate Studies  
Resource Home: School of Social Sciences, Humanities and Arts  
Revision date: April 9, 2015

### **Article I: Objective**

The graduate emphasis in Social Sciences is organized to establish and administer a program of instruction and research leading to the M.S./M.A. and Ph.D. in conformance with the regulations of the Graduate Council and the Division of Graduate Studies at the University of California, Merced. The Graduate Group is responsible for establishing standards and requirements for the M.S./M.A. and Ph.D. degrees and certifying satisfactory completion by candidates.

The Group function is to provide a focus for graduate training in Social Sciences by facilitating the research interactions among and between graduate students and faculty.

The Social Sciences Graduate Group is comprised of three separate tracks: Economics, Public Health, and Sociology.

**Economics Track:** Graduate studies in the Economics track focuses on training students to utilize economic theory and modeling to address real world problems that will advance our understanding of human behavior and facilitate efficient public policy.

**Public Health Track:** Graduate studies in the Public Health track focus on preventing chronic and infectious diseases by working with the communities in the region. The course of study in Prevention Sciences and Population Health will prepare students to work with the diverse communities in the San Joaquin Valley to identify solutions to the challenges facing the people of the region.

**Sociology Track:** Sociology is the scientific study of society, social institutions, social relationships, and human organization. The goal of the Sociology Track is to foster scholarly excellence in Sociology, including high quality scholarship, graduate training, and contributions to the university and community, with a specific focus on social inequality, organizations and institutions, and politics.

### **Article II: Membership**

The Social Sciences Graduate Group Faculty shall consist of the ladder faculty of the Economics, Public Health, and Sociology Tracks of the School of Social Sciences, Humanities and Arts (hereafter referred to as the Social Sciences Faculty). Membership of Social Sciences Faculty in the Graduate Group is automatic upon appointment to Economics, Public Health, or Sociology Tracks. Membership shall be opened to faculty who are actively involved in scientific inquiry and scholarship in the broad realms of Social Sciences. Membership is not limited to UC Merced faculty and may include faculty members from other UC campuses. Additional ladder-rank faculty may be added to the Group by

majority vote of the current Graduate Faculty. All faculty members are expected to participate actively in the program. All Social Sciences Graduate Group members have voting rights on curricular and other program issues. Applicants denied membership or renewal of membership may make an appeal to the Vice Provost and Dean of Graduate Studies (Dean of Graduate Division).

### **Article III: Administration**

The administration of the program and its activities is vested in an Executive Committee (EC), which consists at least one and no more than two committee members from at least two tracks. The Graduate Group Chair will serve as an ex officio member of the committee. Election procedures and specific duties of the Graduate Group Chair and Executive Committee are discussed in the following articles.

### **Article IV: Graduate Group Chair**

The Executive Committee will solicit the names of nominees for the Group Chair and will present at least one nominee willing to serve the Group's faculty for a vote. In the event that no candidate obtains a majority of votes, a run-off vote will be conducted between the top two candidates from the initial vote. Once a majority candidate has been identified, the EC will forward the name to the Dean of Graduate Studies. After a favorable interview of the majority candidate, the Dean of Graduate Studies will submit the recommendation to the Chancellor for appointment. The normal term of appointment will be three years, but this term length may be shortened by negotiation between individual candidates and the Dean of Graduate Studies.

The Chair's responsibilities are:

- Oversee the progress of graduate students through the program, including satisfaction of degree requirements and advancement to candidacy, in coordination with group advisors, faculty and staff
- Represent the group faculty in all matters related to the degree program(s) to the lead Dean, the Vice Provost and Dean of Graduate Education, Graduate Council, and School Executive Committee(s)
- Determine resource needs and administer program budget, in consultation with group faculty, lead Dean, and Vice Provost and Dean of Graduate Education
- Oversee graduate student recruitment, graduate program website, admissions, and financial aid, in consultation with group faculty, lead Dean, and Vice Provost and Dean of Graduate Education
- Determine graduate course offerings each semester, including curriculum changes, in consultation with group faculty, and school staff and faculty involved in course scheduling and teaching assignments
- Determine graduate course resource needs for equipment, staff support, and other resources, in consultation with faculty and lead Deans
- Serve as graduate group Faculty Accreditation Organizer by overseeing annual program assessments and periodic program review, to monitor and maintain academic excellence
- Consult with Deans in selecting and reviewing graduate group support staff

- Coordinate participation of the graduate group in School and University program activities, including graduate student fellowship and award programs
- Develop and maintain a plan for promoting diversity among matriculated graduate students
- Manage and respond to program feedback and inquiries from faculty, students, staff, and reviewers

## **Article V: Committees**

1) The Graduate Group Executive Committee will consist of at least one and no more than two committee members per track from at least two tracks (which includes the chair as one ex officio member). The Chair will solicit the names of nominees for the Executive Committee at the beginning of Fall term. The Chair will then present for a vote at least one nominee from each approved track, except the track represented by the Chair. In the event that more than one nominee is proposed from each track, each member of the Graduate Group will be asked to vote for one nominee from each track. The candidates from each track with the most votes will be selected for appointment. The normal term of appointment will be one year, with the possibility of reappointment.

The Executive Committee shall, in consultation with the faculty, determine and implement policy for the good of the Group, establish and guide the educational requirements of the Group, and represent the interests of the Group to University and other agencies. To ensure broad participation and input the EC shall have membership from at least two Schools. The EC will make appointments to the other committees and approve membership in the Social Sciences Graduate Group.

The Executive Committee and Graduate Group Chair will appoint members to the following standing committees at the beginning of the Fall term. The Executive Committee and Graduate Group Chair may choose to not constitute a particular committee as a separate body, in which case the Executive Committee and Chair will assume the responsibilities of that committee. Committee formation and appointments will be reviewed on an annual basis.

2) Educational Policy Committee: The Educational Policy Committee (EPC) shall consist of three members, a member plus the Graduate Group chair. The Educational Policy Committee is responsible for establishing and guiding the educational programs of the Group. The EPC will be formed by the Executive Committee as needed and will periodically conduct reviews of the programs, including the five-year review. The EPC in consultation with the group faculty will determine changes in programmatic requirements of the Social Sciences Graduate Group.

3) Admissions Committee: The Admissions Committee shall consist of two members per track, plus the Graduate Group Chair. The Admissions Committee is charged with the development of recruiting materials for the Group, reviewing applications for admissions, making recommendations for admissions to the Dean of Graduate Studies, exploring graduate student support mechanisms, and allocating intramural financial assistance.

Faculty in each track will be asked to submit a ranked list of applicants for admission to the Admissions Committee. The Admissions Committee will use these lists to inform admissions and support decisions.

## **Article VI: Student Representation**

One student representative from each track, respectively, will be elected by the current graduate students enrolled in each track of the Social Sciences Graduate Group. Student representatives may be consulted by the Graduate Group faculty about issues of educational policy and curriculum. The student representatives will serve a one-year term and may be re-elected for a second term. Students do

not have voting privileges.

### **Article VII: Graduate Advisors**

The Chair is responsible for assigning a faculty advisor for all first-year graduate students. These individuals are responsible for the advising of graduate students, including dealing with coursework requirements and assisting students to identify research advisors who match their interests. Social Sciences graduate students must satisfy all of the requirements for a Ph.D. degree specified by the Graduate Division of the University of California, Merced. These include residency requirements and scholarship requirements, including a minimum grade point average (GPA). These requirements are described in detail in the Graduate Advisors Handbook, available from the Graduate Division.

### **Article VIII: Meetings**

The Chair is responsible for calling meetings of the membership as needed. Notification of meeting will be made via email with at least 48 hours notice. Teleconferencing technology may be requested and provided for faculty who want to participate but are off campus. Faculty may petition the group chair for additional meetings as necessary. There is no set meeting format.

### **Article IX: Quorum**

Issues that require a vote of the membership need to have a quorum of at least 50% of the total voting membership present (or in the case of email votes, 50% responding). Group decisions will be determined by simple majority of those voting. Balloting can be done either in a meeting of the program, via email, or via web-based balloting technology. If via email or web-based technology, a minimum of 48 hours will be provided before the “ballot closes.”

### **Article X: Amendments**

Amendments to the By-Laws require approval by two-thirds of the voting members of the group. Written notice of the proposed amendment shall be sent to each member at least three working days prior to the meeting at which the amendment is to be discussed. All amendments must also be submitted to Graduate Council for review and final approval.

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**April 29, 2015**

**To:** Venkatraman Ayyaswamy, Assistant Professor, School of Engineering

**From:** Kathleen Hull, Chair, Graduate Council

**Re:** Course Request Form and Syllabi for ME 291 – Mechanical Engineering Seminar Series

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Graduate Council thanks you for your revised CRF for ME 291 – Mechanical Engineering Seminar Series and for your responses on April 7 (attached).

ME 291 proposed to credit students with 1 unit (45 hours of work per semester as per UC Merced's credit hour policy) for attending a minimum of 5 departmental seminars (roughly equal to about 5 to 8 hours of work over the semester assuming that seminars are 1-1.5 hours). In response to inquiries, ME agreed the course did not meet the credit hour policy, and GC pointed the program to a similar course that meets the credit hour requirement.

However, in the newly revised CRF, the attendance requirement remains the same. A final report has been added (limited to 2 pages and due during the finals week summarizing the seminars that he/she attended during the semester and potentially its relevance to their research topic). Unfortunately, the addition of the final report does not bring the course into compliance with the [credit hour policy](#). In addition, there is no additional guidance on the format of the essay, balance between attendance vs. essay in calculating the overall performance in the course, and criteria for assessing whether the essay is satisfactory or unsatisfactory.

**Due to the time sensitive nature of this item, we would appreciate receiving from the revised CRF from ME no later than May 1 or sooner, if possible.** If GC can be of any assistance, please let us know.

**Cc:** Graduate Council  
Registrar  
Senate Office  
Jian-Qiao Sun, Mechanical Engineering Graduate Group Chair  
Shannon Adamson, Curriculum Support Specialist

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**April 29, 2015**

**To:** Emilia Huerta-Sanchez, Assistant Professor, School of Natural Sciences

**From:** Kathleen Hull, Chair, Graduate Council

**Re:** Course Request Form and Syllabi for QSB 285 - Biostatistics

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Graduate Council thanks you for your email response to our memo of April 6 (attached) regarding revisions to the CRF for QSB 285 to ensure compliance with UC Merced Senate policies.

Your suggested revisions in response to GC's concerns over a TA and grading scale were:

- Cap the course at 16 graduate students, thereby eliminating the need for a TA.
- Grades will be based on the following scale: >90 points = A; 80 – 89 points = B; 70 – 79 points = C; < 70 points = F. As a graduate course, B is a passing grade.

GC agrees with the enrollment cap but this requires a revised CRF that indicates the maximum enrollment of 16.

Regarding the grading scale, your revision means that a B would be awarded for a grade as low as 80%, and this is a lower passing grade than suggested previously.

We encourage the QSB educational policy committee to draft a complete CRF submission that is consistent with graduate group policy, GC policy, and the requirements for new course submission.

**Due to the time sensitive nature of this item, we would appreciate receiving from the revised CRF from QSB no later than May 1 or sooner, if possible.** If GC can be of any assistance, please let us know.

**Cc:** Graduate Council  
Registrar  
Senate Office  
QSB Chair Ardell  
QSB Educational Policy Chair Cleary  
Paul Roberts, Graduate Group Coordinator, SNS  
Melissa Gil, Academic Resource Specialist, SNS



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**April 29, 2015**

**To: Jian-Qiao Sun, Senate Chair**

**From: Kathleen Hull, Chair, Graduate Council (GC)**

**Re: Review of Proposed Revision to the MAPP Chapter on LPSOE/LSOE Series**

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In response to the request from the Vice Provost for Faculty, Graduate Council (GC) has completed its review of the proposed revisions to MAPP chapter pertaining to LPSOE and LSOE titles. GC offers the following comments, with the general recommendation for more explicit language regarding the expectations for, and role(s) of, LPSOE/LSOEs in graduate education:

- GC feels strongly that LPSOE/LSOEs should not serve as primary faculty advisors for graduate students except under exceptional circumstances, although certain graduate groups may allow LPSOE/LSOEs to participate in graduate education as core or affiliate faculty. GC believes that such advising would, at a minimum, disadvantage the student upon graduation, and might also place an undue burden on LPSOE/LSOE faculty. Therefore, GC recommends striking “directing of” from paragraph #1 of Section 2054.B Teaching regarding “dissertation work.”
- Since graduate group membership is determined by graduate group bylaws rather than the MAPP, only some LPSOE/LSOEs may have the ability to participate in graduate student teaching and mentoring. Therefore, GC is concerned that appraisal of these faculty (Section 2054.B Teaching) may be uneven across campus, with some LPSOE/LSOEs held to a higher standard than others and some faculty in these series unfairly appraised despite the fact they are unable to participate in graduate education. Therefore, GC recommends that the MAPP make explicit that graduate student mentoring and teaching is not required for merit and promotion.
- Similarly, GC recommends that “mentoring and advising of students” (Section 2053.A Teaching) for appointment be clarified or restricted to undergraduate students, so it is clear there is no expectation of prior graduate student advising as a condition or qualification for appointment.

Cc: Division Council  
Graduate Council  
Academic Senate Office

**CHAPTER 2: ACADEMIC SENATE TITLES**  
**05. LECTURERS WITH SECURITY OF APPOINTMENT**

**2051: GENERAL GUIDELINES**

A. Titles, Description, Eligibility

Titles in this series are:

- Lecturer with Security of Employment (**Lecturer SOE**)
- Senior Lecturer with Security of Employment (**Senior Lecturer SOE**)
- Lecturer with Potential Security of Employment (**Lecturer PSOE**)
- Senior Lecturer with Potential Security of Employment (**Senior Lecturer PSOE**)

[Note: Appointments in the titles Lecturer and Senior Lecturer (both Continuing and “pre-six”) are not part of this series but are part of Unit 18, which is discussed separately in MAPP Chapter 3 Section 10. See also the Memorandum of Understanding for the Non-Senate Instructional Unit.]

Appointees in the Lecturer with Security of Employment (LSOE) series specialize in meeting long-term instructional needs (APM 285-0). Potential appointees should show clear evidence of teaching ability of exceptional quality and promise of future growth. Appointees in this series engage in teaching, professional activities, and University and public service (APM 285-4.a, 210-3.b). Appointment in this series does not require responsibility to engage in research. Appointees may teach courses at any level, with the expectation that they will carry heavier instructional responsibilities than those in the Professorial series.

Full-time appointees in this series are members of the Academic Senate (Standing Order of the Regents 105.1). As such, they are expected to participate in the shared governance of the campus and the University (Standing Order of the Regents 105.2). Refer to Bylaw 55 for information regarding voting rights for appointees.

A registered student or candidate for higher degree at the University of California is not eligible for appointment to this series.

B. Terms of Service

Typically, an appointment to this series is for full-time service to the University; an appointment made at less than full-time to any title in this series is exceptional and requires approval by the Provost/Executive Vice Chancellor. Such authorization will not normally be granted when the individual’s professional commitment is to be divided between the University and another institution or organization.

Lecturer PSOE or Senior Lecturer PSOE:

- An appointment at the PSOE rank may be viewed as a “security of employment-track” position, in the same way that an Assistant Professor appointment is a “tenure-track” position.
- All appointments to the ranks of Lecturer PSOE and senior Lecturer PSOE are for specified terms.
- Lecturers/Senior Lecturers PSOE are appointed for a period of two years and are subject to the Eight-Year Limit.



- The initial term of appointment of an LPSOE or Senior LPSOE ends on the second June 30th after the effective date of the appointment.
- A new two-year term commences effective with merit advancement.
- Periods of approved leave with or without salary count as part of a two-year term.
- In order to make clear to an appointee that the appointment is for a specified term, all correspondence for such appointees must reflect the specific ending date of the term.

Lecturer SOE or Senior Lecturer SOE:

- Security of employment may be granted only for an appointment at more than half time (Standing Order of the Regents 103.10).
- Security of employment is not a reward for length of service but is based upon appraised and recognized merit.
- Appointments with SOE are continuous until terminated by resignation, retirement or dismissal for cause.

C. Salary

Individuals appointed as a Lecturer (PSOE or SOE) are compensated at a rate on the Academic Salary Scale for this series.

Salaries for Lecturers PSOE will normally begin at a close equivalent to the salaries for Assistant Professors. Academic personnel review will occur every two years. Promotion to Lecturer SOE will normally occur during the sixth year of service as Lecturer PSOE or a combination of other eligible titles (APM 133-0.b).

Salaries for Lecturers SOE will normally begin at a close equivalent to the salaries for Associate Professors, with academic personnel review occurring every two years. If a Lecturer SOE is being paid at a salary equivalent to that of a Professor, the academic review will occur every three years. Senior Lecturers SOE may not receive less than the rate for Professor, Step I.

Senior Lecturers SOE may be appointed with a salary level above the top of the salary range ("Above-Scale"), upon evidence of great distinction, recognized nationally and/or internationally. The honorary title "Distinguished Senior Lecturer with Security of Employment" may be conferred upon Senior Lecturers SOE with a salary above the top of the range, to denote distinction equivalent to the title of "Distinguished Professor."

**2052: RECRUITMENT**

All policies and procedures for recruitment in this series shall follow those outlined in MAPP 2012.

**2053: APPOINTMENT**

Full-time Lecturer titles that have or lead to Security of Employment are Senate faculty positions (Standing Orders of the Regents 105.1.a). These appointments are subject to the Instructions for Review Committees Which Advise on Actions Concerning the Lecturer with Security of Appointment Series (APM 210-3) and will follow the policies and procedures detailed in MAPP 2013 except as otherwise indicated in this Section.

A. Criteria

Appointment as a Lecturer/Senior Lecturer SOE/PSOE requires achievement in three areas: teaching, professional competence and activity, and University and public service. Some types of possible documentary evidence are outlined in MAPP 2054 below.

Teaching:

Excellent teaching is an essential criterion for appointment. Clear documentation of ability and effectiveness in teaching is required. The candidate's case file should show evidence of the extent and skill of the candidate's participation in the general guidance, mentoring and advising of students. APM 210-3.c.1 provides points to consider in judging the effectiveness of a candidate's teaching.

Student and peer evaluation of teaching is central to the review process, but evidence will also be sought of significant contributions to teaching through development of superior teaching materials, programs for teaching improvement, and other activities related to teaching.

Professional Competence and Activity:

An appointee in the LSOE series is expected to maintain currency in the profession and pedagogy. The candidate's file must provide evidence of professional achievement and activity, and the candidate's professional activities should be reviewed for evidence of achievement and leadership. Intellectual leadership may be demonstrated through publications, creative accomplishments, or other professional activity demonstrating that the candidate has made outstanding and recognized contributions to her or his special field and/or pedagogy.

University and Public Service:

The candidate must demonstrate service to the Unit, campus and University and/or the public. Particular attention should be paid to that service which is directly related to the candidate's professional expertise and achievement.

**2054: MERIT, PROMOTION, APPRAISAL REVIEW**

A. Overview

The academic advancement processes for Lecturers/Senior Lecturers PSOE/SOE follow procedurally those detailed for the Professor series in MAPP 2014, including use of the short form, negative review outcomes, and postponement of promotion review. Lecturers in this series are guaranteed the same rights as ladder-rank faculty, as codified in the Procedural Safeguard Statement. Certain details particular to the Lecturer SOE series are recorded here.

Lecturers with Potential for Security of Employment (LPSOEs) are subject to academic review for reappointment and potential advancement every two years. Reappointments are for a two-year term; however, an LPSOE may be reappointed without a promotion or advancement (APM 285-8.c). Similar to the Professorial series, in the fourth year of appointment a comprehensive review known as a Mid-Career Appraisal (MCA) is conducted to assess an LPSOE's potential for promotion to Lecturer with Security of Employment (LSOE). The MCA for the Lecturer series will be conducted with the same degree of rigor used in evaluating ladder-rank faculty, modified appropriately to address the requirements of this series (see MAPP Appendix 2014-A). Review

for promotion to Lecturer SOE will normally occur during the sixth year of appointment as LPSOE.

[Note: Per APM 133-0.b, service in titles other than Lecturer/Senior Lecturer PSOE on any University of California campus counts toward the eight-year limit or “clock” for LPSOEs. These titles include Unit 18 Lecturers, Assistant Professors, Acting Professors, and Visiting Professors.]

<b>Review and Appraisal Schedule for LPSOE/SOE Series</b>	
<b>Title and Action</b>	<b>Year</b>
<b>LPSOE</b>	
<b>Appointment</b>	<b>0</b>
<b>Reappointment and Potential Merit</b>	<b>2</b>
<b>Reappointment, Potential Merit and MCA</b>	<b>4</b>
<b>Promotion Review</b>	<b>6</b>
<b>LSOE</b>	
<b>Normal Merit Review</b>	<b>every 2-3 years</b>
<b>Promotion Review*</b>	<b>6</b>
<b>Senior LSOE</b>	
<b>Normal Merit Review</b>	<b>every 3-4 years**</b>

\*Promotion to Senior LSOE is not normally expected, but may occur when warranted. A Lecturer SOE will become eligible for promotion after not less than six years of service as Lecturer SOE.

\*\*Senior LSOEs should normally be reviewed every three years, until they have reached a salary level equivalent to Professor Step V, after which reviews will not occur after less than four years.

Lecturers/Senior Lecturers SOE may choose to defer review, but they are subject to the same quinquennial review requirements as faculty in the professorial series. (APM 200-0). Lecturers PSOE may not defer.

#### B. Criteria/Documentation

The three criteria required for appointment to the Lecturer SOE series, described in MAPP 2053 above, also apply to all advancement actions. Salary advancement in this series will be based on demonstrated growth in the value of services the candidate provides; it is recognized that this rate of growth will be more variable, and in some cases slower, than for those in Professorial positions (APM 285-18). What follows is guidance as to the types of evidence that

may be submitted with the case file and/or analyzed in the Case Analysis, Transmittal Memo, and Dean's Recommendation to support an advancement proposal.

Teaching:

Teaching is the primary area of review in the Lecturer SOE series. Documentation of teaching should include an accounting of the candidate's teaching load for the review period with all available teaching evaluations. Teaching activities may include instruction-related activities such as conducting training, supervision of Teaching Assistants or Unit 18 Lecturers, course development and/or revision, curricular planning, directing or participating in graduate student dissertation work, directing reading groups, seminar and symposium presentations, independent study endeavors, as well as the writing of textbooks and software. Other significant types of evidence **may** include:

- Analysis of course materials such as the syllabus and reading lists, a description of the course and its goals, and a self-statement on the achievement of these goals by the candidate.
- Information about time spent on supervision and mentoring of peers or students, leading non-credit bearing educational programs, being available to and guiding students outside class, preparing for classes, undertaking courses not taught before, and improving instructional methods. Opinions of colleagues, particularly if based on class visits, observations of lectures, or knowledge of student performance in courses subsequent to those taught by the candidate.
- Opinions of current and former students, including opinions of graduates who have achieved notable professional success.
- Information about the reception of lectures given by the candidate before professional or learned societies.
- Documentation of any teaching awards received.
- Input from colleagues in team-teaching situations.
- Evidence of attention to student learning/learning outcomes

[Note: Individuals asked to provide opinions on teaching should be solicited in writing and provided the University's Confidentiality Statement.]

Professional Competence and Activity:

The candidate's professional activities should be reviewed for evidence of achievement and leadership in the field and of demonstrated innovation in the development or utilization of new approaches and techniques for the solution of professional problems. Evidence may include documentation of such activities as:

- Making presentations of teaching improvements at professional conferences.
- Election to significant offices of professional or learned societies.
- Invitations to lecture, present papers, etc.
- Awards, grants or honors bestowed by organizations or foundations.
- Requests for consultative service.

University and Public Service:

Academic appointees play an important role in the administration of the University and the formulation of its policies. Consideration should therefore be given to whether candidates are participating effectively and imaginatively in faculty government, University committees, and the

development of Unit, School, campus, and University policies. Services to the community, state, and nation are also to be recognized. Documentary evidence may include such activities as:

- Service in Unit, Academic Senate, and administrative capacities (including committee service).
- Contributions to student welfare through service on student-faculty committees and as advisors to student organizations.
- Activities related to the improvement of elementary and secondary education.
- Appointment or election to office in a professional organization, on a professional publication, or within a community, state, national, or international organization.
- Requests to edit or review for professional journals.

## **2055: SABBATICAL AND OTHER LEAVES**

### **A. Educational Leave**

Lecturers in the SOE series are eligible for Educational Leave. Educational Leave is granted for the purpose of allowing Lecturers in the SOE series to engage in intensive programs of study and/or professional development, thus to become more effective teachers and scholars and to enhance their services to the University. Leave credit accrual and usage will follow the policies for accrual and use of Sabbatical Leave credits (APM 740 Charts III-IV, MAPP 2015). It is preferred that appointees in this series take Educational Leave in non-consecutive one-semester increments due to the instructional need of the Schools for their services. A return to University service, equal to the time period of the leave, will be required. Failure to return to service will create an obligation on the part of the Lecturer to refund the entire salary received during the leave.

Within ninety calendar days of returning from Educational Leave, the Lecturer will submit to the Dean a concise report of the results of the leave, including an account of progress made. The report will become part of the supporting documentation included in the next academic personnel review file; the review file will not be processed unless the report is included.

### **B. "Stop-the-Clock"**

For determining service toward the eight-year limit, the combined total of periods of leave unrelated to academic duties and time off the clock may not exceed two years (APM 133-17.g).

## **2056: DISCIPLINE**

All policies and procedures for discipline in this series shall follow those described in MAPP 2016.

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ACADEMIC SENATE, MERCED DIVISION  
GRADUATE COUNCIL (GC)  
KATHLEEN HULL, CHAIR

UNIVERSITY OF CALIFORNIA, MERCED  
5200 NORTH LAKE ROAD  
MERCED, CA 95343  
(209) 228-6312

**April 29, 2015**

**To: Jian-Qiao Sun, Senate Chair**

**From: Kathleen Hull, Chair, Graduate Council (GC)**

**Re: Review of Proposed AFS Guidelines**

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In response to the request from Division Council, Graduate Council (GC) has completed its review of the proposed revisions to the Guidelines on Accepting and Managing Equity in Return for Access to University Facilities and/or Services. GC offers the following comments:

- The proposed policy refers to a designated campus managed, and GC requests clarification about the selection process and reporting lines associated with this position.
- GC requests clarity on the policy's intersection with graduate student funding.

GC appreciates the opportunity to opine.

Cc: Division Council  
Graduate Council  
Academic Senate Office

**GUIDELINES ON ACCEPTING AND MANAGING EQUITY IN RETURN FOR ACCESS TO  
UNIVERSITY FACILITIES AND/OR SERVICES**

/\_\_/2015

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## **I. INTRODUCTION**

Across the nation, universities are being asked by their external stakeholders to be an active participant in the entrepreneurial and innovation ecosystem. One element of this participation is supporting new businesses created by students, staff and faculty and/or based on university-developed inventions. Campuses are creating incubators and accelerators where new companies can begin to develop business or product development plans.

A common element of non-university incubators or accelerators is the ability to accept equity in the companies as an element of the financial consideration for access to space and business support services. On June 20, 2014, President Napolitano authorized the University to initiate a pilot program whereby the University may accept equity in a company as full or partial consideration for access to University facilities and/or services (“AFS”) in the context of University Incubators or Accelerators. This document provides guidelines to campuses seeking to develop new programs or modify existing programs to take advantage of this pilot. Through this pilot, the University seeks to understand if and how any permanent program could or should be operated and what, if any policy changes will be needed to formally enact it. The guidelines seek to provide a systematic and consistent framework for campuses to implement the pilot so that it can both be effective in its implementation and provide meaningful feedback for determining the basis upon which to formally enact certain or all aspects of the pilot as conceived in one or more modalities as implemented by campuses.

This pilot program has been created so that the university can understand how to best manage this issue, based on the experiences of campus-based programs that participate. These guidelines are designed to ensure that any program does not create unmanageable risk, either directly for the program, or for the University. This pilot program will run for three years, at which time the Office of the President will evaluate the outcomes and determine if and/or how to codify this pilot program into University Policy.

## **II. REFERENCES**

### **A. Policies, Principles and Guidelines**

University of California Policy on Disclosure of Financial Interests and Management of Conflicts of Interest Related to Sponsored Projects, October 15, 1997.

University Policy on Integrity in Research, June 19, 1990.

University Policy on Disclosure of Financial Interests & Management of Conflicts of Interest, Public Health Service Research Awards

Principles of Delegation of Authority and Protocol  
([http://policy.ucop.edu/files/da/da\\_definitions.html](http://policy.ucop.edu/files/da/da_definitions.html))

Summary Statement of Principles and Policies on Institutional Conflict of Interest in  
Research (<http://www.ucop.edu/raohome/cgmemos/11-05.pdf>)

B. State of California Government Code

California Political Reform Act, Government Code Sections 81000-91015.

California Fair Political Practices Commission, Political Reform Act of 1974 - 2015

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### III. DEFINITIONS

Designated Campus Manager (“DCM”)	In accordance with the Principles of Delegation of Authority and Protocol ( <a href="http://policy.ucop.edu/files/da/da_definitions.html">http://policy.ucop.edu/files/da/da_definitions.html</a> ), each campus shall identify and grant delegated authority to the Designated Campus Manager (DCM) to 1) execute AFS agreements wherein approval to accept equity may be required, 2) ensure compliance with system-wide guidelines and policy, and 3) request formal equity acceptance approval from the Executive Director of Innovation Alliance and Services. In accordance with these Guidelines, for the benefit of consistency, and in compliance with state, federal, and institutional requirements, each campus may wish to identify a single position title for its (DCM.)
Equity:	Shares of common or preferred Stock, Warrants, options, convertible instruments, units of a limited partnership or limited liability company (“Units”), or any other instrument conveying ownership or economic interest in a corporation, limited partnership, limited liability company or other business entity.
Incubator or Accelerator	A UC-designated physical location where UC-associated startup companies can start commercial ventures.
Innovation Alliances and Services (“IAS”)	The University-wide office within the Office of the President responsible for coordinating, facilitating, and reporting on the University’s technology commercialization program.
IAS Equity Approval Manager (“EAM”)	The individual designated by IAS to have responsibility for managing Equity approvals.
Laboratory:	The U.S. Department of Energy’s Lawrence Berkeley National Laboratory.
Stock:	An equity or ownership interest in a corporation. Its unit of measurement is the share, and the owner is entitled to certain rights in the company pursuant to its status as a Stock holder whether pursuant to law or contractually agreed upon rights, as well as distribution of assets upon liquidation or dissolution of the company. Ownership of Stock may be evidenced by a written instrument known as a stock certificate.

Stockholder's Agreement	An agreement or agreements (separate from any other agreement) that sets forth the rights and duties of the holder of Equity and the company with regard to the Equity being held, including such issues as registration rights, transfer rights, dilution considerations, future rights, co-sale and rights of first refusal, special voting rights, etc.
Warrant	A contract or agreement that gives the holder the right to subscribe for, purchase or otherwise acquire shares of the underlying Stock or convertible securities for a specified price and within a specified time period.

#### **IV. EQUITY GUIDELINES**

##### **A. Scope**

The AFS pilot program shall be limited to campus created and authorized Incubator and Accelerators. These guidelines apply to transactions related to early stage businesses/companies with issued Equity in the form of Stock or Units or those that intend to issue Equity in the form of Stock or Units that are: a) founded by the University's faculty, staff, and/or students or having a defined relationship to the University based on the affiliation of its founders, and b) advancing academic innovations wherein campus management grants such companies (a "Company") access to their local campus Incubator or Accelerator facilities and services. These guidelines also apply to the Department of Energy's (DOE) Lawrence Berkeley National Laboratory to the extent that there is no conflict with the obligations of the University under its management and operating contracts with the DOE. These guidelines are intended to support the implementation of the AFS pilot program. Note that each participating campus and the Laboratory is expected to designate a DCM who has the relevant experience with and knowledge of startup equity transactions, complex financial instruments and University policy so as to be able to develop its own procedures by ways of standard templates consistent with these guidelines and to allow for the acceptance of equity in return for access to University resources, in compliance with University policies and applicable law. Appendix F highlights some material items that should be considered by the DCM when preparing internal procedures and forms to implement the pilot.

## B. Accepting Equity

The University may accept Equity in Companies to support recently organized or incorporated businesses that arise from or have relationships to the University based in part on the affiliation of their founders. The acceptance of Equity for AFS is subject to the provisions of these guidelines:

1. A portion of the financial consideration may be provided in the form of cash, taking into account the financial condition and structure of the Company and the specific elements of the campus programs under which the Equity is accepted.
2. The University's preference is to take Equity in the form of Stock, Units or similar securities that are fully paid for rather than Warrants or options which are a right to later purchase securities of a company at a predetermined price. Acceptance of options or Warrants may be approved on a case-specific basis by exception. At a minimum, approval for such exception will require that 1) private funding (e.g., not state funding) is available and reserved to provide cash needed to exercise such options or Warrants and 2) the options or Warrants comprise a minority portion of total financial consideration. In addition, prior arrangements would need to be made by the campus to manage the rights and interests of all involved parties in such options or Warrants.
3. The DCM should be aware that there are strict rules under the tax laws that prohibit certain "private use" of tax-exempt bond-financed space or equipment by private individuals or entities. In order to avoid such private use issues in connection with the AFS pilot program, the Accelerator or Incubator should not be financed, in whole or in part, with the proceeds of tax-exempt debt. In specific circumstances the University may permit limited private use of tax-exempt bond-financed space or equipment by a private party participating in the program provided the DCM can demonstrate in advance to the satisfaction of the University that such use is in compliance with rules allowing for a limited percentage of space to be set aside for private-use and that such private-use will not jeopardize the tax-exempt status of any bonds. The DCM should contact the individual at the campus, Laboratory or University who is responsible for maintaining its tax-exempt bond financing records to determine whether such space or equipment falls within this prohibition.

## C. Conflict-of-Interest and "Private-Benefit" Considerations

1. University acceptance of Equity for AFS shall be based upon the educational, research, and public service missions of the University over financial or individual personal gain.
2. The support of new businesses affiliated with the University is in the public interest and furthers the University's training and educational objectives. Further, University

engagement with new businesses is appropriate and represents a useful contribution because the University's engagement with industry is consistent with the University's mission. Any involvement of University employees, however, must be in accordance with the California Political Reform Act of 1974 ("Act"), federal law and regulations, and University policy.

3. Because University employees may have the opportunity to influence University decisions in ways that could lead to personal gain or give advantage to companies in which they have a financial interest, the employees must be aware of and be in compliance with the relevant state and federal laws and regulations and University policies.. Generally, University employees are prohibited from "making, participating in making or influencing a University decision," if they have a disqualifying personal financial interest in the decision, unless certain specific actions are taken. Disclosure of financial interests, institutional review and management of conflicts of interest may also be required.
4. In order to comply with the Act, the Designated Campus Manager ("DCM") must ensure that any University employee, unless specifically permitted under University Conflict of Interest Policy and the California Political Reform Act, with a current or likely future interest in the Company is excused from, does not to participate in, and does not influence or attempt to influence any decision involving Equity acceptance for AFS. A sample communication to the employee is provided in Appendix A.
5. The University's status as a Section 501(c)(3) organization could be jeopardized if it provides more than "incidental" benefits to any private party. To help avoid such "private benefit" issues as well as conflicts of interest in the University's decision making, accusations of favoritism, misuse of University resources and other related legal issues, campuses should establish and have documented a uniform methodology for determining the amount of equity in lieu of cash consideration for University resources in a manner that ensures the University is receiving fair or equivalent value for the resources provided. The amount of equity (i.e., number of shares) in lieu of cash for University resource(s) provided to a company would be determined by dividing (i) the fair market cash value for access to University resource(s) provided by (ii) the price per Unit of the Company (as reasonably determined in good faith by the DCM in accordance with the provisions of these guidelines) at the time the equity transaction was sought. If a uniform methodology for valuing University resource(s) is not established or is not used in a particular case, the DCM must have documents showing how the fair value of any University resource(s) provided was calculated and provide an affirmative written statement of what cash consideration would otherwise be due and that the Equity accepted in lieu of cash is deemed by the DCM's independent and

good faith assessment to be fair or equivalent in value to the resource(s) provided. For assistance with the foregoing, the DCM is strongly encouraged to discuss in advance their methodology with the EAM to ensure that it meets all policy and legal requirements. See Appendix F for additional information that may be useful to a DCM when addressing the fair market valuation issues described above.

D. Board Representation / Voting Rights

Employees of the University, acting in their capacity as University employees, shall not accept a position on the board of directors in a Company in which the University has an Equity interest pursuant to this program, nor shall they exercise related voting rights, but may accept and exercise observer rights on such boards. Active board participation and/or the exercise of voting rights by an individual in his or her capacity as a University employee might expose the University to unacceptably large management, conflict of interest, and public relations problems. A University employee who is an inventor of intellectual and tangible property licensed by the University to a Company may participate on the scientific advisory board of that Company, but only if such boards do not have delegated voting authority to act independently on behalf of the full board of directors.

E. Future Relationships with Company

The University shall manage all subsequent relationships with a Company in which the University has accepted Equity at arms-length and in a fair manner pursuant to relevant University policies and guidelines.

The University has an affirmative obligation to prevent “pipelining” of inventions (intellectual property) to a Company in which the University holds an Equity interest. For example, University inventions should be made available for licensing to appropriate companies and should not automatically be made exclusively available to Companies in which the University has taken Equity under this pilot. At the same time, holding Equity in a Company should not preclude the Company from licensing any invention when that Company is best able to develop the successor inventions

F. Company-Sponsored Product Testing

A University investigator may perform clinical trials or other comparable product-testing involving human subjects for Companies in which the University holds Equity as part of an AFS transaction on the campus/Laboratory where that technology arose provided that the campus conflict of interest committee has assessed any real or perceived organizational conflict of interest in the performance of such trials or testing activities and determined



whether a management plan is required, and the relevant IRB has reviewed and approved the protocol.

#### G. Determining How Much Equity to Accept

The University must ensure that it is receiving fair or equivalent value as consideration for University resources accessed by a company in accordance with the provisions set forth in Section V.C.5 and Appendix F of these guidelines. At the same time, the University shall not accept a level of Equity that places it in a controlling position of a company, since such a situation may expose the University to unacceptable management, conflict of interest, and public relations and other problems. Generally, the University's Equity holdings in a publicly traded company shall be less than ten percent (10%).

For a privately-held company (startup), the University's initial equity ownership can sometimes be greater than 10% (especially where such entity is only recently formed) as that the expectation is that that ownership stake will be diluted over time by subsequent rounds of financing, etc. Accordingly, the DCM may request approval to accept more than 10% equity in a privately-held company (startup,) but less than twenty percent (20%) (in the aggregate, cumulative from all transactions including but not limited to G-44, this AFS pilot, and as calculated on a fully diluted and as converted basis) provided there is a clear expectation of subsequent dilution to less than a ten percent (10%) share ownership at the time the company goes public.

A DCM considering taking Equity in a Company must review the total percentage preexisting ownership, if any, the University may already hold in the company through other transaction arrangements, including any technology licensing-related arrangements (G-44). IAS will maintain on a restricted-access basis, a listing of Companies in which the University holds such Equity interests, the name of campus from which the service or access-related transaction arose, and other relevant information. The DCM should consult the EAM who will provide the most current information regarding any other University Equity holding in that Company.

### V. APPROVAL OF EQUITY ACCEPTANCE.

#### A Required Approvals

In addition to the Office of the President approvals listed below, campuses are responsible for creating standardized procedures to ensure that relevant campus offices review and approve



the transaction.

1. Acceptance of an Equity interest in a Company shall be in accordance with these guidelines and upon the case-specific approval requests submitted by the DCM, review by the Office of the General Counsel, and approval by the Executive Director of IAS. In the course of supporting the equity acceptance approval review process, the EAM may provide guidance and make recommendations to the DCM concerning legal and policy issues related to the acceptance of Equity. Upon request of the DCM, the EAM may also provide recommendations to the DCM concerning any business issues related to the acceptance of an Equity request.
2. Office of General Counsel (“OGC”) review and approval as to legal form must be obtained for all agreements and documents related to the University’s acceptance of Equity. No preliminary legal reviews of the agreement would obviate the need for formal review and approval as to legal form of Equity acceptance of the entire proposed final agreement.
3. A campus-designated conflict of interest committee shall review agreements and, if appropriate, recommend management plans to the DCM, who shall submit verification of this review and management plan, if any, with the request for approval to accept equity submitted to IAS.
4. Consideration of requests for any required legal and Equity approval will be managed by IAS. IAS will consider such requests using the process described in Sections B through E, below.

**B. Submission to IAS**

DCM requests for approval to accept equity shall be submitted to:

Innovation Alliances and Services  
University of California  
Office of the President  
1111 Franklin Street, 5<sup>th</sup> Floor  
Oakland, CA 94607-5200

ATTN: Equity Approval Manager

C. Contents of Submission

A completed Equity Approval Request Checklist (Appendix B) should be submitted with the DCM's request for approval of Equity acceptance along with relevant and required documentation referenced therein.

D. Requests for Exceptions

Any requests for deviations from these guidelines should be submitted in writing by the DCM to the EAM. Upon review, written authority to proceed (if accepted) will be provided by the Senior Vice President - Finance or the appropriate designee.

E. Timing of Submission

The DCM should allow sufficient time after IAS receipt of all the information provided under Section C and D, above, for IAS, legal and policy reviews in support of the Senior Vice President's or the appropriate designee's consideration of an Equity approval request. Normally, if forms submitted by the DCM are complete and approved by OGC, IAS will have approved the request to accept Equity within 10 business days. Requests for approval should be submitted to IAS when the terms of an agreement are negotiated for such Equity acceptance, even if pursuant to the agreement, the actual delivery of Equity shares may come at some later point in time. However, preliminary informal discussions with the EAM concerning AFS related transaction terms and Equity arrangements are strongly encouraged to expedite subsequent formal review and approval.

F. Where to Send Equity and Corporate Actions

1. University Shares

Regents Bylaw 21.4(c) states, "The Chief Investment Officer shall be the custodian of all bonds, stocks, notes, contracts of sale, mortgages, and deeds of trust for real property held or acquired for investment purposes, and all other securities belonging to the Corporation ... and shall keep them in such places and in such manner as shall be approved by the Committee on Investments."

Therefore, Equity interests in Companies, including Stock certificates, Unit certification, options, and Warrants, due to The Regents pursuant to the terms of an AFS transaction agreement shall be issued by the Company to The Regents' nominee

name of “Shellwater & Co.” and delivered to the DCM. The DCM shall forward such Equity, together with the completed University Acceptance of Equity Form (Appendix C) to:

Office of the Chief Investment Officer of  
The Regents of the University of California  
1111 Broadway St., 14<sup>th</sup> floor  
Oakland, CA 94623-1000

ATTN: Director, Treasury Operations

A copy of the University Acceptance of Equity Form, with attachments, shall be sent by the DCM to the IAS as follows:

Innovation Alliances and Services  
University of California  
Office of the President  
1111 Franklin Street, 5<sup>th</sup> Floor  
Oakland, CA 94607-5200

ATTN: Equity Approval Manager

3. Corporate Actions

All correspondence received by the DCM from the Company concerning Company actions (including, without limitation, shareholder or member voting actions and notices, merger notifications, meeting notices, etc.) resulting from the University’s Equity interest in the Company should be forwarded to the Office of the Chief Investment Officer (“CIO”) at the address listed above.

## **VI. CHIEF INVESTMENT OFFICER’S MANAGEMENT OF EQUITY**

### **A. General**

1. All decisions and administrative actions concerning the management of Equity issued to the University by a Company and all subsequent corporate or other entity actions received by the DCM pertaining to the University’s shareholder, membership or other interest in a Company shall be made by and at the sole discretion of the CIO. This

includes decisions on when Equity will be converted to cash and when options, Warrants and similar convertible securities will be exercised. No consideration shall be given to Company information uniquely available to the University through its AFS pilot. The CIO intends to carry out such functions using the Equity Management Model (Appendix D) or other processes as the CIO may approve, based upon sound business practice and publicly available information. Such functions shall be consistent with the guidelines in this Bulletin.

2. At least monthly, the CIO shall notify the EAM and the EAM in turn shall notify the DCM of all significant actions taken by the CIO, including those involving purchase, distribution, or transfer of Equity, and those involving Company mergers, acquisitions, and similar change of control transactions or name changes.
3. Any decision made by the CIO to purchase additional shares of Equity in a Company in which the University has accepted Equity as part of an AFS transaction should be evaluated in terms of the financial return to the University. Such subsequent investments should be considered and maintained separately from the original AFS-related arrangement and the resulting proceeds from such subsequent investments shall not be considered for distribution under the University Equity Policy.

#### B. Valuation

1. The CIO shall record the value of Equity issued to the University by a Company
2. Upon transmittal of such Equity to the CIO, the DCM shall provide the CIO with its good faith and reasonable estimate of the valuation of such Equity using Appendix C, University Acceptance of Equity Form unless stock has been obtained at par value in which case par value will be communicated to the CIO by the DCM.

#### C. Distribution of Equity Interests to the Campus or Laboratory

1. The University's Equity interests received directly pursuant to the AFS program will be converted to cash and distributed to the Campus or Laboratory in accordance with Section 2, below.
2. Upon conversion to cash of the University's Equity interests received directly pursuant to the AFS program, the CIO shall instruct Corporate Accounting to transfer such cash proceeds to the appropriate Campus or Laboratory account and provide the Campus or Laboratory with appropriate identifying information. For clarification purposes, any additional Equity subsequently purchased by the University or University affiliates or assignees of participation rights related to such Equity (with such purchase occurring

pursuant to the exercise of any assigned participation or other rights, or otherwise) that is liquidated by the CIO will remain the property of such subsequent purchaser and will not be distributed to the campus or Laboratory that acquired the initial Equity pursuant to the AFS program. Each Campus or Laboratory obtaining Equity interests in a third party should use reasonable efforts to obtain participation rights for the University or University affiliates or assignees in future rounds of financing undertaken by such third party.

3. The Campus or Laboratory's subsequent use and distribution of its portion of any cash proceeds shall be handled in accordance with the schedules, formulas, and practices established by the Campus or Laboratory, and other applicable policies.

DRAFT

**APPENDIX A**

**Sample Notice to employees:** Prior to the University accepting equity in a company pursuant to this pilot, the DCM shall give this notice to any and all campus or Laboratory employees with a current or likely future interest in a Company considered to be a party to an AFS transaction, to ensure any such University employee is excused from, does not to participate in, and does not influence or attempt to influence any decision involving the Equity acceptance for AFS under consideration. This notice may be excerpted or adapted by campuses or Laboratories for their own use as they may choose.

What University Employees Need to Know about Conflicts of Interest with respect to the University accepting Equity in companies in which they may have a substantial financial or controlling interest in return for Access by the company to University Facilities and/or Services  
(March     , 2015)

\*\*\*\*\*

The University of California’s policy on conflicts of interest provides that none of the University’s “faculty, staff, managers, or officials shall engage in any activities which place them in a conflict of interest between their official activities and any other interest or obligation.” In addition under UC policy, University faculty and staff must comply with state statutes and regulations governing conflicts of interest, specifically the Political Reform Act of 1974-2015 (the Act).

The Act requires public officials to “perform their duties in an impartial manner, free from bias caused by their own financial interests or the financial interests of persons who have supported them.” (Gov. Code, § 81001, subd. (b)). Accordingly, University employees must not allow their personal financial interests to influence their or other’s University decisions regarding the provision of access to University facilities and/or services to a Company.

Any University employee with a current or likely future interest in the Company **must** excuse him or herself from and not to participate in any University decision making process as to whether to accept Equity from that Company. The DCM must also confirm to the University that no University employee with a current or potential financial interest in the Company in any way participated in or influenced the transaction decision-making process. University employees who are the sole owners or who have sole control of the Company may communicate with the University decision makers so long their communications are in the same manner as is afforded to any member of the public.

## APPENDIX B

### EQUITY APPROVAL REQUEST CHECKLIST

Please complete, attach supporting documentation, and submit this Appendix-B (Equity Approval Request Checklist) to IAS to formalize your request for approval to accept equity as consideration for an AFS transaction. Any deviations from the guidance provided in the University of California Guidelines: Accepting and Managing Equity in Return for Access to University Facilities and/or Services document should be separately noted and justified as an exception for consideration by the Executive Director, IAS.

Please note that in carrying out space/facility access, equipment use, and/or service transactions, the Designated Campus Manager (“DCM”) is called upon to make decisions by applying his or her professional judgment and experience when considering of a multiplicity of facts and circumstances surrounding each transactions. The DCM’s transaction records should include appropriate documentation supporting assessments and representations made on the Equity Approval Request Checklist.

Please submit the completed checklist with appropriate documentation to:

Innovation Alliances and Services (IAS)  
University of California  
Office of the President  
1111 Franklin St., 5<sup>th</sup> Floor  
Oakland, CA 94607-6090  
ATTN: Equity Approval Manager

\_\_\_\_\_

**Basic UC Identification Information**

\_\_\_\_\_

Campus: \_\_\_\_\_

DCM Contact: \_\_\_\_\_

DCM: \_\_\_\_\_

Phone Number: \_\_\_\_\_

\_\_\_\_\_

**Company Information**

\_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Status of Company:  Privately Held  Inventor Start-Up

(Check all that apply)  Pre-Start-Up  Start-Up  Other

If "Other," please describe:





In those cases where all agreements are not available (usually due to the early stage of the Company formation), indicate the location of specific language in the agreements related to the draft or executed transaction agreement that allows the University to terminate the agreement or renegotiate the terms to eliminate the equity consideration or replace it with other consideration.

Please list:

DCM used the following method to determine the fair market value for Equity received by the University pursuant to the AFS program:

For Common Stock:

- Recent 409A valuation or other third party valuation
- Most recent option issuance price
- Recent sales or issuance price
- For early –stage startups where the above is not available, stock par value for recently issued founders’ shares
- Other based on DCM reasonable determination as made in good faith (Please describe or, if there are any specific questions, call IAS to discuss):

For Equity other than Common Stock (eg, Preferred Stock, Units, etc):

- Recent third party valuation
- Recent sales price
- Other based on DCM reasonable determination as made in good faith (Please describe or, if there are any specific questions, call IAS to discuss): \_\_\_\_\_

**Policy Issues**

*a. Accepting Equity*

- i. Indicate the form of equity and up-front cash considerations for AFS transaction  
(Check all that apply):

Up-Front Cash (if any)

Amount: \$

Stock

# Shares/Type (including class and series):

Other (please describe):

- ii. Please identify the University Department and funding source that will forgo all or partial cash payment by accepting instead the proposed equity considerations and indicate how such University Department intends to cover or recoup the cost of such services, facilities or equipment.

*b. Use of Facilities or Services Involving Tax-free bond*

Will the Company be granted access to facilities constructed or maintained, equipment purchased or maintained, or services made possible due to funding from the sale of tax-free bonds (i.e. Lease Revenue Bonds) ?

No

Yes

If Yes, please complete the following;

The bond(s) involved is (are) \_\_\_\_\_

Percentage used over the lifetime of the bond is \_\_\_\_\_%

Name, title, and contact information of the campus person responsible for the managing tax-free bond 'use' is

---

c. Conflict of Interest Considerations

- i. Has the DCM given notice (Appendix-A) to any and all campus or Laboratory employees with a current or likely future interest in the subject Company, to ensure any such University employee is excused from, does not to participate in, and does not influence or attempt to influence any decision involving the Equity acceptance for AFS under consideration?

Yes

No

If "No" please provide an explanation why this action has not occurred:

- ii. Did any University employee who may have had or was to likely to have any financial interest from decisions relating to taking equity in Company pursuant to the transaction described participate in or attempt to influence the University this transaction

No

Yes

- iii. If the above response was "Yes", did the campus-designated conflict of interest committee review the reported financial interest(s) and determine whether a management plan should be implemented?

No

Yes

- iv. By submitting, the DCM certifies that he or she understands and accepts that the Office of the Chief Investment Officer shall manage equity received under this Policy using a “rule-based” equity disposition management model in liquidating stocks.

d. Other University Relationships with Company

Does the University already hold equity in the proposed Company?

(Refer to <https://patron.ucop.edu/equity/equity.html> and/or other records)

No

Yes

If “Yes” please

i) indicate the following:

- The cumulative total # of shares currently held by the University: \_\_\_\_\_;

- The number of shares to be provided by Company under the proposed transaction: \_\_\_\_\_; and

The type of shares to be accepted:  Preferred  Common

Series: \_\_\_\_\_

- The total number of shares outstanding by the Company: \_\_\_\_\_;

- The cumulative percentage of ownership in Company to be held by the University (includes currently held shares and shares to be accepted under the proposed transaction): \_\_\_\_\_%; and

ii) discuss whether this was a factor in DCM’s decision to consider accepting equity in the Company under the present transaction agreement.

e. Transaction Terms

Are the transaction agreement terms, other than those relating to equity, consistent with standard

terms in non-equity agreements for University like transactions for space/facility access, equipment use and/or services?

Yes

No

If “No” please identify and justify any non-standard terms:

*f. Percentage of Ownership*

*i.* Total number of Company’s outstanding shares of capital stock (include information on each class and series of outstanding Equity securities as well): \_\_\_\_\_

*ii.* The percentage of ownership in Company to be held by the University (on the basis of total outstanding Equity securities and on a class and series basis where applicable): \_\_\_\_\_%

*iii.* For start-up Companies, will the University’s holdings be greater than 19.5%

No

Not applicable

Yes

If “Yes” please discuss the timing and extent of anticipated dilution of the University’s interest to below the 19.5% cap established by the University Equity Policy:

**Additional information**

Please provide any additional information or comments that IAS should consider in evaluating this request for approval to accept equity:

**APPENDIX C**

**UNIVERSITY ACCEPTANCE OF EQUITY FORM**

*(Revised 08/01/2014)*

To: *Director, Treasury Operations*  
Office of the Chief Investment Officer  
Address: 1111 Broadway, 14<sup>th</sup> Floor  
Oakland CA, 94607  
Phone: (510)987-9668

From:					
Originating Office	<input type="checkbox"/> UCSF	<input type="checkbox"/> UCB	<input type="checkbox"/> UCD	<input type="checkbox"/> UCI	<input type="checkbox"/> UCLA
	<input type="checkbox"/> UCSD	<input type="checkbox"/> UCM	<input type="checkbox"/> UCR	<input type="checkbox"/> UCSB	<input type="checkbox"/> UCSC
	<input type="checkbox"/> LBNL				
Transaction Contact: _____			Phone: _____		
_____					

Subject: Acceptance of Equity as full or partial consideration for

Space use  Equipment Use  Service provided

Please accept the enclosed stock certificate, as described below, for the above referenced transaction. These equity interests should be managed pursuant to the University Equity Guidelines for Facility Access and Services.

Company Name:	
_____	
Legal Address:	
_____	
_____	
_____	
Company Contact: _____	Phone: _____
_____	

Total number of shares transmitted: \_\_\_\_\_

DCM has determined in good faith that a reasonable valuation per share for the Treasurer to book these shares is:

Value of \$ \_\_\_\_\_

**Please attach rationale for this valuation**

\_\_\_\_\_ Default valuation (e.g. \$.10 per share)

Are there restrictions on the future transfer or sale of this stock?

\_\_\_\_\_ No

\_\_\_\_\_ Yes, SEC Rule 144

\_\_\_\_\_ Yes, Other \_\_\_\_\_

Does the transaction include provisions for additional equity to be issued to the University?

\_\_\_ Yes \_\_\_ No.

If yes, attach explanation.



Attachments:

\_\_\_ Stock certificate

\_\_\_ Approval Letter

\_\_\_ Agreement under which equity is accepted

\_\_\_ Other equity-related documents

Designated Campus Manager Signature

Date

DCM Election of a Longer Term Position in Company

The equity disposition management model will allow the campus/Laboratory DCM to make a one-time, irrevocable election to take a longer-term position on the final 25% of the University's equity holdings in a particular Company, on a case-by case basis. Such a longer-term position would be for a fixed period of time ranging from 2-5 years (to be determined at the time of such election) from initiation of disposition under the "rule-based" model employed by the Treasurer's Office, including any inventor shares being held by the Office of the Chief Investment Officer of The Regents.

Please indicate your election below (the default selection is indicated below should the DCM fail to indicate a choice):

± **(Default)** The DCM does NOT elect to take a longer-term position on the final 25% of the University's equity holdings herein submitted to the Treasurer's Office.

± The DCM does elect to take a longer-term position on the final 25% of the University's equity holdings herein submitted to the Treasurer's Office for a term of

(select one of the following):

- ± 2 years
- ± 3 years
- ± 4 years
- ± 5 years

from initiation of disposition under the "rule-based" model employed by the Office of the Chief Investment Officer of The Regents.

## APPENDIX D

### Equity Management Model (Revised 8/5/2014)

#### Summary

Securities accepted per request from Designated Campus Manager (“DCM”) are submitted to the Office of the Chief Investment Officer of The Regents (“OCIO”) for management in accordance with the provisions of the University’s Guidelines on Accepting Equity for Facility Access or Services. Such securities usually carry some restriction or a “lock up” period restricting when the OCIO is free to sell the shares. The OCIO will handle all corporate actions, restriction removals, and registration activities until the securities qualify for transfer to the Depository Trust Company (“DTC”) whereby the securities would have an established market value and are re-registered free and clear (without the restrictions). The OCIO, at its discretion, may solicit feedback from the Office of the General Counsel and the DCM regarding such actions.

Once the securities are DTC-qualified, the OCIO will use the following “rule-based” equity disposition management model in liquidating stocks resulting from approved University Access to Facility or Services transactions:

- 1) 50% of the security will initially be sold at the first available opportunity;
- 2) 25% of the shares will be sold approximately six months later; and
- 3) the remaining 25% will be sold approximately six months after that unless the DCM has previously elected to take a longer term as provided for in Appendix C.

This disciplined strategy reflects the Treasurer’s preferred approach to capturing, on balance, reasonable value from the class of securities typically received under a licensing-related transaction.

Should the DCM wish to capture a portion of the longer-term potential value of equity received under a University Access to Facility and Service transaction, the OCIO’s equity disposition management model will allow the DCM the option of making a one-time, irrevocable election to take a longer-term position on the final 25% of the University’s equity holdings in a particular transaction, on a case-by case basis.

Such a longer-term position would be for a fixed period of time ranging from 2-5 years (to be determined at the time of such election) from initiation of disposition under the “rule-based” model and would apply to the final 25% remaining shares of equity held by the OCIO. This one-time election can be exercised by the DCM by indicating its preference on the University Acceptance of Equity Form Access to Facility and Service when the equity is initially transferred to the OCIO.

## **Responsibilities**

### **Designated Campus Manager (“DCM”)**

- Negotiate, have approved, and have executed Transaction agreement
- Secure local and UCOP/IAS approvals to accept equity
- Transmit stock certificates to the Office of the Chief Investment Officer of The Regents
- in good faith, determine reasonable value of equity received by the University and to be held by OCIO

### **UCOP/Innovation Alliances and Services (“IAS”)**

- Provide policy guidance to the DCM
- Provide equity approval consideration
- Coordinate administrative processes between IAS and OCIO

### **Office of the General Counsel (“OGC”)**

- Review and, if acceptable, approve all signature documents (legal form)

### **Office of the Chief Investment Officer (“OCIO”)**

- Manage equity portfolio
- For unregistered stock in equity portfolio:
  - Remove restrictions from stock certificates
  - Re-register stock certificates
  - Manage corporate actions for unregistered stock certificates
    - secure legal review of documents
    - solicit feedback from DCM at OCIO’s discretion
- For DTC-qualified stock in equity portfolio:
  - Implement the “rule-based” equity disposition management model

## APPENDIX E

### PROCEDURES

#### Equity Acceptance Review Process

1. Designated Campus Manager (“DCM”) negotiates the terms of access agreements after consultation with and sign-off from any campus officials with requisite delegated authority.
2. DCM requests from IAS approval to accept Equity as consideration for access to space, equipment use and/or services. Requests for approval to accept Equity should be forwarded to the Equity Approval Manager (“EAM”). Such requests **must**:
  - a) Be submitted directly by DCM (or, alternatively, by an individual designated in writing by the DCM).
  - b) State that any potential conflict of interest issues have been addressed by the campus.
  - c) State that the deal adheres to the Guidelines on Accepting Equity for Facility Access and/or Services.
  - d) Include a fully completed Equity Approval Request Checklist for Facility Access and/or Services.
  - e) Include all relevant documents (*e.g.*, copy of transaction agreements, Stockholder’s Agreement, Stock Purchase/Issuance Agreements, any existing agreements the company may have with the University, or other relevant legal agreements/documents. All agreements requiring signature from UC managers (legal forms) must be reviewed and approved in writing by the Office of the General Counsel (“OGC”).
3. EAM responds to indicate that request has been received, and reviews documentation to ensure that it is complete.
  - a) If after initial review there is information missing, whether the requested acceptance should cause The Regents to hold more than **19.5%** of the Company’s total capitalization of the company at the time of approval or more than 10% of a company upon its initial public offering (as determined on an as converted and fully-diluted basis), or there is a need for clarification, EAM writes back to DCM indicating so.
  - b) If no information missing and no clarification required, EAM sends all documentation for written approval from Executive Director, IAS.

4. If approved, Executive Director sends a letter to DCM indicating that the request for Equity approval has either been accepted, or that the acceptance is conditional (in which case any changes required are outlined in the letter). Message from Executive Director IAS will further include a copy of the University Acceptance of Equity Form, and a request that the form be used when accepting Equity. Any Equity issued to The Regents must be in the nominee name “Shellwater & Co.”, and the actual Stock certificates issued, as well as any stockholder information received, should be forwarded directly to the Office of the Chief Investment Officer of The Regents (with a copy of the transmittal to Executive Director’s attention). Copy of any amendments to any related agreement(s) should be sent to the attention of the Executive Director, IAS.
5. Normally, if forms submitted by the DCM are complete, accurate and with all legal forms approved, IAS will approve the request to accept Equity within 10 business days.

Notes:

1. Contacts at Innovation Alliances and Services (IAS):  
*William Tucker*, Executive Director, 1111 Franklin St., Suite 5100  
[william.tucker@ucop.edu](mailto:william.tucker@ucop.edu); 510-587-6037  
*John Shih*, Equity Approval Manager, 1111 Franklin St., Suite 5110  
[john.shih@ucop.edu](mailto:john.shih@ucop.edu); 510-587-6034
2. Contacts at the Office of the Chief Investment Officer:  
*Trevor Woods*, Investment Accountant: 1111 Broadway St., Suite 1400  
[trevor.woods@ucop.edu](mailto:trevor.woods@ucop.edu) ; 510-987-0859  
*Robert Yastishak*, Director, Treasury Operations: 1111 Broadway St., 14<sup>th</sup> Floor  
[robert.yastishak@ucop.edu](mailto:robert.yastishak@ucop.edu); 510-987-9668

## APPENDIX F

### SUMMARY OF SOME MATERIAL ISSUES FOR CAMPUS AND LABORATORY CONSIDERATION WHEN PARTICIPATING IN THE PROGRAM TO ACCEPT EQUITY AS CONSIDERATION FOR ALLOWING ACCESS TO UNIVERSITY FACILITIES AND/OR SERVICES

Pursuant to the Guidelines on Accepting and Managing Equity in Return for Access to University Facilities and/or Services (the “Guidelines”), the University is rolling out a pilot program pursuant to which participants in the program may accept equity in recently organized or incorporated Companies affiliated with the University as full or partial consideration for access to authorized Incubators or Accelerators and the University resources offered by such Incubators or Accelerators. As per the Guidelines, each program participant is expected to develop its own procedures and forms to allow for the acceptance of equity in return for access to University resources. To help ensure the success of the program, as well as protection of the University’s interests, the following is a non-exhaustive list of some identified issues that program participants should address at the outset. Program participants should still carefully review the entire set of Guidelines before accepting equity in exchange for providing access to University facilities, equipment or services.

#### 1. Bond Financed Space and Equipment

There are strict rules under the tax law restricting certain “private use” of tax-exempt bond-financed space or equipment by a private party (e.g., a for-profit corporation or private individual). In order to avoid such private use issues in connection with the AFS pilot program, the strong preference of the University is to not permit a private party to use any of its space or equipment that has been financed, in whole or in part, with the proceeds of tax-exempt debt. In limited circumstances the University may permit limited private use of tax-exempt bond-financed space or equipment provided the DCM can demonstrate in advance to the satisfaction of the University that such use is in compliance with rules allowing for a limited percentage of space to be set aside for private-use and that such private-use will not jeopardize the tax-exempt status of any bonds. A program participant should contact the individual at the campus, Laboratory or University who is responsible for maintaining its tax-exempt bond financing records if it is not sure whether University space or equipment falls within this prohibition.

#### 2. Private Benefit

The University’s status as a Section 501(c)(3) organization could be jeopardized if it provides more than “incidental” benefits to any private party. To address this “private benefit” concern, the Guidelines require a University program participant either to ensure: (1) that it receives at least fair market value for the goods or services it provides to any private party or, (2) where the fair market value for generalized or incidental services provided by a University program participant to a private party cannot be reasonably ascribed, that a formulaic and fair process

applied on a reasonable and consistent basis among all third-party startup companies be used. This may be a difficult undertaking given that the valuation of the equity in a recently organized or incorporated typically would be negligible. With regard to valuation of shares of a startup corporation that is issuing common stock, the fair market value per share of common stock most likely would either be (i) the price any company options are being issued at, since those need to be issued at fair market value under Internal Revenue Code (“IRC”) and many existing companies will either have a board determination or third party IRC Section 409A valuation noting the current fair market value for the common stock which would be valid until the earlier of one year from the date of the valuation or occurrence of a material event such as a third party financing, etc. or (ii) the latest price at which stock was issued to the founders or that any friends and family investor just paid for such stock (which is most likely the par value or some fraction of a penny for a startup corporation that has recently been formed)(such amount being the “Current FMV”). The University understands that determination of valuation is more complicated with regard to companies that are not corporations or in which a University program participant is taking preferred stock where a third party is not setting the pricing for such stock, but expects a University program participant to use good faith efforts to make a reasonable valuation determination.

Program participants may find it useful to work together with each other, the Innovation Alliances and Services (“IAS”) group and Office of General Counsel (“OGC”) to establish alternatives or a formal process to adequately address this issue. Additionally, a program participant may find the following non-exhaustive list of potential financing options helpful when establishing its own procedures to ensure the University is receiving fair value in return for resources it provides to third party participants in the AFS program:

- Charge cash for the space and services provided. A flat amount of equity in the company could also be part of this transaction. It would be prudent to have a slight corresponding reduction in the cash amount charged for the space equal to the Current FMV per share if that can be determined, or at least the par value, to show a payment of at least par value for that Equity.
- Rather than accepting only cash for the space and services, subject to compliance with applicable finance lender laws, take a note or convertible note with a principal amount equivalent to the value of the space and services provided. The note would need to have a reasonable rate of interest which can be determined based on the then current applicable federal rate or AFR (<http://apps.irs.gov/app/picklist/list/federalRates.html>). Similar to above, additional common stock in the company could be taken at the time the note is issued pursuant to a warrant or direct issuance of stock (with a minor adjustment to the note amount to reflect the value of any common stock that is issued outright to ensure that par value at least has been paid in).



- Accept equity in the form of a convertible security (such as the “YC SAFE”, “KISS forms” championed by 500 Startups: <http://500.co/kiss>) with a reasonable rate of interest at the AFR where applicable. Such a convertible security would convert at a later time upon a triggering event such as a change of control or third party financing that values the company. Similar to a convertible debt security, additional common stock in the company could be taken at the time the note is issued pursuant to a warrant or direct issuance of the same (with a minor adjustment to the convertible security amount to reflect the value of any common stock that is issued outright to ensure that par value at least has been paid in).
- With regard to startups where the fair market value for generalized or incidental services cannot be readily determined, a University program participant may consider accepting a flat percentage of equity in such startups based on what is market consideration for other incubators operating in a similar region or space or providing similar services and resources; provided, the University program participant has made a determination that any such flat percentage arrangement is arrived at pursuant to a formulaic and fair process and such process is applied on a reasonable and consistent basis to all similarly-situated startups. This is important to ensure that the University receives reasonable compensation for the space, resources and/or services it provides. A University program participant may wish to consult with OGC in making such determination..
- The following fictitious example is included solely to demonstrate what may constitute a formulaic and fair process that would be applied on a fair and consistent basis to all similarly- situated startups where the value of University services offered cannot be readily determined. Assume that a campus incubator offers all newly-formed startups accepted into its program with the same service and resource package and 250 square feet of campus incubator space. In this example, the campus may choose to take a flat amount of equity in each newly-formed startup (such as 2% of the startup, with such amount to be tied to relevant market research of what other similarly situated incubators typically charge for similar resources and services, and such amount to be updated on a regular basis). For a newly formed startup using 500 square feet of campus space and other standard incubator services, a campus might take twice as much equity calculated on a flat percentage basis (or 4% of the startup as per the example). The square footage and percentage equity amounts in the prior example are fictional and solely for purposes of example only.

### 3. Unrelated Business Income

It is possible that income distributions associated with the University’s equity interest in certain entities could generate unrelated business taxable income (“UBTI”). Any UBTI that is generated needs to be tracked and reported in accordance with University policies and procedures. Investments in entities taxed as “c” corporations that produce dividends generally should not generate UBTI. Investments in Companies that are formed as LLCs, partnerships or

“s” corporations that distribute income may generate UBTI to the extent any such entity generates operating income from the active conduct of a trade or business (i.e., income is not subject to an exception from UBTI under the tax law, e.g., is not merely a “passive” investment) Whether an investment may generate UBTI requires additional review of the facts and circumstances and may delay the ability of IAS to internally approve an investment. As such, use of the corporate form for newly established start-up entities (especially those intending to seek venture financing or exit pursuant to a change of control, merger or public offering) is encouraged.

#### 4. IAS and OGC Review

Each program participant is encouraged to establish a uniform set of agreements which would allow, among other benefits, for the ability of the IAS and OGC to more efficiently review any requests from a program participant to accept equity in accordance with the Guidelines.

Incubators in the private arena have established various customary sets of form that are generally accepted in the accelerator/incubator market space. Such forms (especially those such as a convertible equity or convertible debt security that defer the valuation of a startup until the occurrence of a significant trigger event such as a third party financing or change of control) may be an ideal starting point for the drafting of University forms. If appropriately used, these forms may also be useful in addressing the fair market valuation issue described above.

#### 5. Operational Considerations

Each campus should consider issues of a general operational nature that may arise as a result of participating in the program. The following are a few high level concerns that have been expressed and will require a program participant to consult its advisors with assistance with addressing these and other relevant concerns:

- Facilities – Need to (i) confirm leased space is actively being used for its intended purpose; (ii) address the University’s ability to remove a tenant and any resulting impacts an early removal would have on equity delivered in advance of the completion of the rental term; (iii) address concepts such as security deposit, utilities and insurance for matters that occur on the leased premises; and (iv) determine the form of agreement that will be used to address the above (i.e., simple lease, professional services agreement, or some similar form of agreement).
- Equipment – Where applicable, need to (i) ensure that Company service providers using University equipment are properly trained on such equipment; (ii) set clear usage guidelines to ensure that there is not an expectation of unlimited use or use that interferes with existing University obligations; and (iii) establish procedures to monitor equipment use, among others.