

The background of the slide is a dark blue field with numerous bright blue bokeh spots and thin, glowing lines, creating a sense of depth and light trails.

Operating Procedures for Spin outs
Chris Moody, Isis Enterprise

Contents

- Overview
- Spin-out Planning Procedure
- Business Planning
- Researchers and the University
- The CEO
- Raising Finance for Spin-outs & the Isis Angels Network
- Investment, Legal Agreements and Completion Meeting
- Spin-out Equity Management
- Negotiation With Spun-out Companies & IP Assignment

Overview

- All spin-out projects are different
- But.. Common procedures
- The longest time for a new spin-out from the time the researcher contacted Isis is 6 years and the shortest time is 6 months
- It is likely to take between one and two years as the business proposition develops, investment is sought and the researchers commit
- Researchers should understand the spin out timescale

Spin-out planning procedure

- Project Manager has decided there is spin out opportunity after discussion with researcher
- The Project Manager explains directors' liability issues to researchers
- The researcher(s) agree their equity split and the researchers gain University authorisation to set up the company
- The Project Manager develops a Business Outline (1-5 pages) with the researcher(s)
- The Project Manager helps the researchers and spin-out team develop the business plan (BP)
- Arrange for a number of lawyers to present to the company team so the team can chose a company to act for the company
- The Project Manager helps identify a manager
- Negotiate to Heads of Agreement
- Agree tax and legal structure for the new company
- Investors invest, TTO licenses, researchers contract with spin-out

Business Planning

- The Idea
- The Business Plan
- The Financial Model
- Business Plan Presentations
- Spin Out Tax

Researchers and the University

- Researchers Equity Split
- Share Options for founding researchers
- Researcher – University Split
- Legal and Tax Advice to Researchers
- Directors Responsibilities
- Consultancy Appointments

The CEO

- Three major criteria:
 - Can the individual get on with the other members of the team, especially the researchers?
 - Is the individual acceptable to the investors?
 - Can the individual do the job the company needs?
- Personality:
 - Be respected by researchers
 - Willing and able to make own tea
 - Common sense
 - Good communicator
 - Gravitas, credibility
- Experience
 - Past Managerial Experience
 - Good relationship manager
 - Knowledge of market and the technology
 - Strategic thinking
 - Marketing & sales capability

Investment, Legal agreements and Completion meeting

- Head of Terms
- Completion Checklist
 - Preliminary documents
 - Incorporation Documents
 - Post incorporation documents
- The Completion Meeting

Investment, Legal agreements and Completion checklists

- **Incorporation Documents** - Have the following documents been agreed?
 - shareholders agreement and articles and memorandum
 - technology licence
 - service contract for CEO, CTO etc
 - research agreement and consulting agreements
 - share option scheme, rules and agreements
 - contract for premises
 - third party development contracts
- **Post Incorporation**
 - Has the news item, press release or feature article been prepared ?
 - Have the details of the spinout and associated deals been entered into the TTO database?
 - Has the company arranged appropriate insurance?
 - Has the University Director been appointed
 - The spin out should now be transferred to the portfolio manager on the database

Spin-out Equity Management (SEM)

- Discuss and outline the expected timetable on spin-out projects with dedicated SEM team
- Shareholders/investment agreement; technology licence and consulting agreements signed
- SEM to provide comment to Isis on aspects of the spin-out process as it wishes, outside of the negotiations on specific projects and spin-out companies

Negotiation with Spun-out companies & IP assignment

- Assignment of intellectual property
 - The University owns shares in spin-out companies and TTO licenses technology to them
 - Convert the licences to assignments if triggered by these events:
 - An Initial Public Offering (IPO) on a recognised exchange (e.g. LSE, AIM, Nasdaq) raising more than [£] with a pre-money valuation greater than [£]
 - A trade sale valuing the company at greater than [£] by an acquirer valued at greater than [£]
 - The £ amounts are to be considered case by case
 - Other relevant factors are:
 - it is only possible to assign the technology in an exclusive, all fields, worldwide licence.
 - the status and age of the patents/applications
 - time since spinning out
- Post-deal share options for academics